

# IFI criticism intensifies ahead of meetings

**After Genoa, the next stop for the global protest caravan is the Bank and Fund annual meetings in Washington DC. Conservative estimates have put the number of expected protesters at 40,000 but with trade unions announcing their backing numbers could be far higher. The Bank, Fund and government delegations are changing their plans in response.**

Several of the less influential delegations are opting out of the meeting, particularly since the Bank and Fund announced that they would be cut back to just two days. The Development and International Finance and Monetary Committee meetings will now both be held on Saturday 29th September to avoid the protests scheduled for the next day. Officials have said there will now not be time for meetings usually held with developing country delegations.

"Whether they meet for six days or two, the institutions' agenda remains the same: more layoffs, less government spending on social programs, less credit for small farmers and businesses, more privatisation and higher corporate profits," responded Njoke Njoroge Njehu, Director of *50 Years is Enough*, one of the lead protest mobilising groups.

While lawyers for anti-globalisation protesters filed a lawsuit against the Washington police department arguing that planned measures to contain demonstrations were "unconstitutional", officials welcomed the decision to shorten the meetings. "We are thinking of faxing the demonstrators a list of forthcoming meet-

ings we would like shortened," the *Financial Times* quoted one official.

The meetings have been moved from their usual luxury hotel location to the more easily policed Bank and Fund headquarters. It is rumoured

ments a leader article in *The Guardian* (UK). "They are publicly financed bodies which need to admit they have no monopoly on expertise".

The World Bank has just completed a detailed report on globalisation in

"business as usual" and said it failed to set an agenda for making globalisation work for the poor.

The entire approach of the World Bank is now widely questioned. Jessica Einhorn, a former Bank managing director hand picked by Wolfensohn, argues in this month's *Foreign Affairs* that the World Bank "takes on challenges that are far beyond any institution's operational capabilities". *Financial Times* journalist Stephen Fidler, writing in *Foreign Policy*, also commented "James Wolfensohn has presided over what many close to the Bank view as a tragic deterioration of the world's premier development institution, which they describe as rudderless and lacking strategic direction".

Both articles point out that it is often the rich-country members who, like fashion accessories, have pushed more functions on to the Bank, "The countries that own it—its shareholders—must streamline its many functions and even devolve certain tasks to other institutions" commented Einhorn. 

**"The protesters are winning. They are winning on the streets. Before too long they will be winning the argument. Globalisation is fast becoming a cause without credible champions. This week we saw the Washington consensus make way for Washington's retreat."**

Philip Stephens, *Financial Times* 17 August 2001

**"I don't endorse 'street violence'. But neither do I accept the 'boardroom violence' of decision-makers who ignore the plight of people who suffer daily from unjust international structures."**

Dr Peter Henriot, Jesuit Centre for Theological Reflection, Lusaka, Zambia.

that a wall may be built around them, as at Genoa. The Bank has agreed, however, to meet some critics in a televised debate. "The IMF and World Bank ought to put their arguments to debate not only in the United States but in every continent," com-

time for the annual meetings stating it is a "powerful force for poverty reduction". Yet its report (see story, p. 2) does admit that billions of people are failing to benefit from globalisation and that it has "some adverse effects". Oxfam International called the report

 [www.50years.org](http://www.50years.org)

 [www.globalizethis.org](http://www.globalizethis.org)

 [www.foreignaffairs.org/articles/Einhorn0901.html](http://www.foreignaffairs.org/articles/Einhorn0901.html)

 [www.foreignpolicy.com/issue\\_SeptOct\\_2001/fidler.html](http://www.foreignpolicy.com/issue_SeptOct_2001/fidler.html)

Official Annual Meetings website:

 [www.imf.org/external/am/2001](http://www.imf.org/external/am/2001)

The Bretton Woods Project website will feature regular reports and recommended links during the annual meetings period.

 [www.brettonwoodsproject.org](http://www.brettonwoodsproject.org)

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# Bank assesses globalisation facts and fears

**“Some anxieties are well-founded,” agrees a major new World Bank report that outlines evidence and an agenda for action on globalisation\*. As expected, it is generally supportive of the economic impacts of globalisation. It is, however, refreshingly honest about some of the problems it causes—both economic, for example to certain sets of workers, and in other respects. It quotes a recent poll in which over half of respondents expressed fears that globalisation threatens their country’s culture, while a third urged further attention to human rights and the environment.**

The report states, “Without policies to foster local and other cultural traditions, globalisation may well lead to a dominance of American culture”. National anti-trust regulators have “severe challenges” in coping with monopolies and oligopolies. Whilst global trade rules may enhance the power of developing countries, “there is a danger that the rules come to favour the strong”, for example in intellectual property rights. On global warming the report points out that the emissions of carbon dioxide from major economies “should not continue unrestrained”.

The 21-point “agenda for action” may, however, appear optimistic to many. The Bank argues that the problems it identifies can be solved through collective action. Climate change can be resolved through the Kyoto Protocol and/or emission trading mechanisms. Rich countries can open their markets to poor

country exports. For “some countries that will never industrialise”, the report suggests “global action to provide large aid inflows over a long period; to provide opportunities for workers to emigrate to neighbouring globalising countries and to rich countries”.

It is unclear from where the political will is likely to emerge to support such actions. The Bank does, however, pay protesters the compliment of agreeing that “in part this agenda overlaps with the agenda of the streets”, and that global civil society can “become a powerful impetus to collective action on poverty and the environment”.

[www.worldbank.org/research](http://www.worldbank.org/research)

See also: *The Case Against the Global Economy*, Earthscan 2001

\*All quotations taken from July draft. Final draft expected to be the same. Not available at time of going to print.

## UN report proposes new global institutions

A major policy report has been produced with proposals for the Financing for Development summit to be held next March 2002 in Monterrey, Mexico. The report, written by a High Level Panel appointed by the UN Secretary General, urges that aid should be targeted to poverty reduction and provided on a common pool basis without conditionality. “Borrowing countries should be given the opportunity to choose their own path to reform,” it states.

Aid flows should be increased and “consideration should be given to establishing a separate income source, perhaps in the form of a carbon tax, to finance the supply of global public goods”. The report is less keen on a Tobin Tax on international currency transactions, but proposes the establishment of a new International Tax Organisation to consider various taxation proposals.

The Panel is critical of current global economic governance arrange-

ments, which have not kept pace with the growth of international interdependence. It supports the creation of a high-level council on Global Governance to provide leadership on these issues. The report also supports the establishment of “a Global Environment Organization with standing equivalent to that of WTO, the International Monetary Fund (IMF) and the World Bank”.

A wide range of Mexican NGO networks have started to prepare an alternative meeting to be held just before the official one next March. Their theme will be “power and economic decision-making”.

[www.un.org/esa/ffd](http://www.un.org/esa/ffd)

[www.southcentre.org/publications/financing/toc.htm](http://www.southcentre.org/publications/financing/toc.htm)

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## Plans for Bank, Fund contested

The G8’s mandate has been seriously questioned in recent months, but this has not stopped G8 ministers setting new directions for the World Bank and IMF. G8 finance ministers and central bank governors welcomed IMF moves on conditionality, evaluation and collaboration with the World Bank. Their report suggested that MDBS “should concentrate on core social and human investment such as health and education, enhancing growth and raising income per capita. Selectivity, accountability and a focus on results are key principles.” It states that MDBS should:

- strengthen project design and evaluation, to measure development effectiveness and results;
- establish or improve independent mechanisms to ensure compliance of project proposals with policies and procedures;
- strengthen or establish inspection mechanisms reporting directly to their Boards;
- adopt a more open policy on information disclosure by making draft and final key documents available to the public;
- establish more transparent budget processes;
- review internal organisation and take concrete steps to improve operational effectiveness, in particular at the World Bank;
- prepare a joint report on global public goods by the end of 2001.

The G8 Finance Ministers’ July 2001 statement called for the IMF to facilitate the opening up of capital accounts. This is the strongest public statement since plans to extend the Fund’s mandate to cover capital accounts were shelved after the Asia financial crisis. The statement “calls on the Bretton Woods Institutions to provide support and expertise to countries seeking access to international capital markets”, and to encourage “the IFIs to further coordinate and extend technical assistance on liberalisation-related topics”. The statement also raises the spectre of a new multilateral investment agreement, “a stable and non-discriminatory investment regime

could be brought about and maintained through the establishment of a high-standards framework of investment rules.”

In contrast, ministers attending the G15 summit in Jakarta in May heard Mahathir Mohamad, Malaysian Prime Minister, condemn the IMF for losing sight of its original purpose, “It has become all too clear that the IMF is more a political instrument than one for financial rehabilitation. The highly questionable value of free and unregulated markets is still being touted as the ideal which must be adhered to at whatever cost. The ideology of market freedom, it seems, is more important than the well-being of human society,” he added. Malaysia will host a meeting of G15 experts in the next few months that will push ahead with a commitment to take a more proactive role in the financial rehabilitation process.

Franck Almaric, of the Society for International Development in Rome, commented “the G8 proclaims itself to be the political forum governing the global organisations managing the present form of globalisation, including the IMF, the World Bank and the WTO. But these topics should be discussed elsewhere [such as] the UN meetings on Financing for Development”.

The World Development Movement commented that the G8 leaders had “adopted the campaigners’ language but continued to push the ‘free-market’ model that many campaigners see as the root of today’s growing inequality between rich and poor. Thousands of peaceful protesters were in Genoa calling on leaders to tackle the plight of the poorest countries. Whatever the official spin, their voices have gone unheard, drowned out not just by the violence but also by the platitudes of the leaders.”

[www.g7.utoronto.ca/g7/finance/fm010707.htm](http://www.g7.utoronto.ca/g7/finance/fm010707.htm)

[www.sittdec.org.my/g15/](http://www.sittdec.org.my/g15/)

[www.wdm.org.uk/campaign/Genoa.htm](http://www.wdm.org.uk/campaign/Genoa.htm)

**“Wolfensohn’s innovations don’t go down well among Republicans, who haven’t much time for international institutions. The Bank is struggling with an identity crisis as its historic role of funding infrastructure passes to the private sector. It may be an imperfect institution, but many of its faults lie with the parsimony of the G8 countries which fund it.”**

The Guardian, UK, 29 August, 2001

# World Bank lending to poorest countries examined

**As governments are again being asked to contribute to the World Bank's International Development Association (IDA) facility, NGOs and others are raising questions about the role and effectiveness of the Bank's lending through IDA to the poorest countries. Should grants be favoured over loans (see article below)? Should lending to countries with "weak governance" be withheld? Do World Bank selection criteria for access to IDA funds support reforms set out in countries' PRSPs?**

The Bank recently published findings of a survey of 200 officials, academics and NGOs from IDA-borrower countries. Less than half of participants found the Bank's approach to assessing the government's economic and social policies and record on governance appropriate and fair. One official said "at times IDA acts in a dogmatic manner stressing the paradigm that is in fashion".

Over half of survey respondents were from African countries and 80 per cent had involvement in IDA's activities for more than three years—mostly in national government. Four out of ten respondents disagreed that IDA lending to countries with very weak governance should be scaled back or stopped entirely. "Limiting assistance to countries with weak governance would only worsen the situation of the poor," one respondent commented. However, "without strict monitoring and

evaluation, IDA funds might become one of the major sources of corruption and unfairness in the country and even make weak governance worse," another pointed out.

A large majority of survey respondents thought IDA resources should help strengthen local training and research organisations, developing effective government management systems and procedures, and building capacity at community level. Nearly all respondents thought IDA should emphasise social sector

development and said PRSPs should include progress indicators based on thorough diagnosis of the country's poverty situation. There was also full agreement that PRSPs should be highly participatory.

Donor government officials negotiating the refinancing of IDA have urged the Bank to review the index by which it judges countries' performance and allocates IDA resources. The Country Performance and Institutional Assessment index (CPIA) is a series of 20 policy criteria.

**"Multilateral development banks keep subsidising fossil fuel projects by using public funds especially for oil and coal extraction, exploration and transport. Thus we are paying from the same pocket to create a global problem and solve it".**

Petr Hlobil, CEE Bankwatch Network, July 2001.

**More on World Bank and environment – page 6.**

These are standardised across all countries, not tailored to each country's reform priorities. Nor are they specifically poverty focused. Moreover, they ignore important aspects of the Poverty Reduction Strategy process such as the quality of participation. For the first time the Bank has agreed to discuss its ratings with the governments concerned, but not to reveal them to the public.

An independent review of IDA's performance since 1994 has concluded that poverty trends in most IDA countries have been disappointing during that period. In particular, it notes the linkages between country programmes and poverty outcomes need to be better articulated and that more needs to be done on governance and institutional capacity. IDA has lent US\$ 42 billion to 77 low-income countries during this period.

The review recommends improving implementation of Country Assistance Strategies and programmes in the context of PRSPs. "This will call for even greater country and programme selectivity, far more effective donor coordination and harmonisation as well as systematic monitoring and evaluation, focusing on results and the international development goals," the report concludes. ©

[www.worldbank.org/ida](http://www.worldbank.org/ida)

[www.odi.org.uk/pppg/monitoring\\_report.pdf](http://www.odi.org.uk/pppg/monitoring_report.pdf)

## Will grants kill IDA?

**Heated debate is brewing between the US government which proposes that the Bank's International Development Association (IDA) should provide up to 50 per cent of its resources as grants and some European governments (supported by the Bank) who argue that to do so would deplete IDA's resources. The benefit of loans is that repayments can be used for further lending. Many Europeans are critical of the US proposal for failing to offer any new money. "The US call for a shift towards more grants is highly suspicious", commented Greetje Lubbi, of the Dutch NGO Novib. "The US has not indicated that it plans to increase its contributions."**

The US government has argued that grant lending would increase IDA's effectiveness because it could more easily be linked to results, which would encourage governments in the future to donate more money. Some have suggested the US government is trying to use the grants argument as an indirect way to reduce the role of the Bank. However, John Taylor, Under-Secretary for International Affairs, commenting in the *Financial Times* (19/7/01) said that the plan would reduce IDA income only by about four per cent over 20 years. While the US argues that the loans are often too expensive for the poorest countries the Europeans have retorted that loans

ensure money is well used. Several NGOs have supported the US position. Robert Naiman from the Center for Economic and Policy Research commented, "this would have no effect on net flows from the World Bank or from the US to poor countries. Poor countries won't be worse off as a result of not having the World Bank take \$800 million from them and lend it back to them."

Liana Cisneros from Jubilee Plus, UK, commented, "European leaders opposed to Bush's proposal are simply defending corporate interests in their own countries. World Bank loans effectively provide subsidies to big companies wanting to do business in developing countries"

she added. The US 50 Years is Enough! network welcomed the grants proposal but added, "the grants would still come from the World Bank—an institution that has not proved particularly adept at funding projects designed through participatory processes and which avoid environmental and social damage". Adam Lerrick and Allan Meltzer (chair of the US congressional committee which produced a critical report on the Bank and Fund in 2000), described the Bank's argument that IDA grants would deplete resources as "faulty". They suggest that "grants would be project-linked, monitored for results, and paid only for performance. The grant system would count and pay

for numbers of babies vaccinated, children that can read, and water and sewer services delivered to villages. No results, no funds expended. And no funds diverted to offshore bank accounts, vanity projects or private jets." However the poorest countries do not have the resources up-front to invest in these areas. Thus providing money only when results have been achieved may lead to no investment at all.

At present it seems likely that the new IDA agreement will allow for about 10–15 per cent of all IDA resources to be given as grants. The tricky question is how these resources will be allocated. For example, it could be allocated to the very poorest countries, to those countries with the largest number of poor people, to those countries with the most debts, or to primary education and health sectors. ©

For Robert Naiman's comments go to:

[groups.yahoo.com/group/naiman-columns/message/66](http://groups.yahoo.com/group/naiman-columns/message/66)

*Financial Times* article:

[www.jubilee2000uk.org/world-news/europe/Give\\_%20take.htm](http://www.jubilee2000uk.org/world-news/europe/Give_%20take.htm)

## Positive signals on IMF evaluation

Transparency will be an important element of the IMF's Evaluation Office (EVO), according to the new director, Montek Ahluwalia. He recently met NGOs, academics and government staff in Japan, the UK and Germany to discuss evaluation topics and how his Office will work. He has proposed that his draft evaluation programme and draft terms of reference for each individual evaluation be made public for comments "to ensure the right questions are being asked".

He also seemed enthusiastic to receive suggestions on what to evaluate. Some NGOs suggested that the EVO should reply in writing to those who propose evaluation topics explaining whether their proposal will be taken forward or if not why

not. They also proposed that all evaluation requests should be published in the EVO's annual report.

David Goldsbrough, an IMF staffer, has been appointed EVO deputy director. NGOs pointed out that the EVO should be staffed by people with a variety of backgrounds and skills, including social and environmental analysts, political science experts and evaluation specialists. To date the Office has only advertised for economists.

Some NGOs expressed concern that EVO recommendations might be changed in the light of comments from staff before reports are published. They suggested that staff and Board comments should be published alongside evaluation reports.

Participants in the consultations were encouraged that Ahluwalia seemed sympathetic to the suggestion that reports should discuss a range of views and to clearly explain the rationale for its conclusions and recommendations. NGOs also emphasised the need for monitoring how recommendations were implemented. Ahluwalia suggested that one possibility would be to review what actions have been taken after a couple of years.

Several NGOs sent a follow-up letter to Ahluwalia detailing these and other concerns and the office will be established by the end of the year.

Further NGO letters and reports

🌐 [www.brettonwoodsproject.org/topic/reform](http://www.brettonwoodsproject.org/topic/reform)

To receive and comment on a list of proposed evaluation topics:

📧 [mahluwalia@imf.org](mailto:mahluwalia@imf.org)

## New official review of PRSPs

The World Bank and the IMF are inviting public participation in reviews of the Poverty Reduction Strategy (PRS) process. The review will assess what has been achieved in the two years since this approach to structural adjustment was announced, and examine ways to improve it. Some 15–20 countries are expected to have completed full PRSPs by the end of the year.

Questions to be covered include:

- have governments effectively taken the lead on PRSPs, and to what extent have they internalised the process?
- have governments engaged in participatory consultations, and how have consultations affected PRSPs' content?
- has the PRSP approach improved coordination between aid donors and recipients, as well as between finance ministries and line ministries?
- have countries prioritised and costed their reforms and policy actions?
- has the push for speed in the HIPC process affected their quality of PRSPs?
- how well have Fund and Bank staff supported the PRSP processes?

Outside submissions will be used as background material alongside the IMF's own analysis. An conference will be held in Washington DC in January 2002 and there will also be regional country events.

In parallel the IMF will conduct a review of its Poverty Reduction and Growth Facility. The reviews will be presented to the World Bank and IMF Executive Boards in March 2002. 📧

Send submissions to

📧 [prsp@imf.org](mailto:prsp@imf.org)  
📧 [prsp@worldbank.org](mailto:prsp@worldbank.org)

🌐 [www.worldbank.org/poverty/strategies/](http://www.worldbank.org/poverty/strategies/)

## Bank rejects adjustment findings

Initial findings of a review of adjustment policies by government, WB and civil society were presented to Bank management in Washington DC in July. However, after four years of review, the Bank appears to be trying to distance itself from the results.

When the Structural Adjustment Participatory Review Initiative (SAPRI) started its opening forum was attended by Bank President James Wolfensohn, but this time senior managers stayed away. Instead, the Bank insisted on putting out its own report, *Adjustment from Within*. While claiming to be based on the evidence generated from the SAPRI country studies, the Bank report does not discuss many of their most substantive criticisms. Instead the report is a retort to some of the SAPRI country findings and relies heavily on other Bank research. While recognising that

lessons have been learned through the Initiative, including on the role of civil society in policy-making, and that some reforms have had negative impacts on vulnerable groups, the Bank claims that it has learned from its mistakes. "The report reflects the Bank trying to distance itself from the findings of a joint process that it was very much involved in. Rather than trying to embrace the findings, this action demonstrates that the Bank is not open to informed dialogue", commented Doug Hellinger, SAPRI Steering Committee. The Bank has just completed an Adjustment Lending Retrospective, which also neglects most findings from SAPRI. It is currently producing an Issues Paper on Adjustment Lending Operations, which will be presented to the Board in the coming months. This will be discussed with civil society organi-

sations before staff draft a new Operational Policy on Adjustment Lending, which is expected to tackle issues of ownership, conditionality, social impact analysis, participation and disclosure.

On 27–28 September the SAPRI Civil Society Network (SAPRI) is planning an open global forum, which will convene civil Civil-Society Leaders from 10 countries to present these findings. A global report with recommendations for action will also be submitted to James Wolfensohn.

For more information on the global forum:

🌐 [www.saprin.org/voices\\_from\\_the\\_south.htm](http://www.saprin.org/voices_from_the_south.htm)

Individual country reports can be found at:

🌐 [www.saprin.org/research\\_rpt.htm](http://www.saprin.org/research_rpt.htm)

*Adjustment from Within* is available at:

🌐 [www.worldbank.org/research/sapri/WB%20SAPRI%20Report.pdf](http://www.worldbank.org/research/sapri/WB%20SAPRI%20Report.pdf)

## President abused power in IMF deal

In August, Sri Lanka's President Chandrika Kumaratunga was impeached on charges of violating the constitution. The United National Party cited the March agreement with the IMF as an abuse of power because the president failed to obtain prior approval from her ministers.

The IMF has already released half of the US\$253m loan but the remainder is unlikely to be released without changes to the programme. Kumaratunga is also charged with "subjecting the country to unspecified and unlimited conditions which the IMF may impose... and thereby guilty of abuse of the powers of her office."

## Disappointing Bank disclosure policy

A new World Bank information disclosure policy fails to respond to calls for greater transparency. In a report prepared for Genoa, G7 finance ministers recommended the Bank "make draft and final key policy and strategy documents available to the public." This includes draft Country Assistance Strategies and Project Appraisal Documents. Bank staff disregarded these suggestions as well as those of over 600 organisations which made specific proposals. Still secret under the staff recommendations would also be the mid-term reports and other documents evaluating Bank projects.

🌐 [www.bicusa.org/mdbs/wbg/info.htm](http://www.bicusa.org/mdbs/wbg/info.htm)

🌐 [www.worldbank.org/infoshop/disclosure](http://www.worldbank.org/infoshop/disclosure)

## New Executive Directors

In August Carole Brookins replaced Jan Piercy as US Executive Director (ED) at the World Bank. Brookins was formerly Chairman of World Perspectives, Incorporated, a consultancy company, and Vice Chair of International Food Strategies. Randal Quarles, an attorney, will replace Karin Lissakers as US ED at the IMF. Pierre Duquesne, a former adviser to Lionel Jospin is the French ED of both the Bank and the IMF, replacing Jean-Claude Milleron. In November Tom Scholar, an adviser to UK Chancellor Gordon Brown, is expected to replace Stephen Pickford as British ED of both the Bank and the IMF.

## Tanzanian user-fees concern

In 2000 the US Congress passed a law requiring the government to oppose loans that includes user fees for basic health or education services. However, a study by the US Centre for Economic and Policy Research finds that the Treasury has failed to oppose the PRSP for Tanzania that contained user fees for health. A 1998 report from the World Bank's Operations Evaluation Department (OED) reported that about 40 per cent of World Bank health, nutrition and population projects included user fees.

🌐 [www.cepr.net](http://www.cepr.net)

For a user-fee briefing note

📧 [carter@action.org](mailto:carter@action.org)

# Argentina to be sacrificed on free-market altar?

**In August, Argentinian teachers, doctors and public workers went on strike and unemployed workers and students blocked roads to protest against rising unemployment and cuts in pensions and salaries. These were measures agreed by the government in order to secure a further \$8bn loan from the IMF. But the new cash will only offer temporary help to shore up reserves. Since June foreign investors and wealthy Argentinians have taken out \$9bn from the country, which was formerly billed as a structural adjustment success story.**

Coordinator of *Dialogue 2000*, a coalition of Argentinian NGOs, Beverly Keene said: "This new agreement with the IMF will only make things worse since these loans are conditional on implementing more of the policies that have impaired the economy and taken an enormous human toll." The pressure is on the Argentinian government not just to save its economy but to save the reputation of neo-liberal economics. "If Argentina collapses, we're not talking about just an economic contagion in emerging markets, but a political one," Daniel Artana, chief economist at FIEL, a Buenos Aires-based research organisation told the *Washington Post* (6/8/01). "The real danger is that restless left wingers will point to Argentina, a country that went full thrust with the free market, and say it is evidence that capitalist reforms simply don't work." In a letter to the *Financial Times* (17/8/01), former US Treasury Secretary, Nicholas Brady, remarked,

"The decisions made now are crucial for the global economy. If Argentina rises to the occasion and fulfils the principles that would free the IMF to act, we could continue along the path of progress. Then the goal of achieving free and open markets would not have to be abandoned by Argentina or any other country."

Argentinian Finance Minister Domingo Cavallo insists that the government will continue to tighten its budget to meet IMF and private investors' expectations of a "zero deficit". This year, Argentina is scheduled to pay \$30 billion in interest and foreign debt service, more than half the national budget. To reach the zero deficit target will require cutting government salaries and pensions by at least 13 per cent.

US Treasury Secretary Paul O'Neill wants to demonstrate a tougher line against using multilateral and bilateral funds to bailout countries in financial crisis. In his view, countries should make significant efforts to

restructure their economies before funds are provided. He is confident that national economic policies are at the main cause of crises and that contagion is now less likely than before. However, the US administration has already strayed from its hard line adopted when in opposition—that it would not support more money to Argentina.

While attention has focussed on debt restructuring and budget tightening, the IMF has supported the government's desire to maintain its over-valued currency arrangement, causing exports to become increasingly uncompetitive. The government has resisted devaluation on

the basis that it would cause a collapse in the economy as investors rushed for the exits and hedge funds move to make a quick killing. In the meantime, the Bush administration has criticised Argentina for failing to support regional trade liberalisation. US Trade Representative Robert Zoellick announced that as part of the administration's support for the new IMF loans, he will meet the trade ministers from Argentina, Brazil, Paraguay and Uruguay "to pursue our common interest in free trade as an engine of economic growth".

Earlier in the month Brazil secured a further \$15bn from the IMF to help deal with problems caused by Argentina's crisis. Since February the value of Brazil's currency, the Real, has fallen by nearly 25 per cent against the US dollar. With the country heading into a presidential election year, any new cuts in government spending and investment would probably strengthen the appeal of the left-leaning opposition, some parts of which are opposed to dealings with the IMF and support a moratorium on repayment of Brazil's foreign debt.

[www.stern.nyu.edu/globalmacro/](http://www.stern.nyu.edu/globalmacro/)

**"Even the half-baked economists at the IMF should know that holding back government spending in a contracting economy is like turning off airplane engines in a stall."**

Greg Palast, *The Guardian* (11/8/01)

## Conditionality review exposes divergent opinions

**Consultations held in Berlin, Tokyo and London for the IMF's conditionality review have revealed significant differences in opinions. While many IMF, Bank and some donor government staff are adamant that conditionality remains vital and the priority is to find mechanisms for coordination and harmonisation between the Bank and Fund, others have questioned whether streamlining conditionality simply addresses symptoms, not causes, of problems with the IMF.**

British researcher Tony Killick commented that streamlining will not solve the fundamental tension between conditionality and ownership. Governor of the State Bank of Pakistan and former World Bank director, Ishrat Hussain, pointed out that the IMF has a monopoly on what it considers "good" intellectual knowledge against which all other policies are judged. It also has a monopoly on the access to resources. Unless these asymmetric power relations are rectified then the problem of conditionality will not be resolved. Moreover, those IMF staff with most knowledge in a country context are the least influential in the decision making process.

Barbara Unmussig, WEED, and Martin Khor, Third World Network, emphasised that programme effectiveness was the key issue. Hence the content of conditionality that was the primary concern. Unless this was addressed, simply cutting back the number of conditions or overlaps between the Bank and Fund would have minimal impact.

Syrus Rustomjee, IMF ED for many African countries, pointed out a need to define more clearly what is "ownership" and to develop mechanisms to allow borrowers to make policy choices. David Vines, Oxford University, proposed that it would be helpful to distinguish between different types of countries, for example,

those with long-term development issues, those with typical short-term balance of payments stabilisation and those with short-term crises linked to capital market issues. Conditionality should be applied differently in the three cases. There should be more government ownership in the first case, a focus on macroeconomic conditions in the second case and in the third case a focus on quick acting structural reforms.

Mohsin Khan from the IMF Institute presented a paper on results based conditionality. This would emphasise monitoring outcomes, leaving governments free to determine their policy paths. Some staff expressed concerns about how out-

comes could be monitored and how this could be linked to the disbursement of resources. Some borrower governments supported results based conditionality in principle and also emphasised the need for improved technical assistance for policy design. Several representatives noted that all donors needed to collaborate in the process of reducing the overall burden of conditionality. Further staff papers on this issue will be available in September. New conditionality guidelines will be agreed by April 2002.

Ishrat Hussain presentation

[www.sbp.org.pk/about/speech/24-07-01.pdf](http://www.sbp.org.pk/about/speech/24-07-01.pdf)

Martin Khor presentation

[www.twinside.org.sg/title/ownership.htm](http://www.twinside.org.sg/title/ownership.htm)

Papers from the Japan consultation

[www.imf.org/external/np/pdr/cond/2001/eng/sem/071001.htm](http://www.imf.org/external/np/pdr/cond/2001/eng/sem/071001.htm)

IMF Structural Conditionality, How Much is Too Much? Morris Goldstein, IIE

[www.iie.com/catalog/wp/2001/01-4.pdf](http://www.iie.com/catalog/wp/2001/01-4.pdf)

## Bank unveils new environment strategy

Many NGOs and officials welcomed the new World Bank environmental strategy, adopted this July. But doubts remain about its implementation.

The strategy pledges that the Bank will work on enhancing livelihoods, preventing and mitigating environmental health risks and reducing vulnerability to environmental hazards. Specific work will include helping improve natural resource management, reducing poor peoples' exposure to air pollution, waterborne diseases and toxic chemicals, introducing payments for environmental services, improving weather forecasting and assessing the impacts of natural disasters.

As part of its policy work with governments the Bank aims to improve on environmental policy, regulatory and institutional frameworks and environmental assessments. It also aims to create markets for environmental goods and

services and improve citizens' access to environmental information.

Much of the strategy seems to downplay tensions and contradictions between its various aims. It also appears to be over-optimistic about what the Bank can do. However, there are many positive elements, including an entire chapter outlining needed institutional changes at the Bank. It recognises: "we need to align our incentives, resource allocation, and skills mix to accelerate the shift from viewing the environment as a separate, freestanding concern to considering it an integral part of our development assistance." It notes that it is particularly urgent to "integrate environmental considerations into the PRSPs".

[www.worldbank.org/environment](http://www.worldbank.org/environment)

[www.brettonwoodsproject.org/topic/environment](http://www.brettonwoodsproject.org/topic/environment)

## Basic services: hands off!

French organisations have launched a new campaign for the reform of the international financial institutions (IFIs) and equal access to basic services. The campaign denounces the structural adjustment measures which continue to be imposed by the IFIs, the lack of civil society participation and independent assessment of their policies as well as the insufficient amount of international aid devoted to basic services (water, sanitation, health, education and power).

"Basic Services: Hands Off!" is being run by *Agir ici pour un monde solidaire* with CRID and AITEC and supported by 26 other groups. They complain that all too often IFI policies result in the privatisation of state-owned facilities which in turn

can lead to drastic price increases. The campaign asks French decision-makers to refuse to let the IFIs impose privatisation and any other measure that limits access to basic services, demand an independent assessment of the impact of these measures on the equality of access to basic services and to propose at the United Nations Conference on Financing for Development 2002 that at least 30 per cent of multilateral aid be devoted to basic services.

[agirici@globenet.org](mailto:agirici@globenet.org)

[www.globenet.org/ifi](http://www.globenet.org/ifi)

The second annual French parliamentary report on the IFIs is available at:

[www.finances.gouv.fr/minefi/europe/fmibm/index.htm](http://www.finances.gouv.fr/minefi/europe/fmibm/index.htm)

## Coal India problems inspected

The World Bank's Inspection Panel has visited India in response to a claim filed against the Bank's Coal India loans. The claim alleged that the Bank's loans had failed to follow Bank social policies and that livelihoods have suffered as a result, especially through loss of land, forests and water. The Panel visited an official resettlement site for people displaced by the coal mines. It contains "a school with no teacher, a health centre with no nurse and a community hall with no community". The Panel will report to the Bank's Board and a full inspection may follow.

## Riots erupt over PNG Privatisation Plans

Police shot student protesters in Port Moresby, Papua New Guinea in late June. The protesters were objecting to plans pushed by the IMF and World Bank to privatise telecommunications and electricity companies as well as the government-owned bank, airline and the port authority. Trade unions claim that thousands of jobs would be lost and have struck an alliance with prominent student groups. The World Bank and IMF proposals for 'modernising' the land ownership system have also been condemned as a thinly veiled land grab by rich individuals and companies.

## Georgia National Park concern

NGOs have written to the World Bank complaining about the contradictions between its support for oil pipelines, harbours, refineries and oil terminals which may threaten a national park protected under a previous Bank loan.

In 1998 the World Bank and the Global Environment Facility (GEF) agreed financial support to help manage the Black Sea coastline, including an area An IFC-backed new oil terminal in Supsa, just two kilometres from the Kolkhety Wetlands appears to threaten this because of water use and disposal.

The Bank has also been active in pressing through reforms helping to minimise the political risks of oil investment in Georgia for private investors. Association Green Alternative and CEE Bankwatch Network.

[www.bankwatch.org/publications/policy\\_letters/2001/wb-kulevi-oil0501.htm](http://www.bankwatch.org/publications/policy_letters/2001/wb-kulevi-oil0501.htm)

[www.parliament.ge/SOEGEO/english/blacksea/iczm.htm](http://www.parliament.ge/SOEGEO/english/blacksea/iczm.htm)

[www4.worldbank.org/sprojects/Project.asp?pid=P050911](http://www4.worldbank.org/sprojects/Project.asp?pid=P050911)

## Bank under fire on oil, gas and mining

Ecuadorian NGO DECOIN has expressed outrage at the findings of a report on a World Bank funded mining project in Ecuador. The Prodeminsa mining development and environmental quality project collected geochemical data from 36,000 square kilometres of Western Ecuador (3.6 million hectares), including seven national protected areas and dozens of forest reserves.

The Inspection Panel found flaws in the Environmental Impact Assessments, yet decided that the project did not fundamentally violate World Bank policies. DECOIN commented: "the Panel's unfortunate and unjust decision gives a green light to the long-held plans of the national and international mining sector of gaining access to millions of hectares of protected areas in Ecuador for mining, and inevitably sets the stage for endless conflicts between mining companies, and local populations and their local governments".

These issues will be much discussed when the Bank unveils its

planned review of its oil, gas and mining projects. The Bank has selected Emil Salim, former State Minister for Population and Environment in Indonesia to run this review of extractive industries. Joji Carino, a former commissioner on the World Commission on Dams, said "The Bank is misleading people by comparing this new review to the World Commission on Dams. The extractive industries review will be far less independent and rigorous than the WCD. It will not be properly open to the voices of the communities most directly affected by mining". Meanwhile Friends of the Earth International are circulating a joint sign-on appeal for the World Bank to institute an immediate moratorium and eventual total phase-out of support for the fossil fuel and mining sectors.

[www.decoin.org/violations.html](http://www.decoin.org/violations.html)

[www.foei.org/campaigns/IFI/action.htm](http://www.foei.org/campaigns/IFI/action.htm)

[www.eireview.org](http://www.eireview.org)

## Nigerian groups demand moratorium

In August, about 100 civil society organisations, most based in the Niger Delta, halted a consultation with Peter Woicke, Executive Vice President of the International Finance Corporation (IFC). They were responding to his failure to make a clear response to their demands for a one year moratorium on the implementation of the IFC/Shell sponsored "Niger Delta Contractor Revolving Credit Facility" project. The groups were demanding the moratorium to allow time for real and transparent consultation with communities.

## Workers protest Burkina privatisation plans

More than 1,000 workers from 13 public companies took to the streets of Ouagadougou, Burkina Faso in August chanting slogans such as "Down with wild-cat liberalisation!" and "Down with Bretton Woods injunctions!". Union leaders called the 24-hour strike in protest at the government's decision to privatise their enterprises. They want parliament to revoke a privatisation bill passed in July.

# MIGA Attacked by NGOs and Congress

An NGO report has called for the World Bank Group arm which insures private investments to be shut down. This was swiftly followed by a vote in the US House of Representatives to take money intended for the Multilateral Investment Guarantee Agency (MIGA) and re-allocate it to anti-tuberculosis programmes.

"MIGA has a history of supporting disastrous projects that destroy the environment and harm local communities," said Carol Welch, Friends of the Earth US Deputy Director of International Programs. "In a world where assistance to poor countries is limited, tax dollars should not be supporting secretive public institutions that promote environmental havoc around the world." The report—*Risky Business*—was published in July by Friends of the Earth (US), Urgewald (Germany) and Campagna per la Riforma della Banca Mondiale (Italy). It complains that MIGA has supported projects including Coca-Cola plants, breweries, a Marriott hotel and casino, a Citibank office building, a gas pipeline, and several large mines that have caused significant environmental and social problems.

MIGA guarantees corporations' investments against political risks such as nationalisation or political instability. The report gives an interesting example of how this works in practice. In 2000 the Indonesian government postponed construction of a power plant contracted to the US-based Enron Corporation. Enron then made a successful claim alleg-

ing government interference in its investment, which MIGA had backed with a \$15 million insurance policy. MIGA paid Enron \$4 million, with an additional \$800,000 paid by the government of Indonesia and the rest by MIGA's reinsurers. MIGA then announced that it would not provide political risk insurance for any further projects in Indonesia, prompting the government to agree to reimburse the whole \$15 million insurance claim. The report comments "in the end Indonesia will have paid MIGA at least \$15 million, with nothing tangible to show for it".

The report makes clear that "one of MIGA's main comparative advantages is a strong 'deterrence' factor. The existence of a MIGA guarantee comes with the implicit and explicit backing of the World Bank Group and all of MIGA's member nations. This makes it far less likely that a government will take or promote actions that could cause a claim to be paid." MIGA plans to extend its coverage to new categories of risks. A recent MIGA report indicates that these may include "environmental risks, kidnap and ransom, strikes, consumer boycotts, intellectual

property rights and weather, provided that these will contribute to increasing foreign direct investment flows." Risky Business comments that this could mean "such coverage may protect MIGA's multinational corporation clients from some of the few ways that communities and workers have available to protest against poor corporate citizenship". Poor labour or environmental practices may lead to strikes or consumer boycotts, as in the MIGA-backed Freeport McMoRan mine, Indonesia.

Whilst MIGA has made some changes in its social and environmental policy framework, the report concludes that "MIGA has not given any concrete sign of becoming more transparent or accountable, or changing its operations to cover risks for investments in fields of new environmentally friendly technologies, renewable energy, clean production and the transfer of adapted technology for local indigenous enterprises to facilitate their development." As private insurance companies now provide similar services to MIGA, the NGOs argue that no further aid money should be channelled through the

## MIGA facts and stats

- 70 per cent of companies getting MIGA guarantees are from five industrialized nations.
- Only 12 per cent of MIGA funds support investments in sub-Saharan Africa.
- In 2000 MIGA's net income (profit) was \$10.9 million.
- The top four sectors to have received MIGA guarantees are financial services, infrastructure, mining, and manufacturing.
- MIGA has hosted six meetings to promote mining investment in Africa.
- Since it started in 1985 MIGA has provided more than \$7 billion in political risk insurance for projects in 75 countries.

Source: Risky Business

Agency; it should instead go to institutions which are poverty-focused. Moira Varkie, MIGA's Marketing Manager, responded that the NGO report contained "many factual errors" and "hasty and unsubstantiated conclusions".

*Risky Business: How the World Bank's Insurance Arm Fails the Poor and Harms the Environment* (555kb PDF file)

[www.foei.org/campaigns/IFI/indexifi.htm](http://www.foei.org/campaigns/IFI/indexifi.htm)

Multilateral Investment Guarantee Agency

[www.miga.org](http://www.miga.org)

*Profiling Problem Projects: Making the Case for Change at the IFC*

[www.ciel.org/ifi/ifcproblemprojects.html](http://www.ciel.org/ifi/ifcproblemprojects.html)

## Kyrgyzstanis oppose incinerator

NGOs in Kyrgyzstan have raised serious concerns about plans for an urban waste incinerator to be built by Italian company ITI. The World Bank Group's private sector guarantee arm, the Multilateral Investment Guarantee Agency (MIGA) is lining up to back the project. Organisations in Kyrgyzstan complain that the company has not been willing to discuss concerns about health, pricing and alternatives with them. Some of the figures produced by the company appear to have been generated solely in order to demonstrate procedural compliance with World Bank guidelines.

Dr Irina Matveenko, of the Global and Local Information Partnership, commented "we learned that we were to be inflicted with obsolete technology, violation of our procedural environmental rights, and an insurmountable debt". She argues that there are other, better, solutions to her country's waste problems.

*Italians Trashing Kyrgyzstan*, Ecoston News  
[www.ecoston.org/Ecoston/en704e.pdf](http://www.ecoston.org/Ecoston/en704e.pdf)

## Bank plans new private sector approach

The World Bank has produced a draft Private Sector Development Strategy. It contains a number of new proposals and ways of working. They include controversial proposals to involve the Bank's lending for the poorest countries in private sector operations.

During the 1990s the World Bank increased the volume of its Private Sector Development Operations by 60 per cent. The Bank has stopped lending to state sector infrastructure and other projects where it believes that the private sector can do the job. The Strategy argues that poorer people are often badly served by public sector providers and often choose to buy privately where the choice exists.

The Strategy points out that shifting risks of project or enterprise performance to the private sector reduces the exposure of poor country taxpayers to public sector debt. Yet it recognises that "most PSD work has focused on supporting growth and thus hoped to support poverty reduction indirectly. More work may be required to assess the scope for

more direct, effective pro-poor interventions." The Bank also concedes that "privatization has been abused by powerful groups. Deregulation of financial markets has increased risks to poor citizens in a number of countries without necessarily delivering sustained growth. Over a decade of market reforms in Latin America has yet to show major positive results in many countries."

The Bank Group proposes providing basic infrastructure alongside deregulation, more work on property rights, scaling up microfinance and supporting small-scale entrepreneurs. It also plans "more aggressive incorporation of service obligations for the poor in private infrastructure schemes". The Bank's main proposed change, however, is to target subsidies so that they actually reach the poor. This would be done by making subsidy payments to companies only when services are delivered, not when infrastructure is constructed. This would lead to new forms of collaboration between the Bank's IDA and IFC arms. The IFC has

already begun to encroach on IDA's territory, for example by approving some 44 projects to support private health and education.

Some risks are discussed, for example the need to measure service outputs in an unbiased fashion, and the need to "prevent private providers from shifting risk back to domestic taxpayers". Yet it argues that all these risks can be managed and overcome and that more private providers, including NGOs should be allowed to provide services, including health and education.

Nancy Alexander of the Globalization Challenge Initiative comments "projects financed in this new manner could ultimately reduce access by the poor to essential health, education and water services. We challenge proposals which would transfer responsibility for certain services from the public sector to the private sector, including foreign and multinational corporations".

The World Bank's Executive Board will consider the strategy in December.

[www.worldbank.org/html/fpd/privatesector/](http://www.worldbank.org/html/fpd/privatesector/)

[www.challengeglobalization.org](http://www.challengeglobalization.org)

# New books and resources

## **Managing Knowledge and Storing Wisdom. New Forms of Foreign Aid**

Joel Samoff and Nelly P. Stromquist, Development and Change, September 2001.  
Critical assessment of the World Bank's education and indigenous knowledge databases.

## **Development Gateway Anti-Corruption Claim**

Roberto Bissio and Carlos Abin, Instituto Tercer Mundo, Uruguay, July 2001.  
Appeal for the World Bank to investigate "misuse of funds or positions" in relation to the establishment of the Gateway Foundation.

www.brettonwoodsproject.org/topic/knowledgebank/gateway

## **Making the World Development Report 2000: Attacking Poverty**

Robert Wade, World Development, Vol 29, No 8.  
Examines the Bank's World Development Report and reasons for Kanbur's resignation.

## **Attacking Poverty: A Strategic Dilemma for the World Bank**

The Journal of International Development, April 2001.  
Special edition featuring critical articles addressing aspects of the Bank's World Development Report 2000/01: Attacking poverty.

www3.interscience.wiley.com/cgi-bin/issuetoc?ID=84002504

## **The Elusive Quest for Growth. Economists Adventures and Misadventures in the Tropics**

William Easterly, MIT Press, 2001.  
Explanation from World Bank Senior Advisor of why development policies proposed to bring about poverty alleviation have mainly failed.

## **New Rulers of the World**

Carlton Television  
Programme on Globalisation, featuring the roles of the World Bank and IMF in Indonesia, transmitted in July 2001.

pilger.carlton.com/globalisation

## **The Human Rights Obligations of the World Bank and the International Monetary Fund**

Sigrun Skogly, Cavendish Publishing, 2001.  
Examines World Bank and IMF obligations under international law.

www.cavendishpublishing.com

## **Economic, Social and Cultural Rights, Globalization and its impact on the full enjoyment of human rights**

UN Economic and Social Council, August 2001.  
Globalisation's impacts on human rights with a review of the human rights implications of the IFIs' focus on poverty eradication.

www.unhcr.ch/Huridocda/Huridoca.nsf/(Symbol)/E.CN.4.Sub.2.2001.13.En?Opendocument

## **The Future in the Balance: essays on Globalization and Resistance**

Walden Bello, Focus on the Global South, May 2001.  
"Bello tells the truth about the world trade Organization, International Monetary Fund and the World Bank, and their grip on the third world. He offers possibilities of another world based on fairness and justice."

www.focusweb.org/publications/Books/Future\_in\_the\_Balance.html

## **Multilateral Financial Institutions**

Both ENDS Information Package  
Brief background to various regional and international financial institutions, outlines major critiques of the Bank and Fund, provides contact and resources information.

www.bothends.org/service/IPMFI.pdf

## **Social and Economic Implications of HIPC in Zambia**

Jubilee-Zambia and Oxfam-Zambia.  
Questions whether the HIPC debt initiative will make a significant difference in addressing Zambia's immense problem of poverty.

debtjctr@zamnet.zm

www.jctr.org.zm

## **From Debt to Poverty Eradication: What Role for Poverty Reduction Strategies?**

CIDSE and Caritas Internationali, 2001.  
Charts the evolution of the poverty reduction strategy, presents a framework to assess the PRS initiative and outlines options for participation in PRSPs.

www.cafod.org.uk

## **The Vicious Circle: AIDS and third World Debt**

World Development Movement, June 2001.  
Argues that debt and AIDS need to be tackled simultaneously if there is to be any chance of improvement for developing countries.

www.wdm.org.uk/cambriefs/Debt/vicious.pdf

## **Structural Adjustment and Health**

WHO, CMH Working Paper Series, paper No. WG6:6, June 2001.  
A literature review of the debate, its key players and recent empirical evidence.

www.cmhealth.org/docs/wg6\_paper6.pdf

## **Debt Relief in Africa: Is it Working? A civil society view: the experience of Uganda, Tanzania and Mozambique**

Debt and Development Dossier Issue 6, Bread for the World, June 2001.

www.bread.org/whoweaare/bfwi/debtanddevelopment/dossier6.html

## **Journeys Just Begun: From Debt Relief to Poverty Reduction**

Roy Culpeper and John Serieux, North-South Institute,  
Critical report on the second phase of the World Bank and the International Monetary Fund Heavily Indebted Poor Country Debt Initiative.

www.nsi-ins.ca/ensi/news\_views/news29.html

## **WIDER Development Conference on Debt Relief**

Papers from the UNU WIDER debt conference, held on 17-18th August.

www.wider.unu.edu/conference/conference-2001-2/conference2001-2.htm

## **Eurodad/Oneworld online debt e-conference**

Internet discussion concerning topical debt issues.

www.debtchannel.org/campaigns/front.shtml

## **The Birth of a Discipline. Producing Authoritative Green Knowledge, World Bank-style**

Michael Goldman, Ethnography, Vol 2 (2), 2001.  
Examines how the World Bank produces environmental 'knowledge' which caters for the call for privatisation. Focuses on a case study in Laos.

## **Urban Water Reforms: Whose Water? Whose City?**

Aly Ercelawn, CREED, Karachi  
Examines the proposed privatisation of the Karachi water and Sewerage Board and offers alternative proposals.

creed@awara.khi.sdnpc.undp.org

## **Water privatisation: Transnational corporations and the re-regulation of the global water industry**

Matthias Finger and Jeremy Allouche, Spon Press 2001.  
Examines the privatisation of water including the role of the World Bank.

www.sponpress.com/environment



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