

After 11 September : Towards a new multilateralism?

The implications for the World Bank and IMF of the 11 September atrocities and their aftermath are as yet uncertain. Will this new political and diplomatic context improve the prospects for international cooperation and multilateralism? Or will it mean that the US seeks to exert tighter control on institutions with financial and policy-making clout?

Wars raise important questions of institutional structure within and between nations. Many comparisons have been made with Pearl Harbour, which triggered US participation in World War II, overcoming isolationist tendencies. One week after Pearl Harbour, the US Treasury Secretary ordered his chief economic advisor to prepare a paper setting out the case for a “stabilization fund” and a “bank for reconstruction and development”—the proposals which were to yield the Bretton Woods agreement establishing the World Bank and IMF.

Since 11 September we have seen a similarly dramatic shift in US approach. *TIME* magazine (15/10/01) commented: “an Administration that just a month or two ago emphatically believed in going in alone—walking away from treaties, pushing its missile defence scheme no matter who said what—has thrown open its arms to embrace the pleasures of multilateralism.” US subscriptions to the UN have been paid, more aid finance has been promised and positive noises made about international cooperation in general. This is long

“What is needed is a movement for global, not American, justice and legitimacy ... The project of economic globalisation has to be connected to manifest principles of social justice; and the world economy has to be embedded in new welfare and environmental rules and conditions.”

David Held and Mary Kaldor, article for *OpenDemocracy.net*

overdue and warmly welcomed.

However it may come with more strings attached. Just as the original plans for the World Bank and IMF were watered down to meet US interests and concerns, the new multilateralism sparked by 11 September may well be expedient and unbalanced. UK consultancy company Oxford Analytica warned that the “shift in American foreign policy priorities brought on by the recent attacks could presage a return to development assistance motivated by ideological and geopolitical considerations”.

NGOs have long argued that the World Bank and IMF are politically captured by the powerful governments which have the strongest representation on their Boards and that they are ideological, not pragmatic, in their approach to policy-

making. This situation may soon get worse, however. The US government has removed aid sanctions on Pakistan and helped facilitate favourable debt treatment and speedy new IMF financing. The Bank has reportedly started examining possible projects in Uzbekistan, should the US suggest that these supporters need to be rewarded.

There have clearly long been constraints on the supposedly objective, technical criteria the Bank uses for aid allocation, but may now become more blatant. The *50 Years is Enough!* campaign commented: “This use of the international financial institutions as instruments of the US political agenda has been going on for decades. But since the end of the Cold War there has been a reluctance to acknowledge the fact publicly,

which has itself acted as a valuable restraint on the US government’s inclination to use the institutions to serve its own narrow purposes.”

Andrew Rogerson, a Bank representative in Brussels, denied this. He said “the Bank is not facing pressure from member governments to take decisions based on geopolitics”. He emphasised that the Bank is looking to take action to support countries negatively affected by the current economic downturn and refugee crisis in Afghanistan’s neighbours. It is also planning post-war reconstruction efforts in Afghanistan.

These issues will be discussed at the rescheduled World Bank/IMF annual meeting on 17-18 November in Ottawa, Canada. Also on the agenda will be terrorist financing and measures to boost the global economy.

As well as continuing to monitor the World Bank and IMF, campaigners will closely watch the new trade talks, the UN Financing for Development summit, the Earth Summit II, and other processes see whether there are signs of a new, more positive multilateralism. In October Pakistani civil society organisations demanded “a more egalitarian political order based on principles of democracy and justice”. This, they said, is “a prerequisite for curbing or eliminating terrorism with international dimensions and origins”. 

A longer piece, plus further links, on these issues is at:

www.brettonwoodsproject.org

Economic Justice News, October issue

www.50years.org/ejn/v4n3/

“WTO to work with Bretton Woods institutions for coherence in policy making” – page 3

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Anti-globalisation campaigners carry on

After an initial period of shock and confusion in the wake of the 11 September attacks on the US, anti-globalisers have resumed their protests against multilateral trade and financial institutions.

While mass mobilisation plans in Washington DC were cancelled, educational activities carried on. "Our decision to postpone was made out of respect for the victims of this tragedy [but] the policies of the World Bank and IMF remain unchanged," said the Mobilisation for Global Justice (MGJ) and the 50 Years is Enough network.

Instead of the expected mass street protests, several groups decided to rechannel their efforts into anti-war coalitions. Peace marches were organised in Washington by members of the Anti-Capitalist Convergence.

Groups are also planning to gather, on a smaller scale, in Ottawa, the site of the rescheduled Bank and Fund annual meetings, in November.

Civil society groups are concerned that the 11 September attacks will make it harder to operate. "The terrorists have triggered a wave of reactionary and repressive politics," said Bangkok-based advocacy group Focus on the Global South. Italian Prime Minister Silvio Berlusconi, who faced intense criticisms over the policing of the Genoa protests in July, bracketed the anti-globalisation movement in the same category as the perpetrators of the 11 September attacks (*The Guardian*, 29/9/01). Meanwhile, *Financial Times* columnist Martin Wolf has labelled as "violent anarchists" those who blame the attacks on the "US promotion of global capitalism" (26/9/01).

In this climate, activists and NGOs are cautious about the messages they convey, some declining to adopt a strong approach to denouncing US trade policy for fear of seeming

insensitive. Others are wary that the general tone of global cooperation rhetoric employed in the "war against terrorism" may result in the suspension of critical debate on international development.

Ha-Joon Chang, lecturer at Cambridge University, urged campaigners to press on with public work on global policy issues. Both Chang and Chakravati Raghavan of Third World Network fear the recent tragedy may be used as an excuse to push through a new round of trade liberalisation at the upcoming WTO summit in November. Pro-globalisers have already seized the opportunity to push for more trade liberalisation. The US Trade Representative equates democracy with free trade. The World Bank has advocated greater liberalisation to counter the effects of a global recession. ©

Activist sites

www.globalizethis.org
www.flora.org/gdo

Bank response to mobilisation demands

www.worldbank.org/html/extdr/pb/pbfourdemands.htm

The IFIs and Civil Society in a New Political Context:

www.brettonwoodsproject.org

New report on Bank's private sector strategy

The World Bank's proposed new private sector development strategy is criticised in a response from Public Services International Research Unit (PSIRU). PSIRU argues that it "effectively erodes the position of the state in developing countries in favour of the global private sector". PSIRU fears that "World Bank loans for public service infrastructure would effectively be tied to compulsory privatisation" favouring financing for multinationals in sectors such as water and electricity. The Bank is due to agree its new strategy in mid-November.

www.psiru.org/reports/2001-10-U-wb-psd.doc

World Bank rethinks higher education

The World Bank sent a delegation to UNESCO's conference on higher education in Paris in October, led by Maris O'Rourke, Director of the Human Development Network Education Group. Three strategy papers were prepared by the Bank for the conference—*The Financing and Management of Higher Education: A Status Report, Higher Education Relevance in the 21st Century and Quality Assurance in Higher Education*. The Bank has also produced a brochure, *The World Bank and Tertiary Education*, detailing its involvement in tertiary education in borrower countries and outlining its policies on higher education funding.

www1.worldbank.org/education

Tobin Tax on EU agenda

Proposals for a "Tobin Tax" on international currency speculation are getting further hearings and support. Despite rejection by the EU finance ministers meeting in Liege in late September, the Belgian government, which holds the EU presidency, insisted it should be studied in a new Commission report on "Responses to the challenges of globalisation" to be prepared by December. The French Government intends to include the Tobin tax in a bill for "a social economy of solidarity" to be presented to the Council of Ministers before December. Bernard Cassen, President of ATTAC which campaigns for the tax, welcomed the French government's interest.

Germany and France have created a high-level working group to examine ways to avoid negative side effects of speculative capital movements. German Finance Minister Hans Eichel said that "limits on capital movements could play a supporting role" in ensuring that capital markets contain "protective mechanisms against speculation". German Chancellor, Gerhard Schroder, said there was a need to recognise "weak spots" in the international financial system, such as offshore centres, hedge funds and derivatives. UK Foreign Secretary, Jack Straw agreed, but added that "the Tobin tax risks distracting us from the real issue: how to respond to global poverty and inequality."

The IMF's Managing Director, Horst Köhler told NGOs in Berlin that he was "very sceptical" of the Tobin Tax, but did not exclude a re-examination of the issue. ©

www.attac.org

www.waronwant.org/ftobin.htm

MIGA responds to critics

The Multilateral Investment Guarantee Agency (MIGA) has issued a 13-page response to the report *Risky Business* published by Friends of the Earth and other NGOs this summer (see *Bretton Woods Update* 24). The agency contests the report's claims that it promotes corporate investment in unsustainable projects.

MIGA maintains that it supports only projects that have "a positive developmental impact" and involve ethical corporate clients. It rejects allegations of environmental degradation and human rights abuses resulting from MIGA-supported projects, including mining projects in Peru, Russia and Guyana. Without its political risk insurance, MIGA claims, many projects would not have been carried out.

The NGOs pointed out that MIGA's portfolio conveyed a bias towards large infrastructure projects that have not benefited the poor. Foreign direct investments, like those guaranteed by MIGA, have not focused on primary services infrastructure badly needed in least developed countries nor has it shown how guarantees to large international banks have increased access to credit for the poor, they charged. The NGOs also noted inconsistencies between MIGA's policies and that of the World Bank, including a shorter public comment period for Environmental Impact Assessments and the lack of mandatory assessments for some projects. ©

MIGA's response to *Risky Business*

www.miga.org/screens/news/whatsnew/friendsoftheearth.htm

Risky Business: How the World Bank's Insurance Arm Fails the Poor and Harms the Environment

www.foei.org/campaigns/IFI

Attac explores launch in UK

A UK branch of the international ATTAC network will be discussed at a meeting on 17 November. ATTAC International is a network of groups in Argentina, Brazil, France, Sweden, Italy and other countries. Started after the Asia financial crisis ATTAC combines activism with the work of a think tank. It promotes economic reforms meant to tame the devastating power of the financial markets, and to favour democratic, transparent economic structures that serve the needs of ordinary people.

www.attac.org.uk
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Poor report card for IFC

The International Financial Corporation (IFC) has faced criticism of its activities by its internal watchdog, the Operations Evaluation Group (OEG). An internal report obtained by the Multinational Monitor criticised the IFC's failure to assess or monitor the social and environmental impacts of its lending activities, leaving a gap between the IFC's mission statement and its operational procedures. The Multinational Monitor says the bulk of IFC loans goes to lucrative but unsustainable infrastructure projects carried out by profit-driven corporations.

www.essential.org/monitor/mmm2001/01september/sep01corp3.html

More WTO-World Bank-IMF cooperation on trade

The draft Ministerial Declaration for the World Trade Organisation's Doha Meeting in November calls for the WTO to cooperate more closely with the World Bank and IMF. Noting that the "challenges" faced by WTO members in the global economy can no longer be addressed through a trade-only regime, the document states that the WTO "shall continue to work with the Bretton Woods institutions for greater coherence in global economic policy making".

Greater coherence in this area, say WTO campaigners, means the continued dominance of developing economies by powerful northern governments. Given the power structures of the World Bank and the IMF and the leverage these institutions have on the economies of southern nations it is undesirable to have them joining forces with the WTO "to influence and change trade policies of developing countries", according to Chakravati Raghavan, editor of Third World Economics. "The need to mainstream development concerns in the WTO, and to make development take centre stage in WTO ... is altogether missing," comments Martin Khor, Director of Third World Network (TWN).

The World Bank's "expertise" in development issues has been cited as one of the primary reasons for the convergence. For some years the Bank has been publishing studies and providing "capacity building" to enable developing countries to prepare for multilateral trade agreements. This is reinforced by structural adjustment programmes, which support the liberalisation of trade and foreign exchange policies in developing countries.

Given the imbalances in the WTO decision-making processes and dispute settlement mechanisms, trade campaigners are understandably wary of any move towards greater coherence between the WTO and the World Bank and IMF.

The Draft Doha Declaration calls for the WTO General Council to examine measures "to strengthen the coherence of international trade, financial and monetary policies with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability". Convergence thus appears to mean the streamlining of World Bank and IMF policies on trade to reflect provisions in WTO agreements. For the IMF, this would involve ensuring that their policy advice is consistent with WTO measures. One of the key points in a joint 1998 report by the heads of the World Bank, IMF and WTO, is to ensure that

Coherence calls— a brief history

The Agreement establishing the WTO provides for cooperation between the WTO and the IMF and World Bank for the purposes of achieving greater coherence in global economic policymaking.

In 1994 at the first WTO summit in Marrakesh ministers requested the World Bank, IMF and WTO to cooperate to streamline global economic policymaking.

At the 1999 Seattle ministerial meeting, the WTO, World Bank and IMF issued a Joint Declaration on Coherence, indicating a commitment to trade liberalisation as the mechanism for global economic growth and stability.

countries do not "introduce additional trade protection on balance of payments grounds".

In 1999 India's restrictions on the import of agricultural, textile and industrial products were removed following a complaint by the USA. The WTO Dispute Settlement Panel, which examines such complaints, heard evidence from the Government of India arguing that it needed to maintain the restrictions to support its balance of payments position. This was countered by evidence given by the IMF, resulting in India being found to have contravened its obligations under the General Agreement on Tariffs and Trade 1994 and under the WTO Agreement on Agriculture.

The World Bank has recently reiterated its commitment to the trade framework established by the WTO, calling for the reduction in trade barriers in the upcoming summit as a means of buffering the economic aftershocks of the September 11 attacks on the US. "Now more than ever, the WTO summit must go ahead, motivated primarily by a desire to use trade as a tool for poverty reduction and development," says the Bank's September statement *Poverty to Rise in Wake of Terrorist Attacks*.

As a major source of development funding, the trade policies espoused

by the Bank have a profound impact on developing country economies. The Bank and Fund may demand that countries sign up to WTO agreements as a condition of their financing. The World Bank and IMF are likely to intensify their work on the elimination of all tariff and non-tariff barriers to trade, the removal of restrictions on foreign investment and the strengthening of intellectual property regimes.

NGOs have previously cautioned against the World Bank's unconditional endorsement of the WTO regime. Lisa Jordan of the Bank Information Centre analysed this in detail in a paper published just before the 1999 Seattle summit. She wrote that a convergence between the World Bank and the WTO might spell "the death of development", as the current trade agreements are heavily weighted against developing countries and "misdiagnose development problems".

"The new trade round proposals are an opportunity for civil society groups to get the message across about the new united folly of globalisation," says Raj Patel of the Southern and Eastern African Trade Information and Negotiations Initiative. ☺

Third World Network's regular updates on the Doha meeting:

☺ www.twinside.org.sg/trade_1.htm

Draft WTO Ministerial Declaration:

☺ www.ictsd.org/ministerial/doha/ministerial26.09.01.pdf

Official meeting website:

☺ www.heva.wto-ministerial.org

The Death of Development. The Converging Policy Agendas of The World Bank and The World Trade Organization

☺ www.bicusa.org/publications/deathdev.htm

IMF-WB-WTO Synthesis Report

● rowden@action.org

Previous Update stories on trade:

☺ www.brettonwoodsproject.org/topic/knowledgebank/k22wbtradeintense.htm

☺ www.brettonwoodsproject.org/topic/knowledgebank/k23tradestory.html

New Bank report sets out trade agenda

Reshaping the world's trade system and reducing barriers to trade could accelerate medium-term growth and reduce poverty around the world, concludes *Global Economic Prospects and the Developing Countries 2002: Making Trade Work for the World's Poor*.

The report urges further liberalisation of transport and services and suggests using more aid money as "aid for trade". It suggests channelling aid into: finance, transport infrastructure, education for workers, and public sector trade-related institutions. It also remakes the case for a global health fund, as well as mechanisms to help poor nations use intellectual property protection to their benefit.

The report talks of expanding "policy advice that feeds into poverty reduction strategy papers (PRSPs)" as well as "integration studies" that underpin World Bank country assistance strategies.

The authors recommend "rebalancing" the Uruguay Round Agreement on Trade-Related Intellectual Property Rights (TRIPS) agreement to allow low-income developing countries, access to essential drugs and products at competitive prices. This would include "a more liberal use of compulsory licenses to stimulate competition in pricing". The Bank also urges developed countries to put agriculture and textiles on the negotiating table. ☺

☺ www.worldbank.org/prospects/gep2002

Other resources on trade policy issues:

☺ www.twinside.org.sg/trade.htm

☺ www.wtowatch.org

☺ www.southcentre.org

☺ www.ictsd.org

☺ www.oneworld.net/campaigns/trade/

Recent World Bank papers on trade

Agriculture and the New Trade Agenda in the WTO 2000 Negotiations: Economic Analyses of Interests and Options for Developing and Transition Economies

Trade, Standards, and Regulatory Reform

Database on Measures Affecting Trade in Services

Trade Policy in Transition Economies

Trade Policy Development Program

☺ econ.worldbank.org/topic.php?topic=16

New briefing on IMF reform proposals

A new briefing argues for a reformed International Monetary Fund within “a new financial architecture”. The report, by the German NGO World Economy, Ecology and Development (WEED) rejects calls for the wholesale dismantling of the Fund.

A reformed Fund must “give up its role as an instrument of societal and political disciplinary neoliberalism,” says the report’s author Rainer Faulk. He believes the IMF must create space for alternative development discourses and give up its role as a mechanism that favours the main creditor nations. Accompanying this rollback must be a strengthening of the Fund’s function as global financial regulator to “fill the increasing need for an international regulatory body”.

Regulatory support includes the financial monitoring of the lead industrial nations, including suggestions of exchange rate target zones for the three major currencies—dollar, yen and euro—for the purposes of global currency stabilization.

The report notes that the IMF’s Articles of Agreement explicitly include the option of instituting

national capital controls as a means of regulating international movements of capital (Article VI, paragraph 3). But up until the Asian financial crisis, the Fund was attempting to amend its constitution to provide it with a mandate to liberalise capital markets within the framework of its country surveillance programmes.

Distinguishing between the Fund’s financing and economic development functions, Faulk argues that financing to deal with economic crises remains necessary and should be strengthened. However, another institution should administer disbursements, the report says, without suggesting which one. The report also calls for a review of current credit conditionalities to make them clear and restricted.

At the heart of the reform agenda proposed by WEED lie the calls for

institutional reform of the Fund itself, including the democratisation of the Fund’s decision-making structures. The report joins an existing chorus of voices calling for restructuring of voting patterns within the Fund which grants the US 17.8 per cent of voting rights and other industrialised nations substantially more power than the debtor nations. However, the report rejects proposals for a one-country-one-vote system, preferring a decision-making structure based on a country’s population, economic potential and its ranking in UNDP’s Human Development Index. ©

Reform of the IMF: A Provisional Appraisal and Perspective on the International Debate

www.weedbonn.org/finance
weed@weedbonn.org

Macro policy and poverty reduction reviewed

More research is necessary on the linkages between macroeconomic policy and impacts on the poor, concludes a new paper from the IMF. The paper considers whether objectives such as lower inflation, debt reduction and trade liberalisation harm the poor. However, it fails to assess whether different policy choices would have different impacts.

The report notes that the type of policies and economic structures may be important for turning growth into poverty reduction. For example, it is important to achieve growth in the agricultural sector where the poor typically work. Also, countries with lower income inequality are likely to achieve more poverty reduction via improvements in growth.

On trade liberalisation the report notes that “While there is extensive research on trade liberalisation’s impact on income distribution, the direct links between absolute poverty and trade reform are only beginning to be explored.” The report finds that “there appears to be little work on the direct relationship between external debt and poverty”. It notes the importance of considering questions such as, does high debt increase poverty and if so how?

How would an aid allocation geared to meet poverty reduction criteria differ from an allocation aimed at achieving debt sustainability? And what is known about the relationship between fiscal deficits, debt sustainability and poverty?

Whilst noting that several studies find that crises worsen poverty and increase inequality, “there appears to be little or no research so far exploring how or why the extent of worsening poverty differs across crisis-hit countries.” It finds that key questions about the nature of crisis response and poverty impacts are being asked but not researched. These questions include:

- Do certain types of macroeconomic policies associated with crises have a greater negative impact on the poor than others?
- Do macroeconomic responses to crises that are optimal for the poor differ from responses that are optimal for the economy as a whole?

Assessing the correlation of macroeconomic policies with improvements in the UNDP’s Human Development Index, the report concludes that, “...We have not found significant and robust evidence that any of these

variables are individually associated with pro-poor (or anti-poor) economic growth. Of course, by no means does this constitute proof that these policies do not matter. On the contrary, it suggests that alternative research approaches are needed to find ... evidence on the direction and strength of the effects of these variables on the poor.”

Ratna Sahay, IMF research department, will be leading new research in these areas. These must be agreed with new Deputy Managing Director, Ann Krueger.

Former World Bank Chief Economist Joe Stiglitz warned that “by naming Ann Krueger as his [Stanley Fischer’s] replacement, however, the IMF has elevated one of orthodoxy’s high priestesses, and this signals a stubborn adherence to the failed past rather than a hopeful new direction for the future.” ©

Macroeconomic policies and poverty reduction: stylised facts and an overview of research, IMF Working Paper 01/135.

www.imf.org/external/pubs/ft/wp/2001/wp01135.pdf

For Stiglitz’s critique of Ann Krueger.
www.project-syndicate.org

Tanzanian citizens marginalised in donor meeting

The Consultative Group (CG) meeting held in Tanzania in September was criticized by Tanzanian civil society organizations (CSOs) for failing adequately to involve citizens. CGs are meetings attended by senior government officials from an aid-receiving country and by high-level representatives from multilateral and bilateral aid agencies active in that country. The World Bank is usually responsible for convening, preparing background materials for, and chairing CGs. Tanzanian groups described the meetings in which CSOs were allowed to participate as “tokenistic”, demonstrating “a lack of genuine commitment to broad consultation.”

“Because the people of Tanzania—and particularly those who are impoverished—are at the heart of development policies and programmes, the meaningful involvement of civil society in the CG process is indispensable”, noted a statement. “The issues under review have not been subject to a broad public debate. Nor is there evidence that the deliberations are adequately informed of the perspectives of the large majority of Tanzanians.”

The CSOs were critical that too little notice had been given about the meeting and its purpose and processes. 28 Tanzanian NGOs and seven international NGOs signed the statement which recommended that:

- a clear plan be developed for timely information dissemination to enable engagement with the broader public on key CG issues, and for CSOs to undertake analysis, develop its positions and democratically elect its representatives to the future meetings;
- information about CG and other government reform processes ought to be widely available in accessible formats;
- prior to the formal CG meetings, an institutionalized, formal space needs to be created for civil society to make presentations to the government and donor community on key development concerns, including overall macro policy and fiscal arrangements.

Democratically elected CSO representatives ought to be provided with the opportunity to monitor formal CG meetings to ensure civil society positions are accorded serious consideration. ©

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For a Christian Aid report on participation in CGs, see:

www.christian-aid.org.uk/indepth/9910tabl/table.htm

Ownership friendly conditionality

A new IMF paper proposes changes to current methods of applying conditionality. This would give governments more flexibility in deciding how to achieve policy objectives and in timing structural reforms.

The first option is to adopt floating tranches. With this approach, the IMF would apply standard performance criteria to macroeconomic objectives, according to the IMF's timetable. For structural reforms loan tranches would be released not according to a specified timetable but when reforms had been implemented. This would give governments more discretion about the timing of structural reforms whilst continuing to access IMF resources.

The second approach is to introduce "outcomes-based" conditionality. This involves conditioning loan disbursements on the achievement of objectives, rather than putting conditions on policy measures. The policy objectives would be negotiated with the IMF, but how these are achieved is for the government to decide. "This is not as radical an approach as it might seem, since outcome variables have been defined as performance criteria in programs", notes the report. It says likely outcome conditions include setting targets for inflation, international reserves, the trade balance, the current account, investment and growth.

One advantage of this latter approach, notes the report, is that governments would be responsible for programme success or failure. Second, loans would be disbursed only if the results were achieved.

This could, however, imply a break in lending while moving from the current approach to an outcome approach. The first tranche could be released "on a promise" with subsequent tranches released only after targets are secured. It could also lead to more uncertainty about the availability of funds, since the agreed policies may not lead to the anticipated results. There could also be delays in reporting outcome data, making disbursement problematic. Since factors outside the government's control can affect programmes' success it is questionable to what extent a government should bear the risk of failure. There would need to be proper assessment of what factors led to missing any targets before decisions on releasing resources are taken.

The paper concludes, "While a good case can be made for incorporating outcomes-based conditionality in IMF lending, this is not an either-or matter. Programs would presumably combine both policy-based and outcomes-based conditionality." ©

IMF Conditionality and Country Ownership of Programs, Mohsin S. Khan and Sunil Sharma, IMF working paper 01/142

www.imf.org/external/pubs/ft/wp/2001/wp01142.pdf

Fund must improve governance

A report commissioned by the G24 group of Southern governments has called for a revamp of the IMF's governance structure to reflect the role played by developing countries within the global economy. The report, by a former IMF Executive Director Ariel Buira, argues that the Fund's voting system has resulted in the concentration of power in the hands of the industrialised countries, leaving developing countries with little say in the formulation of Fund policies. Yet the IMF exerts significant influence over a wide swathe of domestic matters in developing countries. Buira notes that political difficulties block reform.

The report proposes to:

- restructure the Executive Board to increase the number of Directors representing developing countries and reduce the number of Directors from industrialised countries;
- revise quota formulas and relate overall quotas to world trade and capital movements or to world GDP rather than capital contributions to the Fund.

Prof. Daniel Bradlow, American University, also finds that the IMF is failing because its decision-making structure and procedures have not adapted to its changing functions and role in the global economy. This results in poor policy decisions and causes distortions in the IMF's relations with its member states, non-state actors, and other international organisations. Calling for "broad-ranging reform" of the IMF's structure and operating principles, his recommendations include: allowing participation of a member state's governor or Executive Director in Board discussions relating to his/her country; establishing formal proce-

dures for consultation with non-state actors; establish an ombudsman to receive and investigate complaints; increase the number of alternate directors. ©

Daniel Bradlow, *Stuffing new wine into old bottles: The troubling case of the IMF?*, Journal of International Banking Regulation, Vol3 No.1

Reforming the Governance of the Bretton Woods Institutions
www.g24.org

Protests escalate in Argentina

In September, a recently formed movement of unemployed Argentinians erected roadblocks to protest at the government's drastic cut backs in public spending. To try to contain the growing economic crisis, the government has adopted a strict budget, only spending what it receives in tax revenue.

The government's "zero deficit" policy has already led to a 13 per cent reduction in the salaries and pensions of public sector workers, including teachers, doctors, judicial employees and police. Unemployment stands above 15 per cent; and nearly 40 per cent of the country's 37 million people have fallen below the poverty line—up from 17 per cent in 1994.

Food assistance to the unemployed has been cut, there are delays in the payment of unemployment and public works benefits, and hospitals are running out of medicines. There are fears that further cuts will be made as tax revenues decrease further. Several public entities have complained of delays in disbursements of already approved budget funds.

Argentina's situation looks set to worsen as the global recession quickens in the wake of the insecurity caused by the attack in the US. ©

O'Neill supports bankruptcy mechanism

In September US Treasury Secretary, Paul O'Neill, told the Senate Banking Committee that he would favour establishment of an international bankruptcy law as an alternative to IMF bailouts. "I think ... we need to take the action that's been talked about for years... We need an agreement on international bankruptcy law so that we can work with governments that need to go through bankruptcy instead of socialising the costs of bad decisions," he said. The mechanism would allow countries with excessive debt burdens to work out agreements with foreign creditors to reduce their debts through a formal process. Similar proposals have previously been rejected.

HIPC not delivering debt relief

The Heavily Indebted Poor Country (HIPC) Initiative is failing to deliver debt relief, reports the *Financial Times* (9/10/01). A World Bank report, which was not released due to the cancellation of the annual meeting, reveals that both multilateral and governmental creditors remain uncommitted to the process. Moreover, private companies are buying up debt and threatening legal action to force countries to pay, which may affect debt sustainability.

A lack of progress with implementing reforms is delaying full debt relief to 13 out of 23 countries already qualified, and progress remains slow in getting the remaining 17 countries into the process.

www.ft.com

Financial architecture conference report

The Commonwealth Secretariat has published the discussion papers of the Developing Countries and the Global Financial System conference held at Lancaster House, London in July 2000. The conference, organised by the secretariat, the Bank and the Fund brought together policymakers from developing countries to discuss the impact of the current financial system and to design a new financial architecture. Regulating international capital flows and the role of IFIs are central themes of the book. It also discusses the marginalisation of developing countries within the international financial system.

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Gender mainstreaming endorsed

The World Bank has come up with a new Gender Mainstreaming Strategy, endorsed by Bank Executive Directors on 18 September. The new strategy aims to streamline gender concerns into World Bank policies, starting with integration into PRSPs and Joint Staff Assessments. It also involves conducting Country Gender Assessments (CGAs) in all active borrowing countries, principally to identify gender sensitive responses to poverty alleviation and economic growth. Gender concerns to be addressed include male/female roles, allocation of resources and conferment of rights.

www.worldbank.org/gender/

Poverty reduction progress assessed

In September around 400 people gathered in Senegal to discuss Poverty Reduction Strategies. Representatives from government, civil society, the private sector and parliaments gathered to discuss their experiences. They were drawn from borrowing countries and also from lending agencies. Four main themes emerged: governance and accountability, pro-poor policies, effective monitoring and donor practices.

Weak governance and accountability were highlighted as one of the main obstacles to poverty reduction. It was agreed that increasing participation by the poor in the policy process is important and that decentralisation requires mechanisms to ensure local accountability.

The roles of local governments, civil society organisations (csos), parliamentarians and national governments have not been clear and local governments and csos have in several cases been bypassed by the PRSP consultations. Strong civic groups and networks at the local level need public access to information in local languages. Whilst the media also plays an important role in disseminating information and acting as a watchdog.

A declaration of parliamentarians attending the Forum noted that parliaments have a traditional approval and watchdog role, and should not be expected to act as a rubber stamp. It was suggested that special parlia-

mentary poverty reduction committees could be established, to complement finance and budget committees, which should be well informed and their capacity increased, including through access to expert advice.

It was generally agreed that there needs to be better understanding of what policies work in practice for reducing poverty and how policies have to be adapted to specific contexts. Social services were recognised as important for addressing poverty (although these are failing to reach the poor and more emphasis needs to be put on the quality of investments) but pro-poor growth is also essential. This requires building productive assets for the poor and improving access to markets and attention to the agricultural sector.

It was agreed that user fees should be avoided in primary education but may be useful in higher education. In the health sector, it was argued that user fees avert over-con-

sumption but that mechanisms should be available to ensure access for those not able to pay.

While data collection is improving, it was stressed that monitoring tools that can provide a quick feedback on processes and outcomes should be developed. The PRSP process has served to increase the incentives for effective use of available information about poverty and well-being. However there need to be closer links between technical work and decision making for the results to be useful. Monitoring and coordination roles should be anchored in permanent national institutions.

There was a general recognition that donor practices need to change in order to empower governments to take action, including through further harmonisation of policies and procedures. ©

www1.worldbank.org/wbiep/attackingpoverty/activities/dakarsummary.htm

Ghana PRS has "potential"

An assessment of Ghana's Poverty Reduction Strategy process (GPRS) suggests there is much potential for formulating, in a participatory manner, an effective poverty reduction strategy. However, there is no guarantee that this will be realised. The report for the Overseas Development Institute warns that the "good intentions of the NPP [National Progressive Party] government remain to be tested in practice, particularly in situations where trade-offs present themselves between poverty reduction and economic growth led by the private sector."

Even though Ghana is better placed than other African countries with regard to its public administration and institutional structures, "the state of Ghana's public administration remains a major impediment to an effective attack on poverty." In particular, there is concern that the ad hoc team drawing up the plan is an "enclave" within the already "marginalized" and "under-resourced" National Development and Planning Commission (NDPC). Key ministries such as agriculture, health and education are not well integrated into the process, and there are uncertainties

about the adequacy of arrangements for translating the GPRS policies into regular budget formulation processes.

The report finds that "the government is in the driving seat", with the World Bank and IMF taking a hands-off approach. Yet, it notes that this may be an "opportunistic" response by the government to secure more aid, concealing hidden conditionality.

A survey of civil society groups, think-tanks and the media found that there was little awareness of the process, "even among those who ought to know". "There are frameworks for participation in place which can be built upon but actual processes remain distorted by a top-down culture." Another key concern is the lack of attention to effective use of data, analysis and monitoring.

In summary the report is optimistic for the "potential" for effective institutionalisation of the process, but warns that it could turn into "just another aid-raising exercise designed to satisfy the donors." ©

Poverty-Reducing Institutional Change and PRSP Processes: the Ghana Case

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

Everyone loves a winner

The same man who called the World Bank's approach to privatisation "bribarization" and publicly renounced the Washington consensus received passionate support from the World Bank's President when he became a Nobel laureate. "I do want you to know that we love you," Wolfensohn told the former World Bank Chief Economist Joe Stiglitz whom he fired two years earlier for his outspoken criticism of the IFIs. Stiglitz, invited back to his old institution to share his new fame, stressed "the important role for government" in regulating markets "particularly in developing countries [where] markets typically work much less well and information is much less perfect." The theories that won him the Nobel Prize prove that financial markets aren't the perfect vehicles assumed by many economists because they often work with incomplete or incorrect information. "The Nobel Prize ... is recognizing a line of thought that has, I think, profound implications for how we think about the economy and the role of government," Stiglitz said. ©

www.worldbank.org/html/extdr/transcripts/

Malawian PRSP concerns

The Malawian Economic Justice Network released a statement in early September. It expressed "concern with the status of Civil Society participation in the PRSP process to date". "Several recommendations have been put forward since the process started. But as the process is coming close to the end, national ownership we have been trying to build is fast diminishing. Civil society in Malawi was committed to producing a genuine PRSP that will, in the long run, see genuine poverty reduction of Malawians." ©

mejn@sdpn.org.mw
www.hsrc.ac.za/corporate/conferences/sarph/otherNetworks/malawi

PRSPs "exclude environment"

Friends of the Earth has produced a paper arguing that the Poverty Reduction Strategy process has overlooked environmental concerns. It argues that PRSPs have "excluded environmental concerns and failed to adequately recognize the inextricable links between poverty and environment". It cites an internal World Bank Africa Region review of PRSPs. This found that: "even though the poor in most PRSP countries are greatly dependent on natural resources, this is not explicitly mentioned in many cases". Friends of the Earth proposes better assessment processes and monitoring of key indicators. ©

cwelch@foe.org
www.foe.org/international/imf/structuraladjustment.html

New report on IFIs and sustainable development

In June a conference was held at Chatham House in London to discuss "Increasing the Contribution of International Financial Institutions to Sustainable Development in the run up to Rio+10". Speakers from the World Bank, NGOs, bilateral NGOs and academia discussed the World Bank's record and potential, as well as newer institutional arrangements such as the Global Environment Facility and the Montreal Protocol. ©

The conference report has now been published.
www.riia.org/Research/eep/eep.html

New report on Global Public Goods

A new study for the Swedish Ministry for Foreign Affairs by the UK-based Institute of Development Studies contains case studies on financing mechanisms for biodiversity conservation, climate change abatement, peace and security, HIV/AIDS research and financial stability. It emphasizes the need for clear international regulatory regimes and flexible financing mechanisms for the provision of global public goods. "There is a great danger in over-reliance on the International Financial Institutions," commented one of the lead authors at a seminar in Stockholm in October.

There were diverging views from seminar participants on the role of IFIs in financing peace and security efforts and on the usefulness of the concept of global public goods more broadly. World Bank discussant Uma Lele, Senior Advisor for Global Programs and Policies, stressed Bank technical know-how should be tapped to complement financing. Another Bank staff member thought the public goods concept should be abandoned completely as it "neither helped in global policy development, nor in raising new funds."

There was a strong call for clarity on exactly what should be classified

as a global public good and how these would feed into (not replace) national and local systems—something that the report tries to address.

Some felt the concept could be used as a political tool to raise more money for development in the context of globalisation and increased interdependence. Others cautioned it would divert scarce ODA resources from poverty focused activities to more general development oriented efforts, such as biodiversity in middle income countries.

Norwegian State Secretary of International Development, Sigrun Mogedal, agreed on the potential of

the global public good concept in generating additional resources but stressed that discussions around global public goods need to be kept within the framework of the Millennium Goals. "We can't keep up the momentum on the poverty reduction agenda if we don't deliver but simply start to talk about something else," she said. The final report will be released in December. ©

www.utrikes.regeringen.se/
inenglish/policy/devcoop/
financing.htm

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WDR 2002 advocates market-friendly institutions

The title of the latest World Development Report (WDR), Building Institutions for Markets speaks volumes about the World Bank's approach to development. Assuming the market to be the primary mechanism for growth and poverty reduction, the report identifies the institutions necessary to facilitate this.

Markets, says the WDR 2002, are the only solutions to problems of poverty and wealth disparities. The report charges that building key institutions to serve markets enhances opportunities for poor people to operate within them and empowers them. The report identifies nine key institutions it regards as vital: farmers, firms and corporations, financial systems, political institutions, the judiciary, competition regulation, infrastructure, informal networks and institutions, and the media. These, concludes the World Bank, perform one or more of three functions: channel information about market participants and goods; define or enforce property rights and contracts; and increase or decrease competition.

Political economist Ngaire Woods said the report was more flexible than previous World Bank approaches to institutions by speaking of the need to experiment with different institutional structures rather than providing a blanket blueprint.

However, the WDR 2002 fails to offer alternative perspectives. It has, once again, relegated the role of the

state to that of a servant of the market, asking states to put into place institutional mechanisms—good governance policies, private property rights, and liberalized competition laws—to facilitate the easy operation of the market.

A market-based approach to institution-building also sidelines other more important functions of national institutions. A free and independent media, for example, can provide a bulwark against authoritarian government and promote civic participation in governance through free flows of information and expression. It can also provide a check on the excesses of the private sector and corporate monopolies, an issue little discussed in the WDR 2002. Multiparty electoral systems and representative government can also help the poor articulate their needs and demands including on oppressive economic policies.

The WDR 2002 does not offer the poor—whose cause it purports to champion—with the option of arriving at this decision. It manages to disempower the constituency it attempts to serve by shutting off avenues for debate. Institutions, it would seem, are constructed for the benefit of markets, not people.

www.worldbank.org/wdr/2001/

A longer review of WDR 2002, plus further analysis on World Bank WDRs:

www.brettonwoodsproject.org/
topic/knowledgebank/wdrs

Bank private sector strategy opposed

NGOs have expressed "dismay" at the World Bank's proposed private sector strategy. In a late October letter they argued that it would "have damaging implications for citizens' rights to basic services (e.g., health, education, and water)". The Bank is due to decide on the strategy in mid-November, a month earlier than promised (see Update 24). Consultation has been limited, despite the importance of these issues to many NGOs.

The strategy proposes further privatisation of service delivery, and new ways for the Bank to make its financing available to private companies. Particularly in countries with weak competition and regulation the NGO letter argues that "firms, in their drive for profit, generally neglect service delivery to the poor". The strategy "is based on flawed assumptions about the private sector" and calls for further research to "highlight the impacts of these schemes on poor people when they are managed by different categories of service providers, including multinational corporations, small-scale firms and NGOs".

Public Services International Research Unit has also published a detailed response to the World Bank's draft strategy. ©

www.psir.org/reports/2001-10-
U-wb-psd.doc

www.challenge-globalization.org

Bank economist investigated for article

World Bank economist William Easterly faces disciplinary proceedings over an article he wrote for the *Financial Times*. The Bank is undertaking a "review" of Easterly's decision to publish the article alleging that aid financing, including US\$1 trillion (£685 billion) in World Bank and IMF loans have failed to achieve their targets of poverty alleviation.

Katherine Sierra, the Bank's vice-president of human resources, told *The Washington Post* (9/9/01) that action was taken against Easterly for failing to comply with internal regulations requiring staff to get clearance prior to media appearances. It was not, she claimed, an attempt to muzzle dissent. Bank spokesperson Caroline Anstey said staff economists were free to air their views in academic settings, but not in the media as senior Bank officials did not want to be surprised by reading staffers' comments in the papers. This media clearance procedure appears odd for an institution trying to reposition itself as a "knowledge Bank".

Easterly's July 4 article was based on his book, *The Elusive Quest for Growth* (MIT Press, 2001), which criticised the Bank's track record. "It is little wonder that protesters have demonstrated so vehemently against the international organisations", he remarked in the book, which was cleared by the Bank for publication. ©

Washington Post and Financial Times articles:

www.washingtonpost.com/wp-dyn/
articles/A60207-2001Sep7.html

www.globalarchive.ft.com/
globalarchive/articles.html

Bank watchdog compiles briefings

The Bank Information Centre has compiled a series of issue briefings on various aspects of World Bank and IMF-related activities. The briefings, written by NGOs worldwide, were originally compiled in anticipation of the World Bank and IMF meetings scheduled for 29-30 September in Washington. It is hoped that the archive of over 80 briefings, including briefings on structural adjustment, human rights, water privatisation, HIPC, governance and climate change, will serve as an invaluable resource for activists and journalists working on areas involving the World Bank and IMF. The Centre also welcomes more such briefings from individuals and organizations. ©

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IFIs must respect human rights

The World Bank and the IMF are bound by obligations enshrined in international human rights covenants, and must incorporate human rights considerations in the formulation and review of their Poverty Reduction Strategy Papers (PRSPs). This was asserted by the UN Sub-Commission on the Promotion and Protection of Human Rights at the conclusion of its 25th meeting.

The resolution on Globalisation and its Impact on the Full Enjoyment of All Human Rights reaffirmed the importance and relevance of human rights obligations in international trade, investment and finance and urged governments and international economic policy forums to respect human rights in their policymaking.

“The current system of regulation of the international economy has scant space or time for human rights, there is no adequate enforcement in the mechanisms or institutions that run the economy.”

Joseph Oloka-Onyango and Deepika Udagama

The Sub-Commission, an advisory body to the UN Commission on Human Rights, recommended that governments engaged in PRSP preparation incorporate references to human rights and ensure the realisation of human rights objectives set in the PRSPs.

During the deliberations of the Sub-Commission, the IMF had claimed that it did not have to abide by human rights standards. Grant Taplin, assistant director of the Fund's Geneva office had told the committee of 26 jurists that the IMF did not have a mandate to promote human rights nor is it bound by “various human rights declarations and conventions”. Taplin added that “human rights were not mentioned in the Articles of Agreement”.

Conclusions of the Sub-Commission were strongly influenced by a report by UN Special Rapporteurs Joseph Oloka-Onyango and Deepika Udagama which criticised the Bank and Fund's human rights record. The Onyango-Udagama report argued that the critical role played by the Bank and Fund in shaping the global economy has had significant influence on human rights in the countries affected by their policies.

In particular, the report noted the ineffectiveness of the HIPC and PRSP strategies in alleviating poverty and pointed out that the lack of borrower country participation in both processes amounted to a breach of human rights of self-determination and public participation. “Under the PRGF, it is still the staff of the Fund and the Bank who retain the authority to decide whether the conditions are being met ... effectively negating the claims of local ownership and participation,” said the report.

The report also criticised the Bank and Fund's emphasis on free market reforms and conditionalities, saying that it deprived communities of the right to health, education and basic welfare. It called for a restatement of the human rights obligations of these institutions, requiring them to adhere to the UN Declaration on the Right to Development asserting that all human rights must be recognised and protected during the process of development.

The report challenged the conventional notion that international law, including human rights law, governs only states and not multilateral entities. It also added that multilateral organisations, aside from breaching their own obligations, could also undermine or usurp states' efforts in adhering to theirs through conditionality requirements. “While it is true that such organisations are essentially made up of states, such a supposition does not address the relations of power, resources and inequality that states are confronted with in the context of their operations and policy formulation,” the report concluded.

NGOs have welcomed the Sub-Commission's resolution. A joint statement by the Lutheran World Foundation, the World Organisation against Torture and the International NGO Committee for Human Rights in Trade and Investment said the resolution sent an important signal and clear message to international economic policy fora to take human rights seriously when formulating their policies. ©

Sub-Commission on Human Rights Resolution 2001/5 and Progress report by J Oloka-Onyango and D Udagama, both at:

🌐 www.unhcr.ch/huridocda/huridocda.nsf

For a draft report on the compliance of the World Bank's policies on indigenous peoples with human rights principles, see *Universal Rights or a Universe unto Itself? Indigenous Peoples' Human Rights and the World Bank's Draft Operational Policy 4.10 on Indigenous Peoples* at:

🌐 www.gn.apc.org/forestpeoples/

Bretton Woods Project news

Angela to leave

Angela Wood is to leave the Bretton Woods Project at the end of December. She has worked with the Project since the beginning—nearly six years. In January she is heading to South America to travel for a few months. First stop the World Social Forum in Brazil.

Angela has led the Project's work on the IMF and on structural adjustment issues, impressing many officials, campaigners and journalists by her grasp of the issues and institutional politics. Summarising her time at the Bretton Woods Project, Angela said: “I've found it very rewarding experience. I've learned a lot both personally and professionally. We should recognise how much NGOs have achieved in opening up space in the IMF to discuss new issues. But we shouldn't take off the pressure.”

Angela can be contacted for short-term work projects at:

✉ angela.wood@xs4all.nl

The post of Economic Policy Officer will be advertised in November.

🌐 www.brettonwoodsproject.org/about/jobs

Communications consultancy

The Bretton Woods Project has commissioned a consultant to examine how NGOs share information on the World Bank and IMF and what new collaborative approaches could be introduced.

Whilst many networks, websites and e-mail lists have been established to facilitate communications, many people feel either overloaded with information or stuck in an information vacuum. At the same time, the World Bank has invested in major new communications approaches, and new technologies have become available to produce and share information easily and cheaply across organisational and national boundaries.

The consultancy will map existing communication approaches and examine how the web and e-mail are used. It will then suggest options which could be taken up by one or more groups or networks. These may include the construction of a portal, shared online databases, news sharing, and electronic advocacy and conferencing techniques.

The work is funded by the CS Mott Foundation and is being carried out by Ethical Media Ltd. A final report is due in January. A questionnaire and more detail are on the Bretton Woods Project website.

🌐 www.brettonwoodsproject.org/strategy

✉ comms@brettonwoodsproject.org

New on Brettonwoodsproject.org

Apart from the contents of Bretton Woods Updates we are continually adding new briefings and other content to our site. Recent additions include:

For Richer, For Poorer? G8 Proposals for IMF Reform.

🌐 www.brettonwoodsproject.org/topic/reform/r25imfroles.doc

Briefing on World Development Report 2001/2

🌐 www.brettonwoodsproject.org/topic/knowledgebank/k25_wdr002long.htm

Calendar of UK events

🌐 www.brettonwoodsproject.org/action/Events/ukoctnov.html

Topic link sections

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Please link to our site (or the relevant section) if you have not already done so.



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