

Ghanaians contest Bank-backed water privatisation

Ghanaian organisations have mobilised in recent months to prevent the privatisation of their country's urban water supply system. They have formed the Coalition Against the Privatisation of Water in Ghana which argues that the privatisation package is a bad deal both technically and financially. It says the reforms are largely imposed by external interests led by the World Bank and the IMF, which have imposed tough conditions.

The Coalition comprises a range of individuals and organisations: workers, managers, researchers, engineers, community leaders, user associations and charities. It claims to “bring to this debate a collective wealth of knowledge and experiences far in excess of what any single institution can command”. It recognises the need to reform public water supply institutions and resolve their severe financial constraints. It suggests, however, that “any reform must be aimed at achieving full protection of the right of all to potable water”. Currently around half of Ghana's population has no regular, safe water supply.

The official plan is to divide Ghana's urban water systems into two large concessions to be leased to two different companies. The Coalition argues that existing regional water systems which combine urban and rural areas are more efficient. These can reach poor households

through a mix of public distribution, community management and private sector procurement. Higher tariffs charged to wealthier households can cross-subsidize systems in low income neighbourhoods.

A comprehensive rebuttal of the privatisation proposal from the Integrated Social Development Centre (ISODEC) complains that “much of the current reform process has been propelled by the World Bank and some bilateral donors using their lending and aid as punitive levers”. A 5 March IMF document spells out conditions for providing further loans to Ghana. These include implementation of full cost recovery in public utilities and the introduction of an automatic price raising formula for electricity and water.

The decision to bring in foreign companies is justified on the basis that they will invest in new infrastructure and deliver services more cheaply and efficiently. But the

ISODEC briefing complains: “under the terms of the contract the foreign companies have no responsibility to raise funds for renewal and expansion investments”. The Government of Ghana still has responsibility for raising funds; it is expected to raise \$500m in the first two to three years following privatisation. This will come from official sources such as the World Bank and African Development Bank. The World Bank's IDA will fund a new Operating Investment Fund which will provide capital to companies for specific projects.

Likewise the Ghanaian government has responsibility for subsidising the water companies if they raise prices to levels which poorer customers cannot afford. As companies are anyway being awarded monopolies within their business areas, they face little incentive to cut prices. It is estimated that water prices may rise up to 300 per cent. Sale of water does not generate

foreign exchange so this arrangement will add to pressure on Ghana's balance of payments. The Ghanaian state also retains responsibility for sewerage and for rural and small town systems.

The nature of the deal can be explained by the choice of consultants which drew it up at a cost of \$3 million. “The key studies were commissioned and paid for by the World Bank and bilateral donors such as DFID. None of those studies were tendered in Ghana. The consulting firms all happened to be ideologically favourable to privatisation and had a track record of working for large private water companies”, argues ISODEC. The consultants included Louis Berger and the Adam Smith Institute. The government body overseeing water privatisation—the Water Sector Restructuring Secretariat—is also viewed with suspicion as it is directly funded by the World Bank and bilateral donors.

The World Bank has argued in a number of reports—including its recent Private Sector Development Strategy—that the poorest people are often forced by inadequate state service to obtain their water from private vendors at high rates. Thus a well-organised and regulated privatisation can help obtain a better deal for them. It argues that levying charges on those who can afford to pay for their water will raise revenue for future investment to expand water provision. It also points to its loan of US\$25 million to support the

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“Mistakes are made. That is economics. And that is why it is so much fun.” – page 5

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Engineers, campaigners condemn Bank for Dams Commission follow-up

The World Bank was applauded by a wide range of organisations for its role in helping establish the World Commission on Dams (WCD). This was a precedent-setting body containing fierce critics of dams and representatives of companies which build them. Now all sides are condemning the Bank's failure to implement the Commission's recommendations for new approaches to water and energy planning.

Both the *Engineering News Record*, a trade journal, and *World Rivers Review*, an NGO campaign magazine, have recently criticised the Bank. In an editorial on 21 January, ENR condemned the Bank's "deplorable hypocrisy" for approving the Bujagali dam in Uganda just months after the WCD report came out. ENR points out that the WCD was a bold attempt to "find a way through the conflict that has halted dam construction in many developed countries". If the study's own sponsors refuse to be guided by them, "all we can anticipate is continued sclerosis in dambuilding." The commission's report was greeted by cautious optimism by companies, governments and other organizations. Yet in the first test of its guidelines, the World Bank has decided to back the Bujagali Dam even though it has acknowledged that the project is "unacceptable from environmental and social perspectives." The engineering magazine compares the Bank's actions to those of a teenager arguing that it is acceptable because everybody does it, or as the Bank puts it "to the best of its knowledge [the] process proposed by the WCD has

never been implemented in a major dam project".

An article by Patrick McCully in *World Rivers Review* (December 2001) makes similar points. McCully reviews the actions of various donors and companies to take the WCD's guidelines seriously. He says that despite the Bank President's endorsement of the report at its launch, there has been "a tug-of-war between some Bank staff members who oppose incorporating WCD guidelines into Bank policy, and other staff members, executive directors and members of civil society who believe the Bank has an obligation to implement the guidelines".

The World Bank's senior water advisor, John Briscoe, initially stated that the WCD guidelines would only be a non-mandatory "reference point".

The Bank's resettlement policy was recently revised without taking into account the WCD's extensive work on this issue. The new policy disadvantages indigenous peoples, women and ethnic minorities who lack formal legal rights to land and had explicit protection under the Bank's previous policy.

However, World Bank executive

directors rejected a preliminary Bank management action plan for implementing the WCD, saying that it was too vague and lacked detail. Bank Board members also harshly criticised the water strategy currently being produced by the World Bank. They argued that an initial draft of the strategy failed to take adequate account of the WCD's findings and will not help the poor.

A leaked memo from Bank executive directors complained that the plans developed by World Bank management "appear aimed at boosting lending volumes rather than finding the best way to help meet crucial development needs". The directors also commented, in line with many NGOs, that "much more could be done to better manage existing water infrastructure and demand-side issues".

One executive director's office also criticised the draft for lacking a roadmap for action and indicators for monitoring; omitting gender issues; exaggerating the success of water users' associations; having inadequate coverage of the link between water and health; and exaggerating the benefits of privatisation.

Patrick McCully, Campaigns Director of the International Rivers Network, commented that "the Bank has learned little if anything from its history of supporting destructive, white elephant water megaprojects. The draft strategy seriously misrepresents the recommendations of the World Commission on Dams". It makes no mention of the WCD's criticism of the Bank for failing to ensure compliance with its own policies and legal agreements; weak or non-existent post-construction project evaluation and monitoring; and failure to consider a range of possible options.

A new draft of the strategy is due to be released on the Bank's website for comments in late March. John Briscoe has said that a consultation with NGOs on the strategy will take place in Washington in May. ☺

WCD

- 🌐 www.brettonwoodsproject.org/update/20
- 🌐 www.enr.com/new/editorials012102.asp
- 🌐 www.irn.org/pubs/wrr/issues/WRR.V16.N6.pdf
- 🌐 www.unep-dams.org

Water Resources Strategy
Galina Arkuzinski, World Bank

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Water Resources Sector Strategy

🌐 www.worldbank.org/water

Still fixated with privatisation: A Critical Review of the World Bank's Water Resources Sector Strategy, Public Services International Research Unit, December 2001

🌐 www.psir.uo/reports/2001-12-W-WBstrat.doc

Ghanaians contest Bank-backed water privatisation (continued from page 1)

Community Water Supply Agency which works in rural areas.

The Coalition Against Privatisation concludes, however, that the proposed water privatisation in Ghana is absolutely not in the interest of their country, let alone its poorest citizens. It argues that it is "the result of very deft political manoeuvrings by a consortium of donor countries committed to promoting the interests of their own corporate citizens". It does not oppose the involvement of the private sector in the delivery of specific services, such as tariff collection or pipe-laying. It does, however oppose "the deliberate crafting of the process to privilege only foreign companies, passing monopoly control of all urban systems to them in very long lease contracts of up to twenty-five years". It is calling for the release of all documentation relating to the proposed privatisation and for a debate about

alternative options for improving Ghana's water systems. ☺

Related Update article

🌐 www.brettonwoodsproject.org/topic/privatesector/p23waterpriv.html

Why we oppose water privatisation (ISODEC)

🌐 www.brettonwoodsproject.org/topic/privatesector/Ghanawater.doc

Coalition Against Privatisation

🌐 www.isodec.org.gh/isodec/campaigns.htm

Christian Aid report

🌐 www.christian-aid.org.uk/indepth/0111trme/master2.pdf

GCI paper

🌐 www.challengeglobalisation.org/html/otherpubs/Ghana_Water.pdf

Write to the IMF

🌐 www.waterobservatory.org

Company seeks compensation after Bolivians force re-nationalisation

A case has been filed by US-based multinational Bechtel seeking US\$25 million compensation from the Bolivian government for breach of contract. The case was accepted in February by the International Centre for the Settlement of Investment Disputes (ICSID)—a little-known arm of the World Bank Group.

In January 2000, in Cochabamba there was a general strike provoked by opposition to the World Bank's push for privatisation of water. The unrest targeted Aguas Del Tunari, a subsidiary of Bechtel which had been awarded the contract to provide water in Cochabamba, Bolivia's third largest city.

In 1999, following years of pressure, the Bolivian government agreed to privatise the Cochabamba water system. A subsidiary of utilities giant Bechtel was given a 40-year lease. Within weeks of taking over the water supply, the company tripled water

rates. Families suddenly faced monthly bills of more than US\$20 to be paid from earnings of less than \$100 a month. A range of organisations mobilised against the privatisation, forcing the Bolivian government to declare martial law in April 2000. Then, following the death of a protestor, the government agreed to re-nationalise the water system and reduce water rates. By the end of that year, the Government of Bolivia formally cancelled Aguas Del Tunari's 40-year contract. Bolivian organisations are looking for international support as they prepare to campaign against the role of ICSID, which is being asked to rule that the government of one of the poorest countries in the world must pay compensation to one of the richest multinational companies. ☺

🌐 www.democracycrtr.org/bechtel/

🌐 www.worldbank.org/icsid/cases/pending.htm

NGOs continue challenge to Bank on oil, gas and mining

Following the concerns raised about the Extractive Industries Review (EIR) process, its terms of reference have been revised. NGOs consider that important procedural changes have been made but that problems remain. NGOs' determination not simply to rely on this review process to change the Bank's approach to oil, gas and mining is shown by a new campaign launched in France.

Emil Salim, the eminent person leading the Bank's review, wrote to World Bank President James Wolfensohn in January saying he had concluded that "a number of fundamental changes are needed in the way we are approaching this". Salim argued that he did not have sufficient time, independence from the Bank or the full trust and cooperation of major stakeholders—all of which he felt were essential for the review's success.

The Bank accepted changes to the review's timeframe, and to the location of the EIR secretariat. The latter is now based in Jakarta, although some staff will remain in Washington. The EIR consultation report is now due in June 2003. However despite time frame modification the EIR's budget has not been increased. In his reply to Emil Salim, James Wolfensohn wrote that "the Board of the World Bank was adamant that the budget for the EIR should not be extended beyond the amount already set aside". Salim has complained that half the \$3 million budget has been pre-allocated for World Bank staff to attend meetings and for the EIR secretariat. Nonetheless Emil Salim now considers that the changes made, reflected in new terms of reference, allow the review to be carried out.

NGOs that have been following the process closely such as the Center for International Environmental Law, Bank Information Center, Friends of the Earth-US, Institute for Policy Studies and Oxfam America, consider it "flawed, but potentially worthwhile". They argue that the process is still "too rushed", the budget "inadequate", and that participation of Bank staff in consultations will place the Bank in too influential a position. In addition they are not clear what impact the EIR consultations and report will have on World Bank operations. NGOs taking part in a similar consultation, the World Commission on Dams, have been highly

disappointed by the failure to implement its conclusions (see, page 2). It is still unclear which NGOs will engage significantly in the EIR process. They will have to decide quickly, as the first regional consultation is scheduled for April 16-19 in Brazil.

NGOs throughout the world have been campaigning strongly against World Bank support for extractive industries. Following other initiatives, such as a call by Friends of the Earth International for a phase out of IFR funding for fossil fuel and mining projects, French organisations have launched a new campaign denouncing the social and environmental impacts of World Bank-funded oil, gas and mining projects. They complain that extractive industries create little economic growth and fuel human rights violations, armed conflicts, displacements, deforestation, biodiversity destruction and climate change. "Ca carbure au Nord, ca chauffe au Sud!" is run by Agir ici, ARTEC and CRID, together with Friends of the Earth France, Greenpeace and the French Climate Action Network, and is supported by 34 other groups. It asks French decision-makers and the Bank's President to ensure that the World Bank does not back any oil, gas and mining projects that would endanger sensitive areas and go against local communities' wishes. In practice it would exclude projects from indigenous peoples' territories, biodiversity 'hotspots', pristine marine areas, and primary forests. The campaign also asks the Bank to take full responsibility for damages already inflicted on populations and their environment, to make reparations, and to shift its financing towards renewable forms of energy favouring the needs of poorer people. ©

www.eireview.org/

www.globenet.org/ifi

ifi@agirici.org

No investigation into Peru goldmine corruption

Nine months after a joint inquiry was demanded by a coalition of Peruvian NGOs and US NGO Project Underground, the World Bank Group's private sector lending arm, the IFC, has refused to investigate allegations of corruption involving one of its partners—US based Newmont Mining Corporation. The dispute concerned ownership of the controversial Minera Yanacocha gold mine in the northern highlands of Peru, which is the largest gold producer in Latin America. The project was a joint venture between the IFC, Newmont and a Peruvian company Buenaventura.

Newmont had been in a major legal dispute with the Bureau de Recherches Géologiques et Minières (BRGM), a state-owned French company, over ownership of the mine. Although the case was resolved in 1998, it attracted media attention again in January 2001, when a videotape released to the public showed ex-Peruvian President Fujimori's spy chief Vladimiro Montesinos pressuring a Peruvian Supreme Court judge that a vote in favour of Newmont was needed due to US diplomatic pressure. Peru's Supreme Court ruled that BRGM should sell its shares to Newmont.

On 30th January 2002, Project Underground received a letter from

Joe O'Keefe—IFC's corporate relations manager—saying that after they reviewed the videotape and other materials surrounding the affair, they "concluded that there is insufficient evidence to continue investigating this allegation". Commenting on the IFC letter, Erica Etelson, Project Underground Staff Attorney, said, "the videotape of Montesinos was a smoking gun. What more evidence do they need before they're willing to investigate?"

Two further complaints about Yanacocha have resulted in the World Bank's Compliance Advisor/Ombudsman (CAO) establishing a dialogue process with the companies, NGOs, municipal bodies and leaders, provincial leaders, government agencies and others in the Cajamarca area to resolve issues. These include a mercury spill in Choropampa in June 2000 and more general concerns about the environmental, social, and economic impacts of Minera Yanacocha's operations. ©

IPS report

www.oneworld.org/ips2/mar02/02_33_005.html

Drillbits & Tailings articles

www.moles.org/ProjectUnderground/drillbits/7_02/3.html

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World Bank + IMF = global deforestation

The World Bank is considering lifting its ban on direct financing of logging in primary moist tropical forests, encapsulated in its 1991 Forest Policy. A draft strategy offering voluntary guidelines was put on the Bank's website in June 2001. It claimed that regional consultations carried out in 2000 revealed broad support for the Bank to "re-engage" in the forest sector. NGOs have contested this claim as they wait to see a draft of the Bank's much-delayed new Operational Policy (OP). The OP will provide mandatory instructions for Bank staff.

A recent joint statement from nine African NGO representatives praised the Bank for its 1991 Forest Policy and stated that local communities often get no benefits from private logging operations. If the ban is lifted they argue that large-scale logging operations would flourish which benefit only elites and hasten further destruction of natural forests. A new report from the American

Lands Alliance examines the impact of IMF policies on forests around the world. The report accuses the IMF of supporting deforestation in 15 countries, among them Brazil, Indonesia, Russia, Cameroon and Chile. The Fund has prioritised economic liberalisation over key social and environmental objectives. With the pending release of the OP, the World Rainforest Movement is calling on NGOs to press for changes which will "secure the rights of forest dwellers; ensure that non-forest sector lending doesn't damage forests and forest peoples; and proscribe financing in old growth forest." ©

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American Lands Alliance report

www.americanlands.org/imf_report.htm

World Rainforest Movement

www.wrm.org.uy/actors/WB

Limitations of Asian PRSPs revealed

Asian NGOs have recently commented on the problems they face with PRSP processes in their region.

Focus on the Global South has issued a report assessing Poverty Reduction Strategy processes in Lao PDR, Cambodia and Vietnam. Drawn from interviews with NGOs and WB missions, the report concludes that the interim PRSPs produced for these countries are not about poverty eradication. While Vietnam has been better able to direct the process, in both Lao PDR and Cambodia interim PRSPs conflict with existing medium-term development plans. The report criticises the level of participation in the

drafting process. While prominent NGOs were consulted, a failure to translate the papers into either Khmer or Lao marginalised the majority of civil society actors. Focus researchers believe that the Bank is repeating errors of the past, as policy recommendations are similar to previous structural adjustment measures. The report reveals that none of the three governments had been informed of the results of the Structural Adjustment Participatory Review Initiative assessments of the

impact of SAPs in their countries.

In Bangladesh, at a national convention on PRS on March 9, organized by the People's Empowerment Trust (PET) and Action Aid Bangladesh, participants condemned the lack of transparency in the PRS drafting process. Chairperson of PET, economist MM Akash, said that the timeline set by the WB and IMF for people's participation in the process threatened to lead to the "abandonment of the very principles of poverty reduction".

A declaration drawn up by participants called on the WB and IMF to remove PRSP conditionality for receipt of further funds, and develop a transparent 'route map' to guide the process. ©

www.focusweb.org/publications/Research%20and%20Policy%20papers/2002/PRSP.pdf

WB study questions breadth and impact of PRSP participation

A World Bank study of participation in PRSPs has set out a number of criticisms. The study, by the Participation Team of the Bank's Social Development Department, brings together external assessments with an in-house review of PRSPs in-progress and completed.

The report opens with a synthesis of the views of a number of Northern NGOs, national and UN development agencies. Of the type of participation generated, the authors state that "almost all countries are on the lower half of the spectrum"; information-sharing and consultation is largely confined to capital cities. The process is driven by finance and planning ministries, with other ministries such as health and education playing minor roles. Under CSO participation, the authors believe that NGOs are

assuming an increasingly important role, however non-conventional NGOs, such as community groups and women's organisations, are given little attention. Other weaknesses lie in poor quality data and a lack of gender analysis. The authors of the review admit, however, that their own analysis of participation in PRSPs is "static, document-centric and generally not informed by accounts from the site."

The range and composition of CSO representation in completed PRSPs has been deficient. It was not clear to the authors to what extent the views gathered had influenced the content of the final Papers. They concluded that: "macroeconomic issues and the broad development model remain unchallenged." This assessment coincides with the views offered by the UK's Department For Interna-

tional Development in a paper on the PRSP process. DFID asserts that "the quality of the outputs produced through consultation processes, and their consequent impact on policy-making, is a real concern." As a result, the "Bank has not always made a positive contribution to maximising the impact of consultation and participation on PRS policy."

Pointing to ways forward, the Bank study highlights the need for participation after the PRSP has been completed. It suggests joint learning and assessment across countries, greater focus on the participation of local government; and the creation of a new fund to deepen and improve the quality of participation. ©

www.worldbank.org/participation/retro.htm

Empowerment agenda "a special challenge"

A new report from the World Bank sets out how it is responding to its Poverty World Development Report. It claims that the WDR "is changing the way the Bank and other development organisations do business". It recognises, however, that the most innovative part of the WDR on empowerment, "poses special challenges for the Bank". Many outside the Bank, while welcoming its new recognition of the importance of political power, question whether it is legitimate for it to get involved in 'empowering' people and whether it is really prepared to tackle in-country vested interests.

The Bank's new report says that it is interpreting empowerment partly as a continuation of its efforts to increase participation in Bank operations. It intends to expand support for systems of public expenditure management and monitoring and "efforts to enhance citizens' access to information". It also plans further work to support countries' decentralisation efforts and to explore ways to expand support for poor peoples' organisations. The latter is likely to be especially delicate, as many mass organisations will not be seen to be supported by an institution that they regard as hostile to their objectives.

The Bank's approach to empowerment will be tested not only in its ongoing approaches to PRSPs and projects but also in the development of other strategies. In the coming months the Bank is drafting a Social Sector Strategy and a methodology for institutional assessment, among others. Bank-watchers will examine their coherence with the WDR. ©

www.worldbank.org/poverty/library/progr/2000-01/execsum.htm

New report on Bolivian PRSP

Christian Aid, in collaboration with a number of Bolivian civil society groups, has produced a new report examining the quality of participation in the Bolivian Poverty Reduction Strategy process. It points out that Bolivia has long been viewed as a model structural adjustment performer, but that inequality has become increasingly severe. It finds that civil society's participation in Bolivia's PRSP was "a mixed experience" which has been celebrated somewhat simplistically by the international community, with little attention being given to some of the harsher lessons and mistakes.

Participating in Dialogue?: The Estrategia Boliviana de Reducción de la Pobreza
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Letter on PRSP process complaints

A number of civil society organisations involved in the official review of the Poverty Reduction Strategy process, wrote a joint letter to the IMF and the Bank in late January. It urges the presentation of genuine choices for Macroeconomic and Structural Policy Design, the need for impact analysis, and a process to record the extent and quality of participation by civil society groups.

Joint letter

www.eurodad.org/2poverty/indexpoverty1.htm

Official and NGO submissions to the PRSP review

www.worldbank.org/poverty/strategies/review/extrev.htm

New Oxfam guide to PRSPs

Oxfam International has published a guide for groups wanting to do work around Poverty Reduction Strategy processes in their countries. It gives tips on general advocacy approaches, how to understand PRSP processes, as well as a short section on the likely consequences of certain economic policies. The material aims to help organisations influence the content of Poverty Reduction Strategies, not just be passive participants in various meetings. It particularly emphasises the involvement of women and other marginalised groups.

www.oxfam.org.uk/policy/papers/prsguide/prsguide.html

Making Services Work for Poor People

The World Bank's World Development Report for 2003/4 will cover the sensitive issues of service delivery. The World Bank has long been criticised for its approach to water, health, education and similar services, although it claims to have made changes in recent years—for example outlawing user fees for education.

This Report will examine these services in the context of the Millennium Development Goals. The report's lead author is Shanta Devarajan, a senior World Bank researcher.

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Trade policy training challenged, but donors commit more funds

The heads of six major international institutions met in late February to discuss their roles in trade policy formulation. They agreed to do more to help poorer countries prioritise trade reform, and improve their ability to negotiate in international fora. Shortly after this, a number of non-government organisations released a statement raising concerns about official approaches to trade policy capacity building.

The top men from the World Bank, WTO, IMF, UNCTAD, UNDP and ITC attended the meeting at the World Bank headquarters on 26 February. The meeting discussed the Integrated Framework (IF)—an initiative to enable these agencies to collaborate to help governments in poorer countries understand the increasingly complex trade policy areas. Their joint communique urged further opening of developed country markets for products originating from the poorest countries but also for poorer countries to do more themselves. “Domestic regulatory reform and coherent macroeconomic and trade policies are necessary. It is essential that trade priority areas of action, including trade-related technical assistance, are reflected within development plans and strategies for poverty reduction”.

The joint statement went on to “reaffirm the lead role of the World Bank in supporting the process to mainstream trade into development plans and strategies for poverty reduction”. The Bank is leading a process of conducting “Diagnostic Trade Integration Studies” to assess countries’ needs for technical assistance. The results of these studies

are then expected to be integrated into Poverty Reduction Strategy Papers (PRSPs) and tabled at donor coordination meetings. The paper also urges “better coordination between national IF Steering Committees and the PRSP Committees”.

To encourage division of labour among the agencies involved in trade policy capacity building, a database of who is doing what and a new Integrated Framework website are being developed.

Twenty civil society organisations—including major international organisations and networks such as DAWN, International South Group Network and Public Services International signed a statement which flagged concerns about official approaches to capacity building. It agreed that “the objective of building capacity of all WTO members to define and act on trade policies that are in their best national interest is widely shared”. However, “important questions remain about how capacity building will be delivered and by whom”. The statement complained that the technical assistance plan had largely been drawn up by the WTO Secretariat and prioritises the new and controversial trade negotiation

areas (including investment, competition and government procurement). It continues that “a large part of the Plan involves the Integrated Framework for Trade Related Technical Assistance (ITF), a programme which has already been tried and failed”. The statement condemned the allocation of responsibilities in the revamped IF as “unbalanced”, saying that the major role being allocated to the World Bank was “a cause for concern”. It urged mechanisms which give governments “the flexibility to choose the agency and the form of assistance that they feel to be most appropriate”.

Despite these concerns, governments agreed to commit an extra \$18 million at a meeting in Switzerland on 12 March. A trade official at the meeting commented: “money is now not the issue. It’s finding the people and spending it wisely that will be the problem.”

www.brettonwoodsproject.org/
topic/knowledgebank/
k27tradestat.html

The Bretton Woods Project is preparing a briefing on the World Bank’s role in trade-related technical assistance.

IMF “fun” with Argentina

IMF lending to Argentina could resume in the coming months under specific conditions. After completing a ten-day mission in Argentina, recently appointed IMF Director for Special Operations Anoop Singh said “approval of the 2002 budget by Congress, as well as the recent agreement between the Government and Provincial Governors, are important steps in this direction”. However the Argentinian government will have to revise its programme as the IMF thinks its inflation and growth forecasts were too optimistic. The 2002 budget plans further cuts in civil servants’ salaries and increases in export taxes to raise revenue from a predicted export surge owing to currency devaluation. President Duhalde met Horst Köhler in Monterrey during the Conference on Financing for Development.

Singh’s control of Argentinian negotiations may indicate dissatisfaction with the IMF’s Western Hemisphere Department. But Thomas Dawson, External Relations Director of the Fund, gave another explanation of the Fund’s approach. When asked by a journalist in January about the lessons learned from the Argentinian crisis, he candidly explained that one of his ambitions in his job is “to make new mistakes, not old mistakes”. He even predicted new IMF failures: “I think we have learned some of the lessons of the past, but that is not to say that mistakes are not made again in the future. And that is life. That is economics. And that is why it is so much fun”. Most Argentinians do not share his sense of humour.

www.imf.org/external/np/tr/2002/tr020117.htm

Nigeria sends IMF away

The Nigerian government withdrew from an IMF-monitored programme in early March. From July 2000 to October 2001 Nigeria had been involved in a Standby arrangement with the Fund. The country has recently faced “challenges” that caused the government to fall short of its targets. It decided not to continue with arrangements “where only narrowly defined macroeconomic targets come into play” but to develop a home-grown programme to identify “prudent economic objectives that the people of Nigeria can support”. In July 2000 the Nigerian House of Representatives opposed the Standby agreement.

www.imf.org/external/np/ms/2002/030602.htm

IMF evaluator clarifies position

Following the article in *Bretton Woods Update* 26 on the announcement by the IMF Evaluation Office of its work programme, its Director sent a letter clarifying his position. The article complained that the draft evaluation programme submitted to the public for comment was redundant as another version was circulated to Board members at the same time. The EVO argues that “circulation of every interim product is neither feasible nor necessary. We did not take a final decision until all comments within the extended deadline had been received”.

Full letter from the IMF’s IEO
www.brettonwoodsproject.org/
topic/reform/r27ieoltr.html

IFC reviews social and environmental policies

The policies that govern the International Finance Corporation’s approach to core social and environmental issues are currently under review. Safeguard policies include Environment Assessment, Forestry and Indigenous Peoples. As the private sector arm of the World Bank indirectly sets standards for private companies it is important to ensure that their standards are high. Comments must be submitted by the end of May to inform a draft report which should be ready by early June. A final report is due by October.

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Bank Board schedule announced

The World Bank has decided to post its schedule of what will be discussed at Board meetings. The Bank has previously maintained that this information must be kept secret.

The Bank has not, however, gone the next step to make public the votes and statements of Board members. A recent briefing from Bank Information Center comments that: “The Board has not yet acknowledged that the public has a right to know how they are being represented within the Bank”.

www.worldbank.org/about/
organization/voting/
www.bicusa.org/mdbs/wbg/Info
%20Disclosure/infodiscupdate.htm

Parliamentarians gear up to increase scrutiny of World Bank

A number of efforts are under way to increase the ability of elected representatives to monitor the World Bank.

The World Bank's Parliamentary Network is gearing up for its third annual conference while other parliamentary coordination initiatives are moving forward, as proposed by a French report and the World Social Forum.

The third annual conference of the Parliamentary Network on the World Bank will take place in Berne, Switzerland from 9-11 May. The Network is attempting to enter a new phase, particularly in terms of independence and visibility. Bert Koenders, Dutch MP and Chair of the Network, sees the Network as a way for parliamentarians to execute their task of scrutinising the World Bank. Numerous MPs feel they should not be left out of the debate on global governance, while street movements, NGOs and global institutions such as the World Bank and the IMF put across their views. Koenders argues that the “democratic deficit in fact does exist. The prime reason is that parliamentarians lack the information to execute their controlling task. The material is complex and parliamentarians over the world have one thing in common: they have very little time”.

Information is certainly vital, especially since the World Bank sees itself as a “knowledge bank” and as such produces countless reports and discussion papers. What MPs need most to control their government's relations with the international financial institutions is strategic information on decision-making processes. They are often denied timely access to such information, especially in borrowing countries. Indeed the World Bank Parliamentary Network wants to help push for donor countries' representatives in the Bank to be interviewed by parliamentarians on World Bank policies. Similarly, the Network

“We must do our controlling task on the basis of too little information. Subsequently, the task of parliamentarians in relation to the International Financial Institutions is much too haphazard. Too haphazard, too reactive and too small.”

Bert Koenders, Dutch MP, Chair of the Parliamentary Network on the World Bank

will encourage systematic and timely information on World Bank loans and projects reaching borrowing countries' parliaments.

While ambitions for the network are high, it remains to be seen whether it will be able to achieve true independence from the World Bank. Though the Dutch government has provided most of the funds, the World Bank currently hosts the secretariat and administers the Network's budget. To achieve its mission, the Network now wants to develop its activities to include more information exchange as well as field visits. These visits, focussing particularly on PRSPs, will include trips to Uganda and Benin this April. They may allow the Network to recruit new members, as it is currently European-dominated. The Network has also participated in the Financing for Development conference in Monterrey, and will engage in preparations for the World Summit on Sustainable Development in Johannesburg in August.

While the World Bank Network says it is not establishing “another circle of decision-making”, it is unclear how it will coordinate with existing networks. These include the World Parliamentary Forum that

now gathers every year during the World Social Forum. Last year it called for “profound reform of the WTO and international financial institutions” and initiated a global parliamentary network which now has more than 1000 members.

In a recent report to the French Commission des Finances, MP Yves Tavernier assesses the state of parliamentary scrutiny of the World Bank in different countries and urges his French colleagues to create a permanent parliamentary delegation to scrutinise the Bank. He says this is needed partly to counter the influence of NGOs who “in every speech, in every press article, are granted a superior form of legitimacy [to parliamentarians]”. The 2000 report of the Commission des Finances criticised the IMF and the World Bank and called for permanent parliamentary monitoring. As National Assembly president Raymond Forni endorsed this call, the 2001 report makes concrete propositions to establish a permanent delegation that would address questions such as:

- the need for transparency and control of the institutions and member governments;
- public, independent evaluation of IFI

policies and their impact;

- replacing conditionality with negotiations with recipient countries;
- the possibility of filing complaints to an arbitration court against violation of fundamental rights by international financial institutions;
- the need for ex-ante impact studies involving all stakeholders.

Yves Tavernier refers to the US Congress as an example of parliamentary influence on a country's policy options within the IMF and the World Bank. Unlike the limited efforts of most European parliaments, Congress closely watches and influences US multilateral policies using both legislation and approval of financial contributions.

While NGOs have filled a space left open by elected representatives in the monitoring of international institutions, this should not be seen as a competition for power or legitimacy. On the contrary, there is a strong case for cooperation between parliamentarians and NGOs, especially as MPs complain about the lack of time and information. Indeed most of Tavernier's comments and propositions on the institutions match what French NGOs such as Agir ici, AITEC and CRID have been advocating for years. US NGOs also play a decisive role in educating and alerting Congress members on complex World Bank issues. NGOs can be a good source of independent information and analysis for MPs wanting to influence the international agenda and hold their governments accountable. ©

www.worldbank.org/pnowb

www.forumparlamentarmundial.rs.gov.br/ingles/welcome.php

www.assemblee-nationale.fr/rap-info/i3478.asp

www.globenet.org/ifi/dossiers/controle/france/avis-rap2001.htm

Bujagali dam affected by Enron-fallout

U.S. power company AES Corp. has been forced to delay building the \$550 million Bujagali dam, Uganda, because of a financing shortfall. It has failed to raise extra cash from export credit agencies to match that from the World Bank, possibly because of campaigning by NGOs opposed to the dam. AES's shareprice has fallen 90 per cent since this time last year because of uncertainties following the Enron crash.

The IFC has also backed AES-sponsored projects in Pakistan, Mexico, Georgia, Panama and Bangladesh.

www.irn.org/programs/bujagali/

World Bank to back Iran dam

The World Bank plans to back a dam in Mazandaran province, Iran. The Bank will provide a loan of 80 million dollars for the 'Alborz' dam which is estimated to cost a total of 130 million. The dam on the Babol river is intended to irrigate 50,000 hectares of farmland when it becomes operational.

Source, Islamic Republic News Agency, March 4

www.irna.com/newshtml/eng/13195709.htm

Bank downplays Lesotho dam corruption

A World Bank investigation has concluded that there is insufficient evidence to disbar from future Bank contracts three international dambuilding companies which have been charged with corruption by the Lesotho High Court. This despite finding that the (unnamed) companies had channelled funds through a middleman who has been found guilty of bribing Lesotho officials. Environmental Defense Fund argues that the Bank's decision was timed to influence the outcome of the judgement from the High Court, throwing into question the Bank's commitment to fighting corruption.

www.irn.org/programs/lesotho/

Citizens' Guide to World Commission on Dams

International Rivers Network has published a new guide to help people use the World Commission on Dams report to stop destructive development projects and promote better alternatives. It provides background on the WCD, a detailed summary of its findings and recommendations, and responses from NGOs, institutions and governments to the report.

The guide is available to order or download through the IRN website. Spanish, Thai, Japanese and Mandarin translations available soon.

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● swong@irn.org

Wolfensohn appoints poverty results champion under pressure from US

The World Bank has appointed a new Vice President for 'results'. The Bank's President commented: "we have come a long way in developing measures of operational inputs and their quality. That said we need to do more to better measure and explain how our work makes a difference. The key is to move from largely measuring inputs to better focusing on outputs and outcomes".

This move owes much to the noisy calls from the US administration and senior US politicians for improved reporting on the Bank's impacts. The administration has said that its contributions to the Bank's IDA arm will depend on annual reports on results achieved. Announcing \$5 billion in new aid money on 14 March, President Bush stated that this would be allocated to countries that demonstrate a strong commitment toward good governance, investing in the health and education of their people, and creating sound economic policies including open markets and sustainable budgets. The White House briefing noted that "the President has instructed the Secretary of State

and the Secretary of Treasury to reach out to the world community to develop a set of clear, concrete and objective criteria for measuring progress in the above areas". It is highly likely that the World Bank will play a key role in defining these. Bank researchers are already privately celebrating official US acceptance of their 'selectivity' approach.

But Adam Lerrick, a professor of economics and one of the lead authors of the Meltzer Report to Congress recently wrote an opinion piece in the *Financial Times* complaining about the Bank's judgement. The Bank reports that 78 per cent of its projects which concluded during the last year had satisfactory outcomes.

Lerrick counters: "when the auditors are captive, when the timing of judgement is premature, when the criteria are faulty and when the numbers are selectively chosen—how credible are the conclusions?" He complained that the Bank's Operations Evaluation Department (OED) "is a department of the Bank like any other, save for the ceremony of reporting to a passive executive board. A revolving door that leads back to standard line jobs and advancement in the bank does not foster disinterested and rigorous judgment". In fact service at the OED may not always lead to advancement in the Bank. The OED recently lost the only non-economic social scientist on its staff—Warren

Van Wicklen. Having worked with the Department for seven years, Van Wicklen was forced to find other employment after filing a critical report on the Bank's approach to participation.

The Dutch Executive Director to the World Bank, Pieter Stek, hit back at Lerrick, calling his article "ill-informed and ill-disposed". Stek commented "the OED is staffed with top-notch development professionals of impeccable integrity who call it as they see it. Their reports are notoriously hard hitting. All important evaluation reports are disclosed to the public".

It is not yet known what approach will be taken by Joanne Salop, the new Vice President for Results, but it is very unlikely to go as far as suggested by Lerrick (an external audit by private sector companies) or some campaigners (a Truth Commission). The one result of Wolfensohn's presidency that all sides can agree on, however, is a vast increase in the number of World Bank Vice-Presidents and self-congratulatory reports. ©

www.globalarchive.ft.com/globalarchive/article.html?id=020306001861

www.whitehouse.gov/news/releases/2002/03/20020314-4.html

Development finance summit a fiasco, say campaigners

The International Conference on Financing for Development ended on March 22 in Monterrey with few new initiatives to achieve the 2015 development goals. Civil society groups organised their own 'Foro Global' ahead of the Conference, challenging the so-called 'Monterrey Consensus'.

By the time officials and civil society representatives from all parts of the world gathered in Monterrey there was little doubt the Conference would be largely a failure. The outcome of the Conference, known as the 'Monterrey Consensus' had been drafted in preparatory committees and was not subject to further negotiation, which led many civil society organisations to question the wisdom of their participation in official events. About 700 hundred of them attended the 'Foro Global' that was held ahead of the Conference. It denounced the official agreement, saying it failed to offer new mechanisms to mobilise new financial resources to achieve the Millennium Development Goals.

Indeed the 'Monterrey Consensus' is considered a failure, if not a setback, by many participants to the Conference, including some Southern and European governments. In early March European officials had

expressed concerns about the process and its outcome, highlighting US reluctance to make any new bold commitment. The Mexican government was also described as pressuring G-77 countries to keep a low profile, especially on the issue of debt relief.

Unilateral pledges made by the US and the European Union in advance of the Conference have received mixed reactions. George W. Bush's request to the Congress for a ten billion dollar aid increase over three years has provoked questions and criticism as well as some cautious support. There is no guarantee that the money will not be allocated following highly political criteria in the US crusade against terrorism. Moreover, the plan having been clearly designed to boost private foreign investment, some groups such as Globalization Challenge Initiative are concerned that the money will go back to US corporations.

Bush also reiterated the controversial US proposal to convert into grants half of IDA (International Development Association) concessional loans. Many European governments and NGOs have opposed the proposal. Their main concern is that a large grants scheme would

deplete IDA's resources over time. NGOs expressed doubts about the implications of and motives behind the US proposal. Supporters of the proposal have argued that it could prevent impoverished countries building up unsustainable debt. Though a final decision on the IDA replenishment was supposed to be reached early in 2002 to leave time for national legislatures to approve the funds later in the year, discussions appear to be deadlocked and no compromise was expected to be reached during the Monterrey Conference.

The agreement for all European Union countries to commit to spend 0.39 per cent of their national income on foreign aid was regarded by European NGOs gathered at the Foro Global as a last minute recognition by the EU that "the lack of concrete commitments for achieving global poverty eradication and development goals undermines the relevance of the so-called Monterrey Consensus". They called this announcement and the US initiative, mere "face-saving reactions".

In a statement read to the official Conference Plenary, Foro Global representatives presented a range of proposals in stark contrast to the lack of vision and concrete outcomes from

the official conference. Demands and proposals include: debt cancellation for Southern countries and a fair and transparent arbitration process, implementation of a tax on currency transactions to mobilise new resources, and fulfilment of the 0.7 per cent of GDP target for foreign aid. NGOs also claim that the World Bank, the IMF, the WTO as well as national and transnational corporations should be accountable to the UN Commission of Human Rights. ©

Official UN Financing for Development site

www.un.org/esa/ffd

FfD Civil society forum

www.ffdforoglobal.org

Taken for granted? US Proposals to Reform the World Bank's IDA Examined, Bretton Woods Project, March 2002

www.brettonwoodsproject.org/topic/reform/r27granted.htm

News Economic Foundation *Chasing Shadows: Re-imagining Finance for Development*
www.jubileeplus.org/analysis/reports/chasingshadows.pdf

Jubilee Research new report *The unbreakable link - debt relief and the millennium development goals*

www.jubileeplus.org/media/unbreakable_link.pdf

Sustainability requires international institutional reforms

NGOs preparing to engage in the preparatory process for the World Summit on Sustainable Development are scrutinising the World Bank's reports relating to the summit topics. They are examining whether the reports are frank and clear about what needs to be done to ensure that the world becomes more equitable and sustainable.

The Bank's flagship publication, to be released at Johannesburg, will be the *World Development Report on Sustainable Development with a Dynamic Economy*. The Bank is also launching, in collaboration with other international development organisations, two other major reports which aim to influence the summit preparatory process. These papers, being prepared with UNDP, UNEP, the EU and DFID, cover *Poverty/Environment Linkages* and *Innovative Financing for Sustainable Development*. The Poverty/Environment paper was posted on the web in draft form in February for an electronic discussion that will last until June, and the Bank planned to post the draft WDR at the end of March for a much shorter comment period.

A number of public figures and NGOs have recently released reports and statements that can be compared with what the Bank is writing. UN Secretary-General Kofi Annan, for example, recently reminded rich countries that achieving the 2015 Millennium Summit targets to halve extreme poverty was ambitious in itself. But if sustainability is overlooked "it will all be in vain". Speaking in London in February, Annan commented "it is equally important that we achieve another goal set by world leaders at the Summit: 'to free all of humanity, and above all our children and grandchildren, from the threat of living on a planet irredeemably spoiled by human activities, and whose resources would no longer be sufficient for their needs'".

Other commentators have spelled out what institutional and other reforms will be needed to achieve sustainability. Many of them argue that international sustainable development institutions have been marginalised by the institutions of globalisation. Chee Yoke Ling and Martin Khor of Third World Network argue that "instead of fulfilling its commitments under the Rio Declaration, Agenda 21, and Multilateral Environmental Agreements (MEAs), the North has turned to the World Trade Organisation in particular, to promote and obtain international rules that are increasingly acknowledged to be counter to the Rio spirit, principles and commitments. The unilateral

rejection of international agreements, including MEAs, by some countries is yet another move that jeopardises the multilateralism needed to meet the challenge of sustainable development. The Bretton Woods Institutions, especially the IMF, have also promoted and drawn many Southern countries into macro-economic policies that are adverse to the environment, destabilise national economies and create social disruptions".

The WTO's dispute settlement system based on retaliation and sanctions gives it a strong enforcement capability while the World Bank and IMF have impressive financial resources which enable them to impose conditions on recipient governments. The UN specialised agencies charged with implementing the pledges from the 1992 Earth Summit in Rio are, by contrast, very weak and thus unable to police the implementation of Multilateral Environmental Agreements.

Many NGOs agree that the greatest weakness of the Rio summit was its failure to include frameworks to regulate financial institutions, transnational corporations and new technologies. They feel that the World Summit in Johannesburg later this year will not achieve much without tackling the contradictions between economic liberalisation and other international agreements. This will imply a renegotiation of intellectual property rights agreements and an examination of how government subsidies and procurement practices can be used to further sustainability goals.

The Global Environment Facility, one of the major institutional innovations in the field of international institutions for sustainability, requires review. Whilst its governance structure is relatively progressive compared to that of the Bretton Woods institutions, it is too closely linked to the World Bank and has suffered from an unclear definition of what it should achieve. ©

E-consultations on World Bank WSSD reports:

www.worldbank.org/devforum

International Environmental Governance: Some Issues From A Developing Country Perspective

www.twinside.org.sg/title/ieg.htm

WSSD briefings, International Institute for Environment and Development

www.iied.org/wssd/pubs.html

Charging the Use of Global Commons, German Advisory Council on Global Change

www.wbgu.de/wbgu_pp2002_engl.html

Links to other relevant publications

www.brettonwoodsproject.org/topic/environment

New staff at Bretton Woods Project

Fabien Lefrancois and Jeff Powell have recently joined the Bretton Woods Project. Fabien, our new Policy Analyst, has until recently been working on the World Bank and IMF at French campaigning organisation Agir Ici. He has run campaigns on World Bank and IMF accountability and complaint mechanisms, basic service provision and extractive industries.

Jeff, our new Communications and Research Officer, worked for a number of years assisting the development of cooperatives in Thailand. He has recently completed a Masters degree in development studies, focussing on the Politics of Alternative Development Strategies and completing a thesis on the Argentine Barter Network.

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Bank/Fund Spring meetings schedule

The World Bank/IMF Spring meetings are taking place in Washington DC on 20-21 April. A wide range of NGO events are also being planned in the week before the official meetings. Meetings will examine:

- The negative impacts of the World Bank policy of market-based land reform, looking in particular at the Brazil experience;
- Devising legal approaches to secure reparations payments for communities suffering the social, cultural and environmental consequences of large-scale development projects; and
- From engagement to protest: forum on citizens' challenges to the World Bank. This will focus in particular on the Bank's failure to honour its commitments under processes such as the Structural Adjustment Participatory Review Initiative and the World Commission on Dams.

Details of NGO events

www.bicusa.org/mdbs/wbg/calendar2002.htm

Details of official meetings

www.imf.org/external/spring/2002/index.htm

New on brettonwoodsproject.org

Joint statement airs concerns on trade policy training

The World Bank is working with the WTO and other agencies to deliver "capacity-building" on trade policy. A number of organisations are concerned about the way this important issue for post-Doha trade negotiations is being approached.

www.brettonwoodsproject.org/topic/knowledgebank/k27tradestat.html

Taken for granted? US Proposals to Reform the World Bank's IDA Examined Briefing on the disagreements between US and EU governments on the pros and cons of providing grants instead of loans through the World Bank's IDA.

www.brettonwoodsproject.org/topic/reform/r27granted.htm

World Bank and IMF roles debated at development finance summit

Analysis of the "Monterrey Consensus" document produced for the International Financing for Development (FFD) conference process.

www.brettonwoodsproject.org/topic/reform/r27ffddebate.html



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