## Bank declaration of human rights

The World Bank President has asked his staff to prepare a human rights strategy. The Bank has previously avoided talking directly about a role for itself in supporting human rights, despite pressure to do so emanating from the United Nations bodies and NGOs.

The Bank aims to prepare a strategy which "without overstepping our mandate or compromising our advantage of political neutrality in the eyes of our members, fully realizes our mission's tie to the advancement of human rights", according to its general counsel Ko-Yung Tung. Ko-Yung was a member of the board of Human Rights Watch before he joined the Bank.

The Bank held a workshop in May to discuss the issues. A memo circulated to Bank staff by Ko-Yung after this said: "we should not be afraid to state that the Bank plays a critical role in the realization of human rights". He continued: "human rights to me fundamentally means respecting the dignity of each individual. Poverty being an abject indignity, our mission of fighting poverty directly involves the advancement of human rights. Human rights is also tied closely to our efforts in promoting the rule of law through our legal and judicial reform activities. We are not, however, a 'world government' or 'world policeman'-we do not legislate human rights, nor do we enforce them. We are a development bank, and as such we assist our member states and their citizens to

realize their rights by helping them address crucial issues of health, environment, education, and other basic needs".

In a 1998 publication on human rights, the Bank accepted in general terms that property rights, participation rights, special measures for excluded persons and groups and independent judicial systems are fundamental to poverty reduction, the Bank's primary goal. However it did not state that the Bank has a legal obligation to respect human rights. In May, Alberto Saldamando, General Counsel for the International Indian Treaty Council, told the Permanent Forum on Indigenous Issues: "The World Bank and the IMF have a duty, a legal obligation, to observe human rights in everything they do".

Many critics of the Bank will be glad that the Bank does not intend to become the world's interpreter and arbiter of human rights. But concerns have already been raised about the extent to which the Bank will be ready to be held accountable for its performance against the full set of relevant rights. Korinna Horta, who works with US campaign group Environmental Defense, commented in a recent article for the *Harvard* 

Human Rights Journal: "The institution makes a disingenuous distinction by separating political and civil rights from economic and social rights". The Bank is known to be looking at the right to education and food in the context of the PRSPS, but will it cover freedom of association and similar issues?

Horta argues that the Bank's talk of fighting corruption, reforming governance and empowering citizens is inconsistent with its continued technocratic and depoliticized approach to development financing. Horta points out that "large amounts of money continue to flow to governments that systematically abuse human rights and have shown little commitment to alleviating poverty or protecting the natural resources".

In the past the World Bank has been much-criticised for its loans to Suharto's Indonesia, Mobutu's Zaire or the Philippines under Marcos. But more recently it has turned a blind eye to the responsibilities of countries neighbouring the Democratic Republic of Congo (DRC). Horta describes the findings of a recent report for the UN Security Council which found that the illegal

exploitation of gold, diamonds, copper and cobalt is being carried out and exported via Rwanda and Uganda, with massive financial gains for officers in the Rwandan and Ugandan armies. The World Bank must have been aware of this situation (if only because Uganda started exporting large quantities of diamonds and other minerals which it does not produce). Horta argues "had the World Bank publicized the looting of the DRC by Uganda and Rwanda and threatened to cut off funding for both governments instead of rewarding them, it could have made a contribution to establishing peace, a critical pre-condition to its mission of alleviating poverty."

Campaigners also point to the fact that the Bank has recently diluted its operational policies on indigenous peoples and on resettlement. In discussions on these policies as well as its forest policy, it has consistently refused to mention international law. Bank reviews state that around three million people have been displaced from their lands as a result of World Bank projects. Very few of those affected have been properly compensated. The UN Committee on Économic, Social and Cultural Rights has underscored the human rights obligations of these two institutions and notes that "the international agencies should scrupulously avoid involvement in projects which, for example, involve the use of forced labour or large-scale evictions or displacement of persons".

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## Counting the poor: do the poor count?

Is the world "on the right track" in terms of poverty reduction?

The World Bank seems to believe so.

Statements by the World Bank on good policies, aid effectiveness and selectivity give the impression that resources allocated to the World Bank are efficiently contributing to poverty reduction. The case for aid has been abundantly made by James Wolfensohn after 11 September, in the run-up to the Monterrey conference and during negotiations on IDA replenishment.

However Sanjay Reddy and Thomas Pogge of Columbia University, in a paper entitled How not to count the poor give a scathing account of the problems with the World Bank's poverty numbers. They say an ill-defined poverty line, a misleading and inaccurate measure of purchasing power equivalence, and false precision are the three main errors that may lead to "a large understatement of the extent of global income poverty and to an incorrect inference that it has declined." This allows the World Bank to insist that the world is indeed "on the right track" in terms of poverty reduction strategy, attributing this 'success' to the design and implementation of 'good' or 'better policies'.

In a recent reply, Martin Ravallion of the Bank argues that "Reddy and Pogge have oversimplified the problem of measuring poverty in the world, and exaggerated the supposed faults in the Bank's methods". But Reddy and Pogge insist "[World Bank global income poverty estimates] do not stand up to serious scrutiny". And they are not the only ones to contest the Bank's methods.

Peter Nunnenkamp, Research Division Head at the Kiel Institute of World Economics contests the World Bank's claims that its aid goes to countries with 'good' policies and institutions. He condemns the Bank for producing "strongly misleading" figures on 'aid effectiveness' for the Monterrey summit. He concludes that "little has changed in targeting aid at poor countries with good policies. In the longer run, the World Bank, by playing statistical tricks, may have weakened, rather than strengthened the case for more aid".

Robert Wade of the London School of Economics argues that the Bank knows very well that the number of absolute poor is politically sensitive. He expresses concern that "it is possible that the people who calculate such numbers—in the Bank or elsewhere—are inclined to make methodological choices that produce a relatively favourable result even as they remain in the bounds of the professionally defensible". Wade contests the fact that the World Bank, while subject to arm-twisting by its member states, is the world's principal provider of development statistics. As he put it in a letter to Prospect recently: "We would not want [cigarette transnational] Philip Morris research labs to be the only source of data on the effects of smoking even if the research met professional standards".

Reddy and Pogge say an alternative methodology is desirable and feasible. It could be done by constructing a basket of commodities required to meet the elementary consumption needs or capabilities of individuals; emphasis would be placed not on the basket mix, but on characteristics such as calorific content. In the meantime they argue that current estimates should stop being used.

World Bank programmes are frequently accused of inflicting "serious damage to health". Now it seems that the credibility of its poverty figures might well be going up in smoke.

How not to count the poor

www.socialanalysis.org

Assessing Assessing Aid

www.brettonwoodsproject.org/topic/governance/aaa.html

"Shooting the Messenger of Good News"

www.uni-kiel.de/ifw/pub/kap/ 2002/kap1103.htm

The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience

© econ.worldbank.org/ view.php?type=5&id=13080

"We are surprised that the Bank has been publishing regular poverty statistics for twelve years now—'precise' to six digits and very widely used in academic publications and popular media over the world—without significant attention having been paid to the massive flaws in its procedures."

Reddy and Pogge, 2002:32

## IDA grants-loans controversy ends

After a meeting of G7 Finance Ministers in Halifax in mid-June, the grants versus loans controversy has finally been resolved. The disagreement has held up replenishment of the World Bank's International Development Association (IDA) program, which provides concessional loans to some 79 countries.

The deal means that 18-21 per cent of IDA aid will now come in the form of grants rather than loans. Countries whose average per capita income is below one dollar a day will receive almost all their aid in the form of grants. The US had been arguing that 50 per cent of funds should be given as grants, despite the fears of European ministers that without increasing the total amount of money available, the switch to grants would soon exhaust available funds. There have been suggestions that this was the ultimate goal of the Bush administration, taking into account its distrust of international bodies, and its fondness for laissezfaire economic policies.

\$23 billion will be made available over the next three years, of which \$13 billion will come from new contributions from 39 donor countries—an 18 per cent increase over levels in the previous replenishment. G8 leaders were ambiguous about whether a majority of the new funds would be directed to African nations, leaving the decision up to individual donor priorities and conditional on good governance and the "promotion of economic freedom" by African governments. Donors want to see the World Bank establish a resultsbased measurement system to "link IDA programs to a country's development outcomes".

Civil society organizations have reacted cautiously to the grants move. Some groups have asserted that the shift to grants will not make a significant difference to borrowing countries for another decade. Other commentators have argued that the switch to grants will mean a significant boost to countries, especially those who have seen debt commitments in hard currencies skyrocket after local currency devaluation.

IDA Donors Reach Agreement on Increased Funding for Poorest Countries

www.worldbank.org

Taken for granted? US Proposals to Reform the World Bank's IDA Examined

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

IDA 13 index of articles, Bank Information Center www.bicusa.org/usgovtoversight/ida13.htm

## G8: "Absolutely zilch" for Africa

Fear mongering in the city, little progress in the woods. That's how activists are describing the recently completed G8, held in Western Canada. After spending \$300 million on security measures and threatening the use of lethal force against protesters, Canadian authorities must have felt sheepish guarding the public from several thousand peaceful activists throughout both the parallel conference, the G6B (Group of 6 Billion), and the summit itself.

Civil society organizations were at pains to point out that expenditures on security nearly outweighed new commitments to African development, supposedly the top item on the agenda. The G8 Africa Action Plan failed even to get conclusive agreement on earmarking for Africa 50 per cent of the US\$12 billion pledged at the Financing for Development Conference held in Monterrey, Mexico in March earlier this year. Asked what African leaders received for their journey to Kananaskis to pitch NEPAD, the New Partnership for Africa's Development, M. P. Giyose, Chair of Jubilee South Africa, replied "absolutely zilch".

While the HIPC debt relief initiative of the World Bank and IMF did receive a topping-up of US \$1 billion, Mara Vanderslice of Jubilee USA called the G8 leaders' failure to discuss a new deal on debt in light of the widespread view that the HIPC program has failed, "tragic". This came despite unprecedented public support for deeper debt cancellation; an Early Day Motion in Britain calling on the Bank and the Fund to accelerate debt cancellation was signed by a record number of 345 MPS.

#### "Good plan, no action"

Even the much heralded World Bank fast track initiative for 18 countries ready to go ahead with plans for universal primary education failed to attract new money. Mark Fried, Advocacy and Communications Coordinator of Oxfam Canada, said that the leaders endorsement of the G8 Education task force report meant little on its own—"good plan, good process, no action".

Reform of the IFIS, top item of discussion the last time the G8 leaders met in Canada, failed to even make the agenda.

G8 Africa Action Plan

www.g8.gc.ca/kan\_docs/afraction-e.asp

G6B recommendations for G8 leaders

www.g6bpeoplessummit.org

# Rebranding adjustment: the World Bank and 'development policy support lending'

Structural adjustment had become unspeakable—fortunately the World Bank has come up with a new name. Content is less likely to change.

The Bank is considering renaming adjustment lending 'development policy support lending', but there are few signs that this will entail significant changes. The Bank argues that revision of its 1992 directive on structural adjustment will in fact only ratify changes that have already occurred. Renaming adjustment is supposed to reflect the shift from a short-term macro economic focus to longer-term concerns. The Bank claims that despite the "mixed performance" of adjustment lending in the 1980s, in the 1990s "the performance of adjustment has improved sharply as the lessons from experience and research evaluations were built into operations". However many independent studies suggest adjustment has resulted in far less satisfactory outcomes in terms of human development, including in the 1990s (See "SAPRIN findings overwhelming", Update 28).

Following the adjustment lending retrospective initiated last year, the World Bank has issued a discussion paper for consultation before revising and reformatting its operational directive. The Bank sees this update as an opportunity to "better align" with the Monterrey consensus, the Poverty Reduction Strategy Papers approach and the IMF. The new policy attempts to take stock of lessons on

adjustment, including the Structural Adjustment Review Initiative.

Among the issues the Bank's Board will look at is the share of Bank loans devoted to policy-based lending. According to the Bank's Articles of Agreement, World Bank loans should be limited to specific projects "except in special circumstances". In recent years "special circumstances" have been subject to broad interpretation but the Bank says the share of policy-based lending has been limited to 25 per cent. There are serious reasons to believe that this formal ceiling will be removed to make way for case-by-case assessment by the Board. While some NGOS see policy-based lending as a constraint on countries budgetary sovereignty, others argue that budget support leaves governments with more flexibility than project loans.

But what will really be subject to debate seems limited. The operational policy will limit its application to Bank support for a specifically defined portion of a country's reform program, focus on mandatory policy provisions distinct from desirable good practices, and "focus on the 'when' and the 'how' of Bank policy-based lending support for country reform programs, rather than on the nature of the country programs themselves". As a consequence, the new policy, in contrast with the old one, would not include guidance on 'development paradigm' areas such as public finances, trade policy, privatisation, etc. Bank research and 'knowledge management' would provide World Bank views and good practice.

The increasing tendency towards less mandatory directives, more desir-

able 'good practice' is said to reflect recognition by the Bank that "there is no single blueprint for reform that will work in all countries". Whether World Bank staff will use this flexibility to depart from the Washington/Monterrey consensus is doubtful. Moreover, not making policy assumptions explicit means they are not openly discussed, while the conversion could have provided an opportunity for such a discussion. While proposing a framework to assess possible impacts of structural adjustment lending on poverty or the environment, the current issue paper tends to focus instead on design and implementation of structural adjustment lending.

The design of the consultation process is also a cause for concern. The consultation plan was still vague by the time of the first consultation in London in mid-July. Regional consultations will include meetings in Africa, South and East Asia, Latin America and the Middle East. Major concerns had already been raised by more than a hundred NGOs last year in the early stages of the process. They called for an adequate time frame and access to information, as well as mechanisms to ensure accountability and broad-based participation, such as an independent external facilitator. It seems that most if not all of these concerns have been overlooked in the current process, adding to suspicions that the World Bank sees this consultation merely as a 'ticking the box' exercise.

World Bank discussion paper and consultation plan

http://lnweb18.worldbank.org/ SCSL+Dev/OD+8.60/CW-OD-860.nsf Send comments to

opbp860@worldbank.org

NGOs 2001 letter

www.foe.org/international/worldbank/lettertowb.pdf

#### When a name gets embarrassing

Then Philip Morris Andersen Consulting PriceWaterHouseCooper Thomson Compagnie Générale des Eaux British Petroleum	Accenture Monday Thales Vivendi Universal
and Structural Adjustment	Development policy support

#### Bank declaration of human rights

Continued from page 1

The World Bank's recent support for the Chad/Cameroon oil pipeline reveals its inconsistent approach. The area of the proposed oilfield in Southern Chad has seen many human rights breaches. An organization working to represent the local population (Entente des Populations de la Zone Pétrolière) did not receive legal recognition from the government and was disbanded. Yet the Bank overruled requests from Chadian civil society groups for a moratorium on Bank support for the project until such issues were resolved. In a specific instance of human rights abuse, however, Bank President James Wolfensohn personally intervened with the president

of Chad to help secure the release of Ngarlejy Yorongar, a presidential candidate who campaigned against the pipeline.

It will certainly be good for the World Bank to clarify what it sees as its role in pursuing human rights. Bank staff are carefully considering the options available to them following Wolfensohn's edict to produce something to discuss for the annual meetings this September. It is clearly sensible for the Bank to clarify its understanding of rights issues. But how far will the Bank go in a situation where a number of governments sitting on its board as well as its own legal and other staff will urge extreme caution? Will the Bank accept:

- its responsibility to respect international human rights law in full?
- that it should share financial, legal and moral responsibility for projects or programmes which have direct negative social impacts?
- claims for compensation from people negatively affected by projects or programmes where the Bank can be proved to share responsibility for this outcome?
- the judgement of relevant UN bodies on human rights?
- that it should avoid large-scale evictions resulting from its actions?
- demands from unions that World Bank contracts should incorporate clauses protecting workers' rights?

 that the rights of workers and service users need better protection during Bankbacked privatisation of services or other public service reforms?

Mary Robinson speech at the World Bank, December 2001

www.worldbank.org/wbi/B-SPAN/sub\_mary\_robinson.htm

The Bretton Woods Project plans to work with others to track the Bank's progress towards a new human rights agenda. More quotes and comments at

#### www.brettonwoodsproject.org/topic/social/s29hr

Send other relevant quotations, or your views on the Bank and human rights to info@brettonwoodsproject.org

## IMF chides former WB Chief Economist

With the publication last month of Globalization and Its Discontents, Joseph Stiglitz, a Nobel laureate in economic science in 2001, has become public enemy number one at the IMF.

In the course of 282 pages, Stiglitz accuses the Fund of acting in the interests of big US investment banks; of blind market obeisance leading it to bungle bailouts in Asia and Latin America; and of callousness towards those worst affected by its policy prescriptions.

After months of allowing Stiglitz to snipe at will from the wilderness, the IMF unleashed its counterattack at the book launch in Washington, 28 June. Ken Rogoff, IMF Director of Research, lashed out at Stiglitz in a broadside now posted on the IMF web site, for carelessly slandering IMF staff; accused him of policy megalomania; and did everything short of calling him a liar and a charlatan. In a 2 July press conference, IMF External Department head Thomas Dawson

went one step further. Referring to Stiglitz's assertions that the Fund has promoted terrorism in Pakistan by cutting educational spending, Dawson left no room for doubt—"It's an absolute lie". Further, in a speech to MIT alumni, he described Stiglitz's suggestion that former IMF Deputy Managing Director Stanley Fischer used twisted IMF policies to ensure a job at Citicorp "repugnant".

Bankwatchers would do well to

proceed with caution before rallying to the defence of the embattled economist. Despite his attempt to cosy up to the global social justice movement, (saying it "has done a huge service in bringing into the open a series of issues which have really had too little attention"), Stiglitz is all too quickly forgetting the old adage, 'Doctor, heal thyself.' Much as he decries the IMF's hardnosed approach to economic crisis, the World Bankitself withholds loans to developing countries that fail to secure the IMF's stamp of approval on their economic performance.

Railing against the lack of transparency in the Fund's decision-making, Stiglitz contrasts the environment at the Bank as that of a "debating society". However, he knows better than anyone that, starting with himself, there has been a stream of 'debaters' shown the door at the Bank

when their ideas stray too far from the accepted doctrine. Senior Bank researcher David Ellerman, writing in the World Bank Staff Association newsletter at the end of 2001, charged that public relations staff are "the thought police to the black sheep in the organization who—within public view—are not 'on message'." (Update 26, "Bank staff criticize 'thought police'") A jaded observer might be left to wonder if Stiglitz has been blindfolded as well as gagged.

One thing is clear. The Stiglitz-Fund mêlée has drawn attention to the desperate need for more debate on economic policy choices and the lack of transparency in the decision-making processes at the Bretton Woods institutions. This was highlighted by a 7 July Guardian editorial urging reform of the IMF. A little mudslinging might be just what is needed.

An open letter to Joseph Stiglitz

www.imf.org/external/np/vc/2002/070702.htm

"IMF Economist Assails Author of Critical Book", The Washington Post, 2 July

www.washingtonpost.com/wp-dyn/articles/A10795-2002Jul1.html

"From one's luxury hotel, one can callously impose policies about which one would think twice if one knew the people whose lives one was destroying."

Joseph Stiglitz, Globalization and Its Discontents

#### Bank launches trade tome

The World Bank is ramping up its involvement in trade issues. Responding to the launch of multilateral trade negotiations at the 2001 wto ministerial meeting in Doha, the Bank released an enormous handbook on trade issues on 26 June. The Bretton Woods Project is inviting feedback on the handbook's 55 chapters, written by a collection of scholars, trade experts and Bank types, covering everything from the basic mechanics of the wto to dis-

cussions on trade in services and intellectual property rights.

Internally, the Bank has created a new Trade Department which will bring existing trade work under one roof. The work is currently dispersed throughout various Vice Presidencies and the Regions. This change is, according to the Bank, "to improve our capacity to respond to this growing demand for Bank services on trade and to scale up the impact of our work. The new Department will

combine the relevant, policy and analytic work, and capacity building on trade under one budget, which will also include resources from trust funds and initiatives such as the Integrated Framework." The position of Trade Director has been filled by Frenchman Uri Dadush, with the Bank since 1992 and formerly appointed to both policy and development economics branches. Posts for trade economists are being created rapidly in both policy and research arms of the Bank

The Bretton Woods Project is preparing a briefing on the Bank's involvement in trade-related capacity building for release before the WB-IMF Annual Meetings in September. The briefing will examine concerns that the Bank and its particular policy biases is becoming too influential in the formulation of trade policy.

Development, Trade and the WTO: A Handbook

w publications.worldbank.org

Comments on the handbook

■ jpowell@brettonwoodsproject.org

More on the trade-IFI complex, Bank and

Fund watchers must watch WTO

www.brettonwoodsproject.org/
topic/adjustment/a26wtobrief.html

## ILO Africa Director rebukes WB and IMF

Africa Regional Director for the ILO, Regina Amadi-Njoku, at a trade union conference in Nairobi, said globalisation was responsible for the decline of Africa's status in the global economy. "Governance is now the province of monetary entities such as the IMF, World Trade Organisation and the World Bank, who despite their concerns with good governance for the purpose of facilitating economic development, are not accountable to the constituents of any given nation."

"Globalisation Cast Millions to Poverty, Says ILO Africa Boss"

allafrica.com/stories/printable/200206080009.html

## WB, parliamentarians meet in Switzerland

Around two hundred parliamentarians from Europe, Asia and Africa gathered in Switzerland. The third conference of the Parliamentary Network on the World Bank was addressed by the President of the World Bank, the Director-General of the World Trade Organisation and a number of other official and non-official speakers. Whilst this network is useful in bringing together MPs for conferences and field trips, it has yet to develop independent mechanisms for keeping MPs in touch with each other. (for more see *Update 27*)

@ allafrica.com/stories/ 200205090829.html

www.worldbank.org/pnowb

## EU should hand over education funds to WB

The GCE held a meeting 29 May in Brussels on the role of the EU in delivering the international education goals, bringing together Education Ministers from Niger, Guatemala and Bangladesh, civil society representatives and donors. Evelyn Herfkens, Netherlands Minister for Development Cooperation, maintained that the best thing the EU could do was hand over its available resources for education to the World Bank. This view was challenged by many, including the Bank itself. The EC representative emphasised the need for donor harmonisation and a common pool approach.

Global Campaign for Education

www.campaignforeducation.org/ \_html/news/welcome/frameset.shtml

## Bank pilots new disclosure initiative

Some 17 countries are about to embark on pilot programs with the World Bank in which they will disclose and disseminate more information than they have in the past—more than Bank policy requires. The Bank was reported to be surprised by the response: Armenia, Brazil, Bulgaria, Indonesia, Lithuania, Mexico, Mozambique, Philippines, Turkey, Ukraine, Yemen and Zambia have signed on, with a regional hub in Bangkok to cover Thailand, Lao PDR, Malaysia, Cambodia and Mongolia.

www1.worldbank.org/operations/disclosure/disclo-pilots.html

Newsletter on IFI transparency

■ Tmcintosh@bna.com

## Bank's pledge to fight corruption put to test

President Wolfensohn takes credit for introducing the word corruption in the Bank's vocabulary. But the Bank's crusade against the 'cancer of corruption' has to compete with bigger interests.

In the last few months, the Bank has downplayed allegations of corruption against international dambuilding companies involved in a trial in Lesotho, refusing to disbar them from future contracts (see *Update 27*) because of "insufficient evidence". Now that Lesotho judicial authorities have found these companies, including the UK's Balfour Beatty and France's Spie Batignolles, guilty of bribing an official, the Bank is under pressure to revise its decision.

Corruption allegations are endangering another Bank-backed project, the Bujagali dam in Uganda. The World Bank has suspended its sup-

port to the project after AES revealed its main construction contractor had bribed a Ugandan official in 1999. Suspicion of corruption has long hovered over the project, adding to environmental concerns and doubt about its economic viability. A recent report by International Rivers Network shows how World Bank staff and management misled the Executive Directors in their decision to approve the project by manipulating figures on economic viability. Peter Bosshard suggests the Bank's persistent support could be due to the fact that AES is one of the biggest clients of the IFC, the Bank's private investment arm. He notes that AES is in desperate need of new activities to maintain its financial balance after its shares fell sharply in the aftermath of the Enron storm (see "Bujagali dam affected by Enron-fallout", *Update 27*).

To its embarrassement the Bank also has to fight corruption in its own ranks. A former Bank official, Gautam Sengupta, is under trial in the US for corrupt practices in Kenya. He worked for the World Bank from 1981 until May 2000, when he was sacked on the basis of corrupt activities uncovered by the Bank through an internal investigation. The investigation "revealed that [three] staff members were paid or agreed to receive kickbacks by two separate groups of Swedish companies in exchange for steering certain bank contracts to those firms. In other instances the contracts were awarded for ineligible activities". Projects were aimed at improving the road network in Kenya. \$900,000 in contracts were rewarded; the extent of the network involved is still not fully clear but several consultants have already been debarred from future Bank projects.

The World Bank's pledge to fight

corruption is conflicting with many interests. In a recent paper, Aredonors promoting corruption in Mozambique, Joe Hanlon argues that the World Bank and other donors "see what they want to see" because they need "the myth of the Mozambican success story". Hanlon complains the World Bank is rewarding "good performance" by allowing and therefore effectively encouraging corruption and state capture. He says the імғ and the World Bank, under pressure from the US Treasury and campaigners calling for faster debt relief, ignored calls from civil society and other donors in Mozambique to pressure the government for failing to address blatant corruption in the banking sector. Hanlon concludes that despite lip service paid to 'good governance' it is in fact a low priority on the donors' agenda—including the World Bank.

International Rivers Network

www.irn.org/programs/bujagali/index.asp?id=020610.html

Are donors promoting corruption?, Hanlon

www.mol.co.mz/analise/corrupcao/
jhsheffielda.html

#### IMF boss grilled by British MPs

On 4 July, IMF chief Horst Köhler came to London to give evidence to the Treasury Select Committee of the UK parliament. The Bretton Woods Project, Oxfam, and representatives from Warwick and Oxford universities briefed the Committee as expert witnesses. The exchange was lively and far-ranging including discussion on:

A world government?

MICHAEL FALLON, MP: The IMF was not intended to be a world government. Does the Fund have a well-targeted role?

HORST KÖHLER: We do not have the ambition to be the world government. But if something goes wrong the IMF is the scapegoat.

Governance of the IMF

GEORGE MUDIE, MP: When are you going to stop being a rich man's club lecturing to poor countries?

KÖHLER: We are trying to listen. It is a democratic system because the UK ED [Executive Director] is appointed by government. We have a culture of consensus-building. Still we are a financial institution and so we need capital. There is a healthy element in the fact that the provision of capital and voting rights is being combined. The existing representation in the IMF did work but it can be improved.

MUDIE: We threw out that system in

1832—votes tied to property and money and what we called "rotten boroughs" representation. I'm surprised that a European individual can be so complacent about the lack of democracy in representation.

Poverty and Social Impact Analysis

Köhler: It is mainly the World Bank in charge. We have started six to eight assessments. It is a process of learning by doing We are doing it in Tanzania. We are doing it, I think, in Mozambique. But I am not in detail now informed about the countries.

Responsibility for the Malawi famine (see "IMF role in Malawi famine", p7)

DAVID LAWS: Was the IMF's advice to the Malawian government on grain reserves a mistake?

KÖHLER: The advice for this maize stock was given and is given by the World Bank and the European Union Commission, so it is just plain wrong to accuse the Fund that it advised and made even a conditionality out of this. I am able to give you better in depth information about this in a note.

The IMF was part of, the kind of international advice and the IMF may not have been attentive enough how they exercised how to run this maize stock, but it was not the responsibility of the Fund to implement the advice.

Free markets and trade

JIM COUSINS, MP: Do not the poor of the world look at you and say, "Well, here are these guys lecturing us about free markets and telling us of the value of free trade, but what can they do to prevent the United States raising trade barriers and pouring untold sums of money into subsidies for American farmers?"

кöнLer: Since my time the IMF has not been lecturing about free markets

JAMES PLASKITT, MP: You made a very strong statement to the US Catholic Bishops Conference in January saying that 'It is unconscionable for the United States, Japan, and the European Union to spend hundreds of billions of dollars on agricultural subsidies ... But where is your leverage as an organisation [with richer countries]?

кöнler: It is certainly a difficult task but politics in the 21st century is about public debate and communication. I participate in the public debate and create awareness. I am taking risks because the big powers don't like it. We are in discussions with the wto to make the Doha round really a development round. I am going to discuss with my shareholders, the UK ED and the other EDS - that within our Article IV process of surveillance and dialogue we should also have a window about market access and trade distorting subsidies. I hope that we will come to a conclusion which enables us, on the basis of a more systematic approach, to discuss in a transparent way market access and trade distorting subsidies for all our membership.

On quotas and geopolitics

ANDREW TYRIE, MP: You used to have a fairly clear and understandable set of rules about what limits there would be to draw in IMF resources. In the light of the bail-outs now of Turkey and Pakistan, I do not think any reasonable man could say that you have stuck to those principles. Do you think that it would be right to conclude that some of this lending has been driven largely by pressure from the US Administration rather than based on IMF rules?

KÖHLER: I would guess that all G7 members had been involved in the Russia policy. It is too early to say that the IMF was wrong in Russia. In the case of Turkey and Pakistan, programmes were discussed before 11 September. There will be a Board discussion on lending limits.

The Committee plans to issue a report on the IMF later this year. A new section of the Bretton Woods Project's web site on UK decision-making in the World Bank and IMF will be launched in September.

www.brettonwoodsproject.org/uk

Uncorrected Evidence presented by Mr Horst Köhler on 4 July 2002 The LIK and the IMF

www.publications.parliament.uk/ pa/cm200102/cmselect/cmtreasy/ uc868-iii/uc86802.htm

## Doubts strengthen on private power provision

Two new briefings have been published outlining problems with power privatisation. At the same time the World Bank has recognised that international private investors have become increasingly wary of getting involved in power projects in developing countries. Energy companies such as El Paso and ABB are pulling back from poor countries amid debt concerns at home and losses on investments in Argentina and other nations. In Peru, the sale of four regional electricity-distribution companies had to be postponed in May, after no company could match the minimum bid. The Enron and Worldcom scandals have also caused concerns about the viability of many companies.

In response to this situation the Bank is likely to triple its funding of power projects to as much as \$2.8 billion in the coming year, according to Jamal Saghir, director of the World Bank's energy department. The Bank organised two conferences in June aimed at rekindling private sector interest in power projects, but acknowledged that this will be a hard task

It will not be made any easier by continued civil society concerns, as expressed in new briefings from the Transnational Institute (TNI) and World Resources Institute (WRI). Lights Off from TNI complains that governments are often forced into privatisation through loan conditionalities of the multilateral banks and the IMF. It aims to debunk six myths of power liberalisation starting with the assumption that private energy suppliers are more efficient. They cite a study which found no significant difference in efficiency of energy production between the state

and the private sector. They concede that electricity has become cheaper on average after liberalisation but that it has tended to result in a relative increase in prices for domestic consumers but a reduction for business consumers. The report flags case studies in India, Colombia, South Africa, the USA and Europe where power liberalisation has damaged the environment, been fundamentally undemocratic and had a detrimental effect on the poor.

Power Politics from WRI discusses electricity reform from the perspective of sustainable development and the needs of the 1.7 billion people without access to electricity. It argues that there is an opportunity to align investor incentives toward a clean energy future with reduced greenhouse gases emissions and better support for poorer peoples' livelihoods.

Drawing on a detailed analysis of the political economy of electricity reform in Argentina, Bulgaria, Ghana, India, Indonesia, and South Africa, the WRI authors also find that financial concerns and donor conditions have driven electricity reform, not concerns about sustainability and extending services to poorer people. Managed by "closed political processes and dominated by technocrats and donor consultants", social and environmental considerations have played a very limited role in electricity sector reform.

Power Politics: Equity and Environment in Electricity Reform, WRI

www.wristore.com/powerpolitics.html

Lights Off!, Transnational Institute

www.tni.org/energy

#### NGOs criticise the Bank's water strategy

On 25 March the World Bank released a draft version of its Water Resources Sector Strategy (wrss.). This is meant to translate the principles of the Bank's 1993 Water Resources Management Policy Paper (wrmpp) into action. After releasing its draft strategy, the Bank held consultations in various countries which have been criticized as limited in number and attendance. The revised version of the wrss will be sent to the Bank's Executive Board for approval in August, to be followed by a Water and Sanitation Business Strategy by next June.

The wass has been strongly criticised by some NGOS for its misrepresentation of the principles identified in the 1993 WRMPP and for its distortion of the findings of the World Commission on Dams, which was supposed to be another basis for its policy recommendations in wrss. Patrick McCully of International Rivers Network commented, "the wrss claims to be based on a 'broad global consensus' on watermanagement yet fails even to mention the conclusions of important global water events and processes such as the International Conference on Freshwater held in Bonn in December 2001 and the Water Supply and Sanitation Collaborative Council's Vision 21."

While there is a consensus amongst organisations outside of the Bank on themerits of low-cost, low-output technologies such as rainwater harvesting for poor and isolated communities, the Bank continues to support high-cost projects, including large dams. Another predictable emphasis of the wrss is on increased privatisation. However, as critics point out, the people that are most in need of water are the rural poor, from whom corporations are rarely able to make a profit.

IRN critique of WRSS

www.irn.org/index.asp?id=/new/020527.wbwatercritique.html

WB information on the WRSS Consultations Inweb18.worldbank.org/ESSD/essdext.nsf/PrintFriendly/F3E35004807EF55E85256B500069C02A?Opendocument

Citizens' Network on Essential Services, critique of WRSS

www.servicesforall.org/html/ news\_notices/summer2002/summer\_ 2002\_I.shtml

#### ABCDcEnsure

The World Bank has held its Annual Bank Conferences on Development Economics (ABCDE) first in Washington in April and then the European edition in Oslo in June. Up to 1,000 police were on duty in Oslo to monitor the actions of the 10,000 protesters who were demonstrating against the institution. A counter forum was organised which featured Kenneth Kaunda, former President of Zambia, an outspoken critic of World Bank and IMF policies.

Flouting the notion that the conferences should be a forum for the exchange of dissenting opinions, a study at Princeton University by Alan Krueger and Jitka Maleckova, called "Education, Poverty, Political Violence and Terrorism: Is There a Causal Connection?", which was scheduled for presentation at the Washington conference, was pulled from presentation in response to complaints initiated by a Kuwaiti Executive Director (see Business Week, 10 June).

Annual Bank Conference on Development Economics

@ econ.worldbank.org/abcde/

Attac Open Forum

www.oslo2002.no/openforum.shtml

## Book gives platform to activists

A new book sets out the demands and analytical positions of many of the protesters against economic globalisation. Refuting the notion that protesters are just angrily denouncing the powers that be with little idea what they want, Robin Broad has edited a book with contributions from social justice activists working to change or resist different kinds of corporate or governmental power, from the Zapatistas to the Forest Stewardship Council.

Global Backlash: Citizen Initiatives for a Just World Economy, available at:

www.rowmanlittlefield.com

## Globalisation network's democratic alternatives

The International Forum on Globalisation, a network of activists and intellectuals from around the world, has published a new report. It sets out a broad menu of viable options that are consistent with a new set of operating principles for international society. The report kicks off a three year process of discussion among citizens and public policy groups. Its ten principles for democratic and sustainable societies are certainly a good place to start such debates. Among them are concerns for equity, diversity and subsidiarity all in a context of ecological sustainability.

A Better World is Possible! Alternatives to Economic Globalization

www.ifg.org/alt\_eng.pdf

## 10 Reasons to Abolish the IMF and World Bank

US campaign group Global Exchange has published a pamphlet setting out ten reasons why the IMF and World Bank should be closed down. It argues that "the most important function of institutions such as the World Bank and IMF is political, not economic. They create stronger allegiance and accountability between third world elites and first world elites than exist between third world elites and their own people".

Ten Reasons to Abolish the IMF and World Bank

www.sevenstories.com

www.globalexchange.org/wbimf

## Ugandan MP denounces Bank/Fund prescriptions

Ugandan MP Sheila Mishembi Kawamara, at a 5 June meeting of East African legislative members, said that countries such as China, Mauritius, Vietnam and Thailand had refused to take World Bank and IMF prescriptions and their economies were thriving. "It is a pity that our leaders are always on the footsteps of these two institutions wherever they go," she added. Kawamara said that the Bank and IMF were to blame for the increasing poverty in East Africa owing to their "nonsensical prescriptions."

allafrica.com/stories/200206060206.html

## BP mega oil project may get "big bucks" from WB

BP may receive as much as \$500 million from the World Bank to expand oil output in Azerbaijan and build a 1,100-mile trans-Caucasus pipeline. The loan would boost a US goal of keeping the oil away from Iran, which the State Department says is a sponsor of terrorism. The IFC may back the \$2.9 billion pipeline which would stretch from Azerbaijan's capital to Turkey within the next year. Companies involved include Unocal and TotalFinaElf.

The World Bank claims it will ensure that environmental standards apply during the construction. But similar projects have cast doubt on the Bank's ability to promote sustainable development by financing oil, gas and mining projects. The Baku-Supsa pipeline in Georgia

and Azerbaijan illustrates such problems. CEE Bankwatch network says the \$1.98 billion pipeline fuels income disparities, is a threat to the environment and entails heavy dependence on oil prices for the countries concerned.

These concerns are typical of World Bank supported projects in oil, gas and mining. Staff of the Extractive Industries Review (EIR), World Bank staff and NGOS gathered in Budapest in early July to debate the rationale for and consequences of World Bank involvement in this sector. This was the second of a series of regional consultations (see "NGOs discuss perils of Bank engagement", Update 28). While the EIR admits oil, gas and mining activities have "not yet" achieved sustainable development and poverty reduction,

NGOS complain that the entire revision process focuses mostly on how the World Bank should improve its way of doing business in this sector, without discussing possibilities of a withdrawal. "Virtually all of the discussions revolved around how the Bank should do projects better, not whether or not they should", said Steve Kretzmann of the Institute for Policy Studies after the meeting. The EIR is currently scheduled to present its final report to the World Bank in June of 2003.

EIR web site

www.eireview.org

CEE Bankwatch Network

www.bankwatch.org/issues/wb-imf/maineir.html

Treasure or Trash, report by Friends of the Earth on Bank's defense of mining

www.foei.org/ifi/foeusminingpaper.pdf
Press release on Trans-Caucasus pipeline

www.bankwatch.org/press/2002/press96.html

#### Finance issues key to sustainability summit success

Preparations for the World Summit on Sustainable Development (wssd) drew to a close in Bali, Indonesia, amidst claims from NGOS that powerful countries were blocking progress and promoting a corporate trade agenda. The inability to reach a meaningful conclusion at this preparatory conference has cast doubt over what will be achieved at the Johannesburg Summit that will begin on 26 August.

A US government-led negotiating block was much-criticised for its resistance to text that would commit it to specific actions, targets, timetables, or funding and to remove references to instruments agreed at the Rio summit in 1992.

As host, Indonesian President Megawati Sukarnoputri expressed concern over the current rate of exploitation of natural resources, adding that the answer lay in the richer countries providing "funding resources to secure [the] plans and development programs" of developing countries since "we witness how these nations still depend much on their struggle to build the future on natural resources". But Northern governments were reluctant to address these questions directly, preferring to stick to the language and commitments on trade and finance agreed at the Doha and Monterrey summits.

Third World Network issued a statement complaining that "for most of the preparatory process, there has been a marked absence of groups who work on issues relating to debt, trade and finance and groups monitoring the international financial institutions". They commented that "it is critical that trade and finance groups begin monitoring the wssp process and advocate for better language on trade and finance issues to be inserted into the Draft Plan of Action".

Details of 11 Bali issues

www.rio10.dk/ index.php?a=show&doc\_id=844

TWN statement

www.twnside.org.sq/title/wssd1.htm

The Bretton Woods Project is collaborating with the Heinrich Boell Foundation on a report responding to the World Bank's World Development Report. To appear in late August at

www.worldsummit2002.org

#### WB Forest Policy "fails to address deforestation"

After much delay, a revised draft Forest Strategy and Operational Policy were released 14 May. A coalition of NGOS working on forest issues charges that the new policy ignores advice given to the Bank by civil society and its own Technical Advisory Group.

The proposed policy opens the door for Bank investment in logging in all types of forests except those defined as 'critical'. Marcus Colchester of Forest Peoples Programme sees two problems with the new approach. First of all, it is Bank operational staff who will decide what areas of forest are 'critical'. Secondly, the draft forests policy relies on the procedures of the current Natural Habitats policy; this policy allows investment in commercial activity even in critical areas if it is determined that there are no feasible alternatives.

The World Bank is inviting comments on the draft Forests Policy until 2 August, after which time it will go to the Bank Board for final approval. World Rainforest Movement is calling on the Bank to delay finalisation of the policy and rewrite it in line with recommendations made during the Bank's consultations.

Forest Policy Implementation Review & Strategy, World Bank Group

wbln0018.worldbank.org/essd/ forestpol-e.nsf/MainView?OpenView Send comments to:

Freview@worldbank.org

Briefings on the WB Forest Policy, Forest Peoples Programme

m forestpeoples.org/briefings.htm

For more information, contact Tom Griffiths of Forest People's Programme

tom@fppwrm.gn.apc.org

## What was IMF role in Malawi famine?

The worst famine in fifty years has resulted in several thousand deaths in Malawi in early 2002. An in-depth report by Action Aid Malawi places blame on a complex combination of technical failure and political mismanagement. The report calls a "fallacy" rumours that the IMF caused the famine by ordering the government to sell its grain reserves; both the Bank and the Fund had a hand, however, in the growing indebtedness of the agency responsible for the reserve, and recommendations to reduce the reserve which were based on inaccurate information on crop yields.

State of Disaster: Causes, Consequences and Policy Lessons from Malawi

www.actionaid.org/newsandmedia/the\_malawi\_famine\_of\_2002.pdf

## Bank not responsible for "evident harm"

A Papuan NGO, the Center for Environmental Law and Community Rights, attempted to halt the release of a \$17 million World Bank loan, claiming that the PNG government had failed to stop illegal logging and road construction, and that the Bank had failed to supervise compliance with the conditionalities. After an initial eligibility review, the Inspection Panel has recommended against a full investigation, concluding that, while the claimants had suffered "evident harm," it was not related to an act or omission by the Bank, and therefore not eligible for review by the Panel.

wbln0018.worldbank.org/ipn/ipnweb.nsf

## WB municipal mission creep

The World Bank is linking staff at municipal governments in a dozen cities in Central America and the Caribbean. The initiative, known as *Ayuda Urbana*, "serves as a forum for sharing knowledge on pressing urban issues and priorities". While funding has come from the Dutch government and the UK's DfID, the Bank has provided overall coordination and the assistance of experts from the Urban Poor Thematic Group. World Bank task teams are now working to extend the initiative in China and India.

Ayuda Urbana, World Bank Group

www.worldbank.org/ks/
k-practice\_stories\_urbana.html

Ayuda Urbana web site (Spanish)

wayudaurbana.com

## Empowerment sourcebook

The Bank has recently begun to recognise evidence of links between peoples' empowerment, growth and improved project performance. However, it recognises that "there remain many questions about what empowerment means, how it applies to the Bank's work, and what actions should be undertaken". It has published an Empowerment and Poverty Reduction Sourcebook to start to define its approach in more detail. This sourcebook will also inform the World Bank's social development strategy which is now under production.

www.worldbank.org/poverty/empowerment/

www.brettonwoodsproject.org/ topic/governance/g2709empower.html

#### Indonesian MPs: write-off IMF loans

On 5 July, one hundred members of the Indonesian parliament wrote to the heads of the IMF and World Bank to complain about these organisations' role in their country. The MPS complained that "macro-economic shocks in avalanche proportions had hard hit the Indonesian economy, particularly since 1997". "The question as to who should be made accountable for the whole disastrous situation needs to be determined".

The MPS made clear their feelings: "It was principally due to the obsequious support of the IMF to an extremely corrupt and incompetent economic regime which made that regime viable and powerful. The IMF has been fully cognizant and therefore condoning the extensive plundering of the loans provided under the auspices of IMF as reported in your internal documents and acknowledgements".

"The IMF forcefully implemented disastrous orthodox macroeconomic policies against its consistent threat to delay schedules of funding for its conditional balance of payments and budget loans. These policies

triggered deeper economic recession and monetary collapse by advising Bank Indonesia to raise the interest rates to extreme heights at times even exceeding 60 per cent per annum and requiring adoption of complete free foreign exchange regime and floating exchange rate system. The consequence was a definite huge outward flow and draining of capital and ultimately causing complete collapse of the banks in the country".

They concluded: "IMF has exploited the seeming ignorance shown by the Indonesian Parliament as if in violation of the Indonesia Constitution, it would not require ratification of all the loans provided under the auspices of IMF". Thus the parliamentarians request that "to safeguard the interest of our people and the economy, and to uphold our Economic Sovereignty, we cannot do otherwise but to be seech IMF to write-off all the loans provided so far under its auspices".

Full letter at

www.infid.be/
pernyataan%20DPR%20ke%20IMF.doc

#### IMF fiddles while Argentina burns

After the murder of 2 piqueteros on 26 June drew tens of thousands onto the streets of Buenos Aires, Argentine President Eduardo Duhalde has moved up elections scheduled for September next year to March 2003. In the face of rising protest against his administration, President Duhalde received support from Mercosur leaders in a 5 July meeting in Buenos Aires, where they joined Mexican President Vicente Fox in calling for the IMF to release billions of dollars of aid.

Despite repealing the financial crimes law on 30 May, an essential precondition to further loan negotiations, progress with the Fund remains exasperatingly slow. Argentina's central bank president, Aldo Pignanelli, has said he now expects the country to sign a new deal with the IMF in August. This will come after an expected visit on 22-24 July of a team of "wise men" to draft a monetary policy and come up with solutions to salvage the banking system. The team will include the former central bank governors of Canada, Germany and Spain as well as the General Manager of the Bank for International Settlements.

In a stunt designed to draw attention to the IMF's role as head of an international creditors' cartel, holding up credit from the World Bank,

IADB, European governments and day-to-day business credit, a group of reporters cornered the head of the IMF's delegation in Argentina outside his hotel room and handed him a set of plastic Halloween vampire teeth. "We found these lodged in President Duhalde's neck and wanted to return them to you."

The real pressure on the IMF to ink a deal in Argentina is now coming from the threat of contagion. In a 1 July editorial, the New York Times chided the Bush administration for being "far too passive, making little effort to exhort the IMF to reach a deal with Buenos Aires." Fear of financial instability spreading first to Brazil and then throughout the region, combined with a broader backlash against the liberalization agenda is fuelling the calls for action.

Anoop Singh, formerly Director of Special Operations and chief IMF firefighter in Argentina, has been appointed to Head of the Western Hemisphere Department of the IMF in an apparent snub to his predecessor (*Update 27*, "IMF 'fun' with Argentina").

"Argentina's contagion"

www.iht.com/articles/63043.html

What are they doing to Argentina?

www.zmag.org/ZNET.htm

### **Annual Meetings Update**

The IMF-World Bank Annual Meetings will run between 28 and 29 September in Washington. Bank Information Center, Bretton Woods Project and other IFI-watching groups plan to implement a joint calendar of events which will be contributed to by many organisations and viewable on many sites. Check out the web sites of these organisations as the meetings draw nearer for information on official sessions, NGO sponsored events and demonstrations.

Unconfirmed issues which may come up at the Development Committee:

- · Fast tracking health
- Update on fast tracking education
- Discussion of Bank's role in human rights
- Debt/HIPC
- Low-income countries under stress (LICUS)
- Voice in the Bank's Board
- Follow up to Monterrey Financing for Development conference and World Summit on Sustainable Development
- Poverty and Social Impact Analysis (PSIA)

International Monetary and Finance Committee:

- World Economic Outlook
- Surveillance
- · Crisis prevention and resolution
- the Fund's role in low income countries (including PSIA)

#### Job opening with Bank Information Center

The Bank Information Center is seeking to hire an Africa Project Coordinator. The successful candidate will focus on gathering and providing information related to the work of the World Bank Group in Africa as well as assisting the African Program Manager in carrying out research and advocacy related to problematic projects and policies on the continent.

More details at

www.bicusa.org/aboutbic/jobopps.htm

More links and additional information for stories in the *Bretton Woods Update* can be found at www.brettonwoodsproject.org/update

Please send suggestions for relevant links and further insight on these issues to info@brettonwoodsproject.org



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