

Real impact of new poverty analysis uncertain

The first clear indications of how the World Bank and IMF are going to conduct Poverty and Social Impact Analysis (PSIA) are now available. A number of the pilot studies have been completed and a conference was recently held in Washington DC. NGOs have expressed concern that their objectives of opening up debates about different social and economic policy options are not being met through the current approaches.

The World Bank and the IMF, under pressure from NGOs and some governments, have agreed to introduce more systematic analysis of the likely poverty impact of policies proposed in their loans. This analysis is to help foster an informed national debate about social and economic policies, and make explicit and accessible the logic underpinning reform proposals and conditions.

A first wave of PSIA studies piloted (separately) by the UK's Department for International Development (DFID) and the World Bank have focused on specific policy actions that are expected to have significant social impacts. These include: tax increases, subsidy reforms, exchange rate shifts, civil service downsizing, energy price reforms and changing the size of the fiscal deficit. The Bank has stated that it proposes to introduce analyses of country policies and institutions and their capacity to mitigate adverse effects of reforms. This would apply to "all key sectors, including agriculture,

"It is essential to equip countries with the tools to conduct their own PSIA rather than depending on outside assistance. These tools should have input from the Bretton Woods Institutions and donors, but be administered and disseminated by independent capacity-building sources, to avoid conflict of interest for partners in the negotiation process of PRGF and PRSC frameworks".

HIPC Finance Ministers Network

education, energy, forestry, health, mining, social protection, transport and water". The pilot studies have used (and sometimes combined) qualitative and quantitative methods, and research has ranged from 'quick and dirty' analysis to inform the decision making process to complex, data-intensive modelling.

NGOs have argued that PSIA should look at macro-level policy alternatives, not just at the 'fine-tuning', timing and sequencing of pre-determined policies. The pilot studies being

carried out by the World Bank and DFID for the most part fail to do this. Instead they take single pre-existing reforms, which are assumed to be going ahead, and focus on sequencing and mitigation measures. They do not question whether or not this reform is the appropriate or the optimal one for poverty reduction. For example, rather than considering whether or not privatisation is a good thing for poor people, the World Bank Chad study on privatisation of the cotton marketing board only looks at alterna-

tive privatisation scenarios. Consultation of civil society in many studies has also been minimal. In Malawi, a Bank study on privatisation of the state marketing board, ADMARC, has been carried out without involving parliamentarians and NGOs, despite the importance of the issue in the current context. It is also worrying that a DFID study in Mozambique on a potential rise in fuel tax concludes that the impact would be "low" when "over 50,000 people would be pushed into extreme poverty". This raises questions about who is best qualified to arbitrate trade-offs, especially as the participation of NGOs in this study was insufficient.

Now that the first phase is over, the coming months will give a good indication of the real intentions of the Bank and Fund and until now the uptake among the staff is reported as slow, particularly at the IMF. There is a risk that PSIA will join other initiatives such as the Comprehensive Development Framework in the graveyard of Bank schemes which have promised much but yielded little benefit.

NGOs and officials, including finance ministers from HIPC countries, have argued that the analyses must be conducted independently—not by the Bank, which faces conflicts of interest. UK Secretary of State for International Development Clare Short backed these calls, telling the Development Committee in late September "PSIA is crucial to ensuring that major reforms to be undertaken will benefit stakeholders and achieve real poverty reduction.

Continued on page 3

"the democratic budget process has become nothing but ink on paper"—page 3

Short gives evidence on World Bank to UK parliamentarians	2	New claim on Chad-Cameroon project	6
Fund threatens Brazilian democracy	3	Spas, malls and five star hotels	6
Bank on trade: will the real World Bank please stand up?	4	Process for agriculture assessment clarified	6
Inside the institutions: Bank trade map	4	Human rights: little progress	6
No pain, no gain: WDR 2004 on services	5	Argentina default pressures Krueger	7
Ghana water privatisation disputed by independent analysts	5	Lesotho corruption verdict	7
Bolivia water latest	5	Guyana sued over nationalisation debt	7
IFC pulls out of goldmine, considers pipeline	6	Conditionality through the back door?	7
Indigenous groups angered by Bank policy decisions	6	World Bank: free press is good for you!	7

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Short gives evidence on World Bank to UK parliamentarians

On 5 November Clare Short gave evidence in parliament on UK influence in the World Bank. MPs on the International Development Select Committee questioned Short on issues including HIPC debt, PRSPs, Poverty and Social Impact Analysis, governance of the Bank, social and environmental policies, privatisation of services, education funding and trade capacity building. Many Committee members' points were prompted by submissions from 16 NGOs, from the UK, Ghana, USA and Canada.

Selected highlights from the uncorrected transcript:

World Bank Governance

ANN CLWYD MP: We have criticised the international financial institutions, as you have yourself, for not practising what they preach in terms of transparency, accountability and good governance. What ways have you identified to see the voices of the developing countries heard?

SHORT: There is room for looking at who has been consulted about what and how much say everyone has. [Also at] how many executive directors there are, Africa has two, so you have two people, one Francophone, one Anglophone, paid to represent every country in Africa. How well serviced are these people who are doing this heroic job of trying to represent very frail countries with a weak capacity? We have been working to try and strengthen the African EDs and there is more that can be done.

CLWYD: I wonder how you are supporting the introduction of an open process for selecting the next President of the World Bank?

SHORT: The US gets the World Bank and Europe gets the IMF and it cannot go on, surely. What about the rest of the world? The geographical carve up is intolerable and the system for selecting is a kind of political fix system. It is an outrage the present system and it needs continuing pressure to make it transparent.

Social and environmental policies

CLWYD: It has been suggested that the UK Government does not regard the maintenance of World Bank safeguards as a priority, and this was illustrated in UK support for the Chad-Cameroon Pipeline Project. Can you tell us what the UK position is?

SHORT: We need to go much more to

the sort of wisdom that was in the World Commission on Dams, responsible projects, properly managed, properly considering all the interests of all the people involved. We intervene often to try and make sure the projects are more responsible but we always look at what is the interest of poor people in the country, can it help reduce poverty and be responsible environmentally and in considering the interests of the poor. My own bias is to have the Bank in if you can rather than leave it to pure commercial development.

Poverty Reduction Strategy Papers

HUGH BAYLEY MP: Can I ask what the UK Government is doing to make sure that the Poverty Reduction Strategies are owned by the countries to which they apply, and that they are developed in consultation with civil society and the parliament of the people of those countries?

SHORT: The Poverty Reduction Strategy process is a revolutionary shift from reform agendas written in Washington, imposed on countries, often in collusion with some of their governments. I think everywhere it has opened governments to criticism by civil society that they were not used to. I think in the early stage we missed parliaments [but] I think that has been corrected.

Poverty and Social Impact Analysis

BAYLEY: Are we in a position to ensure that when a country is debating its Poverty Reduction Strategy that it faces real choices, both as regards economic and social policy?

SHORT: This is enormously important. The view of my Department is we should not take an ideological position. There are always thousands of different ways of doing things. I think we are moving there. We are very

keen on this Poverty and Social Impact Analysis. We are doing some work to experiment with rolling them forward and giving them an example.

Private Sector Development Strategy

TONY COLMAN MP: Can I ask you about the World Bank's Private Sector Development Strategy which I understand aims to encourage the transfer of public services into private hands. Do you think ownership and choice for countries is compatible with the World Bank's strategy in this area?

SHORT: I do not agree at all that is what the World Bank's Private Sector Development Strategy says. We have got to bring responsible private investment into the poorest countries if they are to get the investments they need to get the infrastructure for their economies to move forward. There should be this assessment of where the interests of the investment in the economy of a poor country lies. You need to go towards the private sector learning the lessons of good regulation, regulation is very important... There should be choice. We do not prefer a private model; we prefer a model that will serve the poor and get better services.

Trade capacity-building

BOB WALTER MP: What is the appropriate role for the World Bank in international trade policy and in trade-related capacity building? Uri Dadush, the World Bank's new Head of Trade has said that "unilateral trade liberalisation is good for all countries". How confident do you think we can be that

New parliamentary questions web tool

Parliamentarians have a new facility to put questions to the World Bank. An electronic forum enables them to "post queries, track the status of questions and receive responses". These "can be related to World Bank Group programs or projects as well as statistics, publications and research, within the scope of the Bank's Policy on Disclosure of Information". At the time of writing this had only been once used, for a question on the Albanian Country Assistance Strategy, so its usefulness is untested.

Q and A for Parliamentarians, Parliamentary Network on the World Bank:
 www.worldbank.org/pnowb

the World Bank's trade-related capacity building will not simply become a sort of aggressive form of trade liberalisation, possibly at the expense of nationally owned strategies for poverty reduction, and simply pursuit of reciprocity, which is in the WTO regime?

SHORT: I have not seen that quote that you have just read out. It is not our policy and it is not the policy of many developing countries, or any that I can think of, to just open unilaterally.

WALTER: The Integrated Framework is an important initiative, but will the United Kingdom as a major contributor to the Framework seek to ensure that a range of organisations are all engaged in trade-related capacity building to provide the necessary intellectual competition and variety to that?

SHORT: My own view is that we need effective trade-capacity building, not necessarily 'Uncle Tom Cobbley and all' [everyone] doing it. We have worked very hard on the Integrated Framework, and it took ages to get it going, and we think it is going much better now. Certainly in the work we do and fund we use expertise and academics and so on but I do not think we need to spend all our time getting everybody in to offer training to developing countries. It is a fantastically complex area of policy.

Longer extracts from the committee transcript, plus links to the full transcript and to the written evidence submitted to the Committee by NGOs and DFID are available on our **new** UK site section:

 www.brettonwoodsproject.org/uk

IN EARLY September the IMF approved a \$3 billion loan for Brazil, to be followed by an additional \$3 billion in December, and roughly \$24 billion in 2003. The main objectives of the agreement are (a) to reduce the country's vulnerability in the face of market uncertainties; (b)

to facilitate the transition for the new Administration; and (c) to create the conditions to reverse the deterioration in debt levels. These objectives, which highlight the country's vulnerability vis-à-vis capital flows and escalating government debt, do not address the structural problems that have led to the current state of affairs; problems that incriminate both the Brazilian Government and the IMF. Brazil is more vulnerable for having followed the set of policies prescribed by the IMF, not less. Moreover, under the friendly assertion of "facilitating the administrative transition", the Fund avoids charges that it performs an influential role in the Brazilian election process, whilst in practice hampering the consolidation of stronger democratic institutions and a free discussion of key national issues.

Over the years the IMF has made progress as regards the degree of transparency of its operations. In addition, though rather modestly, it has engaged in a public relations policy of establishing a dialogue with civil society organizations all over the globe. Finally, at least in theory, it has shown increasing concern for its relations with governments by ensuring their 'ownership' of the policies agreed upon.

Paradoxically, as these changes unfold, the Fund remains uncompromising with respect to its set of prescribed policies. 'Help' to Brazil came in the run-up to the election. Counter to the Fund's principle of not becoming involved in domestic policy, the Fund representative came to Brazil, spoke to the Government and the opposition alike and, together with President Cardoso, managed to secure support from the main presidential candidates for the underlying foundations of an agreement. What the President of the Republic and the Fund failed to remember was that there is a democratic constitution in Brazil, one which has created a process to foster consensus among different political forces around foreign loans; the Federal Senate has the prerogative of authorizing the contracting of foreign loans. The IMF, by trying to intervene in the Brazilian domestic political process, has failed to understand that there can be no democracy in the absence of respect for national democratic institutions.

Fund threatens Brazilian democracy

COMMENT

By Aurélio Vianna Jr, Political advisor to the coordinating unit of Rede Brasil—Brazilian Network on Multilateral Financial Institutions

The content of the agreement with Brazil adds further to this tension. The Budget Guidelines Act drafted by the Executive and passed by Congress is an annual law which addresses federal government fiscal targets—one of the key foundations of the IMF agreement. Because the

law takes effect on a yearly basis, the surplus target agreed upon with the IMF is incorporated into the Budget Guidelines Act *after* the relevant discussions have taken place. Under the new agreement, budget targets are to be revised by finance ministry officials on a quarterly basis. While these targets will be agreed upon in an "elastic" manner (the target surplus being set at *no less than* 3.75 per cent of the GDP, as opposed to a target fixed percentage of the GDP), the annual budget law may be overridden. In effect, the democratic budget allocation process and the budget cycle have become nothing but ink on paper.

Once again in line with the IMF, the World Bank and the Inter-American Development Bank have promised more funds for adjustment loans. However, these amount to purely defensive loans, i.e., funds for the Brazilian Government to honour payment of its existing debt. The recent agreement makes clear the need for a comprehensive and critical review not only of the content of the agreements entered into with the IMF but also of its private-sector-oriented and regressive policy prescriptions. The experience in Argentina, Uruguay, Paraguay and Brazil—all countries that have followed the policies recommended by the IMF—serves as a dreadful example of the effect of the Washington Consensus on development and poverty. These are countries that have plunged into crises for having followed the IMF in search of 'help'. As a self-fulfilling prophecy, the IMF policies create the demands ultimately taken to the IMF itself, both executioner and saviour.

Both the new Brazilian government and Brazilian civil society must seize the opportunity of the new Brazilian administration to push for changes in the agreement with the Fund. Crucial will be the creation of a process to change the relationships between a sovereign and democratic Government, supported by civil society, and the financial institutions, pushing the latter to be truly *multilateral*.

Rede Brasil, Brazilian network on the multilateral financial institutions

www.rbrasil.org.br

The IMF in Latin America, Update 30

www.brettonwoodsproject.org/topic/reform/r3011imflatin.html

Real impact of new poverty analysis uncertain

Continued from page 1

It is critically important that the Bank and Fund undertake these analyses in a way that not only builds national

capacity for PSIA, but also actively transfers ownership of the analytic agenda underpinning major reform

policies to national stakeholders". A recent Bretton Woods Project briefing, *Blinding with science*, explains the World Bank's roles in conducting multiple, influential assessments in PRSP countries, outlines typical biases of Bank research in key areas and sets out ways for civil society groups to engage with in-country assessments.

It appears that the World Bank is moving to institute PSIA in some of its work before properly concluding these debates about what it is and what change it will make. Past experience (with, for example, the Structural Adjustment Participatory Review Initiative) has shown that the Bank is often dismissive of conclusions that it finds disturbing. It is likely that PSIA's real potential for change, including on the macroeconomic framework, will partly depend on who funds, commis-

sions and carries out the studies. To limit donors' excessive influence on the studies, financial resources for each country could be pooled in a trust fund managed by local officials and civil society stakeholders. Firm decisions about this, and other aspects of these studies are expected to be taken in the coming months.

Blinding with science or encouraging debate? How World Bank analysis determines PRSP policies

www.brettonwoodsproject.org/topic/adjustment/a30blinding.htm

WB PSIA resources

www.worldbank.org/poverty/psia/

More on PSIA

www.brettonwoodsproject.org/topic/adjustment/

Joint site on donor country analytic work

www.countryanalyticwork.net

Completed PSIA pilot studies

Bank studies

Chad	privatisation of cotton marketing board
Mongolia	cashmere and energy sectors
Malawi	privatisation of state marketing board, ADMARC
Kyrgyzstan	electricity sector
Pakistan	energy tariffs hike
Guyana	Reform of sugar sector, privatisation of water and bauxite sector

Other planned or ongoing studies include Cambodia and Zambia. Contact Sharon White ● swhite@worldbank.org

DFID studies

Honduras	privatisation of electrical distribution
Armenia	privatisation of water supply
Rwanda	size of fiscal deficit
Uganda	coffee and fish exports promotion
Mozambique	fuel tax rise

A study piloted by DFID is currently being carried out on rice price liberalisation in Indonesia. Contact Lucia Hanmer ● l-hanmer@dfid.gov.uk

The full studies and/or summaries will be available at www.prpsynthesis.org (DFID) and www.worldbank.org/poverty/psia (WB).

Bank on trade: will the real World Bank please stand up?

Over the past year the Bank has cast itself as an advocate for the developing world in trade talks, but considering the Bank's inconsistent signals, no wonder many people don't see it that way. Much chest-pounding over Bank efforts to support improved access for developed countries to Northern markets continues to be accompanied by pressure on beneficiary countries for unilateral trade liberalisation.

At the annual meetings, the Bank's new Trade Director Uri Dadush ridiculed the reciprocal principle of multilateral trade talks, labelling it a vestige of "mercantilist ideology". He re-affirmed that the Bank's belief in the benefits of unilateral liberalisation was unshaken. However, internal contradiction on the issue was revealed when Senior Economist Bernard Hoekman reported that the World Bank Institute was conducting research on a formula for compensating countries which had undertaken 'autonomous liberalisation'. Surely if unilateral liberalisation was good for them, they wouldn't need compensation? Later in the day, President Wolfensohn further confused the issue. When confronted with his Trade Director's assertions, he insisted that the "song book that the Bank is playing from" is that trade liberalisation

is a two-way street. He quipped that he would fire whoever had made comments to the contrary.

Backing up its position as defender of the weak, the Bank points to three of its most recent trade initiatives: a \$300,000 fund to help poor countries meet international product standards administered by the WTO, accompanied by research indicating massive gains to African countries through improved ability to meet standards; a joint project with APEC to improve trade facilitation through increased investment in ports; and continued leadership in the latest round of talks about the expanding Integrated Framework trade capacity building initiative to more low-income countries.

But behind these initiatives, the Bank's core trade policy prescriptions, centred around deep integration into

the global economy through export-oriented production, continue to come under fire. Harvard economist Dani Rodrik argues that the Bank should do more than enhance poor countries market access while pushing facilitation and standards. What is required is support for experimentation to find "divergent solutions to the developmental bottlenecks they face"; institutional reform should be evaluated from the perspective of development ("what do countries need to achieve equitable growth?") and not from the perspective of integration ("what do countries need to do to integrate?").

This call for plurality was reinforced by UNCTAD in a report on economic development in Africa. The report says the Bank's pursuit of trade liberalisation has led to growing wage inequality, a "holloving-out" of the middle class and widening trade deficits caused by a loss of industry. An alternative programme of domestic demand-led growth is the focus of a new paper from economist Thomas Palley.

The question remains whether the Bank will reconcile its pretensions to being the advocate of the poor with its core policies which undermine trade capacity. A key opportunity will be a study of Bank trade policy by the Operations Evaluation Department which is to be presented to the Bank Board by the end of the year.

After neoliberalism, what? Dani Rodrik
www.new-rules.org/Publication/After_neolib/After_Neoliberalism_What.pdf

Economic Development In Africa: From Adjustment to Poverty Reduction: What is New?, UNCTAD

www.unctad.org/Templates/Webflyer.asp?docid=2764&intItemID=1397&lang=1

A New Development Paradigm—Domestic Demand-Led Growth, Thomas Palley

www.foreignpolicy-infocus.org/pdf/papers/DPdevelopment.pdf

Cornering the market: The World Bank and trade capacity building, Bretton Woods Project

www.brettonwoodsproject.org/topic/knowledgebank/k30cornering.htm

"...in East Asia an understanding of the role of trade, development, and economics is something of an 'Asian consensus,' much like the 'Washington Consensus' was alleged to be a consensus some years before. But your consensus, unlike the Washington consensus, is seen to be an outstanding success!"

James Wolfensohn's remarks at the Fourth Asia Development Forum: Trade and Poverty Reduction, 4 November

Inside the institutions: Bank trade map

The Bank is undergoing a re-organization of its trade work. Work under internal Bank groupings has been brought under the direction of new International Trade Director, Uri Dadush. Some of the key programmes, their location within the Bank structure, and contact information below:

Initiative	Description	Bank home	Contacts	Web Info
Global Integration & New Trade Agenda	<ul style="list-style-type: none"> • Training, policy services, research, capacity building • Regional trade facilitation projects • Global Learning Development Network 	WBI	Economist, Philip English	www1.worldbank.org/wbiep/trade/COURSES.html
WTO 2000 Capacity Building Project	<ul style="list-style-type: none"> • Help developing countries participate more effectively in the next round of WTO negotiations 	WBI	Policy & Rsch Mgr, Bernard Hoekman	www1.worldbank.org/wbiep/trade/WTO_2000.html
Research Programmes	<ul style="list-style-type: none"> • Trade facilitation, regulatory reform & standards • Trade, technology, FDI & growth • Competition & Anti-dumping • Landlocked countries • Regional Integration • Trade in Services and Agriculture • Databases on services, standards, integration, etc. 	DEC	Senior Adviser, David Dollar	www.worldbank.org/research/trade/index.htm
Integrated Framework	<ul style="list-style-type: none"> • Multi-agency technical assistance to low-income countries • Bank leads diagnostic studies • Links trade and national development plans (PRSPs) 	PREM	Senior Economists, Ataman Aksoy, Yvonne Tsikata	if.wto.org
Country Assistance Strategies	<ul style="list-style-type: none"> • Advise on integration, liberalisation, customs and tax administration, infrastructure, product standards and export policies • Impacts of WTO accession 	country teams	Regional Chief Economists, Country Chief Economists	www.worldbank.org/cas/
Investment Climate Assessments	<ul style="list-style-type: none"> • Identification of features most important for productivity and income growth • Tracking of changes in the investment climate • Comparison of countries or regions within countries. 	country teams	Country Chief Economists, Rapid Response Unit, Geeta Batra	rru.worldbank.org/CountryAssessments/index.asp

World Bank Institute (WBI)

Development Economics Group (DEC)

Poverty Reduction and Economic Management Network (PREM)

- World Bank International Trade homepage www1.worldbank.org/wbiep/trade/
- All WB email addresses are firstinitiallastname@worldbank.org, ie ddollar@worldbank.org
- E-mails to Trade Director Uri Dadush udadush@worldbank.org, should be copied to dnowak@worldbank.org and skpundeh@worldbank.org

No pain, no gain: WDR 2004 on services

A 60-page draft outline of the World Development Report 2004, 'Making Services Work for the Poor', was released in October for comment. Observers have commended the Bank for placing such a substantial document in the public domain for consultation early on in the drafting process. However, a number of serious concerns were raised by participants at a 6 November public consultation in London, one of a series of such meetings to be held around the world into January 2003.

An overarching fear expressed by participants was that the document was biased against public service provision. Brendan Martin of Public World, asked "why the coyness about calling these services what they are? *public services*." Striking in its absence from the list of alternatives for improving public service provision is reform of the public sector. Public sector employees are often portrayed in the outline in a negative light, while similar flaws in both private sector and community actors are downplayed. According to Martin, there is a fundamental distinction to be made between providing services for the poor, which implies two-tiered provision, and providing universal access.

Carolyn Stephens of the London School of Hygiene and Tropical Medicine, took issue with the Report's ana-

lytical framework. The actor-oriented approach employed by the authors conceives service delivery as a series of relationships among providers, clients, policy-makers, and (in the case of low-income countries) donors. Service failures viewed through this lens lack sufficient contextual analysis, particularly of power relations between actors. The framework risks over-simplification—an individual may be both a client and provider, a donor may be a government, an NGO or a community—resulting in a one-size-fits-all answer.

Participants objected to the Report's failure to acknowledge the part played by the Bank in rolling back the state and privatising services. Not surprisingly then, the WDR takes inadequate funding for public services as its point of departure, and shies away from estimating the required level

"JDW* has said he wants a WDR that causes internal pain."

Steve Commins, WDR 2004 team member
* Bank president James D. Wolfensohn

of public resources needed to deliver quality services for all.

The Report is silent on the ramifications of the Bank's work on negotiations of the General Agreement on Trade in Services (GATS). Currently, GATS does not apply to services "supplied in the exercise of governmental authority". However, a service is so classified only when it is "supplied neither on a commercial basis, nor in competition with one or more service suppliers." By arguing for competition in service sectors, the Bank may be subjecting them to the GATS disciplines, and undermining developing countries' negotiating positions—a concern articulated by a number of developing countries in a council for trade in services special session of the WTO.

It is not yet clear to what extent the Bank will change its approach to the report in light of the critical comments received at this and other meetings. But it is rumoured that the Bank has succumbed to lobbying to include energy as well as the existing sectors of water/sanitation, health and education.

Many people question whether the World Bank can adequately and

objectively deal with the complex and political issues raised in public service reform. The WDR team hopes to continue to discuss the report's content with civil society groups and other development agencies. An internal draft of the report will be ready in January and a draft for public consultation by early February.

WDR 2004 draft outline, World Bank, October 2002

econ.worldbank.org/wdr/wdr2004/

WDR meeting notes, Bretton Woods Project
www.brettonwoodsproject.org/topic/knowledgebank/wdrs/

The US on the World Stage: Reshaping Development, Finance and Trade Initiatives, Citizens Network on Essential Services, November 2002

www.servicesforall.org/html/tools/MCA_NSS.shtml

Assessment of Trade in Services, Communication from Cuba, Dominican Republic, Kenya, Nigeria, Pakistan, Senegal and Zambia

www.networkideas.org/doc/june02/doc25_Assessment_Trade_Services.htm

Ghana water privatisation disputed by independent analysts

An international fact-finding mission on plans to reform the water sector in Ghana (see *Update* 23, 27) made its conclusions public before the Annual Meetings of the World Bank and the IMF. The mission was composed of prominent officials, experts, trade unionists and members of civil society and the private sector. They travelled to Ghana last April to meet government officials and parliamentarians as well as representatives of civil society, donors and international financial institutions.

The mission's report concludes that

"the current Private Sector Participation (PSP) proposal is not the optimal option for ensuring expanded access to clean and affordable water for the people of Ghana". It calls for "open dialogue and consultation with a broad representation of stakeholders regarding alternative approaches". The report points out a number of shortcomings (see box) of the current plan to divide Ghana's urban water systems into two large concessions which will be leased to two different companies. The World Bank and the IMF have repeatedly pushed privatisation, leading a coal-

ition of Ghanaian NGOs to complain 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".

At the London launch of the report, a representative of the government of Ghana said the report was neither conclusive nor convincing. He argued that poor people would be better-off under the new scheme compared to the current situation where they have to buy water from tankers at a very high price. The government is therefore reluctant to reopen the water debate and intends to complete the PSP scheme by March 2003. A \$100 million World Bank loan to 'restructure' the water sector is awaiting approval, having been previously cancelled in March 2000 due to corruption concerns.

Full fact-finding mission report
www.southernlinks.org/pdf/Complete_ghana_water.pdf

Executive summary
www.isodec.org/gb/Papers/executivesummary_ffm.pdf

Bolivia water latest

Bolivia provides further lessons from Bank-backed water privatisation. The Bolivian government is facing a \$25 million compensation claim from US-based Bechtel after social unrest following price hikes forced the company to withdraw (see *Update* 30). The International Centre for the Settlement of Investment Disputes, the World Bank's arbitration arm handling the dispute, is reported to be still addressing concerns about the process before moving on to substantive issues. No reply has come to the August letter from NGOs decrying the closed process. In what could be the first visible effect of the international campaign, Bechtel representatives have recently met Bolivian officials, possibly in search of a settlement. Negotiations could be influenced by the fact that Bechtel is also involved in a \$1.5 billion gas project in the country.

Bolivia ICSID petition
www.democracyctr.org/bechtel/international_petition.htm

Key fact-finding mission conclusions

- increased cost-recovery will reduce access by low-income consumers;
- there is no plan for ensuring access to low-income consumers;
- investment priorities and lack of capital are likely to privilege wealthier communities and make significant expansion to unserved areas unlikely;
- the separation of water and sanitation services reduces opportunities to address public health problems;
- the Public Utility Regulatory Commission's mandate is weak and IMF loan conditions interfere with PURC's independent regulatory function; and
- the great majority of citizens and civil society organisations were unaware of its basic components and were not involved in the decision-making process.

IFC pulls out of goldmine, considers pipeline

In early October the International Finance Corporation (IFC) announced that it would not back the Rosia Montana goldmine in Romania. This decision followed intensive lobbying by NGOs including direct approaches to the World Bank President, James Wolfensohn, at the Bank/Fund annual meetings. The IFC will soon have to take a decision about whether to back an even more controversial and complex project—the Baku-Ceyhan oil pipeline.

The decision on Rosia Montana was at first portrayed as an example of Bank responsiveness to civil society concerns. NGOs said the project—the largest open-cast goldmine in Europe—would displace farmers living in the area and cause problems of cyanide pollution. The Bank briefed the press that its decision was “an example of how we’re seeking to have an open dialogue with all our development partners.” However, presumably in response to pressure from the Canadian company which is promoting the mine, the IFC soon circulated

another version of events. This stated that the company was doing fine on social and environmental issues but had decided to obtain finance on the private markets because it could do so more quickly than from the IFC. The company also said it will continue to comply with Bank Group guidelines and policies.

The IFC now faces the challenge of justifying its planned support for the Baku-Ceyhan oil pipeline. The pipeline, which is being promoted by a consortium of oil companies led by BP, would run from Baku in

Azerbaijan through Tbilisi in Georgia to Ceyhan in Turkey. NGOs from the three countries concerned, plus their international supporters have raised a number of serious concerns. These range from questions of proper assessment, consultation and compensation to larger matters such as corruption, debt and foreign oil companies obtaining exemptions from national laws. There are also issues of whether the project will destabilise a region with a history of conflict and human rights abuses (see Update 30).

Following a visit to the UK by activists from the three countries, UK groups have sent relevant UK ministers a memorandum outlining 10 sets of issues. PLATFORM has also released a report detailing problems with the consortium’s consultation and assessment processes. Campaigners are requesting members of the public to join them in writing to decision-makers to stop the project entering the IFC’s approval process in December. If the project does get accepted for formal IFC review this would mean that a final decision on backing for the project would be due in April 2003.

Campaigners are pointing to a leaked letter from BP to the President of Georgia demanding rapid approval of the project’s Environmental Impact Assessment as evidence that important issues are being neglected under pressure to get this project underway. They argue that such practices by trans-national companies may seriously jeopardise the countries’ progress towards democracy.

Press release on IFC Rosia Montana withdrawal, October 2002

www.rosiamontana.org/documents/english/press/IFCpullout.htm

Baku-Ceyhan CEE Bankwatch site

www.bankwatch.org/issues/moilclima.html

Joint UK NGO memo on Baku-Ceyhan pipeline, November 2002

www.brettonwoodsproject.org/topic/privatesector/p31btcmemo.html

UK campaign site

www.bakuceyhan.org.uk

UK campaign information

baku@gn.apc.org

Friends of the Earth campaign site

www.foe.co.uk/campaigns/climate/press_for_change/baku_veyhan/

Indigenous groups angered by Bank policy decisions

Indigenous peoples and NGOs supporting them have released angry statements about the World Bank’s indigenous peoples and forests policies.

Indigenous peoples representatives gathered in Washington in mid-October to discuss the Bank’s draft indigenous peoples’ policy. After their meeting they released a statement saying the Bank had not addressed their concerns or proposals to improve the policy. “We reject this draft revised policy because it does not respect our rights guar-

anteed under international law”. Their statement presents fifteen “minimum principles” for revising the policy, including:

- prohibiting Bank funding of projects or programmes that risk contravening the borrowers’ international obligations on human rights and the environment;
- extending the coverage to address structural adjustment lending;
- recognising the right of indigenous peoples to free, prior and informed consent to development proposals affecting their lands.

Later in October the Bank Board approved a new forests policy, despite objections from some governments and many NGOs. The new policy reverses the 1991 policy which banned Bank funding for logging primary moist tropical forests. Instead the new policy aims to prevent Bank operations which would cause “significant” damage to “critical forests”. NGOs are deeply concerned about who will decide what are ‘significant’ and ‘critical’ interventions and because the policy does not apply to adjustment loans.

The Bank has also launched a new five year process to review and revise its entire safeguard policy framework. The Bretton Woods Project will release a short briefing on this in December.

sguards@brettonwoodsproject.org

Briefings on indigenous and forest policies, FPP, October 2002

www.forestpeoples.gn.apc.org/briefings.htm

New Bank safeguards framework proposal, October 2002

www.worldbank.org/sgfw

IFC safeguard policy framework review, October 2002

www.cao-ombudsman.org

New claim on Chad-Cameroon project

Communities in Cameroon affected by the World Bank financed Chad-Cameroon oil pipeline have filed a new claim with the Bank’s Inspection Panel. The claimants charge that several Bank policies have been violated during the construction of the pipeline, which traverses their villages, lands and traditional hunting areas. The affected people complain of polluted water sources, loss of crops and forest land, failures of compensation for negative impacts to the communities, violation of labour rights, and health problems related to the influx of workers and job seekers.

www.inspectionpanel.org

www.foei.org/worldbank

Spas, malls and five star hotels

As part of the World Bank Group, the Multilateral Investment Guarantee Agency (MIGA), a publicly funded, political-risk insurance provider, is supposed to share the Bank’s overarching goal of poverty alleviation and environmentally sustainable development. However, middle-income countries and multinational banks and corporations tend to be MIGA’s largest beneficiaries. Environmental Defense has compiled a listing of recent MIGA guarantees including a spa in a five star hotel, a tourist marina and a shopping mall. They conclude that MIGA’s development benefits are “largely illusory”.

www.environmentaldefense.org/article.cfm?contentid=2149

Process for agriculture assessment clarified

At a meeting in Dublin in early November the World Bank discussed the process for its new global assessment of agricultural science and technology. A six month discussion period has just started to see whether and how the two year review process could be done. Civil society groups successfully argued—using the precedent of the World Commission on Dams—that more representatives of poor and marginalised rural communities should be on the steering committee which will decide next year how to proceed.

Civil society statement, November 2002

www.ukabc.org

Official site

www.agassessment.org

Human rights: little progress

The Bank is taking a softly-softly approach to human rights despite announcements earlier in the year that it wanted to clarify its position. Bank staffer Alfredo Sfeir-Younis told NGOs that the Bank was at the start of “a long intellectual journey” to consider what rights it can support and how. Bank President Wolfensohn said his staff were addressing individual rights but without using the language of rights, as this can act as a “red flag” to some World Bank member governments. The IFC’s Compliance Advisor/Ombudsman also recently sponsored a meeting on human rights.

Meeting report

www.brettonwoodsproject.org/topic/social

Argentina default pressures Krueger

After a record-breaking eleven months of failed talks with the IMF Argentina has, for the first time, defaulted on a payment to the World Bank. Choosing to pay only the interest of \$79 million rather than the \$805 million which was due, Finance Minister Roberto Lavagna said however “that we have every intention of paying once a deal with the Fund has been struck”.

Argentine officials insisted in mid-November that paying the Bank would have brought foreign exchange reserves below Fund-stipulated levels. In a further snub of the Fund, value-added taxes were reduced in order to “reactivate consumption”—in direct contradiction to one of the several Fund conditions which the Argentine government is claiming can not be met. A government appeal to the Supreme Court is still waiting to be heard after Buenos Aires courts determined in September that a number of measures insisted upon by the Fund were unconstitutional.

Observers have been divided over the impact of the default on the international financial institutions. Argentina is the fourth largest debtor of the Bank after China, Indonesia and Mexico. There had been conjecture that the default would lead to a downgrading of World Bank bonds by the credit rating agencies. However, in the hours after the default, Standard & Poor’s affirmed the stability of the ratings of both the World Bank and the IADB. In the weeks before the default, Bank president James Wolfensohn insisted that the Bank could survive the default, “but wouldn’t like it much.” If Argentina is still in arrears after 30 days, it will be denied disbursements from existing Bank loans.

Meanwhile Fund watchers are waiting to see the reaction of deputy managing director, Anne Krueger. Editors of the Argentine daily *La Nación* have called her the chief “obstacle to overcome”. Lavagna’s brinkmanship is interpreted by many in the crisis-stricken country as an attempt to force Krueger to either end her opposition to a deal with Argentina or resign. Outside of Argentina, there are some who argue that Krueger is intentionally stalling, hoping to raise support for her proposal for a sovereign debt restructuring mechanism (see *Update* 28).

Default on WB payment, Americas.org

www.americas.org/country/Argentina/

S&P affirms World Bank rating after Argentina default

www.forbes.com/business/newswire/2002/11/14/rtr795255.html

Anne Krueger, el obstáculo por vencer

www.lanacion.com.ar/02/11/15/dp_450158.asp

IMF fiddles while Argentina burns, *Update* 29

www.brettonwoodsproject.org/topic/adjustment/a2929arg.html

Argentina’s Crisis: The Costs and Consequences of Default to the IFIs, CEPR

www.cepr.net/argentina%20crisis.htm

Conditionality through the back door?

A recent report from the UK’s Overseas Development Institute shows that the ongoing ‘streamlining’ of IMF conditionality might not live up to expectations (see *Update* 23, 25). The IMF Board has decided that the application of conditionality should be limited to a focus on structural reforms necessary to achieve macroeconomic targets.

The report written for DFID by Tony Killick is an early assessment of IMF efforts. Based on a sample of PRGF countries, it claims that the number of conditions has been cut by one quarter on average, but large disparities between countries remain. Killick warns against persistent ‘cross-conditionality’ as the World Bank takes on areas dropped by the Fund.

The report also complains that the IMF has failed to debate the macroeconomic framework and focused on enhancing program effectiveness rather than the issue of ownership. As a consequence remaining conditionality is likely to be enforced more strictly, which raises serious questions about freedom of choice.

signal of distrust

PRSPs have entailed little change in substance—especially in the macro framework or in the IMF’s ‘negotiation style’, with programmes being agreed on by a few actors behind closed doors. As far as the nature of conditions is concerned, the increase in the use of ‘prior actions’ (by which actions must be taken before money is provided) is worrying as it sends a signal of distrust.

Killick concludes that the streamlining of IMF conditionality may not live up to the expectations it creates. Many NGOs had warned

of flaws in the IMF’s streamlining process when it was launched and think the IMF efforts amount to little, encouraging conditionality ‘through the backdoor’. More recently Doug Hellinger from Development Gap told IPS that “instead of being overtly ‘impositionist’, the Bank and the Fund are intervening with heavy-handed technical assistance and implicit conditionality”. Early assessments seem to reinforce these concerns.

Moreover, the new staff guidelines on conditionality approved by the Executive Board before the Annual meetings are unlikely to encourage a rapid uptake of the new principles spelled out by the Board in the last 12 months. The new guidelines are loosely-worded, leaving considerable scope for interpretation.

The ‘streamlining’ of IMF conditionality: aspirations, reality and repercussions, Tony Killick, April 2002

www.eurodad.org/uploadstore/cms/docs/odi_imfconditionalitystreamlining.pdf

Comments on IMF conditionality review and previous *Update* stories

www.brettonwoodsproject.org/topic/adjustment/

New IMF guidelines

www.imf.org/External/np/pdr/cond/2002/eng/guid/092302.htm

Martin Khor’s critique of IMF conditionality

www.twinside.org.sg/title/geseries4.htm

Carrots and Sticks: a quick fix for IMF conditionality?

www.brettonwoodsproject.org/topic/adjustment/a22carrotsticks.html

The Bretton Woods Project will release a short briefing on conditionality in January

Lesotho corruption verdict

Following a seven month trial, Canadian company Acres International was convicted on two counts of bribing an official to secure contracts for the Lesotho Highland Water Project, which received financing from the World Bank. This ruling contradicted an earlier World Bank investigation which dismissed corruption claims due to lack of evidence. “We expect the Bank to disbar Acres now that they have been found guilty of corruption on a World Bank contract,” said Ryan Hoover of the Berkeley based International Rivers Network. Other companies will be tried soon.

www.irn.org/programs/lesotho/index.asp?id=corruption.html

Guyana sued over nationalisation debt

A British company has taken a case to the International Centre for the Settlement of Investment Disputes (ICSID) seeking £12m compensation. In 1976 Booker plc was awarded £13 million by the Government of Guyana when Guyana’s sugar industry was nationalised. This was to be paid over 20 years but in 1989 Booker agreed to defer repayment on the understanding that the industry would be re-privatised. When the government did not go ahead with privatisation Booker went to ICSID. If Booker succeeds, Guyana will be forced to break its HIPC debt relief agreement with the World Bank.

www.jubileereasearch.org/hipc/hipc_news/guyana071002.htm

World Bank: free press is good for you!

The World Association of Newspapers and the World Bank released a book evaluating the media’s role in either helping or hindering development. Beyond some nice words about the essential role of access to information in a successful development strategy, writers address the sticky question of how to establish and maintain an independent media. “Substituting state-controlled media with a media controlled by one or two oligarchs has not restored confidence in the media, nor has it strengthened the nascent democracies.”

The Right To Tell *The Role of Mass Media in Economic Development*

www.worldbank.org/wbi/righttotell.html

Zen and the art of hand maintenance

The World Bank-Netherlands Water Partnership has launched the ‘handwashing initiative’, a public-private partnership to promote the use of soap to reduce the incidence of diarrhoeal diseases in poor communities. The initiative is being launched simultaneously in Kerala and Ghana. Dr Sudhiredar Sharma, a water expert at the Delhi-based Ecological Foundation, asks “why preach handwashing when people in Kerala are culturally conscious about cleanliness and hygiene? Choosing a state that has the lowest incidence of childhood diarrhoea would mean that the project is more about selling soap than ‘saving lives’.”

www.waterobservatory.org/News/news.cfm?News_ID=388

IMF office releases first evaluation, considers next ones

The first report of the IMF's Independent Evaluation Office (IEO) was released in September. The 300-page report evaluates the "prolonged use of IMF resources", in other words why countries become dependent on recurrent IMF financing. The study focuses on the cases of Senegal, Pakistan and the Philippines.

Prolonged use has expanded significantly since the 1970s both in terms of the number of countries and the Fund's financial exposure. This is partly the result of a shift in the IMF's role to increased involvement in low-income countries with deep-rooted problems. But it is also due to inadequate policy advice and problems with IMF internal governance. Bad design and weak implementation of programmes due to ownership deficits, as well as lack of attention to issues of political economy and an expansion of conditionality are said to have led to prolonged use. Prolonged use is perceived as problematic in the report because it weakens national policy formulation processes and there is a risk that countries will not face their responsibilities. In this respect the IEO cautioned that it was charged with examining the role of the IMF, but that governments bear primary responsibility for the programmes they implement—and their failure.

Contrasting with earlier indications that the report would raise questions rather than make conclusive recommendations for the Board of Directors of the IMF (see *Update* 30), the IEO has come up with a set of recommendations. These include: greater selectivity in supporting programmes, differentiated interest rates for prolonged users, more attention to alternative policy options and their trade-offs, prioritising key conditions, systematic ex-post program evaluation, and transparent discussion of political considerations.

The Board of the IMF has discussed the findings of the study in broad terms and has agreed to ask a task force comprised of Fund staff to come up with follow-up actions. The suggestion of differentiated interest rates was, however, immediately rejected. While most Directors didn't see prolonged use as a problem, some argued it showed the need for a reassessment of the Fund's strategic role in low-income countries. Several Directors approved of the IEO's call for greater separation of surveillance and program implementation in programme countries. However Southern EDS expressed concern that this might impose an undue burden on programme countries.

Choice of evaluation topics

Two more IEO studies, on fiscal adjustment and recent capital account crises (Brazil, Korea, Indonesia) are currently under way. Some NGOs have urged the IEO to monitor how recommendations of the first study will be incorporated in subsequent IMF programmes, once the task force has submitted options to the Fund's Board.

The IEO has also announced a draft work programme for next year. Possible topics include a review of the Poverty Reduction and Growth Facility (PRGF) and PRSPs, case studies of Argentina and Turkey, IMF-provided technical assistance, surveillance and capital account liberalisation. A PRGF/PRSPs review in collaboration with the Bank's evaluation department is very likely and external stakeholders will be invited to provide input.

Draft work programme

www.imf.org/external/np/ieo/2002/wp/index.htm

NGO letter

www.brettonwoodsproject.org/topic/reform

The fact that the final version of the first study makes clear recommendations is encouraging. However concerns remain that the approach chosen by the IEO is not the most appropriate to ensure its credibility, not just among Fund members but with the Fund's real 'clients'—people in borrowing countries. Responding to an article in *Update* 30, IEO staff contested assertions that their approach was technocratic, claiming it was "rigorous" and that they made every effort possible to include a broad range of stakeholders (available on the BWP website).

The Bretton Woods Project acknowledges the benefits of the first study but emphasises that the independent evaluation office should assess the effects of IMF operations on people and the environment, not only on a borrowing countries' reserves or willingness to implement reforms. This supposes a move away from the assumption that countries—especially the poorest parts of their population—are better-off if they conform to IMF policy prescriptions. Concerns about the composition of the IEO's staff were also re-stated, as there is a lack of balance between ex-IMF, ex-World Bank staffers and economists, and those with different backgrounds.

IEO report with more links

www.imf.org/external/np/ieo/2002/pu/index.htm

Summary of the report

www.foe.org/camps/intl/imf/

Changes to the Update, website

Responding to readers' comments in our recent Update survey, this issue incorporates two changes. Aurélio Vianna, of Rede Brasil, comments on the role of the IMF on page three. On page four, we have included a map of the new trade department at the Bank, in response to demands for more users' guides to how the institutions work on specific issues. We will be continuing with these features, as well as offering inserts in future issues with condensed briefings on important debates. Send submissions for future comment pieces and suggestions of items to cover in users' guide format to Jeff Powell.

● jpowell@brettonwoodsproject.org

A new section of the Bretton Woods Project's website on UK decision-making in the World Bank and IMF has been launched.

🌐 www.brettonwoodsproject.org/uk

IFI watchnet calendar and webbing

Organizations monitoring the international financial institutions (IFIs) worldwide have created a collaborative calendar of events at www.ifwatchnet.org. The calendar can be searched by date, location, issue and target institution. A webbing is being created to connect these organisations, and a search engine devised to allow users to limit a search to critical perspectives on the IFIs. To get involved or obtain more information, contact Leslie Greene at the Bank Information Center.

● lgreene@bicusa.org

Job opening with IFI watchnet

IFI watchnet is made up of organisations which monitor the international financial institutions. It aims to more effectively share information at a global level and to encourage collaborative working. The network is looking for a Communications Assistant. Key tasks will include networking between participating organizations, preparation of progress reports and taking forward web-based information sharing initiatives. The position is part-time for one year starting January 2003.

🌐 www.brettonwoodsproject.org/about/jobs

● jobinfo@brettonwoodsproject.org

Bankspeak of the Year competition

Readers may have noticed some of the new terminology emanating from the Bank. Examples include references to "intermezzos" (to describe short narrative passages in dense reports) and a "charrette" (to describe an IFC conference on human rights).

Our next issue of the Update will feature 'Bankspeak of the year'—the most opaque or incomprehensible use of words in a Bank document or speech. Suggestions from readers are very welcome.

● bankspeak@brettonwoodsproject.org



Published by Bretton Woods Project
Critical voices on the World Bank and IMF

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Supported by NGOs in the Development and Environment Group and by the CS Mott and John D and Catherine T MacArthur Foundations