

Iraq—Bank and Fund in no man’s land

The potential roles of the World Bank and IMF in post-conflict Iraq have been much debated in recent weeks. Their Spring Meetings in mid-April saw sparring between US and European ministers over when and how the institutions might get involved. Discussions there and subsequently have focussed on assessments of the economic and development situation, oversight of oil revenues, debt relief and reconstruction finance.

One of the key issues is what sort of government needs to be in place in order for the Bank and Fund to operate in a country. Many people, including representatives of the UK government and of the G-24 developing country grouping, said before the Spring Meetings that UN regime recognition was vital before Bank and Fund involvement. By the end of the meetings, however, the US government had persuaded others that the IMF and World Bank could soon start to be active in Iraq regardless of such legal questions.

In early May the Bank’s Board formally recognised this, agreeing that the Bank could send a team to conduct assessments in Iraq on assistance priorities and lay the groundwork for economic recovery and growth without waiting for a formal Board vote. The Bank says it is waiting for a safer situation in Iraq and an invitation from a government there or from the international community. The IMF has already provided general advice on the currency and

monetary policy, and has signalled that it is prepared to undertake a needs assessment.

The US government is also pushing for the World Bank and IMF to play a part, with the UN, on an advisory board to oversee how Iraq’s oil revenue is spent. The US wants the Security Council to lift its sanctions against Iraq, phase out the oil-for-food programme over the next four months and install an international advisory board on oil revenues. A joint statement initiated by Focus on the Global South, a campaign group based in Thailand, demands, however: “The UN-held escrow Iraqi oil account must not be used to foot the bill for reconstruction of the damage caused by the illegal war and UN sanctions. The funds must be held in trust for the Iraqi people until there is a legitimate and genuinely representative government elected by the people.”

The US has also argued for the cancellation of the debt burden accumulated during the Ba’athist regime. While campaigners have condemned

the hypocrisy of this—the US has bitterly opposed such write-offs for the Democratic Republic of Congo and other countries—they agree that the Iraqi people should not be forced to pay illegitimate debt. They also hope that if this happens in Iraq it will set a useful precedent for other heavily indebted countries. Most of Iraq’s estimated \$400 billion debt is owed to other Middle Eastern countries, plus Russia and Germany. Obligations to international financial institutions such as the Fund and Bank amount to less than \$200 million.

These existing debts must be repaid before the Bank and Fund can get involved with reconstruction financing. In the case of Afghanistan, Britain and other countries repaid the outstanding debts so the World Bank could resume lending. Campaigners who have signed the Focus statement are calling for “the full costs of all reconstruction, compensation and reparations for the physical, social, economic, psychological, ecological, cultural and

heritage destruction caused by the US-led invasion of Iraq to be borne by the aggressors.”

The statement also argues that governments and NGOs should not profit from the illegal invasion and occupation. However this is already happening. Many contracts have already been awarded directly to US companies. They include a \$680 million deal for Bechtel “to rebuild Iraq’s infrastructure” and one for \$7.9 million for the Research Triangle Institute “to rebuild local governance”.

Many people see Iraq as an instructive case of how US influence can be brought to dominate nominally multilateral institutions. Unlike the UN Security Council only the US has the ability and votes to throw its weight about effectively in the Bank and Fund. And with the secrecy of their Boards it is not possible to know what positions different countries are taking. ©

International demands regarding the invasion, occupation and reconstruction of Iraq, Focus on the Global South and others, May 2003

www.focusweb.org/index.php?option=news&task=viewarticle&sid=74

Bank’s policy on development cooperation and conflict
wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/OPolw/5870698DE018C520852569E5004EC9AD?OpenDocument

The Second Invasion: The IMF, the World Bank, & Iraq, Third World Resurgence Mar/Apr 2003
www.twinside.org.sg/twr.htm

“The report implicitly admits that policies of the IFIs probably fuelled civil wars”—page 5

Bank private sector watchdog calls for stricter policing	2	Sold Short	6
Asia-Pacific groups walk out of Bank extractives review	3	WB poverty policy review	6
Oil and poverty reduction don’t mix. Comment from Cameroon	3	High-level UN meeting debates IFI governance	6
Circling the wagons: World Bank-IMF-WTO coherence	4	The politics of multilateral institutions	6
Update on the Integrated Framework	4	IMF guide to civil society	6
Debate continues over services report	5	Toxic waste dump or “world-class site”?	7
WDR: What about GATS?	5	Inside the institutions: WB complaint mechanisms	7
African right to water	5	Pipeline backlash for BP	7
World Bank study on preventing civil wars	5	IFC project on Bushmen’s land	7
Bank appoints advisor on (not just) human rights	5	Debt relief money diverted in Nicaragua	7
IMF paper on NEPAD	5	Weakest link or missing link?	8
‘Parliamentary Front’ on IFIs	6	Bank timid steps on land reform	8

Bank private sector watchdog calls for stricter policing

In April a review of the social and environmental policies of the International Finance Corporation (IFC) tabled many criticisms of current practice and suggestions for improvement. The hard-hitting review, produced by the IFC's independent office for examining social and environmental issues, contains important findings and recommendations that NGOs following projects such as the Baku Ceyhan oil pipeline will be able to use.

Its contents are also likely to be debated in other boardrooms and campaign networks because of the IFC's role as a standard setter for many other banks and export credit agencies. Indeed this role became more explicit in April when four major private banks (ABN Amro, Barclays, Citibank and WestLB) announced that they had adopted the IFC's social and environmental policies for their project finance activities.

The Compliance Advisor/Ombudsman (CAO), an office which examines the social and environmental impacts of the World Bank's private sector arms, has assessed the system of social and environmental policies and procedures that IFC corporate clients are supposed to follow in order to merit IFC support. These so-called safeguard policies cover areas such as indigenous peoples, involuntary resettlement and environmental assessment. The CAO report is not binding on the IFC, but management is currently preparing a response to present to the Executive Board in August or September.

Turning the screws

The review finds that "overall, the safeguard policies are having a positive effect and contributing to positive environmental and social impacts". This often goes beyond damage limitation to provide "a demonstration effect on other companies". However in other cases the policies are not a serious part of the IFC's negotiations with corporate clients (known as 'sponsors' in IFC jargon). In some cases "the political importance of the deal meant that due diligence was rushed, corners cut, sponsors hurried, and effectiveness and impact compromised". In others large companies with which the IFC wants to do future business were given flexibility which was denied to small or medium-sized companies.

The review finds that there is a "lack of specific objectives, weak project monitoring and supervision, and poor integration of safeguard policies into IFC's core business". In some cases it found a "cold war" style relationship between the IFC's investment officers and staff in its Environment and Social Development Department. The policies are, however, effective when the company

CAO recommendations on specific policies

Environmental issues

"The criteria for environmental screening and categorization are not clear".

"This review found a number of areas where no policy or adequate guidance exists. In some cases, IFC has committed to developing guidelines, and this has not materialized. These areas include treatment of cyanide and cyanide processes in mining operations and mine closure."

"Climate change is not addressed explicitly with sponsors as a matter of routine. Sponsors and others in workshops suggested the need for a climate change policy or explicit treatment of climate change issues in environmental assessment."

"The review found significant disagreement between sponsors and IFC on what constitutes a natural habitat or significant conversion."

Forestry

"The policy does not give sufficient guidance about how to monitor or establish certification, chain of control, and third-party verification. There is little specificity on how biodiversity considerations should be incorporated in plantation and social forestry projects."

Pest management

"The pest management policy was considered to be vague by sponsors in workshops and by NGOs."

Involuntary resettlement

"The policy needs to be given specificity in terms of guidance on application and implementation for private-sector sponsors. This guidance may need to be sector specific, for example, for infrastructure project concessions".

Indigenous Peoples

"There is tremendous lack of clarity and specificity in who should be treated as indigenous, what impacts should trigger the policy, and, other than the preparation of an Indigenous Peoples Development Plan, what should be done for indigenous peoples. Lack of clarity leads to the policy's not being invoked."

Cultural Property

"Despite a clear definition of cultural property by the UN and clear understanding of what cultural property constitutes among the specialists with expertise in this area, the review found confusion among sponsors and financial intermediaries as to what is meant by the policy."

Labor standards

"In some sectors there was resistance to the [Child Labor] policy."
"IFC policy ... does not treat the right to collective bargaining and freedom to organize. IFC's commitment to the remaining labor standards should be examined."

is committed, when there is clear communication about what is expected, good teamwork across the IFC and the national regulatory framework is strong and enforced. This appears a fairly circular argument, but the CAO singles out the corporate client as the most critical variable.

It therefore proposes measures for the IFC to increase its scrutiny of potential corporate clients and its leverage over them. It recommends that: "assessing commitment and capacity on environmental and social issues should be a fundamental aspect of investment departments' due diligence of a prospective sponsor." It also says "environmental and social issues should be included in legal covenants [and] IFC should consider suspending loans or withdrawing from projects whose environmental and social perform-

ance present unacceptable risks to IFC." To be able to do this the project supervision system would have to be overhauled as the IFC "relies on self-monitoring by sponsors for the majority of projects".

The review urges the IFC to state more explicit goals and targets, including the development objectives of each project and to extend accountability for achieving them "to all levels of management and investment staff". To date IFC managers have focussed mainly on portfolio volume and profit.

The review states that "too often public consultation occurred too late to affect project design, did not facilitate local stakeholders' understanding of the project and ability to express their concerns, allowed insufficient time for stakeholders to process the information and provide

thorough feedback, and was not sustained after project approval. Stakeholders did not receive feedback from IFC or those doing the public consultation". It continues: "many sources complained about the difficulty of accessing project information, that the available information lacked sufficient detail, and that business confidentiality concerns had been inappropriately extended to the social and environmental dimensions of projects. These sources strongly encouraged IFC to revise its information disclosure policy."

The review also proposes a number of reforms in how the IFC deals with Financial Intermediaries (FIs). These are institutions financed by the IFC which on-lend money to other companies. This now constitutes one third of the IFC's portfolio. The review suggests developing monitoring and supervision systems specifically designed for FIs and accountabilities within investment staff and management for their environmental and social performance. It recommends examining the FI portfolio in depth to see if any sub-projects are causing material harm.

Strengthening guidance

The CAO says safeguard policies "must be made more specific and easy to use, with clear targets and guidelines on how to use them". They are long on process and short on specific goals. For example the indigenous peoples policy "does not specify who is affected, how they are affected, or what specifically should be done to mitigate the impact." The policies must be updated more regularly to reflect scientific and political advances.

It also suggests creating a framework that encompasses all project social impacts under either a social assessment or social impact policy. This would also improve the IFC's ability to assess and understand issues of gender, ethnicity, race, social structure, and community health. Referencing international agreements, norms, or standards that have been signed up to by countries and the World Bank would also help. At present only the child labour policy explicitly mentions such international agreements; other policies such as natural habitats do not refer to conventions in the relevant area.

A number of civil society groups are discussing their response to this review before the IFC Board discusses it. ©

Key findings and recommendations from the CAO Review of IFC's Safeguard Policies, Bretton Woods Project

www.brettonwoodsproject.org/topic/privatesector/index.shtml

A Review Of IFC's Safeguard Policies, CAO
www.cao-ombudsman.org

THE Chad-Cameroon petroleum project was approved by the World Bank in June 2000 after more than three years of intense discussions between oil multinationals, the Bank, Bank member governments and NGOs from the South and the North. In response to the grievances received, the World Bank proposed a framework to impose social and environmental rules on the multinationals, and build the capacity of Cameroonian and Chadian governments to enable them to manage project-related opportunities and risks.

It may be too early to take stock of the overall petroleum project now that the construction phase has ended. Yet, a few weeks before the first oil flows, it seems possible to draw preliminary lessons of this unique experience in Sub-Saharan Africa.

Many observers had questioned the Bank's involvement in the project, arguing that the institution's poverty alleviation objectives seemed incompatible with an investment of this nature. The NGOs cited past experiences of oil exploitation in Africa, namely in Angola, Congo, Gabon, Cameroon, Nigeria and Equatorial Guinea, none of which ushered in development.

It is therefore not surprising to note that almost nothing occurred according to World Bank predictions. This failure can be illustrated by the following four points:

1. The Bank is unable to really influence the behaviour of multinationals. The World Bank failed to make the consortium respect its environmental and social policies. The International Advisory Group set up to monitor the project on behalf of the Bank's Board of Governors quickly expressed concern about it being a "two-speed" project. Construction works were far ahead of schedule, but social mitigation measures were yet to take off. At the end of the construction phase, the capacity building project aimed at enabling the government to ensure the respect of health, compensation and environmental management plans has not been realised. Furthermore, the plan for indigenous peoples whose territory was crossed by the pipeline is still faltering. During the past two years the Bank's involvement achieved only damage control, not the positive objectives of its operational policies and directives.

2. The World Bank's presence did not improve the terms of the agreement between the consortium, Cameroon and Chad. Land provided by Cameroon and Chad for the project was not valued in calculating their financial contribution to the project. The governments also have many responsibilities in environmental

Chad-Cameroon: oil and poverty reduction don't mix

COMMENT

By Samuel Nguiffo

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Cameroon about US\$16 million per year, i.e. about 1 dollar per head per year. Oil is expected to generate a total revenue of \$13.7 billion. Out of estimated profits of \$8 billion Cameroon will receive 7 per cent, Chad 22 per cent, and the consortium 71 per cent. It is doubtful if the money in Chad will be devoted to poverty alleviation.

3. Control mechanisms are not functional. The project provides for seven levels of monitoring, but they are either ineffective (only Exxon is capable of monitoring the project on a daily basis), or have no power to make their recommendations binding on the World Bank or Exxon. This is the case of the International Advisory Group, whose reports have not always resulted in action being taken.

4. Construction work led to serious social and ecological problems along the pipeline route. Serious disputes were recorded on the amounts of compensation which sometimes led to a substantial impoverishment of victims. Furthermore, in several villages, springs were destroyed, thereby depriving people of access to drinking water and exposing them to waterborne diseases. The village of Mpango has been waiting since 1998 for its drinking water spring to be restored. Lastly, inflation rose in both countries, and the rural peoples have had to grapple with severe food insecurity and an outbreak of health problems, especially HIV.

The failure to respect promises in the construction phase is a cause for concern for the project's future. There are already talks of expanding the oil exploitation zone to the east of Chad, north of the Central African Republic and north of Cameroon. As the World Bank will have no means to exert pressure on the consortium it is hard to think that the operations will respect people and nature more than in the past three years. The major merit of the project is to have confirmed that under authoritarian regimes there is a fundamental incompatibility between poverty alleviation objectives and oil exploitation activities.

Centre for Environment and Development

www.cedcameroun.org

Traversing Peoples' Lives, How the World Bank finances community disruption in Cameroon

www.foei.org/ifi/brokenpromises.html

Asia-Pacific groups walk out of Bank extractives review

Civil society groups walked out of the Asia-Pacific meeting of the World Bank Extractive Industries Review (EIR) at the end of April. Coming after many other complaints about the process this raises major questions about whether the results of the Review—due to be released in December—can be portrayed as the result of a fair multi-stakeholder engagement.

The 15 Asia-Pacific groups emphasised in their statement that some key NGO groups and mine-affected communities had always refused to participate in the review of the World Bank's role in extractive industries because they saw it as a deeply flawed and inadequate process. The groups which attended the April EIR consultation in Bali, Indonesia, said they had decided to play

an active role in the EIR consultation process, but "this goodwill has not been reciprocated". They questioned the non-transparent selection of academics and experts and complained that "extremely important issues of militarization, and structural adjustment policies and their link to the extractive sector have been completely left off the agenda despite specific requests".

More importantly they questioned the seriousness of the Asia-Pacific consultation when they learned about a draft document produced by the EIR in February which claimed to comprise a "Compilation of Consultation Inputs" but was produced prior to the Bali meeting, the indigenous peoples' consultation and one for the Middle East-North Africa which will take place in late June.

This document—which had been circulated among the extractive industry representatives and the World Bank—contained interim conclusions of the EIR process—including that:

1. *The World Bank Group should remain in extractive industries.*
2. *Oil, mining and gas projects can be a tool for poverty alleviation.*
3. *The World Bank Group can be a leader in tackling environmental and social issues associated with extractive industries.*

The groups rejected these, saying a wide range of evidence, including from a recently leaked report from the Bank's own Operations Evaluation Department, indicates that World Bank support for this sector has not reduced poverty.

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As a result of these concerns they said they "can no longer continue within a process in which they have already lost faith". In his response the EIR Eminent Person—former Indonesian environment minister Emil Salim—blamed the NGOs for poor preparation and said he was open to having NGOs participate in an advisory panel. This is not likely to satisfy his critics, who were gathering for a global strategy meeting at the end of May. ©

EIR tentative conclusions

www.eireview.org/eir/eirhome.nsf/EnglishOtherLinks/documents?opendocument

Asia-Pacific NGO statement and EIR response

www.eireview.org/eir/eirhome.nsf/EnglishOtherLinks/Correspondence?opendocument

Circling the wagons: World Bank-IMF-WTO coherence

The latest round of global trade talks, coined the Doha 'development agenda' by its supporters, is crumbling and the WTO Director General has called in the heads of the Bank and Fund to try to prevent its total disintegration. The three men spoke to the General Council—the highest-level decision-making body of the World Trade Organisation—on 13 May on the benefits of increasing coherence between their respective agencies. Civil society groups counter that the use of the word 'coherence' is a ruse designed to bring countries in line with a set of flawed economic policies.

Many developing country delegates challenged the notion trumpeted by the heads of agencies that continued liberalisation is urgently needed in the name of poverty reduction. The Indian representative, reinforcing numerous comments from the floor, urged the institutions to allow liberalisation "to take place at its own pace—we must not convert the philosophy of liberalisation into a religion or a cult or a dogma." Monitors of the Bank and Fund similarly argue that those agencies see liberalisation as an end in itself rather than as one of many different policy means to improve living standards.

The Bank, in its trade agenda for the coming year, has admitted that it is "concerned with a possible trade-off of liberalization policies with increases in inequality...and a rise in unemployment for specific groups in the short-term." Rather than question the policy prescription itself, the response is to ensure the "appropriate design of compensation mechanisms." Similarly, IMF Director Horst Köhler assured General Council delegates that "the IMF is fully committed to assisting countries that face payments imbal-

ances... This includes imbalances that might arise in the process of liberalization."

Köhler added that the Fund is reviewing its loan facilities "with the objective of more flexible assistance to low-income countries facing significant exogenous shocks." Critics say this reflects how the Fund misinterprets long-term structural imbalances in the global trading system as short-term shocks which can be dealt with by a never-ending flow of loans—which then contribute to spiraling debtloads. WTO member countries in the Working Group on Trade, Debt and Finance have asked the Fund to reconsider the conditions it attaches to these loans: "IMF trade policy advice and conditionality should take more account of the flexibility available under WTO rules for developing countries." Many countries have complained compliance with IMF conditionality has led them to be at a disadvantage in WTO negotiations.

In his statement to the Council, WTO Director General, Supachai Panitchpakdi, highlighted the role to be played by the IMF in ensuring the global financial stability vital to meeting development objectives. Given crises in Southeast Asia, Russia, Argentina and Turkey, there is good reason to question the Fund's prescriptions for financial stability. In a recent paper co-authored by its departing Chief Economist Ken Rogoff, the Fund conceded as much, admitting that there is no proof that financial liberalisation has benefited growth and it seems linked to "increased vulnerability to crises".

From the Bank, the WTO head asked for "close cooperation" in the formulation of effective special and differential treatment rules—rules in the WTO which accord special privileges to developing countries. However, the Bank's recent paper on this has met with fierce criticism. Claire Melamed of Christian Aid says that rather than strengthening the principle of differential treatment as developing countries have urged, the Bank's "recommendations are so close to those of many of the most powerful countries in the WTO, that they will simply confirm the

view among critics that the bank is wedded to the interests of the big industrial powers."

The other major area where the Bank and Fund are to play a key role is in technical assistance and capacity building for implementation of the commitments made during the Doha round. However, Shefali Sharma of the Institute for Agriculture and Trade Policy believes "technical assistance is being used as a political tool to win support for an agenda that is heavily disputed in the WTO." There are worries that the increased emphasis by the three institutions on "credit" for liberalisation and the offer of technical assistance for implementing such policies could be an indirect tactic to accelerate the liberalisation process.

The Bretton Woods institutions have urged developing countries to "make trade integration a central plank of their development and poverty-reduction strategies". To date, the IFIs and their critics agree that trade has been largely absent from national development plans. However differences emerge over the details of how to integrate trade into

the plans. A recent study by the British Overseas Development Institute concluded that "the current asymmetrical power relationship between donors and poor countries would mean that if trade-poverty analysis was incorporated into PRSPs it would probably be neither independent nor country-specific."

A number of institutional proposals were put forward to increase coordination with the Bank and Fund, including granting observer status for the Bank and Fund at the WTO's Trade Negotiations Committee; a more active role for the WTO Secretariat in IMF Article IV consultations; and the creation of a regular "institutional vehicle within the WTO for consulting with the IMF and World Bank on priority areas."

Trade and finance observers say there is no reason why the existing Financing for Development process, initiated in Monterrey in 2002, should not serve as a framework for regular contact between officials and their counterparts in trade, finance and development ministries. Exclusive cooperation between the WTO, WB and IMF suggests an attempt to deny the UN and its specialised agencies the central role they should have in determining the agenda for cooperation. ©

IMF-World Bank-WTO close ranks around flawed economic policies, NGO network
www.coc.org/resources/articles/display.html?ID=537

The World Bank's Operational Trade Agenda, available upon request

Links to background documents at
www.brettonwoodsproject.org/topic/knowledgebank/index.shtml

Upcoming Bank trade research

Domestic regulation and services trade liberalization, Mattoo and Sauvé (eds.) June 2003.

Moving people to deliver services, Mattoo and Carzaniga (eds.) June 2003.

India and the WTO: a strategy for development, Mattoo and Stern (eds.) June 2003

Global Economic Prospects 2004: Realizing the development promise of Doha September 2003.

Promoting intellectual property in developing countries, Finger and Schuler (eds.) 2003.

Options for global trade reform: a view from East Asia, Martin and Pangestu 2003

World Bank research on trade: overview and recent output

www.worldbank.org/research/trade/pdf/trade_output.pdf

Update on the Integrated Framework

The Integrated Framework for Technical Assistance to the Least Developed Countries (IF) is a multi-agency initiative to coordinate national ministries, donors and multilateral agencies in the provision of trade-related capacity building. The IF is being touted as a model for cooperation in capacity building, with the World Bank taking a lead role in the diagnostic studies which make up the first phase of the work programme. These studies have been completed in six countries and are currently underway in six more. Some twenty-two further studies for both least developed and low-income countries are planned within the next two years.

After several months of delay from the WTO Secretariat over the terms of reference, a Canadian firm, Capra International, has been chosen to carry out a review of the IF. Controversy continues over the use of the

UNDP-managed trust fund. The WTO Secretariat recently echoed members' calls for more money for work on the ground and for LDCs to do the diagnostics themselves. The link with national development strategies is also debated. In its trade agenda for the coming year, the Bank says "reflecting the findings of these diagnostic studies in development plans would represent an important signal that trade is being mainstreamed." Vigilance will be required by PRSP monitors to ensure that "reflecting the findings" does not become 'inserting the findings'. The diagnostic cart must not come before the national strategy horse. ©

www.integratedframework.org/

Cornering the market: The World Bank and trade capacity building

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

Debate continues over services report

As the window for consultation on the draft of the World Development Report 2004 (WDR), Making Services Work for the Poor, draws to a close, debate continues. In response to civil society criticism of the November outline, the March draft of the Report strikes a more nuanced tone on some of the more contentious issues.

The WDR team claim to have “noted” the importance of rights, changed the language of ‘client/policymaker’ to ‘citizen/politician’, and addressed more directly issues of political economy.

Not surprisingly, the role of the private sector still marks a key fault line. Critics contend that the Report posits privatisation as the default option when public services fail. Tim Kessler of the Citizen’s Network on

Essential Services, argues that “non-radical reforms” should always be the first response to failing services.

The CEO of water multinational SAUR conceded to a World Bank audience in February 2002 that the water business cannot survive without subsidies and soft loans. “Unfortunately”, says Kessler, “the lending institutions have demonstrated a bias in favor of subsidies for private corporations, not public utilities.”

The WDR team has responded that where the public sector is weak, private provision with appropriate regulatory oversight should be considered. Weak governments however, may find establishing regulatory institutions as difficult as providing the service itself.

In the electronic discussion on the WDR draft, a number of contributors have challenged the Report’s negative portrayal of public sector workers. Younous Mahadjir, a social and health workers’ union member in Chad: “Can I please have the names of those members of the Bank’s writing team who also have not been paid for long periods of time so that our members can approach them for advice on how to live if you are always at work but are not being paid?”

On the issue of decentralisation, it has been argued that the Report holds an overly optimistic view of local authorities and community-based service providers. Kessler challenges the draft’s assumption that local authorities are less prone to capture than central ones: “Some wealthier localities may well be cleaner than central government. But what about the poor and socially backward localities?” Belinda Calaguas of Water Aid has urged the WDR team to look more closely at ways to strengthen participatory democracy. The authors responded that they will attempt to do so.

The most glaring omission for many, however, is the failure to recognise structural limitations at work in global political economy. While governments, service providers and unions have to take some of the blame for public service failings, argues Calaguas “so does the World Bank.” “It is important for the WDR to look back at the history of adjustment, debt, etc. that forms the context for the failure of public services to serve the poor.”

Despite the broad appeal of the debates which this year’s WDR inspires, participation in the 6-week long e-discussion has been disappointing. Moderators of the discussion, Public World, had no opportunity to carry out advance publicity for the forum, having been drawn into a series of technical fiascoes.

e-discussion suffers from contracting-out of services

Private web developers working for the Bank were reluctant to make any changes without first re-negotiating contract specifics. Whether or not plans to outsource \$10 million in World Bank IT work to India over the next twelve months will improve the situation is unknown. One such contractual oversight was apparently a multi-lingual translation facility, the provision of which had been agreed with the moderators from the outset. For non-English speakers this fact only compounded difficulties—translations of the overview of the draft were only available electronically in mid-May.

The draft will go to the Bank board in June and is scheduled for a 20 September global launch. The WDR team plans to solicit commentaries on the completed WDR to keep the debate going—interested individuals/organisations should contact the WDR team. ©

WDR draft, World Bank

W econ.worldbank.org/wdr/wdr2004/text-18786/

e-discussion on the WDR, Public World

W www.publicworld.org/ourwork/worldbank.htm

WDR team, Stephen Commins

● scommins@worldbank.org

Critique of draft 2004 WDR, Citizens’ Network on Essential Services

W www.servicesforall.org/html/tools/2004WDR_critique.shtml

WDR: What about GATS?

Some observers are wondering if the WDR might amount to an academic flight of fancy if the ramifications of the General Agreement on Trade in Services (GATS) are not properly considered. Despite the issue being raised repeatedly in consultations with civil society, the WDR’s March draft was silent on the GATS issue.

Text for a box on GATS which had been written by Bank trade economist Aaditya Mattoo in January, was not released until late April. In it, Mattoo concludes that charges that GATS deprives governments of the freedom to pursue pro-poor policies are “unfounded”, arguing that government services are excluded from the scope of GATS and that the agreement does not prevent the pursuit of domestic policy objectives.

Peter Hardstaff of World Development Movement, rejected this analysis. “Locking-in liberalisation so that governments cannot change their policies in the future is the cornerstone of GATS. [This text] does not even address this issue. Instead, it caricatures NGO concerns, setting up straw men that are easily knocked down. It’s as if all our detailed analysis has simply been ignored.”

Mattoo concedes that the GATS negotiations “could lead to partial or inappropriately sequenced reform.” If market opening is induced in countries that have not developed regulatory frameworks and mechanisms to achieve basic social policy objectives, GATS “could conceivably make the poor worse off.”

WDR draft GATS text and comments

W www.brettonwoodsproject.org/topic/knowledgebank/k34gats.html

African right to water

Activists, academics and civil society met in Accra 12-14 May for a conference entitled “Corporate Globalisation & the Scramble for Africa’s Water: scrutinising the roles of Bretton Woods Institutions & donor community”. Organised by Ghanaian NGO ISODEC, the forum examined country experiences in Ghana, Nicaragua, Burkina Faso, Uganda, Bolivia, Senegal, South Africa, Brazil, the Philippines, Indonesia as well as the UK, Canada, and the US. Discussion focused on the ways in which the IFIs compel privatisation and provided a forum for discussing an alternative water vision.

Integrated Social Development Centre

W www.isodec.org.gh/africaforum.htm

World Bank study on preventing civil wars

A major new Bank study claims that ethnic tensions and political feuds are rarely the primary causes of civil wars. Economic forces such as entrenched poverty and heavy dependence on natural resource exports are instead to blame. The report urges improved transparency of natural resource revenues, tracking of commodities and ways to cushion the impacts of commodity price collapses. Joe Hanlon, author of Peace Versus Profit, How the IMF Blocks Peace-Building in Mozambique, commented: “The report implicitly admits that policies of the IFIs in the past probably fuelled civil wars—will the World Bank actually change its policies in response?”

Breaking the Conflict Trap:

Civil War and Development Policy

W econ.worldbank.org/pr/CivilWarPRR/

Bank appoints advisor on (not just) human rights

The social and human development dimensions of globalisation including human rights are “critical aspects of the Bank’s efforts in working with the international community to further the Millennium Development Goals.” Bank Management has decided to create a Senior Adviser position in the Managing Director’s Office to advise on the Bank’s position and approaches on these issues. Alfredo Sfeir-Younis has been appointed to this position effective April 2003. Sfeir-Younis was previously the Bank’s Special Representative to the United Nations in Geneva and in New York.

Bank declaration on human rights, Update 29

W www.brettonwoodsproject.org/topic/social/s2901hr.html

IMF paper on NEPAD

A new IMF working paper on the New Partnership for Africa’s Development (NEPAD), calls the agreement “visionary”. The paper urges “the active selling of reforms”, saying that “efforts underway to establish national and regional communication centers are steps in the right direction.” The Fund’s response to NEPAD includes the HIPC debt-relief initiative, increasing work on transparency/accountability and intensified support for capacity building—highlighting the opening of the African Regional Technical Assistance Centre in Dar es Salaam. For their part, African governments will need to “use PRSPs to translate NEPAD’s framework into operational blueprints.”

NEPAD: Opportunities and Challenges

W www.imf.org/external/pubs/ft/wp/2003/wp0369.pdf

'Parliamentary Front' on IFIs

Relations between Brazil and the International Financial Institutions (IFIs) will soon come under greater scrutiny.

25 MPs (mostly from the Worker's Party, PT) have called on their colleagues to form a "parliamentary front" on IFIs and the national banking system. "The legislative power in Brazil cannot afford any longer not to question and debate technical aspects and political implications of the operations of the IFIs", they said in a platform launched mid-May.

General objectives include defending national sovereignty in the design and implementation of economic and development policies; strengthening Parliament and civil society in decision-making processes on IFI programmes and projects; fostering debate and encouraging greater control of IFI operations; contributing to the coordination of national parliaments in Latin America to democratise existing institutions and recommending improvements to the international financial architecture.

MPs intend to do this through information-sharing and capacity building as well as direct intervention. Immediate steps proposed include:

- Formulating new legislation on selection and accountability of Brazilian representatives at the Executive Boards of the IFIs,
- Enacting local legislation to ensure information on projects is made public in a timely manner, and
- Creating mechanisms to facilitate the participation of officials and civil society in the design of IFIs' country strategies.

This would result in public hearings on the selection of Brazilian representatives and on IFI strategies for the country, and the introduction of new legislation and constitutional changes to ensure externally-funded projects do not jeopardize human rights. "This is a very important step. Brazil is in a decisive period and it is crucial that Brazilian politicians begin to reform local legislation and maybe even the constitution in

order to set limits and new directions and guidelines for the relationship between our government and the IFIs", said Flavia Barrios of NGO network hub Rede Brasil, which played an important role in promoting the initiative.

These efforts to gear up scrutiny and encourage debate on IFI operations, including via more coordination with other parliaments in the region, come at a time when many Latin American countries are involved in difficult and sometimes painful negotiations with international lenders. Nestor Kirchner, winner of the presidential elections in Argentina, will face difficult choices when the long-delayed interim IMF agreement comes up for re-negotiation in August. The fact that previous finance minister Lavagna will be part of his team suggests that no major change is to be expected. Similarly newly re-elected Paraguayan president Nicanor Duarte Frutos will have to overcome a profound rift with the Washington-based institutions, caused by a refusal to privatise public utilities.

But the external debt levels of many countries in the region have left little room for manoeuvre for elected representatives. MPs from across Latin America have issued a declaration asking for a fair and transparent arbitration process to address debt issues. It says "given the largely futile character of existing debt restructuring efforts, we believe it is necessary to establish fairer and more transparent proce-

dures, in order to put a definitive end to the over-indebtedness and the ongoing impoverishment of the affected economies".

A number of creditor governments are also increasingly being held accountable by parliaments on IFI issues (see *Update* 27, 33). The Italian Senate recently conditioned participation in the replenishment of the IMF's Poverty Reduction and Growth Facility to promotion by the government of: more transparency and participation in the negotiations of these loans, better social and environmental impact assessment, and elaboration of an

independent and transparent debt arbitration process.

The UK government recently released its annual report to Parliament on the UK and the IMF. It clarifies a number of positions the UK intends to defend, including increased transparency, independent surveillance, poverty and social impact assessment of key reforms, net reduction in IMF conditionality and specific proposals on governance (including an increase in basic votes). The Treasury Committee of UK MPs will travel to the US in early June where they will meet the heads of the Bank and Fund, and US NGOs. ©

Brazilian Parliamentary Front (Portuguese)

www.rbrasil.org.br/frenteparlamentar

Stability, Growth, Poverty Reduction, the UK and the IMF, 2002, Treasury, April 2003

www.hm-treasury.gov.uk/Documents/International_Issues/International_Institutions/int_ii_ukimf.cfm?

High-level UN meeting debates IFI governance

On 14 April a high-level meeting of the UN Economic and Social Affairs Council (ECOSOC) was held with the World Bank, IMF and the WTO on "increased coherence, coordination and cooperation for the implementation of the Monterrey Consensus".

Prior to the high-level meeting, members of civil society and the private sector met to highlight key issues. Civil society called for the Bank and Fund to become more "accountable, participatory and transparent", in particular recommending a reallocation of voting power to developing countries, increasing the number of developing country Executive Directors, requiring formal votes and making these public. They urged that steps be taken to ensure adequate

input from parliaments, civil society, trade unions, and the private sector.

Ministers and other participants at the main ECOSOC meeting reiterated the civil society concerns. Many commented that the very limited steps discussed at the recent Bank/Fund Spring Meetings were insufficient to implement the Monterrey agreement. Several participants stressed that domestic policy should be determined domestically, and complained that international institutions were "frequently inclined to lecture countries regarding appropriate policy approaches." ©

ECOSOC President's meeting summary

www.un.org/esa/ffd/Summary-auv--2003-ecosoc-bwi-wto.pdf

Sold Short

After failing to resign in April despite characterising UK PM Tony Blair's leadership in the attack on Iraq as "reckless", International Development Secretary Clare Short finally left her cabinet post in May. Ms. Short said that the failure to place the UN at the centre of Iraqi reconstruction efforts—breaking a promise made to her by the PM—had precipitated her departure. Replacing Short is the pro-Blair, Guyanese-born Baroness Valerie Amos—an unelected member of the House of Lords and formerly the PM's envoy to Africa. Baroness Amos is the first black woman in cabinet.

Don't cry for Clare, George Monbiot

www.guardian.co.uk/comment/story/0,3604,954578,00.html

WB poverty policy review

Since March, the Bank has posted a revision of its policy on "Poverty Reduction" (previously OD 4.15 now to become—symbolically—OP 1.00). Bankwatchers are concerned by the language of the policy which they say represents a significant step backwards from the World Development Report 2000 on poverty. There is no language on participation of the poor or other stakeholders in conducting poverty assessments, which is surprising given recent Bank emphasis on Participatory Poverty Assessments. The comment period closes 15 June.

www.worldbank.org/poverty/wbactivities/op.htm

The politics of multi-lateral institutions

A new book by two researchers at the University of Oslo describes the structure and decision-making processes of multilateral institutions. Covering the World Bank, regional banks, IMF, WTO and UNDP, they analyse how major donor governments, and increasingly NGOs, determine their directions. They also describe specific cases such as the Arun III dam, Nepal and the Samut Prakarn project, Thailand. They are very critical, but conclude: "with all their faults the World Bank and other multilateral institutions are a potential bulwark against the unilateral actions of a single powerful country".

Multilateral Institutions: a Critical Introduction, Pluto Press, 2003

www.plutobooks.com

IMF guide to civil society

The IMF has asked an independent researcher to produce a guidance note for staff on engaging with civil society. The note will try to answer questions such as what is civil society, why and how to engage, and what are the main pitfalls of engagement. There are indications that it will be designed as information and advice for staff rather than formal, binding guidelines. A draft has been circulated and civil society groups can comment until 20 June 2003.

Contact Jan Aart Scholte

posch@csv.warwick.ac.uk

IMF External Communications review

www.imf.org/external/np/exr/docs/2003/021303.pdf

Inside the institutions: Citizen complaint mechanisms in the World Bank Group—what they do and how they work

In the late 1980s and early 1990s the World Bank faced a storm of criticism for failing to implement its own policies in many of the projects it supported. After the independent review of the Narmada dam project accused the Bank of 'gross delinquency' on social and environmental policies and found that hundreds of thousands of people stood to lose their livelihoods, the Bank was persuaded to establish a mechanism to which citizens could appeal when they believe they have been harmed by Bank staff failure to implement their own policies.

The Inspection Panel—as the accountability mechanism is called—started work in summer 1994. The Compliance Adviser/Ombudsman (CAO), an office which scrutinises the social and environmental performance of the Bank's private sector arms was established in 2000.

Filing a claim to the Panel can be very simple. Requesters (who can ask for their identity to be kept confidential) only need to file a brief letter showing that:

1. They live in the project area (or represent people who do) and are being or likely to be affected adversely by project activities.
2. They believe that the harm results from failure by the Bank to follow its policies and procedures.
3. Their concerns have been raised with Bank management and they are not satisfied with the outcome.

If needed, the Panel may ask requesters to provide more information. Among the Bank's policies often raised in claims are those on Involuntary Resettlement, Environmental Assessment, Natural Habitats, Indigenous Peoples, and Project Supervision. The procedure to file a complaint with the CAO is very similar.

Once a claim is filed, the Panel determines whether it meets the eligibility criteria described above. If so, the Panel evaluates the claim, Bank management's response, and other available evidence and then recommends whether or not the claim merits a full investigation. The Bank's Board can overturn a Panel recommendation for an investigation but only by questioning specific technical eligibility criteria. If an investigation takes place, the Panel presents its findings to the Board in a report, and Management prepares recommendations for the Board as to how to proceed in light of the Panel's findings. The Board then announces what, if any, remedial measures will be undertaken, and has a responsibility to supervise those remedial measures.

The Panel is financed by the Bank and its three members are nominated by the Bank President and approved by its Board. But Panel members cannot have worked for the World Bank for at least two years prior to serving on the Panel and can never work for the Bank after serving on it. The CAO has similar staff quarantine provisions.

The Panel will not—in itself—solve problems. It can raise issues and endorse the complaints being made by citizens but is only advisory and has no powers to ensure effective follow-up by the Bank or the borrower government. The CAO has perhaps even less power as an informal mechanism, which has led NGOs to keep on calling for extension of the Inspection Panel to private sector operations of the Bank. Sometimes Bank Management has responded to Inspection Panel findings by proposing measures which, if properly implemented, could address the problems. Other times, however, the Bank takes too long to respond to Panel findings and does not ensure changes on the ground. For example the Coal India claimants have now waited nearly

six months, rather than the supposed six weeks, to get Bank management to respond to a critical Panel report.

Filing a claim however raises the concerns of project-affected people directly to the highest levels in the Bank and may itself improve project implementation. For example in the Planaflo project, Brazil, soon after the claim was filed, hundreds of thousands of acres of land were accorded legal protection as required by the loan agreement. ©

Bank Information Center on Inspection Panel
www.bicusa.org/mdbs/wbg/inspectionpanel/index.htm

Friends of the Earth International
 Compliance and Inspection- a toolkit on civil society control
www.foei.org/ifi/civil.html

A Citizens' Guide to the World Bank
 Inspection Panel, Center for International Environmental Law
www.ciel.org/ifi/programifi.html

Key aspects of the Bank's complaint mechanisms

	Inspection Panel	Compliance Advisor/Ombudsman
Institutional remit	World Bank public sector operations (IBRD/IDA)	World Bank private sector operations (IFC/MIGA)
Key purpose(s)	An independent forum for citizens who believe that they have been or could be directly harmed by a project financed by the World Bank.	1. to examine complaints of people affected by IFC and MIGA-supported projects, and 2. to advise IFC senior management on social and environmental issues.
Powers	Investigate and report on citizen claims that Bank staff have violated Bank policies and procedures. Reports to the Board of Executive Directors.	Establish mediation and conflict resolution. Conduct reviews, audit performance, provide advice to Bank Group or company staff. Reports to the World Bank's President.
Current cases	<ul style="list-style-type: none"> • Coal India • Chad-Cameroon oil pipeline • Yacretá Hydroelectric Project, Argentina/Paraguay 	<ul style="list-style-type: none"> • Yanacocha mine, Peru • Bulyanhulu mine, Tanzania • Chemplast, India, • Pangué 2, Chile
Current head	Edward S. Ayensu	Meg Taylor
Staff	Three panel members, plus secretariat	Eight staff members
Claims to date	28	13
Address	Inspection Panel 1818 H St., NW Washington D.C. 20433, USA	CAO 2121 Pennsylvania Avenue, NW Washington, DC 20433, USA
Contact e-mail	ipanel@worldbank.org	cao-compliance@ifc.org
Website	www.inspectionpanel.org	www.cao-ombudsman.org

Toxic waste dump or "world-class site"?

A new film points at contradictions in one of the World Bank's Prototype Carbon Fund projects in Durban, South Africa. The project is to reduce emissions by turning gas produced by landfills in Durban into electricity. Local residents near the Bisasar Road landfill complain the project is an incentive to keep the site open, despite a history of toxic waste dumping and health hazard. Contrary to claims that "the sensitivity of the local population [...] will have been responded to in a very positive and visible way", the public consultation was only conducted via website over a 30-day period.

'Green gold'

www.cheekystreak.org

www.prototypecarbonfund.org

Pipeline backlash for BP

The Baku Tbilisi Ceyhan pipeline came under fire last month. A report by independent financial analysts found that returns would be "marginal" if everything goes according to plan. "But with considerable political risks involved," said author Mark Mansley, "it could become a real headache for BP. Banks would be well advised to be cautious in their decisions on this". Support from public institutions such as the International Finance Corporation has been delayed until September 2003. Meanwhile activists have filed complaints in 5 countries alleging that the project breaches the OECD's Guidelines for Multinational Enterprises.

www.bankwatch.org/issues/oilclima/baku-ceyhan/mngoreports.html

IFC project on Bushmen's land

Most of the Bushmen of a Kalahari reserve in Botswana have been evicted to make way for exploitation of diamonds. Now the International Finance Corporation (IFC) is funding further exploration. The IFC told campaign group Survival, who had complained about the total lack of consultation, that they were "not involved in the discussions" between the authorities and the communities. The project documents state that the impact of exploration will be minimal. It is unclear whether there will be any Bushmen left if an extraction phase is triggered, which could make consultations unnecessary.

www.survival-international.org/bushmannews030217.htm

www.ifc.org/projects

Debt relief money diverted in Nicaragua

A new report shows that debt relief in Nicaragua is only partly going to poverty reduction. The expected relief from debt servicing for 2003 is nearly \$214 million, however the national budget indicates that only \$98.4 million was set aside for poverty reduction expenditure. The report says this is because the government is prioritising—with IMF support—internal debt payments to the private sector. Nicaragua is on the IMF's Board agenda for June.

Nicaragua: debt relief/HIPC vs Poverty, Quaker Peace and Social Witness
www.brettonwoodsproject.org/topic/financial/f34nicahipc.html

Hard copies (Spanish): Robin Robison
robinr@quaker.org

Weakest link or missing link?

In April, the IMF, the World Bank and the UK government organised a two-day workshop in Washington, DC to identify and prioritise medium-term areas of research on macroeconomic issues confronting low-income countries, especially the macroeconomic analysis underlying Poverty Reduction Strategy Papers (PRSPs). The IMF has proposed five priority areas: increasing growth outcomes; assessing the macroeconomic impact of large aid flows; assessing debt sustainability; addressing vulnerability and exogenous shocks; and accessing private international capital markets.

Meeting participants were concerned about further evidence that the IMF is not aligning its funding behind countries' priorities. An IMF paper "Aligning the PRGF and the PRSP approach—issues and options" admits that the Poverty Reduction and Growth Facility (PRGF), the Fund's concessional lending instrument for low-income countries, is disconnected from the PRSP process. Many observers have complained that numerous supposedly 'country-owned' anti-poverty strategies have mimicked IMF macroeconomic prescriptions. However the Fund argues that in many PRSPs to date, the macro framework is very ambitious and differs markedly from more 'realistic' annual budgets that are more in line with targets specified in IMF loan agreements.

The IMF paper initially proposed to reconcile the current tension by "explicitly adopting in PRSPs two frameworks: each of which would serve a different purpose". One would be the "ambitious 'business plan'" putting forward the country's vision, the other one an "operating plan", a "baseline framework" of what can

realistically be achieved in light of existing constraints. This would risk reinforcing the existing disjunction, as some NGOs have pointed out in a subsequent letter. Another option, more in line with the idea behind the PRSP approach, would be to allow greater flexibility in targets of IMF programmes and policy options, therefore allowing countries to align their immediate priorities—including their budget—with the objectives they have defined.

This search for the 'missing link' between what countries consider desirable and necessary and what the IMF considers realistic signals the Fund's willingness to learn the lessons of its own overoptimistic growth projections. However it also shows how difficult it is to reconcile the Fund's commitment to the Millennium Development Goals and its recent emphasis on country ownership, with its reluctance to cede control over the macroeconomic policies of borrowing countries.

The IMF's Board echoed the concerns voiced by meeting participants. The wording of the IMF's paper has since been revised, but still advocates a two-scenario approach, with lending programmes built around the "baseline scenario". This would risk reinforcing defiance towards the PRSP exercise and in fact make it redundant. ©

Workshop papers available from the Bretton Woods Project on request.

IMF paper

www.imf.org/external/np/prsp/2003/eng/042503.pdf

Is the IMF pro-poor?

www.eurodad.org/articles/default.aspx?id=457

Bank timid steps on land reform

The World Bank advocates a 'market-assisted' approach to land reform that critics say fails to secure people's rights to land and food (see Update 28). It now seems that the Bank is partly acknowledging some past mistakes. Its Land Policy department is preparing a Policy Research Report, which however "does not bind the operations of the World Bank", unlike Policy Papers.

Some NGOs have welcomed the paper's more nuanced approach on a number of aspects of land reform, including the need for expropriation under certain conditions. How these timid steps will translate into the Bank's operations is far from clear, though. Similarly, while the Bank concedes the failure of market-based programmes it backed in countries such as Colombia and

South Africa, it deflects responsibility and avoids self-critical analysis. Despite acknowledging a role for the state in helping the poor to access land, the Bank is still adopting an approach favouring markets and "strongly advocates the removal of all obstacles in their way", says Oxfam's Robin Palmer. Via Campesina added that the paper fails to consider existing international norms like the International Pact of Economic, Social and Cultural Rights, due to the Bank's failure to adopt an explicit position on human rights. ©

Policy Research Report, World Bank

www.worldbank.org/landpolicy

Oxfam guide on the draft paper

www.oxfam.org.uk/landrights/GuidePRR.doc

Find critical perspectives on the IFIs

Search with the new IFIwatchnet search engine for a broad range of independent and critical perspectives on the IFIs, including the regional development banks—without getting swamped by the IFIs' own materials. Searching civil society websites around the world, the IFIwatchnet search engine is designed to bypass the imbalance of information on the web that, in conventional searches, squeezes out the voices of smaller organisations. Powered by Southern civil society portal Choike, the search engine will soon be available for inclusion on your own site.

Think your website should be included in the search? Contact us for further info.

www.ifiwatchnet.org

info@ifiwatchnet.org

Global reform in one easy step

Former Director-General of the WTO, Mike Moore, on reform of the UN and its agencies:

“A small group of representative leaders needs to take control and, writing on a blank page, come up with a new architecture. This has to be done from the top down; otherwise it will be lost in the details and compromised, and it will fail. Next, these leaders need to convince the world of the worthiness of their plan. President Bush would stun his critics if he were to take the lead. Only he can.”

Structural adjustment for IMF cafeteria

For years, IMF staffers, some of Washington's highest-paid workers, have been enjoying haute cuisine at cut-rate prices. Frugal friends from the World Bank have also been spotted at the Fund trough since their subsidized lunch was axed in 1995. In the spirit of Labour Day solidarity, the IMF stopped subsidising the food at its cafeteria on May 1. "With this bitter pill, the fund is getting a taste of its own medicine," the February issue of the IMF Staff News lamented. But don't send your donations of canned goods to the IMF food drive just yet - in addition to generous pay rates, monetary allowances for spouses, tuition for children's private schooling, air fares home and a host of other perks, many IMF staffers also pay no income taxes.



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