

Brazil renews “unnecessary” IMF agreement despite opposition

Brazil and the IMF announced they would renew a financial arrangement at the end of the year, sparking new doubts about the methods and motives of Lula’s government. The Fund and the Brazilian government seemed equally delighted and officials on both sides made the whole operation sound like a honeymoon.

The announcement, which followed the visit of the IMF’s number two Anne Krueger to Brazil, is likely to result in continuing austerity in the coming year and to contribute to growing unease among Lula’s supporters, fuelled by a recent decree that would allow planting of genetically modified crops. The principle of a \$14 billion arrangement was negotiated without the broad public debate it deserved, and despite widespread opposition from civil society organisations.

Paradoxically there had seemed to be a consensus that Brazil did not need a financial agreement—as repeatedly underlined by Lula in recent weeks. Finance Minister Antonio Palocci proudly said that “for the first time we have a deal and Brazil is not facing an economic crisis”, apparently failing to grasp the irony. Attempts to present the new loan as a sign that Brazil was ending its dependence on IMF resources were not very convincing. Officials said they would draw on the resources

committed only if necessary, the IMF loan was insurance against possible turbulence and would place the country in a better position to graduate from IMF lending in coming years.

News of the agreement came shortly after Rede Brasil, a network of Brazilian NGOs and social movements, urged the government not to sign. In a recent paper Rede Brasil questioned the legality of the previous IMF agreement. Analysis of the confidential ‘stand-by arrangement’ argued that loan conditions infringed upon the sovereignty of the Brazilian state and violated the Constitution, as well as several norms and principles of international law. The paper advocated involving other representative bodies, not just the executive, in negotiations with the IMF.


In an October statement, Rede Brasil said that since the main argument in favour of a new agreement is ‘market confidence’ it will not be in the interest of the Brazilian people. Rede Brasil questioned the soundness of economic measures and

The measures will only lead to recession

targets in the current IMF agreement and said pursuing them will only lead to further recession. It pointed at worsening unemployment figures to argue that policies aiming at boosting investor confidence can be harmful and go against the movement that brought Lula to power. In the election Brazilian people “clearly expressed a desire for reorientation of economic policy from the financial sector towards the productive sector that generates jobs and income”. This was debated at a public meeting in Congress with 46 MPs. Some of the parliamentarians signed a manifesto against the agreement.

It seems Brazil has now taken the same path as Argentina—secure a financial arrangement while at the same time negotiating marginal flexibility on social aspects. Rede Brasil advocates alternative policies and

urges Lula to embark on a more ambitious development programme that looks beyond isolated macro indicators and encourages demand, credit access and productive investment, as well as considering capital controls. A national development project should be devised through broad democratic debate to ensure that hopes raised by Lula’s election are not squashed. Rede Brasil says Lula has sufficient political and popular support to break from the current model, and domestic policies should reflect strong signals sent by Lula in various international fora. Until now the actual policies seem hard to differentiate from those of previous President Fernando Cardoso.

Details of the arrangement are still to be made public; only the specific conditions attached to the new package will tell if Brazil’s bargaining position has improved since last year and if the government is playing a clever game or surrendering the interest of its people. Financial markets greeted news of the agreement with renewed optimism and Brazil’s credit ratings were upgraded almost instantly. Rede Brasil, however, thinks it will tie the government’s hands. It also asks for more clarity on whether it is an extension of the previous loan, or a new loan—in which case it says the Senate’s approval is necessary. 

No new agreement with the IMF!; IMF Agreement with Brazil is legally questionable, Rede Brasil

www.rbrasil.org.br

Fund threatens Brazilian democracy

[brettonwoodsproject.org/r3103brazil](http://www.brettonwoodsproject.org/r3103brazil)

“We still hide too much behind so-called confidentiality agreements”—page 7

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IFC “doubts” labour fears in Haiti

On 9 October the World Bank’s private sector lending arm, the International Finance Corporation (IFC) approved a loan of \$20 million to the Dominican Republic’s largest Export Processing Zone operator, Grupo M, for a new development on the border with Haiti.

During the recent World Bank Annual Meetings in Dubai, labour union representatives had lobbied Peter Woicke, head of the IFC, for assurances that support would only be given on the condition that Grupo M agreed to protect core labour standards. Woicke committed to the application of the labour standards to future IFC loans and said he would “consider” their application to the pending Grupo M case. However, according to management recommendations made to the IFC Board, “these additional standards are beyond IFC’s present corporate policy so we are not proposing to include them.”

Despite “serious doubts” about the credibility of ICFIU charges of labour violations against Grupo M, the IFC advised the company to commission an independent investigation of the allegations. “We will only commit the proposed investment if this investigation confirms our provisional assessment and the allegations are shown to be unfounded.” ICFIU General Secretary Guy Ryder described this requirement as “an important step forward”, however he reasserted the need for the investigation into Grupo M’s record to be “truly credible and transparent”. According to the IFC, the investigation is being conducted by a “Fair Labor Association accredited firm with experience in the Domini-

can Republic”. The IFC has committed to do a briefing on its findings with interested parties in mid-December before they go to the Board.

The first factory in the new free trade zone along the Haitian-Dominican border opened in August. Three hundred workers have been hired to assemble Levi’s jeans in the first of three factories to be built by Grupo M. Concerns for workers’ rights have increased following reports that employees have been forbidden to organise themselves or discuss politics while inside the zone.

One member of a local peasant farmers association, arrested for supposedly resisting the seizure of his farmland, was released from prison in September after three and a half months in detention. He had never received any paperwork explaining the reasons for his arrest. In the management proposal to the IFC Board, the issue of ‘economic displacement’ is to be addressed through a Social Compensation Plan for 96 farmers, implemented over a seven year period. Critics argue that this massively underestimates the number of individuals affected. Inward migration, another major concern of Haitian NGOs is to be mitigated through “encouraging support for infrastructure development”, urban planning, small business support and HIV/AIDS awareness programs. ©

Quantamin the Free Trade Zone Project, Haiti Support Group
www.haitisupport.gn.apc.org/zonefranche.html

Haiti Free Trade Zone
 Summary of Project Information, IFC
www.ifc.org/projects

WB mining privatisation

Due to World Bank commitments the Colombian government has decided to reconstruct the mining sector. The National Mining Company will be replaced with a privately-run organisation. Unions insist that this move to hand over mining resources to transnational interests will “end the possibility of evaluating and quantifying reserves and debilitate the state science and technology sector.” Friends of the Earth says the move will “end any control that social organizations currently have to avoid dangerous mining contracts. The fate of Colombia’s mineworkers will rest solely with multinationals whose human rights records are already questionable.”

© www.foei.org/cyberaction/colombiamining.php

Adjustment policy delayed

The World Bank has delayed finalisation of its new structural adjustment policy. A subcommittee of the Bank’s Board reportedly had so many comments on the draft that its release was pushed back to an unspecified date. While the Bank says it wants to move away from a blueprint for development, NGOs have expressed concerns that if the wording of the policy is too vague it will be impossible to hold Bank staff accountable on the impact of Bank programmes. The Committee agreed to a new round of consultations when the new draft is ready.

Draft adjustment policy not available yet
www.brettonwoodsproject.org/draftsapod

Unions, NGOs react to report on services

The World Bank rolled out the latest edition of its flagship annual publication, the World Development Report (WDR), in Dubai in September. *Making Services Work for Poor People* is a glossy 271-page study on the failure to provide quality education, health and water services for the marginalised.

Despite a smorgasbord of case studies, trade union and NGO commentators perceive an underlying bias towards private provision rather than public reform where services are failing. This raises a fundamental paradox according to Citizens’ Network on Essential Services: “the same accountability limitations that make public services fail will almost certainly undermine the effectiveness of private provision and decentralized services.”

Organisations representing public sector workers argued that the authors had made a “strategic error” in portraying public sector employees as enemies rather than allies. The report shies away from the issue of resource constraints and the role of Bank-led structural adjustment measures in undermining public support for services. Moreover, Brendan Martin of Public World believes that the report glosses over the global con-

text in which decisions over service provision are made. “If a shift from clientelist to pro-poor policy commitment were truly the key, the Brazilian government would be focusing more on service delivery and less on preventing capital flight.”

Among the elements of follow-up work that are emerging are: work with bilateral donors on specific issues such as conflict contexts, HIV/AIDS, and the relationship between governance reforms and services; development of a World Bank Institute series of training modules based on the WDR; and country specific support on integrating the WDR framework into CASS and PRSPs. Civil society inputs to the consultation process will be available on CD-ROM early next year. ©

WDR page, World Bank
[www.econ.worldbank.org/wdr/](http://econ.worldbank.org/wdr/)

Review of the 2004 WDR, Citizens’ Network on Essential Services
www.servicesforall.org/html/tools/2004WDR_review.shtml

World Bank report lets down 58 million public service workers
www.ei-ie.org/pub/english/epbprs03/200310prs_e.pdf

WDR 2005: Investment climate, growth and poverty

Next year’s WDR, *Investment climate, growth and poverty*, will be led by Australian Warrick Smith, who has been with the Bank’s Private Sector Development Department since 1993. According to the draft outline of the report posted 17 November, it will pursue three main areas of inquiry:

- What role does the investment climate play in influencing growth and poverty reduction processes?
- What are the key features of a sound investment climate?
- What might be done to accelerate progress in investment climate reform?

The initial information-gathering phase is coming to a close. Phase 2 has begun with the release of the draft outline, with a first draft expected in early 2004.

WDR 2005 Civil Society contact: Gaiv Tata ● gtata@worldbank.org

IMF role in Bolivian crisis

Bolivia’s recent upheavals, which left over 80 dead and led to the resignation of its President in October, have been linked to the mishandling of plans for natural gas exploitation. A report from Bolivian NGO CEDLA contends that plans to sell the gas to the US via Chile were more about ensuring continued support from the Bank and Fund to escape the current fiscal crisis than the long-term health of the economy. In another paper, Tom Kruse charges that the IMF’s position supported “the rapid conclusion of obscure deals made by un-transparent multinationals and unaccountable politicians.”

CEDLA paper
www.cedla.org/noticias-Gas.html

The IMF and the Bolivian Crisis, Tom Kruse
www.ifwatchnet.org/doc/boliviainmf.pdf

Six die in Dominican IMF protests

Six people were killed and over 20 wounded in the Dominican Republic on 11 November during a strike in protest at government economic policy. The strike, which follows social unrest in Bolivia, Honduras and Ecuador, was called by trade unions and social activists to protest austerity measures called for by the IMF. It was supported by leading opposition parties and part of the ruling party. The strike coincided with plans for government IMF talks over a stalled \$600 million stand-by loan. An IMF team was expected to travel to Santo Domingo in mid-November to review the state of the economy. The review had been delayed, pending analysis of the government’s decision to buy two electricity distribution companies.

AROUND THE WORLD, when politics and money prevail, the environment is the last issue considered. The legacy of oil exploitation and transportation during the Soviet era has already caused significant damage to the South Caucasus' valuable and sensitive environment, and directly impacted the lives of millions living in the region. The residue of past damage still remains.

The IFC and EBRD have just officially announced financing of the 1770-km long Baku-Tbilisi-Ceyhan (BTC) pipeline. In total, international financial institutions committed to finance \$500 million of the \$3.6 billion project. This decision was predictable, as the Boards of the IFC and EBRD approved not just another pipeline, but, in the words of Bill Richardson, former US Energy Secretary, the "strategic framework that advances America's national security interests".

The top officials of those institutions and staff believe that "the involvement of the public sector multilateral institutions provided the best prospect [the pipeline] would be built and operated to the highest social and environmental standards".

It is very difficult to find out what is the basis of this confidence. Could it be the triumph of nepotism in

Azerbaijan made evident through the transfer of the presidency from father to son? Dozens of deaths and the arrest of opposition party members after the election? Allegations of corruption and kidnapping against the father and son Aliyevs? Or maybe the basis of confidence is Georgia—where the government of President Shevardnadze falsified the results of the election leading to mass protests demanding his resignation?

The question is hard to answer, especially taking into account that until now all the efforts of the IFC and EBRD to ensure that the project met the highest international social and environmental standards addressed process rather than results.

Two multi-stakeholder meetings held in each country did nothing to help the residents of Dgvari village to feel more secure. The village is located in Borjomi Gorge in Borjomi-Kharagauli National Park, famous for its mineral waters, spas and unique flora and fauna. Many Georgians would call this place a paradise, but soil erosion and severe landslides have made it a living hell for the villagers.

Baku-Tbilisi-Ceyhan pipeline: who is responsible?

COMMENT

Manana Kochladze

Regional Coordinator for Caucasus CEE Bankwatch Network

"What have the IFC and EBRD Boards approved? Overruling national legislation and threats to human livelihood"

ging a huge trench right next to us? All of this land will come sliding down."

From the beginning, the pipeline idea has been promoted as environmentally sound, with supporters arguing that it would reduce tanker traffic along the Bosphorous. While there is no indication of decreased tanker traffic through the Bosphorous Straits, there are intensive negotiations with Kazakhstan in order to guarantee delivery of oil from the Karachaganak fields in Kazakhstan to the pipeline via the Caspian Sea. Shifting increased tanker traffic from the Black Sea and Bosphorous to the Caspian Sea can not be called

environmentally sound policy.

In the end, what have the IFC and EBRD Boards approved? Overruling national legislation, running the pipeline within protected areas, threats to human livelihood, increased dissatisfaction and strikes of local communities—these are the

immediate outcomes. For the long-term, there are serious concerns that the Host Government Agreements will adversely impact future sustainable development in the region.

In recognizing the BTC pipeline as 'best practice', IFC and EBRD staff have dismissed the concerns of ordinary people, local community groups, national and international NGOs, and independent experts like the Dutch Commission for Environmental Impact Assessment.

The only question is who will be held responsible from the EBRD and IFC if the project fails to demonstrate positive local and regional development impacts or if the environmental impact proves disastrous.

BTC page, CEE Bankwatch

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

Pipeline approval sparks renewed criticism of Bank role

brettonwoodsproject.org/btcapproval

World Bank trade capacity-building: "doing it for them"

A leaked copy of the evaluation of the Integrated Framework for trade-related capacity building for Least Developed Countries (LDCs) should lead observers to question the World Bank's chief role in the initiative. The 228-page evaluation, after a process which has been notable for its lack of transparency, was rushed to completion in time for the WTO Ministerial in Cancun. The authors, Canadian consultants Capra International, concede that independent civil society input into the survey which informs the evaluation was "low". Fifty-seven per cent of respondents identified themselves as current or potential beneficiaries of the IF process.

The perception of LDC respondents was that the World Bank, as the lead agency in most countries "is not only leading the process but has ownership of the process as well". "Agency, donor representatives and

external consultants tend to deliver the goods rather than mentor and assist the IF Focal Point and coach local consultants to do the work." This rush to execute a finished product rather than to build capacity is linked both to time pressures and to the criteria for the selection of trade consultants which "do not adequately consider practical experience and local or traditional knowledge as being as important as academic or professional qualifications."

The review claims that there "remains a tendency to assume a direct cause and effect link between trade and poverty reduction". The Bank's devotion to the notion of comparative advantage is illustrated by a "focus on priority sectors as key to export growth with little attention to support and development" of exporters themselves. Action plans are "difficult to use as input to PRSPs and as a basis for approaching poten-

tial donors". The review recommends full LDC participation in the definition of the terms of reference for the diagnostic studies and an overhaul of selection criteria placing more emphasis on local knowledge.

The IF Working Group, 10 of whose 12 members are drawn from agencies or donors, comes in for criticism for being "cumbersome" and "slow in decision-making". A recommendation is made to streamline the group to 7 members—a chair plus 2 members from each of the agencies, donors and LDCs. This recommendation goes some way to redressing the under-representation of LDCs on the Working Group. Not questioned is why the OECD has been granted observer status in the group while developing country think-tanks, such as The South Centre, have not.

Trade commentators had feared that the US would use its support for the IF to put pressure on LDCs in

The Operations Evaluation Department (OED) of the World Bank is organising a two-day workshop, 11 and 12 December in Tanzania to discuss the scope of the upcoming assessment of all aspects of the World Bank's trade work.

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negotiations in Cancun. In November, Deputy US Trade Representative Peter Allgeier confirmed these suspicions, demanding that "any assistance in the trade area from [the World Bank and IMF] should be related to policy changes in the form of trade liberalization."

Copies of the leaked IF evaluation available on request from the Bretton Woods Project.

info@brettonwoodsproject.org

Cornering the Market: the World Bank and trade capacity building

brettonwoodsproject.org/cornering

Bank and Fund figure out Iraq lending

Recent weeks have further clarified how the World Bank and the IMF are planning to contribute to the country's reconstruction but a lot of uncertainty remains as to what extent international institutions will be able to work in the country.

Ahead of a donor conference in Madrid in late October the World Bank and the UN published a needs assessment for Iraq. This estimated the overall reconstruction costs over the period 2004–2007 to be in the order of \$36 billion for priority sectors. A separate report by the US-led Coalition Provisional Authority found that a further \$20 billion would be needed.

The Bank has doubts about how much money Iraq can absorb in the current context, or even who in Iraq would be entitled to sign a lending agreement. Nevertheless it has pledged \$3–5 billion over the next five years for Iraq. This is part of the approximately \$33 billion pledged at the Madrid Conference amid embarrassing allegations that the Coalition Provisional Authority could not account for \$4 billion of past revenues. Donor assistance to Iraq will be channelled through trust

funds managed by the UN and the World Bank. The Bank will charge a fee between 0.2 and 2 per cent of incoming contributions.

Not everybody is convinced money pledged will be put to good use: a demonstrator outside the conference said “This conference is a sham. It is to justify spending money for American and Spanish corporations while claiming that the money is for Iraqi people.”

At the Annual Meetings of the IMF and the Bank in September the

“ This conference is to justify spending money for American and Spanish corporations ”

new Iraqi ‘Finance Minister’ unveiled reforms that the Financial Times described as “free-market economics so sweeping it suggested a bust of Milton Friedman might be erected in Baghdad to fill the empty plinth where the statue of Saddam Hussein once stood”. The plan sparked dissent in the Iraqi governing council but was strongly backed by the US administration.

Is Iraq a poor country?

Debates quickly emerged about which parts of the World Bank should provide what types of finance. Should a resource-rich country like Iraq have access to funds from the IDA, the arm of the Bank established to finance low-income countries? Iraq is expected to receive \$250 million from IDA for the next two years, but the Bank then expects the country to be back among middle-income countries. It claims that lending \$500 million to Iraq would only use up 3 per cent of remaining IDA resources and therefore it would not deprive other poor countries of money. But many observers argue that money for Iraq should be additional to existing aid commitments. The status of Iraqi foreign debt is also unresolved and this may have a crippling effect on the country's public finances.

The IMF has also announced the modalities of its involvement in Iraq. Priorities outlined by Manag-

ing Director Horst Koehler include contributing to a “stable macroeconomic framework”, and training Iraqi officials. The IMF could initially provide \$850 million as emergency post-conflict assistance, followed by amounts between \$850 million and \$1.7 billion annually under its regular facilities. Total IMF assistance could range from \$2.5 billion to \$4.25 billion over three years.

The Bank and the IMF, as other donors, will certainly be under intense scrutiny over their operations in Iraq. Concerns have been fuelled by previous interventions in transition from conflict. Early involvement by the Bretton Woods Institutions has often helped lock in debatable policies before countries had the capacity and the democratic structures to make an informed decision. ☺

Iraq and Afghanistan update

☞ brettonwoodsproject.org/iraqafgh

Donors or Robbers? Donation or Domination?, Occupation Watch

☞ www.occupationwatch.org/article.php?id=1537

World Bank Iraq page, World Bank

☞ www.worldbank.org/iq

The Second Invasion: The IMF, the World Bank, & Iraq, Third World Resurgence

☞ www.twinside.org.sg/twr.htm

Jubilee Iraq

☞ www.jubileeiraq.org

Meeting: ‘milestone’ or ‘millstone’ for Bank/civil society relations?

A new civil society/World Bank process initiated at the end of October was hailed by the Bank as a “high-level meeting which marked another important milestone in the Bank's relations with civil society”. However Bretton Woods Project, DGAP and other groups questioned whether the initiative would misrepresent or undermine the campaigns of other civil society groups.

Critics of the process expressed fears that the meeting would provide a gift to the Bank's public relations team ahead of the institution's 60th anniversary next year, when mass protests are expected. This fear rapidly became reality when the Bank splashed an announcement of the meeting in its press review and at the top of its home page. This trumpeted: “The Joint Facilitation Committee (JFC) seeks to create a strategic forum for dialogue at the global level—bringing together senior Bank managers and staff with leaders of 14 civil society networks.” “We're on the right track,” World Bank External Affairs Vice President Ian Goldin commented. While the Bank's statement included a brief disclaimer that representatives did

not represent all civil society organisations, it said “their presence was meant to reflect the diversity of those groups and to provide critical perspectives”.

ActionAid, one of the global NGOs invited to participate in the meeting, pulled out a few days before, citing concerns about the fact that the proposed World Bank/JFC joint work plan focused on procedures rather than the Bank's ground-level impacts. Bruce Jenkins, Policy Director of Bank Information Center, attended the JFC meeting as an observer. He commented: “I was struck by the high degree of Bank representation (7 Vice-Presidents and, at times, President Wolfensohn) and the low level of civil society preparation. It remains unclear whether the JFC groups are poised to press the opportunities for strengthening civil society voice and power in Bank operations while fending off dangers of co-optation.”

A plan by some JFC participants to develop a joint work plan with the Bank on three of the biggest substantive issues—trade liberalisation, privatisation and infrastructure—was withdrawn. But there is still the

intention to conduct a joint assessment of what has and has not worked in Bank-civil society relations, and to strengthen advocacy capacity for civil society organisations (csos).

The production of a JFC paper on Bank/cso relations has been postponed. But the JFC and World Bank have agreed to release for consultation a paper that the Bank drafted in June on the same topic. This was described by one JFC participant as “not surprisingly written from what could be considered a ‘co-optation’ perspective.”

JFC participants have announced their intention to involve additional civil society networks. But the JFC initiative looks like the rebirth of the NGO World Bank Working Group (NGOWG), an initiative which was disbanded two years ago. The NGOWG, established in the early 1980s, also held global annual meetings with the Bank and suffered from poor representativity and connection with on-the-ground campaigning. Bretton Woods Project, in a memo to the groups, had warned of “history repeating itself”. Whatever the promises, any institutionalised forum of large NGOs and the Bank will

Civil society organisations represented at 28 October JFC meeting with the World Bank

- CIVICUS
- International Confederation of Free Trade Unions (ICFTU) Global Unions Office
- Oxfam International
- Worldwide Initiatives for Grantmaker Support (WINGS)
- Association for Women's Rights in Development (AWID)
- InterAction
- Transparency International
- Global Movement for Children
- Amnesty International
- World Wildlife Fund (WWF) Macroeconomic Programme Office
- Caribbean Policy Development Centre
- ECA NGO Working Group
- World Vision
- World Young Women's Christian Association (YWCA)

be in danger of resulting in lowest common denominator generalities rather than empowerment of groups on the ground. ☺

Studies to assess Bank/civil society relations

☞ brettonwoodsproject.org/bankcsostudy

CIVICUS page on World Bank Joint Facilitation Committee

☞ www.civicus.org/new/Pg_world_bank-CSO_engagement.asp?c=FD8912

INSIDE THE INSTITUTIONS

The World Bank and civil society

Why does the Bank engage with CSOs? Officially because it makes the Bank more effective in reducing poverty. A 1999 Bank report found that government agencies that actively sought to encourage involvement of beneficiaries achieved a 62 per cent success rate in their projects, while those that did not achieved just 10 per cent. The Bank attributes the link between CSO engagement and successful implementation to the promotion of public consensus, the provision of local knowledge and professional expertise, and the improved transparency and accountability which accompanies CSO involvement.

Unofficially, the Bank has no choice but to seek endorsement from increasingly powerful civil society actors to boost the legitimacy of its activities. From within the Bank however, there continues to be resistance to cementing this tenuous relationship; some staff question both the legitimacy of CSOs and the costs of engagement. Such attitudes are reinforced by a non-mandatory policy framework with respect to CSO participation.

Ticking boxes? A recent discussion paper by the Bank's Civil Society Team, *Issues and Options*, said relations with CSOs were "fragmented" and "lacking clarity". Engagement is described as "ad-hoc" and "disconnected from policy processes". High demands on staff time, ambiguous guidance and poor monitoring systems "fuel the tendency among task managers to 'tick the box' that they have involved CSOs rather than take proactive steps to ensure engagement that is viewed as satisfactory by all stakeholders." Added to this chaotic picture is the fact that the Bank admits that its regularly-quoted statistics on CSO involvement in Bank projects are unreliable. Confusion persists over how to distinguish CSO roles as watchdogs/critics and service providers/clients.

A chequered history The Bank divides its history of civil society engagement into three phases. During the 1980s, it "opened its doors to CSOs", establishing the first operational directive on working with NGOs in 1981, and the NGO World Bank Working Group in 1982.

Phase 2, from 1992–1999, a period of rapid growth in the capacity of CSOs to confront the Bank, is characterised as "mainstreaming participation in Bank operations and policy dialogue". This period includes the creation of the Bank's first information policy (1993) and an independent monitoring institution (Inspection Panel, in 1993). Despite the participation rhetoric, the Bank turned its back on two of the most innovative multi-

stakeholder processes, the World Commission on Dams (1997–2000) and the Structural Adjustment Participatory Review Initiative (1997–). In 1998, the Bank reviewed its relations with NGOs, issuing 'Good Practice' 14.70 *Involving NGOs in Bank-supported activities*, which replaced its 1981 directive. This optional note remains the Bank's only official guideline for Bank staff on CSO relations.

Phase 3 is described as a period to "deepen and mature relations and address more political concerns". However, frustration with the Extractive Industries Review (launched in 2001), and concerns over the Joint Facilitation Committee (see article page 4) have already raised question marks about what it is that truly differentiates this 'third phase' from those that preceded it.

Who's who in Bank-civil society relations? Some 120 civil society and external affairs specialists are located in most departments at Bank headquarters and in nearly 70 country offices. These staff can be divided into three levels (see table below).

Proposed actions The Bank's paper has made a number of recommendations to improve CSO engagement at the Bank. They include:

- Establishing a Bank-wide focal point, housed in External Affairs, "to provide coordination, clearer guidance, technical assistance and quality assurance"
- Creating new mechanisms for Bank-CSO engagement
- Updating provisions relating to CSO engagement in the Bank's operational policy framework and guidelines
- Identifying criteria for selecting which CSOs to engage on a given issue. These may include "credibility, competence, local or thematic knowledge, transparency, and accountability"
- Putting in place a code of conduct for CSO interaction

The World Bank and civil society website

🌐 www.worldbank.org/civilsociety

Issues and Options for Improving Engagement Between the WB and CSOs—A Discussion Paper

🌐 siteresources.worldbank.org/CSO/Resources/CSPaper.pdf

GROUP	WHO?	WHAT?	CONTACT
Civil Society Country Staff (CSC)	70+ staff in country offices	Undertaking social auditing and stakeholder analysis for loans; research on World Bank, government, civil society relations; promoting dialogue on Bank policies and programs. Each regional department has a different model for managing CSO relations. Some of the countries and regions have CSO working groups, others do not.	Civil Society Focal Points List 🌐 siteresources.worldbank.org/CSO/Resources/CSSlist.xls
Civil Society Group (CSG)	40+ staff in Washington	Overall institutional and global-level focal point and resource for Bank management, staff, and CSOs on Bank-civil society engagement, and promotes information sharing and collaboration across the Bank. CSG includes focal points for specific constituencies such as trade unions (Human Development), faith-based organizations (External Affairs), foundations (Resource Mobilization and Cofinancing), and poor people's networks (Poverty Reduction and Economic Management).	Civil Society Group Contacts 🌐 web.worldbank.org/servlets/ECR?contentMDK=20093801&sitePK=228717
Civil Society Team (CST)	9 staff in Washington External Affairs and Social Development	Formulates institutional strategy, provides advice to senior management, coordinates civil society engagement with staff across the institution, provides guidance and technical assistance to program staff on how to consult and involve civil society in Bank operations.	John Garrison, Senior Civil Society Specialist 🌐 jgarrison@worldbank.org

UK MPs question World Bank governance

On 6 November the International Development Committee of the House of Commons held an evidence session on World Bank/IMF issues. MPs questioned the Chancellor Gordon Brown and new Secretary of State for International Development Hilary Benn as part of their annual hearing on the international financial institutions. Many of the MPs' questions drew on the memorandum submitted by seventeen NGOs from the UK and other countries.

One of the major topics addressed was the governance of the Bank and Fund. MPs questioned the imbalances in representation at the Bank and Fund. Hilary Benn replied that the UK supports re-balancing Bank/Fund governance, including an increase in basic votes, and has proposed a third

seat for African countries on the Bank Board. He said the UK has provided £500,000 to support the capacity of developing countries. Gordon Brown, however, noted you could "spend ages" discussing these questions but this should not divert resources from urgent issues. This indication that the Treasury is not convinced of the need for governance reform echoes remarks by the head of the IMF at the Bank/Fund Annual Meetings. And as many countries have treasury, not development, departments in charge of their relations with the World Bank, little progress can be expected.

MPs also asked a clutch of questions on PRSPs, including on country ownership, Bank/Fund cooperation and gender impacts. Hilary Benn

agreed that progress on some of these matters was "slow".

Tony Coleman MP described the recent approval of the Baku-Ceyhan oil pipeline as "an appalling situation". He said the IFC had for the second time approved a big pipeline project before necessary guarantees were in place. Hilary Benn claimed that withholding international agency finance was out of question because the company had other sources of finance and work had already started.

Annual parliamentary hearings on government involvement in the World Bank and IMF impose a healthy discipline on ministers and officials. Advocacy by Swedish NGOs has resulted in initiatives from parliamentarians from different parties to make the Swedish parliament more involved

and in a better position to supervise the government's work in the IMF and the World Bank board. Among the useful suggestions by Swedish NGOs was for parliamentarians to make contact with their colleagues in the other Nordic constituency countries and to clearly establish which parliamentary committee has an overall responsibility for IFI issues. ©

"Parliamentary Front" on IFIs
🌐 brettonwoodsproject.org/g2720pnw

Parliamentarians gear up to increase scrutiny of World Bank
🌐 brettonwoodsproject.org/parlfront

Evidence session transcript available shortly
🌐 www.parliament.uk/parliamentary_committees/international_development.cfm

Official report confirms PRSP criticisms

A report produced by the Bank and Fund for their annual meetings reflects on the continuing problems with implementing the lofty goals of Poverty Reduction Strategy Papers (PRSPs). Since they were introduced four years ago some 50 countries have prepared PRSPs or Interim PRSPs. The Progress in Implementation paper prepared for the Bank/Fund Annual Meetings indicated that the PRSP process is charged with multiple objectives, many of which are in tension. This “inevitably means that PRSPs will reflect compromises”.

There has been much concern about which parts of government and civil society have been involved in creating strategies. The report claims that PRSPs have been presented to parliaments in half of countries to date. It notes, however, that PRSPs are sometimes developed in parallel with other documents, so their role in government decision-making is unclear. It expresses concerns about the creation of ‘PRSP units’, often dependent on external financing and assistance, on top of existing government structures and finds that “some line ministries are typically less involved [than others], for example ministries of transport and rural development”.

The report finds that participation in PRSP formulation has been “broad

Priorities are being driven by donor financing

rather than deep, with a wide range of stakeholders engaged, but only to a limited extent”. Ensuring the voices of marginalised groups are included in the PRSP dialogue “remains a challenge given the technical nature of some PRSP discussions, language issues, and the relative isolation of the poorest. The limited participation of women in PRSP formulation remains a cause for concern”.

One idea of PRSPs is that countries should organise donors rather than the other way round. But a recent Bank study found that “the govern-

ment took a material lead in donor coordination in only three of the 48 PRSPs countries studied”. And there is evidence that priorities are being driven by the supply of specific donor financing. The report notes that “some recent PRSPs have continued to simply attach [already costed donor programmes and projects] to policy matrices”, for example in the Kyrgyz Republic, Mali, Senegal and Sri Lanka. The report finds that financing using the new World Bank lending instrument introduced to match the PRSP objectives amounts to just 9 per cent of total low-income country lending.

The report finds that the linkage between PRSPs and the annual budget and Medium-Term Expenditure Frameworks generally remains weak, and that few PRSPs probe macroeconomic trade-offs and how such choices relate to the countries’ broader goals. It states, however, that “reported poverty-reducing spending has increased in the 14 PRSP countries where data are available”. It suggests that governments, not the IMF, should lead public discussions of the macroeconomic framework.

On trade the report echoes criticisms in a Christian Aid report earlier this year. “There is inadequate consideration of the distributive implications of trade policy. Cambodia is one

of the few cases where the analysis covers risks associated with multi-lateral liberalization. None of the PRSPs presents an explicit poverty impact analysis or considers safety net arrangements.”

The Development Committee, which considered this paper at the Bank/Fund Annual Meeting, emphasized donor alignment and harmonisation around national strategies and asked the Bank and Fund to respond to requests for assistance from countries developing alternative scenarios to meet the Millennium Development Goals. Some ministers noted, however, that the PRSP process has become unwieldy, slow to adjust to shocks that invalidate projections in the strategy, and too distant from expenditure decision and budgetary processes. ©

PRSPs—Detailed Analysis of Progress in Implementation, World Bank

www.worldbank.org/poverty/strategies/progprep.htm

The myths and dangers of PRSPs

brettonwoodsproject.org/commentprsp

Too Hot to Handle? Trade and PRSP study

www.christian-aid.org/indepth/trade.htm

PRSPs: Political space at whose expense?

brettonwoodsproject.org/prsppoliticalspace

Making Poverty and Social Impact Analysis happen

In October the Dutch and British governments organised a meeting on Poverty and Social Impact Analysis (PSIA). Attended by officials from eight bilateral agencies, the World Bank and IMF, and a few civil society groups, the workshop aimed to clarify what PSIA is for and how it is to be undertaken.

PSIA seeks to open up policy formulation and increase understanding of likely distributional effects of policy choices. The World Bank claims to be carrying out 70 PSIA studies, although there is still disagreement about what constitutes adequate PSIA. Participants at the workshop agreed that PSIA should be integral to the PRS process and linked to Bank and Fund loans. PSIA should, where possible, use existing structures so that topic selection is country-led, and participation and active dissemination should be emphasised.

However participants at the meeting could not agree on the balance between donors pushing for PSIA on all major reforms and respecting country ownership. Some participants, especially those from civil society, called for specific standards of what constitutes adequate PSIA,

while others wanted only flexible good practice principles. There was also insufficient time to agree whether the IMF should just respond to PSIA produced by others or start undertaking such studies itself.

The Ghanaian government has decided to assess energy sector pricing, decentralization, vulnerability and exclusion, and agricultural modernization. The studies are overseen by a Technical Committee and a Steering Committee. The latter consists of Ministers and heads of stakeholder organisations. However the role of donors is still strong as only five of the seven prioritised study topics were funded.

Bilateral donors agreed to raise the issue of PSIA at donor coordination fora, to develop shared positions on IFI approaches to PSIA and to undertake further technical work on PSIA tools for macroeconomic issues and on funding mechanisms. ©

The North Sea Manifesto, Action Plan on PSIA for Bilateral Donors

brettonwoodsproject.org/doc/adjustment/psiamanifesto.doc

Where is the Impact? Joint NGO paper

www.oxfam.org.uk/policy/papers/impact/index.html

IMF struggles to reach agreement on transparency

A review of IMF transparency policy was finally concluded in September. Amendments to the current policy still need to be approved before the various decisions take effect. The timing for this is not clear.

Discussions started in June but stalled on some key aspects (see *Update* 35). The IMF Executive Board has now reached a compromise on these, including a move towards more systematic publication of some country documents. Board meetings on this were split, largely along a North/South axis. Some countries including the US want publication of documents to allow investors to make better-informed decisions. Others resist this, arguing that “this could undermine the candour of discussions and documents and the advisory role of the Fund”.

The key issue considered by the Board in June and September was publication of country reports. The main ones are Article IV and Use of Fund Resources (see *Update* 35). Fund staff outlined options and the Board finally reached a compromise on ‘voluntary but presumed’ publication. Rather than publication being the default option, this retains a requirement for countries to give

explicit consent before publication. Countries will have to give a reason if they refuse to do so. This will take effect in July 2004.

The Board also agreed to publish its agenda in advance, following the World Bank’s example. No progress was made, however, in the debate over publishing Board minutes. These are currently accessible only after 10 years. Similarly there was no discussion on publishing in advance draft country intention documents, such as letters of intent. ©

IMF transparency still lagging on crucial issues

brettonwoodsproject.org/imftransupdate

G-7, civil society press for IMF, World Bank transparency reforms

brettonwoodsproject.org/g7trans

IMF Reviews the Fund’s Transparency Policy—Issues and Next Steps, IMF

www.imf.org/external/np/sec/pn/2003/pn03122.htm

IMF decides against mandatory disclosure

www.freedominfo.org/ifti.htm#1

Global Transparency Initiative Update 6

www.bicusa.org/policy/infodisclosure/globaltransparency_6.htm

Indigenous Peoples Policy delayed

In October, Professor Emil Salim, the Extractive Industries Review (EIR) Eminent Person, wrote a letter to the President of the World Bank asking that the Bank refrain from finalising its proposed Indigenous Peoples Policy. Salim was concerned that indigenous peoples' "deep dissatisfaction" with the draft policy might lead them to "disengage with the EIR process" if it were to be approved.

He requested that the policy not be submitted for final approval until two conditions were met. Firstly, that the Bank respond to recommendations in the EIR final report due to be submitted in late December. Secondly, that a high level discussion take place with indigenous peoples, including a legal roundtable discussion between Bank lawyers, indigenous peoples' representatives and legal experts on the consistency of the policy with internationally guaranteed human rights.

On 20 October, World Bank Vice President Ian Johnson responded to Emil Salim confirming that the Bank will delay finalisation of the policy until the first quarter of 2004. This, Johnson says, will allow "adequate time for the Bank's Indigenous Peoples Policy Team to review the December 2003 version of the EIR and to assess if future revisions to the policy are appropriate". Johnson also responded that, following the presentation of the EIR Final Report, the Bank's legal department would

be willing to organise a roundtable on indigenous peoples and international law.

Indigenous groups and NGOs campaigning to delay what they see as a deeply flawed policy were encouraged by the postponement. However they voiced concerns that Johnson's letter appears to confirm fears that the policy will not be strengthened in any significant way on land rights, free and prior informed consent and prohibition of Bank funding for involuntary resettlement.

In what some critics read as an attempt to buy support, the Bank launched the Indigenous Peoples Grant Facility in July in a side event at the United Nations Working Group on Indigenous Populations. ☺

Correspondence between EIR and WB

☞ www.eireview.org

Indigenous Peoples' declaration on extractive industries

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

Indigenous groups angered by Bank policy

☞ brettonwoodsproject.org/lipanger

IFC boss makes human rights pledge

In early November Peter Woicke, head of the International Finance Corporation (IFC), announced that the IFC was considering including human rights in its project selection criteria. The fact that Woicke approached the Financial Times with this information on the day that the IFC Board approved financing for the Baku-Ceyhan oil pipeline can be interpreted as either a response to pressure from campaigners or as a smokescreen to distract attention.

Woicke said "we cannot avoid having human rights in our safeguards". The IFC is holding informal discussions on the issue, which Mr.

Woicke recognises is "very delicate" for a supposedly non-political institution. He also told the FT that for the World Bank as a whole, which deals with governments, not companies, "it is a much more complex issue".

Mr. Woicke said the IFC was also considering ways to improve disclosure. "We still hide too much behind so-called confidentiality agreements with the private sector," he said.

Earlier this year leading international private banks such as Citigroup agreed to adhere to IFC social and environmental safeguards in an initiative known as the Equator Principles. So Woicke argues "there

must be dialogue with the commercial banks if we are upgrading the principles".

Whatever the motives for this announcement at this time, campaigners are looking to see what the IFC delivers on human rights. They anticipate that the final report of the Extractive Industries Review, to be filed end December, will give the Corporation plenty to chew on. ☺

Pipeline approval sparks renewed criticism of Bank role

☞ brettonwoodsproject.org/btccapproval

IFC "doubts" labour fears in Haiti

☞ brettonwoodsproject.org/grupom

New book on Bank appeal mechanism

A new book considers the track record of the Inspection Panel, introduced by the World Bank ten years ago in response to criticism of its projects. The Panel has investigated 28 claims by people who say they have suffered harm because Bank staff have failed to implement the Bank's own policies.

The authors—activists and academics close to the Panel's operations—conclude that the Panel "has been remarkably autonomous, and in many cases changed whose voices count, and who listens". However Bank management has often reacted defensively to Panel claims, probably because of "the Bank's long-standing culture of impunity". Specific impacts of the Panel's work have included project cancellation, increased compensation for affected people, impact mitigation, and reform of project decision-making processes.

While the Panel has mainly been used for cases involving World Bank infrastructure projects, it has also accepted claims relating to sectoral and structural adjustment loans. The authors comment that this "opens up new possibilities for civil society actors to hold the Bank accountable to both its poverty reduction mandate and the negative consequences of its macroeconomic model".

Demanding Accountability includes case studies of projects in Brazil, Nepal, China, Bangladesh, Chile and India, as well as chapters assessing broad trends across the various claims and the impact on the Bank of the Panel's operations. ☺

Demanding Accountability, Rowman & Littlefield, 2003

☞ brettonwoodsproject.org/insidecomplaint

UK MPs support Bushmen

A motion signed by 42 MPs urges the UK government to encourage Botswana to respect the rights of Bushmen. In February, the IFC approved \$2 million in support of Kalahari Diamonds Limited to explore for diamonds in the Bushmen's traditional lands. After a 15-year campaign of persecution, most remaining Bushmen were evicted from their homes in February 2002, though around 100 are still holding out. The companies involved insist that there is no link between the evictions and their diamond interests. However, Botswana's Foreign Minister Gen Mompoti Merafhe admitted that his government had relocated the Bushmen to "where we want them to be".

☞ www.survival-international.org/bushman_home.htm

WB/IMF at European Social Forum

The second edition of the ESF took place 12–15 November and gathered around 60000 participants. Activities on IFIs included a workshop on the Asian Development Bank and one on the role of Europe in countering US dominance at the Bank and IMF. The role of IFIs was also discussed in a seminar on the right to health and various events on debt. Before the ESF the Bridge Initiative organised a dialogue between Susan George, José Bové, Njoki Njoroge Nehu, and Mats Karlsson from the World Bank.

Summary of ESF events

☞ www.fse-esf.org/rubrique271.html

Bridge Initiative

☞ www.bridge-initiative.org/

New Chief Economist "listening"

In October, Frenchman Francois Bourguignon took over as World Bank Chief Economist, replacing Nick Stern who will become a managing director at the UK Treasury. Bourguignon trained as a mathematician and has worked in academia and as a political advisor before coming to the Bank in 1995. He plans to focus on social inclusion during his time at the Bank: "My purpose is to analyze the importance of equity in the development process, the way it interacts with growth." He credits the 'anti-globalisation movement' and NGOs with moving governments, together with the Bank and Fund, to take more effective action on debt relief. "We should keep listening." No word on the doing part.

IMF evaluation unit work programme

The IMF's Independent Evaluation Office is seeking input on its 2004–2005 work programme before 22 December. In its first year of existence the IEO has completed reports on fiscal adjustment, financial crises and prolonged lending. Possible future topics include surveillance, capital account liberalisation, structural conditionality, private sector role in financial crises, and a case study of Turkey. Bretton Woods Project and Friends of the Earth US are coordinating a joint letter on the programme.

IEO's website

☞ imf.org/ieo

To provide input for joint letter

☞ flefrancois@brettonwoodsproject.org

BWI reform discussed at UN dialogues

The UN Financing for Development (FFD) process held its first high-level progress assessment in New York, 28–30 October. The key issues on the agenda were mobilising financial resources; technical cooperation; external debt, and the coherence of the international monetary, financial and trading systems. The latter issue included discussions on the governance structures of the Bretton Woods Institutions (BWIs) and the relationship between the UN and the BWIs.

Hearings on the first day gave an opportunity for civil society and private sector representatives to present their analysis of follow-up on the Monterrey summit commitments. The hearings were very poorly attended by UN country delegates, having to compete with a number of other key discussions scheduled at the same time.

Day two brought a series of roundtables which allowed for country delegates and representatives of intergovernmental organisations, civil society and the private sector to debate the issues at further length. The withdrawal of the WTO Director General led other intergovernmental heads to de-prioritise the roundtables. Topics covered included regional dimensions of FFD implementation; coherence issues; and linkages between the FFD commitments and attainment of the Millennium Development Goals. The coherence roundtable saw agreement between several country representatives, the G-24 and NGOs on radical reform of the governance of the BWIs. Other proposals included

strengthening the oversight function of ECOSOC through the creation of an ECOSOC secretariat to interact with the BWIs and WTO in preparation of their annual meeting; Summit meetings at the beginning of each General Assembly to deal with coherence issues; and the formation of ECOSOC working groups to examine trade-debt-finance linkages.

The third day of the dialogues finally saw the arrival of the heads of the intergovernmental agencies and country ministers. Bank president James Wolfensohn returned to a familiar theme: “everyone knows the steps that need to be taken and the issue is to take action.” Head of the UN Conference on Trade and Development, Rubens Ricupero, appeared to disagree with Wolfensohn, pointing out that “those who implemented the elements of the consensus have experienced crisis because they adopted these measures.” The UK delegation made a pitch for the International Financing Facility and reminded delegates of the importance of coordination and harmonisation.

The president of the General Assembly, Julian Hunte of St Lucia, took up these issues in his summary of the dialogues. Negotiations are to take place in the current session of the General Assembly on drawing up a detailed work plan. ©

Summaries of the dialogues, UN FFD

www.un.org/esa/ffd

A political agenda for the reform of global governance, International Facilitating Group

www.un.org/esa/ffd/1003-IFG-on-govern.pdf

Debt and destruction in Senegal

A new report by Demba Moussa Dembélé for the World Development Movement condemns the interventions of the World Bank and IMF in Senegal. It coincides with the launch of WDM’s ‘Colludo: whodunit to the world’s poor’ campaign that seeks to “expose those responsible for pushing a radical free market agenda onto the poorest countries”. The 71-page report argues that:

• the past twenty years of IMF and World Bank policies in Senegal have been unsuccessful in terms of national economic performance and social indicators

• electricity privatisation and liberalisation of the groundnut sector had enormous economic and social costs

• IMF and World Bank intervention in Senegal has eroded democratic insti-

tutions’ ability to formulate national economic and social policies.

• IMF and World Bank have imposed unilateral trade liberalisation on the country, undermining its bargaining position in trade negotiations.

The study concludes that IMF and World Bank intervention in Senegal has left the country “with little chance of achieving almost all of the MDGs, unless there is a significant change in thinking. There is a need to contemplate alternative policies, that are genuinely home-grown”.

The Colludo campaign invites supporters to take action against debt and conditions attached to it. ©

Colludo campaign and resources

www.wdm.org.uk/campaign/colludo/colludo.htm

Major improvements to BWP website

The Bretton Woods Project website has a new look and offers a host of new functions. Following feedback from users we have introduced a cleaner design and improved navigation menus enabling you to go directly to information about a desired topic, institution or region. An advanced search feature allows these same parameters to be combined with a text search, enabling you to take greater advantage of over twelve hundred articles and reports in the BWP database dating back to 1998. Suggested links to relevant events or documents are appearing in individual site sections.

The site will increasingly feature timely articles posted between editions of the *Bretton Woods Update* and also carry longer versions of articles with extra links compared to what we can fit in the *Update* print edition. To receive regular notice when we post new material to our site, use our on-line subscription form.

We welcome your feedback and suggestions on our new site

webfeedback@brettonwoodsproject.org

Bankspeak of the Year, Resources 2003

Hard to believe that another year of buzz-words and obfuscation is nearly behind us. Two of our annual features will appear in the first issue of the *Update* for 2004: ‘Bankspeak of the year’—the most incomprehensible use of words in a Bank document or speech; secondly, our list of recommended resources—the best of books, reports and articles written about the work of the Bank and Fund in 2003. Suggestions from readers are very welcome.

Who wants to be an IMF economist?

“Q: What is a benefit of globalization?

- People in Thailand can sell their flowers in London for a good price
- You can buy New Zealand kiwi fruit and Italian gelato at your neighbourhood grocery
- More and more people around the world speak English
- All of the above

A: All of the above.

[...] Thanks for playing, and be sure to invite all your friends to test their knowledge on Monetary Mania!”

Monetary mania is a quiz for high school students designed by the IMF. The website invites kids to “become an IMF economist and find out how the IMF evaluates a member country’s economy”. You can also “travel to the mythical land of Yak in a world without the IMF” where “only a few people can have the latest cellphone”. Tempted?

Become an IMF economist

www.imf.org/external/np/exr/center/action/eng/exchange/index.htm

Succumb to Monetary Mania

www.imf.org/external/np/exr/center/quiz/mm/eng/index.htm

And for nostalgics...

10-year-old privatises Estonian cement factory!

www.brettonwoodsproject.org/kidsnews



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