

World Bank accountability: demand for reparations won't go away

In 1982, more than four hundred Maya Achi men, women and children were tortured, raped and killed by the Guatemalan army after their community peacefully opposed their forced relocation caused by the construction of the World Bank/Inter American Development Bank-funded Chixoy dam.

The survivors of the massacres, who were subsequently displaced, have only received meagre compensation from the Guatemalan government and live in extreme poverty.

The two banks continued to finance and supervise the project despite evidence that gross human rights violations had occurred as a direct result of the project. There have been increased calls in Guatemala and internationally for reparations from the Bank for its negligence in relation to the massacre. In September, a peaceful demonstration by survivors of the massacre, and 17 other affected communities called on the Guatemalan government to provide compensation for land, homes, property and livelihoods that were lost as a result of the dam project. They also demanded justice for the human rights abuses that occurred with the project. A petition that was submitted to the Inter-American Commission on Human Rights in September deemed both banks and the Guatemalan government liable for reparations.

Bank blindness

The Inter American Development Bank (IADB) and the World Bank provided initial loans of \$105 million and \$72 million respectively. The banks worked with the Guatemalan government throughout the planning and construction phases of the project. Instituto Nacional de Electrificación (INDE) was responsible for project coordination and construction of the dam itself. Throughout the period in question, it was owned solely by the Guatemalan government and run by Guatemalan army officers.

A 1978 Bank report indicated that some 1500 people would have to be removed from the Chixoy reservoir



basin, but that assurances had been obtained from the Guatemalan government and INDE that "a programme will be implemented to compensate adequately and, if necessary, resettle, those residents... whose living and working conditions have been adversely affected by such flooding". Despite the Bank's supervisory role, it did nothing after the Guatemalan government had begun forcibly evicting the local community through a series of brutal massacres.

The Bank's second loan instalment to the government of Guatemala in

1985 was given after the massacres had taken place. Given the extent of World Bank involvement and presence of Bank staff at the Chixoy site between 1979 and 1991, not to have known about the violence and repression at the time would have required an "extraordinary and sustained dedication to ignorance on the part of World Bank officials", stated a 1996 report by NGO Witness for Peace.

Call for reparations

The facts of the forced eviction and displacement, including the mas-

sacres have been well documented by several human rights organisations both within and outside Guatemala.

A recent report by the international NGO, Centre on Housing Rights and Evictions (COHRE) concluded that the two banks failed to show due diligence in the implementation of a project they were directly supervising and financing. The report asserts that the grossly inadequate living conditions of the survivors and their families are a "direct result of, *inter alia*, the displacement of the community and the failure on the part of the Government of Guatemala, IADB and the World Bank to provide just and fair compensation to the survivors".

COHRE also outlines that under international human rights law and principles, both the IADB and the World Bank are obligated to provide reparations to the survivors and their families. Furthermore, as an international lending agency, the Bank had a duty to ensure that the project was implemented in such a way that human rights were not violated. Similarly villagers in India have called on the Bank to uphold this duty (see box, page 3).

During the 2004 World Bank annual meetings President Wolfensohn indicated the Bank's readiness to be actively involved in negotiations between the Guatemalan government and villagers on the issue of reparations. "This is a hugely important case of holding international development actors fully accountable for the negative impact of their policies and actions" said Graham Russell of NGO Rights Action.

Perverse incentives

Surrounding growing calls to tackle the impunity of IFIs, and establish the right of victims of development cooperation to be compensated, Kunibert Raffer argues for reforms to make them financially accountable. Referring to the 'perverse incentive system' he comments that badly implemented projects or adjustment programmes lead to increased financial gain for IFIs, as the damages they cause require yet another new loan to repair them. He points out that

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on AIDS?

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IFC safeguard review ignores
boycotts, pushes ahead

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"Total disregard of concerns of
Nigerian communities"

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Fund irate over claims that it blocks progress on AIDS

A report released in September by NGOs ActionAid, Global AIDS Alliance, Student Global AIDS Campaign and RESULTS Educational Fund puts into sharp focus long-standing criticism of the IMF's prescriptive fiscal targets for some of the world's poorest countries. The Fund argues that it contains "allegations, errors and misconceptions".

Blocking Progress: How the Fight Against HIV/AIDS is Being Undermined by the World Bank and International Monetary Fund highlights how IMF loan conditions demanding low inflation and tight budget ceilings constrain public spending towards HIV/AIDS. The IMF's bias towards low inflation is questioned. The paper argues that there is no consensus among economists on what level of inflation undermines economic growth.

While underscoring the importance of macro-economic stability, the report cautions against the Fund's preoccupation with keeping inflation low through reduced public sector spending. The authors' question who should make the judgement over trade-offs and assert the primacy of local policy alternatives and spending priorities.

The report cautions that anticipated increases in HIV/AIDS funding are likely to meet resistance from the IMF owing to rigid budgetary ceilings. This is magnified by the Fund's 'signalling' role: other donors will not lend without prior Fund approval. The authors say the Bank is complicit with austere Fund budgetary policies.

The report makes the point that although the IMF claims that higher government spending will lead to higher inflation, much of the research used to justify this claim is based on the experiences of industrialised countries. There is no empirical evidence that this is actually the case in poor countries. The study cites evidence from a 1995 study on the link between inflation and economic growth. It found that inflation of up to 20 per cent did not necessarily harm economic growth in the long term. They also give the examples of Latin America, Japan and South Korea in the 50's, 60's and 70's respectively, where high growth accompanied double digit inflation.

Columbia University economist Jeffrey Sachs, wrote an open letter to the Ugandan government in 2002 arguing that finance ministry concerns over appreciation of the Ugandan shilling were unsubstantiated. Sachs pointed out "the risks of currency overvaluation from donor-financed health spending are way overblown. I don't know of a single

country where increased donor-financed health spending to respond to epidemics such as HIV/AIDS has been a trigger for macroeconomic instability. On the contrary, there is real and shocking macroeconomic instability caused by the failure to respond to such epidemics". The Fund denies that Uganda nearly rejected funding for HIV/AIDS in spite of media reports to the contrary.

Speaking from both sides of their mouths?

The Fund states that "higher levels of external grants and their more effective use are important elements of the Monterrey Consensus to fight poverty and reach the Millennium Development Goals in low-income countries". Adding "the IMF seeks to help member countries increase their capacity

to absorb and manage higher grant flows". They suggest that the buck stops with countries on how best to

manage aid but with the all important caveat "consistent with long-term economic stability, sustainable growth and poverty reduction".

To enhance absorptive capacity, the Fund proposes strengthening planning and monitoring capacity in line ministries, improving public expenditure and financial management systems, and addressing governance deficiencies and infrastructure bottlenecks. The NGO report makes the argument that Fund conditions which restrict public sector spending constrain absorptive capacity. Peter Heller, deputy director of the fiscal affairs department of the IMF denied there was any legitimate criticism of the IMF in its dealings with poor countries facing HIV/

shocking instability caused by the failure to respond

NGOs respond to UK paper on conditionality

Released late September to coincide with the Bank and Fund annual meetings, the paper sets out the "UK government position on the use of conditions in effective partnerships for poverty reduction". Public comment is invited until the end of November and by early 2005 new guidelines for DFID staff are anticipated to put the new approach into practice.

Asserting that aid conditions must support and not "buy" reform, the paper proposes strategies to demonstrate to UK citizens and parliament that aid is well spent. For recipients, the goal is to work with other donors to harmonise aid, make it more predictable and limit overall conditionality. In "sensitive areas such as privatisation the UK will only use conditions to back reforms where partner governments have had space to debate—including where appropriate in parliament—the full range of policy options".

UK NGO War on Want's recent report *Profiting from poverty: Privatisation consultants, DFID and public services*, casts doubt on this commitment. Author John Hilary argues "DFID's mission is to eradicate poverty, yet it has taken the lead in promoting

the privatisation of public services worldwide".

The DFID paper suggests a country-led approach to Poverty and Social Impact Assessment (PSIA) and the linking of conditions to PRSPs. To ensure better transparency of DFID's aid conditions, they will publish aid agreements on their website.

UK NGOs including ActionAid, Bretton Woods Project, WDM and Christian Aid that have been closely following the development of this paper have responded that the UK should:

- Dissociate itself from the skewed notion of 'ownership' used by the IFIs, and press for an end to donor practices that undermine transparent and accountable national decision-making;
- Take an explicit position ruling out the use of economic policy conditionality in aid programmes, and press the Bank and Fund to adopt the same approach;
- Address the issue of IFI disclosure at the board, and press for it to be dealt with as part of the current reviews of Bank and Fund conditionality;
- Make a stronger commitment to the routine involvement of parliaments in oversight of binding conditions prior to

AIDS: "certainly no IMF ceiling has prevented the employment of nurses in Kenya or Uganda or elsewhere, as has been alleged by some".

Arguing that the Fund's core mandate is to help countries achieve and maintain macroeconomic stability, he confirmed that "we can't support a policy programme that implies a high rate of inflation". However, he was quick to add this did not imply lack of flexibility. Arguing that there are limits, he restated that once inflation starts rising above "a certain level, it becomes injurious to the prospects for real economic growth".

The NGO report recommends that G7 governments:

- Should have clear positions on flexibility on inflation targets that would allow higher levels of public spending;
- Should provide technical advice that allows developing countries to consider macro-economic scenarios and make trade-offs;
- Must not take positions at the IMF board that would undermine efforts to address HIV/AIDS and other health crises. ©

Blocking progress: How the fight against HIV/AIDS is being undermined by the World Bank and IMF, ActionAid

www.actionaidusa.org/blockingprogress.pdf

IMF response

www.imf.org/external/np/vc/2004/093004.htm

their agreement, and to greater involvement of civil society;

- Press for a streamlining of IFI conditionality beyond an exercise in reducing headline numbers of conditions, and address the political intrusiveness of aid conditions;
- Critically examine the impact of selectivity in aid allocation (see at issue) on ownership and accountability;
- Actively seek alternatives to the Fund's 'signalling' role;

There remain question marks over the driving force behind these moves on the conditionality debate. Some observers fear that this shift is owed more to attempts by the BWIS to minimise the cost of doing business than recognition of the failure of policy conditions to generate economic growth or poverty reduction. ©

Partnerships for poverty reduction:

Changing aid conditionality, DFID
www.dfid.gov.uk/pubs/files/conditionalitychange.pdf

Profiting from poverty: Privatisation consultants, DFID and public services, War on Want

www.waronwant.org/profitting

IN 1995 THE World Bank pushed the government of Ghana to develop specific options to increase private sector participation in the delivery of water services. The Ghana Water and Sewage Corporation has now been transformed into two separate structures: the profitable urban water sector which is about to be contracted to transnational corporations, and the unprofitable rural water supply which is being managed by the Bank-created Community Water and Sanitation Agency.

Western corporate interests led by French companies aim to take over the services sector in the name of private sector efficiency. Europe has several large transnational corporations, which are involved in privatising municipal water services around the world. Current global trade rules seek to phase out all government barriers to trade and competition in the services sector. Given the inequalities that exist in terms of the ability to access the world market, this can only lead to the global dominance of the sector by the most powerful western companies such as Saur, Suez, Vivendi (now Veolia), RWE and Thames Water. These are companies that have been short-listed to sell Ghana's drinking water. Controlling the water and energy sectors of Africa is lucrative and less risky—there are fewer litigations here and labour is less turbulent than in other regions.

The IMF and the World Bank have been instrumental in manipulating the government of Ghana into accepting the privatisation of water services. Bank loans are dependent upon compliance with different types of policy conditionalities, including the privatisation of public utilities.

The World Bank is desperate to succeed in Ghana, having suffered serious failures in other countries, notably Bolivia and the Philippines. In July 2004 World Bank missions were sent to Ghana to lobby members of the national parliament to ensure that it approves the management service contract being pushed on the government of Ghana. The link man has been Honourable Mr. Kyei Mensah-Bonsu the majority chief whip and a former key player at the water restructuring secretariat—the Bank and UK Department for International Development-sup-

The private sector in Ghana's water—a strategy to serve or steal?

COMMENT

Rudolf N. Amenga-Etego
Foundation for Grassroots Initiatives in Africa

ported body that oversees water sector reforms in Ghana. Mr Mensah-Bonsu also heads the parliamentary committee on works and housing. The World Bank's engagement with the committee is unprecedented and marks a significant shift in in-country engagement policy. The Bank has hitherto dealt with the executive arm of government only. Legal pundits are wondering if this does not amount to interference in the internal politics of a sovereign member state; a situation prohibited by the Bank's charter.

The government is admittedly cash-strapped, but the solution lies in opening the debate to the people of Ghana and asking the question 'how do we keep our water service public for the benefit of all our people' rather than surrendering to external agents whose ultimate agenda is linked to the very companies which are strategising to take over the country's public services.

The World Bank's policy thrust appears to be primarily driven by fiscal concerns—that is, the desire to reduce central government expenditure and increase the revenue generation responsibilities at the local government level thus improving the country's ability to pay back loans. This involves shifting a significant portion of the cost burden of public utilities to the impoverished sections of the urban population who under policies driven by demand and full-cost recovery will continue to pay more for water.

The government of Ghana should consult more broadly with local expertise and civil society with the view to devising more socially-friendly models for negotiation with creditors and donors. It should also re-prioritise the national budget in favour of the water sector. However, this will only be possible if the International Financial Institutions are restrained, conditionalities abolished, and the rights of citizens of member states to the basics of life become the basis for lending. ©

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holding IFIs financially accountable would act as an incentive for them to perform better. His suggestions include a permanent international court of arbitration, which would decide the sharing of costs between the IFI and borrower country in the case of disagreement at which complaints could be filed by NGOs, governments and international organisations. ©

A people damned: The WB-funded Chixoy hydroelectric project, Witness for Peace
🌐 www.witnessforpeace.org/pdf/apd.pdf

Continuing the struggle for justice, COHRE
🌐 www.rightsaction.org/report.chixoy.cohre.pdf

International financial institutions and financial accountability, Kunibert Raffer
🌐 www.ccea.org/viewmedia.php/prmtemplateid/8/prmid/5019

Coal India: Rehabilitation claims still unaddressed

The central argument put forward by proponents of the World Bank's involvement in oil, gas and mining projects is that the Bank's presence ensures compliance with higher environmental and social standards than would be the case without its involvement. However, the case of Coal India—an open-pit coal mine in Jharkand state—casts serious doubt on this argument.

The Bank provided two loans to the project in the mid 90s which were supposed to prevent resettlement problems. However, an investigation by the Bank's

Inspection Panel in 2002 concluded that the project had violated numerous Bank policies. When Bank management finally responded to the report in 2003, faults were admitted, and a commitment was made to report to the board on progress in settling outstanding issues in one year's time.

In late August, management reported to the board concluding that there had been "considerable delay" in dealing with outstanding issues: out of nine issues, there had been "limited progress" on seven of

them. Several board members were not satisfied with either management's problem-solving efforts or the attitude of the government of India and Coal India Ltd. One board member asked if the Indian government was not interested in solving seemingly resolvable, small-scale problems, what response could the Bank expect when problems arise from the increased lending envisaged under the new country assistance strategy. The Bank will double lending to India to \$3 billion in the current fiscal year.

Management report on progress in settlement of outstanding issues, available upon request

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Coal India: Bank Board demands minimal action
🌐 brettonwoodsproject.org/coalindiadecision

UK MPs hold hearing on World Bank, IMF

In November the UK International Development Committee held its annual evidence session on the World Bank and IMF. MPs questioned the secretary of state for international development Hilary Benn and top civil servants from the Department for International Development and the Treasury. The Bretton Woods Project and ActionAid were invited to participate, the first time that civil society groups had been asked to do so. The format did not allow for debate with the government.

Tony Worthington MP asked if the World Bank placed any obstacles in the way of parliamentary scrutiny of national development strategies. Benn responded that there was “nothing to stop involving parliaments in PRSPs”. ActionAid senior policy adviser Patrick Watt questioned this. Watt pointed to the continuing need for national development strategies to receive World Bank board approval; the failure to disclose key documents; and specific cases where Bank influence had led to legislation being overturned.

Referring to the recent official evaluations of the poverty reduction strategy process, John Barrett MP asked what lessons had been learned. Benn pointed to a number of lessons including ensuring that those who “ought to be involved actually are”, and that plans are not made “for the purpose of making donors happy”. Jeff Powell of the Bretton Woods Project pointed out that the evaluations emphasised the need for the Bank and Fund to be more open to alternative macro-economic policy options.

John Battle MP feared that there was a tendency on the part of the Bank to “pull everything to the cen-

tre and tell the rest of the world how to do it”. He cited Country Policy Institutional Assessments (CPIA) as an example of this. Benn said it “makes sense” for the Bank to have criteria for lending, but that if people felt this was something that should be looked at then he would agree to do so. Powell called for full disclosure of the CPIA, and for an independent assessment of the validity of the ratings in terms of actual results in economic growth and poverty reduction (see at issue).

Drawing on written evidence submitted by ChristianAid, Hugh Bayley MP asked why African countries were being forced to forego HIV/AIDS money supposedly because the funds might push public expenditure beyond IMF-imposed ceilings. Stephen Pickford, director of international finance at the Treasury, assured him that the UK had “made the point for increased flexibility” and believed there was evidence of increased flexibility on the part of the Fund.

Mr Bayley pushed the government to improve its transparency in its dealing with the IFIs. In response, the secretary of state agreed to a number of measures recommended in a written submission from the Bretton Woods Project.

Other issues discussed included: impact assessments and safeguards, trade conditionality, the International Financing Facility, leadership selection, board composition and voting weight, and DFID’s institutional strategy paper for the World Bank (see right). ©

Evidence session on WB/IMF
www.parliament.uk/parliamentary_committees/international_development/ind_world_bank.cfm

UK evaluates World Bank; publishes new strategy

The UK’s Department for International Development (DFID) has published an evaluation of the World Bank’s work over the past three years. The review of the Institutional Strategy Paper (ISP) for the World Bank for 2000–2003 comes to the unremarkable conclusion that “substantial progress has been made, but [there are] a number of areas where further work will be needed”. Areas where DFID indicated disappointment included:

- *IDA resources “should be more heavily targeted on poor countries”;*
- *Country Assistance Strategies should be better aligned with achievement of the Millennium Development Goals;*
- *Poverty Reduction Strategies require “widening the breadth of consultation, and improving the depth of analysis and realism of target-setting.” PRSP equivalents should be prepared for middle-income countries;*
- *Private sector lending should emphasise low-income “riskier” countries, and show improved impact assessment;*
- *Cooperation with other donors, especially the UN, must be improved. “Tensions continue where staff from different*

institutions reach different conclusions. Tensions also arise from the Bank’s special role in preparing Joint Staff Assessments of PRSPs.”

During consultations held on the ISP for 2004–2007, UK civil society groups called for more specific indicators by which DFID’s progress in reforming the World Bank could be monitored. Many groups expressed concern that, between its role as overseer versus that of partner, DFID had drifted too far towards the latter. Highlights of the new ISP are shown in the table below.

DFID has committed to review progress on an annual basis in consultation with senior World Bank staff, the results of which will be made publicly available. They will report annually to parliament on this and on “the broad positions taken at the Bank board.” ©

Review of 2000 strategy paper
www.dfid.gov.uk/pubs/files/ispworldbank-review.pdf

Strategy paper for 2004
www.dfid.gov.uk/pubs/files/ispworldbank2.pdf

Objective	Indicators
Strengthen poverty reduction strategies	Assistance strategies to include assessment of capacity building needs for: policy analysis, planning, budgeting, monitoring and evaluation.
Improve cooperation with other actors	Staff incentives and training to include coordination with external partners by end FY 06 - especially parliamentarians, civil society and the IMF.
Encourage the use of appropriate financial instruments	Lending to be synchronised with national budget cycles by FY07. Conduct by end FY06 an analysis of the gap between safeguard policies and relevant international standards. All Bank support to reforms in PRSPs to be informed by impact assessment.
Deliver on Monterrey financing for development agenda	Full disclosure of 2005 CPIA exercise for IDA countries by first quarter 2006. “Demonstrable improvement” in open, meritocratic leadership selection. Publication of board minutes within two weeks by end FY05. Measures to address board composition and voting to “take place by end FY07”. Indicator on Bank’s relations with civil society “to be developed”.

Fugitive in five-star hotel, IMF foots bill

For the last 18 months, Jorge Baca Campodónico has been holed up in the five-star Sheraton hotel in Buenos Aires, while his lawyers fight his extradition to Peru to face charges of high-level corruption. Campodónico was employed as a technical adviser by the IMF at the time of his arrest; he subsequently testified that the IMF knew of the charges against him when he was hired. Peruvian authorities expressed “strong discontent” with the IMF’s legal and financial support for his defence. Argentine daily Clarín has reported that the Fund continues to pay his hotel bill.

IMF employee, luxury punishment, Clarín
old.clarin.com/diario/2004/10/02/elmundo/1-03703.htm

Bank has too much money

Many borrowers are turning away from the Bank, resulting in loans being repaid faster than new ones can be disbursed. Outstanding loans have dropped to a six-year low. But because of the repayments, the Bank has amassed the largest reserves of financial resources in its history. In recognition of this, and to get loan volumes up, it is starting to lower the fees it charges borrowers. Critics say the turnabout in financial performance has more to do with overstating its financial risks in 1998 as it sought to increase fees than with current performance.

World Bank, having built record capital, cuts loan fees, Dow Jones
www.noticias.info/asp/aspcomunicados.asp?nid=37760&src=0

African governance “polluted”

African governance has been “polluted by western intrusion,” James Wolfensohn, World Bank president said at the United Nations African Development Forum in Addis Ababa in October. He told politicians and delegates they must tap their own traditional systems and values. In recognition of this new insight, observers wonder if structural adjustment lending will be renamed ‘traditional systems and value lending’.

Wolfensohn says African governance “polluted”, Reuters
www.alertnet.org/thenews/newsdesk/irin/07cf46732010896e4823d4ed5fe3941d.htm

Global policy forum

The World Bank-civil society Joint Facilitation Committee is planning a three-day policy dialogue in Washington in advance of the spring meetings in April. Participants are to include civil society, Bank staff, government and donor agencies. The forum will address the issue of civil society engagement with the Bank as well as thematic discussions. Two experts have been contracted to prepare an issues paper on lessons learned in civil society engagement with the Bank. The researchers will also prepare a statement of principles on WB-civil society engagement for the Bank to consider for adoption by its board.

World Bank CSO engagement, Civicus
www.civicus.org/new/pg_world_bank-cso_engagement.asp?c=fd8912

The Bank concedes making limited progress in responding to the increased calls for engagement beyond executive branches of government. Speaking at the 2004 annual conference of the Parliamentary Network on the World Bank (PNoWB), president James Wolfensohn stated: "The Bank is deeply committed to good governance and the system of parliamentary democracy. However, we are also committed to what is imposed on us by our shareholders, which is operating through the administration of your governments".

The World Bank interacts with parliamentarians on many levels. Capacity building programmes are conducted through country offices in collaboration with the World Bank Institute.

The development policy dialogue team is the principal point of contact for parliamentarians and parliamentary organisations at the World Bank. It runs their global parliamentary outreach and is based in Europe. It was instrumental in the creation of the PNoWB in 2000. The PNoWB aims to "encourage policy dialogue and the exchange of views between legislators and the World Bank and to act as a platform for parliamentary coordination and advocacy on international development and poverty eradication".

Bankwatchers have questioned the network's independence from the Bank. But according to Bert Koenders, Dutch MP and PNoWB chair: "We're not fans of the World Bank. We're critics when necessary, supporters when necessary. PNoWB promotes the role of MPs in fighting poverty. We're a hands-on implementation group."

The network currently has about 450 members from over 90 countries and is led by a nine-member board of directors. Open to parliamentarians from World Bank member states, members represent themselves and their constituents, not their countries, parliaments or governments. Local and regional chapters have been set up in India, Japan, East Africa and the Middle East and North Africa. No attempt has been made to balance the geographic, political or gender profile of the network.

Working closely with PNoWB's executive board, the development policy dialogue team co-organises the field visit programme and the PNoWB annual conference. The former focuses on exposing members to the experiences of countries implementing Poverty Reduction Strategy Papers. It also supports the network's thematic working groups such as the parliamentarians' implementation watch, HIV/AIDS committee and the international trade working group.

The annual conferences are organised in partnership with the parliament of the host country and the World Bank. They entail discussions by Bank staff and MPs on a range of development issues. A few civil society representatives have been invited to attend. Finland will host and finance next year's annual conference in April.

During the field visits, MPs are briefed by the country offices on the activities of the Bank in the respective country and they discuss Bank programmes and projects with the managers responsible for implementation, as well as the local staff engaged on the projects. The delegations also get to meet local parliamentarians and other stakeholders—NGOs, bilateral donors and the media.

The PNoWB receives financial support from the governments of the Netherlands and Finland as well as from the Bank and Fund through a trust fund. There have been concerns that the budget is controlled by the Bank. The British government (2001), Swiss government (2002), Greek government (2003) and French government (2004) have funded annual conferences.

Since 2003, the network is registered as an NGO under French law and is working for greater autonomy in the management of its finances and operations. Currently run by one fulltime staff out of the Bank's Paris office, the secretariat hopes to expand its capacity by July 2005. Regional and country chapters have focal point persons.

In an effort to further parliamentary sovereignty the PNoWB has officially endorsed the international parliamentary petition, which demands a greater role for parliamentarians in developing, scrutinising and monitoring the policies relating to the IMF and the World Bank in their countries (see *Update 42*).

IMF's parliamentary outreach

According to Michaela Schrader, the parliamentary point person at the Fund's external relations department, "the IMF has expanded its outreach to legislators in the past years, in accordance with the high priority placed by both management and the executive board". They have conducted seminars, hosted delegations of legislators and participated in conferences organised by umbrella parliamentary groups such as the PNoWB, Inter-Parliamentary Union and the Commonwealth Parliamentary Association. The Fund set up the working group of IMF executive directors on enhancing communication with national legislators in May 2003. It produced a report in January 2004.

The report summarizes the Fund's past outreach to legislators, and the discussions and recommendations by the working group on future outreach. It stresses that the IMF should listen to legislators in order "to improve the Fund's understanding of the political and social context in which economic policy decisions are taken". Legislators' constitutional responsibility to oversee national budgets and approve legislation on economic reforms is recognised. ©

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Parliaments reign in IFIs: International campaign gains momentum

brettonwoodsproject.org/lipp

Report of IMF directors on enhancing communication with legislators

www.imf.org/external/np/ed/2004/ecn/index.htm

G24 ministers reject proposed new IMF signal

The IMF announced early October a new programme called the Policy Monitoring Arrangement (PMA) "which would be available to countries with sound policies that don't want to borrow from the IMF but see a benefit to frequent IMF statements to donors, creditors and the general public about the strength of their economic and financial policies".

This programme is seen as a possible successor to the Contingent Credit Lines (CCL) set up in 1999 which expired last year. CCL offered funds to countries with sound economic policies that were at risk of financial contagion from countries in crisis. There was a lack of interest because countries feared participation would

be seen as a sign of weakness. Fund instruments for monitoring and signalling include staff-monitored programmes, assessment letters, and various forms of surveillance.

Some IMF board members were less than enthusiastic about the proposed PMA programme, citing problems with past Fund surveillance programmes. They urged staff to further ascertain the programme's potential demand and utility.

G24 ministers questioned the benefits of creating an instrument for signalling purposes, expressing fear that it would damage lending to low income countries: "While the instrument has been presented as 'voluntary,' there is a high proba-

bility that it would in fact become a requirement for lending, grants, and debt relief".

Many directors feared the instrument would not be used by borrower countries given its stringent conditions, and the absence of automatic access to Fund resources.

According to the Fund, the PMA could complement staff visits and the annual Article IV consultations

(in-country consultations between Fund staff and officials assessing the overall state of the economy).

Staff is considering issues raised by the board for incorporation into a paper on 'signalling' due in February. ©

Policy Monitoring Arrangement, IMF

www.imf.org/external/np/pdr/2004/eng/090804.htm

longer articles and additional links
in the online edition
at brettonwoodsproject.org

Private sector safeguard review continues despite boycotts

Civil society organisations globally have stepped up their campaign against the International Finance Corporation's (IFC) process to overhaul its safeguard policies. This sees an unacceptably short and politically-driven timeframe for consultation, and a dilution of principles for environmental and social protection.

The IFC's fundamental revision of both the environmental and social policy requirements that govern its lending operations, as well as its information disclosure policy, sees the replacing of the current ten safeguard policies of the World Bank Group with nine IFC-specific 'performance standards'. These standards would adopt a more flexible approach which critics say would make them less binding and harder to enforce.

Consultation lacks credibility

In September a joint letter was sent by a coalition of 180 development, environment and human rights NGOs to Bank president James Wolfensohn and IFC head Peter Woicke. It highlighted changes that need to be made to the consultation process: "Unless the minimum preconditions for meaningful and informed consultation are put in place, we do not see how we can participate in this process, as we fear it will be lacking any acceptable level of credibility." The response to this letter was disappointing, making only concession-

Weakened policies?

Research into the new 'performance standards' which will replace existing safeguard policies shows that—while offering some improvements—many policies will be weakened, for example:

Performance standard 1, social and environmental assessment:

No longer requires the obligations of the country under relevant international environmental treaties and agreements to be taken into account, and does not require a human rights impact assessment.

Performance standard 2, labour and working conditions:

No longer refers to ILO standards and international conventions with regard to forced labour and child labour.

Performance standard 5, land acquisition and involuntary resettlement:

May treat indigenous peoples with customary rights to land that are not recognised in domestic law as people without legally recognised claims to land.

Performance standard 7, indigenous peoples and natural resource dependent communities:

Most notably fails to adopt the internationally accepted standard of 'free, prior and informed consent'.

IFC safeguard policies review

www.ifc.org/ifcext/policyreview.nsf/Content/SafeguardPoliciesUpdate

ary changes to the consultation process, notably the scheduling of additional one-day consultations.

This has resulted in boycotts by many NGOs, social movements and people's organisations of consultations in Rio de Janeiro, Washington DC,

Tokyo, Manila and London. Further boycotts are planned for future consultations including Istanbul, Nairobi, Johannesburg and Tunis.

At the Rio consultation at the end of September, many NGOs withdrew their participation in protest.

Less than 30 days before the first regional consultation was planned to take place in Brazil, the proposed draft documentation had still not been translated into all appropriate languages, including Portuguese. A civil society meeting which had been set up by the IFC in Washington during the World Bank/IMF annual meetings was boycotted by a large group of NGOs, who issued a statement: "To involve local affected people in the process requires more time, more outreach, more translation, more information and more engagement than IFC's current process will allow". A consultation in London on 1 November was attended by only one NGO. The consultation scheduled for 3 November in Berlin was cancelled.

Substantive criticisms

NGOs globally are calling for clear and enforceable rules for IFC lending and significant institutional reforms to guarantee due diligence, ensure effective implementation and improve accountability to affected communities and citizens. They are calling on the IFC to strengthen its social and environmental policies to ensure that multinational corporations respect fundamental international human rights, labour rights and environmental law as conditions for access to IFC loans (see box). ©

Civil society sign-on letter, September 2004, Global rights, rules and responsibilities

www.grrr-now.org/doc/ifcsigninletter16sept2004english.final.doc

Chad-Cameroon pipeline: Corruption and double standards

The Bank's claim that the Chad-Cameroon oil pipeline project proves that petro-dollars can benefit the poor is undermined by the claims of local communities and NGOs. They cite numerous examples of violations of social and environmental safeguards as a result of pipeline construction. The Bank has also come under fierce criticism for allowing Cameroon's government to remain opaque and unaccountable, whilst setting up measures for the careful management of Chad's revenues.

A recent report by NGOs from Chad, Cameroon and the US on the project illustrates the need for reforms in the functioning and mandate of the Inspection Panel. It also reveals in detail how safeguards were violated during project construction. In 2001 Chadian groups submitted a claim to the Inspection Panel, focussing on the policies of environmental assessment, involuntary resettlement, natural habitats and poverty reduction. In 2002, groups from Cameroon filed a claim addressing: the situation of the indigenous Bakola

people; degradation of water sources; the denial of workers' rights; and lack of compliance with the compensation plan.

The pipeline, which runs from Chad's southern oil fields in Doba to the Cameroonian Atlantic port of Kribi is financed by a consortium of ExxonMobil, Chevron Texaco and Petronas. The Bank contributes a mere 4 per cent, essential as political risk insurance. Oil production began in June 2003 and Chad received its first revenues in July 2004. An oversight committee was set up by the Bank in response to NGO pressure to ensure that revenues gained from the project are being spent on poverty alleviation. The IFC recently announced that it would deploy a permanent staff of up to six people to Chad, to ensure that: "the money which will flow back to the government is going to be used in the most efficient way".

Yet the beneficial effects of Chad's new revenues have yet to be felt. The International Advisory Group (IAG), which monitors implementation of the social and environmental

safeguard policies of the World Bank in Chad and Cameroon, concluded during a visit in May 2004 that the country's capacity to manage its oil revenue was inadequate. "The World Bank must share responsibility with the government for having allowed funds for the capacity-building projects to be used for often unproductive studies and construction projects, with serious consequences in terms of Chad's lack of training and preparedness."

Comparable checks on revenue investment and safeguards have not been imposed on Cameroon despite its low poverty ranking and poor human rights record. The Bank states that it did not impose conditions on Cameroon because Cameroon's income from the project is smaller—"it's a Chad project... they are Chad oil revenues" said Emmanuel Noubissie Ngankam, Bank operations officer in Cameroon. The IAG reported that the regulatory

World Bank must share responsibility

framework to guarantee safe implementation of oil activities while providing environmental protection, as well as health services for the populations adjacent to the pipelines were still behind schedule in Cameroon.

Rashad Kaldany, director of the bank's oil, gas, mining and chemicals department recently announced that the Bank will increase its investment in mining projects in developing countries, with plans to get involved in projects at an earlier stage to ensure better practices and less corruption. He claimed he would use increased investments—expected to rise from about \$107 million in 2004 to \$150 million a year—to exert greater influence over environmental safeguards and more transparent book-keeping. ©

Access to justice from local village to global boardroom, Environmental Defense

www.environmentaldefense.org/documents/2134_chad-cameroon.pdf

West Africa gas pipeline pending approval despite resistance

The proposed West Africa gas pipeline (WAGP) would involve the construction of a 690 km transport system to pipe gas from the Western Niger Delta area of Nigeria, to Togo, Benin and Ghana. After funding initial feasibility studies for the pipeline in 1992, the World Bank is currently considering a guarantee for the project. Ownership and management of the pipeline would be split between the members of a consortium of companies lead by Chevron Texaco, and includes the Nigerian National Petroleum Corporation (NNPC) and Shell.

The project is expected to be approved by the Bank's board of directors before the end of 2004, in which case sponsors anticipate the pipeline will be operational by the end of 2006. The project is being promoted as a contributor to regional integration in light of the industrial development of the ECOWAS sub-region.

Civil society organisations in the region have raised concerns about the violence and instability in the oil and gas communities of the Niger Delta, and the sincerity of claims that the project will help reduce gas flaring. Transparency of decision-making and the accountability of the project sponsors are also issues, given that the West African Gas Pipeline Company is registered in Bermuda.

Nigerian NGO Environmental Rights Action (ERA) fears that the sourcing of gas could exacerbate violence in a region with a history of conflict between communities, the Nigerian government, and oil companies. Ghanaian NGOs have expressed concerns that such violence could jeopardize the security of the gas supply to Ghana and disturb the relations between the two

societies if Ghanaians are seen to be benefiting from a resource at the expense of Nigerians.

It is unclear exactly where gas for the pipeline will come from. Civil society groups are insisting that a clear and concrete plan to reduce flaring be put in place before the project proceeds. However, the World Bank's project information document maintains that the project will contribute to positive environmental impacts on both the upstream and downstream ends of the pipeline.

Doubts have also been raised about benefits to local communities. Villages, farmland and aquatic ecosystems will be seriously disrupted as a result of project construction. It remains unclear who will be the primary beneficiaries of gas transported through the WAGP and what percentage of the output will go to industrial, domestic use and export.

According to a press release by Friends of the Earth Nigeria/Environmental Rights Action, Nigerian communities who will be affected by the pipeline instituted an action at the Federal High Court in Lagos to challenge the project. They claim that the pipeline "is being implemented without respect for Nigerian laws and in total disregard of environmental and livelihood concerns of Nigerian communities".

A recent mission of Bank staff to the area concluded that the consultation process carried out with local communities was adequate, and also downplayed the pipeline's contribution to ending gas flaring. ©

WAGP page, Bank Information Center

www.bicusa.org/bicusa/issues/west_africa_gas_pipeline_project_nigeriabentogghana/index.php

IFC-funded goldmine shut down by local protest

Following two weeks of protests and road blocks that shut down the city of Cajamarca in September, Peruvian minister of energy and mines Jaime Quijandria Salmon withdrew the Newmont Mining Company's permit for mining on Mount Quilish. The Yanacocha gold mine, which is the largest in Latin America is operated by Newmont Mining Company and receives 5 per cent of its funding from the International Finance Corporation (IFC).

Community organisations consider the minister's announcement a major victory in their long struggle to protect the watersheds

at Mount Quilish. According

to a 2002 report by Project Underground, the mine has caused a number of devastating environmental and social problems ranging from severe water contamination and a major mercury spill, to an upsurge in prostitution, alcoholism and domestic violence.

In 2001 a complaint was filed to the Compliance Advisor Ombudsman (CAO) on behalf of a local farmers' group (see Update 30). It alleged "numerous egregious violations of IFC and World Bank social and environmental safeguard policies, most notably the mine's failure to consult with the affected community as part of the environmental impact assessment process and its refusal to recognise the peasant community as an indigenous people." Civil society groups were frustrated with the way in which the CAO, which pur-

ports to respond "quickly and effectively to complaints from affected communities" handled these complaints, largely limiting its actions to the establishment of a local dialogue process.

The withdrawal of the permit for mining has therefore been strongly welcomed by local communities. "This act makes history because the just demands of the people have been heard by the authorities" community organization GRUFIDES said.

Local people intend to resume their protest if Mount Quilish is not declared a mining-free area within

the next two months. The agreement signed by protest organisers and the minister of energy and mines states that Newmont will have to win the consent of the community if it wants to pursue its goal of mining on Mount Quilish.

It will also need to fund an independent hydrological study to determine what impacts mining would have on Cajamarca's water supply and water quality.

Jaime Quijandria has since ended his term as energy and mines minister in order to take a seat on the board of the World Bank as representative of Peru, Argentina, Chile, Bolivia, Paraguay and Uruguay. ©

CAO presentation on Community of Cajamarca and Minera Yanacocha

www.cao-ombudsman.org/pdfs/cao%20aba%2003-21-03.ppt

Yanacocha goldmine, Friends of the Earth
www.foei.org/jfi/yanacocha4.html

numerous egregious violations of IFC and World Bank social and environmental safeguard policies

Controversial Indian dam approved

In October the Bank's board approved a \$45 million loan from the International Finance Corporation (IFC), for the controversial Allain Duhangan hydropower project in the Indian Himalayas. Local people and Indian NGOs had called for the project to be delayed until numerous grievances were resolved. There are fears that the dam will divert essential water resources from drinking and farming. Villagers filed a formal complaint with the IFC's Compliance Advisor Ombudsman (CAO) in September. Two days prior to loan approval, the CAO decided that the villagers' complaint warranted an independent assessment of the project.

www.irn.org/programs/india/index.asp?id=041012.duhangan.html

NGOs to MIGA head: live up to mandate

NGOs sent a letter in September to Ms. Yukiko Omura, the new head of the Multilateral Investment Guarantee Agency (MIGA), which provides political risk insurance to private investors in developing countries. The letter outlined concerns about MIGA's continued failure to adequately target the poorest countries, insufficient transparency, weak environmental and social oversight, and failure to monitor the development impact of the projects it guarantees. Ms. Omura replied in mid-October affirming her "personal commitment to bring the agency closer to the rest of the World Bank Group".

www.foe.org/camps/intl/institutions/migaletter092404.pdf

Baku Ceyhan pipeline under scrutiny

The Baku-Tbilisi-Ceyhan (BTC) pipeline has come under renewed scrutiny just over one year after receiving an IFC loan in November 2003, worth \$300 million. UK Parliamentarians from the trade and industry committee cross-examined officials of the British export credit agency on issues of environmental and technical safety of the BTC pipeline. Throughout 2004 a number of press reports have exposed concerns raised by whistleblowers of major technical failings and cutting corners on costs. Campaigners had warned the IFC before its decision that the project violated its own mandatory standards on 173 counts.

UK trade and industry committee documents
www.publications.parliament.uk/pa/cm/cmtrind.htm

Irrigation project violates safeguards

Communities in the Sindh Valley in Pakistan have filed a claim with the Inspection Panel citing harmful effects of the \$285 million National Drainage Programme (NDP) on the indigenous Mallah community.

Complaints include: 30 deaths; forced displacement and involuntary re-settlement; loss of livelihoods caused by flooding; damage to crop and animal life; and environmental degradation through toxic effluents accumulation and disposal.

According to their letter "the affected people have been kept unaware of the project plans which have remained the business of bureaucrats and donors, failing to obtain informed consent or meaningful participation".

Bank, Fund annual meetings: the 'Mallaby effect'

The annual meetings drew to a close with little or no progress made on any of the substantive issues on the agenda. Long-time IFI watchers warned of a resurgence of the old ways of doing business at the Bank. Falling loan volumes are motivating a return to large-scale infrastructure lending, putting social and environmental safeguards under pressure, and threatening accountability to civil society. This larger trend has been nicknamed the 'Mallaby effect', after a *Washington Post* columnist who has just published a biography of Bank president James Wolfensohn.

In a September *Foreign Policy* article, Mallaby attacked NGOs for a lack of accountability and for driving up the costs of World Bank lending. The author reserves particular scorn for the work of the International Rivers Network (IRN)—the "Berkeley mafia" as he describes them—for their work against the Bujagali dam in Uganda: "by forcing the World Bank to pull out of sensitive projects, they cause these schemes to go ahead without the environmental safeguards that the Bank would have imposed on them."

Peter Bosshard of IRN has fired back that "as a result of his sloppy research and ideological bias", Mallaby's accusations are ill-informed. According to Bosshard, Mallaby overstates the financial costs of environmental and social safeguards, and neglects the fact that safeguards are the only mechanism that gives the poor a voice in Bank projects. On the Bujagali dam in Uganda, Bosshard says that Mallaby ignores the fact that "parliamentarians, civil society groups and academics opposed the dam because it was corrupt and excessively expensive".

The Mallaby arguments have resonated with many at the Bank who would like to see more money being pushed out the door with less hassle. During the annual meetings, pressure was placed on the Bank by middle-income countries to ramp up lending for infrastructure. The Development Committee stressed the need for the Bank and Fund to "increase the fiscal space for public infrastructure investment" and encouraged engagement at the regional and sub-national levels.

While the Mallaby camp has used the argument that environmental and social safeguards drive up the costs of doing business, there has been reluctance to address the failed economic policy conditions which many borrowing countries cite as the real reason for the unattractiveness of the Bank as a lender. In response to civil society lobbying

and a new UK position paper, the Bank has committed to review its "policy and practice on conditionality" and report back at the annual meetings in 2005 (see page 2).

Debt relief was the issue attracting most of the attention in the run-up to the meetings. Both the US and the UK had tabled proposals for 100 per cent multilateral debt cancellation. There was much discussion over a new framework to determine debt sustainability. But the meeting of the board of the IMF ended with the now-familiar commitment to "further consideration of outstanding issues in the proposed framework for debt sustainability and of further debt relief". There was no indication that any progress had been made on discussions surrounding the use of IMF gold to support debt cancellation.

The issue of increasing southern country participation in the structures and operations at the Bank and Fund continues to languish in the political hinterland. South African finance minister Trevor Manuel's 'roadmap' on these issues indicated that there was little consensus. The Development Committee "looks forward to receiving a report regarding the feasibility of these options" for the third year running.

Conjecture is intensifying over who will be the next World Bank president. Current president James Wolfensohn's second term expires in June 2005. He has committed to make his mind up in December whether he will seek a third term. Civil society groups are urging that any replacement be chosen by an open and meritocratic selection process regardless of nationality.

Some progress was made in October on the selection of senior staff, with the adoption of open selection processes for the managing director posts. Like the heads of the Bank and Fund, these posts have traditionally been filled through appointments made by the rich countries. Wolfensohn has formed a search committee to fill the posts on a competitive basis. The first tests of the new process will come with the departures of chief financial officer Jeffrey Goldstein and IFC head Peter Woicke. ©

Mission unaccomplished:

more reports, no new money

www.brettonwoodsproject.org/am2004

NGOs: Fighting poverty, hurting the poor, *Foreign Policy*

www.foreignpolicy.com/story/cms.php?story_id=2672

IRN responds to Sebastian Mallaby

www.irn.org/programs/finance/index.asp?id=sebastianmallaby/index.html

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Bankspeak of the Year, Resources 2004

Continuing a much-heralded tradition at the Bretton Woods Project, the first issue of 2005 will feature 'Bankspeak of the Year'—the most incomprehensible use of words in a Bank or Fund document or speech. Also, our list of recommended resources—the best of books, reports and articles written about the work of the Bank and Fund in 2004. Suggestions from readers for both features are very welcome.

Bankspeak of the Year 2003 award

www.brettonwoodsproject.org/bankspeak2003

Send suggestions to

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