

IMF strategic review: reform or be left behind

From the towering heights of its pre-Asian-crisis command over the global economy, the Fund has stumbled through failed crisis management, had major policy initiatives rejected, and been stared down by Argentina.

Now, with its balance sheet in jeopardy due to a lack of business and as a rising Asia's demands for reform become more emboldened (see *Update* 46), the Fund finds itself fighting a rearguard action to prevent its irrelevance. "The IMF has not been reformed", says Mark Weisbrot of the Center for Economic Policy Research, "but its power to shape economic policy has been enormously reduced".

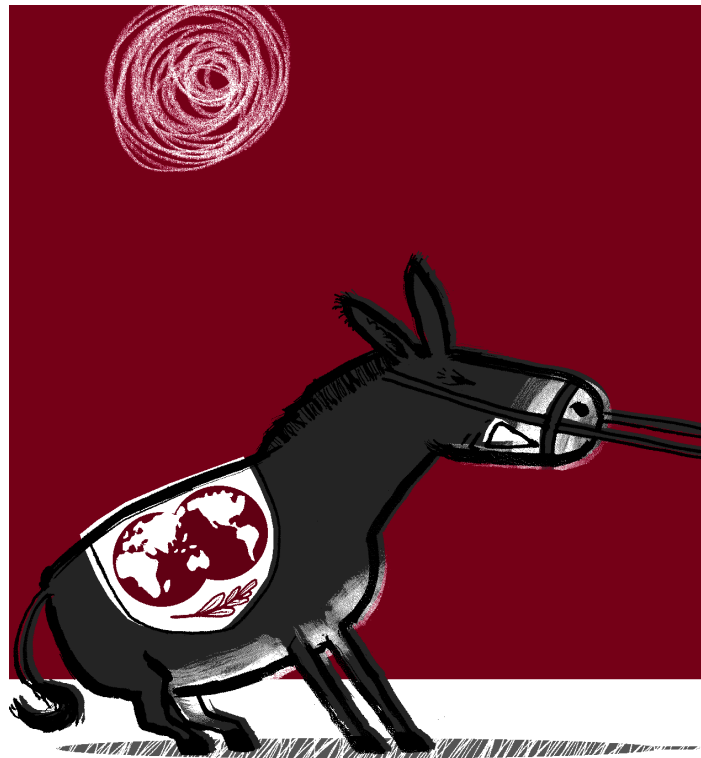
In this context, managing director Rodrigo de Rato commissioned a strategic review. Released at the annual meetings in September, the review is disappointing both in its overarching focus and in the breadth and depth of treatment of key points of contention.

According to the review, the Fund's *raison d'être* is to help its members "meet the challenges of globalisation". Rather than viewing globalisation as a process shaped by economic, political and cultural forces, the review states bluntly that globalisation is "a reality for countries to come to grips with".

Surveillance of who?

The review concludes that Fund surveillance needs "focus and country-context". It envisions a role for the Fund in facilitating global policy dialogue on issues such as current account imbalances; more systematic surveillance of regional developments; and a move away from "template questionnaires" in country-level surveillance efforts towards "continuous dialogue".

Missing from the discussion is the need for greater attention to the role played by the policies and institutions in rich countries in triggering financial crises. The G4 group of Belgium, Netherlands, Sweden and



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Switzerland, in its response to the review agreed: "surveillance of larger developed countries should include more analyses on aspects of global financial stability".

Crisis (mis)management?

Only brief mention is given to the need for a "review of the effectiveness of the Fund's instruments to facilitate crisis resolution". There is a call for a "second round of debate on the introduction of precautionary arrangements and a successor to the contingent credit line". There is no

mention of the urgent need to agree an orderly debt workout procedure.

More worrying is the description of capital account liberalisation (CAL) as "a reality, a part of globalisation". While the Fund will abandon attempts to include CAL as an explicit purpose of the organisation, it "must be in a position to advise on how best to manage the process." This comes in response to a review in June from the Independent Evaluation Office (IEO) of the Fund's handling of CAL. The IEO called on the Fund to assist authorities "when and

how to open the capital account", and provide a "gauge of the benefits, costs and risks".

There is by no means a consensus amongst economists that CAL is desirable at any pace. Former World Bank chief economist Joseph Stiglitz, in his briefing for the G24 at the WB-IMF annual meetings in September, concludes that there is "no theoretical basis for the contention that financial and capital market liberalisation will necessarily lead to greater economic efficiency and increased social welfare" and may, in fact, lead to "greater economic volatility and lower welfare." Yilmaz Akyüz, former director of UNCTAD's globalisation division, argues that what the Fund needs is guidelines for the circumstances where it should recommend the strengthening of capital controls.

What role in poor countries?

Of the Fund's role in low-income countries, the review recommends more focus, flexibility and emphasis on the MDGs. In future, staff papers will assess whether macroeconomic policies support the MDGs. This represents an important step forward in response to pressure from civil society organisations. In his chapter in a new book exploring the Fund's role in low-income countries, Matthew Martin of NGO Debt Relief International, urges the Fund to reverse its traditional logic of "designing programmes on the basis of inflation targets and availability of financing."

The review recommends making the Poverty Reduction and Growth Facility (PRGF) permanent. Joining it will be a new Policy Support Instrument (PSI)—a programme of policy advice for countries which do not need to borrow from the Fund, and a new facility for countries experiencing economic shocks (see page 2).

The review fails to address debates over the degree of concessionality of IMF funds, the adequacy of IMF resources to meet member countries' needs, or, most importantly, the urgent need for greater macroeconomic flexibility in its policy advice. Martin argues that the Fund's targets for inflation and deficit levels could be made more flex-

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Policy support instrument: helping hand or more thumbscrews?

In October, the IMF board approved the establishment of a Policy Support Instrument (PSI), a non-lending programme which will provide policy advice to poor countries and send a signal to donors and markets about the quality of a country's economic policies. Critics suspect the instrument is little more than a new way "to extend Fund domination".

Fund staff are to draw conditions of the PSI from the country's Poverty Reduction Strategy (only low-income countries will be eligible for the PSI initially). They will assess the implementation of the reforms twice a year, with the programme lasting from one to four years. If a country fails two consecutive assessments, the PSI will automatically be terminated.

Supporters of the PSI say that the new tool will prevent the IMF lending unnecessarily to countries which do not have balance of payments problems but where donors require an IMF programme to validate the country's policy framework. However, the 50 Years is Enough network has questioned the need for a new tool which they believe duplicates existing IMF programmes. Soren Ambrose suggests that the real targets of the PSI may ultimately be middle-income countries who have "mostly left the IMF behind but because of debt or the need to attract other creditors remain vulnerable to its coercion."

The first country to pilot the PSI will be Nigeria, where the new instrument was deemed an acceptable alternative to a full IMF programme in order to qualify for the recently-announced cancellation of \$20 billion in debts owed to the Paris Club group of creditors. The next coun-

try to take up the new instrument will be Uganda.

Along with the PSI, Fund staff have unveiled a new instrument to provide quick-disbursing funds to countries experiencing 'exogenous shocks' (such as a rise in oil prices or a sudden fall in the price of an important export commodity). This will be an additional financing window in the Poverty Reduction and Growth Facility (PRGF); for non-PRGF countries a stand-by window would be created from which countries could draw up to 50 per cent of their quota at concessional interest rates for one to two years.

Most analysts agree that the Fund needs to do a better job in responding in a timely manner to countries experiencing external shocks. However, the devil is in the detail.

When pressed at the annual meetings on the nature of conditions likely to be attached to the new facility, Fund staff replied only that "macroeconomic conditions are more likely than structural conditionality".

Professor Graham Bird argues that regular Fund programmes should include "shadow programmes" which "would allow the fundamentals of an agreed economic strategy to be protected from the consequences of short-term illiquidity" caused by a shock.

Details of the Fund shocks facility await completion of IMF debt cancellation. A final decision is expected end of November. ©

IMF board approves PSI

www.imf.org/external/np/sec/pn/2005/pn05145.htm

IMF adds a new tool to its bag of tricks

www.50years.org/cms/ejn/story/275

Parliamentary initiatives around the IFIs gather steam

Parliamentarians from Ghana, Indonesia, Malawi and Mexico were in Washington in September for the WB-IMF annual meetings to press the demands of the International Parliamentarians' Petition (IPP) for greater IFI accountability. MPs held meetings with executive directors from the Bank and Fund, civil society networks, the US Progressive Caucus and the G24.

Parliamentarians from Ghana and Indonesia were asked to leave the G24 meeting by the IMF's parliamentary liaison officer. The MPs were able to contact the G24 secretariat from outside the meeting room, whereupon a representative of the G24 escorted the two back into the meeting. Hon Mohammed Jagri of Ghana said, "It should beggar belief for the IMF to throw MPs out of a poor country ministers' meeting."

Signatures to the petition continue to flow in, and the secretariat is now making plans to move from its current host, the Bretton Woods Project, to one of the lead agencies on the steering committee from the global south. National launches of the IPP are planned to raise awareness and catalyse parliamentary interest in oversight of grants and loans and the implementation of IFI-funded reforms.

Parliamentary network inches towards independence

The Parliamentary Network on the World Bank (PNOWB), which claims nearly 1000 parliamentarians from 110 countries, has finally started to assert its independence from the World Bank. The organisation is now an independent NGO with its own staff, bank account and administrative system, with plans to move out of the Bank's Paris office.

The network held its annual meeting in Helsinki 21-23 October,

featuring workshops on debt relief, trade, climate change, aid effectiveness and IFI accountability, as well as sessions with the heads of the Bank, Fund and Wro.

Hetty Kovach, of Brussels-based network Eurodad, presented at the session on IFI accountability. Kovach reflected that, while leadership of the network appear willing to have space for critical voices, "more needs to happen to ensure more balanced views are aired in their sessions".

PNOWB members visited Ghana in July, talking with government officials, World Bank country officers and CSOs. Support for the field visits comes from the Finnish government. Field visits to Rwanda, Kenya, Laos and the Chad-Cameroon pipeline have been scheduled for late 2005 and early 2006. Future plans for the network include the development of a resource guide on best practices for parliamentary involvement in WB activities, and negotiations to secure an observer position on the WB-IMF development committee.

Latin MPs' network

At a seminar in November in Argentina, a group of parliamentarians met and launched a network to focus on expanding the role of legislators in negotiating trade and financial agreements. Representatives of labour unions and NGOs also attended the event, sponsored by Public Services International, INESC Brazil, and the Institute for Policy Studies. The new network agreed that an independent tribunal must address the debt issue for each Latin American country. ©

International Parliamentarians Petition

www.ippinfo.org/

Parliamentary Network on the World Bank

www.pnowb.org

UK parliament hearings on WB, IMF

The UK all-party committee on international development held its evidence session on the annual meetings of the World Bank and IMF in October, with evidence heard from the Bretton Woods Project and the Rainforest Foundation, secretary of state for international development Hilary Benn, and representatives of the Treasury. MPs initiated a lively discussion on issues including conditionality, infrastructure, parliamentary accountability, democratisation of the IFIs, and the World Bank's work on forestry and mining in the Democratic Republic of Congo.

Transcript of the session

www.parliament.uk/parliamentary_committees/international_development.cfm

Mass exodus of Bank management

The past two months have seen a flood of World Bank management leaving the institution. Most senior amongst them was managing director Shengman Zhang, who is off to Citibank, where he will be joined by past president James Wolfensohn. Also reported on their way out the door are heavyweights Ian Johnson, vice president for environmentally and socially sustainable development; Geoffrey Lamb, vice president for concessional finance and global partnerships; Jemal-ud-din Kassum, vice president for East Asia and the Pacific; and Martin de Jong, director of the department for institutional integrity.

Wolfowitz Watch, Bank Information Center

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

IMF modifies disclosure policy

The IMF has taken steps to reduce the number of deletions made in the publicly disclosed versions of its key reports.

Since adopting its "voluntary but presumed" release policy in 2003, the numbers of country reports disclosed increased from 67 per cent to 77 per cent, although the disclosure rate remains about 60 per cent for developing countries. In one small step to encourage more publication, the Fund for the first time names the countries whose governments continue to veto the release of major IMF country reports.

The next board review of the disclosure policy will be in three years.

www.freedominfo.org/ifti/imf/20051006.htm

IEO to evaluate multilateral surveillance

In September, the Independent Evaluation Office (IEO) of the IMF released an issues paper for an evaluation of the Fund's multilateral surveillance.

The evaluation will look at outputs such as the World Economic Outlook. Evaluation criteria may include accuracy of analysis, relevance of issues to policymakers, candor and frankness of presentation, and timeliness of outputs.

The evaluation will be conducted through to the end of 2005. The report will be drafted by the end of the year and released to the public, following discussion by the board, in early 2006.

www.imf.org/External/NP/ieo/2005/ms/eng/092305.pdf

THE WORLD BANK and IMF are institutions of a highly debated reputation. Their programmes and policies have attracted a lot of scrutiny and debate from civil society groups especially in Latin America and Africa. Comparatively, their activities and interventions have not been as much discussed and debated in the Arab region. The Jubilee 2000 website lists fifty-seven countries which have campaigns for the cancellation of unpayable debt, yet only one country from the Middle East and North Africa (MENA) appears on this list: Jubilee Iraq was launched in March 2003 to fight against having the Iraqi people carry the burdens of debts that were accumulated throughout Saddam's rule.

Advocacy campaigns on debt cancellation and reform of the WB and IMF have not been seen in the Arab region. One of the major reasons could be the lack of democracy that restricts civil society participation, in addition to the lack of transparency and access to information. Moreover, advocacy and lobbying roles that civil society groups play in the Arab region are relatively limited. In general, these groups are still caught up in service provision roles and have not undertaken successful advocacy campaigns with the same impact. The unsuccessful outreach of global campaigns in the MENA region is due to the above-mentioned conditions. However, such potential campaigns could build up a popular momentum representing a challenging factor to inadequate economic models and policies being imposed on the region.

In this context, the WB and IMF held their 2003 annual meetings in the United Arab Emirates (UAE), where they did not expect to be faced by angry protestors and loud civil society lobby groups. In a speech after the closure of the meetings, UAE's minister of finance and industry highlighted the positive role that the IFIs have had on UAE development. He explained that "in line with IMF and World Bank recommendations, we (UAE government) have pursued a very active policy in terms of accountability and inclusiveness such that the IMF has acknowledged the UAE as one of the most transparent in the region." He explained that the Arab countries call for a greater role of the IFIs in

The Bank, the Fund and civil society in the Arab region

COMMENT

by Arab NGO Network for Development

increased debts, and higher unemployment levels. Policies of the IFIs have pushed privatisation of public sector institutions, which is blamed for higher unemployment levels, an increase in social tensions and threats to social stability. External debts of the Arab countries were estimated at around \$188 billion in 2004, rising from \$144 billion in 2000. Of these debts, the political will of the US alone led to the cancellation of \$7 billion owed by Egypt in return for its support in the 1991 Gulf War.

It is evident that there is no consensus over the impact of the IFIs' interventions. A study done in 2000 by the joint economic committee of the US Congress found a failure rate of 55–60 per cent for all Bank-sponsored projects. Development policies cannot be one-size-fits-all. They are directly linked to social structures, infrastructure capacities, and the nature of the economy, which vary between countries. Effective participation of various stakeholders in the identification of adequate national policies is essential. Policies advised by the IFIs cannot be based on the political whims of countries in control of the Bank or the Fund. It is necessary for civil society organisations in the Arab region to take upon themselves the responsibility for pushing for a more inclusive and transparent process of IFI intervention. They should start by raising essential points regarding the selection and timing of interventions, and the adequacy and alignment of these interventions with national policies and needs. They should also push for more space to participate in reflecting the needs and priorities of development in the Arab region, which should lead IFI projects instead of being led by political forces. It is important to realise that all civil society groups, whether working on development, human rights, women and gender issues, democratic change, or other areas, have a stake in this as long as they aim at a more just society. ©

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ible by greater emphasis on growth where it will not undermine stability and by allowing countries to propose alternative means of achieving targets.

However, there is no consensus that there is a role for the Fund in low-income countries at all. Akyüz argues that "there is no sound rationale for the Fund to be involved in development matters". He calls for the abolishment of the Poverty Reduction and Growth Facility, automatic access to funds for imbalances resulting from external shocks and an end to structural conditionality.

Governance: reform or perish

The review was notably silent on the issue of leadership selection. In contrast, the powerful G20 grouping,

at their annual meeting in China in October, made it clear that "the selection of senior management should be based on merit and ensure broad representation of all member countries."

On the question of the democratisation of the structures of the Fund, the G20 underscored the "critical importance of achieving concrete progress on quota reform by the next annual meetings in Singapore." The review conceded on the need for reform: options considered include the reallocation of existing quotas, an increase in the provision of basic votes and a reallocation of chairs on the board.

Lorenzo Bini Smaghi, former head of the European Parliament's sub-committee on the IMF, in an October hearing before the Commit-

tee on Economics and Monetary Affairs, asserted that the EU must find a solution to the crisis of legitimacy, "with a view to maximise its interests while at the same time preserving the legitimacy of the IMF." He shied away from calling for a single European seat, urging instead for "improved coordination and cooperation" to offset what he views as an inevitable decline in Europe's quota.

The European parliament is marshalling a response to the Fund strategic review, led by Benoit Hamon from the parliamentary committee on economic and monetary affairs. A hearing will be held end November to feed into the review.

A series of working groups have been formed to prepare follow-up issue papers for consideration by

the region through improved technical assistance, enhanced role of a regional office, and intensified role for the International Finance Corporation (the private sector arm of the WB group).

Yet on the other hand, the IFIs structural adjustment policies have been linked to failed development policies in many Arab countries,

increased debts, and higher unemployment levels. Policies of the IFIs have pushed privatisation of public sector institutions, which is blamed for higher unemployment levels, an increase in social tensions and threats to social stability. External debts of the Arab countries were estimated at around \$188 billion in 2004, rising from \$144 billion in 2000. Of these debts, the political will of the US alone led to the cancellation of \$7 billion owed by Egypt in return for its support in the 1991 Gulf War.

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the managing director end 2005 and early 2006. How and when the papers will go to the board and to the public is as yet undecided, however, any major changes have to be wrapped up in time for the spring meetings in April. ©

IMF strategic review

www.imf.org/external/np/omd/2005/eng/091505.pdf

G24 technical briefings

www.g24.org/XXITGM.htm

Helping the poor? The IMF and low-income countries, FONDAD

www.fondad.org/publications/helpingpoor/contents.htm

G20 statement on BWI reform

www.g20.org/news/uploadfile/G20_Statement_on_Reforming_BWIs_en_2.pdf

OED slates Bank development effectiveness

In October, the Operations Evaluation Department (OED) published a report summarising lessons from a number of recent evaluations; Bank management, in unusually strong language, has expressed “concerns about both the methodology OED used to reach its conclusions, and the conclusions themselves”.

The evaluation, entitled *Improving the World Bank's development effectiveness: What does evaluation show?* went through several rounds of fractious internal debate before its release. The report will be seen by many as a final assessment of the Wolfensohn era.

The evaluation highlights the Bank's rising costs of doing business. For every dollar of its administrative budget “the Bank disbursed \$13 in fiscal year 1995, but only \$9 in fiscal 2005”. In the past, Bank management has used this same observation to decry the costs of environmental and social safeguards. Rather than blaming safeguards however, the OED points to a general lack of focus in the Bank's work, especially in knowledge activities and global programmes: “Internal incentives—including the matrix structure—have led to a proliferation of activities”. Countries have expressed a desire for the Bank to provide “less generic knowledge and more help in finding solutions to their specific problems”, while the “Bank's strategy for global programmes is poorly defined” (see *Update 44*).

Management's response seethes: “It is unusual, to say the least, for an evaluation unit to imply that the Bank should measure effectiveness in this way [administrative costs per dollar of loans disbursed]”, arguing that rising costs are attributable to increased involvement in post-conflict countries and expanded leadership in global programmes.

One-third of programmes “unsatisfactory”

The evaluation shines a light on the disconnect between project performance and country outcomes, noting that while there has been a “steady improvement over the past decade in the ratings of the outcomes of Bank projects”, this “does not necessarily indicate improved development impact at the country level”. With one-third of country programmes rated unsatisfactory, “there is substantial room for improvement in the Bank's development effectiveness”. The evaluation recommends that, in order to improve its outcomes, the Bank should “carry out more robust risk analysis”, “set clear and meaningful triggers for its assistance” and “lend more prudently in turnaround situations”.

Management fired back that they do not agree with OED on its country programme rating methodology, saying that it “has never been clear to management which objectives OED rated”. Revealingly, management insisted that the Bank's assistance could be “fully satisfactory” when both a country's economy is deteriorating and the OED rates the country outcome as unsatisfactory.

Leverage produces lip service, not ownership

On the content of Bank-led reforms the OED notes that a “rush to privatise without adequate regulatory, prudential and incentive systems is a recipe for failure and for serious political and social consequences”. Privatisation and structural adjustment have been “plagued by over-optimism about political commitment and institutional capacity”. In its response, Bank management only went as far as to admit

that by the late 1990s it realised that “privatisation needed to respond to local conditions”.

“Privatisation”, say the evaluation's authors, “is a good example of an area where processes and procedures were often not adapted to the local context”. PRSPs are “supposed to be designed by countries”, yet “Washington has to sign off on these, which means clients see them as ways of accessing cash”. Bank documents still include the assumption that the Bank has high leverage in aid-dependent countries: “This is an illusion: leverage produces lip service, not country ownership”. Experience shows that the timing, sequencing and selection of reforms are crucial and these may be “better determined by a country's political dynamics than by outside advice”. ©

Improving the World Bank's development effectiveness: What does evaluation show?

www.worldbank.org/oed/development_effectiveness/

WDR on equity: Practice what you preach

Civil society organisations welcomed many of the findings of the latest instalment of the World Bank's World Development Report (WDR) on equity and development. However question marks remain over its historical amnesia and the likelihood that the Bank will practice what it preaches in this instance.

The Bank's flagship annual report which was published in September, is divided into three sections: part 1 considers the evidence on inequality of opportunity within and across countries; part 2 asks why equity matters; and part 3 asks how public action can level the playing field. Parts 1 and 2 of the report find that global inequalities continue to rise (if China and India are excluded), and that this is a bad thing for both the intrinsic unjustness it represents and because of the instrumental relationship between equity and development. David Woodward of the New Economics Foundation describes these findings as a “straight-faced recycling of arguments NGOs and others have been making to the Bank for decades”.

While the report recognises the role of historical injustices such as slavery and colonialism in exacerbating inequality, professor Sanjay Reddy of Columbia University is staggered by the authors' failure “to recognise that the policies recommended by the Bretton Woods Institutions may have been among the major reasons for the increases in relative inequality observed in countries in recent years”.

Part 3 addresses the more interesting question of the implications

of the findings in parts 1 and 2 for World Bank policy. The report's discussion of domestic policy actions to address inequity is divided into three broad areas: human capacities; justice, land and infrastructure; and markets and the macro-economy:

- the report includes detailed and even-handed discussions for improving early childhood development programmes, universal access to basic education and health coverage, and social protection;
- there is a call for the recognition of customary land rights and a concession that land sales are “generally not an avenue to expand access to the poor and may actually reduce it”;
- an innovative proposal is put forward for the creation of a “generic drug region” in which “inventors in developed countries make legally binding commitments not to enforce patent rights”;
- ICFU general secretary Guy Ryder says that “the fact that the report recognises the positive social and economic role of

trade unions, and advocates defending workers' rights, is an improvement.”

Finally, the report deals with the issue of equity in the global arena. Without a hint of irony, authors state that “more effective representation of poor countries in global institutions would help improve processes and may lead to more equitable rules.”

In his analysis of the WDR, Reddy concludes by returning to a long-standing critique of the WDR exercise: “the substantial resources expended each year in the production of the WDR could perhaps better be used by supporting independent competitive research institutes.” ©

World Development Reports

www.worldbank.org/wdr

Physician heal thyself! Jubilee Research

www.jubileeresearch.org/analysis/articles/worldbank280905.htm

WDR 2006: Brief review, Network IDEAS

www.networkideas.org/news/oct2005/news01_WDR_2006.htm

WDR 2007: Development and the next generation

The WDR 2007 will “seek to determine how economic policies can help young people during the crucial transition points to adulthood” including leaving school, staying healthy, entering the labour market, forming families, and becoming good citizens.

The report will be led by Philippino national Emmanuel Jimenez, sector director for human development for the East Asia region. Consultations were held in September/October online, in-country and with the Youth Development and Peace Network, a youth network established by the World Bank expressly for the purpose. An e-discussion will be held on the draft of the report to be released in March. The final report will be launched in September 2006.

World Development Reports www.worldbank.org/wdr

WDR team contact research@worldbank.org

Inside the institutions **HIV/AIDS and the World Bank**

The Bank states that as of the end of 2004, 39 million people worldwide were living with HIV/AIDS, of which more than 95 per cent were in low- and middle-income countries. Nearly two-thirds are in sub-Saharan Africa, and nearly one in five in South or Southeast Asia.

The World Bank has been carrying out efforts to prevent HIV/AIDS and mitigate its impact since the late 1980s. Most efforts have been over the last decade: only 9 free-standing AIDS projects and 22 with AIDS components of at least \$1 million have been completed. Nearly two-thirds of its global projects and commitments have been launched since 2000, the majority of which are accounted for in the Africa Multi-Country HIV/AIDS Programme (MAP). The Bank, now one of the main sources of funding for HIV, committed \$2.46 billion in credits, grants and loans to 62 low- and middle-income countries for 106 projects to prevent, treat and mitigate the impact of HIV/AIDS, as of June 2004. \$1 billion of this has so far been disbursed. The Bank is also a trustee of the Global Fund to Fight AIDS, Tuberculosis and Malaria, for which it currently holds \$2.2 billion in a trust fund.

There have been two phases to the Bank's response to HIV/AIDS, from 1986–1997, and 1998 onwards. The first phase was constrained externally by low demand for HIV/AIDS assistance from developing countries, and internally by the focus of the Bank's health sector leadership on health system reforms. Hence, investment in prevention was not prioritised. Even in 1997, the Bank's health, nutrition and population (HNP) strategy contained no discussion of the AIDS epidemic. Initiatives during this phase to provide approximately \$500 million in loans and credits for national AIDS programmes came largely from individual health staff rather than the Bank's HNP leadership or top-level management.

The transition to the second phase was marked by a number of events in 1996–97: the creation of the joint United Nations programme on HIV/AIDS (UNAIDS), of which the Bank is now one of eight co-sponsors, which influenced Bank management to act; the Bank's publication of a major research report highlighting AIDS as a development issue; and the development of effective anti-retroviral therapy.

Since 1998 HIV/AIDS strategies have been completed in nearly all geographic groupings of the Bank, and an additional \$2 billion has been committed to support national HIV/AIDS programmes in 55 countries at all stages of the epidemic. Roughly half of the new commitments since 1998 have been through more than two dozen projects of the MAP.

Africa Multi-Country HIV/AIDS Programme The Africa MAP, which started in 2000, signalled the start of a 10–15 year commitment by the Bank. Its projects, which are all still on-going, account for about two-thirds of the Bank's active HIV/AIDS projects globally. From September 2000 to June 2004, 29 country-level Africa MAP projects were approved, amounting to roughly \$1 billion in commitments, of which about \$255 million had been disbursed. The programme comes mainly from IDA grants or concessionary loans. Its objectives are to: scale up prevention, care, support and treatment programmes; and prepare countries to cope with the impact of those who develop AIDS over the next decade. The eligibility criteria for countries wishing to participate in the Africa MAP are as follows:

- Evidence of a strategic approach to HIV/AIDS, developed in a participatory manner;
- existence of a high-level multi-stakeholder HIV/AIDS coordinating body, including people living with AIDS;
- government commitment to quick implementation arrangements, including channelling grant funds directly to communities, civil society and the private sector; and
- agreement by the government to work with different agencies, especially civil society.

The MAP programme relies heavily on the technical and strategic guidance of each country's national and strategic plan. It also requires much stronger monitoring and evaluation than standard project supervision. ©

World Bank HIV/AIDS, World Bank www.worldbank.org/aids

Africa MAP www.worldbank.org/afr/aids/map.htm

Development effectiveness on HIV/AIDS uneven

A recent report by the Bank's Operations Evaluation Department (OED) analyses the Bank's current and historical work on HIV, assesses the development effectiveness of its country-level HIV/AIDS assistance against the counterfactual of no Bank assistance, and sets recommendations for the future. The study focuses on the evaluation of country-level assistance, given that the Bank has never adopted an institution-wide strategy for HIV/AIDS.

The report says the Bank's record on HIV is uneven, due to a slow response in the first phase. The Bank acknowledges that from 1986–1997, its own economic policies, in particular health sector reform suppressed demands from developing countries for the loans it was trying to make available for HIV/AIDS. Simon Wright, head of ActionAid UK's HIV/AIDS unit, says that "During this period, there was little systematic leadership for HIV and underinvestment in work with 'high-risk' and politically-sensitive populations, as previously identified in reports such as *Low Credit: A report on the World Bank's response to HIV in developing countries* from ActionAid in 2003".

The OED praises the Bank's more systematic approach since 1998. In particular the Africa MAP's emphasis on grants rather than loans has

been much more successful. For the future, it recognises the importance of capacity building through governments and the strengthening health systems as vital to HIV/AIDS responses. The OED also finds that mechanisms have been created to finance an AIDS response from civil society in many countries where they did not previously exist.

Overall, the OED found that in addition to increasing the resources for AIDS in many countries, the Bank has induced several governments to act earlier and in a more effective way than would otherwise have been the case. The main contribution of the Bank's country-level HIV/AIDS assistance relative to the counter-factual of no assistance has been to:

- expand political commitment to controlling the epidemic;
- enhance the efficiency of national AIDS programmes;
- help create/strengthen national and sub-national AIDS institutions, usually linked to high-level units in the ministry of health; and
- encourage governments to build the capacity of NGOs and involve them in the national response.

More negatively the report found that the capacity of civil society to design, implement and evaluate AIDS interventions was overestimated in many countries, as was political commitment; and many projects under-invested in prevention programmes for high-risk groups.

HIV/AIDS advocates point out that the report has glaringly failed to identify where continued WB and IMF loan conditions have severely suppressed health sector spending and limited the retention of qualified medical staff, as analysed in the 2005 report by ActionAid USA, *Changing Course: alternative approaches to achieve the MDGs and fight HIV/AIDS*. They also criticise the OED for failing to compare the effectiveness of the Bank's MAP programme with the Global Fund for AIDS Tuberculosis and Malaria.

Management reports

Bank management credits the OED with "a very useful overview", before proceeding to attack it. Asserting that the report "has failed to assess the major efforts management is making to address many of the concerns raised", criticism focuses on the OED's

coverage of the MAP, which it says presents "an unduly static picture". Management also claims that the report does not reflect the fact that the MAP programme has evolved considerably over the two years since the OED study began. It expresses disappointment that the report did not give more recognition to the Bank's global HIV/AIDS programme of action, of which an advance copy of the final draft was released in August. The programme of action describes the steps the Bank will take over the next three years, and is now said to be implementing many of the OED's recommendations. Lastly, management questions the report's methodology and evidence base, saying that OED conducted only one MAP project case study, that of Ethiopia. The Bank responds to specific OED recommendations in its management action record. ©

Improving the effectiveness of HIV/AIDS assistance

www.worldbank.org/oed/aids/?intcmp=5225824

Changing course, Action Aid

www.actionaidusa.org/pdf/Changing%20Course%20Report.pdf

Low credit, Action Aid

www.actionaid.org.uk/798/our_research.html

little leadership with high-risk populations

Bank's community development efforts ineffective, poorly monitored and unsustainable

The long-awaited evaluation of the Operations Evaluation Department (OED) on the effectiveness of World Bank support for community-based development (CBD) and community-driven development (CDD), which was postponed to allow for two rounds of debate at the board, was finally made public in October.

It concludes that there is "limited evidence" on the impacts of CBD/CDD projects in relation to community empowerment, poverty reduction and social capital.

This marks the first evaluation of the Bank's CDD/CBD work, which it claims to have been supporting for more than twenty-five years.

The report unearths inadequacies in the design of project monitoring and evaluation and a lack of systematic baseline data. It also reveals differing interpretations of key terms, notably 'empowerment', 'participation' and 'social capital' amongst the Bank, borrowing governments and communities. For instance, the government sees itself "in charge" of project implementation, while communities see their participation as a necessary requirement to attract limited donor resources.

Outcome ratings of Bank-supported CBD/CDD projects in the education transport, urban development and social protection sectors were generally better than those for non-CBD/CDD projects between 1994 and 2003. However, the rural development sector, with by far the largest CBD/CDD portfolio is a below-average performer, as are projects in the water supply, health and environment sectors.

The report criticises the Bank's often misguided assumption of causality between fulfilling quantitative and qualitative goals. Increased access to infrastructure, for exam-

ple, is insufficient if complementary inputs such as doctors and teachers are lacking. Moreover, activities supported by the Bank's CBD/CDD projects have been difficult to sustain after the Bank's departure, due to a lack of needed resources from the government and communities to ensure their operation and maintenance.

Fiduciary and safeguard compliance in CBD/CDD projects is difficult to ensure as "it is easier to monitor resource use and comply with safeguards in large bridges or a power plant, than on small sub-projects being implemented by hundreds of remote communities in scattered locations".

The Bank's actions to initiate empowerment through CBD/CDD projects alone are often insufficient, and can even be counter-productive if the better-off sections of the community gain more than the less-well-off, as was the case in the Andhra Pradesh forestry project.

Comments by the OED's advisory committee are less than flattering: Robert Chambers, of the Institute of Development Studies, Sussex, concludes that "the Bank may not be able to become more participatory, but unless it does it cannot expect the CBD/CDD it funds to be cost effective in empowering poor people". Norman Uphoff, director of the Cornell International Institute for Food, Agriculture and Development, challenges the Bank's term "community driven", given that the terms of such projects "were all unilaterally decided by Bank staff".

In its response, management questioned the review's "relevance, rigour and clarity". It attributed significant divergences to the OEDS "scope and methodology".

OED report

www.worldbank.org/oed/cbdcdd/

World Bank and climate change: power failure

In direct contrast to its newly-appointed leadership role to address climate change and finance renewable energy, a new report from Friends of the Earth (FOE) exposes the World Bank's failure to meet its own modest commitments to shift support away from dirty energy.

The report points out that as "the world's foremost multilateral development institution", the Bank could be "in a key position to drive policy and financing for clean, renewable energy and energy efficiency in developing countries". The report reveals that the Bank has failed to reach the commitment it made last year to increase its renewable energy financing by 20 per cent each year for the next five years, and has continued to pump massive amounts of low-interest loans into oil, gas and coal projects.

- In 2005 only 9 per cent of the Bank's energy financing went to renewable energy and energy efficiency projects;

- IFC and MIGA are not included in the Bank's 20 per cent target. The IFC devoted only 2 per cent of its total energy lending to renewables in fiscal year 2005;

- only 49 per cent of the money for the lending targets has come from the Bank's own funds, of which \$87 million was for just one project. Much has come from carbon finance funds and the Global Environmental Facility; and

- renewable energy and energy efficiency financing was uneven across regions e.g. three projects in China received \$145 million, 65 per cent of the Bank's renewable and energy efficiency funding.

The report concludes that more funding for renewable energy is needed and serious consideration should be given to appropriate international financing mechanisms for shifting energy investments to renewables.

The role of the Bank in creating an investment framework for clean energy and to tackle climate change was agreed at the G8 summit in Scotland in July. Talks at the World Bank annual meetings in September indicated that a proposed framework document may be available by spring 2006.

A communiqué from the high-level meeting in London on climate change in early November said that ministers would try to find ways to encourage the private sector to invest in low carbon technology with the help of the World Bank. Kathy Sierra, World Bank vice-president for environment and infrastructure said that the Bank is listening to ministers to see what will be needed to help economies move to a low carbon future.

Motion to end UK aid for oil

Following the publication of the UK NGO report *Pumping Poverty* (see Update 45) exploring the role of the UK's Department for International Development in facilitating oil development, an early day motion in June tabled in the UK parliament by MP Michael Meacher called on the government to phase out development aid for the oil industry which is channelled through international institutions like the World Bank. The motion has already gathered 101 signatures.

Power Failure

www.foe.org/camps/intl/cleanenergy/wbreport/index.html

London climate change meeting

www.number-10.gov.uk/output/Page8414.asp

UK early day motion, Plan B

www.planb/campaigns/edm407

World Bank loan at human rights tribunal

The Center for Human Rights and Environment (CEDHA) in Argentina recently filed parallel complaints to the IFC's Compliance Advisor Ombudsman (CAO) and to the Inter-American Commission on Human Rights (IACHR), on a US\$ 400 million pulp and paper mill project in Uruguay.

Complaints focus on violations of human rights law, a major international treaty on waterways, and the IFC's own safeguard policies. The CAO recently issued a critical assessment of the project and has proceeded to a formal audit, while the IACHR has requested information from the Uruguayan government on the alleged human rights violations.

www.cedha.org.ar/es/iniciativas/celulosa/

Guatemala mine: IFC response

The Compliance Advisor Ombudsman's (CAO) September 2005 assessment of Guatemala's Marlin mine was highly critical of the Guatemalan government, the company Glamis Gold and the IFC (see Update 48). IFC's Rashad Kaldany, responded to the assessment in October, claiming the IFC was already implementing the CAO's recommendations. A careful look at what the IFC has actually done reveals that it only makes clear mention of two out of a dozen recommendations in the CAO report.

www.cao-ombudsman.org/

Bank Information Center's analysis

www.bicusa.org/

Lao dam: obligations undermined?

A report by Can and Leader analyses the concession agreement for the Bank-supported Nam Theun 2 dam in Lao PDR (see Update 45), between the country's government and the Nam Theun 2 Power Company Limited (NTPC). The 25-year contract could seriously undermine the government's ability to meet its future obligations under international environmental and human rights law. If the government increases the cost of business by applying fresh law or regulations to the project, it may have to pay heavy financial compensation to private investors. Lao PDR may put off ratifying the International Covenant on Economic, Social and Cultural Rights until the end of the concession period.

www.irn.org/programs/mekong/namtheun.html

IFC safeguard review closes

As the IFC's final comment period on the revision of its safeguard and disclosure policies (see Updates 44, 45, 46) draws to an end, concerns raised by a multitude of stakeholders including civil society, export credit agencies, 'equator' banks, governments and other multilateral banks still abound. The final set of drafts have minimally addressed comments raised in earlier consultations, but numerous systematic flaws remain including on: human rights, environmental impact assessments, resettlement, and indigenous peoples. Requests for an extension to the review were turned down. IFC insist the process will conclude by end January.

www.grrr-now.org

World Bank anti-corruption: discourse versus practice

A new report from corruption watchdog Transparency International (TI) indicates that, despite improved efforts by the World Bank on corruption ahead of other regional development banks, there is still a striking inconsistency between the Bank's discourse and practice. An oil revenue agreement with Chad is the latest test.

The downside of the Bank's continued willingness to fund corrupt governments is exposed by Chadian government manoeuvres to get out of an anti-corruption agreement signed with the Bank.

The Bank's negligence in allowing corruption to happen in recipient countries was largely overlooked until former president James Wolfensohn introduced the "c-word" into Bank discourse. Anti-corruption is now supposed to be a key focus of the Bank's analysis and lending decisions.

In 2004 witnesses testified to the US Senate Foreign Relations Committee under the chairmanship of Richard Lugar, that borrowing-nation bureaucracies and crooked contractors have stolen over \$100 billion from the World Bank over the past five decades. Since then, a meeting of multi-lateral development bank (MDB) officials took place in Lon-

don in October 2005 to discuss common approaches to transparency and accountability. Most recently, in November 2005 a US bill was signed into law by President Bush, which contains a number of significant anti-corruption provisions in relation to the MDBs. Patricia Adams of Probe International welcomed the legislation and said that "the reforms in the bill would help reduce the endemic corruption that has plagued MDB projects, but only if implemented fully and effectively by the boards of the MDBs".

Susan Hawley, in TI's Global Corruption Report 2005, summarises the Bank's recent anti-corruption measures, including: the debarment of companies found guilty of fraud and corruption; stricter procurement guidelines; and improved financial oversight. However, Hawley points out that many of the large infra-

structure projects round the world that have been plagued by corruption allegations were backed either by an MDB bank or an export credit agency, such as the Bank-backed Lesotho Highlands Water Project, where Canadian company Acres International was debarred by the Bank but only two years after it was found guilty of corruption by Lesotho courts (see *Update* 41). The Bank's recent re-prioritisation of infrastructure (from \$5.4 billion in 2003, to \$7 billion by 2005, see *Update* 48) presents a further challenge to corruption prevention.

Hawley attributes high levels of corruption in Bank-backed projects to: lack of due diligence; legal immunity and the absence of accountability mechanisms; inadequate economic, environmental and social risk assessment; the pressure on the institution to lend; weak internal controls at the

Bank in the supervision and auditing of projects; lack of safe channels for whistleblowers; and a 'no fail' culture of internal and project evaluations. Many of Hawley's findings are echoed by Bruce Rich, of Environmental Defense, who outlines how corruption is hampering international efforts to achieve environmentally sustainable development and attributes much of the negligence by IFIs to the "pressure to lend" and the "culture of loan approval".

Chad: between a rock and a pipeline?

The World Bank may be forced to withdraw from its investment in Chad's high-profile oil pipeline following government threats to change the Bank-backed Petroleum Revenue Management Law, which safeguards oil profits for future generations.

The Bank's decision last year to fund the \$3.7 billion 1,000 km pipeline, developed by an Exxon Mobil-led consortium to take crude to market through Cameroon, was strongly criticised by civil society groups who warned that Chad was marred by corruption, political instability and human rights abuses (see *Update* 43, 47). TI ranks the country as one of the world's most corrupt. Friends of the Earth forewarned: "Once the money is flowing, the unholy trinity of oil, power and corruption will make corrective action difficult".

This poses a major setback for the Bank's biggest investment in Africa, which it touts as a test case to show that petro-dollars can benefit the poor. In an agreement between the Bank and the government, ten per cent of the oil revenues were being saved for future generations and 80 per cent of the remaining revenues were earmarked for poverty reduction programmes for today's population. Chad now wants to scrap this agreement, claiming that the country is not reaping the rewards from the oil project and is struggling to pay salaries and pensions. It also argues that the increased security costs related to the conflict in neighbouring Sudan's Darfur region have placed heavy demands on the budget.

The Bank has urged the government to address "grave weaknesses in public financial management" in order to protect the goals of the oil revenue management scheme. ©

US bill containing MDB reforms

🔗 lugar.senate.gov/pressapp/record.cfm?id=248759

Bruce Rich Bank Heist

🔗 www.odiousdebts.org/odiousdebts/publications/BankHeist.pdf

Global Corruption Report, 2005, TI

🔗 www.globalcorruptionreport.org/

WB governance and anti-corruption

🔗 www.worldbank.org/wbi/governance

UN says Bank and Fund "bound by international law"

Bold statements made by the UN special rapporteur on the right to food argue that international law is binding on organisations such as the World Bank, IMF and WTO. In his September interim report to the UN General Assembly, Jean Ziegler analyses the negative impacts of the policies of the World Bank and IMF on the human rights of vulnerable populations in the south. Given that the power of nation-states is often "eclipsed by other actors", the traditional boundaries of human rights to regulate the power of other international actors such as the BWIs should be extended, and systematically elaborated.

Ziegler analyses the current crisis in Niger (see *Update* 47), which he attributes in part to the market-based paradigm imposed by the World Bank and IMF, including cost-recovery policies in health centres, and the privatisation of public services. Ziegler also refers to large projects that have resulted in human rights violations stemming from forced displacement. For instance, the Kedung Ombo dam in Indonesia led to 12,000 people losing their land and livelihoods; while the Bank's internal Inspection Panel recommendations for compensation

and rehabilitation of those affected by a coal-mine in Jharkhand, India, were largely ignored.

The analysis is also extended to the far-reaching impacts of structural adjustment and PRSPs, which "far from improving food security for the most vulnerable, have often resulted in a deterioration of food security among the poorest". He uses case studies in Zambia and India to illustrate how such WB/IMF-imposed measures to drastically cut public spending, liberalise trade, and 'flexibilise' land, labour and financial markets has violated economic, social and cultural rights.

The report challenges the Bank and Fund's denial of their human rights responsibilities, including the claim that they are restricted by their articles of agreement. The Bank and Fund's claim that they are organisations not states overlooks the widely recognised view that human rights find their source not only in treaties, but also in customary law. The obligation to realise the right to adequate food has become part of customary international law, given the almost universal ratification of treaties that contain it. Furthermore most member states of these institutions have

ratified at least one human rights treaty in which the right to food is contained.

With power must come responsibility

Ziegler suggests that in order to fully comply with their obligations under the right to food, international organisations must "respect, protect and support the fulfilment of the right to food by their member states". He concludes that the Bank and Fund should at least recognise their minimum obligation to refrain from promoting policies or projects that negatively impact the right to food, particularly where no social safety nets are implemented. Lastly, they should also recognise positive obligations by ensuring that those they support and sponsor do not violate the right to food in the implementation of common projects, and by supporting governments in the fulfilment of the right to food. ©

UN special rapporteur on the right to food

🔗 www.righttofood.org

Overview of key UN special rapporteurs on economic, social and cultural rights

🔗 www.escr-net.org/ConferenceDocs/UNSpecialRapporteursESCR.doc

IFI 'aid for trade' carrot ahead of Hong Kong trade summit

Official hyperbole reached fever pitch last month with Bank president Paul Wolfowitz saying that a deal in Hong Kong would mean "the difference between a healthy life or an early death from a preventable disease" for tens of millions. The World Bank predicted two years ago that a global trade accord would be worth as much as \$500 billion to the economy. However, EU and US resistance to cuts in agriculture subsidies, has led Uri Dadush, the Bank's trade director, to tone down official exuberance: "Let's say all we're talking about in the current context is a gain of \$20-\$30 billion for developing countries."

Even such modest predictions are contradicted by research from UK NGO Christian Aid, which found that IFI-induced trade liberalisation has cost sub-Saharan Africa \$272 billion over the past 20 years: "Had they not been forced to liberalise as the price of aid, loans and debt relief, sub-Saharan African countries would have had enough extra income to wipe out their debts and have sufficient left over to pay for every child to be vaccinated and go to school."

Sweetening the deal

In a joint WB-IMF paper for the annual meetings in September, entitled *Doha Development Agenda and Aid for Trade*, authors laid out the elements of the Bank and Fund 'aid for trade' package:

- World Bank lending for trade will increase from \$1.4 billion in FY 01-03 to \$3 billion in FY 04-06;
- The Integrated Framework for trade-related technical assistance will be increased from \$30 million to \$400 million, with a new window for financing activities identified in diagnostic studies;
- a proposal for a dedicated fund to provide financing for regional projects; and
- "Strengthened assessment of adjustment needs". However, Bank and Fund staff expressed "serious misgivings" about the desirability of a separate fund to address adjustment given the "availability of existing mechanisms".

Dipak Patel, the Zambian trade minister who co-ordinates the least-developed countries in the World Trade Organisation was unimpressed: "This aid for trade package is totally insufficient as a carrot being offered to least developed countries. This amounts to at most

\$2 million per country per year for technical assistance, capacity building and assistance in project preparation."

Aldo Caliori of US NGO Center of Concern was sceptical about the benefits of increasing funding for the Integrated Framework when two independent evaluations have pointed to many problems in design and implementation: "Instead of temporarily halting its operations to rethink what went wrong, the 'aid for trade' proposal would expand it." A working group of international trade NGOs have drafted a series of principles which must be upheld in any trade-related technical assistance.

Caliario also expressed concern about an increased role for the IFIs in evaluating adjustment losses attributable to trade liberalisation: "those familiar with the Fund's tendency to be overly optimistic about growth and debt sustainability projections in the past know there are good reasons why poor countries should think twice before giving the Fund a role as arbiter in determining the size of trade losses warranting compensation."

Trade campaigners are concerned that 'aid for trade' will be seen as a sop when better trade conditions, respect for policy space and preferential treatment are what developing countries really need. As a glaring example, the US department of agriculture's 'aid package' for West African cotton producers provides \$7 million to compensate for the effects of \$17 billion in subsidies to US cotton farmers. While the financial commitments of donors cannot be enforced, the obligations developing countries are asked to undertake in exchange, once adopted, cannot be signed away. ©

Doha development agenda and aid for trade
[www.siteresources.worldbank.org/DEVCOMMINT/Documentation/20651864/DC2005-0016\(E\)-Trade.pdf](http://www.siteresources.worldbank.org/DEVCOMMINT/Documentation/20651864/DC2005-0016(E)-Trade.pdf)

The economics of failure: The real cost of 'free' trade, Christian Aid
www.christianaid.org.uk/indepth/506liberalisation/index.htm

Business as usual: The World Bank, the IMF and the liberalisation agenda, Christian Aid
www.christian-aid.org.uk/indepth/509condition/conditionality_report.pdf

The economics of failure: The real cost of 'free trade', Christian Aid
www.christianaid.org.uk/indepth/506liberalisation/index.htm

trade liberalisation has cost Africa \$272 billion

Your support for the Project is crucial

Response to last year's appeal demonstrated that the demand and support for our work in scrutinising the World Bank and the IMF—the two most influential bodies in international development—continues to rise.

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Job opening with the Project

The Project is hiring for the post of policy and advocacy officer. The main tasks are to research and produce materials on a number of key policy areas, with an emphasis on the roles played by the IMF. The post will also involve strengthening regional networks of IFI monitors and lobbying the UK government. Applicants need knowledge of the IFIs, experience in writing on global policy issues and working with NGO networks.

- Location: London
- Starting salary: approx £27,000
- Application deadline: 2 December 2005

www.brettonwoodsproject.org/jobs

Bankspeak of the year, Resources 2005

Continuing a much-heralded tradition at the Bretton Woods Project, the first issue of 2006 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 2005. Suggestions from readers for both features are very welcome.

www.brettonwoodsproject.org/bankspeak2004

Send your suggestions to:

info@brettonwoodsproject.org



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