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BRETTON WOODS UPDATE

A digest of information and action on the World Bank and IMF
January-March 1998

IMF criticism grows as S. E. Asia Crisis Worsens

Doubts about the IMF's capacity to deal with international currency problems are mounting as the South East Asian crisis worsens despite the IMF's bail-out efforts. South Korea and Indonesia may still default even though they have received financial packages worth \$57bn and \$40bn respectively (Thailand's package is worth \$17.2bn).

In the region unemployment has begun to rise and incomes fall. Migrant workers are especially vulnerable and many are being forced back to their homelands. People in Indonesia, Burma and the Philippines who benefit substantially from the wages migrant workers send home, are particularly likely to suffer.

The IMF's handling of the crisis has come under widespread attack from both left and right wing commentators, including the mainstream media. They are critical of the IMF for imposing its orthodox policy prescriptions (control on government spending and higher taxes, higher interest rates, and liberalised markets and fewer state controls) on countries which are not suffering from excessive government spending or inflation, but from profligate financiers who have cared little for the riskiness of their loans. Analysts have warned that these policies will stifle the economies. Joseph Stiglitz, chief economist at the World Bank, rebuked the IMF saying,

"you don't want to push these countries into severe recession, one ought to focus on things that caused the crisis, not on things that make it more difficult to deal with". Credit controls and high interest rates are causing severe problems for small and large businesses. Mr Supachai Panitchpakdi, Deputy Prime Minister of Thailand, remarked that "the deflationary effect was stronger than the IMF predicted." Martin Wolf in the *Financial Times*, described the IMF's policy prescriptions as "little more scientific than for a doctor to bleed his patients." Others have criticised the IMF of failing to view the problems and needed solutions from a region-wide perspective.

An internal report of the IMF's handling of the crisis in Indonesia leaked to the press, admitted that the IMF's policy to close down the worst financial institutions in the country had in fact worsened rather than stabilised the situation. Nor have the Fund's other packages and programmes fared better. A week after signing the largest ever rescue package, the South Korean won fell nearly 30% against the dollar, and following the IMF's failure to restore confidence both the Thai and South Korean governments called for revisions to their programmes.

The impartiality of the IMF's advice has been called into question by some in Asia who see its programmes as an extension of the United States' foreign and economic policies. There have also been claims of double standards as Korean and Indonesian authorities are prevented by the IMF from bailing out their troubled financial institutions and corporations whilst international investors benefit from the IMF's packages and are making the most of the opportunity to buy Asian assets cheaply. Harvard economist Jeffrey Sachs, writing in the *Financial Times*, echoed many NGO critics when he argued that the IMF "is invested with too much power:

no single agency should have responsibility for economic policy in half the developing world", he called for more consultation with outside experts, and greater transparency at the IMF to facilitate wider professional debate and review of IMF policy prescriptions.

Bank Fears Social Crises

The World Bank fears the financial downturn will lead to social problems. Javad Shirazi, World Bank regional manager for East Asia, said "the risk is that this crisis could prove prolonged and deep, if that is the case the poor are going to be hurt very seriously." To try to alleviate the worst of these negative effects, which could create political pressure for governments to abandon the IMF's reform packages, the Bank is providing new loans for safety-net programmes as well as loans for financial sector and banking reforms:

- Although South Korea "graduated" from the Bank in 1994, it has received \$3bn of a package worth up to \$10bn;
- Indonesia will receive \$4.5bn over 3 years, of which \$2bn was released immediately for balance of payments support. \$500m is for safety nets;
- A \$300m loan to Thailand will establish a social investment fund and a \$350m loan will support financial sector reforms.

The US\$3bn loan to Korea was the largest ever provided by the Bank. It will be repaid at higher than normal interest rates and over a shorter time period, and is thus very profitable for the Bank. The loan was agreed and disbursed extremely quickly in support of the IMF's rescue package. "We feel it is very important to step in to try to limit the economic domino effect," commented Vice President Mark Malloch Brown. This brings into question the distinction between the Bank and the IMF and how the Bank should prioritise the use of its resources.

Articles and IMF briefings available from the Bretton Woods Project.

Newsletter of the Bretton Woods Project – established by 25 UK NGOs to further their work on World Bank and IMF issues.
Contact: Alex Wilks/Angela Wood, PO Box 100, London SE1 7RT, Tel: +44(0)171 523 2170, Fax: 0171 620 0719, E-m: bwref@gn.apc.org
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Aiding banks or people?

The IMF's interventions have again raised discussions of who bears the burden of financial crises. A December report by the Institute for International Finance found that financiers returned to their old lending habits following the IMF's bailout of the Mexican economy in 1994. This suggests that financiers may ignore certain risk factors because they assume they will be bailed out in the event of an emergency. Analysts are arguing that the IMF must do more to prevent crises, in particular, by imposing more discipline on creditors and reducing the bailout they receive. Some commentators have again suggested a Tobin Tax on speculative capital flows. Financier George Soros however, argues that the IMF is preserving an international lending system that is "fundamentally flawed". He argues that the private sector is ill-suited to allocate international credit because it either provides too little or too much; it has insufficient information to form balanced judgements; its goals are to maximise profits and minimise risks, not maintain macroeconomic balance, and therefore it moves in a herd-like fashion. He is calling for the establishment of an International Credit Insurance Corporation*, as a sister institution to the IMF, to supervise international capital movements and regulate credit to achieve macroeconomic balance. It would ensure that burdens are shared more fairly by guaranteeing international loans for a modest fee, with some limit set on the amounts it would insure. Beyond these amounts creditors would not be insured and would be expected to bear all risks themselves.

* For more details see: *Financial Times*, 31/12/97.

US NGOs battle to stop quota funds

The 50 Years is Enough alliance of NGOs took to Washington's streets in January to protest about US funding for the IMF and its bailout of the Asian economies.

Several US NGOs led by Friends of the Earth US, have formed an alliance with left and right wing Congressional representatives to try to stop the US government from fast-tracking the approval of up to \$15 billion for an

increase in IMF quotas and \$3.5bn for the New Arrangements to Borrow without full congressional debate. The NGOs are concerned that more money should not be handed to the IMF without requiring it to take action on social and environmental issues. "The right and left are up in arms over the IMF, and working together," said Marijke Torfs, Friends of the Earth. In addition to opposing IMF funding one congressional representative has said that he will propose legislation to change the way the IMF is funded. He is proposing that fees should be imposed on certain transactions by international banks and other financial institutions to fund IMF programmes.

Quotas are cash pledges made by member governments which the IMF uses to fund its lending activities. A 45% quota increase was formally agreed by the Executive Board in January, but it may fall apart if the US government fails to secure its resources for the increase. The new agreement will raise IMF resources from \$200bn to \$290bn - far less than the doubling of resources requested by Michel Camdessus, Managing Director of the Fund. The recent loans to South Korea, Thailand and Indonesia, have consumed nearly half of the IMF's resources and it could find itself with insufficient resources to deal with future large scale crises. Quotas govern how much a country can borrow from the IMF and the voting rights of each country. Normally a member can only borrow up to the value of its quota in any one year. Thus, an increase in quotas would enable countries to borrow more. However, these rules have already been broken: the IMF's loans to South Korea, Thailand and Indonesia as part each rescue package amounted to nearly 2,000%, 400% and 500% of each country's quota respectively.

£3bn sought from UK

The UK government will provide nearly £3bn to the new IMF quotas. The funds would be taken from Bank of England reserves and would not require a parliamentary vote. NGOs have written to the Chancellor, Gordon Brown, raising concerns about the G8's plans to extend the powers of the IMF.

☞ More information from the BWP.

IMF creates new loans to help with financial crises

The IMF has established the Supplemental Reserve Facility (SRF) to provide extra resources to countries with balance of payments problems caused by rapid capital outflows such as those experienced in South East Asia. South Korea is the first country to have received loans from it. SRF funds will be made available to supplement the Fund's usual loans. Access to the SRF's resources will not be subject to the value of a country's quota but will be decided by the IMF, allowing it to lend larger amounts than usual. The loans are for 1 year, after which they must be repaid within eighteen months. They bear a higher rate of interest than the average charged for IMF loans.

Nicaraguan civil society fear delay in debt process

Nicaraguan civil society organisations (CSOs) fear Nicaragua will not qualify for the HIPC Debt Initiative before the population has suffered further. To qualify Nicaragua must complete a 3-year ESAF programme with the IMF, but the government was unable to comply with many of the conditions in its previous ESAF programme and there is no consensus about the design of, and compliance with, the latest IMF-designed programme. The CSOs believe that compliance with a new ESAF "would subject the country to additional social tensions of serious consequences for the country". Much of the population are already suffering from underemployment and rising living costs. The debt burden is hampering adjustment efforts and forcing the government to impose even harsher measures.

The CSOs are calling for the ESAF programme to be developed with the participation of the country's main social and economic actors, and for the government to make firm commitments to establishing safety-net programmes. They hope to press their concerns on the World Bank and IMF at April's consultative group meeting in Geneva..

☞ A copy of the platform is available from CRIES; tel:505-222-5217, fax:505-268-1565, email: <zambrana@vicarao.org.nc>.

Good Governance for BWIs

The IMF and World Bank should reform their constitutional rules and decision-making procedures and practices if they are to achieve the standard of good governance they themselves have defined for borrowing members. This is the finding of a report commissioned for the G24 Southern governments. The report also points to the need to:

- redraw quotas;
- reform voting systems;
- ensure that operational decisions are made in an open and recorded way (ie, not by Board consensus); and
- ensure that clear and impartial rules govern the use of special majorities.

The study endorses the G24's concern that the predominance of white Americans and Europeans in the BWI staff leads the institutions to adopt a narrow, predominately anglo-saxon approach rather than a genuinely "universal" approach. It advocates "the full involvement of the membership in the definition of problems (and solutions) that the institutions need to address." Developing countries need to focus and deploy research and lobbying resources more carefully to make a strong case for policies they favour.

✉ * Ngairé Woods, 1997, *Governance in International Organizations: the Case for Reform in the Bretton Woods Institutions*, prepared for the G24 Technical Group. Available from BWP.

G24 should build bridges with Southern NGOs

A recent paper argues that Southern governments should foster and expand democratic dialogue with NGOs in their countries. This is the conclusion of a report commissioned by the G24 examining the role of NGOs working on international financial issues.

The paper describes the nature and the motivations of Northern and Southern NGOs and the forces that are bringing them to work more closely together. The report looks at key issues NGOs have campaigned on, assessing the orientation and motivations of Northern (especially Washington-based) operational and advocacy NGOs. The paper recommends that G24 governments should:

- build bridges with NGOs in their own countries to build ownership and consensus around policy positions; and

- pro-actively support NGO alliances which advance NGO and government development objectives in international, regional, and national arenas.

✉ Nancy Alexander and Charles Abugre, 1997, *NGOs and the International Monetary and Financial System*. Contact: Nancy Alexander; tel: 001-301-608-2400; fax: 001-301-608-2401; E-m: <bankwatch@igc.apc.org>.

Mozambican groups criticise CAS consultation

Civil society organisations in Mozambique have reacted angrily to the lack of civil society participation in the preparation of the Bank's latest Country Assistance Strategy (CAS). In a statement to Phylis Pomerantz, the Bank's Country Director for the country, the Mozambique Debt Group (a coalition of non-governmental organisations, church groups, unions, cooperatives and individuals) said the exclusion of Mozambican civil society from consultation on the 1997 CAS was ironic "given that one of the three principal aims of the 1997 CAS is to foster "partnerships for Mozambique's development", including "stronger partnerships with civil society". Among other concerns they also stressed that:

- representatives of foreign governments in Mozambique received advance copies of the 1997 CAS for comment but Mozambican NGOs were denied access;
- while there was an attempt during 1997 to consult local organisations on the 1995 CAS, there was no systematic attempt to explain whether its results were integrated into the formulation of the 1997 CAS, or to highlight areas of divergence between the Bank's position and local feedback; and
- the Bank was threatening that a delay to the CAS would delay Mozambique's progress through the HIPC debt process.

The coalition called on the Bank to demonstrate their good faith and commitment to consultation by taking the following measures:

- the various documents prepared by the BWIs on the situation and policies to be implemented in Mozambique should be made public; and
- the World Bank should release the 1997 CAS in Portuguese, and distribute the Country Assistance Review (an examination of the Bank's involvement in Mozambique prepared by the Operations Evaluation Department) in Portuguese as soon as it is completed.

The World Bank says it will organise a series of seminars in Mozambique to discuss the CAS which was agreed by the Bank's Board in December, and the CAS will be published in Portuguese.

Trigger conditions explained

A country assistance strategy (CAS) identifies "high", "base" and "low" case lending scenarios - which one a country initially receives depends on its economic prospects. Whether it can access the higher levels of funding, or funding falls to lower levels, depends on whether or not the government implements specific "trigger" conditions - usually relating to privatisation, improved budget management, or structural adjustment - outlined in the CAS. Rarely are these conditions related to actions to eradicate poverty.

Shaping your country's future

Bread for the World Institute has produced a guide to advise NGOs and civil society groups on how to influence the World Bank's Country Assistance Strategies (CASs). The guide describes how the Bank draws up CASs, before recommending principles along which the CAS should be formulated. These include:

- the CAS should be negotiated with the borrower government;
- the CAS should be a public, not a confidential document;
- the Bank should provide borrowing governments with guidelines for soliciting input to the CAS from civil society organisations; and
- "trigger actions" which qualify governments for high levels of borrowing should be based on poverty reduction.

Finally, it outlines a process to help NGOs decide whether and how to try to influence the CAS, suggesting possible rules for engagement between civil society, government and the Bank.

✉ Bread for the World Institute, *Who Shapes Your Country's Future?, a guide to influencing World Bank Country Assistance Strategies*. Contact Nancy Alexander; Fax: +1-301-608-2401; E-m: <bankwatch@igc.apc.org>.

New Education Strategy

The Human Development Department of the World bank is preparing an

Education Sector Strategy Paper (ESSP). It will come into effect this summer. It follows the Health, Nutrition and Population Paper published last June. There is no formal process for NGOs to comment on the draft report, which will be an internal document and unlikely to be published, but Executive Directors may consult their own constituents about its contents before it comes to the Board in May. Once the document has been accepted by the Board it may be sent to NGOs for further comments. Jeffrey Waite, who is part of the Bank team working on the report, commented that it was only the first stage in an on-going process and any NGO input would inform the department's future strategy. The Bank's team may take a region-by-region rather than a global approach.

Are the 2015 poverty targets realistic?

A draft World Bank report examines poverty trends and assesses whether economic growth will be sufficient to reduce poverty to the 2015 targets agreed by donor governments in the OECD's Development Assistance Committee. *Are Poverty and Social Targets for the 21st Century Attainable?* finds that in many countries growth rates will not suffice even with good policies, and certainly not in Sub-Saharan Africa. The report also examines income distribution, public spending, and social indicators.

☞ Contact, Lionel Demery: tel: 001-202-473-4800; fax: 001-202-522-3237, email ldemery@worldbank.org

"Include poor in poverty solutions": new Bank Report

In an annually repeated ritual the World Bank has "reaffirmed the central importance of poverty reduction" and identified two "new" ways to make its work more poverty focused. The Bank's annual report *Poverty Reduction and the World Bank*, released in early February, assesses progress in preparing poverty assessments and country assistance strategies; and looks at Bank lending for projects aimed at tackling poverty.

It recommends:

- "a shift from *describing* poverty to *formulating* strategies for reducing poverty linked to operational strategies in individual countries"; and
 - "a shift from *counting* poverty-focused projects to *assessing* their impact on the poor".
- ☞ *Poverty Reduction and the World Bank, Progress in 1996 and 1997, from the Bank.*

UK White Paper Suggestions

The UK Government's White Paper on International Development, launched in November, made excellent statements about focussing more firmly on poverty and the environment but lacked detail on specific policy targets for the World Bank and IMF. The Bretton Woods Project submitted a statement to a subsequent parliamentary Committee hearing urging the government to set out its World Bank and IMF policies and objectives more clearly. The main points of the submission were as follows.

Private sector: The Paper contains language on ethical and labour issues in business, but does not state whether World Bank support for private sector projects should follow the same principles as outlined for bilateral aid to the private sector — a "primary aim of helping to reduce poverty", compatibility with country strategies and social and environmental criteria.

Coordination and Conditionality: The Paper states that developing country governments should feel greater "ownership" of reforms but also praises the Bank and Fund for the "influence they can exercise over the policies of partner governments". The UK should specify how it will determine "the appropriate agency in each particular country or sector" which it feels should lead donor discussions, as the World Bank and IMF currently dominate the coordination of development assistance.

Public Input and Scrutiny: In line with the Paper's support for increasing civil society input into development programme design the UK should press the Bank and Fund to make documents such as Policy Framework Papers and Country Assistance Strategies open to full consultation.

Monitoring Multilateral Institutions: The Paper states good general aims for the multilaterals but does not specify

new mechanisms by which UK officials can monitor them in conjunction with NGOs, MPs and academics.

Improving Evaluation Mechanisms:

The Paper states that multilateral organisations need to improve their evaluation procedures.

The Bank should make evaluation more timely, independent and informative and strengthen the Inspection Panel. The IMF should move beyond its limited and experimental ad hoc evaluation procedure to establish an independent evaluation unit reporting directly to the Board and publishing all its findings.

IMF Capital Account Liberalisation:

The Paper states that the UK Government will "support moves to make capital account liberalisation a specific purpose of the IMF and to give the Fund appropriate jurisdiction over capital movements". Yet the Group of 24 developing countries and others are very dubious about such a move.

☞ The White Paper is available from HMSO, PO Box 276, London SW8 5DT, Fax: 0171 873 8200. The BWP submission from the Project.

Bank Gender Performance Criticised

The NGO network Women's Eyes on the World Bank has produced a report examining the Bank's efforts to bring its lending practices into line with the steps agreed at the 1995 World Conference on Women.

Gender Equity and the World Bank Group: a Post-Beijing Assessment, argues that:

"gender equity enjoys a higher profile within the institution than in the past. Useful initiatives include the formation of a Gender Sector Board to oversee research, policy and operations in this area, and Gender Action Plans for each region".

Yet it finds that the Bank's operations suffer from the following weaknesses:

- the lack of a conceptual framework and rationale for incorporating gender equity into Bank operations.
- *genuine* participation of women is still rare in project design and implementation, and "virtually non-existent" in economic and sectoral reform and private sector support;
- "very limited use" of gender analysis in Country Assistance Strategies and the Economic and Sector Work which feeds into them.

- "project documents which merely mention women can be considered to be 'gender related'".

The Bank has also responded inadequately to criticism of its structural adjustment programmes, which often transfer social and public costs of reform onto women. The Bank's 1996 Gender Progress Report admits that very little quantitative data is available on how economic reform impacts on men and women differently, and the 1997 assessment of how to mainstream gender approaches did not mention structural adjustment.

The External Gender Consultative Group of 14 NGO representatives has had just one meeting per year with the Bank, and has obtained little information and no funding.

The report concludes with recommendations to tackle the above.

☞ The Report is available (US\$5.00, free to Southern groups) from: Lydia Williams, Oxfam USA, Oxfam America, 1511 K Street, NW, #640, Washington, DC 20005, USA, E-m: <lydiaw@igc.apc.org>.

Latin America contact: Laura Rubio Frade, Alternativas Decapacitacion Y Desarrollo, Comunitario A.C., Aptdo No. 46 CP 33200, Chihuahua, MEXICO, Tel/fax +52 145 600 78, E-m: <alcadeco@infosel.net.mx>

Measuring Knowledge

The 1998 World Development Report (WDR) will address issues of "Knowledge and Information for Development". The WDR is a multi-million dollar annual World Bank report which achieves a wide circulation.

The Bank intends to argue that the global stock of knowledge is increasing rapidly because of advances in understanding scientific principles. An econometric paper will examine the contribution of knowledge to economic growth and seek to quantify the use of knowledge looking at measures such as patenting, publishing and citation. Economists view much knowledge as a "public good" because it cannot be sold or consumed, while some generates revenue through measures such as licenses. The Report will also look at intellectual property systems, at university funding and the use of genetic material from plants and animals. The Report will almost certainly

conclude that the World Bank should increase its role in marshalling and disseminating knowledge and that governments should be cautious in spending on research and development. Analysing such topics is fraught with methodological difficulties, but the Bank has no plans for systematic peer review or broad external consultation.

☞ An early outline of the WDR's key themes is available from Carl Dahmann at the World Bank, or from the Bretton Woods Project.

Regulating or Freeing NGOs?

The Bank-commissioned *Handbook on Good Practices for Laws Relating to Non-Governmental Organisations* has been criticised in a report by the Lawyers Committee for Human Rights.

The Handbook is intended to help governments draft laws that will give NGOs legitimacy and protection. The Lawyers Committee and some other commentators feel, however, that the draft Handbook endorses unwarranted intrusions on NGOs, and that government regulation must only be linked to some legitimate and clearly defined public interest. It concludes that "the Handbook, as currently written, is inconsistent in fundamental respects with basic principles of the international law of freedom of association. It presents risks for NGOs whose activities may make them unpopular with governments by putting the World Bank's imprimatur on regulatory mechanisms that can easily be used in ways not intended".

The Committee urges the Bank to "fundamentally rework [the Handbook] in extensive and meaningful consultation with local NGOs".

The Bank, and the International Center for Not for Profit Law (ICNL) which is working for the Bank on the Handbook, have circulated the report for comments and held meetings on it with NGOs, for example in Bangkok last November. Some NGOs, however, have been intimidated by the document's length and complexity, and are concerned that only comments on details, not on the report's overall approach are being considered seriously.

John Clark, head of the Bank's NGO unit, says he is "very disappointed" that the Lawyers' Committee critique "misinterprets and distorts the Handbook in many places", but he plans

to incorporate some of their suggestions and encourages other organisations to give their views.

☞ The Lawyers Committee report is available from the Lawyers' Committee for Human Rights, 333 Seventh Avenue, 13th Floor, New York NY 10001-5004, USA, Fax: +1 212 845 5299, E-m: <ifi@lchr.org>.

☞ The draft Handbook, and a preliminary response to the Lawyers' Committee are available from John Clark at the World Bank, E-m: <jclarkl@worldbank.org>.

Panel Finds Serious Singrauli Problems

The Inspection Panel investigation into the Singrauli power project in India has found major problems with the Bank's approach to the project. In April 1997 a group of villagers affected by the power station project filed a complaint with the Bank's Panel which is empowered to investigate alleged violations of Bank policies and procedures.

When the Bank lent a further \$400 million to the National Thermal Power Corporation in 1993 it promised that environmental and social matters would improve. The Panel has found however, that:

"violations [of policies] were even worse than initially thought and were primarily attributable to intense pressure from the bank's own senior regional management to accelerate the loan approval process". "Most of the displaced population does not appear to be receiving benefits from the project (for example, electricity) despite this being the express objective of the bank's resettlement policy."

"the bank did not properly consider alternatives to dispose of ash, which has contaminated crops and farms."

NGOs are demanding that the Panel be allowed to go to India to conduct a more detailed on-site investigation and to monitor implementation of the Bank's Action Plan which it has formulated in response to the Panel claim. In India the National Human Rights Commission, and a new Monitoring Panel are examining the Projects.

☞ Inspection Panel Report available from the Bank. Information about the Panel claim and Singrauli issues from Dana Clark, Center for International Environmental Law, 1367 Connecticut Ave., NW, Suite 300, Washington, DC 20036, USA, Fax: 202.785.8701, E-m: <cieldlc@igc.apc.org>.

Inspecting the Inspectors

In February the World Bank Board will again review the functioning of the Bank's Inspection Panel, subject of two new NGO reports.

The Bank's Board will discuss proposals by the Bank's General Counsel (senior lawyer). He argues that Bank Management, on receiving a Panel claim, should be able to challenge the eligibility of the claimants and determine whether the harm allegedly caused by a Bank-backed project is due to actions or omissions by the Bank or by the borrower government. NGOs are asking the Board to move in the other direction: to increase the Panel's discretion and the access of claimants to the Panel process.

The discussions about extending the inspection panel to the operations of IFC/MIGA have made little progress lately: the IFC is waiting until the above board discussion before making a proposal.

A "Citizen's Guide" to the Inspection Panel has been launched by the Center for International Environmental Law. It clarifies how to file a claim, and outlines relevant Bank policies.

Another publication, commissioned by the Bank Information Center, reviews the Panel's first three years and proposes improvements.

☞ For more information about the Bank's inspection panel and the board deliberations, contact Dana Clark <cielc@igc.apc.org>.

☞ The Guide is free to people in the South, US\$10 for others, from the Center for International Environmental Law, 1367 Connecticut Ave., NW, Suite 300, Washington, D.C. 20036, USA. Fax: +1 202 785 8701, E-m: <cielmh@igc.apc.org>.

☞ *The World Bank Inspection Panel: a Three Year Review* (120 pp), is free to people in the South, US\$10 for others from: BIC Publications, 2025 I St NW, Suite 400, Washington DC 20006, USA, Fax: +1 (202) 466-8189; E-m: <bicusa@igc.apc.org>.

The Inspection Panel can be contacted directly on <ipanel@worldbank.org>.

Chad Cameroon Indecision

Following NGO scrutiny of the World Bank's plans to support the Chad-Cameroon oil pipeline scheme (see April-June 1997 *Update*) the Bank appears to be reconsidering its use of

IDA (soft loan) money for the project. The Bank is instead considering enclave project structures and a possible use of IBRD guarantees.

NGOs and some Bank Executive Directors had raised concerns that IDA money can be used in better ways than co-investing in a hard currency earning project which involves Shell and Exxon oil companies.

The Board's decision on whether to reopen formal discussions about changing the financial mechanisms for the project will be known in mid-February. The conclusions of a January seminar in Chad of NGOs, the Bank government and company officials will soon be available.

☞ Contact: Annick Jeantet, Agir Ici, 14 Passage Dubai, 75010 Paris, France, e-m: <agirici@globenet.org>.

GEF: Gift Horse or Force for Change?

A critical study prepared for a meeting to discuss replenishing the Global Environment Facility, an international fund for environmental, criticises the World Bank's use of the resources. When governments handed over GEF operations to the World Bank and UNDP, they hoped it would 'mainstream' (integrate) global environmental issues into all their operations.

The recent *Study of GEF's Overall Performance*, carried out by independent consultants, reaches disturbing conclusions. It found:

- '... with greater focus the World Bank could have increased lending for biodiversity conservation and ... increased targeted spending on energy efficiency and renewables substantially.'
- 'Bank management failed to recognize and reward work on GEF as equal in importance to its regular business.'
- '... neither the global environment nor GEF have been integrated systematically into the Country Assistance Strategy process.'

This and other recent studies have found that the environment is generally dealt with in a compartmentalised manner, and biodiversity is not yet viewed as a concern affecting multiple aspects of national development.

The RSPB, EDF and other NGOs tracking the Facility are demanding that

the GEF Council, should:

- communicate the Performance Study to the Bank and UNDP governing bodies and request them to report within 6 months on mainstreaming plans, with explicit commitments and timetables;
- require information on links with all relevant mainstream Bank/UNDP activities to be highlighted in project documents submitted to Council.

The *Performance Study's* main weakness is its lack of analysis of how the GEF generates knowledge and absorbs lessons, one of the purposes for establishing it. The problems appear to be caused by poor internal mechanisms and the extensive use of short-term consultants to prepare projects. The GEF Council's Monitoring and Evaluation Unit needs the staff and financial resources to act independently of the Bank and UNDP and assess projects objectively and fearlessly.

☞ Contact: Korinna Horta, EDF, 1875 Connecticut Ave., NW, Suite 1016, Washington DC 20009, USA, Tel: 001-202 387 3500, Fax: 001-202 234 6049, E-m: <korinna@edf.org>.

World Bank Plans Profitable CO₂ Trading

The Kyoto climate change meeting in December brought together ministers from 160 countries to agree binding restrictions on greenhouse gas emissions. After contentious talks they agreed that within the next 15 years countries should reduce by an average of 5.2 percent their emissions of the gases blamed for the greenhouse effect. A "clean development mechanism" (CDM) will also be established. Originally proposed by Southern countries as a way to fine countries which surpass their emissions quota, the CDM has become a means to excuse rich nations' emissions if they help developing countries reduce theirs. The rules for emissions trading will be discussed at a meeting this November in Buenos Aires. The World Bank wants to supplement the trade between industrialized countries by establishing a Carbon Investment Fund (CIF) which would foster trade with economies in transition and subsequently to all Southern countries. World Bank Environment Director Bob Watson says the CIF "would work like a closed-end mutual fund which industrialised countries and

the private sector could pay into. The Bank would then invest for them in reducing carbon emission in projects in transitional economies and potentially in developing countries".

The Bank wants to charge a five percent commission on all CIF transactions. Internal documents show that this would net a projected \$100 million per year, around 60% as 'profit'.

A small number of groups have been asked to participate in consultations on the CIF. NGOs are asking for the consultations to be broadened and are expressing concerns about:

- the conflict of interest if the Bank profits from emissions trading while financing fossil fuel developments;
- calling for a full, transparent evaluation of the pilot phase of joint implementation projects before the CDM is agreed.

Before the Kyoto meeting hundreds of NGOs signed a statement calling for phase out of World Bank and other multilateral and bilateral lending, credit and guarantees for fossil fuel extraction and development.

☞ The declaration and related reports are available at the following web site: <http://www.igc.org/ifps/>

IFC reviews roll off the production line

Largely due to the persistent efforts of NGOs and some Executive Directors, the International Finance Corporation (IFC—a private sector support arm of the World Bank Group) has unveiled a series of reviews and new initiatives.

The IFC's strategy review consultants have also begun their work. Oliver, Wyman and Company, based in New York have been doing interviews with selected commentators, including the Bretton Woods Project, banks and large companies in London in December.

Their findings will help IFC senior management set goals for the next five to ten years. Looking at perceptions of the IFC, and its operating environment, the consultants are focussing on:

- trade-offs between sustainable development and project profitability;
- fundamental market drivers and their effects on demand for MDB services;
- the comparative positioning of the IFC compared to other development and private banks;
- where the IFC should be more and where less involved;

- how the IFC can be more effective in promoting positive (eg green) development.
- At the end of January the IFC released a board paper proposing improvements and clarifications to its information disclosure and environmental/social policies. There is a public comment period ending on 20 March. As it is extensive and complex, Friends of the Earth and the Bank Information Center are preparing a summary of key issues to help guide groups interested in submitting comments.
- IFC has also just released two external reports on related issues. The first uses 8 case studies to assess how effectively the IFC and its business clients consult with affected communities and the public. As a result the IFC is developing a handbook to explain to clients what public participation means and how consultation should be done. The second study evaluates how well IFC has complied with its environmental and social policies using desk review and site visit evidence on over 100 projects.
- The IFC recently created an environmental review unit and an Environmental Projects Unit.

☞ Information on the above available on the IFC's web page (www.ifc.org) or from the IFC, 2121 Pennsylvania Ave., NW, Washington DC 20433, USA.

☞ Oliver, Wyman and Co. can be contacted at: 666 Fifth Ave., New York 10103, USA, Fax: 001 212 541 8957.

IDA Discussions Start

Paula Donovan, the World Bank staff member in charge of raising funds for the Bank's soft loan arm the International Development Association (IDA), has undertaken a series of meetings designed to reassure parliamentarians and NGOs. Her main arguments are that IDA money is allocated to countries which are performing best, that project implementation is improving, with an increasing focus on the social sectors. UK and other NGOs have begun to discuss approaches to IDA ahead of the first meeting of donor government representatives in late February and have written to Ms. Donovan asking for information on various issues.

These include:

- the poverty impact of IDA support for structural adjustment;

Official Contacts

World Bank, 1818 H Street, NW, Washington DC 20433, USA, Tel: 001 202 477 1234.

International Monetary Fund, 700 19th Street, NW, Washington DC 20431, USA, Tel: 001 202 623 7430.

Gus O'Donnell, UK Executive Director to the WB/IMF, Fax: +1 202 623 4965, address as IMF.

WB London (Andrew Rogerson), Tel: 0171 930 8511.

Microinfo (WB publications, including phone directory of Bank staff) Tel: 01420 86848.

For all contacts not listed, please ask the Bretton Woods Project, Tel: +44 171 523 2170, Fax: +44 171 620 0179, E-m: <bwref@gn.apc.org>.

- the Bank's spending and reform plans in health and education;
- efforts to increase civil society participation in Country Assistance Strategies and Economic and Sector Work;
- reform of the Bank's internal incentives which have contributed to the design and approval of poorly performing projects;
- IDA's approach to gender matters;
- how the Bank will assess when and how to deploy IDA money to guarantee private sector investment, eg for the Nam Theun II dam in Laos;
- whether the Bank is planning to use new measurements of national accounts;
- how the Bank approaches negative net transfers from poor countries to itself which result from repayments of previous Bank loans

The letter concludes by asking how the Bank will increase the transparency of the IDA negotiations.

☞ Letter available from the Bretton Woods Project.

Forest Policy Reviews

The World Bank has agreed to carry out a forest policy implementation review followed by a Forest Sector Strategy review over the next few months. UK and other NGOs are lobbying World Bank and UK officials to ensure that the reviews are comprehensive and take into account the concerns of forest dwellers and Southern NGOs.

☞ Background information and lobbying suggestions from: World Rainforest Movement, 1c Fosse Way Bus. Centre, 13 Stratford Road, Moreton in Marsh, GL 56 9NQ, UK, E-m: <wrm@gn.apc.org>;

Bank Information Center, 2025 I Street, NW,
Suite 400, Washington DC 20006, USA,
E-m: <bicusa@igc.apc.org>.

Sydney Workers' Rights Push

World Bank officials at a conference in Sydney last November were pressed by AID/WATCH and trade union officials to introduce mandatory labour standards. The conference, "Doing Business with the World Bank and the United Nations" was targeted by campaigners concerned that the Bank's competitive bidding process provides "an incentive for firms to cut corners on wages and conditions". They urged the Bank to use labour standards as a condition of qualifying bids. The Malaysian Trade Union Congress estimates that 90% of workers in the construction and plantation industries in Malaysia are contract labourers with minimal rights.

☞ The joint statement, Workers' rights - call for World Bank action is available from: AID/WATCH, PO Box 652, Woollahra NSW 2025, AUSTRALIA, E-m: <aidwatch@peg.apc.org>.

Dams Commission Nears Agreement

The World Commission on Dams, looks likely to start operations this Spring. The planned launch last November was delayed because of a failure to agree who should sit on the Commission, but a meeting in Cape Town in January seems to have resolved many of the key concerns of NGOs. The Panel now comprises academic, dam company, government and NGO representatives. In the latter category are Medha Patkar of the Save Narmada Movement, India; Joji Carino of the International Alliance of Indigenous and Tribal Peoples of the Tropical Forest; Deborah Moore, of Environment Defense Fund; and Judy Henderson, board member of Oxfam International and Greenpeace International.

The Commission will now establish a workplan and a secretariat and NGOs are organising to help ensure that the hearings are comprehensive and engage grassroots groups across the world.

☞ More information: IRN, 1847 Berkeley Way, Berkeley CA 94703, USA, Fax: 001510 848 1008, E-m: <patrickirn@igc.apc.org>.

IN BRIEF

Bankcheck RIP

The magazine Bankcheck, jointly produced by the International Rivers Network and the Development Group for Alternative Policies, has ceased production after 7 years of informative critical analysis of the World Bank and IMF. It will be sorely missed.

☞ IRN continues to produce its *World Rivers Review* (see www.irn.org, contact: <irn@irn.org>), and DGAP will shortly launch a bulletin about the Structural Adjustment Review Initiative (see www.igc.org/dgap/saprin, e-m: <dgap@igc.apc.org>).

☞ Also by US NGOs on related themes: *News and Notices for World Bank Watchers*, Bread for the World Institute: <bankwatch@igc.apc.org>. *50 Years is Enough!* newsletter: contact: <wb50years@igc.apc.org>.

Social aspects of WB analysis under scrutiny

A lead article in *Development Anthropologist* contains a fascinating account of the World Bank's approach to social issues. The article, by Michael Horowitz, Professor of Anthropology at Birhampton University, discusses the Social Development Task Force and the Bank's internal culture. Horowitz concludes that social scientists in the Bank tend to marginalise themselves by working on fringe issues, leaving major ones to economists and technical specialists. Examples include a poverty strategy for Mauritania (where slavery, a central aspect of poverty, was not mentioned so as not to offend the country's ruling elite), and an indigenous peoples' strategy for Pakistan. He warns of the danger of ignoring "the structure of power and wealth which controls access to resources".

☞ See *Development Anthropologist*, Vol 14, Nos 1 and 2.

O'Donnell Returns

Gus O'Donnell, the UK Executive Director to the Bank and Fund, will return to London in the summer to act as a special adviser to Chancellor of the Exchequer Gordon Brown. There has as yet been no word on his successor.

NT 2 Campaign Packet

The Nam Theun 2 (NT2) Hydroelectric Project is the largest prospective hydropower project in Lao PDR. Set to inundate 450 square kilometres, displace 5000 people and affect up to 40,000 people, this US\$1.5 billion dam is awaiting World Bank approval of guarantees and other assistance. A new Campaign

Packet from the International Rivers Network contains 180 pages of documents, correspondence, and articles on this highly complex and controversial project which the World Bank will decide this year whether to support.

☞ Order from: Yvonne Cuellar, IRN: <von@irn.org> US\$15 plus \$3 for US 1st class mail and \$10 for International Air.

NGOWG Restructuring

The NGO World Bank Working Group is in the process of restructuring to become more regional and more representative. The Group was established in the early '80s to liaise formally with the Bank on operational issues and later came to address policy and political issues. The Group plans to move away from the current membership process where existing members select future members to serve for 5 years, and institute a process of regional voting to nominate who should attend the annual meetings. The first European regional meeting to discuss how this might work will be held in Paris, on 4-6 March. As well as the restructuring proposals the meeting will discuss issues such as IDA and the Chad-Cameroon oil pipeline.

☞ Further details available from the Bretton Woods Project or from Michel Faucon, CRID, tel: +33 1 44 72 07 71, fax: +33 1 44 72 06 84, 14, passage Dubail, 75010 Paris, FRANCE, E-m: <crit@globenet.org>.

Further IMF Review Delay

The external ESAF review has been delayed again for the consultants to finalise their report. The Board should meet to discuss it in early March.

☞ More information and analysis from the BW Project soon.

G8 Counter Summit Plans

The world's richest countries' annual summit will take place in Birmingham, UK, this year from 15-17 May. The agenda, which will be discussed in detail at the Finance Ministers' summit in London in February, is likely to include World Bank and IMF reform and funding.

In parallel with the main summit will run a Peoples' Summit for organisations to discuss alternative views of economic, social and environmental developments. There will also be a mass action on the theme of unpayable third world debt.

☞ Information from: Sara Murphy, New Economics Foundation, 1st Floor, Vine Court, 112-116 Whitechapel Road, London E1 1JE, UK, Tel: +44 171 377 5696, Fax: +44 171 377 5720 E-m: <neweconomics@gn.apc.org>.