

World Bank support for extractives: complicity in human rights violations?

Bank-supported projects in the Democratic Republic of Congo, Guatemala and Chad poignantly illustrate how natural resource exploitation can contribute to a deteriorating cycle of human rights abuses, civil conflict and corruption.

As the social and environmental consequences of World Bank activities come under increased scrutiny, the tactics it employs to avoid addressing universal human rights in its policies are becoming untenable. This, despite the growing pool of institutional, academic and civil society analysis on the question of development finance and human rights, and recent demands to comprehensively integrate the issue into the Bank management response to the Extractive Industries Review (EIR) and on-going IFC safeguard policy review.

Congo mine questions due diligence

A recent letter from a coalition of Congolese and international NGOs to President Wolfowitz states that Anvil Mining's Dikulushi copper-silver mine has become a symbol of the Bank's failure to "uphold its commitments to protect the rights of people affected by extractive industry projects". The Dikulushi project is the first mine in the Democratic Republic of Congo (DRC) to enjoy World Bank Group backing, and has been touted as a means of post-conflict recovery. However, the post-war peace agreement in the country remains unstable, fighting continues in many areas, and rebels still finance themselves from the plunder of natural resources.

In September 2004 the board of the Multilateral Investment Guarantee Agency (MIGA) approved plans for a political risk guarantee for the stage II expansion of the mine. MIGA completed negotiations with Anvil in May 2005 and issued a guarantee for \$13.3 million. MIGA assured its board that there were no serious security risks and the



project would provide benefits to the community.

Since June 2004 civil society has raised concerns about MIGA's failure to fully assess the human rights and security dimensions of the project. The most recent letter says that MIGA did not take appropriate steps to ensure that Anvil Mining was complying with the voluntary principles on the use of security forces, and the UN norms for transnational corporations. Anvil is now facing serious allegations regarding the company's role in a brutal mass-

acre that took place in Kilwa in October 2004, approximately 50 kilometres south of the mine, and questions regarding the propriety of its relationships with senior Congolese politicians.

At Wolfowitz's request, the Compliance Advisor Ombudsman (CAO) is now conducting a compliance audit of MIGA's due diligence on the project. "A genuine commitment to human rights should be a precondition of World Bank financial backing" said Mr Meeran, a Melbourne lawyer who is representing several human

rights groups that have raised concerns about Anvil's role.

On 13 October the World Bank's board is due to consider the next economic recovery credit for the DRC, which would include more funding for both the mining and forestry sectors.

Guatemala: no policy on human rights and security forces

A report by the CAO has identified significant deficiencies in the IFC's due diligence in the case of Guatemala's Marlin mine in relation to human rights and security forces. Controversy surrounding the project, operated by a subsidiary of Glamis Gold Ltd, pre-dates the approval of \$45 million in support for the project by the IFC in June 2004 (see *Updates* 44, 45). Since then, a protestor was killed following clashes between security forces and demonstrators in January; a villager was shot dead by an off-duty employee of Glamis' local security company in March; and both opponents and proponents of the mine have received death threats. In May the Guatemalan human rights ombudsman argued that the license for the Glamis mine should be revoked because of the government's violation of International Labour Organisation convention 169 on indigenous and tribal peoples. The CAO investigation was carried out in response to a complaint by Guatemalan NGO Madre Selva, regarding the project's environmental and social impacts, and claims that it was not developed with adequate local consultation.

This is the first major mining project approved by the Bank following its response to the EIR in September 2004. Local and international civil society allege that the IFC has failed to comply with the Bank's commitments. This is reflected in the CAO report, particularly in relation to security forces and human rights, and the evaluation of the project's risks and benefits. The CAO attributes much of the tension and violence to the IFC's "significant oversight" to develop a clear policy to address human rights and the use of security forces in light of Guatemala's fragile peace accords and the legacy of its bloody civil war.

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IMF accused of exacerbating famine in Niger

The IMF's external relations department has spent the last two months furiously rebuffing charges that the Fund has exacerbated famine in Niger. The debate centres around the impact of structural adjustment measures and accusations that donors initially refused to allow the government to distribute free food to affected areas.

Johanne Sekkenes, who leads Medecins sans Frontières in Niger, believes that the IMF and EU pressed Niger too hard to implement a structural adjustment programme: "No sooner had the government been re-elected [this year] than it was obliged to introduce 19 percent value-added tax (VAT) on basic foodstuffs. At the same time, emergency grain reserves were abolished." Under the letter of intent signed between the IMF and the Nigerien government in January to receive funding under a Poverty Reduction and Growth Facility (PRGF), Niger agreed to extend VAT to milk, sugar and wheat flour, and reduce VAT exemptions on water and electricity consumption.

Thomas Dawson, the IMF's director of external relations, protested that "IMF staff specifically recommended that a poverty-impact assessment of the proposed measures be carried out [which was not carried out]. At any rate, the VAT extension was soon rescinded because of public protests and could have had little effect on the crisis." Month-long mass mobilisations forced the government to withdraw the VAT from milk and flour, and only reduce VAT exemptions to large-scale consumption of water and electricity.

Dawson also said that the "IMF has never supported or encouraged the abolition of government grain reserves. In fact, the grain reserve is in place and has been used, to the

best of our knowledge, to relieve the current food shortage."

Unclear is the cumulative role of tight IMF macroeconomic strictures on the government's ability to cope with the crisis. Under the agreement with the IMF, an increasingly tight rein has been kept on inflation levels and fiscal deficits. Niger has seen its debt service rise from 16 per cent of GDP in 2001 to 24 per cent in 2003, before falling back to 15 per cent in 2005 (after receiving

debt relief upon reaching HIPC completion point in April 2004). The debt campaign group CADTM has argued that debt repayments have crippled health sector spending: "the degradation of Nigerien health services is a major factor in the incapacity of authorities to respond to the health crisis provoked by the famine."

The second controversy centres around the distribution of free food to famine-affected areas. In August, UK weekly *The Observer* stated that

IMF blocks achievement of goals in education, health

Two papers by ActionAid International, released at the UN Millennium Review Summit in New York in September, point the finger at the IMF for blocking achievement of the Millennium Development Goals (MDGs).

The first paper, *Changing course: Alternative approaches to achieve the MDGs and fight HIV/AIDS*, blames Fund macroeconomic conditions for developing countries' inability to deliver economic growth and therefore the social spending required to meet the MDGs:

- *the report challenges the IMF's demands for deficit reduction, arguing that Fund austerity fails to allow for sufficient investment, or spending during economic downturns;*
- *fund requirements for "excessively low" inflation levels ignore both evidence that successful growth and poverty reduction can occur at moderate inflation levels and economic wisdom which says that the ben-*

efits of lower inflation must be weighed off against "sacrificed economic output"; and

- *conditions requiring rapid trade liberalisation have seen a "withering away" of domestic manufacturing capacity.*

The report asks why developing countries do not "rebel" against Fund prescriptions. Interviews with officials in the central banks, finance ministries, health and education ministries in Bangladesh, Ghana, Malawi, Uganda and Zambia revealed two difficulties. Firstly, most officials have internalised Fund economics and do not "acknowledge the possibility of more expansionary fiscal and monetary policies". Secondly, health and education ministry officials are locked out of the process and have no say in determining spending ceilings.

The second paper, *Contradicting commitments: How the achievement of education*

the "the Niger government, under instruction from the IMF and EU, at first refused to distribute free food to those most in need", saying that "the powers that be did not want to depress the market prices that benefited wholesalers and speculators." Abdoulaye Bio-Tchané, IMF African department director defended the Fund: "there is absolutely no truth to the suggestion that IMF policy advice has impeded free food distribution".

The controversy opens old wounds for the Fund which has faced similar accusations about its role in recent famines in Malawi and other southern African countries (see *Updates* 30, 29). ©

Urgent measures to save Niger, CADTM
www.cadtm.org/article.php3?id_article=1606

Niger and the IMF
www.imf.org/external/country/NER/index.htm

for all is being undermined by the IMF, cites case studies from several African countries to drive home the case against Fund economics. A consequence of which is that governments are forced to reallocate funds from within the education budget to priority areas such as primary schooling. Another corollary is the mushrooming of private providers which ActionAid says "is progressively eroding the capacity of the state to provide free, universal education for all children."

Both papers urge the IMF to rethink its definition of macroeconomic stability, replacing inflation targeting with targets based on human welfare. ©

Changing course: ActionAid International

Contradicting commitments, ActionAid International
www.actionaidusa.org

Haiti—"year of progress" or whitewash?

A letter from Haitian solidarity NGOs, faith groups and academics, was sent to president Wolfowitz in August to protest the Bank's mis-portrayal of the situation in the country. In late July, the Bank posted a banner headline on its website boasting that "new schools, roads, and jobs are among the achievements of the interim cooperation framework, Haiti's economic, social and political recovery programme." The letter's authors pointed out that Haitian GDP declined in the year ending September 2004, living standards have plummeted and human rights violations by the state and police continue.

www.politicalaffairs.net/article/articleview/1717/1/32/

Global Health Watch: BWIs bigger than WHO

In July the *Global Health Watch 2005* was released, targeting the BWIs for their role in weakening public health care. The report, meant as an alternative to the World Health Organisation's *World Health Report* was spearheaded by The People's Health Movement, Medact and The Global Equity Gauge Alliance. The report assesses the state of health care systems; the health of vulnerable communities such as indigenous peoples; the wider health context including climate change and war; and the role of global institutions, corporations and rich countries. The section on the BWIs says that the Bank "has become a much bigger influence than the WHO in the health sector."

www.ghwatch.org

Controversy surrounds Bank role in India water

Accusations emerged in late July that the World Bank had pressured the Indian government to select Price Waterhouse Coopers (PwC) for advisory work undertaken as part of the Delhi Water Sector Project. Indian anti-corruption group Parivartan used national freedom of information laws to gain access to the correspondence between the Delhi Jal Board, which oversees water supply in the Indian capital, and World Bank officials. World Bank country director for India Michael Carter said "the insinuation that the Bank attempted to favour PwC is completely unfounded."

www.tehelka.com/story_main14.asp?filename=Cr091705For_a_glass.asp

WB parliamentary network meeting

The sixth annual conference of the Parliamentary Network on the World Bank (PNoWB) will be held 21–23 October in Helsinki, Finland. The conference is titled *Beyond the 2005 year of development: What now?* and looks to include sessions on climate change, health, trade, inequality and IFI accountability, as well as question and answer sessions with heads of the Bank and Fund. The conference is open to civil society participation. The PNoWB is a non-profit association, based in the World Bank's offices in Paris, which gathers together over 140 parliamentarians from 60 countries.

www.pnowb.org

AFTER THE facade of ‘disengagement’, 1.4 million Gazans continue life in the world’s largest open-air prison. Denied access to the outside world, they lack sovereignty over water, borders and air space. In the West Bank, the 700 km long apartheid wall and its gates strip Palestinians of 47 per cent of their lands, sealing them inside disparate ghettos.

Israeli settlements and road systems expand on Palestinian land in a new wave of the Zionist colonisation that began in 1948.

The World Bank has been placed in charge of co-ordinating “development and growth” efforts within the Bantustans that Israel is carving out for the Palestinian people. Renewing the work begun in the aftermath of the Oslo peace accord, the Bank’s plans ensure the economic ‘viability’ of an illusory Palestinian ‘state’. This ‘state’ of miserable ghettos, imprisoned by walls and settlements, totals 12 per cent of mandate Palestine. It forms the focus of ex-Bank president Wolfensohn, chosen to oversee ‘disengagement’ and liaise the initial round of the Bank’s projects.

Against the Palestinian communities, steadfast in their grassroots resistance, the Bank’s latest report, *Stagnation or revival? Israeli disengagement and Palestinian economic prospects*, cites Israeli “facts on the ground” as given and permanent scenarios, using them as the foundations for its projects. It evades any discussion of the illegal apartheid wall, the occupation, its expanding colonies, or the right of return for Palestinian refugees. It shuns numerous UN resolutions, the Geneva Convention and the recent ruling of the International Court of Justice which declared the wall illegal and to be torn down, and instructed all nations “not to render any aid or assistance in maintaining the situation created by it”. The Bank believes it can circumvent international law and the rights of the Palestinians as if justified by some kind of divine ‘humanitarian project’.

Key to this project is the creation of ‘free markets’ and export-oriented production, hinged upon primarily Israeli, but also international investments. In the Palestinian context, economic colonisation is combined with the complete control and imprisonment of a people. The Bank

The World Bank and the apartheid wall

COMMENT

by Jamal Juma, campaign coordinator, StoptheWall

Central to the success of these ‘free’ markets is the construction of industrial zones. These are being financed by the Bank and the donors and agencies it controls. Previous initiatives in the Gaza Strip are being used as the model for the way in which Palestinians imprisoned by the wall can be ferried from their ghettos to industrial zones and sustain the economy of the occupation. In the case of Irtah in Tulkarem, land for the zone is confiscated and located behind the wall, on fields which used to provide for over 50 families. These sweatshops will provide the only possibility to earn a living for the landless Palestinian population. The Bank openly celebrates how Palestinians can be put to work for a fraction of the cost of Israelis, elaborating a devastating system of racial capital not seen since the days of apartheid South Africa.

The Palestinian people and their popular movements remain unwavering in their opposition to external interference from agencies such as the World Bank. NGOs and ‘development’ agencies may be tempted to get involved in the schemes and machinations of the international financial institutions. To them we send a stark warning of our total rejection of such work and our right to assert resistance to any outside organisation which serves to strengthen the occupation.

If our Palestinian Authority is to be representative of Palestinians, including the refugees, it must distance itself from the schemes of the Bank immediately. We ask civil society worldwide to follow the lead of our daily grassroots resistance to the wall and occupation, and support our struggle for genuine freedom and liberation. ©

Do-it-yourself apartheid in Palestine

🌐 www.miftah.org/Display.cfm?DocId=7844&CategoryId=8

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It goes on to recommend that the IFC require project proponents adopt the US/UK voluntary principles on the use of security forces.

Chad–Cameroon: human rights “contracted out”

A ground-breaking report by Amnesty International (AI) warns that the Chad–Cameroon oil pipeline “risks freezing human rights protection for decades to come for the thousands of people who live in its path”. It argues that the IBRD and IFC must share responsibility for the danger the project’s agreements pose to human rights and points out that the Bank’s pre-lending assessment did not take into account the potential human rights impact of the legal agreements. It calls on the Bank and other project stakeholders to revise the project agreements to

include an explicit guarantee that nothing can be used to undermine either the human rights obligations of the states or the responsibilities of the companies.

The report focuses on the framework of legal agreements, known as ‘host government agreements’ (HGAs) signed between the Exxon-Mobil-led consortium and the governments of Chad and Cameroon. These agreements—designed to reduce financial and political risks posed to foreign investors by sudden changes in national law—may require the countries to pay large penalties if they interrupt the operation of the pipeline, even if making an intervention to protect rights and enforce national laws that apply elsewhere in their countries. The agreements could serve as a strong disincentive to the governments of Chad

and Cameroon to implement their human rights obligations.

The Chad–Cameroon pipeline is trumpeted by the Bank as a test case that will bring about economic development and poverty alleviation in both countries. Over 1,000 kilometres long, the pipeline transports oil from the Doba oil fields in southern Chad to the Cameroonian Atlantic port of Kribi and is one of the largest private-sector investment projects in Africa. The legal agreements were shrouded in secrecy until passed by law, with companies and governments claiming commercial confidentiality. The investment agreements are enforceable only through international arbitration: under the International Chamber of Commerce in the case of Chad, and the International Centre for the Settlement of Investment Dis-

putes (ICSID) (see *Update 46*) in the case of Cameroon. Chad and Cameroon are in the bottom quartile of UNDP’s Human Development Index. Both countries have a poor human rights track record, in addition to ineffective judicial systems and under-resourced police forces, which are ill-equipped to uphold the human rights of the population from the adverse effects of large-scale projects for economic development. ©

Civil society resource on Guatemala

🌐 www.guatemala-mining.org/

CAO assessment

🌐 www.cao-ombudsman.org/

World Bank in the DRC, EDF

🌐 www.environmentaldefense.org/documents/4755_DRCupdate.pdf

Contracting out of human rights

🌐 www.amnesty.org.uk/

UK cuts through World Bank spin on conditionality

The business-as-usual findings emerging from a Bank review of conditionality released late July have been challenged by the British government and are contradicted by the findings of a study by NGO Debt and Development Coalition Ireland.

The Bank's review finds that "the average number of conditions fell from 35 in the late 80s to about 12 in 2005", conceding however that "benchmarks have increased from about 15 in the early 90s to 24 in the last two years". The World Bank's conditionality zoo includes three different animals. 'Prior actions' are reforms which must be completed before any money is handed over. 'Triggers' include reforms which must be undertaken during the course of a lending programme to qualify for a subsequent programme. The Bank only considers these two as 'conditions'. However, 'benchmarks', while not directly tied to the release of funds, can lead to a suspension of payments if 'satisfactory progress' is not being made in implementing them. In practice, even the Bank admits that its "distinction in the role of conditions and benchmarks is sometimes lost on borrowers". Seventy-five per cent of authorities responding to a Bank survey on conditionality did not make any distinction between the different types of conditions.

A study by Debt and Development Coalition Ireland (DDCI) on the World Bank's loans to low-income countries finds that the distinction between these different conditions is further blurred by the process by which governments move from 'base-case' to 'high-case' lending scenarios. The World Bank links completion of all types of conditions—including benchmarks—to access to increased grants or loans, "giving additional incentive to the government to implement the conditions".

DDCI argues that the Bank's distinction between different conditions has made a mockery of the notion of 'criticality'—a recent commitment on the part of the Bank that "conditions should be confined to those actions that are critical for implementing the country's programme to achieve the expected results." The more benchmarks that are applied argues DDCI, "the less clarity there is and the more subjective become disbursement decisions".

This critique is reinforced by the British government in its response to the conditionality review. UK secretary of state for international development, Hilary Benn, calls on the

Bank to "clarify how it intends to reverse the trend of increasingly large and complex sets of policy actions", adding that there should be a "clear statement setting out the strict limited circumstances when the Bank might use sensitive policy actions as triggers or benchmarks".

In its review, the Bank defines ownership as "a high probability that the policy will be adopted and implemented, even if there is internal opposition." The UK responded that countries need space to formulate policy, consider the options,

and build broad-based support for the path they will take. Bank survey results confirm the UK's conclusion that the Bank's definition of ownership is insufficient: "50 per cent of respondents felt that the Bank introduced elements that were not part of the country's programme".

The Bank review argues that the content of conditions have "shifted from short-term economic adjustment to medium-term governance and social sector reforms." The study by DDCI is less sanguine about this shift. It finds that only two out of

Fund economists whistle different trade tune

In two recent papers, Fund economists have questioned the institution's strict adherence to the free trade doctrine.

In a paper co-authored by Nancy Birdsall of the Center for Global Development and Dani Rodrik of Harvard University, Fund research department head Arvind Subramanian concedes the failure of IMF policies for the poorest countries: "Much of sub-Saharan Africa has been under IMF and World Bank programmes during the last three decades, and while a modicum of macroeconomic stability has been achieved, progress has been spotty at best."

The key to development, say the authors, lies in providing "economic policy-making space". The paper argues for the use of creative "heterodox policy innovations"; therefore, it asks why "international rule-making still operates as if we have a good fix on what kind of policies developing countries need", specifically censuring IMF conditionality which "often goes beyond narrow monetary and fiscal matters to prescribe policies on privatisation, trade and industrial policy."

Trade liberalisation cripples governments

A working paper released in June from Fund economists in the fiscal affairs department, Thomas Baun-

sgaard and Michael Keen, asks a simple question: for each \$1 of trade tax revenue that governments lose as a result of trade liberalisation, how many dollars have they recovered from other sources (usually through increased taxes). The worrying answer is not very much.

The authors find that low-income countries, whose social programmes are most dependent on trade tax revenues, have "very largely failed to recover from domestic sources such revenue as they have lost from trade reform". Middle-income countries do better, though still only recovering in the range of 45 to 65 cents per dollar lost.

In the face of this evidence, Fund economists conclude that the "auspices for further trade liberalisation are troubling." The researchers temper their results by stressing that this does not imply that trade liberalisation was "unwise". "It is possible that indirect effects have more than offset the direct loss of revenue".

A paper from Alex Cobham at Oxford University questions the conjecture that unknown "indirect effects" might outweigh the known losses resulting from trade liberalisation: "The burden of proof—that growth benefits will outweigh the total damage—must be shouldered by those who would encourage poorer countries to liberalise."

thirteen Bank programmes studied did not include conditions requiring privatisation despite the fact that "there was no explicit mention of privatisation" in the national development strategy.

Both DDCI and the British government argue that the Bank needs to greatly improve its use of poverty and social impact assessments (PSIA). Repeating what has been found in earlier studies by the Bank's Operations Evaluation Department, the DDCI study finds that "in most cases, PSIA is being conducted once a reform has been decided upon, rather than facilitating debate and decision-making between various reforms." ©

Review of World Bank conditionality

www.worldbank.org/conditionality

UK response to Bank conditionality review

www.dfid.gov.uk/aboutdfid/dfidwork/conditionality-statement.pdf

World Bank's PRSC: Continuity or change?

www.debtireland.org/resources/ddci-re-PRSCReportFINAL.htm

auspices for further trade liberalisation are troubling

Cobham recommends that liberalisation should be pushed only where benefits from trade reform can be clearly established, and in these cases "poorer countries should be provided with guarantees of long-term replacement revenues". The paper is part of a growing research and advocacy focus on tax justice that is examining the key role played by tax policy in development. The Tax Justice Network will publish a book in September, *Tax us if you can*, looking at the culpability of the IMF in establishing conditions conducive to the erosion of developing country tax bases.

The key question remains whether these encouraging signs from 'unofficial' Fund research portend a shift in the institution's economic paradigm. Fund watchers will remember a paper by former chief economist Kenneth Rogoff recanting Fund faith in capital account liberalisation that presaged his departure (see *Update* 33). ©

If rich countries really cared about development, Birdsall et al

www.ictsd.org/dlogue/2005-07-01/Docs/RODRIK-BRIDSALL_SUBRAMANIAN_what-rich-can-do_April2005.pdf

Tax revenue and (or?) trade liberalisation

www.imf.org/external/pubs/ft/wp/2005/wp05112.pdf

Taxation policy and development

www.taxjustice.net/all/pdf/Taxation_policy_and_development.pdf

Tax us if you can, Tax Justice Network

www.taxjustice.net/cms/upload/pdf/tuijuc_eng_web_file.pdf

Inside the institutions **Decision-making at the IMF**

IMF staff and management are accountable to the IMF's managing director—currently Rodrigo de Rato—who is appointed by and accountable to the executive board. By 'gentleman's agreement', the managing director is chosen by the IMF's European members, whilst the first deputy managing director, currently Anne Krueger, by the US government.

Board of governors The IMF's supreme decision-making body, consisting of one governor and one alternate governor from each of the IMF's 184 member countries. The governor is appointed by the member country and is usually the minister of finance or the governor of the central bank. In practice the board of governors delegates day-to-day oversight to the executive board but retains responsibility for major decisions concerning the institution itself, such as changes to the Fund's structure, and accepting new members. The board of governors normally meets twice a year at the IMF-World Bank spring and annual meetings.

International monetary and financial committee A committee of the board of governors. Membership is based on the same constituency system as the executive board (see below), and is made up of 24 members from the board of governors. The IMFC normally meets twice a year, at the spring and annual meetings of the IMF.

Executive board Carries out the day-to-day work of the IMF at its headquarters in Washington, DC. It is chaired by the managing director of the IMF, who is assisted by three deputy managing directors. It consists of 24 executive directors (EDs), who are appointed or elected by member countries or by groups of countries on a bi-annual basis.

The board usually meets for three days per week.

At the board level most countries are grouped into constituencies, with the exception of the five largest shareholders of the IMF—US, Japan, Germany, France and the UK—who have one chair each. Russia, Saudi Arabia and China are currently single country constituencies. In some constituencies the appointment of the executive director (ED) is rotated amongst the country members and in others the country with the largest number of votes appoints the ED.

Ten of the available 24 board seats are currently occupied by developing countries, who collectively hold 26 per cent of the voting share. The number of developing country board seats rises to eleven when the constituency currently headed by Spain is

chaired by Mexico or Venezuela. Eight constituencies contain both debtor and creditor members, in seven of which the majority of voting power resides with creditors. For developing countries to be able to carry a decision in their favour they must build alliances with creditor members. There are currently 45 Sub-Saharan African member countries in the IMF, who hold a combined voting share of 4.4 per cent.

Decision-making at the board The board makes decisions by consensus. However, often there are important differences of view among the membership. The IMF's rules and regulations prescribe that "the chair shall ordinarily ascertain the sense of the meeting, in lieu of a formal vote", effectively seeking to obtain the broadest spectrum of support in terms of numbers of EDs and voting share, provided that if put to a vote there would be the needed majority. Where no consensus can be reached, a simple majority of the voting power can quickly be achieved by collective agreement among the G-7 chairs and a few other directors.

EDs representing more than one country can not split their votes, or cast separate votes for each of the members they represent and must cast a single block vote for all of the member countries that they represent. EDs rarely object—abstention is the strongest form of protest.

Since 1999 the introduction of chairman's summaries and public information notices summarising board discussions on country programmes, surveillance reports and broad policy issue papers have been made public. Board minutes which record all interventions are released to the public after 10 years.

Standing committees These include: Committee on administrative policies; Committee on the budget; Committee on liaison with the World Trade Organisation; and Committee to the annual report. The IMF does not make available information on the members, workplan or meeting minutes of the committees. With a few exceptions they are not decision-making bodies, but serve in an advisory capacity and prepare decisions to be taken by the executive board. Most have a membership of eight and their attendance is open to the whole board. ©

IMF executive board calendar

🌐 www.imf.org/external/np/sec/bc/eng/index.asp

IMF executive directors and voting power

🌐 www.imf.org/external/np/sec/memdir/eds.htm

UK reports on its activities at the World Bank and IMF

The UK's Department for International Development (DFID) quietly published its first annual report on the UK's involvement with the World Bank in March. The lack of depth of analysis of DFID's report suggests that the government did not see this as a priority. DFID calls for:

- Greater predictability of financing and matching to national budget cycles;
- An increase in the proportion of support delivered through programmatic loans;
- Greater management accountability for "performance against results"; and
- More progress on disclosure, including the publication of board documents, and executive directors' statements.

The report does not mention major Bank policy developments during the period or discuss the UK position on key investment projects. There is only a very limited discussion of whether DFID achieved its institutional objectives for the Bank, and none of whether UK objectives for spring and annual meetings were achieved. There is no summary of DFID's progress in improving transparency and accountability to UK citizens in its dealings with the Bank, nor anything on follow-up to questions

raised by the international development committee at their annual hearings on the World Bank and IMF. Absent are any references to the work of the Bank's watchdog groups, the Operations Evaluation Department and the Inspection Panel.

Treasury to IMF: More flexibility

Treasury published its annual report on UK activities at the IMF in late July. The UK has been banging the drum for improved independent surveillance efforts for several years. This year's report notes some limited progress but the Treasury is "concerned that a truly fresh perspective" is still missing. Accordingly, there are calls for a

clear methodology for assessing the effectiveness of surveillance to be in place by the next biennial surveillance review in 2006, including an "assessment of the accuracy of assessments made by the IMF".

The Treasury admonished the IMF to be "flexible enough to accommodate the extra investment needed in infrastructure, education and tackling disease". However, there is no guidance on what to do if the IMF is found to be inflexible. The report restates the new UK government position on conditionality, questioning the use of conditions in "sensitive policy areas such as privatisation and trade liberalisation". The report's

authors say that the UK will work within planned evaluations of conditionality "and in individual country discussions to promote the new approach proposed by the UK".

The Fund is encouraged to enhance its capacity to conduct poverty and social impact assessments. There are also calls for a Fund review of their lending vehicle to low-income countries, to include an "assessment of how effective programmes are in reducing poverty and supporting countries' own poverty reduction strategies."

The UK government would "like to see more progress on the crucial structural issues that play a key role in giving countries an effective voice." In a future quota increase, the UK would support a general increase with a relatively large selective element allocated by a new quota formula; ad hoc increases to address the clearest out-of-line cases; and an increase in the basic vote to correct the erosion of voting power of the smallest members." ©

Treasury committee investigation

The UK's treasury select committee announced in August that it would be initiating an investigation in October of the structure and performance of the World Bank, the IMF and the WTO. Reform of the IMF and the World Bank will also be on the agenda when finance ministers and central bank chiefs from the Group of 20 meet in China in October. Food for thought for both processes comes from a new book entitled *Accountability of the IMF* published by the International Development Resource Centre, edited by Carin and Wood.

UK Treasury select committee

🌐 www.parliament.uk/parliamentary_committees/treasury_committee.cfm

Accountability of the IMF, IDRC

🌐 www.idrc.ca/en/ev-73453-201-1-DO_TOPIC.html

UK and the World Bank 2004

🌐 www.dfid.gov.uk/pubs/files/uk-worldbank-2004.pdf

UK and the IMF 2004

🌐 brettonwoodsproject.org/hmtimf04

Climate change and the World Bank: dubious green credentials

The G8 communiqué in July bestowed the World Bank with a leadership role "in creating a new framework for clean energy and development, including investment and financing".

Such a role could be considered ironic: one year on from the Extractive Industries Review (EIR), Bank support for renewable energy is a mere 6 per cent of its total energy-related lending; and its lead role in the Clean Development Mechanism (CDM) has been subject to severe scrutiny.

The Bank wants to bring together nations split over the Kyoto Protocol to work out a new plan that would remain effective after Kyoto expires in 2012. Ian Johnson, vice president of the Bank's environmentally and socially sustainable development department, said the Bank will serve as a "global mediator on climate change", bridging the differences in approach between developed and emerging countries, including India and China. The UK appears set to play a key role: at the annual meetings, UK secretary for international development Hilary Benn invited the Bank to host a side-event to discuss follow-up work on G8 climate change initiatives, with Bank president Wolfowitz to co-chair. A meeting on climate change in London to be headed by prime minister Tony Blair is planned for November.

A letter to the G8 leaders signed by 120 civil society organisations pointed out that the Bank has financed over \$25 billion in oil, gas and coal contracts since the UN framework convention on climate change was signed in 1992. Eighty per cent of all World Bank oil projects are for petroleum production for wealthy countries, rather than to meet the energy needs of the world's poor. Strong civil society criticism of this perpetuation of fossil-fuelled economic expansion was reflected in a number of reports:

Drilling into debt,

Oil Change International

Oil exporting countries have fallen into "a nightmare of crushing debt, civil conflict and stagnant economies", as compared to the expectation of economic plenty that oil production would bring perpetuated by the Bank in the 1970s and 80s. Bank programmes designed to increase northern private investment in southern oil production have drastically increased debt, as explored in case studies from Nigeria, Ecuador and Congo-Brazzaville.

Hoodwinked in the hothouse,

Carbon Trade Watch

The Bank has played a major role in developing carbon-intensive projects in the developing world. The report challenges the "carbon offset culture", and the assumption that the market's "invisible hand" rather than radical reductions at source will contribute to a genuine reduction of emissions. It criticises the Bank's involvement in carbon trading emissions schemes, in particular the prototype carbon fund, which merely allows northern governments and industry to postpone making the desperately needed cuts at home.

Mainstreaming climate change considerations,

World Resources Institute

The Bank's response to climate change over the past five years has been inadequate. Country assistance strategies have failed to comprehensively address climate change, and over 80 per cent of the Bank's publicly disclosed lending in the energy sector 2000-2004 did not consider climate change issues in project appraisals. The report recommends that Bank country sector strategies explicitly integrate climate change considerations, and that developed countries support the additional costs of green house gas accounting as part of their obligations under the UN climate convention and Kyoto protocol.

Carbon broker

The UN climate change convention and the Kyoto protocol envisage an important role for the World Bank with respect to financing technology transfers to mitigate green house gas emissions. A recent report by the Sustainable Energy and Economy Network reveals the Bank's plans to operate as a self-appointed broker—from which it would reap profits of between 8 and 10 per cent of each transaction between northern and southern parties on carbon transactions, through such schemes as the Prototype Carbon Fund and the Clean Development Mechanism (CDM). The Bank leads other multilateral development banks in the CDM, which assists industrialised countries to comply with Kyoto emission limits and "developing countries to

achieve sustainable development". However, its genuine contribution to renewable energy development is doubtful, given its financing for projects such as monoculture tree plantations in the case of the Plantar project in Brazil (see *Update 35*).

West Africa gas pipeline: spurious claims

The World Bank-funded West Africa Gas Pipeline (WAGP) has been presented as a clean energy project which should qualify for credit under the CDM. Management of the pipeline is split between the members of a consortium lead by Chevron Texaco, and includes the Nigerian National Petroleum Corporation (NNPC) and Shell. The request for the CDM credit is predicated on the claim that the pipeline project would contribute to the reduction of gas flaring in the Niger Delta. However, Chevron, the World Bank and the Nigerian government have failed to demonstrate how gas flaring will be reduced as a result of the pipeline. Moreover Chevron was part of the Global Climate Coalition, an oil industry lobby group opposed to the Kyoto Protocol. In May 2005 Shell announced that it would not

meet its commitment to eliminate routine flaring of associated gas from its oil fields in 2008.

The "Enron" of global carbon trading

An analysis by NGO International Rivers Network (IRN) has exposed as fictional World Bank claims that it is helping China reduce its green house gas emissions by three million tons through buying carbon credits from the Xiaogushan dam. The Bank has applied for the credits to be certified by the CDM. IRN states that the large dam is due to be completed in 2006 regardless of whether or not it receives carbon credits. The CDM is only supposed to issue credits for projects that would not be built if they did not receive them. IRN's Patrick McCully called the World Bank the "Enron of global carbon trading, shamelessly manipulating the market behind the scenes whilst painting itself as the good guy".

Drilling into debt, Oil Change International

www.priceofoil.org/DrillingIntoDebt.pdf

Hoodwinked in the hothouse, Carbon Trade Watch

www.carbontradewatch.org/pubs/

Mainstreaming climate change, WRI

newsroom.wri.org/newsrelease_text.cfm?NewsReleaseID=332

A carbon rush at the World Bank

www.fpij.org/papers/0502wbank.html

FoE Nigeria: No carbon credits for WAGP

www.eration.org/

WB blowing hot air on carbon credits

www.irn.org/programs/greenhouse/index.php?id=050830xiaogushan.html

Pick and choose: Bank on extractives

In July a response to the letter submitted by over 60 civil society organisations (see *Update 46*) regarding the Bank's implementation of its response to the Extractive Industries Review (EIR) was received from Rashad Kaldany, director of the IFC's oil, mining, gas and chemicals department. Selected highlights include:

- IFC will develop non-binding guidance notes on broad community support;
- there will not be any "no-go zones";
- revenue transparency commitments currently only apply to "significant projects", defined as accounting for 10 per cent or more of government revenues. Kaldany will propose that the EIR transparency commitments be included in the revised IFC safeguard policies;
- IFC will modify its poverty impact assessment to reflect both positive and negative project impacts. IFC has made

no commitment regarding independent or local community monitoring; and

- Consideration of governance risks should now be stated in the IFC's summary of project information.

In December 2005 CEE Bankwatch and Bank Information Center will host a conference to highlight Bank performance on the implementation of EIR recommendations. The primary purpose of the conference is to present EIR project case studies and an overall status report.

For further information contact

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Slow progress on WB's oil, gas and mining commitments

brettonwoodsproject.org/EIR46

WB response to CSO EIR follow-up letter

www.bicusa.org/bicusa/issues/IFC_response_EIRfollowup.pdf

Dam review five years on: lessons not learned

Five years on from the widely acclaimed World Commission on Dams report, Dams and development: A new framework for decision-making, and after a decade during which big dam building has been in steady decline, the World Bank and the dam industry are now pushing for a revitalisation of large hydropower projects and the side-lining of the report.

This has been accompanied by a number of contentious Bank-supported dam projects such as Nam Theun 2 in Lao PDR (see *Update* 46); Allain Duhangan in India (see *Update* 43); and renewed interest in dams in Uganda and Pakistan. Meanwhile, the legacies of earlier dam projects are still being felt, such as the Chixoy dam in Guatemala; and the Lesotho Highlands project (see *Update* 41).

The Bank is currently considering a request by Pakistan for \$10 billion in assistance for hydropower projects. Pakistani civil society is concerned about the planned Kala Bagh dam on the Indus Delta. The Indus Delta has already suffered significant livelihood and biodiversity loss as a result of previous dam construction. According to NGO Participatory Development Initiatives (PDI), two controversial studies are being carried out under the supervision of the World Bank. A workshop organised by PDI and ActionAid Pakistan in Karachi identified serious flaws in the draft reports of both studies, in particular with regards to the intrusion of sea water, and environmental degradation of the Indus Delta that would result.

In April the Ugandan government announced its approval for Aga Khan Industrial Promotion Services to build the Bujagali Dam. The dam has been a source of embarrassment for the Bank since it removed its support for the project in 2003 follow-

ing a corruption investigation and the withdrawal of the main sponsor, US-based AES Corporation. The IFC was to be the major lender for the project. It is not clear if it will now give its support to the new sponsor. Local groups working on Bujagali have raised questions about resettlement, environmental impacts and cultural resources, pointing out that this project will do nothing to help the 95 per cent of Uganda's population who are not connected to the national grid.

A new report on Guatemala's Chixoy dam documents the full extent of social injustices and human rights violations resulting from the World Bank/Inter-American Development Bank-funded project. The report recommends legally binding reparations for the 4,000 people affected by the 22-year-old dam. In 1982 more than four hundred Maya Achi men, women and children were tortured, raped and killed by the Guatemalan army after they opposed relocation (see *Update* 43). The report was commissioned by the Peasant Association Río Negro 13 of March Maya Achi, and international NGOs.

Thayer Scudder, one of the 12 commissioners of the WCD and a consultant on resettlement projects to the World Bank since 1964, explores the failures of large dams in his book

The future of large dams: dealing with social, environmental, institutional and political costs. He argues that, despite the Bank's role as a standard-setter for large hydro projects, its ability to deal seriously with resettlement is insufficient. He states that the WCD recommendations are superior to the Bank's environmental and social safeguard policies, and criticises the Bank for failing to require an overarching policy for large hydropower projects.

A conference to mark the fifth anniversary of the release of the WCD report will take place in Berlin in November, organised by International Rivers Network, Urgewald and the Heinrich Boell Foundation. It aims to showcase the broad public support for the WCD report, and highlight models for the implementation of the WCD guidelines. ☉

\$10 billion sought for hydropower and dams in Pakistan

☉ www.dawn.com/2005/08/17/top2.htm

Chixoy dam legacy issues study

☉ www.irn.org/programs/chixoy/index.php?id=ChixoyLegacy.2005/index.html

The future of large dams, Thayer Scudder

☉ www.earthscan.co.uk

WCD fifth anniversary conference

☉ www.irn.org/wcd/index.php?id=5/main.html

Indigenous policy undermines rights

A report by NGO Forest Peoples Programme provides a historical summary of indigenous peoples' experiences with participation in World Bank policy processes and programmes. It finds that the Bank has failed to address demands that indigenous peoples have made, particularly in relation to human rights, international standards and free, prior and informed consent (FPIC). It provides a critical analysis of indigenous experiences of the World Commission on Dams, the Extractive Industries Review and the seven-year-long revision process of the Bank's operational policy on indigenous peoples.

The new IBRD and IDA policy on indigenous peoples (OP/BP 4.10) came into force in August. It was subject to heavy criticism at the UN permanent forum on indigenous issues in May, largely in relation to the weakening of FPIC as an international standard. A joint statement, signed by 24 indigenous organisations said: "Of specific concern is the Bank's recent decision to require a process of free, prior and informed consultation with affected indigenous peoples' communities to ascertain their broad community support for a project, rather than requiring their free prior and informed consent. [This] stands to severely threaten their lands, territories and natural resources, and to undermine their internationally recognised human rights". ☉

Indigenous peoples and the WB

☉ www.forestpeoples.org/documents/ifi_igo/wb_ips_and_particip_jul05_eng.pdf

United Nations permanent forum on indigenous peoples

☉ www.un.org/esa/socdev/unpfii/

IEO new head, new work programme

In June, Thomas Bernes was appointed as the new head of the Independent Evaluation Office (IEO) of the IMF. Bernes previously served as the secretary of the joint IMF-WB development committee, and IMF executive director for Canada from 1996 to 2001.

The IEO confirmed that its evaluations for fiscal year 2006 will include: IMF advice on exchange rate policy, IMF role in selected African countries (aid predictability and debt sustainability), and the effectiveness of bilateral surveillance.

IEO work programme FY06

☉ www.imf.org/External/NP/ieo/2005/wp/eng/index.htm

More white guys to top posts at IFC, finance

President Paul Wolfowitz named two Europeans to senior posts in early September. Vincenzo La Via, former Italian Treasury official and Banca Intesa executive, was appointed chief financial officer. From 1985 to 1991 he worked at the World Bank, spending a year as advisor to the Italian executive director, and then working as senior investment officer in the treasury department. Lars Thunell, who served as chief executive of Sweden's SEB banking group, was named the IFC's executive vice president. Thunell was also recently appointed board member of Statoil, and is a board member of SLA, an international forestry and paper product company.

Wolfowitz appoints accountability guru

Bank president Paul Wolfowitz initiated an external review of Bank systems of transparency, accountability, ethics and integrity at the end of July. The man chosen for the job is Robert Pozen, current chair of MFS investment and previously a visiting professor of economics at Harvard University. He will review the Bank's systems in this area and advise Wolfowitz whether he believes any changes are needed to "improve effectiveness and ensure proper coordination". The purpose of the review is to "clarify roles, ensure an efficient use of resources, and ascertain that there are no gaps". Bank watchers worry that new gaps may be exactly what results after Pozen presents his report end September.

Wolfowitz watch

A new initiative from US NGO Bank Information Center will provide information on the appointments made by president Wolfowitz, as well as his speeches and travel schedule. Bank watchers believe that, rather than asserting his authority over the institution in head-on John Bolton style, Wolfowitz will signal his intentions through the people he places in key positions of influence. Such appointments already include Kevin Kellims, former spokesperson for US vice-president Dick Cheney, as senior advisor; and Robin Cleveland, formerly in the office of the president of the United States, as counsellor.

☉ www.bicusa.org/bicusa/issues/wolfowitz_watch

Giant taming

Ten years of the Bretton Woods Project

COMMENT

by Alex Wilks

Coordinator, European Network on Debt and Development;
Coordinator, Bretton Woods Project, 1995–2004

IT HAS OFTEN seemed crazy that a tiny UK-based NGO should try to monitor and influence two giant global institutions. The Bretton Woods Project has never been a David versus Goliath operation, however, but an effort to help coordinate and inform many civil society Lilliputians to tie down two tall Gullivers. How well have the Lilliputians done in preventing the giants causing damage across the south?

There have been many gains in terms of increasing transparency, raising awareness and creating public debate. Many national and international processes have considered the impacts of Bank and Fund activities and suggested changes to what they do. Some of these suggestions have been adopted, in part or in full. Many, however, have proved to be little more than face-lifts for the giants, with their thinking and main actions remaining as they were.

Those of us working in northern capital cities often need to be reminded by our southern colleagues that we should not be taken in by announcements featured on websites, or fine presidential speeches at annual meetings. The reality in the vast majority of southern countries is that poverty and environmental problems are worsening and that citizens and governments feel powerless to shape their destinies.

The World Bank and IMF are still playing multiple roles of researching, proposing and financing projects and policy reforms. Some of the advice and projects may well be sensible in theory, but they are often proposed and delivered in a manner which alienates people on the ground rather than wins them over, making them inoperable in practice.

The institutions have been forced to recognise some of the short-comings of the traditional Washington Consensus and have developed new lines of work on issues such as corruption, disability and inter-faith dialogue. Combined with the vast range of other initiatives that Wolfensohn initiated, this can mean that the institutions play an influencing role across an increased range of southern institutions and policy areas. There is little logic to many of these themes being handled primarily by the IFIs. And the institutions certainly still find it hard to collaborate rather than dominate.

A major question at the moment is what will happen to the Bank under Wolfowitz. Could it be that those of us who contested the nomination process and outcome will be found to have cried wolf for nothing? I doubt it. Much more likely is a dismantling of the more progressive elements in the institutions, and an increasing conformity to US foreign policy. However the Bank staff machinery has in the past often resisted changes announced by their president (including many Wolfensohn ones). And any changes will be done under a smokescreen of PR activities and announcements. Wolfowitz seems keen to make statements on almost everything that is in the public eye—from the death of King Fahd, to hurricane Katrina. And he has not been shy to find photo opportunities with African choirs and similar photogenic groups.

So if Wolf II is part of a Bush II plan to get his people into multilateral institutions to dismantle them from inside, the Bank president is going about it in a much more sheepish and subtle manner than John Bolton, who has rapidly caused major upheaval at the UN.

There is some turbulence among civil society groups, however, on how to treat the new president. Some reacted with glee to the appointment, arguing that things need to get worse and more visible before they can get better. But even those who do not follow this logic are discussing whether the multitude of Bank consultations and dialogues make much difference or whether civil society is strongest when it develops clear independent positions and organises outside official processes.

The Bretton Woods Project, with its broad-church convening power, insider contacts and wide-ranging overview of IFI activities, clearly has a major role to play in keeping people up to date and shaping thinking and actions on what roles the IFIs should play and how they can be persuaded to do so. It has a more vital role now than ever to stop the giants erupting out of their restraints and causing further damage.

Alex Wilks

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European Network on Debt and Development

🌐 www.eurodad.org

World Bank–IMF annual meetings 2005

Members of staff of the Bank and Fund, board members, development and finance ministers are gathered in Washington 23–25 September.

The formal agenda includes:

- 23 Sept **G24 ministers' meeting and G7 finance ministers meeting**
24 Sept **Opening plenary session**
International Monetary and Financial Committee:
Global economy and financial markets; IMF support for low-income countries including discussion of the G8 debt deal; IMF strategic review
- 25 Sept **Development Committee:** Africa action plan and debt relief; aid for trade; progress reports on aid effectiveness; infrastructure, conditionality review, governance roadmap, PRS review, HIPC implementation and climate change
Closing plenary session

Development committee and IMFC documents

🌐 www.imf.org/external/am/2005

Civil society dialogues organised by NGOs include:

- Launch of Eurodad PSIA advocacy report
- Trade-finance linkages in the lead up to Hong Kong
- What future for World Bank conditionality
- Democratic Republic of Congo: Post-conflict development and the Bank
- User fees and health financing
- Alternative macroeconomic policies for fighting HIV/AIDS

A comprehensive calendar of events, contact information for groups in Washington, and links to documents released by civil society are available on IFIwatchnet.

🌐 ifiwatchnet.org

Parliamentarians return to Washington

Elected representatives from Indonesia, Ghana, Malawi and Mexico will be travelling to Washington for the annual meetings to press the points raised by the International Parliamentarians' Petition (IPP), signed by over 1000 MPs in 50 countries worldwide. The representatives will meet with the G24 and southern executive directors of the Bank and Fund.

Parliamentarians go to Washington to demand greater oversight

🌐 brettonwoodsproject.org/ippwdm46

Malawian parliamentary coalition on the IFIs

🌐 www.ippinfo.org/documents/MAPCOIREPORT2005.doc

Transparency charter for IFIs

The Global Transparency Initiative (GTI) will be holding a three-month consultation starting 28 September (international right-to-know day), on a draft charter of transparency principles which the international financial institutions should uphold. The GTI brings together civil society IFI monitors with campaigners on freedom of information. For more information visit the website or contact the charter's lead author directly.

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Global Transparency Initiative 🌐 www.ifitransparency.org



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