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BRETTON WOODS UPDATE

NGO News About the World Bank and IMF
April-June 1997

Resettlement: Attempt to Weaken Policy

NGOs have accused the World Bank of trying to dilute its Involuntary Resettlement Directive — intended to protect people displaced by Bank projects — while converting it into new style policy documents (Operational Policies, and Bank Procedures: see Jan.-March Update). The Bank strenuously denies that it intends to use the reformulation to change the content of policies. In February the Bank sent its proposed draft Operational Policy and Bank Procedure to a few NGOs and academics. Some replied individually and over 30 NGOs sent a joint letter suggesting precise wording changes to reinstate key parts of the current Directive which the Bank proposed to omit or make optional.

The main points in the NGO letter were that the proposed new policy, when compared with the existing Directive:

- downplays the significance of involuntary resettlement;
- drops the preference for land-for-land exchanges for people being displaced;
- removes the provision that land provided be equivalent to land lost;
- removes the requirement that Bank staff should ensure that full socio-economic surveys are carried out to show the number and circumstances of people to be affected before loans are approved;
- leaves many protections for displaced people to the discretion of implementing agency officials or Bank task managers;
- removes the requirement for proposed resettlement sites' environmental impacts to be included in the main project's Environmental Assessment.

Oxfam UK/I prepared a longer document making similar points about the proposed policy's language and content, and pressing the Bank to improve and clarify the sections on:

- project appraisal, and supervision;
- exclusions of some displacee categories;
- the potentially catastrophic consequences of resettlement for indigenous people and other particularly vulnerable groups;
- how resettlement will be dealt with in sectoral or program loan negotiations.

As well as pressing for the Bank to introduce and retain a strong policy on resettlement, NGOs have for many years called for the Bank to do more on implementation. Implementation failings were most clearly revealed in the Narmada dam, India and shown to be systematic in the Bank's 1994 *Review of Resettlement*. This showed that all four basic requirements supposed to guide Bank resettlement were being routinely flouted. The poor follow-up to this report has been analysed in an EDF document, and NGOs will do more to press on implementation.

Available: World Bank proposal for resettlement OD conversion, Joint NGO letter on OD conversion. *Safeguarding Standards in Resettlement: Oxfam's Recommendations on the Proposed Revision to the World Bank's Policy on Involuntary Resettlement*, Oxfam UK/I, March 1997.

Evicted! The World Bank and Forced Resettlement, The Ecologist, 1995.

Memorandum: Final Report of the World Bank on Remedial Action Planning for Involuntary Resettlement, Bruce Rich, EDF, 1996.

● Myrna Alexander, the World Bank official overseeing the conversion of Operational Directives, replied to UK NGOs' letter of concern about the process in January. The letter stated that the conversion "does not involve any backtracking by the Bank on its commitment to poverty reduction and sustainable development". In the few cases where the process has been used "to amend specific aspects of established

policies" Bank staff seek Board approval. The Bretton Woods Project has replied asking for confirmation that the Board will have a chance to properly debate the Resettlement Directive conversion, and asking whom the Bank is planning to consult when it converts its Directives on poverty and on structural adjustment.

Bank agrees "Strategic Compact" change program

Bank President James Wolfensohn has launched a major reorganisation intended to renew the Bank for the 21st century. Prepared by the President's office with senior staff and external consultants, the Strategic Compact is intended to cut bureaucracy and reduce the number of projects which fail to meet Bank standards.

At the end of March, after haggling over the cost of redundancy payments for the 300-700 staff expected to be cut, the Board approved the reorganisation. Parliamentarians and NGOs wrote to the Bank complaining that they could not obtain information about how the Compact would affect the issues which concern them, and had been forced to rely on press reports and meaningless public relations phrases.

The internal reform process will be managed by Mark Baird, appointed to a new post, Vice President Strategy and Resource Management. Mr Baird, replying to the NGO letter, said the Compact's vision and steps "were drawn from hundreds of meetings which World Bank President James Wolfensohn has had over the last year and a half with external audiences, including NGOs", and that "there will be plenty of room for discussion with NGOs and others about the most effective ways to implement its vision".

NGOs have not yet been sent the Compact documents but understand

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, B. W. Project, PO Box 100, London SE1 7RT, Tel: +44(0)171 523 2170, Fax: 620 0719, E-m: bwref@gn.apc.org
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that they will emphasise:

- making slightly more resources available for "front-line services";
- strengthening staff capacities in focus areas, including social dimensions of sustainable development, rural development, African capacity building, financial sector development, anti-corruption and catalysing private capital;
- new systems for collecting, synthesising and disseminating knowledge inside and outside the Bank
- relocating staff to the field, investing in staff training, giving incentives to improve staff performance and finding ways to cut staff who are not doing a good job or whose skills are not needed.

The Bank plans to develop new measures of its programmes' development impact and the effectiveness, speed and reliability of its work. The Bank will also increase its use of client and staff surveys, OED and QAG studies, and independent external evaluations.

Many NGOs feel the Bank's failure to include them properly in discussions about reform initiatives are a symptom of often unequal "partnerships" with outside organisations and are wary of legitimising the extension of Bank activity into new areas.

The Compact does not properly address how the Bank should most effectively allocate its budget. Some money which could have been channelled to IDA or HIPC debt relief has now been committed to fund staff layoffs, and the Bank still faces serious questions about how to price and prioritise its services to make them relevant and affordable for its clients.

☞ Available: NGO-WB correspondence.

Soon available: Compact documents.

New Book Reveals World Bank Priorities

A new book by Catherine Caufield provides an excellent analysis of the Bank's previous reforms and renewals and is perhaps the perfect complement to reading about the Strategic Compact. *Masters of Illusion* examines the shifts in Bank priorities and interests over its fifty year history, and the role of Presidents, key member governments and outsiders in achieving change. Using little-known Bank documents and interview material the book provides a thorough and very

readable account of the Bank's internal workings and the institutional pressures facing staff. A picture emerges of an insecure bureaucracy with low morale and perverse incentives leading to an huge number of failing projects.

For the 1990s the book looks at the expansion of the Bank's public relations and "relationship-building" work, and comments:

"in recent years the Bank has adopted — if only superficially — virtually every suggestion its supporters and critics have offered, with one exception: that the Bank practice self-restraint. It is now committed — at least on paper — to helping the private sector, women, and the poor; to working with nongovernmental organisations and the people directly affected by its projects; to increasing its lending for education, health, nutrition, and micro-enterprises; to protecting or improving the environment; to reducing military expenditures and corruption; to promoting openness in government, the rule of law, and equitable income distribution — and to doing it all 'sustainably'".

This book contains indispensable material for everyone working on World Bank issues.

☞ *Masters of Illusion: The World Bank and the Poverty of Nations* is published by Macmillan in the UK, and Henry Holt Inc. in the USA.

Treasury Committee Publishes IMF Report

After spending a year investigating the role of the IMF the Treasury Select Committee has now published its findings. The inquiry covered a wide range of issues including funding for ESAF, the role of SDRs, the impacts of SAPs, the HIPC Debt Initiative and transparency and accountability of Fund operations. The report focuses on the latter two issues. The Committee concluded that the inquiry "has highlighted the importance of the IMF as both a monetary and lending institution and the consequential necessity of ensuring that it is subjected to proper and sustained Parliamentary scrutiny", and recommended that:

- the Chancellor and the Executive Director continue to press the IMF to publish further information including, as a minimum, policy framework papers, annual programmes that underpin them and Article 4 Reports' concluding

statements;

- the UK ED continue to press the Fund's Board to establish an independent evaluation unit to cover in particular the impact of IMF structural adjustment programmes in Sub-Saharan Africa;
- there be more parliamentary involvement in IMF issues and at least one full debate on it in every parliament;
- the Treasury provide an annual report to the Committee on Fund activities and the UK's role, including details of the ED's voting record, with the option for the committee to take evidence;
- the IMF should act promptly to maintain the impetus for the HIPC debt initiative: the UK ED should ensure assumptions for countries' growth export prospects and import elasticities are realistic: to prevent further prevarication from the Fund the ED should, by this year's Spring Meetings, seek a definitive list of eligible countries and the proposed timescale over which they may benefit.

* *Treasury Committee Fourth Report, International Monetary Fund: Report, together with the Proceedings of the Committee Minutes of Evidence and Appendices, Session 1996-97, HC68.*

☞ The report's summary is available from the B. W. Project and the full report is priced £20.50 and is available from the Stationery Office (tel: 0171-873-0011; fax: 0171-873-8463).

Union Presses for Worker's Rights in Bank Agreements

The International Federation of Building and Wood Workers (IFBWW), an International Trade Union Secretariat with a membership of 12.9 million members, is campaigning for the incorporation of a labour clause in World Bank contracts.

The IFBWW argue that the Bank's development assistance role, together with the volume of employment it creates, place the Bank under an implied obligation to promote and protect worker's rights.

Workers in many developing countries are afforded inadequate protection and unions are actively discriminated against. The competitive bidding process for World Bank contracts encourages firms to reduce wages and neglect safety aspects to reduce their overall costs. The IFBWW argues that the World Bank can help promote labour standards and improve international competitive bidding practices by incorporating mandatory labour clauses, based upon

ILO conventions, in loan agreements and by making the non-observance of minimum labour standards a ground for disqualification from bidding. The inclusion of labour clauses in World Bank Procurement Guidelines and Standard Bidding Documents would require the direct borrower of funds but also all firms contracted and sub-contracted under Bank project funding, to observe at least minimum labour standards. The Bank has recently revised its procurement guidelines several times to meet new practices in bidding procedures, and to expand the grounds for disqualification from the bidding process.

The labour-related clauses in the Bank's current standard bidding documents for procurement are not mandatory and bidders suffer no repercussions if they fail to consider them. Until a mandatory clause is established, the IFBWW urges unions to press for the existing clause contained in the Bank's Standard Bidding Documents for the Procurement of Works to be included and observed in all contractual agreements made under World Bank funded projects. If this clause is strengthened and observed it will vastly improve the working and living conditions of workers all over the world.

✉ For further details contact:

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IDA Report: Growth but no Poverty Reduction

According to a new World Bank report on IDA*, poverty increased among IDA-only countries from 29% of the population in 1987 to 33% in 1993 despite increased growth; growth rates rose from 1.4% in 1991 to 3.2% in 1992 and 1993, 4.1% in 1994, and 6.2% in 1995. IDA flows are becoming increasingly important to low-income borrowers - accounting for 15% of borrowing in 1995, up from 13% in 1990 - with 50% of IDA10 commitments made to countries with per capita GNP of \$350 or less. Foreign Direct Investment remains insignificant for most countries, 90% of the \$43.5bn invested in IDA-only countries went to China.

The report also finds that:

- Selectivity of aid spending has increased; those countries with "the best policy performance" received nearly 60% more in new IDA commitments per capita than average performers;
- Lending commitments to Sub-Saharan Africa declined from \$8.7bn in FY91-93 to \$7.6bn in FY94-96 and increased in East Asia and the Pacific (from \$3.3bn to \$3.7bn), Europe and Central Asia (from \$146m to \$1,215m) and Latin America and the Caribbean (from \$891m to \$1,048m);
- Disbursements accelerated in pace and exceeded \$17bn (20% more than during the IDA9 period) of which \$11.7bn went to investment projects;
- 75% of commitments were for investment projects (from 77% in FY91-93) with the remainder for adjustment;
- 2% of investment disbursements went to "poverty related" projects in the social and agriculture sectors;
- 133 projects contained elements targeted to improving opportunities for women and girls;
- Over 50% of operations approved during FY94-96 involved some form of participation by directly affected stakeholders.

* World Bank, 1997, *IDA in Action 1994-1996, The Pursuit of Sustained Poverty Reduction*.

✉ Contact: Microinfo Ltd, Tel: 01420-86848, Fax: 01420-89889, Email: wbank@ukminfo.demon.co.uk

Global Development Finance

The World Bank has published its annual report on flows of development finance*. The report, formerly known as the *World Debt Tables*, shows that official development assistance (ODA), particularly long-term development finance, continues to stagnate in both nominal and real terms. ODA fell by \$12bn with concessional finance falling by nearly \$1bn. Although the majority of concessional flows are still focused on poverty reduction and long-term economic assistance an increasing proportion is being used for refugee relief and peace keeping efforts; 12% of all ODA is now devoted to emergency aid, compared with 2% in 1990. The report recommends that the limited resources for aid need to be enhanced by better coordination and a stronger focus on the poorest countries. Record levels of private investment flows have not compensated for this decline

and as the World Bank notes "private capital is not a substitute for official assistance targeted at programs which promote better health, education and environment". Of the \$60bn increase in net private capital flows in 1996, only \$14bn went to low income countries, mostly to China and India.

* World Bank, 1997, *Global Development Finance*.

✉ Contact: Microinfo Ltd, Tel: 01420-86848, Fax: 01420-89889, Email: wbank@ukminfo.demon.co.uk

Uganda: Bad Debt Precedent

Concern is growing amongst NGOs that the Bank and Fund are not sufficiently committed to the HIPC Debt Initiative. This follows the release of a joint Board paper which indicates that Uganda will not reach the "decision point" before April 1998 and possibly as late as April 1999. It was hoped that Uganda, which is expected to be the first country to benefit from multilateral debt reduction under the initiative and is seen as a test case, would receive relief from the IFIs this year; reaching the "decision point" by the World Bank/IMF Spring Meetings and the "completion point" by the Autumn meetings.

Delay in reaching the decision point will decrease the amount of debt reduction Uganda will be eligible for. Debt relief calculations are based on a 3-year average of export prices, for Uganda the delay will lead to \$100m less debt relief in net present value terms because this calculation will include the period of booming coffee prices.

Under pressure from the US government, a new "social track record" element has also been introduced between the decision point and the completion point in addition to the usual adjustment performance requirements. After ten years of Fund-supported adjustment Uganda is now required to undergo a further year during which social indicators will be monitored. Multilateral creditors are also expressing concern about proportional burden sharing with other creditors. Multilateral creditors are expected to "top-up" the relief provided by bilateral and private creditors at the completion point to ensure that a country has a sustainable debt burden. However, the Board paper notes that 80% reduction from

bilateral creditors with proportional burden sharing by the multilateral creditors will not be sufficient to reach the sustainability targets for Uganda.

● Debt sustainability analyses have now been prepared for Bolivia, Burkina Faso and Cote d'Ivoire.

✉ For further information contact:

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CAS: Participation Problems

The World Bank has announced that it will allow more participation in the development of Country Assistance Strategies (CASs), but participation has not been adopted as a standard practice. Currently the CAS process is largely left to the discretion of country staff and resident representatives. No standard procedures are being developed.

"Participation" in-country can range from the task manager simply talking to one or two NGOs in the capital city to a full Bank mission to various regions lasting several weeks. Consequently the Bank's experience with pilot participatory CAS processes has been varied and general problems with the current "process" are now becoming clear.

The recent experience of NGOs in El Salvador involved in a pilot participatory CAS highlights some of the common concerns and shortcomings:

- Lack of adequate notification for the process (NGOs given 10 days notice);
- Lack of sufficient documentation to prepare for the meeting (NGOs were not given the full draft CAS document);
- Lack of clear framework for the consultation process;
- Lack of an established accountability mechanism to ensure that NGO views and interests were taken into account in the final document;
- Lack of clear, transparent criteria for selection of NGOs.

NGOs are also concerned that Bank-civil society dialogue could undermine democratic processes within countries to determine development priorities. At a World Bank Board seminar on the CAS process in February, the two most controversial issues were confidentiality

and participation. Executive directors claim that making the CAS generally available will reduce its usefulness because it would become less candid. As a compromise the Board is considering allowing some derivative of the CAS into the public domain. Developing country EDS are also concerned that governments should select which stakeholders should be involved in any participatory process and that they, not the Bank, should be the conduit for reaching out to civil society. NGOs are continuing to push the Bank to adopt participation in the CAS process as a standard practice. The process should include:

- clear and transparent criteria and process for selection of civil society organisations, to involve a wide range of groups;
- an accountability mechanism to ensure the Bank reflects the views of stakeholders in the final document;
- participation should be introduced for all studies which feed into the CAS, including country economic memoranda, poverty assessments, sector studies, public expenditure reviews and national natural resource management work;
- information and documents should be made available in the local language with sufficient time for review;
- the Bank should clearly describe and discuss with NGOs the methodology for consultation, and its expectations;
- there should be guidelines related to government participation in participatory CAS processes so that, where possible, participatory processes should involve a tripartite dialogue between civil society, the government and the Bank.

Adapted from Civil Society Participation in the World Bank's Country Assistance Strategy: Issues for Consideration from the El Salvador Experience, Kari Hamerschlag, Bank Information Centre.

✉ Contact: BIC, Suite 400, 2025 I Street, NW, Washington DC 20006, USA.
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New Style Adjustment Loans

The World Bank is for the first time discussing a state-, not national-level, adjustment loan for India. NGOs in Andhra Pradesh (AP), the state under consideration, are concerned that established political structures are being diluted and undermined by state SAP and project funding mechanisms, and the need to provide counterpart funds is

diverting local funds away from their best uses. Development finance is concentrated in the most forward-looking regions and projects are not targeted at the poorest populations. NGOs are also concerned that projects are not sustainable and it is not clear whether state or national governments will be responsible for ensuring repayments. International donors are encouraging the AP government to increase tax revenues from alcohol sales, while local women's groups are demanding prohibition of alcohol. Conditionalities attached to the SSAL are thought to include a public sector wage freeze, no expansion of government bureaucracy, no increase in taxation, and management of the budget deficit. Resources are being focused on new areas such as the service sector. The State Economic Memorandum (SEM) for AP, written by the government's finance department, is expected to be finalised in late June/early July. No national parliamentary approval will be sought for it. Despite assurances from Wolfensohn that NGOs would be granted access to the SEM, local NGOs are yet to see it. They are demanding more adequate participation, greater access to information and public disclosure of the SEM.

✉ *Foreign Funding in Andhra Pradesh, price US\$15. Available from the Centre for Environment Concerns, 3-4-142/6, Barkatpura, Hyderabad, India.*

UK NGOs meet SAPRI team

NGOs met with Lyn Squire (Director of Policy and Research, World Bank), Constance Newman (World Bank SAPRI team) and Doug Hellinger (Development GAP), members of the World Bank and NGO steering committees for the SAP Review Initiative, to discuss the SAPRI framework and the methodology for the country studies. Responding to concerns about how the study's results will be taken forward Squire stressed that the Bank was not guaranteeing to make any specific changes in policy. He suggested that the initiative would have more impact on the process of developing programmes rather than their content, although should the results indicate that IFI policies have been flawed this could

lead to policy changes within participating countries. The World Bank hopes this exercise will show NGOs that although outcomes have not necessarily been as expected structural adjustment is not wrong.

Concerns were also raised about the methodology and timing of the study, particularly the problem of determining the influence of one policy when it is not examined within the context of a policy package and how to determine causality. Support among EDS is mixed with many of the Southern EDS anxious that NGOs are being given the authority to decide policy, while some Northern EDs are concerned that the review could be dominated by particularly critical NGOs. On the question of civil society involvement Doug Hellingier stressed that the NGO steering committee aims to encourage broad representation including the private sector, unions and local government etc. as well as NGOs. A principal objective for the NGO committee is to highlight the benefits of a participatory process.

Initiative Launch: 14th July

The global launch of the SAPRI has now been confirmed for 14th July in Washington. The in-country civil society processes are underway in the seven confirmed countries (Ghana, Zimbabwe, Mali, Uganda, El Salvador, Ecuador and Bangladesh), and the Bank is still hoping to include another country from Latin America and Asia.

☛ For details of the coordinating organisations in these countries please contact Dgap (see below).

SAPRI Web Page

The NGO SAPRI Steering Committee is planning a page on the World Wide Web. They would welcome papers on the impacts of SAPs in each of the SAPRI countries, alternative policy packages for the SAPRI countries, and photos and graphics of the impact of SAPs.

☛ Materials should be sent (preferably electronically) to: The Development Group for Alternative Policies, Email: dgap@igc.apc.org; Web: <http://www.igc.apc.org/dgap> 4th Floor, 927 15th Street, NW, Washington D. C. 20005, USA. Tel: 001-202-898-1566, Fax: 001-202-898-1612

Study Planned on how NGOs Influence Conditionality

Bread for the World Institute and Third World Network are joining forces with the Southern Government in the Group of 24 to examine NGOs' impact on conditionality. The study, still in the preliminary stages, is likely to focus on identifying a framework for common activity between NGOs and Southern governments in relation to donor grant and loan conditionalities.

The study has been prompted by the growing influence Northern NGOs have on the positions of their governments and the IFIs. The G-24 governments recognise that NGOs have played a constructive role on some issues such as bilateral and multilateral debt and the protection and expansion of IDA credits, but their concern for social and environmental issues has also encouraged the IFIs to impose conditionalities in a growing number of social and governance policy areas.

These are political issues, argue the G-24, and should not be determined by the IFIs or northern NGOs. Bread for the World and Third World Network are currently in the process of consulting with Southern and Northern NGOs.

☛ For further information contact:

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Haitian Economy Worsening

Representatives from PAPDA, the Haitian Advocacy Platform for Alternative Development, were in London in March to inform UK groups about the SAP's impact on the economy. They reported that the economy has slowed down from 4.5% growth in 1995 to just 2.8% in 1996 with population growth of 2%; the trade deficit is increasing; agricultural production is falling particularly as cheap rice imports from the US increase, but prices in the shops have not fallen because of unregulated monopoly trading; consumption by the poor is falling; export processing sector growth, which the IFIs argued would soak up the unemployment and act as the engine of growth, is insignificant; and currency

speculation is adding to the instability. Insecurity and tension is growing as the economic situation worsens. Over 85% of Haitians stayed away from senate and local elections this month in what is seen as a protest against the government and the economic reform programme. As the World Bank predicted in its draft Country Assistance Strategy, the impact of the SAP has been to increase migration both into Port au Prince from rural areas and from Haiti to the Dominican Republic.

Donors meeting in April to discuss funding for Haiti, were presented with the initial stages of the poverty assessment. The poverty assessment is expected to be completed in the late summer after consultation with civil society groups.

Micro Credit: Band-aid or Wound?

The World Bank funded Consultative Group to Assist the Poorest (CGAP) could prove to be highly influential in defining the parameters and practices for microlenders, to the detriment of those groups it professes to help. A report on CGAP suggests it is focused largely on profit making and its activities could damage microlenders who's aim it is to help empower the poor.

The report by the Institute for Policy Studies, found that 46% of CGAP's expenditures in its first year of operation was spent on policy reforms which may benefit lenders but end up hurting poor borrowers, particularly women. For example, in Mali the World Bank forced the government to repeal usury laws which provided ceilings on interest rates. CGAP also calls for the privatisation of microlending institutions and the removal of subsidies to them. Microlending institutions generally take many years to become sustainable, the removal of subsidies forces them either to close or charge much higher interest rates. CGAP also advocates stronger debt collection laws, which result in a safer environment for bankers but which could exclude the poorest, and women in particular, from access to small loans. As the number of micro-lending institutions grows a proper regulatory and supervisory framework under which these entities should function must be

developed to allow close public scrutiny. Otherwise, these new entities may simply lend legitimacy and greater financial clout to an exploitative form of organised money lending.

Adapted from Micro Credit: Band-Aid or Wound?, Kavaljit Singh (PIRG, Delhi) & Nan Dawkins-Scully & Daphne Wysham (IPS, Washington, D. C.).

☛ For further information contact: IPS, 1601 Connecticut Avenue, N. W., Washington, D. C. 20009. Tel: 001-202-234-9382; Fax: 001-202-387-7915; Email: dwysham@igc.apc.org

Chad-Cameroon Oil Project: Bank's Role Queried

A report by the Environment Defense Fund (EDF)* raises important questions about the World Bank's plans to support international oil companies in West Africa. The project, to be run by a consortium of Exxon (Esso), Shell and ELF, comprises the development of the Doba oilfields in southern Chad, and the construction of a 600 mile pipeline across Cameroon.

The project's financing structure hinges on World Bank involvement; to lower the project's perceived political risk and to catalyse funding from export credit agencies and commercial banks. The Bank, which aims to decide on the project later this year, is supporting the project on the basis that it represents a rare opportunity for the Governments of Chad and Cameroon to earn revenues for investment in poverty programmes and debt payment. The EDF report points out that neither government is well-known for transparency in budgetary matters, nor for prioritising poverty issues. The Chad Government was persuaded by international donors to transfer control of its Treasury to a Swiss firm for some years, and the south of the country is plagued by smouldering ethnic and regional tensions.

The pipeline will run through rainforest areas including the home of a Pygmy minority. The Environmental Panel established to deal with problems such as oil leaks and in-migration of people to the construction area will have an impossible job to work effectively in a context of very powerful companies, a government with incentives to keep maximum oil flowing, and very limited freedom of expression for concerned

groups or individuals. Approving World Bank resources (a possible \$120 million IDA loan, and a \$250 million IFC investment) for this project would reduce the money available for projects in areas such as health, education and the environment.

In the US the report, and associated press articles, elicited an instant reaction from the oil companies. In Europe groups such as Les Amis de la Terre plan also to take up the issue with their national governments and companies. The new World Bank representative in London, Andrew Rogerson, was until recently country director for countries including Cameroon, so should be in a good position to take part in UK discussions on this question.

☛ * *Questions Concerning the Chad/Cameroon Oil and Pipeline Project.* 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
European contacts available via the Project.

NGOs Succeed in Pressing for Independent Dams Review

In early April at the Bank-NGO-expert-industry roundtable meeting in Gland, Switzerland, NGOs successfully argued that the Bank's review of large dams was fatally flawed (see Jan.-March Update), and that an independent panel should be set up to analyse this issue in an unbiased and comprehensive manner.

The review will tackle not only World Bank-funded dams but also dams funded and executed by others. The panel will be selected in the next six months in a process to be coordinated by IUCN (the World Conservation Union) following suggestions from the stakeholders represented at the Gland meeting. The Panel will then proceed to two years of detailed studies.

☛ Available from the Project or International Rivers Network: report of Gland meeting.

Lesotho Project Queried

NGOs have written to the Bank about the next phase of the Lesotho Highlands Water Project for which the Bank proposes to make a further IDA loan. The Project, which could comprise a total of five large dams, two small dams and 140 miles of tunnels, aims to

provide water for South Africa's Johannesburg industrial region. NGOs argue that the Bank is rushing forward with the second dam too quickly to establish institutions and structures to prevent the recurrence of problems that attended the construction of the recently completed 182m Katse dam. Problems include poor delivery of food and fodder due as compensation for people losing land or livelihood, very slow progress in creating alternative income-generating activities, and failure to do a full environmental impact assessment despite serious concerns for soil erosion and downstream impacts. In the 16 months since the Katse dam began to fill, houses in eight villages have been damaged by earth tremors and earthquakes which seismologists blame on the weight of water behind the dam. The NGO letter outlines these problems and asks why the Bank is proceeding without proper consultation with affected people on compensation issues, without the publication of a report into the killing of five workers by police in 1996, and without critical scientific data on seismicity, limnology and water availability.

Brazil, Argentina Dams: Inspection Claims Latest

Over 100 community leaders and a local farmers union have filed a claim to the Bank's Inspection Panel about a dam on the Sao Francisco river, North-East Brazil, which the Bank funded in the 1980s. The petitioners complain that two thirds of the irrigation projects supposed to compensate the people displaced by the Itaparica dam have not been completed, and that many resettlement villages are plagued by poverty and social breakdown. The claim gives the Bank credit for its role in project design, but argues that not enough was done on supervision and implementation. Bank management must respond to the charges by mid-April, and, once the Panel has made a recommendation, the Board will decide if a full inquiry is warranted.

● The claim on the Yacyreta dam in Argentina/Paraguay (see Jan.-Mar. Update) has been accepted by the Bank's Board, after borrower countries withdrew their opposition.

Voluntary Standards: World Bank Takes Stock

The World Bank has not yet formally responded to the joint NGO letter about its voluntary standards for industry initiative (see Jan.-Mar. Update), but has indicated a desire to persuade NGOs that the Bank should act as a broker of new discussions between NGOs, corporations and governments on how higher standards could be applied to private investment in the South. They argue that many government regulations are not being enforced and that they would seek to build up existing standards initiatives by NGOs and corporations. No timetable has yet been set by the Bank for further work on this question because some Bank staff are not keen to move forward, partly because of "criticism from segments of both the NGO and industry communities".

African Forestry Standards Under Spotlight

Contradictions in Bank staff's attitude towards voluntary standards are also revealed in documents prepared by the Bank's Central Africa staff. The Bank has stated that an initiative in the region aims to persuade private sector forestry companies to commit to "a voluntary code of conduct meeting the basic ITTO/FSC/ISO sustainable management standards" while another document stresses that the African Sustainable Forest Initiative (ASFI) would provide "a seal of approval" to its member companies and thus "eliminate the need for third party certification". Recently, in response to letters, the Bank has sought to distance itself from the ASFI, saying that the Bank staff member involved is "acting in his personal capacity".

The Bank has begun discussion with some NGOs, including WWF and WRI, about "the possibility of future Bank support for sustainable logging of tropical moist forests" in situations where there is NGO collaboration and third party certification of sustainable practice (such as that under Forestry Stewardship Council guidelines). As this would require a revision of the Bank's forest policy, which currently prohibits Bank support for companies engaged in logging in tropical moist forests, the Bank plans to begin consultations on the

Bank's forest policy "in the near future".
 ☞ Bank-NGO letters available from the Project.

Bank Reveals Gaps in Privatisation Research

The World Bank has replied to points raised by UK groups on its private sector operations and its role in privatisation (see Jan.-Mar. Update). John Nellis, Senior Manager Private Sector Development Department replied on privatisation questions including:

- is the Bank pushing privatisation too hard; could more be done to reform companies within the state sector?
- if governments have trouble managing public firms how will they be able effectively to regulate private ones?
- what evidence is there that privatisation has benefitted developing countries?
- what do governments do with the money raised by privatisation or the "fiscal space" it may provide?
- who wins and loses from privatisation?

The letter seeks to clarify the Bank's role in privatisation work and provide evidence from studies. On a few key points the letter is quite frank about problems with privatisation, or gaps in the Bank's analysis on which NGOs may want to follow up in letters or during the "Day of Dialogue" on privatisation that the Bank is seeking to organise in Washington. Key points include:

- poor, institutionally-weak countries often find it hard to set-up, monitor and enforce contracts or leases;
- governments' capacity to privatise and regulate well "is a major concern". The Bank seeks to establish competition and create and build up regulatory capacity: "steady progress is being registered — and we know that delaying major reforms and privatisation until institutions are up to speed is just too costly";
- privatisation has been successful financially: privatised firms often contribute to government revenues through taxes where they had previously drained the budget. "The sums raised [through sell-offs] have, so far, not been all that great. One estimate for all privatising countries is that divestitures generated a meagre 0.5 percent of GDP, on annual average, between 1988-95." more work should be done to analyse what governments do with any "fiscal space" created by privatisation;
- on the environmental effects of privatisation the Bank concedes that "an issues of this complexity and magnitude merits more analysis" although three

studies indicate that state-owned plants tend to be more polluting than their private sector counterparts;

- "little is known about the effects of privatisation on women": more should be done to investigate this as there is some evidence that layoffs fall more heavily on women than on men.
- ☞ Briefing and letters available from the Project.

The NGO World Bank Working Group

The NGO World Bank Working Group is "an autonomous group of 27 NGOs or NGO networks working to promote a strategic dialogue on policy issues between the worldwide NGO community and the World Bank". The Group, also known as NGO World Bank Committee when it meets the Bank formally each October, comprises five representatives from the three Southern continents, as well as twelve from Europe and North America. The Group was established in the mid-80s to discuss practicalities about NGOs involvement in implementing parts of Bank projects, but in the 1990s the Group began to address structural adjustment policy questions.

The Group does not intend to monopolise debate with the Bank, but some NGOs outside the group have expressed concerns that the Group is often perceived by Bank staff as representing them, yet has limited mechanisms for doing so.

The NGOWBWG is holding a series of regional meetings focussing on participation and capacity building. In May it will hold a meeting with the Bank to discuss Social Investment Funds. The Group is also participating in an Operations Evaluation Department study which is assessing how sub-contracting NGOs are contributing to the effectiveness of Bank-supported projects.

☞ For more information contact:

Manuel Chiroboga (chair NGOWBWG), ALOP, Martin de Utreras 733 y Selva Alegre, PO Box 17 - 15173-B, Quito, ECUADOR.

State Role WDR Criticised

In mid-April the Project helped organise a second meeting on the Bank's 1997 World Development Report. The WDR attempts to distil views on *The State in a Changing World* (see October 1996 Update) and argues that, whilst most states should reduce their size and raise their capacity, states play an essential role as a regulator and coordinator of

economic activity.

UK NGOs which met a WDR team member in April questioned the Bank's legitimacy to do such a study and expressed serious dissatisfaction with the "new" consultative process the Bank has adopted for this report. Many key issues raised by NGOs and trade unions, including analysis of power relations within states and between states and transnational companies have been virtually ignored by the Bank.

☞ Available: Report of UK NGO meeting with Bank staff and details of planned NGO follow up.

Global Environment Facility

The Global Environment Facility, run by the World Bank with the UNDP and UNEP, has begun the process of raising more funds from member governments. The GEF was established in 1991 to "finance the incremental costs of new environmental investments with global benefits in climate change, biodiversity, the ozone layer and international waters" and has become the funding body for the climate convention and other international treaties. Many NGOs, whilst approving of such a body in principle, are concerned that it is dominated by the World Bank, has an unclear mandate and evaluates its projects and programmes poorly. This year the GEF is carrying out a Project Implementation Review, a study on Characteristic Features of Effective and Less Effective Projects, and a study on GEF Accomplishments, draw out information from the other two reports. A short statement by the Environmental Defense Fund and the Swiss Coalition of Development Organisations warns that this evaluation "may be more self-serving than objective" and calls on the GEF to set up an independent review covering:

- the degree of convergence of GEF goals with the main programmes of the Bank and other GEF implementing agencies;
- the degree to which projects are selected based on countries' own priorities and to which consultation influences them;
- evaluation of pilot phase projects;
- effectiveness of GEF governance structure and the interaction of implementing agencies;
- analysis of sustainability of GEF projects, and of local capacity-building.

IN BRIEF

Wolfensohn to Visit London

World Bank President James Wolfensohn will be in London on 11 June, addressing an audience invited by the Charities Aid Foundation.

☞ For details contact Nikki White, Charities Aid Foundation (Tel: 0171 400 2300).

☞ For details of other possible NGO events during Wolfensohn's visit, contact the Project.

ESAF review

NGOs met Paul Collier, Director for the Centre for the Study of African Economies, to discuss the forthcoming review of ESAF funded programmes. Collier is one of four consultants commissioned by the IMF Board to carry out the review which will examine the impact on external accounts, social policies and government budgets and ownership of programmes. The review has yet to get underway, the consultants have not met, and no methodology has been decided, although they will probably adopt a case study approach; which countries will be studied will depend on data availability. Despite the delay in starting the study, the Board has brought forward the completion date from December to October.

● The internal review of ESAF, which was expected to be completed early in January now looks like it will be delayed until May.

New Bank Rep. in UK

Andrew Rogerson has replaced Geoffrey Lamb as the World Bank's representative in the UK and is due to take up his post from 15th April. Previously Rogerson worked as Country Director for Cameroon, Chad, Gabon and Zaire, and before that managed the Bank's Central and Eastern European office.

More SAP Studies

The Operations Evaluation Department (OED) of the World Bank has been commissioned to review the impact of the Special Programme of Assistance for Africa since its inception in 1988. The review team will include experts from Africa. The review will assess how well the SPA has achieved its objectives, including its effectiveness as a mechanism for aid coordination and resource mobilisation, donor members' practices, and improvements in the approach to economic reform, and will review the literature on the effectiveness and impact of SAPs. The review will examine experience with the SPA in up to 10 countries through interviews with NGOs, civil society groups and local and national government. A donor reference group has been established, chaired by Sweden and comprising the largest SPA donors including the UK. Work will commence as soon as the OED's inception report is revised and agreed. The study should be completed by November this year.

SIF critique.

A new report* from the Institute for Development Research examines the impact of Social Investment Funds (SIFs), the funding vehicles for safety net programmes accompanying adjustment programmes. The paper offers an expanded definition of SIFs posing the hypothesis that variations in SIF macro-design may reflect both individual SIF priorities and the institutional capacities of stakeholders participating at each stage of the project cycle. Drawing on Bank and NGO sources, it documents evolving SIF goals and examines patterns of development and interaction with non-governmental and community participants. By defining the parameters of the World Bank critique and correlating these findings with issues raised by independent NGO evaluations the report aims to inform NGO advocacy efforts and help foster a SIF policy agenda for dialogue and action.

* J. Covey and T. Abbott, 1996, *Social Investment Funds: An Expanded Critique*, Institute for Development Research.

☞ Contact: IDR, 44 Farnsworth Street, Boston, MA 02210-1211, USA. Tel: 00-1-617-422-0422, Fax: 00-1-617-482-0617, Email: idr@isi.com

Advisory Body for Nam Theun

NGOs concerned about the Nam Theun 2 dam in Laos (see Jan.-Mar. Update) have written to the Bank asking for clarification on issues including studies on environmental impacts, host government liabilities, and also a new International Advisory Group. This Group is intended to "guide the Bank on how it can improve its handling of environmental and social issues in the hydropower projects it supports worldwide". At first, it would "provide independent assessment and recommendations to the Bank on its handling of environmental and social issues related to the proposed NT 2 project, including as assessment of risks to the Bank posed by involvement in NT 2, and advice on what measures the Bank should take to address those risks". Among those invited to be on the Group are David McDowell (IUCN Director General), and Emil Salim (former Indonesian Environment Minister). The Bank person responsible for this initiative is J. Shivakumar.

Bank Admits Private Sector Harmonisation Going Slowly

Richard Frank, the World Bank's Chair, Private Sector Development, has replied to the Bretton Woods Project on issues concerning the Bank Group's private sector arms. The letter discusses new review procedures to improve the IFC's project selection, but reveals that the Bank Group is making little progress on its pledge to harmonise policies which apply to its private and public sector operations.

☞ Briefing and letters available from the Project.