



**Annual Report 2008**

[www.brettonwoodsproject.org](http://www.brettonwoodsproject.org)

# 1. 2008 YEAR IN REVIEW

2008 was the year of crisis: developing countries, already reeling from the impacts of food and commodity price crises, faced the spectre of a global financial and economic crisis, caused by policy choices made by rich countries. The World Bank and International Monetary Fund (IMF), two of the key institutions who have promoted the 'Washington Consensus' model of economic deregulation and liberalisation that many blame for causing the crisis, tried to wriggle out of responsibility and present themselves as saviours of the hour.

Early in the year, the Bank launched a 'rapid financing facility' in an effort to try to position itself as the leading agency responding to the food crisis, though it was forced to accept that it would have to work closely with better placed UN agencies such as the FAO.

The IMF used the opportunity to try to revamp its image and fortunes. The IMF had started the year down in the dumps, with an impending income crisis forcing it to cut 10 per cent of its staff. Some claimed that it was no longer relevant. The beginning of the credit crunch in 2007 and ballooning global imbalances had shown that the IMF was ineffective in bringing macro-financial linkages into its core analysis and in pushing needed policy changes in systemically important countries with persistent current account deficits such as the United States and United Kingdom.

The August eruption of a full-blown **financial crisis**, which created a widespread Wall Street meltdown in September, changed everything. Despite being partially to blame for the crisis, through its weak surveillance and policy advice on financial liberalisation that increased contagion effects, the Fund positioned itself as the key agency to be ready to mop up the mess. A battle ensued at the IMF between managing director Dominique Strauss-Kahn, who wanted the Fund to be promoting Keynesian fiscal stimulus, and more conservative staff members who were ready to respond with more traditional structural adjustment and austerity policies.

The tectonic shift of the year, prompted by the crisis, was the shift of global economic decision-making from the G8, a rich country club, to the **G20**, a broader group that includes emerging markets such as the so-called BRICs (Brazil, Russia, India, and China). The G20, previously only meeting at finance ministerial level, had been a little heard of forum for negotiating financial issues including IFI reform. With its elevation to a leader-level summit, the G20 became the focus of international financial and economic crisis response. It faced criticism for its lack of accountability, the poor participation of low-income countries, and for turning to the Bank and Fund as the institutions to deal with the crisis.

The Bank's **social sector programmes** have faced renewed and significant criticism throughout the year. Despite starting the year with a record IDA replenishment, meaning the Bank had more money than ever to lend to low-income countries, there were still strong complaints about the conditionality applied to Bank loans. A continued focus on private sector approaches to basic human rights such as health and education have brought critiques from many corners. And while the Bank successfully pitched itself to the media as the solution to the food crisis, it couldn't escape blame from developing countries, NGOs and researchers for the role it played in creating food fragility through previous controversial policies such as privatisation, trade liberalisation and cash crop export promotion.

The Bank continued its push to position itself as the ‘**environment bank**’ but faced mounting criticism of its greenhouse gas emissions and carbon intensive development model. Its attempt to become the *de facto* conduit for rich countries to channel carbon financing to the south was stymied because it threatened to undermine the UN process that will agree a global climate deal in Copenhagen in 2009.

There is growing recognition that one of the key issues in international climate change dialogue is climate finance and its governance, with the Bank and donors facing severe criticism for the initial attempts to exclude recipient countries from the governance of climate finance trust funds.

The UK led in the development of climate finance pilots through the World Bank in 2008. This created controversy for two reasons. First, it represented a challenge to the predominance of the UN, and thereby threatened to undermine UN climate negotiations. Second, the models these pilots develop for future international climate architecture were questioned. Key issues were the recognition of the polluter pays principle, the need for ownership by developing countries and the inclusion of transformational technology packages for reducing greenhouse gas emissions.

The Bank pushed hard on the development of projects to reduce emissions from deforestation and forest degradation (REDD) in developing countries. However it faced criticism over issues of tenure in forest areas, and some charged that its approach could benefit large corporations that undertake projects such as tree plantations more than local communities. This has raised a number of human rights issues, in particular the rights of indigenous peoples.

The resignation of the World Bank general counsel, Ana Palacio raised hopes that progress could finally be made on **human rights** issues within the Bank in the future. To date there has been little, if any recognition within the Bank that it holds rights obligations. A trust fund initiative by the Nordic countries to fund rights and rule of law projects in developing countries was started. However, little has been made known publicly about this fund, which may be due to internal resistance among some Bank donor countries to its creation, and it does not yet appear to be disbursing funds.

The Bank’s **knowledge role** came under increasing scrutiny. An IEG report found widespread failings in its training and capacity building programmes, while the IMF was forced to revamp its technical assistance activities because of its income crisis. The Bank was forced to admit that its methods for calculating poverty, and hence its claims about progress made in recent years, were flawed. It recalibrated its poverty line at \$1.25 per day, meaning over 400 million more people ‘became’ poor by its new calculations, which experts continued to question. The IFC’s flagship *Doing Business* report was slammed by the IEG, trade unions and others for continuing to give higher marks for countries with poorer worker protection and social standards.

The Bank began gearing up for major increases in lending in response to the financial crisis with **infrastructure** likely to be the biggest gainer. Stark reminders of the controversial nature of Bank involvement in infrastructure were provided by damning reports by the Bank’s own Inspection Panel on its involvement in the Bujugali dam in Uganda and the West Africa Gas Pipeline.

World Bank **governance reform** began with a distinct lack of ambition, though the G24 and civil society united around the concept of achieving ‘parity’ of voice and vote as a first step towards deeper reform, and promises were made to end the longstanding convention that the Bank president must be a US national.

After years of negotiations, 2008 also saw the completion of the IMF’s long-promised governance reform. While all countries put on a good face after the acrimonious discussions were completed, no one was happy with the result, as it shifted little more than 1.6 percentage points of voting power in the direction of developing countries. While the quota formula was simplified, implementation only went half-way. Reform of the board was left off the agenda, and much needed reform of transparency standards were pushed into 2009.

The UK continued its close relationship with the Bank, approving record IDA subscriptions without ensuring significant reforms. There was a welcome increase in UK oversight with the appointment of separate Executive Directors for the Bank and Fund. Meanwhile the UK parliament’s International Development Committee rebuked the UK government for handing over a 50 per cent increase in World Bank funding without sufficient analysis of whether this represented value for money.

Highlights of BWP’s work over the past year include:

- Working with civil society partners in the UK, Europe and internationally to ensure that World Bank supported climate funds did not undermine the UN climate negotiations, and contained better governance arrangements.
- Helping create strong, cohesive civil society positions and pressure on IFI governance reform.
- Helping catalyse an upsurge in civil society activity in response to the financial crisis.

## **2. ADVOCACY**

### ***Climate change and energy***

Our work on climate change has focused on continuing to highlight the contradictions between the Bank's heavy investment in fossil fuels and carbon intensive projects and its role as one of the main channels of climate finance. We have met extensively with UK civil servants, particularly in DFID, and have engaged Bank executive directors and staff.

While UK financial commitments to multilateral efforts to combat climate change are welcome, we have been unsuccessful – in the short term - in shifting those resources away from the Bank. However, with a coalition of UK NGOs we successfully persuaded DFID to push for improved governance of the funds and the need not to undermine the UN climate process.

We have successfully helped UK NGOs to increase their attention to the Bank's involvement in managing climate funds, and have helped form a coalition of European groups working on this issue.

### ***Pushing for meaningful changes to IFI governance***

Our work developing new ideas for governance reform, such as the concept of double majority decision-making, has continued to help shape NGO positions in the UK, Europe and internationally. We were instrumental in denouncing the marginal governance changes at the IMF and keeping up the pressure on rich countries to give more voice and vote to developing countries. We helped create a coordinated European position and advocacy strategy on Bank governance reform, supporting developing country calls for change. We also continued to build strong links with developing countries through the G24 group. The decision made at the Annual Meetings to end the convention that the US appoints the World Bank president represents a major victory for civil society campaigns on this issue over many years, of which we have been an integral part. However, until the current president retires, we will not know for certain whether this decision will be put into practice.

### ***UK continues to back the Bank***

There has been a welcome increase in parliamentary scrutiny, with the International Development Committee publishing a critical assessment of the UK government's relationship with the Bank, and reinstating hearings in advance of the Annual Meetings, at which we gave evidence. The Committee took a strong stance on the need for impact assessments, for the UK to be more vigorous in its pursuit of democratic reforms at the IFIs, and in pushing the IFIs towards renewable energy. The new chair of the global parliamentary network on the World Bank (PNoWB) is a UK MP, Hugh Bayley. We had invested a considerable time building relations with key parliamentarians, and were pleased by this increased attention to IFIs.

### ***Responding to the financial crisis***

The end of year threw the project into the role of instigating major cross-network discussions on how to respond to the financial crisis and prepare for the UK's hosting of the G20 in 2009. We coordinated joint advocacy with the government before and after the first G20 leaders meeting to help ensure that UK NGOs took a coherent position that reflected the priorities for environmental sustainability, development, and justice. We also demanded that discussions on

the response to the financial crisis take place in a format that was more inclusive than the G8 or G20, arguing that the UN should be given a strong role, including promoting the need for a new Bretton Woods-style conference to reshape the international financial architecture. The broad coalition of development, environment groups, trade unions and others that we helped to initiate is set to play a major role in the UK's chairmanship of the G20 in 2009.

### **3. NETWORK STRENGTHENING**

#### ***UK Bretton Woods Institutions (BWI-UK) network***

The UK BWI network now numbers over 140 individual participants from over 50 organisations. The Project facilitated input from this group into meetings with ministers, civil servants and quarterly meetings with the UK delegation at the World Bank and IMF.

We coordinated UK NGO input and provided continuity in issue coverage in both our quarterly meetings with the UK delegation, and meetings with the UK secretary of state for international development. In 2008 we only had one network meeting with the Secretary of State (chaired by BWP), where NGOs raised key issues on World Bank governance (led by BWP), the new Bank climate change strategy, the Bank's response to the food crisis and the Bank's health work. We have been assured that in 2009 we will return to our normal biannual meetings. We performed a similar function in meetings with both staff of the IFIs and their evaluation and complaint bodies. This coordination is reflected in the coherent, effective impact of UK groups at World Bank-IMF spring and annual meetings.

#### ***Euro-IFI network***

The Bretton Woods Project was a central player in the establishment of this network in 2002. Over the past year, we supported the planning for and attended strategy meetings in Belgium and Finland.

The Brussels session in the spring had a focus on evaluating the previous year's pan-European campaign on the IDA replenishment to consolidate learning in terms of how we create successful cross-border pressure on European governments (instigation and key inputs came from BWP). It also included a long discussion on joint activity that could be undertaken on the role of the IMF in low-income countries and IMF conditionality (with inputs led by BWP). This resulted in a series of national and international letters to the IMF on conditionality and the reform of the IMF's low-income country facilities later in the year. Additional sessions focussed on building the network (led by BWP), problematic Bank projects in Bangladesh and Peru, and regional development banks.

The CSOs involved organised meetings with the World Bank executive directors from Europe. The World Bank session covered the World Bank's role in private sector development (led by BWP), the Nam Theun 2 project in Laos, and follow-up points on odious debt, capital flight, the Chad-Cam project, and the World Bank's mooted but then dropped long-term strategy.

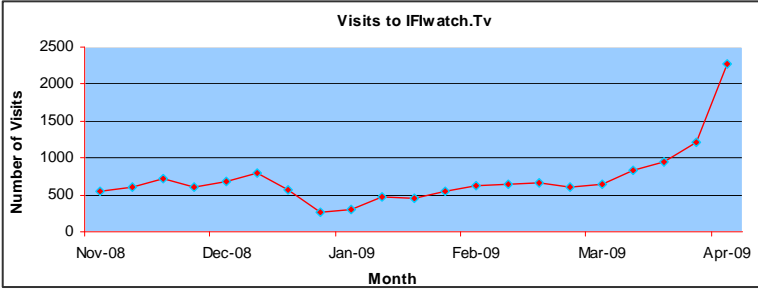
At the European CSO meeting with IMF EDs during the spring meeting, spearheaded by BWP, the discussion focussed on IMF governance (voting reform, board representation), IMF conditionality, and IMF transparency policy. The now annual European CSO meeting with the European Union EFC subcommittee on the IMF took place in June in Brussels, with the agenda focussed on the IMF's role in low-income countries and the potential next steps on IMF governance.

The Finland Euro-IFI network meeting in the autumn included sessions on World Bank governance reform (led by BWP), European networking on financial sector reform (led by BWP), the configuration of European development institutions, and a discussion of energy and climate change. This meeting was also used to prepare the ground for meeting executive

directors in Washington at the time of the annual meetings. With European World Bank EDs in October, the EuroIFI network discussed the World Bank's climate investment funds and World Bank governance (led by BWP). With European EDs to the IMF, we participated in discussions on IMF technical assistance (based on a briefing written by BWP) and IMF transparency policy (based on a Global Transparency Initiative briefing written by BWP).

**International IFI networks**

The Bretton Woods Project established IFIwatchnet<sup>1</sup> in 2003 to link organisations worldwide monitoring the work of the IFIs. The increasing demand for campaigners and interested organisations to access and share video content led to the creation of a sister site, IFIwatchtv in 2006. Thanks to a grant from the Sigrid Rausing foundation in 2008 we were able to significantly redesign the site, so that it became a model for the sharing of video content on the web.



The graph above shows how site traffic increased dramatically as a result of a well organised launch.

In the autumn, in response to the growing civil society work on the financial crisis, a new global crisis network was created, which we have been actively supporting. We inputted into several strategy discussions by telephone and into the drafting of two international statements on the crisis, one on process and one on content. These were both supported by over 500 organisations globally.

We have also been actively supporting our partners in their strategic thinking and planning. For example, we continued our advisory role to ActionAid International's IFI team, which was renamed as a development finance team based on a broader remit. We authored the central input and strategy paper for, as well as attended, the team's annual strategy meeting in New Delhi, India in May. We are committed to further capacity building efforts for southern country participants in the team based on ActionAid's requirements. In September we participated in the Bank Information Center's strategic planning retreat, and we have throughout the year offered support, reflection and advice to a number of other partners in the UK, Europe and internationally.

On key issues we have been active participants in international networks. For example, on World Bank governance reform we helped create consensus around the need to support the G24s interim demand of a parity of voice and vote, and drafted a civil society letter supporting this that was endorsed by over 100 organisations globally. We have also participated in the global network working on climate finance, and remain committed to strengthening this in future.

<sup>1</sup> <http://www.ifiwatchnet.org>



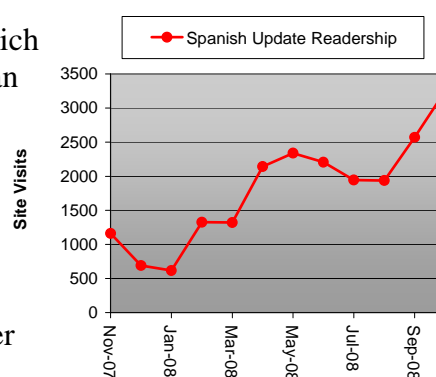
## 4. OUTPUTS

### **Bretton Woods Update**

We issued the first jointly-produced *Update* –with Choike, Afrodad, BIC, and Eurodad – before the 2008 spring meetings of the World Bank-IMF. One of the primary goals was to increase the *Update*'s coverage of regional perspectives – we had contributions from colleagues in Europe, Africa, North America and Latin America. Feedback was positive about the quality of the publication, and we were pleased with the benefits in terms of improved coordination. We continued with the idea for the 2008 annual meetings, again producing an *Update* that is 50 per cent longer and including contributions from colleagues in Europe, Central Asia, North America and Latin America. An evaluation of the joint *Update* process was conducted showing positive feedback from both contributors and readers. With some process changes it was agreed to continue the joint *Update* in 2009.

As the graph shows, the Spanish version of the *Update* which is available electronically, continues to be a success with an ever expanding readership across the Spanish speaking world. Consideration has been given to translating the *Update* into other languages particularly French, but at present we lack the resources to do so.

The English version of the *Update* currently enjoys a readership of 9,100 electronic subscribers, an almost 50 per cent increase between 2007 and 2008.



### **Southern 'comment' pieces in 2008:**

*Whoever loses, the Bank always wins: Profits from Indonesian forests next*, Torry Kuswardono WALHI, Indonesian Forum for Environment, February 2008.

*Camisea and the World Bank: A lost opportunity*, Cesar Gamboa; Derecho, Ambiente y Recursos Naturales; Lima, Peru, April 2008.

*Turkey and the long decade with the IMF*, Erinc Yeldan, Bilkent University, Ankara, June 2008.

*World Bank legitimising illegal Israeli occupation*, Dawood Hammoudeh, Stop the Wall, Palestine, September 2008.

<http://www.brettonwoodsproject.org/comment>

### **Briefings published in 2008:**

*Is the Bank's carbon markets approach an effective way to address climate change?* Janet Redman, Institute for Policy Studies and Jon Sohn, Climate Change Capital, February 2008.

*Facilitating whose power? IFI policy influence in Nigeria's energy sector*, Lucy Baker, Bretton Woods Project, April 2008.

*The IMF's regressive secret, Tax policy advice and its distributional impact*, Lauren Damme, Tiffany Misrahi and Stephanie Orel, Development Studies Institute, LSE, June 2008.

*Africa and the making of adjustment. How economists hijacked the Bank's agenda*, Howard Stein, University of Michigan, September 2008.

*The World Bank, the IFC and the antecedents of the financial crisis*, Paulo L dos Santos, SOAS, University of London, November 2008.

<http://www.brettonwoodsproject.org/briefings>

### **Other working and policy papers**

*Transparency at the IMF*, for the Global Transparency Initiative, Peter Chowla, September 2008.

*Right to information at the IMF: How to improve the Fund's transparency policy*, Peter Chowla and Bhumika Muchhala, October 2008.

*Reforming the role of the IMF in low-income countries*, Peter Chowla, Kato Lambrechts, Sarah Hague, Rachel Moussie, and Akanksha Marphatia, February 2008.

### **Website**

In late 2006, we initiated the use of new web statistics software that allowed us to better measure the use of the web site by actual end users rather than search engines and robots. The project website received almost 1,000 unique visits per day in 2008. Visits to the site were up 44 per cent in 2008 – a remarkable achievement given that 2007 was a very high base, in part thanks to the high level of interest generated by the Wolfowitz scandal. In 2008 there were over 425,000 views of pages on our site. Over 75 per cent of visits are from new visitors. While visitors from the US and UK remain the most frequent users, Mexico, India and Colombia are also in the list of top ten countries for users. Background material remains the most popular content, but of current articles, those about the financial crisis and the spring and annual meetings were the most popular.

## 5. CONCLUSIONS AND CHALLENGES

There is little doubt that 2009 will be dominated by the ongoing financial and economic crisis, and our work will heavily focus on this. The Bank and Fund are set to massively increase their lending and influence, and civil society activities on international financial institutions will expand rapidly. We aim to play an active role in helping to building the effectiveness of civil society coalitions in the UK, Europe and internationally, seeking to use the crisis as an opportunity to push for fundamental reform of IFIs. A key challenge for the project will be to meet this increased demand for our services.

2009 will also be the year when the international response to climate change is negotiated. We will have to focus heavily on ensuring a coordinated civil society response to climate financing issues. Shifting the UK government's position from one of unquestioning support for the Bank in this area will be a key challenge.

We expect the Bank and Fund to dominate headlines and activity throughout 2009, and this also provides an opportunity to galvanise civil society activity in other important areas, in particular among the human rights community and those interested in private sector lending. 2009 promises to be an extremely active year for the project.

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## 6. SUMMARY FINANCIAL STATEMENT 2008 <sup>(a)</sup>

	2008	2007
<b>Income (GBP)</b>		
NGO support (b)	66,696	59,000
CS Mott Foundation (c)	89,089	36,211
Ford Foundation	26,990	18,997
European Commission –EC (d)	24,309	10,230
Oxfam-Novib (for <i>Update</i> publication)	21,531	9,942
Sigrid Rausing Trust (for ifiwatch.tv)	15,000	-
Other charitable trusts	-	12,199
Individual donors	220	1,622
Other (reimbursements for direct costs)	400	146
<b>Total</b>	<b>244,207</b>	<b>148,346</b>
<b>Expenditure (GBP)</b>		
Salaries	135,311	123,993
Travel	10,079	9,299
Computers and Office Equipment	3,802	2,685
Consultancy fees	8,955	3,049
Other Direct Costs	25,301	16,262
<b>Total</b>	<b>183,449</b>	<b>155,288</b>
Opening balance	<b>54,687</b>	<b>61,629</b>
Closing balance (e)	<b>115,445</b>	<b>54,687</b>

**In-kind contribution:** The above figures do not include the generous contribution of ActionAid in hosting the project, which includes office space, technical and financial management support.

(a) The Bretton Woods Project forms part of the financial statements of its host, ActionAid. These figures are provisional, subject to audit.

(b) NGO support in 2008 came from the following organisations: Amnesty International, CAFOD, Care International, Christian Aid, ONE, Oxfam GB, Practical Action, Quaker Peace and Social Witness, Rainforest Foundation, RSPB, Save the Children, Tearfund, Trocaire, TUC, UNISON, WaterAid, World Development Movement, World Vision UK and WWF-UK.

(c) CS Mott Foundation support is given in advance, to cover 2009 – this is why income was considerably higher than expenditure in 2008. It was also larger than normal because of favourable exchange rates at the time of the transfer.

(d) EC funding for the Counterbalance network is received by the lead agency CEE Bankwatch Network and channelled to BWP

(e) CS Mott Foundation support is given in advance, to cover 2009 – this is why income was considerably higher than expenditure in 2008.

The Bretton Woods Project is an ActionAid hosted project. ActionAid is a registered charity number 274467.