World Bank Group strategy: Who benefits?

New long-term World Bank Group strategy altering Bank processes and structures will be endorsed in October

Strategy will reshape Bank-country relations to increase selectivity, prioritise “transformational” engagements and promote public-private partnerships

Bank bureaucracy and incentives will change with next year’s budget, to reflect new priorities

Criticisms have emerged over the strategy’s prioritisation of the private sector and neglect of inequality and power politics

At the annual meetings in October, World Bank president Jim Yong Kim is planning to get sign off from the world’s finance and development ministers on a new strategy for the World Bank Group (WBG, see Update 86). It sets out the institutional changes that Kim argues will enable the Bank to meet the April-endorsed twin goals of poverty reduction and boosting ‘shared prosperity’ (see Update 86, 85, 84).

The draft strategy document was approved by the World Bank board of executive directors in early September, before being sent to finance ministers. It contains a summary of the changing global context for developing countries and how development challenges have changed, before setting out “a value proposition” for the Bank Group, comprising:

- “Contribute to the global development agenda through dialogue and action on ongoing and emerging development challenges, bringing the perspectives of all its member countries.”
- Support clients in delivering customised development solutions backed by finance, knowledge, and convening services.
- Help advance knowledge about what works, combining the world’s leading development research and practitioner experience with a commitment to transparency, open data, global outreach, and knowledge dissemination.”

The strategy does not set out what the Bank will do, instead outlining the processes by which it will choose what to do. There are two big make-overs planned under the new approach: how country strategies are determined, and how the Bank is organised internally.

The existing country strategy process will be broken down into three components: (1) a systemic country diagnostic which will “identify[ing] the most critical constraints to, and opportunities for, reducing poverty and promoting shared prosperity sustainably, while explicitly considering the voices of the poor and the views of the private sector” ; (2) a country partnership framework (CPF) which will “describe focus areas for WBG support … the framework will outline the most promising interventions, the underlying working hypotheses and supporting evidence, expected outcomes, and lead indicators”; and (3) performance and learning reviews. An implementation plan specifying lending modalities will be prepared separately. The strategy provides little detail on how conflicts between country objectives and the Bank’s preferences will be managed.
The strategy emphasizes "transformational engagements" which looks like a push to engage in fewer, larger high-risk projects at the regional or national level rather than working on small-scale, locally-relevant projects. Patricia Miranda of Peru-based NGO network Latindadd argued that "instead of prioritising sectors such as infrastructure, the Bank should work towards developing an alternative development model, one that is more sustainable and takes better care of the environment."

The draft strategy also pushes greater collaboration across the public sector and private sector arms of the Bank to create “One World Bank Group” (see Update 86), which “is central to the WBG strategy”. It promises “mechanisms to promote a stronger pipeline of joint infrastructure projects”. It says the Bank “will increasingly promote public-private partnerships” (PPPs), including in sectors such as health, education, sanitation and climate change, despite past criticisms on the excessive cost of PPPs, their poor performance in delivering expansions of service provision, and their negative impacts on poor people's livelihoods.

**Implementation, restructure**

The Bank is planning “a right-sizing exercise [that] will reduce costs and complexity”, meaning job cuts. Part of this will be the creation of selected “global practices” with technical expertise on issues organised globally. After approval of the strategy in October an implementation paper will add detail to the restructuring process. The next Bank budget will be a key moment for implementation.

The sudden departures, announced at end July, of both managing director Caroline Anstey and senior vice president Pamela Cox, the two senior Bank managers who were responsible for the strategic reforms and restructuring, have set staff on notice that failure to fall into line with the new strategic direction could be perilous.

The draft strategy is missing detail on how to end an organisational culture which has valued pushing money out the door over development outcomes. The document contains numerous mentions of changing staff incentives, including for encouraging a solutions culture, focusing on multi-sector approaches, deepening client engagement on implementation, fostering a culture of results, pushing staff to work on long-term transformational engagements, encouraging collaboration across the Bank Group, pushing cost savings and revenue enhancement, and encouraging selectivity.

An outline of a new staff incentive system to accomplish all these aims was not included.

**Criticisms abound**

Critics who faulted Kim for the lack of a goal on inequality will be further disappointed. In late September the Bank’s director for poverty reduction James Saavedra-Chanduvi blogged that “a reduction in inequality by itself does not result in an improvement of the welfare of the less well off in all circumstances.”

Kim’s plan to create a ‘solutions bank’ (see Update 83) was called into question by a July evaluation of the Bank’s knowledge-based country programmes by the Bank’s Independent Evaluation Group (IEG). The review studied 48 technical assistance projects in nine middle- and high-income countries, and found that the Bank was “more effective when it worked on specific sectors rather than broad topics”. It argued the Bank should “emphasise the ‘how to’ options, as opposed to the diagnostics and the ‘what to do’ recommendations.” In contrast, the strategy requires the Bank to do country diagnostics.

The idea embedded in the strategy that the Bank needs to propagate a “science of delivery”, also called “deliverology” (see Update 86), came in for sharp words from Kevin Watkins of UK think tank ODI in July: “we also need to turn the spotlight on the political forces and power relationships that deliver poor-quality services and perpetuate high levels of inequality.” He argued that “Kim has turned the spotlight on a critical set of concerns” and noted that the “political bargains struck between elites often have the effect of excluding the poor.” Miranda concluded, “countries’ national development plans, developed with civil society participation, should define where and how to use external financing, technical support or other mechanisms of support.”

Jim Kim’s ‘science of delivery’, Kevin Watkins

tinyurl.com/ODIWatkins-science

Leaked World Bank strategy document
tinyurl.com/WBstrategySept13

**IMF transparency “still falls short”**

In July, the IMF published a review of its transparency policy. The staff paper found that the “Fund’s transparency still falls short in some key areas”, noting especially that “doubts persist” about the even-handedness of implementation. Civil society complaints about the Fund’s consultation practices on policy papers were acknowledged. However, the board refused to substantively change the policy, rejecting a staff proposal to reduce the time lag for publication of board minutes from five to three years.

tinyurl.com/IMFTransp2013

**FTT: IMF at odds with Europe**

In early September the European Commission said it would go ahead with legislation to allow supportive countries – including Germany, Spain and Italy – to introduce a financial transaction tax (FTT). However in July, Carlo Cottarelli, the IMF’s fiscal affairs chief, cast doubt on the tax at a July conference: “A tax on transactions, in general, is not so sensible, it is something old-fashioned”. This contrasts with an IMF 2010 working paper which highlighted the benefits of securities transactions taxes, the most common FTT.

tinyurl.com/CottarelliFTT

**Update on World Bank safeguards review**

A July presentation on the safeguard policies review to the Bank board (see Update 86, 85) included parts of a proposed integrated framework and next steps. The draft framework is now expected early 2014, followed by consultations. The review team’s “aspirations” included more focus on outcomes and enhanced country ownership. In a July report NGO Human Rights Watch called on the Bank to make “sure it isn’t contributing to human rights abuses.”

tinyurl.com/WBboardbriefing

tinyurl.com/HRWabusefree

For longer versions of Observer articles with additional links, see brettonwoodsproject.org/observer

Para la version en español, visite: brettonwoodsproject.org/es/observador
The Alto Maipo Hydroelectric project is being implemented by AES Gener, a Chilean subsidiary of US-based AES Corporation. The project is located in the river basin of the Maipo river in a valley near to Santiago, the capital of Chile, which has a population of 7 million people. The river basin provides drinking water for 6 million people and 2 million tourists who visit the city annually. It regulates the climate and temperature of the Santiago valley, as well as providing irrigation water for 120,000 hectares of agricultural land. The area is so important that it is protected by several decrees and rulings in the Chilean legal system.

To date the project has received investment of around $600 million and is projected to reach $1.8 billion. AES Gener is seeking 60-70 per cent of the project costs from several banks including from the International Finance Corporation (IFC, the World Bank’s private sector arm). IFC officials have made two visits to Chile. On both occasions they met directly with groups that will be affected by the project who told them about the project’s design faults and the negative impacts it will have. The project is opposed by the farmers who use water for irrigation, tourist and construction materials trade associations, trade unions and citizen associations.

Since the project began in 2007 there has been a lot of public interest. When the project was reviewed by the environmental authority in 2007, all the public authorities gave it a negative assessment because environmental impacts were not fully taken into account. The public authorities identified many negative impacts on the irrigation canals, drinking water collection points and extraction of construction materials supported by the river-bed. The General Water Authority highlighted the negative impact on flora and fauna as well as on water irrigation. Overall it said it would weaken the security of Santiago’s supply of drinking water.

The project is predicted to lead to the desertification of an estimated 100,000 hectares of the river basin as a result of water extracted from the river basin’s source and the building of a drainage system of 70 kilometres of tunnels. This is in a context where climate change is increasing the pace of glacial melt in the project area.

AES Gener has run a major campaign to delegitimise the groups who have legally challenged the project’s impact, and has also been involved in behind the scenes lobbying to secure funding. This lobbying led to the project being approved by the highest ranks of president Michele Bachelet’s government. Due to the irregularity of the process in relation to the Alto Maipo project an Investigative Parliamentary Commission was created in the Chamber of Deputies, the lower house of parliament. The Commission voted unanimously that the environmental evaluation process and subsequent approval was corrupt and should be annulled.

To date several prominent lawyers have begun lawsuits in Chilean courts. There are also cases being prepared to be put before international courts. In addition social movements have begun massive street protests which without doubt will impact on whether the Alto Maipo hydro-electric project starts to be built. The project should be changed and evaluated again under Chile’s legal system.

Furthermore, Alto Maipo was presented as a project that would be able to generate 530 MW of electricity for Santiago. But this was shown to be false because the average was only be 160 MW due to the hydro resources available. AES Gener recognises this and said they would be supplying 2,300 GW per year to the grid. Nevertheless, in June AES Gener signed a contract with the company Antofagasta Minerals which gives it control over 40 per cent of the property of the project and all the energy that can be generated over a twenty year period for its mining project Los Pelambres.

The water and sanitation company Aguas Andinas, whose main objective is to provide drinking water to Santiago, irrefutably opposed the project. However, in December 2010 Aguas Andinas reached a secret deal to deliver water - that was meant to be used for drinking water - to AES Gener to generate hydroelectricity for 40 years without the population and the relevant government authorities knowing. Currently several organisations as well as eight senators are challenging this agreement.

The facts are clear and make a strong case against the project. It does not meet the necessary legal, economic, social and environmental requirements. The project does not include any measures to mitigate its impact and is not economically viable. Fresh water is a vital element and source of life that cannot be replaced. It is a fundamental human right and therefore cannot be commodified to the extent that it puts the present and future of millions of Chileans at risk.

Coordinadora, Ríos del Maipo, Santiago, Chile

www.riosdelmaipo.cl

www.facebook.com/NoAlProyectoAltoMaipo
IMF & Troika: a big, fat Greek divorce?

The IMF has come under renewed pressure to justify its role as part of the Troika of lenders, also comprising the European Commission and European Central Bank, providing emergency lending to eurozone states (see Update 86, 83). In July Commission head José Manuel Barroso argued that European institutions were capable of managing any fresh lending requirements independently. The UK newspaper the Financial Times published an August editorial arguing that “freeing the IMF from its dead marriage with Europe will make it easier for it to tell the truth … and harder for the eurozone to ignore its own policy failures.”

An August blog by Stéphane Cossé, a former IMF senior economist and now of Sciences Po Paris, pointed out that the IMF normally provides support to countries suffering an imbalance of payments, but “in the eurozone … the balance of payments is in equilibrium and the euro remains a strong currency, which therefore in no way justifies intervention by the IMF”. He asked “is it not time for the eurozone to declare that it can do without the IMF?”

Developing countries have also repeatedly expressed concern as to whether the IMF’s involvement in the eurozone reflects an even-handed treatment of richer and poorer countries (see Update 84). In July the IMF’s Brazilian executive director Paulo Nogueira Batista abstained from the vote to approve a €1.8 billion ($2.4 billion) tranche to Greece, arguing that the country was being saddled with loans it was unlikely to repay, though he backtracked the following day after widespread media coverage led to political pressure, including from Brazil’s finance minister. Nogueira Batista’s reported remarks included that Greece’s political and economic problems “confirm some of our worst fears” and that the Fund’s economists were guilty of “over-optimistic” assumptions about Greece’s economic performance.

Privatisation to be privatised?
As the Greek parliament met in July to approve further public sector redundancies and spending cuts, tens of thousands of Greek workers held a rally in front of the parliament. Another 48 hour strike by public sector workers was held in mid-September to protest yet more public sector redundancies prior to an official visit by delegations from the Troika, which has imposed the condition for job reductions as a requirement for Greece to receive its next loan disbursement.

Privatisation revenues required by the Troika have consistently fallen short (see Update 86). Media reported in August that the Troika were examining a privatisation strategy document exploring the possibility of setting up a holding company in Luxembourg which will employ “foreign experts” with the power to sell publicly owned Greek real estate and property independently of the Greek government, which would only retain control over the decision of when to sell.

Over 130 civil society groups and 50 members of the European parliament (MEPs) signed a July letter to challenge privatisation of a regional water company, which has been put to tender due to Troika privatisation requirements. The coalition wrote to the bidders for EVATH (the Thessaloniki Water and Sewage Company) to request that they drop their bids for the utility. Maria Kanellopoulou of campaign group Save Greek Water said “EVATH is the first case of water privatisation that we need to stop to make sure it does not spread”. Greek MEP Kiton Arsenis said “the European Parliament is sending a clear warning to the Greek government that the privatisation of water is neither welcomed nor helping Greece to exit the crisis”.

Patricia Miranda, of Bolivian NGO Fundación Jubileo, identified parallels to IMF programmes in Latin American countries in the 1990s and 2000s, where conditionality led to “privatisation processes … in sectors such as water, mining, pension funds and health”. Despite fiscal deficits being the justification, Miranda pointed out that following privatisation “revenues decreased [while] prices of basic services increased” as occurred in Bolivia during the “‘Water War’ in 2000 … where the population rose up against water privatisation … [leading to] expulsion of the private foreign company.”

Greek’s Troika lenders have clashed repeatedly over the appropriate target for the level of Greece’s debt relative to GDP, which was set at 120 per cent by 2020 after fraught negotiation between Troika members in late 2012 (see Update 83). This may now be unrealistic, requiring more debt forgiveness, equal to 4 per cent of GDP according to the IMF’s July review, if the target is to be met. September media reports indicated that talks had commenced over restructuring some of the €240 billion in Greek debt, including extending the maturities, or repayment deadlines, by as much as 30 years. Fund spokesperson Gerry Rice responded in August that “there are no discussions regarding a new [Greek] programme”. Disagreement between the Fund and European countries over who should bear the cost of achieving the debt-to-GDP target may make an IMF divorce from the Troika inevitable.

CSOs protest water privatisation @tinyurl.com/ThessWater
**IMF gets emerging markets wrong, again**

**Fund conducts “U-turn” to warn of risks to developing country stability**

Critics contend IMF failing to learn lessons from past emerging market crises

Amidst heightened risks of financial instability in major developing country economies, the Fund was forced to re-assess its global economic prognosis and risk assessment in an analysis provided to the G20 summit in September. Managing director Christine Lagarde conceded in August that, despite the Fund’s April forecasts highlighting the positive contribution of emerging markets’ growth, there are “risks of a slowdown in emerging markets pulling back growth everywhere”. UK newspaper the Financial Times called this a “humbling series of U-turns”, and reported that the Fund’s “clout with presidents and prime ministers is likely to be diminished by the IMF’s failure to provide an accurate assessment of the world economy.”

**Pressure on developing countries**

Large developing countries’ economies came under pressure in recent months. Currency values fell sharply in Brazil, Indonesia, South Africa, Turkey and India, amongst others. In July, Indian officials denied any need for IMF support amidst growing rumours of economic fragility. India’s then central bank governor Duvvuri Subbarao responded to suggestions that India turn to the Fund by saying “the answer is no!”

The IMF’s September G20 briefing note argued that India’s “rising deficits” required “tough choices” in particular calling for reform of the tax and subsidy regime so that spending would be reduced, and a single sales tax introduced. A September briefing by Kavaljit Singh for Indian policy research institute Madhyam, advised against turning to the IMF for a loan “which comes with stiff conditions”. It reiterated that Indian authorities “should not hesitate to impose capital controls … to protect … from a sudden capital flight”.

According to Singh, “the IMF’s policy advice … is completely off the mark. The IMF had given similar policy advice to Thailand, Indonesia and South Korea when these countries experienced rapid capital flight and currency crashes in 1997. The IMF has not learnt lessons from the past and current financial crises as it continues to pursue an orthodox economic policy agenda to the detriment of developing countries.”

Madhyam briefing paper [tinyurl.com/MadhyamRupee](tinyurl.com/MadhyamRupee)

**Inequality: IMF fails to listen to itself**

**NGO Oxfam criticises the IMF for failing to learn lessons of the past in its approach to European austerity**

**IMF research on inequality contradicts IMF demands of borrowers**

A September report from international NGO Oxfam spotlighted the impact of European austerity policies on levels of inequality. The paper, which was based on 13 European country case studies, noted the role of the IMF in many European loan agreements (see page 4) and found that “in the years since the financial crisis, the countries most affected by austerity measures – Greece, Italy, Spain, Portugal and the UK – have seen one of two impacts: either the richest tenth of the population has seen their share of total income increase, or the poorest tenth has seen their share decrease. In some cases both impacts occurred.”

The paper found that “the European experience bears striking similarities to the structural adjustment policies imposed on Latin America, South-East Asia, and Sub-Saharan African in the 1980s and 1990s. … The IMF and the World Bank … policies were a failure; a medicine that sought to cure the disease by killing the patient.” Oxfam instead called for European governments to invest in public services and design fairer tax systems

**Good research, bad policy**

The Fund has been conducting research on inequality since the 2008 financial crisis. A June IMF working paper showed that “fiscal consolidation has typically led to a significant and persistent increase in inequality.” A September IMF working paper looking at a broader sample of 48 advanced and emerging economies, “also found that unemployment is an important channel through which consolidation increases inequality.” A June working paper on Asia found that “while poverty has fallen across the region over the last two decades, inequality has increased”. The authors recommend “higher spending on health and education and enhanced social safety nets. Greater attention must also be paid to labour market reforms that would increase the voice of labour.”

These recommendations have not yet been heeded by IMF staff designing lending programmes. A September statement from the International Trade Union Confederation (ITUC) noted: “In several European countries, weakening of labour market regulations and institutions has been a major feature of IMF loan programmes.”

The ITUC found the IMF’s emphasis on labour market flexibility “particularly incomprehensible in light of its stated commitment to inclusive growth.”

For the full article, see: [brettonwoodsproject.org/imf-forecasting-models](brettonwoodsproject.org/imf-forecasting-models)

**KNOWLEDGE background**

**Inside the institutions: IMF forecasting models**

Forecasting models are simulations to predict future economic activity. Recently, the IMF has acknowledged making incorrect forecasts. The IMF’s surveillance and policy recommendations rely heavily on forecasting models, such as its Global Projection Model (GPM). The GPM is a combination of several models, principally the Quarterly Projection Model and the Dynamic Stochastic General Equilibrium (DSGE) model. However, the assumptions inherent in these forecasting models have been derided for being inadequately conceptualised. The IMF’s forecasts have also frequently been dismissed as being politicised and susceptible to internal wrangling.

For the full article, see: [brettonwoodsproject.org/imf-forecasting-models](brettonwoodsproject.org/imf-forecasting-models)

A cautionary tale, Oxfam [tinyurl.com/Oxfam-inequality](tinyurl.com/Oxfam-inequality)
**World Bank to “lead the way” on infrastructure investment**

As the G20 countries met in Russia in early September, World Bank president Jim Yong Kim declared that the Bank is pushing ahead with the development of a global infrastructure facility (see Update 86), to be discussed at the World Bank annual meetings in mid October. Kim stated that the facility will represent “a huge, huge piece of our business going forward”, channelling funds from member states and the private sector to infrastructure projects. However, an executive director at the Bank has cautioned that plans for the facility are far less advanced than portrayed.

The G20 accountability report launched at the summit noted progress on the infrastructure agenda, but that some “uncompleted commitments are progressing slowly”. The 2010 commitment in the G20 Multi-year action plan on development to “assess how best to integrate environmental safeguards in an effective cost-efficient manner” (see Update 77) due to be completed by November 2011, has “stalled”. The report noted that “follow-up on these commitments are strongly needed”, however, this was not reflected in the G20 outcome documents. Instead the infrastructure related commitments included giving “particular attention” to public-private partnerships (PPPs). The G20 “financing for investment” study group has asked the Bank to develop a PPP sourcebook.

Meanwhile, the Bank’s private sector arm, the International Finance Corporation (IFC), has increased its investments in infrastructure, now representing 12 per cent of the IFC’s portfolio. In June then IFC vice president and chief operating officer Rashad Kaldany told the Infrastructure Journal that the IFC “can lead the way” on infrastructure investment. Much of the focus is on Sub-Saharan Africa, where there is a big push for PPPs. The IFC focuses on “output based aid”, meaning combining major buyers of the supply, “like mining companies … and then finding schemes to supplement the poor people’s incomes so that they can afford to buy these essential services.”

Sunita Dubey of South African NGO Groundwork commented “PPP has become a buzzword for solving any problem. Over the decades, we have seen a poor implementation record of the Bank, especially in infrastructure projects. However, involvement of the private sector means there is a greater risk of poor service, high prices, or both, because of its incentives to maximise profit.”

Furthermore, a June paper by UK-based Public Services International Research Unit (PSIRU) argued that privatisation in the energy sector has been problematic, including the Inga 3 hydropower project in the Democratic Republic of Congo (DRC, see Update 86, 81, 79). David Hall of PSIRU said: “public sector investment should be going ahead - with the extra benefit that borrowing is cheaper with the process subject to democratic control, and a focus on positive social impacts and environmental sustainability”.

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**Bank intends to develop a global infrastructure facility**

**G20 process on infrastructure focused on PPPs; G20 admits failure to address environmental safeguards**

**Criticism on energy sector privatisation was raised by PSIRU**

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**World Bank push for agribusiness in Africa**

Following World Bank president Jim Yong Kim’s April statement that the Bank should make “additional effort … to build capacity and safeguards related to land rights” (see Update 86), the Bank and French development agency Agence Française de Développement released the report Securing Africa’s land for shared prosperity in July. It suggested a 10 point programme to improve land governance. However, according to US-based NGO Oakland Institute the programme “is nothing more than World Bank’s old paradigm of enhancing efficiency by ‘transferring land from less to more productive users at low cost.’ ” International NGO Oxfam criticised the report’s “often-repeated statements about large tracts of unused or underutilised land … as they feed into the misconception of land simply being available, whereas in reality it is difficult to find any land that someone does not have some use or other right over”.

The Bank’s March report Growing Africa: Unlocking the potential of agribusiness (see Update 85) also emphasised the perceived abundance of land in Africa. Furthermore: “while a smallholder model has a proven track record in promoting equitable development, in some situations access to significant tracts of land must accompany agribusiness investments.” Recommendations included “policy reforms that are important for reducing costs and risks of doing business”.

This is in line with the development of the Bank’s Benchmarking the Business of Agriculture (BBA, see Update 85, 83), which according to the Bank will “leverage positive policy change to better enable the emergence of a commercial agricultural and agribusiness sector around the world”. BBA includes Doing Business in Agriculture, building on the Bank’s controversial Doing Business rankings (see page 8). In 2013 BBA initiated pilots in 10 countries to collect data and develop indicators. It aims to scale up to 80 countries by 2015.

In an August briefing, the international NGO network the African Smallholder Farmers Group (ASFG) welcomed that BBA includes a focus on smallholder farmers, but noted that the indicators lack attention to producer organisations and gender issues.

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**Bank report on African land governance has been criticised**

**Bank is pushing ahead with Benchmarking the Business of Agriculture**

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[ASFG resources on Benchmarking the Business of Agriculture](http://tinyurl.com/ASFGBBA)

[PSIRU energy report](http://tinyurl.com/PSIRUenergy)

[en.g20russia.ru/load/782787543](http://en.g20russia.ru/load/782787543)

[Δtinyurl.com/ASFGBBA](http://Δtinyurl.com/ASFGBBA)
World Bank energy directions: going for gas

The World Bank’s July energy directions paper appeared to herald a major shift, as the Bank stated it would fund coal power generation “only in rare circumstances” (see Update 86). The directions paper aims to achieve universal energy access through energy efficiency, hydropower projects and renewable energy.

In addition it pushes for more natural gas, which according to the paper “has half the carbon footprint of coal at the point of combustion” and “can be the least-cost means of providing flexible electricity supply where demand and supply fluctuate”.

In June, the Bank committed $585 million for the Helwan South natural gas power project in Egypt, which includes three 650 MW facilities with a $2.4 billion total budget, and $60 million to expand a gas field in the Ivory Coast. Between July and September the International Finance Corporation (IFC, the Bank’s private sector arm) announced new loans for gas-fired power plant projects in Nigeria ($125 million for a 450-500 MW plant), the Ivory Coast ($132 million to add 111 MW of capacity) and Turkey ($100 million for a 54.3 MW greenfield plant).

In a July statement on the energy directions paper, US NGO Center for International Environmental Law said if the Bank intensifies its investments in natural gas it would be “bad for the climate and bad for the environment”. “Time and time again we have seen dirty energy projects justified on grounds of energy access, with very little of that energy actually reaching the communities it is supposed to benefit.”

**Controversial gas projects**

In 2008 the IFC invested $300 million in a downstream pipeline that links up with the Camisea gas project in Peru (see Update 60, 58). In August, Peruvian civil society groups criticised plans to expand the Camisea gas field because it would violate the rights of indigenous groups living in the area. The civil society statement notes that nearly half the Nahua indigenous group died from disease following oil exploration in the same area during the 1980s.

In Kazakhstan the IFC provided $150 million in loans in 2003 for the Karachaganak oil and gas project that has been condemned because local residents become extremely ill following exposure to plant emissions. In 2008 the IFC’s accountability mechanism, the Compliance Advisor/Ombudsman (CAO), found the IFC to be “out of compliance” with its own safety standards for toxic emissions (see Update 64, 61, 45).

The Bank has also been criticised for funding the West African Gas Pipeline – that takes natural gas from Nigeria to Ghana, Togo and Benin – because it has not improved energy access for local communities or significantly reduce gas flaring, and has degraded the environment (see Update 62, 60, 57). Mike Karkopo of NGO Environmental Rights Action/Friends of the Earth Nigeria said, “I fear that the rush to build more gas-fired power plants would lock the country into a fossil fuel economy as the world gradually turns its focus to renewable energy. There are currently around 20 gas power projects in Nigeria but supply is still very erratic and energy prices have shot through the roof. Many communities where these projects are situated are not connected to the electricity grid.”

**Change in the energy portfolio?**

It is still too early to assess the impact of the new energy directions paper on the Bank’s activities but existing and past investments show its preference for funding fossil fuels ahead of renewable energies (see Update 69, 68, 67). According to US NGO Oil Change International data, between 2008 and 2012 the World Bank invested around $18 billion in fossil fuels compared to around $8 billion in renewable energy (energy efficiency, geothermal, small hydro, solar and wind).

In a July meeting with NGOs the then UK alternate executive director to the Bank Stewart James indicated the directions paper “would not be expected to alter the Bank’s portfolio at this stage”. Another key indicator of change will be whether the Bank rejects a proposed investment in a coal power plant in Kosovo (see Update 86, 83).

Reacting to the energy directions paper Elizabeth Bast of Oil Change International said the Bank should fund off-grid renewable energy projects and that “large-scale fossil fuel projects are not the answer for energy poverty”.

Statement by CIEL

©tinyurl.com/CIELenergy

Oil Change International energy database ©tinyurl.com/OCIEnergydata
A bad business: Bank divisions on Doing Business revealed

Newly emerging internal documents reveal that the World Bank’s legal unit has expressed disquiet about the process and findings of the Doing Business Report (DBR) over the past three years. Questioning the rankings’ “manipulation”, the unit’s September 2012 internal review of the 2013 DBR, argued that the methodology was flawed, highlighting “black box” data gaps, “cherry picking” of background papers, and double counting of data in indicators. Equally serious was the unit’s accusation of bias: the 2013 report “tends to ignore the positive effects of regulation”. These inconsistencies lead the legal team to ask: “are high income OECD countries placed higher in the Doing Business rankings because they have implemented the (types of) reforms advocated by the report?”

In its late June report, an independent panel appointed by Bank president Jim Yong Kim to review the DBR, also exposed major methodological flaws as well as the report’s potential for misinterpretation as a “one-size-its-all template for development” (see Update 86). It recommended discontinuing the aggregate rankings altogether. However, the Bank continues to back the ratings “as an important catalyst in driving reforms”, with the 2014 DBR due end October. Kim indicated in a June statement “I will be watching to see whether President Kim takes up the panel’s recommendation to remove the aggregate rankings, which he committed to. This would correct the wrong impression it conveys of being an accurate and comprehensive assessment of the business climate when it is a rather arbitrary selection of proxy indicators on it.”

India - business as usual?

India, rated 132 overall by the 2013 DBR rankings prompting an official protest (see Update 85), has recently endured intense global speculation about its economy (see page 5). While Bank staff have repeatedly emphasised that the DBR should not be used as a template for reform, Bank official Augusto Lopez-Claros told Indian newspaper SME Times that “to attract foreign direct investment (FDI) and in turn, strengthen the dwindling rupee and the economy, India needs to enhance its ‘Ease of doing business’ ranking on [an] urgent basis”. In contrast the DBR review panel singled out the Indian government’s support for small and medium enterprises (SMEs) to challenge the rankings’ relevance for individual countries. Despite evidence that SMEs struggle to get credit, Doing Business ranks India 23 for ‘getting credit’. According to the panel, the DBR is therefore “not an accurate instrument for broader policy considerations.”

Legal Unit Analyses
tinyurl.com/legalunitdbr2013

New style, same substance: communications launch

We are delighted to launch this first issue of the Bretton Woods Observer, which replaces the Bretton Woods Update. Following a comprehensive audience consultation we have redesigned our communications outputs including two new publications:

● The Bretton Woods Observer, a quarterly critical review of developments at the World Bank and IMF, will feature expert analysis on a broad range of policy debates and trends;

● The Bretton Woods Bulletin, an online only update of news and action on the Bank and IMF will publish between Observer issues, launching in November;

● The Project’s newswire service has been relaunched as the News Lens, a weekly roundup of key news and critical viewpoints published about the World Bank and IMF;

● The Project’s website has also been redesigned to be more accessible and easier to navigate.

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Annual Meetings coverage

Board members of the World Bank and IMF and government ministers, will gather in Washington DC, from 9 to 13 October 2013. A dedicated page on our website will include analysis of the communiques, notes from meetings, background information and more.