

At issue: Kept in the dark: The World Bank, the IMF and parliaments

Parliamentarians from across the globe have signed on to the International Parliamentarians' Petition. They believe that parliamentarians should be the final arbiters of economic decisions. Current practice, however, means they are not. The World Bank and IMF continue to pressure developing country governments to overrule or sideline their legislatures; a far cry from the principles of good governance which the institutions themselves espouse.

A functioning democracy with an effective legislature ensures that the individual human rights of citizens to take part in their government can be realised. In turn, an effective legislature is essential in ensuring the success of national development strategies. However, influence - and in many cases authority - over these strategies has shifted to the international level while mechanisms for participation and holding decision-makers to account remain firmly rooted at the national level.

The contradiction between supposedly country-led development strategies and the continued use of conditions by the World Bank, IMF and other donors remains controversial. Despite a commitment to reducing the number of conditions, evidence shows that the World Bank and IMF are still using different types of conditionality to impose specific policy reforms on the countries where they work.

Ghana: 'Special dispensation' to violate the constitution

In 2003 the parliament approved a new budget which included increases in tariffs on rice and poultry. The tariffs were to help farmers compete with subsidised imports and were fully consistent with tariff rates allowed by the World Trade Organisation. However, the government lacked 'special dispensation' from the IMF to implement these tariff increases. Following meetings with IMF staff, the government did a U-turn on this policy, telling the customs union to stick with original tariffs, in direct violation of the Ghanaian constitution.

Malawi: Assessment? What assessment?

For 10 years the World Bank had wanted the government of Malawi to privatise the state agricultural marketing board. Legislation to start the privatisation process was rushed through a special parliamentary session during the Christmas holidays in 2003. Some Malawian MPs felt this behaviour was a clear example of the lack of meaningful oversight by parliament, to the point that they even boycotted the actual session. Most alarmingly, a Poverty and Social Impact Assessment commissioned by the World Bank, showing that the privatisation of the marketing board could have a negative impact on the poor was held back for two years until *just after the parliamentary vote*.

Poverty Reduction Strategy Papers (PRSPs) have been criticised widely since their inception. Despite their participatory tone, civil society groups have documented how small a part is played by domestic stakeholders, especially in key macro-economic policy decisions. A review of parliamentarians' involvement in the PRSP in sub-Saharan Africa found that the marginal role of parliaments "contradicts democratic principles and in some cases even breaches explicit constitutional rights". This was echoed in the IMF's Independent Evaluation Office assessment of the PRSP process, which noted that the process is rarely designed to "strengthen existing domestic institutional processes for policy formulation and accountability (e.g. through parliament)".

Involving parliaments in the formulation of PRSPs is vital to ensuring ownership. While it is inappropriate for the World Bank and IMF to dictate the degree and extent of parliamentary involvement in PRSP

formulation, parliamentarians should be demanding greater involvement - and donors should support them in this.

Matters are exacerbated by the limited legislative role in approving the final PRSP. The degree of parliamentary involvement in PRSP approval varies from country to country. Because PRSPs are not binding legislation, most countries do not require that they are sent to parliament for approval. Some constitutions do require a formal vote on new development strategies such as the PRSP. But even then some governments have ignored such constitutional provisions, as was the case in Ethiopia. The PRSP is still perceived as requiring a Washington sign-off, something that will only change when the responsibility for approving PRSPs shifts from the boards of the IMF and World Bank to national parliaments.

There have been similar weaknesses with parliamentary monitoring of PRSP implementation. One of the major roles for parliament is to approve and scrutinise the government's annual budget. However, the difficulties that have been experienced in translating PRSPs into governmental activities that could be identified in annual state budgets make it difficult for parliaments to monitor government progress against its PRSP commitments.

Often the loans agreed between the IFI and the government seem to undermine, rather than underpin, the PRSP. The IFIs argue that their conditions are drawn from the PRSP, yet the IMF's Independent Evaluation Office and the World Bank's Operations Evaluation Department showed that neither was successful in significantly aligning its support with PRSPs. True ownership will only exist when citizens and parliamentarians are able to effectively scrutinise, and potentially reject, these programmes.

Scrutiny of new loans and grants

The IFIs agree a large number of project and programme loans with governments of middle- and low-income countries each year. Civil society groups are looking into how far existing legislative provisions allow citizens and their representatives to have their say on the design of a new loan proposal, to evaluate its effectiveness, or even to reject it altogether. The degree of oversight of IFI loans varies from country to country. In Zambia and Mozambique, for example, there is no legislation requiring parliamentary approval for new loans. Instead, the decision falls to ministries of finance and central banks. In other countries, parliaments have a statutory role in loan decisions, mainly to ensure that new debt falls within debt ceilings.

In Brazil, a 'parliamentary front' has united citizens' groups and parliamentarians in the search for legislative approaches to strengthening parliamentary and civil society involvement in decisions on IFI programmes and projects. In southern Africa, groups have been working with parliamentarians to encourage them to use existing mechanisms and push for greater oversight of new loans.

What legislation there is focuses predominantly on loans, yet as the IFIs and other donors look likely to increase the use of grants, it becomes crucial that legislation is updated to allow for parliamentary scrutiny of

new grants. Development Finance International has shown that enhancing national policies and legislation regarding external development finance is crucial in ensuring the effectiveness of aid. DFI recommends that external financing policies be revised, extended and enshrined in law.

However, just as weak legislation is only part of the problem, so extending or improving current legislation represents only part of the solution. Where provisions are in place, research has shown that governments and IFIs often negotiate and sign loan agreements in non-transparent and unaccountable ways.

Sign on the dotted line for the good of your country

Ugandan legislation requires parliament to scrutinise each development proposal, whether funded through loans or grants, for compliance with the goals outlined in their PRSP. However, MPs on Uganda's Committee of the Economy have expressed concern about the way they are asked to approve loans that have already been approved by the World Bank board. In November 2004 the committee was asked by the government to approve a loan that had been approved already by the board two months earlier. One MP was quoted as saying: "we are told it is too late to change anything so you just endorse 'for the good of your country'."

Bank and Fund efforts

The World Bank and IMF realise that parliaments have a key role to play. The Bank has developed a programme that aims "to enhance parliaments' capacity to effectively fulfil their responsibilities". This places emphasis on the national budget process, PRSPs and supporting parliamentary networks, such as the Parliamentary Network on the World Bank (PNoWB). Established in 2000, the PNoWB aims to increase parliamentary involvement and encourage dialogue between the World Bank and MPs. While helping parliamentarians to develop a better understanding of how the World Bank operates, there are questions about its composition and its independence from its chief financial backer – the World Bank.

Happy privatised constituents

The objectives of the World Bank 'toolkit' on privatisation are to "build understanding and support for privatisation; to ensure the timely approval of privatisation transactions; and to solicit the legislature's input, while managing expectations on the role they have to play." The toolkit suggests messages that parliamentarians should receive from the communications strategy: "I will support the privatisation programme with my vote; and privatisation will benefit my constituents and happy constituents are likely to return me to office."

The IMF has recently reviewed its outreach to parliamentarians, arguing that: "a dialogue with parliamentarians would be helpful in two ways; (i) it would provide the IMF with an opportunity to assist the executive branch in informing the legislative branch of the role of sound fiscal policies in promoting growth and stability; in doing so, the impression needs to be avoided that the dialogue is an opportunity to engage in programme negotiations with legislators; and (ii) it would provide the IMF with an opportunity to listen to the concerns of parliamentarians and to improve our understanding of the political and social context in which economic decisions are taken".

There is tension between Bank and Fund attempts to engage with and strengthen national parliaments, and their strategies to persuade parliamentarians of the benefits of specific policy options. Any IFI engagement with parliaments should be impartial. It should focus on building a parliament's long-term capacity to exercise its responsibilities to its

citizens, rather than on pushing specific policies through. Parliamentarians should lead in the design of any capacity building programmes, and on the prioritisation and allocation of donor funds for this work.

Coming into the light

Hundreds of MPs from all over the world have signed the international parliamentarians' petition for democratic oversight of the World Bank and IMF. This is a clarion call for the IFIs to cease undermining parliaments by interfering in policy-making. Instead they need to facilitate the process of democratic decision-making by becoming fully transparent and accountable themselves. The following steps are recommended for the IFIs:

- Stop imposing economic policy conditions; citizens and their representatives should have the final say over economic policy choices;
- Respect national laws and constitutional provisions regarding grants and loans. If provisions for parliamentary approval exist, and a parliament either partially or fully rejects a loan, the IFIs should withdraw or renegotiate these proposals;
- Agree minimum standards that will ensure due diligence and impartiality of World Bank and IMF staff when dealing with sovereign democracies, developing an accompanying complaints procedure to address cases where these have not been upheld;
- Help build the capacity of parliaments to play an effective role in negotiating or monitoring IFI-financed projects and activities. This should include ensuring parliamentarians are provided with pertinent information to inform their decision-making; and
- Enact fundamental reforms in the areas of transparency, leadership selection and governance structures.

At the same time, developing country governments, parliamentarians and citizens must:

- Establish or extend provisions for parliamentary involvement and scrutiny of all external financing proposals, including grants. Such steps should ensure proposals comply with national development and poverty reduction objectives, as well as borrowing and repayment ceilings; and
- Create a stronger role for parliaments in PRSP formulation and monitoring, and secure parliamentary approval of PRSPs.

The following steps are recommended for all member states:

- Allow parliamentary scrutiny of government policy on the IFIs, and encourage regular reporting to parliament on government's activities within these institutions. This should include making available the policy positions of and statements made by executive directors at board meetings and an annual presentation of executive directors' activities to parliament (or delegate in very large constituencies); and
- Open up the selection process for executive directors, accountable to both government policy towards the institutions and the decisions of the institutions themselves, to scrutiny by relevant national bodies, such as senatorial or parliamentary sub-committees, or ombudsmen.

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International Parliamentarians' Petition www.ippinfo.org

For a longer, fully-referenced version of this briefing, see:
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