

BRETTON WOODS observer

A quarterly critical review of developments at the World Bank and IMF

INFRASTRUCTURE analysis

The rise of the infrastructure giants Bank's infrastructure hegemony challenged in Asia



World Bank faces competition from new Asian Infrastructure Investment Bank (AIIB), BRICS Bank, to fund large-scale Asian infrastructure

China invites Nepal to join AIIB, as World Bank increases stake in hydropower sector

IFC push for public-private partnerships, energy for export

IFC Pakistan hydropower funding approved, US abstains due to environmental risks

With massive infrastructure projects seeking funds, the World Bank is facing increased competition from new players in Asia, with China launching the Asian Infrastructure Investment Bank (AIIB) and the new Brazil, Russia, India, China, South Africa (BRICS) Bank (see *Bulletin* Feb 2014, *Update* 85) expected to be launched in July, largely focusing on infrastructure finance. But questions remain about potential negative social and environmental impacts, with none of the players adequately engaging with local communities.

As the World Bank develops a new Global Infrastructure Facility (GIF), a proposed platform for facilitating complex infrastructure projects (see *Bulletin* May 2014), further details have emerged on the planned BRICS Bank. According to information leaked to news agency Reuters in late May the bank is likely to be agreed at the mid July BRICS summit in Brazil. With expected start-up capital of \$50 billion shared equally between the countries, the bank will aim to start lending in two years time. Borrowers are expected to benefit from lower costs and a presumed lack of interference in economic affairs.

One issue of contention slowing the negotiations was China's unsuccessful attempt to gain a larger stake in the BRICS Bank by putting in more capital. While retaining its involvement in the BRICS Bank, China has also set the wheels in motion for AIIB, focusing on financial support to boost regional infrastructure. AIIB was first announced by Chinese president Xi Jinping before the Asia-Pacific Economic Cooperation meeting in Indonesia in October 2013. AIIB is expected to be funded by its

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members, also with initial capital of \$50 billion, though it is expected that China will fund half. China's finance minister, Lou Jiwei, told Xinhua news agency in early March that they are working towards an inter-governmental memorandum of understanding in the autumn. According to the US ambassador to the Asian Development Bank (ADB), Robert Orr, the AIIB could be seen as a response to China's inability to increase its influence in leading global and regional multilaterals, as well as a "political tool" to challenge the ADB.

Justin Fong of China-based NGO Moving Mountains commented: "For China, the scenario at hand is how to align its positions – not work in competition – in forming a new BRICS Bank while at the same time being a major sitting member with increasing leadership roles in the World Bank and most other existing IFIs. At the same time, it is seeking to improve the positions of its own national finance institutions pursuing overseas investments. For China, pursuing multiple inroads, all of which it seeks to strengthen, allows it to maximise the number of stakes it can cover."

Nepal in the spotlight

In early June China invited Nepal to join AIIB as a founding member. While welcoming the gesture, according to Nepal government officials, Nepal has proposed that there should be a grant element available, as well as flexibility on the aid conditions. The memorandum of understanding is expected to be signed by interested countries by end October.

The World Bank has also announced its intention to further increase its stake in the country's hydropower sector, including pushing for the private sector to take a leading role with funding from the International Finance Corporation (IFC, the Bank's private sector arm). The Bank's involvement in the country's infrastructure has been subject to civil society criticism, including a 2013 complaint to the Bank's accountability mechanism, the Inspection Panel, regarding a power transmission line (see *Observer* Spring 2014, Winter 2013).

In mid May the Bank approved \$84.6 million for the 37.6 MW Kabeli-A hydroelectric project. This includes a \$40 million loan and \$6 million grant from the International Development Association (IDA, the Bank's low income country arm) and a \$19.3 million loan from the IFC. According to the Bank's country director, Johannes Zutt, the project "will demonstrate how public-private partnerships can help Nepal exploit its hydropower potential." According to the IFC, social and environmental impacts of the project include "potential impacts on four affected communities ... [including] individuals belonging to different groups recognised as indigenous".

In December 2013 the IFC signed a joint development agreement with India-based GMR Energy on the 600 MW Upper Marsyangdi 2 hydro project in Nepal. According to the GMR Energy chairman GBS Raju, the IFC will bring "its vast experience in financing large and complex infrastructure projects". In March media reported that the IFC was again in talks with GMR Energy about acquiring a 10 per cent stake in the 900 MW Upper Karnali hydro project. Some of the power supply is expected to go for export, with March media reports that Bangladesh has expressed an interest to buy 500 MW from Upper Marsyangdi 2 and Upper Karnali – the IFC is expected to help broker the deal. According to Ratan Bhandari of local NGO Jal Sarokar Manch, there is widespread local opposition to the projects.

Problem projects: Pakistan

In early May, despite the US abstaining from voting, the Bank board approved a \$125 million equity investment by the IFC in China Three Gorges South Asia Investment Limited (CSAIL), a renewable energy investment holding company aiming to develop large hydropower projects in Pakistan (see *Bulletin* Feb 2014). According to the US statement "CSAIL does not have well-developed systems for managing the [environmental] risks inherent in large energy sector projects, particularly in the hydro sector." The news site PakTribune reported that the US had also threatened to abstain from voting on Bank support to the Dasu hydropower project (see *Bulletin* Feb 2014) due to "congressional constraints", however, it was approved unanimously in early June.

TRADE

news

ICSID problems in the spotlight

In April, a letter from 303 civil society groups urged World Bank president Jim Yong Kim to "review the role of the International Centre for the Settlement of Investment Disputes (ICSID)" because mining corporation "Pacific Rim is using ICSID to subvert a democratic national debate over mining". The company is asking for \$300 million, 2 per cent of El Salvador's GDP (see *Bulletin* Dec 2013). George Kahale, an international lawyer, criticised ICSID as "seriously flawed".

tinyurl.com/CSOletter

LAND

news

IFC-linked rubber firm project paused

In May, an International Finance Corporation (IFC) linked Vietnamese rubber company operating in Cambodia agreed to suspend activities on three plantations until November. A February complaint to the IFC's Compliance Advisor Ombudsman accused the company of harm to communities and land grabbing (see *Update* 86). Eang Vuthy at NGO Equitable Cambodia, one of the complainants, welcomed the decision, but asked the company to cease activities in all 25 communities.

ENVIRONMENT

analysis

World Bank-funded mines threatening livelihoods

IFC agrees new finance deal for Guinean iron ore mine.

NGOs condemn Oyu Tolgoi mine in Mongolia for water and air pollution

Communities fear water pollution from new gold mine in Armenia

Mining companies Rio Tinto and Chinalco signed a deal in May with the International Finance Corporation (IFC), the Bank's private sector arm, on a \$20 billion investment framework providing legal and financial backing to the Guinean Simandou mine

project. The IFC holds a 5 per cent stake in Simandou. The mining project has come under strong criticism for potential environmental and human rights abuses (see *Bulletin* Dec 2013).

In April, civil society groups, including Mongolia-based Oyu Tolgoi Watch, wrote to the Bank's board to express concerns that the "local herding community is now worse off" as a result of the Oyu Tolgoi mine, causing "serious air pollution, pasture loss and loss of access to clean water, forcing herders to abandon their traditional livelihoods". The letter urged the Bank directors to delay disbursement of the IFC's

\$400 million loan until key actions have been completed.

Armenian residents from two villages, with the support of nine local NGOs, submitted a complaint to the Compliance Advisor Ombudsman (CAO), the IFC's accountability mechanism, in April in relation to the IFC's \$1.2 million investment in the Amulsar gold mine operated by Channel Islands-based Lydian International. The complainants say the mine may lead to water pollution and negative impacts on red-listed species, and claim it has already violated national laws and the IFC's performance standards. The CAO found the complaint eligible and has begun an assessment.

tinyurl.com/ArmeniaCAOcase

INFRASTRUCTURE > commentary



Tata Mundra: making a mockery of accountability

by Bharat Patel, Machimar Adhikar Sangharsh Sangathan, and Himanshu Damle, Bank Information Center, India

In the 1990s, India pushed mega power projects (MPPs) to address the power crisis. These were of 1,000 MW or more, and catered to more than one state. When the MPP policy was falling short of fulfilling India's power crisis, all the government did was to add the prefix 'ultra', and came up with UMPPs. UMPPs were characterised by 4,000 MW generating capacity, a colossal rise over the MPPs. The first realisation was the Coastal Gujarat Power Limited (CGPL), a wholly owned subsidiary of Tata Power Limited, in Mundra, Gujarat. Powered by supercritical technology, this 4,000 MW plant has been in the news for generating more controversies rather than power.

This \$4.14 billion project is funded through external commercial borrowings, with the International Finance Corporation (IFC, the World Bank's private sector arm) and the Asian Development Bank pumping in \$450 million each. The plant functions on imported coal from Indonesia, and with changed coal export regulations in the source country, generating electricity has become dearer, prompting CGPL to approach the Central Electricity Regulations Commission (CERC) to request a hike in tariff structures from the one initially quoted that helped them win the contract in the first place.

As if this were not enough, something else propelled CGPL as a thorny issue, attracting widespread global attention and condemnation, the issue of the callousness of the IFC towards its own accountability mechanism, the Compliance Advisor Ombudsman (CAO). Acting on a complaint filed by Machimar Adhikar Sangharsh Sangathan (MASS), a local organisation of around 25,000 affected people, the CAO started an investigation in 2011 to verify alleged breaches of the IFC's social and environmental policies.

In October 2013, the CAO published its findings validating the claims made by MASS of the IFC's leniency in adequately assessing the impacts on the seasonal fishing community, the majority of which happen to be from a religious minority. This inadequacy excluded the people from falling within the proper ambit of the IFC's performance standard on land acquisition.

The CAO observed: "IFC should have required that its client commission additional E&S [environmental and social] assessment in order to ensure compliance. ... IFC did not pay adequate attention to verifying whether pre-project consultation requirements were met. ... IFC failed to assure itself that

directly affected fishing communities were engaged in effective consultation. ... IFC's E&S review regarding marine impact did not meet the due diligence requirements set out in the sustainability policy. ... IFC failed to meet the requirements of the sustainability policy despite sufficient indications of project-related displacement (both physical and economic) as to require objective assessment. ... IFC is unable to demonstrate that its client's monitoring is commensurate to risk."

The IFC in its response to the CAO findings dismissed the report, defending its client and justifying its investment. To add further insult to injury, World Bank president Jim Yong Kim not only sat on the CAO report for close to a month, but eventually acquitted the IFC from any wrongdoing. This not only undermined the investigations of the CAO, but also marginalised the issue of thousands of fisherfolk and families who lost their means of livelihood.

To highlight this injustice, an intense concerted effort from civil society organisations around the world has built up, culminating in a petition signed by more than 24,000 people and presented at the World Bank's spring meeting in April. The petition demands urgent actions to restore, rehabilitate and resettle, provide adequate compensation, and that the IFC pull out of the project, acknowledges its lapses and refuse to finance any expansion. So far the IFC has hinted that it will not be financing the expansion.

As the CAO cannot recommend, only bring to light the IFC's faults, its report has not really changed the reality on the ground. Growing activism against the Bank's inaction has highlighted that the IFC's so-called action plan on Tata Mundra is a non-starter and ignores precisely what it has been asked to rectify. The callous attitude of the IFC and CGPL has made a mockery of the accountability mechanism, and with the World Bank president shutting his eyes, those affected have no recourse left. Their lives are getting darker by the day, and whatever electricity produced at the plant at whatever loss, makes nothing brighter for them.

Bharat Patel, Machimar Adhikar Sangharsh Sangathan, India
 @bharatp1977@gmail.com
 @masskutch.blogspot.com

Himanshu Damle, Bank Information Center, India
 @hdamle@bicusa.org
 @www.bicusa.org



Settlement overlooking the Tata Mundra coal power plant

Photo: Sanjeev Thareja

IMF: Ukraine's "tough programme"; Egypt next?

Ukraine enters third IMF programme since 2008, gains 'exceptional access'

IMF-prescribed reform may give "unpleasant surprise" of low growth, high social costs

Egypt: IMF reiterates readiness to support new regime, policy recommendations focus on energy subsidies, VAT increases

The era of IMF-led structural reform is not over, despite Fund rhetoric on reducing inequality, country ownership and consideration of the most vulnerable (see *Observer* Spring 2014). The IMF's claimed new approach to conditionality still results in a familiar austerity-focussed framework for reform attached to emergency lending. Additionally, the timing of lending decisions appears to be driven by the political preferences of major shareholders.

In early May, the IMF announced that it had agreed to provide an \$18 billion standby arrangement to Ukraine, supplying \$3.2 billion immediately, of which over one third is intended to pay outstanding bills to Russian gas exporter, Gazprom. This represents 800 per cent of Ukraine's IMF quota, placing this programme under the Fund's exceptional access rules. Since the political instability, triggered by the overthrow of the previous president in February, the IMF had already committed in March to provide at least \$14 billion, subject to commitments from other lenders, including EU members and the US (see *Observer* Spring 2014).

An editorial from news agency Bloomberg in late March warned of problems stemming from the IMF attempting "an economic solution to a geopolitical problem", stating "shock therapy isn't an option" (see *At Issue*). The editorial reflects Ukraine's

troubled history with the Fund. This is the third loan agreement since 2008, the previous two having been suspended over the country's unwillingness to implement reforms to the IMF's satisfaction. Now there appears to be little option for the country's interim administration, which began implementing reforms before the loan announcement, including a 56 per cent hike in energy prices in March.

Under the agreement, it must reverse value added tax (VAT) reductions (back to 20 per cent) and VAT exemptions to the agricultural sector, while providing for refunds to some businesses. The Ukrainian currency was floated, leading to an immediate depreciation in its value, increasing inflation and putting more pressure on households' cost of living, exacerbated by the removal of key subsidies.

Inappropriate reforms?

There is widespread consensus that Ukraine's economy is in need of significant and painful reform. Olexi Pasyuk, of Eastern European NGO network CEE Bankwatch said that Ukraine has been "stuck for many years in the transition from planned to market economy, getting the worst of both systems". Pasyuk noted that "it is important to mitigate negative impacts of price increases on the poorest, as is stressed in the memorandum", but that "this is going to be a challenge". The IMF's approach to ensure that the most vulnerable are protected will rely on an existing household assistance scheme, plus a new programme, which has not yet been designed, intended to give financial transfers to those excluded by the existing scheme.

Mark Weisbrot, of US-based think tank Center for Economic and Policy Research, warned in a March commentary for news site Al Jazeera America that Ukrainians may

be in for an "unpleasant surprise" given the IMF's indications that Ukraine should brace itself for several years of fiscal austerity, arguing that "you can't destroy an economy in order to save it". US president Barack Obama administration's nominee for new IMF executive director, Mark Sobel, told a Congressional committee in May to expect a "very tough programme", adding "we're going to have to be very vigilant to make sure the tough reforms that Ukraine needs ... are implemented".

Egypt: new money but an old programme?

In the wake of June's Egyptian presidential elections, IMF managing director Christine Lagarde personally congratulated the president-elect, former general Abdel Fattah al-Sisi, and according to a Fund spokesperson "reiterated the Fund's continued commitment to help Egypt and its people". Discussions over a \$4.8 billion loan programme have occurred repeatedly since the overthrow of former president Hosni Mubarak in 2011 (see *Update* 86), but were never finalised due to continued political instability and widespread popular resistance to the scale and burden of reforms (see *Update* 83).

As in Ukraine, Fund-recommended reforms have included reducing energy subsidies and increases to VAT. Lagarde described reforms as a "must ... no matter who will be in charge" in the wake of private meetings between Egyptian government officials and Lagarde at the IMF spring meetings in April. Egyptian newspaper *Al Ahram* reported in early May that VAT will be set to a flat rate of between 10 and 12 per cent, while the energy subsidies required will be reduced to \$23 billion per year, leading to large increases in households' energy costs. Despite commitments to ensure cash transfer programmes protect the most vulnerable, it is as yet unclear how or when this protection will be enabled.

Reem Abdel Haliem from the NGO Egyptian Initiative for Personal Rights argued that the issue of conditionality is "more complex than it seems", as conditionalities can "be framed to maintain the same growth model that serves the rich rather than the poor". Haliem noted that, despite confusion surrounding the new administration's intentions, there are fears of "unfair taxation which burdens the poor and low middle income groups".

🌐 tinyurl.com/aljazeeraAmerica
🌐 tinyurl.com/EIPRecon



Kiev street protest, January

Ghana under pressure: IMF loan feared

Ghana adopts IMF-approved policies, puts off Fund borrowing with \$1 billion bond

IMF warns Sub-Saharan Africa of rising debt risks as a threat to growth

Ghana has long been held up as an economic success story relative to its neighbours, but the prospect of the Ghanaian government turning to the IMF for a lending programme has caused controversy.

In March, finance minister Seth Terkper, a former IMF staffer, said “if it becomes necessary, we’ll fall on the Fund”. However, parliamentary finance committee chair, James Avedzi, pointed out that Fund programmes “come with a lot of conditionalities”, adding that “we are already implementing” most of them, citing the removal of subsidies on utilities and a planned freeze on public sector

wage increases this year. In early April the government announced public sector cuts, amidst a tightening of monetary policy by the Bank of Ghana. The government also announced an increase in the valued-added tax rate and reduced exemptions.

The IMF said in its annual Article IV surveillance report, released end May, that Ghana’s “transformation agenda” is at risk. The report advocated that the government go further, with more “front-loaded fiscal adjustment”, while endorsing the Bank of Ghana’s hawkish stance.

In mid May, president John Mahama denied any immediate intention of turning to the Fund. The secretary general of the Trades Union Congress in Ghana, Kofi Asamoah, responded that “IMF policies and guidance have never worked ... they will come with the kind of conditionalities, which will eventually worsen the situation”. In late May Ghana announced that it had hired a group

of banks to advise it on the issuance of a \$1 billion bond to offset its fiscal difficulties, which suggests that there is no immediate intention of turning to the Fund.

Rising risks to Sub-Saharan Africa

IMF managing director Christine Lagarde, speaking to African finance ministers at the Africa Rising conference in Mozambique in late May, cautioned that governments should be more “attentive” and not risk “overloading the countries with too much debt”, as it represented “additional vulnerability”. The IMF’s April regional outlook warned that Sub-Saharan African countries face risks from large fiscal deficits despite accelerating growth.

Tirivangani Mutazu of Zimbabwe-based NGO network Afrodad said “IMF conditionalities threaten the political and social stability of Ghana. With high poverty levels, unemployment and sluggish industrial growth, the government ... should seriously weigh its policy options against an IMF bailout.”

Big banks & IMF: No structural reform

Fund estimates up to \$500 billion implicit subsidies given to rich country banks

IMF identifies social welfare costs, but avoids recommending structural reforms

This spring the IMF has published several reports on financial regulation, but little has been accomplished. In late May, the Fund’s managing director, Christine Lagarde, said: “A big gap is that the too-big-to-fail problem has not yet been solved. ... Banks are still major sources of systemic risk.” However, the Fund has ignored demands for deeper changes in financial systems (see *Update* 82).

The late March *Global Financial Stability Report* (GFSR) estimated the implicit subsidies given to the largest banks in 2012. The Fund analysis found it highest in the eurozone (up to \$300 billion), followed by Japan and the UK (up to \$110 billion each) and lower in the US due to tightened regulations (up to \$70 billion). It concluded that “the expected probability

that [systemically important banks] will be bailed out remains high in all regions”. The GFSR argued for greater international cooperation, because “solo initiatives, even though individually justifiable, could add unnecessary complexity ... and encourage new forms of regulatory arbitrage.” It also expressed a preference for regulators to enhance capital requirements and implement financial stability taxes based on banks’ liabilities (see *Update* 71).

In early May, the IMF published a staff discussion note on bank size, which does not represent the IMF’s official view. It argued that governments need to implement stronger systemic regulation because “traditional bank regulation, which focusses on individual bank risk, may be insufficient for large banks.” While the staff paper found that “some banks operate at a scale that is too large from a social welfare perspective”, the Fund has not argued for structural reforms for banks, such as limits on bank size or scope.

“The size and interconnectedness of too-

IMF publications

Every year, the IMF produces numerous publications. In 2013, the Fund published a total of 805 publications on their website. These included economic research and policy analyses, forecasts, country monitoring and internal policy and strategy papers. There is ambiguity concerning the extent to which research, policy and surveillance papers represent the IMF. Official endorsement of any research or policy document varies according to how papers are produced, approved and whether they are formally discussed by the executive board.

For the full article see
www.brettonwoodsproject.org/pp=15172

big-to-fail banks is a serious challenge”, said Greg Ford of Brussels-based NGO Finance Watch. “That is why structural reform of banks is the most important among the various measures proposed to tackle too-big-to-fail, as it can tackle the problem at source: the separation of trading from credit would reduce the funding subsidies that help banks become too big and too interconnected to fail in the first place.”

IFC: Learning lessons or institutional amnesia?

IFC publishes “lessons learned” briefing in the wake of major criticism over impacts

It omits formal targets, benchmarks, follow-up procedures

NGOs criticise neglect of institutional culture, incentives and human rights

The International Finance Corporation (IFC, the Bank’s private sector arm) published an early April briefing for the Bank’s executive board on “IFC’s environmental and social lessons learned”. The briefing was developed in response to the controversy over the IFC’s investment in Dinant, a palm oil company alleged to have sponsored murders and other human rights abuses in Honduras (see *Bulletin* May 2014, *Observer* Summer 2014, Winter 2014). It is the most comprehensive admission of fault by the IFC ever made public. The briefing follows numerous IFC failures and bad publicity over damages to communities and the environment (see *Observer* Spring 2014, *Update* 86) as well as criticisms of its lack of poverty focus (see *Update* 84).

The briefing argued that despite the eight year old IFC performance standards, “clients and IFC are still learning, [the]

implementation record [is] mixed”. It presents six categories where lessons were said to have been learned and IFC responses implemented: understanding the broader context, stakeholder engagement, land and water issues, supply chains, labour and financial intermediaries. It highlighted many implementation challenges, focussing on external obstacles rather than the IFC’s own systems, including “weak client capacity combined with weak regulatory implementation”, “varying client commitment” and the “resource implications” of increased oversight.

A separate early April presentation, given to civil society organisations during the IFC’s spring meetings, more clearly identified the projects that have resulted in these lessons. However, neither briefing contains any formal targets, benchmarks, or follow-up procedures for how the IFC will improve its performance.

NGOs criticise “serious omissions”

Civil society organisations were on balance unimpressed with the IFC’s efforts. A June letter to the IFC and the Bank’s board, signed by 25 groups, including Indonesian NGO Solidaritas Perempuan and Oxfam International, welcomed positive elements in the briefing, but argued “this exercise

will not produce the changes needed to avoid future harm to communities and the environment from IFC investments. This concern arises from ... a number of serious omissions in the content of the lessons learned document; and a lack of clarity about the future process of how these lessons will be followed through, to implementation, as well as monitoring and evaluation.”

The letter argued that the lessons learned document fails to address institutional culture and incentives, the miscategorisation of risk and the need to prioritise human rights, among other issues. The signatories found “a degree of institutional amnesia each time things go wrong”, and called for “a public commitment to a time bound plan for the lessons learned exercise”, which should include benchmarks, consultation, proposals for sanctions and risk re-assessment of the current portfolio. Finally, the letter demanded “proposals on how new requirements will be built into project appraisals to ensure that IFC only invests in projects and sub-projects with a genuine poverty reduction rationale based on local and national sustainable development priorities.”

Civil society letter to IFC

[@brettonwoodsproject.org/?p=15280](http://www.brettonwoodsproject.org/?p=15280)

Business as usual: World Bank rejects Doing Business reforms

Bank sets out methodological changes to controversial *Doing Business Report* (DBR)

NGO analysis shows that the Bank has ignored most of the recommendations of a 2013 independent review

Activists continue to highlight the damage done by DBR

The World Bank has announced minor changes to its heavily criticised *Doing Business Report* (DBR), an annual report of business regulations in 189 economies. Following forceful recommendations for a change of approach in June 2013 by an independent panel reviewing DBR (see *Update* 86), in late April the Bank revealed “exciting new methodology updates” to the rankings. The process is being led by

Bank vice president and chief economist Kaushik Basu. The Bank announced that a second city will be included for 11 sample economies from 2015, as well as a revised ranking calculation. According to the Bank, this will “give credit to governments that are reforming but not yet seeing changes in rankings.”

However, the revised rankings are a long way from the panel’s recommendations, which included scrapping the aggregate rankings and introducing peer review. In June, Brussels-based NGO network Eurodad produced an analysis of the methodological changes, showing that only one of the panel’s seven main recommendations – to regularly review the rankings – had been implemented, which “raises questions about why the World Bank engaged in the review in the first place.”

A January paper, published by US thinktank the Brookings Institution, busts the “myth” that “if only stroke-of-the-pen reforms such as reducing the time and cost of opening a business were pursued with vigour, Africa’s economies would be transformed”. In an April article for international news channel Al Jazeera’s website, Jason Hickel, lecturer at the London School of Economics denounced DBR’s “pro-corporate ideology” and condemned its attempt “to get countries to impose neoliberalism on themselves.”

Activists from countries penalised by the rankings’ have highlighted their weakness. In May, Maurenn Penjueli, coordinator of the Pacific Network on Globalisation, said “the World Bank’s *Doing Business* rankings is a key means to our governments’ formal policies of freeing up land and so what we are seeing now is that it is opened up for [a] resource grab.”



Reproductive health: What's the Bank's score?

Guest analysis by Preethi Sundaram,
International Planned Parenthood Federation

IPPF's scorecard rates the Bank's record on reproductive health as mixed, as financing levels fell 2012 - 2013

Bank needs to make strong policy commitments in its forthcoming Health Nutrition and Population strategy and post-2015 work

Critical role for Bank in ensuring global governments prioritise family planning investment

There are currently 222 million women around the world who have an unmet need for family planning; women who don't want any more children, or want to delay the birth of their next child and are not using any method of contraception.

If the global community were able to meet the needs of all women in developing countries who currently have an unmet need for modern methods of contraception, the benefits would be huge. It would prevent an additional 54 million unintended pregnancies, 16 million unsafe abortions and 7 million miscarriages, 79,000 maternal deaths and 1.1 million infant deaths.

The World Bank launched its Reproductive Health Action Plan in 2010, aiming to reduce high fertility, improve pregnancy outcomes and reduce sexually transmitted infections, including HIV. It focuses on 57 low-income countries (LICs) with high maternal mortality and high fertility and sets out a broad results framework to provide guidance so targeted country level action plans can be developed.

The International Planned Parenthood Federation (IPPF) has assessed the plan's impact through a scorecard and found mixed results from the Bank. Between 2010 and 2012, the Bank's financing for reproductive health showed an upward trend. However, the proportion of the health portfolio budget allocated to reproductive health fell from 24 per cent in 2012 to 7 per cent in 2013.

Unless the Bank increases its new commitments to reproductive health

leading up to 2015 and beyond, there is a risk of seeing a downward trend in the Bank's funding for reproductive health. This is of concern, as a continued investment in reproductive health is essential to deliver on Millennium Development Goal 5 (improving maternal health) and for the future sustainable development goals. It is important to make sure that Bank funding for reproductive health – particularly grants for LICs – is on an upward trend. Bank funding often comes in the form of loans that eventually have to be paid back through internally generated resources, taking money away from government budgets and perpetuating cycles of debt for recipient countries. For a start, the Bank's forthcoming Health Nutrition and Population (HNP) strategy must place sexual and reproductive health and rights at its core.

Recognising rights

Focussing exclusively on the Bank's investments does not tell the full story. Making sure that governments prioritise investment in family planning within their own national budgets is critical. Family planning is one of the most cost effective health and development interventions; for every \$1 invested in family planning \$31 in additional public service and health expenditure is saved. Total demand for family planning is projected to increase to more than 900 million married women by 2015.

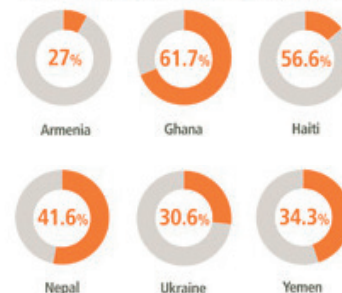
The current process of negotiating the post-2015 framework provides an opportunity for reproductive health to be prioritised at the national and global levels and the Bank is uniquely placed to champion it.

As global discussions evolve, Universal Health Coverage (UHC), the idea that all people can access the health services they need without suffering financial hardship, is being championed by Bank president Jim Yong Kim and by the World Health Organisation, for inclusion in the post-2015 framework.

How UHC will translate into services and how it will be monitored remains to be seen. If the end goal is to improve health



Unmet need for family planning for young people aged 15 - 19



outcomes, it is critical that sexual and reproductive health services are included explicitly within the essential package of services under UHC.

The Bank's recently launched report, *Voice and agency: empowering women and girls for shared prosperity* identifies that sexual and reproductive health remains a significant constraint for women. It is critical that the Bank mainstreams sexual and reproductive health and rights across both its gender and health divisions, and its work at large. As the World Bank reviews its safeguards policies, it is important that a robust gender safeguard policy is established which mitigates against any adverse impact of Bank funded projects on individuals' sexual and reproductive health and rights.

Sexual and reproductive health and rights are important ends in themselves but they also bring broader benefits to the health, sustainability and well-being of communities. As the Bank's Reproductive Health Action Plan comes to an end in 2015, the same year as the next development framework will be established, there are opportunities for the Bank to renew its commitments on reproductive health.

Preethi Sundaram, International Planned Parenthood Federation

PSundaram@ippf.org
ippf.org

IPPF's Scorecard:

ippf.org/resource/Scorecard-revisited

World Bank forests projects under fire

Bank pushing for REDD+ initiatives through Forest Carbon Partnership Facility and Forest Investment Program

Approval of REDD+ concept note in Democratic Republic of Congo criticised

Indonesian communities protest lack of consultation on FIP projects

The World Bank continues to play a prominent role in promoting initiatives to reduce emissions from deforestation and forest degradation (REDD+), which it sees as a key policy in global efforts to tackle climate change despite repeated criticism by civil society groups. The March Palangka Raya declaration, signed by Indonesia indigenous communities and international groups, including US-based Rainforest Action Network, criticised the Bank and UN-REDD for “promoting the take-over of our peoples’ land and territories through their support for imposed development schemes”.

In December 2013 the Forest Carbon Partnership Facility (FCPF) methodological framework was approved, releasing \$390 million to be used for pilot REDD+ forest conservation projects in developing countries (see *Observer* Winter 2014). The FCPF is a trust fund housed at the Bank.

In early April the FCPF’s Carbon Fund, which pilots payments for verified emissions reductions from REDD+ programmes, provisionally approved the emission reductions programme idea note for the Democratic Republic of Congo (DRC). The approval means a REDD+ programme, covering millions of hectares of forests, will be part of the FCPF Carbon Fund’s pipeline. The DRC will now be able to access \$650,000 to develop a final programme proposal that could be worth up to \$60 million.

UK NGOs Forest Peoples Programme (FPP) and FERN criticised the approval in April, saying it “lacks a clear commitment to

communities’ tenure rights, and is based on flawed deforestation assessments – which blame communities for forest destruction – and has defective plans for land use zoning, alternative livelihoods and actions to limit local subsistence activities.” They concluded: “unless major changes are made in FCPF planning, design and validation of emissions reduction programmes the FCPF Carbon Fund risks enabling pilots with negative impacts on indigenous peoples and local communities.”

Nepal’s proposal, covering around 1 million hectares of forests, was also accepted by the FCPF’s Carbon Fund in April for the preparation of a final programme proposal that could be worth up to \$70 million. Indigenous peoples in Nepal have repeatedly called for meaningful consultation on REDD+ projects. Dinesh Kumar Ghale of the Lawyers’ Association for Human Rights of Nepalese Indigenous Peoples told Nepalese newspaper *República* in May, “we doubt the World Bank and its promoters are concerned about the rights of indigenous people who rely on the forests.”

Controversy in Indonesia

The Bank also houses the Forest Investment Programme (FIP), a Climate Investment Fund aimed at assisting countries to reach their goals under REDD+ (see *CIFs Monitor* 9). Civil society groups have consistently protested against the lack of consultation for the \$70 million FIP investment plan in Indonesia, endorsed in November 2012. In a June letter over 50 Indonesian and international organisations wrote to the International Finance Corporation (IFC), the Bank’s private sector arm, to criticise the “lack of meaningful consultation” and the “violation of FIP safeguards which forbid FIP support for industrial logging” in reference to a proposed IFC project in an area of up to 700,000 hectares.

Palangka Raya declaration
tinyurl.com/PalangkaRaya

Argentina’s creditors “vulture-like behaviour”

In May, Argentina reached an agreement with the Paris Club, a group of rich country creditors, to begin repaying debt of up to \$9.7 billion that Argentina defaulted on during its 2001 economic crisis (see *Update* 26). Jorge Gaggero from the University of Buenos Aires emphasised that the “exclusion of the IMF” from the Paris Club deal means “the absence of perverse policy conditionalities and supervision.” Civil society groups criticised the repayment amount, double the original debt. Tim Jones of UK-based NGO Jubilee Debt Campaign said: “Rich countries have condemned the profiteering of so-called vulture funds in debt crises around the world, but this is vulture-like behaviour from the Paris Club themselves.”

tinyurl.com/JDCblog

Further delays for Bank safeguards review

The first draft of a new safeguards framework is now scheduled for a World Bank executive board subcommittee meeting at end July at the earliest. The delay stems from dissatisfaction within the Bank on initial drafts, leading to mid June vice presidential level meetings on contentious issues, such as labour and human rights. The Bank on Human Rights NGO coalition called for the inclusion of human rights due diligence in a mid May letter to the Bank. A late May statement from the Asia Indigenous Peoples’ Pact called for the safeguards to include free, prior and informed consent of indigenous people.

For the full article see:
brettonwoodsproject.org/?p=15176



CRITICAL VOICES ON THE WORLD BANK AND IMF



Bretton Woods Project
 33-39 Bowling Green Lane
 London EC1R 0BJ
 United Kingdom

+44 (0)20 3122 0610
info@brettonwoodsproject.org
www.brettonwoodsproject.org
[@brettonwoodspr](https://twitter.com/brettonwoodspr)
facebook.com/BrettonWoodsProject

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