BRETTON WOODS project

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

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Greek parliament announces debt audit

In February, Greece agreed a four-month extension to its loan from the European Central Bank (ECB) and European Commission, which along with the IMF comprise the Troika of lenders to eurozone states. The loan is subject to a review of the reforms the government commits to undertake during the extension. The IMF, however, is not part of the new agreement.

Greece currently owes €245 billion ($260 billion) to the three creditors. Conditionalities required for the financing include measures such as privatisations, looser labour laws and pension cuts (see *Observer* Winter 2015). The Greek government was elected on a platform repudiating the legitimacy and economic value of the loan conditionalities, and demanding an overall reduction in its debts. However this democratic mandate is threatened because Greece faces a number of payments to the IMF and bondholders while negotiating with European partners. During negotiations prime minister Alexis Tsipras has repeatedly stated that further financial support is necessary so that Greece can make urgent payments.

Greece insists its reform programme will not affect its loan agreement with the IMF (see *Update* 83). Finance minister Yannis Varoufakis, speaking in the wake of the extension agreement, stated that "we shall squeeze blood out of a stone if we need to" in order to repay the Fund. €1.5 billion of repayments to the IMF were due in March.

German finance minister: "time is running out for Greece"

According to the eurozone member states which negotiated the extension, financial aid will not be provided until the lenders complete a review of economic policy reforms and a more detailed list of reforms is provided. Fears over Greece's banking sector are also mounting, since the ECB indicated in February that it would halt lending to local banks (potentially triggering a financial crisis) if the proposed reforms were unsatisfactory. The full list of detailed proposals is expected from Greece by the beginning of April. It is expected to include reduced budget surplus targets and a much greater emphasis on tackling tax evasion.

Creditor states have already indicated that the conditionalities agreed by the previous Greek government with the Troika should be honoured. German finance minister Wolfgang Shäuble cautioned in February that "time is running out for Greece".

Following the initial extension agreement, IMF managing director Christine Lagarde wrote a letter to the Dutch finance minister and chair of the eurozone group of countries, giving the extension lukewarm support. Lagarde described it as a "valid starting point" but also complained that Greece's initial list of reforms was "not very specific". She indicated that the agreement risked neglecting policies agreed by previous governments, including "comprehensive pension and VAT … privatisation … and labour market reforms".

Sharan Burrow, of the International Trade Union Confederation challenged the IMF's right to demand these reforms at all, saying "five years of austerity and deregulation have brought economic depression, greater inequality and 25 per cent unemployment".

Burrow added "it makes no sense for the IMF to push this agenda when Greek voters clearly expressed their desire for change."

IMF "gave money to save German and French banks, not Greece"

The IMF's legitimacy in Greece was further questioned by one of its own executive directors, Paulo Batista, who represents the Brazil-led constituency on the IMF's board. In early March, Batista set out how the IMF "gave money to save German and French banks, not Greece ... [the IMF] put too much of a burden on Greece and not enough of a burden on Greece's creditors". Despite this, news agency Bloomberg reported in March that Fund officials labelled Greek government representatives the "most unhelpful ever". Tsipras responded the same day in the Greek parliament saying "let them keep their threats".

Batista's point was reiterated in a February Project Syndicate blog. Alberto Bagnai, University of Sapienza, Italy, and his fellow authors observed that although the Fund claimed in 2012 that the Greek debt was sustainable, by 2013 its staff admitted that they had known that it was not. The Fund went ahead with the programme "because of the fear that spillovers from Greece would threaten the euro area and the global economy" (see *Update* 86). Therefore the only reason the IMF gave the loan was "Europe's initial refusal to contemplate debt reduction for Greece". The authors concluded that "the new Greek government is entirely justified in questioning the terms that the country was given". In March the speaker of the parliament announced the creation of a debt audit commission to identify any illegitimate Greek debts for which Greece would not be responsible.

IMF "abused by its political masters"

Desmond Lachman, the former deputy director of the Fund's policy development and review department, condemned the Fund's role in Greece in a February blog. He argued that no previous loan ever "produced such disappointing results". He pointed out that "because of IMF-imposed austerity, the Greek economy now finds itself mired in an economic depression." Lachman concluded that the IMF was "abused by its political masters" to "avoid needed debt restructuring and delay exchange rate adjustment", reducing the IMF to nothing more than a "slush fund".

tinyurl.com/IMFabused

tinyurl.com/Greece-PSyndicate

FINANCING news

Ukraine: $5bn for $15bn haircut?

In March the IMF approved a $17.5 billion four-year extended arrangement for Ukraine (see *Observer* Summer 2014). This arrangement replaces the April 2014 Stand-By Arrangement that had pledged the same amount but had only disbursed $5 billion. In March, IMF European deputy director Thanos Arvanitis confirmed that payments up to another $5 billion will be made prior to a required debt restructuring, which according to news agency Bloomberg "doesn't really add up". Bloomberg argued that the loan presumes Ukraine will successfully "impose a haircut on bondholders", calculated to be worth $15 billion, but there is no guarantee that Ukraine's creditors will forgive any of the money they are owed.

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GENDER news

Women's work: IFIs focus on gender inequalities

IMF highlights legal restrictions on women's employment, NGOs call for broader analysis of structural barriers

Bank declares 2015 "year for action on gender equality"

Civil society criticises Bank's omission of gender in safeguards draft framework

The IMF released a staff discussion note (SDN) in February, examining the effect of legal restrictions on female labour force participation. The SDN found that "legal equality in economic rights" including equal property rights, and women's right to obtain a job "significantly contributes to explaining the variation of labour force participation gaps across countries and time." Civil society gender advocates have highlighted additional factors that also obstruct women's participation in the labour market. A March report by UK-based Gender and Development Network (GADN) pointed to "legal constraints" to women's economic equality. It stressed the influence of "social norms around 'women's work' and unpaid care that justify low pay, limit organising, and reinforce occupational segregation."

Jessica Woodroffe of GADN said: "The IMF's emphasis on removing laws that impede women from taking up opportunities in the workplace is welcome. However, to get to the root of the problem it must also tackle deeper, structural issues, including the macro-economic policies pushed through its structural adjustment programmes which have caused, perpetuated and depended on women's economic and social inequality. For over 20 years, womens' rights organisations have been calling for these to be addressed, yet little has changed."

In February Bank gender director Caren Grown called 2015, "the year for action on gender equality". She highlighted the need to create "levers for transformation", including "more and better jobs for women" and "closing gaps in ownership of land".

Critics claim the Bank's standards do not match its rhetoric. Its draft social and environmental framework to replace safeguards, currently under review, contains no gender safeguard (see *Bulletin* Sept 2014). In February, the Nobel Women's Initiative, an NGO representing women Nobel Peace Prize winners, wrote to Bank president Jim Yong Kim warning that the absence of a gender safeguard "risks excluding [women] – often society's poorest and most marginalised – from benefitting from or contributing to its projects and/or programmes."

tinyurl.com/GADN-report

tinyurl.com/Nobel-womens-initiative

SOCIAL SERVICES commentary

How will the Global Financing Facility deliver for sexual and reproductive health and rights?

by Angeline Mutunga, AFP Jhpiego Kenya, and Preethi Sundaram, International Planned Parenthood Federation UK, with additional input from Halima Sharif, Advance Family Planning, Tanzania

Sexual and reproductive health must be at the forefront of the health agenda. Despite family planning being the most cost-effective public health and development intervention, significant challenges remain in making access to services and commodities a reality for all. 225 million women in developing countries want to avoid pregnancy but are not using modern contraceptives. Fulfilling the unmet need for family planning alone would prevent 150,000 maternal deaths and 640,000 new-born deaths globally each year.

Every dollar spent on family planning can save up to seven dollars in direct health costs according to global think tank the Copenhagen Concensus. Delivery of family planning services should be non-negotiable and included in even the most frugal universal health coverage plans. A core package of Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCAH) services is needed to improve the health and well-being of women and girls. A failure to invest in prevention will ultimately drive the need for an even higher investment in curative care.

The Global Financing Facility (GFF), announced at the UN General Assembly in September 2014 by the World Bank Group and governments of Canada, Norway, and the US, aims to scale up support for RMNCAH as a key component of universal health coverage for all. The GFF presents real opportunities to make change happen by mobilising additional international and domestic resources for scale up of sexual and reproductive health services, as well as the prioritisation of funding for these areas at the national level.

The Sexual and Reproductive Health and Rights (SRHR) community has highlighted potential implications of the GFF for SRHR, including for family planning services and supplies. Given the breadth of sub-sectors the GFF will be funding, there is a risk that funding across RMNCAH will become competitive and funding for sexual and reproductive health may become politicised.

There is also a potential danger that donor funds may, instead of adding to global health funding, be transferred from existing programmes and there is uncertainty as to how the GFF will interact with current RMNCAH financing architecture. That is why AFP Jhpiego, IPPF and the Reproductive Health Supplies Coalition have been calling for the GFF to deliver additional investment and for there to be no gap in funding for SRHR, or interruption to supply chains for reproductive health commodities, while the GFF is operationalised. Moreover, the GFF's current focus on low-income countries ignores the reality that many of the poorest people live in middle-income countries.

Within discussions on sexual and reproductive health, there is often an exclusive focus on maternal health. This approach ignores the sexual and reproductive health needs of *all* people; of adolescent girls, older women, men and transgender people. We must use the GFF architecture as an opportunity to serve the needs and protect the rights of marginalised groups. Countries' investment cases should be agreed based on their coverage of the sexual and reproductive health and rights of marginalised groups. Time is of the essence to make sure the GFF is fit for purpose, as it will be launched at the UN's Financing for Development conference in Addis Ababa, Ethiopia, in July.

The SRHR community has been calling for official involvement of civil society in both the design and implementation of the GFF, including in the creation of national plans and financing maps. A business planning group is rapidly developing design and implementation plans and in-country consultations in Kenya, Tanzania, Ethiopia and the Democratic Republic of Congo are underway. We wait to see how sexual and reproductive health will be prioritised in the consultations and what this will mean for increasing national financing in these areas.

The World Bank and the donor community must ensure that there is a transparent and robust system in place to monitor progress and track resources at both the national and the global levels. The GFF and the universal health coverage framework must include strong SRHR indicators to assess need and measure progress. Clear targets and indicators support accountability efforts but in what other ways will governments be held to account? Accountability goes beyond simply counting, monitoring and registration.

The GFF should support countries to achieve their commitments by helping them to strengthen their health systems holistically, to deliver a range of high-quality supplies and services with no further perpetuation of siloed programming. The GFF financing architecture therefore should not discourage any country from supporting all aspects of SRHR. Simply put, we must invest in SRHR. We cannot afford not to.

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Photo: IPPF Sarah Shaw

Family planning clinic, Tanzania

FINANCE analysis

Eroding accountability? The World Bank's lending mechanisms under review

Key Bank lending mechanisms missing from safeguards review

Development Policy Financing lacks safeguards, despite significant share of lending and possible negative impacts

Program-for-Results lending criticised for missing core targets, call for lending cap to be continued

Difficulties holding Bank to account, due to lack of transparency, short deadlines

As the World Bank reviews its social and environmental safeguard policies (see *Observer* Winter 2015, Autumn 2014), attention has been diverted from processes linked to the Bank's other lending mechanisms. A major concern raised early in the safeguards review process by many NGOs is the exclusion of lending instruments other than Investment Project Financing (IPF, see *Update* 83, 82). IPF is the Bank's most used lending instrument under its middle- and low-income arms, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) respectively.

Most importantly, Development Policy Financing (DPF) is excluded. DPF "provides rapidly-disbursing financing" for policy or institutional reforms "through non-earmarked general budget financing ... subject to the borrower's own implementation processes". In financial year 2014 it represented almost half of IBRD and over a tenth of IDA commitments.

Despite DPF's significance, World Bank safeguards do not apply. Instead staff are required to assess whether policies supported are "likely to cause significant effects." However, according to a 2013 briefing by US-based NGOs Bank Information Center (BIC) and Global Witness, "the policy lacks detailed requirements on how risk assessment and mitigation ... and how a country system analysis should take place." The briefing also outlined several examples where the Bank's use of DPF has been questioned. There has never been a formal review of DPF, however, every three years it is assessed internally through a "retrospective" to "learn from implementation". The latest retrospective was initiated in December 2014.

The Bank's most recent addition to its lending instruments, Program-for-Results (PforR, see *Bulletin* Feb 2014, *Update* 79), is also excluded from the safeguards review. Initiated in 2012 with a two-year pilot, limiting operations to five per cent of total IBRD and IDA commitments, PforR aims to strengthen recipient government programmes and disburse funds based on achievement of agreed results verified by disbursement-linked indicators (DLIs). The Bank's safeguards do not apply to PforR, which instead primarily relies on the borrower country's domestic laws, policies and systems. An environmental and social systems assessment is used to assess how the programme's systems reflect a set of PforR-specific principles.

An internal review of PforR was initiated in 2013 with a progress report due to be discussed by the Bank's board in early April. A key decision for the board will be whether to lift the initial funding cap. Jocelyn Medallo of US-based NGO Center for International Environmental Law said: "PforR has the potential to expose communities and the environment to risk. The Bank should adopt a prudent approach by revisiting the funding cap only after its Independent Evaluation Group (IEG) completes an evaluation." A July 2014 report by BIC, reviewing the initial impact of PforR in Vietnam, confirmed some of the concerns. This included that the programme's DLIs lacked incentives to target poorer households as "communities that are closer to meeting their targets are preferenced, rather than those in greatest need."

Accountability at risk?

NGOs, such as BIC, have argued that there is no reason why safeguards can't be applied to DPF and PforR, and that they therefore should have been included in the safeguards review. A 2010 IEG review of the safeguards also did not include DPF, but noted: "Considering the sizable share of development policy lending, the nature and quality of its environmental and social impacts need to be looked at separately".

A September 2014 report by the New York University (NYU) School of Law argued that PforR might lead to "greater procedural flexibility that confers more discretion on the borrower in choosing how to comply with the social and environmental policy requirements at the project level." Hence, this approach can sidestep questions around accountability. A 2011 "observation" by the Bank's accountability mechanism, the Inspection Panel, also raised concerns about PforR, including that: "there is lack of clarity on the basis for determining the eligibility of requests submitted to the Panel ... since Bank financing may constitute a small portion of the programme."

According to the NYU School of Law report this also makes it difficult for affected communities to identify whom to approach with complaints. Similar issues have been reported regarding DPF. Furthermore, according to BIC and Global Witness "impacted communities often have a very narrow window to assess [development policy loan] details after approval and can only base their claims on anticipated harm, where the causal connection between policy and harm can be difficult to prove."

NYU School of Law report
tinyurl.com/NYUIPreport

PforR in Vietnam report, Bank Information Center
tinyurl.com/PforRVietnam

RIGHTS news

World Bank rejects investigation into Uzbek child and forced labour

In January the World Bank's accountability mechanism, the Inspection Panel (IP), has declined a request by three Uzbek NGOs to investigate the use of forced and child labour in cotton harvesting linked to a Bank-funded agricultural project in Uzbekistan (see *Bulletin* Feb 2014). In December 2013 the IP concluded that it is "plausible that the project can contribute to perpetuating the harm of child and forced labour". However, a year later it announced a postponed decision not to investigate. Its reasons included that "the Bank has made considerable progress in its dialogue with the government of Uzbekistan ... in addressing the systemic issues necessary for the eradication of child and forced labor in Uzbekistan's cotton sector". Umida Niyazova of the NGO Uzbek-German Forum commented: "The Bank decision is ... a message to the Uzbek government that it can continue its forced labour system".

ENVIRONMENT analysis

Will the World Bank get truly climate smart?

Guest analysis by Dan Imhoff, Foundation Earth

Bank food policy includes climate-smart agriculture; lacks clear definition

Bank supported climate-smart agriculture initiative criticised

Call for Bank to recognise benefits of agroecological, smallholder farming

Throughout decades of efforts to alleviate both hunger and poverty, agricultural support has ebbed and flowed as the World Bank's development strategies evolved. Today, "feeding the world" and meeting urgent ecological challenges are prominent goals of its 2013-15 agriculture action plan. With a renewed focus on food policy, the Bank invests between $8 and $10 billion annually in the agriculture sector, including through an emerging programme called climate-smart agriculture (CSA).

CSA is a vaguely defined programme. It has at least three objectives: 1) intensify food production in underperforming arable regions; 2) increase overall food availability; 3) adapt to and reverse climate change. Both the World Bank and UN Food and Agriculture Organization (FAO) have joined the Global Alliance for Climate-Smart Agriculture (GACSA), an initiative launched in 2014. Many critics fear, however, that powerful interests within the GACSA are influencing the agenda, favouring industrial solutions and working to shift billions of dollars toward large-scale agribusiness operations through a system of carbon credits.

Photo: Quincey Tompkins Imhoff

Agroecological farm outside Havana, Cuba

Improving conditions for the world's poorest farmers can be a powerful development strategy. In Africa, evidence shows that every 10 per cent increase in crop yields generates an estimated seven per cent reduction in poverty (greater than Asia's five per cent rate). Neither the manufacturing nor service sectors can produce an equivalent impact. But not all agricultural investments yield the same social and environmental outcomes. Some forms of agriculture promote public health and food security. Others degrade them — e.g. polluting air and water, diminishing biodiversity through extensive monocultures, generating greenhouse gases, over-using antibiotic medications, and consuming billions in government subsidies that skew markets and exacerbate corporate concentration of food supply.

Despite a century of increasing industrialisation of food production, chronic hunger impacts over one billion people. The impacts of climate change put additional pressure on policy makers. Land clearing and ploughing, livestock production, fertiliser manufacturing and other activities make the agricultural sector the largest emitter of greenhouse gases. It is also the industry most immediately affected by rising temperatures and shifting climate patterns. It is predicted that a rise of one degree celsius will lead to dramatic declines in crop yields, particularly in warmer regions.

Numerous studies show that small landholders can grow just as much food and more diverse kinds of crops with organic methods as their industrial counterparts. Planting crops that enrich the soil or repel pests, for example, can boost production, decrease reliance on chemicals and raise rural income levels. A 2011 study in the *Journal of Agricultural Sustainability* shows that more complex cropping systems, farmer training, and microfinancing can help nearly double yields of traditional farming systems. Such intensified 'agroecological' farms can enhance food security, maintain greater levels of biodiversity, and provide resilience against climate extremes. But it will take a revolution in financial and economic incentives to allow them to compete with the heavily subsidised industrial agriculture sector.

While the FAO is calling for a 50 per cent increase in global food output by 2050, the irony is that we already produce enough calories to support 10 billion people. Not all of that output reaches those who need it most. Nearly one-third is wasted along supply chains. Another one-third is fed to cattle. Five per cent is converted to biofuels.

In July 2014, over 70 organisations and agricultural scientists criticised the GACSA in an open letter for, among many things, failing to rule out industrial approaches that "drive deforestation, increase synthetic fertiliser use, intensify livestock production or increase the vulnerability of farmers." The letter added: "We recognise the need for action to enable food and farming systems to adapt to climate change. And we believe that to reduce agriculture's contribution to the problem, we must find ways to phase out destructive industrial approaches, and incentivise agroecological methods that work best for the world's small-scale farmers and the planet."

Hans Herren, co-author of a 2008 report on agricultural knowledge, science and technology for development, asserts that: "We do not need more industrial and high-input agriculture to produce more food. Evidence shows that small holder farmers are more productive. We need simply sustainable production and consumption systems, that are eco-functional, follow the principles of agroecology and deal with agriculture's multi-functionality." The most intelligent way to tackle the interweaving crises of food insecurity, poverty, and climate change is for the World Bank to make agroecology the centrepiece of both its agriculture action plan and climate-smart agriculture programme.

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A new report by Foundation Earth on agricultural policy and the World Bank will be published in May/June.

RIGHTS news

Bank admits serious flaws in resettlement policy

Bank president concerned by Bank's breach of resettlement safeguards

Status of displaced people unknown for 61 per cent of sampled projects

Bank releases action plan without stakeholder consultation

In March, World Bank president Jim Yong Kim admitted that the Bank's record on resettlement is a "cause [of] deep concern". Reacting to internal reports on the Bank's resettlement policy, Kim noted that "we haven't done a good enough job in overseeing projects involving resettlement; ... haven't implemented those plans well enough; and ... haven't put in place strong tracking systems."

The internal report, completed in mid-2014, was only released after the March closure of the second round of consultations on the Bank's much-criticised proposed environmental and social safeguards (see *Observer* Winter 2015). The report noted that the status of displaced people was unknown for 61 per cent of sampled projects.

While the Bank's operational policy requires that "resettlement activities improve, or at least restore, livelihoods and living standards", the report found that because "most projects do a poor job monitoring and reporting the status of project affected people", the Bank was unable to determine how many of those resettled received compensation.

Helen Tugendhat of UK-based NGO Forest Peoples Programme commented: "It is extraordinary to us that it has taken this long for the Bank to publicly recognise these failures and to admit that *not* tracking resettlement data is problematic." In November 2014, US-based think tank Brookings Institution noted that in 2010 the Bank's Independent Evaluation Group had already "publicly faulted World Bank management for not even keeping basic statistics of the number of people displaced and not making such statistics available for evaluation".

While the Bank estimates that about half a million people in active projects have been forced to resettle, an NGO submission to the Bank's safeguard review put the figure, conservatively, at 1 million. In 2008 it was estimated that annually 15 million people were displaced by development projects. This number is likely to increase as $6-9 trillion annually is now devoted to so-called mega infrastructure projects (see *Observer* Winter 2015).

In March the Bank produced an action plan to address the problems identified in the report, stating that it will improve risk assessment and increase funding for safeguards management. Civil society organisations have expressed dismay that the plan and the internal reports were only released after the closure of the most recent round of safeguard consultations and that the plan was developed without consultation with affected community members and civil society organisations. "The 50 billion dollar question is why did the World Bank sit on these findings" asked David Pred, of US-based NGO Inclusive Development International. "The Bank needs to reopen the consultations in light of its stunning admission about the extent to which its current policy has failed to ensure that the rights of impacted communities are safeguarded", he added.

tinyurl.com/WBresettlement-report

SOCIAL SERVICES news

Palliative treatment? IFIs follow up on Ebola

World Bank, IMF announce new public health disasters facilities

Bank developing emergency facility alongside WHO and insurance companies

In February, six months after a G20 leaders' statement urged the World Bank and IMF to make resources available to countries impacted by the Ebola outbreak, both institutions announced new facilities to support countries hit by public health disasters.

The Fund has been heavily criticised for its historic role in contributing to the poor state of Liberia, Guinea and Sierra Leone's health services (see *Observer* Winter 2015). In February, IMF directors approved the transformation of the Post-Catastrophe Debt Relief trust into a Catastrophe Containment and Relief (CCR) trust. The new trust will have two windows: debt relief assistance for countries affected by natural disasters; and financing for countries hit by public health disasters.

The IMF announced $100 million in debt relief through the CCR trust alongside $160 million in new loans for Guinea, Liberia and Sierra Leone. UK NGO Jubilee Debt Campaign (JDC) calculated that the overall debt of Ebola affected countries will increase from $410 to $620 million over the next three years, while the IMF has built up a $9 billion surplus over the past three years. Civil society voices have been calling for an international process of debt forgiveness since the Ebola outbreak began. Abu Bakarr Kamara of the Budget Accountability Network in Sierra Leone said: "the devastation caused by Ebola on our health system requires sustained and progressive investment in the health sector ... Cancelling all Sierra Leone's debt would contribute greatly to improve our health."

Tim Jones of JDC commented, "rather than piecemeal schemes, a comprehensive process is needed to suspend all external debt payments in the wake of huge disasters."

The World Bank is also following a similar strategy, from ad-hoc disbursement to developing dedicated facilities to respond to public health emergencies. So far it has provided more than $1 billion to Ebola affected countries, of which $450 million in financing from the International Finance Corporation, the Bank's private sector arm, is directed towards promoting trade, investment and employment.

The Bank is currently developing a global Pandemic Emergency Facility (PEF) with the WHO, and insurance companies. The PEF will be an 'open platform' to make financing available "directly to eligible, affected countries or international organisations." Middle and low-income countries will be eligible "provided they prepare an appropriate disease risk management plan."

tinyurl.com/eboladebt

INFRASTRUCTURE analysis

World Bank pitches mining to drive energy investment in Africa

Guest analysis by Josh Klemm, International Rivers

Bank calls for closer collaboration between mining and energy companies

Bank Cameroon Lom Pangar dam example criticised for lack of benefits

DRC Inga Dam likely to benefit mining companies over population

Decentralised and energy efficiency options better placed to deliver for poor

In early February the World Bank launched a report arguing in favour of energy projects benefiting mining companies in Africa as an effective way to deliver electricity to the poor. Entitled *Power of the mine: A transformative opportunity for Sub-Saharan Africa*, the report proposed a variety of arrangements wherein mining companies and power utilities team up, from mines selling self-supplied power to the grid or by relying on mining companies as "anchor customers" to underpin megaprojects. The report suggested that large hydroelectric projects are well suited to supplying power to mining companies, particularly through public-private partnership arrangements.

The report claimed the 'win-win' potential of this approach, citing Cameroon where the Bank is financing construction of the Lom Pangar Dam, the first in a series of hydropower projects designed to expand mining company Rio Tinto's aluminium smelting operations. Rio Tinto has agreed to sell 600 MW of excess power to the grid by 2030. Crucially this would be predicated on the construction of four new dams and a tripling of smelting operations from current levels.

Photo: International Rivers

Inga 1 power station, Democratic Republic of Congo

Cameroon should serve as a cautionary tale about the perils of mining companies using their clout to secure cheap power. Having negotiated cut-price power rates, the aluminium industry has enjoyed below-cost power that has been heavily subsidised by the Cameroonian public – a situation the Bank's report cautioned against, and said should be avoided through flexible pricing. Power has long been so cheap that it is cost-effective for Rio Tinto to transport millions of tonnes of bauxite annually from its mines 3,000 km away in Guinea to be processed into aluminium in Cameroon. Meanwhile, aluminium smelting has contributed relatively little to Cameroon's economy, providing fewer than 600 jobs and limited tax revenues, amounting to no more than 2.8 per cent of total government revenues between 2001 and 2006 before power subsidies are deducted. Meanwhile rampant dam construction to power the smelters will entail severe impacts on the Sanaga River. Cameroon has borrowed heavily to finance the Lom Pangar Dam, displacing otherwise potentially productive investments capable of delivering access to the public.

In the Democratic Republic of Congo (DRC), the Bank is backing plans to construct the Inga 3 Dam on the Congo River. Transmission lines would convey 3,800 MW across the country to deliver power to mining companies in eastern DRC, and then onward to South Africa. The remainder – likely to be much less than the estimated 1,000 MW – has been earmarked for Kinshasa, DRC's capital. This is on top of the billions the Bank and other financiers have poured into rehabilitation of the existing Inga dams, again for mining companies operating in the east. Despite a combined price tag likely to surpass $15 billion, these projects will do almost nothing to provide access to the 90 per cent of Congolese who have no electricity.

Despite the Bank's press release hailing the potential "to bring low-cost power to communities", the report has scant details on how such arrangements could expand access to the 70 per cent of sub-Saharan Africans who lack electricity, and instead refers largely to electrifying nearby communities. Promises to connect villages located near the vast reservoir created by the Lom Pangar Dam are unlikely ever to be fulfilled, having been deemed too expensive according to internal Bank sources.

For the great majority of Sub-Saharan Africans who live in rural areas, traditional electrification will never be cost-effective. Unfortunately, the much more modest investments in decentralised energy options best placed to deliver access, and energy efficiency options to reduce losses, are overlooked in favour of megaprojects that require vast sums of money and consequently loans. The World Bank's suggested approach, which amounts to corporate welfare with a veneer of social responsibility, will never deliver on the promise to, as the press release claims, 'help turn on the lights across Sub-Saharan Africa.'

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RIGHTS news

Bank implicated in Kenya Maasai eviction

The World Bank has been accused of breaching its own safeguards through its investment in a Kenya electricity expansion project. The $1.39 billion project comprises a $330 million Bank contribution and includes the development of a geothermal power plant, Olkaria IV, which led to the relocation of Maasai communities.

In October 2014 Maasai leaders submitted a confidential request to the Bank's accountability mechanism, the Inspection Panel (IP), alleging that the resettlement led to "impoverishment, intra-community disputes, and health concerns". In a February statement, the Bank management disputed the accusations. However the IP found that "the issues of harm raised … [were] plausibly linked to project activities" and noted "potential non-compliance by the Bank with applicable operational policies". The IP will carry out an investigation, with a report expected after August.

w ***tinyurl.com/IP-report***

INFRASTRUCTURE news

World Bank support for mining expansion criticised

Civil society criticises Bank-supported mining activities in Haiti, Honduras

Bank facilitating opening up developing country markets to extractive industries

Bank accused of funding activities through trust funds exempt from social and environmental standards

Despite civil society criticism of World Bank-supported large-scale mining activities, the Bank is still involved in controversial extractives projects (see *Bulletin* Feb 2014, Dec 2013). Local and international campaigners argue that, through technical assistance, the Bank facilitates the opening up of countries' extractive industries to transnational companies over supporting domestic industry.

Haiti: CSOs concerned by Bank's role

Since 2013 the Bank has provided technical assistance to the Haitian government in drafting new mining laws intended to increase foreign investment. In March, a letter to Bank president Jim Yong Kim, signed by 92 civil society organisations and individuals, expressed deep concern that the Bank "is helping to develop Haiti's mining sector, an inherently high-risk industry, without applying any social or environmental standards to ensure transparency and meaningful public participation."

The letter follows an appeal filed in January to the Bank's accountability mechanism, the Inspection Panel (IP), over concerns that the new legislation had been drafted without public consultation, in violation of its own policies. The request by the Haiti Mining Justice Collective and mining-affected communities argued that "mining exploitation has never contributed to the development of Haiti," and expressed concern about the "exclusion of Haitian people from the law reform process, particularly when contrasted with the reported regular participation of the private sector."

While acknowledging the concerns as "serious and legitimate", the IP rejected the appeal in February because the technical advisory facility supported by the Bank is financed through a Bank-Executed Trust Fund "to which Bank operational policies and procedures … including the safeguard policies, are not applicable". Activists are calling on the Bank to close this apparent loophole that allows them to avoid accountability for their actions.

Honduras: mining agreement challenged

The Bank, alongside the Canadian International Development Agency, is also facilitating the expansion of the mining sector in Honduras. In February it signed an agreement with the government that will double mining exploration in the country, a move which is projected to increase private profits from $300 million to $5 billion annually.

The Honduran National Coalition of Environmental Networks and Organisations (CONROA) demanded that the Bank prioritise investment in local coffee farmers over mining companies. A public declaration released at the time of the agreement stated: "Far from protecting mining-affected communities, the mining law puts them at a disadvantage compared to the freedom with which companies operate … Mining has not contributed to development in any country, given that the income and few jobs that this activity generates do not compensate for the environmental and social impacts."

tinyurl.com/HaitiMiningletter

tinyurl.com/HondurasMiningletter

FINANCE background

World Bank trust funds

Trust funds are financing arrangements through which the World Bank and other donors transfer development finance, either through a single activity or an ongoing programme. They seek to enhance the Bank's coordination and partnership with national governments, the private sector and other development finance actors, and can be country-specific, regional or global in scope.

This *Inside the institutions* looks at the three types of Bank trust funds, differentiating between their relationship to the Bank and financial donors. It also covers the funds' accountability and transparency, including the applicability of the Bank's safeguards.

For the full article, see:
brettonwoodsproject.org/world-bank-trust-funds

Spring meetings coverage

Governors of the World Bank and IMF gather in Washington DC, from 17 to 19 April 2015. A dedicated page on our website will include analysis of the communiqués, notes from meetings, background information and more.

Key issues this year will be:

- World Bank/IMF Development Committee to discuss the UN July Financing for Development conference, Addis Ababa, Ethiopia
- IMF Committee to discuss stalled IMF governance reforms

brettonwoodsproject.org/world-bank-imf-spring-meetings-2015

tinyurl.com/2015-Spring-CSO-events

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