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BRETTON WOODS project

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

GOVERNANCE analysis

One man, one vote, one option: World Bank set to coronate Kim for second term

World Bank board nominates Kim for another five years as president

Former senior staff and staff association raise concerns over process, Kim leadership

External pressure on Bank increasing as new "dynamic formula" for Bank's shareholding is discussed

In mid-September, the World Bank confirmed that president Jim Yong Kim was the only candidate put forward by member countries for the post of president when his five-year term runs out in June next year. The Bank opened the much-criticised nomination process in late August, nearly a year before the end of Kim's current term, but with no more than three weeks for World Bank board members, as well as other stakeholders, to engage. The selection process is expected to be finalised by the early October Bank annual meetings.

Only hours into the nomination process the US publically announced its support for Kim, sending strong signals that it is seeking to retain control of the post. The nominations of Kim and the associated process has been widely criticised as a step backwards in terms of the Bank's leadership selection, reinforcing the unofficial and longstanding "gentlemen's agreement" that ensures that leadership of the Bank and IMF is shared between the US and Europe, with Americans running the Bank and the Europeans managing the Fund (see *Update* 80).

Internal protests

In early August, prior to the Bank opening the nomination period, the Bank staff association sent an open letter to the Bank's executive directors, challenging "decades of backroom deals which, twelve times in a row, selected an American male", rather than applying the principles of "good governance, transparency, diversity, international competition, and merit-based selection", values normally preached by the Bank. The letter argued that the Bank "came close" to following these principles in 2012, when three candidates were identified and interviewed: Kim, Ngozi Okonjo-Iweala and Jose Antonio Ocampo, but noted that "in the end we reverted to status quo." On the day of the announcement of Kim's appointment in April 2012 Okonjo-Iweala conceded to reporters: "You know this thing is not really being decided on merit. It is voting with political weight and shares, and therefore the United States will get it".

As the nomination process closed in mid-September, 42 former senior World Bank staff wrote a letter to the *Financial Times* (FT) expressing their "deep concern about the shameful action of governments around the world in bypassing good governance and transparency" in the selection of the next president. The signatories denounced the process as "deeply flawed; leaders should not be chosen via antiquated 'gentleman's agreements'." They urged that the selection process "be extended to the end of the year, and a search committee be formed to

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generate a truly open, transparent, merit-based and competitive process."

The Bank staff association's concerns over the selection process are grounded in longstanding internal opposition towards Kim, in particular in response to the Bank's restructuring process (see *Observer* Summer 2015, Winter 2015). Its letter pointed to "a crisis of leadership" at the Bank, referencing analysis from the past years' employment engagement surveys which found that "only one in three understand where the senior management team is leading us." The FT letter by former senior staff highlighted that "several of Dr Kim's senior appointees have had to be dismissed on performance grounds [and] there has been a pattern of firing senior women." They described a "climate of fear", as well as "the weakening of the Bank's finances resulting from ill-advised decisions", calling the Bank's reorganisation "poorly designed and implemented." According to Hafed Al-Ghwell, a former adviser to the Bank's dean of the board quoted in a late August article on news site *Devex*, the Bank – by pushing for Kim's renewal – is trying to pre-empt "a serious revolt … by the staff". The Bank and Kim's leadership have also been repeatedly criticised by civil society, in particular with regards to the recently completed environmental and social safeguards review, in terms of both process and outcome (see page 8).

External pressures

The selection process took place as the World Bank is experiencing increased competition from new players in the international financial arena (see Observer Autumn 2014). It is also seeking to rally donor funding for its low income country arm, the International Development Association (IDA), amidst concerns over weak results (see Observer Summer 2016). In a mid-September blog on Economia Devesh Kapur of the University of Pennsylvania commented: "Having found their own alternatives for most of what the Bank does, [emerging powers'] indifference to a second term for Kim suggests that they simply don't think the Bank matters much anymore." In 2015 the Bank launched a "Forward Look" process, due to be discussed at the annual meetings in early October, addressing "three interrelated challenges of the changes in the external environment, the WBG's ability to adapt to these changes, and its financial capacity".

While the US affirmed its hold over the presidential position through the nomination of Kim, the Bank also sought to strengthen its relationship with China (see Observer Spring 2016). In the past six months the Bank has signed agreements with China's Asian Infrastructure Investment Bank, (see Observer Summer 2016) and the BRICS' (Brazil, Russia, India, China, South Africa) New Development Bank. In August the World Bank issued a yuan-denominated World Bank bond in the Chinese domestic market. China confirmed its support for Kim in early September, lauding his "role in promoting cooperation between the World Bank and China".

Controversy remains over voting rights at the Bank, with emerging economies making no secret of seeking a bigger role in the institution. Following the 2015 shareholding review, also on the agenda for the annual meetings is a new "dynamic formula", using economic weight (based on GDP) and development impact (based on IDA contributions), to determine countries' shareholding and thus voting power in the Bank (see Observer Spring 2016). A March report revealed tensions and called for "significant compromise on currently stated positions" to be able to reach agreement in time, in particular on how to reflect the IDA element in the formula.

Jorge Daniel Taillant, of Argentinian NGO the Center for Human Rights and Environment, commented: "The 'pay to play' dynamics of Bank leadership … don't show signs of change or any real willingness of the countries that currently call the shots to modify. We have seen a dangerous pendulum swing towards less transparent and less participatory governance … That's not the sort of leadership the world needs."

www.worldbankpresident.org

GOVERNANCE news

IMF's Lagarde to face trial in France

IMF managing director Christine Lagarde lost a July appeal to avoid trial in France on charges relating to her time as finance minister in 2008 (see Update 77). The case concerns Lagarde's role in a legal award of €400 million ($450 million) to a French businessman. Reuters reported in September that the trial for "negligence" which led to public funds being "misused" will commence in December, adding that Lagarde's lawyer confirmed that "she will attend".

Lagarde has always denied any wrongdoing. If found guilty Lagarde could face a prison sentence or fine. IMF director of communications Gerry Rice issued a July statement that the IMF board "continues to express its confidence in the managing director's ability to effectively carry out her duties".

tinyurl.com/IMFboard-RiceStatement

SOCIAL SERVICES news

Uganda to close IFC partner's schools

In early August the Ugandan minister of education and sports, Janet Museveni, formally announced the closure of 63 nursery and primary schools operated by the largest chain of commercial private schools worldwide, Bridge International Academies (BIA). BIA is backed by private education services provider Pearson and the World Bank's private sector arm, the International Finance Corporation (see *Observer* Summer 2016). The minister stated that the decision to close BIA schools was based on "danger from poor hygiene and sanitation on the life and safety of the innocent children". The Uganda National Teachers' Union commended the minister in Ugandan newspaper *New Vision* on "the bold stand she has taken towards promoting quality education."

tinyurl.com/BIA-closure

INFRASTRUCTURE news

World Bank suspends Inga dam funding

In late July the World Bank suspended funding for the Inga 3 hydro power project in the Democratic Republic of Congo. The Bank approved a $73 million grant for the project in 2014, despite the US abstaining and the board noting "significant implementation risks" (see Bulletin May 2014). At the time of the suspension the Bank had disbursed approximately 6 per cent of the funding.

Rudo Sanyanga of NGO International Rivers commented that the Bank should not have been involved in the project in the first place: "Inga 3 represents a failed development model which bypasses the poor for the benefit of extractive industry and export markets".

tinyurl.com/Inga3suspension

RIGHTS commentary

World Bank project fails to safeguard the rights of workers in Cameroon

by a Cameroonian human rights defender who prefers to remain anonymous

Cameroon has ratified most International Labour Organisation conventions regulating labour and living conditions of workers. World Bank clients are obliged to enforce Bank directives on occupational health and safety and its safeguard policies. Despite these regulatory frameworks, China International Water and Electric Corporation (CWE) has grossly violated labour rights on the World Bank-financed Lom Pangar Hydro Power Project under the watchful eyes of the Cameroonian government and the project owner Electricity Development Corporation of Cameroon (EDC). The Bank financed 44.75 per cent of the total $295 million loan made to the project (see Observer Spring 2015).

Despite repeated complaints made to the Bank by workers during the Bank's missions to evaluate the environmental and social management progress, human rights violations persist. Workers complain of unpaid work; corporal punishment; non-payment of social security contributions; dismissal and absolute neglect. Abandonment of work accident victims and discrimination in favour of Chinese workers were amongst other serious concerns evidenced by frequent industrial actions and over ten cases filed at the local Bertoua courts and the labour inspector's office.

Disturbed by inhumane living and working conditions at Lom Pangar, some current and former workers filed in April a complaint to the World Bank Grievance Redress System (GRS, see Observer Summer 2015), including a request for the complete payment of their unpaid lodging allowances and overtime pay and the reinstatement of all workers dismissed after testing hepatitis B positive. While the GRS is considering all breaches of worker's rights mentioned above, it seeks to waive the mandatory requirements for compensations regarding inadequate lodging conditions arguing that the contract between the Bank and the government of Cameroon does not make reference to housing and living conditions. However, before funding the project, the Bank obliged EDC to conduct an environmental and social impact assessment. This resulted in an environmental and social management plan requiring EDC to ensure the contractor (CWE) respects the plan and guidelines based on both national legislation and World Bank safeguard policies. The plan contains clauses requiring the respect of laws protecting citizens and the criteria for the construction of housing.

Photo: Samuel Nnah Ndobe

Worker camp for those constructing the dam

Workers claim that they have been subjected to unacceptable living and working conditions since 2012. Appropriate rest is recognised as a prerequisite for proper working conditions, but housing conditions at Lom Pangar are deplorable. Though the law obliges employers to pay a compensatory housing allowance to workers in case lodging facilities do not respect minimum legal requirements, CWE has failed to respect the construction specifications, such as the number of occupants per room and has not paid the compensatory allowance. In Lom Pangar, four workers share a room which reduces sleep intensity, affecting performance and concentration at work. Consequently, some workers have suffered serious accidents resulting in incapacitation. Instead of retraining incapacitated workers as required by law, CWE has dismissed some for lack of capacity and are underpaying those maintained by downgrading their posts.

In January 2014, a Cameroon Network of Human Rights Organizations' report called the human rights situation on the project site deplorable, with discrimination obvious, starting with housing. Workers have organised four industrial protests since 2012. Regrettably, to date the World Bank has not reacted to the concerns.

Since its launch civil society has cast doubt on the country's 2010 Growth and Employment Strategy's assertion that investments in construction, mining and agri-businesses will create jobs for Cameroonians (see Update 81). In fact approximately 600 mostly unskilled Chinese workers occupy positions reserved for qualified and unqualified Cameroonians in Lom Pangar.

An independent environmental and social panel, set up by the project-implementing agency in agreement with the Bank, undertakes a mission every semester to evaluate the environmental and social progress made at the project. During these visits workers have repeatedly expressed their concern at the treatment they receive from CWE and have also made these complaints public during industrial protests and social dialogue meetings. It is alarming that the Bank has failed to take action against these reported violations.

EDC and the labour inspector, who is responsible for ensuring that labour legislation is respected, have failed to compel CWE to respect legislation. In private discussions, workers argue that the inspector is complicit with CWE in violating labour rights and suspect that CWE and EDC may have paid off both the labour inspector and the courts to avoid enforcing their rights. According to newspapers in Cameroon, the Bank has conducted two investigative missions on the project site.

Six months after filing the complaint with the GRS, victims still await meaningful outcome of the procedure. While the GRS has requested and gotten substantial information from victims such as their identification and exact claims, workers still wait for a resolution.

This article was written by a Cameroonian human rights defender who prefers to remain anonymous for fear of reprisals for his work in protecting workers' rights at Lom Pangar.

tinyurl.com/Lom-Pangar-strike

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FINANCE news

IFC's (ir-)responsible tax investment policy

Oxfam report highlights the negative impact of tax havens on development

Civil society demand responsible IFC tax policy in line with development mandate, international best practice

In April, ahead of the World Bank and IMF spring meetings in Washington DC, NGO Oxfam International released a report titled *The IFC and tax havens* in where it revealed that 51 of the 68 companies in which the International Finance Corporation (IFC, the World Bank's private sector lending arm) invested in sub-Saharan Africa in 2015 use tax havens. The report argued that this leaves countries in the region at risk of being deprived of essential resources to meet their human rights obligations and the Sustainable Development Goals.

A 2015 UN Conference on Trade and Development paper estimated that developing countries lose $100 billion annually in tax revenue noting that "lost tax revenues and … the reinvested earnings that are lost as profits are shifted away from the developing country yields a total 'development finance loss' in the range of $250 – $300 billion." In his opening statement during the World Bank and IMF spring meetings in April, World Bank president Jim Yong Kim acknowledged the damaging effect of tax havens, by stating that "the transfer of state assets to tax havens can have a tremendous negative effect on our mission."

In July civil society organisations submitted a briefing document to the World Bank executive directors ahead of a board meeting to discuss the IFC's Offshore Financial Centres policy. They argued that the board must hold the IFC accountable for the development and implementation of a tax-responsible investment policy. They stressed that the policy should be developed in consultation with civil society and that at a minimum it should include "due diligence beyond legal compliance to ensure that the IFC cannot invest in companies with aggressive or abusive tax practice in relation to the use of tax havens, intra-firm financing, pricing of intangibles, use of tax incentives, etc" and that the IFC take "active ownership to encourage responsible tax practice from clients such as public country-by-country reporting and public beneficial ownership information." The organisations also demanded that the recommendations apply equally to direct and indirect investments through financial intermediaries.

Sara Jespersen from NGO Oxfam IBIS in Denmark stated: "many development finance institutions are taking the responsible tax agenda very seriously by developing tax policies and implementing due diligence tools that go beyond asking simply for legal compliance from the companies they work with", adding that "the IFC must end all links between their lending and corporate tax dodging, as this amounts to giving with one hand and taking with another".

tinyurl.com/IFC-tax-havens-Africa

FINANCE news

IMF increasing its influence in sub-Saharan Africa

IMF increasingly active in sub-Saharan African states

New loan contemplated for Zambia

Existing borrower countries struggling to adhere to strict deficit limits set by Fund

The IMF is increasingly active in sub-Saharan states, with sixteen current loans to countries in the region and more being discussed. Despite endorsing an 'Africa rising' narrative just two years ago (see Observer Autumn 2014), the IMF set out grave concerns in its April Regional Economic Outlook for sub-Saharan Africa. It advocated cuts to spending and cautious fiscal policy to "prevent a disorderly adjustment" noting that countries are "vulnerable to a financial crisis if external conditions worsen further". Concerns have centred on debt levels in the region, particularly on the use of foreign-currency bonds to plug financial gaps.

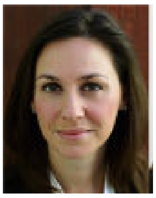
Local civil society raised concerns in 2016 over the impact of conditionalities in Ghana (see Observer Summer 2016), one of the 'Africa Rising' countries which the IMF is now strongly pressuring to adhere to its policy conditionalities. In August, Ghana's national media reported that a $300 million tranche from Ghana's $918 million IMF loan in 2015 might be withheld due to concerns over a parliamentary bill relating to central bank policy. In early September Ghana issued another foreign currency bond, worth €750 million ($840 million). A government statement reported by the Financial Times (FT) reassured the Fund and investors that "it was not 'considering any spending that will not allow the country to meet the fiscal deficits set for the year', as demanded by the IMF programme".

Kenya is also contemplating bond financing, though under its $1.5 billion precautionary agreement with the IMF announced in May it was expected to reduce its "fiscal deficit by 3 per cent over the next two years". In a September letter to the FT Tim Jones of UK-based NGO Jubilee Debt Campaign argued that the concern of investors and institutions like the IMF about increasing use of bonds, leading to their demands for strict adherence to fiscal deficit limits, neglects the risk arising from "direct loans from banks, governments and multilateral institutions". Jones cautioned that the continued "global failure to create debt restructuring processes" represented a "huge cause for concern".

The IMF's focus on imposing strict limits on government spending was a major discussion point during Zambia's recent elections in August. Following the polls, loan discussions with the IMF were renewed. Bloomberg suggested $1.2-$1.5 billion was being negotiated that would require Zambia, according to re-elected president Edgar Lungu, "to either completely do away with subsidies or progressively reduce them". Kryticous Nshindano of Zambian NGO network Civil Society for Poverty Reduction commented that "The risk of reduced investment in key social public services is high; it's imperative that sufficient and broad enough social safeguards are put in place to protect the vulnerable, especially Zambians living in absolute poverty".

tinyurl.com/JDC-FTletterSept

GOVERNANCE analysis




The World Bank's failed accountability experiment: Why the Inspection Panel's 'Pilot' should end

by Natalie Bridgeman Fields and Kindra Mohr, Accountability Counsel

CSO report finds use of Inspection Panel's Pilot in Nigeria disastrous

Pilot undermines Panel's authority, allows management to avoid compliance investigations

As a public institution with a mission that extends beyond making money, it is critical that the World Bank remain accountable to its twin goals of ending extreme poverty and promoting shared prosperity despite market pressures. When it fails to live up to these promises and causes harm to people and the environment, those harmed need a forum to seek justice. The Bank owes this to the people who are supposed to benefit from the projects it supports and the taxpayers who enable its existence.

In 1993 the Bank created the Inspection Panel to ensure accountability for its own human rights and environmental obligations. Through its ability to conduct compliance investigations and publicly report on the Bank's failures, the Panel became a powerful tool for communities that often have no other recourse. However, the Panel operates with one hand tied behind its back. As the first of its kind, it is the only accountability office among the multilateral development banks without

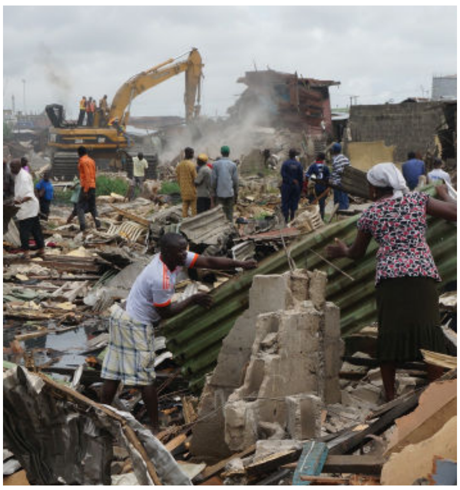


Photo: Andrew Maki, Justice & Empowerment Initiatives (JEI)

Victims try to salvage their housing materials in third wave of forced evictions in Badia East, Sept 2015

an additional dispute resolution role. Done well, dispute resolution can address the core concerns of communities through negotiation and can provide an opportunity to more prompt remedy of abuses.

In 2013, the Panel introduced its Pilot for Early Solutions programme (see Observer Autumn 2014). The Pilot could be considered a second-chance deferral process that involves putting a Panel investigation on hold while allowing Bank management more time to resolve community complaints. In practice, however, complaints are removed from the Panel's impartial and transparent process. Affected communities are forced to negotiate solutions directly with the same Bank staff and government officials who are often responsible for the problems. The Pilot also lacks predictable rules or protections to ensure that those harmed have a fair and equitable process and outcome.

Rather than serving as a tool to enhance remedial action, the Pilot programme perpetuates the power imbalance that already exists between the Bank, its clients, and communities. It undermines the Panel's authority by allowing Bank management to circumvent compliance investigations, shielding the Bank from unpleasant compliance findings and prevents it from learning lessons to prevent future harm.

These flaws were recently captured in the NGO report, An evaluation of the Inspection Panel's Early Solutions Pilot in Lagos, Nigeria. The report's authors, Inclusive Development International (IDI) and the Centre for Research on Multinational Corporations (SOMO), showed that the Panel used the Pilot to disastrous effect in Badia East, Nigeria. There, in 2013, 9,000 people were forcefully evicted from their homes – bulldozers razing their community without notice or consultation. The evictions were in the context of a Bank-funded project to upgrade slums. The community, with the assistance of the Social and Economic Rights Action Center, a community-based NGO in Lagos, filed a complaint to the Panel. But instead of its normal process, the Panel decided to use the Pilot, leaving the community, which had lost almost everything and was desperate for remedy, to negotiate with government authorities and the Bank.

Ultimately, the communities were coerced into accepting a deal that did not adequately compensate all those who were forcibly displaced or who lost their livelihoods. Even though this was in clear violation of Bank policies on involuntary resettlement, the use of the Pilot left the affected communities without the benefit of a compliance report – the Panel's key product. As the IDI and SOMO report found, not only were the negotiating positions unfair, the Pilot process lacked impartiality and transparency. Instead of a Panel process that could potentially address persistent community concerns and improve future projects, those affected were left without remedy for violations of their human rights. The report found that one year after the Panel closed the case, labelling it "effective", almost one-third of people who received compensation remained homeless.

The Panel points to the Pilot's second implementation in Paraguay to validate its effectiveness. But that case, unlike the vastly more complicated complaints that are the normal purview of the Panel, was an easy fix that appears to have had little to do with the Panel's role. New approaches to strengthen accountability should not come at the expense of a community's ability to use the Panel's flagship tool – compliance investigations. Beyond what dispute resolution might offer, the compliance tool is often the only one that can provide the institutional learning the Bank needs to avoid repeating past mistakes. The Panel is right to want to ensure a strong accountability framework. The Pilot, however, is not the way to do it. It has failed, and must now end.

Natalie Bridgeman Fields, Accountability Counsel
natalie@accountabilitycounsel.org

Kindra Mohr, Accountability Counsel
kindra@accountabilitycounsel.org
www.accountabilitycounsel.org

tinyurl.com/IP-pilot-Lagos-NGOreport

CONDITIONALITY analysis

IMF "rebuked" over role in Troika and its lending to Greece, Ireland and Portugal

IEO criticises IMF for surveillance, design, implementation and decision making in European lending

Former Greek finance minister calls evaluation a "brutal assessment"

IEO complains of obstacles to evaluation

In July, a long-awaited evaluation of the IMF's lending to Greece and Ireland in 2010 and Portugal in 2011 was released by the IMF's Independent Evaluation Office (IEO). The report severely criticised the IMF's role, leading the *Wall Street Journal* to describe it in July as a "rebuke".

Fund "too easily swayed by European officials"

The evaluation found that the approach the IMF adopted to lending in Europe and its role within the Troika (the ad hoc joint lending arrangement including the Fund, the European Central Bank and the European Commission) "helped create the perception that the IMF treated Europe differently". The IEO argued that the practice of permitting lending decisions to be taken by the Fund's Troika partners before the Fund's own board meetings occurred added to the perception that board decisions were a "fait accompli" that were simply "rubber-stamped". The board's formal response to the evaluation pointed to longstanding divisions at board level between directors representing developing countries and the major shareholders over the IMF's perceived "junior status" (see Observer Summer 2013). The board statement added that "many directors" noted that political economy considerations "could offer relevant perspectives" in future lending.

The IEO found the IMF's role in the Troika to be "unusual", having "no clear demarcation of responsibilities" and concluded that the manner in which Troika partners collaborated meant that IMF staff were "potentially subjected to political pressure at an early stage". The IEO report set out concerns that the Fund failed to "play its customary sole or lead role" that it adopts when lending to developing countries. Instead the IEO argued that the IMF's Troika partners had "veto power" over the Fund. The IEO found that the board's oversight function was performed only in a "perfunctory manner" – a "recurring issue" according to the IEO. July analysis by the New York Times highlighted that the IEO report revealed "how IMF staff members operated outside official channels, kept sensitive papers in personal files, [and] withheld crucial documents".

Managing director Christine Lagarde's official response to the evaluation rejected the IEO's recommendation that "the executive board and management should develop procedures to minimise the room for political intervention in the IMF's technical analysis". Despite rejecting the recommendation, Lagarde was in "support [of] the principle that the IMF's technical analysis should remain independent". The July Wall Street Journal article quoted an anonymous Fund official who admitted that during recent negotiations with EU partners over Greece "we were under extraordinary pressure from the Europeans last summer ... [and] again a few months ago". Greek prime minister Alexis Tsipras commented on the delayed negotiations at a September press conference that "what is creating conditions of delay ... is the constant clash and disagreement between the IMF and European institutions".

Though former Greek finance minister Yannis Varoufakis called the evaluation a "brutal assessment" in a July blog post, Lagarde, in her official response, considered the evaluation's overall findings to indicate that the IMF's role in the lending to the eurozone had in fact been a "qualified success", considering the Greek crisis' "unprecedented" nature and the "backdrop of the global financial crisis". Lagarde specifically argued that the IMF's intervention succeeded in "buying time to build firewalls", restoring growth, market access (except in Greece) and preventing contagion. She conceded that the Greek challenge was "unique" with "recurrent political crises" and "pushback from vested interest" but maintained that the key goal was achieved: for Greece "to remain a member of the euro area".

IEO evaluation "hampered"

The IEO complained that while conducting the evaluation it did not receive documents from Fund staff in a "timely manner", noting that some documents "were not provided for over a year". Moreover "some sensitive documents were provided to the IEO following the managing director's intervention at the IEO's request" and only following circulation of a draft of the evaluation report to staff. The IEO concluded that the "lack of documentation" from the IMF had "hampered" its evaluation and therefore the IEO was "not in a position to state that it saw all relevant documents" despite the apparent intervention of the managing director. The board's formal response "noted with concern the difficulty that the IEO had experienced in obtaining confidential documents". The evaluation recommended that "the executive board and management should reaffirm their commitment to accountability and transparency and the role of independent evaluation in fostering good governance".

tinyurl.com/IEOeurozone

tinyurl.com/IMF-MD-statementeuroIEO

Photo: IMF

IMF's Christine Lagarde talks to German finance minister Wolfgang Schaüble, G20 meeting April 2015

RIGHTS analysis

World Bank turns its back on pastoralist communities in Africa

Guest analysis by Helen Tugendhat, Forest Peoples Programme, in collaboration with Tanzanian pastoralist representatives who prefer to remain anonymous

World Bank grants waiver for indigenous peoples policy for Tanzania project

US abstains from vote on project waiver

Indigenous peoples highlight lack of consent, question protection of land rights

In March the World Bank board granted a full waiver of its current safeguard policy for indigenous peoples (Operational Policy 4.10, OP4.10) in relation to a loan to the government of Tanzania for the Southern Agricultural Corridor of Tanzania (SAGCOT), a multi-million dollar public-private partnership agribusiness development project. The waiver means that the requirements of OP4.10 are formally set aside for the implementation of this project (see Observer Summer 2016). Indigenous peoples in Tanzania who will be impacted by the project have objected strenuously to this waiver.

The World Bank assessed the Bank-funded SAGCOT Investment Project, an investment of $70 million into the SAGCOT initiative, as a Category A project, meaning that the project has the potential for “significant adverse environmental impacts that are sensitive, diverse, or unprecedented”. In this instance, ‘sensitive’ refers to irreversible impacts, or impacts caused by involuntary evictions or resettlement, or upon indigenous peoples.

The ‘policy’ on waiving policies

The policy under which the World Bank board granted this waiver was adopted in April 2014. It is unclear on requirements for when and how operational policies can be waived, stating that the waiver: “may be granted only in response to clearly delineated individual circumstances”. The US government abstained from the vote to approve the SAGCOT waiver, arguing that “any waiver of an operational policy should be underpinned by a thorough and convincing justification that is well documented and evaluated … and subject to appropriate consultation.” The SAGCOT project did not fulfil this minimum set of criteria. The Tanzanian government’s justification for requesting the waiver was that OP4.10 “is considered inconsistent with the Tanzanian Constitution”, which “emphasises unity among its citizens and calls for an equal treatment of all ethnic groups”. However, Tanzania has applied OP4.10 in the past, yet no constitutional reform has taken place that would explain the government’s changed position.

Concerns about land rights and the absence of consultation

In granting the waiver the World Bank board recognised that “the project involves complex land and institutional arrangements”. OP4.10 requires that where a project involves “activities that are contingent on establishing legally recognised rights to lands and territories that indigenous peoples have traditionally owned or customarily used or occupied” or “the acquisition of such lands” the project must set forth “an action plan for the legal recognition of such ownership, occupation, or usage”. There is no such plan in the SAGCOT project documents.

The news of the waiver was met with consternation in Tanzania. A group of 21 organisations, along with indigenous peoples’ organisations from Uganda, Kenya and Burundi, wrote in June to the Bank president objecting to the decision. The letter demanded information about how the customary land rights of the pastoralist peoples in Tanzania will be protected in the agricultural corridor. It highlighted that “the waiver was not granted with the informed consent of indigenous peoples in Tanzania. Those of us who live in Tanzania had heard nothing of this proposed waiver until the approval … was made public.” No response has been received to-date from the Bank.

The lack of consultation with indigenous peoples in Tanzania was a concern for the US government, along with their assessment that “any request for a waiver of … OP 4.10 should demonstrate how the World Bank and the borrower would provide affected communities with the same level of protection”, which the project appraisal document (PAD) fails to do. Instead the PAD notes that “to mitigate any potential risks resulting from a waiver of OP 4.10, the [government of Tanzania] ensures that the project components are designed and implemented in a manner that does not adversely affect the land rights/use of any of the people in the project area”. It is difficult to see how the land rights and the protections inherent in OP4.10 will be fulfilled when the government of Tanzania refuses to acknowledge the existence of indigenous peoples in the country.

Now that vital safeguard protections have been suspended, how will the Bank and the borrower uphold the rights of pastoralists impacted by SAGCOT investments? Communities and organisations in Tanzania still await an answer.

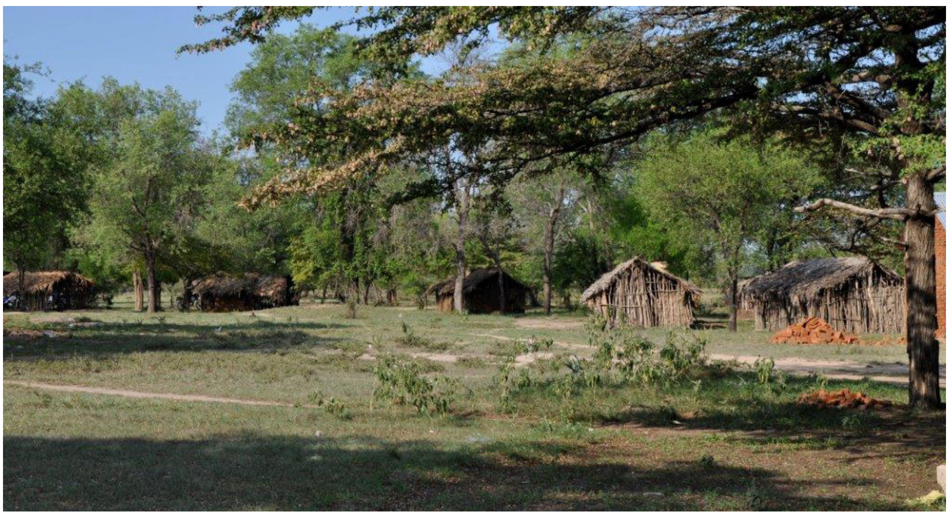


Photo: IWGIA

Maasai homes in Morogoro region, Tanzania

This article was written in collaboration with Tanzanian pastoralist representatives who prefer to remain anonymous due to their fears of retaliation for speaking out about SAGCOT.

Helen Tugendhat, Forest Peoples Programme
e **helen@forestpeoples.org**
w **www.forestpeoples.org**

World Bank approves new "diluted" safeguards

CSOs warn of loopholes in new Bank safeguards, reliance upon "borrower systems"

Lack of respect for human rights, LGTBQ references removed

References to core ILO labour standards absent

After a four-year process the World Bank's board in early August approved a new Environmental and Social Framework (ESF), to replace the current safeguards (see Observer Summer 2016, Autumn 2015). The new framework is expected to take effect in early 2018 with the existing safeguards running in parallel for about seven years to govern previously approved projects.

Following the public release of the final draft, a joint response in late July by 14 civil society organisations (CSOs), including NGO Forum on ADB and Social Justice Connection, cautioned that "gains have been largely undermined by the replacement of clear time-bound requirements with vague language, loopholes, flexible principles and reliance upon 'borrower system'", which "reflects a race to the bottom in a shameful scramble to eliminate requirements for careful environmental and social due diligence".

Gretchen Gordon, of international NGO Coalition for Human Rights in Development, highlighted on blog site Open Democracy that all references to sexual orientation or gender identity have been removed from the new policy. Ty Cobb of US-based NGO Human Rights Campaign wrote "it is deeply disappointing that the Bank chose to side with anti-LGBTQ [Lesbian, Gay, Bisexual, Transgender and Queer] voices who wanted to roll back potential human rights protections, rather than standing up for human rights and the dignity of all people."

On the day of its approval the US released a public statement supporting the new ESF, but calling for the Bank to "be conservative in its use of borrower frameworks" given the risks. While welcoming the new ESF on labour, the US raised concerns, including that it "appears to allow primary suppliers to self-identify child labour and forced labour risks to their own workers".

In late July, before the ESF was approved, the International Trade Union Confederation (ITUC) raised concerns on their website over the absence of any reference to the International Labour Organization's (ILO) core conventions, which prohibit discrimination, child and forced labour, and require respect for freedom of association and the right to collective bargaining. Peter Bakvis of ITUC commented: "it should be an imperative for the Bank to ensure full consistency with the norms of the recognised international standard-setting bodies, including the ILO for labour."

Concerns remain over the safeguards consultation process (see Observer Winter 2016, Winter 2015). In a July statement 36 African civil society groups, including Peace Point Action in Nigeria and Jamaa Resource Initiatives in Kenya, stressed that "certain views and agendas which would seek to weaken the safeguards' protection of people and the environment being attributed to 'African countries'." The groups emphasised that "these positions are not reflective of the positions of civil society from African nations", pointing out that despite their engagement "the inputs of African civil society organisations are not reflected in the text". They concluded that "from the outcome, this was not a consultation, but a monologue."

Elana Berger of US NGO Bank Information Center (BIC) commented "now that the new framework has been adopted it is critical that sufficient resources and tools are developed during this implementation process that emphasise the importance of meaningful engagement with civil society and communities — particularly those that are most vulnerable to the negative impacts of development."

tinyurl.com/newESF-NGO-concerns
tinyurl.com/African-NGO-statement-ESF
tinyurl.com/ESF-Aug16

Follow BWP's annual meetings coverage from DC online

World Bank and IMF governors will meet in Washington DC from 7-9 October for their annual meetings. Key themes to be discussed include the Bank's Forward Look exercise and its shareholding review. The civil society policy forum (CSPF) will take place from 4-7 October. An open meeting for CSOs with Bank and Fund staff to provide feedback on the CSPF will take place at 12:30, Friday 7th October.

A dedicated page on BWP's website will include analysis of the communiqués, notes from seminars, background information and more. Attendees and anyone following events from afar are encouraged to check for updates on **www.brettonwoodsproject.org**

tinyurl.com/annuals-cspf
tinyurl.com/BWP-annuals-updates

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As the short three week nomination period closed, Jim Yong Kim was the only nominee for the next five year term as World Bank president. Have your say on the blog on who should have been selected, what they should do and the selection process generally. Read what activists, officials and experts think about the process.

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BRETTON WOODS project
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
facebook.com/BrettonWoodsProject

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