

WDR resignation embarrasses Bank

In late May Ravi Kanbur resigned from his position as World Development Report lead author following attempts by Bank and government officials to make him change his text. When this story broke in mid-June, the ensuing controversy opened up important debates about policy priorities and about the World Bank's role in producing research.

The World Development Report is the Bank's leading annual publication, with a major influence on development thinking and operations worldwide. In recent years the Bank has gradually opened up the process of producing the reports, encouraging NGOs and researchers to submit evidence and comments during drafting. For this year's major decadal report on poverty the Bank allocated significant extra time and resources for such exercises and hired former Bank official, now Cornell University Professor, Ravi Kanbur to lead the team.

Kanbur impressed many with the energy and enthusiasm he brought to the challenge of listening to diverse evidence and opinions, and by publishing the report's first draft on the web.

Senior Bank and shareholder government officials, however, became concerned about the report's messages on key policies and tried to force Kanbur to make changes in order and content. Kanbur had, however, made quite clear—for example by arranging extra trips to meet African and Indian NGOs—that he

was committed to garnering and including a range of views. He wrote to the Bretton Woods Project soon after he took the job clarifying that "I would not submit to any substantive editing I did not agree with". Bridging the gap between those who approved of much of his first draft while calling for certain aspects to be taken further, and those who wanted to reorder and dilute it was always hard. It became impossible once pressure, rather than reasoned argument, was brought to bear.

Those in the Bank and donor governments who wanted to tone down the report were concerned about the order of the WDR's main "pillars", in particular the relative importance of the sections on opportunity (the role of markets and economic growth) and empowerment (responsiveness of state institutions to citizens, and the role of organisations of the poor).


The January draft suggested that developing countries need to approach market liberalisation cautiously, taking active measures to address institutional change, social protection and inequality. Many

commentators had welcomed this more balanced approach but argued that, having acknowledged the importance of political factors, the report needed to do more to identify the major local, national and global obstacles to pro-poor actions. Ironically the WDR editing process has now neatly revealed why it is so hard for poorer people to have their voices heard in global institutions.

Joe Ritzen, Bank Vice President in charge of the report pledged "the World Bank is committed to both open debate and an internal process that maintains the integrity of the WDR, in which the final product reflects the best evidence and judgement of the staff, as well as the wide range of external commentary. The report will in the end be a product of the World Bank."

Many of those involved in the WDR drafting process are likely to produce commentaries on the final text when it is published in early September. The open initial drafting process followed by the public controversy during June and July may have helped ensure that the final draft contains significant

advances from orthodox Bank approaches. But questions remain about whose voices count in such reports and what are the limits to World Bank openness.

For future WDRs, including the 2002 report on sustainable development, the Bank will again have to clarify their purpose and process. Two years ago Bank President James Wolfensohn stated in a letter to the Bretton Woods Project that "I view WDRs as being one of the Bank's critical instruments for dialogue with the development community at large. I have also emphasized that we should not just be reciting generic answers but raising fundamental questions to which there are no easy answers". Neither aim is at present being realised. 

 www.worldbank.org/poverty/wdrpoverty

 www.brettonwoodsproject.org/brief/wdrproc.html

"The tussle about what the WDR should and should not emphasize demonstrates that there are forces inside and outside the World Bank hostile to even a modest modification of the dominant paradigm on development. The Bank may want to signal that it is turning into a caring organization but, like a leopard and its spots, it cannot change even if it wants to."

The Hindu, 26 June, 2000

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"The World Bank's ham-fisted interventions in Tibet have seriously compromised Tibetan diplomacy" – page 3

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Comments on Ravi Kanbur's resignation

"Everyone is shocked and deeply saddened that Ravi left. Many of us see this as a real blow to the empowerment agenda; and if I've learned anything from my work it's about the powerlessness of being poor."

World Bank source

"Ravi Kanbur has recently decided to leave his position as Staff Director of the World Development Report 'Attacking Poverty.' Ravi's decision is a source of regret for the Report's team, for colleagues in the Bank and for many people outside the Bank who have been working on the WDR. In leaving Ravi said he had some reservations on the emphasis of the main messages that were likely to emerge in the final version of the Report. We believe these reservations to be unfounded."

Jo Ritzen, Vice President, Development Economics, World Bank

"The Washington Consensus has emerged from the Asia Crisis with its faith in free markets only slightly shaken. Poverty eradication is now the menu, but the main dish is still growth and market liberalisation, with social safety nets added as a side dish, and social capital scattered over it as a relish. The overall implication of the resignation is fairly clear. The US does not want the World Bank to stray too far from its agenda of economic growth and market liberalisation. Ravi Kanbur's draft has raised a few too many doubts about this agenda, and strayed too much towards politics."

The Nation, Bangkok, 5 July, 2000

"To keep the Bank afloat Wolfensohn has to steer between two major constituencies. The first are the critics, the second is the US Treasury. You don't need to be a World Bank economist to do the cost benefit analysis. To save the Bank, and his own reputation, it is essential that the Bank's policies and public pronouncements do not err too far from its main shareholder and political protector, the US Treasury."

Focus on Trade, Number 51, June 2000

"A rare individual has the courage to resign, but what about the thousands who don't? We need to question all reports and documents and data coming from the World Bank which the media and others use as their source of truth about the South. This is the tip of the iceberg of the reports that are produced under such intense politicization"

Michael Goldman, editor *Privatising Nature, Political Struggles for the Global Commons*

"At the World Bank, the high church of development economics, a widening schism over how to fight poverty is sending ripples around the world. Ravi Kanbur, a top Cornell economist and the man hired by the bank to oversee the writing of its World Development Report, resigned in anger recently when he was ordered to rewrite his staff's draft. The report is extremely influential among economists, and Mr. Kanbur's version questioned how well developing countries adapt to capitalism. In fact, it questioned whether the West's standard prescription for reform does enough to help the poor."

Joseph Kahn, *New York Times*, 25 June, 2000

Bank's Net Gateway discussions move forward

A number of discussions took place in June and July on the World Bank's proposed Global Development Gateway internet portal initiative (see *Update*, June 2000). Meetings hosted by the Institute for Development Studies (IDS), Department for International Development (DFID) and OneWorld Europe, plus an internet discussion hosted by Bellanet (www.bellanet.org), gave opportunities to raise questions and concerns.

The DFID meeting included senior UK and Bank officials as well as NGO and university staff. Many critical points were raised, including who will govern the design and implementation of the Gateway, whether the proposal is too big and ambitious, whether disadvantaged groups such as indigenous people would be able to get their messages across. The Bank team agreed that further discussion was needed on many of these and called for suggestions on how a comprehensive global consultations process can be organised.

In late June OneWorld International and IDS organised a joint draft statement of principles for civil society organisations considering how to respond to the Gateway. This proposed a set of conditions which the Bank's GDG team must meet and discussed the establishment of a civil society steering group to guide feedback to the Bank. The Bellanet website contains links to this and other useful documents.

Roberto Bissio, executive director of the Third World Institute, Uruguay, and others are, however, questioning the GDG proposal's fundamental logic. In a contribution to the Bellanet exchange he said the Internet can be an important tool, especially where locally run. "But the press is also essential for democracy and for the functioning of the economy. And nobody has argued in favour of the World Bank or the national governments (the main actors of the proposed GDG) starting to publish newspapers, even in countries which badly lack them. There would be a public outrage if someone proposed it, as the press is supposed to be free. Why isn't there a similar concern about this proposal, portals being, as newspapers, essentially an editorial activity?"

A major e-conference will be hosted by the World Bank's Development Forum team in October to discuss the Gateway proposal. ☺

☺ www.worldbank.org/gateway
☺ www.bellanet.org/gdgprinciples

Globalization critics confront Bank in e-conference

An online debate on Globalization and Poverty in May generated much interesting material. Co-organized by the PANOS Institute and the World Bank, the discussion attracted some 5,000 officials, researchers and NGO representatives. The report of the exchange comments that "although there had been many efforts at consultation and listening, the Bank still did not know how to engage in argument with its critics or with those who disagreed with it within developing countries".

The discussion began with the question whether globalization of trade leads to economic growth, and whether growth is good for the poor. The report comments:

"both sides argue that both the data-gathering methodologies and the interpretation of the data are open to debate. Meanwhile, personal perceptions and day-to-day observations of the impacts of globalization-liberalisation tend to contradict the arguments of neoliberalism. Contributions were overwhelmingly against what they perceived as the narrow northern business-oriented economic analysis of the Bretton Woods Institutions".

The PANOS Institute report of the debate is rich in insights, and extracts from key contributions. For example: N. Srinivasan, an Indian development banker commented

"the market seems to be cornerstone of all theories of globalization. The market has a very narrow and short term view which prevents it taking into account those who are not seen as profit potential. Globalization may improve growth rates, increase productivity, enhance technological capability but cannot redistribute created wealth and income in favour of the poor. In fact it does the reverse."

Desta Mebratu, an engineer from Ethiopia, commented that "decades of external influence in different forms have destroyed and undermined the traditional institutional mechanisms while creating islands of modern institutions that are inefficient and alienated from the society at large ... the tendency is to continuously attempt to transplant new generation of institutions with

little recognition to such wealth of knowledge".

The final report of the debate concludes:

"While the Bank and other international institutions are strong at making macro level arguments about sound financial policy and strategy, they are poor at marshalling arguments or examples that demonstrate the micro level benefits of globalization for the poor. The debate was very heavily dominated by coherent and reasoned critics of globalization and a litany of evidence at the micro level of how globalization worked directly against the interests of the poor. Bank staff appeared unused to dealing with a well-informed, hostile public audience, and some of the most emotional and defensive contributions to the debate came from the Bank staff participants." ☺

☺ www.panos.org.uk/environment/globalization_and_poverty_online.htm

See also: *Localization—a Global Manifesto, Earthscan, 2000*, and; *Paradigm Lost: Critical Voices on Globalization and the Big Hole in Finances for Development*, *New Economics Foundation*, June, 2000,

☺ www.neweconomics.org/main/work/reshape

New report slams Bank/Fund corruption agendas

The World Bank and IMF are urged to rethink their approaches to anti-corruption work in a new briefing. Published by the Corner House, a UK-based research and solidarity group, it states that:

“corruption is increasingly cited as a reason for withholding foreign aid or debt relief. Most commentators on corruption—and on the good governance initiatives instigated to combat it—dwell on developing countries, not industrialised ones. Most call attention to the petty corruption of low-paid civil servants, not to the grand corruption of wealthy multinationals. This focus needs to be shifted.”

The 24 page report marshals many disturbing statistics about corruption, and the roles of the World Bank and IMF in fostering or abetting it. Specific cases are discussed from Uganda, Pakistan and Lesotho. Privatisation is a component of 70 per cent of World Bank adjustment loans and 40 per cent of sectoral adjustment loans. Privatisation processes have often “been accompanied by widespread corruption”.

Despite the fact that the Bank uses International Competitive Bidding for most contracts, the brief-

ing argues that transnational companies and borrower governments are able to distort the system to their advantage. One means is using the specialised lobbying and consultancy firms—often employing ex-Bank staff—which have grown up around the Bank and Fund.

The Bank has been unable to ensure that its loans are used properly, because its institutional culture rewards drawing up and disbursing loans rather than supervising their impact on the ground. Former Bank staffer James Wesberry, now Director of the Americas’ Accountabil-

ity/Anti-Corruption Project has described the audits demanded by the International Financial Institutions “generally innocuous, untimely and therefore useless”.

Progress has been made, however, with the World Bank drawing up a list of firms debarred from participation in Bank-financed contracts because they have been found guilty of corruption or fraud. The briefing argues that the Bank should go further, sharing liability with borrower country taxpayers in major cases such as Zaire/Congo and Indonesia “if it is found that World Bank and IMF staff knowingly lent money to regimes who immediately siphoned it off through corruption”.

The report also urges the World Bank to:

- *introduce proper guidelines for staff dealing with corporate lobbyists;*
- *review the system by which former Bank staff become advisers to private clients; and*
- *commission a full independent review of the link between structural adjustment and corruption.* ☉

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 www.brettonwoodsproject.org/brief/tsiacw.html

China project shakes Bank

The campaign by pro-Tibetan and other groups to press the World Bank to drop the China Western Poverty Project caused a major political battle at the institution during June. Bank President Wolfensohn continued to back the project despite the ruling by the Bank’s Inspection Panel that Bank staff had broken seven Bank directives during project appraisal. This prompted an outcry from NGOs, and opposition to the loan from the US, Japanese and Dutch governments. US Executive Director (ED) to the Bank, Jan Piercy, said the Bank needed to take responsibility for “delivering on its own commitments to credible internal controls and faithful execution of agreed policies and procedures”. China’s ED, Zhu Xian countered that the Bank was being politicised. The Bank has agreed to review these issues in September.

The \$40 million loan was intended to move some 60,000 poor farmers living on eroded land into another area of Qinghai Province 300 miles farther west. Their planned new home is part of the traditional territory of Tibetans and the birthplace of the Dalai Lama. The

Bank was accused by pro-Tibet groups of endorsing the Chinese Government policy of population transfers into Tibetan areas and going ahead without enabling local people to speak out freely. There were also doubts about the project’s technical merits. A protest camp outside the World Bank’s headquarters and a speech by the Dalai Lama in Washington in the week before the Board meeting drove these messages home.

Yet Wolfensohn did not want to jeopardise the Bank’s relationship with the government of its largest borrower, China, and proposed a compromise: doing further studies and giving the Board another chance to discuss the project in a year’s time. Gabriel Lafitte, the Australian Tibet expert arrested by Chinese authorities last year while conducting interviews in the project area dismissed this as “a rash plan to please everyone by throwing more money and yet more words at a fatally flawed project.” China, however, eventually withdrew the project from the Bank arguing that it would fund it from China’s own resources.

Lafitte wrote an angry open letter to the Bank “I have read the history of how bank management in past Inspection Panel cases has smothered, fudged, obscured and muddied findings, twisting them to institutional ends. But this time the Inspection Panel had been called in at the start. This time it was not grass-roots demands but Bank management who had called in the Inspection Panel, a shrewd move which would have allowed everyone, including the Chinese government to gracefully withdraw without loss of face”.

Some Bank-watchers were overjoyed at China’s withdrawal of the project, but Lafitte commented that: “far from this being a triumphant victory, the World Bank’s ham-fisted interventions in Tibet have seriously compromised Tibetan diplomacy”. ☉

www.atc.org.au
 www.tibetinfo.net/newsupdates
 www.bicusa.org

A new report from Bank Information Centre detailing all past Inspection Panel claims, the Panel’s response and World Bank’s follow-up can be found on:

www.bicusa.org/inspectionpanel.htm

Bank governance work examined

The roles of the World Bank in promoting good governance and democracy are assessed in two new papers. Carlos Santiso, of the International Institute for Democracy and Electoral Assistance, Sweden, notes that official agencies have “too often tried to ignore the state and design strategies to circumvent it, rather than reform it”. Now “the strengthening of governance systems and democratic institutions is increasingly considered the missing link which will remedy the failures of past development assistance”.

Santiso finds that the World Bank “remains inhibited by its orthodox economic approach, restrictive mandate and varied constituency”. As World Bank and IMF governance work “is still driven by efficiency concerns rather than governmental legitimacy ... there is great confusion on its content and core elements, in particular the intricate links between economic and political reforms”. Santiso finds “particularly worrying” the tendency to use quantitative indicators and abstract methodologies to evaluate the impact and performance of external assistance to democracy and good governance.

Another paper, by Ngairé Woods of Oxford University written for the Global Economic Institutions project, assesses World Bank and IMF moves to become more accountable to multiple stakeholders. Woods critiques the ad hoc way in which the IFIs are adapting to the need to consult widely, and reviews various proposals for achieving fairer representation on their governing bodies and more meaningful engagement with local government and non-governmental organisations around specific projects and programmes. ☉

Democracy Assistance: International Cooperation for Democratization, Frank Cass, London, forthcoming.

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“experience shows that rolling back the state may have gone too far, causing a dramatic reduction in public service delivery and eroding the political authority and legitimacy of states”

Carlos Santiso.

Brazilian Indians threatened by World Bank loan failure

A July Urgent Action bulletin from Survival International urges the World Bank and Government of Brazil to act to uphold conditions attached to an 18 year old World Bank loan. In 1982 the Brazilian government and its mining company, CVRD, received over US\$900 million from the World Bank and European Union to develop the iron ore deposits in the Carajas mountains. One condition of the Bank loan was that all Indian territories within the sphere of the Carajas project would be officially recognised and demarcated by the Brazilian government. Survival comments that "nearly two decades on, and despite the availability of this money, the Awa indigenous group in Maranhco state are still waiting for their land rights to be recognised. The demarcation has been blocked largely by politi-

cians and businessmen, some of whom have large landholdings on Awa land". The delay has led to land invasions and fatal attacks on Awa groups.

Survival points out that "the Brazilian government, CVRD and the World Bank are guilty of violating both the Brazilian constitution and the World Bank's operational directive on indigenous peoples by ignoring the Awa's land rights". Survival is calling for the immediate recognition and protection of their land which is the only hope for the survival of Brazil's last nomadic people. ©

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🌐 www.survival-international.org

Chad-Cameroon latest

The World Bank Board approved the Chad-Cameroon oil pipeline project in early June. Several executive directors expressed concerns about the project but praised the efforts of World Bank management to integrate safeguards into the project such as the revenue management law for Chad.

The Board requested that World Bank management report back regularly to the Board on the progress of implementing this project and that an Independent Advisory Group be established.

Issues addressed will include:

- the funding and implementation of the Indigenous Peoples' Plan;
- assessment procedures for future oil

field development in the region, and;

- funding and management of off-set areas to compensate for biodiversity lost to the project.

The Environmental Defense Fund organised a joint NGO statement welcoming the proposal to establish an Independent Advisory Group, as the Bank is "notoriously weak in policy compliance and project supervision". It suggested a series of principles for the establishment and functioning of the Group, to make it genuinely independent of the World Bank. This was signed by 73 NGOs and NGO Umbrella Organizations in 23 Countries. ©

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Human Rights and Human Development

The United Nations Development Programmes annual Human Development Report, released in June, treats human rights as essential for development and sees development as a means to realize human rights. With principles of accountability and social justice at the heart of human development, it concludes that major advances against poverty will be won only by confronting entrenched economic and political interests.

🌐 www.undp.org/hdro/HDR2000.html

Oxfam report on poverty targets

Missing the Target reviews progress towards the international development targets for 2015, highlighting the danger that none of the targets will be met. It calls for increased aid and debt reduction; increased budget allocation for priority social services; the phasing out of cost-recovery in basic health and primary education; and economic growth linked to redistribution in favour of the poor.

🌐 www.oxfam.org.uk/policy/papers/target.htm

Bank assessment policies discussed

The latest issue of *News and Notices for World Bank Watchers* discusses World Bank social and environmental assessments and calls for a new "dynamic assessment" procedure.

News and Notices comments that currently there is "a confounding array of social assessment tools (e.g. beneficiary surveys, participatory rural appraisal), that vary widely in price in the Bank's internal market. The proliferation of tools creates a swamp of confusion". Social assessments are currently not mandated except for projects involving indigenous peoples and resettlement. The Bank plans to draft a new social assessment policy during 2000-2001. The new policy is likely to be an "umbrella" for a range of concerns relating to resettlement, indigenous people, cultural property, gender, and post-conflict issues. The policy will define "social assessment" and identify the circumstances in which it is required.

The "dynamic assessment" process that is beginning to be discussed by a number of NGOs and officials would aim to help citizens develop and monitor Bank projects and country programmes. It would involve a series of studies and reviews, including needs assessments, initial impact assessments and ongoing programme monitoring and adaptation. *News and Notices* comments that "the Dynamic Assessment process can foster ownership and accountability for results. It can help to forge in-country partnerships and build institutional capacity. Indeed, it is doubtful whether the IMF and World Bank can produce positive benefits for borrowing countries—especially poor and vulnerable populations within those countries—without reliance on such a process."

Larry Lohmann of the Cornerhouse think-tank commented that: "The concept here looks good and is based on points made by activists for several decades. But the Bank has a long history of taking suggestions for making its operations more sensitive to the needs of the poor and using them to create institutions which are instead more sensitive to corporate needs. There is less than no point to providing more such suggestions unless they are accompanied by demands for institutional changes in the World Bank and IMF relating to salaries, promotion and hiring and firing. They should also be accompanied by more details about who is going to assess needs, and how governments are going to be prevented from collecting merely the information a certain class wants to see collected about alternatives". ©

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🌐 www.globalarchitects.org

See also *Missing the Point of Development Talk: Lessons for Activists:*

🌐 www.cornerhouse.icaap.org/briefings/9.html

Bank announces major AIDS funding

The World Bank announced in early July that it is to make available \$500 million in loans to help countries combat the growing threat of AIDS. The new AIDS program will make funds available to any African country which sets up a national AIDS program. Nearly 24 million people in Africa currently live with HIV/AIDS and the epidemic continues to ravage the continent's development prospects. While this was widely welcomed, others pointed out that the World Bank could do more in other ways. UNAIDS

Taming Global Finance

Financial liberalisation has created volatility in financial markets, threatening the orderly running of national economies. *Taming Global Financial Flows: a Citizen's Guide* by Kavajjit Singh, Coordinator of the Public Interest Research Centre, Delhi, explains and analyses the rapidly changing world of global finance and calls for radical reforms. It covers many aspects of the financial system, including capital account liberalisation, hedge funds, tax havens, capital controls and the international financial institutions. Singh sets out guiding principles for a more stable financial architecture and recommends concrete reform measures.

● sales@zedbooks.demon.co.uk

Finance for Development Agenda

The agenda for next year's UN Conference on Finance For Development will cover 6 broad themes. These are: mobilising domestic financial resources for development; mobilising international resources for development: foreign direct investment and other private flows; trade; international financial cooperation for development, debt; and the overall coherence of the international monetary, financial and trading systems in support of development. No date or venue for the conference has been confirmed although it will take place before July 2001.

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program scientist Paul Zeitz, for example calculated that relieving Africa of half of its external bilateral debt would permit a doubling of spending on HIV/AIDS. Oxfam also released a statement opposing new loans and calling for more debt relief and measures to change intellectual property regimes so that cheaper generic drugs can be made available.

After the AIDS conference, G7 Finance Ministers released a statement urging the Multilateral Development Banks, and especially the World Bank, to "deepen their engagement in global issues such as infectious diseases and environmental problems closely related to development". ©

G8 statement available on:

www.g8kyushu-okinawa.go.jp
/e/documents/index.html

New SAP alerts

US-based NGO Globalization Challenge Initiative has launched a "Structural Adjustment Program (SAP) Information Alert" service. This will feature detailed information from public and confidential sources about IMF and World Bank-financed SAPs in selected countries. They will include analysis of likely social, economic, political and environmental impacts and contact details for key officials. The first two "SAP Alerts" feature Ecuador and Tanzania. ©

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global.challenge@juno.com

Report on transition safety nets

Forthcoming research by Save the Children Fund examines the record of "safety net" social programmes in formerly socialist countries. These state supported welfare schemes are typically associated with structural adjustment policies or other poverty programmes. Case studies from Uzbekistan, Tajikistan, Kyrgyzstan, Mongolia and Bulgaria look in particular at whether families' livelihoods and access to services have been significantly impaired and whether measures to protect children have been effective. In Kyrgyzstan, for example, the World Bank advised privatization of livestock has had devastating effects on pastoral communities, with drastic stock reductions, which have impacted food supply and livelihoods. Save the Children argues that what policy-makers think of as short-term impacts (say five or ten years of adjustment) may often have significant long-term effects as children's health and education suffer. The report is due out in mid-September. ©

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Sustainability strategies debated

Academics, officials and NGO representatives heard a range of prominent speakers at the Annual Bank Conference on Development Economics-Europe in late June. French Prime Minister Lionel Jospin opened the meeting with an appeal that "strategies to combat poverty and inequality should not be lim-

ited to safety nets to minimise the impact of economic policies".

The Bretton Woods Project co-organised a workshop on *National Strategies for Sustainable Development: Conflicting Approaches* at the event. Kirk Hamilton, World Bank Senior Environmental Economist, opened the meeting by presenting his latest work on "genuine savings", the concept used by the World Bank to adjust national income to reflect sustainability concerns.

Martin O'Connor, Professor of Economics at the University of Versailles responded with a paper emphasising that "it is crucial to reflect on the development concepts underlying greened national accounts". He urged analysts to separate out commercializable natural assets from well-being prospects related to maintenance of key environmental functions. He urged further attention to the strong linkages between local community infrastructures, informal and unpaid labour and local ecosystem integrity and the dependence of national economies on the world community for primary energy, water, agricultural land, fisheries and absorption of toxic wastes, and other pollutants. The discussants were Paul Steele of the UK Department for International Development and Fander Falconi of the Universitat Autònoma, Barcelona. ©

Full notes and papers will be available on

www.brettonwoodsproject.org

Also available from Bretton Woods Project:

- a new english translation of Fander Falconi's article: Indicators of Weak Sustainable Development: A Pale Reflection of a More Complex Reality;
- The World Bank's Genuine Savings Indicator: a Useful Measure of Sustainability?, *Bretton Woods Project*, December, 1999.

www.worldbank.org/research/abcde

www.worldbank.org/environment

Prague plans

The annual meetings of the World Bank and IMF will be the occasion for high-level official decision-making about the future of the institutions as well as protests and alternative discussions among civil society groups. Thousands of people will travel from across the world to join both sets of events. Civil society groups, led by the CEE Bankwatch Network, are organising a skill-share, a public forum and other events to exchange experiences and debate policy issues. These include debt, globalization, energy strategies and the roles of the IMF and World Bank. A series of short, accessible, briefings will be produced on these and other topics. There will also be a number of demonstrations organised by the September 26 Collective (S26) and others.

On the official agenda topics include IMF evaluation; follow-up to the G8 discussions on financial architecture; the role of the IMF; the role of the World Bank in middle income countries and a review of the Comprehensive Development Framework. There will also be a programme of seminars titled Making the Global Economy Work for Everyone. ©

www.bankwatch.org

www.x21.org/s26/

www.imf.org/external/am
/2000/prague.htm

Prague 2000 Timetable of events
September

20-21 NGO Skillshare

23 Debate with President Vaclav Havel

24-27 Public forum

24 IMF Committee meeting

25 Development committee meeting

26-27 WB/IMF Annual general meeting

Kenya MPs urge aid halt over graft

In mid-July 64 Kenyan MPs signed a statement urging the IMF and World Bank to suspend discussions on new loans to their government after a select committee report into corruption was cut, deleting the names of some politicians and civil servants. "We want to tell the World Bank and the IMF that they have no business dealing with the Moi regime when it cannot accept to investigate and prosecute those named in the report," the MPs said.

The IMF and World Bank ignored these requests, resuming lending to Kenya at the end of the Month.

London workshop on sustainability

In late May WWF and UK NGOs organised a workshop on National Strategies for Sustainable Development (NSSDs). This discussed the call for all countries to produce NSSDs as one of the International Development Targets. It looked at how NSSDs fit with initiatives such as World Bank/IMF Poverty Reduction Strategy Papers, whether they are strictly "environmental" or about livelihoods, and the roles of civil society groups. The meeting report clarifies these issues and contains a list of resources.

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Wolfensohn takes a break

Bank President James Wolfensohn announced in mid-July that he was taking a six week sabbatical. He told the *Financial Times* (14/7/00) he was "exhausted" and planned to go walking and fishing to "try to work out how I'm going to take on the challenge of the next five years." The paper commented that among the factors which may have prompted him to take time off were the controversies over the China Western Poverty Project and the resignation of Ravi Kanbur as World Development Report lead author.

PRGF lending guidance discussions

IMF staff are discussing whether to release for external consultation a draft staff Guidance Note on its Poverty Reduction and Growth Facility. The note covers programme ownership; collaboration with the World Bank; social impact analysis; use of aid resources; public resource management; pro-poor budgets and more selective use of conditionality. In recent discussions with NGOs the IMF has been keen to emphasise that it will streamline its conditionality on PRGF loans to focus on a few key macro-economic criteria and on essential structural reforms important for macroeconomic stability.

Misleading studies bad for the poor

Growth is good for the poor, proclaims a much-discussed new paper of the same title by the Bank's research department. Open markets, capital account liberalisation, rule of law and fiscal discipline boost growth. And, since poor countries and poor people benefit as much as richer people, growth is good for the poor. But policies such as education and democracy are found to have marginal impact on income levels.

These conclusions have been condemned by analysts outside the Bank. Writing in *The Guardian* (14/6/00), Irish economist Richard Douthwaite commented, "even if we accept the paper's finding that the incomes of the poor grew at the same rates as the rich in percentage terms, what this means in real life is that the absolute number of possessions the rich could afford was growing much faster than those of the poor".

Oxfam's critique, *Growth with Equity is Good for the Poor*, commented that: "the high profile given to *Growth IS Good for the Poor* by the World Bank raises serious questions about the institution's role as a poverty reduction agency." "The authors argue that income distribution patterns are irrelevant to poverty reduction. However, there is a discrepancy between recent evidence and their policy conclusions".

David Dollar, who co-authored the report with Aart Kraay, presented their conclusions in June to UK officials, academics, press and NGOs. Dollar admitted that they found a big variation in the rate at which the income of the poor grows compared to average per capita income. Changes in average per capita income, explain about half of poor people's income growth, they say, but their evidence does not say what explains the other half. "We cannot explain what leads to pro-poor

growth and that is our contribution. If we are going to get into pro-poor growth, we are going to have to go into individual countries and the micro level. I am sceptical that we can do this through macro analysis", concluded Dollar. Howard White from IIS suggested the best title for the paper would be "Not explaining the pattern of growth". "Dollar's paper should be the death knell of the 'One Size Fits All' approach, not its justification" said Duncan Green, CAFOD.

The authors have received comments which have led to a few changes in the paper, "though frankly no one has made any technical critique that challenges the basic findings" commented Dollar. However, as Oxfam point out "the more serious problem with the Dollar and Kraay Study is that it demonstrates the potential for absurd questions to produce absurd answers, even with the most sophisticated econometric model." Indeed two UNICEF researchers claimed to have generated similar conclusions from the model using plausible random numbers. The revised paper will soon be issued in the research department's working paper series. ©

Growth is good for the Poor is available at:

- www.worldbank.org/research/growth/
- www.oxfam.org.uk/policy/papers/equity/equity00.htm

Köhler seeks focused, independent IMF

In May in his first public speech as the new head of the IMF, Horst Köhler signalled that he agrees with recent calls for the IMF to be more focussed. Concentrating on macroeconomic stability should "lead to a focus in its advice on monetary, fiscal and exchange rate policies and financial sector policies." He questioned whether it was appropriate for the IMF to try to act as an international lender of last resort and emphasised the need for "constructive engagement" with the private sector. A Capital Markets Consultative Group has been established to provide a forum for such dialogues.

The IMF should also be more independent from the US and other governments. "I know that's very difficult because we have very strong shareholders and they want to exercise their interests—that's very clear," Köhler earlier remarked in the *Wall Street Journal* (29/3/00). "But I would like to embark on a dialogue where I advocate an understanding of the independence of the Fund—not that it is independent of its shareholders, but that it not be pushed around like a yo-yo by daily events or by, say, national agendas."

Köhler has established a task force of seven senior IMF managers to review the IMF's role. The review will look at the focus of the IMF's work in the areas of conditionality versus ownership; the Poverty Reduction and Growth Facility and use of other financing facilities; capital account liberalisation; private sector involvement in crisis resolution and surveillance. In particular the task force will consider whether the IMF's role should be streamlined and how the IMF relates to the World Bank. There are no plans to consult outside the Fund.

A draft report will be discussed by the Board in time for its conclusions to be revealed by Köhler in his speech to the Annual Meeting in Prague in September. Board members at a weekend retreat in July broadly accepted Köhler's proposal, however, a Board member pointed out "there is still an awful lot of grey territory on what IMF core business really is." Another commented, "there is a need for some adjustment in the way conditions are designed, and for more political judgement," reported Reuters.

Poverty Reduction and Growth Facility Loans will also include more streamlined conditionality focusing on macroeconomic and governance conditions. This will effectively give the World Bank more responsibility to oversee structural reforms. This might involve new lending windows at the World Bank, and enable the Bank to provide adjustment loans to countries which are not receiving IMF support. ©

www.imf.org/external/np/speeches/2000/053000.htm

G7 will impose their architecture agenda

G7 finance ministers in July reiterated their commitment to enforce their agenda without a commitment to address the needs of the poorest countries. The statement again focuses on codes and standards which require developing countries to take action at the national level but fails to address key gaps in the international architecture such as a standstill mechanism to ensure private sector participation or measures to protect the poorest countries which cannot borrow from non-concessional sources. Nor does it include any pro-

Committees to review selection of IFI heads

The Boards of the IMF and World Bank have each established working groups to review the processes for selecting the Managing Director and President of the respective institutions. The Executive Boards will report to their Boards of Governors at the September Annual Meetings. The Boards are not likely to seek external input into the process. Details of directors in the working groups are on the Fund and Bank websites.

www.imf.org/external/np/sec/pr/2000/pr0040.htm

wbln0018.worldbank.org/news/pressrelease.nsf

US Congress rules against user fees

In July, the United States Congress passed legislation aiming to bar the International Monetary Fund and the World Bank from imposing "user fees" on primary health care and education on poor countries. This is the first time the House has demanded a change in a specific IMF-World Bank "structural adjustment" policy on the ground. The likely impact of this action is unclear, however, as the IMF often argues that it only "advises" governments on how they might meet its macroeconomic conditions such reducing budget deficits.

Köhler go home say South Africans

In July South African activists told IMF Managing Director Horst Köhler that the IMF was not welcome. They pointed out that the IMF made huge loans to apartheid South Africa during the late 1970s and early 1980s and called for the IMF to make reparations. The Campaign for Neoliberalism in South Africa concluded that the IMF has no role in a democratic society, and should begin the process of full debt cancellation and reparations for the enormous damage done to the region over the past few decades.

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Turkish students in anti-IMF protest

Turkish students protested against the International Monetary Fund and the government's austerity programme in May. The protest was broken up by riot police and 19 students were detained. The protest coincided with a visit to Turkey by an IMF delegation, led by the fund's Turkey desk chief, Carlo Cotarelli, which arrived to review progress under a \$4bn stand-by deal, approved by the fund in December.

posals to control volatility of flows from the source countries. The bias in the proposals demonstrates the failure to include developing countries in the architecture discussions.

A major focus of the report is reform of the IMF. Proposed measures include:

- strengthening the IMF's surveillance function, including surveillance of national financial systems and exchange rate regimes, publishing indicators of national liquidity and balance sheet risks, and promoting application of the Special Data Dissemination Standard;
- increasing the IMF's ability to coordinate compliance with and assessment of countries' observance of international standards and codes, through Reports on the Observance of Standards and Codes and Financial System Stability Assessments, and working with the World Bank on Financial Sector Assessment Programmes and action plans;
- reforming the IMF's lending facilities including streamlining facilities, introducing new prices for non-concessional facilities, and better incentives for joining the Contingency Credit Line;
- refocusing conditions on "issues of macroeconomic relevance"; and
- increasing the transparency and accountability of the IMF by, amongst other things, briefing the IMF Board earlier in the programme formulation process, establishing a permanent independent evaluation office, and reviewing the quota formula.

The paper reiterates the primary focus of the MDBS should be poverty reduction, including for the emerging and middle income countries. It called for a series of steps including greater selectivity, more support for capacity building and structural and institutional reform and exploring the possibility of separating lending from non-lending services.

Its not clear how the G7's IMF proposals will link with those set out

by IMF MD Horst Köhler. Köhler suggested in July that "at its meeting last month, [the IMF Committee] set us a very full program—so full and so sophisticated, for example in the area of standards and codes, that I worry a bit about the practicality of implementation in many developing countries." ☉

☉ www.mof.go.jp/english/lif/summit2000e.htm

Argentine anti-IMF protests

Argentine church leaders joined labour groups in late May to demonstrate against IMF economic policies. Protests erupted after the government announced tax increases and cuts in social spending, government investments, public sector salaries and pensions. The measures have been taken to bring down the government's deficit to satisfy commitments to the IMF. Union leaders called for a one day strike to protest against the measures and the economic misery which is being blamed on the IMF.

An estimated 80,000 people joined the protest which coincided with an IMF mission to the country to review the government's spending and income. The protesters claim that the government's economic policy and international capital markets are directly impacting on peoples' lives, and are calling for greater attention to social matters. The IMF has granted Argentina a \$7.3bn loan in exchange for a commitment to keep this year's budget deficit below 4.7 billion dollars, although the government has already consumed half this amount in the first four months of the year.

IMF President, Horst Köhler distanced the IMF from the demonstrations, "I was quite impressed that the President of Argentina strongly told me that it is his government's program and not an imposition of the IMF", he remarked at a press conference. ☉

Mozambique sugar industry threatened

The IMF looks set to repeat mistakes which led to the demise of Mozambique's cashew processing industry. This time the sugar industry, which employs 17,000 people, is threatened. New private investors, attracted to Mozambique by assurances that the domestic market for sugar was protected, are threatening to pull out if the government yields to pressure from the IMF to remove protection.

The investors claim that the IMF knew that their investments were conditional on the measures staying in place and that staff initially expressed no opposition. However, in November, a visiting IMF team told the government that the protection on sugar should be cut over the next two years. Investors protest that this timetable would not enable them to recover their investments nor to compete with world market prices.

"If the IMF forces these impositions on the government, the result will be the closure of the factories," warned an investor.

Both the World Bank and Government agree that only after the industry is fully operational and competitive should tariffs come down. The World Bank's International Finance Corporation has lent money to a sugar mill and sees the industry as important for attracting foreign

investment. Mozambican President Joaquim Chissano said his administration will continue to protect the sugar industry. "We see no reason why we should be excluded from a resource we have in our hands."

Representatives of the US Congress wrote to President Clinton calling on the President to "strongly encourage the IMF and the World Bank to remove any conditions on the cashew nut processing industry and the sugar industry from their negotiations with Mozambique, so that debt relief for Mozambique will not be delayed by irrelevant and inappropriate conditionalities."

A study has been commissioned to examine options and negotiations will restart when it is completed. ☉

Indians protest at power price increases

Increased power tariffs as part of World Bank plans to privatize the power sector in Andhra Pradesh, India have sparked protests. Under contract with the World Bank, the state government has to increase the power rates every year for five years. This year's increases are highest for lower consumption sectors, up to 300 percent for people on low incomes.

Protesters are also concerned that the industry's assets are being undervalued and will bring windfall gains to the private owners. Moreover, the book value does not reflect environmental and resettlement costs such as compensation for victims of dam construction. A People's Monitoring Group on Power Reforms in Andhra Pradesh has been established. ☉

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Protests over Paraguay privatisation plans

In June, several protesters and journalists were injured after clashes with police in Asuncion, Paraguay, on the first day of a 48-hour general strike against plans to privatize telephone, water and railroad companies. The privatizations are part of a series of "non-negotiable" measures demanded by the World Bank and IMF, which must be implemented before the government can access \$400 million in loans from the World Bank.

Nigerian parliament rejects IMF

In July, the Nigerian House of Representatives adopted a non-binding motion urging the federal government to suspend all activities in respect of an IMF standby loan until the conditions were made public. The motion comes after riots in June following government removal of subsidies for cooking fuel and petrol as a condition for the \$1bn standby loan. The Speaker of the House, Umar Ghali Na'Abba called for members to be given full information about the institutions and their relationship with Nigeria, "it is only then that we can be properly equipped to delve into these things," he said.

Slovaks condemn WB-IMF collusion

Friends of the Earth Slovakia has complained about the World Bank's requirement that the government agree a programme with the IMF before it can access Bank loans. "This illustrates how the two institutions work as a team to push their own agenda, regardless of whether the government and the public want it," commented Juraj Zamkovsky of Friends of the Earth Slovakia. The government aims to establish a formal relationship with the IMF, although some officials feel this could hurt Slovakia's standing on the international capital markets.

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New book on debt origins and impacts

Brazilian activist Marcos Arruda exposes the problems with his government's economic policies and the role of the IMF in a new book. *External Debt, Brazil and the International Financial Crisis* assesses the history and implications of development lending to Brazil and discusses the programme agreed with the IMF in 1998 which has led to major cuts in social expenditure. Arruda concludes with proposals developed through his work with Policy Alternatives for the Southern Cone.

☉ www.plutobooks.com
☉ www.alternex.com.br/~pacs

Ecuadoreans protest against adjustment reforms

In June the Patriotic Front, a coalition of unions and grass-roots organizations, held a national strike to protest neoliberal economic policies promoted by the World Bank and International Monetary Fund (IMF).

Police attacked protesters with tear gas in Quito and Guayaquil. Groups of indigenous people blocked some highways in the southern part of Chimborazo province. The strikers' demands included:

- no dollarization;
- a price freeze;
- elimination of all structural adjustment reforms, including an end to plans for privatization of state-owned companies in strategic sectors; and
- no payment of the external debt.

Following the two-day strike, a delegation of Ecuadorean human rights, women's and trade union organisations met World Bank and IMF officials in Washington. They demanded that the World Bank Board postpone approval of the Country Assistance Strategy (CAS) and a new structural adjustment loan (SAL) because:

- there was no effective participation in the CAS process;
- the CAS is conditioned on the fulfilment of IMF policies, such as the removal of subsidies, that have led to protests in Ecuador;
- the World Bank programme requires social sector spending to be frozen although spending levels are already abysmally low and were cut by 10 per cent in 1999; and
- the new World Bank lending will add further to Ecuador's crippling debt burden which is projected to consume 53.9 per cent of government expenditures in 2000.

The civil-society delegation called for:

- the contents of the CAS and the conditionalities in the SAL to be made public;
- the first tranche of the adjustment loan to be dedicated to social protection; and
- an independent social assessment, involving direct consultations with the affected communities;

The bank did not agree to these demands. However, David de Ferranti, Bank vice-president for Latin America and the Caribbean, indicated that the Bank would make greater efforts to ensure adequate citizen participation in the design and implementation of the next CAS. ☺

Protests at UN collaboration with Bank and Fund

In June, 80 non-governmental organizations and people's movements issued a joint statement condemning the UN's involvement in a joint UN, WB, IMF and OECD report *A Better World for All*, released during the follow-up summit to the Copenhagen Social Summit held five years ago.

They called on Member States to reject "A Better World for All which does not reflect the spirit, opinion and positions of the UN as a whole, particularly that of civil society. NGOs further pledged to intensify a global campaign against the document".

The NGOs, peoples' organisations and movements expressed "outrage" that:

- the document was presented as a new consensus between the United Nations, the OECD, the IMF and the World Bank, thereby reinforcing Northern perspectives and disempowering the South while undermining the concept of political inclusiveness that defines the UN;
 - the timing of the release of the "biased messages", by the Secretary-General at opening sessions of the General Assembly and Geneva 2000 forum, pre-empted negotiations and devalued its very process;
 - equal status was accorded to the signatories despite a clear distinction between the UN and its specialised agencies;
 - the document promotes an image of poor people living only in the South who will be grateful for assistance, as opposed to empowering people living in poverty everywhere to demand their rights;
 - the report's characterisation of "pro-poor growth" makes Southern people themselves responsible for climbing out of poverty;
 - the document not only fails to recognise the role of IFI liberalisation policies in generating poverty, but instead proposes to eradicate poverty with more of the same medicine—despite the recent failure of these very same policies in East Asia.
- Among other things the statement called for:
- a re-commitment to the social summit process by analysing the root causes of poverty and gender inequality in the context of current globalization policies;
 - the introduction of a Currency Transfer Tax (CTT) to counter the instability of global capital transactions and mobilise further resources for social development.

The NGO joint statement is at:

🌐 www.wcc-coe.org/wcc/what/jpc/NGO-state.html

A Better World For All is available from:

🌐 www.paris21.org/betterworld

New collaborative Web plan

The Bretton Woods Project and other organisations have been discussing a new collaborative website to assemble documents and links on World Bank-related policy issues. It will focus in particular on the roles of the World Bank as "knowledge bank". The site will contain original material discussing the knowledge bank, video clips of activists questioning the Bank's role, and up to date links to specific pages and documents on key NGO and research sites. To function well the initial site will need feedback and cooperation from a wide range of organisations.

🌐 realworldbank.org

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Selected websites

Bank Information Center

🌐 www.bicusa.org

CEE Bankwatch Network

🌐 www.bankwatch.org

Global Development Gateway discussion

🌐 www.bellanet.org/gdgpinciples

Update available in multiple options

The Bretton Woods Update is now available in four formats: printed, e-mail, HTML and PDF. Please let the Project know if you would like to receive it in a different way and have not yet replied to the June mailout we sent.

✉ bwref@gn.apc.org

🌐 www.brettonwoodsproject.org/bwupdate/18

Project office move, new grant

After four and a half years based in Christian Aid's building in Waterloo the Bretton Woods Project has moved. It is now hosted by Action Aid in Archway, North London. The Project is very grateful to Christian Aid for its generous support of the Project and will continue to work with Christian Aid and all the other groups in the network. The Project is also very grateful to the MacArthur Foundation which has recently approved a grant to help take forward the Project's work.



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