

World Commission report has far-reaching implications

On 16 November the World Commission on Dams (WCD) launched its final report.

This unprecedented exercise brought together representatives of different perspectives on the dams issue and conducted a major series of studies. Its conclusions have far-reaching implications for the World Bank and similar agencies, not just for their approaches to dams but for all project planning.

The WCD was established in 1998, following NGO and dam-affected peoples' calls for an independent review of the impacts of large dams. Originally the World Bank had tried to satisfy this demand with a desk review by its Evaluation Department. When this was dismissed as partial and inadequate, the Bank worked with the World Conservation Union (IUCN) and others to pull together a new process. The WCD's mandate was to evaluate the development impacts of large dams, and to recommend new guidelines for future planning.

In 1998—following intense negotiations—the twelve-person Commission started work. It was composed of members from NGOs, governments and public utilities, industry and academia. The Commission was established in Cape Town, with a South African government minister, Kader Asmal, as

chair. The WCD conducted a number of thematic reviews and case studies, held hearings in all regions of the world and received nearly one thousand evidence submissions.

Among the conclusions of its final report are that large dams have in general produced considerable benefits but:

- failed to provide as much electricity, water, or flood control as their sponsors predicted;
- suffered massive cost-overruns and time delays;
- proven uneconomic, even before accounting for their social and environmental costs;
- had huge social and environmental impacts which have not been mitigated;
- provided benefits to the already well-off while poorer sectors of society have borne the costs.

These findings led to a number of important recommendations which apply to dams but which could also be applied to other infrastructure development.

The WCD report recommends:

- giving priority to optimizing the performance of existing infrastructure before starting new projects;
- periodic participatory reviews for existing dams to assess issues such as dam safety;
- mechanisms to provide social reparations for those who are suffering the impacts of dams, and to restore damaged ecosystems.

The WCD report provides the best and most detailed analysis of "participation" yet elaborated by a body of such standing. It says participation should mean "free, prior informed consent" or "demonstrable public acceptance" of affected

people, expressed in binding formal agreements.

These agreements should be "negotiated in an open and transparent process" which begins by recognizing rights and assessing risks. Options assessment should be conducted at all stages of planning, project development and operations. This should include:

- Formulating development needs and objectives through an open and participatory process before identifying and assessing options for water and energy resource development;
- Using planning approaches which take into account the full range of development objectives to assess all policy, institutional, management and technical options;
- Giving social and environmental aspects the same significance as technical, economic and financial factors;
- Giving priority to increasing the effectiveness and sustainability of existing water, irrigation and energy systems;

Continued on page 2

"The debate about dams is a debate about the very meaning, purpose and pathways for achieving development."

WCD final report

"Development banks are central to the international finance system" – page 4

Indigenous policy dilution threat	2	PNG forest moratorium in question	5
Bank land reforms contested	2	New "Net the debt" website	5
Participation review: mixed findings	3	Mexican NGOs demand transparency	6
Narmada controversy re-erupts	3	Argentine bail-out causes more hardship	6
Labour representatives meet World Bank	3	US contests user fees	6
Panama Bay scheme: alert	3	Turkey crisis and IMF	6
New UK child poverty initiative	4	Let them drink Coke	6
Chad President spends pipeline windfall on arms	4	Tanzanians criticize PRSP process	7
Code of conduct call for Bank anthropologists	4	Disillusionment with democracy	8
Study on strategic issues for development banks	5	Reflections on Kenyan PRSP process	8
Bretton Woods summit on Dutch coast	5	Latest on Bank net gateway plans	8

Update back issues, plus reports, links and more at: www.brettonwoodsproject.org

Continued from page 1

Patrick McCully of International Rivers Network (IRN) stated: "the World Commission on Dams report vindicates much of what dam critics have long argued. If the builders and funders of dams follow its recommendations, the era of destructive dams should come to an end". The Commission report recommends that multilateral development banks

- help countries implement its recommendations;
- review their portfolios of past projects to identify those that may have underperformed or present unresolved issues, and share in addressing the financial burden of such projects;
- review internal processes and operational policies in relation to selection of projects, the appraisal process; and implementation, monitoring, and evaluation.

Over one hundred NGOs from 39 countries reinforced these messages by signing a call for public financial institutions such as the World Bank to immediately and comprehensively adopt the WCD's recommendations. In particular the NGOs called for independent, transparent and participatory reviews of planned and

"Options assessment has been typically limited in scope and confined primarily to technical parameters"

WCD final report

ongoing dam projects, and a halt to project preparation and construction while this is done. It also called on all institutions which share responsibility for the unresolved negative impacts of dams to initiate a process to establish and fund mechanisms to provide reparations to communities which have suffered losses from dams.

World Bank President James Wolfensohn has announced that the Bank will discuss how to react to the report's findings and will report back in February 2001. Early indications are that serious discussions are taking place in the Bank on issues from water sector operations to policies on resettlement and indigenous peoples (see story, this page). The Bretton Woods Project is working with others to push for clear and comprehensive follow-up.

The full WCD report can be downloaded from:

- www.dams.org
- or is published by Earthscan
- www.earthscan.co.uk

A Citizen's Guide to the WCD report is being produced by IRN

- www.irn.org/wcd

Call to Financial Institutions is on

- www.evb.ch/bd/wcd

Indigenous policy dilution threat

The World Bank's revised Indigenous Peoples Policy will be released in draft early in 2001 for further consultations. Tom Griffiths of the Forest Peoples' Programme (FPP) comments: "we are concerned that crucial safeguards relating to land and customary resource rights should be strengthened in the new policy. The indigenous movement and its supporters will have to campaign hard to make sure the new policy is not weaker than the existing one".

The Bank's 1991 Indigenous Peoples Policy (IPP) aims to ensure that Bank staff, borrower governments and implementing agencies respect indigenous rights. Civil society organizations fear that a revised policy may emphasize participation and benefit sharing, but sidestep land rights and self-determination issues. The Bank started the revision of its IPP in 1998 as part of its general drive to simplify and streamline its policies.

Indigenous peoples demanded that any revised policy must be stronger than the existing directive and asked that the Bank conduct a

thorough review of the difficulties with policy implementation. As the latter did not materialize, FPP and Bank Information Center organized a workshop in May to discuss ten case studies. Prepared by indigenous peoples from Latin America, Africa and Asia, the studies examined Bank-assisted operations affecting their communities and territories.

Evidence presented at the workshop showed that compliance on the IPP is often weak and sometimes highly unsatisfactory, especially with regard to indigenous people's land rights. There was only one case

where indigenous peoples felt they had participated in a meaningful way during the project preparation phase. Indigenous peoples still often find themselves worse off after Bank projects due to repeated patterns of superficial or absent baseline studies and oversights in appraisal and supervision. The case studies also exposed the structural and financial obstacles to effective implementation. Bank staff lack the time, resources and incentives to adhere properly to safeguard policies. Major reforms to staff incentives and budgets will be needed for more effective compliance. Workshop participants also called for:

- Stronger enforcement mechanisms to back up loan agreement conditions;
- Greater accountability of both the World Bank to indigenous peoples, with agreements that are enforceable in the national courts;
- Stronger mechanisms for participation and access to information in appropriate languages;
- Application of the policy to structural adjustment lending.

The summary report, individual case studies and other briefings on the Indigenous Peoples and Forests policies available from:

- www.wrm.org.uy
- www.bicusa.org
- www.forestpeoples.org
- info@fppwrm.gn.apc.org

Bank land reforms contested

A petition to the World Bank on market-based land reform has been prepared by Via Campesina (an international peasants movement) and FIAN (a human rights group). These organizations are working with the National Forum on Agrarian Reform in Brazil and grass roots groups in the Philippines and South Africa.

In the final declaration of the first "International Meeting of Landless Peasants" held in Honduras at the end of July 2000 delegates from 24 countries stated: "we reject the ideology that considers land only as a commodity. We observe with concern that the dominant agrarian policies, implemented within the framework of neo-liberalism, increasingly attempts to subject Agrarian Reform to the mechanics of the land market".

The petition expresses "deep concern" about the land reform policies being promoted by the World Bank since the mid nineties. The "market-assisted land reform"

provides beneficiaries a combination of grants and loans which they use to negotiate the purchase of land from willing sellers. This is supposed to be a more promising approach than using land reform agencies with powers of expropriation. The petition complains, however, that it "does not guarantee the realization of an integrated and comprehensive agrarian reform since market-led land redistribution in oligopolistic environments is impossible. By implementing this model the Bank is failing to realize its own Operational Directive on Poverty Reduction. This has been illustrated by the results of such programmes so far which have not fundamentally altered the patterns of land ownership".

Specific problems with the programs include their failure to reach the poorest families, increases in land prices caused by the state credit supply (as in the Philippines) and the failure of the schemes to

produce sufficient willing land sellers. Participation has also been inadequate: "as the Brazilian experience illustrates, the Bank bypassed landless and small farmers' organizations at the national level" when drawing up its project.

The petition concludes by asking the Bank for a suspension of support to further market-assisted land reform programmes and a re-examination of the market-assisted land reform model through a participatory monitoring process.

On 1 December the World Bank announced approval of a \$202.1 million loan for land reform in Brazil. It will operate across all northeastern states, and pilot the approach in Parana, Rio Grande do Sul, Santa Catarina, Minas Gerais, and Espirito Santo. The project claims it will help increase the incomes of about 50,000 poor rural and peri-urban families by boosting agricultural output.

- Vilmar Schneider
 ● vilmar@fian.org
 www.fian.org

Participation review: mixed findings

A forthcoming official report on participation in Bank-supported activities indicates that more Bank operations are participatory, but often with limited impact. It recommends a number of changes in Bank strategy.

The Operations Evaluation Department review examined project files and other documents and databases and had missions in Bangladesh, El Salvador, Guatemala, India, Kenya, and Malawi.

It concludes that primary stakeholder participation in Bank-assisted projects significantly increased between 1994 and 1998. Among the projects examined, those using participatory approaches rose from 40 percent of new projects approved in 1994 to 70 percent in 1998.

However, the review found that participation is less advanced in infrastructure and adjustment loans and that "the quality, and thus the potential effectiveness, of participation has not kept pace with the increasing quantity. Much was limited to only small parts of projects, too rushed or superficial, or too ineffective to make much difference." Participation was also often too late, involved few women and bypassed existing institutions. Meetings with stakeholders on Bank Country Assistance Strategies were "sometimes little more than opportunities for the Bank to present and gain acceptance for its country programs rather than to learn about local priorities".

The biggest constraints on participation were found to be government resistance, and a lack of capacity or experience of all stakeholders. For the Bank participatory work was hampered by "scarce time and money, rigid project cycles, inadequate incentives, and inconsistent management support".

The report recommends a more systemic, governance approach to participation. To improve the quality of participatory processes in CASS and Poverty Reduction Strategy Papers the report recommends developing participation benchmarks, standards, and guidelines and conducting local institutional analysis. For the Bank it recommends developing a participation strategy and action plan to determine institutional responsibility for leadership on participation and examining the skills of and incentives for task managers.

The report is being discussed by World Bank management and the final version is due in the Spring.

www.worldbank.org/html/oed/evaluation/

Andhra protesters oppose "LPG"

In Hyderabad, India 20 political leaders and demonstrators were arrested for defying police orders prohibiting demonstrations during Bank President James Wolfensohn's arrival in November. The protesters gave the police the slip and took to the streets chanting slogans such as "World Bank down down" and "Wolfensohn go back". Protesters accused the Andhra Pradesh Chief Minister of running the State at the behest of the World Bank: increasing tariffs and imposing taxes and scrapping welfare measures. The 'LPG effect' (liberalization, privatization and globalization) was crippling, they said.

Bank President faces Narmada activists

In October the Indian Supreme Court ruled that construction could restart on the Sardar Sarovar dam. Construction had been mostly stalled for nearly six years while the Court dealt with the case. The Narmada Bachao Andolan peoples' movement (NBA) which had brought the case reacted with a series of protests both in the project area and in Delhi.

The World Bank was forced out of the project in 1993 due to public protests about the extent to which the project violated the World Bank's policies on social and environmental issues. People assumed it would want to stay out, until it was reported that Bank President Wolfensohn had told the Chief Minister of Gujarat that the Bank might be willing to provide further finance for some parts of the project again.

Partly in response, 2500 people rallied at the World Bank office in New Delhi on 13 November. Wolfensohn was eventually persuaded to come out to talk with the protesters. He denied any plans to re-enter the Narmada projects. An NBA press release the following day said "People's organizations cautiously take the promises made by the World Bank President before a gathering of over 2500 people yesterday. However, the people, who are the victims of the present lopsided development paradigm pushed by the Bank and their agents expressed their determination to fight this paradigm, which pushes them to deprivation and destitution".

Other projects were also raised with Wolfensohn, including the Andhra Pradesh Social Forestry project and the Madhya Pradesh Forestry

Project. The Madhya Pradesh project was halted before Phase II because it was "devastating the natural resource base of the adivasis and other communities whose life and livelihood is dependent on it".

A number of NGOs from India and abroad signed an open letter to the World Bank calling on the Bank to shoulder its responsibility for the social and environmental impacts of the Narmada dams. The letter points out that the Bank approved its \$450 million loan for the project in 1985 despite glaring violations of its own guidelines concerning resettlement and the environment. The Bank admits that despite cancelling the remainder of the loan in 1993, the Indian Government's legal obligations to its creditor remain until the loan is repaid. In a 1999 letter, the Bank's India Country Director stated that "the Bank has in the past and will continue to urge the Government of India to meet its obligations regarding the people affected by the Sardar Sarovar Project." The letter points out that the World Bank has failed to do this and therefore demands that the Bank suspend all further disbursements and approvals for new loans for the Gujarat, Madhya Pradesh and Maharashtra state governments until the Bank has ensured that the conditions of the loan have been met.

Narmada Bachao Andolan
B 13 Shivam Flats, Ellora Park
Baroda 390 007, India
baroda@narmada.org
www.narmada.org

Labour representatives meet World Bank

In late October 60 labour organization representatives met World Bank and IMF staff to discuss trade union issues. World Bank President, James Wolfensohn, offered to set up a position in the Bank to monitor labour issues in bank projects. He also said that the mission of both the Bank and the IMF is to reduce poverty, but that privatization would continue to be necessary to achieve this. Under questioning Wolfensohn said that the Bank does respect three out of the five core labour rights (anti-slavery, anti child labour and anti-discrimination) but that it cannot respect the other two (freedom of association and collective bargaining) because it does "not get involved in national politics". Whilst this statement was greeted with disbelief, some welcome indications were given. Both institutions announced

that instructions would be given to ensure that trade unions are invited to be involved in PRSP processes, the Bank agreed to more regular dialogues with trade unions internationally and the Bank is considering introducing mandatory labour clauses into Standard Bidding Documents for works.

marion.hellmann@ifbww.org

www.ifbww.org

www.world-psi.org

Panama Bay scheme: alert

An NGO concerned about a project that will cause irreversible damage to Panama Bay is calling for international support. The Corredor Sur toll road and the Punta Pacifica real estate development are being built by the Mexican-based construction company ICA. El Fundacion Ciudadana (Foundation for the Development of Citizen Liberty) has been contesting the scheme for two and a half years. It argues that the two projects are intimately interlinked and that the real estate development is the major justification for the Corredor Sur toll road, which is financed by the World Bank Group's private sector arm, the International Finance Corporation (IFC).

The project aims to reclaim portions of Panama Bay to create islands to build luxury apartments. Independent hydrology experts have warned that the islands will obstruct the coastal current and trap raw sewage in the Bay, causing serious environmental and public health problems. The IFC denies this and stands by the Environmental Assessment process. El Fundacion para el Desarrollo de la Libertad Ciudadana is calling on the government to stop the land reclamation and amend the concession contract with the corporation by compensating them with land of equal value in another part of the city or country. They are requesting international supporters to write to the President of Panama.

Her Excellency, Mrs. Mireya Moscoso
President of the Republic of Panama
Palacio de las Garzas, Panama 1, Panama
Fax: +507 227-2332

Further campaign information:

www.geocities.com/rainforest/andes/4297

www.ciel.org/ifccasepanama.html

www.sinfo.net/libertadciudadana
libertad@pty.com

New UK child poverty initiative

UK Chancellor, Gordon Brown, and Clare Short, Secretary of State for International Development, are planning a "Child Poverty Initiative". Its aim is to bring Southern governments, Northern donors, the International Financial Institutions, UN organizations, NGOs and the private sector together to coordinate their efforts to achieve the International Development Targets.

The initiative is likely to focus on coordinating through the Poverty Reduction Strategy process and ensuring these produce real gains in reducing poverty.

Brown and Short intend to launch the initiative with a conference, involving all stakeholders, in late January or early February. Nelson Mandela and Graca Machel have agreed to attend. NGOs have welcomed the initiative and identified four core areas which will be essential to address if progress is to be made in reducing household poverty: trade and livelihoods, IFI policy coherence, conflict and basic services. NGOs have stressed that they want to be involved over the long-term and that the Treasury must guarantee a long-term commitment.

Brown and Short hope to build a coalition that will press for:

- the WB and IMF to fully support the child poverty targets in poverty reduction strategy papers;
- developed countries to focus on poverty reduction, coordinating with the actions of developing countries, and to examine their policies on trade, foreign policy, and conflict prevention;
- developing countries to focus spending on basic public services;
- business to increase commitment to

social responsibility and ethical sourcing, take action against corruption, develop new partnerships, for example to provide infrastructure and access to drugs, and raise more money in support of development targets.

Africa Partnership

UK Prime Minister Tony Blair is also promoting an "Africa Partnership Initiative". It is unclear whether this will be an international or a UK initiative. The South African government is taking the lead in developing work on the African side. It will focus on conflict prevention, governance and civil society, investment, trade, technology and education, health and the environment. NGOs are concerned that the initiative will be too rushed to be useful.

The task force pulling together the project is demanding new solutions but NGOs have stressed the need to take steps to properly implement solutions identified in previous reviews, such as streamlining and coordinating aid reporting requirements etc. A draft report will be discussed in mid-December for launch in the new year.

● william.price@hm-treasury.gsi.gov.uk

● sarah.powell@dfid.gov.uk

Chadian President spends pipeline windfall on arms

In June the World Bank agreed to back the Chad Cameroon oil pipeline, despite serious reservations from civil society groups in Chad and around the world. One of the major disputes concerned whether oil revenue of up to \$100 million a year would be siphoned off or would go to poverty reduction programs.

The Chadian government received a \$25 million "bonus" from the oil consortium (Exxon, Chevron and Petronas). Deby had promised to spend the money in a transparent manner, but in late November admitted that he had used \$4.5 mil-

lion to buy weapons. A World Bank spokesman told the Washington Post (5 December 2000) that the Bank and other institutions might disqualify Chad from debt relief. The arms purchases "should be a warning to show that when the oil money flows, the World Bank won't have any way to know what Deby will do with it," said Delphine K. Djiraibe, president of the Chadian Association for the Promotion and Defense of Human Rights, which fought the pipeline for years.

● washingtonpost.com/wp-dyn/articles/A23916-2000Dec4.html

World Bank anthropologists: code of conduct call

World Bank operations often use anthropologists and other social experts for studies which precede their development programs. In addition to the small number of anthropologists who work in the Bank, many are hired as consultants. A paper given by University of California Professor of Social Sciences Jonathan Fox at the American Anthropological Association in November suggested a new mode of operation for these social scientists which would do more to empower communities.

The paper ends with a "wake up call" from Manuel Fernandez de Villegas. Based on his work in *Trasparencia*, a Mexican NGO which monitors World Bank projects in rural Mexico he proposes "something like a code of ethics for social development professionals who work as consultants". This includes proposals that communities and

organizations should be informed who researchers are working for and should also receive copies of consultants' reports to check what researchers have written about them. Consultants sometimes argue that the final reports are the property of the World Bank "but this means giving priority to their source of temporary employment, over and above the interests and rights of the communities and social organizations who are trying to defend their autonomy and their right to decide and to participate in the government programs that are carried out in their area of influence".

Fernandez suggests that anthropologists reverse their focus and help communities and grass roots organizations "understand the traditions, customs and logic of the multilateral institutions".

● www.laneta.apc.org/trasparencia

Ugandan dam concerns

Ugandan and international NGOs have written to the head of the IFC to raise concerns about its planned support for the Bujagali Falls dam. The letter argues that "the project is too flawed to go forward as planned, as it neither helps the majority of Ugandans, nor meets the guidelines and recommendations of the newly released report of the World Commission on Dams". The letter requests a thorough needs assessment, the release of the Power Purchase Agreement and a full and fair consideration of alternative energy options.

Letter available from:

● fmartone@cambio.it

Accountability workshop materials

New resource books have been produced by the Rights and Records Institute following concern that "reforms to support accountability in developing countries were being pushed through by the donor community with little opportunity for the people of the countries themselves to express their views. *Information for Accountability Workshops* are designed to stimulate open-ended discussion processes on information disclosure options.

● www.irmt.org/resources/work-book.doc

El Salvador to dollarize

El Salvador is planning to make the US dollar legal tender in January as part of efforts to strengthen the country's economy. IMF managing director, Horst Kohler, and US Treasury Secretary, Lawrence Summers, welcomed the plan. The IMF said it would begin negotiations on a new economic programme with the government if related fiscal measures were implemented. If approved by the nation's national assembly, El Salvador would become the third Latin American country to adopt the greenback, after Panama and Ecuador.

● www.imf.org/external/np/sec/nb/2000/nb00106.htm

Development framework assessed

The Operations Evaluation Department (OED) has released working papers on the Comprehensive Development Framework (CDF). Drawing on development and evaluation experience, these papers explore the relationships between the CDF principles and other developmental issues. Titles include, *Perspectives on Partnership* by Simon Maxwell and Tim Conway, *Ownership and Conditionality* by William Branson and Nagy Hanna, and *Mainstreaming Participation in Development* by James Blackburn, Robert Chambers and John Gaventa.

● wbln0018.worldbank.org/oed/oedevent.nsf/htmlmedia/Interhome.html

Study on strategic issues for development banks

A wide-ranging new study overviews the strategic framework for the future of the Multilateral Development Banks (MDBs). The Foresight and Policy Study of MDBs, carried out by the Institute for Development Studies for the Swedish government, is broadly positive about MDBs, but makes a series of recommendations to increase their relevance and effectiveness.

The study recognizes that “this is a time of unprecedented stress on the entire MDB system. MDBs are confronted with angry mobs calling for their abolition; with accusations of expansionism, with pleas for expanded roles in human rights and ‘good governance’ and with public reports urging radical changes, greater role differentiation and much higher levels of specialization.” It points to pressures and paradoxes including: “challenges from poorer member countries to help catalyse successful integration into the global economy and, at the same time, to alleviate the deep socio-economic fissures that such integration can also cause”. It also refers to calls to exercise regional and global leadership whilst also reflecting the myriad interests and viewpoints of a wide range of actors.

Some of the muddled thinking about the World Bank and similar institutions results from a failure to appreciate that they are not just aid institutions but “central to the international financial system which has grown explosively during the last three decades”. Based on a literature

review and many interviews with senior MDB staff members, government officials and policy makers, financial sector experts and researchers the study concludes: “In spite of many problems and shortcomings, independent analyses have consistently confirmed a reasonably positive track record and the fact that there are no other institutions that provide a comparable range of

products and services to member countries. With the possible exception of similar organizations that would benefit from automatic resource mobilization mechanisms (e.g. international taxes), there are no alternative institutional innovations in sight that could provide the combination of financial resource mobilization, capacity building and institutional development, knowledge brokering and the provision of international public goods.”

It stresses, however, that “This does not imply a ‘business as usual’ approach. MDBs must articulate multiple strategies to maintain and increase political support from all their shareholders (i.e. not only from the most powerful ones)”.

The report criticizes many aspects of current approaches. On the World Bank’s “knowledge” agenda, for example it states: “the World Bank continues to be dominant as the main purveyor of development ideas. Although its policy prescriptions change significantly over time, a ‘the Bank can never be wrong’ mentality still prevails in much of the institution’s thoughts and actions”.

Among the studies many detailed recommendations are to:

- Renew intellectual capacity to engage in policy dialogue with stakeholders, embracing intellectual diversity and a greater willingness to learn from others.
- Focus on spreading best practices and on building policy-making capacities in borrowing countries.
- Give greater and special emphasis to technological innovation and scientific research capabilities.
- Explore the possibility of charging for technical assistance, information, policy dialogue services to middle and high-income developing countries.

On the hot topic of how and how far the MDBs should be involved in producing and distributing “public goods” the report recommends that the MDBs should form strategic partnerships with other organizations and “not on their own continue to attempt to provide public goods”. “The rapid expansion of demand on the MDBs to play a much greater role in the provision of regional and global public goods needs to be further examined in order to arrive at the right balance between this function and direct support to the development of a borrowing country”.

Not everyone will agree with this thought-provoking report but it contains arguments and evidence that many people will find interesting. Future reports are planned on global public goods in particular.

“If we want a deal on green-house gases, if we want debt relief for the poor, if we want curbs on speculation, then we need effective multilateral institutions. The answer is not to go down the road of unilateralism, which would only leave the weak even more exposed to the naked power of the strong, but to change the goals and working practices of the institutions we have, and to set up new institutions, a world environment organization with teeth, for example.”

Larry Elliot, *The Guardian*, 29 November,

www.guardianunlimited.co.uk/Archive/Article/0,4273,4097794,00.html

“for [CDFs and PRSPs] to play a positive role MDBs must be prepared to accept strategies and policies different from those they espouse and collaborate with other institutions and organizations. Greater interaction with borrowing country members requires staff time, intensive consultations and possibly a more substantive field presence.”

A Foresight and Policy Study of MDBs, p. xiv

A Foresight and Policy Study of Multilateral Development Banks (MDBs) Prepared for the Ministry of Foreign Affairs, Sweden by The Institute of Development Studies, UK.

www.utrikes.regeringen.se/inenglish/index.htm

Kåre Pugerup, Project Director, Development Financing 2000:

kare.pugerup@foreign.ministry.se

Seattle remembered at IMF protests

Activists and NGOs in Washington marked the first anniversary of the Seattle-WTO protests by holding a counter-reception outside the IMF’s headquarters during the formal opening of its new visitor center.

“What the IMF is doing is very consonant with what the WTO does around the world—making the world safe for corporate privilege, making the world worse for the people in countries impacted by their policies, which are mainly countries of the South,” said Soren Ambrose of the anti-IMF network 50 Years Is Enough.

www.50years.org

Bretton Woods summit on Dutch coast

Many people have discussed at different times the idea of organizing a new, alternative Bretton Woods summit to update the one of 1944 which gave rise to the World Bank and IMF. On 1 and 2 December Dutch alternative magazine Ode organized just such a conference in The Netherlands, with alternative thinkers aiming to “formulate the principles of a new economic order”. The “Treaty” produced at the meeting covers many issues including: new indicators of national income, sustainable currencies, Tobin Tax, debt cancellation, trade, green energy and spiritual growth.

www.treatyofnoordwijkaanzee.com

PNG forest moratorium in question

The moratorium on issuing new logging concessions in Papua New Guinea is possibly under threat. NGOs and others argue that the moratorium should be retained for forest sector reform efforts to be effective from a socio-economic perspective. There are concerns that the World Bank is backsliding on its support for the moratorium. NGO demands will be circulated ahead of the Bank Board’s discussions of a new PNG forest sector loan scheduled for January.

lafcadio.cortesi@diab.greenpeace.org

New ‘Net the debt’ site

OneWorld has launched DebtChannel.org, a global portal site on international debt. The site, edited from Zambia, is a partnership of over 70 aid agencies, human rights and campaign groups worldwide. It contains latest news, campaign actions, online discussions, events, a directory of links and more.

“The internet can help bring together global civil society to ensure that debt does not bring more human suffering and poverty,” says Joe Chilaizya, DebtChannel.org editor.

www.DebtChannel.org

Mexican NGOs demand transparency

In November Mexican civil society networks greeted incoming president, Vicente Fox, with a letter calling for greater transparency and accountability in the country's decision making processes. They called on Fox to open up the negotiating processes between the multilateral financial institutions (the International Monetary Fund, the World Bank and the Inter-American Development Bank) and the Mexican government. They called for opportunities for public scrutiny and Congress approval. To date, most of the negotiation process has been secret.

Among other requests, they called on Fox to:

- define legislation which ensures civil society participation in the multilateral organizations' consultations, particularly those of the World Bank, the IMF and the IDB;
- publicize the dates and results of IMF's annual Article IV missions and submit the results to Congress and the Senate;
- seek Congressional approval of Country Assistance Strategies before they are approved by the World Bank's Board of Directors, and that all sectors of society be broadly consulted;
- seek Senate approval at the initial stage of project identification of all WB and IDB operations, and give Congress regular updates to determine whether the project should continue to the next phase;
- seek approval from Congress to modify Article II of the General Law on Public Debt, to require that all documents having to do with foreign debt be submitted to Congress and that the President's national budget identify the source of all expenditures each year;
- revise the Decree of Budget Expenditures of the Federation to note that Congress and civil society have the right to monitor public programs at the federal and state level; including where resources come from and how they are spent, as well as the impacts of these programs on beneficiary or affected populations.

Argentine bail-out causes more hardship

After weeks of jockeying by the Argentinian government, the IMF and the US Treasury Department finally agreed to provide \$18 billion to bailout Argentina's troubled economy in November. In return the government must implement further austerity measures, including spending cuts, deregulation of the pension system and tax hikes. The agreement provoked thousands of Argentines to join a 36-hour national strike. Protesters set off fire crackers and beat drums outside government buildings and blocked roads leading into Buenos Aires and

clogged main avenues to the city center in one of the largest strikes in years.

"We can't go on living like this. The government promised us change, but all it has done is deepen the problems of those most in need," said Alejandro Lencina, a 71-year-old retired accountant. The IMF has warned that Argentina risks defaulting on its debt unless key reforms are promptly implemented. The government must take resources from social programmes and pensioners to make sure it has the resources to pay its debts to foreign investors.

US rejects user fees

The US government has been forced to adopt legislation requiring it to oppose IMF and WB loans, which contain conditions for the imposition of user fees for primary education or primary health care.

The Tanzania PRSP is the first case to test the new legislation. Several members of the US Congress wrote to Lawrence Summers, US Treasury Secretary, in late November concerning the inclusion of user fees in the Tanzanian PRSP. "In our view, the actions of the United States' representatives at the Bank and Fund meetings to endorse 'cost sharing' in the PRSP for Tanzania are precisely what Congress intended to address in PL 106-429 [the new legislation]", read the letter. "Accordingly, we expect that following your instructions to them, the US Executive Directors of the Bank and the Fund will oppose the imposition of 'cost sharing' in the PRSP for Tanzania, and oppose a final PRSP that contains 'cost sharing' or any other form of user fee for health and education services."

Technically, the PRSP is not an IMF or World Bank programme document (i.e. WB or IMF loans are not attached to it) and it may therefore not be covered by the legislation.

A simple majority is all that is needed to endorse a programme. Thus the US does not have sufficient votes to reject a programme outright. It is not clear how the US voted in the Tanzanian case because votes are rarely formally cast and the results are not made public. NGOs have been pushing for formal votes to be taken for all decisions and for public disclosure of how each country voted.

Structural Adjustment for the IMF—which discusses options for improving the IMF's governance structure—available from

● awood@brettonwoodsproject.org

Turkey in Crisis

Turkey is the latest country to be overcome by financial crisis. At the beginning of December the country was hit by massive capital flight and interest rates soared to over 1000%. The IMF has negotiated further reforms with the government and has agreed to provide more than US\$10 billion

The government announced that it would stand by its IMF-agreed anti-inflation policies and privatize the telecom industry, but this failed to quell the panic and the stock market plunged. Currency devaluation looked inevitable in early December.

World Bank President James Wolfensohn warned the government that Turkey faced a "serious threat", and called on it to outline strong financial measures for 2001, including increasing electricity prices, speeding up the privatization of Turkish Telecom, and reforming the banking sector. The World Bank has pledged a three-year loan of \$3 billion but disbursements have been held up owing to delays in bank sector reforms.

In November, thousands of public sector workers had demonstrated in the capital, Ankara, against government spending cuts imposed by the IMF. One banner read: "We want an economy that favours workers and pensioners, not big business and the IMF. This budget will create poverty, hunger and destitution for public workers," said Siyami Erdem, head of the KESK labour group. The IMF is forcing the government to cut its budget deficit and reform social security payments to bring inflation down from 40% to single figures by 2002.

UK MPs scrutinize World Bank

UK parliamentarians held two hearings on the World Bank in November. At the first they interviewed UK World Bank Governor Clare Short about issues arising from the annual meetings. Questions covered: HIPC, the Strategic Compact, the Global Development Gateway and other issues.

In November the Committee interviewed Bank President Wolfensohn. He was asked questions about debt, future lending, PRSPs, HIV/AIDs, education, corruption and alternative approaches to development and global public goods.

● www.parliament.uk/commons/selcom/indhome.htm

Let them drink Coke

The Multilateral Investment Guarantee Agency (MIGA), a private sector arm of the World Bank Group announced that it is collaborating with the European Union to provide a \$23.3 million guarantee for an investment by Coca-Cola Beverages. It forms part of a European Union-MIGA partnership established in 1997 to promote foreign investment into Bosnia and Herzegovina. The five-year guarantee insures the investor against the risks of currency transfer restriction, expropriation, and war and civil disturbance. The project is supposed to rehabilitate and modernize industry and give a positive signal to other multinational companies.

World Bank arm seeks more transparency

The International Finance Corporation is to press companies in which it invests to improve the rights of their minority shareholders and make their financial statements more transparent. An October 23 *Financial Times* article carried a quote from Peter Woicke, executive vice-president of this World Bank private sector arm "We are thinking that corporate governance should become part of conditionality [on companies seeking IFC support]".

● www.ft.com

IFC Jordan project complaint

On 30 November Friends of the Earth Middle East lodged a complaint on the International Finance Corporation (IFC)'s role in the Jordan Gateway Industrial Estate Project. Filed to the IFC's Compliance Advisor/Ombudsman's Office, it accuses the IFC and the project sponsor of violating environmental assessment and public consultation procedures by refusing to consider alternative sites. Friends of the Earth argues that the Jordan River Valley, where the new industrial zone is to be placed, has significant heritage and environmental value.

● clenchner@foe.org
● www.foeme.org

Tanzanian NGOs criticize PRSP

The Government of Tanzania's Poverty Reduction Strategy Paper (PRSP) was endorsed by the IMF and WB Boards in early December despite claims from Tanzanian NGOs that the consultative process was inadequate. "Tanzania's program has strong country ownership and the poverty assessment has been built on a solid consultative process with civil society and other development partners" commented Shigemitsu Sugisaki, Deputy IMF Managing Director.

But according to a statement by the Tanzania Gender Networking Project "csos [civil society organizations] were involved in a superficial and half-hearted manner", and "were involved only at late stages of the process and did not truly participate in the process of preparing the poverty strategy paper for the United Republic of Tanzania". Key macro-economic and structural adjustment policies were negotiated in secret, parallel to the PRSP consultations and without civil society's involvement.

The consultations were limited and rushed, preventing proper dialogue, discussion, and debate. And whilst NGOs were invited to com-

ment on the government's strategy, NGO involvement ended there. There was no participation in the final drafting of the paper.

"On the whole, the final PRSP document does not demonstrate any gender perspectives and civil society inputs in a meaningful way. Many of the civil society actors feel cheated by both the government and the donors, especially the World Bank, who have been emphasizing the importance of the civil society participation in the PRSP preparations and approval processes", says the statement. It argues that the Bank and Fund are not serious enough about supporting participa-

tion in policy making processes.

In particular, the groups criticized the PRSP for maintaining user-fees on education and health services, especially since health and education services had been an issue during the general elections in October. They have called for:

- further analysis of the government's proposals on user fees on education and health with more input from civil society;
- the PRSP process to include more data and case studies from the public;
- the abolition of user fees for health, education and water sectors, and for the World Bank to stop making conditions on the same;

- the World Bank to take a more holistic and comprehensive analytical approach to assessing financial constraints and alternative financing arrangements for the social sectors;

- the government to devise more innovative strategies to obtain revenue, such as taxing and encouraging donations from the rich and companies;

- more transparent monitoring of who has access to services and what services they are receiving savings on cancelled day repayments to be dedicated to education and health sectors, while ensuring that spending from other sources remains the same or is increased.

The Tanzanian case bolsters concerns that a minimal level of participation seems enough to satisfy the World Bank and IMF's Boards, and the IMF and Bank have failed to develop clear guidelines to assist Board members to assess the quality of the participatory process.

Globalization Challenge Initiative has produced a Structural Adjustment Program (SAP) Alert on Tanzania

www.challengeglobalization.org

IMF and WB conditionalities may be kept secret

As consultations on the World Bank's disclosure policy move ahead, the Bank has taken steps which allow governments to withhold essential information to country stakeholders. A recent WB/IMF paper states that a country is not required to produce a policy matrix as part of its Poverty Reduction Strategy Paper (PRSP). The matrices, which detail WB and IMF conditions, were previously made public with the IMF's Policy Framework Papers and also in the Interim PRSP documents.

The failure to disclose the policy matrix will make it hard for civil society groups to monitor the PRSP process and ensure that the programme of action detailed in the PRSP is properly translated into Bank and Fund lending programmes. NGOs are concerned that the Bank and IMF may impose conditions that are not consistent with the poverty strategy.

"As public institutions, the IMF and World Bank are preaching the importance of transparency on the part of borrowing governments.

This message will be hollow if the institutions, themselves, collude with borrowing governments that conduct their business beyond the public view and, hence, preclude democratic processes of debate and consensus building. We recommend that the policy matrix should remain in the public domain. The contents of the policy matrix should be on the table for discussion and negotiation as part of the PRSP process" commented Nancy Alexander from Globalization Challenge Initiative.

Alexander recommends the public disclosure, prior to Board discussions, of World Bank Letters of Development Policy, Memoranda of the President and Tranche Release Memoranda; and IMF Letters of Intent, Memoranda of Economic and Financial Policies and Poverty Reduction and Growth Facility Arrangements.

Poverty Reduction Strategy Papers-Progress in Implementation

www.imf.org/external/np/prsp/2000/prsp

www.challengeglobalization.org

global.challenge@juno.com

Trade and poverty dispute

At a Poverty and the International Economy conference in Stockholm in late October a draft Trade, Growth and Poverty paper by senior World Bank researcher David Dollar was strongly criticized by Dani Rodrik of Harvard University. Rodrik argued that Dollar's "claims regarding the beneficial effects of trade liberalization on poverty have to be seen as statements based on faith rather than evidence".

The "extremely misleading" findings were generated from inappropriate indicators of trade openness and a biased base period.

www.globkom.net/wb_conf.phtml

Wanted: director for new evaluation unit

The IMF Board has selected Ray & Berndtson, a US-based international executive search firm, to identify candidates for the position of Director of the IMF's new independent Evaluation Office (EVO). Selection will be completed by mid-February 2001.

NGOs objected to the Board's suggestion that an ex-Executive Director may be a suitable candidate, on the grounds that such an appointment could undermine the independence of the EVO.

Candidates should send their resume by January 19, 2001, to Jeffrey Minich.

jminich@rayberndtson.com

www.imf.org/external/np/eval/evo/2000/Eng/ad

Corrupt Bank staff sacked

The World Bank has sacked three staff members after an investigation revealed they had accepted bribes from several Swedish companies in return for steering contracts worth US\$900,000 to the firms. Contracts were also awarded for "ineligible activities." The matter is being referred to US and Swedish criminal authorities.

The Bank was alerted to the scam through a call placed to its hotline for reporting fraud and corruption. A spokeswoman said the Bank was "dismayed that companies would try to entice staff" by offering kickbacks, "and even more dismayed that three staff actually responded."

New IMF development dictionary

The IMF has a handy new multilingual dictionary on its website. The terminology database contains over 4,500 words, phrases and institutional titles commonly encountered in IMF documents in areas such as money and banking, public finance, balance of payments, and economic growth. It provides translations of these terms in a number of languages, including French, Spanish, Portuguese and German, but does not include definitions.

www.imf.org/external/np/term/index.asp?index=eng&index_langid=1

Disillusionment with democracy

The IMF and WB are partly to blame for the growing disillusionment with democracy in Latin America, according to analysis in *Political Democracy and Unfulfilled Aspirations* by Fernando Carvalho, Institute of Economics, University of Rio de Janeiro. Democracy is associated not just with basic freedoms but a better way of life, argues Carvalho, "it has been the manifest inability of democratic regimes in Latin America to actually fulfil the aspirations of the population for better income and wealth distribution, to promote full employment, to recover the ability to grow, etc, that seems to be the main cause of dissatisfaction and disenfranchisement." The central problem is that economic policy making has been gradually excluded from democratic political control, "the power to decide on economic matters that concern society as a whole has been sequestered in many countries by financial integration (or financial globalization) and, in some cases, by the consequent need to comply with adjustment programs prescribed by institutions such as the IMF or the World Bank."

Both developed and developing countries are increasingly subscribing to the point of view that there should be as little political involvement in economic decision making as possible. Independent central banks, hand-tying mechanisms on fiscal policies and liberalization of goods and labour markets all limit the powers of the state to influence economic policy. Thus democracy can give voice but it does not empower people to influence the way the economy works.

The solution is not to redefine democracy but to recover control over economic policies for legitimate political powers. Among other actions, governments should reimpose capital controls to eliminate the veto power financial investors have over domestic policies, bring monetary policy back into democratic control, focus fiscal policy on creating full employment, and develop new instruments to support industrial policy.

● fjccarvalho@vol.com.br

Bretton Woods Project is preparing a briefing paper, examining how capital account liberalization requires governments to succumb to the discipline of the market, constraining their ability to apply pro-poor macroeconomic policies. For more information or a copy of the briefing:

● awood@brettonwoodsproject.org

Reflections on Kenyan PRSP process

NGOs in Kenya are highly critical that the Poverty Reduction Strategy process did not fully involve NGOs, was dominated by the Bank and IMF and was not poverty focussed. A critical assessment by Irungu Houghton, *Is there a difference between the PFP and PRSP in Kenya*, highlights the speed of PRSP preparation as a major tension, "the pace of engagement reflected less the needs of various constituencies rather than a preoccupation with accessing budgetary support from the World Bank before the conclusion of the budget 2000/1." This limited the extent of ownership, particularly as the "power of the World Bank and IMF in the negotiations is still pronounced." National sovereignty is further undermined by "the perception of the PRSP as a product primarily for the World Bank and IMF" in order to resume lending.

Houghton also finds that "preoccupation with traditional macroeconomic and governance targets suffocates the strategy and reduces the anti-poverty content to an already discredited economic trickle down theory." This prevents an entitlements approach to budgeting from emerging.

The costs of inadequate participation at the district and national levels is quantifiable in terms of the vast resources within the NGO, voluntary, religious and private sectors that will not be negotiated into the resource package. Houghton recommends to shift participation from the sole control of the Ministry of Finance and Planning to mechanisms and processes that facilitate the representation of multi-interests and shared control.

Also available is the NGO Working Group Memorandum on the Second Preliminary Draft of the Interim Poverty Reduction Strategy Paper 200-2003.

● irunguh@actionaidusa.org

NEW PRSP BOOKLET

World Vision has produced a useful critique of the PRSP process and the IMF and World Bank's role within it, PRSPs: Good News for the Poor? The booklet offers some helpful suggestions to the Bank and IMF to improve the PRSP process. It concludes, "Although proclaimed as a new degree of local control and poverty focus, the PRSPs could be seen by critics as no more than a route to buy off criticism for the Bank and the IMF. They are therefore, potentially more suited to meeting the needs of global institutions than to serving the needs of the poor."

● policy_advocacy@wvi.org

Battle for internet visibility moves forward

The Bretton Woods Project has continued to work with others to contest the World Bank's plan for a new Global Development Gateway (GDG). As discussed in previous *Updates*, this is a plan for a global, multi-stakeholder super-site on development issues which would include edited guides to analysis of over 100 development topics. As it is one of Mr Wolfensohn's top priorities it is not subject to the belt-tightening that is afflicting the rest of the institution, and now has between 25 and 40 Bank staff working on it.

Many criticisms were again raised during a six week official e-consultation exercise on this initiative but Bank President Wolfensohn brushed these aside, saying he would move ahead with "constructive groups which want to experiment with us". A wide range of people raised concerns about the Bank's plans. David Ellerman, adviser to the Bank's chief economist, said that the Bank was trying to create an internet "monopoly". Lilly Evans, who worked on knowledge management for British Petroleum, urged the team: "to abandon the pursuit of a grand database solution and go for a flexible local search facility", pointing out that agreeing a single common database/index for development material was unworkable and undesirable. Wai Leng-Wong of asiawomenonline.com raised a series of questions about the technology chosen by the Bank, and whether the Bank was really in a position to "ensure vibrancy, balance and accuracy in information flow".

The Bretton Woods Project is working with others to devise further strategies to counter this initiative which could seriously undermine the development of pluralistic and diverse internet sites. At the same time the Project is discussing with others more proactive ways for civil society groups to harness the internet and e-mail to produce and share information.

● www.globalknowledge.org

● www.brettonwoodsproject.org

Project celebrates five years

The Bretton Woods Project celebrated its fifth anniversary in November. The Project was established in 1995 by the UK Development and Environment Group, a network of 30 NGOs involved in international policy issues. The Project would like to thank all those who have supported us financially and in many other ways over this period. We look forward to continuing to work with you.

Feedback wanted

A survey this summer and discussions with colleagues from other countries revealed that the *Bretton Woods Update* is circulated widely among NGOs, journalists and policy-makers. Either all or part of its content is translated by different groups into Japanese, French, Swahili, Spanish, Danish and other languages. We are keen to hear from others about how the material we produce helps you in your work. Also of your concerns and criticisms about our Update, website and other work.

● info@brettonwoodsproject.org



Published by Bretton Woods Project
supporting UK NGOs on World Bank and IMF reform

ISSN 1471-1168

No permission needed to reproduce articles. Please pass to colleagues interested in the Bank and Fund, and let us know of other groups interested in getting the Update.

Bretton Woods Project
Alex Wilks / Angela Wood
c/o Action Aid, Hamlyn House, Macdonald Road, London N19 5PG, UK

● +44 (0)20 7561 7546/7

● +44 (0)20 7281 5146

● info@brettonwoodsproject.org

● www.brettonwoodsproject.org

Supported by the CS Mott and John T and Catherine A MacArthur Foundations

Designed and typeset by King Graphics. Printed by Spider Web, London