NGOs discuss perils of Bank engagement following mines review meeting

NGO participants in a number of World Bank review processes have aired their frustrations about the lack of impact they achieve. Latin American groups who attended the first regional consultation as part of the Bank’s Extractive Industries Review (EIR) complained that their participation in the meeting was “unequal”. They said the World Bank played a “dominant” role, providing information and defining topics in ways which prevented effective civil society engagement.

The NGOs complained that World Bank staff had an “overwhelming presence” at the meeting, crowding out other stakeholders and providing information that was “neither objective nor appropriate for the Review”. The meeting was, for example, framed to discuss whether or not the extractive industries generate wealth rather than “why this wealth is not fairly distributed, does not contribute to economic development, and has not been an effective response to combating poverty in our countries”. For these and other reasons a broader grouping of NGOs wrote a joint letter to the Bank in mid-April saying that “the process remains fundamentally flawed”.

As well as the projects supported by the World Bank Group, activists are again raising concerns about the way that the Bank forces the liberalisation of mining sectors through its sectoral and structural adjustment lending. In a recent statement Oilwatch Africa commented: “international financial institutions, Northern governments and transnational oil and gas companies force African countries to weaken or abolish laws and regulations on the oil and gas industries and this leads to the violation of community rights”.

The World Bank is currently pushing the same approach in Indonesia. Its briefing to the recent Consultative Group (donors meeting) on Indonesia advocated relaxing restrictions on mineral exploration and extraction in officially protected forests and small islands because “the prohibited areas include a number of potentially rich mining prospects”. The Bank recommends the Government of Indonesia should speed up the passage of the new Energy Law which is currently being rushed through parliament. The new rules open Indonesia’s natural resources to foreign investors and relax local content requirements without any apparent added environmental or social standards being applied.

Meanwhile an international NGO fact-finding team recently visited Tanzania to interview miners, victims’ relatives and police about the mass evictions and killings that took place in the Bulyanhulu mine area in 1996. The team recommended the establishment of an independent, impartial, transparent and comprehensive inquiry into the allegations of uncompensated mass evictions of miners and mine owners, and killings of miners at Bulyanhulu during the summer of 1996”. The mine is supported by the World Bank Group’s MIGA private sector guarantee facility. It is not just the EIR which is under fire. Organisations involved in the Structural Adjustment Participatory Review Initiative (SAPRI) and World Commission on Dams (WCD) vented their frustrations about similar Bank processes at a meeting in Washington in April. “Many of us have tested the Bank’s sincerity in this era of ‘dialogue’ and have found it woefully wanting,” said Steve Hellingen, president of The Development GAP, a Washington-based NGO.

Citizens’ groups are asking whether participating in Bank-backed review processes are yielding sufficient results, or whether they are distracting NGOs from public campaigning against World Bank policies and projects which harm poor people and the environment. To adapt Shakespeare: “to engage or not to engage, that is the question. Whether it’s noble in the mind to suffer the slings and arrows of outrageous processes, or to protest Bank misdeeds and by opposing end them”.

Report of EIR consultation, Rio de Janeiro, April 2001

“The facilitators tried to cut off a presentation by a Bank staff member that had run overtime. The staff member ignored the facilitator and gave the microphone to another Bank colleague who in turn (despite pleas from the facilitators) turned it over to another Bank staff member.”

A DIGEST OF INFORMATION AND ACTION ON THE WORLD BANK AND IMF

On the road to ‘Qatar-naskis’ ............................ 2
WB/IMF meetings attract praise/protest .............. 2
WB land reform: “land for whoever can buy it” ........ 3
Success of Brazilian land reform contested ........ 3
Limited public consultation on rural development .... 3
Bank support for private health care questioned .... 4
IMF conditionality continues .......................... 4
WB was “Enron pawn” ................................ 4
Bank fingered in Malawi famine ........................ 4
Boycott of WB land reform reaches Europe .......... 4
East Timor debt, adjustment fears .................... 4

PRSPs under intense scrutiny .......................... 5
SAPRIN findings overwhelming ........................ 5
IFC backs Laos gold mine ............................. 6
IMF role in debt arbitration disputed ................. 6
IMF welcomes coup in Venezuela ..................... 6
IDA controversy continues ............................. 6
Sustainability report out of step ....................... 7
Conferences: corporate sustainability / trade & investment 7
New Bank policy retreats spark opposition .......... 7
On Her Majesty’s slightly-less-secret service .......... 8
IMF in Argentina: “failed to learn the lessons of East Asia” 8

News, briefings, online Update editions and more at: www.brettonwoodsproject.org
On the road to ‘Qatar-naskis’

G8 leaders put terrorism, NEPAD and education on the agenda for Canada summit

The World Bank and IMF meetings attract praise and protests

On 26 June leaders of the G8 nations will gather in the western Canadian mountain resort of Kananaskis, dubbed the “Qatar of Canada” in reference to last year’s G8 meeting held in the isolated oil state. The stated summit priorities are the fight against terrorism, supporting the New Partnership for African Development (NEPAD, see box), and reviewing progress towards the Millennium Development Goals.

Early agreement was reached by G8 Finance Ministers and Central Bank Governors during recent meetings in Washington to coordinate efforts against terrorist financing. The G8 and World Bank will “begin conducting financial sector assessments, incorporating reports on compliance with anti-money laundering and terrorist financing standards”. It is unclear what this will mean in terms of increased conditionality for recipients of Bretton Woods financing.

Canadian Prime Minister Jean Chretien has called NEPAD the “centrepiece of our agenda”. Northern government representatives met in Cape Town in February to begin negotiations on a G8 Africa Action Plan and a follow-up meeting will be held in Switzerland concurrently with the G8 summit. International institutions have rushed to show their support for the NEPAD initiative which has grown out of the World Bank-chaired Strategic Partnership with Africa. The UN has pledged support to improve country credit ratings, strengthen emerging stock exchanges and facilitate investment meetings. Private sector representatives from Microsoft, Coca-Cola and Chevron amongst others recently met to sign the ‘Dakar Declaration’ to “set up structures under which they can cooperate with NEPAD.” However, Ken Kwelu of the World Bank’s Multilateral Investment Guarantee Agency, described the Dakar business meeting as just a “talk shop”.

Support for the ‘Education for All’ initiative figures to feature prominently on the Summit agenda. A G8 taskforce on education issues has been created, the Canadian government pledging CDN 555 million, a quadrupling of education investment, to the initiative. Worryingly however, the Canadian International Development Agency has highlighted the provision of “Canadian expertise”. A key point in the Global Campaign for Education, a network of NGOs lobbying for the ‘Education for All’ agenda, has been the insistence that aid should not be tied. It is unclear whether the role of the G8 in influencing loan conditionalities will be discussed. At the meeting in Washington, Finance Ministers committed themselves to “linking greater contributions by developed nations to the adoption of good economic policies by developing countries.” The risk for developing countries is that the latter will be interpreted narrowly. In a recent paper, Carlos Santiso of John Hopkins University questioned whether the current emphasis on good governance will allow states “sufficient space to articulate their own development strategies and political development models.”

This issue will certainly be on the agenda outside the official meetings. Several events are being organized in the run-up to the Summit. From 21-25 June will be the G6B (G-six billion), a series of seminars on economic and social justice issues at the University of Calgary. During the conference days, the Council of Canadians and several other organizations will be organizing a ‘Solidarity Village’ at the site of the Summit itself. Participants will be wary after the death of a protestor at the last G8 meeting in Genoa, and the performance of Canadian police during arco demonstrations in Vancouver.

Oxfam Education Report

www.oxfam.org.uk/educationnow/edreport/report.htm

G8 Education Taskforce Consultation with Civil Society (Global Campaign for Education)

www.campaignforeducation.org/_html/docs/welcome/frameset.shtml

University of Toronto’s G7 Information Centre (also Carlos Santiso’s Governance Conditionality and the Reform of Multilateral Development Finance: The role of the G8)

www.g7.utoronto.ca

G6B

www.peaceandhumanrights.org

Solidarity Village

www.oxygensmith.com/~g8camp/home/index.php

G8 Activism

www.g8.activist.ca

The World Bank and IMF spring meetings in Washington attracted praise from some NGO campaigners and anger from street protesters. Some 75,000 people took to the streets for a peaceful march, including large numbers of people supporting the Palestinian cause as well as many anti-globalisation voices angry about the World Bank and IMF’s powerful roles in the global economy.

Few of the protesters were aware of the details of the decisions being made in the gleaming office buildings they filed past. Had they been, they might have found their concerns reinforced by a statement from the Development Committee that the World Bank must increase its efforts to work with the World Trade Organisation to help remove obstacles to countries joining the global economy.

On the other hand, ministers acknowledged that the Argentinian crisis has shown that there is a “gap” in the international system which needs to be filled. New approaches for reneging the debts of countries which get into financial trouble are under discussion, but there is much disagreement on how this might work (see story, page 6).

Action Aid, Oxfam and Save the Children welcomed the education action plan that the World Bank prepared for the meeting. Ministers also agreed that further steps must be taken on PRSPs. In particular they asked the Bank and Fund to “extend the participatory processes for the elaboration and monitoring of PRSPs and to improve poverty and social impact analysis” of policies to be introduced under PRSPs. Work is underway in both the World Bank and the UK Department for International Development on poverty and social impact assessment approaches. It will be discussed this September at the Bank/Fund annual meetings and at a conference on impact assessment.

Charlotte Denny commented in The Guardian that the progress made on education in Washington this month shows that the Bank can be “part of the solution, not just the problem”. However many protesters, NGO lobbyists and Bank insiders feel that these institutions still need major reform. Economist William Easterly, who recently left the Bank, commented in March in the Washington Post that if Bank money is stolen or wasted “by the time that awareness dawns on the Bank, if it ever does, the Bank employee who made the loan has moved elsewhere in the bureaucracy and is never held to account.”
WB land reform: “land for whoever can buy it”

In the early 1990s, under increasingly severe criticism of neo-liberal structural adjustment policy, the World Bank announced the need to reinforce its anti-poverty programs. Land reform became a priority as part of this shift, but the World Bank has been criticized by rural social movements for emphasizing market-based approaches to land redistribution. They argue that “land for whoever works it” has become “land for whoever can buy it” and say that existing land reform programmes should have been continued and improved.

Around fifty representatives of social movements, as well as academics and researchers in this field, gathered in Washington mid-April to discuss the impacts of the market-assisted land reform policies designed, supported and financed by the World Bank. Case studies were drawn from Brazil, Colombia, Guatemala, South Africa and Thailand. Most countries studied show that the model promoted by the Bank cannot properly address the issue of landlessness. “The Bank and the Brazilian government are selling the poor a cruel illusion—that they can get land without a struggle,” says Adalberto Martins of Brazil’s Landless Workers’ Movement (MST). “It isn’t working. People who had nothing before now still have nothing—and are in debt for it.” High interest rates, combined with poor quality land sold by landowners, have driven many families into poverty and increased indebtedness, forcing them to abandon the land they acquired to repay the loans. Among the other concerns raised are the privatization of public or common land, exclusion of the poorest people, especially indigenous communities and rural women, as well as the Bank pushing farmers to join ‘strategic alliances’ by which land is distributed to them under the condition that they sell their production to one multinational company.

Bank officials who debated with participants in the seminar argue that market-assisted land reform had not been designed as a substitute to existing programmes, which are often based on government expropriation with compensation. Klaus Deininger, a Senior Economist in the Bank’s Development Economics Group, agrees that land reform has to be a wealth transfer and that not only does the land transferred have to be of good quality but people must have the means to work it. But the Bank and participants in the seminar disagree on the capacity of market-assisted land reform to achieve these objectives. While, for instance, the Bank considers Colombia a success story, Hector Mondragon of the Con Mesa Nacional Campesino para la Accion Rural says: “six years of World Bank efforts have only resulted in disfranchising people’s attention from the necessity of a real land reform”. He argues that only a minute percentage of families who need land in Colombia actually got some.

More generally, participants condemned the policies promoted by the World Bank and its member countries, which they say “have fixed the rules of the game to favour larger players such as big corporations”. They demand that the World Bank ceases its current land policies and replaces them with policies based on the right to land and food, and that governments take responsibility for implementing programs of land redistribution by means of expropriation with or without compensation.

Seminar info
www.rbrasil.org.br
Press release
www.environmentaldefence.org/article.cfm?contentid=1961
World Bank Market Based Land Reform Fact Sheet, Environmental Defense
www.actglobal.org/worldbank/
www.worldbank.org/research/journals/wbo/obsaug99/evolution.htm

OTHER LINKS
Landless Workers’ Movement
www.mstbrazil.org
Food, Land and Freedom report on World Bank Land Policies

No public consultation on Rural Development Strategy

Pesticide Action Network (PAN) has been successful in its efforts to ensure a 90 day public consultation period on the World Bank’s draft Rural Development Strategy (RDS). The latest version of the RDS, first posted on the Bank’s website on 25 April, will now go to the Board for final approval on 9 July. The original Board date of 25 April was pushed back after concerns were expressed by both civil society and Bank Executive Directors over the lack of opportunity for public scrutiny.

Several points are highlighted by NGOs as areas for particular concern:

- PAN’s concerns include the draft strategy’s promotion of genetic engineering in agriculture, which they say poses social, environmental, health and economic risks for farmers in borrower countries;
- Ignoring its current and binding policy on ecologically-based integrated pest management (IPM) methods; the draft strategy backs away from the Bank’s prior commitment to reducing reliance on pesticides;
- Bank support for the pricing of water and the “putting in place of private water user associations”. Globalization Challenge Initiative participants “to document problems both with private sector water delivery schemes and with access by the poor to water under these schemes.”
- Finally, the Bank’s conclusion that experiments with market-assisted land reform “show much promise” is contested by numerous farmers’ organizations (see above).

Despite conceding that “the poor are more affected by market failures”, the draft strategy’s focus is to use market mechanisms to move “subsistence-oriented” and “small market-oriented” farmers into the commercial farm sector. Fears that this shift to an industrialized, intensive strategy without due consideration of local power relations will leave the poorest out in the cold, are being expressed by opponents of the World Bank-backed Vision 20:20 plan for the Indian state of Andhra Pradesh (see box).

Success of Brazilian land reform contested

Brazil is clearly a controversial illustration of World Bank land reform policy. Land distribution in Brazil is particularly unequal and has created strong tensions among social groups. The $90 million World Bank pilot project initiated in 1997 set up a Land Bank to provide loans for farmers to buy land. Five years later, a draft study conducted by the National Forum on Agrarian Reform in the five pilot states shows that families are unable to produce enough to survive, let alone to repay the loans. The study challenges the efficiency of market-driven mechanisms, not only because they are distorted in the case of Brazil, but also because they are insufficient to ensure effective poverty reduction. The authors say natural problems such as poor soil quality and droughts alone cannot explain the programme’s failure and they call for reinforcement of high-quality and long-term technical assistance. The Bank has nonetheless declared the project a success, and in November 2000—before any of the loans had come due—approved an additional $200 million to expand the program.

‘A Ticket to Land’: The World Bank’s market-based land reform in Brazil, Sérgio Sauer, University of Brasilia
www.rbrasil.org.br
World Bank Project description:
www4.worldbank.org/sprojects/Project.asp?pid=P050772
The WB and the Land Bank: Enhanced Poverty in Brazil, Institute for Socioeconomic Studies www.inesc.org.br

UK-backed plan would “throw 20 million off land” in India

The “Vision 20/20” plan, drawn up by US management consultants and funded by both the Bank and a promised £5 million from the UK government, has set as its objective the reduction of the agricultural population of Andhra Pradesh from 70 to 60 per cent by turning small farmers into agri-businesses. A memorandum of understanding has been signed with Monsanto to provide genetically modified seed. A citizens’ jury, composed of small farmers, traders, food processors and consumers, unanimously rejected the plan during its deliberations in late June last year. According to their estimates, the plan would displace some 20 million people. A delegation of Indian women farmers which presented the findings of the citizens’ jury to the House of Commons, has called on the UK government not to sign the aid cheque to Andhra Pradesh.

New Scientist, Plan could “throw 20 million off land” in India
www.newscientist.com/news/news.jsp?id=m99992057
For more information on the Vision 20/20 plan, contact:
Michel.Pimbert@iied.org

World Bank Plan description:
wbln0018.worldbank.org/ESSD/rdv/vta.nsf/Gweb/Strategy
Send your comments on the draft to the RDS team (website above) and your country’s World Bank Executive Director. Find your ED’s contact details: www.bicusa.org/mdbs/wbg/execdir.htm
Send a copy of your correspondence on the draft strategy to Pesticide Action Network:
mie@panna.org
Bank support for private healthcare questioned

The debate on the World Bank’s Private Sector Development (PSD) approach has continued since the Bank finalised its strategy in late February.

Two new studies add to the concerns and criticisms raised by a number of NGOs, trade unions and academic commentators (see Update 26). Meanwhile a leaked IFC document sets out aggressive targets for increasing World Bank Group support for private healthcare.

The International Confederation of Free Trade Unions (ICFTU) complained that the Bank’s private sector strategy may deprive poor people of access to basic services. “The strategy generally ignores the problems of lack of regulatory control over the newly privatized services and the situation of the employees of these services. The proposed financing scheme would favour multinational enterprises as opposed to domestic providers”. It stated that the “Enron collapse, preceded by the fiasco of energy market deregulation in California, graphically demonstrated the downside of allowing large private corporations to dictate market deregulation and privatization. Unfortunately, there is little evidence that such messages have been understood by the international financial institutions, since country-level advice is still rife with admonitions to privatize and deregulate.”

The European Network on Debt and Development (Euromaid) in a new report on the private sector strategy, argues that: “on a rhetorical level the discussion is relatively focused on ‘pro-poor’ arguments and on recognising the role of the state in providing basic services. But when looking at the actual policies, the strategies are less convincing.” Among Euromaid’s recommendations are that the Bank should positively discriminate in favour of domestic industry and local entrepreneurs, and re-think the granting of guarantees for independent power producers.

Meanwhile internal IFC documents reveal that the Corporation aims to increase its support for private investment in the social sectors to between 4 and 5 per cent of IFC projects in the next few years. The IFC argues that “improving access to, and quality and efficiency of services in the health sector is essential to the growth and strengthening of the middle classes—a key component in increased economic productivity”. The IFC sets out to invest in private healthcare facilities in situations where other investors are reluctant. Through this it hopes to expand the supply of healthcare and also contribute to the building of in-country institutional and systemic capacity.

The Corporation argues that many of its client companies “transfer technical expertise to public facilities thus strengthening overall health system capacity in the country”; and that investing in cutting-edge facilities has a demonstration effect on the sector as a whole, reducing the brain drain caused by medical professionals leaving to work in developed countries.

As well as continuing to support market surveys and hospital investments, the IFC aims to increase support for private health insurance, and for investments in the fields of pharmaceuticals, medical devices and biotechnology.

Mike Rownson from Medact commented: “rather than strengthening the private sector, why isn’t the Bank pouring money into the public health systems which have been left devastated by two decades of adjustment programmes? In developing countries, investment in the private sector, far from creating a demonstration effect, often leads to an internal brain-drain as health workers flock to better funded private hospitals, leaving the public sector in an even worse state.”

Leaked IFC document on private healthcare available on request from Bretton Woods Project.

Private Sector Development—Pro-Poor, Or Merely Poor, Service Delivery?
Euromaid, March 2002

World Bank was “Enron pawn”

A report released by the Institute for Policy Studies (IPS) claims the World Bank provided over $750 million in assistance to Enron power projects in seven different countries in the 1990s. Enron also seconded staff to the Bank through the World Bank Staff Exchange Programme. It has also emerged that former Enron CEO Ken Lay joined a Washington think tank panel in 1996 that was examining the World Bank’s future role. Mr. Lay attempted to convince the Bank to stop funding social programmes.

Bank fingered in Malawi famine

According to Action Aid, famine in Malawi has been compounded by World Bank-guided food policies. “The World Bank has been encouraging Malawi’s government to keep foreign exchange instead of storing grain, which the bank argues could lose value. The pressure to service an outstanding bank loan prompted Malawi to sell 25,000 tonnes of stored maize to Kenya just three months before the food crisis hit.” President Bakili Muluzi confirmed that the IMF and the WB “insisted that Malawi had to sell the maize to repay the commercial banks.”

Boycott of WB bonds reaches Europe

European youth group ASEED organised a four day meeting in March to discuss the European development of the World Bank Bond Boycott campaign. This aims to use “grassroots financial and political power” to defund the World Bank and reduce its power. Participants explored the future of financial activism, ethical investment and other tactics. ASEED is currently recruiting a young person to serve as a European coordinator for the campaign.

IMF conditionality continues

NGOs and trade unions charge that the IMF and World Bank are still imposing strict conditions on loans to borrowing countries. The Reality of Aid 2002, produced by a global coalition of NGOs, states that “far from abandoning aid conditionality, international financial institutions and bilateral donors are collaborating in an unprecedented consensus to retool the aid regime under the rubric of ‘ownership’ and aid effectiveness.” This consensus includes:

- a new set of IMF benchmarks, standards and codes;  
- selectivity—working with governments which have adopted the ‘right policies; and  
- aid disbursements linked to Poverty Reduction Strategy Papers.

The report argues that “nations are the antithesis of domestically rooted and owned national poverty strategies.” African NGOs commented that “in recent years bilateral donors have ceded much of their decision-making power to the IMF.”

A statement from the International Confederation of Free Trade Unions (ICFTU) also complains that the IMF has not implemented its pledge to “relinquish line structural conditionality. The IMF said it would only place loan conditions on the exchange system, the financial sector, and fiscal policy. The ICFTU believes that “various recent lending agreements still appear to include numerous structural conditions outside of the core areas”, citing a November 2001 stand-by arrangement with Romania which included conditions on domestic energy prices, privatization and restructuring of state-owned enterprises.

World Bank youth group ASEEED is currently recruiting a young person to serve as a European coordinator for the campaign.

East Timor debt, adjustment fears

The first elected government in East Timor faces an estimated US $154–184 million shortfall in its initial three-year budget. In anticipation of the need for external financing, the transitional government filed an application for IMF membership in early April. The East Timor Action Network, however, called on the US and other donor countries to cover the financing shortfall, thus preventing the new country entering “the stranglehold of structural adjustment, loans, and the vicious cycle of poverty.”

An ETAN spokesperson pointed out that international financial institutions and donor governments “actively aided Indonesia’s genocidal occupation of East Timor.”

Bank of WB bonds reaches Europe

European youth group ASEED organised a four day meeting in March to discuss the European development of the World Bank Bond Boycott campaign. This aims to use “grassroots financial and political power” to defund the World Bank and reduce its power. Participants explored the future of financial activism, ethical investment and other tactics. ASEED is currently recruiting a young person to serve as a European coordinator for the campaign.

www.icftu.org
Poverty Reduction Strategies under intense scrutiny

The release of an IMF/Bank review of PRSPs coincides with an avalanche of independent investigations calling into question the strategies’ effectiveness. Despite lauding increased participation, the IMF/Bank report concedes that the role of parliamentarians, trade unions, women and the poor has been “limited”. Furthermore, it calls on the staff of the Bank and Fund to resist making “extensive comments that could undermine ownership”.

Civil society groups put strong pressure on the World Bank before the Spring meetings to push the organisation to take seriously the findings of a joint assessment on structural adjustment. The study, known as the Structural Adjustment Participatory Review Initiative (SAPRI), was launched in 1997 as a follow-up to a direct challenge to the Bank’s President, James Wolfensohn, by a global network of NGOs engaged in the ‘90 Years is Enough’ campaign.

In a letter dated 9 April 1996, Wolfensohn noted that “policy reform has had a mixed track record… Adjustment has been much slower, more difficult and more painful process than the Bank recognized at the outset.” After four years of multi-country participatory assessment of IMF and World Bank adjustment programmes, the Bank last year seemed anxious to distance itself from the findings of a process it had previously been heavily involved in (see Update 24). The assessments are summarized in a report launched before the Spring meetings, The Policy Roots of Economic Crisis and Poverty, drawing conclusions of country studies of adjustment. Countries studied include Bangladesh, Ecuador, Ghana, Uganda, Zimbabwe and Hungary. The authors are members of the SAPRI Network (SAPRIN). They show that structural adjustment policies “have contributed to the further impoverishment and marginalization of local populations, while increasing economic inequality”.

The Bank long refused to discuss the conclusions of the study. “Wolfensohn wrote us at the beginning of SAPRI that he wanted to learn about the relationship between structural adjustment and poverty and inequality so that the Bank could do business differently”, says Doug Helling of The Development GAP, SAPRIN’s Global Coordinator. “Yet, he and his top management did not even show up to discuss the findings, as agreed, and then dropped out of the process. We hadn’t heard a word from them in over eight months.” Yet after the report made headlines in Europe, Wolfensohn finally requested to meet SAPRIN representatives when they arrived in Washington for the US launch. Wolfensohn acknowledged that he should have met them long before, but dismissed their findings as ignorant of the changes that have occurred during the past years. In a press conference on the eve of the meeting Wolfensohn said: “I wish some of them would change their tune and tell us we haven’t done enough on the next level of things that we are doing, rather than going back to things that were addressed five years ago and to which I think we have been particularly responsive.” He nevertheless asked SAPRIN representatives to give him a few months to study the findings more carefully, before convening another meeting. No doubt the report would be useful input in the Bank review of its operational directive on structural adjustment that is scheduled to conclude this summer.

SAPRIN findings overwhelming, but Wolfensohn tells NGOs to “change their tune”
IFC backs Laos gold mine

In February the International Finance Corporation, the private sector arm of the World Bank, approved a US$30 million loan to develop a gold mine at Sepon in Savannakhet province in Lao PDR. Questions have been raised about the mine’s impacts and whether the IFC’s support is justified.

The mine is owned by Oxiana Resources and Rio Tinto, two foreign mining companies. They estimate that the gold deposits at Sepon are worth about US$1 billion. The companies have negotiated generous tax breaks from the Lao government. There are also no restraints on repatriation of money from the project. In return, the Lao government is to receive 2.5 per cent of the value of the ore mined (after subtraction of costs). The government also has an option to buy a 10 per cent share in the mine.

The IFC has approved its involvement in the Sepon gold mine. However, it has also required the project to carry out an Environmental and Social Impact Assessment. The project’s resettlement strategy includes a resettlement programme which will cover the local community in order to prevent private investors assuming responsibility for new institutional approaches to prevent private investors assuming responsibility for new institutional approaches.

OXIANA has also been trying to ensure that the government takes steps to help it to safeguard its investment. The government has agreed to provide a loan for the project and to change its environmental and social impact assessment as “detailed”, yet the consultants are very vague about the possibility of harming endangered species of fish in the Nam Kok River. The consultants merely report that “should these species actually occur”, the impacts could range from “severe” to “very minor”.

Waste earth and rock will be dumped in the river, the water table is likely to fall, and cyanide will be used to extract gold from its ore. Forests, farmland and scrub will also be cleared to make way for the gold mine which will cover 27.6 square kilometres. Two villages will be moved and land in other villages may be affected. The project’s resettlement plan acknowledges that in these villages, “relocation might eventually be necessary” and adds that “one other village, not currently listed for relocation, Ban Vieng (25 households), may require relocation.”

Rio Tinto has a record of human rights violations and of causing damage to communities and their environments. IFC’s support primarily benefits the companies developing the project, Rio Tinto and Oxiana, while putting local communities’ livelihoods and environment at risk.


IMF role in debt arbitration disputed

Ministers at the Spring Meetings agreed that the IMF should not, except “in exceptional circumstances” provide large bailouts to countries in financial crises. They also agreed that further work should be done on new approaches for countries facing unpaid debts. But there is still a fierce debate about how this should be done. Jubilee Research and other NGOs have been pushing for a statutory mechanism modelled on US bankruptcy law, while the US government favours a market-based approach.

The communiqué of the International Monetary and Finance Committee (IMFC), the ministerial body which guides the IMF, welcomed “the consideration of innovative proposals to improve the process of sovereign debt restructuring to help close the gap in the current framework”. The project’s resettlement action plan acknowledges that in these villages, “relocation might eventually be necessary” and adds that “one other village, not currently listed for relocation, Ban Vieng (25 households), may require relocation.”

Rio Tinto has a record of human rights violations and of causing damage to communities and their environments. IFC’s support primarily benefits the companies developing the project, Rio Tinto and Oxiana, while putting local communities’ livelihoods and environment at risk.


IDC controversy continues

The controversy over refinancing the World Bank’s IDC arm was not resolved at the Bank/IDC Spring Meetings. Indeed it has been fuelled by a new study from the US Government’s General Accounting Office which suggests that the World Bank has deliberately over-estimated the financial costs of making IDC deliver more grants. Twenty five US NGOs have produced a paper, Responsible Reform of the World Bank, which reviews current policy debates and proposes improvements to how the Bank goes about its business.

www.brettonwoodsproject.org/topic/reform/r72granted.htm
www.biucca.org/usgovtoversight/ida13.htm

World Bank contributes $2bn to Washington

A study from George Mason University has found that the World Bank generates $2 billion in economic activity annually for the Washington DC region. This figure includes $851 million paid to nearly 14,000 employees, consultants and contractors, and $217 million paid for goods and services. According to the author, Professor Stephen Fuller, “If the Bank left to another world capital, there would be a hue and cry about the loss of jobs and income.” Perhaps the next time the US Congress threatens to withhold funding, IDC campaign groups should lobby to move the bank after decades of interest payments many Southern capitals could use the cash.

World Bank contributes $2bn to Washington

A study from George Mason University has found that the World Bank generates $2 billion in economic activity annually for the Washington DC region. This figure includes $851 million paid to nearly 14,000 employees, consultants and contractors, and $217 million paid for goods and services. According to the author, Professor Stephen Fuller, “If the Bank left to another world capital, there would be a hue and cry about the loss of jobs and income.” Perhaps the next time the US Congress threatens to withhold funding, IDC campaign groups should lobby to move the bank after decades of interest payments many Southern capitals could use the cash.

Secret meeting of global powerful on WTO

The Evian Group held its annual meeting in Montreux, Switzerland, last month inviting a select group of business executives, policy makers, academics and opinion makers. Notable invitees were Nick Stern, Chief Economist of the World Bank, and Pascal Lamy, EC Trade Commissioner. First convened in 1995, the Group’s objective is to consolidate Asian-European business relations and “provide solid support and stimulation to the WTO”. Funding comes from participating ECs, the EC and the Swiss Federal Government. Perhaps not surprisingly the Chair of the Evian Council is held by a Vice-President of Nestlé, Michael Garrett.

www.eviangroup.org
Sustainability report out of step with Bank managers, companies

The World Bank finally released its draft World Development Report on sustainable development at the beginning of April. This was a welcome move, despite the short timeline and lack of advance notice. Commentators gave the report a mixed reception. Many praised its recognition that the political and social context of sustainability is as important as the technical issues. The report also urges countries to maintain a range of ‘assets’, arguing that countries need to safeguard their social and natural resources in order to maintain economic development in the medium-term.

However, whilst raising these insights towards the beginning, the draft report does not follow them through. Vested interests are mentioned in various places but there is no serious treatment of the ways that transnational companies and powerful governments obstruct debate and block official action. An example of this was given in mid-April when the head of the Inter-governmental Panel on Climate Change was removed from his post, apparently after intense pressure from the US Government and US oil companies. The scientist in question, Robert Watson, is a senior figure in the World Bank’s environment department.

The report recognises that climate change poses major threats to developing countries including serious risks of catastrophic and irreversible climate and ecosystem disruption. Whilst the Bank authors propose shifting to more energy efficient buildings, forms of transport etc., they duck the vital debates on global institutional arrangements and approaches to achieve this. Aubrey Meyer of the Global Commons Institute commented “the Bank and the WDR 2003 are to be commended for recognising the seriousness of the problems”. However “they should be more explicit that it is impossible to solve such problems with random market-based activity. They should help foster understanding of the need for a constitutional basis for solving the problem on the basis of precaution, prevention and equity, as required by the UN climate treaty. Contractation and Convergence is logically the only way of resolving this set of problems”.

Unless the recommendations of the chapter on global issues is changed, the Bank risks being seen as out of step not just with much scientific, governmental and NGO thinking, but also with that of many corporations. The big insurance companies involved in the tNER Financial Initiative say that climate-change related damages are growing at between two to four times the rate of economic growth and 1,000 corporate crosses at Davos recently described climate change trends as ‘devastating’.

Another area where the WDR risks being seen as too timid is on international institutional mandates. Examples of this include the question of whether to establish a World Environment Organisation, the record of the Global Environment Facility and the role of the Bank itself. And many people preparing for the Johannesburg summit have pointed to the need for governments to examine and reconcile the tensions between international trade agreements and multilateral environmental agreements. The former have the force of hard law—with a strong institution to back them up, while the latter have no compliance system or strong enforcement agency.

Interestingly the growing literature which raises concerns about the international institutional architecture will soon be joined by a book from World Bank Vice President for Europe, Jean-Francois Rischar. His book High Noon for Global Governance, written in a personal capacity, argues that twenty globally important issues (including climate change and financial crises) are getting worse and the standard strategies for dealing with them, such as international treaties, are woefully inadequate to the task. New institutional mechanisms based on “global issues networks” should be created to monitor compliance with globally recognized standards and single out the nations and organizations that are not cooperating.

Another commentator whose views diverge markedly from those in the draft WDR is Herman Daly. Author of many well-known books on environmental economics, Daly worked with the World Bank in the early 1990s and was invited back to give a lecture in late April. He argued that “the role of rich countries in sustainable development should be addressed. Should they grow faster to provide markets and capital for poor countries or restrict their own growth to free carrying capacity and ecological space for poor countries to use?” Daly pointed out that “globalization opts for the former and so does WDR 2003, but without making the case or even raising it”.

The report also covers more specific issues of great interest to outside commentators, including genetically modified crops, the impacts of the mining industry, forest certification, watershed management and alternative national accounts. The WDR team is redrafting the report by the second week in May when the Bank’s Board will discuss it. Especially given the need to get such political clearance it is questionable how much the WDR team will be prepared to strengthen its analysis.

Links to the documents mentioned can be found in the online Update edition www.brettonwoodsproject.org/topic/knowledgebank/k28wdr2003.html

The Bretton Woods Project is preparing a commentary on the WDR in collaboration with other organisations. For more information or to submit your views on the report email wdr@brettonwoodsproject.org

IFC/FT conference on corporate sustainability

A conference in central London on May 28 will look at ‘Business and the Challenge of Sustainable Development’. It aims to make the case that “sustainability initiatives should become as much a part of the modern business model as networked computers and just-in-time inventory management.” Speakers such as the former chairman of Shell Group and the senior director of McDonald’s who will contribute alongside representatives from various financial organisations such as the IFC, Jonathon Porritt, Chairman of the Sustainable Development Commission (UK) will round off the proceedings.

Bank conference to cover trade, investment

The World Bank’s major annual European conference on development policy issues will take place in Oslo, Norway from 24–26 June. The main conference will cover trade, migration, weak states and institutions and the political economy of financial crises. Workshops will consider many more topics, including foreign direct investment, corruption control and Poverty Reduction Strategy Papers. Speakers include former Mexican President Ernesto Zedillo, Mursolli Maran, the Indian Minister of Commerce, Barbara Stocking, Director of Oxfam and World Bank Chief Economist Nick Stern.

New Bank policy retreats spark opposition

The World Bank’s European office is initiating a new type of meeting to discuss controversial issues. The meetings will be independently facilitated and be off the record, attempting to “build bridges between diverse players”. The first will cover trade and be held in the UK on 7 and 8 May. “Leading thinkers and policymakers from civil society” have been invited. A number of groups have chosen to engage with this new process to see what can be gained. But one group, Focus on the Global South, has refused saying they are “totally opposed to this kind of private and closed meeting which perpetuates the lack of public responsibility and accountability”.

New IFI newsletter in spanish

A new bulletin Info-IFI aims to inform Spanish-speaking readers about the actions of the Multilateral Development Banks. The bulletin, produced by Spanish NGO Acción Informativa BMD provides critical information about projects backed by the World Bank and Inter-American Development Bank, with a focus on Latin America. It aims to support campaigns by social movements and generate debate. The current issue covers topics including Argentinian debt, health sector reform in Nicaragua and the planned construction of another dam on the Paraná River to generate electricity for Brazil.

www.nodo50.org/isi/ailbmd
IMF in Argentina: “failed to learn the lessons of East Asia”

The waiting game continues as Argentina teeters on the verge of complete social and economic collapse. After two visits in less than a month by IMF Director of Special Operations, Aanoo Singh, and high-level meetings at the IMF-Bank Spring Meetings in Washington, Argentina has come away empty-handed. The IMF claims it is offering “tough love” by refusing to release US$5 billion (of a requested US$25 billion) unless Argentina further reduces its deficit and eliminates the various government bonds which are now owed to more than a quarter of the provincial civil service. Fierce opposition to the IMF’s strategy for dealing with the Argentinean crisis is coming from all quarters. Speaking to the annual meeting of the Inter-American Development Bank in Fortaleza, Brazil this March, Brazilian President Fernando Henrique Cardoso criticized the Fund and its attitude toward Latin American countries. The usually diplomatic Cardoso accused the Fund of “illicitantes.” Former World Bank Chief Economist, Joseph Stiglitz, warns that the IMF’s “continual use of contractionary policies that exacerbate economic downturns show that they have failed to learn the lessons of East Asia.” According to polling firm Cattenberg and Associates, 63 percent of Argentines think “it is necessary to carry out policy independently of what the IMF recommends”. Alfredo Avellin, Governor of San Juan province, summed up public sentiment: “The only thing lacking for us is to pull down the Argentine flag and replace it with the IMF’s.”

Evaluate the Update and win free books!

We need your views on how useful you find the Bretton Woods Update. All respondents to our survey will be entered into a free prize draw. The five winners will receive two excellent recent books, donated by Earthscan: Global Citizen Action, (Eds. Mike Edwards and John Gaventa), and Multi-stakeholder Processes for Governance and Sustainability: Beyond Deadlock and Conflict (Ed. Minu Hemmati).

A short questionnaire is included in the mailout of the Update. It will take no longer than five minutes to fill out. Please return either by post or by fax (see contact information below) by 24 June. You can also download the questionnaire as a word document at the URL below and send it to us at an email attachment.

www.brettonwoodsproject.org/update/survey.html
updatesurvey@brettonwoodsproject.org

Report outlines new communications approaches for Bank/Fund watchers

A new report examines how civil society groups monitoring the International Financial Institutions (IFIs) communicate with each other and sets out new options for the future. The study recommends basic improvements to existing usage of the web and e-mail, and proposes the establishment of a web ring and consideration of more advanced systems of information pooling. The report is based on a review of websites and e-mail lists produced by IFI watching NGOs, plus in-depth interviews and questionnaires with active network hubs and with recipients of NGO information. As well as its main conclusions, the report contains a list of electronic newsletters/listserves in this area, as well as case studies of successful and less successful approaches to collaborative information management. These include Jubilee 2000 as well as Labourstart, an initiative which collects and distributes news from a wide range of people working on labour issues.

The report was commissioned by the Bretton Woods Project, with a grant increase from the CS Mott Foundation. It was carried out by Ethical Media Ltd., a company which provides media and communications solutions for a range of NGOs and official organisations.

The Bretton Woods Project is now taking forward more detailed discussions with organisations which have expressed interest in collaborating more closely on World Bank/IMF-related information exchange and publication. Comments on the report, suggestions and expressions of interest in working together on new, collaborative approaches are welcome.

comm@brettonwoodsproject.org
www.brettonwoodsproject.org/strategy

On Her Majesty’s slightly-less-secret service

Following the recommendations of the Treasury Select Committee, the UK Treasury’s latest annual report on the IMF is better documented and more explicit on UK positions at the IMF than previous efforts. The Treasury has, for the first time, made the voting record of the UK public. However this information is of little use in a consensus-based system, where the Board of Governors and Executive Board vote very rarely.

The Select Committee had urged the Treasury to make all Board minutes public, since “the actions of the UK and the Executive Board as a whole remain opaque” and consensus-based decision-making “makes it all the more necessary to publish the minutes, so that the reasoning behind the decisions can be fully understood.” This request, however, has been rejected on the grounds that other countries do not agree. A section of the report does present UK positions in general terms but it lacks an in-depth analysis of UK government goals and how it is seeking to influence IMF policies, governance and operations. Similarly the report fails to outline the position taken by the UK on day-to-day Board decisions, or say what the ultimate Board decision was.

Other European governments take different approaches to government accountability on the IMF. France is comparable to the UK, but the Spanish government seems very reluctant to share information with members of Parliament. The Secretary of State in charge of relations with Parliament recently dismissed a request for information from a Spanish MP who demanded an account of information gathered by government representatives in international financial institutions. The Spanish minister claimed that there is no such thing as a Spanish position since Spain is part of a group of countries taking positions collectively on the IMF boards, and also because “communication between the government and Spanish representatives is informal (mainly through phone and e-mail) and therefore no record is kept”.

www.hm-treasury.gov.uk/Documents/international_issues/International_institutions/int_fi_ukimf.cfm?