Bank declaration of human rights

The World Bank President has asked his staff to prepare a human rights strategy. The Bank has previously avoided talking directly about a role for itself in supporting human rights, despite pressure to do so emanating from the United Nations bodies and NGOs.

The Bank aims to prepare a strategy which “without overstepping our mandate or compromising our advantage of political neutrality in the eyes of our members, fully realizes our mission’s tie to the advancement of human rights”, according to its general counsel Ko-Yung Tung, Ko-Yung was a member of the board of Human Rights Watch before he joined the Bank.

The Bank held a workshop in May to discuss the issues. A memo circulated to Bank staff by Ko-Yung after this said: “we should not be afraid to state that the Bank plays a critical role in the realization of human rights”. He continued: “human rights to me fundamentally means respecting the dignity of each individual. Poverty being an abject indignity, our mission of fighting poverty directly involves the advancement of human rights.

Many critics of the Bank will be glad that the Bank does not intend to cover freedom of association and collective bargaining. Horta argues that the Bank’s talk of fighting corruption, reforming governance and empowering citizens is inconsistent with its continued technocratic and depoliticized approach to development financing. Horta points out that “large amounts of money continue to flow to governments that systematically abuse human rights and have shown little commitment to alleviating poverty or protecting the natural resources”.

In the past the World Bank has been much-criticised for its loans to Suharto’s Indonesia, Mobutu’s Zaire or the Philippines under Marcos. But more recently it has turned a blind eye to the responsibilities of countries neighbouring the Democratic Republic of Congo (DRC). Horta describes the findings of a recent report for the UN Security Council which found that the illegal exploitation of gold, diamonds, copper and cobalt is being carried out and exported via Rwanda and Uganda, with massive financial gains for officers in the Rwandan and Ugandan armies. The World Bank must have been aware of this situation (if only because Uganda started exporting large quantities of diamonds and other minerals which it does not produce). Horta argues “had the World Bank publicized the looting of the DRC by Uganda and Rwanda and threatened to cut off funding for both governments instead of rewarding them, it could have made a contribution to establishing peace, a critical pre-condition to its mission of alleviating poverty.”

Campaigners also point to the fact that the Bank has recently diluted its operational policies on indigenous peoples and on resettlement. In discussions on these policies as well as its forest policy, it has consistently refused to mention international law. Bank reviews state that around three million people have been displaced from their lands as a result of World Bank projects. Very few of those affected have been properly compensated. The UN Committee on Economic, Social and Cultural Rights has underscored the human rights obligations of these two institutions and notes that “the international agencies should scrupulously avoid involvement in projects which, for example, involve the use of forced labour or large-scale evictions or displacement of persons”.

Continued on page 3

“When are you going to stop being a rich man’s club lecturing to poor countries?”—page 5

Counting the poor: do the poor count? ...................... 2  
IDA grants-loans controversy ends ...................... 2  
G8: “Absolutely zilch” for Africa .......................... 3  
Rebranding adjustment ..................................... 3  
Bank pilots new disclosure initiative ...................... 4  
Bank launches trade tome ................................ 4  
IMF chides former WB Chief Economist .............. 4  
WB parliamentarians meet in Switzerland ............ 4  
EU should hand over education funds to WB .......... 4  
IMF boss grilled by British MPs ......................... 5  
Bank’s pledge to fight corruption put to test .......... 5  

Doubts strengthen on private power provision .......... 6  
NGOs criticise the Bank’s water strategy ............... 6  
10 Reasons to Abolish the IMF and World Bank .... 6  
ABCDeSure .................................................. 6  
Ugandan MP denounces Bank/Fund prescriptions .... 6  
BP mega oil project may get “big bucks” from WB ... 7  
Finance issues key to sustainability summit success . 7  
What was IMF role in Malawi famine? ................. 7  
WB Forest Policy “fails to address deforestation” .... 7  
Indonesian MPs: write-off IMF loans .................. 8  
IMF fiddles while Argentina burns ...................... 8  

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Counting the poor: do the poor count?

Is the world “on the right track” in terms of poverty reduction?
The World Bank seems to believe so.

Statements by the World Bank on good policies, aid effectiveness and selectivity give the impression that resources allocated to the World Bank are efficiently contributing to poverty reduction. The case for aid has been abundantly made by James Wolfensohn after 11 September, in the run-up to the Monterrey conference and during negotiations on IDA replenishment.

However Sanjay Reddy and Thomas Pogge of Columbia University, in a paper entitled How NOT to count the poor give a scathing account of the problems with the World Bank’s poverty numbers. They say an ill-defined poverty line, a misleading and inaccurate measure of purchasing power equivalence, and false precision are the three main errors that may lead to “a large understatement of the extent of global income poverty and to an incorrect inference that it has declined.”

This allows the World Bank to insist that the world is indeed “on the right track” in terms of poverty reduction strategy, attributing this ‘success’ to the design and implementation of ‘good’ or ‘better’ policies.

In a recent reply, Martin Ravallion of the Bank argues that “Reddy and Pogge have oversimplified the problem of measuring poverty in the world, and exaggerated the supposed faults in the Bank’s methods”. But Reddy and Pogge insist “[W]orld Bank global income poverty estimates do not stand up to serious scrutiny”. And they are not the only ones to contest the Bank’s methods.

Peter Nunnenkamp, Research Division Head at the Kiel Institute of World Economics contests the World Bank’s claims that its aid goes to countries with ‘good’ policies and institutions. He condemn[s] the Bank for producing ‘strongly misleading’ figures on ‘aid effectiveness’ for the Monterrey summit. He concludes that “little has changed in targeting aid at poor countries with good policies. In the longer run, the World Bank, by playing statistical tricks, may have weakened, rather than strengthened the case for more aid”.

Robert Wade of the London School of Economics argues that the Bank knows very well that the number of absolute poor is politically sensitive. He expresses concern that “it is possible that the people who calculate such numbers—in the Bank or elsewhere—are inclined to make methodological choices that produce a relatively favourable result even as they remain in the bounds of the professionally defensible”. Wade contests the fact that the World Bank, while subject to arm-twisting by its member states, is the world’s principal provider of development statistics. As he put it in a letter to Prospect recently: “We would not want [cigarette transnational] Philip Morris research labs to be the only source of data on the effects of smoking even if the research met professional standards”.

Reddy and Pogge say an alternative methodology is desirable and feasible. It could be done by constructing a basket of commodities required to meet the elementary consumption needs or capabilities of individuals; emphasis would be placed not on the basket mix, but on characteristics such as calorific content. In the meantime they argue that current estimates should stop being used.

World Bank programmes are frequently accused of inflicting “serious damage to health”. Now it seems that the credibility of its poverty figures might well be going up in smoke.

IDA grants-loans controversy ends

After a meeting of G7 Finance Ministers in Halifax in mid-June, the grants versus loans controversy has finally been resolved. The disagreement has held up replenishment of the World Bank’s International Development Association (IDA) program, which provides concessional loans to some 79 countries.

The deal means that 18–21 percent of IDA aid will now come in the form of grants rather than loans. Countries whose average per capita income is below one dollar a day will receive almost all their aid in the form of grants. The US had been arguing that 50 per cent of funds should be given as grants, despite the fears of European ministers that without increasing the total amount of money available, the switch to grants would soon exhaust available funds. There have been suggestions that this was the ultimate goal of the Bush administration, taking into account its distrust of international bodies, and its fondness for laissez-faire economic policies.

$2.5 billion will be made available over the next three years, of which $1.3 billion will come from new contributions from 39 donor countries—an 18 per cent increase over levels in the previous replenishment. G8 leaders were ambiguous about whether a majority of the new funds would be directed to African nations, leaving the decision up to individual donor priorities and conditional on good governance and the “promotion of economic freedom” by African governments. Donors want to see the World Bank establish a results-based measurement system to “link IDA programs to a country’s development outcomes”.

Civil society organizations have reacted cautiously to the grants move. Some groups have asserted that the shift to grants will not make a significant difference to borrowing countries for another decade. Other commentators have argued that the switch to grants will mean a significant boost to countries, especially those who have seen debt commitments in hard currencies skyrocket after local currency devaluation.

G8: “Absolutely zilch” for Africa

Fear mongering in the city, little progress in the woods. That’s how activists are describing the recently completed G8, held in Western Canada. After spending $500 million on security measures and threatening the use of lethal force against protesters, Canadian authorities must have felt sheepish guarding the public from several thousand peaceful activists throughout both the parallel conference, the G6B (Group of 6 Bilion), and the summit itself.

Civil society organizations were at pains to point out that expenditures on security nearly outweighed new commitments to African development, supposedly the top item on the agenda. The G8 Africa Action Plan failed even to get conclusive agreement on earmarking for Africa 50 per cent of the US$12 billion pledged at the Financing for Development Conference held in Monterrey, Mexico in March earlier this year. Asked what African leaders received for their journey to Kananaskis to pitch NEPAD, the New Partnership for Africa’s Development, M. P. Giyose, Chair of Jubilee South Africa, replied “absolutely zilch”.

While the HIPC debt relief initiative of the World Bank and IMF did receive a topping-up of US $1 billion, Mara Vanderslice of Jubilee USA called the G8 leaders’ “failure to discuss a new deal on debt in light of the widespread view that the HIPC program has failed, “tragic”. This came despite unprecedented public support for deeper debt cancellation; an Early Day Motion in Britain calling on the Bank and the Fund to accelerate debt cancellation was signed by a record number of 345 mps.

“Good plan, no action”

Even the much heralded World Bank fast track initiative for 18 countries ready to go ahead with plans for universal primary education failed to attract new money. Mark Fried, Advocacy and Communications Coordinator for Oxfam Canada, said that the leaders endorsement of the G8 Education task force report meant little on its own—“good plan, good process, no action”.

Reform of the IRS, top item of discussion the last time the G8 leaders met in Canada, failed to even make the agenda.

G8 Africa Action Plan

www.g8.ca/kon_docs/ actionplan-e.asp

G6B recommendations for G8 leaders

www.g6bpeoplessummit.org
Rebranding adjustment: the World Bank and ‘development policy support lending’

Structural adjustment had become unspoken—fortunately the World Bank has come up with a new name. Content is less likely to change.

The Bank is considering renaming adjustment lending ‘development policy support lending’, but there are few signs that this will entail significant changes. The Bank argues that revision of its 1992 directive on structural adjustment will in fact only ratify changes that have already occurred. Renaming adjustment is supposed to reflect the shift from a short-term macro economic focus to longer-term concerns. The Bank claims that despite the “mixed performance” of adjustment lending in the 1980s, in the 1990s “the performance of adjustment has improved sharply as the lessons from experience and research evaluations were built into operations”. However many independent studies suggest adjustment has resulted in far less satisfactory outcomes in terms of human development, including in the 1990s (See “SAPRI findings overwhelming”, Update 28).

Following the adjustment lending retrospective initiated last year, the World Bank has issued a discussion paper for consultation before revising and reformulating its operational directive. The Bank sees this update as an opportunity to “better align” with the Monterrey consensus, the Poverty Reduction Strategy Papers approach and the IMF. The new policy attempts to take stock of lessons on adjustment, including the Structural Adjustment Review Initiative.

Among the issues the Bank’s Board will look at is the share of Bank loans devoted to policy-based lending. According to the Bank’s Articles of Agreement, World Bank loans should be limited to specific projects “except in special circumstances”. In recent years “special circumstances” have been subject to broad interpretation but the Bank says the share of policy-based lending has been limited to 25 per cent. There are serious reasons to believe that this formal ceiling will be removed to make way for case-by-case assessment by the Board. While some NGOs see policy-based lending as a constraint on country budgets and sovereignty, others argue that budget support leaves governments with more flexibility than project loans.

But what will really be subject to debate seems limited. The operational policy will limit its application to Bank support for a specifically defined portion of a country’s reform program, focus on mandatory policy provisions distinct from desirable good practices, and “focus on the ‘when’ and the ‘how’ of Bank policy-based lending support for country reform programs, rather than on the nature of the country programs themselves”. As a consequence, the new policy, in contrast with the old one, would not include guidance on ‘development paradigm’ areas such as public finances, trade policy, privatisation, etc. Bank research and ‘knowledge management’ would provide World Bank views and good practice.

The increasing tendency towards less mandatory directives, more desirable ‘good practice’ is said to reflect recognition by the Bank that there is no single blueprint for reform that will work in all countries”. Whether World Bank staff will use this flexibility to depart from the Washington/Monterrey consensus is doubtful. Moreover, not making policy assumptions explicit means they are not openly discussed, while the conversion could have provided an opportunity for such a discussion. While proposing a framework to assess possible impacts of structural adjustment lending on poverty or the environment, the current issue paper tends to focus instead on design and implementation of structural adjustment lending.

The design of the consultation process is also a cause for concern. The consultation plan was still vague by the time of the first consultation in London in mid-July. Regional consultations will include meetings in Africa, South and East Asia, Latin America and the Middle East. Major concerns had already been raised by more than a hundred NGOs last year in the early stages of the process. They called for an adequate time frame and access to information, as well as mechanisms to ensure accountability and broad-based participation, such as an independent external facilitator. It seems that most if not all of these concerns have been overlooked in the current process, adding to suspicions that the World Bank sees this consultation merely as a ‘ticking the box’ exercise.

Bank declaration of human rights

Continued from page 1

The World Bank’s recent support for the Chad/Cameroon oil pipeline reveals its inconsistent approach. The area of the proposed oilfield in Southern Chad has seen many human rights breaches. An organization working to represent the local population (Entente des Populations de la Zone Péitrile) did not receive legal recognition from the government and was disbanded. The Bank oversaw requests from Chadian civil society groups for a moratorium on Bank support for the project until such issues were resolved. In a specific instance of human rights abuse, however, Bank President James Wolfensohn personally intervened with the president of Chad to help secure the release of Ngarlej Yorongar, a presidential candidate who campaigned against the pipeline.

It will certainly be good for the World Bank to clarify what it sees as its role in pursuing human rights. Bank staff are carefully considering the options available to them following Wolfensohn’s edict to produce something to discuss for the annual meetings this September. It is clearly sensible for the Bank to clarify its understanding of rights issues. But how far will the Bank go in a situation where a number of governments sitting on its board as well as its own legal and other staff will urge extreme caution? Will the Bank accept:

- its responsibility to respect international human rights law in full?
- that it should share financial, legal and moral responsibility for projects or programmes which have direct negative social impacts?
- claims for compensation from people negatively affected by projects or programmes where the Bank can be proved to have shared responsibility for this outcome?
- the judgement of relevant UN bodies on human rights?
- that it should avoid large-scale evictions resulting from its actions?
- demands from unions that World Bank contracts should incorporate clauses protecting workers’ rights?

- that the rights of workers and service users need better protection during Bank-backed privatisation of services or other public service reforms?

Mary Robinson speech at the World Bank, December 2001

The Bretton Woods Project plans to work with others to track the Bank’s progress towards a new human rights agenda. More quotes and comments at www.brettonwoodsproject.org/topic/social/s29hr

Send other relevant quotations, or your views on the Bank and human rights to info@brettonwoodsproject.org
IMF chides former WB Chief Economist

With the publication last month of Globalization and Its Discontents, Joseph Stiglitz, a Nobel laureate in economic science in 2001, has become public enemy number one at the IMF.

In the course of 282 pages, Stiglitz accuses the Fund of acting in the interests of big US investment banks; of blind market obsesiveness leading it to bungle bailouts in Asia and Latin America; and of callousness towards those most worst affected by its policy prescriptions.

After months of allowing Stiglitz to snipe at will from the wilderness, the IMF unleashed its counterattack at the book launch in Washington, 28 June. Ken Rogoff, IMF Director of Research, lashed out at Stiglitz as a “docile, self-appointed ‘doctor, heal thyself’.” Much as he decries the IMF’s hard-nosed approach to economic crises, the World Bank itself withholds loans to developing countries that fail to secure the IMF’s stamp of approval on their economic performance.

Railing against the lack of transparency in the Fund’s decision-making, Stiglitz contrasts the environment at the Bank as that of a “debating society”. However, he knows better than anyone that, starting with itself, there has been a stream of “debaters” shown the door at the Bank.

Bank launches trade tome

The World Bank is ramping up its involvement in trade issues. Responding to the launch of multilateral trade negotiations at the 2001 WTO ministerial meeting in Doha, the Bank released an enormous handbook on trade issues on 26 June. The Bretton Woods Project is inviting feedback on the handbook’s 55 chapters, written by a collection of scholars, trade experts and Bank types, covering everything from the basic mechanics of the WTO to discussions on trade in services and intellectual property rights.

Internally, the Bank has created a new Trade Department which will bring existing trade work under one roof. The work is currently dispersed throughout various Vice Presidencies and the Regions. This change is, according to the Bank, “to improve our capacity to respond to this growing demand for Bank services on trade and to scale up the impact of our work. The new Department will combine the relevant, policy and analytic work, and capacity building on trade under one budget, which will also include resources from trust funds and initiatives such as the Integrated Framework.”

The position of Trade Director has been filled by Frenchman Uri Dadush, with the Bank since 1992 and formerly appointed to both policy and development economics branches. Posts for trade economists are being created rapidly in both policy and research arms of the Bank.

The Bretton Woods Project is preparing a briefing on the Bank’s involvement in trade-related capacity building for release before the WB-IMF Annual Meetings in September. The briefing will examine concerns that the Bank and its particular policy biases is becoming too influential in the formulation of trade policy.

ILO Africa Director rebukes WB and IMF

Africa Regional Director for the ILO, Regina Amadi-Njoku, at a trade union conference in Nairobi, said globalisation was responsible for the decline of Africa’s status in the global economy. “Governance is now the province of monetary entities such as the IMF, World Trade Organisation and the World Bank, who despite their concerns with good governance for the purpose of facilitating economic development, are not accountable to the constituents of any given nation.”

WB, parliamentarians meet in Switzerland

Around two hundred parliamentarians from Europe, Asia and Africa gathered in Switzerland. The third conference of the Parliamentary Network on the World Bank was addressed by the President of the World Bank, the Director-General of the World Trade Organisation and a number of other officials and non-official speakers. Whilst this network is useful in bringing together MPs for conferences and field trips, it has yet to develop independent mechanisms for keeping MPs in touch with each other. (For more see Update 27)

EU should hand over education funds to WB

The GCE held a meeting 29 May in Brussels on the role of the EU in delivering the international education goals, bringing together Education Ministers from Niger, Guatemala and Bangladesh, civil society representatives and donors. Evelyn Herfkens, Netherlands Minister for Development Cooperation, maintained that the best thing the EU could do was hand over its available resources for education to the World Bank. This view was challenged by many, including the Bank itself. The EC representative emphasised the need for donor harmonisation and a common pool approach.

Bank pilots new disclosure initiative

Some 17 countries are about to embark on pilot programs with the World Bank in which they will disclose more information than they have in the past—more than Bank policy requires. The Bank was reported to be surprised by the response: Armenia, Brazil, Bulgaria, Indonesia, Lithuania, Mexico, Mozambique, Philippines, Turkey, Ukraine, Yemen and Zambia have signed on, with a regional hub in Bangkok to cover Thailand, Lao PDR, Malaysia, Cambodia and Mongolia.
Bank’s pledge to fight corruption put to test

President Wolfensohn takes credit for introducing the word corruption in the Bank’s vocabulary. But the Bank’s crusade against the ‘cancer of corruption’ has to compete with bigger interests.

In the last few months, the Bank has downplayed allegations of corruption against international dambuilding companies involved in a trial in Lesotho, refusing to disbar them from future contracts (see Update 27) because of “insufficient evidence”. Now that Lesotho judicial authorities have found these companies, including the UK’s Balfour Beatty and France’s Spie Batignolles, guilty of bribing an official, the Bank is under pressure to revise its decision.

Corruption allegations are endangering another Bank-backed project, the Bujagali dam in Uganda. The World Bank has suspended its support to the project after AES revealed its main construction contractor had bribed a Ugandan official in 1999. Suspicions of corruption has long hovered over the project, adding to environmental concerns and doubt about its economic viability. A recent report by International Rivers Network shows how World Bank staff and management misled the Executive Directors in their decision to approve the project by manipulating figures on economic viability. Peter Bossardt suggests the Bank’s persistent support could be due to the fact that AES is one of the biggest clients of the IRC, the Bank’s private investment arm. He notes that AES is in desperate need of new activities to maintain its financial balance after its shares fell sharply in the aftermath of the Enron storm (see “Bujagali dam affected by Enron-fallout”, Update 27).

To its embarrassment the Bank also has to fight corruption in its own ranks. A former Bank official, Gautam Sengupta, is under trial in the US for corrupt practices in Kenya. He worked for the World Bank from 1981 until May 2000, when he was sacked on the basis of corrupt activities uncovered by the Bank through an internal investigation. The investigation “revealed that [three] staff members were paid or agreed to receive kickbacks by two separate groups of Swedish companies in exchange for steering certain bank contracts to those firms. In other instances the contracts were awarded for ineligible activities”. Projects were aimed at improving the road network in Kenya. $500,000 in contracts were rewarded; the extent of the network involved is still not fully clear but several consultants have already been debarred from future Bank projects.

The World Bank’s pledge to fight corruption is conflicting with many interests. In a recent paper, Are donors promoting corruption in Mozambique? Joe Hanlon argues that the World Bank and other donors “see what they want to see” because they need “the myth of the Mozambican success story”. Hanlon complains the World Bank is rewarding “good performance” by allowing and therefore effectively encouraging corruption and state capture. He says the IMF and the World Bank, under pressure from the US Treasury and campaign groups calling for faster debt relief, ignored calls from civil society and other donors in Mozambique to pressure the government for failing to address blatant corruption in the banking sector. Hanlon concludes that despite lip service paid to ‘good governance’ it is in fact a low priority on the donors’ agenda—including the World Bank.

IMF boss grilled by British MPs

On 4 July, IMF chief Horst Köhler came to London to give evidence to the Treasury Select Committee of the UK parliament. The Bretton Woods Project, Oxfam, and representatives from Warwick and Oxford universities briefed the Committee as expert witnesses. The exchange was lively and far-ranging including discussion on:

A world government?

MICHAEL FALLON, MP: The IMF was not intended to be a world government. Does the Fund have a well-targeted role?

HORST KÖHLER: We do not have the ambition to be the world government. But if something goes wrong the IMF is the scapegoat.

Governance of the IMF

GEORGE MUDIE, MP: When are you going to stop being a rich man’s club lecturing to poor countries?

KÖHLER: We are trying to listen. It is a democratic system because the Executive Directors who are appointed by government. We have a culture of consensus-building. Still we are a financial institution and so we need capital. There is a healthy element in the fact that the provision of capital and voting rights is being combined. The existing representation in the IMF did work but it can be improved.

MUDIE: We threw out that system in 1852—votes tied to property and money and what we called “rotten boroughs” representation. I’m surprised that a European individual can be so compliant about the lack of democracy in representation.

Poor and Social Impact Analysis

KÖHLER: It is mainly the World Bank in charge. We have started six to eight assessments. It is a process of learning by doing. We are doing it in Tanzania. We are doing it, I think, in Mozambique. But I am not in detail now informed about the countries.

Responsibility for the Malawi famine (see “IMF role in Malawi famine”, p7)

DAVID LAW: Was the IMF’s advice to the Malawian government on grain reserves a mistake?

KÖHLER: The advice for this maize stock was given and is given by the World Bank and the European Union Commission, so it is just plain wrong to accuse the Fund that it advised and made even a conditional out of this. I am able to give you better in depth information about this in a note.

The IMF was part of, the kind of international advice and the IMF may not have been attentive enough how they exercised how to run this maize stock, but it was not the responsibility of the Fund to implement the advice.

Free markets and trade

JIM COUSINS, MP: Do not the poor of the world look at you and say, “Well, here are you running free markets and telling us the value of free trade, but what can they do to prevent the United States raising trade barriers and pouring untold sums of money into subsidies for American farmers?”

KÖHLER: Since my time the IMF has not been lecturing about free markets.

JAMES PLASKITT, MP: You made a very strong statement to the US Catholic Bishops Conference in January saying that “It is unconscionable for the United States, Japan, and the European Union to spend hundreds of billions of dollars on agricultural subsidies … But where is your leverage as an organisation [with richer countries]?”

KÖHLER: It is certainly a difficult task but politics in the 21st century is about public debate and communication. I participate in the public debate and create awareness. I am taking risks because the big powers don’t like it. We are in discussions with the WTO to make the Doha round really a development round. I am going to discuss with my shareholders, the IRG and the other estates - that within our Article IV process of surveillance and dialogue we should also have a window about market access and trade distorting subsidies. I hope that we will come to a conclusion which enables us, on the basis of a more systematic approach, to discuss in a transparent way market access and trade distorting subsidies for all our membership.

On quotas and geopolitics

ANDREW TYRIE, MP: You used to have a fairly clear and understandable set of rules about what limits there would be to draw in IMF resources. In the light of the bail-outs now of Turkey and Pakistan, I do not think any reasonable man could say that you have stuck to those principles. Do you think that it would be right to conclude that some of this lending has been driven largely by pressure from the US Administration rather than based on IMF rules?

KÖHLER: I would guess that all G7 members had been involved in the Russia policy. It is too early to say that the IMF was wrong in Russia. In the case of Turkey and Pakistan, programmes were discussed before 11 September. There will be a Board discussion on lending limits.

The Committee plans to issue a report on the IMF later this year. A new section of the Bretton Woods Project’s web site on UK decision-making in the World Bank and IMF will be launched in September.

www.brettonwoodsproject.org.uk

Uncorrected Evidence presented by Mr Horst Köhler on 4 July 2002

The UK and the IMF

www.publications.parliament.uk/pa/cm200102/mselect/cmtrr/euc868-iii/euc868.htm
Doubts strengthen on private power provision

Two new briefings have been published outlining problems with power privatisation. At the same time the World Bank has recognised that international private investors have become increasingly wary of getting involved in power projects in developing countries. Energy companies such as El Paso and AES are pulling back from poor countries amid debt concerns at home and losses on investments in Argentina and other nations. In Peru, the sale of four regional electricity-distribution companies had to be postponed in May, after no company could match the minimum bid. The Enron and Worldcom scandals have also caused concerns about the viability of many companies.

In response to this situation the Bank is likely to triple its funding of power projects to as much as $2.8 billion in the coming year, according to Jamal Saghir, director of the World Bank’s energy department. The Bank organised two conferences in June aimed at rekindling private sector interest in power projects, but acknowledged that this will be a hard task.

It will not be made any easier by continued civil society concerns, as expressed in new briefings from the Transnational Institute (tni) and World Resources Institute (wri). Lights Off from TNI complains that governments are often forced into privatisation through loan conditionalities of the multilateral banks and the IMF. It aims to debunk six myths of power liberalisation starting with the assumption that private power companies are pulling back from poor countries amid debt concerns at home and losses on investments in Argentina and other nations. In Peru, the sale of four regional electricity-distribution companies had to be postponed in May, after no company could match the minimum bid. The Enron and Worldcom scandals have also caused concerns about the viability of many companies.

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BP mega oil project may get “big bucks” from WB

BP may receive as much as $500 million from the World Bank to expand oil output in Azerbaijan and build a 1,100-mile Trans-Caucasus pipeline. The loan would boost a US goal of keeping the oil away from Iran, which the State Department says is a sponsor of terrorism. The IRC may back the $2.9 billion pipeline which would stretch from Azerbaijan’s capital to Turkey within the next year. Companies involved include Unocal and Total Final Elle.

The World Bank claims it will ensure that environmental standards apply during the construction. But similar projects have cast doubt on the Bank’s ability to promote sustainable development by financing oil, gas and mining projects. The Baku-Supsa pipeline in Georgia and Azerbaijan illustrates such problems. cee Bankwatch network says the $1.98 billion pipeline fuel income disparities, is a threat to the environment and entails heavy dependence on oil prices for the countries concerned.

These concerns are typical of World Bank supported projects in oil, gas and mining. Staff of the Extractive Industries Review (EIR), World Bank staff and NGOs gathered in Budapest in early July to debate the rationale for and consequences of World Bank involvement in this sector. This was the second of a series of regional consultations (see “NGOs discuss perils of Bank engagement”, Update 28). While the EIR admits oil, gas and mining activities have “not yet” achieved sustainable development and poverty reduction, NGOs complain that the entire revision process focuses mostly on how the World Bank should improve its way of doing business in this sector, without discussing possibilities of a withdrawal. “Virtually all of the discussions revolved around how the Bank should do projects better, not whether or not they should”, said Steve Kretzmann of the Institute for Policy Studies after the meeting. The EIR is currently scheduled to present its final report to the World Bank in June of 2003.

Finance issues key to sustainability summit success

Preparations for the World Summit on Sustainable Development (wssd) drew to a close in Bali, Indonesia, amidst claims from NGOs that powerful countries were blocking progress and promoting a corporate trade agenda. The inability to reach a meaningful conclusion at this preparatory conference has cast doubt over what will be achieved at the Johannesburg Summit that will begin on 26 August.

A US government-led negotiating block was much-criticised for its resistance to text that would commit it to specific actions, targets, timetables, or funding and to remove references to instruments agreed at the Rio summit in 1992.

As host, Indonesian President Megawati Sukarnoputri expressed concern over the current rate of exploitation of natural resources, adding that the answer lay in the richer countries providing “funding resources to secure (the) plans and development programs” of developing countries since “we witness how these nations still depend much on their struggle to build the future on natural resources”. But Northern governments were reluctant to address these questions directly, preferring to stick to the language and commitments on trade and finance agreed at the Doha and Monterrey summits.

Third World Network issued a statement complaining that “for most of the preparatory process, there has been a marked absence of groups who work on issues relating to debt, trade and finance and groups monitoring the international financial institutions”. They commented that “it is critical that trade and finance groups begin monitoring the wssd process and advocate for better language on trade and finance issues to be inserted into the Draft Plan of Action”.

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What was IMF role in Malawi famine?

The Bretton Woods Project is collaborat-

www.actionaid.org/newsandmedia/

WP Forest Policy “fails to address deforestation”

After much delay, a revised draft Forest Strategy and Operational Policy were released 14 May. A coalition of NGOs working on forest issues charges that the new policy ignores advice given to the Bank by civil society and its own Technical Advisory Group.

The proposed policy opens the door for Bank investment in logging in all types of forests except those defined as “critical”. Marcus Colchester of Forest Peoples Programme sees two problems with the new approach. First of all, it is Bank operational staff who will decide what areas of forest are ‘critical’. Secondly, the draft forest policies relies on the procedures of the current Natural Habitats policy; this policy allows investment in commercial activity even in critical areas if it is determined that there are no feasible alternatives. The World Bank is inviting comments on the draft forests Policy until 2 August, after which time it will go to the Board for final approval. World Rainforest Movement is calling on the Bank to delay finalisation of the policy and rewrite it in line with recommendations made during the Bank’s consultations.

Forest Policy Implementation Review & Strategy


For more information, contact Tom Griffiths of Forest People’s Programme tom@fpwppm gn.org.au

Empowerment soucebook

The Bank has recently begun to recognise evidence of links between peoples’ empowerment, growth and improved project performance. However, it recognises that “there remain many questions about what empowerment means, how it applies to the Bank’s work, and what actions should be undertaken”. It has published an Empowerment and Poverty Reduction Sourcebook to start to define its approach in more detail. This sourcebook will also inform the World Bank’s social development strategy which is now under production.

www.worldbank.org/poverty/empowerment/

www.brettonwoodsproject.org/topic/governance/g270/empower.html

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Bank not responsible for “evident harm”

A Papuan NGO, the Center for Environmen-

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ment had failed to stop illegal logging and road construction, and that the Bank had failed to supervise compliance with the con-

ditionalities. After an initial eligibility review, the inspection Panel has recommended against a full investigation, concluding that, while the claimants had suffered “evident harm”, it was not related to an act or omis-

sion by the Bank, and therefore not eligible for review by the Panel.

www.worldbank.org/ks/k-practice_stories_urbana.html

Ayuda Urbana website (Spanish)

www.ayudaurbana.com

mpwrf nmw.

WB municipal mission creep

The World Bank is linking staff at municipal governments in a dozen cities in Central America and the Caribbean. The initiative, known as Ayuda Urbana, “serves as a forum for sharing knowledge on pressing urban issues and priorities”. While funding has come from the Dutch government and the UK’s DfID, the Bank has provided overall coordination and the assistance of experts from the Urban Poor Thematic Group. World Bank task teams are now working to extend this initiative in China and India.

Ayuda Urbana, World Bank Group

www.worldbank.org/kg/k-practice_stories_urbana.html

Ayuda Urbana web site (Spanish)

www.ayudaurbana.com

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Indonesian MPs: write-off IMF loans

On 5 July, one hundred members of the Indonesian parliament wrote to the heads of the IMF and World Bank to complain about these organisations’ role in their country. The MPs complained that “macro-economic shocks in avalanche proportions had hard hit the Indonesian economy, particularly since 1997”. “The question as to who should be made accountable for the whole disastrous situation needs to be determined”.

The MPs made clear their feeling: “It was primarily due to the obnoxious support of the IMF to an extremely corrupt and incompetent economic regime which made that regime viable and powerful. The IMF has been fully cognizant and therefore condoning the extensive plundering of the loans provided under the auspices of IMF as reported in your internal documents and acknowledgements”.

“The IMF forcefully implemented disastrous orthodox macroeconomic policies against its consistent threat to delay schedules of funding for its conditional balance of payments and budget loans. These policies triggered deeper economic recession and monetary collapse by advising Bank Indonesia to raise the interest rates to extreme heights at times even exceeding 60 per cent per annum and requiring adoption of complete free foreign exchange regime and floating exchange rate system. The consequence was a definite huge outward flow and draining of capital and ultimately causing complete collapse of the banks in the country”.

They concluded: “the IMF has exploited the seeming ignorance shown by the Indonesian Parliament as if in violation of the Indonesia Constitution, it would not require ratification of all the loans provided under the auspices of IMF”. Thus the parliamentarians request that “to safeguard the interest of our people and the economy, and to uphold our Economic Sovereignty, we cannot do otherwise but to beseech IMF to write-off all the loans provided so far under its auspices”.

Full letter at www.imfbl.de/pemysatana%20DPR%20ke%20IMF.doc

IMF fiddles while Argentina burns

After the murder of 2 piqüeratos on 26 June drew tens of thousands onto the streets of Buenos Aires, Argentine President Eduardo Duhalde has moved up elections scheduled for September next year to March 2003. In the face of rising protest against his administration, President Duhalde received support from Mercosur leaders in a 5 July meeting in Buenos Aires, where they joined Mexican President Vicente Fox in calling for the IMF to release billions of dollars of aid.

Despite revealing the financial crimes law on 30 May, an essential precondition to further loan negotiations, progress with the Fund remains exasperatingly slow. Argentina’s central bank president, Aldo Pignanelli, has said he now expects the country to sign a new deal with the IMF in August. This will come after an expected visit on 22–24 July of a team of “wise men” to draft a monetary policy and come up with solutions to salvage the banking system. The team will include the former central bank governors of Canada, Germany and Spain as well as the General Manager of the Bank for International Settlements.

In a stunt designed to draw attention to the IMF’s role as head of an international creditors’ cartel, holding up credit from the World Bank, IADB, European governments and day-to-day business credit, a group of reporters cornered the head of the IMF’s delegation in Argentina outside his hotel room and handed him a set of plastic Halloween vampire teeth. “We found these lodged in President Duhalde’s neck and wanted to return them to you.”

The real pressure on the IMF to ink a deal in Argentina is now coming from the threat of contagion. In an 1 July editorial, the New York Times chided the Bush administration for being “far too passive, making little effort to exhort the IMF to reach a deal with Buenos Aires.” Fear of financial instability spreading first to Brazil and then throughout the region, combined with a broader backlash against the liberalization agenda is fuelling the calls for action.

Anoop Singh, formerly Director of Special Operations and chief IMF firefighter in Argentina, has been appointed to Head of the Western Hemisphere Department of the IMF in an apparent snub to his predecessor (Update 27, “IMF ‘fun’ with Argentina”).

“Argentina’s contagion”

What are they doing to Argentina?

www.zmag.org/ZNET.htm

Annual Meetings Update

The IMF–World Bank Annual Meetings will run between 28 and 29 September in Washington. Bank Information Center, Bretton Woods Project and other IFI-watching groups plan to implement a joint calendar of events which will be contributed to by many organisations and viewable on many sites. Check out the web sites of these organisations as the meetings draw nearer for information on official sessions, NGO sponsored events and demonstrations.

Unconfirmed issues which may come up at the Development Committee:

• Fast tracking health
• Update on fast tracking education
• Discussion of Bank’s role in human rights
• Debt/HIPC
• Low-income countries under stress (UCUS)
• Voice in the Bank’s Board
• Follow up to Monterrey Financing for Development conference and World Summit on Sustainable Development
• Poverty and Social Impact Analysis (PSIA)

International Monetary and Finance Committee:

• World Economic Outlook
• Surveillance
• Crisis prevention and resolution
• the Fund’s role in low income countries (including PSIA)

Job opening with Bank Information Center

The Bank Information Center is seeking to hire an Africa Project Coordinator. The successful candidate will focus on gathering and providing information related to the work of the World Bank Group in Africa as well as assisting the African Program Manager in carrying out research and advocacy related to problematic projects and policies on the continent.

More details at www.bicusa.org/aboutbic/jobopps.htm

More links and additional information for stories in the Bretton Woods Update can be found at www.brettonwoodsproject.org/update

Please send suggestions for relevant links and further insight on these issues to info@brettonwoodsproject.org

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Critical voices on the World Bank and IMF

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