

World Bank pushed to open up Bolivia water arbitration

On 29 August non-governmental groups sent an angry letter to the World Bank Group demanding public access to its “secret trade court” which is to rule on a dispute between an American transnational company and Bolivia. The letter spells out concerns about the World Bank’s role in a water privatisation deal in which Bechtel took over the public water company in Bolivia’s third largest city, Cochabamba.

Bechtel is now demanding \$30m in compensation after popular protests forced them to withdraw from the contract. Campaigners say that the World Bank faces clear conflicts of interest in this case and should open up the activities of its arbitration arm to public scrutiny. The International Centre for the Settlement of Investment Disputes, the forum for the arbitration, is a little-known arm of the World Bank Group founded in the 1960s to facilitate the settlement of investment disputes between governments and foreign investors. It operates from World Bank premises and is run by the World Bank’s Senior Legal Counsel who oversees the creation of ad hoc panels of experts to decide on each case brought before it.

The 300 organisations which endorsed the letter argue that “the World Bank/ICSID should not be handling this case [because] it was the World Bank itself which directly forced the government of Bolivia to privatize the water system of

Cochabamba, making privatization a condition for both debt relief and funds for water system expansion”. They point out that World Bank President James Wolfensohn directly appointed the President of the arbitration tribunal that will decide the case, undermining its independence and perceived objectivity.

The letter also argues that Bechtel’s subsidiary Aguas del Tunari has taken its case to ICSID on the basis of a “bogus claim” that it was registered in Holland at the time of the deal. Furthermore the company’s public statements about the Tucuman water concession are also “fraudulent”, leading to campaigners demanding to see all documentation filed by the company to the panel.

Campaigners are also demanding that the ICSID tribunal for the Cochabamba case:

- allow affected individuals and organizations to participate;
- travel to Bolivia to receive testimony;

- make hearings completely open to the public.

They complain that “urgent public matters are decided behind a shroud of secrecy, without full information and without any of the opportunities for public vigilance and participation that are the basis for public legitimacy”. In this they are echoing the sentiments in the World Bank’s latest *World Development Report* which specifies that “competent institutions pick up signals about problems, balance interests fairly and efficiently in formulating policies, and execute policies in an accountable fashion. [They] fail when some groups, lacking assets and voice, are excluded from participation.”

ICSID is set to have its first hearing on the case in mid-September. It is possible that, if its proceedings are conducted in the open, the World Bank panel may not make the taxpayers of South America’s poorest country pay compensation. There is

What is ICSID?

The *International Center for the Settlement of Investment Disputes* was established in 1966 to facilitate the settlement of investment disputes between governments and foreign investors. In 2001 ICSID had forty-four active cases before it. ICSID is legally independent of the other, better-known parts of the World Bank Group, but in practice is tightly linked:

- ICSID is based in the World Bank’s Washington DC headquarters
- The ICSID Secretary General is the World Bank’s Senior Legal Counsel
- The World Bank President is chairman of the ICSID Administrative Council
- Country Governors for the World Bank sit on ICSID’s Administrative Council
- All ICSID member countries are also members of the Bank
- The ICSID Secretariat is financed from the World Bank’s budget

More ICSID background

 www.worldbank.org/icsid/

hope: two years ago ICSID dismissed the claims of another transnational water company, Vivendi, following a mass non payment campaign by local residents in Tucuman, Argentina.

Article in *Bretton Woods Update* 27

 www.brettonwoodsproject.org/topic/privatesector/p2703boliviarenat.html

Bechtel vs. Bolivia campaign, Democracy Center

 www.democracyctr.org/bechtel/

Letter to World Bank, 300 NGOs, Aug 2002

 www.democracyctr.org/bechtel/international_petition.htm

“We are not here just to drink the mineral water and then return to our communities”—page 2

Turkish oil project raises human rights, governance concerns	2	Krueger sets out IMF latest on debt arbitration	5
US NGO challenges Peru mine inspection process	2	Bank announces biotech food review	6
Bank inspectors find fault with Chad Cameroon pipeline project	2	IFI role in Southern Africa famine condemned	6
New report queries World Bank influence over PRSP analysis	3	Commissioners urge better water strategy	6
Bank “cornering market” in trade capacity building	3	HIPC debt relief still failing	6
Bank researcher rejects trade openness orthodoxy	3	World Bank questions ethics of World Summit report response	7
UN report urges greater IMF and WB accountability	4	Report on Global Environmental Facility	7
Sri Lanka rushing reforms to please IMF, WB	4	Africans challenge monopoly on policies	7
The IMF in Latin America: tough cop, social worker or skunk?	5	Structural Adjustment: another flawed process?	8

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Turkish oil project raises human rights, governance concerns

BP and eight other oil companies have secured complete freedom from regulation for a pipeline they propose to build across Turkey, Georgia and Azerbaijan, a group of non-governmental organizations has learned.

The agreement exempts the companies from obligations under any current or future Turkish law that may threaten the project's profits, including environmental, social and human rights legislation.

The BP-Turkey agreement, known as the Host Government Agreement (HGA), creates a corridor running through some of Turkey's most politically volatile regions. The corridor would effectively be outside the national government's jurisdiction for the lifetime of the proposed project. Other provisions in the HGA include unfettered access to water, regardless of the needs of local communities, and exemption from liability in the event of an oil spill or any other harm caused by the pipeline consortium. The Turkish government can intervene only in the case of an "imminent" and "material" threat to the public, the environment or national security. There are strong similarities to clauses in the agreement for the Chad Cameroon oil pipeline.

But what would constitute such a threat remains undefined. Nor is it clear who would decide whether such a threat existed. The HGA also paves the way for the consortium building the pipeline to demand unlimited protection from Turkish security forces, without safeguards against human rights abuses. Under the vague wording of the agreement, paramilitary units could be

placed along the pipeline route to pre-empt "civil disturbance" or "terrorist" activities. Anders Lustgarten of the Kurdish Human Rights Project commented that recent actions by the Turkish government, such as charging students signing a Kurdish education petition with membership of an illegal terrorist organisation, "do not instil confidence in the way such nebulous terms as 'civil disturbance' and 'terrorism' will be applied under this agreement".

The legal agreement signed with the Turkish government further props up the project by preventing the Turkish government from taking any actions that could disrupt its "economic equilibrium". Similar agreements between governments and the oil companies have also been negotiated for Georgia and Azerbaijan. Commenting on the implications for Georgia, Manana Kochladze of Green Alternatives stated: "The requirement to compensate the consortium for any disruption caused to the 'economic equilibrium' of the project by new social and environmental laws severely curtails the development possibilities for our country."

The planned 1700km oil pipeline would stretch from Baku on the Caspian Sea, through T'bilisi in Georgia, to Ceyhan on the Turkish Mediterranean coast and operate for at least 40 years. The consortium is due to formally approach the International Finance Corporation for \$200 million support in October, with a decision on World Bank Group support likely to be taken early in 2003. The concerns raised about the HGA mean that support for this project would put the IFC in serious contradiction with the aims of the World Bank's new human rights approach and with the IFC's own sustainability initiative.

NGO proposals on approval for the Baku-T'bilisi-Ceyhan pipeline

www.bankwatch.org/issues/oilclima/baku-ceyhan/baku-ngoproposal-6-02.pdf

Trouble in the pipeline, *The Guardian*

www.guardian.co.uk/comment/story/0,3604,785098,00.html

Previous Update articles on IFC

www.brettonwoodsproject.org/topic/privatesector/2508.html

www.brettonwoodsproject.org/topic/privatesector/p18ifcrole.html

Bank inspectors find fault with Chad Cameroon pipeline project

The Bank's own Inspection Panel has backed many of the complaints by non-governmental organizations about a major oil pipeline in West Africa. Disagreements have raged for about 5 years about whether the Bank should support the project and under what conditions.

The Bank's independent investigation panel received a complaint from local communities in the area where the pipeline is to be built and has now found that the Bank did not undertake proper assessments of the pipeline's cumulative environmental impact. It also expresses "great concern" that only 5 per cent of the revenues from the project are destined for the region in Chad where the oil will be produced, saying there is no rationale for this decision.

The \$4bn project, being built by a consortium of private companies led by Exxon-Mobil, is receiving support from both the public and private sectors of the World Bank Group. It has been strongly supported by James Wolfensohn, the Bank's president, in the teeth of concerns raised by human rights groups and environmental campaign groups in Chad and abroad.

Learn the right lesson

The Bank's Board discussed the Inspection Panel report and Bank management's aggressive response mid-September, expressing strong support for the project and recommending a few minor improvements. Korinna Horta, senior economist at US NGO Environmental Defense, had warned: "this is a prestige high-stakes project that Bank management has fought very hard for. But it will be extraordinary if they do not learn the right lesson from this experience and suspend participation."

The Chad-Cameroon pipeline has been portrayed by the bank's management as a model for public-private co-operation and public consultation, even though democratic rights are curtailed in most other respects.

Previous Update articles on Chad Cameroon pipeline

www.brettonwoodsproject.org/topic/privatesector/p23yorongar.html

www.brettonwoodsproject.org/topic/environment/e2203_pipeline.html

Background info and useful links

www.actglobal.org/followmoney_projects_details.cfm?ProjectID=1&mode=view

US NGO challenges Peru mine inspection process

Project Underground, a US NGO working on mining issues, has released a damning assessment of the way that the IFC's Compliance Advisor/Ombudsman (CAO) has handled complaints about a mine in Peru. It examines the way that the CAO, the equivalent of the Bank's Inspection Panel that deals with the International Finance Corporation, has conducted investigations into community complaints since they were filed eighteen months ago. It criticises the CAO for limiting its actions to the establishment of a local dialogue process. This process, Project Underground argues, is being conducted by an ineffectual team of mediators leading to few concrete results except a public relations triumph for the mining companies.

The complaint concerns Minera Yanacocha, the largest gold mine in South America, which is a joint ven-

ture led by Newmont, the world's largest gold mining company. The International Finance Corporation has a minority stake in the mine. In March 2001 Project Underground supported the Federation of Rondas Campesinas Femininas del Norte del Peru to file a complaint to the CAO alleging "numerous, egregious violations of IFC and World Bank social and environmental safeguard policies, most notably the mine's failure to consult with the affected community as part of the environmental impact assessment process and its refusal to recognize the campesino community as an indigenous people".

An evaluation by the campesino (peasant) community of the mediation approach established by the CAO to deal with these complaints has established that little of substance has been achieved in nine months of roundtable workshops. As the mayor of one rural community commented:

"we are not here to just drink the mineral water and then return to our communities". Important issues such as a moratorium on mine expansion to a sensitive area have simply been ruled out of the discussions while the mining company has been allowed to make lengthy presentations.

Project Underground expresses frustration that the CAO, considered by many NGOs to be a forum for independent scrutiny of the IFC's support for controversial private sector operations, is too defensive of the private consultants it has hired for Minera Yanacocha. They argue that this "raises serious questions about the competence and integrity of the CAO office".

The Path of Least Resistance: An Assessment of the Compliance Advisor Ombudsman's Handling Of the Minera Yanacocha Complaint

www.moles.org/ProjectUnderground/reports/minera0802.shtml

New report queries World Bank influence over PRSP analysis

A new report examines the powerful roles of the World Bank in determining the policies chosen by PRSP countries. It extends the arguments about what is going wrong with PRSPs, arguing that the Bank most of the time no longer has to rely on its financial clout alone, as it is winning arguments upstream through its global and national-level studies.

The report, *Blinding with Science or Encouraging Debate? How World Bank analysis determines PRSP policies* was written by the Bretton Woods Project and published in association with World Vision. It sets out how the Bank is analysing client country policies in an ever-expanding range of areas: from overall economic performance and public expenditure management, to trade integration, good governance and gender. The Bank's data and recommendations are a key building block of its country strategies and those of other donors.

The Poverty Reduction Strategy

process, introduced by the World Bank and IMF in 1999, is supposed to ensure that governments and civil society groups take the lead in defining policies that the Bank and Fund should support. But many commentators have complained that macroeconomic policy choices have not been adequately debated and that few countries have deviated from standard approaches.

The Bank constantly talks about capacity-building and listening, but seems reluctant to cede control of policy formulation processes or to recognise perspectives that diverge markedly from orthodox Washington

thinking. Quoting from many leading academics who are critical of World Bank analytical approaches, the briefing aims to be a resource for organisations considering whether and how to engage with the PRSP process.

It also provides a critical assessment of the current moves to introduce "Poverty and Social Impact Analysis (PSIA)". PSIA is supposed to involve the use of more diverse analytical approaches in considering possible policies, as well as greater transparency and accountability in the process of decision-making. But it is not yet clear whether this will change Washington policy processes

or merely lead to another confusing set of papers and acronyms. The briefing cites finance ministers from Heavily Indebted Poor Countries who recently wrote to the heads of the World Bank and IMF saying that "to avoid conflict of interest [by donors] it is essential to equip countries with the tools to conduct their own PSIAS rather than depending on outside assistance".

The briefing recommends taking further action to break the Bank's near monopoly on development analysis. This can only be achieved by diversifying the agencies which commission and produce research and by making the World Bank more receptive to diverse perspectives.

Blinding with Science or Encouraging Debate? How World Bank analysis determines PRSP policies, Bretton Woods Project, World Vision, September 2002

www.brettonwoodsproject.org/briefings

Listing of selected recent papers on PRSPs

www.brettonwoodsproject.org/topic/adjustment/a3005blinding.html

Bank "cornering market" in trade capacity building

After a hiatus, the Bank is rapidly increasing the amount of resources it dedicates to trade research and capacity building. A new briefing from the Bretton Woods Project, *Cornering the market: The World Bank and trade capacity building* examines the role of the Bank in the Integrated Framework for technical assistance to the least developed countries (IF).

The Bank increasingly influences trade policy via trade-related capacity building (TRCB) rather than "politically incorrect" loan conditionality. This strategy coincides both with the Bank's re-positioning as a provider of development knowledge and the pivotal role which capacity building has been set up to play in keeping the trade liberalization bicycle moving forward to the next round of multilateral trade talks in Mexico in 2003.

There are two reasons why the Bank's increasing role in TRCB should be checked. First, is the risk of upstream conditionality. With its size, reach and resources, the Bank's role in coordinating capacity building will result in an intellectual straitjacket being thrown over the entire trade policy process—from the choice of research areas and how that research is conducted through to the shape of trade-related institutions and the training of trade negotiators themselves. Secondly, the Bank's lead role in mainstreaming trade into PRSPs via the IF offers the opportunity to lock the trade

liberalization agenda into national development plans of the most vulnerable countries. UNDP (2001) has already voiced concerns that in Cambodia "the IF on trade and poverty undermines (rather than supports) key PRSP principles".

The report recommends that the Bank return to its role of funding rather than carrying out trade capacity building. In its place a diversity of UN, intergovernmental, non-governmental and private sector agencies should be supported. Governments of low-income countries must wrest control of the capacity building agenda away from Washington and Geneva to coordination at the national level. Civil society groups also have an important role to play in both monitoring and participating in these exercises.

Third World Network and Oxfam will also be releasing studies at the Annual Meetings of the means by which the Bank and Fund pressure developing countries to liberalize trade. Scheduled for the meetings are a roundtable on trade, organized by Oxfam and the World Bank, and a civil society workshop on the "iron cage" of the Bank, Fund and WTO.

Cornering the market: The World Bank and trade capacity building, Bretton Woods Project, September 2002

www.brettonwoodsproject.org/briefings

Bank researcher rejects trade openness orthodoxy

Bank researcher Branko Milanovic has published two papers which shatter the dogmatic construct propping up the Bank's work on trade. For several years, the Bank's trade-related loan conditionalities, trade capacity building and research publications such as the *Globalization, Growth and Poverty* report, have been explicitly based on the work of Dollar and Kraay, Milanovic's colleagues in the Bank's Development Economics research group. Dollar and Kraay equate openness with increased growth and poverty reduction. Milanovic charges that this view is based on "systematic ignorance" of the downsides of globalization. The investigation concludes that trade often increases most during mild protectionist phases, and that "it is growth that generally leads to trade—not vice versa."

Looking more closely at the issue

of globalization and income inequality, and using a newly developed database of national household survey data, Milanovic finds that standard economic theory is exactly wrong on the impact of openness on income inequality. Openness, he concludes, "seems to have a particularly negative impact on the poor and the middle-income groups in poor countries." It is only in the middle and high income countries where openness, properly managed, can become a "good thing" for the poor.

The two faces of globalization: Against globalization as we know it, Branko Milanovic

www.worldbank.org/research/inequality/pdf/naiveglob1.pdf

Can we discern the effect of globalization on income distribution?

econ.worldbank.org/files/17877_wp2876.pdf

"Global intellectual hegemony should be of special concern to developing countries. Their intellectual dependency means that they tend to rely wholly on a handful of sources in the North for data, analysis, explanation, policy and prescriptions."

Branislav Gosovic, The South Centre

UN report urges greater IMF and WB accountability

Demands for more democracy and accountability of international financial institutions have been echoed by UNDP in its recent Human Development Report (HDR). NGOs say it is just a start.

Many NGOs and academics have called for more democracy in publicly-funded institutions such as the IMF and the World Bank. The United Nations Development Programme, in its HDR 2002, “Deepening democracy in a fragmented world” is concerned that “the IMF and the World Bank will not be able to do their job effectively if they remain tied to structures that reflect the balance of power of the Second World War”. The report highlights the gap between the institutions’ ever-expanding scope and decision-making structures which represent a narrow range of powerful interests.

Proposals include reforming voting systems to enhance the voice of developing countries, a more democratic process to select the heads of the institutions, and publication of board deliberations. The gender balance should be dramatically improved in decision-making bodies—a dimension often overlooked by critics. The report also highlights the need for independent evaluation of the institutions’ operations that leads to effective, measurable changes. While identifying several limits to “judicial-style accountability” embodied in the World Bank Inspection Panel for example, the HDR insists new institutions of scrutiny and monitoring offer people “some measure of redress in the institutions that affect their lives—yet in which they have little or no voice”.

Interestingly, a book published by the IMF comes to similar conclusions on the need for public availability of Board minutes, more political oversight and accountability, more openness to civil society and a more equitable voting system. However the book clumsily tries to justify the US veto on important decisions.

Canadian coalition Halifax Initiative applauded the UNDP call for an injection of democracy at the IMF and the World Bank. The French NGO Network on IFIs also welcomed UNDP’s recommendations but insisted changes should go beyond structures and address the failure of neoliberal assumptions underlying the institutions’ operations. A recent book from the World Institute for Development Economics Research *Governing globalisation* also takes this line. It combines propositions for reform of the governance of the Bretton Woods Institutions, and a call

for a re-orientation of their roles and ideological biases.

Further insights on judicial accountability were provided in a recent article by Bangladeshi journalist A.H. Monjurul Kabir. In *Blanket immunity for the World Bank?*, he reports how the World Bank’s Bangladesh Country Office has attempted to sign an agreement with the Government of Bangladesh providing for full immunity from legal process as a result of a former staff member’s lawsuit contesting termination of his contract. Mojurul Kabir claims that “the era of human rights challenges the very practice of granting blanket immunity to any institution or individual for certain grave acts or conducts”. An acceptable option could be “the adoption of a result-oriented immunity standard protecting the functioning of international organizations including the World Bank. This would exclude reasonable claims from immunity but would shield the organization from unfounded claims that threaten their existence or interfere with their core functions”.

Deepening Democracy in a Fragmented World, UNDP, July 2002

www.undp.org/hdr2002/complete.pdf

Blanket immunity for the World Bank?, Daily Star, July 2002

www.dailystarnews.com/law/200207/03/index.htm

Governing globalisation. Issues and institutions, WIDER, 2002

www.wider.unu.edu/publications/pb5.pdf

Governance of the IMF. Decision Making, Institutional Oversight, Transparency, and Accountability, IMF

www.imf.org/external/pubs/ft/pam/pam53/pam53.pdf

Bretton Woods Project briefings on IMF and World Bank reform

www.brettonwoodsproject.org/briefings/index.html#reform

“I’m beginning to ask ‘has the credibility of the IMF been so eroded that maybe it’s better to start from scratch? Is the institution so resistant to learning to change, to becoming a more democratic institution, that maybe it is time to think about creating some new institutions that really reflect today’s reality, today’s greater sense of democracy’.”

Joseph Stiglitz, Professor, Columbia University; former Chief Economist, World Bank; and Recipient, Nobel Prize for Economic Science, 2001

New book: reinventing the World Bank

Attacked by the Right as the last bastion of socialism and by the Left as an instrument of economic imperialism, the Bank has struggled to adapt to a changing post-Cold War era. The failure to articulate and implement a convincing strategy to reduce world poverty has left it vulnerable to the charge that it has outlived its usefulness. In a book neither funded nor controlled by its subject, leading North American and British scholars critically examine the World Bank. They contend that an institution that has grown to unmanageable proportions through internally driven “to effect its own reform program. All the Bank’s previous attempts at self-redesign have failed, and the contributors argue it is beyond reform; it must be reinvented.

The book, with chapters from a range of academic and activist commentators, proposes a thoroughgoing and externally controlled process of transformation, starting from basic principles and encompassing three closely related dimensions: operations, or the fit between the Bank’s lending program and its development objectives; concepts, its vision of development and anti-poverty strategy; and power, which includes the Bank’s relationships with member countries and the wider public, as well as structures of internal governance and accountability.

Reinventing the World Bank, Cornell University Press

www.cornellpress.cornell.edu

Sri Lanka rushing reforms to please IMF, WB

Sri Lanka has launched a ‘fast-track’ legislative process to intensify economic and social reforms, in order to secure new IMF and World Bank loans. A coalition of NGOs and unions in Sri Lanka complain that the 36 new laws passed in August will intensify the sell-off of public assets and hurt small farmers and the poor. Areas covered by the new legislation include land ownership, public utilities, human settlement, water supply and distribution.

The decision to pass the laws was taken in June at the Sri Lanka Development Forum that gathered government officials, IMF and World Bank representatives. On this occasion the government unveiled its Poverty Reduction Strategy, saying it had been prepared after a four-year comprehensive consultation process. Civil society organisations claim that they have not been consulted and there was no public announcement on the existence of such a process. They point out that the Strategy is only available in English and call “all member Governments to ensure that World Bank and the IMF would not be permitted to become agents in increasing the suffering and the

unbearable burdens on the poor, using such anti-democratic ways”.

In early September the IMF disbursed the remaining \$64m of a stand-by arrangement and its Deputy Managing Director Shigemitsu Sugisaki said “perseverance with [current] measures could pave the way for a Poverty Reduction and Growth Facility arrangement later in 2002”.

The IMF is currently debating the use of ‘prior actions’ to be taken by countries to gain access to IMF loans. This fits in the more general debate on ‘streamlining’ IMF conditionality (see *Updates* 23-25). A recent report by Tony Killick for the UK Department for International Development offers an interesting early assessment. It shows that facts might not live up to expectations of enhanced freedom of choice for borrowing countries. The IMF Board was expected to discuss draft guidelines on conditionality early September which will then be made public for comment.

The Bretton Woods Project is preparing a briefing note on IMF conditionality.

Sri Lanka CSOs’ statement

www.geocities.com/monlarslk/statements.htm

The ‘streamlining’ of IMF conditionality: aspirations, reality and repercussions, Tony Killick

www.eurodad.org/2poverty/prslistserve/updates/docs/odi_imfconditionalitystreamlining.pdf

Guidance on the Design and Implementation of IMF Conditionality: Preliminary Considerations, IMF, May 2002

www.imf.org/External/np/pdr/cond/2002/eng/guid/053102.pdf

The IMF in Latin America: tough cop, social worker or skunk?

Recent rescue packages for Uruguay and Brazil have raised a number of questions about the roles of the IMF. They apparently contradict previous fiery declarations of the US administration that it would oppose the big bailout approach favoured by its predecessor.

While some welcomed the bailouts as a sign that the US government was finally coming to its senses, some critics argued that the IMF was just trying to delay a major collapse for a few months so that US investors get bailed out before Brazil defaults. American banks have about \$25.6 billion in outstanding loans to Brazilian borrowers. It is also significant that Uruguay quickly repaid a \$1.5 billion US bridging loan, with \$271,000 in interest, after its coffers were replenished with loans from the IMF, World Bank and Inter-American Development Bank.

In political terms the 30 billion dollar loan to Brazil in August is seen by some (including the *New York Times*) as a way to lock in “sound politics” no matter the result of the forthcoming elections, after concerns that left-wing candidates might reverse neoliberal economic policies. In order to secure the new IMF loan these candidates have had to commit to a continuation of current policies or else appear responsible for a potential massive withdrawal of volatile portfolio investments. A radical change in Brazil and/or a default on Brazil’s massive debts would give a signal to other countries in the region and jeopardize US plans for a wider free-trade area.

Meanwhile endless negotiations between Argentina and the IMF have driven Argentine authorities to distraction. Difficulties in getting key provincial governors on side have led President Duhalde to conclude that it is unlikely that an agreement would be reached before his successor takes power in May 2003.

Who “killed” Argentina?

The dispute about the division of responsibility between the IMF and the Argentinian government has heated up in recent weeks. Although most observers agree that the IMF made costly mistakes in Argentina, they sometimes disagree strongly on what these were. Some blame the IMF for being over-generous, some for being too tough and providing bad advice.

Michael Mussa, ex-IMF senior economic counsellor, says in a recent paper that the IMF is guilty of failing to use conditionality to press Argentina to adopt “a more responsible fiscal policy”. The second

“Much of the popular discontent with the Fund is that it is overzealous in its role as a tough cop rather than over indulgent in its role as a sympathetic social worker. In fact, the reverse is more often the case.”

Michael Mussa, ex-IMF Economic Counsellor and Research Director

major mistake was to extend Fund support in the summer of 2001 after it had become clear that efforts to avoid default and to maintain the exchange rate peg had no reasonable chance of success. Mussa attributes Argentina’s collapse to its failure to implement the IMF approach “sufficiently vigorously”. He speculates that the IMF was concerned about its image after the Asian crisis and didn’t want to be “the skunk at the party”. Mussa’s main message is that the IMF should have been more of a “tough cop” and less of a “sympathetic social worker” with Argentina in the past few years.

Mussa also advocates better mechanisms of decision-making and accountability in the Fund, allowing the Board to be better informed and more able to perceive the biases in the work of the staff and/or management. He urges the IMF’s Independent Evaluation Office to assess the Fund’s performance in Argentina as soon as possible.

Nancy Birdsall from the Center for Global Development blames the IMF for “bad parenting” with its “spoiled kid”. Argentina, says Birdsall, should have amassed fiscal surpluses during high growth years but did not due to excessive spending, especially by Argentina’s provinces. Birdsall also thinks the Fund should not have committed more resources “in a last ditch effort to discipline the spoiled child”. She says that the Argentinian crisis was not due to technical economic errors, but to bad luck combined with political chicanery and social injustice, and therefore that the main challenge lies in attacking those problems.

Spoiled child?

Mark Weisbrot and Dean Baker from the Center of Economic and Policy Research strongly disagree with the view of an overindulgent parent and

a spoiled child. In a reply to Birdsall they argue that the myth of Argentina’s “profligacy” is being exploited to cover the IMF’s failures and justify large pro-cyclical spending cuts that will worsen the depression. They say Argentina’s budget deficits between 1994 and 2000 were attributable to interest payments and argue that the IMF has raised the issue of provincial spending in an attempt to shift blame. But, they say, provincial borrowing was not guaranteed by the central government. The government recently forced provinces to sign a spending freeze agreement, in an attempt to trigger a resumption of IMF support.

Weisbrot and Baker also show that austerity measures were actually implemented in 2000 at the IMF’s insistence, worsening the recession and its impacts on poor and working people. The CEPR paper urges the IMF, the World Bank and US Treasury to admit their responsibilities and contribute to addressing the problems that got Argentina into this mess: the complete opening-up to volatile portfolio investment combined with the deregulation of the banking system, and the Bank-backed privatisation of Argentina’s social security system.

Argentina: from triumph to tragedy,
Michael Mussa

www.iie.com/publications/publication.cfm?pub_id=343

What went wrong in Argentina, Nancy Birdsall
www.cgdev.org/other/birdsall_CSIS_jan29.pdf

When good parents go bad,
Mark Weisbrot and Dean Baker
www.cepr.net/When_Good_Parents_Go_Bad.htm

Argentina Since Default: The IMF and the Depression
www.cepr.net/argentina_since_default.htm

Krueger sets out IMF latest on debt arbitration

On 8 August, IMF number two Anne Krueger participated in a meeting organized by the Swiss Finance Ministry to discuss IMF proposals on creating a sovereign debt restructuring mechanism. The meeting was held the day after the Fund had agreed to provide Brazil its biggest ever rescue package.

Krueger gave an update on the Fund’s approach to possible mechanisms for countries facing unpayable debts (see *Updates* 26 and 28). She apparently favours establishing a Dispute Resolution Forum bringing all stakeholders together. Officially the Fund is following a ‘two-track approach’ combining Krueger’s institutional approach and a more market-oriented approach involving introducing clauses into bond contracts between countries and creditors. The institutional approach would require an amendment of the Fund’s Articles of Agreement with a 85 per cent majority vote at the IMF Board, thus giving the US government an effective veto.

NGOs and researchers argue that the IMF’s loans should be included in any arbitration process but the IMF has consistently rejected this on the grounds that it would threaten its very existence. In Geneva, Krueger also rejected accusations that the IMF was trying to expand its mandate by taking a central role in the framework rather than submit to an impartial body.

Open support in the South for the IMF’s proposals appears scarce. South Korea is said to back the changes as they would have saved them billions of dollars if they had been in place at the time of the Asian crisis. But some civil society groups such as Jubilee South have rejected debt arbitration, maintaining their demand for unconditional and immediate debt cancellation. Krueger said she now plans to draft a new paper and seek approval from the IMF’s member governments.

No way, IMF!, Jürgen Kaiser
www.erlassjahr.de/15_publicationen/15_dokumente/englisch/nowayimf.rtf

Standstill and insolvency: a new mechanism for the IMF?,
Bretton Woods Project
www.brettonwoodsproject.org/topic/financial/f26insolvency.htm

Sovereign Debt Restructuring and Dispute Resolution, Anne Krueger
www.imf.org/external/np/speeches/2002/060602.htm

Bank announces biotech food review

The World Bank's announcement of a review of genetically-modified crops in Johannesburg met with mixed response—from pledges not to participate to a cautious welcome. The Bank announced a process to examine "the risks and opportunities of using agricultural science to reduce hunger and improve rural livelihoods in the developing world". The review will examine food demand and the risks and opportunities presented by new biotechnology compared to traditional techniques.

The initiative will involve consultation with consumers, farmers, scientists, NGOs, governments and the private sector for one year to define questions and approaches for the main assessment. This will last until around 2005 and will involve a review of the scientific literature and input from key stakeholders. Finally a report will be produced which aims to give decision-makers information and tools. It will be "descriptive rather than prescriptive" and would not recommend bans.

The review will be headed by World Bank Chief Scientist Bob Watson. Watson was until recently the Chair of the International Panel on Climate Change, but was removed from this post because of pressure from the US government and transnational oil companies. Despite these independent-minded credentials, one source close to the World Bank environment department said they feared that this review represented little more than "a job for Bob until he retires" to compensate him for his IPCC dismissal.

Anti-GM campaigners such as Friends of the Earth and Pesticides Action Network gave the project a cautious welcome but insisted that governments should place a moratorium on GM crops until the final report is released. They also expressed concern about the review's

independence, given the involvement of the World Bank. They said that the issue of GM food and farming is very different to climate change science, and questioned whether a top-down review is appropriate. An Indian NGO, the Centre for World Solidarity, withdrew from the project because they did not want to work in a process which also involves the pesticide giant Syngenta.

Watson, however, commented: "it is possible to ensure that a professional assessment in which all voices are heard will be achieved. We must not shy away from the difficult challenge of discussing with a wide range of partners what exactly are the tradeoffs in using agricultural science to meet growing food needs." Watson will be assisted in running this review by Claudia Martinez Zuleta, former Colombian deputy environment minister; Rita Sharma, joint secretary of India's agriculture ministry; Louise Fresco, the FAO's assistant director general for agriculture; and Seyfu Ketema, executive secretary of an African agricultural research group.

International Assessment of Agricultural Science & Technology, World Bank

www.agassessment.org

Halt GM Crops, Friends of the Earth

www.foe.co.uk/pubsinfo/infoteam/pressrel/2002/20020829172559.html

Global finance hurts the poor

A new report by Oxfam America analyses the impact of North-South private capital flows on growth, inequality and poverty. 'Global Finance Hurts the Poor' argues private capital flows have contributed to a worldwide decline in growth since the 1970s, creating inequality and poverty. Capital flows should be made less volatile to reduce their cost and boost their volume. The report concludes global finance can have a positive impact if well regulated and capital controls remain an option.

Global Finance Hurts the Poor

www.oxfamamerica.org/publications/art2613.html

Opposing PVC, opposing IFC

The IFC is considering a US\$20 million funding proposal for a polyvinyl chloride (PVC) plant in an industrial estate in Cuddalore, Tamil Nadu. Corporate Watch charges that "the process has been marred by irregularities, behind-the-scenes dealings and a lack of transparency. Local communities already suffer health problems and PVC is a known carcinogen". Villagers have succeeded in getting the loan decision delayed but the IFC says it still wants to fund the project as PVC pipes are a priority for developing India's water infrastructure.

Stop IFC Loan for PVC Factory, Corporate Watch

www.corpwatchindia.org/issues/PID.jsp?articleid=1785

IFI role in Southern Africa famine condemned

A new study from Oxfam questions why, after years of World Bank and IMF-designed agricultural sector reforms, Malawi, Zambia, and Mozambique face chronic food insecurity. It finds that "the simple answer is that the international financial institutions designed agricultural reforms for these countries without first carrying out a serious assessment of their likely impact on poverty and food security. Far from improving food security, World Bank and IMF inspired policies have left poor farmers more vulnerable than ever". It argues that reforms were imposed too rigidly and too quickly, often leaving poor farmers without support from or access to either state or market institutions.

The study recommends that "donors, particularly the World Bank and the IMF, should end all conditions that promote further liberalisation of agriculture in Malawi, Mozambique, and Zambia, pending thorough Poverty and Social Impact Assessments of agricultural policy reform". Policy options should include maintaining food reserves that are not commercially run and enabling governments to support targeted input and credit supply, the development of marketing infrastructure, price stabilisation, and institutions that provide effective information and extension services.

Death on the Doorstep of the Summit

www.oxfam.org.uk/policy/papers/29doorstep/29doorstep.html

Commissioners urge better water strategy

The twelve prominent individuals who served as commissioners on the World Commission on Dams have written to the World Bank President demanding that he do more to implement their recommendations. Eighteen months after the report was launched with great fanfare, the commissioners urge greater attention to follow-up by the World Bank. The Bank explicitly supported the report and its recommendations but has not done enough to incorporate them within its relevant strategies and guidelines.

The Commissioners, who include South Africa's education minister, the former CEO of construction company Asea Brown Boveri and Narmada dam activist Medha Patkar, urge the Bank to change its draft Water Resources Sector Strategy (see story p.8) to include "a clear and unambiguous

statement of support for the [wcd's] seven strategic priorities". They also imply that the Bank's draft Water Strategy is biased—the Bank should "ensure that the Strategy accurately depicts the past experience with dams and that the wcd's recommendations, especially around the 'rights and risks approach', are better integrated into the Bank's business model for options assessment". They argue that the "proposed risk assessment focuses primarily on the risks to the Bank from supporting large dams, rather than the economic and financial risks, the environmental risks, or the risks to affected peoples from dams".

Commissioners' letter

www.irn.org/wcd/020911.wcdcritique.pdf

New video on Narmada dam struggle

www.spannerfilms.net

New IMF evaluation report

The IMF's Independent Evaluation Office has completed its first study. It looks at "prolonged use of IMF resources" in countries such as Pakistan, Senegal and the Philippines. Two further studies on fiscal adjustment in IMF-supported programmes and the role of the IMF in recent capital account crises (Brazil, Korea, Indonesia) will be available by Spring 2003. There are concerns that the IEO is adopting a technocratic approach, rather than including views of a broad range of stakeholders. These studies will raise questions but not make recommendations to avoid treading on the IMF Board of Directors' toes.

IMF's evaluation office

www.imf.org/external/np/ieo/

HIPC debt relief still failing

A leaked IMF and World Bank report confirms the HIPC initiative is not delivering. Over-optimistic growth and export assumptions have left HIPC countries with chronic unsustainable debt levels. A new report by several NGOs calls for re-evaluation of debt relief and sustainability. In July, Nigeria suspended debt servicing payments to the Paris Club creditor nations, but not to commercial lenders and multilaterals. Nigeria has failed to win relief on its \$28bn debt, despite macroeconomic figures being comparable with the 42 HIPC countries.

CAFOD, Christian Aid, EURODAAD, Oxfam report

www.cafod.org.uk/policy/debtsustainability20020902.shtml

World Bank questions ethics of World Summit report response

The World Bank has been very active at the Johannesburg summit. It unveiled its World Development Report, an initiative to review genetically modified food, and gimmicks such as corny messages on recycled toilet paper for the 60,000 delegates.

The Bank's public statements about the need to reduce agricultural subsidies, go beyond economic growth and consider asset redistribution led some observers to compare the Bank to an activist NGO. *The Economist* went further, questioning whether the World Bank has "turned Marxist".

But for those in the Global Civil Society Forum there was still a very clear distinction between the World Bank, whose delegates mainly stayed in the official forum, and the assorted peace, anti-nuclear, landless movement and corporate regulation activists who marched and agitated for dramatic changes in the current world order.

At the launch of its new *World Development Report* (WDR) the Bank was angered by the distribution of a response publication with comments from academics and activists assembled by the Heinrich Böll Foundation and the Bretton Woods Project. Most of those present were keen to pick up a copy, but World Bank Communications Manager Sergio Jellinek confronted one of the publishers asking: "do you think it is ethical to distribute this at our launch?" Ironically, however, the Bank refused to reflect on the ethics of the production of its own report.

South African Finance Minister Trevor Manuel spoke alongside the Bank report's lead author at the WDR launch. He highlighted important missing issues such as the nature of multilateral institutions, the need for

strong intermediaries between the rich and poor; consumption in rich countries; corporate excesses and the need for concrete guidelines to ensure technology transfer and decent job creation; and better understanding of national and international inequality. Others raised concerns about the report's omissions of the informal sector and the impacts of HIV/AIDS.

"Stand up for better sanitation"

"Private moment: global issue"

"Hygiene is not a soft issue"

"A flush is not the only winning hand"

Messages on World Bank sponsored toilet rolls for the use of delegates at the World Summit for Sustainable Development, 2002

Halifax Initiative and Friends of the Earth USA also released a report documenting the Bank's failure to meet its obligations from the 1992 Earth summit. It argues that "in the decade since Rio, the World Bank has launched numerous initiatives. Despite these, little has changed at the Bank except, perhaps, its capacity to manage criticism. The Bank has failed to seriously address many

of the problems identified in Rio, including the burden of external indebtedness, the social and environmental impacts of structural adjustment, the poverty of vulnerable groups, such as rural communities and women, and the need for sustainable livelihoods."

The Bank's response to questions in Johannesburg made it clear that a lot is still to be desired in terms of its interaction with civil society. A question on the dilution of World Bank safeguard policies (see p.8) was met with a response of "Well keep an eye on us!". A Bolivian farmer who spoke in Spanish about his community's struggle against water privatisation did not get a proper hearing. And Ndoume Nkotto from Cameroon warned: "you are talking to people who know something. Don't talk to us like we haven't been to school."

Dynamic Development in a Sustainable World, World Bank, August 2002

🌐 [www.econ.worldbank.org/wdr/wdr2003/text-17926/](http://econ.worldbank.org/wdr/wdr2003/text-17926/)

Managing Sustainability World Bank-Style: An Evaluation of the World Development Report 2003, Heinrich Böll Foundation and Bretton Woods Project, August 2002

🌐 www.boell.org/docs/WSP19-WDR2003.pdf

Marketing the Earth. The World Bank and Sustainable Development, Halifax Initiative and Friends of the Earth, August 2002

🌐 www.halifaxinitiative.org/updir/2_pam_Hallnit.pdf

Annual Meetings: Selected events

Sept 25: Discussion on IFC mining projects in Peru and Chad-Cameroon Pipeline;

Sept 25-27: WB/World Vision conference on PRSPs; End Corporate Rule Teach-In

Sept 26: Discussion about WDR 2004 on services; IFC's Compliance Advisor and Ombudsman; Civil society panel on debt arbitration; human rights and the World Bank

Sept 27: NGO roundtable on WB energy policy; WB seminars including: trade, debt restructuring, public-private partnerships, finance for growth, standards/transparency and aid effectiveness

Sept 28-29: IMF & WB Annual Meetings

IMFC: Crisis prevention and resolution, surveillance and role in low-income countries

DAC: Monterrey FFD implementation and development effectiveness, HIPC sustainability, PRSPs, and harmonization of donor practices

Civil society strategy session on trade-finance coherence; Rally & 'Quarantine the Bank' March

Sept 30-Oct 1: Consultations on WB structural adjustment policy; Civil society workshop "services for all"

More detailed listings are available at
🌐 www.bicusa.org/mdbs/wbg/fallcalendar2002.htm

A global network of IFI watchers has launched a new one-stop calendar of IFI events at

🌐 www.if WATCHNET.ORG

Daily updates on the Annual Meetings
🌐 www.brettonwoodsproject.org

Report on Global Environmental Facility

Environmental Defense and Halifax Initiative have collaborated on a critique of the first ten years of the Global Environmental Facility which finds that the World Bank, in its role as manager of the Facility, "actively pursues policies which contravene the spirit of the environmental conventions it was charged with implementing."

The Global Environment Facility: The First Ten Years—Growing Pains or Inherent Flaws?

🌐 www.environmentaldefense.org/pdf.cfm?ContentID=2265&FileName=First10YearsFinal.pdf

New website on IFI transparency

A new website has been established on freedom of information issues including a section with news and links on transparency policies and practices of international institutions. Compiled by DC-based journalist Toby McIntosh the page will be a useful resource for many people working to understand what documents different global bureaucracies make public and what can be done to push for more.

🌐 www.freedominfo.org/ifti.htm

See also

🌐 www.bicusa.org

Active Bankwatchers Campaign

CEE Bankwatch, a network of environmental NGOs in central and eastern Europe and the Community of Independent States, is launching a grassroots campaign network in time for the Annual Meetings. The initiative comes from the realization that despite high levels of interest in the work of the IFI-watching community, not enough is being done to translate awareness into action. After registering at the Bankwatch website, you will receive Action Alert emails giving information about Bankwatch campaigns and instructions on how to help out.

Active Bankwatchers

🌐 www.active.bankwatch.org

Africans challenge monopoly on policies

Activists from Eastern and Southern Africa gathered in Nairobi early August to discuss a civil society Economic Policy Project launched by MWENGO, a reflection and development centre for NGOs in the region. MWENGO argues that "there is a wide gap between the far reaching social implications of economic policy on the one hand and the select preserve of those able, in African civil and political society, to participate in serious debate on such policy". The new initiative aims at exploring ways to increase "capacity for the public to understand issues of economic policy, and to petition for their own economic rights".

MWENGO

🌐 www.mwengo.org

Structural Adjustment: another flawed process?

The World Bank has issued a discussion paper for consultation before revising its operational directive on adjustment lending (see Update 29). On 18 July 2002 in London the Bank held the first of a series of consultation meetings.

At the meeting NGOs raised concerns about the consultation process. These included the timeframe of the consultation, dates and locations for the consultation meetings, ways to assess how external stakeholders' input will be reflected in the final policy, and translation of key documents. To enable more people to comment the Bank agreed to translate the new policy once it is drafted and extend the process for a few months beyond June 2003. No significant concessions were made on the demand for independent facilitation of future consultation meetings.

The issue papers submitted for comment said the proposed policy

would not feature prescriptive policies as "there is no single blueprint for reform that will work in all countries". However the Bank will only lend to countries with an "appropriate" macroeconomic framework and an IMF programme. The new policy would not require prior poverty, social or environmental impact assessments but rely on processes such as PRSPs to ensure that the design of Bank loans is participatory.

Some NGOs are wary about engaging in this consultation process which they feel will achieve very little. Consultations will continue until the end of 2002, then a new policy will be circulated for comment with the whole exercise likely to finish by late 2003.

Notes of London consultation meeting and useful links

🌐 www.brettonwoodsproject.org/topic/adjustment/LdnSALmtg.doc

Update on key World Bank policies

The World Bank is in the process of 'reformatting' a wide range of its key safeguard policies. Many NGOs have raised concerns that this involves diluting their provisions and that the consultations on revising them have been poorly organised. Below is a summary of the situation with some important policies.

Forest Policy (OP 4.36)

Consultation on the draft closed in August. NGOs have called it "a sham". Ricardo Carrere of the World Rainforest Movement said: "the proposed policy opens the door to extractive investments by the Bank in all types of forests, except those Bank bureaucrats deem to be "critical forests". The Bank is preparing a response to NGO concerns and has tabled the policy for discussion by the Bank's Board on 8 October.

Indigenous Peoples Policy (OP/BP 4.10)

A revised draft is to be submitted to the Board in late 2002 following a roundtable with indigenous peoples representatives. Continued concerns include: lack of protection from forcible relocation and inconsistency with international human rights law.

Rural Development Strategy

A fourteen week web consultation was closed 31 July (see Update 28 for NGO concerns). The original Board review scheduled for July has been postponed until September. The Bank has produced a Q&A note

"based on the themes arising from comments", clarifying the strategy's policy positions on food security, privatisation, conversion of small family farms to large corporate enterprises, biotechnology and pesticides.

Water Resources Sector Strategy (OP 4.07)

A draft was released 25 March. It may be go to the Board for approval in late 2002 or be postponed into 2003.

IFC review of safeguard policies

A web-based consultation by the IFC's Compliance Advisor Ombudsman (CAO) ended 30 April 2002. A draft of the review was posted for public consultation in mid-September and a final report is due at the beginning of November.

MIGA review of safeguard policies

On May 21, 2002, MIGA's Board approved the agency's continued use of its Environmental Assessment Policy and Disclosure Policy and adoption on an interim basis of issue-specific safeguard policies. NGOs complained that the policies were approved before any consultation and without defining any process for their adoption.

Links to official documents and NGO commentaries

🌐 www.brettonwoodsproject.org/topic/social/s30pols

For an overview of the World Bank's safeguard policy revision, see the Bank Information Center briefing at:

🌐 www.bicusa.org/mdb/s/wbg/WBpolicy.htm#safeguard

Update survey results: call for southern voice

In Update 28, we asked readers to evaluate the content, style and format of the *Bretton Woods Update*. Thanks to those who responded and congratulations to our 5 winners of a set of Earthscan books: Prof. A.O. Smith, University of Florida; Mike Rowson, Medact (UK); Gilbert Mutai, Mt. Elgin Development Trust (Uganda); Luca Manes, CRBM (Italy); and Tim Tucker (UK).

A few of the highlights of your feedback include:

On content:

Articles about Bank and Fund activities and links to further information are considered the most useful. By topic, Bank/Fund roles and SAPs/PRSPs are most appreciated. Opinion on what is missing from the Update is quite divided. Common suggestions included: increasing Southern voice, follow-up specific initiatives, more factual/statistical analysis, present 'other side', more detail 'inside institutions'.

On style:

An overwhelming percentage of respondents saw the Update as proper length, appropriate depth, well-focused and well-balanced.

On format:

82 per cent of respondents felt that a bi-monthly digest was an effective way to get them the information they need about Bank and Fund activities. Of those who felt the current format was not effective, almost all wanted monthly publication.

Responding to this input, we plan to make a number of changes in coming issues:

Amplifying southern voices

We are seeking comment pieces (c. 500 words) from people in the South on IFI policy debates. Preference will be given to representatives of social movements and NGOs, but submissions from academics and officials will also be considered. Send contributions or ideas for contributions to:

📧 jpowell@brettonwoodsproject.org

Follow-up, factual analysis and more detail inside the institutions

We will be making more of an effort to follow-up on existing civil society initiatives; providing factsheet inserts on particular issues; and including boxes on the World Bank's work in a number of sectors to help readers better understand the inner workings of the Bank and Fund.

Thank you to all those who gave their input; further comments to improve our work are always welcomed. Also, if you are reading the Update for the first time or know of colleagues or contacts who might want to receive our printed or electronic editions, subscribe online on our website or e-mail:

📧 subs@brettonwoodsproject.org



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