Water meetings everywhere and not a drop to drink

After finalising its own water strategy, the World Bank finds itself amid a storm of controversy during a series of global meetings around the future of financing water infrastructure. Conflicting signals from the Bank over the issue of public or private management remain.

Despite earlier voicing harsh criticisms of a draft (see Update 27), Bank Board members approved the largely unchanged Water Resources Sector Strategy (WRSS) in late February. The most controversial elements continue to be its stated desire to “re-engage with high-reward/high-risk hydraulic infrastructure”, its emphasis on the role of the private sector and its failure to embrace the recommendations of the World Commission on Dams (WCD). Patrick McCully of International Rivers Network called the Strategy “reactionary, dishonest and cynical”. “The WSS shows that the Bank is seeking to turn back the clock on water management.”

White knight or white elephant?

Much is at stake in the debate as water-related lending has accounted for 16 per cent of Bank outlay over the past decade. Looking forward, the Bank estimates that investments in water in developing countries will need to increase from the current level of about $75 billion per year to $180 billion per year to reach the Millennium Development Goals for safe drinking water and sanitation.

The recommendations of the Bank’s new strategy find support from the World Panel on Financing Water Infrastructure, led by former Managing Director Michel Camdessus. The panel’s report, released on 5 March, argues for international financial institutions to “resume lending for dams and other large water storage and transfer schemes”, and to increase guarantees and other public subsidies for private investors in water infrastructure and supply.

“Honestly don’t know why I keep coming to these things,” said one World Bank official on condition of anonymity. “We keep going around and around about the need to take decisive action but at the end we are no nearer to solving the problem than we were before.”

The fiercest debates during the Forum were over public versus private ownership. Prior to the start of the summit, a series of studies by the International Consortium for Investigative Journalists revealed a string of Bank-led water privatisation schemes that are socially destructive than many modern dams.”

Both the Bank’s water strategy and the Camdessus panel findings have been criticised for ignoring the recommendations of the World Commission on Dams. After its initial enthusiasm for the WCD process, the Bank has turned its back on the recommendations (see Update 30). The unprecedented multi-year multi-stakeholder initiative is referred to only as “a significant point of reference” in an annex to the WSS. Similarly, the Camdessus Panel urges financial institutions not to improve their policies to prevent the repetition of past dam fiascos as suggested in the WCD, but to “remove unnecessary internal brakes on their water lending” and “resume serious lending for all major water projects.”

Yet another forum failure

The Third World Water Forum, held in Kyoto, March 16–23, ended with all participants feeling that they had failed to achieve their objectives. NGOs were unable to secure the characterisation of water as a human right in the final declaration and the Camdessus panel recommendation for a global watchdog to monitor progress towards the Millennium Development Goals was not adopted. Also not addressed were gender issues, the impact of climate change on sea levels and water management through poverty reduction.

“Frustration at limited governance discussions”, “IMF debt plan controversial”, “Indonesians resist IMF measures” and “Public excluded from Bolivian Bechtel case” continued on page 2

The IMF knew about the warrant that led to their employee’s capture—page 4

<table>
<thead>
<tr>
<th>Issue</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank hypocrisy over Nestlé claim</td>
<td>2</td>
</tr>
<tr>
<td>Public excluded from Bolivian Bechtel case</td>
<td>2</td>
</tr>
<tr>
<td>Bank “soul searching” on privatisation</td>
<td>2</td>
</tr>
<tr>
<td>IMF: liberalisation may hurt poor</td>
<td>2</td>
</tr>
<tr>
<td>Ghana faces IMF arm-twisting</td>
<td>3</td>
</tr>
<tr>
<td>Argentinian groups challenge IMF pressure on utility prices</td>
<td>3</td>
</tr>
<tr>
<td>Arrest of IMF employee points to cover-up</td>
<td>4</td>
</tr>
<tr>
<td>Indonesians resist IMF measures</td>
<td>4</td>
</tr>
<tr>
<td>IMF debt plan controversial</td>
<td>4</td>
</tr>
<tr>
<td>Frustration at limited governance discussions</td>
<td>5</td>
</tr>
<tr>
<td>French government report late but detailed</td>
<td>5</td>
</tr>
<tr>
<td>UK government pushing new finance facility</td>
<td>5</td>
</tr>
<tr>
<td>New IFI transparency campaign network</td>
<td>5</td>
</tr>
<tr>
<td>IMF needs internal “firewall”</td>
<td>5</td>
</tr>
<tr>
<td>Study challenges Bank’s role in mining</td>
<td>6</td>
</tr>
<tr>
<td>Bank in the middle of Cambodia, PNG forestry battles</td>
<td>6</td>
</tr>
<tr>
<td>Azerbaijan: IMF backs down</td>
<td>6</td>
</tr>
<tr>
<td>Coal India letter gets strong backing</td>
<td>6</td>
</tr>
<tr>
<td>Extractive industries complaint</td>
<td>6</td>
</tr>
<tr>
<td>Indigenous policy implementation weak</td>
<td>6</td>
</tr>
<tr>
<td>WB’s new perspective on trade unions</td>
<td>7</td>
</tr>
<tr>
<td>Inside the institutions: The World Bank and gender</td>
<td>7</td>
</tr>
</tbody>
</table>
During negotiations for the revised Buenos Aires water contract, a senior World Bank water manager joined the staff of Aguas Argentinas (owned by French water multinationals Veendi and Suez). Under the World Bank’s Staff Exchange Program, Ventura Bengoechea went to work for Aguas Argentinas in 1997 and continued until a new contract was signed in 2000. His job was negotiating rate increases or, as the Bank says, “preparation of proposals for modifications to existing tariff regimes and for their negotiation with the regulatory entity.” The World Bank continued to pay his salary. After returning to the bank, Bengoechea became senior water and sanitation specialist for Latin America and was team leader on a $30 million loan made to Argentina in 1999. A spokesperson for the World Bank said that such arrangements were fully consistent with Bank rules.

From The Aguas Tango, Water Barons, ICI

www.icij.org/dtwawater/

is a renewed approach to working with the public sector.” All of these debates will come to a head at the G8 summit in Evian, France in June, where the real money to address financing water infrastructure may be on the table. It remains to be seen if progress will be held up by the albatross of privatisation.

WRRS, World Bank

www.worldbank.org/water

IRN press release on WRRS


Report of the World Panel on Financing Water Infrastructure

www.worldwatercouncil.org/download/CamdessusSummary.pdf

Response to the panel, WaterAid

www.wateraid.org.uk/site/in_depth/third_world_water_forum/769.asp

Bank “soul searching” on privatisation

In February, the World Bank’s Latin America and Caribbean (LAC) department’s Finance, Private Sector and Infrastructure section staged a seminar called ‘Rethinking Privatisation: A soul searching exercise.’ The seminar provided an opportunity for three critics of public services privatisation in Latin America to explain their concerns to sixty Bank officials, including US executive board member Carol Brookings. The critics were Brendan Martin, director of Public World; Ariel Caplan, legal counsel to the Argentine Consumers’ Association; and Peter Gleck, of the Pacific Institute.

Focusing mainly on water, electricity and railways, they pointed to the economic and social impact of privatisations, such as on access to services by the poor, jobs and terms of employment, and small and medium-sized enterprise development. Regulatory arrangements, even when designed to improve and expand services, were proving incapable of doing so effectively. Increasingly, tensions between the interests of transnational service providers and poor people were forcing, as the seminar demonstrated, a rethink.

Responses to the critics acknowledged the lack of popular support for public services privatisation in Latin America, and contrasted that with evidence of welfare economics research that privatisation had led to net benefits. Discussion at the seminar was dominated by consideration of various ways to design and communicate about privatisation more effectively, rather than the development of alternatives. There was consensus, however, that the Bank’s focus in the region might need to return to restructuring state-owned enterprises and supporting service delivery through small enterprises, including non-profits, because of the retreat from LAC utilities markets of transnational businesses.

Full account of the seminar, Public World

www.publicworld.org/orework/worldbank/rethinking.html

Bretton Woods Update

NUMBER 33 – MARCH/APRIL 2003

Bank hypocrisy over Nestlé claim

Controversy over a $6 million claim against the Ethiopian government by food giant Nestlé continues. The World Bank, which is mediating on behalf of the Ethiopian government, has called Nestlé’s charges “laughable when you consider who the debtor is.”

However, a Nestlé spokesperson said that the claim was only ever capable when you consider who the debtor is”.

Continued from page 1

WB insisting on Addis payment, Addis Tribune

www.allAfrica.com/stories/200301310426.html

Public excluded from Bolivian Bechtel case

ICSID, the investment dispute tribunal of the World Bank, ruled that it would not allow the public or media to participate in proceedings in which Bechtel is suing the people of Bolivia for $25 million. The company is using South America’s poorest nation over its failed effort to take over the public water system of Bolivia’s third largest city, Cochabamba.

Oscar Olivera, a leader of the coalition of Bolivian peasants which filed a petition requesting public access, charged that the World Bank was “preventing the people affected from participating in a case that directly affects their lives. This is profoundly undemocratic.”

NGO work on trade-finance coherence

A coalition of NGOs working on finance, trade and development have, in conjunction with the South Centre, drafted a proposed work agenda for the WTO working group on trade, debt and finance. The issues raised, which include the relationship of debt and trade, the interaction of loan conditionality and trade agreements, international financial stability and capacity building, will be the key points of debate for a series of upcoming meetings on trade-finance coherence, including a WTO General Council session on 13 May where Bank President Wolfensohn and IMF Managing Director Kohler will be invited to speak.

Contact Aldo Caliari, Center of Concern

www.choose.org/linkso/260/60

IMF: liberalisation may hurt poor

An IMF paper co-authored by its Chief Economist Ken Rogoff warns of the effects of financial liberalisation for poor countries. There is no proof that financial liberalisation has benefited growth and it seems linked to “increased vulnerability to crises”, says the report. In 1997 the IMF considered modifying its articles of agreements to include financial liberalisation but claims to have adopted a more nuanced approach in the past few years. Despite “sobering” conclusions, the report says the IMF’s role is crucial to increase the benefits of globalisation.

IMF paper


e-conference on Bank services report

The World Bank is sponsoring an e-conference on the World Development Report 2004: ‘Making Services Work for the Poor’ (see Update 31). The conference will begin 14 April and continue until the end of May despite a delay of nearly a month in releasing the first draft of the report. There are concerns that some target audiences will not have received a hard copy—let alone a translation if needed—of the draft by the time the conference begins.

Brendan Martin of Public World in London will moderate the six-week long global discussion. “The Bank sees the discussion not only as a last chance to influence the WDR but also as a way to learn for the future,” says Martin. “For civil society, I think it is also an opportunity to develop and enrich our understanding and debates about these issues, and so improve our work.”

After revisions, the WDR draft will go to the Board for consideration 27 May.

More details and information


www.brettonwoodsproject.org/topic/privatise/p3106wdr.html

No pain, no gain: WDR 2004 on services

www.in_depth/third_world_water_forum/769.asp

No NGO work on trade-finance coherence

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IMF paper


No
Argentinian groups challenge IMF pressure on utility prices

Comment

By Jimena Garrote, CELS*, and Ezequiel Nino, legal adviser to the consumer representative in the renegotiation commission

Argentina has gone through very rough times in the last few years. Many of the severe problems faced by the country were caused by the inefficiency of its own public officials. But others stem from economic policies designed in Washington DC.

On 22 January 2003, Argentine consumer associations and a human rights organisation** filed a complaint with the imr’s Independent Evaluation Office (ieo), denouncing the pressure exerted by imr representatives in negotiations with the Argentine government. The imr does not have a body designed to deal with citizens’ complaints about its actions. The organisations therefore decided to submit their complaint to the ieo, which was created to evaluate the performance and policies of the imr.

During the 2002 negotiations with the government, the Fund imposed several conditions as part of the agreement which materialised in early 2003. One of these was a swift rise in the rates charged by privatised public utilities (water, gas, electricity, telephone). After the January 2002 currency devaluation the Congress passed an emergency law authorizing the government to renegotiate contracts with the public utility companies which had been privatised in the 1990s by President Menem. This law specifies that an increase in public service prices could only take place as part of a re-negotiation process, whereby the whole contracts are analysed and all interested parties (including consumers) are involved. Negotiations must be based on the following criteria: 1) the impact of rates on the economy and the distribution of income; 2) quality of services and investment plans, when they were included contractually; 3) the interests of consumers and the accessibility of services; 4) the security of the systems and 5) profitability of companies.

All national consumer associations, the National Ombudsman and the City of Buenos Aires Ombudsman agree that in the last ten years public utility companies have received more preferential treatment than any other sector. For example, many of the companies raised rates in line with US inflation, although this was prohibited by law. During the 1990s, inflation in Argentina was close to zero while in the US it averaged three per cent. Economists estimate that this three per cent margin yielded profits of $9 billion. This and other factors which brought the companies huge profits, more than in any part of the world, must be part of the discussion, as was made clear by consumers’ organisations to an imr delegation to Buenos Aires.

IMR representatives have pushed the government to increase rates without discussing other criteria. They have emphasized losses incurred by companies because of the devaluation, and insisted that swift compensation should have happened. This was to protect the interests of the mainly European companies, regardless of whether or not this would violate Argentine law. The Argentine Executive tried to introduce the increase on four occasions in order to bow to imr pressure. But each time courts halted the rise, and three federal judges stated that the renegotiation has to cover all aspects specified by the Congress. The imr’s attitude on this matter during the whole negotiation process is in open contradiction with its own statutory purpose, and therefore illegitimate. It also seems that the pressure was initiated by representatives of countries where the companies are from, such as France and Spain, which violates the impartiality duty embedded in the ethical rules that supposedly govern imr employees’ behaviour.

The non-negotiable obligation to increase public services prices violated domestic law, and reduced the government’s capacity to re-negotiate the contracts with the privatised companies. Using conditionalities to force price rises would turn the re-negotiation process into a parody.

There has been no response from the imr’s Independent Evaluation Office up to this point. Although the ieo has announced that the Fund’s operations in Argentina would be part of its 2003–2004 work programme, plans are only to examine events for the period ending December 2001.

The court halts IMF-demanded utility hikes

Argentina court halts IMF-demanded utility hikes

IMF’s Independent Evaluation Office work programme

Submissions for forthcoming Comment pieces should be sent to Bretton Woods Project. Preference will be given to Southern organisations.

Ghana faces IMF arm-twisting

After the imr intensified retaliatory measures on Ghana for failing to comply with its requirements, the country appears eager to appease the Washington institution, probably at a high social cost. Having been portrayed as an adjustment success story in the 1990s, Ghana was denied renewal of imr financial assistance at the end of 2002 after failing to implement conditions in its Poverty Reduction and Growth Facility agreement with the Fund. Now, to get the funding renewed, the government is implementing conditions for which Ghanaian people will have to pay a high price.

IMR director Horst Kohler often says that borrowing governments use the imr as a scapegoat for reforms that they want to implement but refuse to take responsibility for. However the government of Ghana seemed reluctant to implement conditions that included increasing petrol prices and the value-added tax (vat) rate. President Kufuor apparently wrote to Horst Kohler to request waivers of these measures, but the imr’s response in November 2002 made clear this was not acceptable.

Since the imr’s response the government has made new efforts to comply, and a resumption of imr lending by the time of the Bank/Fund Spring Meetings mid-April seems increasingly likely. Petrol prices in Ghana almost doubled overnight when the government announced it could not finance the debt of the national refinery and had to put an end to fuel subsidies. Discussions around the 2003 budget, and around increases in utility prices and value-added taxes send similar signals of goodwill to the imr. However it is unclear how the government will manage to accommodate the different measures with other Fund requirements to limit inflation and the wage bill. Ghanaian NGO nongpec commented that “there is no reprim in the ordinary Ghanaian, be she a farmer, a fishmonger, or a salaried worker ... No assessment has been done on the potential impact of these increases on industry, on economic growth or on poverty and inequality”.

While acknowledging the need to raise national revenue to avoid excessive dependency on external aid, nongpec has urged the government to consider alternative measures such as improving tax collection. nongpec warned that a vat increase could lead Ghanaians to take to the streets in ‘imr riots’.

IMF letter to President Kufuor

ISODEC comments on the 2003 budget
IMF Manila rep moved after data leaks

The IMF is replacing the head of its Manila mission, Joshua Felman, after he was linked to leaks of confidential information. The Philippine central bank last month barred UBS Warburg from issuing on 5 February 2002 and in May 2002 he was arrested in Miami, but extradition efforts failed. The IMF provided legal assistance to Baca after his arrest in Argentina and expressed “concern”. The judge in charge of the case questioned whether IMF concerns had to do with the fact that “[she had] made effective an international warrant or because they are employing a person wanted by Interpol”. Baca had a UN passport and the immunity normally granted to IMF staff, but this only applies to acts performed by employees in their official capacity. The judge said it would be juridical nonsense if “[the IMF] could deny one of its member states the possibility to exercise its rights as a sovereign state on one of its citizens”. Baca was released after a $10,000 bail was paid, but he cannot leave the country. A federal court will rule on the UN immunity claimed by Baca’s lawyers. Peru expressed “strong discontent” with the IMF’s legal and financial support for Baca’s defence. The question remains whether the IMF hired Baca despite the dubious nature of Fujimori’s regime—but above all why he was retained once his situation became clear. Embarrassed IMF external relations chief, Tom Dawson, said “we do extensive reference checks on individuals when they are hired. It’s not quite clear that

Indonesians resist IMF measures

In Indonesia a government decision to raise fuel and electricity prices as part of its current IMF programme sparked riots early January. The government backed down, despite threats by donors (led by the World Bank) that this might jeopardise financial support. Donors did not carry out their threats, as unrest risked derailing the entire adjustment programme and because of concerns about disturbances in the world’s largest Muslim country. The crisis has increased pressure from legislators not to continue borrowing from the Fund. In January the government announced it would not seek to extend the arrangement which expires at the end of 2003.

IMF debt plan controversial

The IMF is still hoping to rally various interested parties to its proposal of a mechanism to restructure poor countries debt (see Update 32). After a conference held in Washington DC to discuss the latest proposal, some civil society representatives said in its current state the mechanism “would not return poor, indebted nations to viability/sustainability” and would “enshrine an increased role for the IMF in international law”. Donors from the private sector and some Northern and Southern countries had previously led the Fund to water down the plan—leading some observers to pronounce it “dead in the water”.

Bolivia riots over tax law

In Bolivia riots continued into February over measures taken to resume IMF assistance. The country was declared "off-track" last year for failing to pass a tax code. An income tax rise announced as part of a package to reduce the public deficit was met by clashes which left more than thirty dead. The government then backed down and the IMF stated they had reached an agreement on "a balanced set of fiscal measures, a phased reduction in the government deficit, and greater social safety net support", while the government announced a social dialogue to design a "participative budget".

IMF staff code of conduct, www.imf.org/hrd/code.htm

“All Governors, Executive Directors, Alternates, members of committees, ... advisors of any of the foregoing persons, officers, and employees of the Fund shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waves this immunity”.

Article IX, Section 8 of the IMF’s Articles of Agreement, www.imf.org/external/np/ct/2003/tr030304.htm

IMF wants to get some respect, Reuters www.alertnet.org/theneu/newsdesk/N14278736

B R E T T O N  W O O D S  U P D A T E

NUMBER 33 – M A R C H / A P R I L  2 0 0 3

Arrest of IMF employee points to cover-up

An IMF technical adviser arrested in Argentina is likely to be extradited to Peru in the coming months. According to his own declarations to an Argentine court, reported by the newspaper Clarín, the IMF knew about the charges against its employee and the international warrant that finally led to his capture, but chose to ignore them. Interpol arrested Jorge Baca Campodónico in February on his way to the Sheraton hotel in Buenos Aires, the base of the mr delegation. He was part of an mr technical mission visiting the country to examine aspects of the new Fund programme.

Baca, a former Finance Minister of Peru, has been charged in his country on various accounts of high-level corruption. In June 2001 a parliamentary investigation concluded Baca had illegally countersigned decrees authorising weapons purchases with revenues from state enterprise privatisations that were intended for poverty reduction. Clarín reports that in 1999 Baca joined the Inter-American Development Bank after leaving the government, and that he was then hired by the mr in April 2001 to work as an adviser on fiscal issues, for a $10,000 monthly salary. In September of that year he had to testify in a Peruvian court about his links with former President Fujimori’s spy chief Vladimir Montesinos, recently sentenced to five years in prison for human rights abuses, money laundering, embezzlement and arms deals. Baca was then prohibited to leave the country but fled to the US. In December 2001 Baca was then hired by the Fund. The IMF knew about the charges against its employee but chose to ignore them. An IMF technical adviser arrested in Argentina is likely to be extradited to Peru in the coming months. According to his own declarations to an Argentine court, reported by the newspaper Clarín, the IMF knew about the charges against its employee and the international warrant that finally led to his capture, but chose to ignore them.

IMF to replace its chief in Manila

www.iht.com/articles/2003/02/19/asia/asia12.htm

IMF staff code of conduct,

“Ask yourself these questions:
• Is it legal?
• Does it feel right?
• Will it reflect negatively or positively on the IMF?
• What would a reasonable person think about my action?
• Would I be embarrassed if others knew I took this action?
• Is there an alternative action that does not pose an ethical conflict?”

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IMF staff code of conduct,
Frustration at limited governance discussions

In mid February high-level meetings were held in Washington DC to examine proposals to reform the governance of the World Bank and IMF (see Update 32). The next major discussions will be at the Bank/ Fund Spring Meetings in Washington on 12–13 April. Some limited capacity-building measures for Southern Executive Directors may be announced, but there has been no progress on more significant reforms. Providing more funding and personnel to Southern country representatives at the Bank and Fund is welcome but certainly not sufficient to address the democratic deficit.

A serious effort to improve Southern country voice in the institutions would require going far beyond capacity-building to change the composition, voting shares and transparency of the Bank/Fund Boards. Unless this is done many civil society groups will complain that this is just a typical donor exercise of throwing money at a problem rather than tackling the underlying issues. Civil society groups are circulating a joint sign-on statement which sets out seven demands for rebalancing board composition and voting power, making governing bodies transparent, opening leadership selection, and reversing the extension of World Bank/IMF mandates into areas covered by other UN agencies. Such points are also being raised by civil society groups preparing for the meeting of the UN Economic and Social Council on 14 April where the World Bank, IMF and WHO have to report.

Governments have expressed some interest in adding one or two extra Executive Directors to the Bank/Fund boards, but minimal appetite for improving Southern countries’ voting shares or renegotiating the functioning of the constituency system. The US and a number of European governments have indicated that they are not ready to consider change in these areas. Issues of transparency and leadership selection are also being given minimal official attention. The Bank/Staff fund discussion paper produced in February claimed “the principle underlying the distribution of quotas, shares and voting rights—that these should in large measure reflect the relative importance of member countries in the global economy—remains appropriate”. Most possible reforms to enhance the ability of developing countries to form and put across their views are described in pessimistic language implying that no progress is likely. Increased developing country representation on the Development Committee and International Monetary and Finance Committee was, however, suggested. These ministerial committees convene at Bank/Fund Spring and Annual Meetings to determine strategy.

The paper also envisaged establishing a trust fund to support Southern countries’ ability to analyse issues coming to the Board. This capacity could be established in Washington or in the countries or regions being represented. Large multi-country constituencies might be offered more advisers/assistants, an additional Alternate Executive Director, or additional access to outside technical and research support.

Without significant outside pressure combined with leadership by some key Northern and Southern governments, this window of opportunity to reshape the governance of the Bank and Fund for the 21st century will close with minimal results. Discussions may, however, continue until the Annual Meetings in September, giving more time to build pressure for real change.


Sign the joint civil society statement www.brettonwoodsproject.org/topic/reform/r33ifigovstat.html


Update 32 links to statements and publications www.brettonwoodsproject.org/topic/reform/r3201ifigov.html

Send insights or views on Bank/Fund governance reforms to: ifgov@brettonwoodsproject.org

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French government report late but detailed

The French government’s annual report to parliament on its interventions in the Bank and IMF has arrived seven months late but is more explicit than previous versions. The report indicates the French position—including some votes—on key issues, strategies and country-specific loans. It provides useful information on the coordination of European interventions and Executive Directors. The third annual UK Treasury report on the IMF, due out soon, is not expected to be so detailed. French NGO Agir ici is planning to map the practices of IFIs which are raising concern by civil society groups.

Parliamentarians’ network on WB

The fourth annual conference of the Parliamentary Network on the World Bank in Athens in early March gathered 140 Members of Parliament from 67 countries. Speakers at the meeting included the heads of the Bank and Fund. Wolfensohn put in a plea for additional development assistance funding. He stated that as the Parliamentary Network is now constituted independently from the Bank, participants “have a hunting license to criticize the Bank at all times, because we are not paying the bill”. The meeting was described in The Observer as “a refreshingly candid exchange of views”.

www.pnowb.org

UK government pushing new finance facility

The British government has issued more detailed plans for a mechanism to increase the amount of money spent on development assistance. The International Finance Facility would allow money to be raised from the bond markets against government pledges, effectively bringing forward spending towards the Millennium Development Goals. The money would be spent through existing channels such as the World Bank. And as the British government has just initiated a war which may cost four times the annual aid flow to developing countries, enthusiasm may be limited.

www.hm-treasury.gov.uk/recent_pubs.cfm

IMF needs internal “firewall”

A senior British official has made proposals for a greater separation between the surveillance and lending functions at the IMF, in order to strengthen crisis prevention. Citing recent failures in Argentina and Turkey, Chief economic adviser Ed Balls argues the IMF should be “as credible and independent from political influence in its surveillance ... as an independent central bank”. This would suppose building an “institutional firewall” between the different functions of the Fund to avoid conflicting incentives. The idea is likely to be tabled at the IMF Finance Ministers’ meeting mid-April, chaired by UK Chancellor Gordon Brown.

www.iie.com/publications/papers/balls0301.htm

New IFI transparency campaign network

A new informal network of civil society organisations has begun working together to overcome the secrecy surrounding the operations of International Financial and Trade Institutions. In February a group of 23 activists from five continents held a conference to discuss access to information at the irrs. About half of the participants came from civil society organisations that work on irri-related issues. The other half represented groups focusing on freedom of information at the national level, such as freedominfo.org, Article 19, the Open Democracy Advice Center in South Africa and the Philippine Center for Investigative Journalism.

Buried treasure

The participants identified a range of issues around which coordinated action can be developed to support the struggles of different civil society groups. Freedom of information specialists may be able to use their expertise and clout to persuade governments and/or institutions to make available information that they would normally prefer to bury. Examples of such documents are Power Purchase Agreements, something that the Bank currently refuses to make available. Also, the positions of member governments on the Boards of the irrs which are rarely made public.

For transparency network information, Jen Kalafut, Bank Information Center jkalafut@bicusa.org www.bicusa.org

Freedominfo www.freedominfo.org/ifi.htm

Open Democracy Advice Centre www.opendemocracy.org

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www.finances.gouv.fr/pole_ecofin/international/institutions/som_fnimb2002.htm

www.brettonwoodsproject.org

www.christian-aid.org.uk/indepth/0303options/intro.htm

www.freedominfo.org/ifti.htm

www.bicusa.org

www.iie.com/publications/papers/balls0301.htm
Study challenges Bank’s role in mining

A new study from Canadian researchers led by Dr Bonnie Campbell examines the World Bank’s influence in establishing mining codes in Southern countries. It finds that the Bank’s assessment of what was needed to attract foreign investment did not consider broader development objectives. Companies were granted low royalty rates and tax exemptions and allowed to retain much of their foreign exchange earnings in foreign accounts.

Provisions for local procurement of goods and services have been removed, for instance from the 1998 Mining Act in Tanzania. The study comments: “given that provisions to build backward and forward linkages (such as value-added processing of minerals) to resource extraction within the economy would normally be considered important development objectives, it appears that the Tanzanian government has abandoned, or been obliged to abandon, these development objectives.”

The study concludes by questioning “whether a country which deregulates and liberalises in order to be fully competitive... can indeed ensure the enforcement of environmental norms, and [pursue] development objectives that build backward and forward linkages to resource extraction... The answer appears to be more than uncertain.” This conclusion matches that of African civil society groups who gathered in Mozambique in January this year as part of the Bank’s Extractive Industry Review process. They commented: “during the past two decades the World Bank Group and the IMF have promoted the liberalization of the extractive sector through reforms that compel mineral-rich African countries to relinquish ownership and control of extractive industries to foreign mining and petroleum companies.”

The Challenges of Development, Mining Codes in Africa and Corporate Responsibility, GRAMA, 2003; International and Comparative Mineral Law and Policy

Bank in the middle of Cambodia, PNG forestry battles

For several months the Bank has been considering withholding the second payment of a structural adjustment credit to the Royal Cambodian Government in reaction to the failure of the government to comply with the terms of the credit and its threats to expel an independent monitor of the forestry sector (see Update 52).

Encouragingly, charges against the Global Witness country representative in Cambodia have been dropped, and reports are that the UK-based NGO may be allowed to continue as a monitor past the original three-month deadline set by the government in January. According to Bank spokesperson Melissa Fossberg, “there is a specific set of actions the Government has agreed to take before we would consider releasing the money.” These conditions include maintaining an independent forest crime monitor and continuing a donor-led review of forestry management plans and unsatisfactory impact assessments.

In Papua New Guinea a network of NGOs working on forest issues has called on the Bank to use its influence to convince the government to intervene in an agreement allowing illegal logging. The agreement was signed between the Malaysian company Concord Pacific, the National Forest Board Chair and a controversial landowning company. According to CEQOR, an NGO based in Port Moresby, the construction of the Kiunga Aiambak logging road by Concord Pacific is the latest chapter in a saga which has seen a “complete breakdown in forestry management in the last 12 months.”

The project has repeatedly been brought to the World Bank’s attention. In October 2000, an independent forestry review team appointed by the Bank released a damning audit of the project. A year later, CEQOR lodged a complaint with the Bank’s Inspection Panel on behalf of landowners adversely affected by the project. The complaint was rejected by the Panel, finding that the “harm suffered by the requesters was not related to the actions/omissions of the Bank and the harm was caused by private entities which have no relation to the Bank’s programme”.

Cambodia Forest Crime Monitoring Project, Global Witness

International and Comparative Mineral Law and Policy

IFIs withhold support from Equatorial Guinea

While offshore oil fields generate hundreds of millions of dollars for Equatorial Guinea, most of the population continues to live on about $1 a day. A recent report by the Los Angeles Times indicates that President Obiang maintains sole control over the $300–500 million of the country’s oil revenues in a US account which allegedly belongs to the president’s office spends the money directly. The World Bank and the IMF will withhold assistance if Equatorial Guinea fails to make reforms that compel the government to use the State Oil Fund to inform the Baku Ceyhan pipeline. This was reversed in February 2003, apparently under US pressure. While allowing $118 million to be spent on the pipeline—against the principles for which the fund was established—the IFIs are pressing for new legislation governing oil fund expenditure. This places the present system under which the president’s office spends the money directly. The World Bank has also demanded an audit of the state oil company.

Azerbaijan: IMF backs down

In January 2003 the IMF suspended loan payments to Azerbaijan because of concerns that the government was to use the State Oil Fund to invest in the Baku Ceyhan oil pipeline. This was reversed in February 2003, apparently under US pressure. While allowing $118 million to be spent on the pipeline—against the principles for which the fund was established—the IFIs are pressing for new legislation governing oil fund expenditure. This was reversed in February 2003, apparently under US pressure.

Coal India letter gets strong backing

115 civil society groups backed a letter urging the World Bank Board to endorse an action plan for remedial measures on the Coal India project. The local NGO, which brought a successful claim to the Bank’s Inspection Panel, has demanded that action be taken to compensate people who have lost their land and livelihoods. The Bank’s management took a surprisingly long time to file its response to the Panel report, and as the Panel has no ability to enforce action by the Bank, civil society groups decided to turn up the pressure.

Letter and action plan

| topic/social | Panel report | www.inspectionpanel.org |

Indigenous policy implementation weak

An official assessment of the Bank’s compliance with its indigenous peoples (IP) operations directive confirms criticisms by indigenous peoples’ organisations that the Bank’s record is deficient. The Bank’s IP directive was applied in just 62 percent of the 89 projects that affected IPs. The Operations Evaluation Department report said “the process of determining which groups are covered by the Bank’s IP policy is in urgent need of clarification.” The Bank will soon release another draft of its revised directive, at the same time as a more in-depth evaluation. Finalisation of the directive is now expected in October.

Extractive industries complaint

Civil society groups have reacted angrily to a document circulated by the Extractive Industries Review (EIR), the initiative established by the World Bank to make recommendations about its future roles in supporting oil, gas and mining. The Compilation of Consultation Inputs recently released by the EIR “fails to reflect the full spectrum of views presented at the regional workshops and wholly ignores civil society positions clearly articulated at each of the consultations to date”. The finding that the World Bank’s extractive industries activities are an effective tool for poverty alleviation “reflects a bias toward industry and the World Bank and contradicts inputs repeatedly asserted by civil society”.

The groups recommend establishing a Joint Commission of Stakeholders (JCS) comprised of four civil society representatives, two industry representatives (one petroleum sector and one minerals sector), and two government representatives, to co-author the final EIR report with the Eminent Person whom the Bank appointed to run the Review. The final report is due in September.

| www.forestpeoples.org | emily@fpwrwm.gn.spc.org |
Inside the institutions: The World Bank and gender

Gender is one of the World Bank’s 14 “corporate advocacy priorities”. Yet a 2003 report from the Bank’s Operations Evaluation Department echoed the views of many independent commentators, finding that the Bank had not established processes for institutionalising and operationalising its gender policy and had not organized systematic gender training for its staff.

The Bank has recently introduced further steps to ensure that the gender dimension is increasingly integrated into its work. In September 2001 the Bank approved a strategy calling for mainstreaming gender issues into its work but with flexibility to do so differently in various sectors, regions or countries.

The first step is to prepare country gender assessments that examine gender-related barriers to poverty reduction and economic development, such as property ownership, access to financing, civic involvement and educational opportunities. They also identify “gender-responsive statements” on poverty reduction, economic growth and human well-being. Bank Country Directors have the option to commission a specific study on gender, ensure that country gender analysis is conducted as part of other World Bank country analytic work, or adopt assessments produced by others (i.e., government agencies, UN agencies or civil society groups).

Country gender assessments should identify and guide priority policy and operational interventions as part of the Bank’s Country Assistance Strategy (CAS). The Bank’s CASs are expected to state why they do or do not include gender-related actions, and how they plan to implement and monitor them. Similarly, the Joint Staff Assessment exercise in which Bank and Fund staff validate the quality of Poverty Reduction Strategy Papers (PRSPs) is expected to cover how the gender dimension was addressed.

To ensure that gender is “treated as a cross-cutting issue potentially relevant in all countries and sectors, rather than as a distinct sector”, the Bank has created horizontal structures. These include the Gender and Development Board, composed of representatives from each of the Bank’s regions and networks. The Board develops guidelines and procedures, conducts research and training and oversees the integration of gender issues into Bank operations. The Gender and Development Group, which is part of the Bank’s Poverty Reduction and Economic Management Network (PREM), coordinates the work programme outlined by the Board. The Bank’s Operational Policy on the gender dimension of development (OP 4.20) dating from 1994 has just been revised and updated, and a new Bank procedure on gender provides more specific guidance on implementation.

The Bank’s first annual monitoring report on progress in gender mainstreaming found that there was substantial progress in integrating a gender dimension into policy instruments such as PRSPs, economic and sector work, and lending operations. The report concluded, however, that there are still areas for improvement. It implicitly concluded that attention to gender issues in lending operations was mainly restricted to human development sectors, not for example infrastructure or structural adjustment. Suggested steps include increasing the ability of regional and country teams to complete country-level gender analysis and integrate this into policy dialogue; working more closely with civil society organisations and other donors and increased capacity building plus knowledge sharing among staff and clients.

However, Ann Whitehead, an academic at the University of Sussex who has written extensively on gender issues, commented: “the mechanisms for making different parts of the Bank accountable for working on gender issues have no bite, no sanctions; it is all a matter of staff members’ individual interests. Gender specialists rarely go on the main technical missions around PRSPs. And joint Staff Assessments, such as that conducted for Tanzania, may not mention gender. When they do, the comments are of poor quality. Yemen is a recent example.”

OFFICIAL RESOURCES

World Bank Gender Mainstreaming Strategy
www.worldbank.org/gender/

Online database with sex-disaggregated national statistics
www.genderstats.worldbank.org

Operational Policy and Bank Procedure
wbln0018.worldbank.org/institutional/manuals/opmanual.nsf

Cecilia Valdivieso, Sector Manager, Gender and Development, World Bank
cevaldivieso@worldbank.org; +1 202 473 1981

CIVIL SOCIETY RESOURCES

How to Challenge a Colossus: Engaging with the World Bank and the International Monetary Fund, Gender and Development Network
www.womankind.org.uk/documents/ImftFinInstGAD.pdf

Forthcoming Gender and Development Group report on PRSPs
www.christian-aid.org/indepth/

New Bank report on gender policies, Update 22
www.brettonwoodsproject.org/topic/social/s2215_gender.html

World Bank to rate all projects for gender impact, Women’s E-news, April 2002
www.womensnews.org/article.cfm/dyn/aid/866

WB’s new perspective on trade unions

The positive impact of trade unions on economic development, and evidence indicating their ability to reduce discrimination and inequality, are among the findings of a new World Bank report: ‘Unions and Collective Bargaining’. ICFU General Secretary Guy Ryder cautioned however, “the Bank must now translate these important findings into policy, which may involve a significant shift in its organisational culture. In contrast to worker-friendly statements at the global level, country-level Bank staff still routinely advise governments to, in effect, violate core labour standards by making access to unionisation and collective bargaining more difficult.”

www.icfu.org/displaydocument.asp?
Index=9912172018&Language=EN

A human rights-based approach to PRSPs

A new report by the UN High Commission for Human Rights provides guidelines for the implementation of a human rights-based approach to PRSPs. The report is intended to assist development practitioners in incorporating human rights standards and principles into the formulation, implementation, and monitoring of poverty reduction strategies. At the national level, the report argues the importance of implementing initiatives and strategies with an active and informed participation by the poor. At the international level, it emphasises the right to assistance and cooperation. The final chapters emphasise the accountability of states and global actors.

www.unhchr.ch/pdf/povertyfinal.pdf

Trade and PRSP study

UK-based Christian Aid has commissioned the Overseas Development Institute to analyse the trade content of PRSPs. The report will examine the adequacy of trade-related impact assessment, the need for country-specific consideration of demand and supply constraints to trade, the justification for trade conditionality and the efficacy of capacity building efforts such as the Integrated Framework. The full report is to be made available in April on the Christian Aid website.

www.christian-aid.org/indepth

Cornering the market: The World Bank and trade capacity building
www.brettonwoodsproject.org/topic/knowledgebank/k30comerking.html

UNDP book on Global Public Goods

The book addresses how to adjust the concept of public goods to today’s economic and political realities. It examines managerial and political challenges to the design and implementation of global public goods provision. Suggestions are presented on a number of policy reforms and recommendations are made on how to move in a more feasible and systematic way towards a fairer process of globalisation that works in the interests of all. Contents include governance of the IMF and the multilateral trade regime. An electronic discussion on water as a public good has been started as part of the follow up.

www.undp.org/globalpublicgoods/globalization/
Afghanistan reconstruction questioned

In late March international donors pledged further finance towards the reconstruction of Afghanistan. However, civil society groups are complaining that the policy approach being promoted by donors is not appropriate. Bijay Kumar, ActionAid Country Director in Afghanistan, commented: “The national development framework, drafted by a few people who were influenced by an ideology of market principles, was presented in April 2002 but did not go through an adequate consultation process. Even the first attempt to translate it into the local language was only done as late as October. The claims that it represents the needs and aspirations of Afghan society cannot therefore be founded. But it is already being used as a ‘bible’ by donors to effect their investments. In the absence of the skills and capacities adversely affected by 24 years of war, handing over the economy to a multinational-led privatisation process is bound to hurt poor, marginalised and unemployed people.” The World Bank stated that its approach to post-conflict reconstruction in East Timor was a model which could be followed in Afghanistan. However Kumar said “Afghanistan is unique, its situation is completely different from the context of East Timor.”

PRSP dangers exposed again

As in Bangladesh and Pakistan (see Update 32), civil society groups in Sri Lanka have rejected the current Poverty Reduction Strategy Paper (PRSP). This is because, as stated by the Alliance for the Protection of Natural Resources and Human Rights, the PRSP has been drafted without any consultation of civil society and differs very little from previous IMF recommendations. The Alliance gathers more than a hundred groups including peasants and fisheries workers, trade unions, religious groups and people threatened with displacement. The government unveiled its PRSP last June at the Development Forum, saying it had been prepared after a comprehensive consultation process. Members of the Alliance have attempted to find out the identities of the groups consulted, but with no success. Trade unions, for example, were not made aware of the PRSP until the 110 held a workshop about it in July. Last summer the government also attempted to pass a series of laws reflecting the priorities highlighted in the PRSP and aiming at securing new IMF and Bank loans by the end of 2002 (see Update 30). The timeline has since been pushed back and the executive boards of the Fund and Bank will now meet in April to endorse the PRSP. The Alliance has issued a statement seeking international support and asking donors to halt approval and implementation of the PRSP until it can be redrafted based upon full civil society participation.

While most donors have broadly endorsed the PRSP approach, critics are more sceptical than ever about its capacity to achieve its stated objectives. A new report by Focus on the Global South argues that “poverty is used as window-dressing to peddle more or less the same adjustment programmes to low income countries that led them into a state of chronic economic crisis to begin with”. Donor coherence around the PRSP is perceived as a danger-Focus warns that “if bilateral donors put all their eggs in the PRSP basket, they must then take equal responsibility for the impacts of bad policy advice, faulty assessments and failed programmes”.

In an attempt to assess the IFIs’ involvement in the PRSP approach, the PRSP’s evaluation office (i.e. the Bank’s evaluation department) and the Bank’s evaluation department (or ep) are carrying out a joint evaluation of the PRSP process to date. While the or ep will focus on the Bank’s role, the ep will also look at the first concrete outcomes in terms of poverty reduction. India visits, some of them joint, will include Tanzania, Mozambique, Nicaragua, Guinea, Tajikistan and Vietnam.

Bretton Woods Project has produced an updated version of its “ABC to PRSPs”—the “PRSP Rough Guide” on the website of the Bretton Woods Project. No permission needed to reproduce articles. Please pass to colleagues interested in this field.

Bank/Fund spring meetings schedule

Official Meetings

Tentative Agendas

International and Monetary Finance Committee: 12 April

- World Economic Outlook
- Crisis prevention and crisis resolution (Sovereign Debt Restructuring Mechanism)
- Low income countries, PRGF, PRSPs, HIPC

Development Committee Meetings: April 13

- Monitoring of Policies and Actions for Achieving the MDGs
- Voice and Participation of Developing Countries in Bank/Fund governance
- Progress Reports: Education for All, HIV/AIDS, Water and Sanitation

Civil society meetings

A wide range of NGO events are also planned for the week.

Topics will include:

- citizen complaint mechanisms
- governance reform
- trade-finance coherence
- Latin-American solidarity
- safeguards
- harmonisation
- WDR 2004 on services
- HIPC, LICUS

For full details, visit the IFIwatchers calendar at

Video conference etiquette explained

World Bank organisers of a video conference in the run-up to the World Summit on the Information Society, were clearly worried about NGO representatives’ manners.

Tips given to participants included:

- “Express your personality but avoid using slang”
- “When beginning to speak or pose a question, state your name, location and school”
- “Ask thoughtful questions and express your opinions in a positive manner”
- “Nod or smile to express interest, attentiveness and participation”
- “Avoid wearing bright, fluorescent colours, patterns, shiny fabrics, or white, yellow, or red as these cause glare”

NGO types who participate in Bank video conferences are requested to keep their eyelids peeled for wild gesticulation, frowning and Hawaiian leisurewear. Report any violations of the code to

More vital videoconference tips:

Published by Bretton Woods Project

Critical voices on the World Bank and IMF

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Water meetings everywhere and not a drop to drink
Bank hypocrisy over Nestlé claim
Public excluded from Bolivian Bechtel case
Bank “soul searching” on privatisation
NGO work on trade-finance coherence
e-conference on Bank services report
IMF: liberalisation may hurt poor
Ghana faces IMF arm-twisting
Argentinian groups challenge IMF pressure on utility prices
Arrest of IMF employee points to cover-up
IMF Manila rep moved after data leaks
Indonesians resist IMF measures
Bolivia riots over tax law
IMF debt plan controversial
Down by law
Frustration at limited governance discussions
French government report late but detailed
Parliamentarians’ network on WB
UK government pushing new finance facility
New IFI transparency campaign network
IMF needs internal “firewall”
Study challenges Bank’s role in mining
Bank in the middle of Cambodia, PNG forestry battles
IFIs withhold support from Equatorial Guinea
Azerbaijan: IMF backs down
Coal India letter gets strong backing
Extractive industries complaint
Indigenous policy implementation weak
WB’s new perspective on trade unions
Inside the institutions: The World Bank and gender
A human rights-based approach to PRSPs
Trade and PRSP study
UNDP book on Global Public Goods
Afghanistan reconstruction questioned
PRSP dangers exposed again
Bank/Fund spring meetings schedule
Official Meetings
Civil society meetings