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The World Bank and IMF at sixty: **plus ça change?**

Sixty years after their founding, the World Bank and International Monetary Fund remain the dominant institutions in development but face determined opposition to their role in shaping globalisation.

Bank president James Wolfensohn says that critics should stop "going back to things that were addressed five years ago". The Bank says it has moved on from the Washington consensus to the Post-Washington consensus. The term 'structural adjustment' is being done away with, replaced by the 'poverty reduction strategy' and soon 'development policy lending'. A host of policies have been drafted and endless cubicles filled with staff focusing on the social, environmental and labour impacts of lending operations. Ownership and participation have supposedly become the touchstone of all work and a 'good governance' agenda has been introduced to root out corruption.

ROBIN HEIGHWAY-BURY / THOROGOOD

Of the ten elements which made up the original 'Washington Consensus', three have been both most aggressively pursued and most strongly opposed. Have the Bank and Fund changed their attitudes to liberalisation, privatisation and fiscal austerity?

Liberalisation: tinkering

On the trade front the Bank has rapidly expanded its trade department, re-positioning itself as the friend of developing countries. Research has highlighted the failure of trade agreements to benefit the poor. Kudos has been sought for advocacy efforts on market access, and research work to allow developing countries more time to implement agreements. Mavericks have openly questioned the Dollar and Kraay doctrine linking openness and poverty reduction which props up trade orthodoxy. Acceptance of what were once considered heterodox trade policies, such as regional trade agreements, export processing zones and commodity marketing boards, is growing.

While tariff conditionality may be on the decline, support is shifting to analytical services and capacity building which indoctrinate civil servants into the deep integration agenda. Massive loans are made in the name of trade facilitation. Old-style conditionality persists in areas where governments are loath to liberalise such as services, investment, and government procurement. The Bank and Fund continue to reject the evidence that an active industrial policy covering directed tariffs and investment laws has been crucial to successful developers both North and South. Different routes to development are rejected in favour of sequencing along a single path.

Plans to make capital account liberalisation a central tenet of the Fund's work were shelved after crises in Asia, Russia, Latin America and Turkey shook the global financial system. The Fund was criticised from outside and within. The proposal for a debt restructuring mechanism represented an important admission by the Fund that markets alone could not be relied upon to resolve financial crises. Importantly, however, the failed initiative would have replaced the 'free hand' of the market with that of the Fund itself.

Before his departure, chief economist Ken Rogoff warned that there was no proof that financial liberalisation had benefited growth and seemed linked to "increased vulnerability to crises". Horst Koehler, ex-managing director of the Fund, suggested that previous opposition to the establishment of an Asian Monetary Fund was "stupid". Despite this contrition, the Fund's best efforts to shore up the global financial system are limited to banking sector reforms and the development of standards and codes. The failure of the Fund to address systemic architectural issues partly explains why countries from Eastern Europe, East and Central Asia, and Latin America are finding it possible and worthwhile to disengage from the Fund (*page* 8).

Fiscal austerity: more space or passing the buck?

Developing countries have argued that Bank and Fund prescriptions for fiscal austerity have more to do with pleasing international creditors than with the long-term growth prospects of the economy. In recent negotiations in Latin America the Fund has allowed marginally more breathing room. It says that there is less need for strict prescriptions in middle-income countries.

In the face of public exhortations to greater spending on social services, low income country governments however find themselves trapped by Fund diktat on budget balances, inflation and interest rates. As discussed in the comment from Zambia (*page* 3), countries throughout Africa have had to make cutbacks to meet arbitrary Fund-set targets.

Privatisation: no zealots?

Battles over proposed privatisations have erupted throughout the global south, particularly fierce where public services have been targeted. Responding to the level of public opposition, numerous re-nationalisations and a growing

Continued on page 3

PRSPs: **a continuation of structural adjustment**

Poverty Reduction Strategy Papers are the policy framework used by international financial institutions to determine debt financing and relief for low income countries. Debate remains over their formulation, as well as their policy content. Many analysts suggest that they continue the trajectory of the highly discredited structural adjustment policies.

According to the World Bank and the IMF, PRSPS are anchored around:

- *Country ownership and broad-based participation*
- *Pro-poor results-orientation*
- *Recognition of poverty's multidimensional nature*
- *A long-term poverty reduction perspective.*

A critical analysis of their content reveals that they can not deal with the dynamics and issues that broad participation brings to the table. They often fail to integrate gender, minority and poverty interests. The messy realm of the informal economy does not fit well with the neat and predictable world of foreign direct investment, and private sector and export-led growth strategies. The continued use of aggregated statistics, GDP projections, and national level poverty lines masks vast differences between countries and inequalities within countries.

Consequently, the challenge of multidisciplinary analysis that distinguishes means and ends and factors in long term sustainability remains. The IMF's professed new poverty focus is further testimony to the gap between rhetoric and reality. There is no real break with past policy failure.

In a paper produced for the University of Oxford, Frances Stewart and Michael Wang contend: "Governments appear to take a bigger role, but are also heavily constrained, especially with respect to macro-policy. The fact that the content of PRSPS is very similar to previous adjustment packages suggests that little real change has occurred through this process".

UNCTAD asserts: "A review of African PRSPS suggests that their elements of policy are strikingly similar to those pursued under structural adjustment programmes, adding that expectations of what would be acceptable by bilateral donors and IFIS may influence significantly the way PRSPS are prepared".

New containment agenda?

This suggests that participation is being invoked for legitimation rather than a fundamental shift in policy making. Selective or ineffective engagement of parliaments, preference for consulting only selected groups to the exclusion of trade unions, cooperative societies and local authorities, points to a democratic deficit. David Booth, senior researcher at the Overseas Development Institute, comments: "In general, it appears that in most African countries there is a tendency for PRSPS to be seen as technical planning processes that are properly the affair of the government, and not a subject for party-political debate".

The World Bank in its source book for PRSPS defines participation as "the process by which stakeholders' influence and share control over priority setting, policymaking, resource allocations, and program implementation". A fundamental disconnect between PRSPS and national budgets illustrate where financing priorities lie. The stick of suspended assistance enforces compliance.

Rhetoric of country ownership unmasked

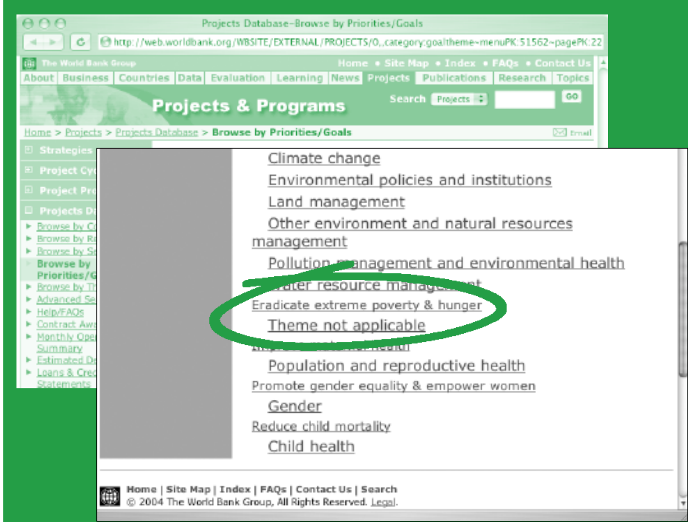
PRSPS are approved by IFI boards based on country Joint Staff Assessments and Country Policy and Institutional Assessments (CPIAS) which are staff judgements of the credibility of the proposed frameworks. Board concurrence with these determines funding. The methodology used to compute CPIAS is not open to public scrutiny and has been criticized for subjectivity and unfair weighting. Rather than citizens' recommendations and analysis, it is International Development Association (IDA) priorities filtered through the Country Assistance Strategy that defines the content of PRSPS.

The evaluation arms of the Bank and the Fund are currently examining the institutions' experiences with PRSPS. David Goldsbrough, deputy director of the Fund's evaluation office commented: "In many PRSPS the final objectives of poverty reduction are linked to the MDGS yet the macro economic frameworks are not elaborated with the MDGS in mind". The final evaluation report is expected to be presented to the Boards in April/May.

Civil society groups will continue to push for the PRSP objectives to be fully implemented. Some progress could be made if the next round of PRSPS are embedded within national budgetary processes and parliamentary oversight mechanisms ensured.

Do PRSPs empower poor countries? Stewart and Wang
www.eurodad.org/uploadstore/cms/docs/WBevalMay03.pdf

Poverty eradication: **theme not applicable**



World Bank website, March 2004

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Life under the IMF's magnifying glass

COMMENT

An anonymous Zambian civil servant chafes at the collar

ZAMBIA entered the enhanced Heavily Indebted Poor Country (HIPC) initiative in November 2000. According to the agreement with the IMF and World Bank, the country was supposed to have reached the 'completion point'—the point at which debt relief would actually be delivered—in December 2003. This would have meant Zambia being relieved of about half of its huge external debt of $6.8 billion.

Despite its good track record for the first two years (according to the Fund and the Bank), Zambia was removed from the Fund's credit line in April 2003 after it was discovered that the country was not meeting limitations on public sector salaries set by the Fund. Consequently Zambia has been put on a Staff Monitored Programme (SMP) until June 2004, instead of the conventional Poverty Reduction and Growth Facility (PRGF). During this period, should Zambia fail to satisfy the conditions of the IMF/World Bank, the country will not reach the completion point. This means it would have to pay close to $300 million in debt servicing from domestic resources in 2004, with that figure rising in subsequent years.

Breaking the agreement The Zambian Government is the country's biggest employer. However, remuneration in the civil service cannot be compared to what persons with similar qualifications in the private sector earn, or even what is earned by civil servants in neighbouring countries. Many professionals have been leaving the civil service to go and work elsewhere. In the hope of retaining its professional staff, the Government introduced a housing allowance system. As a result, the ratio of public sector wages to GDP reached 9 per cent, exceeding the 8 per cent agreed with the Fund in the budget: Zambia was removed from the PRGF and put on a Staff Monitored Programme.

To meet the 8 per cent agreement, in this year's budget there is no salary increment for any civil servant despite rising price levels linked to increased value-added taxes and import duties. Housing allowances have been reduced to unacceptable levels. No new civil servants are to be employed for the next one and half years despite a shortage of doctors and teachers in government-run institutions. These new measures are supposed to be operational by 1 April.

Life under the Staff Monitored Programme The Zambian SMP started in July 2003 and runs to June 2004. The Fund has assigned six economists to monitor the Zambian economy. Each one is an 'expert' in the real, fiscal, monetary or external sectors. Some of these 'experts' are recent college graduates with little or no knowledge of the Zambian economy.

Under a PRGF arrangement, the Fund only makes at most two visits in a year. Under the SMP this increases to at least four visits. Progress in implementing the SMP is monitored monthly. Targets are defined in a technical memorandum of understanding. Under the arrangement the Government has to justify all its expenditures.

A committee chaired by the minister of finance meets once every two weeks. The IMF resident representative attends these meetings as an observer. Also, once a country is on a SMP, it is the IMF staff assigned to monitor that country who represent it on the IMF board.

To graduate out of the SMP Zambia has to meet certain conditions. The main ones are reducing the budget deficit to the agreed upon target of not more than 3 per cent of GDP and maintaining a public sector wage to GDP ratio of not more than 8 per cent. Additionally Zambia is expected to privatise the remaining public utilities in the energy and telecommunications sectors. To make matters worse the monies realised from the sale of the parastatals must be used for debt servicing and not for investment or consumption purposes.

The Zambian government is at a crossroads. If it pleases the IMF/World Bank by going along with the proposed measures in the letter of intent, it is likely to cause industrial unrest. If it goes with the will of the people, the country will have to pay hundreds of millions of dollars more in debt servicing.

The Fund or the people?
www.brettonwoodsproject.org/a3208zambia

The World Bank and IMF at sixty: plus ça change?

Continued from page 1

reluctance on the part of multinational companies to participate, the Bank claims a change of heart. User fees for education have been abandoned. In water, staff say they are "not religious zealots"; the new focus is on public-private partnerships. In health care, electricity and telecommunications, reports say that there is a "vital role for the state".

However, research from PSIRU at the University of Greenwich reveals that, despite such pronouncements, the IFIs are achieving similar objectives in different ways. A proliferation of bilateral and multilateral programmes, co-financed and managed by the Bank, are only available to countries if they choose private sector partnerships over public reform. While acceptance may be growing in some corners of the Bank for state marketing boards, Malawian NGOS are furious that the Bank continues to demand privatisation of the state agricultural marketing board as a condition of its support (*page 4*). An upcoming paper from ActionAid looking at conditionality in the water and energy sectors in India, Ghana and Uganda, finds that donor harmonisation around the conditions set by the Bank and Fund leaves developing countries "more constrained than ever in the choice of policy instruments left open to them".

Post-Washington or Washington-Plus?

What of the other elements of the Post-Washington consensus: social and environmental safeguards, ownership and participation, and good governance?

Stories on a drainage project in Pakistan and the Bank's role in climate change (*page 10*), and on forestry reforms in the Democratic Republic of Congo (*page 12*), point up failures in both policy and practice with enormous human and environmental costs. Peter Bosshard's comment (*page 5*) reveals that Bank staff in the field take little heed of the endless yarn of policies spun in Washington.

A review of the experience with PRSPS as the strategies are moving into a second round (*page 2*) shows the limits on genuine civil society participation. The comment from Zambia (*above*) and the article on Malawi (*page 4*) highlight the severe practical limitations of ownership in a framework dictated from Washington.

Good governance must not be a one-way street. Parliamentary scrutiny of agreements with the IFIS (*page 6*) is slowly improving but still leaves much to be desired. Calls from all quarters to increase the voice of Southern countries at the Bank and Fund (*page 7*) are perpetually stalled as the current IMF leadership selection process indicates. And at the same time, Bank action against corporate corruption is being tested in Lesotho (*page 11*).

At a time when multilateralism is under increasing attack there is a case for giving existing international institutions the benefit of the doubt. But to bring doubters on board, they must be genuinely multilateral and work much harder to practise what they preach.

Dogmatic Development: Privatisation and conditionalities in six countries
PSIRU and War on Want
www.waronwant.org/?lid=7540

World Bank pushes Malawi agriculture privatisation

The World Bank is demanding the privatisation of the Malawian agricultural marketing board as a condition of its latest structural adjustment loan.

The way the Bank has manoeuvred to persuade Malawi's parliament to accept this shows the limits of 'country ownership'. It also demonstrates key weaknesses in one of the World Bank and IMF's new tools, Poverty and Social Impact Analysis (PSIA). These studies are supposed to outline likely consequences of key reforms so as to enable a better debate on policy design. A Malawian civil society campaign coalition which has mobilised against these planned reforms expressed its concern with how the World Bank and other donors have pushed their agenda on this issue "at the expense of the food security of the poor".

The privatisation of the state marketing board in Malawi (ADMARC) has been an objective of the World Bank for 10 years. It represents a central element in an approach to agriculture that holds that full liberalisation of the sector will be best for poor women and men. This approach has been increasingly questioned in Malawi and other countries in the region, particularly in the context of the recent food crisis. Many commentators believe the full liberalisation of other elements of the agriculture sector under Bank and Fund advice was a major cause of the food crisis and the subsequent deaths in 2002.

Because of the controversy over the proposed reforms, including studies by civil society groups, the Bank agreed to commission a Poverty and Social Impact Analysis. This research showed that ADMARC's important role in supporting the lives of poor women and men would be destroyed by privatisation. But, presumably embarrassed by the results, the Bank delayed publication of the study for two years. It was only released just after the Malawian parliament had agreed to the reforms.

In late December 2003 legislation was rushed through a special parliamentary session turning ADMARC into a limited company, the first stage in the privatisation process. This session was boycotted by many MPs, partly because they had already expressed opposition to the privatisation of ADMARC in two previous hearings. Civil society campaigners expressed concern that ADMARC privatisation was being "used as a carrot for grants and loans". This was borne out by the World Bank's response to the parliamentary vote, a February announcement of a new $50 million structural adjustment credit with the privatisation of ADMARC as one of its conditions.

> *privatisation was a carrot for grants and loans*

The civil society and official impact analysis studies agreed that ADMARC is clearly in need of reform, but demonstrate that it plays a vital social role in ensuring market access for the rural poor by running subsidised markets country-wide. These markets would close under privatisation and the small and weak private sector would be unlikely to fill this gap, leaving a dangerous vacuum in service provision that directly threatens people's livelihoods.

Civil society groups mobilised to publicise these issues, with a major campaign during 2002 against the privatisation of ADMARC. An active media campaign resulted in a series of high-profile national debates. Parliament was closely involved, and in particular the agriculture committee which carried out its own analysis showing the harm that privatisation would cause to the poorest.

The decision-making process and its outcome are being declared unacceptable by Malawian civil society groups. They are "demanding that any conditionality regarding ADMARC is immediately removed from the new loan" and encouraging civil society groups in other countries to take action in their support. Groups pushing the Bank to conduct Poverty and Social Impact Analyses will also need to ensure far greater control over the process of commissioning, reviewing and disseminating such studies, to ensure that they enrich debate rather than sit on shelves until the World Bank or IMF browbeat parliamentarians to accept their agendas.

ifiwatchnet.org/doc/malawiagcampaign.doc

Iraq and Ethiopia treatment shows debt relief double standards

The differing treatment given to Ethiopia and Iraq in debt relief suggests that geopolitical considerations are again outweighing internationally agreed criteria for fair debt cancellation. Massive popular campaigning in the mid to late 1990s resulted in the World Bank and IMF launching a Heavily Indebted Poor Country (HIPC) initiative. This has, however, failed to deliver sufficiently timely or generous debt relief. The contrast with the treatment of Iraq could not be more stark.

Creditor countries pledged debt cancellation for 42 countries if they met a set of conditions. The judgement on when countries qualify is made entirely by the World Bank and IMF, with no participation of the debtor government or civil society. The technical criteria include the ratio of debt to export levels, a track record of policy reform and the preparation of PRSPs. But it is government's political willingness to be 'good performers' under IMF/World Bank programmes which is really necessary to ensure they get debt relief.

Ethiopia satisfied creditor conditions over the five-year qualifying process and its debt sustainability analysis was completed last November. This indicated that falling coffee prices and drought have reduced Ethiopian government income. However World Bank and IMF board approval for debt cancellation was delayed by opposition from the US, Germany and Japan. These creditors were attempting to withhold around $700 million in debt relief by ignoring the agreed principle that debt relief should be "topped-up" if countries face external shocks. According to Jubilee Research: "if Ethiopia is denied this relief, debt service payments will be an additional $35 million per year for the next 10 years".

While blocking Ethiopia's additional debt relief, the US and German governments are pushing to cancel Iraq's debt. Speaking at the World Economic Forum in January, Bank president James Wolfensohn affirmed that most of Iraq's creditors are prepared to write off two-thirds of its foreign debt by the end of 2004. Jubilee Research responded: "the double standards applied by Western creditors to these two debtor nations reveal that debt relief is subject to arbitrary geo-political considerations".

Estimates of Iraq's debt vary widely, but it is estimated to be over $300 billion making it one of the world's most heavily indebted nations. In the aftermath of the invasion, the US urged international financial institution involvement in Iraq. US Treasury spokesman Tony Fratto made American motives clear: "the economic reconstruction of Iraq is an important aim of our national security goals for the region". A White House spokesperson went further: "the future of the Iraqi people should not be mortgaged to the enormous burden of debt". As Iraq is such a vital political issue in the US the government has abandoned its normal line that debt write-offs set a dangerous precedent. As Washington already has plenty of leverage in Iraq it does not need to keep the country indebted in order to push through investor-friendly reforms. However the cancellation is likely to come with strict conditions. In April the IMF will publish a debt plan for Iraq which is expected to demand wide-scale privatisation of the energy sector and public services.

The eagerness to cancel Iraq's debt while trying to reduce the package for Ethiopia shows creditors' double standards. The Millennium Development Goals are likely to remain a mirage for HIPC countries under current circumstances. But with political will and a fair and transparent governance mechanism for debtor/creditor negotiations this could be reversed. A new report by the Jubilee Debt Campaign and World Development Movement suggests, for example, that it would only cost the UK government £1.3 billion to write off its share of the debt owed to the international institutions.

www.jubileeiraq.org

Real progress report on HIPC, Jubilee Research

www.jubileeplus.org/analysis/reports/realprogressHIPC.pdf

The World Bank's high-risk hypocrisy

COMMENT

Peter Bosshard

Policy Director, International Rivers Network

RECENT TRENDS show that the World Bank is not serious about the social and environmental policies it trumpets at global conferences. Senior World Bank staff in its India office indicated that they neither know nor care about procedures that are supposed to make its infrastructure lending socially responsible. The Bank management appears to have no interest or political will to follow their own best practice guidelines.

In the mid 1990s the World Bank almost entirely withdrew from lending to large dams after campaigners publicised the many problems with projects including the Sardar Sarovar dam on the Narmada river in India. But last year the Bank issued an Infrastructure Action Plan and a Water Sector Strategy indicating a renewed interest in such projects.

Infrastructure development is urgently needed but should be done so as to meet community needs. Vested interests of politicians, governments, aid bureaucracies and equipment suppliers favour the promotion of new, centralized, capital-intensive investments over the efficient management of existing infrastructure. Foreign consultants subsidised through trust funds are favoured over domestic expertise, and entrench a bias for imported equipment financed by foreign capital.

Last November, World Bank vice president Nemat Shafik agreed that such vested interests needed to be balanced by comprehensive, participatory and accountable processes of options assessment. Following the report of the World Commission on Dams the Bank agreed that 'gaining public acceptance' was an important objective and in July 2003 produced a sourcebook stating that: "stakeholder involvement and the assessment of options are important elements in the preparation of World Bank supported water resources and energy projects. Sector plans will no longer be just technical exercises undertaken solely by professionals."

India—an important test case India borrowed $59 billion from the Bank, including for many dams and other megaprojects. Numerous studies have demonstrated that Indian large dams have an abysmal social, environmental and economic track record. A 2002 Operations Evaluation Department (OED) report found that in India, "the Bank still has good reasons to be wary of projects involving resettlement". Yet the Bank refuses to accept responsibility for the continuing impacts of the projects it has backed and is actively considering investments in new high-risk projects.

Two of the key authors of the World Bank's infrastructure and water strategies are now based in India, where the government is very keen to get Bank support for new dam projects. They are Praful Patel, vice president for South Asia, and John Briscoe, the senior water advisor. In December 2003, the World Bank announced that it would double its lending for India within two years, and that all additional lending would likely go into infrastructure. In February a Bank official told the Economic Times: "We are identifying possible hydro projects and talks are on with power corporations." In recent weeks Briscoe and other Bank officials visited the Narmada Sagar project, which has a record of brutal evictions, and dams in the Himalayas. The Bank's private sector arm is also considering providing a guarantee for another project on the Narmada river, the Omkareshwar dam.

Institutional amnesia World Bank reviews of both power and water in India have determined that the systems are extremely inefficient. An International Finance Corporation country director said "there is no point investing in generation if the power does not reach the consumer". In 2002, OED evaluated the Bank's water sector strategy in India finding that "the Bank's current operations have moved away from new construction and are focusing on making existing infrastructure work efficiently. This is most appropriate given the poverty alleviation mission of the Bank." Although this echoed two previous reviews, the Bank adopted a new water strategy which called for investments in large new infrastructure.

Washington speak versus India action In early February, I met John Briscoe and other officials of the Bank's Delhi office. I asked if World Bank officials responsible for designing and implementing the new water sector strategy agreed with the findings of the Bank's 2002 evaluation of water in India. Briscoe said he had never heard of it. This is particularly surprising as the evaluation was an input into the new water sector strategy which he had prepared just one year earlier.

According to the Bank's Infrastructure Action Plan, support for new infrastructure and water sector projects should begin through a systematic assessment of a country's infrastructure situation in the form of a so-called Recent Economic Developments in Infrastructure (REDI) study. The representatives of the Bank's Delhi office were not aware of this process, and said that the India Department was not carrying out such an assessment. "This is Washington speak", John Briscoe argued.

The Bank's new options assessment sourcebook recommends that lending operations are based on a balanced, participatory assessment of all options, including policy and institutional changes. Again, the World Bank officials said that they had not read this, and John Briscoe claimed that its recommendations represented only the opinion of its author. India was a sovereign country and so "the recommendations of the sourcebook are not going to happen in India". While the sourcebook itself does not carry any such disclaimer, Alessandro Palmieri, the sourcebook's main author, agreed that "the document reflects only the opinions of the authors". Since the sourcebook does not constitute formal Bank policy, he does not expect either follow-up activities or the implementation of its recommendations. This casts further doubt on whether civil society groups can rely at all on the plethora of non-binding best practice documents which the Bank has touted in recent years.

Institutional hypocrisy Last year, when agreeing the return to high-risk megaproject support, the Bank's board and management insisted that their institution would respect the lessons of the past, follow best practice and scrupulously comply with operational policies. The views of Bank management today show this to be a very misleading claim.

Robert Wade, a professor at the London School of Economics, interprets the reforms of the Wolfensohn era as an attempt to delink the Bank's political agenda from its operational strategy. While the political agenda is targeted at the concerns of a critical global public, the operational units have been strengthened to serve the narrow interests of Southern governments. The effect was for the Bank to "decoupl[e] itself internally … to institutionalize the capacity to be hypocritical and get away with it".

NGOs and social movements need to oppose processes and projects that ignore the Bank's social and environmental responsibilities.

High-Risk Hypocrisy (full version), International Rivers Network
www.irn.org/programs/finance/

Parliaments: the missing link in democratising national policy making

Across sub-saharan Africa, good governance efforts depend on the strengthening of parliamentary democracy. In sharp contrast, country relations with IFIs reveal weak parliamentary engagement. Parliaments should lead policy debates and formulation.

Rick Stapenhurst of the World Bank Institute asserts: "Legislative oversight of government policies and the budget process in particular, are of vital importance in ensuring governments carry out their duties efficiently, democratically, and in a fiscally responsible manner". The IMF's code on fiscal transparency calls for regular government reporting to the legislature. But the same report concedes: "unfortunately, such fiscal oversight is often lacking in practice".

Parliaments often lack legitimacy and are hampered by the politics of patronage. Systematic undermining of parliamentary sovereignty and the ineffectiveness of legislatures in policy-making can be understood on two levels. Firstly, around weak internal governance structures and secondly owing to external influence.

Parliament's role is weakened by constitutional and legislative frameworks which give primacy to the executive. In many countries the executive is a domineering structure wielding discretionary power and rendering parliaments subservient. Parliaments' prerogative over legislation is minimally exercised.

Parliaments are bypassed in policy-making processes and confined to rubberstamping deals. Through self-censorship, parliaments know better than to offer alternatives. They are deliberately excluded or their involvement is restricted, ad hoc consultations of individual MPs substituting for institutional engagement. UNCTAD warns: "this substitution of conventional institutions of representative democracy by ad hoc mechanisms could undermine the fledgling institutions of representative democracy taking root in African societies".

participation by parliament is rare

Reasserting parliamentary sovereignty

Parliamentary scrutiny should be integrated within policy formulation, implementation and monitoring. Strengthening of parliamentary committee work would assist in this. A report by the German development agency (GTZ) analyses the role of parliaments in Poverty Reduction Strategy (PRS) processes. In Tanzania it found that parliamentary committees incorporated sessions for the public to consider new laws. At the start of 2003, the executive withdrew draft legislation on privatising a small-loans bank after strong public protest during such sessions.

Participation in public expenditure management can be exercised through budget votes, member questions, and public hearings. While these often exert minimal influence, they can ensure a level of accountability. The scope of parliament's budgetary powers and the link between PRS processes and the national budget are critical. Constitutional provisions constrain the scope of amendments possible to the budget as presented by the executive.

Institutional participation by parliament in formulating the PRS is rare. GTZ notes a very small number of examples. In Guinea Bissau, the vice-president of the parliament collaborated on the national PRS committee. In Chad, two parliamentarians are members of the PRSP drafting committee. In Malawi there is cooperation between parliamentary committees and PRS working groups while in Sierra Leone, an ad hoc committee supports PRS implementation.

The same report confirms that only four countries have had formal parliamentary votes on the PRSP-Burkina Faso, Mali, Niger and Senegal. Only in Niger was this representative of substantive participation. Involvement by individual parliamentarians in local and regional consultations in Cameroon, Ethiopia, Zambia, Kenya, Lesotho and Senegal were used by the executive to claim that parliamentarians participated in PRSPs. "Parliament was informed of important aspects of the document after it had been adopted by the government and accepted by the IMF and the World Bank in Benin and Zambia. Most parliamentarians are hardly aware of the PRS process, and do not use opportunities to participate".

Some countries have legal provisions which should ensure a proper role for parliaments. Ethiopia's constitution requires parliamentary approval of the national development strategy, but this was ignored in the case of the PRSP. Courtesy of its Budget Act 2001, the Ugandan legislature has significant influence over the budget. The executive has to submit a provisional draft budget three months ahead of the final deadline for approval. A Parliamentary Budget Office provides parliament with analytical capability. Complemented by active CSO engagement, the scope for accountability has considerably expanded.

Kenya's national budget debates are improving, supported by CSO expertise. Legislation is being drafted to create a Parliamentary Budget Office. Stronger collaboration between parliaments and CSOs is envisaged. Enactment of freedom of information legislation in more countries is needed to improve timely access to information.

Parliamentary monitoring

Ghana has a parliamentary monitoring committee and a monthly report to parliament by the executive. In Mauritania, parliament will be involved in monitoring and Gambia's members of parliament are represented in the Stakeholder Monitoring Group. In Guinea, parliamentary committees participate in monitoring and in Malawi, members of relevant committees are represented on the Technical Working Committee for monitoring. There is also provision for Ministerial reports to parliament. Finally, Mozambique's PRSP provides for monitoring as part of the executive's regular reporting to parliament. Nevertheless as the GTZ review notes: "such recognition of the role of parliament in PRS monitoring is an important component, but inadequate unless viable institutional procedures are created".

IFIS claim to be paying attention to the role of legislatures. The *Parliamentarians' Handbook* published in April 2001 recommended parliamentary scrutiny of PRSPs. The Parliamentary Network on the World Bank (PNOWB) is another opportunity. Network members recently demanded parliamentary approval of PRSPs (*see below*). But for parliaments to gain real power, international financial institutions and the executive branches of government will have to concede it. Ultimately parliaments will have to lead in asserting their sovereignty.

Parliaments in sub-saharan Africa: Actors in poverty reduction? Eberlei and Henn
inef.uni-duisburg.de/page/documents/Parliaments_(2003).pdf

Parliamentarians increase demands on World Bank

At a major conference in February parliamentarians from 70 countries demanded a greater say in approving national policy frameworks. They also began discussing ways to make the Parliamentarians Network on the World Bank more genuinely independent of the Bank.

At the network's conference elected representatives asked the World Bank to tell governments that its executive board will not approve Poverty Reduction Strategy Papers unless they are first reviewed by national legislatures. The network's chair, Bert Koenders, said "present policies circumvent the decisionmaking process". Bank president Wolfensohn agreed to set up a working group to examine World Bank/parliamentarian relations.

Whilst the network became formally independent last year it lacks the capacity to run its own events or information flows, leaving these to be done by World Bank staff. Ian Goldin, World Bank vice president for external affairs, described the relationship of the network to the Bank as "independent and yet symbiotic". Many MPs active in the network are known to want it to break free to have more of a life of its own. If it strengthens its links with other parliamentary networks and with interested civil society groups, it could contribute substantially to other efforts to monitor the World Bank.

Parliamentarians flex growing organization, make request of Bank, Freedominfo.org
www.freedominfo.org/ifti/worldbank/20040224.htm

Parliamentary Network on the World Bank
www.pnowb.org

online edition at brettonwoodsproject.org

IMF selection mess **only a symptom**

The political machinations laid bare by the selection process for the head of the IMF are symptomatic of a troubling democratic deficit in the Bretton Woods institutions. Will political self-interest block the mounting calls for reform?

The early front-runner for the post of managing director was Rodrigo Rato, ex-finance minister for the Aznar administration in Spain. However, at the time of publication, Rato's candidature was crumbling. At the 25 March European Council meeting, many were openly questioning the logic of appointing a candidate from a recently ousted administration. Behind the scenes were rumours that Franco-German opposition was revenge for Rato's calls for disciplinary measures against them for breaking the Eurozone stability pact last November.

One-horse race — squabbling jockeys

The decision on the EU candidate was postponed until a 2–3 April meeting of the Council of Economic and Finance Ministers in Ireland. Career technocrat Jean Lemierre, head of the European Bank for Reconstruction and Development, was at the top of the not-Rato list. However, there were fears that the US would veto the candidacy of the Frenchman in retaliation for French opposition to the invasion of Iraq. This threw the competition wide open. Silvio Berlusconi stepped into the breach to suggest an Italian should run the Fund. Mario Draghi, formerly a top economic adviser to the government and vice chairman of US investment bank Goldman Sachs, was rumoured.

It's the process, stupid!

A similar fiasco in 2000 marred the selection of Horst Koehler, prompting the World Bank-IMF joint working group to review the process for selection of the heads in April 2001. Their conclusion was hardly surprising: "A plurality of candidates representing the diversity of members across regions would be in the best interests of the Fund; the goal is to attract the best candidates regardless of nationality."

Jack Boorman, IMF head of policy development and review, issued an embarrassed memo to staff in late March. He admitted that "the Fund cannot preach transparency and good governance to the international community unless it is willing to apply those virtues in its own decision-making".

Executive directors, representing over 100 countries from Asia, Africa, Latin America and the Middle East, were joined by the directors from Russia, Australia and Switzerland in a public statement in March demanding that the selection of the new managing director should be open and transparent. They called for all executive directors to be consulted "in a timely manner" about the candidates, including their credentials and knowledge of the institution.

UK NGOs, in a 12 March letter to chancellor of the exchequer Gordon Brown, argued that the selection of top management at the IMF and World Bank should be "merit-based, open to all nationalities, and subject to a clear and transparent set of selection criteria", in line with commitments made in the UK's 2000 White Paper on Globalization. Treasury responded that Brown will urge fellow finance ministers that choosing a candidate based on horse-trading would damage the credibility of the Fund. However, the UK would only vote for a non-European if the EU came up with someone who was "not the best person for the job". Treasury officials conceded that the search for a new leader could drag on for at least three months as the European Union wrangles over its preferred choice.

Ariel Buira, Director of the G24 secretariat that represents the interests of developing countries at the IMF and World Bank, argued that there was no dearth of candidates from the developing world.

Democratic deficit

Despite commitments made in Monterrey as part of the Financing for Development process to "enhance the participation of all developing countries in the decision-making of the World Bank and IMF", efforts to reform the governance structures of the BWIs are going nowhere fast. Minor measures to increase the capacity of African directors do not hide the fact that there has been no progress on structural imbalances in the number of executive directors, votes and constituencies. South African finance minister Trevor Manuel has been charged with creating a 'roadmap' for governance reform. But as he has not found ways to navigate the diplomatic impasses, the issue will not even be discussed at the spring meetings.

Structural imbalances only serve to erode the legitimacy of the institutions in the eyes of client countries. In an unprecedented move, Brazil and Argentina have signed an agreement to adopt a common position from which to negotiate their debts with the Fund. Like the rise of developing country voices at the WTO in Seattle and Cancun, this could mark the beginning of the end for creditors' stranglehold on institutions which are supposed to serve a greater global good.

Process for choosing a new managing director for the IMF, New Rules for Global Finance
www.financialpolicy.org/imfdemocracy

60th anniversary spring meetings protest plans

60 YEARS OF DESTRUCTION
WORLD BANK / IMF
TIME TO RETIRE!

A week of action is planned to target the 60th anniversary spring meetings of the World Bank and IMF—April 16–25 have been declared international days of action. Campaigners will highlight the impact of their policies, programmes and projects and to continue to press for global justice.

Civil society groups are rallying to challenge the official process. Based on their assessment that the changes in the Bank and Fund have been insufficient and sometimes counter-productive, campaigners are sending 'unhappy birthday' post-cards and organising a large protest on 24 April. Among the slogans will be that the Bank and Fund "trap countries in a cycle of indebtedness and economic domination" and "facilitate corporate agendas".

Other activities will include:

- a global justice film festival;
- an international day of action on farmers' struggles;
- a conference on illegitimate debt, and;
- a series of speaker meetings with activists from across the world.

The official meetings are considering a surprisingly narrow range of topics. The Development Committee, the ministerial body which directs the work of the World Bank, is only due to give proper consideration to two items:

- monitoring the Millennium Development Goals, and;
- debt sustainability.

Other items which the Committee's previous meeting had indicated should be discussed have now been relegated to just a brief mention rather than full discussion. Some of the issues, such as Bank/Fund governance, have been demoted because there is insufficient consensus among member governments. Issues for brief discussion include:

- the World Bank's infrastructure action plan;
- the Bank/Fund paper on development financing options including the International Finance Facility, and;
- a review of Bank-Fund collaboration.

The International Monetary and Finance Committee, which oversees the IMF will discuss the global economy, crisis prevention and low-income countries.

Some NGOs are holding meetings with Bank and Fund officials on these issues and other areas of concern, such as private sector policies and standards. Groups will also intensify their advocacy on issues such as the Extractive Industries Review and will hold a series of strategy meetings.

The Bank and Fund are downplaying this landmark year in their history, perhaps for fear of further provoking protesters.

Calendar of events, related documents and key contacts: www.ifiwatchnet.org

IMF and poverty: **strange bed fellows**

The IMF's capacity and legitimacy to address poverty have been debated by many analysts within the context of the Fund's actions in low income countries.

The IMF's original mandate was to provide short-term financing to help countries overcome temporary balance of payment deficits and thus ensure macroeconomic stability. This role has expanded substantially over time to include the contentious structural adjustment lending of the 80s. The most recent expansion was the launch in 1999 of the Poverty Reduction and Growth Facility (PRGF), a financing mechanism to embody a new poverty focus.

Is the IMF pro-poor?

Analysis of the PRGF in terms of its signalling influence over development financing, core policy content and quantity and quality of flows available casts doubts over its ability to deliver on poverty reduction.

The IMF has been criticised for unrealistic growth projections. A uniform macroeconomic policy design emphasizes trade liberalisation, privatisation and a reduced role for the state. Export-oriented growth prescriptions fail to consider the effects of the volatile international market and unfair trading system.

A meaningful focus on poverty reduction requires increased levels of aid within a longer term framework for lending. This is in sharp contrast to the IMF's typically short-term lending geared towards macroeconomic stability. A survey of IMF country programmes by Oxfam and EURODAD confirms a disconnect between their short-term objectives of macroeconomic stability and other donors' longer term focus. At the heart of IMF programmes is a focus on macroeconomic stability and economic growth. Tension remains between these and poverty reduction.

IMF fiscal targets often lead to diminished social spending. According to a World Vision policy paper, "the PRGF ends up contradicting the PRSP objectives".

Evidence of the devastating effects of IMF conditionality on low income countries can be seen in the case of Honduras. According to Oxfam: "Disputes with the IMF over teachers' salary increases have cost Honduras $194 million dollars in delayed debt relief and donor aid cuts. Ironically this money could fill the financing gap in the programmes to educate all children in Honduras three times over".

The Fund retains the right to assign a clean bill of health which affects investments from all sources. A PRGF programme has a signalling effect on other aid flows into a country, determining financing for development and the attainment of outcomes such as those envisaged by the Millennium Development Goals.

Disengaging from the Fund: possible and worthwhile?

It is often argued that it is impossible to escape from the clutches of the IMF or that countries will suffer very serious consequences if they do. Yet some countries have clearly benefited from defying the Fund. As the Fund is clearly often wrong it should have competitors, such as regional monetary funds, which can provide alternative advice and funding.

Martin Khor of Third World Network argues "the failure of the IMF to prevent the global financial system from going down the road of such rapid deregulation and liberalisation (with the consequences of currency instability, volatility of capital flows and financial speculation), and instead presiding over this road is a major mistake. It goes against the original role of the IMF to establish and maintain a stable financial order". He says "we can weaken the IFIs and make them irrelevant by not using them" and building up alternative institutions instead.

Thailand has prepaid and got out. In 2003 the Thai government decided it no longer needed IMF finance. But rather than just dismiss the IMF it decided to list the laws it had introduced because of IMF conditionality and revoked them all. After initially following IMF advice following the Asia crisis, the Malaysian government abandoned it and introduced capital controls and fixed exchange rates with great success.

An example of Malaysian policy which put it in a better position than many other countries in the region was that local companies were allowed to borrow in foreign currency only to the extent that they were to earn foreign exchange to repay the debt. This helped Malaysia avoid falling into the kind of debt trap that Thailand, Indonesia and South Korea got into, because of heavy private sector borrowing in foreign currency denominated loans.

Argentina has followed Russia's example of the mid-1990s in refusing to repay bondholders on time and in full. The IMF issued dire warnings of Russia's fate at that time and has done so for Argentina. But a bold governmental negotiating approach can pay dividends.

The challenges of disengagement are substantial, however. Even if countries feel they do not need the IMF's resources, they may be forced to continue following its policy dictates. The Philippines, for example has not used IMF credit for three years but still follows their discipline because of fear of rating agencies and other markets.

A healthy international financial system should have a diversity of institutions and an interest in supporting diverse policy proposals. Kavaljit Singh, an Indian researcher and author of *A Citizens' Guide to Global Finance* argued in January "contagion is more regional and countries need a choice of where to borrow. Now is the right time to start an Asian Monetary Fund. Every country has current account surpluses, huge piles of foreign exchange reserves. China alone has $400 billion. If a few countries provide $4–5 billion, the Fund could start with $20 billion".

It remains to be seen whether other regional blocks will follow the EU's lead and develop systems of mutual financial support and advice which would reduce the power of the IMF.

IMF borrowers	IMF creditors
No bail outs for local firms and banks	Bail outs for investors and domestic banks
Contractionary economic policies	Keynesian-type counter-recession policies
No restrictions on foreign ownership of banks	Ownership limitations on banks

A critique of the IMF's role and policy conditionality, Third World Network
www.twnside.org.sg/title/geseries4.htm

Poverty and Social Impact Analysis: mitigation?

PSIAS offer the opportunity to better align the PRGF to PRSPS and can potentially deepen ownership of policy choices. Ostensibly they are a key feature of the PRGF. However, progress has been very slow. Commenting on preliminary findings from an ongoing Independent Evaluation Office evaluation, Deputy Director David Goldsborough concedes: "PSIAS are still not mainstreamed by the IMF as part of the policy debate".

The IMF's recent announcement of the formation of a PSIA unit provides an opportunity for the Fund to engage with different perspectives. PSIAS' effectiveness will depend, however, on their independence, timing and methodology. Minimum standards should include the establishment of multistakeholder groups to define PSIA topics and the exploration of policy options through scenario building and the use of independent research. Many groups conclude however that no amount of four letter acronyms will turn the IMF into an institution that understands and helps tackle poverty.

The IMF and the MDGs, Oxfam
www.oxfam.org/eng/pdfs/pp030917_imf_mdgs.pdf

Is PRGF maximising finance for poverty reduction?, Eurodad
www.eurodad.org/uploadstore/cms/docs/maximisingfinanceforpovertyreduction.pdf

Challenges to **World Bank report on MDG progress**

The World Bank has produced its first report on countries' progress towards the Millennium Development Goals (MDGs). While few disagree with the aims of the Goals, a number of groups are concerned that the Bank is not the appropriate agency to be undertaking such a review.

This is because the goals are primarily a UN creation and because the World Bank suffers a major conflict of interests in producing reports about the policies of countries where it is itself deeply involved in policy-making. This problem is at its clearest in the third section of the Bank's report which focuses on the policy performance of the international financial institutions themselves.

the commanding heights of interpretation and blame allocation

In theory there is an agreed division of labour. The UN is the scorekeeper on MDG outcome statistics, ie the numbers of children in primary schools. The World Bank is concentrating on the policy and institutional framework to achieve the MDGs. But the World Bank and key donor governments are aware that the most important ground to occupy is the commanding heights of interpretation and blame allocation on why the goals are not being fulfilled. That the blame game is starting ahead of the 2005 deadline for preliminary assessment of MDG progress is clear from comments by many NGOs and officials. Senior UN official Richard Jolly said last year, for example: "pursuit of the MDGs could well be undermined in the future, as it has been in the past, if there is no change in structural adjustment policies." Many NGOs and academic researchers argue precisely that very little has changed in key macroeconomic adjustment policies.

The Bank's new report is divided into three sections. The first looks at developing countries, the second at developed countries and the third at the performance of international financial institutions. The section on the South is based almost entirely on the controversial Country Policy and Institutional Assessment (CPIA) exercise; a scorecard that the Bank produces annually for all low-income countries where it lends. The CPIA is controversial because it is non-transparent and because the judgements made to compare countries are subjective and not informed by wide debate. Last April the Development Committee recognised the problems with the CPIA, urging "the Bank, working in a participatory manner, to continue to improve the CPIA methodology and the transparency of its application".

Trevor Manuel, the South African finance minister who chairs the Development Committee, noted last April that "Ministers urged that the assessments included in the global monitoring reports be based on transparent criteria that would facilitate objective and impartial judgments, with several calling for the active participation of developing countries in the further work to be done on refining the CPIA methodology and application". There have been some meetings on this, but no major breakthroughs in changing the approach.

The section on developed countries focuses in particular on trade and aid. It presents assessments of the impact on poorer countries of richer countries' trade regimes. It also produces a new measure of the quality of aid, based largely on whether it is targeted at the poorest countries.

The section on international financial institutions summarises some of the figures produced by the IFIS themselves on development impact and effectiveness. Some other IFIS also queried the Bank's role in pulling together these statistics and deciding on the analytical framework to be adopted.

we need more debate about whether the Bank's policies are right

The Development Committee last year called on the Bank and Fund to work closely with other international agencies "using institutional mandates to guide the division of responsibilities for monitoring work". It is understood that some key donor governments are using the self-reinforcing argument that the UN lacks the capacity to produce annual reports on policies towards the MDGs, so it has to be the Bank which does them. Ministers on the Development Committee will, however, have an opportunity to revisit appropriate division of labour for the future when it discusses this first MDG report at the spring meetings.

Mike Rowson, director of MEDACT, a health NGO said: "it's ridiculous that the Bank should play such a far-reaching role in assessment of the MDGs. One of the aims of the Global Health Watch and other civil society initiatives is to open some policy discussion around alternatives. Putting the Bank in charge of assessing progress towards the MDGS simply strengthens their position—what we need is more perspectives and more debate about whether the Bank's policies are right".

The World Bank, the IMF and "results": increasing dominance in development policy lending
brettonwoodsproject.org/results

Social Watch
www.socialwatch.org

Are you listening carefully?

Whatever changes in the World Bank and IMF, one thing remains constant. The flood of acronyms that they produce. See how many of these acronyms you can decipher. Answers and scoring key appear below.

CAS	PID	ROSC	SDRM
CAO	PSD	REDI	SDR
CAF	PSIA	EIR	DTIS
CDF	PPIAF	ESW	LICUS
CPIA	PCF	EWS	OBA

Score

0-5: acro-phobic
6-10: regular *Update* reader
11-15: former Bank consultant
16-20: completely brainwashed

Blinding with Science or Encouraging Debate?, Bretton Woods Project
www.brettonwoodsproject.org/blinding1

Answers

COUNTRY ASSISTANCE STRATEGY, COMPLIANCE ADVISOR OMBUDSMAN, CONFLICT ANALYSIS FRAMEWORK, COMPREHENSIVE DEVELOPMENT FRAMEWORK, COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT, PROJECT INFORMATION DOCUMENT, PRIVATE SECTOR DEVELOPMENT STRATEGY, POVERTY AND SOCIAL IMPACT ASSESSMENT, PROTOTYPE CARBON FUND, REPORTS ON THE OBSERVANCE OF STANDARDS AND CODES, RECENT ECONOMIC DEVELOPMENTS IN INFRASTRUCTURE, EXTRACTIVE INDUSTRIES REVIEW, ECONOMIC SECTOR WORK, EARLY WARNING SYSTEMS, SOVEREIGN DEBT RESTRUCTURING MECHANISM, SPECIAL DRAWING RIGHTS, DIAGNOSTIC TRADE INTEGRATION STUDIES, LOW INCOME COUNTRIES UNDER STRESS, OUTPUT BASED AID.

Pakistani hunger strikers seek reparations for damaging project

In March members of Save Coast Action Committee observed a hunger strike in front of the World Bank offices in Islamabad in protest against problems caused by projects the Bank had funded. The strikers, from Badin on the Pakistan coast pointed out that the projects have caused serious damage to their livelihoods and the coastal ecology.

Community members presented a detailed letter to the World Bank country director registering their "concerns about serious human rights violations in the coastal areas of Badin" and called for "full reparation of destruction caused by the National Drainage project". They pointed out that the project "is badly out of compliance with World Bank policy requirements" and called for the loan to be suspended.

The Left Bank Outfall Drainage project and its successor, the National Drainage Program, have been backed by the World Bank, Asian Development Bank, British government and other donors. The aim has been to ensure that saline water drains effectively from farmland into the sea. Protesters complain, however that "from the very first day we have been raising objections regarding the project's feasibility and sustainability. We rightly pointed out that it was against the natural disposal system and would destroy the entire coastal environment. Implementing agencies, financiers and consultants never listened to us". The "huge army of international consultants did not work with professional honesty", their limited mitigation measures "proved useless and about 800 million rupees ($14 million) were wasted". Among the consultants was UK-based Mott MacDonald. The project, on the Arabian sea coast in Sindh province, cost four times the initial estimate.

A government committee and World Bank mission in the last two years have confirmed many of the villagers' complaints. Among the findings of the Bank's 2002 mission were that a weir and embankments which formed part of the project were almost completely destroyed in the 1999 cyclone. This has changed the salinity balance of the Dhands, wetlands on which thousands of impoverished coastal inhabitants depend for fishing. The mission recognised important long-term risks resulting from the substantial and irreversible damage to the ecosystem caused by seawater incursion.

Because water has been redirected away from some areas, there has been a decline of vegetation, loss of forest species and decreased grazing areas. This has forced some people to migrate. Thousands of acres of fertile land have been flooded by sea, pushing hundreds of families to live in extreme poverty. In the 2003 monsoon 30 people drowned and 20,000 acres of land normally used to grow sugarcane, chillies and rice were rendered unusable. Yet no donor or government officials even visited communities to assess the losses or plan measures to prevent a repeat this year.

The hunger strikers, who were joined by representatives of Sungi, Action Aid Pakistan, Sustainable Development Policy Institute and fisherfolk groups, say the World Bank and other donors have been "very irresponsible", shifting the blame to Pakistani officials without recognising their own key roles in funding and legitimising this project. They argue that the Bank has a duty to ensure that no more people are harmed and to pay compensation. The Bank has not yet given its reaction but Ghulam Mustafa Talpur of ActionAid Pakistan said "we don't expect any big progress from the Bank; they'll probably just delay. We have plans for continued mobilisation to keep up the pressure".

Disastrous effect of Left Bank outfall drainage, Action Aid Pakistan
www.actionaidpakistan.org/wasail/lbod%20a%20mega%20failure.htm

Global warming speaks louder than words

Green lending …

The gap between the World Bank's pronouncements on the dangers of climate change and the reality of its lending practices presents an ever increasing danger for the global commons.

The Bank's involvement in climate change began with the establishment of the Global Environment Facility in 1991. Managed by the Bank, the facility was heralded as the answer to the world's environmental problems. Since its inception, over $6.2 billion has been raised from donor countries for over 60 projects in developing and transition economies.

The other major initiatives led by the Bank are the Prototype Carbon Fund, the BioCarbon Fund and the Community Development Carbon Fund. These funds invest contributions made by corporations and governments in projects designed to produce emission reductions. Assessment of potential carbon finance recipients is done by the Bank.

Critics of the Global Environment Facility have argued that, by absorbing the costs of environmental mitigation of the Bank's main lending projects, the Facility subsidises otherwise unviable dirty industry. The first carbon sink project to receive credit from the Prototype Carbon Fund has come in for heavy criticism. A group of over 70 NGOs, academics, church groups and labour unions in Brazil and Latin America has said that the project's eucalyptus plantations in Brazil threaten environmental degradation and social dislocation. Furthermore, as fast-growing timber trees, they would fail to store the carbon permanently. Acceptance of the project will see the release of "a large number of worthless carbon credits onto the market." The Bank is currently investigating the charges.

… or a lot of hot air?

Research by the Sustainable Energy and Economy Network reveals that the Bank financed over $2.5 billion in fossil fuel projects in the year ending September 2003. In contrast, it had approved just seven renewables projects, totaling $151 million. The ratio of renewable projects to fossil fuel-oriented ones was 1 in 17, roughly equivalent to the 1:18 ratio of the prior decade. Funds continue to flow for highly controversial projects such as the Baku-Ceyhan and Chad-Cameroon pipelines, widely opposed by environmental and human rights groups.

Fossil fuel funds subsidise corporations which drive global warming and whose business practices have been under attack. The list of firms receiving the most support from the World Bank in the decade 1992–2002 includes pariahs such as Enron, recipient of almost $1 billion.

The trend in project-based lending is reinforced at the policy level. The Bank has backed away from the recommendations of the World Commission on Dams and is re-engaging in so-called "high-risk, high-reward" infrastructure (*see Comment, page 5*). The contribution of large-scale dams to global warming results from the enormous areas of previously forested land which is either flooded or logged during construction.

Bank management has similarly tried to distance itself from the Extractive Industries Review (EIR). The review argues that the Bank should reverse its portfolio prioritisation. Currently fossil fuel projects comprise 94 per cent of the portfolio, with renewables at just 6 per cent. The EIR recommends increasing the latter by 20 per cent a year so that by 2008 it can phase out investments in oil production and devote its investments to renewable energy and clean energy technology.

Emil Salim who led the study has said that he is not against fossil fuel projects, but has argued that Bank money should be used to advance renewable energy, leaving oil and coal projects to private ventures. The official response of the Bank's board to the EIR is expected in early May.

Other setbacks include safeguard reviews which lifted a prior ban on the logging of moist tropical forests. Ben Pearson of CDM-watch sums up the Bank's climate change work: "Basically as we see it they are in the forefront of using carbon finance to push unsustainable technologies like large hydro, and take the pressure off fossil fuels through the use of sinks. Renewables are merely window dressing".

World Bank fossil fuel welfare kings 1992 to 2002

RANK	COMPANY	HOME COUNTRY	$M
1	ABB Alstom	Belgium	2,741
2	Halliburton	USA	1,967
3	Royal Dutch/Shell	UK	1,931
4	Mitsui	Japan	1,807
5	El Paso Energy	USA	1,479
6	ChevronTexaco	USA	1,390
7	AES	USA	1,353
8	Unocal	USA	1,247
9	General Electric	USA	1,058
10	TotalFinaElf	France	982
11	Enron	USA	967

SOURCE: SEEN

Forest fraud: say no to fake carbon credits, Sinks Watch / FERN
www.cdmwatch.org/files/forestfraud.pdf

Acres debarment: **Litmus test for Bank on corruption**

The Bank's sanctions committee has reopened the debarment case against Acres International, a Canadian firm whose conviction for bribing an official was upheld by the Lesotho appeals court last August.

The glacial pace at which the World Bank has conducted its investigation into the case has brought into question president Wolfensohn's campaign to deal with "the cancer of corruption" when it concerns northern companies rather than southern governments.

An independent investigation into the Bank-funded Lesotho Highland Waters Project commissioned by the World Bank in 2001 concluded that "the evidence is reasonably sufficient to establish that Acres was paying not for information, but for influence". Despite this finding, the Bank's sanctions committee postponed debarment, saying there was "insufficient evidence".

After the appeals court decision, the Bank said it would examine "the court records of the criminal case to determine if there is new evidence that should be brought to the attention of the Sanctions Committee." In the meantime, Acres continued its work for the World Bank, winning over $300,000 in new contracts in Tanzania and the West Bank and Gaza in 2003. Acres is currently involved in the Bujagali Dam in Uganda and the Nam Theun 2 project in Laos, both of which are set to receive World Bank funding.

Seven months after the appeals court decision, the probe is finally complete. The investigations unit has sent undisclosed recommendations to the Bank's sanctions committee. The committee can impose penalties ranging from a reprimand to temporary or permanent debarment. The committee has sent the company a notice that its debarment case has been reopened. Acres can make written or oral arguments.

Damian Milverton, a World Bank communications officer, said it is unclear how quickly the sanctions committee will reach a decision but the investigators' recommendations will remain secret in the meantime. "If this were a court process, the investigations unit would be the prosecutors and the sanctions committee would be the judge."

Let the weak pay

Lesotho has been widely praised for its efforts to eradicate corruption in the project. South African president Thabo Mbeki, speaking at the opening of the first phase of the project, the 144m high Mohale dam, confirmed that "the manner in which the Lesotho authorities have handled this project has ensured increased investor confidence in present and future major development programmes that are undertaken in this part of the world."

The costs of the litigation have now run into the millions. According to Lesotho attorney-general Fine Maema, when Lesotho began its mammoth investigation into corruption at the water project it believed it would be receiving international assistance, following promises by the World Bank, European Investment Bank, European Union and representatives from South Africa and Britain at a meeting in Pretoria in 1999. This funding was never provided. A World Bank representative in Maseru has denied that financial pledges were ever made. To add insult to injury, Acres has said it will pay its fines in instalments.

As the judicial process in Lesotho continues, the Bank's sanctions committee will face similar decisions on the debarment of companies from across Europe. In February, Schneider Electric South Africa, which took over the business of Spie Batignolles, pleaded guilty to 16 counts of bribery and was fined over $1.5 million. Schneider has since been taken over by British firm AMEC. The civil engineering firms involved make up a who's who of dam builders and include UK firms—and Bank contractors—Stirling International and Balfour Beatty.

The Bank's reluctance to respond assertively to corporate corruption may be behind survey results which show that fewer than one in five "opinion-formers" believe the Bank is doing a good job in reducing corruption. From Uganda—where the Bank failed to investigate AES after it was revealed that its main contractor had bribed an official—to Peru—where the IFC refused to investigate allegations of corruption against Newmont Mining Corporation's involvement in the Yanacocha gold mine despite the presence of a "smoking gun" according to NGOs—the Bank's actions against corporate corruption have often failed to match that taken against Southern governments.

Focus on Lesotho corruption trials, Odious Debts
www.odiousdebts.org/odiousdebts/index.cfm?dsp="subcontent&AreaID=157

World Bank faces lobbies on human rights, climate change

The World Bank has recently faced increasing pressure to adopt strong policies on human rights and climate change. NGOs have been joined by parliamentarians, nobel laureates for peace and a group of religious leaders in advocating for the Bank to adopt the recommendations of the Extractive Industries Review (EIR) that the Bank itself commissioned. However an industry counter-lobby has also picked up momentum, with companies such as Anglo-American contacting decision-makers to challenge the review's findings. The companies are especially concerned about the recommendations on phasing out Bank support for oil and coal projects and the concept of free prior informed consent for affected communities.

The review was commissioned by World Bank president James Wolfensohn in response to campaigns and community resistance to World Bank oil, gas and mining projects. The Bank at first attempted to control the review and is now seeking to distance itself from its recommendations. In February Bank management's initial response note was leaked, revealing proposals to reject most of the main EIR recommendations. The Bank has since distanced itself from this note, saying that it was a work in progress and will be reworked for submission to the Bank's board in April ahead of a decision expected early May.

The letter from nobel peace prize winners Archbishop Desmond Tutu, Jody Williams, Rigoberta Menchu and others commented that "war, poverty, climate change, greed, corruption, and ongoing violations of human rights—all of these scourges are all too often linked to the oil and mining industries. The review provides an extraordinary opportunity to direct the resources of the World Bank Group in a way that is truly oriented towards a better future for all".

an extraordinary opportunity

Further pressure was put on the Bank to take action on human rights at a 1 March conference at New York University. Hosted by leading former UN human rights leaders Mary Robinson and Philip Alston the conference was attended by the heads of both the World Bank and the International Finance Corporation, its private sector arm. Wolfensohn claimed "we are giving effect to the agenda of the human rights community … [but] because of the history of our organization and because of the nature of how we need to progress things with our board and with our client countries, that we tend to approach it from an economic and from a social point of view". Other senior Bank officials indicated, however, that they were preparing for the Bank to take a more active stance on civil and political rights.

The Bank's responses to the extractives review and the human rights proposals will be carefully scrutinised. Many groups believe that the Bank should submit its operations to the scrutiny of international human rights bodies but that the Bank is not a suitable body to actively champion and interpret the entire human rights agenda.

NYU conference on human rights, New York University Human Rights Center
www.nyuhr.org/events.html#reinforcement

Action alerts on World Bank Extractive Industries Review implementation, NGO campaign on the EIR
www.eireview.info/?what=act

Extractives report tables harsh criticism, many suggestions
brettonwoodsproject.org/eirfinalreport

Congolese groups unite to demand scrutiny of forest policies

NGOs in the Democratic Republic of Congo (DRC) have allied to challenge industrial logging in their country's rainforests. In February they appealed to the World Bank and other agencies to halt a plan which would make up to 60 million hectares of rainforest available to logging companies in the coming years. The dispute is instructive about the Bank's approach to human rights and international law.

Roger Muchuba of the human rights group Héritiers de la Justice, said: "civil society is taking the initiative of informing the population about the new laws, as the World Bank and the Food and Agriculture Organisation have so far failed to." Adolphine Muley, of the Union of Indigenous Women said: "our voices have to be heard when it comes to making decisions about the forest in which we live."

> our voices have to be heard

Congolese civil society groups from across the country wrote to the Minister for the Environment, Waters and Forests, the World Bank and the FAO. They argued that the planned development of the DRC's forests "will have major repercussions for the rights and livelihoods of millions of Congolese people, and serious and irreversible consequences for this vital resource. The words and good intentions of the World Bank and the FAO have thus far not resulted in any concrete action in response to the concerns of civil society."

They argue that the forest policy lacks popular legitimacy and risks "being rejected, creating innumerable social conflicts." This is worrying as the long war in the DRC was partly caused by conflicts over natural resources. Joseph Bobia, spokesperson for the Congolese development organisation, CENADEP, said: "by working to ensure that local communities' rights and access to the forests are recognised in the new laws, we hope to prevent future conflict between local communities, loggers and the administration". Community representatives have called for a moratorium on implementation until there is more transparency and consultation.

They also argue that the new Forestry Code does not comply with World Bank policies nor with the DRC's obligations under international treaties on biological diversity or human rights. The Rainforest Foundation, a UK NGO, points out that it has seen "no evidence of steps taken by the Bank to ensure proper compliance with its operational policies, nor that a Strategic Environmental Assessment has actually been undertaken".

The DRC Forestry Code was directly modelled on the one produced by the Bank for Cameroon about ten years ago. The Rainforest Foundation points out that the experience in Cameroon demonstrates that "the logging industry is extremely susceptible to corruption and malpractices which can have a pervasive corrupting effect on government and administrative structures more widely".

The World Bank says it is aware of these issues and is working with the Government "to remove policy distortions, and to prevent large-scale speculation that would deprive the Congolese people of future socio-economic benefits from the forest". It aims to strengthen government capacity to enforce its new forest policies including through independent monitoring. It claims that there is evidence of its strategy working, for example the "globally unprecedented" cancellation of timber concessions totalling 25 million hectares and the institution of a moratorium on the allocation of logging contracts until transparent procedures are adopted.

The Rainforest Foundation accepts that the World Bank has taken "some positive steps to reform the timber industry in DRC". For example, it has pressed the Government to revoke logging concessions allocated to a Portuguese company. The Bank has also urged an increase in the level of forestry taxes, but these changes have been resisted by the logging industry. Civil society groups urge the Bank not to rely on the government alone, but to ensure that transparency in the forest sector is guaranteed in law, so that civil society gets access to the information necessary to monitor compliance.

There is very little time to resolve this dispute, both because of the fragility of the situation in the DRC and because the World Bank forest project ends in October this year.

Stop the World Bank carve-up of the Congo forests!, Rainforest Foundation
www.rainforestfoundationuk.org/s-petition%20the%20world%20bank%20on%20congo%20forests

Sustainable management of forests in DR Congo, World Bank
lnweb18.worldbank.org/essd/ardext.nsf/11bydocname/wbandsustainablemanagementforestsindrcpage1

BWP seeks new Coordinator

Alex Wilks is leaving his position as Coordinator of the Bretton Woods Project. In June he is moving to Brussels to run the European Network on Debt and Development (EURODAD). The application deadline for the new Bretton Woods Project Coordinator is 28 April.

Alex established the Project in 1995 in collaboration with a network of UK NGOs. It has continued to work closely with the original groups but has developed strong links with many other UK groups and with groups across the world. The Project is now recognised as a significant information clearinghouse and network hub on Bank/Fund issues.

Alex commented: "it has been fascinating and inspiring to be part of the large movement of groups monitoring and changing the international financial institutions. We have made a real impact. My new role will enable me to stay in touch with many of the NGOs, academics and officials I've been lucky enough to work with these last eight years. It will also give a chance to improve advocacy coordination across Europe and to focus on debt and structural adjustment, two vital issues."

Following the recent independent strategic review which recommended continuity in most of its operations and outputs, no significant changes are expected in how the Project works. Candidates for the coordinator position are therefore being asked to demonstrate significant management, advocacy, writing and networking experience as well as knowledge of the International Financial Institutions.

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BWP welcomes Atieno Ndomo

In February Atieno Ndomo started at Bretton Woods Project in the position of Policy and Advocacy officer. A Kenyan citizen, she has extensive experience working in that region. In Kenya she has worked on human rights and constitutional reform, including as Coordinator of the Basic Rights Campaign, a joint NGO advocacy effort to push for access to water, shelter, education, food, health and information to be enshrined as basic rights in the Kenyan constitution.

Before joining Bretton Woods Project she was working in Uganda as Coordinator of the PANOS Governance, Leadership and Globalisation Programme which covered eight countries. Atieno will initially work on issues including parliamentary scrutiny of the World Bank and IMF, and the IMF's roles in low-income countries.

She replaces Fabien Lefrancois who has moved to Argentina. At BWP he produced a series of briefings and played a major role in organising regional and global strategy meetings. He is currently available for short-term consultancy contracts on IFI-related issues.

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