Ties that bind: possible shifts on conditionality?

On the back of sustained civil society vigilance and advocacy on the negative impacts of conditionality come IFI and donor efforts to review their attitudes towards it. The extent to which such efforts represent a desire for better implementation rather than a fundamental re-examination of the content and impact of policy conditions remains unclear.

In July the World Bank is convening a meeting to discuss experiences with conditionality in policy-based lending. The forum, titled Conditionality Revisited, will take place in Paris and will bring together academics, key decision makers, and development practitioners from the IMF, the World Bank, development agencies, and civil society. The meeting is to discuss recent experiences with conditionality, and to guide future policy-based lending.

The IMF is preparing a policy note on the use of conditionality, and over the past few months has consulted with NGOs in the UK. The note will inform the IMF position at the Bank conference.

In an attempt to broaden the limited remit of IMF and donor reviews of conditionality, NGOs have outlined some proposals. These are varied but include a call for the separation of the lending and advice functions of the IMF, the commissioning of independent external reviews of the impact of conditionality on poverty reduction, and strengthening the democratic ownership of policy choices.

A report by Harare-based AFRODAD and the UK’s Christian Aid, urges an increased role for parliaments and NGOs in loan contraction processes. World Vision suggests an “outcome oriented approach to conditionality” seeing this as particularly applicable in light of the millennium development goals.

Other proposals are more contentious. In March, UK-based NGO Global Witness presented a report at an IMF seminar. They proposed fiscal transparency as an element of IMF conditionality, suggesting the Fund should “issue a high-level policy statement forcing certain transparency standards on Fund missions and member countries”. The Fund currently promotes fiscal transparency through the Code of Good Practices on Fiscal Transparency and the Reports on the Observance of Standards and Codes. NGOs have made other proposals on transparency (page 4).

The unsuccessful application of conditionality—under donor pressure and without a genuine commitment by recipient countries to implement reforms—highlights the importance of ownership to sustaining reform. Yet the very idea of conditionality contradicts ownership. In a speech in February, UK Secretary of State for International Development, Hilary Benn, acknowledged this, saying “all of us have worked hard to establish the principle of country ownership in development. Yet there is a tension here with the conditionality that is applied to aid”.

ActionAid’s recent research on privatisation of utilities highlights the use of conditionality to push “fundamental and often highly controversial changes in economic policy”. They conclude that use of economic conditionality is “unfair, undemocratic, ineffective and inappropriate”.

Home-grown policies would rule out a dominant role by IFIs and donors in defining country policy agendas and priorities. Current IMF lending frameworks undermine country ownership. Donors and IMF preoccupation with “effective use of development resources” is still cited as justification for limiting country ownership.

The new Reality of Aid report 2004, a major north-south NGO initiative focusing on analysis and lobbying for poverty eradication policies, concludes that “imposed conditions are incompatible with democratic governance”. It makes a bold call for the Bank to adopt a rights-based approach as an alternative to policy conditionality.

Not mandatory provisions, but ‘good practice’ advice

The aim of reducing explicit conditionality does nothing to change the power relationship between countries and IFIs, IMF opinion and advice holds greater sway for countries with limited alternatives for accessing development finance. Such imbalances create room for policy imposition masquerading as best practice recommendations.

Streamlining efforts illustrate the limited nature of the rethink on conditionality. Whereas new Bank and Fund policy papers suggest a commitment to reducing the burden of conditionality, evidence on the ground reveals limited progress. Analysts suggest that Fund structural conditions are being passed on to the Bank.

Bilateral donors aligning with IFIs end up sanctioning conditions on recipient countries, effectively shutting out the possibility for alternative policy choices.

The long-term negative effects of conditionality on accountable policy making far outweigh any perceived short-term gains around donor-defined reforms.
New debt sustainability framework: too little, too subjective

The World Bank and IMF have produced a new framework for debt sustainability. It aims to guide borrowing decisions of low-income countries matching their need for funds with their ability to service debts, but does not go far towards debt justice.

New IMF poverty assessment unit

The IMF has announced the creation of a unit to work on producing Poverty and Social Impact Analysis (PSIA). This is a tool to assess in advance the appropriate, design and integrate coming of alternative measures and, where possible, to work on producing Poverty and Social Impact Assessment (PSIA). The PSIA consists of 20 criteria on which countries are judged by Bank staff, which are then aggregated to produce an overall ranking. Barry Herman, until recently a senior official of the UN Financing for Development Office, agrees in a paper for the 242 that: “there are a number of rather curious features in the current PSIA methodology that should cast doubt on the meaning of the results”. At a meeting with NGOs in Washington, World Bank vice president Gobind Nankani acknowledged that the CPIA incorporated a mix of evidence-based and subjective components.

New Bank adjustment policy a step backwards

The Bank has released a revised draft of its controversial 1992 structural adjustment policy. Comments can be filed until the end of June and a final policy is to be submitted to the Board for approval soon after that. The previous policy was criticised as embodying the ‘Washington consensus’ giving no regard to the social and environmental impacts of adjustment operations. The new policy does not use the term ‘adjustment lending’, preferring ‘development policy lending’.

Analysis by Bank Information Center of the draft’s content points out its failure to address the issue of policy conditionality. The treatment of social and environmental impacts and the need for stakeholder consultations “fall short and actually lag behind standards already in place for certain types of Bank adjustment lending”.

References to the need for staff to consider environmental and social impacts of programmatic lending do not make it an express requirement to avoid or mitigate negative social and environmental impacts.

The operational procedures for determining negative impacts remain unclear and therefore unlikely to be effective.
A NEW INITIATIVE to rewrite the rules of engagement with the IMF could mark the biggest change in creditor-debtor relations in a generation.

According to the present agreement with the IMF, Argentina would end the year with a “primary fiscal surplus” (i.e. before paying external creditors) of 3 per cent of its Gross Domestic Product, some $10.8 billion. Since the Argentine economy is growing much faster than initially expected, an additional surplus of $7.8 billion is now expected and the IMF wants that money for itself, the World Bank and private holders of Argentine bonds. But Economy Minister Lavagna announced on 20 May that the additional money has already been allocated: $5 billion will go to social expenditures, support to local firms and infrastructure investment, while $2.8 billion will be used to cancel bonds without issuing new debt.

While Argentina is growing, reducing unemployment and holding tough negotiations with foreign investors, Brazil is struggling desperately to meet the 4.25 per cent fiscal surplus demanded by the IMF. The economy is being suffocated by high interest rates, unemployment is rising and growth is zero. The enormous popularity of Brazilian president Lula is declining, while his neighbour Kirchner, an unknown figure a year ago, is becoming more popular every day.

Yet the two leaders have found common ground in demanding a reformulation of the rules of the international economy. First it was their common stand in the Cancun ministerial meeting of the World Trade Organization that encouraged the creation of a solid group of developing countries to confront the major powers. Now they want the IMF to rewrite the rules, and are coordinating the demand from developing countries for substantial reform of the Bretton Woods system.

On 16 March in Rio de Janeiro, Lula and Kirchner signed the declaration for cooperation towards economic growth with equity, also known as the ‘Copacabana Act’. In it, the presidents denounced a “contradiction in the present international financial system between sustainable development and its financing”. To change that system, they agree “to negotiate with multilateral credit institutions in a way that does not jeopardize growth and ensures debt sustainability, allowing for infrastructure investment”. The declaration also demands the elimination of subsidies in developed countries; the right to discriminate in government procurement in favour of national and regional investors; and the free-trade creation of a regional monetary fund.

Unsurprisingly, former Spanish finance minister Rodrigo Rato was confirmed as managing director of the IMF in a mock voting procedure on 4 May. Disappointment was widespread that the Fund had failed to end the stitch-up that allows Europe to nominate the Fund’s head. While some commentators pointed to the nomination of Egyptian Mohammed El-Erian and his official interview with the board as a sign of increased openness, the usefulness of this precedent was put in perspective by an IMF executive director: “It was not a total success in that the decision as to who was going to get the job had already been made.”

Rato comes from a wealthy family in the north of Spain. His father was a supporter of Franco and head of a provincial bank. When the bank collapsed, both he and his eldest son were jailed. As a result he has reportedly held a burning desire for his youngest son, Rodrigo, to become central bank governor and restore the family honour. Rato has exceeded these expectations: becoming the central bank governor’s boss.

Rato held the post of finance minister for the last two years of the Aznar administration. He advanced orthodox neoliberal policies, pushing through controversial privatisations which wound up in the hands of friends of the ruling Partido Popular. Rato maintains close ties with a number of Spanish business leaders with extensive interests in Latin America. He affirmed in 2000 that a central aim of economic policy was to “obtain the greatest commercial benefit from the circuit (of International Financial Institutions) for our business people.”

At his first IMF news conference, Rato said that “overall, the work of this institution has been very good.” Countries that borrowed from the Fund and followed its advice were generally in a “much better position today.” On bailout packages, Rato said that if the Fund’s board was confronted with a well-reasoned recommendation from the staff to make a giant loan, “it ought to act.” He did cite one instance in which the IMF had erred—its handling of the collapse of the Argentinian economy.

However Rato maintains the status quo at his peril. Latin American countries are increasingly banding together to demand far-reaching changes in their relations with the Fund (see Comment). In Asia, the noises being made in support of the creation of a regional monetary fund are growing louder. Financial Times’ chief economics columnist Martin Wolf argued in May that Asian economies have massive reserves which would be better spent in developing Asian capital markets rather than accumulating US dollar reserves of dubious investment quality. He scolded European finance ministers, saying that “by their arrogant narrow-mindedness over the appointment of the managing director, the Europeans have demonstrated once again their determination to keep the IMF under their thumb.”

Symbolic vote does nothing to change Fund leadership stitch-up

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US lawmakers scrutinise World Bank record on corruption

In mid-May the US Senate Foreign Relations Committee opened a hearing on corruption in multilateral development banks. Senator Richard Lugar, an Indiana Republican who chairs the Committee, cited experts who estimate that $26–130 billion of World Bank lending since 1946 has been misused.

The World Bank rejected this figure and mounted a vigorous defence of its anti-corruption efforts.

The Committee has expressed particular interest in the Lesotho Highlands Water Project and the Yacyreta Dam on the Argentina-Paraguay border. Lugar commented “the Yacyreta Dam project was budgeted to cost $2 billion when it began in 1975, now has a debt of $10 billion—and is still not completed.” Senator Lugar commented that “when developing countries lose development bank funds through corruption, the taxpayers in those poor countries are still obligated to repay the development banks.”

Bank President James Wolfensohn declined to give evidence before the committee, citing the established practice of Bank officials not testifying before the legislatures of their member countries. But the Bank produced a briefing setting out a series of steps taken in the last eight years. The Bank recently introduced a rule that all of its senior managers must provide an annual statement listing their financial interests and those of their immediate family.

The Bank has fifty staff who have examined more than 2,100 cases of fraud and corruption since 1999. Issues examined include theft, bid-rigging, bribes, collusion or coercion by bidders, fraud and product substitutions. More than 180 companies and individuals have been debarred from doing business with the Bank, either temporarily or indefinitely. These companies are, however, almost all small firms. Larger companies have somehow escaped censure.

On the Lesotho Highlands Water Project Senator Lugar questioned the fact that although three international companies have been convicted of bribery, none have been placed on the World Bank’s list of reprimanded or disbarred firms and may thus continue tendering for work on Bank projects.

The Bank advises developing country governments on anti-corruption statutes and says it is assisting 40 countries with enforcement. It also points to its work to try to ensure that the Chadian government would only spend that country’s new oil revenues on poverty-reducing projects. In testimony to the Committee, Carole Brookins, US Executive Director to the Bank, summarised that “the Bank has built a comprehensive structure that includes international advocacy, internal controls, analytical/diagnostic tools, education and training, and country operations”.

Nancy Zuckier Boswell, Managing Director of Transparency International USA also testified. She agreed that the Bank “has made great strides” but that work on governance “has not been adequately specific”. She said the Bank should condition lending on reforms including access to information legislation, asset disclosure by public officials, budget and procurement transparency and transparency of campaign finance and voting records. She pointed out that such objectives have already been agreed by many governments when signing the UN Convention on Corruption, agreed last year. She demanded that the Bank publish full details of contracts and sub-contracts paid for by its funds and require all bidders on Bank-financed projects to adopt anti-bribery compliance programmes.

In his contribution to the Committee Manish Banpa, Executive Director of the Bank Information Center, also pointed to the “pressure to lend and culture of loan approval” which have inhibited accountability in the Bank. He emphasized that “corruption can undermine the development impact of these projects in countless ways. Examples include diluting the quality of cement in roads or irrigation canals; permitting illegal timber harvesting in restricted forest areas; and granting profitable public contracts to well-connected cronies of government officials”. He argued that multilateral development banks should:

- ensure that the host country meets a minimum standard of governance;
- carry out due diligence to identify and mitigate corruption risks; and
- help create an open environment for civil society and media to monitor the project throughout implementation.

Banpa pointed out the dangers with privatisation deals, where “high-level government officials use borrowed funds to renovate public service enterprises and sell or concession them to ‘associates’ at prices well below their actual market values.” He argued that the Bank should force companies that want to receive its support to adopt much broader corporate transparency and disclosure requirements.

He welcomed recent steps taken by Congress to require reports on the extent to which each bank has resources to ensure that applicable laws are obeyed. He commented, however, that “immune from lawsuits and legal challenges, the banks know that they will be paid back regardless of how much money is diverted or stolen. This situation provides a weak incentive to ensure that the money goes to its proper purposes.” He pointed out that the UN Convention Against Corruption recommends waiving immunity of international institutions in cases of corruption and that Congress might want to review the International Organizations Immunities Act to take account of this.

Dr Jeff Winters of Northwestern University has estimated that up to $700bn of World Bank funds might have been diverted in the last sixty years, a figure the World Bank dismissed as “incomprehensible”. Winters proposed establishing “an international auditing body that is independent of the banks and of private sector auditing firms—nearly all of which have deep conflicts of interest.”

In the UK write to Hilary Benn, Secretary of State for International Development

PrivateSecretary@dfid.gov.uk

Baku-Tbilisi-Ceyhan pipeline

brettonwoodsproject.org/commentbtc

Groups condemn UK support for pipeline

www.bakuaceyhan.org.uk/press_releases/groups_slam_benn.htm

To contribute to recoup the bail payment or join a list for solidarity actions

baku@gn.apc.org

Baku Ceyhan human rights activist arrested

Activist Ferhat Kaya was arrested by the Turkish authorities in early May following his work to protect the rights of Turkish citizens affected by the Baku-Tbilisi-Ceyhan oil pipeline. Allegations quickly surfaced that he had been tortured. Campaigners outside Turkey who had worked with Kaya rapidly mobilized to send letters of support. As the project is funded by international financial institutions they urge people to write to officials at export credit agencies, the World Bank and European Bank for Reconstruction and Development as well as to the private banks backing the scheme.

He was humiliating and very badly beaten up during his detention. An officer pointed a gun at his head and verbally abused him. Witnesses and relatives observed blood on his clothes and deep cuts on his arms and elsewhere. A medical report is consistent with allegations of torture or ill-treatment.

Kaya has been involved for some time in mitigating the impacts of the BTC project by ensuring that local people obtain the compensation to which they are entitled and that their rights are respected. He has this year assisted people affected by the pipeline in bringing complaints to the European Court of Human Rights and the European Court of Justice.

Witnesses, human rights and environmental groups believe this is Kaya’s second detention in connection with his work to highlight concerns over the pipeline. At the time of his arrest he had just been promised a meeting by botos, the Turkish parastatal company building the pipeline under contract to BP, a meeting he was then unable to attend.

After many protest letters were written, Kaya was released on payment of a large bail. Supporters are still demanding an investigation into the circumstances of his detention and alleged torture and a guarantee that his human rights are respected.

Senate Foreign Relations Committee hearing

foreign.senate.gov/hearings/2004/hrg04053a.html

Acres debarment: Litmus test for Bank on corruption

brettonwoodsproject.org/acrossanctions

Inside the institutions: How the World Bank deals with corruption

brettonwoodsproject.org/insidecorruption

they will be paid back regardless of how much money is stolen
The UK role in the WB and IMF

The top UK representatives at the IMF and World Bank are the Chancellor of the Exchequer Gordon Brown and Secretary of State for international development Hilary Benn. They are known as UK governors to the Fund and Bank, sitting on the ministerial committees which meet in Washington twice a year to decide on overall strategic direction for the institutions. Brown is the Chair of his committee. The UK is the fourth-largest shareholder in the Bank, holding 4.3 per cent of votes (the US is by far the largest shareholder with a 16.4 per cent vote share).

On a day-to-day basis the governors delegate power to an Executive Director (ED), a Treasury civil servant seconded to Washington for two or three years (currently Tom Scholar). In other countries separate EDs to the Bank and Fund may be political appointees. Scholar holds regular meetings with NGOs in advance of the spring and autumn meetings of the Bank and Fund.

The ED heads the UK delegation to the Bank and Fund. Based in an office in the IMF, the team comprises approximately eight staff from the UK, including an alternate ED for the IMF from the Bank of England (Andrew Hauser), an alternate ED for the World Bank from the Department for International Development (DFID) (Carolyn Sergeant) and several advisers. Either Scholar, his alternates or advisers attend the regular meetings of the World Bank and IMF boards.

The policy lines taken at Bank and Fund board meetings are formally decided in London by the Treasury or DFID which then instruct the UK Delegation. Since the Boards operate on the principle of consensus, there is no official record kept of the positions taken by EDs and no way for citizens to hold their representatives accountable. Limited information is given on the positions taken by the UK ED in the annual report to parliament on the UK in the IMF.

DFID has the International Financial Institutions Department (IFID), headed by Kevin Sparkhall, with Alice Mann as the World Bank desk officer. IFID seek analytical support from country offices or policy division teams (such as the education for all or extractive industries teams). Out of total DFID spending of £3.6 billion in 2002–2003, 10 per cent was spent directly on the IFIs. An unspecified additional amount is spent on country-level work, policy programmes and technical cooperation conducted jointly with the BWIs.

Within the Treasury the Macroeconomic and Finance Directorate is responsible for preparing advice on the policy issues and specific country programmes brought before the board. Within the directorate the key units are the Global Policy and Institutions Team, headed by John Ockenden and the International Poverty Reduction Team, headed by Beverly Waramingtion.

Parliamentary oversight of the UK’s role in the BWIs is provided ad-hoc through parliamentary questions, and more formally through select committees which oversee both DFID and Treasury. A select committee inquiry may last for several months and give rise to a report to the House; other inquiries may simply consist of a single day’s oral evidence which the Committee may publish without making a report. Evidence from non-UK civil society sources is actively encouraged by the development committee for their hearings held each November. The political make-up of the committees roughly reflects the strength of the various parties in the House.

The International Development Select Committee (IDSC) holds hearings on a range of development issues, as well as an annual hearing on the outcomes of the autumn meetings of the WB and IMF. The Committee usually calls on the Secretary of State for International Development to give evidence. Tony Baldry, Conservative MP, is chair of the IDSC. The Treasury Select Committee analyses UK policy in the Fund, holding evidence sessions in the past with the IMF’s managing director, the UK ED and NGOs. Since 2001 it has requested the Treasury to produce an annual report. It is chaired by John McFall, Labour MP.

Key Documents

World Bank Institutional Strategy Paper DFID produces Institutional Strategy Papers (ISP) about every three years to identify how to achieve its objectives via the multilateral institutions. The World Bank ISP is currently being re-drafted and will be finalised by the autumn—UK NGOs have been invited to comment on the draft. It will include sections on: focusing on results, joint working at the country level and achieving the Monterrey goals.

Objective notes for the spring and annual meetings of the Bank and Fund Innovative—if limited—joint briefing from DFID and Treasury laying out UK objectives for the main points of discussion on the agenda of the meetings.

Annual reports on the UK in the IMF Following pressure from NGOs and MPs the UK Treasury now produces an annual report setting out the main policy debates in the IMF and the UK government’s role therein.

Other key documents include ministerial statements at the spring and autumn meetings of the Bank and Fund; DFID departmental reports and the 2000 Globalisation White Paper which sets out the policy priorities of the entire British government on international policies and institutions.

The UK is the 4th largest shareholder in the Bank
Middle-income strategy threatens safeguards

A coalition of NGOs led by International Rivers Network has raised alarm bells that a proposed World Bank middle income country (MIC) strategy will seriously weaken policies meant to protect vulnerable groups and the environment.

The strategy proposes accelerating the shift to reliance on national social and environmental policies “where such systems are found satisfactory to the Bank.”

A note on the operationalisation of the strategy has been described by a coalition of NGOs as “particularly disturbing”. It suggests that the Bank consider relying on national safeguard systems in countries that are “in the process of developing them.” National systems will be analysed not by independent experts, but by the Bank or the government itself. Differences between Bank safeguards and national systems do not need to be addressed before projects are approved, but can be examined during the implementation of the projects. Unclear is what the strategy would mean for the purview of the Inspection Panel.

The strategy suggests that national systems become the reference point for Panel investigations, significantly weakening the accountability of the Bank to its own policies.

The MIC strategy was drawn up by a task force made up of Bank staff. The only external consultation on the strategy was with a “panel of experts from middle income client countries.” The draft strategy and resulting management action plan were discussed by the World Bank Board in an informal meeting in early March, where they seem to have raised strong concerns.

Transferring responsibility for safeguard compliance to national governments has been driven by a 2001 study which said that the cost of compliance was an obstacle to increased lending. Emphasis has since been placed on reducing safeguard costs despite the finding that compliance with fiduciary policies costs three times as much.

No counterbalancing estimate of the development value of observance of environmental and social safeguards was made.

The impetus for the strategy rethink has come from two areas. First, pending re-evaluations of middle-income strategies by a number of bilateral donors, including the UK, and second, the realization that borrowing countries are turning away from Bank loans despite lower interest rates. From the latter, the task force concluded that “Bank-internal factors” are hurting competitiveness: retreat from infrastructure lending, excessive conditionality, cost of fiduciary and safeguard policies, complexity and rigidity in lending instruments and the inability to integrate public and private sector support are amongst those factors mentioned.

Several other contentious issues are raised in the strategy paper:

- The Bank intends to take a leadership role in coordinating support for middle-income countries similar to that which it enjoys in low-income countries. This will involve the renaming of the Country Assistance Strategy (CAS) to the Country Partnership Strategy (CPS).
- On conditionality, the strategy charges the Bank with pursuing “excessive” and “ineffusable” policy reforms, particularly those requiring private sector participation in infrastructure provision. It recommends that projects should not carry sector policy conditions “unless these are explicitly shown to be essential for success.”
- The task force recommends investigation into “stronger Bank group collaboration, including IFIs/IFC/MIGA country offices.”

NGO have written letters to Executive Directors urging them to reject the strategy; the Board “should support processes to strengthen national safeguard systems, but should not weaken the Bank’s own responsibilities.” Discussion at the Board of a project in Mexico piloting the use of national safeguards was re-scheduled for early June. It was unclear whether a management note on national safeguards would be approved by that time, putting in doubt a July rollout of the MIC strategy.

World Bank recommends weakening of environmental standards, IRN

- www.ifr.org/programs/finances/index.asp?id=051704.wbpr.html

Gender "poorly rooted"

The Bank’s 2001 Gender Mainstreaming Strategy was criticised in a report by the NGO Gender Action which concluded that ‘gendering’ has occurred within the framework of standard macroeconomic and sector policies. Shortcomings are particularly evident in countries where adjustment loans are moving countries towards a market economy without a strong welfare system.

Interviews revealed ignorance of the gender strategy within the Bank.

Structural adjustment’s gendered impacts: the case of Serbia and Montenegro, AWID

- www.awid.org/ge.php?sid=871

Concerns about Brazil soya project

Brazilian NGOs have criticised a planned new IFC loan to a major soya producer in the Amazon region. They point out in particular that a meeting they held with representatives of the soya producing company—Amaggi—is being misleadingly used as evidence of NGO collaboration with the company as part of its application for further funding. They contest the loan which they believe would lead to further deforestation and social conflict.

IFC studies US$30m loan for Amaggi group

- www.amazonia.org.br/english/ noticias/print.cfm?id=107742

Quarantine free trade zone project, Haiti Support Group

- www.haitisupport.gn.apc.org/zonefranche.html

Haitian victory

Thirty-four union members at a free-trade zone plant financed by the IFC—laid off for over six weeks—were reinstated 14 April.

Management further agreed to provide medical treatment to those who were beaten; to pay back-salaries for the time of the dispute; and to recognise the right to unionise inside the factory. The layoffs vindicated fears of labour and NGO monitors who had pushed the IFC into commissioning an independent investigation into prior alleged labour violations against the plant’s owners, Grupo M.

Goldman Prize website

- www.goldmanprize.org

The power of the vote

Voters in India’s Andhra Pradesh have confirmed that insensitive and socially irresponsible governments can be censured through the ballot. Chandrababu Naidu, ex-chief minister, towed the preferred policy line to get generous funding from the Bank and the British government for the contentious Visión 2020 plan. Indian writer Palagummi Sainath says the election “was a mandate against Naidu’s policies and style of governance”. Louise Richards of UK NGO War on Want says the “world’s largest democracy has delivered a resounding vote of no confidence in the IMF, World Bank and DFID”.

World Bank loans to Andhra Pradesh

- brettonwoodsproject.org/apvision2020
IMF Trade Integration Mechanism: Sweetening a sour deal

With much fanfare, the Board of the IMF approved the Trade Integration Mechanism (TIM) in April, a new “insurance policy” to entice developing countries back to the multilateral trade table. But it may never be used.

The mechanism marks a concession by the Fund that trade liberalisation is not beneficial for all countries all of the time, and that funds should be made available to the losers. Importantly however, the TIM makes funds available only for countries which suffer damages as a result of others’ liberalisation; offers no new money; and may require applicants to undergo additional structural adjustment.

Qualification for TIM funds would be limited to countries that are hurt when other countries increase market access or remove trade subsidies. This would, for example, include countries which lose preferential market access, or food-importing countries which lose the benefit of subsidised agricultural products. The Fund says that countries are unlikely to suffer from their own liberalisation but if they do they are covered by existing Fund programmes. A further qualification restricts the mechanism’s use to damages inflicted by changes in the multilateral regime only. Reflecting the Fund’s bias against sub-national agreements, changes in regional or south-south agreements do not qualify for the TIM.

TIM funds are only available as loans, coming as part of a conventional arrangement with the Fund. Recipients will add to their existing debt load for damages caused by a restructuring in the global trade system beyond their control. The time given to repay the debt and the interest rate charged will depend on which arrangement a country holds with the Fund. Low-income countries will be charged concessional rates while middle-income countries will pay market rates. Disbursement of the TIM will depend on countries implementing at least the same number of conditions that are demanded by the larger programme: “In some cases, however, conditionality specifically related to the adjustments that the TIM is designed to support may be called for.”

There is some question of whether countries will ever receive any money under the TIM at all, or indeed if this was ever the intention. Critics point to the experience with the Fund’s Compensatory Financing Facility (CFF), a programme established in the 1960s to assist countries hurt by fluctuating world commodity prices. The CFF has remained virtually unused because countries have not wanted to go into debt for damages incurred as a result of an unfair global trading system. Timeliness and flexibility have also restricted the CFF in practice. The TIM may suffer from the same problems.

An additional concern lies in the methodology used to calculate the damages caused to a country by others’ liberalisation. Based on the Fund’s enthusiastic support for all forms of trade liberalisation, Fund economists are prone to seeing any negative impacts of liberalisation as symptoms of poor or incomplete policy implementation. Witness Acting Managing Director Anne Krueger’s recent comments: “The clear evidence is that only a very small number of countries will ever find themselves needing the assistance that the TIM offers. But if its existence helps provide policymakers in those countries with the assurance they need, it should make it much easier for them to embrace the Doha Development Agenda.”

A number of developing country members, including Mauritius, Bangladesh, Jamaica and Colombia, reacted negatively to the presenta-
tion of the TIM to the WTO General Council 18 May, noting that its focus on balance of payment problems was too limited. The Kenyan representa-
tive feared that the TIM might be a diversion from the more important issue of market access: “if such contradictions are left unresolved swift solutions that are prescribed will make matters worse for developing countries.”

Fund Support for Trade-Related Balance of Payments Adjustments, IMF
Willful Ignorance: The Struggle to Convince the Trade Taxpayers, Anne Krueger

Parliamentarians’ trade working group

On 20 April, the Parliamentary Network on the World Bank launched a working group on trade. The group was decided upon during a meeting, involving parliamentarians from sev-
eral regions, as well as World Bank representatives. The official goal of the group is to “promote dialogue on trade, both within national par-
liaments and between parliamentar-
ians from North and South.” British MP Hugh Bayley (Labour), has agreed to co-chair the group. A co-chair is to be selected from the south. The World Bank task manager for the group, Jonathan Murphy, has indicated that the group is likely to put pressure on developed country negotiating positions “so that there is real movement on ensuring access to northern markets.” Murphy agreed however that it would also be appro-
priate for the group to scrutinise the Bank’s work in trade. “That would be up to the working group members and I expect will be discussed in the development of an action plan.”

The working group will be open to any interested MP, with attempts made “to ensure geographic bal-
ance” and a “representation of dif-
ergent perspectives.” Murphy stressed the group’s openness to differing viewpoints on trade: “Multilateral trade and financial organisations tend to promote unqualified trade openness. However there are many experts, even within these organ-
izations, who believe that infant industry protection is the best and a proven way to a modern economic base. Parliamentary debates on trade should include consideration of both these, and other perspectives.”

The working group’s first step will be to “determine desired activi-
ties, what resources are needed and where to get them.” A date for the next meeting has not been set.

OED trade evaluation approach paper
www.worldbank.org/oed
Talking Trade: Communities making trade policy in Ghana, ChristianAid
www.christian-aid.org.uk/indepth/311talkingtrade/index.htm

Bank trade evaluation: assume the position

The World Bank Operations Evaluation Department’s plan for an evaluation of Bank assistance on trade shies away from many of the key issues according to ChristianAid.

The evaluation framework is premised on the assumption that trade liberalisation leads to growth which will in turn, in the long run, lead to poverty reduction. The link between trade liberalisation, growth and poverty reduction, says Claire Melamed, is “assumed to be suffi-
ciently strong that poverty meas-
ures are rarely mentioned as an indicator of the success or failure of Bank trade assistance.” Instead it is assumed that indicators such as export performance and trade balance are sufficient.

The evaluation sets itself five spe-
cific questions:

What was the impact of Bank assist-
ance on specific outcomes such as import liberalisation?
Was the Bank’s advised speed and sequen-
ting of reforms appropriate?
Did the Bank advice take key external factors into account?
Was the Bank’s support accompanied by appropriate policy and institu-
tional reforms?
Did the Bank’s assistance on trade focus on poverty and distributional outcomes?

Missed is the opportunity to address more fundamental questions about the political economy of trade pol-
cy choices. Was the choice of trade liberalisation itself appropriate—did the Bank allow sufficient space for the consideration of alternative trade policy options? And has Bank influ-
ence weakened the domestic capac-
ity for trade policy analysis or dimin-
ished the role of other international agencies?

After over a year spent off-track, a scoping workshop was finally held last December in Tanzania, leading to the release of an approach paper in mid-March. A series of regional con-
sultations are now underway. The evaluation itself will involve case studies in Brazil, Indonesia, India, Kyrgyz Republic, Mozambique, Sen-
egal and Zambia. The final evalua-
tion is to be presented to the board in mid 2005.

Online edition at brettonwoodsproject.org

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Wolfensohn discusses human rights, environment at Greenpeace lecture

Bank president James Wolfensohn spoke in mid-May at a Greenpeace Business event in London. He made interesting points on issues from climate change to human rights and appealed to civil society groups to work with the Bank not against it. He undermined this diplomacy, however, by asserting arrogantly that no Bank project has harmed indigenous peoples while he has been in charge.

Wolfensohn began by reminding the audience that Greenpeace ten years ago executed a major action to embarrass the Bank at its 50th anniversary conference in Madrid. He said the Bank had improved and urged CSOs to turn their attention to key governments which do not care about environment and development.

He also emphasised that his son was making a film on climate change issues, so he did not need to hear from campaign groups about this serious global problem. Along these lines he called the Extractive Industries Review "very difficult to disagree with." He did, however, then claim that it was not a consensus document and that he had many letters from government ministers and companies arguing against implementation of the report. On the substance of the issues he said, without being specific, that the Bank would be able to provide significant funding for renewables. He also said, however, that unmet energy needs could not be met solely through renewables. And that as coal and oil extraction and combustion are inevitable, the Bank should continue regulating and reducing the impacts.

On human rights he said he was doing what he could to push the debate in his institution, but did not want to bring the issue to the board and lose. He said "if I talk about a rights-based approach, I get letters [from board members] saying I have exceeded my authority because we are a financial institution. Many countries on our board have signed the declaration of human rights but say this is not the job of a financial institution." He mentioned in passing that "dangers the board are different" from when he arrived at the Bank in 1995, mainly because middle-income countries such as China are now taken much more seriously.

A number of times in the evening it appeared that Wolfensohn was more interested in preaching about general development topics than discussing the details of what his institution was up to. This was clearly the impression many gained when Wolfensohn made the far-fetched claim that "on my watch there has been no project that has damaged indigenous peoples". Such claims are absolutely the wrong way for Wolfensohn to encourage Bank-watchers to relax their guard and begin collaborating with him. Forest People’s Programme has responded with a detailed letter pointing out the damage to indigenous groups in one country alone. They produce "substantial evidence to show that indigenous Bakola, Bagyeli and Baka communities in Cameroon have suffered as a direct result of the World Bank’s failure to ensure proper application of its indigenous peoples policy in the Chad-Cameroon oil pipeline, the Campo Ma’an Environmental Offset Project and the establishment of the Boumba Bek-Nki and Lobeke National Parks".

Steve Kretzmann, one of the Greenpeace team who organised the action in 1994 and now with the Sustainable Energy and Economy Network, commented: "Wolfensohn was very optimistic, but gave an extended defense of business-as-usual on the specific. He has got a report he commissioned that agrees with many CSOs positions and really we’re only hearing excuses for why they can’t accept them. If they want CSOs to continue to engage, the Bank has got to be willing to take on board different perspectives. If not the coming period will be marked by much more protest".

Wolfensohn himself admitted that despite hiring 120 civil society liaison officers and aiming to get human values recognised alongside economic ones during project planning, there are still problems aligning staff incentives with his high ambitions for the institution. Many believe this is partly because he is constantly travelling to make speeches rather than over-seeing the implementation of the vast range of initiatives his institution has signed up to.

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World Bank faces lobbying on human rights, climate change

The Energy Tug of War: The Winners and Losers of WB Fossil Fuel Finance, SEEN

New head for Bretton Woods Project

Jeff Powell has been selected from a strong field of candidates to be the new Bretton Woods Project Coordinator. He took up this new role in early June. Jeff has been at the Project for over two years and has demonstrated an exceptional ability to work with different people, to clarifying and galvanising action on complex work areas, and to encouraging the strengthening of networks of diverse groups in the UK and beyond.

Jeff commented: “I’m excited by the opportunity to build upon the strong reputation which the Bretton Woods Project has established. 2005 is set to be a key year in the UK for raising the profile of development issues; the team is looking forward to supporting its partners in pressing demands for justice and equity.”

Since joining the Project, Jeff has written and edited briefings and articles, in particular on trade issues. He has also facilitated meetings with the UK Executive Director and other officials, given talks at meetings of activists, and organised campaign letters and actions, for example on the selection of the IMF head. He has also taken responsibility for developing the IFWatchnet collaborative internet initiative which involves 60 organisations worldwide.

Before joining BWP Jeff got a Masters in Development Studies from the Institute for Social Studies, majoring in the Politics of Alternative Development Strategies. Before that he worked for over 5 years in Thailand as an advisor to a rural weaving cooperative, then co-directing the Thai Community Currency Systems Project. This scheme, new to Thailand, facilitated learning between people’s organisations about the role of community currencies in strengthening local economies.

After setting up BWP in 1995 and directing it since then, Alex Willis has left to run the European Network on Debt and Development based in Brussels.

BWP seeks Policy and Networking Officer

The Project has a vacancy for a unique new position. The main tasks are to research and produce materials on a number of key policy areas and strengthen the network on the Bretton Woods Institutions. Applicants need knowledge of the World Bank and IMF, experience in writing on global policy issues and to have worked with UK-based NGO networks.

Location: London; starting salary: £26,000; application deadline: 27 June 2004

Global parliamentarians campaign launched

The ineffective involvement of legislators in country dealings with IFIs is broadly acknowledged. Questioning IFI legitimacy and their dominant role in defining national development and economic policies, a global campaign led by CSOs and parliamentarians has been launched.

A global parliamentarians’ petition advocating legislative sovereignty over IFIs’ operations is to be endorsed by legislators in countries worldwide for presentation to the Bank and Fund management in October. The campaign hopes to move parliamentarians towards better oversight in the design and implementation of national development policies.

Parliamentarians: the missing link in democratising national policy making

Published by Bretton Woods Project

Critical voices on the World Bank and IMF

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