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NOVEMBER / DECEMBER 2006

Bank, Fund sidestep labour standards:

Promote violation of workers' rights

The World Bank's 2007 *Doing Business Report* rewards countries with low levels of labour protection and the IMF's *World Economic Outlook* (WEO) urges labour market deregulation. Organised labour, developing country governments and US senators have called for the institutions to respect the standards of the International Labour Organization.

ROBIN HEIGHWAY-BURY/THOROGOOD

Doing Business, released in September, ranks 175 countries on how "business friendly" they are. The annual report, first published in 2003, is used as a guide both for foreign investors and for governments prioritising so-called 'investment climate reforms'. According to the report, Georgia is the "top reformer", followed by Romania and Mexico.

The September 2006 WEO reiterated the standard IMF bilateral advice: "ensuring significant structural flexibility, including in labour markets, while establishing effective social safety nets will prove increasingly important". Labour market flexibility refers to reforms to make it easier to hire and fire workers as well as limits on collective bargaining and rights to unionise. The WEO recommended these changes for Japan, the Latin American region, emerging Asian economies, and industrial countries. IMF Article IV consultations, annual country-level reports on the state of the economy, give the same advice, most recently to France, Korea, Serbia and Poland.

The International Confederation of Free Trade Unions (ICFTU) has documented how *Doing Business* has been used by the World Bank and IMF to "force countries to do away with various kinds of workers' protection". For example, a recent Bank economic memorandum to Colombia demanded that the government make hiring and firing decisions more flexible in order to improve its *Doing Business* ranking. In South Africa, the IMF's Article IV report recommended "streamlining" hiring and dismissal procedures, which would have required doing away with affirmative action rules that post-apartheid governments put in place in order to correct the legacy of several decades of racial discrimination.

Guy Ryder, general secretary of the ICFTU, said "the World Bank and the IMF need to work more closely with trade unions, civil society organisations, and UN bodies such as the ILO to develop policies that support the decent work agenda."

A letter in October from six US senators to Bank president Wolfowitz notes that countries with inadequate labour protection are ranked high in *Doing Business*, contradicting ILO standards. The senators cited Saudi Arabia's best possible score on the 'employing workers' index, despite its prohibitions of freedom of association, the right to organise and collective bargaining, all violations of ILO labour standards. They also "fail to see how praising countries for failing to guarantee a minimum wage and pay lifts people out of poverty" and called on the Bank to coordinate all future public statements regarding labour with the ILO.

The senators join calls for Bank and Fund coherence with ILO standards emanating from developing country governments. In her statements at both the spring meetings of the IMF and World Bank in Washington and the annual meetings in Singapore, Felisa Miceli, the Argentine minister for the economy, pressed the institutions to "see compliance with core labour standards not only as ethically imperative but also as necessary to avoid a race to the bottom to attract investment." Miceli continued, "Before advocating for additional labour 'flexibility' (frequently just an elegant way of asking for less protection) staff should ... consult the ILO."

In its analysis of *Doing Business*, Latin American NGO D3E pointed out that "the way in which companies manage (or not) their social and environmental impact is not taken into account". Author Carolina Villalba concludes that the Bank's objective is to promote large investments aimed at exporting commodities which create "comparatively few job opportunities but have high social and environmental impacts".

The push for removal of labour protections has been based on empirical studies that link stringent labour market regulation to unemployment. The IMF's April 2003 WEO said "the causes of high unemployment can be found in labour market institutions." However, this contradicts the findings of the Bank's *World Development Report 2006* (see *Update* 48), which found that the effect of employment protection legislation on employment is "ambiguous" and that countries should not reduce such legislation without improving social protection and job creation schemes.

How the Bank and IMF use the *Doing Business Report*, ICFTU
www.icftu.org/www/PDF/doing-businessicftuanalysis0606.pdf

The World Bank insists on the liberalization of economies, D3E
www.southdevelopment.org/economy/VillalbaDoingBusiness.pdf

World Bank corruption fight drags on —*page 2*

Good governance or bad practice in Singapore —*comment, page 3*

IMF macroeconomic advice: 'Thanks, but no thanks' —*page 4*

Global energy solutions bank on carbon trading —*page 7*

World Bank corruption fight drags on

The World Bank's anti-corruption framework was the subject of a bruising Development Committee debate at the annual meetings. Further challenges for the Bank include the impact on anti-corruption efforts of a rapid rise in Chinese lending to developing countries and debt campaigners use of the corruption issue to highlight creditor responsibility for 'illegitimate lending'.

The stand-off at the September meeting was between board members led by the US and Japan who support the Bank's anti-corruption framework, and those who feel the framework jeopardises the development mandate of the Bank, including developing countries and several European board members, most notably the UK. In the end, the block led by the UK gained the upper hand, with the communiqué stressing "the importance of board oversight of the strategy as it is further developed".

At the meetings of the G24 group of developing countries, Mushtaq Khan of the School of Oriental and African Studies in London dissected the Bank's own empirical analysis to refute any causal connection between corruption and growth. This coincides with the view of the Bank's own evaluation unit which, in a leaked note on the anti-corruption framework, described the link between corruption and country performance as "varied and diverse". Khan calls for a more nuanced understanding of the "structural drivers" of corruption, the different types of corruption which result and the appropriate policies to address them.

Civil society groups have been determined to slow the pace of the framework's development (see *Update* 52). In response, the Bank announced a second consultation on the framework running until January. Bank staff will organise "multi-stakeholder workshops" in "several" countries. A more extensive consultation process was rejected due to the requirement to report to the board in January.

The Bank's internal work plan is much more extensive, including: systematic consultation; formation of a steering committee to develop options for "country-level engagement"; strengthening of governance units; development of staff guidelines; an independent review of the department of institutional integrity; and new methodologies for country governance assessments.

Faulty measurements?

All sides agree that the key to rooting out corruption is building better governance institutions; but what institutions and how to measure their effectiveness? Visiting London in October to discuss the Bank's strategy, Daniel Kaufmann, creator of the Bank's governance assessments, said: "The call for additional indicators is fine, but let's not get into the pitfall of not using the good things that exist." However, an OECD report published in August suggests severe problems with the construction and use of the Bank's governance indicators, including correlation errors, lack of comparability over time, sample bias, and insufficient transparency.

This may lead the Bank to listen to the "modest proposal" of Cornell University economist Ravi Kanbur to introduce outcomes-based indicators in its governance assessments. Kanbur argues for the inclusion of "an actual development outcome variable" such as one of the Millennium Development Goal indicators.

China crisis

China has reportedly committed \$8.1 billion to Sub-Saharan African countries this year compared with \$2.3 billion pledged by the Bank. While recipient governments may see Chinese money as a windfall free from the meddling conditions of Western aid agencies, the World Bank has voiced concerns that corrupt regimes may turn to China to avoid facing anti-corruption measures or environmental and social safeguards.

Speaking ahead of a China-Africa summit held in Beijing in early November, Bank president Paul Wolfowitz said big Chinese banks "do not respect" the Equator Principles - a voluntary code of conduct pledging that projects financed by private bank lending will meet certain social and environmental standards. China's foreign ministry spokesman Liu Jianchao shot back, "in fact, this benefits Africa's economic and social development."

Wolfowitz also said he was concerned about lending by China, Venezuela, India and others to poor countries that had benefited from debt relief: "There is a real risk of seeing countries which have benefited from debt relief become heavily indebted once more." In Bank parlance, this is called the 'free rider' problem. New Bank policy means that poor countries which are found guilty of borrowing from 'free riding' creditors will be punished by having concessional financing cut or made more expensive.

Bank watchers have criticised this approach for punishing poor borrowers while doing nothing to discipline 'opportunistic' lenders. Celine Tan, researcher at Warwick University, concludes that the measures proposed by the Bank to deal with the 'free riding' problem represent "new mechanisms to continue binding countries to financing flows - and thereby financial discipline."

Illegitimate lenders

Debt campaigners have maintained that northern donors must accept responsibility where they have knowingly entered into loan arrangements which were used for corrupt or other illegitimate purposes. A breakthrough came in October when Norway announced the unconditional cancellation of \$80 million in "illegitimate debts" owed by Egypt, Ecuador, Peru, Jamaica and Sierra Leone. Immediately donors will be pressured to cancel Liberia's debts whose arrears to the World Bank and IMF - made up of lending to the former dictator Samuel Doe - amount to over \$1.5 billion.

Strengthening Bank Group engagement in governance
www.worldbank.org/governancefeedback

Governance and anti-corruption reforms in developing countries
www.g24.org/khan0906.pdf

Reforming the formula
www.arts.cornell.edu/poverty/kanbur/IDAForm.pdf

Only 22% of IFI info requests fulfilled

A new study released in October by the Global Transparency Initiative (GTI) undermines IFI claims to increased transparency. Only 22 per cent of requests for information about IFI documents - submitted to both the IFIs and member governments - were satisfactorily responded to. The requests were filed according to a rigorous uniform methodology in Argentina, Bulgaria, Mexico, Slovakia and South Africa. To remedy the situation, the GTI has launched an IFI transparency charter, a statement of the standards to which IFI information disclosure policies should conform and a key advocacy tool for the promotion of more progressive policies.

www.ifitransparency.org

German firm debarred over Lesotho fraud

In November, the Bank debarred German engineering firm Lahmeyer International over bribery convictions in the Lesotho Highlands Water project (see *Update* 52). Lahmeyer is barred from receiving Bank funds for up to seven years, but could see that verdict reduced by four years "if it proves its corporate behaviour has changed". The decision to debar Lahmeyer now for a crime for which it was indicted in 1999 "sends the wrong signal to other corporate bribers" says Patricia Adams of NGO Probe International. "The Bank should have taken swift action and suspended the company's right to do business when they were originally indicted - as is allowed for under the US foreign corrupt practices act."

Bank's handling of fragile states "unsatisfactory"

In September the Independent Evaluation Group (IEG) released its review of World Bank support to 'fragile states'. The report gave the Bank a mixed review on its effectiveness, but raised serious questions both about the way the Bank is organised internally to deal with fragile states and the system it uses to allocate resources. Researchers and Bank-watchers question whether the review has gone far enough to examine what causes state 'fragility' and what role Bank-led reforms and projects may play in fostering it.

www.worldbank.org/ieg/licus
www.brettonwoodsproject.org/ieglicus

Growth commission latest

The workplan of the Bank's independent commission on growth (see *Update* 51) has now been clarified. Twenty-one country case studies "will discuss individual growth and poverty reduction experiences and analyse how they were or were not achieved". At least 40 background papers are being commissioned examining the impacts on growth of climate change, health, education, gender, infrastructure, governance, equity, urban economic growth, migration, trade in services, etc. Finally, the Bank is in the process of organising regional workshops in Cartagena, Colombia in March and Maputo, Mozambique in April, with final dates to be determined.

www.worldbank.org/prem/growthcommission

Good governance or bad practices? *Two activists reflect on their mistreatment at the World Bank-IMF annual meetings in Singapore*

COMMENT

Maria Clara Couto Soares, ActionAid's head of policy for the Americas Region

The IMF-World Bank annual meetings in Singapore were visible for not addressing IMF governance reform and for the anti-corruption framework proposed by the Bank. Media all around the world not only covered the draconian security measures put in place by Singapore, but also the violation of the civil and political rights of NGOs and social movements' representatives that went there to take part in the meetings. These measures aimed to suffocate the voices of the peoples.

Just a few days before the beginning of the parallel meeting - the International People's Forum, in Batam, Indonesia - local police authorities announced on Indonesian television that they would not allow the Forum to be held. Civil society organisations condemned the Indonesian government for repressing the democratic right to express peaceful disapproval over World Bank and IMF policies, and the Singapore government for applying pressure on the Indonesian authorities to cancel the Forum. After intensive media work, the Indonesian authorities reversed their decision.

Another clear sign of disrespect of civil and political rights was the Singapore authorities' blacklisting of selected organisations and individuals. The list included delegates accredited to take part in the World Bank and IMF official meetings. The prohibition was partially reversed after broad criticism. But the measure, allowing the entry of 22 of the 27 blacklisted individuals, was too little, too late. Expensive travel plans had already been undone and no reason was given for leaving five individuals on the list.

Over 160 civil society groups joined the call for a boycott of the official IMF/World Bank meetings. The call highlighted the responsibility of both institutions for the developments. Unfortunately, more oppressive events were still to come. And my detention and deportation was just a part of them. As part of the ActionAid delegation, I was in transit to Singapore and Batam to voice our views on the IFIs and the impact of their policies on poverty and inequality.

Like many other peaceful activists, I was held in customs and taken away for interrogation. My detention extended for more than 30 hours. During this period, I was subjected to intense interrogation and utmost humiliation. All my documents, money, personal belongings and my entire luggage were confiscated. I was fingerprinted and photographed several times. I was kept for more than 20 hours locked in a room under observation where I was not able to turn off the lights or go to the toilet unescorted. I was not allowed to speak to anyone in the same situation as me or to make phone calls.

Absolutely no reason was given regarding my detention and deportation by Singaporean authorities, despite requests from the government of Brazil to allow my entry.

Many other civil society delegates were also detained for several hours, subjected to repeated interrogation, fingerprinting and searches, but released with written warnings not to participate in any protest. Others like me were deported without explanation. Both cases show a lack of respect for fundamental liberties.

Denying entry to civil society representatives violated the terms of the memorandum of understanding that Singapore signed with the global institutions. Nevertheless, no strong measures were taken by IMF and WB representatives. Instead, the IMF's governing body, the International Monetary and Finance Committee, said in their communiqué that they "express their gratitude to the Singapore authorities for the excellent arrangements". In spite of the 'good governance' discourse the World Bank and IMF showed how out of touch they are with the practice of genuine democracy.

COMMENT

Jenina Joy Chavez, senior associate at Focus on the Global South

To most people who caught the news of the banning of activists from entering Singapore, the week of 14-20 September could have been one of the more eventful in the history of the Bank-Fund meetings. World Bank president Paul Wolfowitz's description of Singapore's actions as "authoritarian" added interest to the whole incident, and highlighted the seeming friction between the Bank's vaunted openness to civil society engagement and the host country's stringent laws on public assembly.

I was one of those banned, and eventually un-banned, from entering Singapore that week. I did go to Singapore to be at a press conference with others from the International People's Forum against the IFIs. The inconvenience and the anxiety of being labelled a "security and law and order" consideration were the thoughts that preoccupied me at the time.

Judging from the results of the Bank-Fund meetings, the eventful week was not so eventful after all. The media attention masked the non-event inside the meetings. Developing member countries gained nothing of significance.

Realising the limited space Singapore provided for civil society action, many groups (including Focus on the Global South) sought accreditation to the meetings for the first time. We were interested in challenging the Bank and Fund on their policy and practice even in their own space. Ironically, it was precisely the Bank's lack of influence over Singapore that made the banning of accredited participants possible.

The initial concerns that preoccupied me were forgotten and were replaced by a series of questions. Was it entirely Singapore's fault, or indeed was it at all? Was the fault of the Bank and Fund limited to the choice of Singapore as a venue? Was it wise to have prioritised challenging the Bank and the Fund inside their space? For me, Singapore crystallised a lot of lessons learned from many years of experience with engagement. Owing to the nature of international institutions, it is imperative that we monitor them, challenge them, protest their policies and practices that have negative impacts - in short, engage. What happened in Singapore underscored how much or how little the possibility is of affecting institutions that are not designed to be responsive to what people like me say.

The Bank and the Fund are institutions structured like corporations where the biggest stockholders hold the biggest number of votes. My vote is represented by an executive director, and it is measly compared to the American vote that can veto all of the other votes combined. The relationship between the Bank and Fund and my country is that of creditor-debtor, fraught with uneven balance of power. And while some may say that the Bank and Fund are the institutions most open to civil society participation, it has to be remembered that they were not so before Latin America was de-industrialised, African development practically ground to a halt, and the entire developing world was buried in debt, courtesy of its structural adjustment programmes. In short, civil society was called in after they already made a big mess.

The Bank and the Fund profusely thanked Singapore and congratulated it for a job well done in hosting the event, keeping silent about the five people who remained on the Singapore banned list, and quieter still about the many others who were stopped, interrogated and deported. Engagement (perhaps it is high time to find another, more appropriate term) remains the norm. But if engagement favours protest and denouncement, it is because engagers get tired of dancing to bad music too.

We welcome submissions from representatives of Southern civil society organisations for the "comment" feature.
If you are interested in contributing please contact ***comment@brettonwoodsproject.org***

IMF macroeconomic advice: 'thanks, but no thanks'

The IMF's ability to dictate economic policy to member states is fraying because of lost credibility in the wake of its failures in East Asia, Argentina and Russia. Developing countries are now rejecting the Fund's interference in their economies.

In the midst of Ecuador's presidential election in October, the IMF reportedly recommended in private that the government accumulate reserves to guard against a drop in the oil price and a possible adverse ruling in an investment arbitration case with a multinational oil company. The September 2006 *World Economic Outlook* (WEO), a semi-annual IMF report, criticised Ecuador's energy investment policies.

Ecuadorean economy minister Armando Rodas called the WEO "a poor report filled with fallacies" and demanded that the IMF stop meddling in Ecuador's internal affairs. One candidate in November's presidential run-off, Rafael Correa, has flirted with declaring a unilateral moratorium on repayment of Ecuador's debt to the IMF to free up resources for social programmes.

South Africa has also publicly refused the IMF's advice. The central bank in South Africa has a relatively broad band for its inflation target of three to six per cent. In the Fund's 2006 Article IV consultation, an annual economic report produced for each Fund member, staff suggested that the bank explicitly target the midpoint of the band. Central bank governor Tito Mboweni rebuffed the IMF and declared that it should "avoid anything that would appear to be policy prescriptive for countries which are not borrowing from [it]".

Rates, reserves policies in flux

The industrial world, increasingly concerned over China's trade surplus growth, is pushing for the IMF to increase its surveillance of exchange rate regimes. One idea floated by US researcher John Williamson is for the IMF to publish equilibrium exchange rates for each member country regardless of the currency regime in use. It is widely viewed that this suggestion is targeted at China, whose currency is considered undervalued by the United States and Europe.

However, an October Fund working paper by Dunaway, Leigh and Li concluded that small changes in model specifications can lead to substantial differences in equilibrium real exchange rate estimates: "Thus, such estimates should be treated with great caution."

The executive board is still reviewing the IMF's policy on exchange rate surveillance, which was last revised in 1977, but it is unlikely to reach consensus. In his statement to the IMFC, Nor Mohammed Yakcop, Malaysia's finance minister, argued against the review of the policy, saying "we do not support the proposal for the Fund to determine and make public whether a member's exchange rate is misaligned. It is widely known that the estimation of equilibrium exchange rate levels is highly sensitive to the underlying assumption." Similar resistance was expressed by ministers from Argentina and Nigeria.

A recent Fund working paper on the optimal level of foreign exchange reserves by Jeanne and Rancière was unable to account for the enormous build up of dollars in East Asia's coffers. The weakness of the model was its assumption that the sole rationale for holding reserves was to buffer against shocks to growth from sudden stops of capital inflows. It ignored the political and economic risks countries and politicians face in going to the IMF during a crisis.

A recent G24 paper by Injoo Sohn of Princeton University explained Asian countries' rationale in developing alternatives to the IMF: "An increasing number of developing countries have questioned the legitimacy and effectiveness of the relatively exclusive decision-making structure of global financial governance, particularly after the 1997-98 Asian financial crisis. East Asia is thus calling for substantial IMF reform at the global level while pursuing new financial multilateralism at the regional level."

Ecuador, elections and the IMF
ifis.choike.org/informes/458.html

East Asia's counterweight strategy
www.g24.org/sohn0906.pdf

IMF quota reform poses risks to developing countries

During the annual meetings in Singapore the board of governors of the Fund passed a resolution (see *Update* 52) that sets in motion a two-year quota reform process which may end up eroding, not enhancing, the voice of developing countries in the institution.

The resolution - which included ad hoc quota increases for four countries (China, South Korea, Turkey and Mexico) and commitments to revise the quota formula and increase the level of basic votes - was approved by IMF members accounting for 90.6 per cent of the voting rights. Concrete proposals for the new quota formula and the size of the basic vote increase should come to the executive board before the annual meetings in 2007.

It was reported that 23 countries voted against the measure, including India, Argentina and Brazil. Indian finance minister Palaniappan Chidambaram said, "We were not in favour of any *ad hocism* including the proposed two-stage process based on a hopelessly flawed formula. We believed that all reforms ... could have been adopted simultaneously as a package."

Most developed countries have trumpeted the commitment to "at least a doubling of the 'basic' votes". Basic votes, which are allocated to every country and are not tied to the quota formula, have dropped from over 11 per cent of total votes at the time of the Fund's inception to just 2.1 per cent now. Because developing countries outnumber developed countries in the Fund, increasing basic votes boosts their share of the total vote.

However, even a trebling of basic votes would do little to affect the distribution of power or change decision making procedures. No proposal for changing the basic votes would prevent industrialised economies from maintaining their majority of voting weight.

The change in basic votes will be tied to agreement on "a simpler and more transparent" quota formula. The worry for developing countries is that the new formula will actually lower their share of the total vote. While the factors to be included in a new formula will be the subject of negotiation over the next year, the US, the EU and Japan all agree that GDP at market exchange rates should be the predominant factor. While the US has left room to consider absolute variability of the current account, the EU prefers a formula based on openness to trade.

In either formulation, combining a two-factor formula with a trebling of basic votes would actually decrease the voting power of developing countries from their current share of about 30 per cent to ranges of 20 per cent to 25 per cent of the total. While the US has committed to forgoing any quota increase that it may be entitled to under a revised formula, no other developed country has been willing to do the same.

In fact, the EU has stated the opposite. In a draft position document leaked to newswire Bloomberg, EU member states refused to swear off increases to their quotas. They have also rejected using variability as a factor in a new formula and looked to delay quota adjustment even in the medium-term.

IMF quota reform is inadequate, reaction to IMFC communiqué
brettonwoodsproject.org/prquota0609

Board reform off the table

While commentators have called for a 'grand bargain' on IMF governance reform (see *Updates* 48, 51), powerful members have resisted anything but the smallest changes to the executive board. The recent proposal only called for more staff resources and more than one alternate executive director (ED) for large constituencies.

These minor changes do not address the imbalance in board representation which sees Europeans hold one-third of board chairs. Europeans have consistently sought to protect their privileges at the IMF, and refused to link board and quota reform. The board continues to refuse to publish voting records or transcripts of meetings.

The board's poor functioning and imbalance has prompted the New Rules for Global Finance Coalition to convene a high-level panel on IMF board accountability. The panel - which includes former EDs, academics, IMF officials and representatives from civil society - will publish its recommendations in January.

www.newrules.org/docs/imfreform/imfaccountability100306.htm

Inside the institutions

The World Bank and disability

The Bank's formal commitment to disability work began in June 2002 with the founding of the disability and development team within the social protection unit of the human development vice-presidency. The team's primary focus is on cooperating at the international level on including the disabled in development, but it also assists those who ensure that the Bank's internal working practices do not prevent disabled staff members from effective participation in the Bank.

Currently the disability and development team has five full-time and three part-time staff. Inclusion of the disabled is generally not advanced through dedicated lending projects, but integrated as aspects of other projects, for example ensuring a transit project is accessible to disabled persons.

The Bank cites its mainstreaming approach as the reason why it has no figures on the volume of Bank resources dedicated to working with the disabled. However, it estimates that in the last four years four per cent of all Bank projects, representing five per cent of lending volume, have integrated disability as a component of their work. In that time, the disability team has worked with approximately 80 staff in regional, country and sectoral offices. For example, the team worked on a flagship project on the inclusion of disability in development work in India.

4 per cent of all Bank projects have integrated disability

In 2002 and 2004 the World Bank organised conferences on disability and development to mark the UN international day of disabled people. Much of the Bank's early work in this field involved improving the data available about disability. Nobel-prize winning economist Amartya Sen's speech at the 2004 conference highlighted the efforts that needed to be made to adapt poverty lines to consider the higher incomes needed to achieve the same quality of life by the disabled.

The Bank also set up the Global Partnership for Disability and Development (GPDD) in 2004, an international consortium of development agencies, NGOs and governments. The GPDD does not engage in field work but seeks to "increase collaboration among development agencies and organisations to reduce the extreme poverty and exclusion" of the disabled. It essentially serves as a clearinghouse for information on disability and its secretariat will be established at the Bank before the end of 2006. Civil society organisations on the coordinating task force include World Vision UK, the African Deaf Union and Handicap International.

The World Bank also administers a multi-donor trust fund, established in December 2005, related to disability, but its work plan is under construction and it has not yet funded any projects. The trust fund's main role is to fund the activities of the GPDD. Finland, Italy and Norway sit on the donor committee of the fund, which is expected to disburse $700,000 a year for five years.

The Bank also participates in inter-agency cooperation to ensure that the UN Convention on the Rights of Disabled Persons is implemented. Despite this rights-based approach, the Bank's region and country offices have free reign to develop their own work programmes on disability: "Each region of the Bank has its own approach to disability" which "depends on cultural, economic and social environments and by the financial situation in the country."

The disability and development team developed a toolkit covering knowledge on thematic areas related to disability - for example data collection, disability in the project cycle and disability law. The toolkit served as the guideline for training courses with Bank team leaders in Africa and East Asia to teach them how to include disability in development programmes. The team also works on the links between disability and other issues that have captured the Bank's attention in recent years such as water, sanitation, communication and youth. Bank engagement with disabled people's organisations and civil society at large is done both by the disability team and at country level.

Disability and development website
www.worldbank.org/disability

Global Partnership on Disability and Development
www.worldbank.org/disability/gpdd

Split highlights growing call to rethink conditionality

Differences of opinion over conditionality blew up into an embarrassing spat between the Bank and the UK at the annual meetings forcing the Bank into a second review of conditionality.

Conditionality - stipulating policy changes governments must make in order to receive loans or grants - is common practice at the Bank. As part of its contribution to the last replenishment of the International Development Association (the Bank's lending arm to low-income countries), the UK made £50 million contingent on the Bank making "satisfactory progress" on "implementing the recommendations in the 2005 review of World Bank conditionality" (see *Update* 47). The review committed the Bank to five 'good practice principles' in the use of conditions: ownership, harmonisation, customisation, criticality, and transparency and predictability. An internal Bank review released in September which found that it is "broadly following" the new principles was contradicted by NGO research (see *Update* 52) and failed to satisfy the criteria of the UK.

Stung by rebukes on both this issue and the anti-corruption framework (see page 2), Bank officials struck back, accusing UK international development secretary Hilary Benn of "manufacturing a non-crisis to score points in the UK by pretending to stand up to the Bank. It plays well in the party leadership race back home but has absolutely nothing to do with helping poor people." Wolfowitz was forced to climb down by the end of September, writing in a letter to the *Financial Times* that it was "unwise of Bank officials to attribute this campaign to the political ambitions of Hilary Benn", and that it was "right to question past Bank policies regarding conditionality".

In late November the Bank released a progress report responding to the UK's concerns. The report contends that the Bank has made "satisfactory progress in implementing the recommendations of the 2005 review of World Bank conditionality". However, there is "considerable room for improvement" including:

- *upstream disclosure of Bank analytic work;*
- *avoiding the use of policy conditionality in "sensitive areas";*
- *avoiding overlap of conditionality with the IMF; and*
- *avoiding unnecessary process conditions.*

It is anticipated that the progress report will satisfy the board when it is discussed 5 December. The next progress report on conditionality is planned in two year's time.

Denunciations of the World Bank's use of conditionality from civil society groups around the world continue unabated. In October for example, a civil society symposium in Sierra Leone called for reform of conditionality policy, while more than 2000 people marched on the offices of the World Bank in Colombo calling for an end to harmful economic policy conditions.

The Norwegian government is hosting a conference on conditionality end November which will bring together development officials from Sweden, Denmark, Finland, the UK, Canada, Germany and The Netherlands to discuss more appropriate and effective conditionality for the future. As input to the conference, the Norwegian ministry of foreign affairs commissioned research on the impact of conditions. Case study countries are Bangladesh, Mozambique, Zambia and Uganda. Preliminary findings include:

- *the Bank is significantly more pragmatic than it used to be, although it is still exploring ways to increase private participation in the provision of services;*
- *privatisation conditionality still figures in a majority of the IMF's Poverty Reduction and Growth Facilities;*
- *in trade, the basic thrust towards liberalisation continues, with changes due to the shifting global context as well as prior liberalisation at the country level; and*
- *there is a great deal of variation in Bank and Fund practice.*

World Bank no more!, MONLAR
www.geocities.com/monlarslk/events/docs/Reject_WB_dictates.pdf

Norwegian Church Aid
english.nca.no/

World Bank on human rights: "active support" but no politics

In October the Swedish minister of foreign affairs launched a Nordic trust fund for justice and human rights, and the World Bank Institute devoted its latest edition of* Development Outreach*, to human rights and development.

This includes contributions from high profile experts on the issue and from the Bank's new legal counsel, Ana Palacio. Meanwhile, the World Bank's private sector arm, the International Finance Corporation (IFC) continues to pioneer its niche private sector role in supporting human rights (see *Update* 52).

The five year Nordic trust fund will finance: training for World Bank staff; pilot projects linked to poverty reduction strategy papers; and development indicators for "efficient" human rights and justice programmes. Ulrika Sundberg from the Swedish ministry of foreign affairs states that there is a lack of practical evidence to show that human rights considerations "constitute an added value to the economic development process" and that World Bank economists need convincing of this fact. She envisages a debate on conditionality "for decisions on the granting of loans or aid to be subject to tangible results in the area of human rights". She also asserts that "the World Bank should not take over the UN's role when it comes to human rights".

Ana Palacio emphasises that "the World Bank has limitations on strictly political activities", based on its articles of agreement. She asserts that "the overarching goal of human rights frameworks is the empowerment of the weakest most marginalised, including the poor". She puts much emphasis on the World Bank's "facilitative role", to support country members to realise their human rights obligations. Importantly she states that "human rights would not be the basis for an increase in Bank conditionalities, nor should they be seen as an agenda that could present an obstacle for disbursement or increase the cost of doing business". She also highlights the integration of human rights with the Bank's promotion of good governance and anti-corruption work. She makes no mention of the Bank's own role in contributing to violations in recipient countries and ways in which it should address this, or access to justice for those affected.

human rights would not be the basis for an increase in Bank conditionalities

Reactions to Palacio's statement have been mixed. "Although her focus is largely limited to economic, social and cultural rights, she has at least emphasised legal empowerment of the poor as an important consideration", said Anne Perrault from the Center for International Environmental Law. "We should watch to see if the Bank's focus, in practice, remains entirely on what states are obligated to do and not on what the World Bank must do". Others fear that the Bank will use its newly adopted human rights speak as a means to legitimise its good governance and anti-corruption agenda (see *Update* 52), and that efforts to "support its members to fulfil their obligations" will result in yet more loan conditionality.

The IFC claims to be "actively supporting" the operationalisation of the UN Norms on Business and Human Rights into private sector lending requirements and asserts that its "policy and performance standards are supportive of human rights". Responding to a report edited by Canadian NGO, The Halifax Initiative (see *Update* 51) on the IFC's revision of its lending standards, the IFC says it is "trying to strengthen [its] support of human rights at the project level", particularly in relation to its lending standards on labour, security forces, housing and indigenous peoples. Fraser Reilly-King from The Halifax Initiative said: "such an assertion is astonishing when you look at IFC-supported projects associated with clear human rights violations, such as the Glamis goldmine in Guatemala and Anvil copper-silver mine in the Congo. If the IFC were to ensure that its standards comply with international law and that its projects do not undermine human rights directly or indirectly as called for by the Extractive Industries Review, that would be a different matter." The IFC will launch its human rights impact assessment in December.

Nordic trust fund
www.manskligarattigheter.gov.se/extra/pod/?id=44&module_instance=2&action=pod_show&navid=44

Development Outreach
www1.worldbank.org/devoutreach/#6

IFC response on human rights
www.halifaxinitiative.org/index.php/projects/821

Human rights or conditionality?
www.brettonwoodsproject.org/humanrights52

World Development Report 2007 on youth: familiar prescriptions

The World Bank's annual *World Development Report* (WDR) was released in September focusing on youth. Plans are underway for next year's edition on agriculture, and follow-up continues on last year's report on equity.

The authors of the youth report apply "three lenses" to improve the focus of youth policy development: expanding opportunities; enhancing capabilities; and giving "second chances". Despite bringing much needed attention to the issue of youth and development, NGOs have found many familiar Bank prescriptions in the report.

NGOs working on youth issues have welcomed the report's attention to "second chances", however PLAN International believes insufficient attention is directed to confronting the structural factors that generate "inequalities of opportunity" in the first place: "the negative impact of exclusionary structures, political processes, policies and institutions is overly played down."

Willy Thys, general secretary of the World Confederation of Labour, slated the report: "It is the Bank's own standard policies - government austerity, deregulation, privatisation and liberalisation - that has created many of the problems the report tries to address, such as growing poverty among young people and the fact that a majority of youth, particularly young women, only can find work in the informal economy".

David Archer, head of education for ActionAid International finds the report has "ideological attachments" in education. He cites the report's support for school vouchers, performance-based pay for teachers, public-private partnerships and cost sharing as examples where ideology triumphs evidence.

WDR 08 on agriculture

The report outline covers three areas: investing in agriculture for growth, making agricultural growth pro-poor, and integrating agriculture-for-development into national and global policy agendas. The outline sends out encouraging signals about key issues that will be addressed in the report, including environmental degradation, the role of indigenous knowledge and the impacts of market concentration.

Undoubtedly controversial will be issues such as biotechnology, land reform, subsidies and the impacts of trade liberalisation. An electronic consultation on the first draft of the report is scheduled for January-February. The final report will be published in September 2007.

Follow-up on WDR equity

Last year's WDR on equity found that rising global inequity is a "bad thing" for both the intrinsic unjustness it represents and because of the instrumental relationship between equity and development. Sweden's development agency has provided funds to support the operationalisation of the report. Support is being provided to a small number of country teams where there is interest in equity issues including Cambodia, Kenya, Zambia and Chile. In parallel with the country pilots, a research programme is being fleshed out. This includes improving abilities to measure inequity, and work on "the relationship between income levels and health and education outcomes".

World Development Reports
www.worldbank.org/wdr

Bringing equity into development
www.ifiwatchnet.org/documents/item.shtml?x48184

Global energy solutions bank on carbon trading

In the midst of climate talks in Nairobi and the release of the Stern review on the potential catastrophic economic impacts of climate change, the World Bank has been touting the most recent draft of its investment framework on clean energy and development, and stepping up its role in devising market-based solutions to climate change. Critics have decried the hypocrisy of the Bank's role in funding fossil fuel projects, and the perverse rationale behind carbon trading.

The latest draft of the World Bank's investment framework for clean energy and development was published in September (see *Update* 51). The framework now includes an "Africa action plan for improved energy access" and is based on three 'pillars': energy for development and access for the poor; transition to a low carbon economy; and adaptation to climate change.

It encourages a cost-effective and "sustainable" transition to a low-carbon economy, "without hindering the growth of developing countries and mitigating the incremental costs to them". It emphasises the need for "energy sector policy reform to attract private sector investments and additional public sector financing", and additional concessional support for energy needs in Sub-Saharan Africa. It proposes new financial instruments, notably the clean energy financing vehicle and the clean energy support fund; makes suggestions for the role of the Global Environment Facility (GEF); and advocates for "sound country energy policies" and "regulatory frameworks."

Many criticisms of the first draft of this framework published in April still stand, including the Bank's promotion of large hydropower, nuclear and coal-fired power projects as 'clean' alternatives, and the failure to challenge the responsibility of northern polluters. A coalition of NGOs, elaborated these issues in a report entitled *How the World Bank's energy framework sells the climate and poor people short*. It points out that despite laudable statements on energy poverty, and the adverse effects that climate change can have on poor peoples' livelihoods, the new framework is still fundamentally flawed. The report urges the Bank to redirect dirty energy in 2006 only 4 per cent went to renewable energy projects financing to renewable technologies and energy efficiency projects via an appropriate multi-lateral framework. Pantoro Tri Kuswar of Friends of the Earth Indonesia/WALHI said "the Bank's focus on fossil fuel projects will not bring electricity to the poor but instead lead to more pollution, conflict and corruption and do little to stop climate change".

Reliable and comparable data on World Bank energy spending is elusive: the World Bank says that it financed $871 million in renewable energy and energy efficiency in fiscal year 2006 but a recent analysis by Friends of the Earth pulls this claim apart. Not only do these figures include environmentally damaging large hydropower projects but also projects funded by the GEF or by carbon finance funds, which are technically separate from the World Bank. Of the $ 4.4 billion that the Bank claims for all of its energy sector investments in fiscal year 2006, only four per cent actually went to renewable energy projects like wind, solar, and geothermal production. More than 82 per cent of World Bank financing for oil extraction has gone to projects that export oil back to wealthy northern countries.

only four per cent actually went to renewable energy

A campaign by the UK student network People & Planet aims to end the contradiction between UK government targets to tackle climate change by cutting greenhouse gas emissions, and the continued use of UK development aid to support fossil fuel extraction projects that generate energy for consumption in the north. People & Planet are calling on DFID to phase out all support for fossil fuel extractive projects, and massively increase support for new renewable energy sources to address the growing energy needs of emerging and developing economies without concurrent increases in carbon emissions. At the same time, an international campaign called "end oil aid" has been set up to address the issues at the intersection of oil dependence, climate change and international debt.

Trade yourself neutral

The World Bank is the largest public broker of carbon purchases. Its investment framework places considerable emphasis on market solutions. The Bank and IMF proudly announced that their annual meetings were 'carbon neutral'. The assumption that the problem of climate change can be traded away, while maintaining the economic status quo is undermined in a recent book edited by Larry Lohmann. It points out that despite the World Bank's involvement in carbon trading initiatives such as the Clean Development Mechanism and Prototype Carbon Fund (see *Update* 47), from 1992 through 2004 it approved $11 billion in financing for 128 fossil-fuel extraction projects in 45 countries. These projects will ultimately lead to more than 43 billion tonnes of carbon dioxide emissions, " a figure hundreds of times more than the emissions reductions that signatories to the Kyoto Protocol are required to make between 1990 and 2012".

World Bank energy framework sells climate and poor short
www.ifiwatchnet.org/documents/item.shtml?x=46133

Carbon trading: A critical conversation on climate change
www.tni.org/ctw-docs/ddcarbontradepress.htm

Ditch dirty development
peopleandplanet.org/ditchdirtydevelopment

End oil aid
www.endoilaid.org

Uruguay announces early IMF repayment

In November Uruguay committed to clearing its balances with the IMF earlier than required, announcing its intention to repay its remaining balance of $1.1 billion sometime next year. The remaining debt was not due to be repaid until 2008. This follows two other early repayments, made in March and July. Uruguayan economy minister Danilo Astori said that the decision marked the beginning of a new phase in his country's relationship with the IMF. The repayments will likely be financed by new sovereign bond issues. The IMF welcomed both the early repayment announcement by Uruguay and the completed early repayment by Indonesia.

New senior staff at IMF, Bank

IMF managing director Rodrigo de Rato selected the deputy finance minister of Brazil, Murilo Portugal, to succeed Agustín Carstens as the next IMF deputy managing director. Portugal's appointment brings him back to Washington where he served four years as an executive director at the World Bank and seven years as an ED at the Fund. Kristalina Georgieva will serve as director for strategy and operations in the Bank's sustainable development vice-presidency. The position was created in June by Bank president Paul Wolfowitz following the merger of the environmentally and socially sustainable development and the infrastructure networks. Georgieva is currently the World Bank's country director for Russia.

CAO fails to reduce conflict in Peru

A report by Friends of the Earth finds that the 'roundtable dialogue' set up by the World Bank's Compliance Advisor Ombudsman (CAO) has been unable to fulfil its objectives to intervene effectively in conflicts between the IFC-supported Yanacocha mine company (see *Updates* 42, 53) and affected communities in Cajamarca, Peru. Local groups have asked for the roundtable's dissolution on the grounds that it lacks independence and has been manipulated by mining company interests. The independence of the CAO was immediately doubted due to its association with the IFC and the mining company.

www.foei.org/publications/pdfs/cao_cajamarca.pdf

Uruguay pulp mills: "no risk"

The IFC and MIGA have approved funding for a controversial pulp mill project in Uruguay. This follows an IFC impact assessment which found few environmental and social risks. The project is being built by Finland's Botnia in the town of Fray Bentos on the river dividing Uruguay from Argentina. Funding for a second project by Spain's ENCE is on hold since its announcement to relocate its plant. In July the International Court of Justice rejected Argentina's request to order Uruguay to suspend construction of the mills. An ICJ judgement on whether Uruguay has breached a 1975 river treaty is expected within two years. Blockades by Argentine activists have resumed.

www.brettonwoodsproject.org/botnia-ence51

High-risk water infrastructure at any cost

After a decline in the late 90s, World Bank lending for water projects has been rapidly increasing, reaching $1.8 billion in FY05. The Bank which is the largest external financier in this sector, claims to have "learnt from past mistakes". Projects in South Asia and Sub-Saharan Africa suggest otherwise.

An investigation by the World Bank Inspection Panel has found that the World Bank-funded water project in Pakistan, the National Drainage Program (NDP) (see *Update* 52) has led to widespread environmental harm and suffering among local communities. The project has contributed to deadly floods and violates - either fully or partially - six of the Bank's safeguard policies.

The World Bank approved $285 million for the NDP in 1997. The project was supposed to improve drainage in Pakistan's irrigation system in order to address salinisation and waterlogging. The Inspection Panel reported that the alignment of the drainage canals was "technically and environmentally risky", and "mistakes were made during the design" of the canals. Consequently "increased salinity has affected large tracts of agricultural lands" and the failure of the drainage infrastructure "has led to major harm to the ecosystem, wildlife and fisheries". Increased flooding, which was partially caused by the project, claimed more than 300 lives in 2003.

Bank management has accepted that some mistakes were made but ultimately asserts that the "Bank was diligent in the application of its policies and procedures". Affected communities, and NGOs ActionAid Pakistan and International Rivers Network (IRN), have requested that the Bank pay reparations to address the grievances of the affected people.

In the meantime, the Bank's most recent Country Assistance Strategy for Pakistan reveals plans to increase lending for the country's water sector ten-fold during the 2006-09 period and to invest in new, contentious large dam projects.

Laos: inadequate compensation

During a June visit to the project site, staff members from IRN witnessed numerous concerns relating to the Nam Theun 2 dam (see *Updates* 45,48). IRN observers found that provisional cash compensation provided to affected communities for loss of land, rice fields and common property resources has been wholly inadequate to compensate for lost production. In addition, many resettled villagers are currently living in temporary housing and suffering water shortages because boreholes have not yet been dug. Other concerns include:

- *no clear management plan for logging operations;*
- *damage to fish stocks in the reservoir area and downstream;*
- *excessive dust in roadside villages;*
- *threats to two nearby national biodiversity conservation areas; and*
- *delays in the release of studies relating to social and environmental aspects of the project.*

IRN also discovered that the Lao national hydropower policy, enacted in June 2005 and a precondition for World Bank support, is not being properly implemented. The policy includes requirements for a full environmental impact assessment and management plan, and compensation for all those affected.

Despite this, Ian Porter, World Bank director for South East Asia, expressed satisfaction with the overall progress of the project, on release of the latest semi-annual update. The dam is to begin operations end 2009.

Corruption and conflict

In October Juan Jose Daboub, World Bank managing director, stated that the Bank is working with the Ugandan government to obtain technical assistance for the contentious Bujagali hydropower plant (see *Updates* 28, 47), for which it removed its support in 2003 following a corruption investigation and the withdrawal of the main sponsor, US-based AES Corporation. The World Bank is also considering providing $200 million for revamping the Inga hydropower station in the Democratic Republic of Congo (DRC) by the end of the year. Much of the electricity would be exported to South Africa, despite the lack of energy access in the DRC, still reeling from years of civil conflict.

Panel findings on NDP
www.worldbank.org/inspectionpanel

IRN trip report to Lao PDR
www.irn.org/

ActionAid Pakistan
www.actionaid.org/pakistan/1782_5_3902.html

Bretton Woods Project faces drop in support

At this year's World Bank/IMF annual meetings in Singapore, 27 accredited civil society representatives were blacklisted by the country's authorities (see page 3). Many more were detained and even deported. Such events demonstrate why the Bretton Woods Project - networker, information-provider and watchdog on a UK, European and international level - has a critical role to play. Our work is read by over 10,000 activists, journalists, officials and researchers worldwide.

Our largest foundation supporter has been forced to cut its backing of the Project by 20 per cent in the next period. Therefore, we need your help to provide the same high-quality research and analysis. We know you value our work - we need your support to be able to continue it.

For credit card donations or to set up a direct debit, please go to our website:
www.brettonwoodsproject.org/donate

For charitable purposes BWP is hosted by ActionAid UK.
To donate by cheque please enclose a cheque/postal order made payable to 'ActionAid supporter payments - Bretton Woods Project' and return to: ActionAid FREEPOST BS4868 Chard Somerset TA20 1BR

Update survey prize winners

We would like to send our thanks to all the readers who took time out to give us feedback on the *Bretton Woods Update*. Congratulations go to the winners of our prize draw. The copies of *The Globalizers* by Ngaire Woods were won by Elena Sisti (Italy), Dominic Kemps (UK), Stephen Nkem Asek (Cameroon), Cassandra Goldie (Australia) and Benjamin Agyemang (UK). The copies of *New Development Economics* edited by Ben Fine and Jomo KS were sent to Gertrude Eigelsreiter-Jashari (Austria), Tosca Bruno-van Vijfeijken (USA), Fabien Lefrancois (El Salvador/France), Ruel Macaranas (Philippines) and Dragan Nastic (UK). Finally, *The World Bank and Governance* edited by Diane Stone and Chris Wright, was won by Owen Espley (Netherlands), Ray Bjornosson (USA), Xavier Leus (Switzerland/USA), S. W. K. J. Samaranayake (Sri Lanka) and Arif Zulfiquar (USA). We hope to update you in more detail on the results of the survey in the next issue.

Best Bankspeak and resources from 2006

Continuing a much-heralded tradition at the Bretton Woods Project, the first issue of 2007 will feature 'Bankspeak of the year' - the most incomprehensible use of words in a Bank or Fund document or speech. Also, we will present your list of recommended resources - the best of books, reports and articles written about the work of the Bank and Fund in 2006. Suggestions from readers for both features are very welcome.

www.brettonwoodsproject.org/bankspeak2005
www.brettonwoodsproject.org/resources49
Send your suggestions to bankspeak@brettonwoodsproject.org

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