10 THINGS YOU REALLY **SHOULD** KNOW ABOUT THE WORLD BANK

The World Bank's Legacy 60 Years On:

A Point-by-Point Rebuttal to
Ten Things You Never Knew About the World Bank

Since the 1994 launch of the 50 Years Is Enough campaign to mark the 50th anniversary of the founding of the Britton Wood's Institutions in 1944,global civil society has grown increasingly vocal in demanding the fundamental transformation of the World Bank and its sister institution, the International Monetary Fund. Now, almost ten years later, we look back at the legacy of the World Bank, not only since its founding nearly sixty years ago, but especially over the past ten years, tracing the Bank's evolution in addressing the issues raised by civil in response to its policies and programs, and its progress-or lack thereof-in addressing our demands.

Judging by the glossy ***Ten Things You Never Knew About the world Bank*** brochure, the World Bank's rhetoric has evolved along with its emphasis on public relations. The Work Bank's publication (a version of which appears on the Bank's website, www.worldbank.org) is an effort to convince the public that the institution which so often makes the news for imposing harsh economic austerity program on countries with some of the world's most vulnerable people, or financing controversial projects likely to cause more ecological havoc than beneficial development, is in fact doing a wealth of good works which too often go overlooked.

The truth, of course complicated. ***Ten Things Your Really SHOULD KNOW About the World Bank*** corrects inaccuracies in the Work Bank's Ten Things, but more importantly offers the context to explain why the Bank's claims are misleading. And how the World Bank, in the larger picture, plays a leading role in structuring and maintaining a fundamentally anti-democratic and unjust global economic system.

“The World Bank’s priorities have changed dramatically,” it begins, implying acknowledgement of its past imprudence. Yet the nation of Asia-Pacific, Africa, Latin America, and the Caribbean continue to pay the costs-financial, social, and environmental-of thousands of ill-conceived World Bank projects dating as far bank as the 1950s. Power plants that never opened. Dams that have displaced thousands, such as the Kariba Dam on the Zambia/Zimbabwe border. Completed in 1959, whose victims still have not received adequate compensation, and which is still contributing to Zambia’s massive debt burden. Fossil fuel projects like pipelines and mines that despoil fragile environments and contribute to corruption. The World Bank responds not by constructively addressing the damage done, but with a declaration that its priorities have changed. The final irony is that ever the claim to have changed cannot serve as solace for the billions subjected to the Bank’s policies, for it does not stand up to scrutiny.

Many of the ideas expressed in the World Bank’s publication are, on their own, sound, and in fact reflect notions introduced by advocacy that groups like ours have done over the last 20 years. But does the reality of the World Bank’s actions match its encouraging rhetoric designed more to dismal skeptics than to describe the actual state of things? By putting the claims and intentions expressed in Ten Things You Never About The World Bank back into the political context in which the Bank and borrowing countries operate, we find that the distance between the World Bank’s rhetoric and the world’s really is the most important to know and understand about global development, economics, and political power.

In the following pages, we respond to each of the assertions madder in ***Ten Things You Never Knew About The World Bank***, which is quoted under the heading “Rhetoric,” with “Reality” information which casts doubt on the rosy picture the Bank now presents of itself, and the all-important context. In short, while the Bank has made some limited progress in meeting grassroots demands, its overall ideological assumptions, connections to corporate interests, and policy prescription display continuity assumptions, connections to corporate interests, and policy prescriptions display a striking continuity, to the detriment of global struggles for economic justice and sustainability.

RHETORIC:

1

"The World Bank is the world's largest external funde education.

Education is central to development. The Bank has committed some US$33 billion in loans and credits for education, and currently finances 157 projects in 83 countries. The Bank works closely with national governments, United Nations agencies, donors, civil society organizations, and other partners to support developing countries in their efforts to reach the Education for All goals-that all children, especially girl and disadvantaged children, are enrolled in and able to complete a primary education by 2015."

REALITY:

World Bank funding for education, healthcare, and water projects introduces private provision of services in ways that foster growing gaps between the rich and poor in borrowing countries. Moreover, the form of loans, in "hard" currencies such as U.S. dollars, which must be paid back, with interest.

As the World Bank boasts about its contributions to education and healthcare in the Global South, it is easy to forget that these are neither grants nor charitable gifts, but the investments of a bank, one which makes an annual profit, which it calls "income," of over $1.5 billion. Nearly all of the programs mentioned in ***Ten things You Never Knew The World Bank*** involve loans which recipient governments are unlikely to pay off in hard currency, increasing their already untenable debt burdens.

The case for a shift away from loans and toward grant-making has been made by development economists and NGOs for decades. In a July 17, 2001 address at World Bank headquarters, US President George W. Bush proposed "up to 50 percent of the funds provided by the development bank to the poorest countries be provided as grants for education, health, nutrition, water supply, sanitation and other human needs."[2] The World Bank was reticent about the grants proposal and argued that this would hinder its ability to sustain its established pace in its current lending programs. The proposal to shift from loans to grants is a step in the right direction, but "for the proposal to accomplish the restoration of economic sovereignty…necessary throughout the Global South, it would have to forswear conditions on the grants, be coupled with 100% cancellation of the countries' debt to the multilateral institutions, and expand the conversion of loans to grants well beyond the arbitrary 50% level chosen by Bush" [3] _ or the 18-22% agreed to in a compromise with the European Union after protracted negotiation.

The biggest problem is the likelihood that the grants will used to subsidize corporations as they take advantage of Would Bank initiatives to privatize the provision of basic services in some of the world's poorest countries – an opportunity which is complicated by the many customers who will be too poor to pay profitable rates, but a major priority of the United States.

As part of its Structural Adjustment Programs (SAPs) (recently re-dubbed Poverty Reduction Support Credits), which among other things seek to cut government spending and free up funds for debt service, the World Bank has until recently promoted user fees for public schools which were previously free. In each country where user fees have been imposed, poor families have found themselves unable to pay their children's school frees and enrollments have declined, especially for girls. A decline in literacy, numeracy and graduation rates has followed.

In September 2001, after years of grassroots protest and accumulation of evidence of the perverse impact of education user frees, the World Bank finally agreed to stop promoting user fees for primary education. The move was at least partly in response to legislation passed the previous year by the U.S. Congress, which required U.S. representatives to multilateral institutions to oppose any program containing user fees. The change, which a welcome one, does not undo the harm done by years of user fees and other austerity measures. Only unconditional debt cancellation and reparations can begin to do that. User fees imposed under previous structural adjustment programs remain in many cases, and although the World Bank has changed its policy on education user fees and on longer insists on them, it still reburies budget cuts so severe that governments are left with little recourse other than measures which require collection of resources from the most impoverished citizens.

The World Bank has a long history of encouraging user fees, or increased tuition, in secondary and tertiary education as well. Just one example is the 1999 deal between than-Mexican President Ernesto Zedillo and the World Bank which ended the decades-long tradition of fees higher education at

National Autonomous University in Mexico City. The strike declared by professors and students to positions of user fees and other structural adjustment reforms was prolonged by government's reluctance to put its loans at risk by defying the World Bank.

RHETORIC

2

"The World Bank is the world's largest external funder on the fight against HIV/AIDS.

Each day, 14,000 more people become infected with the HIV virus. Half of them are between the ages of 15 and 24. HIV/AIDS is rapidly reversing many of the social and economic gains won by developing countries over the past 50 years. As a co-sponsor of UNAIDS –which coordinates the global response to the epidemic- the World Bank has committed more than US $1.6 billion to combating the spread of HIV/AIDS around the world. The Bank has pledged that no country with an effective HIV/AIDS strategy will go without funding and, in partnership with African governments, launched the Multi-Country HIV/AIDS Program (MAP), which makes significant resources available to civil society organizations and communities. Many have developed highly innovative HIV/AIDS approaches, which other are now learning form and adapting to local conditions. In 2002, MAP provided US $1 billion to help countries in Africa national prevention, care and treatment programs"

REALITY

As the Word Bank has pressured borrowing governments to adopt Structural Adjustment Programs, it has undermined the fight against HIV/AIDS.

Structural Adjustment Programs (SAPs) crippled the quality of health care systems, in Africa especially, during the 1980s and 1990s, setting the stage for the catastrophic of the HIV/AIDS pandemic. After Kenya obeyed a World Bank dictate to start US $2.15 for visits to public AIDS clinics, the number of patients being served dropped 35-60 percent. This pattern occurs throughout Africa, Latin America, and Asia.[4]

Dr. Peter Lurie of Public Citizen has also argued convincingly in the journal AIDS those structural policies imposed by the World Bank create condition conducive to the spread of HIV/AIDS, as cutbacks in health budgets lead to a rise in opportunistic diseases. The rapid, often unilateral elimination of protective tariffs allows imported foods to undercut small scale domestic agriculture, leading to urbanization as men leave their families and villages in search of workforce created is more likely to have multiple partners, increasing their risk of contracting HIV, and in turn transmitting it to their spouses in their home villages.[5]

Zimbabwe is a case in point. Since the implementation of SAPs in 1990, the country has experienced a reversal in post-independence gains in healthcare, as spending has been channeled away from social spending. According to Zimbabwe’s Minister of Health, the allocations of funds for healthcare since 1990 have dropped by between 30-37% per capita. Further crippling the country’s healthcare system was the introduction of user fees, upon which increased declines were noted in per capita healthcares expenditures, clinic and hospital attendance, laboratory services, prescriptions dispensed, and other healthcare related activities. At the same time, the rates of HIV/AIDS infection in Zimbabwe have risen to nearly 25% of adults, and by the years 2000, 1,700 Zimbabweans were dying weekly due to HIV related illnesses.[6] With one-forth of the population of Zimbabwe currently estimated to HIV-positive, the already-marginal healthcare system has implemented a “home-based care” scheme, which sends terminally ill AIDS patients home to die. According to the Zimbabwe Coalition on Debt and Development, “this means that communities living in crippling poverty are being an extra burden to care for the ill.”[7]

3 "The World Bank is among the World's largest external funders Of health programs

Providing poor people with basic health and nutrition lies at the heart of reducing poverty and promoting economic growth. While important gains have been made in many countries during the last few decades, major challenges remain. Of the 11 million children will die each year in developing countries around 70 percent due to communicable diseases (such as pneumonia, diarrhea, malaria, measles and HIV/AIDS) and malnutrition. The World Bank commits and average of US $1 billion in new lending each year for health, nutrition, and population projects in the developing world. Bank funds are helping to combat malaria in 46 countries and tuberculosis in 30. In China, the Bank has helped provide iodized salt to more than 90 percent of households, which means significantly fewer cases of miscarriage and stillbirths, physical deformity, and mental retardation caused by iodine deficiency. The Bank is also helping mothers in Senegal prevent and treat malnutrition in children, and is supporting the integrated prevention and treatment of childhood illnesses in Brazil"

REALITY

Most World Bank health care funding is targeted towards "restructuring and privatization, not free services for the poor.

T**ne Things You Never Knew About the World Bank** fails to give the name of a single specific program or project for health care, because the majority or these loans do little to increase access for the poor, focusing instead on

Bureaucratic reorganisation and the incorporation of private investors into the health sector.

The World Bank's Poverty Reduction Support Credits – the new name for Structural Adjustment Programs – use the rhetoric of efficiency and "cost recovery "to force borrowing governments to cut the budgets of their public health care services. During the 1980s, spending for health care plunged by 50 percent in the 42 poorest countries where the Bank was involved. [8] While the U.S. Congress has required that U.S. Treasury delegates at multilateral institutions vote to oppose all loans which include the imposition of user fees for education and primary healthcare as conditionalities, may staff economists at the Bank continue to promote user fees as and essential means of "rationalising" services according to a "demand-based" model. (In contrast to its position on education fees, the World Bank has not rescinded its support for user fees for health services.) When the
Bank wants to avoid imposing the fees-for political reasons such as Congress's position-it can simply mandate a fixed budget and tell officials (without putting it in writing) that they can decide to charge fees on their own if they don't want to be forced to close schools or fire teachers. The Bank claims that user fees are employed when it determines that patients are able or "willing" to pay them, but ignores the fact that increased healthcare costs usually divert funds from other basic family needs, and that ample research demonstrates that "exemption" (from fees) programs for the poorest almost never work as intended.

An egregious example of the problems associated with World Bank health care funding is the Health System Development Project (HSDP) in the Indian state of Punjab. Dr. Vineeta Gupta, a physician and secretary general of Insaaf International, reports that the HSDP has "created much confusion among the providers and the patients as to the demarcation of responsibility, service provision, and even the personnel of the state health department and the corporation." User fees have been repeatedly increased, and exemptions for very poor are so ineffective that there has been a 20 to 40 percent decline in patients. Trainings funded by the HSDP turned out to be little more than colleagues having tea, and the corrupt purchasing practices meant that "syringes were supplied without any injectable medicines, disposable surgery masks and caps were supplied to centers with no surgical facility." When confronted with newspaper reports of corruption and mismanagement of World

Bank funds in Punjab, Tawhid Nawaz, senior economist for health, nutrition and population for the World Bank in the South Asia region, described corruption as an "internal matter"in which the Bank "can't interfere"[9]

With regard to access to clean water, a prerequisite for improved public health, the World Bank continues to push privatization and pressure governments to, in the words of one Bank publication to push privatization and pressure governments to, in the words of one Bank publication, "move away from the concept of free water for all."[10] This push for commodification of a basic human right comes despite the soaring prices and massive protests resulting from water privatization in Bolivia, Ghana and elsewhere. In South Africa, World Bank-driven water systems restructuring has contributed to an increase in cholera infection as villagers resort to using contaminated sources.[11]

RHETORIC

4

"The World Bank strongly supports debt relief.

In 1996, the World Bank and the International Monetary Fund (IMF) launched the Heavily Indebted Poor Countries (HIPC) Initiative- the first comprehensive approach to reducing the external debt of the world's poorest most indebted countries. Today, 26 Countries are receiving debt relief projected to amount to US$ 40billion over time. With other forms of debt relief, the HIPC Initiative will cut by two-thirds the external debt in these countries, lowering their indebtedness to levels well below the average for developing countries overall. As part of the initiative, these countries are reorienting their budgetary priorities toward key social and human development sectors. Rwanda, for example, has sent targets to increase primary school enrollment and to hire teachers. Honduras is planning to deliver basic primary and maternal/child health care to at least 100,000 beneficiaries in poor communities. In Cameroon, resources are being used to strengthen the fight against HIV/AIDS by, among other things, expanding education to promote the use of condoms by high-risk populations."

REALITY

The World Bank continues to take more money out of the Global South than it puts in.

The external debt burden remains a serious problem for the countries of the Global South. The debts attributed to the countries of sub-Saharan Africa, for example, amount to more than $330 billion- three times more than they earn annually in exports. An estimated 20 percent of sub-Saharan African countries' export income apart from South Africa goes to service foreign debt.

The World Bank receives more in debt payments from the world's poorest countries each year than it loans to those countries, facilitation a steady transfer of wealth from the Global South to the North. The debt in Africa has increased 400 percent since 1980 alone.

The Heavily Indebted Poor Countries (HIPC) Initiative, created by the World Bank and IMF in 1996, is fundamentally flawed in its structure and has been a failure in practice. The HIPC Initiative relieves too little debt for too few countries at no cost to the World Bank and IMF. In order to receive the maximum benefit from the HIPC program, government must demonstrate prior compliance with IMF/World Bank structural adjustment conditions and commit to three, six, nine, or even twenty more years of structural adjustment program, which severely.

Harm the environment, compromise national and negate the poverty-reducing potential of debt relief.

The HIPC program provides only very modest relief, and for some, none whatsoever, and will leave most poor countries paying nearly as much as they currently do. While the absolute amount of debt may decline, only about 15 countries will see the amounts they actually pay reduced significantly.

The HIPC Initiative takes as its underlying principle the concept of "sustainable debt," which it defines as debt which dies bit exceed 150% of the annual value of exports. But even with this arbitrarily high standard, the World Bank admits that half of the countries enrolled in the HIPC Initiative will not achieve sustainability under the program. Uganda, the first country to benefit from HIPC, lound itself back in an "unsustainable" position less than two years later because of overly-optimistic IMF forecasts about how much it would earn in the faltering coffee market. Although it qualified for a second round of benefits, it was soon flirting with unsustainability yet again.

The debt crisis came about in large part as a result of numerous loans given to undemocratic and corrupt regimes during the 1970s and 80s including leading driven more by Northern banking interest and cold War calculations than by poverty alleviation concerns. Many of these loans were misused or ended up in the pockets of dictators and have never been used for the benefit of poor populations, which are charged with repaying the loans

The doctrine of odious debt states, simply, that a country, and especially its people, should not be forced to repay a debt that was taken on without their consent and against their interests. The doctrine, which was used at the end of the 19th century by the US upon acquiring Cuba as a protectorate after the Spanish American War, has been used sparingly throughout history. Interestingly, it is now being revived again-though not by name-by the Bush Administration, which is pressing for the cancellation of Iraq's debt incurred under the Ba'athist regime. The blatant hypocrisy of this political maneuver does little to explain why calls for the cancellation of odious debt in South Africa, Nicaragua, or the Democratic Republic of Congo, all of which suffered under egregiously undemocratic and oppressive governments, go unheeded.[12]

The World Bank routinely protests that relieving the debt of some countries would deprive other countries of the benefits of its leading. Not only is it thoroughly debatable whether or not this lending, with rigid and destructive conditions usually attached, does more good than harm, but the claim itself is simply false. In two separate reports completed in the Spring of 2001, independent accountant Subhrendu Chatterji and accountants at the firm Chantrey Vellacott concluded that "the World Bank and International Monetary

Fund would be able to cancel 100 percent of the debt owed to them by the Heavily Indebted Poor Countries without jeopardizing their ability to carryout their overall functions."[13] A similar study commissioned by the Irish Debt and Development Coalition, completed in September 2003, reached the same conclusion-that not only is the World Bank's assertion that they are unable to cancel 100% of debt false, but that the Bank has ample resources to do so without jeopardizing its credit ration or operations.[14]

RHETORIC

5

"The World Bank is one of the largest international funders of biodiversity projects.

Since 1988, the Bank has become one of the largest international funders of biodiversity projects. Even though biodiversity loss is a global concern, the greatest costs are felt by rural people in developing countries, those who are most dependent on the environment for food, shelter, medicine, income, employment and cultural identity. For this reason, the Bank has joined Conservation International, the Global Environment Facility, the MacAthur Foundation, and the Japanese government in launching a fund that will contribute to better protecting of developing countries biodiversity hot spots. Sixty percent of all terrestrial species diversity can be found in these highly threatened regions, which cover 1.4 percent of the planet's total surface area. Concern for the environment is an intrinsic part of the Bank's poverty reduction mission. Inaddition to environmental assessments and safeguard policies, a new environment strategy is focusing on climate change, forests, water resources, and biodiversity. Currently, the bank's portfolio of projects with clear environmental objectives amounts to around $13 billion."

REALITY

World Bank funding for environmentally destructive projects continues largely unabated.

The World Bank's attempt to paint itself a "green" reputation is disingenuous simply on the basis of its massive investment in socially and environmentally destructive oil, mining, gas, and dam projects, regardless of smaller loans and grants to support biodiversity. These infrastructure projects lead to environmental degradation that is disastrous for local communities, and rarely bring long-lasting employment or a rise in the standard of living.[15]

World Bank investment in fossil fuels in particular undermines any positive impact Bank environmental programs may have. Most concretely, World Bank oil and gas pipelines, dams, and other projects run through or flood the very habitat that the Bank's biodiversity project aim to protect. In Cameroon, the World Bank takes credit for the $6 million Biodiversity Conservation and Management Project to "consolidate and upgrade the management of protected areas,"[16] but has followed this by leading several hundred million dollars to fund the Chad-CAMEROON Oil Pipeline, which transects and pollutes Cameroon's rainforests.
Between 1992 and 2003, the World Bank loaned $26.5 billion fossil fuel projects which are projected to eventually release 48 billion tons of carbon dioxide, a prime cause of global warming, into the atmosphere.[17] The World Bank acknowledges the reality of climate change, and how those in poor countries will suffer most from the subsequent crop failures, floods, and extreme weather (as well as global warming's impact on biodiversity). Yet the Bank refuses to acknowledge that it is one of the largest culprits in fossil fuel emissions, or to change its lending priorities.

For every dollar invested in clean and sustainable energy sources, $18 dollars is spent on fossil fuel development.[18] Instead of spurring the development and implementation of clean, renewable energy technology that could deliver electricity to poor communities far more directly than oil exports, the World Bank is sending developing countries down the same road of dependence on fossil fuels that is now bedeviling the developed world.

The World Bank's irresponsibility extends to the waste treatment sector as well. Despite copious evidence that incineration is "a dangerous, costly, and unsustainable method of treating waste," the World Bank has proposed twenty-six new incinerator since 2001.[19] Critics have pointed out that "incinerators are the world's primary source of dioxins, which have been shown to cause a wide rage of cancers, immune system damage, reproductive and developmental problem."[20]

RHETORIC

6

"The World Bank works in partnership more than ever before.

During the past six years, the Bank has joined a large array of partners in the global fight against poverty. For example, to help reduce the effects of global warming it collaborated with government and the private sector to launch the new BioCarbon Fund, and with the International Emissions Trading Association (IETA) to launch the Community Development Carbon Fund (CDCF). The Bank is also working with World Wildlife Fund to protect forests. With the Food and Agriculture Organization (FAO) and the United Nations Development Programme (UNDP), it sponsors the renowned Consultative Group on International Agricultural Research – Which mobilizes cutting-edge science to reduce hunger and poverty, improve human nutrition and health, and protect the environment. Through the Consultative Group to Assist the Poor, the Bank works with 27 other multilateral and donor organization that support microfinance to help build top-quality, full-service financial systems in developing countries to serve their poorest citizens. A partnership to defeat river blindness throughout Africa has successfully prevented 700,000 cases of blindness, opened 25 million hectares of arable land to cultivation, and treats more than 35 million people a year for the disease."

REALITY

Corporate influence at the World Bank, under the guise of "partnerships" is more rampant than ever.

The partnerships of which the World Bank boasts include, and are often dominated by, cozy relationships with some of the world's most reckless corporations. The Bank's policy on private sector partnerships requires that the corporations with which it partners undergo close scrutiny at each step of partnership, to ensure that they are deemed compatible with the Bank's mission, wherever relevant. The Bank asserts that it assesses the company's reputation with an eye for corporate social responsibility issues; whether a partnership would represent a conflict of interest (i.e. whether the company is seeking procurement contracts for Bank projects or funding); whether by entering into partnership with the private firm would be especially advantageous to that firm vis-à-vis access to information, market advantage, or procurement; and whether the partner's priorities are in alignment with any relevant Bank policies or strategies.[21]

As with many of the Bank's policies, its practice struggles to follow suit. In fact, the Bank has entered into partnership with some of the worst corporate giants under its Staff Exchange Program. Launched in 1995 by Bank President Jame Wolfensohn, the Staff Exchange Program allows Bank employees to take leave from the Bank and work for multinational corporations.[22] The list of 85 partners participating in the program is dominated by multinationals, most of which benefit from World Bank contracts or are clients of the Bank's insurance arm. Standouts include Citibank, Exxon-Mobil and Shell. Official rhetoric asserts that these controversial corporation are "part of the solution," committed along with the bank to lifting up the world's poor, but their more immediate motivation lies not far below the surface. While denying that the exchanges create conflicts of interest, Pauline Ramprasad of the Bank admits that corporation are "Involved with the country policy dialogue." Giving them an advantage when it comes time to bid on World Bank contracts. Aventis, Syngenta and Dow Agrosciences, all agro-industrial giants, are some of the companies that have partnered with the Bank under the Staff Exchange Program.[23]

Many of the private sector firms partnered with by the Bank have raised no shortage of "red flags". The three pesticide producers referred to above, for example, have a history of placing their interests above that of the public, according to the Pesticide Action Network, including "illegal toxic shipments, chemical dumping and accidents, Superfund sites, chemical testing on humans, false advertising, and racketeering convictions. Furthermore, these companies have histories of unethical manipulation of pesticide registration decisions, corruptin, refusal to withdraw products that are known to cause high frequency of casualties and use of massive public relations budgets to deceive the public about the health and environmental risks of their products, even when concerns have been raised by independent source."[24]

RHETORIC

7

"The World Bank is a leader in the fight against corruption worldwide.

Corruption is a roadblock to development: it taxes poor people by diverting public resource from those that need them the most. It also undermines investment, human capital, growth, voice and equality. Since 1996, the Bank has launched hundreds of governance and anti-corruption programs and governance initiatives in nearly 100 developing countries. Initiatives rage from disclosure of assets by public officials to training judges and teaching investigative reporting to journalists. The Bank's commitment to addressing corruption has helped spearhead a global reponse to the problem, while it continues to integrate anti-corruption measures into its analytical and operational work. It is committed to ensuring that projects it finances are free from corruption, setting up stringent guidelines and a hotline for corruption complaints: about 100 entities have been declared ineligible to be awarded Bank-financed contracts. Further, the World Bank Institute has developed a major knowledge, learning, and data center on governance and anti-corruption."

REALITY

The World Bank remains complicit in the face of gross corruption.

In language submitted to the 1993 World Conference on Human Rights, the World Bank states the following: *"The World Bank does not take into account the political dimension of human rights in its lending agreements. The Articles of Agreement prohibit the institution from taking political considerations into account, interfering in the political affairs of any country, or being affected by the political form of orientation of any country…"*

A recent communication "toolkit" published by the World Bank's external relations department identifies democratization as a constraint to privatization. It never suggests that the World Bank or a government should actually assess the merit of arguments voiced by citizens opposed to its policies; instead it dismisses such arguments as propaganda from rent-seeking groups. The Bank's toolkit instructs "task team leaders" on how to work with national legislatures to overturn parliamentary position to privatization, and offers guidance on how to build legislative coalitions in favor of the policy. Such efforts are direct violation of the Bank's own Articles of Agreement.

It is precisely this rhetoric which the World Bank has used to defend its close relationships with corrupt authoritarian regimes. A few prominent examples follow below:

- Peruvian strongman Alberto Fujimori won the Bank's admiration with his ruthless implementation of "shock therapy" austerity until he fled to Japan in 2000 amid revelations of massive embezzlement and connections to paramilitary death squads.
- General Suharto's Indonesia received $25 billion in loans, much of which was embezzled, while thousands were being massacred in East Timor.
- The dictator of Zaire (now Democratic Republic of the Congo) Mobutu Sese Seko got $650 million from the World Bank, even after an IMF representative who worked in Zaire's central bank, Erwin Blumenthal reported that loans from multilateral institutions routinely went directly to Mobutu, and that there was no realistic prospect of the country way for the country to pay back the money. Tragically, the World Bank was not alone in leading to Mobutu; in the same period the IMF lent $600 million and Western governments almost $3 billion more. Mobutu put the

money in private Swiss bank accounts and squandered it on lavish palaces.[25] When he was deposed, the IMF immediately informed the new government that it should work out a plan to repay $17 billion in IMF debt.

- The apartheid regime in South Africa enjoyed World Bank support directly until the United States Congress imposed an embargo on investment in 1983 thereafter, funds were channeled indirectly, such as via loans to the minuscule country of Lesotho for Lesotho Highlands Water Project it self was riddled with corruption; after a landmark trial for such a small country, Lesotho courts convicted the project manager and several foreign corporations on corruption charges. The World Bank has used specious reasoning to avoid adding those corporations to its list of countries barred from World Bank contracts.

The governments of these countries continue to make payment on debts accrued by these regimes, despite the gross misuse of the original funds.

Before its disintegration amid revelations of massive fraud in 2001, Enron was one of the corporations most closely affiliated with the World Bank, winning over $761 million worth of Bank contracts and loans for its power projects in seven different countries between 1992 and 2001.[26] In 1997 the World Bank loaned Enron $37 million for a power plant in the Gaza Strip, and in 1998 the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank, provided a guarantee for an Enron-owned power plant in panama. In 2000 MIGA paid Enron $15 million to compensate for alleged lost profits due to the Indonesian government's cancellation of the East Java power plant, one of General Suharto's pet projects, following the dictator's ouster.[27] That transaction represents the only guarantee that MIGA has ever paid; under the terms of its agreement with Indonesia, the Indonesian government was expected to repay MIGA the $15 million. Enron also exchanged numerous employees with the World Bank as part of its Staff Exchange Program.

The World Bank boasts of its list of firms which it declares ineligible for Bank-financed contracts because of their past misuse of its funds. But a close look at the list reveals that it includes mostly small companies and individuals, despite the fact that the majority of such contracts are awarded to major corporations.

Even Enron does not appear on the list. The Bank has not even initiated an investigation into Enron's use of Bank funds, despite clear evidence of the Bank knowledge of Enron's corrupt dealings in Guatemala.[28]

RHETORIC

8

"Civil society plays an ever larger role in the Bank's work.

The growth of civil society over the past two decades has been one of the most significant trends in international development. Civil Society Organizations (CSOs) are not only influential in the global development policy debate, but have become important channels for social service delivery and innovative development programs. CSO involvement in Bank-Funded projects has risen from 21 percent of all projects in 1990 to about 72 percent in 2003. The World Bank is also increasingly supporting such groups as community groups, NGOs trade unions and faith-based organizations through greater information sharing, skill training, and grant funding. Every year, the Bank provides grant funds to CSOs at the country level to rebuild war-torn communities, social services and community development. Its civil society staff in more than 70 country offices consult and collaborate with CSOs on a range of issues, from AIDs prevention and micro-credit development to fighting corruption and protection the environment."

REALITY

Curiously, the Bank's document omits any mention of the most prominent promotion of civil society consultation. Starting in 1999, the IMF and World Bank have required that low-income borrowing governments produce "Poverty Reduction Strategy Papers" (PRSPs) – economic plans in conjunction with civil society organizations for submission to the institutions' boards before receiving policy-based ("structural adjustment") loans. This program has been immensely controversial, with charges that it is an attempt to co-opt civil society, that it pre-empts national legislative processes, and that the results of the consultations are rarely included in the final program. Indeed, it is now generally acknowledged that the IMF and World Bank did not expect, or intend, that civil society groups have genuine input on the plans'macro economic components-the very heart of what was, until the advent of this program, called structural adjustment. The distance between the Bank's (and the IMF's) rhetoric of "participation" and the reality in nowhere more glaring.

Many members of civil's society who have participated in World Bank consultations under the Poverty Reduction Strategy process have found the expenrien largely unsatisfactory. Oduor Ong'wen, Director of EcoNews Africa and Chari of the National Council of NGOs in Kenya put it this way: "Once people have been called and they have poured their hearts out, they thing these things will be written by the bureaucrats. But these people have been given a very narrow framework in which to operate. Therefore you don't see much difference between PRSPs in Philippine. Bolivia, Kenya. That disabuses everyone of the "homegrown" label…It was like a ritual: raising the same issues and getting the same response. When you ask about tangible progress, you don't see it."[29] From Sri Lanka TO Honduras to Tanzania and Cambodia, claims for participatory PRSP processes have been conclusively exposed as empty.

In the planning of specific projects, the World Bank remains selective in which organizations it will consult and what elements of their input it will incorporate. During preparation of the Romanian Forest Development Program, the Bank consulted only three Romanian NGOs, and not one of the 17 which later declared their opposition to the Program.[30] Some of the Bank's more "innovative" programs have come under fire for demanding so much participation as to constitute meddling in community affairs: a recent program of community-based financing in East Timor [apparently the one cited in point #9, below], for example, has resulted in charges that the Bank has tried to restructure community decision-making processes, or create parallel processes with the potential to subvert existing networks.

9

“The World Bank helps countries merging from conflict.

The Bank is currently active in 40 conflict-afflicted countries, working with government and non-government partners, local and international, to assist war-torn populations, resume peaceful development, and prevent relapse into violence. The Bank’s work addresses a range of needs, including jump-starting the economy, repairing and rebuilding war-damaged infrastructure and institutions clearing land mines, reintegrating ex-combatants and displaced populations, and targeting programs to vulnerable groups such as widows and children. The Bank has also developed tools and research to better analyse and understand the sources of conflict, and to promote economic growth and poverty reduction in a way that reduces the risk of future violence. Among the wide-ranging and innovative projects supported by the Bank are demobilization of ex-combatants in the Great Lakes Region, infrastructure reconstruction and community empowerment efforts in Afghanistan, addressing psycho-social trauma in war-affected communities of Bosnia and Herzegovina, rehabilitation of street children in the Democratic Republic of Congo, early reconstruction through a community empowerment and local governance project in Timor-Leste, and a program to protect the property of Colombians uprooted by conflict.”

REALITY

World Bank strategies in post-conflict countries consist of the same privatization, austerity, and rapid trade liberalization measures as those imposed elsewhere

The World Bank has eagerly sought to involve itself in post-conflict countries like Bosnia, Serbia, Mozambique, and Rwanda. Much attention is now focused on the World Bank's role in Afghanistan and Iraq. Two very recent examples, East Timor and Sri Lanka, provide a glimpse of how the Bank is likely to act in the countries devastated by U.S.-led wars.

East Timor, Asia's poorest country, has faced innumerable hurdles since the end of the brutal Indonesian military occupation. Following East Timor's independence referendum, the occupation devastated the country's infrastructure and lead to the displacement of over 75% of the population before it gained formal independence in 2002. According to the East Timor Action Network, s part of the international community's response to the country's decimation, "IFIs involved in East Timor's reconstruction employed the correct terminology, emphasizing empowerment," poverty reduction, and sustainability. But in East Timor, as elsewhere, words on paper have not always matched reality."[31] The Trust Fund for East Timor (TFET), which was sent up in December 1999, shortly after the arrival of international peacekeepers, had as its trustee the World Bank Projects emanating out of the TFET include infrastructure development, water works, healthcare, and education, among others. Though the government has managed to maintain a policy of not incurring debt and avoiding conditionalities, the Bank nonetheless continues to place pressure on the East Timorese government to privatize its power and communications sectors.

Sri Lanka is another case where the World Bank, acting as benefactor to countries emerging from conflict, has the greatest opportunity to impose its will in Sri Lanka, the people have resisted. In 2002, over 15,000 Sri Lankans took to the streets in protest of the new development package designed for the country, which were based on the PRSP entitled "Connect to Growth." Not surprisingly, shortly after the plan was agreed to by Sri Lankan Government, the World Bank, and its sister institution, the IMF, 36 separate pieces of legislation – which all directly corresponded to conditions put forth in the PRSP, and upon whose passage funding was contingent – were sent to Parliament for urgent consideration. High on the agenda: fast-tracking the privatization of state-owned hanks, insurance, and essential services, and land reform proposals that called for the relocation of 1.8 million families from their small farms into urban areas. Civil society was able to stop about one-third of the proposed legislation.

RHETORIC

10

"The World Bank is listening to the voices of poor people.

Conversations with 60,000 poor people in 60 countries, as well ass our day-to-day work, have taught us that poverty is about more than inadequate income ore even low human development. It is also voicelessness and powerlessness. It is about vulnerability to abuse and corruption. It is about lack of fundamental freedom of action, choice, and opportunity. The Bank believes that people that live in poverty should not be treated as a liability, but rather as a resource and partner in the fight against poverty. An empowering approach to poverty reduction puts poor people at the center of development and creates the conditions that enable poor men and women to gain increased control over their lives, through access to information, inclusion in participation, accountability, and local organisational capacity. Today the Bank is supporting community-driven development projects of more than $2 billion. Other ways of investing in poor people's empowerment include social accountability mechanisms in Bank operations, community-managed school programs, judicial reform and access to justice programs, programs, and the promotion of citizen scorecards to rate basic services."

REALITY

The World Bank's Information Disclosure Policy and opaque governance structure facilitate exclusion of affected populations from informed dialogue and participation

The World Bank rhetoric of listening to impoverished people is some of its most enlightened, especially in its acknowledgement that the development deficit is linked to a deficit in power. But how much does the Bank really do to change those deficits rather than exacerbate them?

"Can Anyone Hear Us?" the title of the first of three books published in 2000 by the World Bank in its Voices of the Poor series, could have been called *"Why Aren't you Listening?"* The books are a "getting to know you" exercise by the Bank, which had only recently discovered that poor people could be assets to the development designed, ostensibly at least, to benefit themselves. Conceived as a public relations effort to answer critics who charge the Bank with failing to take seriously the people they claim as their ultimate beneficiaries, the books are instead illustrations of the truth of that complaint. The mere fact of eating to score points with interviews of impoverished people after more than 50 years of existence points to the poverty of the World Bank's practices.

Since the publication of those books, the World Bank has continued to emphasize the value of "participation" by project- and policy- affected people in determining those projects and policies. In practice, however, the Bank's lack of transparency, specifically in its Information Disclosure Policy, prevents the very people they purport to serve from having the information that they need to be effective in that participation. Documents are frequently not made available until after plans are finalized, and sometimes not until after the Bank's boar has approved them. Many documents, including those that are ostensibly "country-owned," are available only in English or other European languages. The Bank's Information Disclosure Policy does nothing to significantly improve people's ability to participate in the planning and implementing Bank projects that directly affect them, such as infrastructure development. In fact, in 2001, over 500 organisations from around the world demanded that the World Bank release project documents, arguing that if the Bank's call for "participatory development" was genuine, the information regarding projects must be made available to the public during all phases of the project, in order that they be effectively monitored. A similar effort calling for a serious improvement in the Bank's commitment to translate relevant documents into languages the affected people will understand was mounted in early 2003.

In addition to revamping the World Bank's Information Disclosure Policy, there is a glaring absence of democratic participation in the Bank's own governance structure. At present of the 184 member countries of the World

Bank, the United States, Japan, UK, France and Germany alone hold close to 40% of the voting share with the United States holding over 15% itself. Of the 24 Executive Directors representing member countries, two represent sub-Saharan Africa (46 countries meaning each vote for over 20 countries), and together their votes barely make up 5% of the total. These structural impediments to constructive democratic dialogue within the World Bank put into question whether the Bank is capable of engaging in genuine dialogue with poor people.

As a result of the Bank's exclusion of the poor from informed debate on issues and projects that directly affect them, they are frequently moved to protest their own government, which has signed the loan agreements, or outside of meetings when IMF or Bank officials come to visit. World Bank President James Wolfensohn's February 2001 visit to Tanzanian was billed as and opportunity to listen to the poor yet members of Tanzanian civil societies were not only exclude from the invitation-only meetings and press conferences with Wolfensohn, but dispersed by force when they attempted to hold a demonstration outside. Seven were arrested and beaten by police. When asked about the repression the next day, Wolfensohn replied that "yesterday was a holiday" – an apparent comparison to protests in Washington during the Bank's annual meetings, which have drawn as many as 30.000 people.