IMF/WORLD BANK 50 YEARS IS ENOUGH
US Network for Global Economic Justice

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Economic Justice News

# Time for the Glue Factory?
## The IFC and 50 Years of Corporate Welfare

*by Sameer Dossani, 50 Years Is Enough Network*

This July the World Bank's private sector lending arm, the International Finance Corporation (IFC), turns 50. Birthdays are a good time for reflection, so let's take a moment to ask what the IFC is, and what it has done for the world.

### The Old Gray Mare, She Ain't What She Used to Be

The IFC was founded in 1956, with the goal of lending to small- and medium-sized businesses in developing countries, and the rationale that those enterprises traditionally have a hard time raising capital. However, the IFC's current portfolio belies this mission, with a majority of the IFC's money in 2004 going to projects in middle-income countries where private financing is readily available. In addition, project sponsors ("loan beneficiaries") are often large multinational corporations like Hilton and Exxon-Mobil, a far cry from the original intended recipients of IFC funding.

*The IFC's social and environmental safeguards continue to deteriorate, especially with regards to impact assessments on the environment and in project-affected indigenous communities.*

One of the smallest arms of the World Bank, the IFC is also one of its least transparent or accountable, claiming the need for "business confidentiality" in the private sector. It only created its internal review body, the Compliance Advisor/Ombudsman (CAO), in 1999, which submits non-binding reports to the president of the World Bank. At the same time, the IFC's social and environmental safeguards have continued to deteriorate, especially with regards to impact assessments on the environment and in project-affected indigenous communities.

In addition, the IFC is one of the fastest

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# Earth to World Bank: Stop Funding Climate Change!

*by Daphne Wysham, Sustainable Energy and Economy Network and Sameer Dossani, 50 Years Is Enough Network*

Recent attempts by the World Bank to further greenwash its image fall far short of the meaningful changes in the development paradigm needed in order to cut greenhouse emissions and reverse the effects of global warming.

In April of this year, the World Bank's board approved a paper entitled *Clean Energy and Development: Towards an Investment Framework.* From the title, one might think that the World Bank intends to do something about its long track record of investing in extractive industries and fossil fuel burning energy projects – both of which frequently have disastrous environmental and social consequences. Instead, and disappointingly, the World Bank's paper is creating a self-fulfilling prophecy of business as usual.

A major investor in fossil fuels, the World Bank is completely unqualified to give advice on clean energy policy. Since the

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50 Years Is Enough: U.S. Network for Global Economic Justice is a coalition of over 200 U.S. grassroots, women's, solidarity, faith-based, policy, social- and economic-justice, youth, labor and development organizations dedicated to the profound transformation of the World Bank and International Monetary Fund (IMF). The Network works in solidarity with over 185 international partner organizations in more than 65 countries. The Network is committed to transforming the international financial institutions' policies and practices, and to making the development process democratic and accountable. We have been working together since our inception in 1994, on the occasion of the 50th anniversary of the founding of the World Bank and IMF through action-oriented economic literacy education, public mobilization, and policy advocacy.

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# Pull The Plug: Take the IMF Off Life Support

*Walden Bello, Focus on the Global South, and Sameer Dossani, 50 Years Is Enough Network*

As economists and politicians debate what to do about the latest challenges facing the IMF, civil society groups have a straightforward answer: take the IMF off life support.

As economists and politicians debate what to do about the latest challenges facing the IMF, civil society groups have a straightforward answer: take the IMF off life support.

For over 25 years the world has had one answer for countries that find themselves in a financial crisis: take the IMF policy medicine and get on the debt treadmill that comes with IMF and World Bank loans. This path has worked very well – for big corporations in wealthy countries which walk into countries through the doors opened by the IMF's policies and walk out with massive profits.

But for the people the IMF and World Bank say they are trying to help – the poor – the results have been very different – in fact, downright disastrous. The IMF has tremendous power – it can tell all other creditors to cut a country off if its orders are disobeyed – so it is no surprise that governments comply with its demands.

*The IMF has tremendous power – it can tell all other creditors to cut a country off if its orders are disobeyed – so it is no surprise that governments comply with its demands.*

Neither should it be surprising that when a government lays off workers, sells off companies to foreigners, cuts spending on nurses and teachers, cuts the subsidies poor farmers and consumers rely on, privatizes essential services like healthcare and water provision, and makes credit unavailable to small businesses – in other words, following IMF instructions – the result is deeper poverty, worsening health indicators, growing illiteracy, and an economy reduced to providing raw materials and cheap labor to multinational corporations.

The IMF's commitment to market fundamentalism – the conviction that the solution to every problem is to open up to the forces of supply and demand -- is so extreme that it ordered Malawi to "commercialize" its grain reserve agency in 2001. If you are puzzled by why an agency devoted to preventing famine would submit itself to market forces, imagine how the families of the thousand people who died later that year feel. They were left without access to food after the agency was forced to sell its existing reserves in order to "capitalize" itself; before it could replenish, shortages set in and prices shot up, leaving it, and poor Malawians, defenseless.

The governments that control the IMF – the U.S., the European Union, Canada, and Japan – met in Washington in April amid growing signs that the IMF's borrowers have had enough of these one-sided, catastrophic policy demands. While the poorest countries, mostly in Africa, remain locked in the grip of the IMF, those countries that can afford to do so – Brazil, Argentina, Indonesia, Uruguay, Turkey – are either paying off their IMF debts ahead of schedule or seriously discussing the option. All of them say they will take no more IMF loans. That these are also some of the IMF's biggest debtors has given its bosses serious pause, since it might mean shrinking or even closing the IMF.

The assembled finance ministers and central bank governors – several of whom had been making loud noises of concern in the weeks leading up to the IMF meeting – pronounced themselves satisfied with the solution they had mapped out.

What is the new approach for the IMF? That's not entirely clear – mostly they talked about giving the institution more power to convene mini-summits of countries facing possible economic problems. But if the relieved expressions on the delegates' faces mean that they feel they have saved the IMF by increasing its role in the global economy, we could all be in trouble.

Since the end of the "Bretton Woods" currency arrangements in the early 1970s, the IMF has had virtually no influence over wealthy governments that do not require its loans. If what emerges from the latest crisis of confidence about the institution's role is an agency newly-emboldened to impose its constricted brand of economic orthodoxy – the same one that exacerbated the Asian financial

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## Economic Justice News

*Economic Justice News* is published by 50 Years Is Enough: U.S. Network for Global Economic Justice to educate and mobilize social and economic justice advocates on the impact of World Bank and International Monetary Fund (IMF) policies and practices.

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# One Year After Gleneagles: Next Steps for Debt Campaigners in the U.S.

*Elizabeth Stierman and Debayani Kar, Jubilee USA Network*

After the conclusion of this year's Group of 8 (G8) summit in St. Petersburg, Russia, civil society continues to call on leaders of the world's wealthiest nations to keep last year's promises to fight poverty and underdevelopment — to increase effective aid, develop more just trade relations, and deliver broader and deeper debt relief. Yet with energy security headlining the past weekend's agenda, G8 leaders seem to have forgotten last year's priorities, instead focusing on increasing oil production, with the world's poor paying the price in millions of deaths from disease, famine, and environmental disasters caused by climate change, and pushing impoverished countries further into debt.

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ORIN LANGELLE

Activists from the 50 Years Is Enough Network, Justice In South Asia, Stop HIV/AIDS in India Initiative, and the Mobilization for Global Justice protest IMF-imposed limits on health and education spending during the spring meetings of the World Bank and IMF in Washington, DC.

Last year, under intense pressure from grassroots movements and civil society groups, G8 leaders cancelled the debts of 18 countries to the World Bank, International Monetary Fund (IMF), and African Development Fund (ADF). Already these savings have enabled Benin to invest in rural primary health care and HIV programs, Tanzania to abolish primary school fees leading to a 66% increase in school attendance, and Mozambique to provide free immunization for children.

However, most of the world has yet to see any benefits from the G8 debt deal. Only 1 in 10 people in the developing world will benefit from the deal; the other 9 live in countries still in need of debt cancellation. People living in heavily indebted and impoverished countries like Kenya and Ecuador, in nations devastated by the December 2004 tsunami like Sri Lanka and Indonesia, and in nations with clearly odious debts like South Africa whose people are still paying for the loans of the apartheid regime, will not receive any debt relief under the G8 agreement.

Other countries that have qualified for potential debt cancellation under the Heavily Indebted Poor Countries (HIPC) Initiative but were not part of the original 18 will have to wait years to see their debts cancelled because of harmful economic conditions imposed by the World Bank and IMF. These conditions require countries to restrict social sector spending to reduce inflation and privatize key public services like water and health care.

Take, for example, the case of Haiti. Haiti qualified for the HIPC Initiative shortly after the inauguration of democratically-elected leader Rene Préval in February, but will have to wait to receive debt cancellation until December 2009—at the earliest. By that time, the poorest nation in Latin America will have paid $220 million in debt service payments from 2005-2009 and will continue to pay service on debt to the Inter-American Development Bank, Latin America's largest creditor who was excluded from the G8 agreement. This is money that could be used for health or education in a nation where 23% of children under five are chronically malnourished and nearly half the population is illiterate.

Given the clearly odious nature of this debt—nearly half of Haiti's debt is a legacy of the Duvalier family dictatorship, notorious for its corruption and human rights abuses—this is money that the Haitian people do not rightfully owe. The return to peace and stability following Haiti's recent election offers the country a fresh opportunity to break free from its difficult past, but the country needs immediate debt cancellation in order to free the resources necessary to build a stable and prosperous democracy.

As Haiti's case illustrates, a much broader and deeper approach to debt relief is needed that will provide the benefits of debt cancellation to all impoverished nations that require it to meet their people's basic needs. Instead of increasing oil production in the name of "energy security," the leaders of the G8 should be focusing on building on last year's commitments to tackle global insecurity through increased funding to fight poverty and a true, prophetic debt deal that will include all impoverished countries that require cancellation and their creditors.

Join debt campaigners around the world as they continue to raise the profile of these issues into the 2007 Sabbath year,

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# Tending Their Flock: Is the Policy Support Instrument Keeping Countries in the IMF Camp?

*Soren Ambrose, Solidarity Africa Network (Kenya)*

Just over a year ago – June 2005 – *Economic Justice News* reported on the creation of a new IMF mechanism called the Policy Support Instrument (PSI). At that time, we were speculating on the reasons for its invention, and concluded that it was most likely a clever tool for maintaining IMF policy domination in countries that would be getting 100% of their IMF debts cancelled by the G8 debt deal then being concluded.

A year later it's still not entirely clear what the ultimate use of the PSI will be. Only four countries, all of them African, have committed to entering into a PSI. While it has not been pushed as vigorously as we predicted with countries graduating from the debt deal, it does indeed appear to be a tool for keeping countries in "the game" when they might otherwise leave the IMF behind. In fact, it might well be taking its place as part of the repackaging of the IMF at a time when its mission is being widely questioned. It could help make the IMF look less demanding, even though the PSI in no way represents a retreat from the IMF's customary inclination to dominate developing countries.

## *What is the PSI?*

The IMF usually describes the PSI as being designed for countries that "have made significant progress toward economic stability; do not need or want financial support from the Fund; but would like to seek ongoing IMF advice, monitoring and endorsement of their economic policies." It's basically a standard IMF program without the loans, but with the standard "structural adjustment" provisions (privatization, liberalization, spending cuts, etc.), and the usual very low inflation targets. Instead of reviewing a country's progress and indicating its conclusion by either releasing the next installment ("tranche") of the loan or cutting it off, the IMF still does the review, but just publishes its findings.

*The Policy Support Instrument could help make the IMF look less demanding, even though it in no way represents a retreat from the IMF's customary inclination to dominate developing countries.*

Those findings are sufficient to serve the institution's "signaling" function – its approval or rejection of a country's economic program which other multilateral, bilateral, and private creditors look to as the main indicator of whether the country can be considered creditworthy. When the IMF cuts a country off, the other official agencies generally follow suit. It's this "gatekeeper" function, rather than the IMF's loans (which are rather small by comparison to those of the other agencies) that give it its greatest power.

The PSI does not represent so much a new way of working for the IMF – it already had "staff monitoring programs" which served mainly as "signaling" devices and did not involve loans – but a more explicit recognition of its role as a virtual credit rating agency for developing countries. Before the PSI, everyone talked about this function of the IMF's, and most even acknowledged that it was the institution's most important one. But it was not officially codified anywhere – it was an "unwritten agreement" with no genuine, official status. The PSI puts the IMF's cards a little more clearly on the table.

## *The Danger of the PSI*

The threat we saw in the PSI last year was that it would be a way of seducing, or pressuring, countries that could otherwise finally free themselves of the IMF's domination – the countries receiving 100% multilateral debt cancellation under the new G8 deal – into continuing to adhere to the disastrous IMF policies that have exacerbated their poverty for the last 20 years or so.

We assumed that getting governments to make the break from the IMF would require serious political campaigning within the countries, and might not happen right away. The concern was to keep the threat of new entanglements with the IMF to a minimum – to avoid the situation where governments could claim to be distancing themselves from the IMF without actually freeing themselves from its rules.

Eighteen countries were initially designated to receive the 100% cancellation under the 2005 "G8 deal" – now dubbed by the institutions the "multilateral debt relief initiative" (MDRI). After strenuous efforts on the part of many actors within the international financial institutions (IFIs) to exclude or postpone up to one-third of the countries from the program – efforts that were countered by activist opposition – one country from among the 18, Mauritania, was excluded. The others saw their debts to the IMF cancelled on January 1, 2006, with the World Bank, and, where applicable, the African Development Bank, completing their cancellation on July 1. In mid-June, the IMF announced that it would cancel Mauritania's debt as well. A few additional countries have either just seen their IMF debt cancelled, or will in the next month or two.

A country that enters into a PSI is by no means in a more onerous or dangerous position than one which accepts

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# Open Letter to World Bank Executive Directors
## Re: International Financial Corporation and the Marlin Mine

***Halifax Initiative***

June 12, 2006

Executive Directors to the World Bank
World Bank Group
1818 H Street, NW, MC 13-335
Washington, DC 20433, USA

Re: Statement on the IFC-financed Marlin Mine, Guatemala by Civil Society Organizations

Dear Mr. Executive Director,

The Marlin gold mine, wholly owned and operated by Glamis Gold Ltd., is the first major mining project in Guatemala since neo-liberal reforms were introduced to attract global mining capital. The project is an important test case for the mining industry, which hopes to profit from the new frontier that Guatemala represents. The Marlin mine, which benefited from a $45 million loan from the International Finance Corporation (IFC), is also critical for the World Bank, whose involvement in the mining sector was highly criticized in the Extractive Industries Review (EIR). The Review called for the Bank to dramatically reform its approach to the extractive industries by, among other things, securing the support of affected communities prior to project approval and minimizing project impacts. Marlin was the first mining project financed by the IFC following the release of the EIR.

Despite high stakes and intense scrutiny, aspects of the project have been clearly mishandled by the company and the IFC. According to the September 2005 report of the IFC's internal auditor, the Compliance Advisor Ombudsman (CAO), which investigated the mine, the IFC did not adequately apply its social and environmental safeguard policies when considering the Glamis loan request. The IFC ignored procedures designed to assess the potential environmental and social impact of the mine on neighboring indigenous communities, and policies regarding consultation with peoples whose lands and resources would be irreversibly altered:

*"IFC analysis of the potentially negative social impacts and the appropriateness of the proposed mitigation measures has not been comprehensive or explicitly recorded in project documentation" – IFC internal audit*

"[t]he basis on which the IFC determined that the ESIA (Environmental and Social Impact Assessment) was adequate is not clear… no documentation was made available that reflects that any detailed and specific consideration had been given to how the IFC has and will ensure that the project complies with each of the applicable IFC policies and other basic procedural requirements - such as the requirements for dam safety plans…[t]his situation is not helpful in the context of the current conflict, because many external observers look to IFC to provide and be able to demonstrate a high level of scrutiny…" p.20.

"IFC analysis of the potentially negative social impacts and the appropriateness of the proposed mitigation measures has not been comprehensive or explicitly recorded in project documentation… [f]urther identification of any potential health risks from a single-status workforce, crime, strains on social infrastructure and cultural impacts would have enabled a more complete analysis of the appropriateness of the proposed mitigation measures and the monitoring of their effectiveness" p.27.

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# The Truth Is Out There: Review of *The Bush Agenda*

*Nicholas Carby-Denning, 50 Years Is Enough Network*

"The Truth is Out There" was the catchphrase of the popular TV show *The X-Files*, in which FBI agents exposed the secrets of a shadowy government conspiracy. With the web of deception the Bush administration has constructed around the invasion and occupation of Iraq – from the WMD wild goose chase to unauthorized government wiretaps and scandals at Guantanamo Bay and Abu Ghraib – one might feel we need a pair of near-psychic detectives to uncover the many agendas of the Bush administration.

Fortunately we have Antonia Juhasz who, in her exhaustively researched, well-detailed and eminently readable book *The Bush Agenda: Invading the World One Economy at a Time*, shows us the truth that is out there. In *The Bush Agenda*, Juhasz clearly and concisely plots the players, connections, motives, winners and losers in the Bush administration's military *and* economic policy. Juhasz also takes great care to place what is glibly called the "Bush Agenda," but is more importantly the culmination of decades of neo-conservative planning and maneuvering, in historic context.

The invasion and reconstruction of Iraq follows a clear formula written by and benefiting top members and allies of the Bush administration, and swathed in a mass of rhetoric about "democracy," "freedom," and "security." Their agenda is an imperial one, combining military supremacy with economic dominance and based on uncontested U.S. power in both realms. Juhasz' timely book exposes how this agenda has instead led to increased insecurity and inequality for Iraqis and Americans alike and made a mockery of the democratic process, through enforcing the same set of policies that institutions like the World Bank have been pushing on countries around the world for decades.

*The Bush administration is not following a security agenda in Iraq, but an economic one.*

## In the Beginning: Pax Americana

Juhasz traces the ideological lineage of the invasion, occupation and reconstruction of Iraq to the idea of *Pax Americana* (a reference to *Pax Romana*), the notion that world peace could be brought about by the hegemonic rule of a militarily and economically dominant empire. *Pax Americana* was conceived of by various authors, with many in the Bush administration including Vice President Dick Cheney, former Deputy Defense Secretary and current World Bank president Paul Wolfowitz, Secretary of Defense Donald Rumsfeld, former Secretary of State Colin Powell, Secretary of State Condoleezza Rice, U.S. Ambassador to Iraq Zalmay Khalilzad and Lewis "Scooter" Libby whose paths have crossed in the State Department, the Department of Defense, and various think tanks over the past three decades.

After the fall of the Soviet Union, the authors of *Pax Americana* supported the continuation of the war economy, envisioning, in their own words, "a world order backed by the U.S." such that, "other nations are discouraged from ever challenging the established political and economic order."

The Bush Agenda and *Pax Americana* are unique in that the administration has explicitly tied economic policy to military expansion in the context of "The War on Terror". After September 11th, former U.S. Trade Representative Robert Zoellick under George W. Bush even went so far as to say that the U.S. would be "countering terror with trade." For Juhasz, the occupation and reconstruction of Iraq is the ultimate realization of Pax Americana – the complete economic transformation of a country at gunpoint, and the reassertion of U.S. hegemony in the region.

## The Economic Agenda: Winners & Losers

The reconstruction of Iraq under U.S. direction has led to a drastic, unilateral, and undemocratic rewriting of Iraqi law, reflecting the most extreme adherence to neo-liberal economic policy. As with the military side of the Bush agenda, the economic components are hardly news. In The Bush Agenda Juhasz explains that U.S.-directed economic reforms in Iraq are the continuation of a long history of disastrous economic policies dictated to impoverished countries by the World Bank, IMF, and the WTO – policies which have depressed growth and increased global poverty and inequality. Through Paul Bremer's dictatorial Orders the U.S. rewrote the Iraqi constitution to including some of the most extreme and controversial provisions on foreign investment, privatization and foreign ownership (Order 39), tax structure (Order 37) and intellectual property rights (Order 80) ever instituted to make Iraq in the words of the Financial Times, "one of the most liberalized economies in the developing world."

Time and time again, the real winners of neo-liberal economics are corporations who are given unprecedented flexibility with virtually no accountability for their actions. In the case of Iraq, Juhasz exposes close ties between the authors of the Bush agenda and a handful of corporations with long histories in Iraq including Bechtel, Chevron, Halliburton and Lockheed Martin. American corporations – and those four in particular – have been the recipients of huge sums of money to rebuild Iraq, but their efforts have largely been a failure and Bush has neither held them accountable nor demanded the money back.

Before the first Gulf War the World Health Organization (WHO) reported that 90% of Iraqis had abundant safe drinking water, but in May 2004 the UN estimated 80% of families used unsafe water. The U.S. Agency for

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growing arms of the World Bank, with funding commitments to the institution growing by about 12% annually, and expected to rise to 30-53% by 2009. Given that private financial flows to the global South are growing exponentially, what is the relevance of a publicly-financed institution lending at market rates to already well backed parts of the private sector?

### Looking the Gift Horse in the Mouth

Over the years the IFC, along with the rest of the World Bank, have adopted the noble – and even more misleading – rhetoric of "poverty reduction." A visit to the IFC website reveals the slogan "Reducing Poverty, Improving Lives" prominently displayed on the homepage. But a glance through the latest annual report throws this rhetoric into question. Such a glance reveals that:

- While large infrastructure projects along with oil, mining and gas projects accounted for 13.6% of spending in 2005, education and healthcare combined attributed for just 1.4% of IFC spending. World Bank-sponsored reports such as the Extractive Industries Review and the World Commission on Dams report show that large infrastructure and extractive industries projects create poverty by displacing communities and detaching them from their traditional means of livelihood. In other words, the IFC is spending at least 11 times more on a sector that generally creates poverty than on sectors that can be said to reduce poverty.
- Large, well funded companies including luxury hotel companies and big oil companies are among the IFC's clients. Among the most bizarre such projects are the renovation of "an international business hotel" in Burkina Faso, and "the further development of crude oil production" in Oman.

*The IFC, along with the rest of the World Bank, have adopted the noble – and even more misleading – rhetoric of "poverty reduction."*

### My Kingdom for a (Trojan) Horse

The IFC claims to be on the cutting edge of private sector financing, able to go into projects that no one else can go into. The veracity of that claim notwithstanding, we should ask whether these projects should be financed in the first place. Without the involvement of the IFC, neither the Chad-Cameroon pipeline project nor the Bujagali dam project in Uganda – two projects that have had disastrous social and environmental consequences – would have been built.

Developed largely with the support of the U.S. government in the 1950s, the IFC plays the role of financing those who are already rich. Even those who believe in private sector led development are unable to answer the question of why there should be an international, public sector backed institution to provide financing and political cover to the well-off.

ORIN LANGELLE

Protesters play World Bank and IMF "goons" in a street theater/rally held outside IMF headquarters during the spring meetings of the World Bank and IMF in Washington, DC.

More importantly, the IFC is the most egregious part of a system that prioritizes profit over everything else. Companies come to the IFC – or are sought out by the IFC – in order to build projects that will make money. Whether or not they will benefit society is discussed only as an afterthought. Communities in which the project will be built have little say in the matter.

### Backing a New Horse

There are alternatives to letting big money and international financial institutions dictate the terms of development. One such alternative is being put into practice by the Landless People's Movement of Brazil, also known by their Portuguese acronym, MST. Their website reads:

> "Since 1985, the MST has peacefully occupied unused land where they have established cooperative farms, constructed houses, schools for children and adults and clinics, promoted indigenous cultures and a healthy and sustainable environment and gender equality. … Members have not only managed to secure land, therefore food security for their families, but also continue to develop a sustainable socio-economic model that offers a concrete alternative to today's globalization that puts profits before people and humanity."

The MST and organizations like it around the globe focus on the community and its needs instead of profit and its dictates. They represent a very different model of development, one that is more sustainable, more cost effective and people oriented than development policies pushed by the IFC and the World Bank group. It's time to prioritize development that is good for the earth and its inhabitants and put organizations like the IFC out to pasture. ✪

## Earth to World Bank: Stop Funding Climate Change!

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World Bank is very influential in setting the agenda of global development, it is unlikely that its advice on clean energy would in any way hurt its investments in energy and mining projects, or those of its private sector lending arm, the International Finance Corporation (IFC), which works directly with oil companies among its many private sector clients.

*The World Bank is very influential in setting the agenda of global development and it is unlikely that its advice on clean energy would in any way hurt its investments in energy and mining projects.*

The World Bank is not a disinterested party in evaluating energy policy. The Bank is the largest public broker of carbon trades, i.e. buying and selling licenses to pollute. With over $1 billion in their carbon trading portfolio, making up to 10% in commissions on all of the carbon trades it brokers, what interest does the World Bank have in envisioning a world of renewable energy?

It is perhaps not surprising, therefore, that the projections the Bank makes on the subject of greenhouse gas emissions would be disastrous for the earth. The "reference case" or baseline scenario in the paper is a 60% global increase in greenhouse gas emissions by 2030. As those who have seen Al Gore's popular documentary An Inconvenient Truth will know, such an increase would mean that by 2030 there may be hundreds of millions of "environmental refugees"; possibly larger numbers of people at risk of starvation due to crop failures; and 1.3 to 3 billion people at risk of drinking water shortages. The alternative case discussed in the paper is half of this increase (30%), a number which should still be seen as unacceptable for those concerned about global warming.

When one looks at the specifics of the paper, one is shocked by how many recommendations perpetuate business as usual in the place of genuine change. "Business as usual" for the Bank can be summed up as a) a bias towards big, expensive projects, and b) a bias towards those projects that benefit the private sector either directly or indirectly. Unproven technologies which would use fossil fuels in a less carbon emitting way are favored over cleaner alternatives that do not involve fossil fuels (and are often more tested). In such a way, the large companies doing the extracting of coal (in this case) would not be affected.

*"Business as usual" for the Bank can be summed up as **a)** a bias towards big, expensive projects, and **b)** a bias towards those projects that benefit the private sector either directly or indirectly.*

Another somewhat amusing bit of advocating "business as usual" is the Bank's endorsement of nuclear power while simultaneously advocating the complete phase out of subsidies for power generation. Nuclear power is so costly that it is unlikely that nuclear power plants can ever be built without a huge subsidy component.

Despite the failures of these policies globally, the Bank still provides blanket endorsement of privatization and deregulation. Corruption is only one of the problems associated with these projects (think Enron). Despite claims to the contrary, there is no evidence that these policies lead to less emissions of greenhouse gasses. On the contrary, these policies may make regulation more difficult.

Ironically, the report promotes the protection of environments such as mangrove forests and other natural barriers to coastal areas, in spite of the Bank's own track record financing exploitative projects such as shrimp aquaculture that have destroyed many of these barriers to large storms, in favor of "diversifying" economies.

Whatever gloss the World Bank would like to paint them with, the facts are clear. The World Bank is hugely invested in business-as-usual, and business as usual will lead to the destruction of billions of dollars worth of property, and the fragile global ecosystem in which we all live. If the Bank is serious about addressing these problems, it must be willing to prioritize lives over profit. Its record so far should give us no cause for optimism. ❂

## One Year After Gleneagles: Next Steps for Debt Campaigners in the U.S.

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when G8 leaders will return to Germany for the first time since 2000, seven years following the historic summit when a broad network of people of faith and conscience first joined together under the banner of Jubilee 2000, challenging policy makers to end the debt crisis.

Be part of the Jubilee movement by taking action today to end crushing debt that diverts resources from health, education, and the environment to pay rich countries and financial institutions. This coming August, we are asking supporters to set up meetings with their representatives about the Jubilee Act (HR 1130), legislation that, if passed, will provide 100% debt cancellation for 50 of the most impoverished countries without strings attached. Visit our website to learn more about how you, your community, or congregation can become part of the historic, worldwide movement to end debt and poverty. See www.jubileeusa.org. ❂

## Pull The Plug: Take the IMF Off Life Support

*continued from p.2*

crisis by ordering layoffs and increased interest rates, moves the IMF itself now admits might not have been very wise – then the notoriety that the IMF has earned in Latin America, Asia, and Africa could spread quickly in the richer parts of the world.

Global economic governance is not a bad idea. But the IMF is not the agency to carry it out. It is thoroughly discredited in developing countries and "emerging economies" after 25 years of abuse. Its attempts to impose its solutions on governments and citizenries accustomed to making their own decisions is not likely to get very far. Indeed, the only solution to the continuing crises in Africa and other impoverished parts of the world is a restoration of policy sovereignty to people and governments.

*Those countries that can afford to do so are either paying off their IMF debts ahead of schedule or seriously discussing the option. All of them say they will take no more IMF loans.*

The IMF's obsolescence is showing; rather than trying to put it on life-support by supplying it with new power, it should be allowed to die a natural death.

❂

*This April, the 50 Years Is Enough Network and Focus on the Global South coordinated an international strategy session focusing on IMF reform. The sign-on statement and strategy paper resulting from the conference can be found at http://www.50years.org.*

## Tending Their Flock: Is the Policy Support Instrument Keeping Countries in the IMF Camp?

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loans as part of a conventional IMF program. Indeed, if the choice was just between the two, the PSI would be preferable because it doesn't lead to more debt accumulation, and thus presents less threat of ongoing IMF domination -- once the government is finally persuaded to stop signing agreements with the IMF, that is.

Overall, the danger of the PSI is (1) that it will deter countries from declaring their independence from the IMF, and (2) that acceptance of it will more firmly establish the IMF's gatekeeper function, which is what makes the institution, so committed to its market fundamentalist agenda, so dangerous.

### *The First PSI: Nigeria*

Despite the fact that the PSI was apparently developed in tandem with the MDRI, the first PSI country was Nigeria, which was not considered for the MDRI. Its PSI was announced in May 2005, and used explicitly in order to help Nigeria qualify for Paris Club debt rescheduling. The Paris Club is the association of big bilateral creditors (including the U.S. government) which negotiates collectively with indebted governments. It requires that a country have an in-force program with the IMF in order to qualify for any rescheduling. Nigeria did not, and political realities in the country militate against it ever borrowing from the IMF, so the PSI was settled on as a good compromise.

*The PSI appears to be used as a sort of prestige program – moving from a tricycle to training wheels, if you will. If only the end result were as promising as a smooth ride on a fast bike!*

### *Potential Embarrassment for the PSI: Uganda*

The next country to agree to a PSI fit the predicted pattern – Uganda. As one of the 18 countries on the MDRI list, and a long-time "poster-child" for the programs of the international financial institutions, Uganda was in some ways a logical choice to take out a PSI when its old IMF program expired in January.

But whether Uganda is indeed a "mature stabilizer" – IMF jargon for a country that has gone through its economic stabilization programs and maintained low inflation and budget deficits -- is an open question now. A year ago, the label would probably have been uncontroversial. Since then, however, President Yoweri Museveni has been engaged in a war of words with the international donor community. His blatant manipulation of the national legislature to change the constitution so that he could serve a third term as president – in elections he won in February – have changed his reputation from fearless reformer to corrupt autocrat (a shift that more clearly reflects the reality that has been clear for several years). The British government and other donors have cut off aid or are threatening to do so. In a country where over 40% of the national budget comes from external aid, this is a potentially serious situation.

As in the case of Robert Mugabe in Zimbabwe, Museveni's recent defiance of donors' attempts to infringe on

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Uganda's sovereignty may sound good to those of us who oppose the IMF and World Bank on exactly those grounds, but its real meaning has more to do with domestic politics. Mugabe is clearly reaching for any populist slogans he can use, but Museveni has even less credibility on the subject, since in his 20 years in power he has never resisted IMF/World Bank policies; indeed he has slavishly sought them out.

Uganda is, meanwhile, in the throes of a monumental energy crisis brought on by climate change and poor resource management. It is entirely possible, then, that the IMF will end up declaring Uganda "off-track," which would be a serious embarrassment for the credibility of the PSI. It would also be reminiscent of the IFIs' experience with the Heavily Indebted Poor Countries (HIPC) debt management program. Uganda, ever the good IFI student, was chosen as the first country to benefit in 1998; in less than a year the hollowness of HIPC was exposed as Uganda's debt was again declared "unsustainable," and it was run through the program a second time.

So why did Uganda get a PSI instead of a regular IMF loan program? As the regular star performer in Africa, it was probably looked to out of habit by the IMF staff as a safe choice, disregarding recent political and economic trends. And Museveni himself has staked some of his reputation on being at the forefront of new IFI programs. The biggest factor, however, was probably the presidential elections in February. By signing up for the PSI, Museveni was able to tell Ugandans that he was moving the country forward into a new, innovative program, and had managed the economy so well that the IMF agreed it no longer required IMF loans. The PSI, in other words, appears to be a sort of prestige program – moving from a tricycle to training wheels, if you will. If only the end result were as promising as a smooth ride on a fast bike!

## *Playing it Safer: Cape Verde*

The tiny African island-nation of Cape Verde, in the Atlantic Ocean west of Senegal, was the third country to agree to a PSI, in May 2006. Cape Verde was not one of the countries to benefit from the MDRI debt cancellation. It is, in fact, more clearly what the IMF would describe as a "mature stabilizer". The original documentation describing the PSI made it sound like it was not designed for HIPC countries (which one must be in order to benefit from the MDRI), since most of them have had recent difficulties, if not with accepting the IMF's economic policies, then with keeping their economic indicators in balance. Cape Verde could reasonably be said to be the only PSI country that meets the description of the PSI candidates offered by the IMF.

## *Tanzania: Prestige without Dollars*

The most recent country to commit to a PSI is Uganda's neighbor in East Africa, Tanzania, with the announcement coming in mid-June. Initial reactions in the press were ambivalent, with at least one reporting casting it as an IMF decision to "delist" Tanzania from eligibility for IMF money.

Like Uganda, Tanzania relies on donor funds for about 40% of its budget, so financial reporters could perhaps be excused for reacting with some alarm to the announcement of the no-loan program, particularly since the Tanzanian government did not seem to trumpet it as an achievement right away.

*"Rather than provide financial support, the IMF's role will be more or less that of an international credit rating agency that tells other donor agencies whether or not to lend to Tanzania… Thus, even without receiving IMF funds, the country will still be subject to IMF conditionalities."* **The EastAfrican**

It appears that the Tanzanian finance minister was waiting for "budget day" – June 16 – when the three East African Community finance ministers (Tanzania, Uganda, and Kenya) unveil their proposals to their respective parliaments. Then she was upbeat about the achievement, pointing to the fact that it would mean fewer IMF missions coming to the country. Her counterpart in Kenya, a country which protested at its exclusion from the MDRI, complained about frequent IFI interventions, and said that he would like for Kenya to join its neighbors in moving to the PSI once its current program with the IMF expires.

Tanzania is not faced with the immediate challenges Uganda is, and thus might be counted a less controversial choice for inclusion in the PSI. Indeed, it is one of the most stable countries in Africa, and despite its socialist past has won consistent praise from the IFIs over the last ten years.

But the media was not ecstatic about the development, with the EastAfrican ignoring the official IMF vocabulary and describing the PSI by saying that "rather than provide financial support, the IMF's role will be more or less that of an international credit rating agency that tells other donor agencies whether or not to lend to Tanzania." That excellent summary was followed by the conclusion, "Thus, even without receiving IMF funds, the country will still be subject to IMF conditionalities." Exactly.

And lest anyone get the idea that the PSI is more relaxed

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about its conditions than other IMF programs, East African Business Review reports that the IMF's resident representative says that Tanzania will be "required to update her energy sector policy and redesign its economic policy to qualify for PSI for a two-year period." Just how the country's economic policy is to be "redesigned" has not yet been revealed.

Meanwhile Tanzania, one of the MDRI beneficiaries, is protesting to the IFIs about the outcome of their recent "debt sustainability analysis" for the country. It seems that after having most of its multilateral debt cancelled, Tanzania is in danger of no longer being included on the World Bank's list of countries that should get grants instead of loans. Perhaps the Tanzanian government should consider going the same route with the Bank that it is proud to be taking with the IMF – no more loans. That may mean less revenue, but it would also mean less of the dangerous, conditioned entanglements with the IFIs. Surely the Finance Minister could get some mileage out of promising fewer visits from the World Bank as well.

## *What Does It All Mean?*

The PSI has not taken the strong role one might have expected it to in the wake of the MDRI. Most of the countries involved had ongoing IMF programs; a few have entered into negotiations for new loan programs. There has not yet been a rush to become liberated from the IMF – at least not explicitly. It is unclear, for example, whether Ethiopia is going to come back into the fold, or whether it is content to maintain its ambivalent position with the IMF – in dialogue, but without a formal program.

The one MDRI country that has declared its independence is Bolivia, under its new left-wing president, Evo Morales. The IMF has greeted this news by assuring Bolivia that it is willing to help at any time. In Ghana, there has been some prominent advocacy for making a break with the IMF now that the MDRI is concluded. But the president, a confirmed neo-liberal, has opened negotiations on a new agreement. We can hope that domestic political pressure will be strong enough that those talks will end, without even a "compromise" PSI.

Bolivia shows, then, that a break is possible. It appears, however, that thus far the only political step other countries that received debt cancellation are willing to take is to use the PSI as a political point of pride – they can boast that they are making progress in weaning their countries from the IMF. But in fact the conditions remain the same, and just as strong. The PSI may be more useful for cowardly governments that want to project an image of independence than it is for the IMF, which is apparently not yet facing a mass "breakout" by MDRI countries.

From the IMF's side, what does the PSI mean? Why is it apparently willing to offer it to any country that asks for it? Is it even possible that it is encouraging countries like Tanzania to use the PSI instead of getting new loans?

Since December, the IMF has been reeling from the news that most of its biggest "debtors" – Brazil, Argentina, Indonesia, Turkey – and some of their smaller ones (Uruguay, Serbia) are paying off their loans early. Presidents and Finance Ministers are celebrating the end of having to obey IMF rules. And the IMF board and staff are worried that its lending business is about to dry up. New committees have been meeting, the G8 has weighed in, and the head of the IMF now spends all his time talking about the IMF's new mission, as a broker of agreements among the major economies in the quest for global economic balance.

The IMF, then, may be resigning itself to its new identity – technocratic advisers and economic diplomats. They may be weaning themselves from their self-image as lenders. Everything will be collegial – the PSI documents all emphasize that the program is "voluntary and demand-driven."

*Through the PSI, the IMF may be resigning itself to its new identity – technocratic advisers and economic diplomats. They may be weaning themselves from their self-image as lenders.*

But for Southern countries not much will have changed, even if they are no longer "borrowing countries" – at least not so long as the PSI is available to enforce the IMF's power even without cash. It looks as if opponents of the IMF's economic vision will have to work even harder to demonstrate that the power dynamics have not changed, that the IMF is not a benign group of expert advisers, that it's not as simple as the phrase "voluntary and demand-driven" would suggest, and that the majority of the people in the Global South are still being set up to be exploited and impoverished by the global economic system. ❂

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"[t]he lack of a clear policy on human rights and the management of security forces is a significant oversight on the part of both the company and IFC to adequately safeguard against the potential for violence…IFC failed to make any consideration of potential for local-level conflict in its appraisal or advice to the Sponsor" p. 35/6.

Communities in Sipacapa, one of the municipalities impacted by the mine, registered their position on mineral development through a popular referendum in June 2005. According to the CAO:

"[t]he community assembly meetings in which the consultations were held took place during (sic) on June 18th 2005 with a majority of villages (11 out of 13) signing community acts stating their position against mining."

Exercising their constitutionally-protected right, the Sipakapans rejected economic development based on mineral exploitation. A Sipakapan representative later reiterated this position in a meeting with World Bank President Paul Wolfowitz in December 2005. In that meeting, dialogue was discussed as a potential strategy for overcoming the protracted impasse concerning the project. The Guatemalan representative made dialogue contingent on, among other things, the World Bank's recognition of the Sipakapans' popular referendum – which the Bank has failed to do.

*"The lack of a clear policy on human rights and the management of security forces is a significant oversight on the part of both the company and IFC to adequately safeguard against the potential for violence." – IFC internal audit*

Representatives of the Bank Information Center, the Halifax Initiative Coalition, Friends of the Earth Canada and Oxfam America recently traveled to Sipacapa, where we met with community representatives. These community members argue that by refusing to recognize the popular referendum as a legitimate form of community expression, the IFC, the Guatemalan government and Glamis Gold deny communities the status of equal stakeholders. In the absence of basic conditions of mutual trust and respect, most Sipakapans have rejected dialogue.

Neither the IFC, the company, nor the government have given local communities any indication that they are willing to take the necessary steps to reach a genuine, consensus-based resolution to the on-going conflict. These actors have failed to address significant problems associated with the project cited by the CAO, or to meaningfully implement the CAO's recommendations. For example,

- The IFC incorrectly claims to have addressed security force and human rights issues. The IFC has restricted its attention to "the security of the mine site" and the "personal security" of Glamis employees. This mischaracterizes the security issue identified in the complaint filed to the CAO, and overwhelmingly supported by the CAO, which concerns the personal safety of local residents who are at risk through the presence of the mine's armed security service and the Guatemalan military. The IFC's reaction on this issue is particularly insensitive to the family of the villager who was shot and killed by a Glamis security guard. The company claims it has adopted the Voluntary Principles on Security and Human Rights as suggested by the CAO, but has not made public how it intends to implement the principles. Neither has the IFC indicated how it will monitor compliance with these principles.
- The IFC and the company have not yet sufficiently assessed the project's long-term impacts on the quality and quantity of local water supplies. The CAO's assessment discovered that the company failed to adequately assess the potential impacts on communities living downstream of the tailings dam. The IFC and the company have not

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indicated how or when a crucial assessment of the mine's impacts on these populations will take place.

- The IFC has not disclosed details regarding financial provisions for covering long-term environmental clean-up costs. The Marlin project may generate long-term water contamination that could require perpetual remediation measures costing millions of dollars. The IFC should require Glamis to allow an assessment by credible independent experts of the full potential costs of long-term clean up and water treatment and establish a surety to guarantee adequate funding by Glamis to meet these costs.
- The IFC has not ensured that the company will conduct adequate public consultations on the expansion of Glamis' mining operations in the area. Glamis has stated its intention to expand mining operations in the communities around the project, yet there is no indication that the company or the IFC have assessed the cumulative impacts of expansion. Nor is there any record of consultations with potentially affected communities.

Recently, the CAO released a Follow-up Assessment Report that concludes that dialogue is currently unadvisable and announces that it will close the Marlin complaint. It also recommends that Glamis consider suspending exploration activities in Sipakapa. The CAO assures interested parties that the IFC is still committed to implementation of its September 2005 recommendations.

Unfortunately, however, the CAO's report provides no information as to progress made by the company and the IFC on implementation of these recommendations or specific actions the CAO has taken in this regard. It also misses an opportunity to examine whether the IFC's strategy of promoting mining in areas like San Marcos is the most appropriate way to promote sustainable development. Further, it does not raise the question of whether the IFC has the technical competence and capacity to effectively manage projects like Marlin. The limited ability of the CAO to influence the IFC or its clients on problem projects like the Marlin mine calls its authority into question. How can the CAO ensure affected communities are not worse off with the Bank's investments if its recommendations are easily ignored?

*The Marlin project may generate long-term water contamination that could require perpetual remediation measures costing millions of dollars, but the IFC has not disclosed details regarding financial provisions for covering long-term environmental clean-up costs.*

The CAO's assurances that the IFC is committed to following its recommendations are not adequate to compensate for the IFC's loss of credibility with a broad segment of communities in the project area. To restore confidence, the IFC must move beyond statements of good intentions and demonstrate that it is willing to meaningfully remedy identified shortcomings. The IFC should:

- provide detailed plans and a clear timetable for the implementation of the CAO's recommendations, and establish a mechanism for independent verification and reporting on the process, which is overseen by an independent Guatemalan or international third party agreeable to the Guatemalan government and the Sipakapan community.

The CAO warns that further intervention from outsiders, including the World Bank Group, could result in greater harm to Sipacapa, arguing that any "intervention from outsiders should anticipate the possibility of heightening and prolonging the conflict, rather than reducing or resolving it." The CAO recommends that external actors "should assess these risks through a context analysis and other steps to reduce the possibilities of doing more harm." Given the serious problems associated with its initial intervention, it is unfortunate that the IFC failed to

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**Open Letter to World Bank Executive Directors:** ***International Financial Corporation and the Marlin Mine, Gualtemala***

*continued from p.13*

undertake such an analysis prior to loan approval. Now there is a significant risk that the IFC will rely on this recommendation to avoid remedying the unfortunate situation that it helped create.

The IFC and Glamis Gold need to take constructive and appropriate action to resolve the current impasse. These actors should begin with a demonstration of good faith toward the people of Sipakapa, including:

- explicit recognition of the June 2005 referendum,
- immediate implementation of the CAO's recommendations, and
- the suspension of all exploration activity in Sipacapa.

Actions taken short of those listed above will not result in a lasting and equitable resolution of the tensions surrounding the Marlin mine.

We thank you for your attention to this letter and anticipate your response to the issues raised.

Yours sincerely,

Manish Bapna
Executive Director
Bank Information Center

Beatrice Olivastri
Executive Director
Friends of the Earth Canada

Fraser Reilly-King
Coordinator
Halifax Initiative Coalition

Bernice Romero
Advocacy and Campaigns Coordinator
Oxfam International

CC: Paul Wolfowitz, President, World Bank
Lars Thunell, Vice-President, International Finance Corporation
Rashad Kaldany, Director, Oil, Gas, Mining and Chemicals Department, International Finance Corporation
Meg Taylor, Compliance Advisory Ombudsman

**The Truth Is Out There: Review of** ***The Bush Agenda***

*continued from p.6*

International Development (USAID) reported that, a year and a half after Bechtel entered Iraq, "(w)ater meant for consumption is pumped through a system largely untreated while raw waste flows untreated directly into city streets, rivers and marshes." In December 2005 electricity output nationally was only 60% of the level the U.S. had promised for July 2004. Infuriatingly, though 93% of U.S. funds have been distributed, as many as 30% of electricity projects and 60% of water and sewage projects will not be completed. Finally, while the U.S. has appropriated $30 billion for Iraqi reconstruction by U.S. corporations, Juhasz argues using the Iraqi companies and local expertise reconstruction could be run more efficiently and at 90% less cost!

## Uprooting Terror or Sowing Its Seeds?

Not only is the Bush agenda enriching close friends and allies of the Bush administration at the expense of Iraqi and American citizens, but it is also exacerbating those conditions that breed terrorist acts such as those that occurred on September 11, 2001. In The Bush Agenda, Juhasz cites the CIA, which in 2000 predicted a rise in insecurity as a result of increased economic inequality.

"The rising tide of the global economy will create many economic winners but it will not lift all boats… [It will] spawn conflicts at home and abroad, ensuring an even wider gap between regional winners and losers than exists today… Regions, countries and groups feeling left behind will face

**The Truth Is Out There: Review of *The Bush Agenda***

*continued from p.14*

deepening economic stagnation, political instability and cultural alienation… They will foster political, ethnic, ideological, and religious extremism."

In 2005 the CIA again predicted a "more pervasive sense of insecurity, including terrorism… the gap between the 'haves' and the 'have nots' will widen… The key factors which spawn terrorism show no signs of abating over the next fifteen years." U.S.-imposed economic reforms in Iraq continue despite these dire warnings from the government's own intelligence agency.

In addition, the failure of Iraqi reconstruction has created more instability in the region. Juhasz notes that 80% of Iraqis believe insurgents fight because they think the U.S. is stealing Iraq's wealth. Bremer's orders have led to increased unemployment in Iraq and preferences foreign contractors to Iraqi businesses, leading both to the failure of many projects and to a recognition of the "reconstruction" as an occupation. The Bush administration is not following a security agenda but an economic one.

## Uncovering a Conspiracy or Pointing Out the Obvious?

The U.S. Department of Defense concluded in 2004 that Muslims don't hate freedom or democracy, but rather are opposed to U.S. foreign policy which seems to be motivated by "ulterior motives." If there was any doubt remaining as to ulterior motives for the War on Iraq, Antonia Juhasz has dispelled it by laying out the facts of the case revealing the covert political and economic agenda behind U.S. foreign policy.

The greatest strength of Juhasz's book is that it points out what should be obvious to everyone. With an administration so closely tied to the U.S. corporations being handed contracts in Iraq there is more than a little conflict of interest. Juhasz also provides a clear agenda on what should be done to fix the situation: we should be doing what we promised – financing reconstruction – but ceding control of the reconstruction and its benefits to the Iraqis. We should be supporting Iraqi businesses and workers, rather than undermining their national development, auctioning off assistance and prime sectors to bidders closest to the Bush administration.

In Juhasz's expert hands, the Bush agenda is clear; her book cuts through the rhetoric of "freedom" and "free trade" and the Iraq invasion is exposed as part of an imperial endeavor and the perfect marriage of military and economic extortion. Juhasz has given us a blueprint of the Bush administration, complete with details of its inspiration, its adherents and its intertwined assemblage of government and corporate actors. This book is required reading for all who want a peek into the future of U.S. imperialism and the facts and analysis to stand up in defense of human rights around the world. ✪

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