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LA VOIX DES PEUPLES DANS LA COOPERATION NORD SUD
LA VOZ DE LOS PUEBLOS EN LA COOPERACION NORTE SUR

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THE WORLD BANK'S DIMINISHING CREDIBILITY

by DOUG HELLINGER

As the directors and staffs of the World Bank and International Monetary Fund gather in Berlin for their annual meeting, the credibility of the two institutions has reached an historical low point. The Bank, in particular, having responded early in the decade to the agenda of the right and of the international financial community, now finds itself on the defensive among attacks by environmentalists, social justice organizations and the millions among the Third World's poor who have been negatively affected by the projects and policies promoted by the institution.

For many, the Bank has always lacked credibility as a development organization. Established to facilitate the flow of international capital, it has steadfastly refused to retreat from this original mandate, even when its financial and development objectives were in obvious conflict. The McNamara era was no exception. Billions of dollars, pounds, marks and francs were poured through government bureaucracies that had neither the capacity to absorb and effectively use such funds nor the ability or inclination to involve their poor populations in the programs that directly affected them. The current focus on the private commercial sector has only exacerbated the situation. To an increasing number of people, the Bank, like the IMF, is an agent of international capital, whose current job is to bail out the commercial banks from the crisis created by their disastrous lending of the 1970s.

The situation throughout much of the South today has hastened the erosion of public support for the Bank. Most of Latin America and Africa and parts of Asia have seen living standards, particularly among the poor, tumble to levels of a generation ago. While the performance of the international economy and of some Third World governments have contributed to this disaster, the austerity measures and some of the economic prescriptions associated with the structural adjustment lending of the Bank (and the IMF) have dealt a direct, massive and cruel blow to the welfare of millions of vulnerable people around the globe. To the victims of these policies, and indeed to those who have witnessed this human tragedy, the long-term objectives of Bank-sponsored adjustment lending is a theoretical issue. The wheel-to-do of the North and South have paid a minimal price for their mistakes and greed, and their money sits well protected in the world's commercial banks, undisturbed by the IMFs and World Banks of the world.

If these attacks on the Banks credibility as a development organization are attributed to ideology or emotionalism, they are undergirded by real questions related to the institution's honesty and competence. Warned by many of the dangers of leading countries down the path of increased dependency on Northern markets, capital and goods, the Bank's economists supposedly, and now admittedly, did not foresee the sharp decline in the terms of trade for the South a decade ago. Nor, as the institution now admits, did it foresee the coming of the debt crisis, the staying power of that crisis, or the depth or breadth of the impact on the poor of its adjustment programs. If such a record doesn't undermine credibility in the Bank as an institution concerned primarily with the interests of the poor, then it seriously shakes one's confidence in the Bank's self-appointed role as an architect of development strategies around the world. A hard look around the Third World today, after four "development decades", would surely confirm that premise.

This level of tragic incompetence, which has contributed to so much suffering, would, by itself, be bad enough. It has been followed, however, by the refusal of the Bank to back off from its failed economic model in the face of overwhelming evidence in the world economy that its current prescriptions are leading countries to further ruin. World commodity prices are still well below those of the 1970s and Northern markets show little sign of opening further to products from the South. Yet, adjustment lending is being conditioned on policy changes designed to increase Southern exports as the engine of economic growth, while domestic demand is being dampened. With the Bank and the IMF demonstrating little influence over the policies of the OECD countries, this economic madness is pitting Third World producers against one another in a struggle to access shrinking Northern markets.

The institution's disingenuousness has been further demonstrated by its campaign to dramatically increase its loan resources through a General Capital Increase (GCI). It claims that it does not intend to significantly increase its adjustment lending nor attempt to help bail out overextended commercial banks. However, it is clear that the Bank's current staff capacity and that of implementing organizations in the South all but rule out an increase in quality project lending at the scale envisaged. Over the next decade, we should expect to see increases in quick disbursing policy-based loans accompanied by a growth in lending for massive, poorly analyzed infrastructure projects in high-debt countries. These nations will be flooded with the foreign exchange that the private banks no longer will provide, while this new debt will be guaranteed by Northern taxpayers in the form of the subscriptions of each contributing country under the GCI.

REGAINING CREDIBILITY

In order to enanche its credibility and to improve the quality of its programming, the Bank has responded to the pressure and demands of the environmental community and reached out to NGOs. To the extent that it is sincere about changing the nature of its programming, this is a welcomed change. So far the changes have been only superficial. New environmental staffing under the Bank's 1987 reorganization has not led as yet to any significant improvement in the institution's performance in protecting the natural environment or the interests of local populations within the context of large-scale project lending.

Likewise, seven years of dialogue with NGOs has only now begun to focus attention on the need for the Bank to open itself up to changes in its development prescriptions. Consultations with popular organizations and other NGOs would expose the institution's staff to a reality that, due to internal organizational pressures and the limitations of their own training and in-country contacts, they find next to impossible to tap. The use of NGOs to carry out aspects of government-designed projects, to provide food to vulnerable groups or to deliver services that governments are no longer able or willing to provide is viewed by many in the non-governmental community as but inconsequential attempts to plug major leaks in the faltering dams of a flawed development paradigm.

The stakes are too high to be satisfied with such modifications on the margins of Bank and IMF lending. The use of NGOs and limited shifts in national budgetary outlays may put a human face on adjustment lending, but they do little to address the contradictions and narrow self-interest within the ruling development paradigm. Without a major change in that paradigm, we will witness continued and prolonged suffering among the historical victims of these policies and programs well into the next century or until sufficient means are found for the North's taxpayers to bail out the banks.

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LITMUS TEST: AGENDA FOR ACTION

For the Bank to increase its credibility as a development-enhancing organization and to give hope to tens of millions that the deepening of their poverty will one day cease, the institution must take some initial, yet far reaching steps toward altering the way in which it goes about its business.

First, it needs to institutionalize changes in the manner by which it acquires the information and perspectives that it utilizes as the basis of its programming. Environmental groups and both the Southern and Northern NGOs on the Bank-NGO Committee have identified local-level knowledge as the point of departure for development programming and see ongoing consultation with affected populations through representative organizations as a means to tap this knowledge. Only extensive dialogue at the regional, country and project levels can begin to span the large cultural gap between World Bank economists and their outward-looking development concepts, on the one hand, and local NGOs that attempt to build local solutions upon local resources and creativity, on the other. And, at that, the ability of Bank country officers to engage in, and build upon, such dialoge will be contingent upon changes in the Bank's operational directives, its project cycle and reward system, and, indeed in the end, its staffing patterns and criteria. So far, its President, Mr. Conable, and its Senior Vice-President for Operations, Mr. Qureshi, have refused to entertain such changes.

Second, as an essential means of increasing its accountability to those in whose name it claims to be working, the Bank must significantly increase public access to information about the projects, programs and policies it supports. Local consultation will only yield informed perspectives and useful knowledge if basic information is made available at the identification and design stages of the project cycle; the broader dissemination of the projects lists in the Bank's Monthly Operational Summaries is a good start, but falls far short of what is required for a meaningful dialogue. The question of national sovereignty and relations with government is invariably raised by the Bank at this point, which is ironic given the fact that the sovereignty of governments is infringed upon every day in a much more fundamental way through the imposition of conditionality in policy-based and other types of Bank lending. The aim this time would be to protect, rather than undermine, the interests of a nation's marginalized citizens by promoting their right to be informed about decisions that will so directly affect them.

Finally, and perhaps most importantly, the Bank must now begin to demonstrate that it is listening, that it is open to learning and change and that it is not beholden to special interests in the North and their counterparts in the South by actually making some basic changes in its policies and programming. For a start, the Bank's credibility would rise significantly if we were to see some structural adjustment packages that respond to gassroots calls for true structural change by strongly supporting meaningful agrarian reform; by promoting cuts in military rather than social-service budgets; by conditioning support on real clampdowns on capital flight; and by deviating from an export-promotion, free-trade fixation that can drain a country of its resources, while undercutting local initiatives and economic linkages. Also welcomed would be evidence that the Bank, rather than outside pressure groups, actually has taken steps to halt or radically restructure large-scale, environmentally sensitive projects in order to avoid ecological damage and to defend the interests of indigenous populations.

An openness and inclination to discuss and reconsider the massive scope of lending scheduled for the 1990s would also increase confidence in the Bank as a meaningful agent of development and change.

CRITICAL TIMES

Anger and resentment linger just under the surface in much of the Third World. From the vantage point of its urban slums and rural villages it is not difficult to see the absurdity of people thousands of miles away shaping solutions to problems they have never experienced, for societies they do not understand, for the purpose of assisting people whom they have never consulted. It is as much this arrogance as the impact of the Bank's policies and projects that angers so many in the South.

Is the Bank capable of breaking from its past and holding itself increasingly accountable to the victims of ais and the development process it has engendered? or will it remain steadfastly a bankers' bank, with changes made only on the margins to keep a cap on social discontent? Answer to these fundamental questions will determine the Bank's relevance and credibility in the critical years ahead.

Doug Hellinger, as co-director of the Development GAP in Washington, D.C., is a member of the World Bank-NGO Committee and co-author of **Aid for Just Development: Report on the Future of Foreign Assistance** *(Lynne Rienner Publishers, 1988).*