THE DEVELOPMENT GAP

50 YEARS WAS ENOUGH[1]
by Doug Hellinger
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The signs were all there, but even the most cynical among us could not have foreseen how hollow the rhetoric, and performance, of the "new" World Bank would be.

As troubling as the record of the Bank had been during its first half century, its sixth decade would, when the rhetorical dust had cleared, add up to a significant and troubling step backward. So-called "poverty reduction" initiatives, designed so as to prevent challenges to economic policies that are in the interest of the Bank's most powerful Board members, have further entrenched poverty-generating structural adjustment programs around the world. Joint investigations with civil society have identified major problems in a range of Bank field operations, but the institution has continued with business as usual, even backsliding in some key areas. And internal operational guidelines and standards, which had provided citizens with a base from which to at least try to hold the Bank accountable for its actions, are in the process of being significantly loosened.

Launching a Failed Presidency

The "50 Years Is Enough" campaign, which grew out of the merger of economic-justice groups and the impressive global environmental challenge to the multilateral development banks, angered Jim Wolfensohn as he readied himself to take over as president of the World Bank in 1995. The campaign and the media coverage it generated had wrecked the 50th birthday party of the Bank and International Monetary Fund the previous year. More importantly, it had zeroed in on the ruinous structural adjustment polices that had been relentlessy and ruthlessly imposed on countries by these international financial institutions (IFIs). Though Wolfensohn had had little to do with the Bank's past, he resented the attack on the institution while failing to grasp how central adjustment programs had been to the deepening and broadening of poverty around the globe and how severely it would restrict his own freedom of action.

Attempting to diffuse the attacks of his external critics, however, and already frustrated by various bureaucratic barriers inside the Bank to direct contact with local populations, Wolfensohn accepted a civil-society challenge to join in an assessment of adjustment programs in the field in 1996. But, in the multi-country SAPRI[2] investigation that ensued, he would go no further in following up on the damning findings that emerged than his staff and Board would allow. While he had told his management team that he had left his investment banking days

[1] This article appeared in revised form in *Global Future*, Third Quarter, 2004.
[2] For more on the Structural Adjustment Participatory Review Initiative (SAPRI), see *Structural Adjustment – The SAPRI Report: The Policy Roots of Economic Crisis, Poverty and Inequality*, Zed Books, London & New York, 2004; and www.saprin.org/.

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behind him to launch a direct assault on world poverty, throughout his presidency he would repeatedly refuse to risk the loss of his political capital, much less his job or future standing, on this venture whenever he ran up against the powerful interests behind adjustment programs. Let civil society, or perhaps his chief economist, do the heavy lifting, but, in the end, Wolfensohn, like his less flamboyant predecessors, has faithfully performed his job of protecting these special economic and financial interests.

Promoting Adjustment at the Cost of Increasing Poverty

This behavior was evident in another endeavor that Wolfensohn undertook early in his first term, the Comprehensive Development Framework. Personally drafted, the CDF represented an odd effort to fit the square peg of fairly progressive 1970s development thinking that promoted the pursuit of local-level development objectives into the round hole of the 1990s' one-size-fits-all adjustment paradigm that accommodated foreign corporate interests. Supported by Bank-imposed unilateral trade liberalization, privatization of essential services, and deregulation of financial and labor markets, these latter interests have, in fact, usually been in direct conflict with local priorities and the well-being of local farms, businesses, workers and other citizens. Little is heard of the CDF nowadays, but "public-private partnerships", "labor-market reforms", and other neoliberal initiatives are still very much visible on the Bank's agenda.

A new incarnation of the CDF did subsequently appear in the form of the Poverty Reduction Strategy Paper (PRSP), an IFI-mandated requirement of any poor country seeking multilateral debt reduction under the HIPC debt-relief scheme. It was clear, however, that the U.S. Treasury was using HIPC/PRSP not only as a way to make the IMF's problematic Enhanced Structural Adjustment Facility self-sustaining, but also as leverage, just as debt itself had been used, to ensure continued adherence by client governments to adjustment programs.

In 1999, we warned that the IFIs would ensure that countries' goals and plans for poverty reduction in PRSPs were consistent with macroeconomic adjustment policies and that the IMF and World Bank would end up with an even deeper and broader involvement in the management of national economies.[3] Five years later, with multilateral debt reduction for vulnerable nations deftly stretched out by the IFIs and the G7 countries, and with civil-society participation in the development of PRSPs limited to non-macroeconomic issues, poor countries remain entrenched in structural adjustment mode. And, while many in the development community play the PRSP fiddle, any serious efforts to address poverty at its policy roots have been torched by the IFIs. According to the World Bank's own statistics, only in countries that have been able to resist the imposition of key aspects of IFI adjustment programs is poverty being significantly reduced.

It's not as if the Bank has been unaware of the significance of the role it has been playing these past 25 years. Recognizing the backlash it would create, Bank management resisted, until succumbing in 1980, pressure from Northern board members to join the IMF in imposing restrictive, foreign-investment-friendly economic policies. A dozen years later, a draft report by the Bank's Policy Research Department on why adjustment had failed in Africa was magically and famously metamorphosed by Bank managers into an optimistic publication, *Adjustment in*

[3]Doug Hellinger, "IMF Ventures into the Poverty-Alleviation Business", *NACLA Report on the Americas*, November/December 1999.

Africa: Reform, Results and the Road Ahead. And in 2000, with the so-called "Washington Consensus" around adjustment programs weakening, Ravi Kanbur, a Bank consultant and former Africa chief economist, was effectively forced out of his position as principal author of the Bank's *World Development Report* by the U.S. Treasury for daring to call adjustment policies into question and for suggesting alternative routes to addressing poverty.

This was not the only time that Wolfensohn has refused to back his staff in the face of U.S. pressure. Embarrassed by the marginalization of the Bank by Treasury and the IMF in the wake of the East Asia crisis, Wolfensohn allowed his chief economist, Joe Stiglitz, to venture suggestions that IMF policies had helped to bring about the Asian collapse and were deepening the economic depression that followed -- only to dump him when threatened by the U.S. with the loss of a second term.

Backsliding to New Rhetoric

And what have Wolfensohn and the Bank done with this second term? In the context of popular demonstrations against corporate-led globalization and growing recognition of the extensive damage having been inflicted by IFI-prescribed adjustment programs, the Bank has pushed yet more adjustment. Yet it dares not call it that.

In spite of an onslaught of more privatization and liberalization measures, the Bank has declared that the adjustment process around the world is, in fact, complete, while it and the IMF have used PRSPs as a cover for a new generation of such policies. New Operational Policy guidelines for staff now refer to "development policy lending" to falsely indicate that adjustment-conditioned lending is a thing of the past. The recently Board-approved OP8.6 in fact preserves the right of the Bank and Fund to determine what is acceptable national policy without, interestingly, delineating what those policies might be. The fact that the IFIs refuse at the same time to state that countries may choose their own respective economic courses sends a clear message to governments, as well as to their own staffs, as to how limited in reality that policy choice still is. The Orwellian contradiction of national "ownership" of IFI-imposed policies remains the name of the game, and policy-shaping technical assistance and the threat of cuts in overall country loan portfolios are now being used along with loan conditionality and the threat of debt-reduction denial to get governments to go along.

While the World Bank's "poverty" rhetoric may provide cover for Northern governments that wish to continue their support for the institution and its neoliberal agenda, the Bank's performance and doublespeak over the past decade have generated acute cynicism in civil society. The consequent citizen backlash has been intensified by the Bank's abuse of good-faith efforts by civil-society organizations to constructively engage it. This abuse has taken the form of:

- the Bank's refusal to allow citizen challenges to adjustment policies within PRSP processes;

- bailing out of effective follow-up after thousands of grassroots and national organizations mobilized in SAPRI to address economic policies that were destroying livelihoods, families and communities;

- effectively ignoring the major recommendations of both the World Commission on Dams and the Extractive Industries Review, and then deciding to increase its investments in mining projects while resuming its financing of large-scale dams without stronger protections for affected populations and environments;

- marginalizing the input from public consultations in the drafting of the adjustment policy guidelines (OP8.6), including a call for social and environmental assessments before and after loan approval and policy implementation;

- ignoring a commitment it made to forest-sector review participants that OP8.6 would tend to their concerns by addressing key adjustment-related issues; and

- setting aside key operational safeguards, established through long negotiations with environmental and other concerned organizations, in favor of less accountable national systems.

Perhaps it is not surprising that, having had its claim of interest in constructive engagement put to a test that it has repeatedly failed, the Bank has now cobbled together a Joint Facilitation Committee with NGOs willing to participate in endeavors that serve the Bank's interest in escaping accountability for these transgressions.

New Image, Same Old Reality

The amount of backsliding at the Bank -- in terms of the nature of the projects it funds and the standards it utilizes -- and its effect on peoples' lives is alarming. The current administration at the World Bank has also presided over by far the longest period of Bank imposition of devastating structural adjustment programs around the world. Wolfensohn's refusal and that of the leaders of other global institutions to defend the interests of the poor majority across the countries of the South by challenging the agenda of their most powerful members may be due to their agreement with this agenda or to a lack of vision, responsibility and courage. Regardless, the serious debate about the economic future of the global community long ago passed them by.

Nor have more than a few officials in Northern governments stepped forward to engage in this fight, while the mainstream media has also failed to do its job. So it remains the responsibility of civil society to keep the real debate focused on local reality and economic justice and to seek out and support potential allies among parliamentarians, increasingly assertive Southern governments, and political and social movements as they challenge the IFIs and those whose interests they represent.

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