

## Policy Guidelines

### International Financial Institutions (IFIs) Annual Meetings, October 17-21<sup>st</sup> 2007, Washington DC,

#### International Financial Institutions

##### NOTES:

The Global Call to Action against Poverty (GCAP) 'STAND UP and SPEAK OUT' actions on October 17th, 2007 come two days ahead of the World Bank and International Monetary Fund (IMF) Annual Meetings from October 19-21, 2007 in Washington DC. These meetings will bring together political leaders and senior World Bank and IMF officials from 184 countries to discuss development and international finance issues. This represents an important opportunity to combine GCAP's mass mobilisation with some targeted political messaging aimed at reforming these two powerful development institutions so that they better contribute to fighting poverty.

The International Financial Institutions (IFIs) are only as effective as their members and their members are political representatives from 184 countries. Therefore, it is up to civil society to understand the power these individuals have to change their direction and to keep pressure on them at a national as well as global level.

Below are some concrete GCAP policy asks around the IFIs. These could be included by national coalitions in the form of letters to their Finance/ Development Ministers ahead of the Annual Meetings, in media communiqués, in petitions to be presented to heads of state or other senior political figures by national delegations, in campaigning material and in publicity toolkits produced for the day. National coalitions are encouraged to add their own more specific national asks.

**Whilst the World Bank meeting in particular is likely to place considerable focus on climate change, it will also cover the following issues:**

1. **Transparency** - the World Bank is going to be looking at its disclosure policy.
2. **Conditionality** - the World Bank will be publishing its annual progress report on implementation of the conditionality good practice principles
3. **Governance** and voice –World Bank's agenda
4. **Climate Change** – World Bank's agenda

The IMF's agenda is not yet known, but governance and transparency will be pertinent given the recent resignation of the Managing Director of the IMF – Mr. Rodrigo Rato. Finally, the World Bank will be publishing the World Development Report, which will focus on agriculture.

We have selected three of the above four areas to focus on and two more general areas in the GCAP position paper to be released on October 19th.

#### 1. End harmful economic policy conditionality:

The World Bank and the IMF must stop attaching harmful economic policy conditions to their development finance in poor countries. The World Bank and the IMF, which provide a considerable amount of development finance for poor countries, are continuing to attach harmful economic policy conditions to their aid, which not only undermine developing country ownership, but can delay aid flows and cause more harm than good in the fight against poverty.

Developing countries must have the right to determine their own trade and investment policies, putting their peoples' interest first. International trade rules and national trade policies should support sustainable livelihoods, promote the rights and entitlements of women, workers, children and indigenous people, and lead to poverty eradication. However unfair trade rules and policies and the imposition of harmful economic policy conditionalities have become the vehicle for the indiscriminate liberalization of developing countries economies undermining sustainable development, increasing poverty and inequality and marginalization of already poor and vulnerable including women and children.

In Mali for example, where 90 per cent of the population live on less than two dollars a day, the World Bank and IMF have made it a condition of their finance that the Malian government liberalise the price of its cotton. The impact of the Malian government implementing this condition has been that three million Malian farmers received a 20 per cent drop in the price they received for their cotton.<sup>vi</sup> According to the World Bank's own research this is likely to result in an increase in poverty of 4.6 per cent across the country.<sup>vii</sup>

GCAP is calling on:

- The World Bank to stop attaching harmful economic policy conditions to its development finance.
- Funders to make a portion of the World Bank's (International Development Association) IDA funding dependent on this policy reform.
- The IMF to stop imposing privatisation and trade liberalisation through its structural conditions.
- IFIs to take a bottom-up approach that reflects and emphasizes the role of nations in creating and implementing development policy.
- Include Civil Society Organisations and other non state actors in development planning as partners.

## **2. Democratic Reform of the World Bank and IMF**

The World Bank and the IMF should reform their own governance structures, so that they are run on a more democratic and transparent basis. The executive board and board of governors of the IMF and World Bank do not give all countries an equal opportunity to be represented. Votes are allocated based on a system that prioritises wealth over democracy. Richer countries dominate the executive board both in terms of chairs and votes. This system, designed during the colonial era and controlled by developed country governments, is inadequate and should be fundamentally changed. In addition, rich countries determine the leadership of both institutions. The US government appoints the World Bank President, while the EU appoints the IMF Managing Director. Finally, both institutions need to do more to ensure that their decisions and lending practices are fully disclosed and accessible to those people impacted by their decisions. The transcripts of IMF and World Bank board meetings need to be published so citizens can see who is taking what position and what their representatives said on their behalf. This should reflect a broader move towards the presumption of disclosure of all information within both organisations, following the transparency principles of the Global Transparency Initiative. In particular, all draft loan documents should be made available and accessible to citizens in the country where the loan is happening.

GCAP is calling for,

- Open, transparent and merit-based selection processes for all senior management
- The establishment of accountability mechanisms for senior management and the boards of the IFIs.
- Fundamental democratic reforms in the governance structures of the IFIs
- Reform of the transparency policies to support the presumption of disclosure, delineation of a narrow and specified list of exemptions and creation of an independent appeals mechanism.

- Release of the transcripts of board meetings so that citizens are able to see what positions their representatives are taking on financing decisions which impact their lives.
- A regular audit of the Banks policies, plans and decision should be done to assess their effects on women, children, workers, indigenous communities, climate and other livelihood resources of the people.

### **3. Climate Change**

#### **The GCAP Montevideo Communiqué, May 2007 states:**

“The lives and livelihoods of millions are being steadily destroyed by denying their rights on land, water, forest, natural resources and energy. Climate Change and subsequent disorders are exacerbating this crisis. Floods, droughts, famine and conflicts resulting from climate change are also threatening lives, livelihood and development for billions of the world's poor’. Actions by the international community and national governments are required to address climate change and its impacts in particular on people living in poverty.”

It is well known that carbon dioxide emissions mainly come from developed countries but its effects – like desertification, rise in sea levels and extreme climatic conditions – usually strike developing countries. On the other hand adaptation measures should take place. For example, water resources, infrastructure, institutions (institutional, technological and cultural factors) and the community (like the level of public participation in decisions concerning water and environmental management and the investment of the richest communities in environmental conservation) be looked into with the view to compensating the developing countries for suffering for the actions of the developed countries.

GCAP is calling on the IFIs to:

- Acknowledge the need to help poor countries to have the capacity to response to the effects of climate change. Ensuring that adaption funds are additional to rich countries existing commitments to provide 0.7% of their GNP as international aid
- Take steps to cut greenhouse gases and support a post-Kyoto framework
- Acknowledge that climate change restricts poor countries’ ability to meet the targets set in the Millennium Development Goals.
- Require that the carbon footprint of all investments be disclosed.
- Carry out climate change impact assessments at all levels of industrial planning and other significant plans.
- Ensure a significant increase over existing targets for increasing support for renewable energies.
- Phase-out of support for fossil fuels (following recommendations of the Extractive Industries Review).

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**Whilst they will not appear on the main agendas of the meetings in October 2007, GCAP national coalitions are encouraged to focus on the following issues as well:**

- 1) Agriculture**
- 2) Decent Work Agenda**

#### **The World Bank and Agriculture**

The World Bank has pushed countries to reorient their economies to private-sector activity and exports rather than satisfying domestic needs. In country after country, this has meant that public

support for agriculture has withered, while floods of cheap imports have devastated local farmers and communities. More than 1.5 million Mexican farmers have lost their livelihoods after cuts in agricultural credit and extension services, coupled with trade liberalization. After World Bank mandated reforms in Kenya, the country moved from being essentially self-sufficient in the production of most food goods to a net importer of food staples. The Malawian government recently instituted public subsidies for corn fertilizer in defiance of World Bank and other donor pressures. After years of food crises, the country now has a bumper crop of corn.

GCAP is calling for

- a. Policies that prioritise food security.
- b. An end to privatization and deregulation measures that harm poor farmers, agriculture labours and rural workers.
- c. A re-evaluation of past agriculture policies and mistakes by IFIs (mainly the World Bank and WTO) to inform a restructure.
- d. IFIs to promote small-scale sustainable agriculture.
- e. More policy space for poor countries to determine their own agricultural policies, including credit and marketing support
- f. IFIs to listen to the voices of farmer communities and civil society and reflecting their needs and priorities when they engage with governments

### **IFIs should support the Decent Work agenda:**

In the area of social and labour policy, the IFIs' conditionalities and policy advices have counteracted efforts of UN agencies to combat inequality and promote poverty reduction through increased employment at adequate wages accompanied by improved social protection. For example, the World Bank's involvement in pension reform has usually put the emphasis on partially privatising public pension systems, resulting in stagnant coverage and unpredictable and reduced benefits, with particularly detrimental effects on women pensioners. Similarly, both the IMF and World Bank regularly advise developing countries to eliminate labour market regulations intended to protect workers' interests so as to make economies more "business-friendly".

Although the World Bank claims that it no longer promotes users' fees for basic health and education, these frequently remain in place when the IMF's government expenditure and deficit targets make it virtually impossible to finance these services otherwise. Almost everywhere, women and girls bear most of the social costs associated with limited access to essential services.

Labour and services constitutes the main if not the only asset of poor people. This is why labour regulations that protect workers against abuse can be crucial in helping the poor out of poverty, as are adequate social safety nets. Yet in the eyes of the international financial institutions, labour regulations such as those related to working hours, minimum wages, hiring and firing policies or the protection against discriminatory practices, are considered impediments to investment. The IFIs' annual publication *Doing Business*, which gives the best rankings to countries having almost no rules to protect workers, is used as a template by the World Bank and IMF to pressure developing countries to deregulate their labour markets.

GCAP is calling on:

- The World Bank to ensure that national and international development policies contribute to promoting universal access to essential services and goods.
  - The IFIs to stop promoting policies favouring the private sector at the expense of the rights, development and subsistence of the poor. The World Bank should remove labour regulation from the mandate of its private-sector development department.
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