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RESPONSE TO JEROME LEVINSON

Nancy Alexander*

I certainly agree with Jerome Levinson that attempts should be made to amend the charters of the multilateral development banks (MDBs) to conform with the Charter of the European Bank on Reconstruction and Development. Amending the charters would spark a very important debate over the essential elements of democracy. Too often, democracy is defined in very narrow electoral terms. Groups such as the Human Rights Watch believe that placing a higher value on democracy and human rights would initiate a healthy and necessary conflict with other values and objectives, such as business in China, fighting drug-trafficking in Peru, concluding a Free Trade Agreement with Mexico, waging war to restore the Kuwaiti monarchy, and stopping the flow of refugees from Haiti.

Mr. Levinson mentions that charter revision will be controversial and stated that in revisions to the charter, commitment to multi-party political democracy and human rights would not be a panacea for the deep social and economic divisions that characterize so much of Latin American society. Thus, even charter revisions would fail to rectify existing problems. I will discuss a more promising vehicle for contributing to real improvements, namely, non-governmental organizations (NGOs) in the United States which address the social and political aspects of the World Bank’s technocratic lending approach.

A large group of environmental and developmental NGOs has launched a campaign for the Tenth Replenishment of the International Development Association or IDA-10, the soft loan arm of the World Bank which lends to the poorest countries.¹ Next year the administra-

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1. See 1991 World Bank Annual Report 3 (describing the “World Bank Group,” which includes the International Bank for Reconstruction and Development
tion will ask Congress to appropriate over one billion dollars annually for IDA-10. Holding almost 17 percent of IDA's votes, the United States has considerable clout regarding the distribution of those monies. The Treasury Department, which does the negotiating, is putting forward some positions that the NGO coalition is trying to influence.

In late 1991, a large group of NGOs met with a range of United States government officials to present a draft of a five-point position paper on IDA-10 that could apply to the World Bank and the regional banks as well. The paper covered recommendations on governance and accountability, poverty, structural adjustment, sustainable energy use and water resources.

In 1989, NGOs working with Congress succeeded in passing an amendment that requires MDBs to prepare Environmental Impact Assessments (EIAs) or summaries for the executive directors at least 120 days before board approval of certain projects. The EIA process and its role in consulting the public and informing the board is a significant departure from past practices. I believe that individuals can play an important role in ensuring accountability by monitoring the environmental impact assessment process.

As of January, 1992, the World Bank has completed sixteen environmental impact assessments. Of the first ten, only one consultation was performed, which involved a power project in Malawi. The consultation consisted of a single demographic survey and some radio announcements about the project. Effective oversight of the participating institutions is sadly lacking. Linking such oversight to environmental policy goals presents an excellent opportunity for leverage in influencing developmental policies in a manner consistent with World Bank objectives, and consistent with the original impetus for the EIA requirement.

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2. See id. at 213 (listing all members of the IDA, their respective contributions and votes). In 1991 the United States accounted for $18 million of the total $69 million of funds in the IDA. Id. Japan was the second largest contributor, accounting for $14 million and holding nearly 10 percent of IDA votes.

Buttressing the importance of governance and accountability, our position paper includes recommendations for a more open information policy, appeal mechanisms to deal with complaints regarding violations of Bank loan agreements and internal policies, and implementation of the Bank's forced resettlement policy.4

It is discouraging, however, to see our efforts to promote oversight and accountability in the EIA process obviated when the highest level of the World Bank management indicates that the practice of shipping wastes and toxins from the North to the South is a welfare enhancing strategy. How can our efforts to establish greater accountability make any difference when the World Bank espouses such views? What legitimate impact assessment process could possibly allow the dumping of dangerous and unwanted substances in poor countries, and still claim to respect the human rights of those who are having their “welfare enhanced”?

In addition to their efforts to promote oversight and accountability, NGOs have also actively sought to reduce poverty. In 1989, during the IDA-9 negotiations, NGOs persuaded Congress to pass legislation requiring preferential aid allocations to borrowing countries that demonstrate a commitment to reducing poverty.5 We succeeded in including this requirement in the IDA-9 international agreement as well as in revised Bank policy.

Our NGO position paper calls for the monitoring and implementation of this lending shift to governments with pro-poor policies.6 However, I must question the extent to which the commitment to poverty reduction is being defined within the Bank. The NGO position paper calls for a joint Bank and NGO effort to define what policies constitute

4. Id. at 3. The paper states:
   IDA should conduct a review of all ongoing projects involving forced resettlement to determine whether and ensure that Operational Directive 4.30 on Involuntary Resettlement is fully implemented and enforced.

Id.

5. See The International Development and Finance Act of 1989, Pub. L. No. 101-240, § 501, 103 Stat. 2505-2507 (1989) (requiring the Secretary of the Treasury to instruct the United States Executive directors for all multilateral development banks to vigorously and continually advocate that the banks adopt a preferential allocation to each country that makes significant efforts to “enhance the economic participation of the poor”).

6. IDA-10 Paper, supra note 3, at 4-5. The paper proposes that:
   (1) IDA should implement that portion of the board policy relating to the World Development Report 1990 and entailing (a) extensive poverty assessments in each country where the bank is active every three years, and (b) a shift in lending resources to countries with pro poor policies.
   (2) The Bank should conduct an annual review of its progress in all borrowing countries in implementing the Operational Directive on Poverty.
a poverty alleviating effort on the part of a borrowing country.\footnote{IDA-10 Paper, supra note 3, at 6.} We are concerned that too often the Bank is equating adjustment with poverty. In many cases, of course, this is not justified.

Regarding structural adjustment, our position paper raises concerns about the negative impact of adjustment loans on the lives of women and children, workers, and small producers.\footnote{IDA-10 Paper, supra note 3, at 2, 5.} We raise questions about the effect of adjustment on food production and natural resources.\footnote{IDA-10 Paper, supra note 3, at 2, 5.}

My second question to Mr. Levinson relates to his comments about the "stiffling, monolithic, orthodoxy on economic policy." It really is not clear to me whether his questions have to do with the orthodoxy itself, with the stiffing monolithic nature of the orthodoxy, or both. NGOs are trying to play a constructive role in opening up debate about the orthodoxy. There is loud dissent with respect to the move to close what Mr. Levinson calls the great philosophical divide by further integrating developing countries into the world economy. This dissent does not come merely from the proponents of autarchy.\footnote{See generally HERMAN E. DALY & JOHN B. COBB, JR., FOR THE COMMON GOOD 290 (1989) (describing the destruction of the self-reliance of undeveloped nations which are the beneficiaries of international aid).} It is not necessarily integration that poses the problem. It is the type and the extent of integration. Mr. Levinson claims that broader participation in debating and designing economic policy reforms makes no sense. I take issue with this assertion.

Currently, Finance Ministries unilaterally design adjustment and policy reform programs. Social and environmental ministries should participate in this process. Furthermore, our campaign advocates consultation with a broad range of citizen’s groups.\footnote{IDA-10 Paper, supra note 3, at 3.}

The dissent from the economic orthodoxy arises from several questions. The first is whether encouraging exports leads to ownership consolidation of land and the means of production. Mr. Levinson provides evidence of such consolidation and of the emergence of monopolies and oligopolies in Mexico.

Second, what are the implications for the "food security" of developing nations where the World Bank encourages an excessive orientation toward agricultural exports? Mr. Levinson mentioned that the large-scale displacement of small farmers in Central and Southern Brazil by large commercial operations caused hunger and the consequent migra-

\footnotesize{7. IDA-10 Paper, supra note 3, at 6.}
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\footnotesize{10. See generally HERMAN E. DALY & JOHN B. COBB, JR., FOR THE COMMON GOOD 290 (1989) (describing the destruction of the self-reliance of undeveloped nations which are the beneficiaries of international aid).}
\footnotesize{11. IDA-10 Paper, supra note 3, at 3.}
tion to the Amazon. This phenomenon demands immediate world-wide attention.

Third, in what situations can equity be a primary value? Mr. Levinson argues that concerns for equity have a better chance of holding sway in small, powerless countries, such as Honduras and Jamaica where the Bank has relatively greater power, than in countries such as Mexico and Venezuela. This seems to pose some ethical problems.

Fourth, do structural adjustment programs restore an external balance of payments? Between 1982 and 1989, the total amount of debt of the developing world increased by about 50 percent, to approximately $420 billion. This growth in indebtedness, due in part to declining terms of trade, does not seem to have been significantly impeded by increased exports under adjustment regimes. Thus, many countries are on a treadmill, producing more merely to maintain or lose ground.

Finally, what are the environmental implications of excessive or inappropriate export orientation? Export orientation often entails the reduction of government expenditures on natural resource management and environmental protection. There have been increases in exports of natural resources, tropical timber, and fish farmed in aquaculture facilities which displace mangrove swamps and other coastal resources. The relationships between poverty and natural resource depletion, which are well-acknowledged by the World Bank and many other international institutions, must be considered. Currently, in the environmental impact assessment, structural adjustment programs are not even considered. The Bank promises that structural adjustment programs will be addressed in EIAs within two years, but this may be a hollow promise.

In closing, I will mention one area that our draft position paper does not address, the conflict between the quality and quantity of Bank lending. Advancement and rewards within the hierarchy and bureaucracy of the lending institutions is closely related to the power of managers as measured by the volume of money they lend. NGOs suggest that the quality of projects and programs should be measured by the yardsticks of equity participation and sustainability, creating a set of criteria for internal advancement which is consistent with the real goal of the loans.