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THE WORLD BANK DISINVESTMENT CAMPAIGN

toolkit

I. The World Bank Explained

01. INTRODUCTION: GETTING FAMILIAR WITH THE WORLD BANK...

70 per cent of the Bank's non-grant lending was concentrated in 11 member countries, with 145 other members left to scramble for the remaining 30 per cent; 80 per cent of the Bank's resources were devoted not to the poorest countries but to the better-off ones that enjoyed positive credit ratings and could therefore raise their funds in international capital markets; the failure rate of Bank projects was 65-70 per cent in the poorest societies and 55-60 per cent in all developing countries

The World Bank is the largest provider of development assistance to countries in the Global South. Although the bank is technically owned by 184 member countries, it is controlled by just a handful of its richest member countries. The World Bank declares it is "*working for a world free of poverty*". Some small-scale World Bank investments have indeed been effective at reducing poverty, such as its microfinancing operations,[1] but the majority of its large-scale investments have actually contributed to an increase in poverty in the Global South. According *to Center for Economic Justice organizer, Neil Tangri, "The World Bank is a failure. It has spent 60 years and $525 billion dollars on poverty alleviation, but the world has more poor people than ever. The primary beneficiaries have been transnational corporations*". (3) Unfortunately, the amount of money the bank successfully invests in poverty alleviation is quite small compared to the amount of money they invest in projects that result in an exacerbation of the problem. According to Alan Meltzer, a conservative US academic commissioned by the US congress to investigate the efficacy of World Bank policy, and based on data from the World Bank itself, *"70 per cent of the Bank's non-grant lending was concentrated in 11 member countries, with 145 other members left to scramble for the remaining 30 per cent; 80 per cent of the Bank's resources were devoted not to the poorest countries but to the better-off ones that enjoyed positive credit ratings*

1. Microcredits are very small loans granted to the unemployed, poor entrepreneurs and others living in poverty, who cannot gain access to traditional credit. Microfinancing originated in developing countries where it has successfully enabled extremely impoverished people (mostly women) to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty. (1) In 1996, the World Bank financed a Local Initiatives Project in Bosnia and Herzegovina which supported ten microfinance institutions. Households that received micro credits increased their income by about US$570 per capita more than non-client households. (2)

and could therefore raise their funds in international capital markets; the failure rate of Bank projects was 65-70 per cent in the poorest societies and 55-60 per cent in all developing countries". (4) In the name of "*development and growth*" the World Bank uses its advantageous position in a way that benefits elites in Northern countries at the expense of people in Southern countries, under the guise of "*helping*" them. Growing debt in the Global South has given the bank powerful leverage in shaping the economies of many poor nations. The bank uses a country's debt as a tool to convince that nation to restructure their economy in a way that satisfies the economic interests of several transnationals and both private and public financial institutions. The bank's practice of conditional lending, which often requires privatization and cuts in public funding, has led to loss of food security and reduced access to water, health care and education in many developing nations. This actually inflates poverty levels and increases debt in most cases.

In the following sections, we will look at examples of some of the repercussions of World Bank policy and project funding, such as the erosion of local self-determination and self-sufficiency, environmental degradation, and human rights violations. Later we will explore the Bank's role in the global economic arena and introduce you to the World Bank Disinvestment Campaign where you can use your financial leverage as an investor to hold the World Bank accountable for its actions. As you read along, keep in mind that the World Bank is a massive institution and it is impossible to present everything about it in the following pages of this toolkit. While it is important to educate yourself about the World Bank, you mustn't feel like you need to be an expert on the Bank to get involved in this campaign or to make a change.

It is your concern for social and environmental justice, and your willingness to take action, that will drive this campaign forward and force the bank to change the way it does business.

02. THE WORLD BANK: THEN AND NOW

The World Bank (WB) was conceived of in 1944 at a meeting that later became known as the Bretton Woods Conference. This famous meeting was planned as World War II was coming to an end. In order to foster the growth of capitalism and maintain a dominant economic position, US and British business classes and elite converged in Bretton Woods, New Hampshire and created two of today's most powerful financial institutions, the World Bank and the IMF (International Monetary Fund). In its early years the World Bank provided loans to countries ravaged by World War II, mainly for infrastructure and development projects. Later they shifted their focus to granting loans to poor countries for development projects. The IMF was established as the World Bank's partner organization and its mission is stabilizing the economies of its member countries.

03. WHAT IS THE LINK BETWEEN THE WB AND THE IMF?

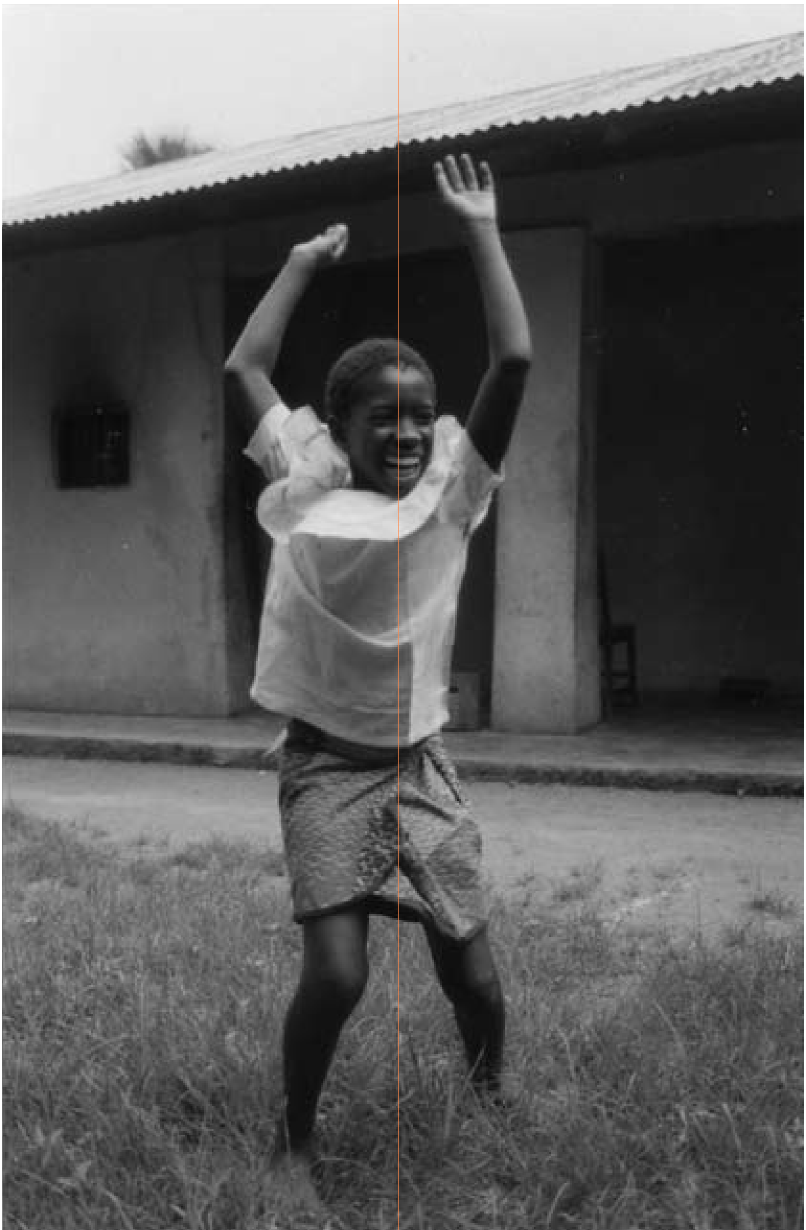
Although they are separate institutions, the World Bank and IMF work in unison to formulate and enforce major economic policy decisions for many highly impoverished and indebted countries. The World Bank and the IMF use poverty and debt to influence the economies of these countries. For example, in order for a poor country to receive a loan from the World Bank, a country must first be a member of the IMF. This country is then subject to IMF imposed economic restructuring. If a country is resistant to IMF pressure, the World Bank and other financial institutions often threaten to withhold aid until that country agrees to the IMF's demands. The Bank and the IMF work together with other international financial institutions (IFIs) such as the World Trade Organization, the European Investment Bank, the Asian Development Bank, and the Inter-American Development Bank.

04. A DEMOCRATIC INSTITUTION?

Decision-making at the World Bank is far from democratic. The Bank operates on a one dollar – one vote system, meaning that the Bank's policy is dictated by the countries that invest the most. The US originally put up 75% of the capital to fund the Bank, and because they have always owned the greatest number of shares in the bank they are entitled to the largest share of the vote. To approve major decisions at the Bank, an 85% majority rule is required. The US currently holds 16.41% of the vote meaning that they have complete veto power over all major decisions. In contrast to the 16.41 % of the vote held by the US, all 47 Sub-Saharan African countries combined are entitled to less than 6 % of the Bank's vote.

05. WHAT DOES CONDITIONALITY MEAN?

According to the World Development Movement, "*Conditionality is a term used to describe what a poor country must do in return for receiving loans, aid or debt relief*". (5) In the following sections we will look at some examples of



Conditionality is a term used to describe what a poor country must do in return for receiving loans, aid or debt relief

how the World Bank and IMF impose economic conditionalities on poor nations in the name of Structural Adjustment, Poverty Reduction and Debt Relief. As mentioned above, these conditionalities often require countries to privatize or sell their natural resources to private companies, increase export production and cut social spending. Conditionalities imposed by the World Bank and IMF have increased poverty rather than alleviated it. Throughout the toolkit, we will look at examples of how these conditionalities have eroded human rights by limiting access to health care and education.

06. THE WORLD BANK AND DEBT IN THE GLOBAL SOUTH

The World Bank and the IMF are among the world's largest lenders to impoverished countries. The loans they've provided have historically been designed in a way that makes it difficult for countries to keep up with their loan payments. At the beginning of the debt crisis, debt grew faster than it could be paid back and poor countries found themselves stuck in the debt trap. In 1970 for example, the world's 60 poorest nations owed a total of $25 billion dollars in debt. In 2002 this debt had jumped up to $523 billion. (6) In many cases, indebted nations have long since paid off the amounts originally owed to their creditors, but due to factors such as high interest rates, these countries still struggle to keep up with their payments. When countries are unable to service their debt, they are forced to adopt WB/IMF imposed economic restructuring policies that enable the WB/IMF to gain access to the economies and resources in countries caught in the debt trap. As a result, a lot of much needed funding is diverted away from urgent requirements like the need to improve social services such as health care and education, and re-directed towards debt re-payments.

A lot of the money spent by developing nations on their debt goes to pay back odious, or illegitimate debt. Odious debt is debt that was accrued under a dictatorship, where money was lent to corrupt leaders to set up oppressive regimes and set up massive development projects. The impoverished populations living in these borrowing countries did not benefit from these loans and are now stuck repaying the debt. An example of odious debt can be found while looking at post-apartheid South Africa. The new South Africa has been forced to pay back money borrowed by the apartheid regime forcing the South African people to literally pay for their own oppression two times over. (8)
The unjust nature of debt owed by Southern countries to Northern countries has led to massive resistance. Initiatives led by organizations such as Jubilee South have taken on the motto, "*Don't owe, won't pay*". This is just one example of the dozens of initiatives by civil organizations who are calling for 100% debt cancellation for poor countries. The World Bank Disinvestment Campaign demands the Bank cancel all illegitimate debt and debt owed by poor countries. The WB and IMF have responded to the demands of such civil society organizations by launching several "debt cancellation" initiatives. The problem with these initiatives is that they have not sufficiently dealt with the debt crisis on the scale needed to tackle the problem. Debt cancellation has thus come with strings attached for the poorest countries. For example, the WB and IMF launched something called the HIPC (Highly Indebted Poor Countries) Initiative. The HIPC initiative promised debt cancellation provided that certain countries honor WB/IMF imposed economic

Debt is not a financial or an economic problem at all but in every way a political one. It is the best instrument of power and control of North over South [and now East] ever invented; far superior to colonialism which requires an army, a public administration and attracts a bad press. Control through debt not only requires no infrastructure but actually makes people pay for their own oppression.

- Susan George (7)

restructuring policies. Under Structural Adjustment, multinational corporations were able to gain control of state-owned enterprises and markets. This has resulted in the degradation of local sovereignty and long-term sustainability in many HIPC countries. It is true that some countries benefited slightly from HIPC but in most cases, the poverty and debt in HIPC countries increased. When a country is forced to privatize certain resources, like water for example, and when cuts are made on public services such as education and health care, the poor are hit the hardest. Unfortunately debt relief initiatives such as HIPC offer too little relief to make much of a difference for the majority of the world's indebted nations. In June of 2005 the G-8 announced a new debt relief plan. Both critics and fans of the World Bank feel the G-8 debt cancellation has been a small step in the right direction. Under the G-8 plan, the IMF, World Bank and African Development Fund agreed to cancel $56 billion in debt owed to them by poor nations. The debt of 18 nations will be cancelled and while this is good news it is still important to keep in mind that this debt cancellation only amounts to 10% of all debts that need cancellation and that the debt issue is still in need of urgent attention. (9) For more information on debt please check out the following web page:
www.jubileeusa.org/learn_more/beginners_guide/how_it_began.html

07. STRUCTURAL ADJUSTMENT AND POVERTY REDUCTION STRATEGIES

In the early 1980's the World Bank responded to the growing debt crisis by imposing Structural Adjustment Policies (SAPs) on indebted member countries. As highlighted earlier, structural adjustment forces countries to adhere to economic conditionalities to qualify for loan assistance. Under Structural Adjustment, we have seen reduced access to health care and education in many countries. We have seen a loss of small farms, loss of access to clean water, acceleration of mineral resource extraction, loss of indigenous land, environmental degradation including pollution and deforestation, economic inflation and wage stagnancy. The adverse effects of structural adjustment led communities across the world to launch massive protests against this economic restructuring. With the IMF and World Bank's public image under fire, the two institutions went through a series of reforms concerning the implementation of structural adjustment. In 1999, SAPs were renamed PRSPs (Poverty Reduction Strategy Papers). PRSPs were supposed to take on principles of country ownership and public participation, and they were supposed to function in the best interest of the countries "*writing*" them. However, to date we have seen little evidence of this occurring. In fact, it has been nearly impossible for countries to truly create their own Poverty Reduction Strategies because in many cases PRSPs are guided by previous World Bank and IMF criteria. Even if a country has written its own PRSP with little interference from the International Financial Institutions, all PRSPs must ultimately be approved by the boards of the IMF and World Bank. This has meant that PRSP's are frequently drafted and redrafted until they agree with the interests of the IMF and World Bank, giving the two institutions the final say. Ninety percent of PRSPs for example require privatization, 62 percent of this being the privatization of natural water resources. (10) Water privatization has stripped local communities of the democratic control they are entitled to have over their own water supplies. Multinational water companies gaining full ownership of fresh water resources

are literally drying out the livelihoods of thousands of subsistence farmers by draining their aquifers. In Ghana for example, a World Bank policy calling for water privatization caused the price of fresh water to jump so high that poor families were forced to spend over half of their income on water alone. Water privatization has not only led to price increases, but to growing scarcity and disintegration of water sanitation standards in many countries. Despite these problems, the World Bank continues to remain instrumental in pushing the water privatization agenda forward.

08. SOCIAL AND ENVIRONMENTAL IMPACTS OF WORLD BANK PROJECT FINANCING

Various branches of the World Bank provide loans to governments and private corporations to finance "*development projects*". The Bank alleges that these projects are the first steps to poverty alleviation for the world's poorest countries. What the Bank fails to acknowledge is that many of these projects have had devastating effects on local communities and their environments. Examples of such projects financed by the World Bank include mining, gas and oil extraction, dam construction, and large-scale agricultural development. The Bank proclaims that these forms of development will aid in the economic advancement of their host countries. The Bank promotes this type of development for several reasons, one being that it provides jobs for local people. What the Bank fails to mention is that labor conditions are usually inadequate and the jobs do not usually provide sustainable, long-term employment for the workers (for more about labor and the World Bank *see section* 13). Mining, gas and oil extraction, dam construction, and large-scale agricultural development undermines the livelihoods of entire communities. It depletes and pollutes vital natural resources that local groups depend on for survival. Indigenous peoples are often the most disaffected by World Bank project financing. Women have also felt the heavy impact of World Bank financing. According to a World Bank study, seemingly "*gender neutral*" investment decisions can have a disproportionate impact on women. For example, in Sub-Saharan Africa, women and girls in rural areas spend as much as 2/3^{rds} of their day looking for fuel and potable water for their families. (11) This is because World Bank supported privatization schemes and operations such as logging, mining, and large scale agricultural development require astronomical amounts of water. This water is diverted from communities, adding to the scarcity of potable water, and placing the burden on women in remote areas to find that water. In the following sections we will expand on the effects of specific World Bank-financed development projects by looking at several examples of how they have affected surrounding communities.

09. EXTRACTIVE INDUSTRIES AND THE WORLD BANK: GAS, OIL AND MINING

By providing financial assistance to the gas, oil and mining sector, the World Bank is one of the biggest investors in the extractive industries. Historically the bank has been a long-time funder of large scale extraction operations either by providing loan assistance to governments so that they may construct roads and other infrastructure specifically for these projects or by giving loans directly to large corporations wishing to invest in the resource extraction. Projects such as the Chad-Cameroon Pipeline demonstrate how the Bank's role in gas and oil extraction has led to several social and environmental consequences and resulted in years of protest by numerous civil society organizations. The Chad-Cameroon Pipeline is a 1,070 km long pipeline extracting oil from the Doba oil reserves in Chad to Cameroon's coast. It is one of the largest private sector development projects in Africa and is led by Exxon Mobil, Chevron, and Petronas. (12) Originally the World Bank justified its support for the $3.7 million dollar pipeline by claiming that enough revenue would be generated for the governments of Chad and Cameroon to invest in poverty reducing initiatives such as health care, education and rural development. However, these poverty reduction strategies were inadequately implemented and to date evidence shows that rather than revenue going into poverty reduction initiatives, the money has been lost to corruption and used, for example, by the Chadian government to purchase arms, which as you can imagine, has contributed to even more civil unrest in the Chad Cameroon region. (13) Food security in the Doba Basin region has also been threatened by the project. Most agricultural production and cattle ranching was concentrated there and the oil exploration and production is reducing the fertility of the land. The oil extraction requires massive water usage, reducing access to clean water in Chad, where water scarcity is already a problem. Pollution of local river systems is another repercussion of the pipeline. (14A) The government of Chad has a long track record of human rights violations and in 1997 and 1998 hundreds of civilians were murdered by National troops to make way for the projects. Civilian groups were forced to sign statements claiming they were in support of the project. (14B) World Bank development researcher Paul Collier claims, "*high dependence on the export of primary commodities such as oil significantly increases the risk of internal conflict in a state*". (14C) Since the project began this has

high dependence on the export of primary commodities such as oil significantly increases the risk of internal conflict in a state proven to be true. In January of 2006, the IDA branch of the World Bank Group announced it would withhold $124 million dollars in further funding for the pipeline due to the unfolding corruption and unrest that was previously predicted by so many civil society organizations. (15) An example of a similar oil extraction project is the Baku-Tbilisi-Ceyhan pipeline. The IFC branch of the World Bank Group has endorsed the project with funding despite findings from researchers and civil society organizations that this project violates 173 of its own social and environmental criteria for involvement in the project. (16) Mining is another extractive industry in which the Bank heavily invests. Bank sponsored mining projects in Peru, Papua New Guinea, the Philippines, Guyana, Sierra Leone, and Guatemala among other countries have all proven to lead to environmental and social disasters. (17) Recently the IFC branch of the World Bank has invested $45 million dollars in a loan to a Canadian company called Glamis Gold, Ltd. Glamis Gold promised 4,000 jobs to local residents before setting up mining operations in Guatemala. They only provided 160 jobs. To produce just one gram of gold, an entire ton of earth needs to be excavated and 100,000 liters of water must be used each hour. Drinking water in the region is already scarce. (18) In many mining operations, cyanide is used for leaching purposes. Cyanide spills have caused insurmountable health problems and ecological damage in many places including the Philippines and Guinea. In addition to the risk of cyanide contamination, the waste rock created by mining pollutes rivers and is endangering several wildlife species. To make way for the Goldmine, community owned land has been sold without consent from community owners, and the Guatemalan government has increased military activity in the area to repress the voice of resistance. In one municipality, 98%

of the community showed opposition to the mine, but Guatemalan mining laws consistently favor the interest of transnational corporations over that of indigenous people disaffected by the projects. On March 13, 2005, a 40-day protest over the mine ended with the murder of an indigenous protester. Thus far at least 20 mine opponents have suffered injury from military abuse while the lives of several other leaders have also been threatened. (19) In September of 2000, under the presidency of Wolfehnson, the World Bank announced the beginning of an in-depth initiative called the Extractice Industries Review (EIR). Through the Extractive Industries Review Process, the Bank was to take a well-rounded and objective look at whether or not its involvement in the extractive industries coincided with its goals of poverty reduction. According to Walden Bello and Shalmali Guttal, "*peoples' movements and NGO's fought hard to ensure that factual information about the impacts of extractive industries on different constituencies were fed into the EIR*". In December of 2003, the EIR was published. EIR findings recommended that the IFC phase out its investments in mining, oil and natural gas extraction within five years and refocus on investing in renewable energy. (20) Conducting the EIR may have provided some hope that the bank was taking a step in the right direction, but the Bank has since failed to follow any of the recommendations highlighted in the EIR. According to Bello and Guttal, the proposal to phase out Bank involvement in the Extractive Industries was rejected in a leaked World Bank memo which read, "*Adopting this policy would not be consistent with the World Bank Group mission of helping to fight poverty and improve the living standards of people in the developing world* ". The report continued to say that ending its involvement in oil extraction, "*would unfairly penalize small and poor countries that need the revenues*

peoples' movements and NGO's fought hard to ensure that factual information about the impacts of extractive industries on different constituencies were fed into the EIR

Adopting this policy would not be consistent with the World Bank Group mission of helping to fight poverty and improve the living standards of people in the developing world

from their oil resources to stimulate economic growth". Bello and Guttal point out that the bank presents the Chad Cameroon pipeline as a model example of the Bank's involvement in oil extraction despite all of the evidence we have highlighted above to the contrary. (20)

10. WORLD BANK AND CLIMATE CHANGE

Since the official mission of the World Bank is to alleviate poverty, it can be hard at first to see the direct link between the WB and climate change. Nonetheless, one often runs across articles in which the WB expresses its concern about climate change. Its own explanation is that climate change will primarily affect the poor, so the bank must deal with this issue to effectively "*tackle poverty*". The WB has two methods of trying to solve the problem of climate change; investing in renewable energy projects in developing countries and trading in carbon emissions. However, there is little evidence to prove that these methods have been effective in addressing the problem of climate change, let alone in the eradication of poverty. First we will briefly address the matter of renewable energy projects. In 2004, the WB made a commitment to increase its renewable energy financing by 20% each year for the next five years. However, in 2005, only 9% of the WB's energy financing went into renewables. (21) Also, the ratio of WB investment in fossil fuel projects to renewable energy and energy efficiency projects is approximately 17 to 1. (22) More than half the fossil fuel projects are export-orientated and end up benefiting the Global North. In this way, WB-projects function as a tool to open up a foreign market to Western countries. After all, it advocates '*Private Sector Development*', which means that renewable energy

projects are being used to structurally adjust economies. An example of this is the privatization of the electricity supply in Uganda.
Many of the projects that the WB commissions have a questionable effect. There is a broad consensus, for example, that the World Bank's investment in carbon sinks (forestation) is not very useful since the carbon is ultimately returned to the atmosphere when the tree dies or is used up for fuel. Yet many projects derive their environmental legitimacy from the assumption that carbon sinks benefit the environment. Moreover, according to the WB Operational Directives, every project has to complete an Environmental Impact Assessment (EIA), but the Prototype Carbon Fund[2] informed the International Rivers Network that Clean Development Mechanism (CDM) projects (see below) do not need to comply with normal WB rules and procedures. So a CDM project can exist and allow Western corporations to pollute at home without counteracting their effects on the environment in the slightest. Judging the effect of WB-projects on the environment is not made any easier by the vagueness of the terminology that the WB employs. Whereas Greenpeace and other environmental NGO's would define renewable energy as being solar power, wind power etc., the definition that the WB uses is far broader, including even such projects as waste management and landfill gas extraction. Thus even projects that minimally improve matters are proudly displayed as a WB-success. The other initiative the WB takes to reduce climate change is emissions trading. The WB is the broker when it comes to the trade in carbon emissions. It gets 5% commission on every carbon trade project transaction. Nobody asked the WB to take up this initiative – the WB simply stepped

2. One pool of money managed by the World Bank along with the Community Development Carbon Fund and the BioCarbon Fund

in and took over. The fact that it earns money on every project transaction means that it has an incentive to allow the lowest possible baseline for energy projects. Carbon trading is a part of emission trading, which is an aspect of pollution trading. The idea behind carbon trading is that there is no need to reduce emissions at home if a polluting company can simply purchase carbon credits by buying them off polluters that do not use up their full quota. Companies can also earn carbon credits by investing in pollution reduction schemes in other countries. (23) The United States did not ratify Kyoto but they are active in carbon trading. Trading programs privatize pollution problems and, as the incentive emission reduction turns into profit, there is a great pressure to cheat by over-estimating reductions and underestimating emissions. For example, the WB only calculates on-site emissions produced by a project, not those it indirectly causes by the fuel that it helps to extract. The WB-funds manage a total of $350 million to pioneer the market for greenhouse-gas emission reductions and contribute to sustainable development. The money in these funds is donated by its partners: 17 corporations including BP-Amoco and several wealthy governments (including the Netherlands). The lack of criticism about carbon trading can be traced back to the emergence of these Public-Private Partnerships: alliances between NGO's and corporations to work together on environmental issues. Even the WWF and Greenpeace do this. It seems clear that the aforementioned significantly hampers an effective WB-strategy to combat climate change.

11. DAM CONSTRUCTION AND THE WORLD BANK

The World Bank is the greatest single source of funding for large-scale dam projects and has constructed more than 500 large dams in over 92 countries (24). The construction of these dams has led to a massive loss of livelihood for hundreds of thousands of people. Large-scale dams have resulted in flooding, ecological damage, forced dislocation of local peoples from their land and violent human rights abuses. An example of human rights abuses related to World Bank funded dam construction occurred in Guatemala in the 70's and 80's. The World Bank lent $72 million dollars for the construction of the Chixoy dam, a project that dislocated thousands of indigenous people without their consent. Indigenous resistance to the dam led to a massive wave of military repression, intimidation and a massacre. In 1982, over 400 indigenous people were brutally murdered for refusing to leave their homes and were kept in impoverished villages under strict military control. In addition to suffering from loss of land, they have suffered physical, psychological, cultural, and material losses caused by the violence. Three years after the massacre, the World Bank, in spite of their knowledge of the civil unrest the construction of this dam was causing, approved an additional $44.6 million in loans for continuation of the dam's construction. (25) To this day thousands of indigenous people continue to demand compensation from the World Bank for the damage caused by the Chixoy Dam.

The Nam Theun 2 in Laos is another example of a large-scale dam project backed by the World Bank. Since 1995, the World Bank has spent an undisclosed amount of money on planning for this $1.1 billion dollar hydroelectric Dam in Laos. The Nam Theun 2 will flood 450 kilometers of tropical forests, a habitat for tigers, elephant, antelope and several other wildlife species. More than

7,000 subsistence farmers will be forced from their land. The bank plans on providing a $50 million dollar loan to the government for the development of *"rural livelihood programs"*. This is unacceptable because it removes responsibility and accountability from the multinational corporations invested in the dam and places it on the Laotian people and government. The bank claims that this time, the relocation process will be functional and that the income of the re-settlers will triple in seven year's time. Evidence, however, shows otherwise. The new farm plots, for example, are too small, the soil is unfit for traditional rice production and the re-settlers are not being offered enough land for their livestock grazing. The Bank claims there will be new trees planted and new logging operations to provide jobs, but these logging operations will destroy local food and medicine found in the forests. Aquatically, there will be a collapse in the food chain along the largest tributary of the Mekong River. Fish catches are expected to drop by 40-60% and river plants and creatures, such as snails and mussels, which have been traditionally sold at local markets will disappear. This harm to the river's ecosystem is expected to affect 40,000 additional people. The Bank claims it will open a new fishing reservoir to provide jobs for the disaffected fishermen, but this reservoir will only be big enough to serve 1,000 fishers. (26)

Due to a long history of protest and criticism of the Bank's involvement in large scale dam financing from civil society organizations and disaffected communities, the bank announced the establishment of the World Commission on Dams (WCD) in 1997. The WCD was the first group set up to do an independent review of the impact of Large-Scale Dam construction. After two and half years of research, the WCD had commissioned over

1000 submissions internationally on the *“environmental, social, economic. technical, institutional and performance dimensions of large dams”*. (27) In November of 2000, the WCD report was released and highly acclaimed for its *“non-partisan and progressive frame-work for decision making for future water and energy planning”*. (27) Although this report was the first to extensively look at global dam development through consensus and a World Bank-supported participatory research process, the bank dismissed the 26 demands posed by the WCD. They claimed they would take the recommendations into consideration while planning new projects, but there is quite a lot of evidence that the Bank has paid little attention to the recommendations of the WCD, and thus has failed to learn from past mistakes. (27)

The following is a letter from Heriberto Luis Cabral of the Network of those Affected by Yacryta. Heriberto has been actively resisting the construction of the Yacyreta Hydroelectric Dam in Argentina and Paraguay for the adverse effects the dam has had on surrounding communities. Yacyreta is financially backed by the World bank, in fact this dam project received $878 million dollars in World Bank Loans between 1979 and 2002. (28)

(see next page)

12. AGRICULTURE AND THE WORLD BANK

The World Bank encourages countries to adopt large-scale, export-oriented agricultural models that often lead to harmful environmental and social consequences for the following reasons; First, when a country is forced to focus on producing food for export and consumption

Dear Friend,

Its a pleasure to write you, what you are doing is important, both for your community and for us from the south. The construction, already begun, and the execution of the Yacyreta Hydroelectric Dam, brought with it not only what the investors call progress, but also the consequent man made destruction of the living environment of endangered species on the verge of extinction, such as the siervo de los pantanos, (a rare marsh animal). Construction of the Dam has changed our unique ecosystems, led to the destruction of social networks, and the disappearance of natural forms of livelihood such as the loss of the fish that depended on the streams for the upward migration to spawn. The dam firm constructed fish elevators but these elevators only make it easier for dam employees to take fish. They do not actually help the fish to migrate, but they contribute to the fishes' endangerment. Clay beds have been flooded, and with that a material that has been used by my community from ancient times to make clay and wood bricks. This was a traditional, functional art form used to construct high quality living spaces and at the same time it gave employment to thousands of families. The flooding of the clay beds to make the lake for the Yacyreta hydroelectric dam caused the loss of these families' jobs. At first the families were aided by a binational organization but since then, they have had to migrate to other cities or countries to look for work or in many cases turn to prostitution. Even if there were thousands of homes constructed with the corresponding infrastructure, the population would still be deprived of the social and economic resources with which it has been functioning for decades. That is to say, you can't just pull something out of the habitat where it developed socially and move it suddenly many kilometers away. The affected community denounced this and filed other complaints. The World Bank then sent its Inspection Panel for a site visit, as well as the Blue Ribbon Panel to evaluate the viability of the project. Recently the affected community presented concrete complaints in the headquarters of the World Bank in Washington, DC, against the Binacional and the ENTE.

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Although the World Bank acknowledged many of the problems highlighted by the inspection panel, and claimed they would take action to correct some of these problems, they have failed to follow through with these promises in other countries, its own food security is threatened. World Bank and IMF conditionalities force governments of poor countries to cut subsidies to their farmers while at the same time northern countries are allowed to subsidize large agricultural giants who already dominate the world's grain trade. These agro-giants are then able to produce large amounts of grain quite cheaply. Free trade agreements permit these companies to dump the cheap corn on local markets in developing countries where it is sold at a price below the cost of production for small farmers. This type of agricultural dumping forces small farmers out of business as they are no longer able to compete with the big agro-companies. In addition to destroying indigenous farming and market practices, large monoculture farming has also destroyed biodiversity. Biodiversity is the key to sustainability and the world's greatest biodiversity is located in the tropical countries of the Global South. According to globalization scholar Vandana Shiva, all species are interconnected and play vital roles in their ecosystems, meaning that if one species is threatened, the *"life-support systems and livelihoods of millions of people in Third World countries"* are also threatened. (29) The preservation of biodiversity ensures food sustainability for millions of farmers. The IFC (International Finance Corporation, a branch of the World Bank Group) provides loans directly to agricultural companies that promote monoculture development. For example, the IFC has recently approved a second loan to the Amaggi Corporation, the biggest monoculture soy exporter and producer, in Brazil in 2004. Despite numerous complaints from civil society organizations and evidence that this funding contradicts the Banks stated goals of, "Improving land use management and support environmentally-sound economic activity and infrastructure, especially in the poorest areas of the Amazon and in areas of serious or anticipated land use conflict." (30)

13. THE WORLD BANK AND LABOUR RIGHTS

Trade union participants noted that while the number of countries where unions are invited to take part in PRSP consultations has increased, unions are often consulted only late in the process, are never included in the drafting phase, and are seldom invited to take part in monitoring and implementation. Restrictions on freedom of association remain an obstacle to meaningful trade union participation in some countries and insufficient access to government and IFI documentation and to capacity building has been frequently mentioned. Overall, unions expressed dissatisfaction with the lack of attention to labor concerns – employment creation strategies, improvement of working conditions and respect of labor rights – in most finalized PRSP's

Improving labor rights is a critical factor in the fight against global poverty. According to the World Development Movement, measures to improve labor rights have been nearly absent in the World Bank's Poverty Reduction Strategy Papers (PRSPs). (31) The World Bank and IMF have failed to critically assess either the past impacts of SAPs or the future impacts of PRSPs where labor rights are concerned. At the World Bank's annual meeting in September 2005, a statement from the Global Union also confirmed the opinion that the Bank's poverty reduction strategies have done little more than mirror old structural adjustment strategies. (32) Due to the principle of country-ownership (that is central to the idea of a PRSP), PRSP's should be drafted in consultation with stakeholders such as labor unions. Also monitoring and evaluation of the PRSP should involve civil society. The World Bank recognizes this concept and boasts this is the strength of the PRSP, but points out that it needs to make a trade-off between country-ownership on the one side and the speed of the PRSP drafting-process and the interests of the shareholders of the World Bank on the other. (33) The Global Unions states, " *Trade union participants noted that while the number of countries where unions are invited to take part in PRSP consultations has increased, unions are often consulted only late in the process, are never included in the drafting phase, and are seldom invited to take part in monitoring and implementation. Restrictions on freedom of association remain an obstacle to meaningful trade union participation in some countries and insufficient access to government and IFI documentation and* *to capacity building has been frequently mentioned. Overall, unions expressed dissatisfaction with the lack of attention to labor concerns – employment creation strategies, improvement of working conditions and respect of labor rights – in most finalized PRSP's*". (32) The Global Unions also observe a discrepancy concerning labor rights between the World Bank's theory and its practice. In some publications the World Bank does recognize the importance of core labor rights, but in practice " *these are only rarely followed up in country-level Bank analyses and policy recommendations*". (32) The World Bank itself even published a report showing its "simplistic and harmful approach on labor reform". (32) One example can be seen in a penalty system that was developed to punish countries for having labor regulations, such as protection against firing and regulations on working hours and minimum wage. (34)

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II. How Does the Disinvestment Campaign Work

01. WHAT IS THE DISINVESTMENT CAMPAIGN AND HOW DOES IT AFFECT THE WORLD BANK?

The Disinvestment Campaign is a part of a global initiative demanding an end to socially and environmentally disruptive World Bank policies and projects. Its strategy stems from the fact that the World Bank Group raises more than 80 percent of its capital by selling a variety of financial products, primarily bonds, on capital markets. The idea behind the Disinvestment campaign was inspired by the anti-apartheid movement. It is an initiative of groups from Haiti, South Africa and Ecuadorian as well as many other groups disaffected by World Bank policy in their own countries. Communities in these countries, along with groups in Canada, the United States, and Europe have since been successfully challenging the World Bank by encouraging disinvestment. Numerous trade unions, universities, civic groups, local governments and religious groups have signed resolutions to disinvest from the World Bank. (1)

The impact of the Disinvestment Campaign is different than that of the majority of World Bank accountability and advocacy initiatives. It's aim is to persude institutional investors and public institutions to adopt policies against investing in World Bank bonds. Already, nearly 90 institutional investors have made commitments not to invest in World Bank bonds for social and financial reasons. Among the municipalities and investors that have made this commitment are seven U.S. cities including Milwaukee, Wis.and San Francisco, as well as more than two dozen unions, including the 1.5 million member International Brotherhood of the Teamsters and the 4 million member Service Employees International Union (SEIU). Moreover, ten funds, including ASN, Calvert Group, Parnassus Fund, and Citizens Funds, with a combined $16 billion in assets, have adopted policies against investment in World Bank bonds. The campaign is growing and targeting dozens of other city governments and major institutional investors such as state employee pension funds and religious denominational investors.

As more investors adopt policies against investment in World Bank bonds, it will become more difficult for the World Bank (IBRD and IFC) to raise as much funds as they do presently. World Bank bonds will become riskier for investors to hold and significant pressure will be put on the World Bank to make fundamental changes. Thus the campaign is built upon bringing the Bank's problematic projects and policies to the attention of citizens and public institutions in Northern countries. For a better understanding of how the disinvestment campaign works we will begin by presenting the structure and funding of the World Bank.

02. WHAT EACH BRANCH OF THE WORLD BANK GROUP IS DOING

What commonly is referred to as the "World Bank" is made up of two institutions, owned by 184 member countries:
— The International Bank for Reconstruction and Development (IBRD) and
— The International Development Association (IDA)
The IBRD focuses on middle income countries (such as Brazil, India, Bulgaria), while the IDA provides funding to the poorest countries in the world (such as Bangladesh, Sudan, Ethiopia). Together the two institutions give low-interest rate loans and interest-free credit to developing countries for public administration improvements, large-scale infrastructure, education, health and various other purposes. (2)

The World Bank Group, however, consists of the following five institutions:
• IBRD
• IDA
• The International Finance Corporation (IFC)
• The Multilateral Investment Guarantee Agency (MIGA)
• The International Center for Settlement of Investment Disputes (ICSID)

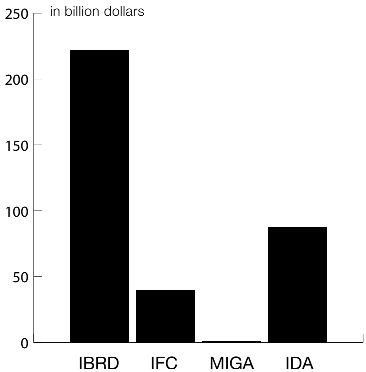
The IFC aims to reduce poverty and improve people's lives by promoting private sector investment in developing countries. (3) Established in 1956, the IFC claims to be the largest multilateral source of loan and equity financing for corporations, private banks and funds investing in the developing world. (4)
The MIGA promotes foreign direct investment (FDI) in developing countries as a tool for stimulating economic growth and reducing poverty. It provides political risk insurance and technical assistance to companies investing in developing countries.
The ICSID is chaired by the WB President and provides arbitration in disputes between member countries and investors who are nationals of other member countries. (5)

03. HOW EACH BRANCH OF THE WORLD BANK GROUP IS FINANCED

What is a World Bank Bond?
A bond is a loan agreement by which a borrower agrees to pay the bondholder a certain amount of money at a certain time in the future. The buyer of the bond is essentially lending money to the issuer.
Thus World Bank bonds are loans through which the World Bank gets the cash it needs, while the lenders

(public and private investors) earn interest.
The term of any bond is fixed at the time of its issue and it can range from a year to 30 years, or even more. The World Bank repays the entire sum of the bond at maturity date and makes regular interest payments to the bondholders. Usually, if the term of a bond is longer, the returns are likely to be higher. Governments and corporations are the world's largest issuers of bonds.

*assets of each World Bank branch



THE IBRD

The IBRD, with 222 billion USD in assets in 2005, presents itself as *"one of the largest and most frequent international bond issuers in the world, with hundreds of transactions per year"*. (6) Since issuing its first bonds in 1947, the IBRD has diligently diversified its debt products[1], getting into new markets for issuance and increasing the number of investors around the world.

1. Bonds are example of a debt product. IBRD fabricates and sells them on the market just like a manufacturer produces and sells her goods, and gets money in return. Other debt products IBRD currently issues are discount notes with duration between one and 360 days and structured notes. see: http://treasury.worldbank.org/Services/Capital%2bMarkets/Debt+Products/index.htm

All loans the Bank gives to developing countries are financed by money borrowed from capital markets[2]. The bulk of the $400 billion IBRD has lent to middle-income developing countries was financed by investors who have bought IBRD bonds. To get an idea who these investors are see part 4, step 4. (7)

Bonds issued by the World Bank are triple A rated by independent agencies evaluating bonds performance such as Moody's and S&P[3].

This implies that the Bank will return the borrowed funds with almost 100% certainty and will easily and quickly raise money from the financial markets. The high rating of IBRD bonds comes from the guarantee of the IBRD's 184 shareholders whose capital can be called to satisfy bondholders' repayment claims. Thus the total funds available for the World Bank authorized by member governments consist not in *"paid-in capital"* but *"callable capital"* or money that would in theory be made available to the World Bank to cover its borrowing if needed. Although the World Bank has never actually called on these pledges, they serve as collateral for World Bank borrowing[4].

The bulk of the $400 billion IBRD has lent to middle-income developing countries was financed by investors who have bought IBRD bonds. To get an idea who these investors are see part 4, step 4. (7)

2. The IBRD raises between US$12 and US$15 billions for this purpose annually

3. Rating is a measurement of the certainty of returns (or default risk) that bonds have. The highest degree attainable in S&P's measurement is triple A, followed by double A, single A, triple B and so on. Bonds with triple A ratings (as in the IBRD and IFC case) are considered to have virtually no risk of default.

4. In total, $11 billion has been "paid in" by the 184 IBRD government shareholders' capital since 1946 is and there has been no increase in shareholder subscriptions in more than a decade. see:
http://treasury.worldbank.org/Services/Capital%2bMarkets/Financial+Strength/index.html

IFC

This branch of the Bank also raises all of its funds for lending activities by issuing debt obligations, such as bonds and selling them later on the international capital markets. Just like the IBRD, the IFC's bonds have a consistent triple A credit rating, backed by donor countries' funding commitments. (8)

Campaigners are aiming to drive down the triple A rating of IBRD and IFC bonds. If the World Bank were to lose its triple A rating, the increased risk would lower the value of the bonds and put significant pressure on the World Bank to make fundamental changes.

IFC also raises all of its funds for lending activities by issuing debt obligations, such as bonds and selling them later on the international capital markets.

MIGA

MIGA is currently financially self-sufficient. According to its Convention it should endeavor to avoid calls on member's subscribed capital. (9)

IDA

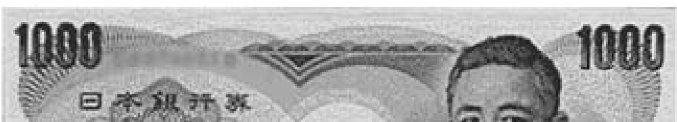
World Bank Donor countries provide the largest part of IDA's funding. IDA's assets as of June 30, 2005 are $130.4 billion, $42.5 billion of which will be dedicated to providing debt relief under the G8 2005 proposal over the coming 40 years. In April 2005, for example, donor countries committed approximately $33 billion to IDA's budget for debt cancellation. (10)

The IDA also receives money from the IBRD. A total 3,8 billion USD or about 40 percent of the IBRD's income in 2005 was given to IDA. (11)

As demonstrated above, the WBG depends heavily on selling its financial products on the world's financial markets. On average, the selling of bonds secures 80% of the funds that the WBG has avail-

Bonds are sold
in a large number of currencies
and threfore countries:

Australian Dollars,
New Zealand Dollars,
South African Rand,
Japanese Yen,
Euro,
Malaysian Ringgit,
Hungarian Forint,
British Pounds,
Turkish Lira,
Brazilian Reais,
Polish Zloty



"WORLD BANK BONDS FLOW: from top to down"

step 1

step 2:

BONDS ARE UNDERWRITTEN OR PHYSICALLY PLACED ON THE MARKET BY CORPORATE BANKS AND INVESTMENT FUNDS SUCH AS FORTIS BANK, DEUTSCHE BANK, CITIGROUP, ABN AMRO, MORGAN STANLEY.
(see Step 2. page43)

step 3:

ONCE ON THE MARKET, THE **WB BONDS ARE PURCHASED BY CORPORATE AND INSTITUTIONAL INVESTORS** SUCH AS: FORTIS BANK, AMERICAN LIFE INSURANCE, SWISS LIFE, RAIFFEISEN, HANNOVER LIFE, AIG, SALZBURG MUNCHEN FUNDS, HSBC TRINKHAUS.
(see Step 3. page 44)

step 4:

PENSION FUNDS, MUNICIPALITIES, UNIVERSITIES, CHURCHES AND LABOR UNIONS HOLD WORLD BANK BONDS BY PLACING THEIR MONEY IN A MUTUAL FUND OF A FUND-MANAGING COMPANIES OR AN INVESTMENT BANK, SUCH AS THE ONES FROM Step 3.

step5:

YOUR MONEY

able for poverty reduction or giving loans to the private sector and middle-income countries. By raising money in this way, the Bank has been able to evade the public oversight that would accompany the use of taxpayer funds.

04. WHERE AND HOW ARE WB DEBT PRODUCTS (BONDS) SOLD?

Step 1. Bonds are first issued from the IBRD or IFC branches of the World Bank Group.
Both IBRD and IFC bonds have a triple A rating as they are guaranteed by a large number of donor countries. Thus in case of default danger the WB has the rights to call up certain part of the subscribed capital.
The bonds are issued in a fixed set of currencies, with pre-established interest rates and maturity dates. In fiscal year 2005 for example, the IBRD issued debt securities (bonds) for a total volume equivalent to US$13 billion. By June 30, 2005 the IBRD had borrowed a total of US$102 billion from the financial markets. (In order to repay all the funds borrowed, the Bank is obliged to contract a correspondingly high amount of new loans.)

Step 2. Bonds issued by the IBRD and IFC *are underwritten (or physically placed on the market) by corporate banks and investment funds.*

The World Bank maintains close relationships with a broad range of underwriters in all financial markets, ensuring a broad geographical bond distribution

Since it is difficult for the IBRD and IFC to find individual sellers, they usually go to professional dealers (underwriters) who receive a premium for selling the bonds for them. "*The World Bank maintains close relationships with a broad range of underwriters in all financial markets, ensuring a broad geographical bond distribution*". (12)

Some of the recent underwriters of WB bonds are *Fortis*

Bank, Deutsche Bank, Citigroup, ABN Amro and Morgan Stanley. All underwriters first buy IBRD and IFC bonds at a lower price and sell them at a higher price. WB bonds are traded further through security houses, commercial banks, dealers and brokers. Prices are quoted on many securities exchanges, the major electronic trading platforms and in selected financial newspapers.

Step 3. Once on the market, the WB bonds are *purchased by corporate and institutional investors*
Most frequently these are:
- investment banks and funds, which include IBRD and IFC bonds in their portfolios. *Fortis, American Life Insurance, Swiss Life, Raiffeisen, Hannover Life, New York Life, AIG Bond Fund, Salzburg Munchen Funds, HSBC Trinkhaus* have all bought WB Bonds and put them in investment portfolios to sell to their clients[5]
- institutions managing considerable amounts of public money, such as pension and insurance funds, trade unions (examples are the US pension fund *"TIAA-CREF"*, the French Postal organization "La Poste" , the Dutch pension fund "ABP"). These organizations are usually advised to invest safely and therefore hold relatively large amounts of bonds (bonds generally carry less risk than stocks).

Step 4. Institutions can hold WB Bonds indirectly. Institutions operating with public funds (smaller pension

5. portfolio or a mutual fund is a diverse mixture of bonds (or stocks) with different rating*, which diversifies risk and therefore gives a stable return on average. For the sake of simplicity, imagine that a mutual fund can consist of 35% IBRD bonds, 10% US Treasury bonds, 20% Corporate Bonds, 10% Shares and 25% Brazilian State Bonds.
Rating is a measurement of the certainty of returns (or default risk) that bonds have. The highest degree attainable in S&P's measurement is AAA, followed by AA, A, BBB, BB, and so on. Bonds with AAA ratings (as in the case of the IBRD and IFC) are considered to have virtually no risk of default.

funds, municipalities, universities, churches) frequently hire a fund-management company to invest their money on their behalf. Many fund-management companies (such as ones listed in 3) have portfolios containing a certain percentage of World Bank Bonds which they offer to their clients. Therefore if an institution does not possess World Bank bonds directly, it could hold them through its investments in one of the mutual funds of their fund-managing company. Other examples of fund-management companies offering WB Bonds as part of their portfolios are Barclays, City Bank, Credit Suise, Goldman Sachs, Morgan Stanley, UBS.

Thus whether you know it or not, your: *university, trade union, municipality, pension fund or insurance fund* may be providing the World Bank with the funds necessary for its lending activities.

05. YOUR LINK TO THE WORLD BANK

Inform yourself about the activities and overall impact of the World Bank. Contact the closest organization campaigning on International Financial Institutions like the World Bank for more information or look at the websites provided in the Links section of the toolkit.
Once sufficiently informed about the Bank, you can ask your university, pension fund, city, labor union, church or charity to consider *taking a disinvestment action*.
In a nutshell, this would mean passing a resolution or investment policy, in which it is explicitly stated that the respective organization will not invest in the bonds of the WB.
So far, ten municipalities (including San Francisco and Berkley), eleven socially-responsible funds (including

the Dutch Bank ASN), thirty three churches and religious communities, twenty four foundations, two universities (including Oxford-based Wadham college), nine international and twenty five US labor unions have signed resolutions against investing in the WB.
The strategies for approaching different institutions vary. Depending on the specific constituents of the institution you approach, different information about the World Bank might be relevant.
A couple of start-up research suggestions:

How to find the "right" institution for a disinvestment initiative and how to go about it?

- If you know an ethical fund in your region, you can find out if they hold WB bonds or have a policy on investment in international public banks of this kind. If not, you can get in touch with them
- If you are a student or work in an academic institution you can ask the financial administration department of your university whether ethical criteria on investing university endowments or reserves exist. Most often that's not the case. Afterwards you can get in touch with the local student/teachers' union and suggest to jointly write a letter to the university dean or board with a request to consider excluding the WB from the list of potential university investments.
- If you are a member of a labor union you can organize an event to discuss the role of the World Bank in labor rights movements or can get in touch with unions from the South for more information. Suggest making a declaration to the union leaders[6]. Furthermore, you can propose the disinvestment initiative to the union leaders.
- If you have a pension fund, you can write a letter to the

6. Specific fact sheets on World Bank and labor are available at: www.wbbeurope.org

investment department asking where the fund's money is invested and whether ethical investment criteria has been applied in the process. After you have gathered sufficient information and support from people with a pension scheme in the same place you can write a motivation letter calling on the pension fund to exclude WB bonds from both potential and current investment.

In all of the above cases, the first and best option before taking a disinvestment initiative is to contact the Disinvestment campaigners for support and advice. *(see contact information at the end of the Toolkit)*
Note that it is not necessary for the institution you approach to possess WB bonds. A statement from an institution declaring that they have excluded WB Bonds as a potential investment is as important as a resolution making "no buy" claims for the future.

06. UNTIL WHEN WILL THE DISINVESTMENT CAMPAIGN CONTINUE?

The campaign, urging institutions to divest from WB Bonds will continue until the following demands are fulfilled by the Bank:
1. Unconditional cancellation of the debt for all 66 low income countries on the IDA's list.
2. An end to all economic conditional lending practices.
3. The Bank stops financing large-scale environmentally and socially disruptive projects, especially in the infrastructure sector.

07. WORLD BANK BONDS IN EUROPE AND YOUR COUNTRY

European markets are extremely important in funding the Bank. The Bank derives on average between 30 and 40 % of its income from bonds bought by European investors. The bank has flooded European markets with bonds since 1951. They have been issued in Switzerland, the United Kingdom, Norway, Poland and France. As an illustration, a few examples of bonds issues are given below.

35 percent of the 750-million-bond issued by the World Bank in February 2005 were bought by European investors, for example. The WB press release on the case gives a very good illustration of the type of institutions purchasing Bank Bonds. 40 percent of them were fund managers, 25 percent life insurance companies and pension funds, 20 percent Banks and Retail Intermediaries and 15 percent central banks and public institutions. That leads to the conclusion that World Bank Bonds can easily be found in the majority big pension funds, investment and insurance companies in Europe. (13) Another example is the $1.5 billion eurobonds issued by the Bank in 1991, 40 percent of which were sold in Europe. (14)

The Bank is targeting European investors by issuing bonds in local currencies such as Hungarian Forints and Polish Zloty. One examples of bond issues, targeting European investors primarily is their September 2004 Hungarian Forint bond issue, underwritten by the Deutsche Bank. In Italy, for example, where bonds from international organizations like the World Bank are not subject to a domestic withholding tax, World Bank Bonds are in great demand. (15) In September 2004, for example, the Morgan Stanley underwrote and sold World Bank Bonds primarily for and to Italian retail investors. (16) European investors are buying World Bank Bonds even in diverse non-European currencies such as Chilean Pesos. European and North America investors bought a quarter of the May 2000 World Bank Bonds issue in Chilean Pesos. (17)

Recently the Bank has been employing new tactics for reaching out to European clients. The French Postal Union "La Poste" case is an example of this. In July 2005, The World Bank and La Poste collaborated in the creation of the so-called "Toniciel Banque Mondiale" bonds and offered it for sale to La Poste clients and employees. In addition IBRD bonds were promoted by the French postal organization as ethical investment products, and a *"concrete opportunity to show solidarity with developing countries"*. (18)
Finally, many institutional investors, such as the ABP pension fund in the Netherlands, hold WB bonds indirectly or through a mutual fund.

08. INVESTORS' WARNING: FINANCIAL RISKS OF WB BONDS

Although World Bank Bonds are triple A rated, there are risks associated with purchasing IBRD and IFC bonds, which current and potential investors in the WB should consider. Three main reasons for concern are outlined below:
– *the declining callable capital the World Bank can rely upon*
– *the possibility of defaults on loans*
– *large public investors are selling their WB Bonds*

World Bank borrowers may be unable to pay back their loans

If countries are unable to service their WB debt, the rating of World Bank Bonds will be seriously impaired. Indeed the number of World Bank borrowers which may be forced to default[7] on payments to the institution is growing. In late 2002, Argentina, the Bank's fourth largest debtor, suspended payments of $805 million to the World Bank because it didn't have sufficient cash flows to make the payments. Argentina was unable to pay because of an economic crisis which was exacerbated by IMF/World Bank supported policies which made Argentina's exports uncompetitive. Though in the beginning of 2006 Argentina and Brazil repaid their entire IMF borrowings, there is reason for continued concern about their World Bank loans. Since 1994, Brazil's total external debt has jumped from 29% to 65% of its GDP and the country is maintaining extremely high interest rates in excess of 25.5%. This level of debt is clearly unsustainable, and Brazil may consider default in the future. The fiscal position of the Philippines, for example dangerously resembles the fiscal position of pre-default Argentina. Analysts and investors are warning that there is a pretty big chance that the Philippines will default. (19)
Moody's Investors Service, in its October 2002 analysis of World Bank bonds pointed out that the biggest risk to the Bank's financial position would come if more than one large borrower were to be unable to service their debt on time. (20) Moody's also notes that in addition to Brazil and Argentina, other major IBRD borrowers such as Russia and Indonesia, and now the Philippines, could face further dislocations due to political and structural problems in the coming years. Combined, these five countries make up 30.66 % of the Bank's gross outstand-

7. Default means not being capable of paying on time

ing loans. (21)

Furthermore, many WB loans are poorly monitored and projects are not sustainable and this may increase the risks of non-payment. World Bank projects have a high failure rate. A report commissioned by the U.S. Congress in 2000 (22) found that 55-60% of World Bank projects fail to achieve sustainable results. Part of the reason for this is that more emphasis is placed on quantity and the fast approval of loans than on quality and sustainability. The critique that the World Bank emphasizes project approval over quality has been leveled at the institution since 1992. (23)
Therefore project failure combined with the higher chance for loan defaults may diminish the returns on the World Bank's investments, which may in turn make WB Bonds a riskier investment.

The U.S. and EU governments' financial and political backing to the World Bank is declining.

In November 2005 the American government withheld 20% of its annual donation to the World Bank Group. This means that the money available to cover the World Bank's obligations to its bondholders are reduced by 20% until the Bank implements openness and anti-corruption measures. The U.S. government is the World Bank's primary financial backer in the event of default. In the spring of 1999, US reduced its WB callable capital as well. At that point the Bretton Woods Committee, an organization of prominent business and political leaders that support the Multilateral Development Banks, complained about the cut, saying that *"Disturbing reports from Wall Street say some bondholders are already growing nervous over the threat and are dumping their World Bank bonds."* (24) The EU's backing for the WB is also dimin-

"Disturbing reports from Wall Street say some bondholders are already growing nervous over the threat and are dumping their World Bank bonds."

ishing lately with a competing development bank being promoted in Europe. The decrease of funding for callable capital combined with the declining political support for the WB in general could well have the effect of making the bonds less attractive and reducing their investment rating.

The largest private U.S. pension system sold its WB bonds, as the bonds did not offer sufficient returns. TIAA-CREF claimed it sold its holdings of World Bank bonds in 2002 because the bonds did not produce high enough returns for the $270 billion fund. *"We have held World Bank bonds and we no longer do"* TIAA-CREF spokesman Patrick Connor told AFX Global Ethics Monitor, a business news service, in November 2002. *"…The returns would not be as attractive as other investments "* Connor said. (25) As a leader among pension systems, TIAA-CREF's decision sent a signal to other institutional investors that are looking to make investments that are both safe and offer competitive returns.

09. WHERE TO INVEST IF NOT IN THE WORLD BANK?

Here we would like to underline that financial advisers and investors are usually well informed about the triple-A-alternatives to investment in IBRD and IFC bonds. The question most people will ask is whether there are purely ethical bonds. Our research shows that not many financial products in possession of a triple A rating can claim to be 100% ethical. Therefore choosing investors concerned with environmental and social standards often means choosing the lesser of two evils. Here is a small check list:

see next page

ALTERNATIVE INVESTMENT PRODUCTS, FINANCE AND BANKS

Belgium
Triodos Bank - www.triodos.be
Credal - www.credal.be

Denmark
JAK (Jord-Arbejde-Kapital) - www.jak.dk
Merkur - den Almennyttige Andelskasse - www.merkurbank.dk

Germany
OekoGeno - www.oekogeno.de
GLS Gemeinschaftsbank - www.gemeinschaftsbank.de
Bank für Orden und Mission - www.ordensbank.de
Steyler Bank - www.steylerbank.de
OekoTrend Bonds - www.ecologic.de
www.oekorenta.de

Netherlands
Triodos Bank - www.triodos.nl
ASN - www.asn.nl
Oikocredit - www.oikocredit.org

Switzerland
Alternative Bank Schweiz - www.abs.ch
Freie Gemeinschaftsbank - www.gemeinschaftsbank.ch

*** United Kingdom***
Triodos Bank - www.triodos.co.uk
Ecology Building Society - www.ecology.co.uk
Industrial Common Ownership Finance - www.icof.co.uk
Shared Interest - www.shared-interest.com
Co-operative Bank - www.co-operativebank.co.uk

France
Institut de Développement de l'Economie Sociale -
www.esfin-ides.com
Société Financière de la NEF - www.lanef.com
Fédération des Cigales - www.cigales.asso.fr

Italy
Banca Etica - www.bancaetica.com
MAG 2 - www.mag2.it

Luxemburg
Etika - www.etika.lu
Alterfinanz - www.globenet.org/horizon-local/alterfin/

Sweden
JAK (Jord-Arbejde-Kapital) - www.jak.se
Nordiska Sparlan - www.nordspar.se

Micro Finance Institutions, issuing bonds
Mibanco - www.mibanco.com.pe/
Compartamos, Mexico – www.compartamos.com

More on existing ethical funds and bonds at:
European Sustainable & Responsible Investment Forum - www.eurosif.info
UK Social Investment Forum - www.uksif.org
Ethical Investment Research Service - www.eiris.org
Rating of Ethical Funds, classified by areas of concern:
www.ethicalinvestors.co.uk
German rating agency on sustainable investment:
www.oekom-research.de

10. OTHER INTERNATIONAL PUBLIC BANKS THAT ISSUE BONDS

The World Bank has counterparts in almost all continents. The largest ones are: The European Bank for Reconstruction and Development (EBRD)and the European Investment Bank (EIB), both of them based in Europe. The Asian Development Bank (ADB), based in Asia, The African Development Bank (AFDB), and the Inter-American Development Bank (IADB). Bonds are a major generator of funds for all of these institutions. EBRD, EIB, IAB, and ADB bonds are all available on world financial markets, meaning that "*disinvestment*" can be used as a strategy that can be applied in the same way to each of the Multilateral Development Banks. A short description of each is given below.

THE EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) was founded in 1958. It is the funding arm of the European Union, and was originally created to provide investment in less developed regions of Europe. Since its foundation, the EIB's mission, and areas of operation have grown substantially. With a current portfolio of investments in more than 120 countries, more than 16% of the EIB's total lending operations are outside the European Union. Its investments are in South Africa, Asia, Central Europe, the Middle East, and Latin America. Major concerns with the EIB is its lack of transparency and accountability and unwillingness to disclose information. Its major infrastructure, energy, and transport projects has caused significant and long-lasting environmental destruction. A good resource on EIB is the "EIB in the South" report, available at:
www.foei.org/publications/pdfs/eibinthesouth.pdf
More on EIB can be found at:
www.eibprojects.org
www.bankwatch.org

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to provide transitional help for the countries of Europe and Central Asia after the collapse of communism. It now operates in 27 countries, where it has financed a number of highly problematic projects. The EBRD is the only development bank currently opting to finance the construction of nuclear power plants, such as Mochovce in Slovakia and Khmelintsky 2 and Rivne 4 in Ukraine. Through its funding of oil projects, the EBRD not only contributes to climate change but also causes a number of local problems. Such projects mainly involve high profits for oil companies rather than bringing benefits to local inhabitants. The most recent case of this is the BP-led Baku-Tbilisi-Ceyhan oil pipeline, which will export vast amounts of Caspian oil to western markets. The EBRD is currently considering financing the second phase of Shell's controversial Sakhalin 2 oil and gas project in the Russian far east. The EBRD has also been one of the key investors in gold mining in the region. One such notorious project backed by the EBRD is the Kumtor Gold Mine in Kyrgyzstan where a string of accidents have taken place, including a cyanide spill that seriously affected several hundred people.

(*source:* www.bankwatch.org)

For more information on EBRD visit:

www.ebrd.org
www.bankwatch.org
www.sakhalin.environment.ru/en/index.php
www.bicusa.org

ASIAN DEVELOPMENT BANK

The ADB is the third largest donor to the Asia-Pacific region (after the Japanese government and the World Bank) lending approximately $5 to $6 billion a year to its developing member countries. Based in Manila, Philippines, the ADB was established in 1966 and currently has a membership of 63 countries. Although the ADB's official mandate is reducing poverty in the region, ADB-funded operations are negatively affecting some of the region's vulnerable communities. In many cases communities have lost their homes and/or source of economic livelihood, their health has been damaged, and traditional ways of life have been destroyed. An analysis of ADB project performance audit reports for Indonesia, Pakistan and Sri Lanka, found that over 70 percent of ADB projects in these countries are unlikely to provide long-term social and economic benefits. This analysis, conducted by Environmental Defense, can be seen at www.environmentaldefense.org/documents/2898_ADBinitsownwords.pdf
(source: Unpacking the ADB: A Guide to the Asian Development Bank). For more information visit:
www.adb.org
www.forum-adb.org
www.greenpeace.org/seasia/en/asia-energy-revolution/adb

INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank (IADB) was established in 1959 to promote economic development throughout Latin America and the Caribbean region. Civil society groups have long been concerned about the inappropriate economic and democratic reforms encouraged by the IADB. Examples of IADB projects are the Yacyreta hydro-electric dam between Paraguay and

Argentina and the Brazil-Bolivia gas pipeline and the Camisea gas project. Both projects have contributed to widespread environmental and social damage. The IADB project pipeline for 2003-2005, for example, included about $3.1 billion for water privatization, despite the failure of such initiatives in many cities around the world including Buenos Aires and Cochabamba. Up to now the IADB has lent about $58 billion in the region, giving it leverage to impose lending conditions such as privatization and trade liberalization.
source: www.foei.org
www.iadb.org/
www.foei.org/ifi/idb.html
www.noidb.org
www.bicusa.org/bicusa/issues/IIM_Briefing_English.pdf
www.citizen.org

11. WHY FOCUS ON THE WB INSTEAD OF ON PRIVATE BANKS, KNOWING THE LATTER ARE MUCH LESS ACCOUNTABLE?

Campaigning for accountability from private banks is important. After all, the amount of private capital being invested around the world does exceed the WB global financing. Yet, it is obvious from the first half of this publication that the World Bank is playing a strategic role in global economic development. No other institution has so much influence on the economic policies of Southern countries. Furthermore, the WB is the biggest lender to low-income countries, where private capital does not enter in a significant scale.
Finally, the WB plays an important role in global project finance by giving the sign of approval to “high-risk, high-return” infrastructures projects with questionable social and environmental impact. The Bank usually finances a modest share of the overall infrastructure project

expenses. What matters though is the World Bank's involvement as such. Although the Bank claims otherwise, the World Bank's approval is essential for other International Financial Institutions and private sector investors. Due to their perceived high quality safeguards and project screening policies, most IFIs, investment banks and funds see the Bank's involvement as a guarantee for the acceptability and low-risk of a project. BTC and Chad-Cameroon are just two of the numerous examples. Bank officials often claim that they fund a project in order to make it better and that if was not for the Bank the project would be funded by a less accountable private agency. Evidence points to the contrary: The EBRD approved its involvement in the BTC pipeline after the WB's positive decision. The same went for the EIB and Chad Cameroon, the EIB and Laos and many other large-scale projects. Few of the projects rejected for financing by the World Bank have really gone ahead. Thus the World Bank's ability to reduce the perceived risk of a project and thus to attract investors is another important aspect of the Bank, which explains why campaigning on the World Bank is important at this very moment.

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DJÉRÉDJEF! VOUS ÊTES TOUS DANS MON COEUR!

These photos were taken as part of a project with Nele de Brabander to visualise an 'other' Senegal, where not pictures of hunger and despair prevail, but of *hope*, *happiness* and *strength*!

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