

Fuelling discontent: the World Bank and International Monetary Fund in Singapore

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Despite attempts by the World Bank (Bank) and the International Monetary Fund (Fund) to spin their 2006 Annual Meetings (19-20 September) in Singapore as a success, events before and during the Meetings show that the two institutions have been unable to deflect doubts among civil society and developing countries about their credibility, legitimacy and relevance.

On the 'official' front, the Bank and Fund were unable to make convincing arguments in support of the only two new initiatives they trotted out: a proposal by the Fund for reform of quotas, and the Bank's anti-corruption framework. On the civil society front, the Bank and Fund proved their hypocrisy once again through their reluctance to push the Singapore Government to allow full and free participation of civil society representatives in the Annual Meetings.

TRYING TO FOOL GOVERNMENTS

The Fund's big news was that they brought a proposal to the Meetings for reform of quotas or equity shares within the Fund by increasing the quotas of Turkey, Mexico, China and South Korea. Although the stated aim of this increase was to increase the participation of developing countries in decision making within the Fund, the proposal did not seek to alter the dominance of developed countries over Fund policy and operations. The proposal on the table did not offer significant increases in the shares of the four countries: China went from 2.98% to 3.72%; Mexico from 1.21% to 1.45%; Korea from 0.77% to 1.35%; and Turkey from 0.45% to 0.55%. (1) But at the same time, the voting shares of some other developing countries decreased.

The proposal passed by 90% of votes, but 23 of the 184 member countries voted against the proposal. Many developing country members who voted in favour of the proposal did so on a tacit understanding that more comprehensive reforms of the entire decision making structure in the Fund will follow within the next couple of years. Developing countries called for reforms to be formulated through a simple and transparent formula that accurately reflects the position of member countries in the global economy and does not decrease the relative shares of low income countries rather than "ad hocism", in reference to the proposal on the table.

The proposal was also criticised by many low income countries, civil society representatives and independent analysts. The increase in quotas for the above four countries does not change the

balance of power in the Fund. Even worse, low income countries that usually have to undertake the most egregious structural adjustment reforms in order to access development capital have practically no voice within the institution. Further, the so called “second phase” of reforms to be completed within the next two years is likely to be based on Fund preferred economic indicators such as GDP and “openness” to trade and investment, which means that low income countries will be exhorted to liberalise even further and chase economic growth targets more aggressively than before if they want to have a say in decision making within the Fund.

The Fund certainly lost points on democracy, commitment to poverty reduction and even creative reform on the quotas issues.

The Bank did not fare particularly well either. The product it showcased in the Annual Meetings was the Wolfowitz inspired anti-corruption framework. At the centerpiece of the Bank’s anti-corruption strategy is a Voluntary Disclosure Programme (VDP) under which contractors on Bank projects are encouraged to perform their own internal investigations and report corrupt acts in Bank projects for the last five years, and commit to follow Bank rules on future projects. They are then subject to a three-year monitoring program managed by the Bank’s Department of Institutional Integrity but in exchange, they secure confidentiality and the right to continue bidding on Bank-funded projects. Although the VDP was praised by some civil society organisations (CSOs), many others pointed out that the programme not only protects corrupt companies and individuals from debarments, but also, allows the Bank to cover up its own complicity or negligence. (2)

Although the Bank has made some high profile moves in the past months by canceling projects identified as corrupt in Cambodia, India and other countries, there is little indication that the Bank intends to apply the transparency and anti-corruption standards it demands from governments consistently across the board to all Bank financed projects, and to its own operations. Government officials bristle at charges of corruption but the truth is that many are indeed corrupt and resistant to checks on how they handle project budgets from any source. At the same time, many officials also point out that Bank projects and programmes continue to be formulated and implemented without independent third party oversight. Particularly problematic are large infrastructure projects where bidding, procurement and awards of contracts are conducted in small closed groups in order to ensure commercial confidentiality. Democratically elected bodies at local and national levels have little or no oversight in how such projects are designed, nor in how project contractors are selected. The Bank has yet to heed civil society calls for independent audits of its large infrastructure projects.

Another drawback in the Bank’s anti-corruption strategy is that it undermines national anti-corruption laws by initiating parallel processes of investigation and resolution. This is evident in projects such as the Lesotho Highlands Water Project, the Bujagali dam, and numerous mining and oil/gas projects. The Bank’s International Finance Corporation (IFC) holds shares in some of the mining corporations that get IFC financing. IFC also supports corporations that have been known to make payments to national officials in order to garner support for projects. The Bank’s International Centre for Settlement of Investor Disputes (ICSID) operates outside the jurisdiction of domestic legal processes and can even initiate legal action against national governments. At the same time, all institutions in the World Bank Group have immunity against national and international legal proceedings by virtue of their founding charter.

Nowhere in the Bank’s anticorruption framework is there any mention of Bank complicity in creating odious debt. Given the Bank’s proven inclination to support dictatorial regimes, a transparent and independent audit of Bank operations in several countries is likely to yield huge amounts of evidence of odious debt created by Bank lending for corrupt and unaccountable purposes.

But then again, what else can one expect from an anti-corruption framework under the leadership of Paul Wolfowitz?

TRYING TO FOOL CIVIL SOCIETY

Possibly, the grand award for double speak in this year's Annual Meetings should go to Bank-Fund cries of "foul" when the Singapore Government flexed its sovereign muscles and refused entry to many civil society representatives into Singapore. Although the paranoid actions of the Singapore Government must be condemned in the strongest possible terms, the Bank and Fund cannot escape their own role and culpability in bringing about this situation.

The inappropriateness of Singapore as a venue for the Bank-Fund Annual Meetings was repeatedly pointed out by numerous CSOs ever since Singapore won the bid to host the Annual Meetings. Singapore is well known for its tight control over freedom of speech and association within its territory, and laws that prohibit the expression of dissent in any manner or form, including street protests. Warning signs started to emerge early in the year when the Singapore Government—shaken by the outpouring of mass protests during the World Trade Organisation's (WTO) Sixth Ministerial Conference in Hong Kong in December 2005—announced that anyone caught breaking the law during the Annual Meetings would be caned. By March, news started to filter out from the island state about the extensive surveillance and security measures that the Singapore Government had started to put into place to ensure the safety of the delegates to the Annual Meetings. The Government refused to give permission to CSOs to organise a parallel civil society forum for debate and discussion under the banner of the International Peoples' Forum vs. the IMF and World Bank (IPF). Instead, it earmarked a ten by four-metre space in the Suntec Singapore International Convention and Exhibition Centre—the Annual Meetings venue---as the only place where protest actions would be permitted. Any gathering held outside this area would be against Singapore law and therefore subject to punishment according to Singapore law, for example, caning.

Bank-Fund Management brushed away civil society concerns about the ability of CSOs to freely participate in the Annual Meetings claiming that it had signed a Memorandum of Understanding with the Singapore Government which gave the Bank and Fund the right to accredit civil society participants and required the Singapore Government to "assure expeditious entry procedures" to accredited individuals. By early September, the Singapore Government had objected to the participation of 19 individuals who had been accredited to the Annual Meetings based on "security and law and order considerations." Soon, the blacklist expanded to include 27 individuals. The message from the Government was clear: these individuals would not be allowed entry into Singapore despite the fact that they had official accreditation and valid Singapore visas.

Although the external relations departments of the Bank and Fund objected to the Singapore Government's blacklist, they made little attempt to exert pressure on the Government to withdraw its decision. CSOs demanded that if the blacklist was not withdrawn, the Bank and Fund move the Annual Meetings out of Singapore, but these demands fell on deaf ears. The IPF organisers moved the Forum to Batam in neighbouring Indonesia and more than 160 CSOs issued a call to boycott the official programme of the Annual Meetings. The situation further deteriorated when the Singapore Government started to block the entry of individuals who were not on any known blacklist. More than 60 individuals were detained at Singapore's Changi airport—some for as long as 18 hours—subjected to custodial interrogation, and not permitted to make any phone calls, eat, drink or sleep. Many were deported back to their countries. No reasons were given by the Government for these actions.

Bank-Fund objections to this mistreatment and harassment were weak and ineffective. A much publicised statement by Paul Wolfowitz in which he called Singapore “authoritarian” and claimed that it had done great damage to its reputation left many Singaporeans bristling. (3) Singapore-based media reported that many of their readers had written letters complaining that the Bank and Fund were using Singapore as a scapegoat for what was actually their own doing. After all, many Singaporeans claimed, Singapore put in all these security measures and was wary of letting people through its borders because of the Annual Meetings. The ensuing situation was as much Bank-Fund responsibility as it was the Singapore Government’s. But instead of admitting to this, the Bank and Fund were deflecting all criticism away from themselves and towards the Singapore Government.

HAPPY BEDFELLOWS

For Singapore, the main attraction for hosting the Annual Meetings was clearly commercial. Over the past several years, Singapore has been aggressively competing with its neighbors to sell itself as a high-end services, financial, recreation and convention centre. Maintaining tight control over the conduct of its citizens and all civil society activity has been a key measure by which the island state has attracted capital that might drift to other more democratic locations in the region. In press and media interviews, the Singapore Government acknowledged that allowing outdoor protests by visitors would land them in political trouble with their own citizens who are not permitted to demonstrate. Apparently the last police license for a demonstration was issued in the late 1980s.

The Bank-Fund Annual Meeting was the largest convention to be held to date in Singapore and the Government went to extraordinary lengths to ensure that nothing would tarnish Singapore’s reputation for efficiency and security, or hamper its opportunities for future business. News reports indicate that staff in retail, hospitality and services industries underwent special training to raise service standards for the Annual Meetings to combine efficiency with “warmth.” Even the Singapore cab drivers were not spared and were given a 66 page handbook that outlined dos and don’ts including appropriate dress and behaviour, dealing with body odour and acting as tour guides.

The Singapore Government is estimated to have spent about \$100 million in arrangements for the Annual Meetings and it is likely that a similar amount may well have been spent by approximately 16,000 delegates on hotels, entertainment, shopping, food and medical care. There were also expectations that Singaporean companies would sign lucrative business deals with the executives of global finance and logistics companies, who are regulars at Bank-Fund Annual Meetings.

But what was the reasoning of the Bank and the Fund to proceed with Singapore as the venue for its 2006 Annual Meetings? It is not as though the Bank and Fund did not know about the Singapore State’s abhorrence of dissent and protests. The Bank has an office in Singapore that is the centre for its regional communications and—ironically—civil society work. (4) Surely, the Bank could have foreseen the Singapore Government’s reaction to the possibility of Bank-Fund critics gathering in Singapore.

Well, authoritarianism serves the purposes of the Bank and Fund as much as it serves those of Singapore. The Bank and Fund have a long history of courting dictatorial regimes in Asia, Africa and Latin America in order to impose their pro-corporate and anti-people policies and programmes. The World Bank recently gave Singapore top ranking for “ease of doing business” in its Doing Business Economy Rankings.(5) Many Singaporeans think that Bank-Fund’s choice for Singapore as the venue for its Annual Meetings was a reward for Singapore’s economic policies that have embraced free trade and investment and provided a home for multi-national corporate operations without cumbersome regulations and opposition from local groups.

The Singaporean private sector has close links with the World Bank Group. Between 2002-2004, Singapore joined the list of Trust Fund donors and launched the Singapore Consultant Trust Fund through which Singaporean consultants secure contracts with the Bank for projects in developing countries. In 2005, the Singaporean private sector appointed a special liaison officer at the International Enterprise (IE) Singapore to facilitate easy access to the World Bank Group. In the same year, the International Organisations Business Association (INTOBA)—a grouping of Singapore based businesses that “partner” with the World Bank, the Asian Development Bank and the United Nations—was formed. IE and INTOBA jointly organise seminars on procurement and business outreach with the Bank. (5)

The truth of the matter is that the Bank and Fund do not want their annual meetings dogged by protests and demonstrations, however peaceful. This is especially so at a time such as now, when both organizations are floundering under increasing evidence of their irrelevance and lack of competence in the world of development and finance, and their inability to deflect charges that they serve the interests of Washington DC more than the needs any of their other members.

DISCONTENT GROWS

The Bank and Fund are not in the same positions of comfort as they were during in the last century. As it is, social movements, local communities displaced or otherwise injured by Bank-Fund programmes, civil society organizations, academics and independent analysts have long called for the closure of the Bank and the Fund. But today, after years of structural adjustment, debt repayments, austerity measures, poverty reduction strategies, policy based lending, economic and governance “reforms,” trade openness and unending conditionalities, most developing country governments have also had enough of Bank-Fund trickery. They see clearly that they are paying more to the Bank and Fund than they ever borrowed and that it is they, the Bank Fund “clients,” not its richer members, who actually finance the institutions but have little say in their operations.

The Bank and Fund continue to demonstrate that they are high on costs and rhetoric, but low on competence and achievements. Their “policy advice” is ideological, prescriptive, and completely unsuited to local and national realities. In fact, most Bank - Fund staff do not have the range and depth of policy experience required to reshape national policy environments as they currently do. Bank-Fund staff complain about the drag that national politics place on creating “sound economic policy,” but as Ngaire Woods points out, “Politics has always influenced the advice offered by the IMF and World Bank.... World Bank projects are sometimes covertly shaped by pre-existing agreements for contracts between large companies backed by powerful governments and borrowers.” (7) At a more fundamental level, selections of the World Bank President and IMF Executive Director are political appointments in which developing countries have no say.

The discontent of the world’s invisible majority with the Bank and Fund is growing and becoming more visible. Many developing country governments are adding their voices to growing global citizens’ movements for a fundamental rehaul of the ideology, politics and operations of the Bretton Woods twins. Despite the fact that many of these governments are not necessarily champions of democracy themselves, they cannot continue to ignore the voices of their own citizens for much longer. And unlike the Bank and Fund, most governments are (at least hypothetically) constitutionally accountable to their citizens.

NOTES

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