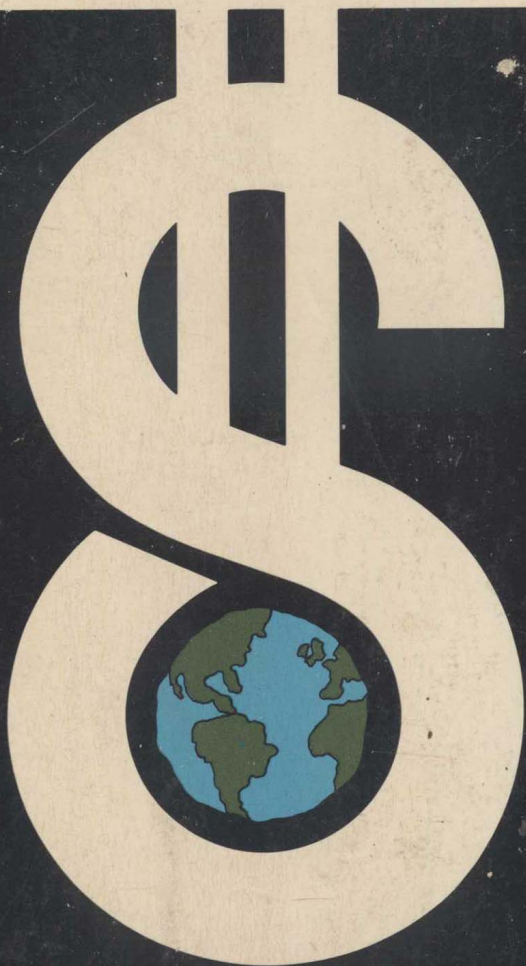


THE WORLD BANK **A Critical Analysis** **Cheryl Payer**



The World Bank

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Contents

Preface and Acknowledgments	7
1. The Institution and Its Power	15
2. Malignant Growth: A Preliminary Explanation	53
3. Project Lending: Some General Considerations	72
4. Infrastructure: The Traditional Sectors	87
5. Industry	116
6. Mining	158
7. Oil and Gas	185
8. Agriculture and Rural Development	207
9. Water Resources	246
10. Forestry and Tree Farming	288
11. Urban "Shelter" Projects	316
12. Inside the Bank	344
Conclusion: Is There a Better Way?	357
Notes	377
Index	409

Preface and Acknowledgmen

Most people who write about “development” and “development lending” have very little acquaintance with the concrete realities of development projects. This, at least, has been my observation as I compiled the material for this book. Nor do development lending institutions such as the World Bank make it easy for the curious researcher to find out what is going on. It is not that the Bank does not publish information about itself; it does, in such copious volume that one is reminded of J. S. Furnivall’s epigram about the British Colonial Office, that it “concealed itself, like a cuttlefish, in a cloud of ink.”¹ A great deal of what the Bank publishes is self-serving propaganda; much of the rest is research that has little or nothing to do with the actual projects that absorb several billion dollars yearly. As Aart van de Laar observed, “Some staff members may be prolific writers, but it does not follow that they have much impact on Bank policy. The contrary conclusion could also be drawn: they have time to write so much because they have so few other responsibilities within the Bank!”²

Nevertheless it is fair to surmise that in so much public relations fodder, some indication of what the Bank is really doing must be available; the problem is finding the Ariadne’s thread which will lead one to the relevant documents with some efficiency. For me, the first step in this quest was the discovery that all International Bank for Reconstruction and Development (IBRD) loans and International Development Association (IDA) credits are formalized in “loan agreements” or “credit agreements” which are published as UN treaties and thus available in all libraries that are UN depositories. As these documents num-

8 Preface and Acknowledgments

ber over 3,000 at present and are issued chronologically, they are of little use without some sort of index; happily one is also available, free, from the Bank's publications office in its Washington headquarters, in the form of the "Statement of Loans" (IBRD) and "Statement of Development Credits" (IDA): regularly updated computer print-outs giving cumulative lists of loans, arranged by borrowing countries and identified by brief project titles. With these indices one can find the identifying numbers of particular loans and so find the pertinent loan or credit agreement for the project one wishes to study.

As the formal agreements reveal very little about the operation of the project, the search has only begun; with the identification of projects, one must then set out to discover from other sources enough about the operation of that project to allow some kind of evaluation. In writing this book, I have utilized the following procedure. The chapters are organized by "sectors" which correspond, roughly, to the Bank's own sector categories.³ In each chapter I have used the Bank's own publications to build a sort of "ideal type" (or types) of Bank project for that sector. The Bank publications which have proved most useful as guides to loan operations are the following:

Sector policy papers, produced at intervals during Robert McNamara's presidency, are summaries of Bank thinking and of lending guidelines for a particular sector or subsector, approved by the executive directors. The papers are periodically bound together and published in book form by the Bank: examples include *World Bank Operations* (1972) and *The Assault on World Poverty* (1975). Information on specific projects has been compiled from a number of sources; in addition to the official loan and credit agreements already mentioned, one can be informed of current lending by getting on the Bank's mailing list for press releases announcing new loans as they are approved. Each press release contains one or two pages of information about the project. In addition, each *Annual Report* contains a paragraph summary of all IBRD loans and IDA credits approved during the year.

Two publications aimed at a popular audience contain articles which summarize sector activity and policy and also occasional descriptions of specific projects: one is a slick color maga-

zine, *Finance and Development*, jointly published with the International Monetary Fund (IMF), which appears four times a year; the other is a black and white tabloid, *Report: News and Views of the World Bank Group*, which is published six times a year.

Much more important than any of these, but more difficult to obtain because they are not published, are the project appraisals which the Bank produces for each project. Each of these documents contains dozens of pages of detailed information on the physical, technical, economic, and financial aspects of the project; and although even these internal documents are heavily edited to suppress embarrassing revelations, they provide far more information than is available from all other Bank sources together for particular projects. Although officially restricted in circulation, they are not terribly secret and there are quite a few floating around in UN libraries and in private hands. Although I was not always able to find the project appraisal for a specific project, I had little trouble obtaining a fair sampling for each sector which I examined, and the Bank itself even supplied a few of these at my request. I have also been informed that the U.S. Department of Commerce has a collection of these, compiled for the convenience of businesses interested in supplying materials or services for projects, which can be requested by the public at the Commerce Department building in Washington.

For this work, information in the Bank publications was supplemented by a large number of analyses by independent observers in published or unpublished form. In collecting these, the indices of Bank loans and credits were very important, for once one knew that the Bank had aided a particular project, e.g., the Selebe-Pikwe copper-nickel mining project in Botswana, then all information about that particular project could be utilized as evidence, whether or not the Bank was mentioned in the article or report.

With all these various leads to follow, it became necessary to narrow the field of investigation somewhat. Clearly, one researcher could not investigate all 3,000 loans and credits even in a library-based investigation. A scientific sampling of projects would also have been unfeasible with the resources at my disposal. It was therefore necessary to impose some criteria of

10 Preface and Acknowledgments

selection for projects which would be scrutinized more intensively. This book is primarily an overview of available information, and for the most part I was limited to investigations which had already been performed and reported by others. It would have been quixotic to ignore such information and I have not done so; however, a passive reliance on preexisting studies does pose a real danger of distorted vision, since it is likely to be the spectacularly unsuccessful projects which attract the most critical attention.

It was not my intention to criticize the Bank for making mistakes; any individual or institution which is achieving anything is bound to make some mistakes. Therefore I tried to counteract such bias by concentrating my own investigations on successful, typical, or important (judging by sheer size of the funds committed by the Bank) projects. "Successful" or "typical" projects were selected according to two criteria: first, those which are cited as successful in the Bank's own promotional literature, and second, loans which were part of a long series to a particular borrower in a particular sector in one country. Whereas one isolated loan for a particular project may not be typical of Bank operations or may not work out as it was planned, the presumption must be that when the Bank makes eight or twelve or fifteen loans to one sector in a particular country (as for example, irrigation in Indonesia or palm oil production in the Ivory Coast), it is in general well pleased with the progress in that sector and with the local institution which administers those loans. By using these criteria of selection I have tried to obtain a fair picture of the Bank's "ideal" type project; in fact if I have seriously erred in my evaluation, I think it is not in choosing the odd failure or mistake and generalizing from those, but in assuming too easily that projects actually work the way that the Bank wants them to work. There is a fairly large body of evidence of errors and miscalculations in Bank projects, but I have not based my critique on these.

Although this work is based primarily on published and unpublished written sources, I conducted interviews at the World Bank headquarters in Washington on two occasions: in May 1979, when I focused exclusively on agriculture and rural de-

velopment, and in April 1981, when most of my written research had been concluded. On both occasions I utilized the interviews to clarify specific questions raised by my previous research. On both occasions I was received with courtesy by the public relations office and the Bank officials with whom they arranged interviews. Although a number of my questions and requests for documents remained unanswered, I wish to thank all those Bank employees who tried to help me within the limits of their official responsibilities. Those interviews, though they do not merit specific attention in the text, did save me from some errors of fact and interpretation.

I did not conduct any field research of World Bank projects for this book, not because I do not believe in the value of such research, but because with limited time and money I could have visited at best a few projects in one or a few countries, which could have distorted the findings of what is intended as an overview of all projects in all countries. Needless to say, these findings and hypotheses remain tentative and will need to be confirmed, challenged, and revised by other research. I hope that this book will stimulate a debate on the meaning and value of what we call economic development, in the hope of finding new and different directions which will mean genuine progress for poor people. Capitalist economic "development" makes people poor by depriving them of their share of the world's natural resources and of access to political power. It is to these people, the victims of development, that this book is dedicated.

The preface and acknowledgments contained in my first book (*The Debt Trap*) have gained a certain notoriety apart from that of the contents of the book itself. The key paragraph, which seems to have touched exposed nerves in many places, read:

I have rejected the invidious division of labor, typical of the academic and publishing world, which assigns the more tedious tasks to persons who never enjoy the rewards of authorship. Both from necessity . . . and from conviction, I have no research assistants, secretaries, or typists to thank in this space; I did the work myself. Nor did I have a spouse who would take charge of the time-consuming mechanics of living while I carried on the higher intellectual labor.

12 Preface and Acknowledgments

The wide response to this paragraph is proof that it needed to be said. For the most part, that paragraph also holds true for the writing of this volume.

Nevertheless, on rereading these lines I now find them disturbingly arrogant and individualistic. For one thing, in them I ignored the unacknowledged workers in the publishing houses which issued the book, many of whom I never met and could not know by name; we are none of us truly independent in the division of labor.

More important, this work has been a truly collective effort. On this occasion I have many more people to thank, and it is no mere graceful flourish to state that without their help this book could not have been written. This is a work of synthesis, and as the perpetrator of it I am standing on the shoulders of a small army of colleagues whose collective professional experience (including fieldwork in many of the Bank's borrower countries) is truly impressive. Many of them have aided me, not merely by reading and correcting drafts which I have submitted, but in shaping some of the hypotheses which guided my investigations and the very form of the chapters. If the book nevertheless bears my name alone, it is because I alone have decided which of my colleagues' insights to utilize and which to ignore or criticize. In other words, this work is more of a personal viewpoint than an individual achievement.

It would be impossible to thank by name everyone who has aided me in the course of five years' study of the World Bank by supplying documents, names, references, and other types of moral and practical support. I hope that those whom I have not been able to name will nevertheless accept these thanks for their contribution.

There are many, nevertheless, whose contribution is so great that they must be named. These include Roger Burbach and Patricia Flynn, who gave me the first push into World Bank research; Elias Davidson, who first informed me of the existence of the published loan agreements and the index to them; old friends such as Moss and Florence Roberts, Dorothy Friesen, Lynn Payer, and Chen-le Lie who supported me in a variety of ways; Jim Boyce and Betsy Hartmann who have become good

friends as we worked on related critiques of the Bank (and who also gave me Sandino, my literary kitten); all of my colleagues in the Rome Declaration Group, but particularly Anne-Marie Holenstein, Jacques Berthelot, and Hannes Lorenzen; new friends first met as I pursued the research on this book, including Doug Smith, Peter Hayes, Carol LeGrasse, Jack Westoby, and Erna Bennett; and veteran critics of the World Bank who have been generous in their comradeship: Teresa Hayter, Gavin Williams, and Ernest Feder. A (nonexhaustive) list of those who have helped would also have to include Jane Fearer Safer of Survival International U.S.A., Lars Sftestad, Timothy Weiskel, Peter Odell, Richard Stren, William Goldsmith, Walden Bello and the Congressional Task Force, David Kinley of the Institute for Food and Development Policy, Joel Rocamora and Martha Winnaker of the Southeast Asia Resource Center, Fred Goff of the Data Center; Robin Broad, Arthur Domike, Ellen Seidensticker, Richard Curtain, Ben Crow, Helen Hill, Meredith Turshen, Steve Zorn, Ben Kerkvliet, Lindy Washburn, Robert Williams, Fereidun Fesharaki, Robert Stauffer, Marc Herold, Hank Frundt, Harris Gleckman, the Middle East Research and Information Center, the Center for International Policy, the Center for Development Research, North American Congress on Latin America, and the Corporate Data Exchange.

There are also some individuals who wish to remain nameless. In a few cases this is because they live under repressive governments and acknowledgment could endanger their work or their lives; in the other cases the individuals involved have previously been employed by or closely associated with the World Bank. Most of the latter group, although willing to help my project, asked that their names not be used because "my friends in the Bank wouldn't understand." Perhaps, if those friends ponder the message of this book, they may begin to understand; I hope so.

Major financial support for this book came from unemployment payments; I also wish to acknowledge grants from the Rome Declaration Group and from the Rabinowitz Foundation, and two summers spent at the Peace Research Institute of Oslo as a visiting researcher.

1

The Institution and Its Power

The World Bank is the foremost international development agency. Some call it the best, some call it the worst; but no one escapes its influence. It was the first bank of its type, founded in 1945, and is still the largest, with an administrative budget of \$410 million in fiscal year 1981. It also moves more money, by far, than any other development agency: in fiscal year 1981 its three components—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC)—made lending and investment commitments of more than \$13 billion dollars in seventy-six countries.

The Bank has in addition magnified its power of financial leverage by coordinating and subordinating a number of other international financial and technical organizations, bilateral aid agencies, and export credit institutions. This “coordination” of aid efforts has both financial and intellectual aspects. Financially, the World Bank puts great emphasis on “cofinancing.” It persuades other (and potentially rival) funding agencies to contribute their capital to projects that have been prepared and appraised by the Bank for its own funding. Regional development banks and funds such as the Inter-American Development Bank (IDB), the Asian Development Bank, and the African Development Bank (all of which are modeled on the general pattern of the World Bank), a number of new funds based in the Middle East and formed for the purpose of dispensing excess oil revenues, bilateral aid programs—especially those of Scandinavia, the Netherlands, Great Britain, and Canada—frequently invest or contribute money to projects selected, defined, ap-

praised, and supervised by the World Bank. Even the International Fund for Agricultural Development, which began operations in 1978 and was intended specifically as a rival lending institution controlled by developing country members, has signed a cooperation agreement with the Bank and has contributed its funds to several Bank projects.

Another important source of cofinancing for World Bank projects is commercial banking and finance institutions. In fiscal year 1980, private sources provided \$1.8 billion cofinancing for twenty-one Bank projects. The total amount of cofinancing from all lenders in fiscal year 1980 was \$6.5 billion, or more than 50 percent of the total extended by the World Bank group.¹

This financial hegemony is combined with an attempt at intellectual hegemony, the co-optation of technical expertise from a number of specialized agencies of the United Nations. The World Bank and its sister agency, the International Monetary Fund (IMF), are themselves nominally specialized organs of the UN, but their structure of control (weighted voting which ensures the predominance of the capital-exporting nations) is very different from that of the United Nations. In fact, the agreement of liaison which the Bank signed with the UN in 1947 has been described as "more a declaration of independence from than cooperation with the United Nations." The Bank was fearful that association with the UN would subject it to political control or influence and hurt its credit rating on Wall Street, and insisted on a number of special privileges which had the effect of keeping the central UN bodies at arm's length.²

In recent years the Bank has had close and continuing relationships with a number of the UN's specialized technical organizations, mostly involving the use of experts from these agencies to prepare projects for Bank funding. Formal agreements for this purpose have been concluded with the Food and Agriculture Organization (FAO), whose cooperative program with the World Bank fielded 178 agricultural and rural development missions in forty countries, which assisted in preparing about one-third of the agriculture and rural development programs approved for Bank financing in fiscal 1980. In the same period the Bank's cooperative program with the United Nations