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THE WORLD BANK —A CRITICAL ASSESSMENT

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"Perhaps more than any other institution in the world, the World Bank is helping large numbers of people move out of absolute poverty towards a more decent life."

—WORLD BANK PRESIDENT,
ROBERT S. McNAMARA, APRIL 2, 1978

The World Bank has rapidly emerged as the leading institution for development financing, with lending commitments for 1979 projected at $9.8 billion. President Carter has asked American taxpayers to virtually double their contribution to the Bank. Our $2.2 billion in fiscal 1979, we are told, would help the Bank further its "assault on poverty."

The World Bank's Assault on Poverty

Important insights into the World Bank's battle plan can come from reading any of its confidential rural project planning documents ("gray covers"). Here the Bank staff seem to follow a ritual formula — one apparently unaffected by the Bank's "basic needs" rhetoric of the past five years.

Technical and statistical data are paraded forth. Poverty is quantified. The poor are spoken of in para-military terms: that is, as "the target population". Despite the stress on "participation" in publicly-touted policy papers (for example, "The rural poor must participate in designing and operating a program which involves so many of them"), poor people, project documents imply, can be reached from the top down. The poor are never seen as the participants, much less the instigators, of their own development.

Project proposals, nominally written by the local government, are in most cases ghost-written by Bank "missions" that fly in at no small expense from Washington for a few days.

The presumption throughout project design is that development can be achieved only by bringing in external resources. Foreign investment is thought of as essential. That a project design includes ongoing reliance on imports is not seen as a problem.

The project implementation section amounts to a series of best-of-all worlds projections. Statement of goals plus money equals success. Poverty is simply *there* with no hint that forces are at work creating and sustaining it. A project plan is an exercise in economics divorced from political, sociological and cultural factors. The possibility of conflicting interests on any level is apparently unthinkable. Government and other actors are all presumed to be working together to eliminate poverty.

Results of projects are measured only in statistics, not in the experience of real people.

The Case of Bangladesh

With the Bank's projects opting to ignore the social roots of poverty, is it surprising that they seem time after time to achieve the reverse of stated goals?

Take the Bank's credit to the government of Bangladesh to fund 3000 deep tubewells. Each tubewell can irrigate 60 acres, making possible an extra crop of rice in northwestern Bangladesh. According to a Bank press release, each well would serve from 25 to 50 in a cooperative irrigation group. But independent American researchers Betsy Hartmann and James Boyce, who lived for nine months in one of the villages covered by the project, found what was no secret to anyone in the village: the tubewell has wound up as the property of one man, the richest landlord in the village. The World Bank (in reality the Bangladesh government) paid $12,000 for each well; this landowner paid less than $300 for his. And the vaunted irrigation cooperative is but a few signatures he collected on a scrap of paper.

Was the Hartmann and Boyce experience atypical? Apparently not at all. Expressing their dismay to a foreign expert working on the project, they were told:

> I no longer ask who is getting the well. I know what the answer will be and I don't want to hear it. One hundred per cent of these wells are going to the "big boys."

The project should not be thought of as simply failing to help the "target groups". Such a project actually *undercuts* the supposed beneficiaries by enriching their enemies. Thanks to their increased income due to World Bank tubewells, larger landowners will be better positioned to buy out the small farmers, thus driving them into the growing ranks of the landless. The same foreign expert commented:

> On paper it all sounds quite nice. When the officials fly in from Washington for a three-day visit to Dacca, they look at these papers. They don't know what is happening out here in the field, and no one is going to tell them.

World Bank officials who find themselves forced to admit the failure of such a project invariably do not question its premises. "More managers", they say, are what is needed.

Not Neighbours, But Rivals

We ourselves investigated another Bank rural development program in Bangladesh, a major "pilot" program called RD—1 (Rural Development Phase One). The stated goal of the $16 million RD-1 is "to reduce the domination of rural institutions by the more prosperous and politically influential farmers and to make farm credits and agricultural inputs...... available to the small farmers through the cooperative system."

The Bank, you will note, presupposes there could be a cooperative system not dominated by the elite landowners.

People in each village we visited, however, told us that the so-called cooperatives were for the well-off-generally the top 10 per cent owning six acres or more — who controlled the records and determined who could join and get credit. For the rest, especially the half owning one acre or less, the payment terms are too stringent and the membership fees too high. Moreover, without land, coming up with collateral is virtually impossible. "Even if I did come up with a scheme to pay back a loan", one landless villager complained, "The cooperative would still not give me credit."

One case in Bangladesh confirms a pattern we have found throughout the world: village cooperatives will inevitably be coopted by the elite groups long as land remains grossly unevenly distributed.

Projects dreamed up in a social vacuum play themselves out in the real world of injustice and conflict. As one Food and Agriculture Organization agronomist with 15 years experience in Bangladesh told us, "The thing to remember about the villages is that the people are not neighbours but rivals". Similarly the fundamental social reality we were repeatedly told, is a struggle over land: the well-off scheme to get their smaller neighbours in debt to them in order to foreclose on their land; the poor farmers desperately manoeuvre to hold on to the little land they have.

Thus the rural elite who now usurp the tubewell — or the new machines or the extension worker's guidance or whatever the Bank projects supposedly earmark for the small farmer — make sure the poor will not benefit. This is true even if it means vastly underutilizing the new input.

Don't Rock the Boat

A recent Bank policy paper on rural development explains how projects should deal with "the existing social system", the paper states: "In many countries, avoiding opposition from powerful and influential sections of the real community is essential if the Bank's program is not to be subverted from within."

The Bank's commitment to not rocking the boat is clear when we discover that many of its rural programs do not even make the pretense of aiding the poor smallholders. In *Assault on World Poverty* the Bank states that it is allocating almost half of its rural credit to small farmers. But this means then that more than half of the Bank's rural credit will still be going to medium and large farmers who at most constitute only 20 per cent of all landholders in the underdeveloped countries.

Moreover, closer examination of project appraisals has taught us to be on the alert about even the "almost half" supposedly going to "small farmers". For whether or not World Bank credit is getting to the rural poor depends, in part, on how the Bank defines "small".

And if the Bank is serious about attacking rural poverty, what does it offer the many landless in countries where a few monopolize the land? (Even in the Bank's own conservative estimate, the landless make up 40 to 60 per cent of the population). To deal with the landless, the Bank revives the "trickle down" theory. We were told, for example, that millions of dollars for an irrigation dam will generate more farm employment, a boon to the landless. But as Hartmann and Boyce ask, "Is giving aid to the rich so they can hire more poor at subsistence wages really the way to best help the poor?"

As un utterly rare exception, the Bank did design a sub-project in Bangladesh to benefit landless villagers directly. The $16 million RD-1 project includes a meager $4000 loan for a single landless cooperative to purchase from the government a pond and three acres of land. (There is much more government land in the village but the well-off have usurped it). Since the workers' income is still such that they must also work for the villager landowners to survive, this program amounts to a wage subsidy for the rich landowners.

The program furthermore includes only a third of this single village's landless and does nothing to confront the structures that generate their landlessness.

In visiting this project, we could not avoid feeling that it was nothing more than a showcase. In signing the co-op's visitors book, we noticed signatures of visitors from several European countries and Canada. Were the poor people we met there being underpaid for their unwitting service to the Bank's image?

The Bank goes out of its way not to rock the boat even in cases of outright corruption by elites. In Bangladesh the price tag on pump-sets for the Bank's deep tubewell project jumped from $9 to $12 million simply to meet the demand for super profits by the pump-set importer among Bangladesh's richest citizens.

While "feeding the hungry" might warm the heart of World Bank officials, there is no column on their ledger sheets headed "full stomachs". Poor people growing food for themselves do not produce much money and foreign exchange. For only if they sell their production, that is, generate "marketable surplus", will loans get repaid. That is what the Bank is concerned about.

The World Bank, like any commercial bank, seeks to minimize risk. The Bank itself notes, "Lending only to those with investment opportunities sufficient to produce a significant marketble surplus is perhaps the best way to reduce the level of default". Those with investment opportunities" is a euphemism for the larger landholders. Besides betting on the largeholder, the Bank often carries its risk minimization one step further: Farmers are "encouraged" to produce non-food crops. This will ensure a marketable surplus.

The Bank is pushing money, yes, but not giving it away. Loans must eventually be repaid — and with foreign exchange, earned, as we have seen, largely by the labour of rural people producing for export. At best the Bank through its IDA operation, gives loans on concessional terms. Much of these loans, however, merely serve to create the cash flow that makes it possible to make payments on previous regular Bank loans as well as private U.S. and European bank loans.

Repaying mounting debts puts a country under ever greater pressure to orient every aspect of the economy towards exports. The "debt trap" pushes countries away from building a basis of self-reliance, the only foundation for a new international economic order.

More than a Bank

The World Bank is not simply a provider of development loans. Over the past few years it has become a major force in shaping national economic policies. In the Bank's own words:

> IDA's borrowers, in particular, would be unlikely to obtain finance on terms as satisfactory as IDA's from any other source; they are therefore unlikely to disregard the kind of advice they may be given by Bank IDA missions whose periodic surveys of their economies in-

states India's "Economic and

Is the World Bank beginning to lose steam? According to the Bank's latest annual report, loans

clude assessments of the soundness of their economic policies.

The Bank has begun establishing permanent missions in underdeveloped countries, often located right within planning ministries. In an increasing number of countries the Bank puts together and chairs a consortium of the principal bilateral and multilateral lenders that coordinate donor contributions and policies. In many countries, such as Bangladesh, the Bank is quietly placing advisors in key ministries of the government. One trump card of the Bank is that it determines governments' international credit ratings.

Evaluations are sometimes commissioned of outside consultants; but how independent are they, given that their next contract might come from the Bank One such major evaluation we heard of was critical. It has been suppressed and the author was ordered to do a "re-write". Public reports, we are told, must be upbeat in order to gain support in the congress and parliaments of donor countries.

While in Bangladesh informed foreign sources told us that recently a mission had flown in from Washington and pronounced the RD-1 program we discussed earlier a success "because it is based on sound principles" and that it should be expanded. Yet only the day before a Bangladesh government official had shown us an internal Bank memorandum indicting every aspect of the implementation of the project and concluding that the co-op system operates "excessively in favour of the more wealthy farmers."

Some at the Bank might reason that meeting the basic needs of the poor would pacify those working to alter present social structures. But, even if this be the goal, their programs are ultimately self-defeating. Intervening with funds for profit-generating investments, while opting to keep intact the social structures that generate poverty, only strengthens the grip of elites. The result is that the poor are even further impoverished.