

Opportunities and Pitfalls

Preparing for Burma's Economic Transition



BURMA PROJECT/SOUTHEAST ASIA INITIATIVE



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Yuki Akimoto

OSI's Burma Project/Southeast Asia Initiative
in cooperation with the Bank Information Center



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Acknowledgments

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About the Author

Yuki Akimoto is an attorney who works on human rights and environmental issues concerning development aid to Burma, with a particular focus on international financial institutions. Akimoto has written articles for *Burma Debate*, *The Irrawaddy*, and other publications, and she is the editor of the report *The Salween Under Threat: Damming the Longest Free River in Southeast Asia*. Akimoto also is a coordinator of Burma Information Network Japan (BurmaInfo) and the compiler of IFI-Burma, which regularly provides current information on IFI activities relating to Burma and on major development projects there. She currently works with Mekong Watch.

Burma Project/Southeast Asia Initiative

The Burma Project was established by the Open Society Institute in 1994 for the purpose of increasing international awareness of conditions in Burma and helping the country make the transition from a closed to an open society. To this end, the Burma Project supports initiatives and organizations worldwide that are committed to achieving an open society in Burma. The Burma Project supports building the capacity of individuals and civil society organizations; promoting and improving the human rights and political and social standing of ethnic and marginalized groups from Burma; increasing the quality and dissemination of information about Burma inside the country, regionally and internationally; encouraging the international community to push for positive change in Burma; and assisting in the preparation for Burma's political transition.

During the late 1990s, the Burma Project expanded into the rest of Southeast Asia. With the fall of General Suharto in Indonesia, the Burma Project began supporting local Indonesian organizations working towards an open society, most notably Yayasan Tifa (TIFA Foundation).

In addition to Burma Project/Southeast Asia Initiative's work in Burma and Indonesia, OSI makes grants to organizations working in two or more Southeast Asia countries. Occasionally the Initiative funds localized efforts which promote human rights and foster civil society and democratic development. To date, Burma Project/Southeast Asia Initiative has supported programs in Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Open Society Institute

The Open Society Institute works to build vibrant and tolerant democracies whose governments are accountable to their citizens. To achieve its mission, OSI seeks to shape public policies that assure greater fairness in political, legal, and economic systems and safeguard fundamental rights. On a local level, OSI implements a range of initiatives to advance justice, education, public health, and independent media. At the same time, OSI builds alliances across borders and continents on issues such as corruption and freedom of information. OSI places a high priority on protecting and improving the lives of marginalized people and communities.

Investor and philanthropist George Soros in 1993 created OSI as a private operating and grantmaking foundation to support his foundations in Central and Eastern Europe and the former Soviet Union. Those foundations were established, starting in 1984, to help countries make the transition from communism. OSI has expanded the activities of the Soros foundations network to encompass the United States and more than 60 countries in Europe, Asia, Africa, and Latin America. Each Soros foundation relies on the expertise of boards composed of eminent citizens who determine individual agendas based on local priorities.

www.soros.org

Executive Summary

Each of Burma's citizens has a stake in the country's development and should have a say in how it develops its economic potential, including its human and natural resources. In the future, it is likely that Burma's people will act to exploit their economic potential in conjunction with international economic institutions. To do so most effectively, they will have to deal carefully with the World Bank, the International Monetary Fund, the Asian Development Bank, and other international financial institutions (IFIs). They will also have to develop national institutions, strategies, and mechanisms to manage wisely Burma's trade relations as well as the revenues generated by exploitation of the country's natural resources.

Burma and the IFIs

IFIs are profit-making organizations. IFIs do not wait for the establishment of democracy, the rule of law, and other good governance practices before they begin operating in a country. IFIs engage in a country when the IFIs decide that they will likely profit from such an engagement and when the country's government and the international community are ready to accept such an engagement.

Instead of helping countries implement national-development and poverty-reduction strategies devised with the participation of their citizens, IFIs often dominate the formation of such strategies to such a degree that the people of these countries lose control of the process. The IFIs see economic growth as the key tool for promoting development and reducing poverty, and they apply a narrow, blanket set of reforms to achieve it. This focus on economic growth and the blanket application of reforms, however, have failed to work in many countries and have had disastrous effects in some.

In order to avoid losing control of development and poverty-reduction strategies and to make IFI assistance most effective for its people, Burma must have: a clear set of development objectives; a strategic, comprehensive social and economic policy framework; and good-governance principles and practices.

Whether they live in Burma or abroad, Burmese people who favor a democratic government, a free-market economy, rule of law, and the development of sound political and economic institutions must begin as soon as possible to organize themselves; to gather information on Burma's economy, its economic potential, and the needs of its people; and to devise their own comprehensive, strategic social and economic policy framework as well as good governance principles and practices. The Burmese people should be wary of efforts by the IFIs to re-engage in Burma before the establishment of democracy, rule of law, and other elements of an open society in their country.

Burma will have to clear arrears of about \$170 million before the IFIs re-engage. Burma's people should be aware that the IFIs' lending practices put pressure on countries to borrow and that many countries, often by borrowing for large infrastructure projects that do little to promote growth, incur unsustainable levels of debt that pose serious problems.

Burma and Trade

As a consequence of Burma's lack of a comprehensive, strategic social and economic policy framework, the country's commodity-centered trade with China and other nearby countries is providing the Burmese only short-term gains that benefit mostly foreign interests and people associated with Burma's military regime. Volatility in commodity markets makes dependence upon commodities an unstable basis for sound, long-term economic development.

To capture long-term gains from trade, broaden the distribution of these gains, and stimulate development, Burma needs a comprehensive, strategic social and economic policy framework. This framework should take into account trade flows, exchange rates,

foreign investment, and domestic issues like infrastructure and education improvements, human resources development, and industrial development.

Burma and the Resource Curse

Natural-resource-rich countries like Burma are more likely than resource-poor countries to experience flat economic growth, endure greater poverty, incur unwieldy debt, develop authoritarian and repressive governments, and suffer armed conflict. Receiving significant revenues in payment for natural resources can free a country's government from the need to collect taxes from its citizens; this severs a vital bond between the citizen-taxpayer and the government and dampens the government's incentives to implement sound economic, social, and fiscal policies in a transparent and accountable manner. In many countries, revenues from extraction of natural resources actually trigger a decline in living standards and exacerbate social problems.

Revenues generated by exploitation of Burma's natural resources are helping to sustain the country's military dictatorship, contributing to human rights abuses and conflict, and failing to alleviate the poverty and poor governance most Burmese suffer. Natural resource extraction in Burma has produced long-term damage to the environment; contributed to a decline in agricultural productivity; aggravated corruption of the government and civil society; exacerbated the illegal drug trade, the exploitation of sex workers, and the spread of HIV/AIDS; and funded warring factions.

Burma might consider community-based resource management, rather than a state-controlled system, in the exploitation of its natural resources for the benefit of all its citizens.

I. Introduction

A. The Workshop

In recent years, international financial institutions (IFIs) such as the World Bank and the International Monetary Fund have played an increasingly prominent role in the effort to reduce poverty in developing countries, as well as in the economic and political reconstruction of postconflict and transitional states. The IFIs likely will play a similar role in providing external assistance to Burma in the future.

For external assistance to be truly effective, a country needs to have a clear vision and set of development objectives, as well as a comprehensive social and economic policy framework. It also needs good governance principles and practices to ensure that resources are not diverted from their intended uses. In theory, IFIs should assist a country in implementing its own national development or poverty reduction strategy, devised with the direct and indirect participation of the country's citizens. Indeed, that is what the IFIs say they do. In practice, however, IFIs often dominate the formation of national development strategies to such an extent that the countries lose ownership and control of the process.

Furthermore, IFIs do not always wait for democracy, establishment of the rule of law, or other basic good governance practices before they begin operations in a country.

Nor do they wait to be asked. As shown by the case studies in this report, IFIs decide to engage or reengage in a country on their own terms, that is, when they believe that such engagement would be profitable for them and accepted by the international community. IFIs often also send missions to a country in conflict to “assess” its “needs” even before an elected government is in place, and to formulate assistance plans based on such needs assessments. Again, it is essential that a country be able to identify its own set of objectives with respect to development and poverty reduction. Otherwise, only the IFIs, and not the country and its people, determine the agenda.

The foregoing suggests that Burma is not immune to IFI reengagement simply because it currently lacks democracy, the rule of law, and good governance. It is crucial now that actors inside and outside of Burma, professionals and academics eager for change, as well as leaders in the Burmese diaspora democracy movement, begin thinking of ways to interact with IFIs in such a way that IFI reengagement, when it comes, will be most beneficial for Burma and its people. To do so, it is critical that the future leadership of Burma gain a better understanding of the role that international institutions play in the process of a country’s transition, as well as in the formulation and implementation of its development strategy.

When might the IFIs reengage with Burma? How might Burma’s arrears at the IFIs be cleared? How could the government ensure genuine ownership of the country’s development strategy? What kinds of institutions should be in place in order to direct financial and technical assistance from IFIs toward areas where they will be most helpful? How might the government ensure that the voices of Burma’s people are incorporated in a national development or poverty reduction strategy? How can Burma manage its abundant natural resources so that the profits from their extraction benefit the country, and not just the extracting companies? What have other countries done when faced with these challenges?

Such questions were posed and discussed at the workshop “Managing Economic Transitions: The Role of Global Institutions and Lessons for Burma/Myanmar,” which was cohosted by the Bank Information Center, Friedrich Ebert Stiftung, Open Society Institute, and Woodrow Wilson International Center for Scholars, on October 13–14, 2004, in Washington D.C. The main objectives of the October 2004 workshop were: to advance discussion of the role of IFIs in the tasks of poverty reduction and postconflict economic reconstruction; to bring comparative perspectives to Burma’s prospective economic reconstruction and development planning through the experiences of other countries; and to begin a process where the Burmese consider ways to chart their own course to economic reconstruction and national development in an informed manner with genuine ownership over the process.

The following report, *Opportunities and Pitfalls: Preparing for Burma's Economic Transition*, is one result of the October 2004 workshop. The report covers the key issues discussed at the workshop regarding Burma's prospective economic transition and the role of IFIs. The report contains several case studies of other countries that have dealt with IFIs and their prescriptions for development, and it highlights issues and circumstances that Burma shares with those countries.

B. The Report

Section II-A of *Opportunities and Pitfalls: Preparing for Burma's Economic Transition* begins with a brief historical overview of Burma's economy, including involvement by foreign investment and international development organizations. Section II-B describes Burma's relationships with the key IFIs, the World Bank, International Monetary Fund (IMF), and the Asian Development Bank (ADB). Section II-C then examines Burma's pursuit of regional economic integration, as well the need for a comprehensive social and economic policy framework in order to gain more lasting positive outcomes from such integration.

Section III-A and B outline the different sources and types of international financial and technical assistance available for developing countries. Section III-C focuses on the World Bank as a representative of the global institutions dealt with at the October 2004 workshop and describes how the World Bank works. The case study on Afghanistan describes a country in which the World Bank and ADB recently resumed operations after two decades of nonengagement, with a special focus on issues of arrears clearance and multi-donor trust funds.

Section IV discusses how the World Bank and other IFIs influence national development. Section IV-A examines the approaches taken by the World Bank and IMF and the emphasis they put on economic growth as the most important factor in national development. Section IV-B describes the general process of the World Bank's reengagement in a country. The case study on postwar Bosnia and Herzegovina explains how the political settlement agreement (Dayton Accords) and IFI assistance combined to have negative impacts on the country's development. Finally, in the second case study, the national consultation process in East Timor is described as a positive counterpoint to experiences in Bosnia and Herzegovina and elsewhere.

An abundance of natural resources in Burma has helped sustain the military dictatorship and contributed to violent conflict and human rights abuses. Revenues from

these natural resources have not alleviated the country's poverty or led to good governance practices. Section V-A reviews the general symptoms and causes of the phenomenon called the "resource curse." The wealth of resources in a country attracts many investors, including the IFIs. Case studies on Chad and Cambodia provide examples of measures taken by the World Bank to assist countries to manage their natural resources and the revenues their export generates; the case studies show that these measures are not always completely successful.

The appendices include a glossary of terms, a list of civil society organizations that work on development assistance issues, and suggested topics for discussion and further research.

II. Burma's Economy and Relationship with International Financial Institutions

Much has been written about the history and current state of Burma's economy.¹ There is general agreement that, in the mid-20th century, Burma had great potential for development, but that for various reasons, including economic mismanagement by successive regimes, this promise was never fulfilled. In recent years, Burma has been actively pursuing economic cooperation through bilateral and multilateral agreements with Asian partners. But regional economic integration by itself is unlikely to bring lasting positive outcomes. A more comprehensive set of policies will be necessary to achieve long-term gains from regional integration.

A. Burma's Economy: Team Burma's Progress in the Race

A participant at the October 2004 workshop related a witty tale circulating inside Burma that illustrated the history of Burma's economy using the metaphor of a car race. To complete the race, "Team Burma" needs sound policies (a powerful engine), good infrastructure and economic institutions (a smooth racetrack), and a leadership that "inspires confidence and is blessed with sound judgment and managerial capabilities to run the economy in an efficient and an effective manner"² (a skillful driver).

Team Burma made a good start. Before World War II, Burma was the largest exporter of rice in the world, as well as an exporter of oil and minerals. Foreign investment from Britain, India, and China was significant.³ World War II brought much destruction and dislocation, but after gaining independence in 1948, Burma had one of the fastest growing economies in Asia in the 1950s.⁴ Burma had extensive forest cover, including 75 percent of the world's teak reserves; a favorable ratio of population against its land base; and a natural transportation and communications network through the Irrawaddy River system.⁵

"At the start of the race 50 years ago, we were driving a state-of-the-art and top-of-the-line car (Ford Popular Sedan, 1950 model). Our flashy car was envied by many, both far and near. We were tipped as the most likely country to reach the finish line well ahead of the others in the region."⁶

Foreign direct investment returned to Burma soon after World War II, and foreign companies occupied important positions in the petroleum, teak, and other industries through the early 1960s.⁷ In addition, between 1956 and 1961, Burma received over \$30 million in assistance from the World Bank.

Although economically productive, this international investment and aid contributed to a nationalistic backlash and subsequent period of isolationism. After the coup d'état in 1962 that brought Ne Win to power, the new regime shifted its economic policy and pursued a strategy of central economic planning aimed at national self-sufficiency without foreign assistance or investment (the "Burmese Way to Socialism"). The government prohibited foreign direct investment with only a few exceptions and stopped receiving assistance from the World Bank. The government also expropriated some 15,000 private businesses, as well as the economic assets of some 200,000 Indians whom it forcibly expatriated.⁸

Thus, while other countries in the region took advantage of an expanding world economy in the 1960s–70s, Burma's economy was isolated from potentially profitable

contact with the outside world. By the late 1960s, however, it became clear that these isolationist economic policies were not working, and the regime resumed receiving assistance from the World Bank in 1973. Burma also joined the ADB in 1973, and began seeking assistance from bilateral donors. Foreign private investment was still banned, however, and manufacturing and trade were monopolized by the regime. National income stagnated and in the mid-1980s started to decline. By 1987, the United Nations had designated Burma a “least developed nation.”⁹

“In the course of the race over the past half century, our neighbors, through good ideas, diligence and hard work, were able to afford better cars. They switched models, and since about a decade and a half ago, they starting zooming around in Pajeros. But we prefer to do things our way and opted to stay with our Ford Popular 1950 model.”¹⁰

After the State Law and Order Restoration Council (SLORC) took power in 1988, the Burmese Way to Socialism was officially dropped, but strict state controls on the economy remained.¹¹ The 1988 Foreign Investment Law allowed foreign investment into Burma for the first time in 25 years, but lending from the World Bank and the ADB ceased and many bilateral donors limited their assistance after the government violently suppressed democracy supporters in 1988. Burma’s economy continued to decline in the 1990s because of severe mismanagement, as well as lack of information and long-term planning.

“Obviously, after 50 years on the road, obsolescence has set in, and there has been considerable wear and tear. However, we repainted the car several times, so it retains sleek and shiny good looks. In addition, a pair of new halogen headlights and mag wheels were installed. These did nothing to improve our performance, but it did make us feel good and contributed to our sense of satisfaction and well-being. . . . In recent years the going has become rough. . . . The passengers in the backseat are often dazed and bruised by constant buffeting and being bounced around in their seats. . . . [T]he shock absorbers, due to overuse, abuse, and neglect over all these years, have ceased to function. In addition, the whole suspension assembly has fallen apart as it has outlived its useful economic life by several decades. . . . [T]he road is full of potholes and is strewn with boulders. Besides, we are running out of gas. . . . To add to our woes, the mileage indicator got stuck several years ago. So although we are aware that the car is in motion (some say there is a sensation of motion because the car is rolling downhill), we are unsure of the direction it is heading, have no clear idea of the distance that has been covered, and are mostly in the dark as regards the miles we have to go and the years we have to put up with to reach the finish line.”¹²

Despite decades of mismanagement and missed opportunities for spurring development, the potential of the Burmese economy is still significant. There is a wealth of natural resources that has not been tapped and arable land that has not been cultivated.

In addition, at least one observer at the workshop pointed out the need to shift from a longstanding emphasis on agriculture and natural resources to human resources as the driving force of Burma's development:

“It would be desirable for Myanmar to more clearly recognize that its most valuable resource is not its rich agricultural land, its forests, mineral reserves, or hydrocarbon deposits. It is its people. Such a reorientation in thinking will help bring home the point that exploiting natural resources and building physical infrastructure is not enough. Human capabilities must be improved to make effective use of physical capital that is being built. In addition to building roads, railways, bridges, and dams, Myanmar must turn its attention towards what the ASEAN countries as well as the rest of developing Asia is struggling with, namely the more crucial but difficult, challenging task of building social and economic institutions, education systems, health and social welfare services, [a] legal framework, institutional mechanisms for effective macroeconomic management and economic policy formulation, implementation, monitoring, and evaluation, improving the civil service, banks and financial systems, governance and administrative machinery, and environmental protection.”¹³

B. Burma's Relationship with International Financial Institutions

Burma became a member of the IMF and World Bank in 1952. Burma has borrowed more than \$700 million from the World Bank since 1956, but there have been no World Bank loans to Burma since July 1987. Since 1998, Burma has been in a “non-accrual status” with the World Bank, meaning that the overdue payments (arrears) must be cleared before there can be any new lending.¹⁴ Burma is about \$142 million in arrears at the World Bank.¹⁵ The World Bank, however, does follow developments in Burma and is in contact with other development institutions, such as United Nations (UN) agencies, about Burma.

The IMF performs a mandated annual “Article IV consultation” in Burma with the participation of World Bank and ADB staff. To conduct an “Article IV consultation,” IMF economists visit each member country to review a range of economic policies. Reports of recent consultations in Burma have not been made public.¹⁶

Burma became a member of the ADB in 1973. To date, the ADB has provided 32 loans to Burma totaling \$530.9 million for 28 projects. No loans or technical assistance grants specifically to Burma have been provided since 1986–7. Burma is estimated to be about \$28 million in arrears at the ADB.¹⁷ Nonetheless, Burma is a member of the

Greater Mekong Subregion (GMS) economic cooperation program (see Section II-C).¹⁸ The GMS program is strongly supported and facilitated by the ADB, and as a member of the GMS Burma participates in certain GMS projects funded by the technical assistance grants from the ADB.¹⁹

C. Burma and Regional Economic Integration

1. Pursuit of Regional Economic Integration

In recent years, Burma has been aggressively pursuing economic cooperation with neighboring countries such as China, India, and Thailand. In particular, economic cooperation between Burma and China has flourished rapidly since 1988 when both governments signed an agreement on border trade. Burma's trade with neighboring Yunnan Province comprised 47 percent of China-Burma trade in 2002, and Burma has become Yunnan's largest trade partner.²⁰ China has financed a number of engineering projects in Burma designed in part to increase bilateral trade.²¹ To counter China's influence on Burma, India shifted its policy in the early 1990s from isolating Burma to a "constructive engagement" policy that promotes economic links with Burma.²²

At the same time, Burma has been actively participating in several regional frameworks such as the GMS economic cooperation program.²³ Proponents of regional economic integration say that such integration will bring economic progress and prosperity for the partners involved, including Burma. For example, the East-West Economic Cooperation (EWEC) program, one of the priority initiatives in the GMS program, aims to establish a land route across mainland Southeast Asia from Da Nang, Vietnam, to Moulmein, Burma. The ADB, which has been the main facilitator and supporter of the GMS program, claims that, when the EWEC is completed, it will bring many benefits to areas along the corridor, such as better access to raw materials, poverty reduction, greater cross-border trade, more efficient use of economic space, and investment in agro-industry, industrial zones, and tourism.²⁴

For any economy, economic integration has the potential to deliver positive outcomes such as expansion in trade volumes, greater foreign investment, and increased levels of employment and income. But would regional economic integration as it is being pursued currently bring lasting prosperity to Burma? One political economist points out that, to result in more durable positive change, good governance principles and a comprehensive social and economic policy framework covering both external and domestic issues also need to be in place.²⁵

2. Gains from Integration: Need for a Comprehensive Policy Framework²⁶

There are two types of gains that may come from economic integration: short-term static gains and long-term dynamic gains. Short-term static gains are one-time boosts to the economy, such as an increase in trade volumes and expansion of foreign exchange earnings, which may result when trade and investment expand following the start of integration. These boosts come about without any fundamental structural changes in a country's economy.

On the other hand, long-term dynamic gains, such as the development of complementary industries or activities, are much more difficult to achieve. These gains usually arise as a result of structural changes in the economy, reallocation of resources, and the movement of resources to new areas of comparative advantage. To move toward these long-term gains, a country needs to establish government policies on critical areas such as infrastructure and human resources development.

Burma currently lacks such a comprehensive social and economic policy framework. As a consequence, Burma receives only short-term gains from economic integration. Further, the composition of trade induced by integration thus far is extremely commodity dependent. Because commodities (*e.g.*, timber and agricultural products) are susceptible to long-term declines in prices and their markets are extremely volatile, such commodity dependence is not a stable basis for Burma's economic development.²⁷ Finally, even the short-term gains that arise from the current process of integration are distributed in an extremely uneven manner, benefiting mostly foreign interests and parties closely associated with the military regime.

To capture long-term gains from trade, improve the distribution of these gains, and create a broader-based model of development, Burma needs an overarching social and economic policy framework that is comprehensive and strategic. It should consider not only issues such as trade, exchange rates, and foreign investment, but also a range of domestic issues such as infrastructure, education, human resources development, and industrial development. These domestic variables should be part of a strategic trade policy for Burma to build up competitive advantages consistent with the evolving pattern of development and trade in its regional trading partners.

In order to establish and implement such a comprehensive social and economic policy framework, Burma's government must have a long-term vision, information, and analytical capacity, as well as the desire and ability to monitor and evaluate the process. Also required is independence of policy formulation from political interference and from short-term political imperatives. These key elements of good governance are essential for a real process of socioeconomic development in Burma to begin.

III. Sources and Uses of Assistance and How the World Bank Works

A. Where Aid Comes From

A country may receive financial or technical aid directly from other countries or from regional or international bodies. In addition, various combinations of relationships may develop (*e.g.*, UN agencies working with nongovernmental organizations, donor countries and multilateral development banks working through a multi-donor trust fund). A recipient country is likely to receive a combination of assistance from several or all of the following sources.

1. **Bilateral Mechanisms**

Agencies for Providing Assistance to Developing Countries

Most developed countries have programs to provide humanitarian and development assistance to countries in need. The programs are administered by a ministry or agency within

the government and are generally supported by taxpayer funding. Bilateral aid (an aid agreement between two countries) does not always involve the transfer of money. Such aid may take the form of technical assistance (provision of expertise, rather than cash). Additionally, bilateral aid may not always go directly to the recipient government, but rather may support NGOs working in the target country. Finally, bilateral aid agencies often award contracts to companies from the donor country to undertake the designated project.

EXAMPLES: U.S. Agency for International Development, Department for International Development (United Kingdom)

EXAMPLE IN BURMA: In 1998, Japan extended a loan of about \$23 million for the Yangon International Airport Extension Project as part of Japan's Official Development Assistance program, which provides humanitarian and development aid to developing countries. A Japanese general contractor conducted the actual construction.

Export Credit Agencies

Most industrialized nations have at least one export credit agency (ECA). ECAs are public institutions that provide loans, guarantees, and insurance to corporations that seek to do business overseas, usually in developing countries and emerging markets. The primary function of ECAs is to support the home country's export sector and corporations seeking to operate overseas by lowering the risk of investing in new or relatively unstable markets. For example, an ECA in Country X may provide insurance for a company based in X to invest in an oil development project in Country Y.

Though ECAs are not set up to provide aid, they have had significant impacts on developing countries. Collectively, ECAs fund more private-sector projects in the developing world than any other type of financial institution, and many of these projects are in extractive industries such as oil, gas, and mining.²⁸ Most ECAs, however, lack mechanisms to prevent or lessen the negative social or environmental effects that may be caused by the projects they fund. As a result, ECA-backed projects often have led or contributed to environmental destruction and adverse social consequences such as disruption of livelihoods or human rights abuses.

EXAMPLES: Export-Import Banks, Overseas Private Investment Corporation (OPIC, in the United States)

EXAMPLE IN BURMA: The Japan Bank for International Cooperation (JBIC) provides political risk insurance (*e.g.*, insurance against expropriation or political unrest) to Japanese companies investing in the gas pipeline project from the Yadana gas field.

2. Regional Organizations

Regional bodies may provide assistance to their member countries. For example, when ten new member countries joined the European Union in 2004, the new members were eligible to receive assistance contributed by wealthier European Union members. Similarly, in 2000, ASEAN launched the “Initiative for ASEAN Integration” (IAI) with the goal of narrowing “the development gap” between ASEAN’s older members and its newer members (Cambodia, Laos, Burma, and Vietnam).²⁹ The current IAI work plan (2002–2008) focuses on infrastructure development, human resources development, information and communications technology, and promoting regional economic integration.

EXAMPLE IN BURMA: Burma participates in meetings and capacity-building workshops of the Greater Mekong Subregion (GMS) economic cooperation program. (See section II for details about the GMS.)

3. United Nations Agencies

Certain specialized agencies in the UN framework provide assistance. The nature of the assistance depends on the mandate of the particular agency.

EXAMPLES: United Nations Development Program (UNDP), World Health Organization. According to the UNDP, it assists countries to gain “knowledge, experience, and resources to help people build a better life.” The UNDP also coordinates national and international efforts to reach the Millennium Development Goals (*see box on next page*), which focuses on helping countries develop and share solutions to the challenges of democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, and HIV/AIDS.

EXAMPLE IN BURMA: UNDP’s Human Development Initiative works directly with local communities in 24 townships to form community-based organizations that plan and implement development activities.³⁰

Millennium Development Goals

At the Millennium Summit in September 2000, world leaders agreed on the Millennium Development Goals (MDG) as an agenda for reducing poverty and improving lives. There are eight goals: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria, and other diseases; ensure environmental sustainability; and develop a global partnership for development. The UNDP, as the UN's global development network, links and coordinates global and national efforts to reach the Millennium goals. Unfortunately, progress in reducing poverty has been less than half the rate needed in most parts of the world. The number of income-poor people in sub-Saharan Africa, South Asia, and Latin America combined has increased by some 10 million each year since 1990. Dozens of countries experienced absolute declines in average living standards in the past two decades. Progress toward the other goals also has been mixed. Without concerted and intensified efforts, it is expected that few of the MDGs will be met by 2015.³²

4. Multilateral Development Banks

Multilateral development banks (MDBs)³³ are international institutions established by multiple countries to provide loans, grants, and technical assistance to developing countries that are members of a particular MDB. MDBs are set up specifically for development assistance and poverty alleviation (see Section IV). MDBs are important not only because of the assistance they extend, but also because they often assume the role of coordinator of aid from different sources to a country and thus can have a strong influence on the country's management of the aid and the development process in general.

EXAMPLES: World Bank, ADB, Inter-American Development Bank

EXAMPLE IN BURMA: In 1974, the World Bank approved a \$24 million concessionary loan to Burma for purchasing equipment for log extraction and construction of roads to reach forests, trucks and boats for transportation of logs, vehicles for the government's forest department, and studies of future development projects in the forestry sector.³⁴

5. Multi-donor Trust Funds (MDTFs)

In the context of development assistance, a multi-donor trust fund (MDTF) is a pool of funding contributed by multiple donors set aside for the benefit of a designated developing country. MDTFs are a common arrangement for channeling assistance from multiple donors into one country, and they often are established to assist countries in urgent need of funding, including for postconflict reconstruction. Typically, the MDTF has a steering committee consisting of the administrator and several key donors. The World Bank or the UNDP often assumes the role of administrator.³⁵

In a MDTF, contributions from all donors are pooled in a single trust fund account. This reduces the burden on the recipient government because it does not have to manage so many different projects. Generally, a donor has less ability to earmark its contribution to a MDTF for specific program activities or cost categories. Because of this, even when a MDTF is established, donors may still provide direct bilateral assistance (in addition to contributing to the MDTF) so as to earmark such assistance for a particular purpose.

EXAMPLES: Afghanistan Reconstruction Trust Fund (ARTF, see Section III-D), the Trust Fund for East Timor (TFET)

6. Civil Society

Various civil society organizations, including religious organizations, may provide financial or other forms of assistance depending on their mandate. These organizations in turn may receive funding and other support from their home governments (as part of the government's program to provide humanitarian or development assistance) or from MDBs.

EXAMPLES: Oxfam, Catholic Relief Services

EXAMPLE IN BURMA: World Vision works in Burma on health, child development, economic growth and relief, and HIV/AIDS. It provides medicines and other medical care to targeted communities and trains community volunteers in primary health care, health education and disease prevention.

B. How Assistance Is Used³⁶

Funders usually specify for what purpose the assistance is to be used. Some aid may be used for tangible projects, while other aid may be used broadly for reform of a country's economic and other policies or national institutions.

1. Tangible Projects

The most “visible” forms of assistance are in connection with projects such as construction (*e.g.*, roads and dams), improving utilities (*e.g.*, water), or capacity-building (*e.g.*, training health care workers). Because the result of the aid is specific and tangible, it is relatively easy to account for such assistance and for donor countries to obtain support from their constituents (taxpayers).³⁷ However, construction projects may cause social and environmental damage if they are implemented without adequate measures to prevent or lessen such damage. When institutions for social and environmental protection in a recipient country are weak, local communities may find themselves relying on the funder (*e.g.*, World Bank) to stipulate and enforce social and environmental safeguard policies while the project is being designed and constructed (see Section IV-A).

EXAMPLES: The World Bank provided a loan to Chad to build the Chad-Cameroon oil pipeline (see Section V-B).

EXAMPLE IN BURMA: Japan provided development assistance to build Baluchaung Hydro-power Plant No. 2 in Karenni State. A Japanese company ran the construction.

2. Other Support

Institutional, Sectoral, and Policy Reforms

Another form of assistance is financing to support policy and institutional reforms in a recipient country. For example, aid may be provided in exchange for reform of macro-economic policies (*e.g.*, trade policy, financial regulation reform). Lending may also be given for developing or reforming a particular sector (*e.g.*, forestry, agriculture). These loans, often referred to as “structural adjustment loans,” are generally designed to increase export earnings from a sector as well as improve state revenue collection, particularly in the case of natural resource sectors.

EXAMPLE: The World Bank funded the Forest Concession Management and Control Pilot Project in Cambodia to reform Cambodia’s concessionary logging system (see Section V-C).

Support for Balance of Payments

The balance of payments is a record of a country’s financial transactions with all other countries during a given period of time. It is determined by a country’s exports and imports of goods, services, and financial capital, as well as financial transfers. If more money flows out than in, a country has a negative balance of payments. Donors may pro-

vide assistance to such a country so that the country may make international payments. For example, an IMF member country may request the IMF to provide financial assistance if it has a serious balance of payments deficit.

Providers of development assistance, especially the World Bank and the IMF, use both types of assistance (*i.e.*, for institutional, sectoral, and policy reforms, as well as to support balance of payments) with the aim of promoting export-oriented market structures and encouraging private sector investment through privatization and trade liberalization. (*See page 40 on the Washington Consensus*).

C. Overview of the World Bank

Among IFIs, the World Bank has assumed a prominent role in “reconstructing” the economies of many countries that have gone through transition, typically after conflict.³⁸ The World Bank often acts as the coordinator of the other financial institutions and donor governments involved.³⁹ Its operations and decision-making procedures are similar to those of other multilateral financial institutions such as the IMF and the ADB.

1. What the World Bank Does⁴⁰

The World Bank Group is made up of five institutions: the International Bank for Reconstruction and Development (IBRD); International Development Association (IDA); International Financial Corporation (IFC); Multilateral Investment Guarantee Agency (MIGA); and International Centre for Settlement of Investment Disputes (ICSID). Among them, the IBRD and the IDA commonly go by the name “World Bank.” The IBRD was founded in 1944 along with the IMF for the purpose of facilitating reconstruction and development of European countries after World War II.⁴¹ The IDA was founded in 1960 and provides concessionary (low-interest) loans and grants to low-income countries. The IBRD and IDA have 184 and 165 members, respectively. The IBRD raises most of its money in the world’s financial markets. The IDA is funded by about 40 donor countries that make contributions every four years.⁴²

Broadly speaking, the World Bank extends two kinds of loans. One is investment lending, which is for tangible projects (*e.g.*, roads, dams, capacity building). The other, so-called “structural adjustment” loans are tied to certain macroeconomic or sectoral policy reforms (*e.g.*, the loan is conditioned on the recipient making prescribed policy reforms, such as financial regulation reform). In addition to loans, the World Bank provides technical assistance in the form of small grants or capacity-building initiatives. Finally, the

World Bank is a dominant player in the field of research in economic development and is influential in instructing countries about how their economies are to be developed.⁴³ The results of the research are reflected in the policy prescriptions it gives to developing countries.

2. How the World Bank Decides

The board of governors, which normally meets once every year at the World Bank's annual meeting, governs the World Bank. Each member country is represented by a governor, who is usually the minister of finance. As of this writing, Burma's governor is Hla Tun, minister for finance and revenue. By convention, the president of the World Bank always has been a U.S. citizen selected by the United States.

The World Bank's day-to-day management is conducted by the board of directors. The board of directors is based at the World Bank headquarters in Washington, D.C., and typically meets twice a week to oversee operations. For example, the board of directors decides whether or not to approve loans. In so doing, the directors exercise the voting power of the countries they represent. Each member holds shares of the World Bank's capital stock, and the voting power of each member is proportionate to the amount of shares held by that country. The United States has the largest voting power—about 17 percent of the total. In contrast, many developing countries have less than 1 percent of the total voting power. Burma's voting power, for example, is 0.17 percent.

The World Bank is required to comply with certain "policies" in its operations. Some of these policies are intended to prevent or reduce negative environmental and social impacts in the project area or on local peoples. Such policies are called "safeguard policies." The World Bank has an independent mechanism called the Inspection Panel to review whether the World Bank has complied with its policies.⁴⁴ In the case of an alleged policy violation by the World Bank, people affected or likely to be affected by the violation may request that the Inspection Panel investigate the alleged violation. After the Inspection Panel conducts the investigation, the World Bank's board of directors considers the Inspection Panel's findings and decides what should be done.

Afghanistan: How (Well) Does a Multi-donor Trust Fund Work?

Afghanistan became a member of the World Bank in 1955 and the ADB in 1966, and received funding from both institutions until 1979. The Soviet Union invaded and occupied Afghanistan in 1979. Thereafter, Afghanistan went through two decades of disengagement from the World Bank and the ADB, although it continued repayments to both banks until 1992, and the World Bank continued to monitor developments in Afghanistan from neighboring Pakistan.⁴⁵ Although Soviet forces withdrew in 1988, violence and instability continued. In 1994, the Taliban gained control over the country, and in 1996 the Al Qaeda organization established itself in Afghanistan. After the Al Qaeda attacks on the World Trade Center and the Pentagon in 2001, the United States retaliated and occupied Afghanistan. The Taliban left the capital, Kabul, in mid-November 2001. At this point, after almost two decades of war, more than 2 million people had been killed, infrastructure and property had been severely damaged, and institutions of commerce were shattered.

Negotiations for a political transition to post-Taliban Afghan control started in Bonn, Germany, in late November 2001, and an agreement was reached in early December to establish an Interim Authority in January 2002. Planning for reconstruction assistance also started in November 2001 with a conference organized by the World Bank in Islamabad, Pakistan. A “needs assessment” mission led by the World Bank (with participation from the ADB, UNDP, and the Islamic Development Bank) took place during December 2001 and January 2002, and a full “needs assessment” was presented to donors at a January 2002 meeting in Tokyo, Japan.⁴⁶

The Afghanistan Reconstruction Trust Fund

The donor meeting in Tokyo endorsed the establishment of a multi-donor trust fund or MDTF for Afghanistan. This fund, the Afghanistan Reconstruction Trust Fund (ARTF), was approved by the World Bank in March 2002. Twenty-four countries have contributed funds to the ARTF, and total paid-in contributions were over \$900 million as of December 2004.⁴⁷

As standard practice, the World Bank assumed the role of the administrator of the ARTF.⁴⁸ The ARTF’s Management Committee is composed of the World Bank, ADB, UNDP, and the Islamic Development Bank. The Afghan

government, however, is not on the Management Committee. The Management Committee meets once a month to review funding proposals after they have been reviewed and endorsed by the Afghan government. A Donor Committee (composed of donors who have contributed at least \$5 million per year, plus two seats for representatives of other donors) meets quarterly to review overall ARTF performance.

Funds from the ARTF are used for a variety of costs to support the rebuilding of Afghanistan.⁴⁹ The ARTF consists of two “windows.” The first is the “Recurrent and Capital Costs Window,” which funds recurrent expenditures such as operating and maintenance costs of government buildings and equipment, as well as the salaries of about 240,000 civil servants. The second is the “Investment Window,” which funds development and reconstruction programs in key sectors such as employment creation, microfinance, telecommunications, transportation, and the repayment of pre-1979 debt.⁵⁰ Finally, the World Bank takes about 1.0–1.5 percent of ARTF disbursements as administration fees.⁵¹

Problems With the ARTF

The World Bank emphasizes that the ARTF encourages government ownership of and leadership in the choice of projects to be funded by the ARTF. In theory, the ARTF supports programs that the Afghan government identifies as priorities from the national budget.⁵² In reality, a researcher on Afghanistan’s development issues points out, projects cannot receive ARTF funding unless they are first approved by the Management Committee, of which (as noted above) the Afghan government is not a member. As of late 2005, no national discussion had been held about what kinds of projects to implement with funding from the ARTF. In addition, when submitting proposals for funding by the ARTF, the government must prepare “concept notes” in a format according to a template and guidelines prepared by the World Bank.⁵³

Lack of ownership by the Afghan government over the ARTF-funded projects has been manifest in other ways. For example, the ARTF funds the return to Afghanistan of professional Afghans living outside the country to help key ministries and agencies with institutional reforms, human resource development, and the formulation and management of priority development programs.⁵⁴ The government, however, does not control the program. Rather, the International Organization for Migration (IOM), an international organization working with migrants and governments, was hired to search and select the expatriates.⁵⁵

Further, the World Bank has not always administered the ARTF effectively. The largest component (about 70 percent) of ARTF funds are recurring government costs, including salary and nonsalary expenditures. But, in 2003 more than 80 percent of the nonsalary expenditures were deemed “ineligible” by the ARTF for funding or reimbursement.⁵⁶ This was primarily due to incomplete documentation,⁵⁷ which in turn was related to lack of proper training in procedures such as submitting adequate receipts and other documents.⁵⁸

Lastly, project preparation and appraisal for ARTF-financed projects are conducted simultaneously, and thus there is no time to consult with local communities about a project or to perform social and environmental impact studies.⁵⁹ ARTF guidelines provide that projects must comply with the World Bank’s environmental and social safeguard policies. Such compliance cannot be secured unless the impact studies are performed early during project preparation and not during the appraisal stage when it is difficult to modify the project design.⁶⁰ Nonetheless, ARTF guidelines also state that environmental and social issues can be dealt with during the later stage of project implementation. Even then, however, there are no mechanisms for reviewing those issues and mitigating negative impacts.⁶¹

Connection to Burma: MDTF and Clearance of Arrears

As this case study suggests, MDTFs are used in countries with an urgent need of funding, typically for postconflict reconstruction. When IFIs decide to reengage with Burma, it is possible that an MDTF would be established. The Afghan situation is similar to Burma for another reason. Before 1979, Afghanistan received \$230 million from the World Bank and \$95 million from the ADB. It then went through two decades of disengagement from both institutions. Because Afghanistan had not finished repaying its debt on the loans taken out before 1979, when the World Bank and the ADB decided to resume operations in Afghanistan in 2001–2002, Afghanistan had incurred arrears⁶² (overdue debt) at both institutions, and these arrears needed to be cleared before lending could resume.

At the World Bank, Afghanistan was about \$26.7 million in arrears.⁶³ This was cleared in February 2003 with funds from the ARTF and contributions from Japan, the United Kingdom (UK), Sweden, Norway, and Italy.⁶⁴ Thereafter, Afghanistan again became eligible for loans from the World Bank. As of September 2004, Afghanistan had taken out \$436 million in concessionary loans from the World Bank. Afghanistan’s arrears at the ADB, which

were nearly \$18 million, were cleared by a grant from the UK government in December 2002.⁶⁵ Immediately thereafter the ADB approved a \$150 million loan to Afghanistan.⁶⁶ Even after these arrears to the World Bank and the ADB were cleared, Afghanistan still had \$86 million of outstanding debt to both institutions, the repayment of which the ARTF also funds.⁶⁷

Similar to Afghanistan, Burma has incurred arrears at both the World Bank and the ADB. Burma borrowed \$762 million from the World Bank between 1956 and 1987, and its arrears are about \$142 million.⁶⁸ Burma borrowed about \$530 million from the ADB between 1973 and 1987 and is estimated to be about \$28 million in arrears.⁶⁹ Like Afghanistan, if Burma still is in arrears when the World Bank and the ADB decide to reengage with Burma, it will first need to clear those arrears.

Afghanistan: Chronology of Events

<i>Political</i>	<i>Reengagement by the IFIs</i>
1979: Soviet occupation of Afghanistan begins.	Until 1979, Afghanistan borrowed \$230 million from the World Bank and \$95 million from the ADB. Afghanistan continued repayment until 1992.
1979–1988: War and resistance. Soviet troops leave in 1988.	The World Bank kept a “watching brief” (monitoring of developments) in the 1980–90s from Islamabad.
1988–1994: War among factions and rise of the warlords.	
1994: The Taliban gains power and establishes control through most of the country.	
1996: Al Qaeda takes up residence in Afghanistan.	
September 11, 2001: Attacks on New York and Washington, D.C.	
October 6: War on Afghanistan launched by U.S. forces; Taliban leaves Kabul by mid-November.	
End of November: Negotiations on transitional political arrangements begin in Bonn.	End of November 2001: Conference on Afghanistan Reconstruction in Islamabad. Prior to this, establishment of an MDTF was discussed in the World Bank.

<i>Political</i>	<i>Reengagement by the IFIs</i>
<p>December 5: Bonn Agreement on political transition.</p> <p>January 2002: Afghanistan Interim Authority (AIA) established with Karzai as chairman. The immediate needs of the AIA are met by the UNDP Emergency Trust Fund.</p>	<p>December 2001–January 2002: Joint WB-ADB-UNDP needs assessment missions. UNDP Emergency Trust Fund established.</p> <p>Late January 2002: Donor meeting in Tokyo reviews needs assessment (prepared by WB, ADB and UNDP) and endorses the establishment of the Afghanistan Reconstruction Trust Fund (ARTF).</p> <p>April: Donor meeting in Kabul, including bilateral donors, to mobilize contributions to ARTF. ARTF starts operating in May.</p> <p>December 2002–February 2003: Arrears to World Bank, IMF, and ADB cleared.</p> <p>March 2003: World Bank finalizes the Transitional Support Strategy (TSS).</p>
<p>January 2004: Constitution approved.</p> <p>October 2004: Karzai elected as president.</p> <p>September 2005: General election held.</p> <p>December 2005: Elected government established.</p>	<p>January 2006: International conference held in London where Afghanistan presented an interim national development plan to donors. The Afghanistan Compact was signed, succeeding the Bonn Agreement in providing an assistance framework for the international community.</p>

IV. National Development Strategies According to the World Bank

This section discusses how the World Bank and other IFIs influence national development. It examines the approaches taken by the World Bank and IMF, emphasizing economic growth as the most important factor in national development; describes the general process of reengagement in a country by the World Bank; and examines the experience of postwar Bosnia and Herzegovina, a country with many ethnic groups operating under an extreme form of federalism, where the World Bank and IMF have been hard at work since 1995 to reconstruct and develop the economy.

A. The World Bank's Advice on How to Repair Burma's Economic Car

Expanding on the automobile analogy used earlier, one might expect the following: When the time for reengagement comes, the World Bank will rush to Burma and offer to help

repair the roads and upgrade the car. It will offer to provide the necessary funding for everything Burma needs. But this help will not be free. In exchange, the World Bank will want Burma to use the expensive car parts and gasoline that it chooses and to pay expensive foreign consultants to help fix the car. Burma will be told that it should formulate its own plans for the road repair and car upgrade, but that the plan must be approved by the World Bank before it can receive any help.

As a former World Bank economist warns, any country needs to be cautious when engaging with the World Bank (or the IMF), and should ensure that the terms of engagement allow for a meaningful exchange of ideas and for input from the country that is reflected in what the institutions ultimately do there.⁷⁰

1. The World Bank and IMF's Development Model

The World Bank and the IMF subscribe to a particular model of economic development that regards economic growth as the single most important means to reduce poverty. To stimulate economic growth, the World Bank and IMF maintain, a certain set of reforms, commonly referred to as the Washington Consensus, is necessary. As described by Joseph Stiglitz, former chief economist at the World Bank and Nobel economics laureate, the Washington Consensus is “a consensus between the IMF, the World Bank, and the U.S. Treasury about the ‘right’ policies for developing countries.”⁷¹

The phrase “Washington Consensus” emerged in 1990 “to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions (World Bank, IMF, U.S. Treasury, U.S. Federal Reserve Board) to Latin American countries as of 1989.”⁷² The advice included policies such as fiscal discipline, trade liberalization, deregulation, and privatization.

The emphasis on economic growth and implementation of the Washington Consensus is at the core of how the IFIs prescribe and support development strategies for borrowing countries. This means that financial assistance from the World Bank and the IMF is often conditioned on the recipient country making reforms along Washington Consensus lines.

While these policy prescriptions are themselves debated, more certain is the fact that the blanket application of these prescriptions to countries at different stages of development and in different circumstances has had disastrous impacts. According to Stiglitz, “ideas that were developed to cope with problems arguably specific to Latin American countries . . . [were] subsequently . . . deemed applicable to countries around the world. . . . The economic policies that evolved into the Washington Consensus and were introduced into developing countries were not appropriate for countries in the early stages of development or early stages of transition.”⁷³ Thus, in trade liberalization, for example,

“[m]ost of the industrial countries—including the United States and Japan—had built up their economies by wisely and selectively protecting some of their industries until they were strong enough to compete with foreign companies. While blanket protectionism has often not worked for countries that have tried it, neither has rapid trade liberalization. Forcing a developing country to open itself up to imported products that would compete with those produced by certain of its industries, industries that were dangerously vulnerable to competition from much stronger counterpart industries in other countries, can have disastrous consequences—socially and economically. Jobs have systematically been destroyed.”⁷⁴

The effectiveness of blanket application of the Washington Consensus often is questioned outside the World Bank and the IMF. As Stiglitz notes, “the net effect of the policies set by the Washington Consensus has all too often been to benefit the few at the expense of the many, the well-off at the expense of the poor.”⁷⁵ Stiglitz observes that countries that succeeded in national development have taken a “comprehensive approach to development,” pursuing not only improvements in economic policies such as macroeconomic stability and fiscal discipline, but also in equality, creation of jobs by expanding exports, competition and enterprise creation.⁷⁶ Stiglitz also points out the importance of democratic practices and the rule of law.⁷⁷

2. The World Bank is a Bank

Although the World Bank’s stated mission is “to fight poverty and improve the living standards of people in the developing world,” the fact remains that, despite the rhetoric, the World Bank is a bank. Because it is a bank, it must lend money to survive; the World Bank derives its strength and size from the profits that it makes on loans. This means that the World Bank has an interest in supporting large loans with low administration costs (*e.g.*, large infrastructure projects) even if such loans are not the type of support that the recipient country seeks or needs. Further, the World Bank’s lending practices pressure countries to borrow; in doing so, they often incur an unsustainable level of debt. Unsustainable debt may have serious implications on people’s lives. A recent study of budgetary spending in over 30 developing countries found that two-thirds spend up to three to five times more on debt repayment than on basic social services. Debt repayment often absorbs between one-third and one-half of the national budget.⁷⁸

B. How Does the World Bank Reengage?

1. During Official Disengagement

Even during periods when the World Bank does not provide financial or technical support to a country, the World Bank nevertheless may be active regarding that country by keeping a “watching brief” (typically from a neighboring country), or meeting with government officials unofficially. In the case of Bosnia and Herzegovina, for instance, World Bank staff began meeting with government officials in late 1994, a year before a peace agreement was signed.⁷⁹

Watching Brief

The World Bank often maintains a watching brief to monitor developments in a country. In the case of Afghanistan, for example, when it was not officially engaged during the 1980s and 1990s, the World Bank kept a watching brief on the country from Islamabad.⁸⁰ The World Bank may conduct studies and organize conferences and workshops in connection with the watching brief program.

LICUS Initiative⁸¹

The Low-Income Countries Under Stress (LICUS) Initiative is a framework that enables the World Bank to work in certain countries even when the country is in arrears and the World Bank is not officially active there, or when the country is in the midst of conflict or otherwise deemed to be too troubled to receive conventional financial assistance. The stated concern underlying the LICUS Initiative is that disengaging with such countries would perpetuate poverty and contribute to the collapse of the state. Under the LICUS Initiative, the World Bank has sent missions and done analytic work to regain knowledge about several countries, including Burma, in anticipation of reengagement.⁸² The LICUS Initiative allows the World Bank to facilitate its reengagement with the target country and stay competitive against other institutions such as the UNDP, bilateral agencies, or NGOs.

2. Working toward Reengagement: Arrears Clearance

Once the World Bank determines that it will reengage in a country, it arranges the clearance of the country’s arrears to the World Bank. Arrears clearance is as important to the World Bank as it is for the country because, unless arrears are cleared, the World Bank cannot make new loans to the country. Therefore, often the World Bank actively facilitates arrears clearance by coordinating bilateral grants as it did in Afghanistan.⁸³

In addition to arranging bilateral contributions, the World Bank may build a special financing plan into its own assistance package to clear arrears. The arrears clearance plan for Bosnia and Herzegovina, for example, involved the World Bank rescheduling the existing debt (\$621 million, 80 percent of which was in arrears)⁸⁴ into three new loans.

The World Bank and the IMF jointly implement the Heavily Indebted Poor Country (HIPC) Initiative, which is an arrangement to reduce the debt of the most heavily indebted countries in exchange for those countries instituting certain economic reforms and poverty reducing policies.⁸⁵ The HIPC Initiative works with Poverty Reduction Strategy Papers, which are described below.

Reengagement by the World Bank⁸⁶

Official Disengagement

- ▶ Watching brief
- ▶ Low-Income Countries Under Stress (LICUS) Initiative

Toward Reengagement

- ▶ Clearance of arrears (Country Reengagement Notes may be prepared to discuss clearance of arrears)
- ▶ Interim Strategy Note developed (does not apply in all cases)

Normal Relations

- ▶ Country develops Poverty Reduction Strategy Paper (PRSP) (does not apply in all cases)
- ▶ World Bank develops Country Assistance Strategy (based on PRSP)

3. Normal Relations: PRSP and CAS

PRSP⁸⁷

As described by the World Bank, a Poverty Reduction Strategy Paper (PRSP) is a key part of the World Bank's Comprehensive Development Framework, which is an attempt to coordinate assistance to a country from different sources and is meant to support a country's ownership over its development strategy. A PRSP contains the priorities identified by a country in its effort to reduce poverty and guides donors in providing development

assistance. A PRSP is a requirement for all Heavily Indebted Poor Countries (HIPC), and serves as the basis for debt relief under the HIPC Initiative.

In theory, a PRSP is supposed to be prepared by the government (the ministry of finance and other related departments) in consultation with the country's parliament, citizens, civil society organizations, and other partners. Recent reviews have shown, however, that PRSPs often are drafted by officials in the ministry of finance collaborating closely with World Bank and IMF staff without meaningful discussion within the countries.⁸⁸ Independent evaluations by the World Bank and the IMF also have found that, even when such discussion is held, the final strategies do not necessarily reflect input from this process.⁸⁹

Finally, the World Bank and IMF jointly assess the PRSP to determine if its objectives and policy content are consistent with the goals and policies of the World Bank and the IMF.⁹⁰ Then the PRSP is submitted to the boards of the World Bank and the IMF for "endorsement." The country will not receive financial and other support from the World Bank and the IMF unless the PRSP is so "endorsed." On the other hand, the World Bank does not require the PRSP to be approved by the country's parliament. Of the 29 PRSPs produced up to July 2003, the final draft was formally sent to parliaments of the countries involved in only 13 cases.⁹¹

Country Assistance Strategy⁹²

Once the PRSP is finalized, the World Bank prepares a Country Assistance Strategy (CAS) for the country in question. The CAS is a master plan that the World Bank develops and uses for each borrowing country in a "normal" relationship with the World Bank,⁹³ and it outlines the content of the World Bank's assistance to that country for the following three to four years. The CAS is supposed to be based on the country's own national development priorities and works in conjunction with the country's PRSP if it has one.

For countries in transition, the World Bank may prepare an Interim Strategy Note (ISN), formerly called the Transitional Support Strategy (TSS), a short- to medium-term plan that precedes more comprehensive involvement by the World Bank. For example, Afghanistan had a TSS while it had an interim government, with the expectation that it would begin preparing a PRSP once an elected government was established.⁹⁴ In 2005, the World Bank prepared ISNs for eight countries that were deemed not ready for a full CAS.⁹⁵

Bosnia and Herzegovina: the Dayton Accords and the “Frankenstein Economy”⁹⁶

In countries where IFIs have reengaged after a period of nonengagement, the course of economic reconstruction and development has been dictated not only by the IFIs’ prescriptions, but also by the terms and conditions of the relevant political settlements. In Bosnia and Herzegovina (BiH), the Dayton Accords,⁹⁷ an international agreement signed in 1995 following a three-year war, have had a particularly large impact on the course of economic reconstruction and development.

The World Bank was involved at an early stage in BiH’s transition process, establishing a Bosnia Working Group in late 1994 before the signing of the Dayton Accords.⁹⁸ The World Bank participated in the political settlement negotiations at Dayton and claims that its expertise was “a critical aspect of the Dayton talks on Bosnia and Herzegovina.”⁹⁹ Soon after the Dayton Accords were signed, the World Bank led a needs assessment mission to BiH,¹⁰⁰ and it has since coordinated the effort to reconstruct BiH’s economy and transform it into a market system.

Before 1995

The former Yugoslavia was comprised of many ethnic groups, including Serbs, Croats, Slovenes, Bosnians, and Albanians. Yugoslavia also was religiously diverse, with Catholics (mostly Croats and Slovenes), Eastern Orthodox (mostly Serbs), and Muslims (Muslim Bosnians are called “Bosniacs”). There were six republics (states) in Yugoslavia, including Croatia, Bosnia, and Serbia, but before the war starting in 1992, ethnic groups moved easily from one republic to another (*e.g.*, many Serbs lived outside Serbia) and intermarriage was common.¹⁰¹

After the demise of longstanding socialist rule under Tito in Yugoslavia, democratic elections held in 1990 produced victories for ethnonationalist parties. Subsequently, the country began to fracture along ethnic lines as different ethnic groups declared independence and established their own separate states. In 1992, armed conflict among Croats, Bosniacs, and Serbs began. The following three years brought some 250,000 fatalities, massive internal displacement, an exodus to neighboring countries, and destruction of infrastructure and other capital investment.¹⁰²

Bosnia and Herzegovina: Chronology of Events

<i>Political</i>	<i>Re-engagement by the IFIs</i>
<p>June 1991: Croatia and Slovenia declare independence. Serbs seize a third of Croatia.</p> <p>February 1992: Bosnia declares independence as Bosnia and Herzegovina.</p> <p>February 1992–March 1994: Armed conflict among Bosniacs, Croats and Serbs.</p> <p>March 1994: Ceasefire between Bosniacs and Croats. Serb-Bosniac conflict continues.</p>	<p>Yugoslavia was a steady borrower from the Bank from 1949 to 1991 when lending ceased with the breakup of the country.</p> <p>Late 1994: Bosnia Working Group established in the World Bank.</p> <p>January 1995: World Bank begins assessing reconstruction needs and leads donor coordination, and the first planning mission met with BiH officials in Warsaw. \$10 million Dutch Trust Fund for project preparation and pilot projects is established.</p> <p>October: Informal discussion at World Bank annual meetings “endorse Bank role in leading the preparation of reconstruction program.”¹⁰³</p> <p>November: World Bank invited to Dayton negotiations. World Bank leads joint mission of IFIs, finalizing reconstruction needs assessment and strategy for recovery.</p> <p>December: World Bank organizes first donors meeting in Brussels.</p> <p>February 1996: World Bank board approves Bank Trust Fund for BiH, which was designed as a potential MDTF and could accept contributions from other donors. No MDTF is established.</p> <p>March: Arrears clearance plan approved.</p> <p>April: BiH becomes member of World Bank Group, retroactive to February 1993.</p>
<p>November 1995: Dayton Accords ended conflict and established state of BiH.</p>	

The Dayton Accords and the World Bank's Role

The conflict finally ended with the signing of the Dayton Accords in November 1995. Pursuant to a new constitution for BiH contained in the Dayton Accords,¹⁰⁴ two ethnically based internal entities were formed: the Republika Srpska (Serb) and the Federation of Bosnia and Herzegovina (Bosniac-Croat). The creation of ethnically based entities reflected a greater degree of ethnic concentration than had existed prior to the 1992–95 war.¹⁰⁵ Further, the Dayton Accords established an extremely weak central government. Defense and police are responsibilities of the entities, and the central government's economic authority is limited to regulation of inter-entity transport and communications, external debt, foreign trade, and customs (although because tax and customs administration is reserved to the two entities, central authority over foreign trade policy is nominal). All other functions are reserved for the entity governments. According to one commentator, such "extraordinary political and economic fragmentation conditioned virtually every aspect of post-conflict reconstruction and the assistance to finance it[.]"¹⁰⁶

The World Bank has been able to play a substantial role in BiH in part because the Dayton Accords provided the central government with so few powers to develop and implement national macroeconomic programs. BiH had little choice but to rely on assistance packages prescribed and implemented by the World Bank that sought to stabilize the country's economy, formulate macroeconomic policy, and prepare the ground for privatization.¹⁰⁷ The World Bank portrays its role as supporting and complementing the Dayton Accords. Indeed, a World Bank report asserts, "the Bank's various policy and institutional activities [in BiH] add up to a vigorous effort to implement the provisions of the Dayton agreements."¹⁰⁸

As noted earlier, the World Bank began planning for reconstruction of BiH as early as 1994, "finalizing" an assessment of reconstruction needs before the end of 1995. Initially, the Bank provided for emergency projects, followed by a full-scale assistance program that included clearing of arrears to the World Bank¹⁰⁹ and implementation of a medium-term assistance strategy to support systemic reform in BiH, starting with the donor-led Priority Reconstruction and Recovery Program (1996–1999).¹¹⁰ The World Bank developed the first full Country Assistance Strategy for BiH in 1998–1999, and in December 2001 developed an Interim PRSP.¹¹¹

Problems in BiH

Although the World Bank generally regards BiH as a success case in postconflict reconstruction,¹¹² the results have not been altogether positive. Economic growth is unbalanced within the country (in 2003, growth in the Republika Srpska was less than half of that in the Federation of Bosnia and Herzegovina¹¹³), and BiH faces a high rate of unemployment (44 percent in 2005), unsustainable levels of balance of payments deficits and foreign debt, and industries operating at a capacity much lower than before the 1992–95 war.¹¹⁴ BiH also has one of the highest rates of poverty in South Eastern Europe.¹¹⁵

Further, BiH's economy is now essentially an aid-driven economy. Foreign assistance, transfers from abroad, and spending by foreigners in BiH represent about 30 percent of BiH's Gross Domestic Product (GDP).¹¹⁶ A Bosnian economist has described these circumstances as a "Frankenstein economy," that is, an economy overly dependent on foreign assistance and barely able to sustain itself without external support.¹¹⁷ This economist highlights several symptoms of such a "Frankenstein economy": the central government's significant difficulties in collecting revenue from the entities;¹¹⁸ trade deficits caused by overdependence on imports from neighboring countries;¹¹⁹ and a weak central bank that cannot make loans to commercial banks (and thus cannot influence interest rates, direct business development, or manage financial crises).¹²⁰

In addition, the World Bank's emphasis on privatization as primary to the economic transition and development of BiH (and elsewhere) appears to be having the effect of hardening ethnic divisions. The privatization plan pursued by the World Bank in BiH¹²¹ has entailed creation of an entity-based system involving 12 privatization agencies, one for each of the two entities and also for each of the 10 subdivisions within the Federation of Bosnia and Herzegovina.¹²² State-owned enterprises of the former Yugoslavia have been divided and allocated to the Republika Srpska and the Federation of Bosnia and Herzegovina. Under this system, Bosniac interests assume control of companies in areas dominated by Bosniacs, and Croats do likewise in areas they rule. Thus, for example, a company that once operated across the former Yugoslavia would be broken up along ethnic lines into three parts (Serb, Croat, and Bosniac). Workers are then employed at each part according to their ethnicity. Such "ethnic privatization" exacerbates the divisions of an already divided BiH social and economic space.¹²³

Connection to Burma: The Challenges of Ethnic Diversity

Burma shares with BiH the complex challenges of reconciling the interests of different ethnic groups within a single country. The experience of BiH shows that the Dayton Accords and the World Bank's involvement have not resolved all the ethnic problems and tensions. While the Dayton agreement marked the end of active fighting, BiH has yet to see reconciliation and true cohabitation, and some warn that the new configuration of the entities and the weak central government, in conjunction with the Bank's prescriptions and policies, may lead to continued division among the ethnic groups.

Burma also shares with the former Yugoslavia a dynamic involving a "market-dominant minority."¹²⁴ In the former Yugoslavia, Serbs were the largest ethnic group, and Croats and Slovenes were minorities. Croats and Slovenes, however, dominated the economy and generally were much more prosperous than the Serbs. This was one of the sources of ethnic resentment that eventually led to the outbreak of war in 1992.¹²⁵

Similarly, as in many other countries in Southeast Asia, the Chinese in Burma currently are a wealthy minority dominating the markets. In Indonesia, a similar dynamic resulted in riots in Jakarta against ethnic Chinese in May 1998, killing more than 2,000 people and burning down almost 5,000 Chinese-owned homes and stores.¹²⁶ One scholar points out that "the situation developing in Burma today is dangerously similar to the one that eventually sent much of Jakarta up in flames. . . . [G]lobal markets, SLORC-style, have turned Burma into a powder keg."¹²⁷ Burma has already experienced such riots. The dominant role of the Chinese in retail trade during the 1960s caused anti-Chinese riots in 1967. Earlier still, while Burma was under British rule, violent riots took place in major cities against Indians who were the market-dominant minority at that time.¹²⁸

East Timor: Conflict and National Development

The example of East Timor's approach to postconflict development offers a counterpoint to the experience of BiH and many other countries. After 25 years of Indonesian occupation, East Timor voted overwhelmingly for independence in an August 1999 referendum. Violence followed, and the UN installed an interim government called the UN Transitional Administration for East Timor (UNTAET), which governed for over two years. East Timor became fully independent in May 2002. That same month, the new government presented a National Development Plan.

How was the National Development Plan formulated? After UNTAET was in place, there were concerns that the East Timorese did not have full ownership of the strategy for national development. Emilia Pires, who was involved in the formulation of the National Development Plan, observes: "Once . . . the international community took over, the reconstruction process began without strong guidance from the East Timorese. The World Bank came in to organize the inflow of aid. Although efforts were made to ensure the participation of the East Timorese in all these processes, the lack of organization and coordination . . . on the side of the East Timorese ensured that we were mostly followers. Many of the East Timorese . . . failed to understand that even though the first few years were mainly concerned with addressing emergency and reconstruction issues, decisions were made that set the direction for future development of the country."¹²⁹

Realizing that something had to be done to ensure full participation and ownership, East Timor and UNTAET in 2001 established a Planning Commission to produce a National Development Plan.¹³⁰ The Commission, comprised of five people each from the transitional government and civil society, began by assessing the current status of East Timor and its economic and political system, and produced a "State of the Nation Report." The National Planning and Development Agency (later superseded by the Planning Commission) also conducted a poverty assessment in 2001 (with support from the World Bank, ADB, Japan International Cooperation Agency, and UNDP). The purpose of this assessment was to collect data in order to prioritize allocation of resources.

At the same time, a Civil Society Consultative Commission on Development (led by Xanana Gusmao, future first president of East Timor) conducted 980 consultations reaching nearly 40,000 people¹³¹ (out of a population of about 90,000), to formulate a common national vision and identify development priorities, while at the same time attempting to ensure participation by the East Timorese people. Villagers were asked what kind of East Timor they wanted to see in 2020. They were also asked to identify development priorities and how they thought such priorities could be achieved.

Based on this extensive consultation process, the Planning Commission developed strategic policies and a proposed budget for achieving the priorities and long-term vision identified by the East Timorese. After East Timor officially became independent, the country's parliament adopted the National Development Plan. Currently, the plan is the main coordinating tool that the government uses when meeting with donors and other partners.¹³² In order to be approved, project proposals must support the strategies in the plan.¹³³ East Timor's experience suggests that it may be possible for a country to take considerable "ownership" of its development even while working with the World Bank and other IFIs.

Emilia Pires gave the following advice to the Burmese people: "My main lesson from the past is that one needs to be organized and to try to speak with one voice, particularly at the beginning of the reconstruction process, especially when dealing with international organizations. These organizations come into the country with the good will to help and very often, due to lack of direction from the country, they end up pushing forward their own agenda simply because there was no other agenda, or rather, no agreed agenda owned by the country's people."¹³⁴

V. Management of Natural Resources

Abundance of natural resources in Burma has helped sustain the military dictatorship and contributed to human rights abuses and conflict, but it has not alleviated the country's poverty or led to good governance practices. Burma is a perfect example of the phenomenon called the "resource curse."¹³⁵ This section begins by reviewing the general symptoms and causes of the resource curse.

The wealth of resources in a country typically attracts many investors, including IFIs. The World Bank, for example, has approved \$18.5 billion for oil, gas, and coal projects in 25 developing countries between 1992 and 2001.¹³⁶ The two case studies in this section examine the situations in Chad and Cambodia, which are suffering from the resource curse. When the World Bank provided financial assistance for the extraction of natural resources in both countries, it took measures to try to assist the governments in managing the resources and the revenue generated by their export. Such measures did not always succeed.

A. Introduction to the Resource Curse¹³⁷

Many development economists have believed in the power of natural resources to lift developing countries out of poverty. Yet, over the last 20 years, numerous studies have shown that resource-led development not only fails to propel economic growth, it often results in worse social and economic conditions than before resource extraction began. These studies point out that countries rich in natural resources are likely to have extremely slow economic growth, greater poverty, higher debt, less democracy, worse governance, and a greater likelihood of civil war than countries lacking resource wealth.

1. Symptoms of the Resource Curse¹³⁸

One symptom of the resource curse is poor macroeconomic performance and high levels of poverty. Twelve of the world's most mineral-dependent nations, and six of the world's most oil-dependent states, are considered by the World Bank to be Highly Indebted Poor Countries (HIPC), the most serious category of the World Bank's poverty portfolio. Conversely, countries lacking oil and mineral resources had much stronger GDP growth rates per capita than resource-rich countries. From 1960 to 1990, resource-poor countries experienced growth rates two to three times higher than resource-abundant countries. With regard to human development between 1965–1995, of 48 countries for which oil comprised more than 30 percent of total exports, nearly half scored in the bottom third of the UN Human Development Index.¹³⁹ Only a quarter scored in the top third, and many of these, such as Norway and Canada, were wealthy long before oil exports became a major source of income.

There are many examples of countries that suffer from the resource curse. In Saudi Arabia, per capita income fell from \$28,600 to \$6,800 between 1981 and 2001. In Ecuador, external debt rose from \$217 million in 1972 when oil was first discovered, to \$11.8 billion dollars in 2002. In Angola, the IMF has admitted that \$1 billion of oil money disappears annually. Nigeria, one of the world's largest oil exporters, has earned about \$340 billion from oil exports since it began production 40 years ago. Living standards have plummeted, however, and 70 percent of the population lives on less than \$1 a day.

A disproportionate number of resource-exporting countries suffer from bad governance, another symptom of the resource curse. Countries that possess abundant natural resources mostly cluster near the low end of the World Bank's governance indicator. Several studies have found that capital-intensive natural resources are a major determinant of corruption. In addition, countries that export natural resources are vulnerable to violent conflict. Studies have found not only a relationship but also a causal link between natural

resources and civil war. Moreover, such wars tend to be longer and with higher casualties than when there are no resources to capture. Countries rich in natural resources also tend to spend a greater share of their budget on the military than countries lacking in resource wealth.

2. Causes of the Resource Curse

What causes the resource curse? The causes of the resource curse have not yet been fully explained, and researchers have put forth many theories, both economic and political.¹⁴⁰ This section introduces a few of the major theories.

First, the problem of “Dutch Disease” may occur when a country’s currency increases in value (becomes stronger) because of natural resources exports.¹⁴¹ The increase in value causes a decline in the export of other goods from the country, such as agricultural or manufactured goods. It also makes domestic tradable goods more expensive relative to foreign goods (that is, it becomes cheaper to import). The result is a decline in agriculture, manufacturing, and other parts of the nonresource economy. Over time, Dutch Disease may weaken the country’s industries and the country may become dependent on the export of natural resources.¹⁴²

Another problem is that the prices of commodities such as oil and gas are highly unstable. The fluctuation can be very damaging to a country’s budget, making government revenues and foreign exchange supplies unreliable and private investment risky.¹⁴³ Many governments, however, fail to plan long-term and spend recklessly when the price of oil or gas is high, and borrow when prices fall. This instability can be harmful to economic growth.¹⁴⁴

Furthermore, natural resource extraction leads to few job opportunities. Oil and gas development, for example, creates relatively little employment, and much of the workforce that is needed is highly skilled and tends to be filled by foreigners. In Azerbaijan, the oil and gas sector generates half of the government budget revenues, but represents less than 1 percent of total employment. Finally, natural resources like oil and gas are not renewable. Each barrel of oil or gas that is sold constitutes a net depletion of national wealth. Therefore, oil-producing countries become poorer, not richer, unless they convert foreign exchange earnings from oil production into a renewable source of wealth.

While the economic effects of booming natural resource exports can create difficulties for resource-rich countries, in theory governments have policy tools to mitigate such problems.¹⁴⁵ Why, then, do problems persist? As one scholar has noted, “[t]he failure of states to take measures that could change resource abundance from a liability to an asset has become the most puzzling part of the resource curse.”¹⁴⁶

In addition to economic causes, several political explanations for the resource curse have been offered. The leading argument is premised on the “rentier” thesis.¹⁴⁷ “Rentier states” are countries that receive, on a regular basis, substantial amounts of income from foreign sources without much input from the productive processes of the domestic economy. This income is called “external rent.” For example, fees collected from companies by the government in exchange for access to oil and gas in the country constitutes external rents. In a “rentier state,” the receipt of a significant amount of rent can free the government from the need to collect taxes from citizens. Without the need to tax its citizens, a country’s government lacks incentives and tools for economic and social planning and for developing sound fiscal policies in a transparent and accountable manner.

Revenue Watch

The Open Society Institute’s Revenue Watch, which in 2006 spun off as an independent organization, the Revenue Watch Institute, was established in 2002 with the aim of building the capacity of civil society groups in resource-rich countries to become more effective monitors of how much money the governments are earning and how they are spending it. The program conducts research, provides trainings for NGOs, journalists, and parliamentarians in budget monitoring techniques, and provides funding to support local budget monitors. Revenue Watch has supported the development and implementation of international protocols such as the Extractive Industries Transparency Initiative, organized regional budget transparency events for civil society and policymakers to exchange knowledge and experiences, and supported multi-stakeholder partnerships in developing countries. Revenue Watch currently works in Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mexico, Mongolia, Peru, and West and Southern Africa. Projects are planned or currently under consideration in Algeria, Brazil, Egypt, Indonesia, Libya, Sudan and Timor Leste (East Timor).

Revenue Watch is ready and eager to work with groups interested in monitoring revenues from the sale of natural resources in Burma. More information is available at <www.revenuewatch.org>.

Chad-Cameroon Oil Development and Pipeline Project

Chad is a country plagued by the resource curse. Chad has abundant oil and gas, but it has been suffering from decades of civil war, poverty, and slow economic growth, as well as a dismal record of human rights abuses, corruption, and poor governance. It achieved independence in 1960, but civil war broke out soon afterward, continuing for much of the last four decades. The current government came to power in 1990 by a coup d'etat, and it has stayed in power by rigged elections and suppressing opposition. Political power is concentrated in the president,¹⁴⁸ and rule of law is weak. Chad ranks 173rd out of 177 countries in the UN's Human Development Index for 2005.¹⁴⁹ Life expectancy is 44 years, and only 1 percent of the population has access to electricity.¹⁵⁰ The country was ranked the most corrupt country in the world in Transparency International's annual Corruption Perceptions Index for 2005.¹⁵¹

In 2000, the World Bank decided to provide nearly \$300 million in loans for a project to develop oil fields in southern Chad and construct a pipeline to transport oil to the coast of Cameroon for export. The World Bank claimed that the impoverished Chadian government could use the revenues from the project to fund basic public services such as health and education.¹⁵² Civil society organizations expressed strong concerns that providing such a large loan in a context of corruption, political repression, weak legal frameworks, and little capacity for fiscal management would not easily lead to the reversal of the resource curse.¹⁵³ Partly because of this, the World Bank took several measures intended to assist with the management of the project and oil revenues.

As the following shows, however, there has been little commitment to the implementation of these measures, and they have been largely ineffective in ensuring sound management of oil revenue or environmental and social safety. As a Chadian activist points out, such mechanisms "can only be effective if you have a context where there is democratic government, where there is good governance, where there is rule of law, where the government is abiding by law. . . . You cannot give a dictatorship or a military regime money or means to empower itself and then ask them to give the power up and abide by democratic rules. That's just impossible."¹⁵⁴

Overview of Oil Development and Pipeline Project

The Chad-Cameroon project, totaling over \$4 billion, is the largest single private investment so far in sub-Saharan Africa. It has involved drilling hundreds of oil wells in the Doba Basin in southern Chad, the greenest part of Chad and the food reserve for the whole country.¹⁵⁵ The project also has involved the construction of a 1,000 kilometer pipeline from landlocked Chad to offshore oil-loading facilities on Cameroon's Atlantic coast. The pipeline crosses crop fields and villages in Chad, and in Cameroon it crosses rivers and rainforests. ExxonMobil (U.S.), Petronas (Malaysia), and ChevronTexaco (U.S.) are involved with the project. The companies had stated that they would only proceed with the project if the World Bank were involved to provide a buffer for political risk.¹⁵⁶

The World Bank estimated that the venture could result in nearly \$2 billion in revenues for Chad (averaging \$80 million per year) and \$500 million for Cameroon (averaging \$20 million per year) over the 25-year production period.¹⁵⁷ According to the World Bank, "this project represents an unparalleled opportunity for creating a much brighter future for Chad. At present, the country cannot afford to provide the minimum public services necessary for ensuring a decent life for its people. . . . [However,] by 2004, the pipeline would increase Government revenues by 45–50 percent per year and allow it to use those resources for important investments in health, education, environment, infrastructure, and rural development, necessary to reduce poverty."¹⁵⁸

The World Bank's Conditions on Financial Support

Capacity-Building Projects

Due to substantial civil society pressure, the World Bank funded two capacity-building projects to help the Chadian government manage the oil development project as it was being implemented. These projects were meant to strengthen the government's capacity to manage and mitigate the impact of the pipeline project on the region, enhance the relevant environmental and social regulatory framework, and build capacity to manage the project revenues so as to effectively allocate oil revenues and pursue the poverty-reduction aims of the oil development venture.¹⁵⁹

Once the World Bank approved the loan, however, pipeline construction was implemented very rapidly.¹⁶⁰ The International Advisory Group (IAG),¹⁶¹ one of the mechanisms established by the World Bank to monitor implemen-

tation of the project, repeatedly recommended that the construction should be slowed.¹⁶² The World Bank did not take this advice, and construction of the pipeline and associated facilities was completed a full year ahead of schedule, while the capacity building activities lagged behind schedule.¹⁶³ As a result, the Chadian government still lacks the capacity to manage fully the impacts of the oil development project.¹⁶⁴

*Petroleum Revenue Oversight and Control Committee*¹⁶⁵

The World Bank conditioned its financial support for the oil development project on the development of a revenue management plan in Chad. The Chadian government, eager to have the World Bank approve a loan for the project, developed such a plan and incorporated it into a law in 1999. Until December 2005, under this law, part of the oil revenue had to be dedicated to the financing of “priority sectors”: health, education, infrastructure development, environment and water resources, social services, and rural development. The law also established the Petroleum Revenue Oversight and Control Committee to monitor implementation of the law and to ensure that certain portions of the revenue from the project were used in the priority sectors.¹⁶⁶

The oversight committee has nine members, five from the government and four from civil society. While the committee has made efforts to fulfill its mandate, its effectiveness remains limited by a number of obstacles. First, the committee does not have full access to information or an independent source of funding. Second, the government has placed political cronies on the committee and has interfered with the selection of members from civil society. Third, although the committee has the power to approve budgets for and investigate implementation of the projects in the priority sectors, it must rely on the government to enforce the committee’s decisions and to prosecute cases of fraud that the committee discovers.¹⁶⁷

There is little evidence that the priority sectors have benefited from the pipeline project. In the first quarter of 2004, oversight committee members visited the sites of 30 of the priority sector projects financed by oil revenue.¹⁶⁸ The committee found numerous irregularities, including incomplete projects and changes made to implementation plans for projects after they had been approved by the committee. In one location where a budget had been approved for construction of a high school, local authorities had no knowledge of the project. In another region, of the 12 water wells visited, only two were

functional. The oversight committee submitted a report of their findings to the government, but it is not clear if any action was taken.¹⁶⁹

Chadian civil society organizations always questioned whether the current government has the political will or ability to use oil revenues for poverty alleviation and community development.¹⁷⁰ The situation came to a head when the Chadian government decided to amend the revenue management law in December 2005. The amendment increased the amount of petroleum revenues that did not have to be monitored by the oversight committee. It also redefined the “priority sectors” to include spending on security. In response, in January 2006, the World Bank suspended disbursement of outstanding loans (about \$124 million) and withheld new loans and grants to Chad.¹⁷¹ The suspension automatically froze a portion of Chad’s oil revenue.¹⁷² In April 2006, Chad responded by threatening to shut down the pipeline and cut off oil production unless the World Bank released the frozen revenue.

A Model Project or Cautionary Tale?

The World Bank has described the Chad-Cameroon project as a “model project” because it has mechanisms such as the IAG to monitor implementation of the project and the oversight committee to oversee and manage oil revenues. But such mechanisms have proved ineffective in Chad and the oil revenue has not led to improved basic social services or better governance practices. Even before it suspended disbursements to Chad, the World Bank admitted in an internal assessment that, “[a]lthough steps are being taken to address these problems [related to management of oil revenue] . . . effects of these long-term efforts are gradual.”¹⁷³ Meanwhile, one activist has stated: “Once the government got the project, they became more powerful, more repressive . . . and now they are not willing to play the democratic game. . . . The project made the situation worse. Any project like this project could not be a development project unless there are minimal conditions of democracy and respect of human rights in place. . . . The international financial institutions like the World Bank and powerful countries are accomplices because they have given support to the regime.”¹⁷⁴

Connection to Burma: Trigger for Engagement by the IFIs

It is often assumed that the international financial institutions such as the World Bank would not provide financial support to Burma until there is a democratic government. As noted earlier, Burma is currently in “non-accrual

status” at the World Bank, meaning that the World Bank will not resume lending until arrears are cleared. Put another way, Burma’s arrears are the only obstacle technically keeping the World Bank from resuming its operations in Burma. And as reviewed in the case study on Afghanistan,¹⁷⁵ where there is a collective will toward World Bank reengagement, clearance of arrears is only a technical hurdle. In many respects, the situation in Chad is as troubled as in Burma: repeated coup d’etats, an undemocratic government, and violent conflict in large parts of the country for much of the last 40 years. The fact that the World Bank has funded oil development in Chad shows that the World Bank’s decision to operate in a country does not necessarily turn on whether the country has good governance, rule of law, or democratic practices.

The Chad-Cameroon pipeline project resembles the Yadana pipeline project in southern Burma.¹⁷⁶ Just as the Chad-Cameroon pipeline project is the largest single private investment in sub-Saharan Africa, the Yadana gas pipeline project is the largest single private investment made in Burma, earning hundreds of millions in revenue for the country’s regime.¹⁷⁷ Since construction of the Chad-Cameroon pipeline began, local and international organizations have been monitoring the impacts from the project and have documented problems such as violations of indigenous peoples’ rights, inadequate compensation to affected communities, and degradation of public health.¹⁷⁸ Similarly, construction and operation of the Yadana pipeline caused serious human rights abuses and environmental degradation while generating revenue for Burma’s regime. Although the World Bank has made efforts to assist Chad with the management of the project and oil revenues, thus far it is questionable whether these measures have been effective. Of course, no such measures were taken in Burma during the building of the Yadana pipeline.

Chad: Chronology of Events

<i>Political</i>	<i>Chad-Cameroon Pipeline Project</i>
1960: Chad achieves independence from France.	1963: Chad becomes member of the World Bank.
1965: Civil war starts.	
December 1990: General Deby takes over; becomes president in Feb. 1991. Unrest continues.	
June 1996: Deby wins presidential election.*	
1997: Deby's party wins legislative elections.*	
January 1999: Oil revenue management law enacted.	
May 2001: Deby wins presidential election;* opposition leaders are arrested, and one opposition party activist is killed following the announcement of election results. Civil unrest follows.	2000: World Bank approves the Chad-Cameroon oil development project.
	March 2001: Chadian villagers file request for World Bank's Inspection Panel investigation on Chad-Cameroon pipeline project.
	October 2001: World Bank authorizes Inspection Panel investigation.
	September 2002: Inspection Panel publishes its findings.
2003: Several hundred rebels join Chadian army following accord with government.	June 2003: Oil production begins; oil begins to flow in the pipeline in July.
May 2004: Coup attempt days before National Assembly was to approve an amendment to constitution to allow Deby to run for a third term.	
December 2005: Chad amends the oil revenue management law, significantly weakening it.	January 2006: World Bank suspends disbursement of outstanding loan to Chad.

* International observers noted numerous serious irregularities in these elections.

World Bank Responses and Commitments

Extractive Industries Review (www.eireview.org)

The World Bank has been a significant source of financing and other support for extractive (oil, gas, mining) industries in developing countries. Growing awareness of the resource curse has sparked a debate about the relationship between extractive industries and poverty, and the responsibilities of international institutions, extractive industries, and civil society in addressing the problem. In response to concerns about the impacts of oil, mining, and gas extraction, the World Bank in 2000 established an independent panel to evaluate whether its support of extractive sector projects was consistent with its mission of reducing poverty. This evaluation, called the Extractive Industries Review (EIR), involved consultations with industry, governments, and civil society, as well as visits to extractive project sites.

The final report of the EIR was issued in January 2004. The EIR concluded that there was *“still a role for the World Bank Group in the oil, gas, and mining sectors—but only if its interventions allow extractive industries to contribute to poverty alleviation through sustainable development,”* and that such contribution *“can only happen when the right conditions are in place [emphasis in original].”*¹⁷⁹ The EIR named three main enabling conditions: pro-poor public and corporate governance, including proactive planning and management to maximize poverty alleviation through sustainable development; more effective social and environmental policies; and respect for human rights. Notably, this conclusion was derived largely from the EIR’s observations about the absence of “enabling conditions” in Chad prior to the initiation of the oil pipeline project.¹⁸⁰

Many civil society organizations supported the EIR’s findings and urged the World Bank to accept them.¹⁸¹ The World Bank did not accept all of the EIR’s recommendations, stating that it would continue investments in extractive projects “as these will continue to be an essential part of the development of many poor nations.”¹⁸² The Bank did, however, propose to improve its approach in supporting extractive projects with regard to the quality of governance in host countries, broader inclusion of local stakeholders, transparency of revenue management and project documents, and the promotion of renewable energy.¹⁸³

World Commission on Dams (www.dams.org)

The World Commission on Dams (WCD) was another independent panel that was established by the World Bank and IUCN (World Conservation Union) in 1998, in response to growing opposition to large dams. The WCD’s mandate was to review

the development effectiveness of large dams and to establish internationally acceptable guidelines and standards for the planning, construction, operation, monitoring, and decommissioning of dams.

The WCD published its final report, *Dams and Development: A New Framework for Decision-Making*, in November 2000.¹⁸⁴ This report concluded that, although considerable benefits have been derived from dams, in “too many cases an unacceptable and often unnecessary price has been paid to secure those benefits, especially in social and environmental terms, by people displaced, by communities downstream, by taxpayers and by the natural environment.” Further, “[l]ack of equity in the distribution of benefits has called into question the value of many dams in meeting water and energy development needs when compared with the alternatives.”¹⁸⁵

The report also contained recommendations and guidelines for future dam building. Regarding the bilateral and multilateral development banks, the WCD proposed that they “ensure that any dam options for which financing is approved emerge from an agreed process of ranking of alternatives and respect WCD guidelines,” as well as review the past projects “to identify any past ones that may have under-performed or present unresolved issues.”¹⁸⁶ In response, the World Bank stated merely that it would use the WCD report “as a valuable reference to inform its decision-making.”¹⁸⁷ The ADB was slightly more responsive, saying that it “supports the Commission’s guidelines and intends to consider them in all future projects,” although it stated that it would not adopt certain guidelines that it considers are the governments’ responsibility to meet, not the ADB’s.¹⁸⁸

In March 2005, both the World Bank and the ADB approved millions of dollars in guarantees and loans for the Nam Theun 2 Hydropower Project in Laos, which involves a large dam. The project is slated to export most of its power to Thailand, thus generating revenue for the Lao government. But civil society organizations have expressed strong concerns about whether the government has the capacity to manage the project, which likely will have severe adverse impacts on the local communities and environment,¹⁸⁹ or the revenues it generates.¹⁹⁰

Burma has significant extractive resources such as natural gas, as well as considerable potential and desire to develop its hydropower capacity.¹⁹¹ The reports and recommendations of both the EIR and WCD are thus highly relevant to Burma, and they should be considered with respect to projects by future transition governments and international financial institutions alike.

CASE STUDY

Logging in Cambodia

Cambodia's resource curse comes from the country's forests, which protect rich tropical soil, stabilize watersheds, and regulate water flows and local weather systems. Cambodia is especially dependent on its forest systems because its people derive 40–70 percent of their protein from the fish in the huge Tonle Sap lake,¹⁹² which in turn depends on the surrounding forest ecosystem for nutrients.

Cambodia gained independence from France in 1953. The country's monarch, Prince Sihanouk, ruled the country until 1970, when he was overthrown. Thereafter, Cambodia went through bombing by the United States, civil war, Khmer Rouge genocide, Vietnamese invasion and occupation, and an international embargo until a peace agreement was signed in 1991. The two decades of war and mass murder resulted in the deaths of about one-third of Cambodia's population. Landmines covering 30 percent of agricultural land have maimed tens of thousands of people. Physical infrastructure was badly damaged, and death and mass migration decimated the educated middle class. Economic and judicial institutions were destroyed.

Massive Illegal Logging Follows Peace Accord

Ironically, decades of conflict and isolation in the 1970–80s protected much of Cambodia's forests from extensive exploitation. About 40 percent of Cambodia was still forested in the early 1990s.¹⁹³ As Cambodia opened up to the world in the early 1990s, however, its government officials and military, as well as business interests from neighboring countries, actively began to participate in illegal logging. Logging was used to build up personal fortunes, fund elections and other political activities, bribe officials, and finance personal armies along with remnant Khmer Rouge. Hostile factions cooperated in logging because it was so profitable.¹⁹⁴ By the mid-1990s, Cambodia had one of the highest rates of deforestation in the world, most of it by illegal or uncontrolled commercial logging.¹⁹⁵ Large swaths of Cambodia, almost 40 percent of the country, were allocated to logging concessions; some of the largest concessions went to companies known for unsustainable logging practices.¹⁹⁶

This situation caught the attention of the international community. In 1996, the IMF set a historic precedent by postponing a \$20 million loan disbursement to Cambodia, explicitly citing inadequate forest management and protection. That same year, the international Consultative Group on Cambodia,

representing 21 donor countries, began to advocate for reform in the forest sector. The World Bank became increasingly involved in promoting improved forest management, as did several embassies in Phnom Penh, including that of the United States.

The World Bank: Reform of the Concession System?

In 2000, the World Bank set up a \$5 million Forest Concession Management and Control Pilot Project (FCMCPP) as a flagship forestry project in Cambodia. The aim of the FCMCPP was to reform the concession system through technical assistance to the government and the logging concessionaires (companies). As part of its own forestry sector reform efforts, the Cambodian government required all logging companies seeking concessions to produce Sustainable Forest Management Plans and Environment and Social Impact Assessments (ESIAs) and hold public consultations. A key element of FCMCPP was to assist the companies in preparing these plans and assessments.¹⁹⁷ As a result, critics charged that the FCMCPP would merely perpetuate the concession system, which they viewed as the driving force behind illegal logging in Cambodia.¹⁹⁸

The World Bank made disclosure of the Sustainable Forest Management Plans and ESIAs a condition to the release of the balance of a separate structural adjustment loan.¹⁹⁹ The structural adjustment loan of \$30 million was intended to help the Cambodian government institute economic policy reforms in a range of sectors, including forestry.²⁰⁰ The funds were to be released in three installments as the program was implemented. The first installment (\$10 million) was released at the outset of the program, and the second installment (\$5 million) was released in 2001.²⁰¹

Under the FCMCPP, disbursement of the remaining \$15 million was conditioned on the disclosure of Sustainable Forest Management Plans and ESIAs for public consultation. The documents were originally due in September 2001, but the deadline was extended by one year under pressure from the Cambodian government.²⁰² The documents were finally released in November 2002 by the World Bank.²⁰³ Although communities dependent on forests needed access to the plans and ESIAs, as well as an opportunity to voice any concerns before the concessions were granted, the World Bank provided insufficient copies of the documents.²⁰⁴ Moreover, the consultation period was only 19 days.²⁰⁵ Nonetheless, the World Bank determined that the government had met its disclosure requirement and approved the release of the third installment in mid-December 2003.²⁰⁶

In 2004, under pressure from the international community, the Cambodian government joined international donors in commissioning an Independent

Forest Sector Review to provide guidance for forest policy in Cambodia. The review recommended that the concession system be abolished, and proposed the development of management systems at the community level to give forest-dependent Cambodians greater control over their local resource.²⁰⁷ Just two months after the review was published, however, the FCMCPP project team recommended that the government approve the forest management plans of six companies and renew their concessions for a further 25 years. The six companies have a long history of illegal logging and contractual violations,²⁰⁸ and their management plans revealed the companies' intent to illegally cut down villagers' resin trees and exclude villagers from concession areas.²⁰⁹

Consequently, in 2005, a group of Cambodian villagers who had suffered from the logging practices of these companies filed a complaint against the FCMCPP with the World Bank's Inspection Panel.²¹⁰ The villagers claimed that, through flawed project design and poor implementation, the World Bank was promoting the interests of the logging concession system and the concessionaire companies. The villagers asserted that abundant evidence existed that the companies had already harmed forest-dependent communities. The villagers added that, by endorsing the management plans and ESIA's of the six companies, the World Bank increased the likelihood that the companies would continue to control their concessions without improving their logging practices.

While the World Bank has made efforts to improve forest management in Cambodia, it seems clear that those efforts have not been entirely positive. In the current context of Cambodia, where the rule of law is nascent and civil society relatively weak, the World Bank's support of the logging concession system appears unlikely to reduce corruption or halt unsustainable deforestation. Nonetheless, the Cambodian people will have the burden of repaying the World Bank for the FCMCPP and other loans over the coming decades.

Connection to Burma: Problem of Illegal Logging²¹¹

Like Cambodia, Burma has a large forest cover and has been home to rampant and illegal logging. The plunder of forests has resulted in long-term ecological damage by erosion, siltation, watershed deterioration, and decline in agricultural productivity. In both countries, logging is closely associated, if not directly linked, with widespread illegal drug trade, sex-work, and the spread of HIV/AIDS through trucking networks for timber transport. Logging also has fueled corruption in the government and civil society. Both countries also share the irony of warring factions colluding in predatory logging because of the enormous profits the timber trade generates.²¹²

On the other hand, Burma has many more ethnic groups than Cambodia, and the logging crisis is integrally connected to the political dynamics among the military and the ethnic armies, which is a very different situation from that in Cambodia. In Burma, the regime and the ethnic groups that oppose it are locked in a “zero sum” game whereby the timber and other natural resources that are not extracted by one side may well be captured and exploited by the other. There also is far less political space or opportunity for civil society organizations in Burma than in Cambodia, where NGOs and community organizations are growing.

Under different political circumstances, the international community could support Burma’s government in devising and implementing a forest policy including land use planning, improved concession management and community-based resource management (*see box*). The international community also could take advantage of the Convention on Biological Diversity,²¹³ the International Tropical Timber Organization (ITTO),²¹⁴ and other intergovernmental instruments to which Burma is signatory to improve the country’s forest management.

Community-based Resource Management as an Effective System Emerging across Southeast Asia²¹⁵

“Community-based resource management” (CBRM) refers to management of local natural resources through traditional and modern systems with the participation of the local community. In contrast with state-controlled systems, CBRM systems integrate traditional agricultural and social practices with more modern approaches for the benefit of the community, instead of any one individual. Resources managed through CBRM include local forests, agricultural crops and gardens, minerals, soil and water resources, animal livestock, and wild game.

Evidence from Asia as well as Africa shows that, for generations, people dependent on forests and other natural resources have achieved sustainable management of local resources through community-based social systems. Now, there has been a resurgence of these systems across South and Southeast Asia, signifying the inadequacy, if not failure, of state-managed systems to address the basic needs of people dependent on natural resources, particularly in underserved and vulnerable areas. Today, CBRM is thriving in countries such as the Philippines, Thailand, India, and Nepal.

The people of Burma likely would benefit in developing CBRM systems. The many ethnic groups of Burma already have a rich history of CBRM that has been threatened by the disruptive violence and state-centered control of the military regime.

Cambodia: Chronology of Events

<i>Political</i>	<i>Logging Issues</i>
1953: Cambodia gains independence from France.	Cambodia became a member of the IMF in 1969, and the World Bank in 1970. Because of political turmoil, Cambodia did not borrow from the World Bank until 1992. It borrowed from the IMF in 1971–72.
1969: U.S. begins bombing Cambodia (until 1973)	
1970: Sihanouk overthrown in coup d'etat by pro-U.S. Lon Nol.	1970–1980: Forests remain largely unexploited.
1975: Lon Nol flees, communist Khmer Rouge takes control.	
1978: Vietnam invades Cambodia.	Late 1980s: Hun Sen's communist regime, Khmer Rouge, Thai military, and private entrepreneurs reach logging agreements, leading to increase in deforestation rate.
1989: Vietnam withdraws.	After political agreements, neighboring countries become able to engage freely and legitimately in the extraction of Cambodia's natural resources.
1991: Peace accords signed. UN helps establish an interim governing body.	September 1992: World Bank becomes active (initial focus on rehabilitation).
	1992: Interim government announces a moratorium on logging exports (effective January 1, 1993). The announcement leads to massive logging.
1993: Elections. Khmer Rouge protests with armed resistance. Prince Ranariddah and Hun Sen become co-prime ministers.	Khmer Rouge is estimated to have earned \$10–20 million in logging revenue in 1993, and continues to be a major beneficiary of logging revenue until 1996.
July 1997: Hun Sen ousts Prince Ranariddah in a coup d'etat.	July 1996: Consultative Group meeting calls for forest sector reform.
1998: National Assembly elections.	September 1997: Several bilateral donors and the IMF freeze aid programs.
	1999: At CG meeting, Global Witness is appointed as the government's Independent Monitor for forest crime monitoring and reporting.

<i>Political</i>	<i>Logging Issues</i>
<p>2003: National Assembly elections.</p>	<p>2000: World Bank approves the Forest Concession Management and Control Pilot Project in Cambodia (FCMCPP).</p> <p>April 2003: Government terminates Global Witness' appointment as Independent Monitor.</p> <p>April 2005: World Bank authorizes investigation by the Inspection Panel of the FCMCPP.</p>

VI. Conclusion

As this report shows, major international financial institutions such as the World Bank and the ADB already are preparing for reengagement in Burma. In fact, these institutions never were completely disengaged. To be sure, lending, a major means of engagement, has ceased. But the reason for this halt has been largely technical and practical—the existence of arrears and difficulties associated with obtaining acceptance to operate fully in the country—and not the lack of a democratically elected government. The report describes cases where the international financial institutions have provided large loans to countries with poor governance principles and no rule of law.

Despite the halt in lending, the World Bank has continued to monitor Burma, including through fact-finding efforts and analysis with a view to beginning the design of reengagement strategies. The IMF continues to conduct Article IV consultations. And the ADB provides grants (albeit modest in amount) for technical assistance projects to Burma. Accordingly, the people from Burma should neither ignore the need to consider their country's national development nor delay such consideration until some indefinite point in the future.

The international financial institutions have their own agenda, policies, and preferences regarding the formulation of national development and poverty reduction strategies. They regard economic growth as the most important tool to promote development and

reduce poverty, and they apply a narrow, blanket set of reforms to achieve these goals. This limited focus on economic growth and blanket application of reforms, however, has not worked in many countries.

In fact, several speakers at the October 2004 workshop stressed the importance of having a broad array of development policies, not only with regard to economic issues, such as trade, exchange rates, and foreign investment, but also in areas such as education, human resources, and industrialization. Joseph Stiglitz said in addressing the October 2004 workshop, “I talk about the importance of sustainable, equitable, and democratic development, and not just an increase in GDP—the increase in living standards for the vast majority of the population in a way that can be sustained over time.”

In the opinion of Stiglitz and other speakers, a broad array of policies is necessary for a country to achieve sustainable and equitable development. Thus, the issues and decisions concerning national development should not be left in the hands only of economists and financial experts. All citizens of Burma have a stake and should have a say in their country’s development. As Stiglitz further noted:

“You have to keep an open mind about what the right policies are. You have to listen to a whole variety of perspectives. But you should recognize first the importance of uncertainty. There is an old Chinese proverb, ‘Cross the river by feeling the stones,’ meaning that ‘we are going to do it with a certain amount of humility but confidence at the same time.’ I think this is an important framework. If you keep your eye on what the objectives are, look at the experiences that different countries have, try to have an open discussion about what the alternative consequences are, recognize that there’s a lot of uncertainty in this, that you have to cross the river by feeling the stones, I think you’re more likely to be a success than if you don’t do it.”

It is up to the people of Burma to work with and direct the international financial institutions so that when a national development strategy is ultimately adopted, it reflects the real needs and priorities of the people, and not merely the interests and priorities of the financial institutions and donor countries.

Appendix A

Topics for Discussion and Further Research

The target audiences for *Opportunities and Pitfalls: Preparing for Burma's Economic Transition* are readers from Burma who have not been informed about the process of national development or who have not had opportunities to make their voices heard about Burma's needs and hopes for the future in the context of such a process. The following topics for discussion and further research are provided primarily for such readers to facilitate further thinking and dialogue about Burma's national development and the role of international financial institutions (IFIs).

The topics are organized roughly according to the process of engagement by the IFIs, beginning with conditions for reengagement. *Starting Points* provide references to pertinent sections of the report and, where necessary, external resources.

Motives for Reengagement

- i. Regarding reengagement in Bosnia and Herzegovina (BiH), a World Bank report notes: “[World] Bank planning for reconstruction began as soon as senior management *felt* there was a strong expectation that a peace agreement *would* be reached and that the Bank *would* be a part of an integrated international effort.” (Alcira Kreimer, et al., “Bosnia and Herzegovina Post-conflict Reconstruction,” Country Case Study Series, World Bank Operations Evaluations Department, 2000 at 29, emphasis added.)

Starting Point: Section IV, Case Study: Bosnia and Herzegovina, The Dayton Accords, and the “Frankenstein Economy.”

- (1) Using the chronologies provided for each case study, note the timing of the World Bank's reengagement in Afghanistan, BiH, and Cambodia. In each of the countries, when did the World Bank start preparing for reengagement? In each case, note (a) when the conflict ended, and (b) when there was an elected government.
 - (2) Consider at what point the World Bank reengages in a country: When the country has a democratic government? When it has certain good governance practices? When the government requests reengagement?
 - (3) Under what conditions do you think the World Bank should reengage in a country?
2. Considering the troubled political situation in Chad, why do you think the World Bank provides loans to Chad and not to Burma?

Starting Point: Section V, Case Study: Chad-Cameroon Oil Development and Pipeline Project (Connection to Burma: Trigger for Engagement by the IFIs).

Arrears Clearance

As of this writing, Burma is in arrears at both the World Bank (\$142 million) and the ADB (\$28 million).

Starting Point: Section II-B (Burma's Relationship with International Financial Institutions).

- (1) How do you think Burma's arrears might be cleared?
Starting Point: Section III, Case Study: Afghanistan: How (Well) Does a Multi-donor Trust Fund Work (Connection to Burma: MDTF and Clearance of Arrears)
- (2) Why do you think the World Bank actively facilitates clearance of arrears?
Starting Point: Section IV-B-2 (Working Toward Reengagement: Arrears Clearance).
- (3) If you were a foreign government and helped to clear Burma's arrears, what might you want in return?

Multi-donor Trust Funds

1. The World Bank established a multi-donor trust fund for East Timor, called the Trust Fund for East Timor (TFET).
Starting Point: www.worldbank.org/tl (World Bank's webpage on TFET).
 - (1) Which countries contributed to the TFET? What is the amount of contributions from donor countries?
 - (2) Who is the administrator of the TFET, and how much does the administrator take as fees?
 - (3) What kind of projects and programs does the TFET support?
 - (4) What power does East Timor have in TFET?

MDB Decision Making

1. At the World Bank and the ADB, the voting power of each member country is proportionate to the amount of shares held by that country.
Starting Point: Section III-C-2 (How the World Bank Decides).
 - (1) Find out the voting power at the World Bank (IBRD) of the following countries: United States, United Kingdom, Japan, Burma, Thailand, Cambodia.
Starting Point: www.worldbank.org/
 - (2) Find out the voting power at the ADB for the same countries.
Starting Point: www.adb.org/
 - (3) Compare the voting power of the Asian countries (Japan, Burma, Thailand, Cambodia) at the World Bank and the ADB. At which institutions do these countries have more voting power?
2. The World Bank (IBRD) has 184 member countries. The day-to-day decision making at the World Bank is done by its board of directors.
Starting Point: Section III-C-2 (How the World Bank Decides).
 - (1) Does the board of directors at the IBRD have 184 directors on it? Explain your answer.
Starting Point: <http://siteresources.worldbank.org/BODINT/Resources/b-eds.pdf> (World Bank's board of directors)
 - (2) How many Directors are on the ADB's board of directors?
Starting Point: : www.adb.org/bod (ADB's board of directors)

- (3) Who represents Burma at the World Bank's board of directors? Who represents Burma at the ADB's board of directors?
3. The president of the World Bank has always been from the United States. What country is the president of the ADB always from?

The World Bank's Inspection Panel

Local residents affected by both the Chad-Cameroon pipeline project and the Forest Concession Management and Control Pilot Project (FCMCCP) in Cambodia filed requests for an investigation by the World Bank's Inspection Panel. Research how a request is filed and processed.

Starting Point: www.worldbank.org/inspectionpanel (World Bank's page on the Inspection Panel).

- (1) Who can file requests?
- (2) What kinds of documents do requesters need to file?
- (3) What happens after a request is filed? Are all requests for inspection granted?
- (4) Can you file a request for inspection before the project starts? Before the loan is approved?
- (5) What does the Inspection Panel determine?
- (6) What happens to the recommendations by the Inspection Panel?

Consultation about National Development

1. In the latest Poverty Reduction Strategy Paper (PRSP) of BiH, find the section that describes the government's consultation with BiH civil society for that PRSP.
Starting Point: www.eppu.ba/english/strategija_engl.html (Current PRSP for BiH).
 - (1) How many consultations were held?
 - (2) How many "commenting periods" were there?
2. Read the "Vision 2020" section in East Timor's National Development Plan.
Starting Point: www.pm.gov.tp/ndp.htm (East Timor's National Development Plan).
 - (1) Were many women consulted in the development of the National Development Plan? How were students involved?
 - (2) What do you think were the factors that made it possible for the East Timorese government to hold such an extensive public consultation?
3. Read some sections of the latest BiH PRSP.
Starting Point: www.eppu.ba/english/strategija_engl.html (Current PRSP for BiH).
 - (1) Do you think you need special knowledge (e.g., about economics) to effectively participate in the PRSP consultations? If so, what specialized knowledge do you think would help people participate in the PRSP consultations?
 - (2) What do you think needs to be done to ensure active participation by people without such special knowledge? Which do you think has the primary responsibility to ensure

- that people understand the consultation process, the government or the IFIs (such as the World Bank)?
- (3) If you were a Burmese government official who must organize PRSP consultations with civil society, what would you do to ensure an effective consultation with participation by many people? Consider both the process (*e.g.*, number or location of consultations, languages used) and the substance (*e.g.*, what kinds of questions would you ask the participants?).
 - (4) What do you think needs to be done to ensure that the interests of ethnic nationalities are represented in an equitable manner in Burma's national development strategy?

Sectoral Lending

Sectoral lending are loans given for a particular sector (*e.g.*, forestry, agriculture).

Starting Point: Section III-B-2 (Other Support).

- (1) In Burma, which sectors do you think should be the priorities for sectoral lending? Why? Which international institutions do you think should be consulted about such sectoral support?

Reversing Burma's Resource Curse

1. Does Burma suffer or have the potential of suffering from a resource curse? How do you think Burma can overcome its resource curse?

Starting Point: Section V (Management of Natural Resources).

- (1) If you worked for the Burmese government, what kinds of social or economic policies would you promote to make sure that the revenue from natural resources extraction benefits the people?
- (2) If you worked for the Burmese government, what precautions would you take to ensure that the resource extraction is done in a sustainable manner?
- (3) Would a democratic government automatically ensure the end of the resource curse in Burma? Why or why not?

Chad-Cameroon Pipeline

1. If you worked for the Chadian government, what would you do to make sure that the Chad-Cameroon pipeline project in fact promotes poverty alleviation?

Starting Point: Section V, Case Study: Chad-Cameroon Oil Development and Pipeline Project.

2. If you worked for the Chadian government, what would you do to support the oversight committee?
3. Consider the various problems associated with the Chad-Cameroon pipeline project and the revenues that the project generates. If you worked for the Chadian government, would you proceed with the project?

4. What are the similarities and differences between the national institutions in Chad and Burma? Do you think mechanisms similar to those established in Chad (*e.g.*, laws, monitoring bodies) could have prevented or lessened some of the damage caused by the Yadana and Yetagun pipelines? Why or why not?
Starting Point: Section V, Case Study, Chad (Connection to Burma: Trigger for Engagement by the IFIs).

5. Research the plan to construct a pipeline to carry natural gas from the Shwe gas field in the Andaman Sea to India.
Starting Point: www.earthrights.org/burma/shwepipeline.shtml (EarthRights International's webpage on the Shwe gas pipeline).
 - (1) What countries are involved?
 - (2) What companies from what countries are involved and how big are their shares in the project?
 - (3) Can you find out how much Burma will receive by exporting the gas?

Cambodia

1. What additional conditionalities could have been included in the FCMCPP project to improve it?
Starting Point: Section V, Case Study: Logging in Cambodia.

2. Read Cambodia's forestry sector review. Write a forestry management policy for Burma, addressing the issues below.
Starting Point: www.bigpond.com.kh/users/dfwjica/Forest-Sector-Review.pdf (Cambodia's Forest Sector Review).
 - (1) Access to the forests for the local people who depend on the forests for their livelihoods.
 - (2) How to ensure sustainable forestry (logging) practices.
 - (3) Management of logging revenue.

Appendix B

Useful Websites and Other Resources

The following websites and other resources are organized according to the main text of *Opportunities and Pitfalls*. Certain webpages have very long addresses (URLs). For those pages, this appendix supplies information about how to go to those pages from the organization's home page, as well as the URLs themselves.

II. Burma's Economy and Relationship with International Financial Institutions

A. Burma's Economy: Team Burma's Progress in the Race

- ▶ *Economic Development of Burma: A Vision and Strategy* (2000)
www.ibiblio.org/obl/docs3/Vision-strategy.ocr.pdf
- ▶ Robert Rotberg, Ed., *Burma: Prospects for a Democratic Future* (1998)
- ▶ David I. Steinberg, *Burma: The State of Myanmar* (2001)
- ▶ Criteria of Least Developed Countries
www.un.org/special-rep/ohrlls/ldc/ldc%20criteria.htm

B. Burma's Relationship with the International Financial Institutions

- ▶ IFI-Burma listserv and updates (provides news about IFIs and Burma)
<http://groups.yahoo.com/group/IFI-Burma>
- ▶ Burma's status in multilateral development banks (Bank Information Center)
- ▶ www.bicusa.org > Regions > Special Country Projects > Burma > Status of Burma at the MDBs
www.bicusa.org/bicusa/issues/status_of_burma_at_the_mdbs
- ▶ The World Bank's page on Burma
www.worldbank.org/mm
- ▶ World Bank Places Credits to Union of Myanmar in Non-Accrual Status (press release)
www.worldbank.org > News > Press Releases > By Region / Country > World Bank Places Credits to Union of Myanmar in Non-Accrual Status
<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20012096~menuPK:34466~pagePK:34370~piPK:34424~theSitePK:4607,00.html>
- ▶ The IMF's page on Burma
www.imf.org/external/country/mmr
- ▶ The ADB's page on Burma
www.adb.org/Myanmar
- ▶ List of ADB documents related to Burma
www.adb.org/Publications/country.asp?id=39

C. Burma and Regional Economic Integration

- ▶ ADB's page on the Greater Mekong Subregion (GMS)
www.adb.org/GMS

- ▶ ADB's page on the East-West Economic Corridor (including Moulmein and Myawaddy)
www.adb.org/GMS/Projects/flagshipB.asp
- ▶ ADB's page on the Mekong Power Grid (including Tasang in Shan State)
www.adb.org/GMS/Projects/flagshipE.asp
- ▶ Trading Away the Future: The Mekong Power Grid (International Rivers Network)
www.irn.org/programs/mekong/030620.powergrid-bp.pdf

III. Channels of Assistance and Overview of IFIs

A. Sources of Assistance: Where Aid Comes From

1. *Bilateral mechanisms*
 - ▶ US Agency for International Development
www.usaid.gov
 - ▶ UK Department for International Development
www.dfid.gov.uk
 - ▶ Japan's Official Development Assistance (ODA) webpage
www.mofa.go.jp/policy/oda
 - ▶ ECA-Watch (coalition of NGOs working to reform export credit agencies)
www.eca-watch.org
 - ▶ Japan Bank for International Cooperation (JBIC)
www.jbic.go.jp
2. *Regional organizations*
 - ▶ ASEAN's webpage on the Initiative for ASEAN Integration (IAI)
www.aseansec.org/14684
 - ▶ UNDP's webpage on Burma
www.mm.undp.org
3. *United Nations agencies*
 - ▶ World Health Organization's webpage on Burma
www.who.int/countries/mmr/en/
 - ▶ UNDP's webpage on Millenium Development Goals (MDGs)
www.undp.org/mdg
4. *Multilateral Development Banks (MDBs)*
See Section III-C, Overview of International Financial Institutions
5. *Multi-Donor Trust Funds (MDTFs)*
 - ▶ World Bank's webpage on the Afghanistan Reconstruction Trust Fund
www.worldbank.org > Countries > Afghanistan > Afghanistan Reconstruction Trust Fund
<http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0.,contentMDK:20152008~pagePK:1497618~piPK:217854~theSitePK:305985,00.html>
 - ▶ World Bank's webpage on East Timor (link to Trust Fund for East Timor)
www.worldbank.org/tl
 - ▶ Financing and Aid Management Arrangements in Post-Conflict Situations, World Bank Conflict Prevention & Reconstruction Working Paper No. 6 (June 2003)

www.worldbank.org/conflict > Publications > Working Papers
[http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/FinancingandAidManagementArrangementsinPost-ConflictSituations/\\$FILE/WP6June18.pdf](http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/FinancingandAidManagementArrangementsinPost-ConflictSituations/$FILE/WP6June18.pdf)

C. Overview of International Financial Institutions

1. *What the World Bank Does*
 - ▶ Bank Information Center, The Multilateral Banks and Burma: A Resource Book (2004)
www.bicusa.org/bicusa/issues/misc_resources/1629.php
 - ▶ Background on MDBs (Bretton Woods Project)
www.brettonwoodsproject.org/background
 - ▶ Glossary of terms related to MDBs (Bretton Woods Project)
www.brettonwoodsproject.org/glossary
 - ▶ What is the World Bank? (Bank Information Center)
www.bicusa.org > banks > World Bank > What is the World Bank?
www.bicusa.org/bicusa/issues/world_bank
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Appendix C

Glossary of Terms

The glossary includes words, phrases, and names of institutions that are relevant to the issues discussed in the report. Page reference to the pertinent section in the report is provided at the bottom of the “Definition” column for each word or phrase that appears in the report. Some of the words do not appear in the report, but are included for readers’ convenience.

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Alternate director		See board of directors
Arrears	An unpaid debt that is overdue. <i>Section III-D-3, IV-B-2</i>	
Article IV Consultation	Appraisals conducted by the International Monetary Fund (IMF) of each member country’s economic situation. Generally done annually. <i>Section II-B</i>	International Monetary Fund
Asian Development Bank (ADB)	A regional multilateral development bank established in 1966 with operations in Asia and the Pacific. The ADB has 63 member countries. <i>Section II-B</i>	World Bank
Balance of payments	A record of all transactions (payments) made or received by a country with the rest of the world during a given period of time. It is determined by a country’s exports and imports of goods, services, and financial capital, as well as financial transfers. If the value of outflows is greater than inflows, a country has a negative balance of payments. <i>Section III-B-2</i>	
Bilateral aid	Aid provided to one country from another country (e.g., Japanese aid to Burma). <i>Section III-A-1</i>	Multilateral aid

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Board of Directors	<p>At the World Bank, the board of executive directors is responsible for conducting the day-to-day business of the World Bank. The board is composed of 24 executive directors, each of whom represents one or more countries. The president of the World Bank serves as the chairman of the boards.</p> <p>At the ADB, there are 12 members on the board of directors. Eight of the 12 are elected by member countries from within the Asia-Pacific region, and the four others are elected by member countries from outside the region. Each director appoints an alternate. The president of ADB chairs the board of directors. At both the World Bank and the ADB, alternate directors function as deputies to the Executive directors and can exercise the same functions.</p> <p><i>Section III-C-2</i></p>	
Bretton Woods Institutions	A collective name for the World Bank Group and the International Monetary Fund (IMF) which were established in 1944 at Bretton Woods, U.S.	World Bank, International Monetary Fund
Capacity building	Improving local capacity and ability for development, so that development can continue in future with minimal external help. Capacity can be physical (<i>e.g.</i> , roads, power) or social (<i>e.g.</i> , education, health).	Capacity draining
Capacity draining	A process that occurs when aid donors, NGOs, or corporations attract the best trained people to work for them, leaving government ministries and departments with serious shortages of skilled people.	Capacity building
Community reintegration	Rebuilding communities that have suffered internal conflict or divisions along ethnic, religious, political, or other lines with the aim to rebuild a community that is unified, with shared aspirations, goals and priorities, and a commitment to resolve differences peacefully through agreed rules.	
Compliance Review Panel (CRP)	The forum at the ADB where people affected by ADB-financed projects can file a request for a review of whether the ADB complied with its own policies in its operations.	Inspection Panel
	<i>Section III-C-2</i>	

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Comprehensive Development Framework	The World Bank's attempt to coordinate assistance to a country from different sources and to support a country's ownership over its development strategy. A Poverty Reduction Strategy Paper (PRSP) is a key part of the Comprehensive Development Framework.	Poverty Reduction Strategy Paper, National ownership
<i>Section IV-B-3</i>		
Concessional loan	Low-interest loans with a long time to repay and a long grace period. The International Development Association (IDA) at the World Bank and the Asian Development Fund at the ADB provide such concessional loans to low-income countries that cannot borrow money in international markets.	
Conditionality	Conditions that are attached when aid or loans are given. Aid with conditionalities is sometimes called "tied aid."	
Country Assistance Plans (CAP)	CAP used to be the ADB's core planning document for operations in each of its developing member countries. Since August 2001, the ADB has been replacing CAPs with Country Strategy and Programs (CSPs).	Country Strategy and Program, Country Assistance Strategy
<i>Section IV-B-3</i>		
Country Assistance Strategy (CAS)	The World Bank's assistance strategy document, and equivalent to the Country Strategy and Program (CSP) at the ADB. CAS documents the World Bank's strategy in a country based on an assessment of priorities, and indicates the level and composition of assistance to be provided based on the strategy and the country's portfolio performance.	Country Assistance Plan, Country Strategy and Program
<i>Section IV-B-3</i>		
Country Operational Strategy Study (COSS)	A document that provides the basis for determining the ADB's thematic and sectoral priorities in its developing member countries. Since August 2001, the ADB has been replacing COSS with the Country Strategy and Program (CSP).	Country Strategy and Program
<i>Section IV-B-3</i>		

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Country Re-engagement Note (CRN)	A short-term strategy that the World Bank uses for a country that does not yet have a full-scale assistance strategy. CRN can be used to facilitate clearance of arrears (overdue payment).	Arrears
	<i>Section IV-B-2</i>	
Country Strategy and Program (CSP)	Assistance strategy document prepared by the ADB for each developing member country to outline the programs and projects that will be implemented. Usually prepared once every five years and updated every year. Equivalent of the Country Assistance Strategy (CAS) at the World Bank.	Country Assistance Plan, Country Assistance Strategy
	<i>Section IV-B-3</i>	
Developing member country (DMC)	Members of the ADB that receive loans and equity investments for their economic and social development.	Asian Development Bank
Dutch Disease	The negative effects that natural resources exports can have on a country's industries such as manufacturing. When the currency of a country (<i>e.g.</i> , kyat) increases in value because of the export of natural resources, it becomes more difficult to export other goods (<i>e.g.</i> , manufactured or agricultural products) from the country. It also becomes cheaper to import goods, which increases the competition for local industries. Over time, the country's industries may weaken and disappear, leaving the country dependent on the export of natural resources only.	Resource curse
	<i>Section V-A-2</i>	
East-West Economic Corridor (EWEC)	One of the 11 priority programs ("Flagship Initiatives") of the Greater Mekong Subregion (GMS) economic cooperation program. Its goal is to reduce significantly travel time and transport costs between the Andaman Sea and the South China Sea by establishing a land route through Burma (Moulmein to Myawaddy), Thailand, Laos and Vietnam.	Greater Mekong Subregion
	<i>Section II-C-1</i>	

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Economic integration	Formation of closer economic links among countries at the global level (economic globalization) or regional level (<i>e.g.</i> , ASEAN, GMS). Economic integration has important social, political, and security implications.	Free trade agreement, Greater Mekong Subregion
<i>Section II-C</i>		
Enabling environment	The broad overall context for aid and development programs to work. It can be about physical infrastructure (<i>e.g.</i> , roads, power), social infrastructure (<i>e.g.</i> , healthy and educated workforce), security (<i>e.g.</i> , law and order), and effective government (<i>e.g.</i> , rule of law, transparency, accountability). If many of these things are missing, it is said that the enabling environment for aid and development is poor.	
Executive directors		<i>See</i> board of directors
Export credit agency	A public agency that provides government-backed loans, guarantees, and insurance to corporations based in that country that seek to do business overseas in developing countries and emerging markets. Most industrialized nations have at least one ECA. Export-Import Banks are ECAs.	International financial institution
<i>Section III-A-1</i>		
Food and Agriculture Organization (FAO)	FAO leads international efforts to defeat hunger. It also helps developing countries and countries in transition modernize and improve agriculture, forestry, and fisheries practices and ensure good nutrition.	
Flagship initiative		<i>See</i> Greater Mekong Subregion, East-West Economic Corridor
Free trade agreement (FTA)	A form of economic integration. A formal agreement among countries to lower trade barriers and stimulate trade and investment among the agreeing members. Over time, the trade barriers among members of the agreement are expected to be reduced to zero, facilitating free trade and investment among member countries.	Economic integration

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Greater Mekong Subregion (GMS) Economic Cooperation Program	A regional economic cooperation program promoted by the ADB. It comprises six countries: Burma, Thailand, Vietnam, Laos, Cambodia, and China. Burma is a beneficiary of GMS-wide technical assistance from the ADB. The GMS has 11 priority programs called “flagship initiatives,” one of which is the East-West Economic Corridor.	Asian Development Bank, East-West Economic Corridor, Economic integration
<i>Section II-C-1</i>		
Gross Domestic Product (GDP)	The total market value of goods and services produced in a country during a given period. Commonly used measure of the total output (or income) of an economy.	
Heavily Indebted Poor Country (HIPC) Initiative	A joint initiative by the World Bank and the IMF. An arrangement to reduce the debt of the most heavily indebted countries in exchange for implementing certain economic reforms and poverty reducing policies.	Poverty Reduction Strategy Paper
<i>Section IV-B-2</i>		
Human Development Index (HDI)	A summary composite index that measures a country’s average achievements in three basic aspects of human development: longevity (life expectancy), knowledge (adult literacy and school enrollment rates), and standard of living (GDP per capita).	
<i>Section V-A-1, V-A-B</i>		
Inspection Panel	An independent three-member body created in 1993 at the World Bank to determine (inspect) whether the World Bank complied with its policies in its operations. Citizens who believe that they have been or could be directly harmed by a project financed by the World Bank may file requests for inspection.	Compliance Review Panel, policy
<i>Section III-C-2</i>		
International Bank for Reconstruction and Development (IBRD)	IBRD provides loans, guarantees, and non-lending services to middle-income and creditworthy poorer countries. With the International Development Association (IDA), usually called the “World Bank.”	Bretton Woods Institutions, International Development Association

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
International Development Association (IDA)	Offers assistance to the poorest countries, providing them with interest-free loans, technical assistance, and policy advice. With the International Bank for Reconstruction and Development (IBRD), usually called the “World Bank.”	Bretton Woods Institutions, International Bank for Reconstruction and Development
International Finance Corporation (IFC)	A part of the World Bank Group. IFC provides loan and equity financing for private sector projects in developing countries.	World Bank Group
International financial institution (IFI)	A generic name for financial institutions operating on an international level, ranging from multilateral development banks (MDBs), such as the World Bank and Asian Development Bank (ADB), and monetary authorities, such as the International Monetary Fund (IMF), and export credit agencies (ECAs).	Multilateral development bank, International Monetary Fund, export credit agency
<i>Section III-C</i>		
International Monetary Fund (IMF)	An international monetary authority working to secure global financial stability, facilitate international trade, and to provide temporary financial assistance to countries to help ease balance of payments adjustment.	Bretton Woods Institutions, Article IV consultations
<i>Section II-B</i>		
Lootable resources	Resources that are easily extracted and moved to another place for sale, <i>e.g.</i> , gems. Non-lootable resources are resources that are not easily extracted and moved to another place for sale, <i>e.g.</i> , oil and gas.	
Low Income Country Under Stress (LICUS) Initiative	The LICUS Initiative is a framework for the World Bank to engage in countries with very weak policies, institutions and governance. The LICUS approach lets the World Bank engage with a country even when the country is in arrears at the World Bank and cannot receive financial assistance.	
<i>Section IV-B-1</i>		
Macroeconomics	Macroeconomics looks at the whole national economy and the policies that affect matters such as inflation, unemployment, and economic growth.	Microeconomics

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Market economy	An economy in which prices and allocation of resources are determined largely by the forces of supply and demand rather than government control.	
Mekong Power Grid (Regional Indicative Master Plan on Power Interconnection in the GMS)	One of the priority programs (“flagship initiatives”) of the Greater Mekong Subregion (GMS) Economic Cooperation Program. A plan to establish a regional power grid among the GMS countries supported by large-scale hydropower plants in China, Laos, and Burma.	Greater Mekong Subregion
Microeconomics	Microeconomics looks at issues such as the purchasing choices made by consumers, pricing and output decisions by individual firms, and the behavior of specific industries (<i>e.g.</i> car industry).	Macroeconomics
Millennium Development Goals (MDG)	At the Millennium Summit in September 2000, world leaders agreed on eight Millennium Development Goals (MDG) as an agenda to reducing poverty and improving lives. The overarching goal is to cut poverty in half by 2015. <i>Section III-A-3</i>	
Multilateral aid	Aid provided by international agencies that comprise multiple countries as members. For example, the World Bank, ADB, UNDP, FAO, WHO. <i>Section III-A</i>	Multilateral development bank, Bilateral aid
Multilateral development bank (MDB)	An international institution with governmental membership that provides financial support and advice for economic and social development activities in developing countries. The five major MDBs are: The World Bank, Inter-American Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and African Development Bank. <i>Section III-A, III-C</i>	
Multi-donor trust fund (MDTF)		<i>See</i> Trust fund
National ownership	A country’s control over their relationship with donor governments and institutions, policies, programs, and strategies for development.	Comprehensive Development Framework

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Non-accrual status policy	The World Bank's policy of placing all its loans and credits to, or guaranteed by, a country in non-accrual status if payment on any loan or credit is overdue by more than six months. The World Bank put all credits to Burma in non-accrual status in September 1998. <i>Section II-B</i>	
Ownership		<i>See</i> National ownership
Policy	Guidelines that multilateral development banks (MDBs) are required to comply with when they operate. Some of the policies are relevant to preventing or mitigating negative environmental and social impacts in the project area or on local peoples. Those policies are called "safeguard policies." <i>Section III-C-2</i>	
Poverty Reduction Strategy Paper (PRSP)	A document that outlines national programs for poverty reduction, and serves as the basis for debt relief under the HIPC Initiative. A PRSP is supposed to be developed by the country and reflect the priorities identified by the country in its effort to reduce poverty, but the country will not receive financial and other support from the World Bank and the IMF unless its PRSP is deemed "credible" by the World Bank and the IMF. <i>Section IV-B-2</i>	HIPC Initiative
Regional Indicative Master Plan on Power Interconnection in the GMS		<i>See</i> Mekong Power Grid
Remittances	Money sent home by workers working in another country. Remittances do not directly cause problems, but they are symptomatic of deeper economic malaise such as lack of employment opportunities and social problems such as family disintegration.	

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Renewable resources	Resources that can be replaced or renewed after they have been used (<i>e.g.</i> , water, fish). Nonrenewable resources are those that cannot be replaced or renewed after use (<i>e.g.</i> , oil, gas, gems, etc.).	
Rentier state	A situation where a government earns money mainly by selling access to natural resources in the country. The government therefore does not rely on taxes from citizens. Because of this, the government can ignore citizens and become undemocratic and unaccountable. Access to natural resources is given in exchange for a fee, which is called “rent.” “Rent-seeking” behavior occurs when people, businesses, or governments make special rules to control access to resources or business opportunities (<i>e.g.</i> , licenses, quotas, government regulations).	Resource curse
Rent-seeking		See Rentier state
Resource curse	When a resource-rich country suffers from poor governance, conflict, and/or stunted economic development. <i>Section V</i>	
Revenue	The money earned by companies selling the natural resources. Sometimes, the owners of natural resources get a share of this by negotiation, through revenue-sharing arrangements. The owners can be individuals, companies, or the government of the country.	
Royalties	A fee paid by companies to the owners of natural resources for the right to extract these resources. The amount may be specified at the outset, or contingent on the amount of resources extracted over time. Royalties usually are paid separately from other revenue-sharing arrangements between the owners and the extracting companies.	Rentier state
Safeguard policy		See Policy
Social capital	The social links, ties, networks, and trust that allow a process of market-led development to take place. For example, connections that a person has with friends and relatives that are helpful in the running of a successful business may be social capital. A term often used by IFIs such as the World Bank.	

<i>Word</i>	<i>Definition</i>	<i>Related Terms</i>
Structural adjustment loans	Loans given by multilateral development banks (MDBs) that require the borrower to follow the bank's advice and recommendation in order to help the country make an economic recovery.	
Tied aid		See Conditionality
Trust fund	In the context of development assistance, a trust fund is a pool of funding contributed by donors but set aside for the benefit of a designated developing country. Multi-donor trust funds are a common arrangement to channel assistance from multiple donors into one country, and they often are established to assist countries in urgent need of funding, including for postconflict reconstruction. <i>Section III-A-5</i>	
United Nations Development Programme (UNDP)	A UN organization advocating for change and connecting countries to knowledge, experience, and resources to help people build a better life. <i>Section III-A-3</i>	
World Bank	A term that usually refers to two institutions in the World Bank Group: International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). <i>Section III-C, IV</i>	International Bank for Reconstruction and Development, International Development Association, World Bank Group
World Bank Group	A collective term for five institutions: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). <i>Section III-C-1</i>	World Bank
World Health Organization (WHO)	A UN agency that works to promote health in member countries.	
World Trade Organization (WTO)	An international organization dealing with the rules of trade between nations.	

Appendix D

Civil Society Organizations that Monitor International Financial Institutions

- ▶ **Aid/Watch**
19 Eve Street
Erskineville NSW 2043
Australia

Website: www.aidwatch.org.au
Phone: +61 02-9557-8944
Email: aidwatch@aidwatch.org.au
- ▶ **Bank Information Center**
1100 H Street NW Suite 650
Washington, DC 20005
U.S.A.

Website: www.bicusa.org
Phone: +1 202-737-7752
Email: info@bicusa.org
- ▶ **Bretton Woods Project**
c/o Action Aid
Hamlyn House
Macdonald Road London
N19 5PG
United Kingdom

Website: www.brettonwoodsproject.org
Phone: +44 20-7561-7610
Email: info@brettonwoodsproject.org
- ▶ **ECA-Watch: Participants by country**
www.eca-watch.org/about/activengos.html
- ▶ **50 Years is Enough**
3628 12th Street NE
Washington, DC 20017
U.S.A.

Website: www.50years.org
Phone: +1 202-463-2265
Email: info@50years.org
- ▶ **Focus on the Global South**
c/o CUSRI, Chulalongkorn University
Wisit Prachuabmoh Building
Bangkok 10330
Thailand

Website: www.focusweb.org
Phone: +66 2-2187363-65
Email: admin@focusweb.org
- ▶ **Friends of the Earth International**
P.O. Box 19199, 1000 GD
Amsterdam
The Netherlands

Website: www.foei.org
Phone: +31 20 622 1369
E-mail: foei@foei.org
- ▶ **Friends of the Earth: Groups by country**
www.foei.org/groups/members
- ▶ **Mekong Watch**
2F Maruko Bldg. 1-20-6 Higashi Ueno
Taito-ku, Tokyo 110-0015
Japan

Website: www.mekongwatch.org
Email: info@mekongwatch.org
Phone: +81 3-3832-5034
- ▶ **NGO Forum on the ADB**
85-A, Masikap Ext., Central District
Diliman, Quezon City, 1101
Philippines

Website: www.forum-adb.org
Phone: +63 2-921-4412
Email: forum@pacific.net.ph

Notes

1. See, e.g., Khin Maung Kyi, Ronald Findlay, *et al.*, *Economic Development of Burma: A Vision and a Strategy* (2000), at <www.ibiblio.org/obl/docs3/Vision-strategy.ocr.pdf>, David I. Steinberg, *Burma: The State of Myanmar* (2001) [hereinafter “Steinberg”], “Burma: Prospects for a Democratic Future” (Robert Rotberg, Ed., 1998) [hereinafter “Rotberg”]. See also Sean Turnell, “Burma’s Economic Prospects,” testimony before the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs, March 2006.
2. Anonymous presentation at October 2004 workshop (audio recording on file with author) [hereinafter “Anonymous #1”].
3. During its colonial rule (1886-1948), the British had encouraged Indians to migrate to Burma to work in the administration as well as in various industries. Eventually Indians began to control much of the economy, and there were anti-Indian riots in major cities in the 1930s. Steinberg at 126, 230-231. See also, Mark Mason, “Foreign Direct Investment in Burma: Trends, Determinants, and Prospects” [hereinafter “Mason”] in Rotberg, 209-229, at 210.
4. David Dapice, “Development Prospects for Burma: Cycles and Trends,” in Rotberg, 153-164, at 153.
5. Steinberg at 33.
6. Anonymous #1.
7. Mason at 210.
8. Steinberg at 128.
9. For criteria for LDCs, see <www.un.org/special-rep/ohrlls/lhc/lhc%20criteria.htm>.
10. Anonymous #1.
11. Steinberg at 134-5.
12. Anonymous #1. See also Steinberg at 138-9.
13. Anonymous #2, comment at October 2004 workshop (audio recording on file with author).
14. Note that the suspension of lending is attributed to strictly financial considerations, not political ones. Officially, the World Bank staff are prohibited from “interfere[ing] in the political affairs of any member” and their decisions must not be “influenced . . . by the political character of the member or members concerned.” IBRD Articles of Agreement Article IV, Section 10.
15. *The World Bank Annual Report 2004*. Note that technically Burma’s “non-accrual status” is the only reason the World Bank is not active in Burma. For further discussion of arrears clearance, see Section III-D-3. For a recent World Bank account of its interactions with Burma, see Attachment F in “Low-Income Countries Under Stress (LICUS) Implementation Trust Fund: Request for Replenishment and Special Support for Sudan,” the World Bank, December 2005.
16. The IMF does not public disclose the reports of Article IV consultations unless the country consents.
17. Senate Report 108-346, Foreign Operations, Export Financing, and Related Programs Appropriations Bill, 2005.

18. For more on Burma's participation in the GMS program, see the Bank Information Center, *The Multilateral Banks and Burma: A Resource Book* (2004) [hereinafter "Resource Book"]. See also IFI-Burma Updates, available at <<http://groups.yahoo.com/group/IFI-Burma>>.

19. The amount of these technical assistance grants is not insignificant. For example, grants for regional technical assistance projects (including Burma as participant) approved between July 2004 and April 2005 amounted to over \$5 million. *IFI-Burma News Alert*, April 2005, available at <<http://groups.yahoo.com/group/IFI-Burma>>.

20. He Shengda, Sino-Myanmar Economic Cooperation Since 1988: Progress, Problems and Prospects, presentation at October 2004 workshop (audio recording on file with author) [hereinafter "He Shengda presentation"].

21. Burma, however, owes China at least \$100 million for these engineering projects and other loans. He Shengda presentation.

22. See, e.g., J. Mohan Malik, "Burma's Role in Regional Security – Pawn or Pivot?" in Rotberg, at 109–134.

23. The regional initiatives are intertwined. An 18-kilometer segment of the East-West Economic Corridor in Burma is being built with assistance from Thailand as part of its "Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)."

24. The Asian Development Bank, *Connecting Nations Linking People: The Greater Mekong Subregion (GMS) Economic Cooperation Program* (2002).

25. Alfred Oehlers, Regional Economic Integration, presentation at October 2004 workshop (audio recording on file with author) [hereinafter "Oehlers presentation"].

26. This section relies generally on Oehlers presentation.

27. See Section V-A-2 about the effects that unstable commodity markets can have on a country's economic growth.

28. Collectively, ECAs are estimated to have funded more than double the number of extractive projects than the World Bank Group. For more, see the ECA-Watch website at <www.eca-watch.org>.

29. See ASEAN's webpage on IAI at <www.aseansec.org/14684>.

30. The UNDP's program in Burma differs from a typical UNDP program in that it works directly with the local communities, whereas normally the UNDP works with governments. For more information on the Human Development Initiative in Burma, see UNDP webpage at <www.mm.undp.org>.

31. UNDP's webpage on the MDGs at <www.undp.org/mdg>.

32. See, e.g., UN Non Governmental Liaison Service webpage at <www.un-ngls.org/MDG/Q&A.htm>.

33. For a more detailed discussion of MDBs, see Section III-C, IV-A, and IV-B.

34. This was benignly called the "Forestry Project." See the list of completed projects on the World Bank's webpage on Burma at <www.worldbank.org/mm>.

35. According to the World Bank, "[b]ecause of the greatly reduced institutional capacity in post-conflict countries, trust funds need to be implemented by or through the Bank, rather than solely by the country, which is the guiding assumption under normal procedures." Alcira Kreimer, *et al.*, *Bosnia and Herzegovina Post-conflict Reconstruction*, Country Case Study Series, World Bank Operations Evaluations Department (2000) [hereinafter "OED 2000"], at 68.

36. The structure of this section relies on Peter Riggs, Sectoral Lending, presentation at the October 2004 workshop (audio recording on file with author) [hereinafter "Riggs presentation"].

37. Riggs presentation.
38. Approximately 20–25 percent of the World Bank’s total lending goes to postconflict countries. Naomi Klein, “The Rise of Disaster Capitalism,” *The Nation*, May 2005 [hereinafter “Klein”]. Note that because the World Bank collects on most of its debts, current lending means future profit for the Bank.
39. For example, the World Bank usually assumes the role of administrator of multi-donor trust funds (MDTFs). See section III-A on MDTFs.
40. See also *Resource Book*, *supra* note 18.
41. Its first loan was made to France in 1947. See the World Bank chronology at <www.worldbank.org/archives>.
42. The contribution to IDA commonly is called “replenishment.”
43. For more, see Section IV-B.
44. The ADB has a similar mechanism called the Compliance Review Panel.
45. This was done under the “watching brief” program. For more information on the watching brief program, see Section IV-B-1.
46. Note that these “needs” were assessed, and assistance to meet those “needs” endorsed, before there was an elected government in Afghanistan.
47. The World Bank, *Afghanistan Reconstruction Trust Fund: Report to Donors* (December 2004) [hereinafter “ARTF Report Dec. 2004”], at 1.
48. It is standard procedure for the World Bank to be the administrator of MDTFs. Salvatore Schiavo-Campo, *The World Bank, Financing and Aid Management Arrangements in Post-Conflict Situations, Conflict Prevention & Reconstruction Working Paper No. 6* (June 2003) [hereinafter “Schiavo-Campo”], at 28. See also OED 2000, *supra* note 35.
49. The ARTF coverage is “the most comprehensive yet achieved in post-conflict situations, with virtually all major budget categories covered. . . .” Schiavo-Campo at 30.
50. ARTF Report Dec. 2004. Anne Carlin, *Afghanistan Trust Fund Case Study*, presentation at October 2004 workshop (audio recording on file with author) [hereinafter “Carlin presentation”].
51. Normally the World Bank takes an administration fee of 2 percent. Schiavo-Campo at 28. Regarding the ARTF, total World Bank fees can be estimated at \$3.18 million based on the \$212 million disbursed as of September 1, 2003. Bank Information Center’s webpage on the ARTF at <www.bicusa.org/bicusa/issues/afghanistan_reconstruction_trust_fund> [hereinafter “BIC webpage on ARTF”].
52. World Bank’s webpage on the ARTF, linked from webpage on Afghanistan <www.worldbank.org/af>.
53. BIC webpage on ARTF, citing Annex 2A, *The World Bank, Afghanistan Reconstruction Trust Fund: Report to Donors* (June 20, 2003). The webpage further points out that the template and guidelines are based on traditional project processing for World Bank loans.
54. ARTF Report Dec. 2004 and the World Bank’s webpage on the ARTF.
55. Carlin presentation. The IOM received 10 percent of the initial \$5 million allocation from ARTF. *The World Bank, Afghanistan Reconstruction Trust Fund: Report to Donors* (March 2005), at 39.
56. ARTF Report Dec. 2004.

57. BIC webpage on ARTF.
58. Carlin presentation.
59. BIC webpage on ARTF.
60. BIC webpage on ARTF.
61. BIC webpage on ARTF.
62. “Arrears” are loan payments that are overdue. Therefore, even when a country clears all its arrears, it may still have outstanding debt, as did Afghanistan here.
63. The World Bank, Country Brief on Afghanistan (2002).
64. The World Bank, Country Brief on Afghanistan (2004). Arrears to the International Monetary Fund (IMF) (\$11 million) were also cleared in February 2003. IMF, *The Arrears Clearance by the Islamic State of Afghanistan*, press release, February 27, 2003.
65. The ADB, “UK Government Clears Afghanistan’s Arrears to ADB of US\$18 Million,” media release, December 3, 2002.
66. Postconflict Multisector Program, approved in December 2002.
67. Anne Carlin, Bank Information Center, Rush to Reengagement in Afghanistan: The IFIs’ Post-Conflict Agenda,” at: www.bicusa.org/bicusa/issues/Afghanistan_Report_Trip1.pdf [hereinafter “Carlin/BIC report”].
68. *Supra* note 15. See also Section II-B and Appendix C (Glossary of Terms) on “non-accrual status.”
69. *Supra* note 17.
70. Manish Bapna, World Bank Approaches, presentation at October 2004 workshop, audio recording on file with author [hereinafter “Bapna presentation”].
71. Joseph Stiglitz, *Globalization and its Discontents* (2002) [hereinafter “Stiglitz”] at 16.
72. John Williamson, “What Should the World Bank Think about the Washington Consensus?,” *The World Bank Research Observer*, vol.15, no. 2 (August 2000), 251–64, at 251.
73. Stiglitz at 16.
74. Stiglitz at 16–17.
75. Stiglitz at 20.
76. Stiglitz at 241–2.
77. Stiglitz at 84, 183–4.
78. UN Non-Governmental Liason Service website, at <www.un-ngls.org/MDG/Q&A.htm>.
79. OED 2000, *supra* note 35, at 3, footnote 5.
80. Carlin/BIC report, *supra* note 67.
81. For more, see the World Bank’s webpage on LICUS at <www.worldbank.org/licus>. The World Bank regards Burma as LICUS.
82. See <www.worldbank.org/licus>. The World Bank further states: “These early re-engagement activities [under LICUS] have proved critical in positioning the World Bank to move quickly when an opportunity for transition occurs.” *Id.*

83. The World Bank, Afghanistan Transitional Support Strategy (March 2003) [hereinafter Afghanistan TSS] at 12.
84. Fareed M.A.Hassan, Operations Evaluation Department, the World Bank, Lessons Learned from World Bank Experience in Post-Conflict Reconstruction, OED Conference Note (2004) [hereinafter “Lessons Learned”], at 4. OED 2000, *supra* note 35, states that the financing plan “protected the [World] Bank by using an existing precedent [used for Bangladesh] and ensuring that the plan did *not involve a debt write-off or forgiveness by the IBRD.*” 33–34. (Emphasis added.)
85. Generally speaking, in order to be eligible for HIPC, a country must (1) face an unsustainable debt situation (in most cases, debt is considered unsustainable when the debt-to-export levels are above 150 percent); (2) be eligible only for highly concessional assistance from the World Bank and IMF; and (3) establish a track record of reform and develops a PRSP with civil society participation. For more information on HIPC, see the World Bank’s webpage at <www.worldbank.org/debt>.
86. This is a generalized table, and the actual process of reengagement differs from country to country. For example, not all countries will be in arrears at the World Bank.
87. For more, see the World Bank’s page on PRSP at <www.worldbank.org/prsp>.
88. See generally, *The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank’s Support Through 2003*, World Bank Operations Evaluations Department (July 2004) [hereinafter “World Bank Evaluation”], and *Report on the Evaluation of Poverty Reduction Strategy Papers (PRSPs) and The Poverty Reduction and Growth Facility (PRGF)*, Independent Evaluation Office of the IMF (July 2004) [hereinafter “IMF Evaluation”].
89. “[C]ivil society organizations in some countries consider that this openness [through consultations] has had only limited impact on the design of PRSPs and on subsequent domestic policy, and that participatory activities have often waned once the PRSP was formulated.” World Bank Evaluation at 6.
90. The World Bank admits as much: “The process of presenting a PRSP to the Boards of the [World] Bank and the Fund [IMF] has been perceived as undermining the principle of country ownership—as “Washington signing off” on a supposedly country-owned strategy.” World Bank Evaluation at 5.
91. IMF Evaluation at 24.
92. For more, see the World Bank’s page on CAS at <www.worldbank.org/cas>.
93. The ADB uses a similar document called “Country Strategy and Program” (CSP) for each borrowing country.
94. Afghanistan TSS at ii. After national elections in September 2005, a parliament was formed in December of that year. Afghanistan presented an Interim National Development Plan (equivalent of an Interim PRSP) to international donors in January 2006.
95. *The World Bank Annual Report 2005* at 58.
96. The term “Frankenstein Economy” was used to describe the current situation of BiH economy in Dragoljub Stojanov, Bosnia-Herzegovina Case Study, presentation at the October 2004 workshop (audio recording on file with author) [hereinafter “Stojanov presentation”]. Frankenstein, a fictional scientist in a 1818 novel by Mary Shelley, created a human-shaped monster from corpses. The scientist’s name is commonly used to refer to the monster. The word “Frankenstein” also is used to describe something that escapes from the control of, and ultimately destroys, its creator.
97. This agreement is so named because it was signed in Dayton, Ohio, in the United States.
98. This was after the Bosniac-Croat ceasefire but the Bosniac-Serb conflict continued. Schiavo-Campo, *supra* note 48, at 14.

99. Lessons Learned, *supra* note 84, at 8.
100. Schiavo-Campo at 14.
101. *Id.* at 12.
102. OED 2000, *supra* note 35, at 20–21.
103. Schiavo-Campo at 18.
104. See Annex IV of Dayton Accords.
105. OED 2000 at 23.
106. Schiavo-Campo at 13.
107. Stojanov presentation.
108. OED 2000 at 56
109. As noted in Section IV-A-2, the World Bank rescheduled BiH's existing debt (\$621 million, 80 percent of which was in arrears) into three new loans.
110. *Bosnia and Herzegovina—The Priority Reconstruction and Recovery Program: The Challenges Ahead*, Discussion Paper No. 2, Vol. 1 (1996), prepared by the World Bank, European Commission, and the European Bank for Reconstruction and Development for the second donors' conference.
111. Note that PRSPs only came into existence in September 1999. Further, the Dayton Accords themselves provided for institutionalized IFI influence. For example, the Accords required that the first governor of BiH's central bank be a non-BiH citizen appointed by the IMF. See Article VII(2) of BiH Constitution, contained in Annex IV of the Dayton Accords. After the first six years, the governor obtained BiH citizenship in order to continue as governor for 18 more months. See, e.g., "Nicholl Extends His Stay," Central Banking Publications, May 26, 2003, at <www.centralbanking.co.uk/newsmakers/archive/2003/may26.htm>.
112. "Based on its impressive economic recovery and sustained social stability, supported by high levels of international assistance, the country can be considered a post-conflict success story." The World Bank's webpage on BiH at <www.worldbank.org/ba>.
113. Stojanov presentation.
114. Stojanov presentation and personal communication with Dragoljub Stojanov (July 2005).
115. Stojanov presentation.
116. Even the World Bank admits as much: "The country's growth is still too dependent on foreign assistance. . . . GDP growth has been closely related to reconstruction aid flows, which are now being phased out." The World Bank's webpage on BiH. GDP is the total value of all goods and services produced within a territory (usually a country) during a specified period.
117. Stojanov presentation. Some say that "economic destruction" of Yugoslavia by the IFIs had already begun much earlier: "Throughout the 1980s, the IMF and World Bank periodically prescribed further doses of their bitter economic medicine as the Yugoslav economy slowly lapsed into a coma." See, e.g., Michel Chossudovsky, "Dismantling Yugoslavia, Colonizing Bosnia," in *Covert Action*, No. 56 (Spring 1996).
118. Article VIII of the BiH Constitution as contained in the Annex IV of the Dayton Accords. Open Society Fund–Bosnia and Herzegovina, *International Support Policies to SEE Countries—Lessons (not) Learned in Bosnia-Herzegovina*, Summary Report, August 2001 [hereinafter "OSI report"], at 12. See also, OED 2000.

119. OSI report at 12.
120. *Id.* at 13.
121. Privatization law written by USAID. OSI report at 13, 15.
122. Dragoljub Stojanov, *Bosnia-Herzegovina Since 1995: Transition and Reconstruction of the Economy*, available at: <www.esiweb.org/pdf/bridges/bosnia/Stojanov_ChIV.pdf> at 55.
123. Stojanov presentation.
124. Term by Amy Chua. Amy Chua, *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability* (2003) [hereinafter “Chua”] at 6.
125. Chua at 171.
126. *Id.* at 45.
127. *Id.* at 47–48. Chua observes that in countries that have pervasive poverty and a market-dominant minority, the pursuit of free markets and democratization has repeatedly caused ethnic conflict with “catastrophic consequences, including genocidal violence and the subversion of markets and democracy themselves.” Chua at 16.
128. Chua at 23, Steinberg, *supra* note 1, at 228–31.
129. Emilia Pires, “Strategies for Development: Experiences from East Timor,” in NDF, UNLD, et al., *Another Development for Burma: Priorities in Transition* (2004), 141–149 [hereinafter “Pires”], at 142.
130. For more on the formulation of the National Development Plan, see The Path We Took section in The National Vision at 4-5. Webpage containing links to the National Development Plan at <www.pm.gov.tp/ndp.htm>.
131. The Path We Took.
132. Pires, *supra* note 129, at 145.
133. *Id.*
134. Personal communication with Emilia Pires, October 2005.
135. See Zaw Oo, *Natural Resource Management in Burma: From Resource Curse to Sustainable Development?*, presentation at the October 2004 Workshop (audio recording on file with author).
136. Emeka Duruigbo, “The World Bank, Multinational Oil Corporations, and the Resource Curse in Africa,” *University of Pennsylvania Journal of International Economic Law* (Spring 2005) [hereinafter “Duruigbo”] at 27.
137. Unless otherwise noted, this section relies generally on Svetlana Tsalik, *Resource Curse*, presentation at the October 2004 Workshop (audio recording on file with author).
138. For general information on the resource curse, see Jeffrey D. Sachs & Andrew M. Warner, *Natural Resources Abundance and Economic Growth*, Development Discussion Paper No. 517a, Harvard Institute for International Development (October 1995). See also Michael L. Ross, “The Political Economy of the Resource Curse,” *World Politics* 51 (January 1999), 297-322 [hereinafter “Ross”] and Terry Lynn Karl, “The Oil Trap,” *Transparency International Quarterly Newsletter* (September 2003).
139. The Human Development Index measures a country’s average achievements in three basic aspects of human development: longevity (life expectancy), knowledge (adult literacy and enrollment rates), and standard of living (GDP per capita).

140. For a review of different economic and political explanations for the resource curse, *see* Ross, *supra* note 138.
141. The term originated from the impact of North Sea gas development on the Dutch economy in the 1960s.
142. *See, e.g.*, Ross at 306 and Duruigbo at 14-15.
143. Ross at 301.
144. Ross at 304.
145. *See, e.g.*, Ross at 307 for examples of such policy tools.
146. Ross at 307.
147. Ross at 312, Duruigbo at 15-17.
148. Ian Gary, Catholic Relief Services & Nikki Reich, Bank Information Center, *Chad's Oil: Miracle or Mirage? Following the Money in Africa's Newest Petro-State* (2005) [hereinafter "CSR/BIC"], at 18.
149. UN Human Development Report 2005. For information on the Human Development Index, *see* note 139.
150. CSR/BIC at 15.
151. Transparency International, Corruption Perceptions Index 2005.
152. Project Concept Paper available on the World Bank's webpage on the Chad-Cameroon project at <www.worldbank.org/afr/ccproj>.
153. CSR/BIC at 8, 51.
154. Delphine Djiraibe, "Chad-Cameroon Oil Development and Pipeline Project," presentation at October 2004 Workshop, audio recording on file with author [hereinafter "Djiraibe presentation"].
155. Djiraibe presentation.
156. CSR/BIC at 8.
157. Project Concept Paper available on the World Bank's webpage on the Chad-Cameroon project, *supra* note 152.
158. "World Bank Group Approves Support for Chad-Cameroon Petroleum Development and Pipeline Project," World Bank press release, June 6, 2000, and "Chad Announces Start of Oil Production," World Bank press release, July 15, 2003.
159. *Id.*
160. CSR/BIC at 81.
161. The IAG is a five-member independent body of experts created by the World Bank in 2001 at the urging of civil society groups to monitor the implementation of the project. The IAG reports directly to the World Bank's president. The IAG has conducted eight missions to Chad and Cameroon and has published summary reports after each visit. *See* the IAG website at <www.gic-iag.org>.
162. Djiraibe presentation, CSR/BIC at 81.
163. CSR/BIC at 81.
164. *Id.*

165. For more information on the oversight committee, see CSR/BIC 51-67. CSR/BIC also contains an English translation of the revenue management law in Appendix 1.
166. The oversight committee is only in charge of most of the “direct revenues” (royalties and dividends) from oil development in Doba basin. It has no control over “indirect revenues” (e.g., income tax on companies) or revenues from oil development in other parts of Chad. CSR/BIC 42-43, Duruigbo 41-43.
167. CSR/BIC at 58-67 details the oversight committee’s capacity problems. *See also* Friends of the Earth, *Oil Funds: Answer to the Paradox of Plenty? A Policy Brief on Oil Revenue Monitoring Plans: Comparison Across Countries* (November 2002).
168. CSR/BIC at 58.
169. *Id.*
170. Bank Information Center’s webpage on the Chad-Cameroon pipeline at < www.bicusa.org/bicusa/issues/chadcameroon_oil_pipeline_project>.
171. “World Bank Suspends Disbursements to Chad,” World Bank press release, January 6, 2006. Note that the World Bank suspended, not cancelled, the loan.
172. “Questions and Answers” on the World Bank webpage about the Chad-Cameroon pipeline project, *supra* note 152.
173. CSR/BIC at 22.
174. Djiraibe presentation.
175. Section III-D.
176. The Yadana gas pipeline was built across southern Burma by a consortium including Total (France), Unocal (U.S.), and the military regime. Burmese army troops brought in to provide security for the project committed serious human rights abuses against the local people, such as forced labor, forced relocation, and murder, as well as environmental destruction. *See* EarthRights International, *Total Denial Continues: Earth Rights Abuses Along the Yadana and Yetagun Pipelines in Burma*, Second Edition (December 2003).
177. Bruce Hawke, “The Burma-Thailand Gas Debacle,” *The Irrawaddy*, November 2004.
178. Bank Information Center’s webpage on the Chad-Cameroon pipeline, *supra* note 170.
179. *Striking a Better Balance – The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review* (January 2004), Executive Summary, at 1.
180. CSR/BIC, 6-7.
181. See Letter from NGOs urging the World Bank to accept the EIR recommendations (signed by over 300 groups), at <<http://eireview.info/doc/Global%20sign%20on%20letter.pdf>>. *See also*, Letter from Nobel Peace laureates urging the World Bank to accept the EIR report at <<http://eireview.info/doc/EIR%20Nobel%20Letter%20-%20New.pdf>>.
182. “World Bank Group Board Agrees Way Forward on Extractive Industries Review,” World Bank press release, August 3, 2004. *See also* the World Bank management’s response to the Final Report of the EIR (September 2004).
183. *Id.*
184. Available on the WCD website at <www.dams.org>.

185. *Dams and Development: A New Framework for Decision-Making*, The Report of the World Commission on Dams (November 2000) [hereinafter “WCD report”].
186. WCD report.
187. International Rivers Network, *Citizens’ Guide to the World Commission on Dams* (2002).
188. *Id.*
189. Over 6,000 indigenous people living in the reservoir area would be evicted, and another 120,000–150,000 people are likely to suffer from destruction of fisheries, flooding of riverbank vegetable gardens, and other damage. International Rivers Network’s webpage on the Nam Theun 2 project at <www.irn.org/programs/mekong/namtheun.html>.
190. *Id.*
191. For details on the planning and building of large dams for hydropower in Burma, see Yuki Aki-moto, “Hydropowering the Regime,” *The Irrawaddy*, Vol. 12, No. 6 (June 2004).
192. Tonle Sap is the largest body of freshwater in Southeast Asia.
193. Kirk Talbott, A Comparison of Logging in Cambodia and Burma: Lessons from the Past and for the Future, presentation at the October 2004 Workshop (audio recording on file with author) [hereinafter “Talbott presentation”].
194. The Khmer Rouge alone was reported in 1993 to be making between \$10 and \$20 million each month from logging. Talbott presentation. In 1996, Global Witness, a British NGO, exposed documents signed by Cambodia’s co-prime ministers permitting several Thai companies to export over a million cubic meters of timber in mostly Khmer Rouge territory, despite a recently imposed logging ban. This deal was over \$350 million dollars, more than 50 percent of the country’s entire budget. In addition, the deal had been signed during a recently imposed logging ban. Global Witness was appointed in 1999 as the Cambodian government’s Independent Monitor for forest crime monitoring and reporting. The government terminated the appointment in 2003.
195. Kirk Talbott, “Logging in Cambodia: Politics and Plunder,” in *Cambodia and the International Community* (Frederick Z. Brown & David G. Timberman, eds., 1998), Asia Society.
196. Talbott presentation.
197. Global Witness, “World Bank Shenanigans in Cambodia,” in The Rainforest Foundation, Global Witness, et al., *Broken Promises: How World Bank Group policies fail to protect forests and forest peoples’ rights*, 22–24 (2005) [hereinafter “Shenanigans”].
198. Global Witness, “Cambodia’s forests are being stolen from under the nose of the World Bank,” press release, November 14, 2002 [hereinafter “GW 02”].
199. GW 02, Talbott presentation.
200. World Bank, Update on the World Bank’s Involvement in Forestry in Cambodia (December 2003) [hereinafter “World Bank Update”].
201. World Bank Update.
202. GW 02.
203. The World Bank had assumed the government’s obligation to disclose these documents. Shenanigans at 23.

204. According to Global Witness, the World Bank claimed that it did not have sufficient funds to make photocopies. Shenanigans at 23.
205. GW 02.
206. World Bank Update.
207. *Independent Forest Sector Review* (April 2004), at <www.bigpond.com.kh/users/dfwjica/Forest-Sector-Review.pdf> at 22-23. This is consistent with similar policy reform frameworks in the Philippines, India, Nepal, Thailand and elsewhere where local land tenure systems and community-based resource management approaches have shown promise and demonstrable success in sustaining forest resources. Talbott presentation. *See also* box on community-based natural resources management.
208. Global Witness, “World Bank Desperate to Justify Industrial Logging in Cambodia,” press release (July 2004). *See also* the request for inspection of the FCMCPP available at www.worldbank.org/inspection.
209. Shenanigans, *supra* note 197, at 23.
210. The request can be read at <www.worldbank.org/inspection>. *See* Section III-C-2 on the Inspection Panel.
211. This section relies generally on Talbott presentation. *See also* Kirk Talbott & Melissa Brown, “Forest Plunder in Southeast Asia: An Environmental Security Nexus in Burma and Cambodia,” in *Environmental Change and Security Project Report*, Issue 4 (Spring 1998), 53–60.
212. Illegal logging has generated staggering amounts of money in Burma. Global Witness estimates the value of timber exported from Kachin State alone to neighboring Yunnan Province to be about 600,000 cubic meters a year, worth over \$150 million. *A Conflict of Interests: The Uncertain Future of Burma’s Forests*, A Briefing Document by Global Witness (October 2003). The advancement of China into Burma for timber is partly due to the fact that China has a national ban on logging, which was triggered by a flood in 1998 that caused damage of \$35 million. Deforestation exacerbated the flood damage. Talbott presentation. *See also*, Global Witness, *A Choice for China: Ending the Destruction of Burma’s Frontier Forests* (October 2005).
213. The Convention on Biological Diversity was signed by 150 government leaders at the 1992 Rio Earth Summit. More at <www.biodiv.org>.
214. ITTO is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its 59 members represent about 80 percent of the world’s tropical forests and 90 percent of the global tropical timber trade. More at <www.itto.or.jp>.
215. Personal communication with Kirk Talbott (August 2005). *See also* Owen J. Lynch & Kirk Talbott, *Balancing Acts: Community-Based Forest Management and National Law in Asia and the Pacific* (1995).

“Opportunities and Pitfalls: Preparing for Burma’s Economic Transition is a vital addition to the important discussion taking place today about Burma’s future.”

—Joseph E. Stiglitz, former World Bank chief economist
and Nobel Prize winner in economics

International financial institutions (IFIs) such as the World Bank and International Monetary Fund play a prominent role in the effort to reduce poverty in developing countries as well as in the economic and political reconstruction of postconflict and transitional states. These institutions likely will play a similar role in providing external assistance to Burma in the future when the political situation begins to change. *Opportunities and Pitfalls: Preparing for Burma’s Economic Transition* details the work of the IFIs and the type of assistance they provide, with case studies of “lessons learned” from Afghanistan, Bosnia and Herzegovina, East Timor, Chad and Cameroon, and Cambodia. The report provides information and guidance for civil society activists, policymakers, academics, and journalists, including members of the Burmese diaspora democracy movement, as well as anyone interested in a better future for Burma.

