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Poverty, inequality and violence:

The economic, social and cultural root causes of violence, including torture,

A human rights perspective

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for the International Conference

**Poverty, Inequality and Violence:
is there a human rights response?**

Geneva, 4 – 6 October 2005

Part III. Impact of socio-economic factors on violence; the perspectives of human rights mechanisms and international organizations

B. International labour, development, financial and trade organizations and the structural causes of violence

2. The World Bank and International Monetary Fund
by Bahram Ghazi

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The aim of this paper is to see to what extent specialized activities by international financial institutions, in particular the World Bank and International Monetary Fund, such as funding projects or lending money, can affect, positively or negatively, the level of violence in a recipient country.

The paper begins with a general description of the establishment, mandate and activities of the institutions of the World Bank Group and identifies two areas of potential impact on violence of their activities; project and project related activities and Macro-economic policies. It provides an example of a very negative human rights impact of a Bank financed project and examples of the negative impact of Bank promoted macro-economic policies and refers to studies linking such policies to violence.

Dealing with the question of how the Bank and IMF could avoid increasing violence and reduce it, the paper surveys recent Bank sponsored studies, such as the “Voices of the Poor” series that describe clearly, from the point of view of the poor, the connection between being poor and violence. Another important Bank study dealt with concerns the implications for development of gender based violence.

Finally, the paper considers what the International Financial Institutions could do to diminish violence which might be connected with their activities and proposes three areas for future research; enhancing internal processes ensuring respect for human rights, taking steps to avoid or reduce violence in target countries and making effective control mechanisms.

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The aim of this paper is to see to what extent specialized activities by international financial institutions, such as funding projects or lending money, can affect, positively or negatively, the level of violence in a recipient country. This paper will take the two main international institutions as examples, namely the International Monetary Fund (hereafter IMF) and the World Bank¹.

1. A brief overview of the IMF and the World Bank

Before entering into a discussion about the relationship between the IMF and the World Bank and their eventual implications in the level of violence within a country, it is important to have an idea of what these institutions are and what was the purpose of their creation.

Between the two World Wars, several economic and financial crises had destabilized international stability and played a part in the outbreak of Second World War. At the end of World War II, the same logic applied to try to prevent economic and financial crises: multilateral forums are the best solution to international problems. The United Nations Monetary and Financial Conference was held between 1 and 22 July 1944 at Bretton Woods. The intention was to create three pillars of the post-war world economy after the expected defeat of Germany and Japan: finance, reconstruction and trade. For political reasons, the trade pole did not materialize at that time. But, by December 1945, the required number of governments had ratified the treaties creating the International Monetary Fund (hereafter IMF) and the International Bank for Reconstruction and Development (hereafter IBRD), and by the summer of 1946 they had begun operations².

According to Article I of the Articles of Agreements of the IMF, the purposes of the institutions are:

¹ Some parts of this paper are excerpts of Ghazi, Bahram, *The IMF, the World Bank Group and the Question of Human Rights*, Transnational Publishers, New York, 2005, 468 pp.
(<http://www.transnationalpubs.com/showbook.cfm?bookid=10283>)

² For more see Van Dormael, 1978.

- “(i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
- (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions that hamper the growth of world trade.
- (v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.”

One of the main reasons of the creation of the IBRD was the reconstruction of the war-torn Europe. Yet, it soon became clear that it did not have sufficient resources to perform this task and the Marshall Plan of 1948 took over the reconstruction of Europe. As a consequence, the IBRD changed its focus on aid for development by financing investments for productive purposes and private investment abroad.

The purposes of the IBRD are:

- “(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.
- (ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.
- (iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

- (iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.
- (v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate postwar years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.”³

When the attention of the World Bank focused on developing countries in the fifties, it became clear that the poorest developing countries required preferential terms in order to be able to afford to borrow capital. Led by the United States and President Eisenhower, an initiative was launched to set up an agency to lend to very poor developing nations on highly concessional terms. This led to the creation of the International Development Association (IDA), which Articles of Agreement came into force in 1960.

In 1956, The International Finance Corporation (IFC) was created to support the private sector and promote private investment in member countries without the need for government guarantee.

In September 1985, the World Bank Board of Governors began the process of creating a new investment insurance affiliate by endorsing the Multilateral Investment Guarantee Agency Convention. The Multilateral Investment Guarantee Agency (MIGA) was consequently created and has been operational since 1988. Its main mission is to encourage foreign direct investment (FDI) flows among member countries, especially toward developing countries.

The International Centre for Settlement of Investment Disputes (ICSID) was created as a specialized institution that would facilitate the settlement of disputes and contribute to the increase in investment flows worldwide. The ICSID was established under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States which came into force on 14 October 1966, to provide conciliation and arbitration at international level.

These five institutions constitute what is called the World Bank Group. For the rest of this paper, we will mainly focus on the IBRD and the IDA. IBRD and IDA share the same staff, the same headquarters, report to the same president and use the same standards when evaluating projects. The term "World Bank" is the name that has come to be used to designate the entity formed by the IBRD and IDA.

2. The IMF and the World Bank activities and the increase of violence in recipient countries

The existing relation between the work of international financial institutions (IFIs) and human rights is sometime difficult to establish. For the purpose of this paper, we could broadly establish two categories of impact that the IMF and the World Bank could have on human rights:

³ Article I of the Articles of Agreements of the IBRD.

- A. Project and project-related impacts
- B. Macro-economic impacts

Let us take an example for each one and see how the level of violence could be affected.

A. The IMF and the World Bank Projects and their links with violence

In 1985, the World Bank approved a loan of \$156 million to Indonesia for the construction of the Kedung Ombo dam, which was completed in January 1989⁴. Yet, between 9 and 12,000 people remained in the area to be submerged by the waters. They alleged that the Government failed to compensate them properly for the loss of their land. The Indonesian Government began an intimidation campaign including physical abuse, threats of prison sentences and death. The Indonesian security agency (BAKORI) stormed the villages during the night and forced some people to sign the compensation agreements. Those who refused were accused of being “communists” and “anti-government agitators” (Hutchins, 1992). Others found their obligatory identity cards stamped with a Government code used for identifying ex-political detainees, when they were renewed. This code banned them from participation in elections, working in the public sector, etc. Corruption allegations were also made against officials, claiming that they did not pay the full amount of the compensation to the people.

Between 1985 and 1988, the World Bank was not monitoring the project and was supposedly unaware of what was going on in the field. In 1987, after being informed of the situation by NGOs, the Bank chose not to investigate. Yet, in June 1988, the World Bank sent a consultant to the site. The consultant issued a report recommending action from the Bank: to either insure the proper resolution of the problem by the Indonesian Government or, at least, to seek an agreement with Indonesia that this situation would not arise in the future. Even though its own resettlement procedures had not been followed, the Bank took no action. Only in February 1989, when the villages of the 1,500 remaining families were submerged, did the Bank send a field mission (Hutchins, 1992).

The problems surrounding the Kedung Ombo dam project triggered a debate in the World Bank, which ended in the elaboration of the first internal operational procedures on project management⁵. As for our debate, this project is a concrete example how an IFI may be indirectly implicated in violence toward civilians.

B. Macro-economic policies and violence

The application of macro-economic policies pushed by the IMF and the World Bank can, by their effects on the population, contradict the obligations of the recipient state taken under the two Covenants. A well-known example is the structural adjustment programs (SAPs) that have been subject of decades of controversy. Their form has changed throughout years. SAPs could be defined as “reforms of policies and institutions covering micro-economic (such as

⁴ See Hutchins, Thomas, Using the International Court of Justice to Check Human Rights Abuses in World Bank Projects, *Columbia Human Rights Law Review*, Vol. 23, n°2, Summer 1992. For the institutional side, see Cernea, Michael M., Population resettlement and development, *Finance and Development*, September 1994, pp.46-49.

⁵ They are known as Operational Policies (OPs), Bank Procedures (BPs), Good Practices (GPs) or Operational Directives (ODs).

taxes and tariffs), macroeconomic (fiscal policy) and institutional interventions ... designed to improve resource allocation, increase economic efficiency, expand growth potential and increase resilience to shocks"⁶. Generally speaking, and even though each SAP is designed specifically according to the country and the current situation, some characteristics are similar between them: reduction of public expenditure, privatization, cuts in subsidies, market and trade liberalization⁷. The initial purpose of the SAPs was not to achieve social well-being: multilateral agencies and other donors simply hoped that applying free market principles to a developing economy will improve social welfare in the process. The resulting wealth will "trickle-down" or spread throughout the economy, and consequently also reach the poorest sections of the population.

Yet, decades of use of SAPs showed great shortcomings. First, the use of the measures included in SAPs did not succeed in all countries. Second, SAPs' side-effects were considerable. Therefore, a number of "social safeguards" were associated to lower the impact of SAPs on the weakest parts of the populations. Nevertheless, SAPs have been denounced as negatively affecting the most vulnerable groups of the population, human rights situations, and the general development process⁸.

In July 1991, the Indian Government, following the IMF's recommendations, introduced changes in the Federal Budget. Subsequently, the price of rice increased by 50% and the revenue of weavers fell. Between August 30 and November 10, 1991, some 73 cases of death due to hunger were counted in the districts of Andhra-Pradesh. According to the studies, these deaths were directly correlated to the Government economic adjustments (Chossudovsky, 1998, p. 115-116). UN institutions, such as UNICEF, have also criticized the IFIs for their role in child mortality (Rich, 1994, p. 186). Some specialists in development have argued that women are more affected by SAP measures than men. The withdrawal of State subsidies must be compensated for by unpaid non-market work, mainly done by women. For example, discharging patients from hospital earlier implies women having to give the additional necessary care without being paid for their efforts. In some cases, in order to maintain the level of food for their husbands and children, women diminish their share of food (Sadasivam, p.639).

Drastic economic measures, such as the privatization of public services or cuts in subsidies for products essential for the population, may result in social unrest and turmoil. In turn, to restore order, governments may use coercive means, which lead to methods that are even more authoritative. This undermines democracy, often in countries where this principle is still young or in the process of being introduced.

An NGO, the World Development Movement, has issued reports on the linkage between the IMF and the World Bank's reports and social unrest in countries. Their report states that, in 2001, at least 23 countries in Asia, Africa, and the Americas experienced protests or civil unrest as a result of their governments' pursuit of policies backed by the Bretton Woods

⁶ *Structural adjustment and poverty: a conceptual, empirical and policy framework*, World Bank, February 1990, p.22. Even if the form and the denomination of the adjustment programmes have changed over the years (Structural Adjustment Lending, Sectoral Adjustment Loans, Structural Adjustment Facility or enhanced Structural Adjustment Facility), we will use the term SAP to designate them all.

⁷ See, for instance, the reports by the Independent Expert of the Human Rights Commission on the effects of structural adjustment policies on the full enjoyment of human rights (Cheru, Fantu, February 24, 1999, E/CN.4/1999/50).

⁸ See *Summary of human rights issues related to structural adjustment programmes*, Report of the Secretary-General of the United Nations, E/CN.4/Sub.2/1995/10, para. 10 to 37.

institutions. Beside Argentina, protests and sometimes-violent confrontations occurred in Ecuador, Indonesia, Kenya, Malawi, and Papua New Guinea. Some 76 people lost their lives in these episodes⁹. In its third report, it documents protests in 25 countries, charting 111 separate incidents of civil unrest. According to them, many of these incidents ended with the deployment of riot police or the army, with 10 documented fatalities, and arrests and injuries running into thousands. Over half of these countries experienced protests directed specifically at the IMF and World Bank¹⁰. Whatever value one may give to such reports, it is undeniable that a correlation exists between macro and micro-economic adjustments requested by IFIs and violence in a country, consequent to reaction of populations to such changes.

3. The IMF and the World Bank: a role in decreasing violence?

The examples in parts 2 and 3 point out at the negative impact of the Bretton Woods institutions on human rights and violence. But studies may also show a positive impact of these IFIs activities in lowering the level of violence and achieving higher levels of human rights implementation in the country. The impact of IFIs operations can vary greatly according to the country, the internal political and economical situation or even the regional situation. Several questions can be asked:

1. How does the IMF and the World Bank enhance the level of violence in a country? Consequently, what are the measures to take to prevent this effect?
2. How can the IMF and the World Bank diminish the level of violence in a country?

An objection that could be made to the involvement of IFIs in issues such as human rights or violence human rights would be that the mandates of these institutions do not cover non-economical considerations. It is true that *strictu sensu*, there are no references in the mandate of the two institutions concerning human rights. For a long period of time, these institutions have considered human rights as a political and internal matter of States. They have argued that their Articles of Agreement strictly prohibit interfering in the political affairs of their members, including human rights issues. For instance, article IV, section 10 of the IBRD Articles of Agreement stipulates:

“The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighted impartially in order to achieve the purposes in Article I”¹¹.

⁹ Ellis-Jones, Mark, April 2002, States of Unrest II, Resistance to IMF and World Bank policies in poor countries, World Development Movement, www.wdm.org.uk

¹⁰ Ellis-Jones, Mark, April 2002, States of Unrest III, Resistance to IMF and World Bank policies in poor countries, World Development Movement, www.wdm.org.uk

¹¹ Similar provisions exist in other World Bank Group institutions, such as the IDA: “The Association and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement” (Article V.6). It must be pointed out that the IMF does not have the same provision in its Articles of Agreement. It seems that this provision was initially drafted by the British delegation to the Bretton Woods conference and supposed to be integrated to the IMF treaty in order to counter the Soviet Union. For

Nowadays, this argument is not relevant anymore. The IFIs themselves have been obliged to recognize that “economic considerations” include a broader scope than merely economic or monetary indicators. The World Bank has established in several studies that the performance and the viability of a project depend on factors such as public participation or level of democracy in a country¹².

A. Studies on violence and poverty

Like any institutions, the IFIs learn from their errors and, even caught in the middle of political games, cannot continuously deny some facts. The financial institutions evolve. This evolution is sometime due to their leadership. For example, under Eugene Black (president from 1949 to 1962), the IBRD developed its lending policy for infrastructure and irrigation projects. Under McNamara (president from 1968 to 1981), it expanded its activities and focused more on human capital, education, health and nutrition. It is under McNamara’s presidency that the work on the topic of poverty began. Conable (president from 1986 to 1991) established a larger environmental department. At the end of the 1990s, there was almost no reference on human rights in the World Bank’s documents. But President Wolfensohn managed to open the debate.

The Bank has hosted meetings on the relation between human rights and development, joint meetings with the OHCHR and even human rights workshops for its staff members¹³. In the World Bank’s own ranks, it has been stated that the “classic” argument according to which human rights belong to the political realm, in which the World Bank cannot interfere, is no longer convincing. Mr. Sfeir-Younis, former World Bank’s Special Representative in Geneva, stated that the Bank should deal with the International Covenant on Civil and Political Rights (ICCPR) because many aspects of these rights are not in the realm of politics and, moreover, the Bank is already dealing with many of them through its work in anti-corruption, access to justice systems, indigenous peoples’ issues and gender equality. He added that the violations of these rights hamper both the democratic process and economic activities, which are essential for sustainable development. He believes that, even if States are primarily responsible for human rights, the Bank should also ensure that they are “respected and implemented because of the effect of their violations on economic development”¹⁴. He points out that the Bank should not act as if human rights progress were only the consequence of economic growth, because it would give the image of a development agenda based on “grow now and do social justice later”. He also emphasized that it is impossible to view development

various reasons, this clause was not inserted in the IMF agreement. Instead, it was incorporated into the IBRD charter in order to assure the Eastern block that the Bank will not try to change their political system (Brown, 1992, p.105). For further details on this last point, one can refer to Bitterman, H.J., Negotiation of the Articles of Agreement of the International Bank for Reconstruction and Development, *The International Lawyer*, Vol. 5, N°1, 1971, p. 79.

¹² See for example, Isham, Jonathan; Kaufmann, Daniel; Pritchett, Lant, *World Bank Economic Review*, vol. 11, May 1997, pp. 219-242.

¹³ *Human Rights & Sustainable Development: What Role for the Bank?*, May 2, 2002; *Joint Staff learning seminar on human Rights and Development*, June 10-11, 2002; or a seminar entitled "The Gender Dimension of Human Rights, A Development Perspective", co-sponsored by the Legal Vice-Presidency of the World Bank, the Gender and Law Thematic Group and the World Bank Institute, held at the IFC Headquarters on June 1, 2000.

¹⁴ *Human Rights and Sustainable Development: What Role for the Bank?*, May 2, 2002, on World Bank’s Web site.

as distinct from people and their rights and that “economic policies do not have a neutral impact on individual or collective rights, or on social or human relationships”¹⁵.

The World Bank has also undertaken several important studies for which it has to be given credit for.

In 1998, the Finance and Development section of the World Bank conducted a research by a group of senior economists entitled “Civil Liberties, Democracy, and the Performance of Government Projects”¹⁶. They found “a strong and consistent link between measures of the extent of civil liberties in a country and the performance of World Bank-supported projects”.

Ms. Deepa Narayan, Senior Adviser for the Poverty Reduction Group, pointed out the strong convergence between poverty reduction, empowerment and human rights. She has stressed the “multi-dimensionality of poverty” and the argument that “one cannot talk about economic issues without understanding that they are embedded in social, cultural and political contexts, and that these multiple dimensions are intertwined”¹⁷.

In several publications, the World Bank has explored the multiple dimensions of poverty¹⁸. These studies used a “bottom-up” approach by interviewing thousands of poor persons around the world in order to give a basis for the World Bank’s poverty reduction strategies¹⁹. The studies point out multiple aspects of the “powerlessness” and “illbeing” of the poor. It also clearly establishes the linkage between violence and poverty.

“Perhaps one of the most striking revelations of the study is the extent to which the police and official justice systems side with the rich, persecute poor people and make poor people more insecure, fearful, and poorer. Particularly, in urban areas, poor people perceive the police not as upholding justice, peace and fairness, but as threats and sources of insecurity”²⁰.

According to the regions, the study reports negative perceptions of the police forces, such as: the feeling of vulnerability of women to sexual assault; the use of unjustified force; or the fact that the crimes reported by the poor are less or not taken seriously investigated. The studies point out at widespread evidence of corruption in the police. In some cases, the police is perceived as the “rich people’s stick against common people”²¹.

¹⁵ *Human Rights and Sustainable Development: What Role for the Bank?*, May 2, 2002, on World Bank’s Web site.

¹⁶ Isham, Jonathan; Kaufmann, Daniel; Pritchett, Lant, “Civil Liberties, Democracy, and the Performance of Government Project”, *World Bank Economic Review*, Vol. 11, May 1997, pp. 219-242

¹⁷ *Human Rights and Sustainable Development: What Role for the Bank?*, May 2, 2002, on World Bank’s Web site.

¹⁸ Narayan, Deepa, Patel, Raj, Schafft, Kai, Rademacher, Anne, and Koch-Schulte, Sarah, 2000, *Voices of the Poor: Can Anyone Hear Us?* New York, Oxford University Press

Narayan, Deepa, Chambers, Robert, Shah, Mira Khaul, and Petesch, Patti, 2000, *Voices of the Poor: Crying Out for Change*, New York, Oxford University Press

Narayan, Deepa and Petesch, Patti, 2002, *Voices of the Poor: From Many Lands*, New York, Oxford University Press

Narayan, Deepa, 2002, *Empowerment and Poverty Reduction*, Washington, World Bank

¹⁹ “*Voices of the Poor*”, also known as “*Consultation with the Poor*” study was undertaken by the World Bank as a background for the *World Development Report 2000/01: attacking Poverty*.

²⁰ Narayan, Deepa, Chambers, Robert, Shah, Mira Khaul, and Petesch, Patti, 2000, *Voices of the Poor: Crying Out for Change*, New York, Oxford University Press, p.163.

²¹ As perceived by peoples of Dangara, Uzbekistan (Narayan, Deepa, Chambers, Robert, Shah, Mira Khaul, and Petesch, Patti, 2000, *Voices of the Poor: Crying Out for Change*, New York, Oxford University Press, p.165).

According to these studies, other factors linked with poverty contribute to enhancing the level of violence in poor people's communities. We could mention unemployment and the lack of protection of workers, corruption of authorities, unaccountability of the authorities, domestic violence and abuse due to alcoholism or frustration²², social discrimination, or the lack of access to opportunities for a better and more secure life.

Interviews in these studies have expressed the negative perception by the poor of certain economic policies and market changes on them and their community. They mentioned privatization, factory closures, the opening of domestic markets, currency devaluation, inflation, reductions in social services, as elements contributing to the depletion of their resources and their security²³.

More recently, on 9 November 2004, the World Bank organized a workshop on "The Development Implications of Gender-Based Violence"²⁴. This workshop focused on four aspects of gender-based violence:

1. *Social Protection, Micro-Finance and Gender-Based Violence;*
2. *Education, Health and Gender-Based Violence;*
3. *Gender Based Violence in Conflict-Affected Environments; and*
4. *Legal Aspects of Gender-Based Violence.*

Recommendations by the various panels included to the World Bank should provide institutional strengthening, such as assisting states to meet their reporting obligations under CEDAW; training judges and legal professionals on international legal conventions; support the UN Special Rapporteur on Violence Against Women to develop gender-based violence indexes or to integrate gender based violence considerations into core programs rather than creating isolated or add-on projects²⁵.

B. What the IFI do

We can see that the World Bank is aware of the relation between poverty and violence and its consequences on economic and financial issues. But what can it do and what is it doing?

The World Bank has established the concept of "empowerment of the poor" defined as the "expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives"²⁶. In order to enable empowerment, state reforms are said to be crucial: improvement of basic services, local and national governance, pro-poor market development and access to justice.

²² "It is because of unemployment and poverty that most men in this community beat their wives. We have no money to look after them" (as stated by a young man from Teshie, Ghana in Narayan, Deepa and Petesch, Patti, 2002, *Voices of the Poor: From Many Lands*, New York, Oxford University Press, p. 41).

²³ Narayan, Deepa and Petesch, Patti, 2002, *Voices of the Poor: From Many Lands*, New York, Oxford University Press, p. 471.

²⁴ Documents related to this workshop can be found on the World Bank's web site under gender issues.

²⁵ See *The Development Implications of Gender-Based Violence*, Report on the Outcomes of the Workshop held on November 9, 2004 at The World Bank Headquarters, Washington, D.C., p. 22

²⁶ Narayan, Deepa, 2002, *Empowerment and Poverty Reduction*, Washington, World Bank, p. xviii

Since 1989, the World Bank has been working on the issue of governance. More recently, the IMF joined the general trend of “governance” that swept through all the organizations²⁷. Recognized as being essential in its poverty reduction strategy²⁸, the issue of governance should be considered in all World Bank projects. The World Bank also states that more than 400 bank-financed projects have legal and judicial reform components. In addition, the World Bank has 30 freestanding projects in five regions focusing on:

- a. Improving administrative justice and making administrative decisions accountable and affordable to ordinary citizens;
- b. Promoting judicial independence and accountability;
- c. Improving legal education;
- d. Improving poor people’s cultural, physical and financial access to justice; and
- e. Public out-reach and education²⁹.

Other initiatives by the IMF and the World Bank are aimed to diminish poverty: the "Heavily Indebted Poor Countries" (HIPC Initiative); projects on education, health, safety nets, water supply and sanitation, provision of infrastructure, agriculture and rural development; micro-finance, etc.

But are these initiatives enough or IFIs could further contribute to lower the level of violence in countries?

4. Opening the debate: can IFIs contribute more to diminish violence?

We could say that the IFIs could contribute internally by respecting human rights, having procedures to avoid enhancing the level of violence in target countries and to have control mechanisms. For the moment, the IFIs do not explicitly recognize having human rights obligations. Nevertheless, the World Bank is working on human rights issues such as Indigenous Peoples, children’s rights, labour rights, Women’s rights, environment, education, health or access to justice or post-conflict reconstruction. Even, the IMF has also launched initiatives on poverty and debt. The debate launched under the presidency of Wolfensohn has not reached a solution for this schizophrenia.

At an internal level, operational directives provide guidelines to avoid certain past errors and human tragedies such as forced displacement. Interesting enough, the World Bank was the first international organization to have an independent panel to which individuals or groups affected by their operations could complain to. Created in 1993, the World Bank’s Inspection Panel is empowered to investigate problems that are alleged to have arisen as a result of the Bank having ignored its own operating policies and procedures. More recently, another mechanism was established by the MIGA and IFC: the Compliance Advisor/Ombudsman (CAO). The CAO has the triple function of:

1. Ombudsman: the CAO advises and assists IFC/MIGA to address complaints by people directly affected by projects in a manner that is fair, objective and constructive.

²⁷ In 1997, the Fund issued a “Guidance Note on Governance” recognizing the importance of good governance for macroeconomic stability and growth (See <http://www.imf.org/external/np/sec/nb/1997/nb9715.html>).

²⁸ In 1999, during the 12th IDA replenishment negotiations, the issue of good governance was stressed by some IDA donors as being a “key to growth and poverty reduction” (*Helping to Improve Governance in IDA Countries*, on IDA's Web Site).

²⁹ Narayan, Deepa, 2002, *Empowerment and Poverty Reduction*, Washington, World Bank, p. xxiii

2. Compliance Auditor: the CAO oversees compliance audits of IFC/MIGA, overall environmental and social performance, and specific projects.
3. Advisor: the CAO provides independent advice to the President and management on specific projects, as well as broader environmental and social policies, guidelines, procedures and resources.

To a certain extent, the IFIs have the power to promote the respect of human rights, including rights of the most vulnerable parts of the population. Some of IFIs initiatives, such as access to justice and education, or fight against corruption are in that line.

Another level where IFIs could contribute to the decline of violence in countries is to point out issues that lead to poverty and address them. Narayan's studies are helpful in establishing the basis for such a work but much has still to be concretely done by the IFIs to conceive and implement solutions.

The extent to which an IFI (or any international organization) is bound by international human rights obligations is a question that will not be solved in the near future. Therefore, to persuade an organization such as the IMF or the World Bank to perform its operation in a way that would reduce the level of violence (according to the understanding of this conference), it is important to:

1. Demonstrate that violence can be generated as a side effect of their operations and/or projects;
2. That violence has an incidence on the economy, the finance or the level of foreign investments of the country in which they are performing; and
3. That this violence undermines their activities.

An approach based on objectivity has also another advantage. It permits a discussion on other grounds than ideology or politics. The issue of politization of human rights is therefore avoided.

For concrete projects, there can be three stages of an IFI project cycle were an assessment of the direct or indirect impact on the level of violence in a country could be made:

1. Before the realization of the project (conception and planning according to the procedures),
2. During the realization of the project (conformity of the activities to the operational directives and procedures; monitoring the evolution and obstacle encountered), and
3. After the realization of the project (the use of the project).

The World Bank has developed a large number of Operational Policies (OPs)³⁰, Bank Procedures (BPs)³¹ and Good Practices (GPs)³² as guidelines for its operational procedures. Some relate to issues that can affect the level of violence, such as Indigenous peoples (OD

³⁰ Operational Policies (OPs) are short, focused statements that follow from the Bank's Articles of Agreement, the general conditions, and policies approved by the Board. OPs establish the parameters for the conduct of operations: they also describe the circumstances under which exceptions to policy are admissible and state who may authorize exceptions.

³¹ Bank Procedures (BPs) explain how Bank staff carries out the policies set out in the OPs. They spell out the procedures and documentation required to ensure Bankwide consistency and quality.

³² Good Practices (GPs) contain advice and guidance on policy implementation, for example, the history of the issue, the sectoral context, analytical framework or examples of best practices.

4.20)³³ or Involuntary resettlement (OP/BP4.12). Nevertheless, other guidelines could be considered by the World Bank that would more specifically embrace human rights and assessment of project impacts on country situations.

As for macro-economic policies, IFIs should consider a wider range of issues while negotiating with recipient countries. For example, foreign direct investments (FDI) are more easily attracted to a country with a stable socio-economical environment than a country with high risks of internal conflicts. As a matter of fact, financial analysts take social criteria to determine the level of risks of their clients' investments.

The economist and Nobel Prize Amartya Sen has been working on a new development paradigm including the relationship between development, freedom and human rights³⁴. He defines development as “a process of expanding the real freedoms that people enjoy” (Sen, 1999, p.3). As such, concepts such as growth of GNP or of individual incomes are means by which this goal may be achieved, but are not in themselves sufficient to do so. “Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states” (Sen, 1999, p.3).

The evolution of our World is toward increasing complexity. This evolution encompasses also an increasing degree of inter-relation of its constituting variables. Therefore, solving problems can only be done by trying to assess the complexity of a situation, and consider as much as possible a variety of factors affecting a situation. Not only the IFIs but all the institutions and academics working on economy and finance should assess the differences between a theoretical model and the reality of the concrete application of such models. Human rights are part of basic and essential norms of the international system paving the path of the evolution of international society. As such, they should be the reference point when projects and policies are designed.

IFIs, as part of the international community, should encourage a global approach to the eradication of poverty and its consequences, in collaboration with all the members of this community.

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³³ Operational Directives (ODs) contain a mixture of policies, procedures, and guidance. The ODs are gradually being replaced by OPs/ BPs and GPs.

³⁴ See Sen, 1999.

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