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Privatizing the World Bank? An Asia Pacific Perspective on Changing Scenarios of Development Financing

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As an agent of global social reproduction, the World Bank itself is also subject to forces pushing for privatization (in this case, divestment of its development lending role to private capital markets), much in the way that welfarist states are urged to selectively offload their more profitable (or commercially viable) social services to the private sector. Jessica Einhorn's call to wind down the World Bank's lending arm for middle-income countries, the International Bank for Reconstruction and Development (IBRD) (Foreign Affairs, January/February 2006) follows upon the recommendations of the Meltzer Commission (US Congress, 2000) for a triage of borrower countries: debt cancellation, performance-based grants for the most destitute of highly-indebted countries, as opposed to the more "credit-worthy" borrowers with access to capital markets, who should be weaned from multilateral lending agencies and henceforth be serviced by private lending sources (i.e. the financial analogue of "targeted" programs in health services). Indeed, this targeted approach is the persuasive face and generic template for the privatization of social services. What will be the consequences of such a change?

A Targeted Approach to Development Financing

In 1995, James Wolfensohn's appointment as president of the World Bank [1] provided the occasion for strident calls from the American Enterprise Institute (AEI) urging Wolfensohn "to begin an orderly transition to private ownership. For the same skills through which Wolfensohn achieved his great success in the world of finance [as a Wall Street investment banker] could be turned toward a successful privatization of this huge financial institution. Transition to private Bank ownership promises to save taxpayers in America and other Western countries billions of dollars in the coming years - even to refund billions of dollars to their national treasuries. No less important, a privately owned and operated World Bank could be more effective at promoting and supporting international economic development than the current organization -- whose very structure encourages unsound, even perverse, economic practices in the countries to which it lends"[2].

World Bank headquarters

A year earlier, AEI senior fellow Alan Walters, a former professor of economics at the London School of Economics & Political Science as well as chief economic adviser to Margaret Thatcher, had written that

> "as distinct from practical policy, the ideal solution would be to abolish the Fund and the Bank – wind them up and disperse their expertise to other activities. The Bank and the Fund were the progeny of a generation that regarded government management of banking and finance as being the only way forward. Yet in the intervening years, we have become increasingly aware of the advantages of getting government and politics out of monetary policy and finance. The widespread and rapid movement towards independent central banks or towards currency board arrangements is the most obvious example of this change … The practical, in contrast to the ideal, reforms I have emphasised – capping Bank and Fund total portfolios and differential interest rates related to market rates [i.e. risk-adjusted interest rates] – are quite modest, but still unlikely…All attempts to downsize [the Bretton Woods Institutions] end up by making them bigger..." [3]

In the event, Wolfensohn ignored these calls and proceeded with a makeover of a multilateral development lender faced with mounting criticisms over its undemocratic governance and its promotion of a neo-liberal orthodoxy (structural adjustment, privatization, deregulation and liberalization, retrenchment of the developmentalist/ welfarist state, a *laissez faire* global capitalism) and its alleged impact on the environment, on gender and social equity, on marginalized indigenous communities, and indeed, on economic growth [4]. Notwithstanding this latest re-discovery of the distributional consequences of market-driven growth [5], the renewed focus on poverty reduction ("enhancing the voice and participation of the poor to achieve more equitable outcomes") by no means sidelined economic growth and infrastructural development as bank lending priorities, let alone the undiminished efforts to establish or to reinforce the legal and judicial institutions for the functioning of capitalist market economies ("improving governance, strengthening the rule of law, and stamping out corruption").

In giving prominence to the bank's poverty reduction mission, however, Wolfensohn laid the ground for a subsequent challenge to the bank to confine its efforts to the poorer member countries - via monitored grants targeted at poor countries which lacked investment-grade ratings - while

outsourcing to private capital markets its development lending to “market-capable” middle-income countries. In short, a more nuanced privatization of the bank’s development *lending* activities, which was less concerned with private *ownership* of the bank as such.

This of course was a key recommendation of the Meltzer Commission in its report [6] to the US Congress in 2000: a triage of borrower countries offering debt cancellation and performance-based grants for the most destitute of highly-indebted countries, as opposed to the more “credit-worthy” borrowers with access to capital markets, who should be weaned from multilateral lending agencies and henceforth be serviced by private lending sources (i.e. the financial analogue of “targeted” programs in health services) [7]. Indeed, this targeted approach is the persuasive face and generic template for the privatization of social services [8].

Desperately Seeking Markets: The Privatization of Development Financing

The perception of the IBRD as a competitor to private lenders, and the call for its privatization should come as no surprise. Very similar sentiments (and specious arguments) were articulated about the need to privatize Japan Post [9], the world’s largest financial institution, in the run-up to the September 2005 general elections in Japan [10]:

> with Japan's private banks struggling to boost profitability, the last thing they need is a collection of big government lenders - backed by explicit and implicit subsidies - depressing lending rates and competing with them for business, although [some of Japan’s] government financial institutions (GFIs) are also serving some borrowers which no private bank would touch… [Japan’s private] banks are [now] better capitalised and keen to lend. There are too many banking assets chasing too few borrowers, so corporate lending remains woefully unprofitable...

Indeed, the surfeit of capital in global financial markets was fuelling, of late, not just “sub-prime” mortgage lending in the US (and credit card debt), but also intensified pursuit of lending opportunities in microfinance in developing countries [11]:

> What stands in the way of more for-profit investment from the private sector? Paradoxically, micro-credit’s biggest backers, the IFIs [International Financial Institutions], may also be an impediment to its further evolution. IFIs concentrate their loans on the big micro-lenders that do not need them, pouring 88% more money into these groups in 2005 than they did in the previous year. This crowds out commercial investors. Why would IFIs get in the way? Investing in a handful of large micro-lenders is easier than making dozens of smaller loans to untested, fledgling ones. It is also safer and more profitable. Some argue that irresponsible lending by philanthropists is just as harmful. They, too, can crowd out for-profit money. Aid money is better spent where commercial cash fears to tread - such as on the next generation of microfinance institutions. Subsidies are often needed to lend to the rural poor, where small, scattered populations make it hard for commercial lenders to cover their costs. IFIs, in particular, can press foreign governments to get rid of interest-rate caps and other misguided regulations that impede micro-lending. Aid agencies, philanthropists and well-meaning “social” investors can help attract [private lenders] by investing only where commercial outfits will not.

At the 40th Annual Meeting of the Asian Development Bank (ADB) in May 2007, where much of the discussion focused on the future role of a development bank in a region which had experienced significant poverty reduction, the US delegation head Kenneth Peel (US Treasury, Deputy Assistant Secretary for Development Finance and Debt) was at pains to stress that “We should celebrate when countries no longer need ADB to finance their development needs, not seek ways to artificially create incentives to lend to them” [12]. Echoing the recommendations of the Meltzer Commission, Peel added that countries that had conquered poverty should turn instead to the private sector for their capital needs and the ADB “should step aside and declare victory” and not “seek new mandates that stray from the mission [of poverty reduction]”.

The Economist (ideologically closer to the AEI camp, by comparison with the Financial Times) is keenly aware that the WBG’s mission should not stray beyond *“poverty reduction” to reduction of inequality*:

> “In September 2007, the Independent Evaluation Group, an in-house monitor, issued a report on the bank's work in the MICs over the past decade. In carrying out the institution's core missions—boosting economic growth and reducing poverty—the bank's work in the MICs [middle-income countries] has been moderately successful, the new evaluation finds. Isn't that good enough? In an earnest quest for relevance, the report's authors name three areas where the bank could do better: corruption, inequality and the environment. In these areas, most borrowers saw the bank's work as mildly unsatisfactory or worse. Battling corruption takes generations…. if it becomes too intrusive, the borrower will walk away… Inequality is another front on which the bank is ill-equipped to fight. The new evaluation says more than half its middle-income borrowers have become more unequal over the decade under review. But the bank might do more harm than good if it shifted focus from absolute poverty to relative deprivation. When the rich get richer, is that the bank's business?” (Economist, September 6, 2007).

Interestingly, Lawrence Summers, a former US Treasury Secretary who co-chaired a recent commission to advise on the future of the ADB, pointedly rejected the US treasury position (ADB should confine itself to poverty reduction, declare “victory” and not seek new mandates) is now speaking of “inclusive development” to address growing and destabilizing inequality, quite apart from the macroeconomic consequences of escalating inequality on aggregate demand [13]. (As an epidemiologist, I can’t help but link this to the work of Michael Marmot [14] and his colleagues on social and occupational hierarchy, status and stress, lack of control over job and life circumstances, and putative neuro-endocrine processes in the pathophysiology of a very large portion of global (chronic) disease burden - psychosomatic medicine writ large?).

There are signs that these imbalances between accumulation and consumption [15], reinforced by growing inequality in income and wealth, are systemic and worldwide. Global production overcapacity, massive increases in speculative financial flows, historically low interest rates, property and asset bubbles, volatile swings in appetite for risk among investors, and resurgent militarist Keynesianism suggest a systemic glut of capital ceaselessly seeking out profitable outlets for deployment and redeployment.

Indeed, Paul Sweezy and his colleagues, over the course of a half century had elaborated a theory of capitalist stagnation drawing upon the Marxist and Keynesian traditions in their analyses of monopolistic capitalism and the generation, realization and absorption of surplus (value) [16]. In the later versions, they gave increasing attention to *financialisation* [17] in mature capitalist economies, as over-accumulated capital extended its circuits into financial services and risk management, and of late, along with the increasing perception and designation of risk as a staple of modern life [18], the further commodification of "risk reduction" options in diverse forms extending from derivatives and swaps to annuities and insurance for health and welfare security, genomics-based "predictive" medicine, etc).

In the same vein, the neo-liberal agenda of privatization, market creation and market deepening, and retrenchment of the welfarist and developmentalist states, is arguably sustained by over-accumulated capital seeking to extend its circuits into hitherto non-commercial public sector (and domestic) domains as expanded arenas for continued accumulation.

As an agent of global social reproduction, the World Bank itself is subject to forces pushing for privatization (in this case, divestment of its development lending role to private capital markets), much in the way that welfarist states are urged to selectively offload their more profitable (or commercially viable) social services to the private sector.

As an institutional response and accommodation, the World Bank seems to have re-positioned itself to be an even more influential agent which can promote the interests of private capital, even as it tries to harmonize this with "poverty reduction" (trickle down theory, a rising tide lifts all boats, what's next? a sideways lurch towards horizontal equity?).

We see, for instance, expanded roles for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) within the World Bank Group (IFC and MIGA *commitments, which promote private sector involvement in development, rose from 3.3% of World Bank loans in 1980 to 25% in 2000*) [19].

Nonetheless, in the wake of the Meltzer Commission report, the World Bank's Private Sector Development Strategy (2002) was clearly sensitive to charges that multilateral lenders in their pursuit of sovereign as well as private sector borrowers were competing with private investors who were similarly keen on these lending opportunities to credit-worthy clients:

> Overall, World Bank Group activities have been designed to complement and support private investors rather than displacing them. For IBRD countries, World Bank loans are falling rapidly as a share of total private lending to such countries. At the same time, IFC and MIGA have helped catalyze private investment in more risky environments. During the 1990s, a higher proportion of IFC's investments have gone to high-risk countries than is the case with private FDI flows (35 percent vs. 28 percent during 1990-98). There may have been cases where the Group has lent or invested in countries or firms that might have had access to commercial markets, or had written political risk insurance that might have been provided by private insurers. However, overall, the World Bank Group appears to have supported the development of cross-border private investment and has crowded in private investment rather than crowding it out. (World Bank Private Sector Development Strategy, 2002, para. 87).

As of June 2007, East Asia and the Pacific accounted for 14 percent of the IFC's investment portfolio, South Asia for 10 percent, Central Asia and Europe for 28 percent. For fiscal 2007, India and China received 8 percent and 7 percent respectively of the IFC's $8.2 billion loan commitments, just behind Russia (9 percent, the largest borrower), and ahead of Brazil (6 percent). The sectoral distribution was led by financial markets (41 percent), manufacturing and services (16.7 percent), and infrastructure (11.4 percent) [20].

Privatisation? A Capital Idea, But Not For Us (World Bank)

To secure its continuing relevance, indeed survival as a multilateral development lender, David de Ferranti, currently a senior fellow at the Brookings Institution in Washington, found it necessary to re-iterate that "much of what the World Bank actually does directly helps to improve the climate for private investment: implementing trade reforms and removing restrictive regulations on foreign direct investment; expanding private provision of utilities and infrastructure; strengthening essential legal and judicial infrastructure for private markets; freeing business from harmful and superfluous regulations" [21].

Along with Nancy Birdsall [22], founding president of the Washington-based Center for Global Development (CGD), de Ferranti has been prominent among "developmental multilateralists" in mounting a stout defense of the World Bank and its continuing role in development lending, in the face of intensified calls to wind down the IBRD during the brief presidency of Paul Wolfowitz (2005-2007). Their case has been crafted over several years, articulated most recently in a CGD publication [23] timed for release just prior to the September 2006 joint meetings of the IMF and World Bank in Singapore. These efforts also provided the basis for Nancy Birdsall to urge a re-conceptualization of the World Bank as a global credit union whose members allegedly derive benefits whether as borrowers or as non-borrowers, as opposed to a development agency largely concerned with "poor relief" for the most marginalized and indebted poor countries [24].

In this formulation, the lead role for the private sector in development, and a continuing role for multilateral development lending inevitably came together in the enhanced role of the IFC within the World Bank Group [25]. To consolidate an alliance in support of continued World Bank lending, Birdsall and her colleagues also favor a less lopsided governance structure with increased voting powers for the major borrowers as stakeholders.

In the event, there were limited increases to the quotas and voting shares of a few of the larger IMF borrowers (China, South Korea, Turkey and Mexico) in September 2006, as part of an interim deal at the IMF/World Bank joint meetings in Singapore [26].

East Asia and Alternative Development Financing

Meanwhile, leftwing activists find themselves in a tactical alliance with "unilateral" neo-liberals in pushing for the dismantling of the BWIs. Some adopt this stance as a negotiating posture for eventual reforms to the BWIs; others are convinced that the BWIs are irredeemably compromised and that efforts at reform are futile, i.e. the only meaningful option is a search for viable (and perhaps, heroic) alternatives within a different configuration of power:

For many Asian countries, a regional institution, which understands the complexities of a region better than the IMF and which would thus be less indiscriminate in imposing conditionalities, is the answer. The Asian Monetary Fund (AMF) that was vetoed by Washington and the IMF during the Asian financial crisis would have filled this role. Indeed, with the "ASEAN Plus Three" arrangement, the East Asian countries may now be moving in the direction of setting up such a regional financial grouping. There is also movement in Latin America towards a regional institution that would

have as one of its functions serving as a source of capital and as a lender of last resort: the Bolivarian Alternative for the Americas (ALBA), pushed by Venezuela, Bolivia, and Cuba [27].

This comes on the heels of an existing "borrowers' club", the *Corporación Andina de Fomento*, (CAF, or Andean Development Corporation) which in 2001 had become the largest source of multilateral finance in the Andean region. By 2006, CAF accounted for more than half of all multilateral development lending to the five Andean countries, while the shares of the Inter-American Development Bank (IDB) and the World Bank had dropped to 25 percent and 20 percent respectively (combined total of $5-$7 billion) [28]. In 2007, the CAF was expected to surpass the IDB as Latin America's largest multilateral lender. To retain a sense of proportion however, CAF's annual disbursements of about $6 billion is merely one-fifth of the annual lending (nearly $30 billion) of Brazil's National Bank of Economic and Social Development (BNDES).

The five Andean sovereign shareholders (Bolivia, Colombia, Ecuador, Peru and, Venezuela) contribute over 95% of the paid-in capital and 99% of the callable capital. They have collectively borrowed nearly $25 billion from international capital markets up till 2001, on more favorable terms than they would have obtained as individual sovereign borrowers.

The CAF's high paid-in capital (50% of callable capital, as against 5% for the World Bank) along with cautious financial management give it a higher credit rating (and hence lower borrowing costs) in international capital markets, compared to its individual sovereign members [29]. But this also means that the CAF and its member countries are careful to accommodate the priorities of international capital markets in order to retain its confidence, not to mention the implicit (opportunity) costs of the paid-in capital.

As for monetary (currency) stability, in the absence of similar arrangements for alternative lenders of last resort, some countries have resorted to building up large foreign exchange reserves as a hedge against speculative currency attacks and also to avoid the need for IMF loans and accompanying policy dictates when faced with volatile capital flows.

Such reserves however entail even larger opportunity costs and furthermore deprive a country of domestic investment and growth prospects, and hence are not a long-term solution. Inevitably, alternatives involving regional pooling of reserves have been explored, and the *Chiang Mai Initiative* (May 2000) was one such attempt by Asian countries, in essence an interim risk pool which revives on a smaller scale the idea of an Asian Monetary Fund.

Created initially as a network of bilateral swap agreements (BSAs) between the countries of ASEAN+3 [ASEAN, plus China, Japan, and South Korea], the Chiang Mai Initiative was designed to alleviate temporary liquidity shortages in member countries through quick activation and disbursement of prior commitments under the BSAs, in order to stabilize foreign exchange volatility. Partner banks were allowed to swap their own currencies for major international currencies for a period of up to six months and for a sum up to twice the amount committed by the bilateral partners. The first 10 percent of the drawing available under the BSAs was unconditional, with additional withdrawals conditional on members requesting it under an IMF program or an activated Contingent Credit Line. The terms of borrowing typically provided for a maturity of 90 days, renewable up to a maximum of seven times, with interest to be paid at a rate based on the London Inter-bank Offered Rate (LIBOR) plus a spread [30].

As of May 2007, the 16 bilateral swap arrangements among eight countries had reached a combined facility size of $80 billion. Meeting on the sidelines of the 40th Annual Meeting of the Board of Governors of the Asian Development Bank in May 2007, finance ministers of the ASEAN + 3 countries agreed to pool these foreign reserves to establish a multilateral currency swap scheme [31]. In effect, this was an agreement to multi-lateralize the Chiang Mai Initiative (CMI) and to extend it to all ASEAN + 3 member countries.

In June 2003, an Asian Bond Fund (ABF) was launched by the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP, the regional association of central bankers). This was an initiative to promote the development of regional and domestic bond markets which could tap into and re-channel some of the huge foreign exchange reserves of East Asia, hitherto invested in "safe haven" developed country assets and securities, back into the Asian region.

As of July 2005, the Asian Bond Fund had committed US$1 billion to be invested in US dollar denominated bonds and another US$2 billion in local currency bonds, all issued by sovereign and quasi-sovereign borrowers from among the EMEAP member countries (currently, Thailand, Indonesia, Malaysia, Singapore, the Philippines, China, Hong Kong, South Korea, Japan, Australia and New Zealand) [32]. In June-July 2007, Hong Kong was used as a test site by mainland Chinese banks (Export-Import Bank of China, China Development Bank) for issuing 7 billion yuan worth of renminbi bonds (equivalent $930 million) [33].

Meanwhile, Venezuela's president, Hugo Chavez has announced plans for a '*Bond of the South'*, to be jointly issued with Argentina to mobilize resources as a buffer against financial and economic shocks. For 2006-2007, it was anticipated that $2.5 billion worth of bonds would be issued. Argentina's president, Nestor Kirchner, called the bond the first step "in the construction of a bank, a financial space in the south that will permit us to generate lines of finance" [34] independent of the IMF, in times of financial volatility and crises. Venezuela's purchases of $2.5 billion of Argentine government bonds had helped replenish Argentina's reserves after it repaid $9.5 billion of debt to the IMF in late 2005.

On May 22, 2007, Argentina, Bolivia, Brazil, Ecuador, Paraguay and Venezuela reached an agreement in Asunción (Paraguay) to proceed with the establishment of the Banco del Sur, with an initial plan to raise $7 billion of paid-in capital. One important feature that emerged was the principle of equal voting rights of member states and a consensus to work towards a regional common currency along with accelerated regional economic integration. Still unresolved however was whether Banco del Sur would function primarily as a development bank, or whether it would also take on a role as a monetary stabilization fund instead of devolving this to a later stage or to a separate institution altogether [35]. In a region as large as Latin America, with its varying ethnic and class constellations and modes of articulation with globalizing capital, it is not surprising that internal divisions and conflicting priorities are played out in the founding process of the bank, much as they are evident in the ideological spectrum extending from the more radical ALBA through to CAF and Mercosur (regional common market with Argentina, Brazil, Paraguay, Uruguay, and Venezuela as full members), in relation to the preferred balance between the developmentalist state and the market, between a needs-driven, rights perspective in development and a pragmatic accommodation (if not collusion) with existing global economic and political forces, and on environmental, cultural, and social protection [36].

Regional banks, borrowers' clubs, and pooled reserves in the short to medium term may be more expensive sources of loans than the global multilateral sources (the price for flexibility and enlarged policy space). Private lenders keen to spike the competitiveness of multilateral or alternative lenders will understandably be carefully monitoring these developments.

From the perspective of Africa however, which is much less endowed with capital resources than Asia or Latin America, the option of pooling reserves for a regional development bank or a lender of last resort is less feasible. Its debt dependency vis a vis the World Bank and the IMF has been described in these terms by Patrick Bond of the University of the Kwazulu Natal in South Africa:

> Africa's debt crisis worsened during the era of globalisation. The continent now repays more than it ever received, according to the World Bank, with outflow in the form of debt repayments equivalent to three times the inflow in loans and, in most African countries, far exceeding export earnings. During the 1980s and 90s, Africa repaid $255 billion, or 4.2 times the continent's original 1980 debt. Repayments are equivalent to three times the current inflow of loans, with a net flow deficit, by 2000, of $6.2 billion. For 21 African countries, the debt reached at least 300% of exports by 2002. While 'debt relief' rose from around $1.5 billion in 2000 to $6 billion in 2003, it continues to be provided in a way that deepens, not lessens, dependence and Northern control [37].

In recent years, the situation has eased somewhat owing to buoyant commodity prices, and the emergence of China (and to a lesser extent, India) as a significant source of development finance for sub-Saharan Africa. According to the IMF, development lending by China to Africa had risen to $5 billion in 2004, double the figure ten years earlier [38], in comparison with IDA grants and loans to Africa which had increased from $3.4 billion in 2001 to $5.8 billion in 2007 [39].

In November 2006, President Hu Jintao announced at the Beijing Forum on China-Africa Cooperation that China would double its assistance to Africa by 2009, and it would also provide an additional $5 billion in preferential loans and preferential buyers' credits. In addition, debt in the form of all interest-free government loans that matured at the end of 2005 owed by heavily indebted and least developed countries in Africa would be cancelled, and China would increase from 190 to over 440 the number of import items receiving zero-tariff treatment, originating from the least developed countries in Africa [40].

The Export-Import Bank of China plays a key role in China's development lending and development aid. Isabel Ortiz, citing Peter Bosshard [41] and a World Bank report on China and India's economic ties with Africa [42], writes that

> "since its foundation in 1994 to 2006, Exim Bank China developed 259 loans in Africa alone (concentrated in Angola, Nigeria, Mozambique, Sudan and Zimbabwe), most of them large infrastructure projects: energy and mineral extraction (40 per cent), multi-sector (24 per cent), transport (20 per cent), telecoms (12 per cent) and water (4 per cent). Most known examples include oil facilities (Nigeria), copper mines (Congo and Zambia), railways (Benguela and Port Sudan), dams (Merowe in Sudan; Bui in Ghana; and Mphanda Nkuwa in Zambia) and thermal power plants (Nigeria and Sudan). According to the Exim Bank China Annual Report 2005, only 78 loans of the total Bank loan portfolio were concessional, below-market rate loans. When the terms are concessional, interest rates can go as low as 0.25 per cent per annum, subsidized by the Chinese Government; however most of the procurement has to be imported from China. Apart from this condition [and adherence to a one-China foreign policy], there are no other strings attached to these loans, that is, no policy conditions, no environmental or social standards required. International and national organizations, including civil society groups, have criticized China for supporting highly repressive regimes (Burma, Sudan, Uzbekistan, Zimbabwe) to satisfy its need for natural resources, particularly oil; creating new debt in low income countries to promote Chinese exports; undermining the fight against corruption and the promotion of environmental and social standards. In view of this, Exim Bank China recently approved an Environmental Policy; it has no social safeguards yet, but there are signs that this may be reversed". (www.networkideas.org, August 22, 2007).

Concluding Remarks

Michal Kalecki, in analyzing the systemic tendency of mature capitalist economies towards stagnation and crisis, remarked that "the tragedy of investment is that it is useful" [43]. For capital-poor countries seeking to build up industrial and technological capacities, one might add that the dilemma of investment is that it is useful, and therefore necessary.

The emergence of multi-polar sources of development financing in recent years (multilateral, regional alternatives, bilateral, private capital markets, private philanthropy, sovereign wealth funds) has created some leverage for borrowers in their negotiations with lenders over the terms of borrowing. This leverage however can be deployed to various ends. It could diminish the leverage and policy dictates of dominant lenders and their priorities which may be detrimental to the national interests and well-being of people in the borrowing countries. On the other hand, it could also undermine the efforts aimed at securing equitable and socially just development, at fostering environmentally-responsible development, and at reducing corruption, political repression and violation of civil rights. The independent role of social movements in helping to bring about a more favorable conjuncture, for minimizing the former and maximizing the latter, will remain relevant under any of these evolving scenarios.

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Endnotes

1 . Shorthand for the "World Bank Group" which includes the International Bank for Reconstruction and Development (IBRD), lending to the governments of middle- and lower-middle income countries at market-based rates, the International Development Association (IDA), which provides concessional rates and performance-based grants to the poorest countries, and the International Finance Corporation (IFC), which promotes private sector involvement in development and its financing. Kenneth Rogoff, professor of economics at Harvard University and former chief economist at the International Monetary Fund (IMF) explains that "the IBRD has only a small amount of paid-in capital [5 percent of callable capital]. It finances most of its lending activities, which amount to more than $100 billion, through borrowing. That is, the IBRD taps international capital markets using its triple-A rating, and then lends to developing countries and emerging markets at a mark-up of between 0.5 percent and 0.75 percent, generally (but not always) far below the rate at which they could borrow on their own. The Bank uses the difference to help defray the Bank's $1.5 billion in operating expenses, including the cost of its 10,000-plus employees" (Economist, July 24, 2004).
2. Nicholas Eberstadt & Clifford Lewis. Privatizing the World Bank. The National Interest, Summer 1995.
3. Alan Walters. 1994. Do We Need the IMF and the World Bank? London: Institute of Economic Affairs.
4. Branko Milanovic. 2003. The Two Faces of Globalization: Against Globalization as We Know It. World Development 31(4):667-683.
5. See for example Hollis Chenery, Montek Ahluwalia, Clive Bell, John Dulloy and Richard Jolly. 1974 Redistribution with Growth: Policies to Improve Income Distribution in Developing Countries in the Context of Economic Growth. (A Joint Study by the World Bank's Development Research Center

and the Institute of Development Studies, University of Sussex). London: Oxford University Press.
6 . Report of the International Financial Institution Advisory Commission (chair: Allan H Meltzer), March 2000, US Congress www.house.gov/jec/imf/meltzer.htm (accessed on January 3, 2002). Along with Meltzer, the most sustained calls to outsource the IBRD's lending have come from his colleague Adam Lerrick, a Carnegie Mellon University economist and visiting scholar at the American Enterprise Institute. Lerrick, who had served as senior advisor to Meltzer during his tenure as chairman of the International Financial Institution Advisory Commission (1999-2000) has 25 years experience as an investment banker. Currently, he is chairman of Sovereign Debt Solutions Limited, a capital markets advisory firm which was retained from 2003-2005 to negotiate on behalf of 30,000 European retail investors, in collaboration with HypoVereinsbank (Germany's second largest bank), and DSW, the largest German investor rights protection organization, which collectively constituted the largest group of foreign creditor claimants in the $100 billion Argentina debt restructuring.
7. For a critical analysis of the World Bank's targeted approach in Investing in Health (World Development Report, 1993), see Asa Cristina Laurell & Oliva Lopez Arellano. 1996. Market Commodities and Poor Relief: The World Bank Proposal for Health. Int J Health Services 26(1):1-18.
8. For a discussion of universalism and targeting in social policy and development practice, see: Thandika Mkandawire. 2005. Targeting and Universalism in Poverty Reduction. United Nations Research Institute for Social Development, Social Policy and Development Programme Paper Number 23. Geneva: UNRISD; CK Chan. 2006. What's new in the Arusha statement on New Frontiers of Social Policy? Global Social Policy 6(3):265-270
9. Gavan McCormack. 2005. Koizumi's Coup. New Left Review No. 35 (September-October 2005). In the September 2005 Japanese elections, Koizumi had brilliantly tapped into a wellspring of disaffection among the Japanese electorate towards what was perceived as an arrogant, bloated, and pampered bureaucracy/technocracy – amakudari (post-retirement placements in cushy private sector jobs), repeated scandals and seedy history of reciprocal favors and corruption of LDP factions and their business and bureaucratic associates ("iron triangles"), cosseted civil servants who "continued enjoying their golfing retreats while the rest of us suffered the brunt of the collapsing bubble", etc). The privatisation of Japan Post had little to do with enterprise efficiency or client satisfaction, but was largely cipher for anti-establishment sentiment (let the "free" market sort out cronyism, familiar mantra).
10. The State as Sugar Daddy (Economist, 30 July 2005); CK Chan. 2005. Neo-liberalism vs. Communitarian Capitalism: Japan's Dilemma. Posted on 22 September 2005.
11. Economist, March 17, 2007, citing Julie Abrams & Damian von Stauffenberg. 2007. Role Reversal: Are Public Development Institutions Crowding Out Private Investment in Microfinance? Wash. DC: MicroRate, Inc
12. Statement of Kenneth Peel, head of US delegation, 40th Annual Meeting of the Board of Governors of the Asian Development Bank, Kyoto, May 6-7, 2007 accessed on 4 September 2007.
13. Asian wealth leading to ADB overhaul. Associated Press, May 3, 2007
14. A professor of social epidemiology at University College London who chairs the WHO Commission on Social Determinants of Health which will be reporting in early 2008.
15. In the terminology of the neo-Keynesian French Regulation School, this would be an instance of "regulation failure" and crisis of the existing regime of accumulation: "there are long periods of time when things work, when the configuration of social relations that defines capitalism, for instance, reproduces itself in a stabilized way. We call such a continuing system a regime of accumulation. This refers, of course, to economics but this can be extended to politics, diplomacy, and so on… we have to think [also] about the ways this regime of accumulation is achieved… individual expectations and behavior must take shape so that they are in line with the needs of each particular regime of accumulation. There are two aspects of the process. The first operates as habitus, as Bourdieu would say, in the minds of individuals with a particular culture and willingness to play by the rules of the game. The other operates through a set of institutions [which] may vary widely, even within the same basic pattern of social relations. Wage relations, market relations, and gender relations have, for example, changed a lot since they first developed. We call a set of such behavioral patterns and institutions a mode of regulation…" Alain Lipietz. 1987. Rebel Sons: The [French] Regulation School - An interview conducted by Jane Jenson. French Politics & Society, Volume 5, n°4, September 1987. If we add an element of periodicity, this calls to mind Kondratieff waves (business cycles) and the periodic build-up (and dissipation or destruction) of over-accumulated capital and excess capacity.
16. Paul M. Sweezy. 1956. The Theory of Capitalist Development. New York: Monthly Review Press; Paul A. Baran and Paul M. Sweezy. 1966. Monopoly Capital. New York: Monthly Review Press.
17. Harry Magdoff and Paul Sweezy. 1987. Stagnation and the Financial Explosion. New York: Monthly Review.
18. Ulrich Beck. 1992. Risk Society: Towards a New Modernity. New Delhi: Sage (translated from the German Risikogesellschaft published in 1986).
19. Private Sector Development Strategy – Directions for the World Bank Group, para. 60 (April 9, 2002). Washington, DC: World Bank.
20. International Finance Corporation, 2007 Annual Report. Washington, DC: IFC.
21. David de Ferranti 2006. The World Bank and the Middle Income Countries, in Rescuing the World Bank (ed. Nancy Birdsall) Wash. DC: Center for Global Development.
22. Nancy Birdsall had previously held senior positions in multilateral development financing institutions, as executive vice-president of the Inter-American Development Bank (1993-1998) and before that, as director of the policy research department of the World Bank.
23. Nancy Birdsall (ed.). 2006. Rescuing the World Bank. Wash. DC: Center for Global Development.
24. Nancy Birdsall. 2006. A Global Credit Club, Not Another Development Agency, in Rescuing the World Bank (ed. Nancy Birdsall) Wash. DC: Center for Global Development.
25. Early in his tenure, Robert Zoellick, who replaced Paul Wolfowitz as president of the World Bank in July 2007, deftly turned to the expanding IFC for increased cross-subsidies for the IDA's grants and soft loans window. Affluent member states, who were balking at increased IDA replenishments despite their earlier pledges, would have found it difficult to support a downsizing of development lending by the IFC to the private sectors of emerging market economies. On the other hand, to secure the support of China, India, and other lower-middle income borrowers for the increased cross-subsidies to IDA (coming ultimately from the income streams from IBRD and IFC's borrowers), Zoellick offered as quid pro quo lower (!) rates for IBRD loans to these large borrowers. In contrast to Wolfowitz, Zoellick has shown considerably more savvy in playing the "multilateralist", triangulating between the CGD/Brookings/Carnegie Endowment and the AEI camps, the different tendencies within global finance capital, and the dominant and emerging member states of the WBG, even as he seeks (or needs to be seen) as protecting the bank's "institutional" interests. Indeed, many of Zoellick's early initiatives would not have been out of place in a "multilateralists' agenda": stepped-up lending to middle-income sovereign borrowers, and expanding the menu of the WBG's financial products (structured finance, risk management for natural disasters and currency and commodity price fluctuations, increased lending to sub-national and supra-national borrowers as well as to the private sector, local currency bonds). World Bank press release No:2008/078/EXT, September 27, 2007.
26. It was not coincidental that Singapore was chosen as the venue for the 2006 IMF/World Bank joint meetings, given Wolfowitz' assertive and sustained anti-corruption crusade in multilateral development lending. Quite apart from the Singapore government's intolerant approach to dissent and civil liberties, Singapore is also a highly efficient, technocratic, comprador state, a "development showcase" equally known for its "pragmatism" and its remarkably low level of corrupt practices (in the restricted "governance" sense) among government functionaries.
27. The IMF - Shrink it or Sink it: A Consensus Declaration and Strategy Paper. 2006 campaign spearheaded by Focus on the Global South. Accessed on 15 Sept 2006
28. Vince McElhinny. 2007. Banco del Sur: A reflection of declining IFI relevance in Latin America. Bank Information Center, 1 May 2007 accessed on September 2, 2007
29. José Angel Gurria & Paul Volcker (co-chairs). 2001. The Role of the Multilateral Development Banks in Emerging Market Economies. 2001. Washington, DC: Carnegie Endowment for International Peace.
30. Wang Seok-Dong. 2002. Regional Financial Cooperation in East Asia: the Chiang Mai Initiative and Beyond. Bulletin on Asia-Pacific

Perspectives 2002/03. Asia-Pacific Economies: Sustaining Growth Amidst Uncertainties. Bangkok: UNESCAP.
31. ASEAN+3 agree to cash swap scheme / Countries to pool reserves for stability. (The Yomiuri Shimbun online, May 6, 2007) (accessed on May 7, 2007)
32. "The Asian Bond Fund 2 has moved into Implementation Phase" (EMEAP Press Statement, 12 May 2005)
33. China Daily, 26 July 2007, p.10.
34. Tinkering at the edges of governance reform: IMF quota proposals. Bretton Woods Project website (11 September 2006) accessed on 20 September 2006.
35. McElhinny, ibid.
36. interview with Plinio Soares de Arruda (economist, State University of Campinas) on Brazil and Banco del Sur, May 18, 2007 accessed on September 1, 2007.
37. Patrick Bond. 2006. The Dispossession of African Wealth at the Cost of African Health. Equinet discussion paper number 30 (March 2006). Harare, Zimbabwe: Equinet.
38. Financial Times, December 7, 2006.
39. World Bank Commits Record $5.8 Billion to Africa. (World Bank press release, September 4, 2007).
40. Full text of President Hu Jintao's speech at the Beijing Forum on China-Africa Cooperation accessed on September 2, 2007.
41. Peter Bosshard. 2007. China's Role in Financing African Infrastructure. Berkeley: International River Network and Oxfam. For African perspectives on the emergence of China as a major source of development finance, see Firoze Manji & Stephen Marks (eds). 2007. African Perspectives on China in Africa. Cape Town: Fahamu; see also Todd Moss & Sarah Rose. 2006. China ExIm Bank and Africa: New Lending, New Challenges. CGD Notes, November 2006. Wash. DC: Center for Global Development.
42. Harry Broadman. 2007. Africa's Silk Road: China and India's New Economic Frontier. Wash. DC: World Bank.
43. Michal Kalecki. 1939. Essays in the Theory of Economic Fluctuations (p.149). London: Allen and Unwin.