

## MULTILATERAL BANKS IN LATIN AMERICA: OPPORTUNITIES AND PROSPECTS FOR CIVIL SOCIETY PARTICIPATION

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### 1. Introduction

The Multilateral Development Banks - MDBs -, together with the International Monetary Fund - IMF -,<sup>2</sup> form the powerful group of the International Financial Institutions - IFIs -, which over the last two decades has assumed a growing role in both lending and ruling on development issues. This paper will focus mainly on MDBs, in particular the *World Bank* and the *Inter-American Development Bank - IDB* -, although the exchange among IFIs has promoted an increasing identity of their policies and practices.

Since its creation in 1944, the World Bank – WB – became the world's largest lender for development projects. In its 50 years of operations, lending figures indicate a total of 3,660 projects financed, amounting US\$ 249 billions in mid 1994 (FY94)<sup>3</sup>. In the FY94 only, Latin America has received US\$ 4.7 billion, corresponding to 23% of the total WB loans. Brazil is among the five biggest borrowers, together with

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2 The IMF was formerly designed to promote the adjustment of external accounts of the Western countries in the post-War period. From the 1970's, it became increasingly involved in promoting the revision of internal macroeconomic policies as a way to tackle the problems of external accounts "at the root".

3 World Bank data refers always to the Fiscal Year (FY), starting on the 1st July of the previous calendar year and ending on the 30th June of the current calendar year.

Mexico, India, Indonesia, and Turkey. These five countries have concentrated 22% of the number of projects and 40% of the amount lent until that year, as shown in Table 1.

Table 1: Accumulated overall World Bank lending per main borrowers, FY94.

US\$ millions

| Country    | Total loans | %    | No. of projects | %    |
|------------|-------------|------|-----------------|------|
| Mexico     | 23,418.6    | 9.4  | 146             | 4.0  |
| India      | 21,838.2    | 8.8  | 153             | 4.1  |
| BRAZIL     | 21,689.7    | 8.7  | 206             | 5.6  |
| Indonesia  | 20,411.7    | 8.2  | 188             | 5.1  |
| Turkey     | 12,057.9    | 4.8  | 112             | 3.1  |
| China      | 11,759.4    | 4.7  | 82              | 2.2  |
| Argentina  | 8,741.8     | 3.5  | 58              | 1.6  |
| Sub-total: | 119,917.3   | 48.1 | 945             | 25.7 |
| Total:     | 249,398.3   | 100  | 3,660           | 100  |

Source: World Bank Annual Report, 1994, p.230.

Note: Figures do not include IDA lending.

Further than lending, the WB has also become the World's main source for most economic and social indicators, at both international and country levels. Also, its theoretical work on development issues may be seen as the main stream of the current thought on development. The Bank also supports internal and external expert committees for development of new technologies in both industry and agriculture. Since 1992, the WB has been granted the management of the G7 fund for research on the Environment and the Pilot Program for the Protection of Tropical Forests, adding these new areas to its expertise on development issues.

The IDB was established in 1959, starting lending in 1961. It was part of the current movement towards continental integration as a way to break the secular trend of political disputes and economic

isolation among LAC countries. Long term trend of IDB lending shows a growing role of IDB relative to the WB in providing external finance to the region, as shown in Table 2.<sup>4</sup>

Table 2: Evolution of World Bank and IDB lending to LAC, 1984-1994.

US\$ millions

| Years | IDB   | World Bank |
|-------|-------|------------|
| 1984  | 3,320 | 3,029      |
| 1985  | 2,985 | 3,698      |
| 1986  | 2,969 | 4,771      |
| 1987  | 2,287 | 5,152      |
| 1988  | 1,601 | 5,264      |
| 1989  | 2,553 | 5,842      |
| 1990  | 3,803 | 5,865      |
| 1991  | 5,330 | 5,234      |
| 1992  | 5,992 | 5,662      |
| 1993  | 5,933 | 6,169      |
| 1994  | 5,236 | 4,747      |

Source: IDB, President's Report to the Board on Bank Activities in 1994.

This paper concentrates on the changing character of MDBs relations with LAC, Brazil and Peru in particular, over the 1990s. Recent campaigns led by international NGOs have called for a downsizing of MDBs as a whole, as a way to reduce the growing damage inflicted by their policies and projects to Southern societies. In response to this criticism, MDBs have increasingly tried to accommodate in their papers and projects concepts such as *transparency*, *participation*, or even *poverty alleviation*. However, while the explicit nature of MDBs operations remained the "creation of an enabling environment" for private sector-based growth, that will provide little room, if any, for the poor as a beneficiary of MDBs projects.

<sup>4</sup> For a detailed discussion of IDB lending patterns see Griffith-Jones, 1994.

In spite of the positive effect of most macroeconomic changes on traditional economic indicators, the adverse effects of adjustment on poverty, employment and working conditions are largely acknowledged by both official and independent sources (World Bank, 1993b; Veltmeyer, 1993; OXFAM, 1994a, 1994b; Graham, 1992). We argue that this adverse new face of multilateral influence will have higher degree of permanency than anticipated in current MDBs literature. It will be evidenced by the deterioration of indicators of inequality and poverty in connection not only to the character of the remedies themselves, but mainly due to their process of definition and enforcement. The cases of Peruvian adjustment and the ongoing reform process in Brazil will provide some evidence to this point.

## 2. The changing role of MDBs in LAC

Multilateral lending may be understood as an inflow of finance backed by a pool of nations and directed to support their member's policies. Originally, it was conceived as an instrument to provide long term finance for public investments in Western economies, otherwise restricted by the limited internal savings capacity during the post-War time. This financial strategy would prove to be instrumental for opening new areas for private sector development in the South and also to sustain industrial employment in North America and Europe.

The Brazilian case exemplifies the hystorical trend of WB lending in LAC. First loans were typically oriented to infrastructure, especially, energy and transport. Loans were interrupted between 1955 to 1957 and 1960 to 1964 for disagreements about internal macroeconomic policies. The beginning of the military regime in 1964 prompted the restarting of lending to the country (Gonzalez et al., 1990). By the late sixties, the lending structure became more flexible to incorporate rural development projects. Cumulative lending to Brazil between 1949-1989 reflects the relative change of importance of both infrastructure and social sectors loans, as shown in the Annex 1.

During the early 1970s, concepts such as "trickle-down" effect, Basic Needs and Integrated Rural Development were introduced in project design. The Brazilian Northeast, the Sub-Saharan Africa and the Indian sub-continent became targets for a number of lending experiments which have no more than changed the face of poverty in those regions. As demonstrated in a vast literature produced over

the 1980s, the Green Revolution and the production-oriented conservative modernization of Third World agriculture would not be enough to improve living conditions for most the rural people.

For MDBs, the main problem of development in the 1970s would remain within economic limits: poverty and inequality, under the current rationale of development, would be seen as a question of freeing the Southern economies from any restrictions to market operation and economic growth.

The 1970s have marked a fundamental change in the traditional labor division between the IMF and the World Bank. Close collaboration between the two organisations would be necessary for reaching permanent solutions to what has become an structural incapacity of Southern economies (and some of the Northern too) to overcome their external budget deficits. The debt crisis of the early 1980s provided the right conditions for pushing a deeper reform of severe indebted economies, restoring the monetary breathing of the international financial markets.

Over the last ten years, the restructuring of the Third World economies has become the main priority for MDBs policies and operations. Since then, the roles and character of MDBs relations has changed to strengthen interconnection and coherence among macroeconomic and sector policies. When made necessary, MDBs would not hesitate to exercise "their leverage fully to ensure that impatience, short sightedness, and short term political pressures do not derail the reform effort." (The World Bank. Edwards, S., 1993: 9-3)

### *Some concepts associated to structural adjustment*

The structural adjustment became the main priority for MDBs during the 1980s. Reforms in LAC followed a general framework based on the main points below:

\* The size of State should be reduced by privatization of public enterprises, reducing public employment, and raising the productivity of government activities. This would be instrumental for reducing public deficits and a condition for restarting borrowing from the WB and other international sources. A smaller State would be able to

keep its budget balanced, therefore reducing inflationary pressures;

\* A main step for adjustment in Southern countries, LAC in particular, was the removal of trade barriers, reducing import taxes and abandoning exchange rate-based policies;

\* A more efficient State would be able to concentrate in regulatory and administrative functions, providing an “enabling environment” for private sector development. The main instruments of reform of the State would be the removal of private employment disincentives, such as high payroll taxes, tight workers right legislation, and restrictions to the normal operation of land and product markets;

\* Relieving the State from productive functions would also contribute to release funds needed for supporting the social sector, creating further incentives for poverty alleviation and economic development.

Structural reforms would made necessary a new approach to MDBs lending. Political pressure, backed by most the international banking community, and economic incentives would make room for agreements involving reforms varying in degree from the radical swept, as in the Peruvian case, to the softer and slower, as in the Brazilian experience to date.

### **3. A sweeping experience of Structural Adjustment: an introduction to the Peruvian reform**

The Structural Adjustment Loans - SAL - are acknowledge more for their impacts on the society rather than for their process of implementation. This section discusses the main adjustment program undertaken by MDBs in Peru during the period 1990-95. Data is based on official sources and the analysis is restricted by the scope of this paper. The case has been taken by the WB as one of the most comprehensive and fast SA experiment ever.

The Peruvian economic crisis deepened along the 1980s. Increasing interest rates and falling external commodity markets, culminated in 1987 with Alan Garcia's declaration of unilateral moratoria on the country's international debt. From that moment, financial relations with the rest of the world were cut off, until the sign of an emergency structural reform program, agreed by the Fujimori government with

the IMF and the WB soon it came into power, in August 1990.

According to the World Bank, the Peruvian crisis was rooted in two decades of public sector expansion, aggravated by the Alan Garcia's nationalist govern (1985-89). By the end of his populist office, the number of public enterprises have reached 177, from the 29 in 1968, covering virtually all sectors of the economy. According to the Bank, the main indicator of the failure of the statization police was the mounting losses of state owned enterprises (SOEs), starting from the mid-1980s.

Nevertheless, the same World Bank analysis, suggests other causes for the bad performance of the Peruvian economy. Curiously, none of them is related to the public character of the enterprises themselves. Firstly, is mentioned the price control maintained by the government on goods and services produced by SOEs, in an attempt to lower inflation. Secondly, the drop of main Peruvian primary exports over the 1980s, in connection with the unfavorable external markets along the decade. The fell of export prices reached 16% for processed fish, 60% for lead, and 80% for silver (The World Bank, 1993a).

From August 1990, the Peruvian SA was implemented, consisting of a number of measures, including:

#### *Macroeconomic Policy*

- \* The elimination of multiple exchange rates and the introduction of a floating rate;
- \* The immediate restarting of debt payments in arrears to the IFIs and starting negotiations with the Paris Club. New money would be provided by the IMF and the WB for that purpose;
- \* The elimination of controls on interest rates, which began to be determined by the financial markets;
- \* The elimination of all price controls in the economy;
- \* The starting of an strict control over the wages in the public sector, followed by measures to reduce public spending, through the creation

of a centralized cashier system, with spending tied to receipt;

\* Drastic price increasing, reaching 3,000% for fuels and 1,000% for public services, aiming at recover the rentability of public enterprises and reduce public deficit.

### *Fiscal Policy*

\* The simplification and lowering of the country tax system. Taxes were consolidated in five categories: (i) on individuals and enterprises; (ii) on the wealth of individuals and enterprises; (iii) on the value added of goods; (iv) on the consumption of specific goods; and (v) on imports;

### *Agricultural Policy*

\* The elimination of all state monopolies on trade of agricultural products;

\* The elimination of restrictions to the selling of land, the increasing of minimum size of properties, and the creation of mechanisms to prevent land occupation and expropriation. To make these changes effective, a revision of the national Agrarian Law was proposed;

\* The elimination of all subsidies to agricultural credit and the permission to mortgage land and its use as collateral for credit operations;

\* Support to marginal farmers through target poverty programs "instead of credit" (World Bank, 1993);

\* The provision of legal conditions for the hand over of irrigation infrastructure to farmers associations and its maintenance through collection of users fees;

\* The deregulation of all internal and external trade of agricultural products, including the elimination of restrictions to food imports;

### *Employment Policy*

\* The extension of the probation period in working contracts from

three months up to one year, in order to lower employment costs for private employers. The "flexibilization" of working contracts would also include the creation of both fixed period and temporary contracts;

### *Privatization of State Owned Enterprises -SOEs*

\* The privatization or liquidation of the whole Peruvian SOEs, to be concluded by the end of the presidential period (1995). Technical assistance to the privatization program would be provided by non-reimbursable funds offered by Japan, Germany, and the WB;

\* Elimination of all remaining obstacles to private sector participation in the economy. These included the abolishing of all state monopolies and concessional privileges maintained by the public sector. Among these privileges were included the monopolies on petroleum and gas exploration, refining, and distribution; on the extraction and processing of minerals and metals; on the capture and processing of fishing; on transports and ports in general, and on urban water supply and sanitation services.

In order to consubstantiate most the above conditionalities, the agreements between the WB and the Peruvian government anticipated the legal obstacles the current legislation would impose to implement the reforms, and determined the necessary changes in the pertinent legislation. As a general condition for implementation of the adjustment program, the government would promote the necessary changes in the legislation as defined in the terms of agreement, as well as would present to the WB in advance the draft of all laws and decrees associated with the proposed adjustment policies.

The amplitude and the pre-conception of the legislative reforms included in the Peruvian SA would made them inconsistent with any democratic process. A natural result would be the closing of the National Congress until the conclusion of most of the reforms, enforced by presidential decrees. Later, the reopening of the Congress, with the calling of legislative elections, was welcome by the WB as an incentive for foreign investors regain confidence in the country (The World Bank, 1993a).

Social consequences of the reforms are vaguely mentioned in the

main terms of agreement. Involuntary redundancies of some 25,000 employees were seen necessary in the preliminary phase of the program, for shaping the state owned enterprises attractive for privatization. The costs of laid off such a huge number of people were only considered in terms of their positive impact to reduce public spending. For lowering the financial costs of privatization, the program also proposed that compensation for dismissals would be limited to payments of social benefits.

Further social impacts of raising unemployment were also expected in communities dependent on some of the largest SOEs, such as the steel plant and fishing processing plants. As a compensation, were proposed, on top of unspecified monetary aid, the implementation of programs for job advising and incentives for creation of micro-enterprises. As an attempt to attract popular support to the privatization program, it was proposed that a small share of the proceedings of the sale of SOEs would be channeled for small community projects. Later, an Investment Social Fund was created, to provide grants to small community projects, using the same approach as the Bolivian FIS and Mexican Solidariedad.

The streamline of the public administration was seen as one of the pillars for lowering the public deficit. Among the strategies proposed, early retirement incentives alone were estimated to cut 14,000 jobs in two years, only in the federal department responsible for social benefits. This estimate proved too optimistic in face of the actual figures. According to a recent WB's report, "incentives" to voluntary retirement were responsible for 50,000 civil servants resignations in a period of only four months (The World Bank, 1993b).

The social impacts of the massive liquidation of jobs in the public sector are seen by the WB as an unwanted, although inevitable, consequence of the reforming process. Recovering of the employment level is cleared seen as a long term indirect result of the adjustment process. Despite a virtual halting of the economic activities was expected in some regions, no preliminary assessment of its social impacts was conducted. The only compensatory measures proposed in the agreement documents are the need of food supplement to extremely poor families and the creation of a Social Investment Fund to finance community projects.

In 1991, one year after the first commitments towards SA, a WB mission visited the country to elaborate a Poverty Assessment Report (The World Bank, 1993b). The document, issued in 1993, recognizes the effectivity of the macroeconomic policies to reverse economic crisis and to laid down the right conditions for market operation and future growth. However, improvement of the persisting deep social crisis would depend on timely responses to markets liberalization. Employment, especially among the poorer, was still to recover, and some groups would not be able to fully participate.

Deterioration of living conditions which resulted in the cholera epidemic in 1991 are still present after the first three years of reform. The same is the situation of the extremely poor small farmers of the Sierra which hardly changed from the unrestricted opening of the Peruvian markets.

For the poor, the WB's general recommendation is the implementation of target programs directed to specific identified needs. Despite the virtual dismantling of the public sector, most of the proposals were designed to be implemented through public programs. Also, mobilization of local non-professional people is expected to complement areas such as primary health care for the poor.<sup>5</sup> An emergency work program is proposed, in which wages should be set at no more than the minimum salary, in order to attract private contractors and discourage people to leave higher paying jobs to get the temporary employment.<sup>6</sup>

### *Some remarks on the Peruvian adjustment*

The pre-adjustment scenario seems to allow little choice than reform to break the 1990 hyperinflation and macroeconomic crisis in Peru. However, the reform agreed as a condition for IFIs adjustment loans went much further than just economic reform. It was intended to

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5 The use of non-professional people to assist the poor is a proposal strongly welcome in WB documents. A cited reference for this strategy is a program run by the Brazilian state of Ceara, using health visitors to promote basic care orientation to marginal communities, which has been welcome for its cost effectivity. (The World Bank, 1995)

6 The long standing experience of Brazilian Northeast suggests that collective work fronts are more likely to benefit the poor when used to respond to specific productive needs of poor farmers, rather than wasted in low quality public works.

change a whole structure of socioeconomic relations with little or none participation of the society.

Although there is plenty of room for questioning the measures and concepts followed in the Peruvian case, what is central in this analysis is the character of MDB's intervention itself. The terms of the Peruvian agreement demonstrate an unprecedented capacity of the WB not only to replace national economic leadership, but also to exercise political pressure for significant changes in a country's legislation.

#### **4. The Brazilian performance on adjustment**

Brazilian relations with IFIs have always had a mixed flavor: sweet when signing contracts and sour in times of questioning the country's protectionist external policies. However, as the largest western potential receptor for lending, as well as its largest debtor, the country have deserved some privileges, such as some room to make its own policy "mistakes". In terms of the adjustment prescription, these mistakes include the maintenance of a huge and inefficient public sector, seconded by a large number of public enterprises and banks, responsible for a major share of the huge country's public deficit.

Since the early 1970s, Poverty has entered the WB policy agenda to stay. The Brazilian Northeast would be the stage for a number of government initiatives supported by MDBs policies and technical advice. The attempt to modernize one of the poorest areas of LAC has involved the creation of large irrigated schemes, which resulted in more people expropriated than actually protected from drought. On the infrastructure side, modern new roads were built all over the region, releasing the circulation bottleneck. Electricity supply has also improved from a number of reservoirs and power stations built along the São Francisco valley. In many of these projects, social impacts were not anticipated, therefore minimizing compensation and aggravating more than relieving poverty conditions in the region.<sup>7</sup>

Agricultural extension and research have both been largely

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<sup>7</sup> The case of irrigation programs and the population resettlement for the construction of large reservoirs are well documented. In all cases, MDBs have demonstrated its virtual incapacity of exercising its leverage power in favor of the poor. The almost ten years delay to complete the resettlement of the population of the Itaparica reservoir is the most notorious.

contemplated in the Brazilian portfolio. From 1967 to 1989, US\$ 3 billion of WB loans were channeled for Agriculture and Rural Development programs. To that amount should be added US\$ 955 million of IDB loans for the period 1961-1993. The Northeast alone has theoretically received more than US\$ 1 billion for the regions POLONORDESTE and its successor the Northeast Rural Development Project - PAPP.<sup>8</sup>

Achievements of this substantial amount of resources have been mix. Poverty reduction strategy proved to be instrumental for extra-regional sources of equipments, consultancy, and skilled labor necessary for project design and implementation. The region's employment, both rural and urban, remains below national levels, highly dependent on the public sector, and showing no significant improvement in productivity. Additional unemployment in major cities was originated from the dismantling of most the industries attracted to the region by fiscal incentives over the 1970s and 1980s and later abandoned as fiscal adjustment progressed.

As a "final solution" for the Northeast, a 1988 WB policy paper on Brazilian agriculture suggested the increasing of the spatial mobility of the subsistence labor force as a way to break its insistence to contaminate the regional indicators. The ignorance to the fundamental positive contribution of small family farmers to food and employment markets has been a major source of disagreement from Rural Development analysts towards WB proposals<sup>9</sup>.

For the WB internal evaluation department, the OED – Operations Evaluation Department<sup>10</sup> –, Rural Development projects have suffered from a number of design and implementation difficulties. One of the

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8 Theoretically because only a small amount of the loans are actually spent in the region. Most are paid as consultant fees, industrial equipments, civil works by extra-regional contractors. The exigence by MDBs of international bidding for most the contracts has also limited regional and many times national participation.

9 The above mentioned proposal for Peru of addressing poverty target programs to poor rural farmers "rather than credit" is indicative of this tendency.

10 The OED is recognised for its independence in conducting systematic project evaluations and policy reviews. In the WB structure, it reports directly to the Bank's President and the Board of Executive Directors. During the last five years, it produced major critical work on the WB policies and practices. However, its great independence make it quite distant from the other departments, creating resistance among Bank staff for the internalisation of its recommendations.

most visible in countries like Brazil has been the abandoning of the project by Bank officials soon after the contract approval. Also, the extreme complexity of multi-institutional projects has resulted in failures during implementation. Project failures, from the OED perspective, were mainly due to little adhesion to either sector policies or project original objectives. (World Bank, 1988)

On the other hand, from the Operations Departments<sup>11</sup> point of view, project failures have mainly originated from institutional incapacity of borrowing agencies to keep loan disbursements within the original project timetable. This understanding has generated pressure for spending, which in consequence compromises performance, especially for social projects. The case of the NRDP-PAPP, the current 10-years old rural development program for the Northeast, is illustrative of the sacrifice imposed to beneficiaries by pressure for lending.

The NRDP-PAPP was created in 1985, after extensive multi-institutional debates mobilizing divergent social interests in the Northeast region. It was designed to replace the highly centralized and infrastructure-oriented POLONORDESTE program. A Rural Unions support component, a land discrimination and titling subproject, and a community based sub-program were included in the PAPP project. By 1992, a mid-term review detected significant delays in the PAPP disbursement timetable. Collaboration from NGOs was suggested and a research was contracted by the WB to assess regional capacity and interest from NGOs to participate in the program. Preliminary results indicated a good potential for regional NGO participation in the program. For Bank reviewers and local NGOs, the reformulation should strengthen the community based component of the PAPP, a sub-program to finance productive small community projects.

However, participation in the PAPP reformulation was replaced by a program reshaped from the Mexican Solidarity model, entirely designed by Bank staff. Popular participation, as idealized in Operational Directives and many internal policy papers, was still to

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<sup>11</sup> Operations Departments are those in charge of the project cycle: sector studies, identification, preparation, appraisal, implementation reviews, monitoring and evaluation.

become part of the Northeast project reality. (Stevulak, C. e Thomson A., 1993)

Lacking of local participation in design and implementation has been a common feature of MDBs projects in Brazil. The IDB is someway ahead, exercising contacts at local level more easily than the WB. For the WB, the main obstacle to participation remains the recognition by Bank operational staff of its importance for improvement of project performance<sup>12</sup>.

The low involvement of local people in project cycle becomes a main reason for the little project ownership, which has perceived in many evaluations as a main cause of project failure. At the same time, the long and bureaucratic project preparation, averaging three years, reduces the likelihood of a project proposed by a government to be implemented by the same government. In many cases, this reduces the political ownership of projects by local governments, making counter part funds unavailable and generating implementation delays.

Delays of the project implementation process have caused major problems for the performance of Brazilian portfolio in recent years. An immediate result of project delays are the increasing of commitment fees. These fees are calculated on undisbursed loans and are due from the time a project contract is signed. High payments for commitment fees are a good indicator of bad project implementation performance. Over the last nine years, official figures estimated that Brazilian loans, undisbursed because of implementation delays reached US\$ 5.2 billion. In the same period, commitment fees have reached US\$ 100 million, including US\$ 20 million due to project delays.

For Brazil, costs of MDBs relations have become higher than expressed in monetary figures. To a growing negative net transfers might be added increasing policy disagreements in terms of the speed of the adjustment process and the cost-effectivity of social

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12 The problem of low commitment of operational staff to participation was raised in 1993 by senior World Bank managers during internal meetings aimed at creating an strategy to increasing popular participation in WB projects, in response to widespread criticism on this matter.

projects supported by MDBs<sup>13</sup>.

## 5. Conclusions

This paper discussed the relative importance and the increasing role of MDBs in policy-based lending for structural adjustment in LAC countries. Evidence from Peru and Brazil suggests that sequels from MDBs adjustment will have a more permanent character than anticipated in MDBs current literature. Recent analysis of the LAC capacity to repay MDBs loans indicates a tendency towards increasing negative net flows at least until the beginning of next century (Griffith-Jones, 1994). This trend will promote a growing dependency of LAC from official multilateral lending.

The case of Peruvian adjustment highlights the significant discompass between corrective macroeconomic measures and the starting of effective economic recovering policies. The negative social impact of the first years of stabilization was not made worsen only because of the massive aid given by the international NGO community (The World Bank, 1993b). Although economic recovering is almost guaranteed by stabilization policies, its timing and amplitude has become highly unpredictable.

Despite the policy discourse towards popular participation, involvement of NGOs in MDBs projects, commitment to poverty, sustainable development and other issues, some policy and operations MDBs sectors insist to remain distant from borrowing country's Civil Societies. Attempts to promote dialog between NGOs and MDBs have been frustrated, as shown in the case of the Brazilian NRDP-PAPP. More recently, a new attempt was made, with the creation of the Rede Brasil on MDBs. The Rede (network) was organized by Brazilian and international NGOs to develop and exchange qualified information about MDBs projects and policies of social interest. Also, it is intention to extend network activities to promote lobby campaigns directed to improve project transparency and local participation.<sup>14</sup>

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13 A recent research conducted by a Brazilian scholar has laid serious questions on the effectivity of the primary education projects supported by MDBs in the country during the 1980s.

14 The network has open the public Eletronic Conference DESREDEBRASIL, available on the Alternex (AX) network. Information on membership and access can be obtained from INESC@ax.apc.org or www.alternex.com.br

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