

CSOs Matter to MDBs

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Civil society organizations (CSOs) do impact on the running of the multilateral development banks (MDBs). Governance is a new buzzword in the WB and the ADB, indeed across the MDB system. Defined as “the manner in which power is exercised in the management of a country’s social and economic resources for development”), governance is now viewed as central to sustainable and equitable development (Nishimoto, ADB 1997).

But first, a word of caution. Impacts and outcomes are of multiple parentage and result from actions that are both intended and contingent. CSOs engaging the MDBs can only account for part of the result and even that is not easy to determine. The MDB’s have been getting inputs from a wide range of CSOs, which include non-government organizations (NGOs) and community and people’s organizations (COs and POs), among other non-state social actors.

NGOs get more prominence in MDB literature because (1) they happened to be more visible and have had a more sustained relations with the MDBs as a distinct group and (2) the WB and the ADB tend to use the concept NGOs to also mean CSOs. These CSOs range from those directly collaborating with the MDBs for a host of motives to those actively campaigning for their outright abolition.

There is no common assessment as to where MDB-NGO relations stand now. But the WB and the ADB tend to share a generally positive view of their evolving relations with NGOs. Views from NGOs diverse widely depending on where they are coming from and the nature of their experiences in relating with the MDBs.

IN THE EYES OF THE ADB

By its own admission, the ADB lags behind the WB in NGO literacy. ADB’s relations with NGOs dates back to its 1987 policy paper *ADB’s Cooperation with Nongovernmental Organizations*. This policy paper has set a limited framework of cooperation between the ADB and the NGOs, addressing a range of operational and institutional implications. It considered cooperation with NGOs as an effective means of supplementing efforts in selected operational areas. It justified this cooperation on the ground of

enhancing operational effectiveness by using the special capabilities and expertise of NGOs in addressing the basic needs of the poor and in the management and conservation of natural resources. The first ADB project to involve NGOs in its implementation was the NGO Microcredit Project in the Philippines in 1988.

A new policy on cooperation with NGOs was adopted by ADB in April 1998 taking into account the changes over the past decade. ADB has begun shifting its operational strategy from a narrowly-based project approach to program approach. Since 1994, policy-based lending has emerged as a major feature of ADB’s operations. Correspondingly, NGOs have been involved increasingly in the formulation of policies, including country operational strategies (COS), the equivalent of the WB’s CAS. To date, ADB-NGO relations involve three broad areas: cooperation in loan and technical assistance activities; cooperation in programming and country-level work; and cooperation in policy development work.

In loan and technical assistance activities of the ADB, direct NGO involvement has been steadily increasing. From 1981 to 1986 only 17 approved loans involved NGOs. By 1997, 27 of 72 loan approvals, about 38 percent, had varying levels of NGO involvement. NGO participation in technical assistance, which shows the same trend as in loan projects, suggests that NGOs have some influence in project development at the earliest stage of the project cycle. Of late, part of the ADB’s menu of options for procurement has also included community participation in the interest of project sustainability or to achieve certain specific social objectives of the project. The Guidelines for Procurement Under ADB Loans prescribes such mode when it is desirable and efficient to (i) call for the participation of local communities and/or non-governmental organizations (NGOs), or (ii) increase the utilization of local know-how and materials, or (iii) employ labor-intensive and other appropriate technologies.

ADB-NGO cooperation in programming and country-level work is based on the recognition that NGOs can play a role in articulating the views, concerns and needs of larger constituencies than those affected by

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specific projects. NGOs, especially those which have developed capacities for policy research, analysis, and advocacy, are a major source of input in shaping the course of national development.

ADB has committed to integrate all of its declared policy reforms in its project practice. The Bank's 50:50 project mix goal (50 percent traditional growth projects and 50 percent social and environmental projects) set in 1991 provides the framework for this integration. ADB claims that its 50:50 promise is superior to the 20:20 compact put forward by the UNDP at the 1995 Copenhagen Social Summit. The UNDP formula proposes a matching arrangement of 20 percent ODA and 20 percent of national budget of recipient government to be dedicated to social spending.

Indeed thinking and practice across the MDB system have changed a great deal over the years. NGOs are not only recognized by the banks for their so-called comparative advantage in the effective delivery of project benefits to the poor. They are now considered a significant voice in determining policy and development outcomes.

WHAT THEY DON'T SAY

The record shows that up until the early 1990's, the WB and the ADB have been preoccupied more with pushing money out the door, as it were. This is the so-called culture of approval that has long characterized their operations. The two banks have made out one loan after another mostly for traditional growth projects that favored the borrowing elites and resulted in more harm than good to the masses of poor and the environment. Billion dollars of MDB loans have piled up as international obligations in the borrowing countries' ledgers, adding to an already huge composite debt burden with little prospects of being fully serviced or repaid.

It seems that the MDBs are less interested in collecting repayments than in opening local economies to global trade. What is more important for them is to increase exports and it matters little if earnings from these do not suffice to meet the borrowers' obligations. Indeed most of the borrowing DMCs have already been trading off their human and natural capital without necessarily increasing their capacity to repay.

NGO advocacies through the years have straddled a broad spectrum. There are groups that are adamant in their rejection of these institutions and choose not to participate in the venues for direct engagement. Others like the Working Groups on the WB and the ADB have chosen to take the struggle for reforms inside the 'lions den' so to speak, in the process creating opportunities and spaces for NGO participation.

The strongest NGO criticism has been directed at the structural adjustment program (SAP), a set of policy

prescriptions intended to enable debt-burdened countries of the developing world to grow out of the debt crisis that has paralyzed them since the 1980's. NGOs have also raised issues and concerns over the social and environmental impacts of MDB policies and projects. These campaigns effectively mobilized communities and fortified the growing opposition to destructive development.

WINNING THE BATTLE OF WORDS

The ADB and the WB have been responding positively to mounting criticism of their policy and practice. We are being told that the infrastructure banks of old are no more.

The change in thinking and policy language reflects what is happening at the global scene. The series of international events and processes in which the MDBs member governments have participated have resulted in a bundle of commitments addressed to a whole range of issues concerning human survival.

Concern for social aspects of development has been incorporated in ADB operations through various policy guidelines and instructions to staff. Among others, the Bank has adopted policies on the role of women in development (1985) and cooperation with NGOs (1987 and 1998). Other documents shaping Bank operations have been the recommendations of the Task-Force on Poverty Alleviation (1988); Sector papers on Human Resources Development [e.g., education (1989), and health and population (1991)]; Staff Guidelines on Institution Development (1987); Environmental Guidelines and Procedures (1987-1991); Guidelines for Social Analysis of Development Projects (1991); the Handbook on Benefit Monitoring and Evaluation (1992); the Guidelines for Incorporation of Social Dimensions in Bank operations (1993); and Policy on Confidentiality and Disclosure of Information (1995) (*From Guidelines for Incorporation of Social Dimensions in Bank Operations*; ADB 1993).

Commitment to results was how then President Mitsuo Sato summed up 1994, his first year in office at the ADB. Upon assuming the top post in the Bank immediately prior to the 27th Annual Meeting of the Board of Governors in May 1994 in Nice, Sato took major initiatives to make the ADB "more effective, efficient and accountable". His presidency was committed to deliver quality project outcomes as ADB strives to realize its 50:50 strategic goal, considering the rapid changes in the Asia-Pacific Region.

MORE THAN WORDS

There is a whale of difference between making a commitment and actually making good of it. Many fundamental issues pertaining to equity and sustainability remain outstanding. These issues originate from the very core of the dominant development paradigm. Debates around these issues

must continue. The battle for word, as it were, is not yet over.

However, it is about time that we started collecting on the promises. For this we will need to strengthen the civic watch over the WB and the ADB to make sure that commitments get pushed to their logical end. A strong civic watch means a worldwide network of voluntary organizations capable of engaging the banks and their member governments not only in discourse but more specially in monitoring compliance with promises.

For example, the ADB's 50:50 "compact" for a socially and environmentally responsible development, despite its limitations, provides a framework for the

convergence of policy reforms. Its realization may very well be the litmus test for the Bank's sincerity to reform.

But in order to meet and sustain the 50:50 target, the ADB must contend with enormous pressures. In the first place, can it withstand the main current of structural adjustment that favors all-sided privatization and more cutbacks in social spending? Secondly, since social and environmental spending is usually viewed as cost rather than benefit the tendency will always be to lessen it. Thirdly half of the 50:50 mix, meaning social and environmental projects, may end up simply mitigating the negative effects of the other half of traditional growth projects, thereby producing either a zero-sum or negative-sum outcome.

MORE TO DO

- *Guard the pipeline.* It is important to mind the Banks' program and project cycles. The simple questions asked and the data extracted from Appraisal Reports (AR) to establish costs and benefits as shown in Project Profiles, are in the same fundamental questions that should be asked and answered at every stage of the cycle: (1) at project identification; (2) during initial analysis, design and processing of the project; (3) throughout project implementation; and (4) at post-evaluation. Here, Mission Leaders and Program Officers are the people to engage since they play a key role in seeing through the loan projects from the planning to commitment stage. At any point, throughout the project preparation stage, especially early in the cycle, it is important to focus on the Executive Directors since they are the final decision-makers apart from being "initiators" and "lobbyists" of projects on behalf of borrowing countries.
- *Engage the borrower.* "Talk to your government" is a standard Bank reply to NGO lobbyists. We should take this advice seriously, without giving up on our criticism of the Bank's own responsibility for pushing money out the door among other shortcomings. Up till now, we have been concentrating more on the Banks' management and staff than on their borrowing owners, the DMCs, who are becoming less and less inclined to spend for human development priorities and environment protection. If only the borrowing DMC had reflected these concerns adequately in their loan proposal, there would be less need to lobby the banks.
- *Ground test.* It can and does happen that social and environmental concerns built into the project design get watered down or ignored in the course of project implementation. Preventing this from happening is the least that must be done from the moment the loan project becomes effective. The yearly summary of bank loan projects provides us with useful navigation map for project tracking on site. On a per project basis, Project Profiles and Project Information Documents, with their cost and benefit appraisals, are very useful guiding, monitoring and evaluation tools. Lobbyists and affected local communities must take full advantage of these instruments.
- *Monitor the private sector.* Private sector participation in the Bank's co-financed projects is definitely on the rise. Already, the Bank's share of financing is proportionately declining against the financial share of private sectors, especially in traditional growth projects where consideration of social and environmental concerns is found to be weakest. As this trend goes full swing, we can expect increasing adverse effects on affected local communities and their environments. Since the private sector is less subject to social and environmental "conditionalities" than the borrowing governments the prospects for meeting sustainable development goals will be in a difficult fix indeed. We need to devise effective strategies for engaging the big money interests. Their responsibility for the 1997 crisis and the Banks' tendency to bail them out with taxpayers' money must never be left unchallenged. The trendy concept of corporate citizenship, whatever it means, should translate in monitorable corporate responsibility to people and the environment.
- *Make an ally of the Bank.* The WB and the ADB can and should be an ally in the pursuit of equitable and sustainable development. Especially in light of the present global crisis and its horrible consequences for the poor and the environment the last thing we want is one more enemy. We can argue endlessly about whether the WB and the ADB are our friends or enemies, with perhaps justifiable reasons either way. But what's more important, we can continue to be critically constructive as we explore avenues of cooperation within or beyond the parameters of the promised reforms. Vision or reality, the reform process in the MDBs suggests many possibilities for working together in creating a better world out of our present mess.