

INSTITUTIONAL FRAMEWORK

and Eastern Europe and the former Soviet Union. The bulk of its activities, however, remain focussed on promoting sustainable development in the world's poorer countries. It has provided developing countries with more than US\$300 billion over the past 50 years. During that time, developing countries have doubled their incomes, halved infant mortality rates, and significantly increased life expectancy. The absolute number of poor is still rising, largely because of rapid population growth. But, as a percentage of the world's population, the number of poor has steadily declined. Economic progress has been faster than during any similar period in history.

REFORMS

In the fall of 1994, the two organizations celebrated their 50th anniversaries. Several non-governmental organizations used the occasion as a forum for their protests. Greenpeace attacked World Bank policies as being harsh on the environment; Oxfam said that structural adjustment is causing unnecessary hardship. In 1992, the World Bank initiated its own internal review. The report by the task force president, Willi Wapenhans, found that 35% of World Bank-funded projects failed to meet their minimum economic targets. The review also found that problem projects had increased significantly during the 1980s. The Bank has developed an action plan to improve project implementation and evaluation.

A major complaint has been that the World Bank focussed too much on funding mega-projects, such as dams, with little regard for environmental impacts. Another criticism has been that structural

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source of capital
in the continent
of Africa.

adjustments have been too harsh. Countries receiving loans from the Bank have often been forced to undertake major economic reforms. These have included the slashing of government spending. Social programs, already well behind those in the developed world, have been very hard hit and

there has been a lot of suffering among the world's poorest people. Donors have urged the Bank to focus its efforts on poverty alleviation, good governance, gender issues, and environmental programs. It has also been urged to co-ordinate its efforts with those of other institutions to reduce overlap and duplication.

Lewis Preston, the Bank's President between 1992 and 1995 has responded to these criticisms. The World Bank has set tougher environmental

Under the communist system, all economic activity was centrally controlled. Basic economic concepts which we take for granted, such as profit and loss, ownership of property, or the law of supply and demand, were not part of communist economic practice. The economies of Central and Eastern Europe are now making the difficult transition to the free market model. As a result the World Bank is helping these countries set up what's called an "institutional framework." Property laws have to be written, accountants need to be trained, and stock exchanges have to be established. None of these institutions existed under the communist system.

standards for projects it finances; it even funds environmental clean-up. It has increased lending for poverty-related issues such as education and health care. The World Bank is changing its emphasis from funding massive infrastructure projects and structural adjustment to private-sector development. It is now studying what are called micro-credit schemes. These are projects that lend as little as \$100 to someone who wants to start up a small business. Or, the Bank might pay local villagers, rather than an education ministry, to build a school. Canada's outgoing executive director at the World Bank, Robert de Cofret, said in the fall of 1994, "There's been a definite change within the Bank since the Wapenhans report."

Another spat at the World Bank has revolved around who receives its help. Originally, its clients were exclusively Third World countries. Now, the Bank is helping countries going through economic and political transitions; these range from Croatia to South Africa. Many developing nations complain that the World Bank and IMF are focussing too much of their attention on these emerging economies. They see that special money going to these countries, particularly at the urging of the G-7, is money denied to them. The developed nations of the world argue that everyone, rich and poor, stands to gain if the economies of countries in transition are helped back to health.

The World Bank and the IMF are indispensable to the success of many of the issues at the top of the G-7 agenda. Their funds are helping to shore up democracy in South Africa, Central and Eastern Europe, the former Soviet Union, and Central and South America. Loans needed to help build a strong Palestinian state are aiding the Middle East peace process. And, Bank policies help to lower trade barriers.