

SPENDING TIME IN THE “BELLY OF THE BEAST” OR MY TIME AT THE  
WORLD BANK by John L. Fryer

The World Bank is not really a bank. What we popularly refer to as the World Bank is, in fact, five financial institutions conceived in 1944 to reconstruct war-torn Europe in a non-communist model after the Nazi defeat in 1945. These institutions are the *International Bank for Reconstruction and Development* {IBRD}, the *International Development Association* {IDA}, the *International Finance Corporation* {IFC}, the *Multilateral Investment Guarantee Agency* {MIGA}, and the *International Centre for Settlement and Investment Disputes* {ICSID}. Together they have evolved into the world's largest source of development assistance. Since its founding the IBRD has lent cumulatively \$371 billion (U.S.) and in 2003 lent around \$12 billion (U.S.) for nearly 100 new operations in 40 countries. The term “World Bank” was first used in reference to the International Bank for Reconstruction and Development by *The Economist* on July 22<sup>nd</sup> 1944 in a report on the Bretton Woods conference. In 1975 the term “World Bank” came into official use to refer jointly to the IBRD and the IDA.

For decades trade unions around the world have been concerned about the damaging policies of these international financial institutions led by the World Bank. We have demonstrated in the streets and remonstrated with them all to precious little effect. But under the leadership of the current World Bank president James Wolfensohn, a native of Australia, a formal process of biennial consultation has been initiated between senior Bank officials and the leadership of the Global Unions. These meetings take place in October in even years. At the meeting in 2002, in response to yet another round of union criticism, Mr. Wolfensohn put forward the suggestion that unions might better understand the workings of the Bank if they were to nominate “secondees” to work for short periods

within different departments at Bank headquarters in Washington D.C. The trade union leaders accepted this proposal and PSI General Secretary Hans Engelberts insisted that at least one of the “secondees” be from the public sector. His reason was that World Bank policies have had particularly harsh impacts on public sector workers. This is because bank policy called for governments of countries requesting development loans to drastically shrink their public sector. Bank economists insist on privatization of public services be they power, water, transportation, health services or education. Furthermore, it is “Bankspeak” that public administration be “rightsized”--a euphemism for drastic cuts in the number of civil servants as a conditionality for receiving development aid.

This, then, was the background to the phone call that I received from Hans in August 2003 when he asked me, as a former PSI Executive member from Canada and graduate of the London School of Economics if I would undertake the role of “secondee” on behalf of PSI. Happy to agree, my question was “what is my mandate?”. Hans replied that the task was to try to sensitize World Bank staff to the fact that it is public sector workers who know best how to restructure public services to make them more effective and it is these workers who deserve to be consulted at every step of the process.

So it was that I headed off to Washington on September 17<sup>th</sup> 2003. It was an inauspicious start because hurricane Isabel came blowing through the city that very night. When I approached the bank’s palatial headquarters, two blocks from the White House, the next morning the place was closed. When it finally opened four days later I received a disinterested, if not chilly, welcome. There are more than 3000 Ph.D. economists working at the Bank and classically trained economists don’t have much time for unions. They consider unions to be, at best, labour market imperfections, and at worst bloody nuisances to be ignored. I was attached to the unit at Bank headquarters that deals with public sector governance. However, they were unable to find any office space for me so I was placed in an isolated office away from the department. Here I sat every day for

nine or ten hours on my own. Nobody dropped by for a chat or invited me for lunch or coffee. It is true that from time to time copies of departmental e-mails popped up on the screen in front of me advising of such matters as follows:

“ Colleagues from several units such as PREM, GICT, WBI, ISG that have an interest in ICT deployment in client countries have collaborated to prepare the TOR for the new thematic group. The TOR which is attached below lists the use of ICTs in the public sector (E-Government) as one of the four key themes of e-development. The new TG recognizes the comparative advantage of PRMPS in taking the lead for further work in this area”. Regrettably these e-mails arrived without an accompanying code breaking book.

I offered to make power point presentations on the importance of consultation with public sector unions to any Bank staff working on these issues. Three such presentations were finally arranged but very few people showed up. At one of these sessions I had an audience of one only to find out afterwards that the internal e-mail announcing the meeting for 12:30 p.m. that day had been distributed at 12:34 p.m. All was not lost, however, since other contacts within the Bank welcomed me to meetings in both the Social Protection as well as the Civil Society departments. As time went by I decided that the most useful thing I could do would be to prepare a document outlining the need for the Bank to adopt a policy of full consultation with public sector unions.

On the day before leaving Washington the paper was distributed to Bank President James Wolfensohn as well as to the 24 Executive Directors that make up the bank's governing body. This paper concluded that.....

*“ My main task at the World bank, during a three month secondment, was to find out how Bank staff responsible for institutional reform in the public sectors of client countries interact with public sector unions who represent the employees affected by the recommended changes. The evidence that I was able to adduce suggests that in most cases they just don't, or, at best, the interactions are perfunctory. The main reason seems to stem from the policy vacuum that exists*

*around this issue at the bank. This, together with a fundamental lack of knowledge among Bank staff about unions and how best to deal with them. This small paper seeks to demonstrate the nature of this policy gap and at the same time suggest a constructive framework for closing the gap.”*

To my surprise Mr. Wolfensohn responded very promptly to the paper. Having read it he expressed concern and advised that he would arrange follow up meetings and assured me that *“I have a sincere desire to build relations with trade union movements throughout the world and from your assessment, it appears there is much work to be done. I shall certainly do all I can to address some of these issues and to ensure a more constructive climate”*.

True to his word an invitation was received from Managing Director Mr. Shengman Zhang to visit the Bank with a team of PSI colleagues *“to discuss your paper and the issues you have raised”*. These meetings took place at the end of April. The PSI delegation was led by past president Bill Lucy of AFSCME and assistant General secretary Mike Waghorne. Peter Bakvis of the ICFTU’s Washington office, Jack Howard of AFSCME, Cameron Duncan of PSI’s Washington office and myself rounded out the team. We met with two Bank Vice-Presidents and other senior staff. The outcome, I believe, was positive. A four point programme for the future was agreed upon.

Firstly, the Bank agreed to create a specific contact point on public sector reforms whereby trade unions in public services can obtain adequate information and be properly consulted about World Bank involvement in public service restructuring in their country. This responsibility will be taken on by the World Bank’s public sector governance department Director, Sanjay Pradhan. The PSI liaison person will be Assistant General Secretary Mike Waghorne.

Secondly, the importance of consulting with public sector unions will be included in Bank training courses on public service reform. The first of these was held on

May 5<sup>th</sup> at Bank H.Q. and staff members from around the globe were very responsive to this new initiative.

Thirdly, PSI and the Bank's public sector governance group will jointly evaluate some instances where consultation did occur, in order to draw lessons for future reform programmes.

Fourthly, the PSI and the Bank's public sector group will work to identify some country-level pilot projects where PSI affiliates, national governments and the World Bank will jointly design and implement a Quality Public Services programme.

As the Air Canada plane lifted off from Washington's Ronald Regan airport on my way home I reflected on my secondment to the Bank on behalf of PSI. Following the direct intervention of the World Bank's president the project had met with a degree of success. At the very least the door is now open for PSI affiliated unions to be properly consulted on Bank financed public sector reform initiatives. My hope is that affiliates will make full use of such opportunities as they arise.