

# G20 AND BRICS UPDATE

Issue #23 - July 2015

E-NEWSLETTER

## Development: Super-sized or Sustainable?



### Must Read

"Making financing for development more accountable? Proposals for strengthening corporate accountability in the Financing for Development 'outcome document'" by **SOMO**, April 2015.

Submissions on the draft "Policy Framework for Investment (PFI)" of the OECD by **IISD and OECD Watch**.

Investment in Infrastructure: Two Features by **Kanya, D'Almeida**

Page 8 | 13 | 17

CC BY 2.0 (Kurt Raschke)

CCO 1.0 Universal (CCO 1.0) (Ricardo)

### Finance

In "Fixing the Financial Sector: is the G20 Helping Developing Countries?" **Jesse Griffiths, Director of the European Network on Debt and Development (EURODAD)**, identifies the new vulnerabilities that place "almost all" developing countries at risk of financial crisis and highlights ways that the G20 has failed to respond to the needs of these countries.

### Safeguards

In "The World Bank Safeguard Review and Update: A Messy Process and the Importance of Getting it Right," **Suellen Lambert Lazarus, a former official of the IFC and ABN AMRO Bank**, describes the deeply flawed draft safeguards emerging from a chaotic reorganization, a lack of environmental leadership, and competition from new development banks.

### G20 vs UN

In "Has the G20 Hijacked UN Processes? An Infrastructure Case Study," **Aldo Caliarì of the Center of Concern**, describes how the G20's consensus on a new model of financing infrastructure is preempting initiatives and policies at the UN's Financing for Development talks.

### Turkey's Economy

In "Challenge to the G20: Understanding the Role of Coal Subsidies on the Path to a Low Carbon Economy," **Sevil Acar, Assistant Professor at Istanbul Kemerburgaz University**, summarizes her co-authored report on the levels and types of Turkey's fossil fuel subsidies, which is part of a larger initiative on the G20's track record on eliminating fossil fuel subsidies.

In "Turkey in the 2000s: The Façade of Speculative Growth," **Dr. A. Erinc Yeldan, Professor at Bilkent University**, describes features of Turkey's boom years, including high interest rates which led to massive inflow of speculative foreign capital; appreciation of the currency; and high unemployment.

# Introduction

## Editorial: From Billions to Trillions: A "Pot of Gold" for the Sustainable Development Goals?

Nancy Alexander, Heinrich Böll Foundation - North America

The post-World War II development models are dying and, in 2015, five major events will shape the next model – a new 15-year investment framework:

**July:** The Third UN International Conference on Financing for Development in Addis Ababa<sup>1</sup>

**September:** UN Special Summit for Sustainable Development in New York

**October:** World Bank Group—International Monetary Fund Annual Meetings in Lima

**November:** Group of 20 Summit in Antalya, Turkey

**December:** the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change in Paris

The framework is being shaped by a contest between the "West and the rest" which are vying for control of access to resources and markets.

Between 2000 and 2014, world GDP more than doubled to \$75 trillion, but the G7's<sup>2</sup> share was slashed from 65% to 45%.<sup>3</sup> Moreover, new institutions, such as a new \$100 billion China-led Asian Infrastructure Investment Bank (AIIB), are challenging the hegemony of the Bretton Woods system established in the aftermath of World War II. The rise of new institutions controlled by emerging economies is being countered by tighter collaboration by the mostly Western-led international financial institutions. These institutions – especially the IMF and World Bank (as well as the G20) hold greater sway over economic and financial decisions than the U.N. does.<sup>4</sup>

Civil society groups are influencing the UN's three major 2015 Conferences and Summits in important ways. Yet, they also need

to follow the money. At the close of 2015, the declarations and outcome documents from these events should be compared to the financing approach of seven international financial institutions, as described in their document: "[FROM BILLIONS TO TRILLIONS: TRANSFORMING DEVELOPMENT FINANCE POST-2015 FINANCING FOR DEVELOPMENT: MULTILATERAL DEVELOPMENT FINANCE](#)."<sup>5</sup> With regard to infrastructure, the [platform](#) of these institutions was announced in November.

### New to the G20?

To find out more about the G20's history, the power dynamics and the issues the group addresses, click on the link below.

[INTRODUCTION TO THE G20](#)

Among other things, "From Billions to Trillions..." calls for a paradigm shift to "mobilize resources and co-investment from both existing and nontraditional sources of capital such as pension funds, sovereign wealth funds, and insurance companies."

*Pooled vehicles* (or co-investment platforms) will finance portfolios of public-private partnerships (PPPs), especially in social and economic infrastructure. In theory, this approach would help achieve the sustainable development goals (SDGs) by, for instance, "reaching under-served populations in financially sustainable ways at the 'base of the pyramid,' representing an annual \$5 trillion market ...with over 4.5 billion people."<sup>6</sup>

In other words, the new framework aims to re-engineer development finance by, among other things, using

public money (e.g., taxes, pensions, user fees) to attract trillions of private investment dollars into new "asset classes," such as social and economic infrastructure. These "pots of gold" would come from long-term institutional investors (e.g., pension, mutual, insurance funds) which control roughly \$93 trillion,<sup>7</sup> a sum much greater than global GDP of \$75 trillion.

UN Secretary-General Ban Ki-moon believes that a new framework that mobilizes trillions of investment dollars will advance sustainable development and climate goals. He states: "Urgent action is needed to mobilize, redirect, and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives."<sup>8</sup> With regard to infrastructure, World Bank President Kim emphasizes the point, saying "The infrastructure gap is simply enormous – an estimated \$1 trillion to \$1.5 trillion dollars more is needed each year. To fill this gap, we need to tap into the trillions of dollars held by institutional investors – most of which is sitting on the sidelines – and direct those assets into projects that will have great benefit for a range of developing countries."<sup>9</sup>

Some mock the Sustainable Development Goals (SDGs) – calling them the Stupid Development Goals – which cost a seemingly impossible \$2 to \$3 trillion per year of public and private money over 15 years.<sup>10</sup> In comparison, there is a call for \$57 trillion of global infrastructure investment during the same time frame ([McKinsey](#) and others).<sup>11</sup> Whatever the sums needed, it is the purposes and the rules of investment that matter.

While the declarations and outcomes of the UN events will emphasize the

role of all states and firms to maintain high environmental and social standards, the fact is that “the rules that govern institutional investors—such as fiduciary duty, stewardship, risk management and accountability— still do not effectively incorporate long-term environmental and social related risks,” according to the UN Environment Program and others. Moreover, private investors seek to sustain the rate of return on their investments through guaranteed revenue streams and ensure that laws and regulations (including environmental and social requirements) do not impinge on profits. Firms such as KPMG see consumer protection as a risk to investor protection.<sup>12</sup>

For decades, civil society groups have sought to ensure that development assistance (currently about \$135 billion) is deployed in ways that promote poverty reduction and sustainable development. With a sense of growing urgency, they advocate dramatic steps to curb global warming to prevent a climate catastrophe and address obscene levels of inequality. Indeed, the poorer half of the global population collectively owns less than 1% of global wealth, while the richest 10% of adults own 87% of all wealth, and the top 1% account for almost half of all assets in the world.<sup>13</sup> These scourges did not emerge by accident. As former U.S. Treasury Secretary Larry Summers writes: “[The economy] works spectacularly well for capital and cosmopolitan elite that moves effortlessly around the world.”<sup>14</sup> They have trade and investment rules and agreements that serve them.

How will the rules change in order to serve the “99%” and the earth? Civil society groups will need to change these rules and agreements. Historically, they have emphasized “retail” development: transparency, participation and accountability in the policies and projects of financial

institutions as well as of national development strategies. Now, attention must be turned to “wholesale” investment operations. As Kanya D’Almeida reports “we have entered an age in which a single ‘mega’ (million-dollar) project can easily exceed the national economy of a few low-income countries; a single ‘giga’ (billion-dollar) project can outpace the earnings of a few middle-income states; and a single ‘tera’ (trillion-dollar) investment project can compare with the GDP of one of the world’s top 20 richest nations.”<sup>15</sup> (See “Must Reads” section.)

New investment frameworks should not be a pretext for a race between the “West and the rest” to control natural resources and penetrate markets. Instead, a race is required to change the rules or the rule-makers to ensure that the investment framework for the next 15 years serves crucial sustainable development and climate goals.

## FEATURE ARTICLES

### FINANCIAL SECTOR. In “Fixing the Financial Sector: Is the G20 Helping Developing Countries?”

Jesse Griffiths, Director of the European Network on Debt and Development (EURODAD), states that the G20’s major push on infrastructure encourages developing countries to become more, not less, integrated into the fragile global financial system. Indeed, he identifies the new vulnerabilities that place “almost all” developing countries at risk of financial crisis and lists ways that the G20 is failing to make these countries or the world safe from future crises.

Griffiths recommends that the G20 dust off the sensible proposal made by the [truly excellent report](#) of the UN commission of experts on reform of the international monetary and financial system to improve its own [less than impressive report card](#).

**SAFEGUARDS.** In “The World Bank Safeguard Review and Update: A Messy Process and the Importance of Getting it Right,” Suellen Lambert Lazarus, a former official of the IFC and ABN AMRO Bank, describes the deeply flawed safeguard revision progress emerging from a chaotic reorganization, a lack of environmental leadership, and competition from new development banks. With the estimated annual gap of \$1 trillion in infrastructure investments in emerging and developing economies and a growing focus on mega-infrastructure projects, it is more important than ever that there be an integrated and comprehensive approach to promoting sustainable outcomes through World Bank investments.

**UN vs G20?** In “Has the G20 Hijacked UN Processes? An Infrastructure Case Study,” Aldo Caliarì of the Center of Concern describes how the G20’s consensus on a new model of financing infrastructure is preempting an infrastructure-related initiative and policies at the UN’s Financing for Development talks. Caliarì speculates that, as civil society’s inclusion in the formulation of the UN’s post-2015 development agenda gains traction, the venue may have been emptied of real life political impact and confined to a mere rubber-stamping of G20 discourses and models.

**FOSSIL FUEL SUBSIDIES.** The Economist magazine says “energy subsidies gobble money. They also kill people and cook the planet.” And, as described by a new IMF working paper, these subsidies amount to \$5.3 trillion or 6% of global GDP.

In her article, “Challenge to the G20: Understanding the Role of Coal Subsidies on the Path to a Low Carbon Economy,” Sevil Acar, Assistant Professor at Istanbul Kemerburgaz University, summarizes her co-authored report on the levels and types of Turkey’s fossil fuel subsidies, which is part of a larger

initiative on the G20's track record on eliminating fossil fuel subsidies.

**TURKEY'S APPETITE FOR FOREIGN CAPITAL.** Turkey's days of high growth are gone for now and recent elections cast a pall over its future. But, in "**Turkey in the 2000s: The Façade of Speculative Growth**," Dr. A. Eriç Yeldan, Professor at Bilkent University, describes features of Turkey's boom times, including high interest rates which led to massive inflow of speculative foreign capital, appreciation of the currency, and high unemployment.

#### References

<sup>1</sup> Also in July, at a BRICS Summit in Ufa, Russia, a new pro-nuclear Energy Association of the BRICS may be launched. Already, the BRICS established a New Development Bank, a Contingency Reserve Arrangement, and a [BRICS Stock Alliance](#) to cross list derivatives to smooth the path for international investors interested in emerging markets.

<sup>2</sup> The Group of 7 (G7) is comprised of the U.S., U.K., Canada, France, Germany, Italy, Japan.

<sup>3</sup> See, Chris Humphrey, "[Developmental revolution or Bretton Woods revisited?](#)" Overseas Development Institute Working Paper 418, April 2015.

<sup>4</sup> It remains to be seen how the 17 Sustainable Development Goals (for the world) will be squared with the World Bank's twin goals of ending extreme poverty by 2030 and boosting shared prosperity among the poorest 40% in low- and middle-income countries.

<sup>5</sup> The African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Monetary Fund, and World Bank Group in the "Development Committee Discussion Note," April 2015.

<sup>6</sup> "From Billions to Trillions..." , p. 16. See p. 22 for a graphic of the new financing model.

<sup>7</sup> These investors allocate capital across all asset classes, notably bonds, listed equities, property, private equity, and infrastructure, as well as hedge funds and derivatives.

<sup>8</sup> "The Road to Dignity by 2030", paragraph 92.

<sup>9</sup> World Bank Group President Jim Yong Kim, "Tackling the Most Difficult Problems: Infrastructure, Ebola, and Climate Change, IMF/World Bank Annual Meetings, October 10, 2014.

<sup>10</sup> The Economist magazine March 28, 2015.

<sup>11</sup> "[Pathways to Scale: Aligning the financial system with sustainable development](#)," Inquiry: Design of a Sustainable Financial System," UN Environment Program, January 2015.

<sup>12</sup> "[10 Emerging Trends for 2015](#)," Foresight Special Edition, KPMG, January 2015, p. 4.

<sup>13</sup> [Global Wealth Report](#), Credit Suisse, October 2014.

<sup>14</sup> Larry Summers, "Global Trade Agreements have a new role," Financial Times, June 14, 2015.

<sup>15</sup> Kanya, D'Almeida, "[Mega, Giga, Tera: Inside the Biggest Investment Boom in History](#)" Truthout, April 29, 2015.



# Fixing the Financial Sector: Is the G20 Helping Developing Countries?

By Jesse Griffiths



CC: by-sa (Wikipedia)

Griffiths has been Director of the European Network on Debt and Development (EURODAD) since 2012. He was previously Coordinator of the Bretton Woods Project from 2008. Prior to that, he headed Action Aid UK's Aid and Development Policy Group and worked for the UK Department for International Development (DFID) in Nigeria as well as in its environmental policy department.

The G20's track record on financial sector reform is uninspiring, and its failure to tackle the major concerns of developing economies or make the global financial system less prone to crisis suggests it is time to start searching for a more effective and more legitimate successor.

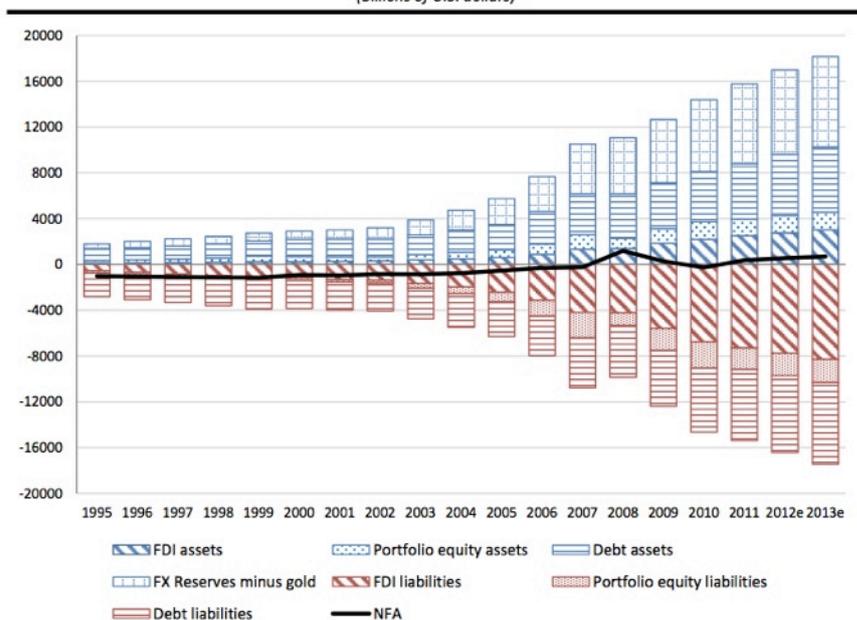
The following three graphs tell us three important things about changes to the financial sector since the global economic crisis. The first graph, from an [excellent paper by Yilmaz Akyüz](#), chief economist of the intergovernmental think tank, the South Centre, shows that financial assets (that they own overseas) and liabilities (that foreigners own in their countries) of emerging and developing economies (EDEs) have grown rapidly in the past decade. This means, of course, that they are now "closely integrated" into "an

inherently unstable international financial system".

This can offer benefits, of course, but Akyüz points out that the way this is happening is causing significant risks, with "almost all" developing countries now at risk of financial crisis. According to Akyüz there are now two types of developing

countries. The first type looks familiar to students of previous financial crises. They have "bubbles in domestic credit and asset markets" and are heavily dependent on external financing – so changes in exchange rates, or in the opinion of international investors, can spell disaster.

External Assets and Liabilities in EDEs  
(Billions of U.S. dollars)



Source: South Centre calculations and estimates based on Lane and Milesi-Ferretti (2007), IIF (2014) and IMF WEO (April 2014).  
e: estimates.

The second type is new, and mostly affects East Asian countries that look – from the outside – as if they are safe. They have “strong external positions” – meaning that they are not so vulnerable to the “typical external financial crisis [where] an emerging economy finds its access to international financial markets interrupted and faces a sudden stop in capital inflows.” Instead, their own domestic financial markets have been the scene of increasing activity by foreign investors, meaning the crisis could arise from within – but be triggered by the actions of those foreign investors.

**On bigger issues, such as the negative global impacts of rich country quantitative easing policies, developing countries have been regularly rebuffed at the G20, with communiqués only vaguely referring to the issue, and rich countries in effect refusing to alter their policies to reduce their impacts on emerging markets.**

Emerging markets have tried to use the G20 as a venue to tackle this issue of their vulnerability to the financial, monetary and economic policies of rich countries. Initially, they had some success, [forcing the IMF to change its tune](#) and accept that capital controls can be a useful part of their policy toolkit, as they can be used to prevent sudden exits

of capital, or to discourage the entry of risky capital in the first place. However, on bigger issues, such as the negative global impacts of rich country quantitative easing policies, developing countries have been regularly rebuffed at the G20, with communiqués only vaguely referring to the issue, and rich countries in effect refusing to alter their policies to reduce their impacts on emerging markets. Quantitative easing (QE) – which is basically akin to central banks printing new money – has helped keep interest rates low in the US and elsewhere, and increased the amount of capital that is looking for a higher return in other countries. This has helped direct capital towards emerging markets, which rightly point out that, as QE is reversed, the flows too reverse, causing potentially disastrous financial instability for those economies.

The second graph shows how the effort to “end too big to fail banks” – a key G20 objective since 2012 – is not going so well. The graph comes from an [IMF discussion note on bank size](#) from May of last year and shows that the biggest banks have not shrunk much since the crisis, and that in major western economies the share of the banking sector accounted for by the biggest three banks (the ‘bank concentration ratio’) continues on an upward trend.

In fact, [last September’s G20 Finance Ministers](#) meeting revealed

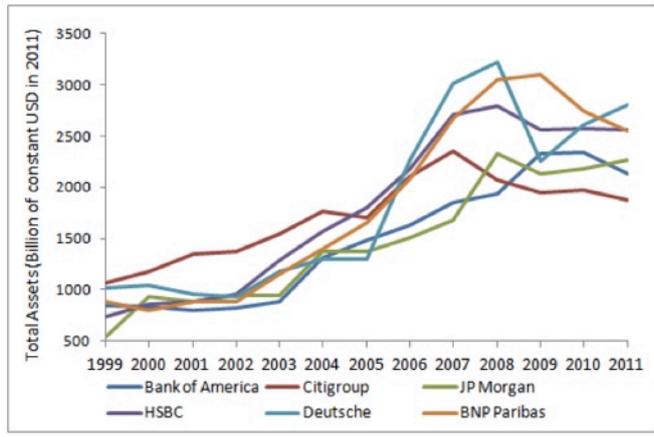
that, while the G20 has promoted the “stronger capital requirements for systemically important banks”, these were not in fact designed to prevent failure, but instead to guarantee “additional loss-absorbing capacity that would further protect taxpayers if these banks fail.”

[The third graph, also prepared by IMF staff](#), is perhaps the most dramatic. It shows how IMF researchers estimate that financial sector development past a certain point is likely to reduce a country’s level of economic growth.

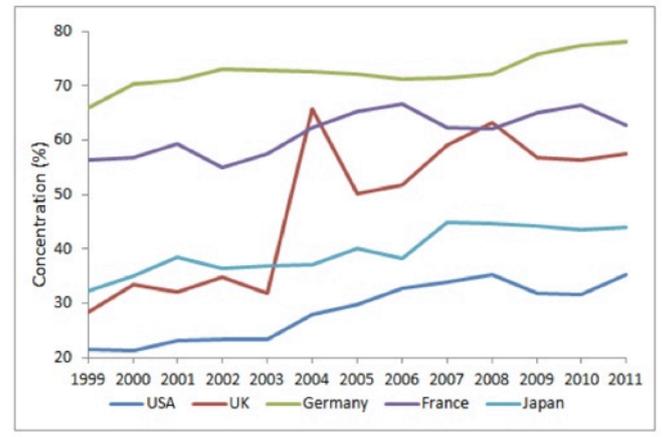
**The biggest banks have not shrunk much since the crisis, and in major western economies the share of the banking sector accounted for by the biggest three banks (the ‘bank concentration ratio’) continues on an upward trend.**

This is probably no surprise to most observers, who have witnessed the fragility of overly complex and interconnected financial sectors, and the economic consequences of the global financial crisis. However, this has not stopped the G20 from pursuing a strategy of encouraging such complexity in developing economies, particularly through its work on infrastructure financing where, through the World Bank and

**Figure 1: Increase in the Size of Selected Largest Banks**



**Figure 2: Increase in Bank Concentration Ratios, for Multiple Countries**



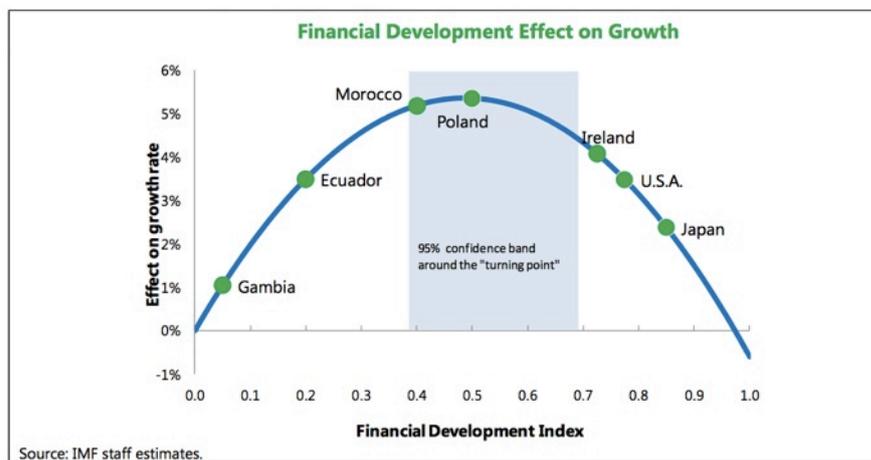
Sources: Bankscope; World Bank, Financial Development and Structure Database; and IMF staff calculations.

the OECD, it is vigorously promoting the development of infrastructure as an 'asset class'. This entails a major effort to package infrastructure investment in a way that will allow financial markets to displace the state as the principle source of finance for infrastructure. This February, G20 Finance Ministers said they wanted "to facilitate long-term financing from institutional investors and to encourage market sources of finance, including securitization". "To promote infrastructure as an asset class," the Ministers say, they "will encourage an increasing role for new financial models including transparent asset-based financing structures".

**IMF researchers estimate that financial sector development past a certain point is likely to reduce a country's level of economic growth.**

This is a worrying agenda for two reasons. First, it flies in the face of the historical evidence of how infrastructure has been successfully financed. A [World Bank background paper](#) for the G20 found that over the past decade in developing countries, "...private capital has contributed between 15 and 20 per cent of total investments in infrastructure". This means of course, that public investment has been 80-85% of the total. This is despite the fact that many states that have fallen under the tutelage of the IFIs have often been robbed of fiscal space for public investment.

Second, efforts to bend the arc of history to allow private investment to dominate infrastructure are likely to have serious side effects. To package infrastructure assets in a way that will be of interest to distant and risk-averse institutional investors such as pension funds (which, according to the OECD, had only 1% of their assets directly invested in infrastructure in 2013), projects will get larger, and the risks will have to be 'mitigated'. Reading the OECD's [recent paper for the G20](#) on this issue reveals that this really means



transferring the risks of private firms to the public sector, "by providing coverage for risks which are new and are not currently covered by financial actors, or are simply too costly for investors". The state's absorption of substantial risks for packages of public-private partnerships (PPPs) can exacerbate financial instability, as it did in the cases of Portugal and Spain, among others.

**Private capital has contributed between 15 and 20 per cent of total investments in infrastructure. This means of course, that public investment has been 80-85% of the total. This is despite the fact that many states that have fallen under the tutelage of the IFIs have often been robbed of fiscal space for public investment.**

In summary, the G20 has been unwilling to adopt the real concerns of developing countries about key issues: a) the negative impacts of rich country policies, such as quantitative easing; b) the ineffectiveness of the G20's efforts to tackle major parts of the financial sector reform agenda, such as ending "too big to fail" banks; and c) its major push on infrastructure, which encourages developing countries to become more, not less, integrated into the fragile global financial system.

One key underlying reason for the [less than impressive report card](#) that the G20 as a whole has earned is the undemocratic and ineffective governance structure of the G20 itself. Unlike the sensible proposal (made by the [truly excellent report](#) of the UN commission of experts on reform of the international monetary and financial system) for Global Economic Coordination Council at the UN, the G20 is hamstrung by its ad hoc nature, and the arbitrary process of selection of its member countries. It has no effective method of involving the 174 UN member states who are not part of the G20, and relies for implementation on bodies such as the Financial Stability Board (FSB), which itself has a deeply undemocratic governance structure.

**The G20 is hamstrung by its ad hoc nature, and the arbitrary process of selection of its member countries. It has no effective method of involving the 174 UN member states who are not part of the G20, and relies for implementation on bodies such as the Financial Stability Board (FSB), which itself has a deeply undemocratic governance structure.**

Last year, [the FSB concluded a review of its governance structure](#), making very limited changes. On the critical issue of the exclusion of the vast majority of the world's countries

from the FSB, the institution agreed to give an extra seat on its governing council to the five lucky emerging markets that are already members of the FSB. This means that emerging market countries will now have ten seats out of 70 – the rest held by developed countries and international institutions – with all other developing countries remaining unrepresented. In effect, the key body trusted with reforming the financial sector is dominated by policy makers from major financial sectors – who themselves are subject

**The key body trusted with reforming the financial sector is dominated by policy makers from major financial sectors – who themselves are subject to intensive lobbying by the financial industry in their countries.**

to intensive lobbying by the financial industry in their countries. Is it therefore any wonder that it has achieved so little?

In the short term, it is unlikely that the inadequacy of the G20 as a global coordination or policy setting body will lead to its demise. However, given the continued fragility of the global economic and financial system, and the continued possibility of another major financial crisis, policy makers ought to begin dusting off the UN expert report, and preparing the ground for a legitimate, effective, and transparent successor.

# Four 2015 Events: Will they create a path to sustainable development?

UN Conference on  
Financing for Development (FfD)  
Addis Abeba (July 14-16)

G20 Summit  
Antalya (Nov 15-16)

UN COP  
Paris (Nov 30-Dec 11)

UN Post-2015  
Conference  
NY (Sept 25-27)



## MUST READ

### [Making financing for development more accountable? Proposals for strengthening corporate accountability in the Financing for Development 'outcome document', SOMO, Centre For Research on Multinational Corporations, April 2015](#)

SOMO has provided standards against which the outcome document and declaration of the July UN's Third Financing for Development (FfD) Conference (FfD3) can be measured. These standards are also relevant to the September UN Summit on the Post-2015 Development Agenda.

**Zeroing out human rights.** The "zero draft" outcome document for the FfD3 deleted a reference to the need to "implement the UN's GPs, the core labor standards of the ILO, and environmental standards with enforcement and accountability mechanisms." At present, this draft includes weak statements such as "We welcome the growing number of businesses that embrace corporate social responsibility and take full account of environmental, social and governance impacts of their activities, and urge all others to do so." (para. 35).

In the negotiations around the UN Sustainable Development Goals (SDGs), the co-chairs of an inter-governmental Open Working Group (OWG) admitted that they deliberately avoided explicit human rights language in the SDG draft for fear that this would be considered too "controversial".

**How might human rights be promoted in these UN negotiations?** In the case of FfD3, SOMO suggests specific revisions in the "zero draft" that uphold standards relating to: (1) the state duty to ensure that fiscal policies, incentives or tax treaties do not undermine human rights and sustainable development; (2) operationalization and implementation of the UN Guiding Principles on Business and Human Rights (GPs), including mandatory reporting and access to remedies. The GPs are the single most important and widely-recognized

normative framework in the field of business and human rights. They represent a "soft law instrument", which still lacks enforcement mechanisms and incentives for compliance for governments as well as for the private sector. (3) making trade and investment agreements consistent with human rights by assessing their impact on people and the environment and ensuring that the right to regulate is retained in areas critical for sustainable development and human rights (e.g., health, the environment, employment, infrastructure (including electricity and transport), public safety, macro prudential regulations and financial stability); and (4) the state duty to ensure that human rights due diligence is undertaken when financing the operations of the private sector through a Development Finance Institution (DFI) or otherwise. Current DFI standards do not require assessments of the human rights impacts of projects. Moreover, project grievance mechanisms, which receive complaints from those harmed by the projects they finance, lack the authority to ensure that the victims receive remedy.

**The adoption of such policies would help to ensure policy coherence.** To date, according to the UN High Commissioner on Human Rights, there are binding international legal regimes for trade, finance, and investment, on the one hand, and norms and standards for labor, the environment, human rights, equality and sustainability on the other hand.

The OECD's Guidelines on Multinational Enterprises (updated in 2011) make some headway in bridging this gap and aligning with the GPs, as they now include substantial provisions in areas such as human rights, due diligence and supply chain responsibility. Moreover, they include a dispute resolution mechanism for resolving conflicts regarding alleged corporate misconduct.

# The World Bank Safeguard Review and Update: A Messy Process and the Importance of Getting it Right

By Suellen Lambert Lazarus



*Lazarus, an independent consultant, was previously Director of Syndications Department of the International Finance Corporation (IFC); Senior Advisor to IFC's chief executive; an Investment Officer in IFC's East Asia and Chemicals and Petrochemicals Departments; and a senior manager at ABN AMRO Bank. She played a key role in the development of the Equator Principles and in their implementation as a global standard for environmental and social risk management.*

In 2012, the World Bank embarked on the process of updating its Environmental and Social Safeguard Policies – the policies designed to prevent and mitigate harm to people and the environment from World Bank projects. A revamp of these policies was long overdue. No new policies had been issued since 2006 when the World Bank adopted an Operational Policy (OP) on Physical Cultural Resources. In the intervening years, the issues, challenges, science, global awareness and approach to promoting sustainability in project development evolved exponentially.

While the need to revamp the policies was considerable in 2012, now in 2015, when the process is

still incomplete and with no end in sight, the situation is critical. With the estimated annual gap of \$1 trillion in infrastructure investments in emerging and developing economies and a growing focus on mega-infrastructure projects, it is more important than ever that there be an integrated and comprehensive approach to promoting sustainable outcomes through World Bank investments. The continuing delay of the safeguard review and update process has meant that the World Bank is largely abdicating its position on environmental and social leadership in the developing world.

## Pressure on the World Bank to Revise its Safeguards

Not surprisingly considering this movement towards convergence (see Box) and the age of its current policies, the World Bank has faced considerable pressure to revise its policies. In 2010, the World Bank Group's Independent Evaluation Group (IEG) noted:

“World Bank social safeguards do not provide adequate coverage of community impacts, labor and working conditions, and health, safety, and security issues at the

project level, provisions that are integral to IFC and MIGA Performance Standards. The absence of an integrated approach to social risks, combined with perceived rigidities in the application of the social safeguard policies and continuing differences between the social safeguards and national policies, impede broader dialogue with borrowers on a comprehensive social policy.”<sup>2</sup>

**The IEG report noted that more than one-third of World Bank projects had inadequate environmental and social supervision and recommended that the policy frameworks across the World Bank Group be harmonized.**

The IEG report noted that more than one-third of World Bank projects had inadequate environmental and social supervision and recommended that the policy frameworks across the World Bank Group be harmonized. Management concurred with the need to undertake “a comprehensive updating and consolidation of the safeguard policies.” They went on to

## The Private Sector Steps In Equator Principles and the IFC Performance Standards

Unexpectedly, private financial institutions, rather than the World Bank, have driven the convergence towards global environmental and social risk management standards. Adopted in 2003 by ten international banks, the Equator Principles (EPs) introduced a common environmental and social framework for evaluating projects, thus eliminating "shopping" for standards by clients and leveling the playing field among the adopting banks. The EPs incorporate the Performance Standards of the International Finance Corporation (IFC) as their benchmark.\* IFC standards were selected because they were designed for and used extensively in projects in emerging markets. The EP drafters saw the global private sector focus of IFC as the most comprehensive standard available at the time.\*\*

Eighty financial institutions across the globe, on six continents and in 34 countries have now adopted the EPs. In addition to international banks, export credit agencies, bilateral development agencies, emerging market banks and insurance companies are also represented.# With the rapid uptake of the EPs by banks and other financial institutions, multilateral development institutions started paying attention to the underlying standard. As the number of financial institutions adopting the EPs grew, the reach of IFC's Performance Standards was extended. Other multilateral development banks (MDBs), which each had their own standards but were also financing deals with the EPs, found that it made good sense to bring their standards in alignment with the EPs, and thus with the IFC Performance Standards. For instance:

In 2008, the European Bank for Reconstruction and Development redrafted its policy and created the Performance Requirements that draw largely from the IFC Performance Standards.¥ In 2012, the OECD revised the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The Common Approaches) incorporating IFC Performance Standards as the reference standard for project finance deals.f

\*At the time of EP adoption in 2003, IFC was using Safeguard Policies. In 2006, IFC's policies were revised to become the Performance Standards, which were subsequently incorporated into the EPs.

\*\*S. Lazarus, *The Equator Principles at Ten Years*, *Transnational Legal Theory*, Volume 5, Issue 3, 2014, pp 419-420.

# EP Association, "Members & Reporting", [www.http://equator-principles.com/Index.php](http://equator-principles.com/Index.php)/ members-reporting.

¥ EBRD, *Environmental and Social Policy* (May 2008).

f Working Party on Export Credits and Credit Guarantees, "Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (The 'Common Approaches')" (June 28, 2012).

guardedly acknowledge that their policies may need modernization: "This should include a rigorous consideration of those aspects of the IFC Performance Standards... that represent a modernization in approach toward environmental and social standards possibly lacking in parts of the World Bank's current suite of safeguards."<sup>4</sup>

In 2013, perhaps as an interim measure, the World Bank Board approved a needed new policy that supported the World Bank's use of IFC Performance Standards for private sector projects.<sup>5</sup> Thus, in

public-private partnerships (PPPs), which are designed, constructed and operated by a private entity, and which may include additional financing from private sector financial institutions and perhaps engagement of other multilateral development banks (MDBs), project sponsors now avoid the problem of developing a project under two sets of environmental standards.

The World Bank could have avoided going through a prolonged update process by simply incorporating the IFC's Performance Standards for all of its operations while making some

modifications for its public sector clients. But, rather than doing this, the World Bank undertook to "harmonize" its standards with those of the other MDBs.<sup>6</sup> Why did they choose to harmonize rather than synchronize, coordinate or bring into alignment? "Harmonization" is a preferred World Bank Group term used when there is a need to imply coordination but to allow for plenty of discretion to act independently based on the unique circumstances of the organization. The World Bank did not want to adopt IFC's Performance Standards.

## Revision of Safeguards: A Long, Messy Process

Initially, perhaps the World Bank believed that they could draft better policies, more suitable than the IFC Performance Standards for their public sector clients. But the bank's chaotic reorganization, the subsequent lack of environmental leadership within the bank, and the advent of several new MDBs creating alarm about lending competition conspired against the effort. The results have been disastrous.

**But the bank's chaotic reorganization, the subsequent lack of environmental leadership within the bank, and the advent of several new MDBs creating alarm about lending competition conspired against the effort. The results have been disastrous.**

The safeguard review process was launched in July 2012, two years after IEG's report was issued, and in the midst of a major World Bank reorganization. The "approach paper" detailing the safeguard review process was released in October 2012, thus beginning the three-stage consultation process.<sup>7</sup> The first consultation period, which was extended from April 2013 to March 2014, consisted of multi-stakeholder consultations as well as meetings with governments, technical specialists and civil society organizations.

In July 2014, the new draft Environmental and Social Framework was leaked to the press along with internal World Bank emails of a group of senior managers revealing the internal debate about the new draft framework.<sup>8</sup> The framework, which was officially released on July 31, 2014, consists of two parts: the Environmental and Social Policy, which defines the bank's own responsibilities for environmental and social issues; and ten Environmental and Social Standards, which set out the

safeguard requirements for borrowers.<sup>9</sup> As the leak foreshadowed, the release did not go well.

The second consultation period for the draft document was extended from September 1, 2014 to March 1, 2015. The draft has been assailed from many fronts during this consultation period:

- The US Senate Committee on Foreign Relations expressed concern over the shift away from fulfillment of safeguard requirements prior to Board approval of projects and many other issues.<sup>10</sup>
- The United Nations Human Rights Council's noted that the "new Safeguards seem to view human rights in largely negative terms, as considerations that, if taken seriously, will only drive up the cost of lending."<sup>11</sup>
- The Nobel Women's Initiative, consisting of women who have won the Nobel Peace Prize, requested a mandatory gender safeguard policy.<sup>12</sup>
- The Asian Development Bank's Independent Evaluation Division identified the draft as aspirational measures that "could dilute the strength of social and environmental protections" and called for "a requirements-based safeguard system."<sup>13</sup>
- Over 300 civil society organizations (CSOs) issued a statement that the draft massively dilutes current Bank policy and "undermines momentum for the upward harmonization of social and environmental standards."<sup>14</sup>
- CSOs staged a "walk out" of World Bank consultations during the World Bank/IMF Annual Meetings.<sup>15</sup>

To anyone familiar with World Bank policies and their usual length and detail, the draft framework is notable for its brevity, lack of detail and general absence of incorporation

of other international standards. The draft does not represent international law or best practice with respect to human rights, gender, labor, indigenous peoples, resettlement, or climate change. Unlike IFC Performance Standards, it does not require compliance with ILO core labor standards. Its language provides latitude in determining what constitutes compliance with modifiers such as, "as appropriate," "where possible," and "within a timeframe acceptable to the Bank."

As noted above, a U.S. Senate Committee objected to a particularly contentious aspect of the draft, which postpones the timeframe within which a government must comply with safeguards. Specifically, it concerns the shift from requiring safeguard compliance at the project approval stage to instead agreeing on a framework for fulfilling safeguard requirements during project execution. This places responsibility for implementation on client countries, and would need to be accompanied by enhanced World Bank oversight and accountability. As noted in the IEG study, the World Bank lacks the internal systems to track implementation of environmental and social policies. Instead, oversight of environmental and social requirements has been front-loaded (e.g., required at the outset of projects) and there is a legitimate concern that deferring assessment of their implementation means that safeguards will be ignored.

## What Went Wrong?

With the World Bank's considerable resources, network of environmental and social specialists, and presumed leadership position, the outcome of the safeguard revision has so far been disappointing. There are a number of factors that have undermined the process. First, the leaked emails illustrate the continuing pushback from the investment side of the bank which fears that more robust standards make it harder to do business. In its

view, higher standards take too long, drive away borrowers, and depress World Bank lending. This concern is exacerbated by the possibility of increased competition from the new MDBs: the China-led Asian Infrastructure Investment Bank, with its massive resources, other Chinese funding (which are likely to carry fewer policy requirements), and the New Development Bank founded by Brazil, Russia, India, China and South Africa. Despite World Bank President Jim Kim's official welcoming of the creation of these new MDBs, internally, they are seen as a challenge both to the bank's leadership role and to its lending targets.

Second, the troubled and extended World Bank reorganization has created a vacuum in leadership within the organization and a cumbersome decision making structure.

Nancy Birdsall, President of the Center for Global Development, noted in November 2014:

"In the last two years at least five of the bank's most senior managers, with an accumulated 50 years or more of bank experience... have been (apparently) summarily dismissed. Recently the vice president for Africa "resigned" just days before last month's Annual Meetings... only to be brought back two weeks later... [Staff's] concerns are fundamental: the new reorganization has created fourteen silos where there were four and more not fewer management layers; decision-making is more centralized not less; transactions costs to organize teams are higher than ever and budgeting for work with clients is not flowing."<sup>17</sup>

Under the new World Bank structure, environmental and social issues are mainstreamed and incorporated into each of the 14 global practice areas. Despite the seeming importance of these issues, there is no single senior manager responsible for sustainability in the organization. Hence, there is no

advocate who can build institutional consensus and promote the adoption of cutting edge safeguard policies. Instead, policy staff and the legal department are leading the review, and require agreement from six regional vice presidents and 14 global practice groups to release a new draft.

The World Bank has announced that, in all likelihood, a second draft of the Environmental and Social Framework will be released in early July - along with information on the consultation process. Given the slow progress on the revision, it is unclear whether the World Bank will have a new framework in place before 2016.

According to the World Bank, the "safeguard policies are at the center of our efforts to protect people and the environment, and to achieve our goals to end extreme poverty and promote shared prosperity in a sustainable manner in our partner countries."<sup>18</sup> Yet neither the update process nor the first draft instills confidence of the centrality of these policies in the bank's work. Environmental and social issues are not separate from development issues. Understanding how projects impact people and the environment is fundamental to project success and improved results. The World Bank's procedures will also influence how the new MDBs conduct their business. Rather than fearing competition and diluting its policies, the world is looking to the bank for leadership on best practice. With the expected demand for infrastructure investments, we are counting on the bank to tidy up its mess and get the safeguards right.

## References

<sup>1</sup> Press Release, Statement by the Heads of Multilateral Development Institutions and the IMF on Infrastructure (November 13, 2014).

<sup>2</sup> World Bank Independent Evaluation Group, Safeguards and Sustainability Policies in a Changing World: An Independent Evaluation of World Bank

Group Experience (October 1, 2010).

<sup>3</sup> Ibid., pp. xvii and xxi.

<sup>4</sup> Ibid., p. xxvi.

<sup>5</sup> OP 4.03 adopts IFC Performance Standards as the World Bank Performance Standards for Projects Supported by the Private Sector, in lieu of the World Bank Safeguard Policies, <http://go.worldbank.org/VJVG2BGC40>.

<sup>6</sup> World Bank, Approach Paper to the Safeguard Review and Update (October 2012).

<sup>7</sup> Ibid.

<sup>8</sup> J Vidal, World Bank Email Leaks Reveal Internal Row of 'light touch' \$50bn Loans, The Guardian (July 5, 2014).

<sup>9</sup> World Bank, Environmental and Social Framework, First Draft for Consultation (July 30, 2014).

<sup>10</sup> Senators Robert Menendez, Barbara Boxer and Edwin Markey, Letter to the Honorable Jacob Lew (December 15, 2014).

<sup>11</sup> United Nations Human Rights Council, Letter to Mr. Jim Yong Kim (December 12, 2014)

<sup>12</sup> Nobel Women's Initiative, Letter to Dr. Jim Yong Kim (February 23, 2015).

<sup>13</sup> News Release, Asian Development Bank, ADB's Social and Environmental Safeguards, with Improvements, can be a Benchmark (November 11, 2014).

<sup>14</sup> Civil Society Statement on World Bank Safeguards (October 2014).

<sup>15</sup> N Sinani and N Margolis, Civil Society Walks Out on the World Bank, Huffington Post Blog (December 1, 2014).

<sup>16</sup> Press Release, World Bank President Outlines Strategy to End Poverty, Welcomes New Development Partners (April 7, 2015).

<sup>17</sup> N Birdsall, CGD blog, My Two Big Worries about the World Bank (November 3, 2014), <http://www.cgdev.org/blog/my-two-big-worries-about-world-bank>.

<sup>18</sup> <https://consultations.worldbank.org/consultation/review-and-update-world-bank-safeguard-policies>.

## MUST READ

**Submissions on the draft [Policy Framework for Investment \(PFI\)](#) of the **Organization for Economic Cooperation and Development (OECD)**, which was ultimately finalized in **April 2015**. The PFI updates an earlier 2006 version to cover 12 policy areas affecting investment: investment policy; investment promotion and facilitation; competition; trade; taxation; corporate governance; finance; infrastructure; human resources; responsible business conduct; investment in support of green growth; and public governance.**

**International Institute for Sustainable Development (IISD)**, [Submission on the proposed OECD Policy Framework on Investment](#) by **Nathalie Bernasconi-Osterwalder, Aaron Cosby, and Howard Mann**.

IISD cites passages in the draft PFI which deny the role of economic development policy, social development, human rights, environmental management, gender issues, inclusive growth, etc. as part of investment policy. It states that "All governments, especially in developing countries, should see the exclusion of those aspects from investment policy as unacceptable."

The submission also takes issue with an assertion in the draft PFI that "Firms need to know what the rules of the game are and require some assurance that those rules will not change once they have invested." IISD asserts that "It is untrue that informed and high-quality investors expect that "rules will not change" once an investment is made. No responsible investor anticipates knowing prior to an investment what the rules will all look like 10, 20, 30 or more years later... Law is not frozen at different times and stages for different investors depending on when they made their investment."

IISD also criticized the subsection on "Securing land tenure" for investor protection and its suggestion that developing country governments must put in place land tenure and registration systems common in Western states. It asserted that "the burden should be on investors to understand and work within the local land tenure

systems rather than on governments to reshape those systems to meet the needs of foreign investors."

Finally, IISD expressed concern with language stating that expropriation occurs by virtue of an interference with the use of property or the diminishment of profits from the use of property. IISD asserted that "The mere interference with economic activity does not create an expropriation... These blanket references raise fears that every regulation can constitute an expropriation simply by impacting profits."

**Also see: OECD Watch, 2015 [Submission on Policy Framework for Investment \(February 2015\)](#)**. Contributors include Centre for Research on Multinational Corporations (SOMO), Global Witness, Friends of the Earth Europe, Centre for Environmental Impact Analysis (CEIA, Ghana), and FERN.

OECD Watch recommended that "the OECD fundamentally revisit the principles underpinning the current investment regime. A redirection is required to ensure that investment policy serves not primarily the narrow interests of investors, but sustainable development and inclusive growth. First steps include: better safe-guarding of the state's right to regulate; active policies to avoid corporate capture of the policy agenda; narrower definitions and less ambiguous language in investment protection clauses; abandoning the one-sided and biased ISDS system; imposing binding obligations on investors; and enhancing investor accountability and enforcement of investor obligations."

OECD Watch unfavorably compared the principles underlying the draft PFI with those of the 2012 [Investment Policy Framework for Sustainable Development \(IPFSD\)](#) of the UN Conference on Trade and Development (UNCTAD). The latter seek to foster responsible investor behavior to serve the goals of sustainable development and human rights.

# Has the G20 Hijacked UN Processes? An Infrastructure Case Study

By Aldo Caliarì



*Caliari has been Director of the Rethinking Bretton Woods Project since 2002. Originally from Argentina, Aldo Caliarì has a Master of International Policy and Practice degree from George Washington University (2007), with a focus on economics and finance. He also holds a Master's degree from the Washington College of Law, American University, Washington, D.C., in International Legal Studies (2000), where he received the Outstanding Graduate Award. He earned his first law degree in Argentina, at the Universidad Nacional de Tucuman Law School, in 1997.*

The debate of a proposed infrastructure initiative within the United Nations (UN) proves to be a revealing case study of how the Group of 20, an informal entity with restricted membership, has been able to influence and pre-empt outcomes in a formal, universal membership institution such as the UN. The debate is occurring in the context of negotiating the outcome document of the UN Financing for Development (FfD) Conference which will take place in Addis Ababa in July.

The G20 views "financing for development" as its priority as well. For instance, at an April 2015 Think 20 event in Washington, the Turkish Deputy Prime Minister Ali Babacan stated that the G20 addresses the

need for infrastructure finance, leaving social and environmental matters to other institutions with mandates in those areas. This overlooks the reality that project success depends upon a triple bottom line: economic, environmental and social. For instance, a dam will not function if it is not climate resilient. An integrated approach is not a luxury. As described below, the UN has a mandate to promote holistic development.

**The debate of a proposed infrastructure initiative within the United Nations (UN) proves to be a revealing case study of how the Group of 20, an informal entity with restricted membership, has been able to influence and pre-empt outcomes in a formal, universal membership institution such as the UN.**

In the G20, infrastructure development has been a high priority ever since 2010 when, under the Korean Presidency, the group placed the issue on its agenda. Under successive leaderships of France, Mexico, Russia, Australia and now Turkey, the Group has shaped a new model for financing infrastructure, which can be described as follows:

- Infrastructure finance should be mobilized from the nearly USD 85 trillion in savings held by (mostly private) institutional investors such as mutual funds, pension funds, hedge and private equity funds, insurance companies, and so on.
- The problem is not scarcity of funds for infrastructure, but of "bankable projects," that is, projects that such investors would regard as offering high and sufficiently secure rates of return.
- To attract such financing, the onus is on recipient countries to not only fill a "pipeline" of large "bankable projects," but also undertake tariff, tax, and regulatory reforms that will provide an enabling environment, which will assuage investors' fears.
- Development finance institutions should take a backseat in their role as lenders for infrastructure and help create or improve "Project Preparation Facilities" (PPFs) to standardize the blueprints not only for "bankable projects" but also for reforms that will constitute an enabling environment for investors. Along these lines, their resources, as well as domestic public resources (such as local pension funds and financing of national development banks) should be

devoted to leveraging private sector investment.

- The secure revenue streams from infrastructure projects should provide the collateral for new and innovative instruments to trade in financial markets.

### Infrastructure in the new generation of UN Sustainable Development Goals

Developing and upgrading high quality, sustainable and resilient infrastructure is at the center of one of the 17 Sustainable Development Goals (SDGs), which the international community is expected to adopt at a UN-convened Summit in September. Infrastructure is also seen as a sort of cross-cutting issue, since goals that deal with health, education, jobs and agriculture, to name a few, will hardly be achieved without being able to meet the attendant infrastructure requirements.

However, calculations place the cost of bridging the “infrastructure gap” at some additional USD 1 trillion per year, in developing countries alone, and the issue is: what sources of finance could be tapped for such an ambitious endeavor?

**Generating a set of “tangible deliverables” to restore trust among developing countries and create a propitious environment for the adoption of such ambitious agenda in September is seen a core goal of FfD 3. Prominent among these is a proposed initiative to bridge the “infrastructure gap.”**

The Third Financing for Development Conference (FfD 3) in July is seen as a critical stepping stone to adopting the SDGs at the Post-2015 Development Conference in September because it is intended to reassure developing countries in particular that support for such an ambitious agenda will be available.

Indeed, the agenda represents an enlargement of the eight Millennium Development Goals (MDGs) adopted in 2000, several of which have yet to be met. The FfD 3 also takes place against the backdrop of retreat by donor governments that have stabilized or reduced their Official Development Assistance.

Generating a set of “tangible deliverables” to restore trust among developing countries and create a propitious environment for the adoption of such ambitious agenda in September is seen a core goal of FfD 3. Prominent among these is a proposed initiative to bridge the “infrastructure gap.”

But the proposal is coming under heavy fire from developed countries which argue that, since the G20 has launched infrastructure initiatives, from which “all developing countries” could benefit, there is no need for one, but rather a need for “greater coordination” among existing ones. Further, they cite the recent launch of the World Bank’s partnership – the Global Infrastructure Facility (GIF) – and the work by a number of regional development banks to set up “project preparation facilities” (PPFs) – as examples of the existence of initiatives that will do the job. (Creating or strengthening PPFs also comes in response to a G20 instruction.) Some developed countries even questioned the estimates of infrastructure finance needs: they stated that there is no scarcity of investment finance (on the supply side), but rather a scarcity of “bankable projects” (on the demand side).

At the behest of those developed countries, the generic encouragement to expand the supply of infrastructure finance in the draft outcome document was amended to reflect specific mention of the GIF, a long leap of faith given that this small initiative was just launched last October. Since this experimental pilot of what the G20 proposes is just becoming operational, there is not yet evidence of any positive results.

### Competing visions of infrastructure finance

Yet, a narrow focus on the feasibility of a new infrastructure initiative misses the point. The UN’s true value added lies in its role as a guardian of internationally-agreed development goals, such as the forthcoming SDGs as well as of environmental, social and human rights instruments and commitments. In addition, it could ensure a democratic and inclusive debate about the infrastructure models pursued by different initiatives, including the Global Infrastructure Facility, the BRICS’ New Development Bank, and the China-led Asian Infrastructure Investment Bank as well as the MDBs’ “Project Preparation Facilities”.

**A UN-hosted initiative could help ensure that projects achieve a “triple bottom line” (economic, environmental, and social).**

A UN-hosted initiative could help ensure that projects achieve a “triple bottom line” (economic, environmental, and social).

With regard to financing modalities, the differences in the nature and scope of the debate in the UN vs the G20 are equally evident. In the emerging debate at the UN on the proposal for an infrastructure initiative, developed countries support a strong reliance on the private sector – via Public-Private Partnerships (PPPs). Many developing countries, on the other hand, have objected to this as an outsourcing of infrastructure financing and demand language that reclaims, first and foremost, the public sector responsibilities for infrastructure. They argued, both normatively and factually, that high levels of involvement of the private sector in financing infrastructure are not realistic. Also, the lack of empirical evidence of the success of PPPs – a critical issue for civil society – was systematically raised by developing countries. In the FfD debate, developed countries opposed

a) calls for projects to “share risks and rewards fairly, and be implemented following feasibility studies that demonstrate that they are the most effective modality” or that they “not replace or compromise state responsibilities”  
 b) a specific request by developing countries that initiatives “include clear accountability mechanisms”  
 c) language in a previous FfD draft which recommended that governments avoid significant “contingent liabilities” (e.g., claims on the government budget to be triggered by materialization of risks to investor profits). This language has now morphed into a vague commitment to just “build capacity for accounting and budgeting” of the said liabilities.

**Bringing return-hungry investors into the picture would inevitably distort the priorities for selecting projects. Arguably, project selection should be part of the formulation of a national sustainable development strategy, including democratic and publicly-accountable dialogue with affected communities.**

From a civil society perspective, such calls represent *de minimis* safeguards to avoid the danger of PPPs draining public sector resources and generating an upwards redistribution of income as overly generous contracts subsidize profit-making by private sector providers.

### Endorsing financialization

Most worrisome is the inclusion in the current draft of an unfortunate proposal to utilize pooled financing instruments in ways that financialize infrastructure as an “asset class.” The proposal would see countries create portfolios of PPPs as collateral for financial instruments that could be sold to financial investors with a designated return on investment. Through their [analysis and submissions](#) to the G20, the Labor 20 and the Trade Union

Advisory Committee (TUAC) are asking for assurance that infrastructure finance is patient, engaged, and productive.

Civil society has criticized the proposal for a number of reasons. The practice is akin to the collateralized mortgage obligations that triggered the 2008-09 financial crisis, which in itself should be a matter of concern. But its application to the field of infrastructure seems particularly ill-advised as it would require providing massive levels of guarantees for the expected revenue flows that make up the returns to financial investors buying the instruments. Such guarantees could translate, from the perspective of citizens, taxpayers and consumers, into long term, contract-backed commitments to ensure public resource transfers and guarantees to the private firms while constraining the state’s tax and regulatory powers. At the same time, bringing return-hungry investors into the picture would inevitably distort the priorities for selecting projects. Arguably, project selection should be part of the formulation of a national sustainable development strategy, including democratic and publicly-accountable dialogue with affected communities.

### Civil society: more participation in an empty space?

There is a noticeably growing consensus on the importance of

participation by civil society in the deliberations leading up to the adoption of the post-2015 agenda. Even as the negotiations move into their final stages, a recent session saw dozens of UN member states take the floor to underscore the need to expand opportunities for participation by civil society. This stands in stark contrast with the low level of civil society involvement in the G20-led push for infrastructure and the shrinking space in many countries for civil society interested in monitoring infrastructure initiatives.

**As civil society’s inclusion in the formulation of the UN’s post-2015 development agenda gains traction, the venue may have been emptied of real life political impact and confined to a mere rubber-stamping of the discourses and models that emerge in remote, less participatory forums.**

Thus, the G20’s ability to suffocate an alternative debate on infrastructure finance at the UN becomes clearer. There is cause for alarm that, as civil society’s inclusion in the formulation of the UN’s post-2015 development agenda gains traction, the venue may have been emptied of real life political impact and confined to a mere rubber-stamping of the discourses and models that emerge in remote, less participatory forums.



## MUST READ

### Investment in Infrastructure: Two Features by Kanya D'Almeida:

Truthout, [“Mega, Giga, Tera: Inside the Biggest Investment Boom in History”](#) (April 29, 2015)

Inter-Press Services, [Infrastructure Boom in Emerging Economies Hits Record Levels, but At What Cost?](#) (June 11, 2015)

Note: Almeida's stories rely on sources including, Bent Flyvbjerg of Oxford University; Brent Blackwelder of Friends of the Earth; Nancy Alexander of Heinrich Boell Foundation-North America; and Nicholas Hildyard, Corner House.

According to Bent Flyvbjerg, we are living through the largest investment boom in human history. The “West and the rest” are vying for infrastructure supremacy in the transportation, energy, water and agricultural sectors. The \$100 billion China-led [Asian Infrastructure Investment Bank](#) (AIIB) is countered by collaboration by the seven major multilateral development banks (MDBs) (See [joint statement](#)). The [Global Infrastructure Initiative](#), a multiyear program aimed at improving the environment for public and private investment in large infrastructure projects worldwide aims to work with new and existing development banks.

But, Brent Blackwelder, president emeritus of Friends of the Earth International, urges consideration of the track record of large-scale infrastructure projects.

“Judged against what calls “the ABCs of economics” - namely, whether projects deliver their stated benefits, on time, within their allocated budget - only one in 1,000 mega-projects meets the criteria for success, according to Flyvbjerg.” (Consider [these maps](#) of planned mega-projects on the African continent.) Alexander told Truthout that “Very frequently, the government, taxpayers and consumers meet the cost of these delays and extra expenditures.” While acknowledging that there is a “desperate”

need for infrastructure in most developing countries, she urged that strategies be evidence-based.

The problems with mega-projects are compounded by the uncertainties of financialization, which entails creating infrastructure as an asset class, so that investors - especially long-term investors - can finance portfolios of public-private partnerships (PPPs). There is a global consensus that sustainable development and infrastructure goals should be met by financialization or tapping into the roughly [\\$85 trillion](#) of long-term institutional finance held in sovereign wealth funds, pension funds, hedge funds and insurance schemes around the world.

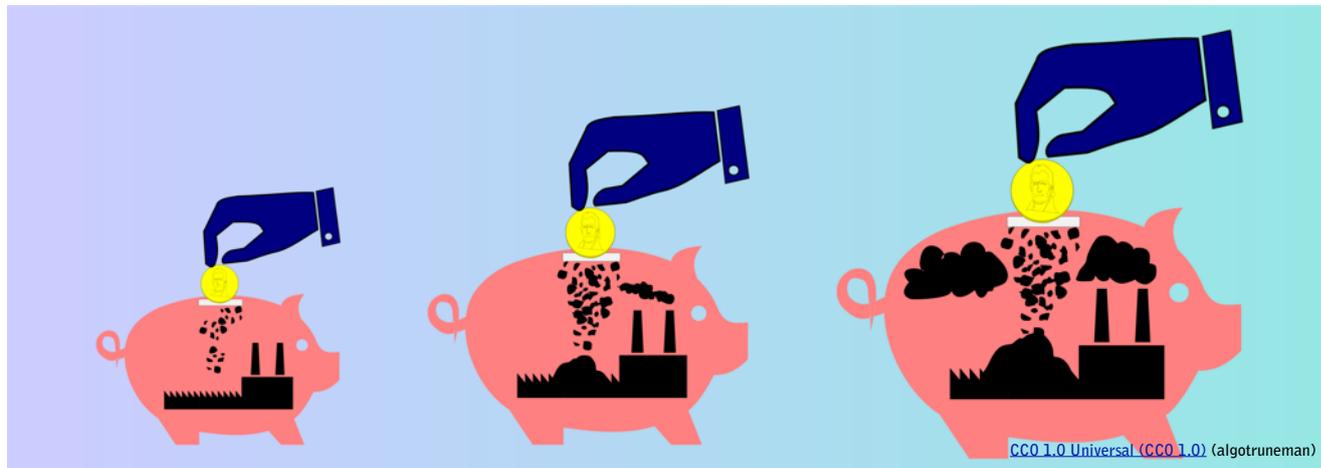
Yet, here again, there is no evidence that financialization (especially speculative finance) will not “socialize losses and privatize gains,” since the state is required to provide significant protection of investors and guarantee certain rates of return.

The stories draw on work by Nicholas Hildyard, founder-director of the UK-based research and advocacy group The Corner House, who [broke down the myths](#) surrounding PPPs, concluding that they are less about “financing development” and more about “developing finance” - which in turn “enables the extraction of public wealth for private gain.”

In a world where the wealth gap between the richest and poorest nations has [increased](#) from 35:1 during the colonial period to 80:1 at the turn of the millennium, and the world's richest 85 people control more wealth between them than one half of the entire earth's population put together, Hildyard asks: Who is this investment boom for?

# Challenge to the G20: Understanding the Role of Coal Subsidies on the Path to a Low Carbon Economy

By Sevil Acar



Sevil Acar is assistant Professor of Economics at the Istanbul Kemerburgaz University, Turkey. Her research is on environmental and resource economics, particularly natural capital accounting, sustainability indicators, and the resource curse. Her undergraduate, masters and Ph.D. degrees are from Bogazici University, Istanbul Technical University, and Marmara University, respectively. During her Ph.D. studies, she was awarded a scholarship to conduct research at the Centre for Environmental and Resource Economics (CERE, Sweden) involving the analysis of Swedish sustainable savings and carbon convergence across countries, among other things.

In 2009, G20 Leaders committed to “rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption”. The ongoing G20 agenda and the upcoming G20 summit in Antalya stand as unique opportunities to realize that pledge. For more background information on the G20’s track record on eliminating fossil fuel subsidies, see the [publications](#) by the Global Subsidies Initiative and the International Institute for Sustainable Development (IISD),

including the [report](#) co-authored by Acar, and “[The Fossil Fuel Bailout: G20 subsidies for oil, gas and coal exploration](#)” by ODI and Oil Change International (November 2014).

As a developing country, Turkey is facing increased demand for utilization of electricity and primary energy sources. At the same time, it is grappling with the challenges of realizing its emissions abatement needs and ensuring a cost-competitive energy supply. According to [UNFCC](#), Turkey’s total greenhouse gas emissions reached 439.9 million tonnes (Mt) of carbon dioxide equivalent (CO<sub>2</sub>-eq) in 2012, which represents an increase of 133.4% above 1990 levels. The current situation of coal subsidies in Turkey, which is summarized below, counters potential abatement efforts.

In order to sustain a cost-competitive and secure energy supply, [Turkey](#) set the following objectives in its Comprehensive Growth Strategy document prepared as part of the [G20 Growth Strategy](#) documents in 2014 (p. 16):

- to increase the ratio of domestic resources in energy production;

- to diversify the origins of energy supply in terms of countries, regions, and sources;
- to increase the share of renewables, lignite coal-fired power plants and include the nuclear in energy mix; and
- to take significant steps to increase energy efficiency.

**As importing the majority of its energy supply (more than 75%) imposes a heavy burden on its balance of payments, Turkey has a definite priority to reduce import dependency in energy.**

As importing the majority of its energy supply (more than 75%) imposes a heavy burden on its balance of payments, Turkey has a definite priority to reduce import dependency in energy. Recently, there has been a rapid expansion of coal exploration and coal-fired power generation throughout the country. Although it also has ambitious plans for deployment of renewable energy, these are likely to be compromised by the continued

existence of subsidies to coal-fired power generation and coal mining, including the recently introduced regional development package with investment support and loan guarantees. However, debate over subsidy reform is hindered by lack of transparent data about the magnitude and impacts of these subsidies.

**The government provides generous support to the hard coal sector via direct transfers from the Treasury. The summary table below displays how these transfers reached a level of around US\$300 million in 2013. Besides, consumer subsidies (coal aid to poor families) amounted up to more than US\$390 million in the same year.**

A recent [report](#) developed by the Global Subsidies Initiative (GSI) and their partners in Turkey (Acar, Kitson and Bridle, 2015) establishes a detailed account of the current level of knowledge around the role of subsidies to coal and identifies particular subsidies for which direct cost estimates are not available. To begin with, the government provides generous support to the hard coal sector via direct transfers from the Treasury. The summary table below displays how these transfers reached a level of around US\$300 million in 2013. Besides, consumer subsidies (coal aid to poor families) amounted up to more than US\$390 million in the same year. Additionally, the coal sector is supported via the following measures and regulations:

- In 2012, Turkey introduced the New Investment Incentive Scheme, which is comprised of various instruments to promote different industries. Coal exploration and production as well

as investments in coal-fired power plants are categorized as "priority investments" and receive subsidies in the form of Customs Duty Exemptions, Value Added Tax Exemptions, Tax Reductions, Social Security Premium Support (Employer's Share), Land Allocation and Interest Support, with the terms and rates of support depending on the region.

- R&D expenditure: The government supports the fossil fuel sector with R&D expenditures. Among various fuels, coal receives the highest level of expenditures for this purpose. The International Energy Agency (IEA) reports that 2.6 million Turkish lira (TL) was spent on coal R&D by the government in 2009. (No data was available after this year.)
- Rehabilitation Support: As part of the privatization process, the Turkish government funded the rehabilitation of hard coal mines and coal power stations.



Oxfam-Campaign in Garmisch-Partenkirchen June 7, 2015 / © argum / Oxfam Germany

- Government support for exploration: The [Strategic Plan 2010-2014 of the Ministry of Energy and Natural Resources](#) (MENR, 2010, p. 41) documents its coal, oil and gas exploration budgets as displayed in the table below. The annual budget varied between 35 million and 51 million TL (approximately US\$23 million to US\$34 million) in the plan period.

- Government expenditure on coal-fired power stations: Planned budgetary expenditure for new coal power plants was calculated as 28 million TL (~US\$15 million) for 2013 and estimated at 31 million TL (~US\$14 million) for 2014. These include the new domestic coal thermal plants of 3,500 MW to be completed by the end of 2013 (MENR, 2010).
- Investment guarantees to coal power plants over 15-20 years of their operational life (e.g., Cayirhan and Iskenderun thermal plants).
- Guaranteed price and purchase of electricity for certain periods of time are offered by the government to projects including investments in lignite coal-fired power generation.
- Exemptions from environmental regulation: There are several reported examples of lax environmental regulations or straight-out failure to enforce the existing regulations and standards.

The [report](#) further highlights that the quantifiable subsidies to the coal sector result in a per-kWh subsidy of around US \$0.01, which increases to US\$0.02 per kWh when consumer subsidies are included. A total of US \$730 million accrued to the coal sector in the form of subsidies in 2013 (Acar, Kitson and Bridle, 2015, p.

10). Needless to say, this number demonstrates an underestimation of the total subsidy amount since it excludes investment guarantees, the regional incentive scheme measures, price and purchase guarantees, permissive environmental impact assessment (EIA) procedures, etc. When remaining informational barriers are addressed, it will prove easier to show that these subsidies cannot be justified in financial, social or environmental terms.

## Subsidies applicable to the coal sector in Turkey

Coal Subsidies	2009	2010	2011	2012	2013	Unit	Source	
Support to Producers (Mining & Electricity Generation)	Investment Incentives to Lignite Mining*	1	N.A.	3	9	7	No. of incentive documents	Ministry of Economy
	Investment Incentives to Hard Coal Mining*	N.A.	N.A.	N.A.	1	2	No. of incentive documents	Ministry of Economy
	Government R&D Expenditures on Coal	1.68	N.A.	N.A.	N.A.	N.A.	million US\$	IEA
	Exploration Subsidies**	N.A.	23.11	22.89	23.41	24.36	million US\$	MENR
	Rehabilitation during privatization - hard coal	23	19	N.A.	N.A.	N.A.	million US\$	OCI
	Aid to the Hard Coal Industry (Direct Transfers from the Treasury)	264	303	287	258	298	million US\$	IEA, Undersecretariat of the Treasury
	Rehabilitation during privatization— power stations	N.A.	2.00	2.00	2.00	2.00	million US\$	OCI
	Expenditures for New Coal Power Plants***	N.A.	13.86	13.73	14.05	14.62	million US\$	MENR
	Unquantified Subsidies	1. Investment, Price, and Purchase Guarantees to Coal Power Plants 2. Subsidies provided under the New Investment Incentive Scheme in the form of exemptions from customs charges, VAT, social security, allocation of land and below market interest rates 3. Exemptions from environmental regulation including temporary exemptions for existing coal plants and permissive EIA procedures						Undersecretariat of the Treasury, and others
Support to Consumers	Coal Aid to Poor Families	356	296	390	413	392	million US\$	Undersecretariat of the Treasury

**Source:** Acar, S., Kitson, L. and Bridle, R. (2015) [Subsidies to Coal and Renewable Energy in Turkey](#). International Institute for Sustainable Development (IISD)-Global Subsidies Initiative (GSI) Report, p. 11).

### Notes:

\* Coal exploration, production and investments in coal-fired power plants are subsidized within the Regional Investment Incentive Scheme, which offers subsidies in the form of Customs Duty Exemption, VAT Exemption, Tax Reduction, Social Security Premium Support (Employer's Share), Land Allocation and Interest Support.

\*\* The numbers include estimated coal, oil and gas exploration budgets of the MENR from 2010 to 2014 as recorded in the Ministry of Energy and Natural Resources Strategic Plan 2010–2014.

\*\*\* The numbers represent planned budgetary expenditures for coal power plants for 2010– 2014 as stated in Target 1.2: New domestic coal thermal plants of 3,500 MW will be completed by the end of 2013 (MENR, 2010). The amount of subsidy within these budgets is not known.

### Measures by other G20 countries

On the other hand, energy and energy subsidy policies of the other G20 members widely vary. For instance, [Germany](#) has committed to increase the share of renewable energy sources to 40-45% in 2025 and 80% in 2050 as well as to enhance energy efficiency. Besides, it aims to lessen its dependence on imports of oil and gas. However, the country still remains the [biggest supporter of coal](#) in Europe having spent €3 billion for coal production in 2012. In comparison, the [United States](#) focuses more on energy productivity and innovation. In its new policy actions, it pledges to eliminate \$4 billion in taxpayer subsidies to the oil, gas and other fuel producers while extending the renewable electricity production tax credit permanently.

[China's growth strategy](#) (2014) anticipated that energy consumption per unit of GDP would decline by more than 3% in 2014 and energy savings would be encouraged. The country intends to "promote the development of the green industry and provide more support to new energy, energy-saving and environmentally friendly technologies and products; actively carry forward pilot projects on the using and trading of emission rights, encourage energy saving and emission reduction" (p. 4). [India](#)

takes similar steps towards promoting clean and efficient energy by promoting ultra mega solar power projects in different regions. However, the Indian government continues to provide substantive [subsidies](#) to the electricity sector and petroleum products, which are hard to estimate as electricity policies and tariff rates vary among states and consumer groups. Finally, [South Africa](#) has plans to reform the energy sector via ensuring security of electricity supply to support economic growth and development and the formulation of legislation allowing exploratory drilling for coal seam and shale gas reserves and draft regulations and other legislation for utilization of shale gas. The country's growth strategy does not articulate any attempts to depart from fossil fuel dependence apart from increasing the share of gas and renewables in the energy mix.

### To conclude...

Fossil fuel subsidies have the potential to compromise the environment, disrupt the development of low carbon technologies, and undermine public finances. In 2009, the G20 leaders committed to "rationalize and phase out over the medium term inefficient FFS that encourage wasteful consumption". The ongoing G20 agenda and the upcoming G20

summit in Antalya stand as unique opportunities to act on this promise, beginning with solid definitions of fossil fuel subsidies; comprehensive data collection; and vigorous peer review of subsidy cuts, including penalties for non-compliance.

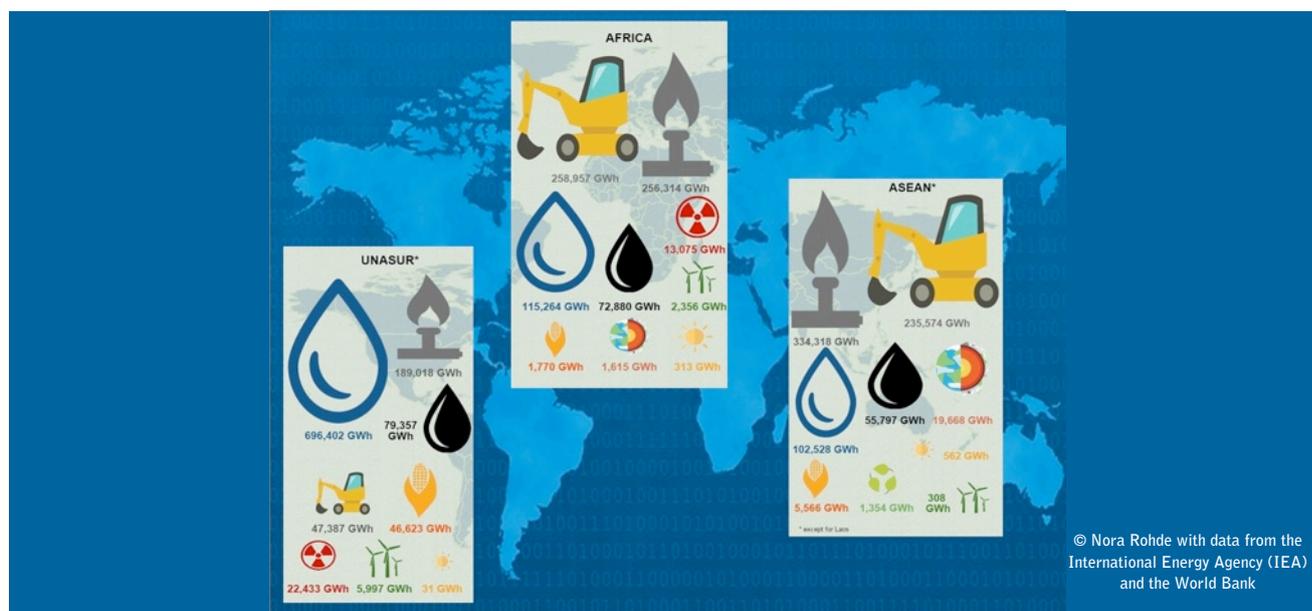
### References

Acar, S., Kitson, L. and Bridle, R. 2015. Subsidies to Coal and Renewable Energy in Turkey. International Institute for Sustainable Development (IISD)-Global Subsidies Initiative (GSI) Report. Available at <http://www.iisd.org/gsi/subsidies-coal-and-renewable-energy-turkey>

G20. 2009. Leaders Statement of G20 Pittsburgh Summit, September 24-25, Pittsburgh. Available at: [https://g20.org/wp-content/uploads/2014/12/Pittsburgh\\_Declaration\\_0.pdf](https://g20.org/wp-content/uploads/2014/12/Pittsburgh_Declaration_0.pdf)

G20. 2014. G20 Growth Strategies 2014 – Country Strategy Reports. Available at <https://g20.org/resources/current-presidency/g20-growth-strategy-2014/>

Ministry of Energy and Natural Resources (MENR). 2010. Institutional Strategic Plan 2010–2014.



# Turkey in the 2000s: The façade of speculative growth

By Dr. A. Erinc Yeldan



CC BY-NC-ND 2.0 (iwaryo)

*Dr. A. Erinc Yeldan is Professor of Economics at Bilkent University in Ankara, Turkey. He received his Ph.D. from the University of Minnesota (USA) and joined the Department of Economics at Bilkent University in 1988.*

In the Republic of Turkey, the decade of the 2000s brought profound shifts in the social and economic spheres. Following the crises of November 2000 and February 2001, the political arena witnessed the rise of the Justice and Development Party (AKP) – a coalition of diverse Islamic movements. Shortly after the AKP took office, it abandoned its populist discourse (as an anti-IMF and anti-liberal reactionary movement) and fully embraced the neoliberal policies that aim at entrusting national resources and the economic future of the country to speculative foreign capital and the dynamics of unfettered market forces (ISSA, 2005; Cizre and Yeldan, 2005).

The distinguishing feature of the series of AKP Governments over the post-2003 period was their deliberate adoption of the mission of executing the neoliberal project under the discourse of “strong government” without confronting any strong popular opposition. Over this period, within the international

division of labor, Turkey continued to specialize in production that relied upon standard technologies and low labor costs to promote its export-based growth strategy. On the macroeconomic policy side, there was a significant shift towards “speculative-led growth” with huge inflows of “hot money” financing the widening current account deficit and exchange rate appreciation, which made Turkish exports more expensive and less competitive.

**The distinguishing feature of the series of AKP Governments over the post-2003 period was their deliberate adoption of the mission of executing the neoliberal project under the discourse of “strong government” without confronting any strong popular opposition.**

Turkey's main macroeconomic indicators for the period are summarized in Table 1. Four sub-periods are distinguished: the first one covers the episode of the crisis (2001-2002), followed by the post crisis adjustments and re-invigoration of growth (2003-2008). The global crisis hits Turkey in 2009, and 2010-onwards marks an era of great recession.

On the surface, the post-2001 growth rates were high. The annual rate of growth of real GNP averaged 7.8% over 2002-2006. While rapid, growth had very unique characteristics: Notably, it was primarily driven by a massive inflow of foreign finance capital which in turn was lured by Turkey's very high rates of return; hence, growth was speculative-led in nature (a la Grabel, 1995). This pattern, which continues into the 2010s at an even stronger rate, has the following features:

- The real rate of interest on the government debt instruments (GDIs), such as securities, bonds and bills, remained above 10% over most of the post-2001 crisis period. On the one hand, the high rates attracted heavy flows of short term speculative finance capital from 2003 through 2008. On the other hand, it generated heavy pressure as fiscal authorities tried to meet the government's debt obligations. [Figure 1 below shows the paths of inflation (using the Consumer Price Index) and the central bank's overnight interest rate (its monetary policy tool).] The cost of money and credit remain stubbornly high even though in a context of falling rates of inflation one would have expected them to also fall, to reflect the new real interest rate

## Turkish Economy over the 2000s

	Economic Crisis 2001-2002	Post Crisis Adjustment and Growth 2003-2008	Global Crisis 2009	Patterns of Recovery Under the Great Recession			
				2010	2011	2012	2013
<b>Macro Aggregates</b>							
GDP real rate of growth (%)	2.41	5.88	-4.82	9.15	8.77	2.12	4.00
As % of GDP							
Consumption Exp.	70.12	69.84	71.46	71.69	71.18	70.19	70.87
Investment Exp.	14.63	21.78	14.93	19.52	23.55	20.13	20.62
Private Savings	25.1	16.90	18.00	12.30	10.7	11.6	9.7
Budget Balance	-10.5	-3.25	-5.5	-3.6	-1.4	-2.1	-1.2
Public Domestic Debt Stock	38.49	35.50	34.64	32.11	28.42	27.28	25.81
<b>Internalization</b>							
Exports of Goods (bn \$)	31.60	84.79	109.64	120.91	143.39	163.22	163.37
Imports of Goods (bn \$)	49.15	132.54	134.49	177.31	232.53	228.55	243.39
Current Account Balance (bn \$)	-2.26	-26.16	-13.40	-45.42	-75.08	-48.49	-65.07
Current Account Balance (% of GDP)	-1.43	-4.75	-2.27	-6.30	-9.70	-6.17	-7.40
Total External Debt (bn \$)	120.57	202.67	268.93	291.91	303.91	339.04	389.5
Total External Debt (% of GDP)	52.88	39.91	43.76	39.85	39.34	43.07	47.29

Sources: TURKSTAT, Min of Development data bases; CBRT electronic data dissemination system.

(real interest rates represent nominal interest rates minus inflation).

- The relative abundance of foreign exchange led to the appreciation of the Lira by as much as 40% in real terms against the US\$ and by 25% against Euro (in producer price parity conditions). (The Turkish Central Bank restricted its monetary policies only to the control of price inflation, and left the value of the domestic currency to the speculative decisions of the market forces.)
- Cheapened foreign exchange costs led to an import boom both in consumption and investment goods. Clearly, for hungry financial arbitrageurs, achievement of the fiscal contraction under severe entrenchment of public non-interest expenditures was

**The lessons and consequences of speculative-led growth are now clear: high real rates of interest attract short term (hot) finance capital; this in turn, leads to an abundance of foreign exchange, appreciation of the domestic currency and the decline of exports and tradables.**

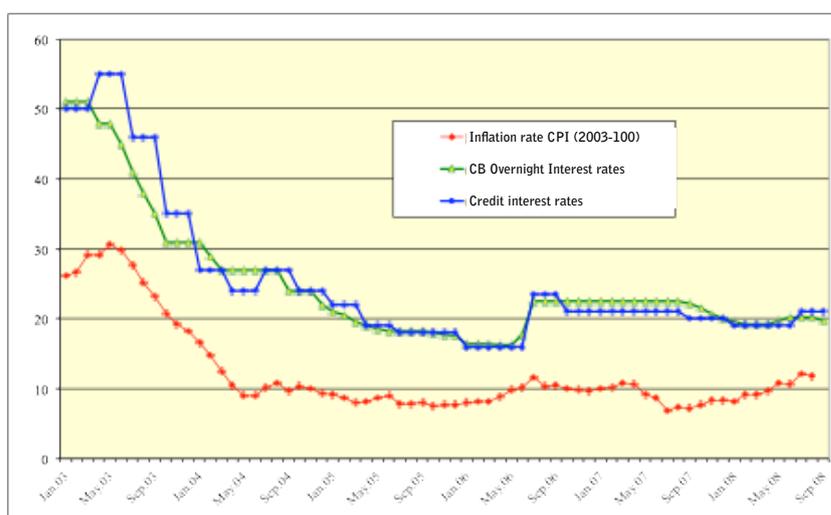
welcome. (Note: An arbitrageur purchases securities in one market for immediate resale in another in the hope of profiting from the price differential.) (See Table 1.)

Another characteristic of the post-2001 era was its jobless-growth pattern. Rapid rates of growth were accompanied by high rates of unemployment and low labor force participation rates. The rate of unemployment rose to more than 10% after the 2001 crisis, and despite rapid growth, has not yet returned to its pre-crisis level (of 6.5% in 2000).

In conclusion, the lessons and consequences of speculative-led

growth are now clear: high real rates of interest attract short term (hot) finance capital; this in turn, leads to an abundance of foreign exchange, appreciation of the domestic currency and the decline of exports and tradables. Other consequences include an expansion of the current account deficit, a high rate of foreign indebtedness with consequent external fragility, and persistent structural unemployment.

In contrast to the traditional stabilization packages that aimed at increasing interest rates to constrain the domestic demand, the new orthodoxy aims to maintain high interest rates for the purpose of attracting speculative foreign capital



from the international financial markets. In the Turkish context, the end result was the shrinkage of the public sector in a speculative-led growth environment; and the consequent deterioration of education and health infrastructure which rely heavily upon public funds. Furthermore, as domestic industries intensified their import dependence, they were forced to adopt higher levels of capital-intensive and foreign technologies which had adverse consequences on domestic employment.

Turkey is now entering the second half of the 2010s with severe disequilibria and increased external debt burdens. The generally favorable global conditions that were conducive to the rapid growth performance of the economy under AKP's first administration are, generally speaking, not present in this new conjuncture. Turkey has to face the current turbulence and the consequent decline of credit in the

global financial markets with a strained labor market and intensified external fragility. There is no doubt that the necessary adjustments that lie ahead for securing economical stability in Turkey under a darkening external environment will be more costly and difficult.

---

### References

Cizre Umit and Erinc Yeldan (2005) "The Turkish Encounter with Neo-Liberalism: Economics and Politics in the 2000/2001 Crises" *Review of International Political Economy*, 12(3): 387-408, August

Grabel, Ilene (1995) "Speculation-Led Economic Development: A Post-Keynesian Interpretation of Financial Liberalization Programmes in The Third World" *International Review of Applied Economics* 9(2): 127-149.

(ISSA) Independent Social Scientists Alliance (2006) *Turkey and the IMF: Macroeconomic Policy, Patterns of Growth and Persistent Fragilities*, Penang, Malaysia: Third World Development Network

Yeldan, Erinc (2006) "Neo-Liberal Global Remedies: From Speculative-led Growth to IMF-led Crisis in Turkey" *Review of Radical Political Economics*, 38(2), pp.193-213, Spring, 2006.

Yeldan, Erinc (2002) "On the IMF-Directed Disinflation Program in Turkey: A Program for Stabilization and Austerity or a Recipe for Impoverishment and Financial Chaos?" in N. Balkan and S. Savran (eds) *The Ravages of Neo-Liberalism: Economy, Society and Gender in Turkey*, New York: Nova Science Pub.

---

## Impressum

### Publisher

Heinrich Böll Foundation  
Schumannstrasse 8, 10117 Berlin  
T 0049 30 285 34 - 0  
E [info@boell.de](mailto:info@boell.de)

### Editorial Team

Nancy Alexander, Heinrich Böll Foundation  
Washington,  
Heike Löschmann, Heinrich Böll Foundation  
Berlin,  
Nora Rohde, Germany

### Layout

Roman Leskov, Russia

### Disclaimer

The opinions expressed in this newsletter are those of the authors and not necessarily those of the Heinrich Böll Foundation

### Image Sources

licenses received from [www.istockphoto.com](http://www.istockphoto.com) or CC-Licenses on [www.flickr.com](http://www.flickr.com) and [www.wikipedia.org](http://www.wikipedia.org)