

THE PARLIAMENTARY NETWORK

On The World Bank & International Monetary Fund

Newsletter

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www.pnowb.org

Features

Page

- 1** Message from the Chairman
- 2** Introduction
- 3** Opinions
- 7** News
- 9** Upcoming events



Jeremy Lefroy, MP, UK

Chairman of the Parliamentary Network on the World Bank & IMF

Chairman's Column

It is a great honour to have been elected as Chairman of the Parliamentary Network (PN). I would like to thank my predecessor Alain Destexhe for the work he has done for the Network culminating in the conference in Baku. I am sure that members will also join me in thanking our hosts in Azerbaijan for the warm welcome they greeted us with at the conference.

As parliamentarians, we need on behalf of our constituents and our countries to understand the work of the World Bank (WB) and International Monetary Fund (IMF) and to ensure that they meet their goals of reducing poverty and inequality, promoting job creation, securing financial stability and encouraging trade.

For many years, parliamentarians were ignored when it came to decisions made by governments on projects financed by the WB or structural adjustment programmes developed by the IMF. That is no longer the case. The WB/IMF in the past decade have embraced transparency and welcomed engagement with parliamentarians. The existence of the PN is evidence of this and I thank the leadership of the WB/IMF for their encouragement.

So what is the role of the PN now that the climate for scrutinising the work of the WB/IMF is so much more benign? I offer three suggestions:

- 1) To encourage the development of local networks of parliamentarians to take a serious interest in the work of the WB/IMF both in their own countries and internationally. It is often left to one or two dedicated people in a country to take on this work. If they stand down or cannot persuade their electorate to give them another term in office, there is a vacuum.
- 2) To ensure that the leadership of the WB/IMF continues to take parliamentarians seriously. We are very fortunate that the current leadership of both institutions does this. But nothing in this world is certain. We do not want to return to a situation where parliamentarians are largely ignored.
- 3) To provide leadership in matters of vital importance to our members. Your board has adopted my suggestion that, in the coming year, we concentrate on job creation and tackling unemployment, particularly among the young. One person without work is one too many; and in some of our member countries, there are unemployment rates of more than 50% among young people. This is more than a waste of talent; it represents hundreds of millions of personal crises. Later in this newsletter you will find a suggestion of how your Board would like the PN to help tackle this.

I would like to thank all members for their personal commitment to the work of the PN. Together we can make a difference both to our own fellow citizens and to the way in which the WB and IMF serve the world.

Introduction



*Erik Hagström
Editor of the PN Newsletter*

*Send your articles and ideas to
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Welcome to the launching Newsletter of the PN. This is the first issue and it will be followed by publications on the 15th of every odd calendar month. The purpose of the Newsletter is to keep the Network's members updated on the work of, and to enhance the interest in the PN, the WB, and the IMF. By and large it will resemble the previous, "Network Review." One new section is "Opinions" where members of the Network can express their opinions on issues related to the work of the PN, the WB, and the IMF.

The Newsletter will have a message from the Chairman of the Board. Every issue will also contain a "News Section" which will be a section with updates, new initiatives and future projects on the horizon of the PN in the format of articles and interviews. In that section you will also find news from the WB and the IMF. Other information, such as upcoming events by the PN, World Bank and IMF, can be found on the last page of the Newsletter – where one may also read about decisions and actions taken by the Board.

The opinion section has the potential to be a forum for an open and forward-looking debate that can spur a greater exchange of ideas, be it by reading about other MP's ideas or sharing your own. Everyone interested in contributing to this work is more than welcome to contact me with ideas.

The first opinion piece is co-written by MPs Göran Pettersson (Sweden) and Nathan Nandala-Mafabi (Uganda). They touch upon the importance of having national parliaments in recipient countries consulted on how aid money is to be spent. Today, governments can too easily circumvent the parliamentary bodies. The two MPs argue that the WB and IMF can and should be a force for change towards more power sharing.

Additionally, in this September issue the Network's Chairman, Jeremy Lefroy (UK), has contributed an article entitled "The Critical Role of Smallholder Farmers." In this article Mr. Lefroy underlines the importance of small farms in the global economy and food security, and how their role can be improved with enhanced regulations, infrastructure, and research.

Opinions

The Need for Parliamentary Check to Prevent Misuse of IDA Loans

Göran Pettersson

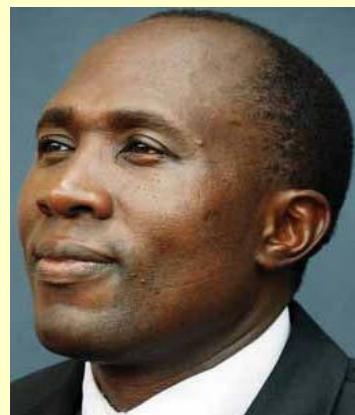
Nathan Nandala-Mafabi



*Mr. Pettersson
is a Swedish MP*

*Committee on
Finance*

*Board Member
of the PN*



*Mr. Nandala-
Mafabi is a
Ugandan MP*

*Opposition
leader*

*Board Member
of the PN*

Today there exists a great deal of mixed feelings about foreign aid even among experts. The most vocal of its skeptics are William Easterly and Dambisa Moyo, who claim that aid has stunted progress of the recipient countries by distancing their governments from the needs of the poor. On the other end, Peter Singer and Jeffrey Sachs clamor for its expansion, attributing continuance of poverty to lack of aid. Mr. Mafabi and I would like to align ourselves in the middle ground between these two camps, with those who argue that aid yields tangible results only when carried out right: We believe that before donors discuss whether to reduce or increase foreign aid, they must ask themselves what they can do to improve transparency and efficiency of the current system.

In this piece, we focus on International Development Association (IDA) of the World Bank, one of the world's largest sources of foreign aid financing, to showcase the need for reforms in overseas aid system more generally. A serious flaw in the aid delivery system of IDA loans has been overlooked until now. The IDA loans are transferred directly to the government and allocated

without parliamentary consultation, let alone approval. Despite the World Bank's costly efforts to monitor the flow of its loans, in many Third World countries where democracy is nascent and the government suffers from chronic corruption, they are susceptible to misuse and often never reach its intended recipients.

In order to establish checks and balances in its aid delivery system, the World Bank must mandatorily require the recipient governments to seek parliamentary approval in allocating IDA loans. Foreign aid must be treated like part of the budget of recipient countries. In a sound parliamentary democratic system, exercising budgetary power is one of the parliament's most basic functions, and the parliamentary finance committee or its equivalent plays a vital oversight role. An OECD document on governance calls legislative and executive participation in budget process, "one of the vital checks and balances of democracy." Parliamentary involvement in the budget allocation process ensures checks and balances that are required for transparency and accountability in delivery of governmental services. Based on this

reasoning, foreign aid allocation process should also be subjected to parliamentary deliberation.

Existing IDA aid monitoring and delivery mechanisms must be revamped for the aid to create meaningful and lasting impact on the recipient countries. At the fundamental level, for IDA's efforts to bear fruit, however, healthy political leadership and sustainable democracy in beneficiary countries are crucial. Eradication of absolute poverty and reduction of inequalities between the developed and the Third World countries cannot be realized without the willingness of the recipient governments to take proactive initiatives. IDA must maintain

an optimistic outlook, yet should never degenerate into sentimentalism.

Although IDA cannot directly interfere with the governance of the poor countries, it should set up minimum aid eligibility requirements for transparency in aid management, and strongly encourage the governments to eliminate corruption and develop institutional capability. Otherwise, IDA risks wasting its resources and even feeding the power of the corrupt, inadvertently defeating its own objective.

(Published on
<http://debatt.svt.se/?p=44448>)

The Critical Role of Small Holder Farmers

*Jeremy Lefroy, MP, UK
Chairman of the Parliamentary Network*

At least one billion people suffer from chronic hunger, more than at any other time in history; and food security for much of the rest of the world is increasingly fragile. The International Grain Council estimates that globally, we currently we have enough grain to feed the global population for less than 70 days. This figure is expected to decrease further in subsequent years.

The world's population, currently just over 7 billion, is expected to reach 9.1 billion by 2050. Food production needs to rise to meet basic needs, let alone the consequences of changing diets.

The 500 million small farms (less than 2 hectares) in developing countries, where farmers and their families work their own land supporting some 2 billion people, will play a vital role. They have often been thought of as inefficient when compared with larger estates.

With the right support, that is not the case. When smallholder farmers have access to technical advice, inputs, and technologies, including high-yielding seeds, affordable

fertilizer, and irrigation, they can be as efficient as much larger farms, sometimes more so.

I have been working with smallholder farmers in various ways for the past 25 years. Official development organisations largely ignored them in the 1980s and 1990s. In the UK, it was NGOs such as TEAR Fund, Oxfam, Cafod, TWIN, Christian Aid and Equal Exchange which supported them and showed how important they are to the global economy and food security. The cooperative and fair trade movements brought their work to greater prominence in the UK, now the largest fair trade market in the world. Just as important has been the contribution of many private sector companies that worked have alongside smallholder farmers year in, year out.

I am glad to say that governments are now recognising the importance of smallholders. Even so, recognition is one thing. What is needed is action. Below I set out some action which could be taken - indeed which is being taken in some countries.

Land title

For smallholder farmers, security of title is vital. Without it, land is at risk to land grabs - sadly increasingly common - and local disputes. In Rwanda last year, with the International Development Committee of the House of Commons (IDC), I saw how a nationwide land registration scheme supported by the Department for International Development (DFID) is working in villages. By 2015, at least 6.4 million people will have title deeds to their land. As well as meaning that land cannot be sold without the consent of the owner, farmers can use land as collateral to borrow to invest and raise productivity.

Nutrition, crop diversity and pooling of land

From 2007 to 2008, during the last food price crisis, the number of undernourished people in the world rose by 40 million to a total of 963 million and has continued to rise since. Crop diversity - grains, fruits, vegetables and cash crops - is important for food security, nutrition and incomes which is why farmers tend to plant many different crops on even the smallest of plots.

An advantage of secure land title is that plots can be pooled while retaining individual ownership. If land is pooled, instead of each family allocating small areas to every crop, larger areas can be planted in the most suitable sites within the pooled area. A scheme along these lines is being implemented, also in Rwanda - the Land Use Consolidation farming model to improve land management and agricultural productivity while maintaining crop diversity. Farmers in a given area grow the priority food crops in a synchronized fashion while keeping their land rights intact. Consolidation is voluntary, but it is a prerequisite for gaining the benefits such as subsidized inputs under Crop Intensification Program (CIP). Since its introduction in 2008, the consolidated production of priority crops under CIP has brought significant increases in food production.

Water

Too little attention has been given to water usage and security, despite the warnings that access to water is likely to be one of the

major sources of conflict in the coming decades. Agriculture is estimated to use 70 per cent of the world's available freshwater. With the water needs of the world's increasing population, it will need to use water much more efficiently than at present.

Rainwater harvesting, using earth dams or from roofs; drip irrigation for smallholders; growing under polytunnels; recycling of water used in crop processing - all this can be done with relatively small investment. Yet funding for all these, whether from commercial or subsidised sources, is too little despite the clear short- and long-term returns.

In Chiansi, Zambia, the IDC saw how major irrigation schemes could be developed for the benefit of larger farms and smallholders alike. One farmer told me how he was already earning two hundred dollars a month from the crops produced on his smallholding using the irrigation infrastructure from the larger project. I believe that close cooperation between large and small farms in the same area has great benefits, not just for shared irrigation but also processing and marketing. It also brings greater social cohesion.

Storage, rural roads and value-added processing

Proper storage facilities are one of the most effective ways of improving food security. Last year, with the IDC I visited Bamyan province in Afghanistan. There about half of the potatoes grown either go to waste or are sold very cheaply at harvest time because they cannot be stored properly. The US Agency for International Development helped to build 50 potato storage facilities in the province in 2008. This is a start but this is sufficient for just 2% of annual production.

In DR Congo, I and my colleagues on the IDC saw the difference a reasonable road, with DFID funding, could make to farmers. A journey of 80 kms, which had taken 5 days, was cut to 2-3 hours, reducing transport costs and meaning that fresh produce was much less likely to go to waste.

Food processing is the largest manufacturing sector in the UK, yet it is undervalued in many developing countries. In Afghanistan, crops are sent to neighbouring countries and then returned, processed and packaged. If this value were to be added in Afghanistan, it would bring jobs, income and tax revenues there. Processing factories would also give farmers another market for their produce.

Research and extension services

Research and extension services have often been neglected in recent years. This is partly because they are easy targets for government cutbacks and partly because of the reduced importance of state marketing boards, which often collected a levy on the sale of crops to finance research and extension. But here there is a clear role for public private partnerships. Responsible private investors recognise the importance of 'common goods' such as research and agricultural extension services. By financing efficient and locally run research stations they can make an invaluable contribution to the continued growth of the industry. A good example is in Tanzania where tea

research is now done by the Tea Research Institute of Tanzania (TRIT) (an industry-run and financed institute) which has acquired an excellent reputation. There is no reason why the same model could not be used for extension services.

Conclusion

Smallholder farmers are essential partners in achieving food security and reducing malnutrition and poverty. They need long-term commitment both from their own governments and the international community. This is not just a question of aid. Smallholder farmers are businesswomen and businessmen who need access to finance, fair and efficient markets and reliable infrastructure.

I look forward to the World Bank increasingly championing the role of smallholder farmers globally and ensuring that their voice is heard and their contribution recognised.

(A previous version of this article first appeared in the 'Huffington Post' in 2012).

News



INTERNATIONAL MONETARY FUND

In this section of the Newsletter we will highlight the IMF-leg of our network. I have been assigned by the board of the PN to focus on the network's work with the IMF. As a part of that assignment I will edit this, the IMF-section of the PN's Newsletter

One purpose of our network is to increase the Parliaments interaction with the IMF and thereby increasing the transparency and accountability for the procedures. I intend to use this section of the newsletter as a guide for the Parliamentarians to the deep well of expertise that is available in the IMF. Please contact me if you have ideas about what should be published in this section or about what the network can do to assist you as a parliamentarian in your work with the IMF.

*Göran Pettersson, PN Board Member
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Parliamentary Network Annual Conference in Baku

The Annual Conference is the Network's flagship event, providing parliamentarians, members of civil society, and international organizations the opportunity to connect first-hand with senior representatives from the World Bank and IMF. The Annual Conference serves as both an informative meeting point for lawmakers and development institutions, as well as an occasion for members to highlight objectives for the coming year as well as to elect a new Chair.

This year's Annual Conference took place from 23-24 May 2013 in Baku, Azerbaijan. In light of the recent economic crisis and the implications it has for globalization and economic growth, the themes of this year's conference included transparency and management of extractive industries, ending poverty and achieving economic growth and

development, as well as climate change and sustainable development. The Conference resulted in key policy recommendations from both parliamentarians and representatives from the World Bank/IMF, as well as valuable discussions on development progress and goals for the future.

The focal points of this year's Conference surrounded three primary themes:

1. Increasing Parliamentarians' knowledge of the themes discussed;
2. Underlining parliamentarians' roles in addressing identified issues in their respective countries;
3. Analyzing how international financial institutions such as the World Bank and IMF can support them in this task.

The conference resulted in a resolution on eradicating poverty by 2030 and promoting shared prosperity, which also stresses the importance of a more proactive engagement with international financial institutions like the World Bank and IMF in order to achieve these two objectives. Furthermore, the resolution highlights the importance of transparency and power sharing. When the World Bank and IMF are involved, be it with donor or recipient countries, it is paramount that national parliaments are consulted in the decision making.

In order for the national parliaments to gain more influence and to effectively exercise

their oversight function, they can set up local Chapters where they can group together. This makes it easier to request World Bank and IMF officials to provide information sessions for MPs and it puts greater leverage on national governments to share outcomes of loan or grant negotiation stages.

The conference was a great success with open-minded discussions, networking and knowledge sharing. For more information on establishing local chapters, please visit: www.pnowb.org/chapters



Upcoming events

17-18 September

Ready for Take Off (Nairobi)

A High Level Conference on Kenya's Economic Successes, Prospects, and Challenges

<http://www.imf.org/external/np/seminars/eng/2013/kenya/index.htm>

25 September

UNGA & MDG Review Summit (New York)

World Bank meetings with key stakeholders will include meeting with EP delegation – part of the EU's official delegation – to discuss the emerging post 2015 framework

<http://www.un.org/en/ga/president/67/issues/mdgs/mdgs.shtml>

30 September – 1 October

Local Content Policies in the Oil, Gas, and Mining Sector (Vienna)

The conference's main objective is to share and discuss recent research on local content policies, and how to make them more effective for the benefit of governments, industry, and communities.

<http://www.worldbank.org/en/events/2013/10/01/local-content-policies-in-oil-gas-mining-sector>

2 October

OECD High-Level Parliamentary Seminar (Paris)

The seminar is open to representatives from the parliamentary/legislative branch of government. It offers an exceptional opportunity for Members of Parliament to exchange views with their colleagues and OECD experts on a range of key topics.

<http://www.oecd.org/about/membersandpartners/publicaffairs/oecdhigh-levelparliamentaryseminar-2october2013.htm>

7-12 October

World Bank Group/IMF Annual Meetings (Washington D.C.)

The Annual Meetings of the World Bank Group and the IMF each year bring together central bankers, ministers of finance and development, private sector executives, and academics to discuss issues of global concern, including the world economic outlook, poverty eradication, economic development, and aid effectiveness.

<http://www.imf.org/external/AM/2013/index.htm>

In the framework of the Annual Meetings, the Parliamentary Network will be holding its biannual Parliamentary Workshop on 9 October. Parliamentarians interested in participating in the workshop can contact givanova@pnnowb.org by 22 September.

Disclaimer

The articles that appear in this newsletter only reflect the opinions of the authors, and shall not be seen as the official position of PN, the World Bank, or the IMF.