Igniting the Communal Fire: What the SDGs Could Learn from Indigenous Peoples

Published on Friday, September 25, 2015 by Common Dreams
by Fionuala Cregan
This weekend, world leaders gather at the United Nations in New York to endorse, to much fanfare, celebrity endorsement and self-congratulation, the new global plan for poverty: "Transforming Our World: The 2030 Agenda for Sustainable Development." Otherwise known as The Sustainable Development Goals (SDGs).

Meanwhile, far from the glitz and limelight, the Guarani Indigenous Peoples in Bolivia are suffering violent repression as they demonstrate against oil extraction on their land. Thousands of Shuar and Achuar Indigenous have taken to the streets of Ecuador demanding an end to large scale extractive projects in the Amazon, and a group of Qom and Wichi Indigenous begin their sixth month camped on a main avenue in Argentina's capital Buenos Aires to demand a meeting with the government about the loss of their ancestral lands to mass soy cultivation.

"Once you strip away all the feel good rhetoric, it becomes clear that at the centre of the SDGs is a single idea: perpetual economic growth."

Across the world, Indigenous Peoples are at the forefront of struggles to defend the Earth's remaining habitats from the relentless advance of extractive industries, from open air mining, to oil driling to and single crop industrial agriculture.

Unfortunately, the new SDGs offer them little by way of support.

The SDGs are drenched in feel good phrases like: “peaceful and inclusive societies”; “effective and accountable institutions”; “healthy lives and well-being for all”; and “harmony with nature.” In reality, however, this self-proclaimed “transformative agenda” is little more than a fig-leaf for business-as-usual.

Once you strip away all the feel good rhetoric, it becomes clear that at the centre of the SDGs is a single idea: perpetual economic growth. In the real world, this means ever-increasing levels of extraction, production and consumption, including a 7 percent annual GDP growth for the world’s least-developed countries (LDCs). This, according to the UN and their big NGO and big business collaborators, is the key to solving poverty and inequality.

Alberto Aguirre, a Qom Indigenous activist from Argentina, sees the effects of this obsession with endless growth. “In the last 30 years we have seen an unprecedented pillaging of the Earth’s natural resources. This has brought with it hunger and environmental devastation,” he says. “Market economies have caused pollution, hunger and death. In the past, communities lived in harmony with Nature, the rivers were not contaminated, people did not go hungry and species were intact.”

And he should know. Until relatively recently, hunger and poverty as we understand them did not exist in Indigenous communities. We now live in a world where Indigenous Peoples make up only 4.4 percent of the global population, they account for about 10 percent of the world’s poor. The same pattern is evident across continents: evicted from their ancestral lands to make way for industrial development and the “miracle” of economic growth, Indigenous communities suffer some of the highest levels of hunger, illiteracy and preventable diseases.

“It pains us today to see our children go hungry, rivers with so few fish and acres of forest, which provide so much, ravaged in minutes by bulldozers," says Antonia Zeron, a Guarani Indigenous leader from Boliva. "When my grandmother was a child, she did not go hungry, the land belonged to everyone."

The SDGs do acknowledge the breadth and depth of the challenge: "Billions of our citizens continue to live in poverty and are denied a life of dignity. There are rising inequalities within and among countries… Natural resource depletion and adverse impacts of environmental degradation, including desertification, drought, land degradation, freshwater scarcity and loss of biodiversity, add to and exacerbate the list of challenges which humanity faces. Climate change is one of the greatest challenges of our time and its adverse impacts undermine the ability of all countries to achieve sustainable development." The problem is that they then actively sidestep any mention of the root cause of these "challenges."

The SDGs only response to our polycrisis is for more of the same: more economic growth, everywhere; more industrial production and consumption; and more of the same basic thinking that has brought us to this point.

"Indigenous Peoples' wisdom – still deeply rooted in their cultures despite over 500 years of colonisation and genocide – should be a source of inspiration and guidance that brings our focus to deep structural and spiritual dimensions of change."

In their desire to satisfy the demands of a global elite whose only concept of progress is ever more profit, the SDGs have ignored the voices of those who have the clearest insight into type of change needed. "What we need is spiritual and philosophical change," says Aguirre, "a return to living in harmony and listening carefully to the knowledge of Mother Earth."

Indigenous Peoples’ wisdom – still deeply rooted in their cultures despite over 500 years of colonisation and genocide – should be a source of inspiration and guidance that brings our focus to deep structural and spiritual dimensions of change.

“The Earth gives us life – that is why for Indigenous People she is Mother Earth. Human beings are not the owners of the Earth – they are another element of it closely interconnected to all other living things from plants and animal to water and air, and we must live in synchronicity with them,” explains Aguirre. “When hunting or gathering we only ever take as much as we need, never more, and we rotate hunting territories to allow the land replenish itself and ensure the delicate balance of the eco-system is maintained. It is no coincidence that 80 per cent of the Earth’s remaining biodiversity can be found on Indigenous territories.”

“Living in harmony also means a society where resources and responsibilities are shared, where no one individual is disproportionately powerful or wealthy. People are valued for their contribution to the community and not for individual personal wealth and power from a rigged game. Resources are shared so that families, communities and the natural environment thrive and survive not just in the present but for generations to come,” adds Seron.

Felix Diaz, one of the leaders of the Indigenous protest camp in Buenos Aires likens this to a fire. “I like to think of a communal fire as a symbol of our humanity,” said Diaz. “One person adds wood, another adds paper and each contribution brings light and warmth to the whole group.”

The SDGs do not represent the flames of change. In fact, they are more of a smoke signal, a mere distraction. The hope now rests in their potential to spark indignation, to help build a movement of people who recognize the true depths of the challenges we face. This emerging movement is increasingly standing with and learning from Indigenous Peoples all over the world in their struggle to protect what we have left, and return to a way of life that is more balanced and in harmony with the living force of the whole planet.

Fionuala Cregan is based in Argentina and currently works as South American Chaco Program Officer with the Church World Service on a program focused on the recovery of ancestral territories by indigenous people in the region.

Toward A Budget That Addresses Racial Disparities and Creates Opportunity for All

by Chuck Sheketoff

It’s no secret that racial disparities remain in our nation and state.

Consider poverty. In Oregon, the poverty rate for most communities of color exceeds the rate for whites. And not just by a little.

Facing Race: the 2013 Oregon Legislative Report Card on Racial Equity brings attention to racial disparities in Oregon. The report is a collaborative effort spearheaded by a “Working Group” comprised of the Asian Pacific American Network of

Oregon, Basic Rights Oregon, Causa Oregon, Center for Intercultural Organizing, Partnership for Safety and Justice, Urban League of Portland and Western States Center.

OCPP is proud to have served on the report's Advisory Committee and contributed to the report's budget analysis.

Not surprisingly, media coverage on the report has focused mostly on the grades the Working Group issued to individual lawmakers.

Oregonians, though, ought to read the full report and give particular attention to *Facing Race's* call on lawmakers to take into account, and address the root causes of, racial disparities when putting together the state budget. Budgets, the report reminds us, are moral documents, revealing "whether our values of fairness and justice actually manifest in our financial decision-making."

So how should lawmakers approach their work in putting together a budget for the state?

Facing Race puts forth the following principles:

1. *INVEST WISELY FOR THE LONG RUN. While addressing short-term difficulties, we must remember our decisions will impact communities for years to come. Even in tough times, it's important to invest in the future. We cannot undermine the core infrastructure – access to education, investments in children and families – that ensures opportunities to thrive. Trimming or dismantling our core public infrastructure and services will create new economic and social costs and deepen existing disparities.*

2. *STRIVE FOR TRANSPARENCY, ACCOUNTABILITY AND INCLUSIVITY IN THE BUDGET PROCESS. With new structures and guidelines in place, the process for making our state's*

budget priorities has changed. Be sure to reach out to organizations and communities of color to ensure the Oregonians most impacted by budget decisions have a voice in the process.

3. *LOOK FOR ADEQUATE RESOURCES. We cannot cut our way out of these economic hard times. We will need to look for new sources of revenue to support the state’s resources. Raising revenue in a way that is equitable and does not disproportionately burden those with the lowest incomes is needed. We must close tax loopholes and ensure businesses pay their fair share. We must also look at the taxes paid by top income earners.*

A budget built on these principles would not just address racial disparities. It would also advance opportunity for all Oregonians.

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50 Years Later, A New Hunger for National Anti-Poverty Agenda

A homeless encampment in Fresno, Calif. (Photo: David Meyer/ Flickr)

Published on Wednesday, January 8, 2014 by Common Dreams

Despite right-wing rhetoric, over 80 percent of Americans support renewed 'War on Poverty'

– Lauren McCauley, staff writer

As Wednesday marked fifty years since President Lyndon B. Johnson declared the need for an "unconditional war on poverty in America," a growing number of Americans are calling for a renewed fight.

With roughly a third of Americans living in poverty or near-poverty conditions, rightwing critics and media pundits charge that the 'War on Poverty' was a failure. However, as policy expert Terrance Heath writes on the *Campaign for America's Future blog*, "America hasn’t lost the war on poverty. We stopped fighting it."

Launched in 1964, under the banner of the 'War on Poverty,' the Johnson administration created a number of important federal and state initiatives including Medicaid, Medicare, subsidized housing, Head Start, legal services, nutrition assistance, raising the minimum wage, and, later, food stamps and Pell grants.

According to Census statistics that factor in the effect of anti-poverty programs, in the decade from 1959 to 1969 the poverty rate dropped from 22.1 percent to 13.7 percent – what Johnson aid Joseph Califano called "the most dramatic decline over such a brief period in this century.”

"Today over 100 million people comprise what the U.S. Census calls the poor and the 'near poor,' based on a new definition of poverty that measures living standards, not just income," notes Occidental College Professor Peter Dreier. "Almost one-third of the nation, in other words, can barely make ends meet."

Further, about one-quarter (22 percent) of America's children now live in poverty.

By many measures, the U.S. is experiencing a resurgence of poverty. Americans have experienced over a decade of declining or stagnant wages, rising joblessness, and an epidemic of foreclosures coupled with the legislative slashing of important safety net provisions such as food stamps and unforeseen levels of wage disparity.

According to a Center for American Progress survey published Tuesday, increasing numbers of Americans say they experience "direct economic hardship." The think-tank survey found that:

> *Sixty-one percent of Americans say their family's income is falling behind the cost of living, compared to just 8 percent who feel they are getting ahead and 29 percent who feel they are staying even. Twenty-five percent to 34 percent of Americans report serious problems falling behind in rent, mortgage, or utilities payments or being unable to buy enough food, afford necessary medical care, or keep up with minimum credit card payments.*

Now, a half-century after LBJ's launch of the campaign against poverty and its early proven successes, Americans want to know what went wrong. As Dreier writes, "that steady drumbeat of anti-government blame-the-victim invective contributed to public skepticism that anti-poverty policies can work."

He continues:

> *The most famous one-liner in this arsenal is President Reagan's statement, in his 1988 State of the Union address, "My friends, some years ago, the Federal Government declared war on poverty, and poverty won." That cynical remark was intended not only to disparage government efforts to uplift the poor but also to justify major cuts in social programs, which contributed to a significant increase in poverty during*

> *the 1980s — a trend repeated in the first decade of the 21st century, even before the current recession, while George W. Bush occupied the White House.*

"If progress against poverty has been disappointing over the past half century, the reason is not the decline of the family but the rise of extreme inequality," writes *New York Times* columnist Paul Krugman. "We're a much richer nation than we were in 1964, but little if any of that increased wealth has trickled down to workers in the bottom half of the income distribution."

"The trouble is that the American right is still living in the 1970s, or actually a Reaganite fantasy of the 1970s; its notion of an anti-poverty agenda is still all about getting those layabouts to go to work and stop living off welfare," he adds.

As *Nation* contributor Zoë Carpenter points out, many right-wing legislators will use this anniversary as a opportunity to "condemn any new investments in the economy, in education and in the safety net."

"If some Republicans are distancing themselves from the old argument that personal failings cause poverty, it's to assert that government failure is responsible instead," she writes.

However, according to the CAP survey, at least 80 percent of respondents support expansion of the social safety net and other progressive policy proposals including: financial assistance for childcare, an expansion of nutrition assistance, universal pre-K, more publicaly funded scholarships, and increasing the minimum wage.

Reporting on the survey results, Carpenter continues:

> *Nearly 80 percent agreed that "most people living in poverty are decent people who are working hard to make ends meet in a*

> *difficult economy," including 66 percent of white conservatives and libertarians. The poll showed nearly equal agreement across race and party lines on the point that a shortage of jobs with good wages is the primary reason for poverty in America, and that the poor receive unfair criticism.*

Many Americans, she adds "have the appetite for an anti-poverty agenda driven by government investment."

"The fate of the poor […] hangs upon the decision of the better-off," wrote Michael Harrington in his seminal 1962 book on poverty, *The Other America*. "If this anger and shame are not forthcoming, someone can write a book about the other America a generation from now and it will be the same or worse."

NAFTA at 20: Lori Wallach on U.S. Job Losses, Record Income Inequality, Mass Displacement in Mexico

The North American Free Trade Agreement between the United States, Mexico and Canada went into effect 20 years ago this week on January 1, 1994. The massive trade pact was signed into law by President Bill Clinton amidst great promise that it would raise wages, create jobs and even improve health and environmental safety standards. Hundreds of thousands of U.S. jobs have vanished as companies sought lower-wage workers in Mexico. Meanwhile, NAFTA has generated more poverty in Mexico, forcing millions of citizens to migrate to the United States in search of work. We speak to Lori Wallach, director of Public Citizen's Global Trade Watch and author of the new report, "NAFTA at 20."

Oregon 15-Cent Minimum Wage Increase Still Not Enough to Make Ends Meet

Published on December 26 by Oregon Center For Public Policy
The increase set to take effect on January 1 will put Oregon's minimum wage at $9.10 per hour. The change is the result of a ballot measure, enacted by voters in 2002, requiring that the state's minimum wage keep up with the cost of living.

The Oregon Center for Public Policy estimated that it would take at least a minimum wage of about $9.55 to lift a family of three with one parent working full-time out of poverty in 2014. This figure is based on the Center's projection of how much the federal poverty guidelines are likely to increase next year.

"Despite the federal poverty level being a very low bar, the minimum wage is still sometimes not enough to lift a family above that level," said Gettel. "The official definition of poverty really measures serious economic privation, not basic needs."

To achieve a secure, yet modest, living standard, families in Oregon need income that is at least two-and-a-half times the federal poverty level, according to analysis by the Economic Policy Institute, a Washington, D.C.-based think tank. That would mean a wage of about $24 per hour for a single parent with two children.

Over the past year, fast food workers in cities across the country have held one-day strikes in an effort to pressure the industry to raise wages to at least $15 an hour. These strikes have boosted efforts to raise the minimum wage.

A $15 minimum wage may soon become a reality for some workers in SeaTac, Washington. In November voters in the city approved a ballot measure raising the minimum wage for hospitality and transportation workers to $15 an hour. Opponents, however, have sued to strike down the law.

In nearby Seattle, the incoming mayor has convened a task force to study raising the city's minimum wage up to $15 an hour.

Without specifying a figure, Washington Governor Jay Inslee has called for a discussion on raising the state's minimum wage – already the nation's highest among all states. It is set to increase to $9.32 an hour in 2014.

Just last week, the city council of Washington, D.C. unanimously approved an increase in the city's minimum wage to $11.50, starting in 2016. After that, minimum wage workers will receive yearly cost of living increases.

The minimum wage is also going up in California. Earlier in the year lawmakers enacted a bill raising the minimum wage to $10 an hour by 2016, getting there in two steps.

Oregon's minimum wage isn't likely to surpass the $10-mark until at least 2018, Gettel noted. "Unless inflation rises more rapidly than expected, it will be about five years before we hit $10 per hour."

"In 2002, Oregon voters rightly bumped up the state's minimum wage and made sure that it wasn't eroded by inflation," said Gettel. "Now another increase to the minimum wage would help many more working families make ends meet."

As workers across the country call for a higher wage floor, research shows that modest increases in the minimum wage do not dampen job creation, the main concern voiced by opponents of an increase.

"The weight of . . . evidence points to little or no employment response to modest increases in the minimum wage," concluded a report released earlier this year by the Center for Economic and Policy Research, a Washington, D.C. think tank. Their report reviewed two decades of research on the impact of minimum wage increases on employment.

"The time may be right for state and local officials in Oregon to consider raising the minimum wage," said Gettel. "A higher wage floor is an effective anti-poverty strategy, and it can be implemented without affecting the job market."

The Oregon Center for Public Policy is a non-partisan, non-profit institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.

Working But Still Stuck in

Poverty

Published July 23, 2013 *Oregon Center for Public Policy*

by Jason Gettel

7 out of 10 Oregon families living in poverty work

There are many statistics one can summon to show how the economy is failing working Oregonians. But few are more telling than the share of Oregonians who live in poverty despite the fact that they work.

If you work and play by the rules, you should be able to provide a decent standard of living for yourself and your kids. Working full time should at least enable you to cover the basics and leave a little extra to put into savings or for getting ahead.

Yet most Oregon families who live in poverty are working families. In 2011, about seven out of every 10 families with children in poverty had at least one parent who worked. And more than a fifth (22 percent) of all Oregon families living in poverty had at least one parent who worked full time.

Related materials:

Fact sheet: Working But Still Poor

In 2011, the share of children in poverty who lived in a family with at least one full-time worker increased. Put another way, in 2011, a poor child was more likely to have a parent who worked full time than the year before.

Single working moms have it worse than single working dads. In 2011, 33 percent of all single working mothers lived below the poverty line, compared to 20 percent of single working fathers. Among single parents working full time, 14 percent of single mothers lived in poverty, while just 5 percent of single fathers lived in poverty. What accounts for the fact that families can’t escape poverty despite the fact that they work? The straightforward reason is that many jobs don’t pay enough. If you’re a single parent with two children, a full-time, minimum wage job won’t pull your family above the poverty line.

And even if the family earned enough overtime to escape poverty, that wouldn’t be enough to live a decent life. To provide a secure – yet still modest – standard of living for a family in Oregon, you need at least two-and-a-half times poverty-level income, according to a new “basic family budget” compiled by the Economic Policy Institute, a Washington, D.C.-based research organization.

The fact that families remained trapped in poverty despite their work effort is not just a tragedy for them, but also a serious problem for all Oregonians. Health researchers have found that children who grow up in poverty endure “toxic” levels of stress that harms their development, creating a barrier to academic and economic achievement. Poverty undermines their future and diminishes our potential as a state.

Making sure that work pays for more families requires concerted federal and state action.

A key step is to enact a robust jobs program that puts people back to work. A good example of work that needs to be done is repairing our neglected infrastructure. That would not only help the millions nationwide who can’t find a job, but it would also push up demand for workers – in turn, helping workers bargain for better wages.

At the state level, one priority is to strengthen the Oregon Earned Income Tax Credit, which allows low-income working families to keep more of what they earn to cover basic needs. Lawmakers, unfortunately, missed an opportunity in the recent legislative session to strengthen the credit. Hopefully, the legislature will take this key step when they meet again.

Second, Oregon lawmakers should better fund work supports for struggling families. For example, the Employment Related Day Care program, which subsidizes child care for low-income working families, is so poorly funded that eligible parents often must first be on a waiting list before getting the assistance they need to maintain employment.

And third, Oregon lawmakers should better fund job training programs, so that low-income and out-of-work Oregonians can gain skills needed to access better paying jobs.

While the sad reality right now is that too many Oregonians can’t escape poverty despite the fact that they work, it’s also the case that the right public policy choices can help make work pay for everyone.

– See more at: http://www.ocpp.org/2013/07/23/cp201307-working-still-stuck-poverty/#sthash.ynbafLSM.dpuf

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New Research: Economic Austerity in US and Europe 'Is Killing People'

Published on Monday, April 29, 2013 by Common Dreams

HIV/AIDS, malaria outbreaks, shortages of essential medicines, lost healthcare access, and an epidemic of drug abuse, depression and suicide

– Jon Queally, staff writer

Recessions hurt, but austerity kills.

Despite assurances by financial elites that austerity economics is a prescription to improve the lives of the masses, research contained in a newly published book shows that the push for steep cuts in wages, social programs, and public health programs is literally killing people throughout Europe and the US.

The Body Economic: Why Austerity Kills

, written by David Stuckler, an Oxford University political economist, and Sanjay Basu, an epidemiologist at Stanford University—uses historical case studies from around the globe and throughout history to show "how government policy becomes a matter of life and death" during deep or prolonged financial crises.

Discovering that the cure to the financial crisis of 2008 was in some ways worse than the affliction, Stucklet and Basu argue that countries "turned their recessions into veritable epidemics" by championing austerity measures that ultimately "ruined or extinguished" thousands of lives in series of "misguided" attempts to balance budgets, appease financial markets, and bow to the economic elite.

"The harms we have found include HIV and malaria outbreaks, shortages of essential medicines, lost healthcare access, and an avoidable epidemic of alcohol abuse, depression and suicide," said Dr. Stuckler in a statement. "Austerity is having a devastating effect."

As *Reuters* reports:

> *the researchers say more than 10,000 suicides and up to a million cases of depression have been diagnosed during what they call the "Great Recession" and its accompanying austerity across Europe and North America.*
>
> *In Greece, moves like cutting HIV prevention budgets have coincided with rates of the AIDS-causing virus rising by more than 200 percent since 2011 – driven in part by increasing drug abuse in the context of a 50 percent youth unemployment rate.*
>
> *Greece also experienced its first malaria outbreak in decades following budget cuts to mosquito-spraying programs.*
>
> *And more than five million Americans have lost access to healthcare during the latest recession, they argue, while in Britain, some 10,000 families have been pushed into homelessness by the government's austerity budget.*

As the authors explain in the introduction to their book, it is not only the dire impacts of the policies they found troubling, but the heartlessness of the policy-makers who so vigorously endorse them. They write:

> *We were shocked and concerned at the illogic of the austerity advocates, and the hard data on its human and economic costs. We realized the impact of the Great Recession went far beyond people losing their homes and jobs. It was a full-scale assault on people's health. At the heart of the argument was the question of what it means to be a society, and what the appropriate role of government is in protecting people.*

Compounding the problem, the authors conclude, is the fact that alternative paths did exist, and continue to exist, but that nations remain unwilling or unable to break free from the purveyors of austerity.

Citing examples from the historical and current record, Stuckler and Basu show that many countries have weathered financial and other crises by investing in public health and innovative social programs.

"Ultimately what we show is that worsening health is not an inevitable consequence of economic recessions. It's a political choice," said Professor Basu.

World Bank's IFC Arm Responds to Our Critique of Its Poverty Fighting

Below is a letter from an official of the World Bank's International Finance Corp., taking issue with our article posted Jan. 2 and co-published with Foreign Policy magazine. It is followed by our brief response.

We are deeply disappointed by your article, "Can You Fight Poverty With a Five-Star Hotel?," which raises an important question about the International Finance Corporation's (IFC) impact fighting poverty in developing countries. It failed to be fair and it failed to fully examine our impact.

What is our record?

Every dollar of profit we make is reinvested to support private sector development, increasingly in the poorest countries. Since 2007, our profits have totaled more than $10 billion. Of that amount, we've contributed about $2 billion to the International Development Association (IDA), making us a major contributor to the World Bank's fund for the poorest in recent years. The rest has been reinvested in developing countries—creating jobs, modernizing infrastructure, expanding access to finance for small entrepreneurs, and building the conditions for sustained prosperity. This is what our member countries want us to do, and we believe it is the right thing to do.

Since IFC began in 1956, we have invested more than $125 billion in developing countries, improving the lives of millions. In Ghana, for example, IFC's support for KHI Ghana helped create 1,500 construction jobs and more than 300 permanent jobs at the Movenpick Hotel—providing much-needed employment and opportunities for small businesses while also supporting environmental and social best practice. In Egypt, our investment in Orascom Construction Industries is expected to provide more than 2,500 jobs and help boost agricultural production. Those are just two small examples of our impact. In the last few years, roughly half of our projects have been in countries with a per capita income of less than $1,175.

The World Bank Group's recent World Development Report focused on the importance of creating jobs. One of its conclusions was that 90 percent of all jobs in the developing world are created by the private sector. That is the central part of our mission to fight poverty: encouraging private companies to invest in developing countries, which creates jobs in areas that are starved for private investment. In 2011 alone, our investments provided 2.5 million jobs in developing countries.

Our investments are not nearly enough—not at a time when 1 billion people go hungry every day and 600 million jobs need to be created within this decade. That's why we encourage other investors—small, medium, and large—to join us. By working with them, we demonstrate the benefits of investing in challenging markets, and help ensure that our values of sustainable development are incorporated into their work.

In addition to failing to examine this record, the writer, Cheryl Strauss Einhorn, also made several factual errors. One is the IFC was established to "muster cheap loans" for private businesses. We don't provide "cheap"
loans, and never have. IFC's loans are at market rates.

A second is that she says the IFC "likes to work with huge corporations" and "tycoons." Yet she provides no support for that broad claim about our preferences. In fact, she later says 20 percent of IFC's investment projects were for amounts less than $5 million—the type that tycoons typically avoid.

And critically, a third is an incorrect summation of a 2011 report by the World Bank's Independent Evaluation Group on the IFC's performance. She concludes that the report finds that IFC's work "at times may even sacrifice the poor." The report, however, makes no such finding. Its conclusions are far more nuanced, and we invite readers to judge for themselves.

Finally, Ms. Einhorn hindered her own ability to accurately report the story by identifying herself not as a reporter on assignment but as a college professor conducting "research." This is a clear violation of ProPublica's own ethics code. ProPublica's editor's note acknowledges Ms. Einhorn was "incomplete" in identifying herself.

Can we and others who work with the private sector improve and make a larger impact on poverty? Yes. But articles like this one don't help make a case for that. Ms. Einhorn's reporting was flawed because she failed to examine IFC's record and then to make an independent evaluation of all relevant facts. We also expect a degree of fairness from such highly respected media. Its absence in this case is a disservice to readers who trust you to uphold the high standards of fair and impartial journalism.

Sincerely,

Bruce Moats
Director, Corporate Relations
International Finance Corporation

ProPublicas's response: *Much of this letter supports the theme of the story, which is that the government-funded IFC is solidly profitable and is operated much like a profit-minded bank, and that it helps the poor only secondarily rather than as its central focus. The few assertions of error we think are wrong. Mr. Moats says the IFC doesn't make "cheap" loans, only loans at market rates. That is semantics. The IFC has long been proud of saying it makes loans to borrowers who can't get private financing. What is a market rate for a loan that isn't made? Mr. Moats says we offer no evidence for the statement that the IFC likes to work with huge corporations and tycoons; we named more than a dozen and could easily have named two or three times that many. Mr. Moats doesn't like our conclusion that the 2011 report by the World Bank's own Independent Evaluation Group portrayed the IFC as a profit-oriented, deal-driven organization that often fails to reach the poor, and at times may even sacrifice the poor. Mr. Moats says the report is more "nuanced" than that and invites readers to judge for themselves. We join in that invitation.*

Can You Fight Poverty With a Five-Star Hotel?

by Cheryl Strauss Einhorn, Special to ProPublica

This story was co-published with Foreign Policy.

Accra is a city of choking red dust where almost no rain falls for three months at a time and clothes hung out on a line dry in 15 minutes. So the new five-star Mövenpick hotel affords a haven of sorts in Ghana’s crowded capital, with manicured lawns, amply watered vegetation, and uniformed waiters gliding poolside on roller skates to offer icy drinks to guests. A high concrete wall rings the grounds, keeping out the city’s overflowing poor who hawk goods in the street by day and the homeless who lie on the sidewalks by night.

The Mövenpick, which opened in 2011, fits the model of a modern international luxury hotel, with 260 rooms, seven floors, and 13,500 square feet of retail space displaying $2,000 Italian handbags and other wares. But it is exceptional in at least one respect: It was financed by a combination of two very different entities: a multibillion-dollar investment company largely controlled by a Saudi prince, and the poverty-fighting World Bank.

The investment company, Kingdom Holding

Company, has a market value of $12 billion, and *Forbes* ranks its principal owner, Prince Alwaleed bin Talal, as the world's 29th-richest person, estimating his net worth at $18 billion. The World Bank, meanwhile, contributed its part through its International Finance Corporation (IFC), set up back in 1956to muster cheap loans and other financial support for private businesses that contribute to its planet-improving mandate. "At the World Bank, we have made the world's most pressing development issue—to reduce global poverty—our mission," the bank proclaims.

Why, then, did the IFC give a Saudi prince's company an attractively priced $26 million loan to help build the Mövenpick, a hotel the prince was fully capable of financing himself? The answer is that the IFC's portfolio of billions of dollars in loans and investments is not in fact primarily targeted at helping the impoverished. At least as important is the goal of making a profit for the World Bank.

I reached this conclusion after traveling to Ghana—in many ways typical of the more than 100 countries where the IFC works—to see firsthand the kinds of problems the World Bank's lenders are supposed to tackle and whether their efforts are really working on the ground. I pored through thousands of pages of the bank's publicly available reports and financial statements and talked to dozens of experts familiar with its performance in Ghana and many other countries.

In case after case, the verdict was the same: The IFC likes to work with huge corporations, funding projects these companies could finance themselves. Its partners are billionaires and massive multinationals, from oil giants like ExxonMobil to Grupo Arcor, the huge Argentine candy-maker. Its projects include not only glitzy hotels and high-end shopping malls, but also gritty gold and copper mines and oil pipelines, some of which end up benefiting the very corrupt, authoritarian regimes that the rest of the World Bank is urging to change. Nearly a quarter of the IFC's paid-in capital from member governments—now standing at $2.4 billion—came from U.S. taxpayers, and every president in the World Bank's 69-year history has been an American. But the United States has had little complaint with these practices, even when they have become a subject of public controversy.

Not long ago, the World Bank's internal watchdog sharply criticized the IFC's approach, saying it gives little more than lip service to the bank's poverty-fighting mission. [The report](), a major 2011 review by the bank's Independent Evaluation Group, found that fewer than half the IFC investments it studied involved fighting poverty. "[M]ost IFC investment projects generate satisfactory returns but do not provide evidence of

identifiable opportunities
for the poor to participate in, contribute to, or benefit from the economic
activities that the project supports," the report concluded. In fact, it said,
only 13 percent of 500 projects studied "had objectives with an explicit focus
on poor people," and even those that did, the report found, had a "limited"
impact. The IFC did not dispute the conclusions.

There is certainly need in countries like
Ghana, whose per capita GDP ranks in the bottom third of the world, with life
expectancy in the bottom 15 percent and infant mortality in the bottom fourth.
The IFC committed about $145 million in loans and equity in Ghana just in
fiscal year 2012. Yet Takyiwaa Manuh, who advises the Ghanaian government on economic development as a member
of the National Development Planning Commission, told me she doesn't think of
the IFC's investments "as fighting poverty. Just because some people are
employed, it is hard to say that is poverty reduction."

But the policies continue. Why? Tycoons
and megacompanies offer relatively low risk and generally assured returns for
the IFC, allowing it to reinvest the earnings in more such projects. Only a
portion of this money ends up benefiting local workers, and critics contend
that the IFC's investments often work against local development needs."The IFC's model itself is a problem,"
says Jesse Griffiths, director of the European Network on Debt and Development

(Eurodad), a Belgian-based nonprofit. “The IFC undermines democracy with its piecemeal, top-down approach to development that follows the priorities of private companies.”

“We’re not saying we’re perfect,” Rashad Kaldany told me. He is a veteran IFC executive and currently its vice president for global industries. The IFC operates “at the frontier,” he said. “We know that not every project will work. It’s about trying to make a difference to the poor and about achieving financial sustainability”—twin goals that are challenging in combination.

When it comes to luxury hotels like the Mövenpick in downtown Accra, however, the IFC offers no apology for its investments, even making the case for them as an economic boon for poor countries. A [January 2012 report] from the World Bank says hotels “play a critical role in development as they catalyze tourism and business infrastructure,” noting its partners include such “leading” firms as luxury chains Shangri-La, Hilton, Marriott, InterContinental—and, of course, Mövenpick.

In Accra, Mary-Jean Moyo, the IFC’s in-country manager for Ghana, told me the new hotel fights poverty by creating jobs. To illustrate, she recalled how the Mövenpick’s manager “noticed that a few boys roller-skate on Sundays outside the hotel. The manager decided to hire them to work at the pool. That is development and helping local people." How many were hired, I asked. Six, Moyo responded.

When I spoke with Stuart Chase, the Mövenpick's manager, he told me that other kinds of investments besides the new hotel he was clearly proud of would do far more to stimulate Ghana's economy and reduce poverty. Chase, who has lived and worked in Ghana for years,mentioned the country's congested and potholed roads, poor electricity system, limited food supplies, and lack of trade schools. "There is no hotel school and no vocational training in the country," he complained. As a result, all the top staff members among his 300 employees are foreign.

Besides, Accra already has close to a dozen luxury hotels. Before taking over the Mövenpick, Chase managed another nearby five-star hotel owned by Ghana's Social Security and National Insurance Trust, the country's pension system. So when the IFC decided to finance Prince Alwaleed's hotel, it was entering into direct competition with the people it claims it wants to lift out of poverty. Moyo acknowledged to me that the IFC didn't study the local hotel scene before making this investment, unlike its standard practice. "We knew the company and had another successful investment in Kingdom that made the Ghana deal attractive to us," she said. The other investment? A $20 million deal in 2010 to help develop five luxury venues in Kenya, complete with heated swimming pools, golf courses, and organized safaris.

U.S. Sen. Patrick Leahy, a Vermont Democrat who sits on the Senate Appropriations subcommittee that has jurisdiction over U.S. participation in the World Bank, called the Ghana loan "not an appropriate use of public funds" when alerted to it by a 2011 Washington Times article. The U.S. Treasury Department, which administers American participation in the World Bank, defended the loan, telling the newspaper that the IFC package replaced funding expected from private banks that pulled out when market conditions soured, putting the entire $103 million project at risk. When I was in Accra in July, however, at least two other major hotel projects were under construction with private financing obtained in the same period. The prince's representatives didn't respond to requests for comment.

* * *

Luxury hotels and resorts are hardly the only IFC investments that offer at best limited prospects for serving its poverty-fighting mandate. Founded just a dozen years after the World Bank itself, the IFC has in recent years become its fastest-growing unit. It now has a staff of some 3,400 people in 103 countries and made $15 billion

in loan commitments in 2012 across about 580 projects—more than double
its 2006 total and a figure that's projected to grow to about $20 billion in
the next few years.

The original notion was that while the
World Bank was lending directly to poor countries, the IFC would stimulate the
growth of private business, entrepreneurship, and financial markets in some of
those same countries by lending to and investing in for-profit corporations.
The founders, notably including a General Foods executive named Robert Garner, emphasized that the IFC would participate only in projects for which "sufficient private capital is not available on
reasonable terms."

That concept has become muddied over the
years, as well-heeled borrowers with excellent credit have sought to take
advantage of the IFC's relatively attractive loan terms and other investment
vehicles, plus, in some cases, the cachet associated with World Bank support.
The IFC's growth got a boost in the early 1980s when it was permitted for the
first time to raise money from the global capital markets by issuing bonds.
More recently, its growth has accelerated as it has entered new businesses,
including trade finance, derivatives, and private equity, sometimes to the
annoyance of private banks with which it competes.

Today, the IFC's booming list of business
partners reads like a who's who of giant multinational

corporations: Dow Chemical, DuPont, Mitsubishi, Vodafone, and many more. It has funded fast-food chains like Domino’s Pizza in South Africa and Kentucky Fried Chicken in Jamaica. It invests in upscale shopping malls in Egypt, Ghana, the former Soviet republics, Eastern Europe, and Central Asia. It backs candy-shop chains in Argentina and Bangladesh; breweries with global beer behemoths like SABMiller and with other breweries in the Czech Republic, Laos, Romania, Russia, and Tanzania; and soft-drink distribution for the likes of Coca-Cola, PepsiCo, and their competitors in Cambodia, Ethiopia, Mali, Russia, South Sudan, Uzbekistan, and more.

The criticism of most such investments—from a broad array of academics and watchdog groups as well as local organizations in the poor countries themselves—is that they make little impact on poverty and could just as easily be undertaken without IFC subsidies. In some cases, critics contend, the projects hold back development and exacerbate poverty, not to mention subjecting affected countries to pollution and other ills.

The debate is swirling as the World Bank has a new leader, installed in July: Jim Yong Kim, an American physician who recently stepped down as president of Dartmouth College. The bank declined to make him available to comment for this article, and in his brief tenure so far, he has given little hint of his view of the IFC. In both his statement when he took office in July and on his first overseas visit, to Ghana's neighbor to the west, Ivory Coast, he did note briefly the importance of the IFC within the World Bank Group and of the private sector to global job creation.

The IFC is also in the middle of a change in leadership. Its former head, Lars Thunell, recently completed his term, and Chinese national Jin-Yong Cai, a Goldman Sachs partner who was in charge of the firm's Chinese banking operations, succeeded him in October. At that time, Kaldany, who had been serving as the IFC's acting CEO, stepped back to the post of vice president for global industries.

The IFC's operations have been the subject not only of outside criticism but of significant parts of 2011's stinging internal report and other critiques from within the World Bank. The 2011 document, in which the bank's Independent Evaluation Group examined the IFC's activities over the previous decade, portrayed a profit-oriented, deal-driven organization that often fails to reach the poor, and at times may even sacrifice the poor, in a drive to earn a healthy return on its investments: "Greater effort is needed in translating the strategic intentions into actions in investment operations and advisory services to enhance IFC's poverty focus."

But the IFC's money-generating strategy has at least one benefit: It sustains the jobs of the people who work for it. The "more money the IFC makes, the more the bank has [available] to invest," says Griffiths, the director of Eurodad. "Staff is incentivized to make money."

Francis Kalitsi, a former IFC employee who is now a managing partner at private-equity firm Serengeti Capital in Accra, has a similar view. "To get ahead, you had to book big transactions," he recalls of his time at the IFC. "The IFC is very profit-focused. The IFC does not address poverty, and its investments rarely touch the poor."

The IFC sets annual targets for the number, size, and types of deals employees should complete, and it awards performance bonuses for reaching these targets, according to several current and former IFC staffers. "If you don't reach the target, you don't get a bonus," says Alan Moody, a former IFC manager who now works elsewhere at the World Bank. Deals often come to the IFC from private companies, not the other way around. "We choose our projects by identifying key clients and asking them what their needs are," says the IFC's Moyo. That means, though, that by following private companies' priorities, the IFC makes investments that are not necessarily aligned with countries' own development strategies.

Even if the IFC focused more of its resources on poverty, it doesn't have a good way to track whether its work has any impact. The 2011 report—which advises that the IFC "needs to think carefully about questions such as who the poor are, where they are located, and how they can be reached"—criticizes theIFCfor lacking metrics for its investments, saying it fails to "[d]efine, monitor, and report poverty outcomes for projects."

The IFC does not contest these criticisms. Its management responded to the evaluation group's report [by stating](), "We broadly agree with [the] report's lessons and recommendations" and conceded that the "IFC has not been consistent in stating … the anticipated poverty reduction effects of a project." The IFC notes that it several years ago began using a Development Outcome Tracking System (DOTS) to measure the effectiveness of its projects at spurring economic development and alleviating poverty. This system, however, has drawn snickers from a number of IFC clients. They note that the DOTS ratings rely heavily on self-reporting by the recipient companies and depend to some extent on financial data for the entire firm, often with multiple divisions around the world, rather than focusing on the specific area of the IFC-funded project. Still, Kaldany expresses enthusiasm for the effort, saying it is pathbreaking and getting better.

Meanwhile, there has been little evidence of change on the ground. Everywhere I looked—in Ghana, in nearby West Africa, and globally—the IFC still seems to be giving its mandate to fight poverty short shrift.

In finance, for example, R. Yofi Grant, executive director of Databank, one of Ghana’s largest banks, told me that the IFC’s practice of providing loans at attractive terms to multinational companies “crowds out local banks and private-equity firms by taking the juiciest investments and walking away with a healthy return.”

Grant says that the IFC recently organized a $115 million financing package for global telecom giantVodafone to expand its operations in Ghana, even though six telecom companies already operate in the country. Despite such robust private investment, the IFC’s loan package for Vodafone was its second in two years. “That is not poverty reduction, and these are not frontier investments,” Grant says, referring to the IFC’s refrain that it invests where other financiers might not. “The IFC says all the right things and does all the wrong things.”

* * *

A thousand miles east of Ghana are Cameroon and Chad, which exemplify a major and highly controversial domain of IFC investment, one where the stakes are often higher than with hotels and shopping malls. That domain is energy.

As of the end of 2011, the IFC reported a
$2 billion oil-and-gas portfolio, investing with 30 companies in 23 countries
and, the IFC boasted, achieving "Award Winning Recognition from
the Market." But critics, including environmentalists and nonprofit groups such
as the Bretton Woods Project and Christian Aid, contend that the projects often
exacerbate the poverty they are supposed to alleviate. The projects, they say,
frequently escalate local conflict and corruption, displace communities,
disrupt livelihoods, and contribute to the emission of greenhouse gases and
other pollutants.

In 2003, an independent review panel
within the World Bank even recommended that the bank, including the IFC, pull
out of all oil, natural gas, and coal-mining projects by 2008, saying such
loans do not benefit the poor who live where the natural resources are found.
But the World Bank's board overruled these recommendations. The bank ultimately
agreed to an approach that is "business as usual with marginal changes," Emil
Salim, the Indonesian officialwho
led the bank's review, told Bloomberg News in 2004. In a
conference call with reporters at the time, IFC executive Kaldany said, "There was very broad
consensus that we should remain engaged; we do add value."

The example of Chad and Cameroon,
however, offers a more complicated picture. In 2000, the IFC invested roughly

$200 million with ExxonMobil, Chevron, and others, along with the governments of Chad and Cameroon, to support the construction of a nearly $4 billion oil-pipeline project that experts estimate will generate more than $5 billion in revenue over the 25-year life of the project from wells mainly in landlocked Chad to a port in Cameroon.

Editor's Note

The World Bank and its unit that makes loans to private businesses, the International Finance Corporation, have raised questions about ProPublica's ethics in the reporting of this story. Specifically, they have questioned whether the reporter, freelancer Cheryl Strauss Einhorn, properly identified herself as working for ProPublica as she interviewed present or former World Bank staffers in Ghana, where much of the reporting for the article was done. We take such issues very seriously and have looked closely into the Bank's concerns.

The matter would seem simple. ProPublica's ethics guidelines state clearly that "we don't misidentify or misrepresent ourselves to get a story. When we seek an interview, we identify ourselves as

The two countries are even poorer than Ghana to the west. Per capita income in Chad ranks 193rd in the world, compared with 185th place for Cameroon and 172nd for Ghana. Life expectancy at birth in Chad, at 48.7 years, is the world's absolute worst, and the country has been ruled for the last two decades by heavy-handed dictator Idriss Déby.

"Conditions were and are a hardship and horrible," says Peter Rosenblum, co-director of the Human Rights Institute at Columbia University, who argued that the pipeline project should demand protections for the civilian population. The bulk of the oil revenue was supposed to be set aside for

ProPublica journalists." The complication in this case is that Einhorn, an experienced financial journalist who has worked for such outlets as Barron's magazine and CNBC, is now both a freelance writer and an adjunct professor at the Columbia Business School in New York City. In reporting the story as a freelance for ProPublica, she was also gathering material that could be used in teaching her classes or in academic publishing.

Einhorn's contacts with World Bank staff at its headquarters in Washington, D.C., seem uncontroversial. Last July 27, she emailed David Theis, a bank communications official: "I am working on a project for Pro Publica about emerging market development and the World Bank, focusing on the private sector model at the International Finance Corporation." He guided her to other bank staffers.

The World Bank and the IFC have centered their complaints earlier in July, when Einhorn set up interviews in Ghana and then traveled there. In several instances, her emails make no reference to ProPublica, but rather focus entirely on her role at Columbia. "I teach at the Columbia Business School and am planning to travel to Accra on July 18 as part of my

food, education, health care, and infrastructure.

But in the face of attacks from rebel groups supported by neighboring Sudan, and asserting a need to defend the pipeline, Déby instead channeled substantial chunks into arms purchases, bringing criticism not only from human rights groups but from the World Bank. As critics of the project had warned, the oil bonanza increased the stakes for control of the country and added to the civil strife.

What happened with Chad is not an isolated incident. Despite perennial controversies over energy and mining projects, often the subject of fierce disputes related to everything from their environmental impacts to the extent they boost authoritarian regimes, the IFC continues to invest in them extensively. Just in 2012, the IFC announced investments in mining projects for gold, copper, and diamonds in places like Mongolia, Liberia, and South Africa, as well as investments in research on economic development issues and projects," she wrote in one typical email.

Einhorn says that when she actually held the interviews, she orally made clear, as our policy requires, that ProPublica was involved and that she hoped to publish her work. At least some of the interviewees say that they did not hear any mention of ProPublica. We can find no written or recorded evidence to show whose memories are correct.

However, three things are clear:

Einhorn was hardly trying to keep her ProPublica connection a secret in Ghana. Emails successfully seeking interviews with top in-country officials of Coca Cola and Newmont Mining, both significant IFC clients, made clear reference to ProPublica.

Einhorn was not misrepresenting or misidentifying herself when she invoked her Columbia connection. She expects her research in Ghana to be useful in her academic role. The worst she can be accused of is having been incomplete in identifying herself – and even then, if her memory is correct, she made the ProPublica connection orally.

oil and gas projects in Colombia, Ivory Coast, the Middle East, and North Africa.

Moreover, as with Chad's Déby, the IFC continues to lend and invest in countries with heavy-handed rulers such as Syria (Bashar al-Assad) and Venezuela (Hugo Chávez). Kaldany told me there were about a dozen dictatorships, which he wouldn't name, where the IFC would simply not do business. But then there is a second tier, where he is inclined to work. "It is a tradeoff. We can have a positive influence," he said, referring to a recent IFC deal in now civil war-torn Syria to fund microfinance. He said the IFC is insisting on increasingly tight financial controls in such countries to ensure that the proceeds from the projects are targeted directly to the poor rather than to sustaining the dictators' hold on power. He acknowledged that the controls in the Chad case were not nearly tight enough and that the IFC

In any case, the interviewees didn’t ask or get agreement to make their comments not for quotation. In an era of publish or perish in academe and instant Tweeting from classrooms, it’s hard to imagine that remarks to a professor would be substantially less public than those to a reporter.

-Paul E. Steiger

ultimately had to pull out.

The IFC’s critics see two obvious ways to fix it: dramatically overhaul its priorities or sharply reduce its funding and channel those resources toward the type of World Bank projects that more closely align with its anti-poverty mission.

Kaldany said that the IFC is seeking to increase its number of small projects, of under $5 million and tightly targeted on the poor, and to devote more attention to the poorest of the poor countries. In the most recent fiscal year, it generated 105 of the smaller projects, 20 percent of its total deals, although a much smaller percentage of its total dollar outlays. (IFC officials couldn’t immediately provide that number.)

But don’t count on a new direction. Although its new leadership has remained publicly mum, the IFC’s new chief, Cai, has told people he strongly supports its current strategy.

* * *

In Accra, not far from the new Mövenpick, the IFC’s posh offices—sporting a lawn, flowers, and private parking—sit amid a slum, surrounded by an imposing concrete wall topped by coils of barbed wire. The only paved part of the road to the IFC is directly in front of the guarded complex, which has no sign announcing its identity. The rest of the road is a winding, dusty dirt path filled with potholes and surrounded by hovels erected out of battered metal or wood.

Barefoot children sit amid goats and roving chickens, on ground dotted by garbage and litter. Women cook tiny fish strung onto sticks over an open fire, ignoring the near-100-degree temperatures. I approached them one day in July, and some of them said they had lived there for 15 years. When asked whether they knew what the World Bank is, they said no. When told that it fights poverty, many of them laughed.

“We need help, and we know there are places that help,” said one woman who was cooking as two young boys clung to her legs. “But we have never heard of them.”

Cheryl Strauss Einhorn is a financial journalist and adjunct professor at Columbia Business School.