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ENVIRONMENTAL ASPECTS
OF SUSTAINABLE DEVELOPMENT:
THE ROLE OF THE WORLD BANK

by

ALAIN LAFONTAINE, B.A.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of

Master of Arts

Department of International Affairs

Carleton University

Ottawa, Ontario

30 April 1990

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The undersigned hereby recommend to the Faculty of
Graduate Studies and Research acceptance of this thesis,
submitted by Alain Lafontaine, in partial fulfilment of
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ABSTRACT

The objective in this thesis is to determine to what extent the World Bank promotes sustainable development. In order to do so, we look at what ought to be done to promote sustainable development at the Bank at the level of its planning/management process and at the extent to which the Bank has done what ought to be done.

Our general conclusion is that although the institution is going in the right direction at all levels of the planning/management process, five out of the eight requirements identified for the promotion of sustainable development are only partially met. Consequently, the World Bank promotes sustainable development but this promotion is limited.

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CHAPTER ONE

INTRODUCTORY CHAPTER

Since the beginning of the industrial revolution in the second half of the eighteenth century, the productive power of humanity has increased tremendously. Those years marked the beginning of an era of almost complete domination of humans over nature. Nature was there to be exploited; it was at the service of humanity. This domination unfortunately was and still is destructive to nature. Today we see this more readily and dramatically. In its first edition of 1989, Time magazine has named the Earth "planet of the year" in lieu of its traditional "man or woman of the year" because of the severity of the problems it suffered in 1988. Needless to say, the concerns about the environment are now taking a more and more important place in our daily lives.¹

The sustainable development approach questions the present relationship between environment and development. Sustainable development is development that "meets the needs of the present without compromising the ability of the

¹Robert L. Miller, "From the Publisher," Time (Toronto), 2 January 1989, 3.

future generations to meet their own needs"². We will see more closely later in this chapter what this implies.

There are currently many national and international institutions dealing with problems of development. The questioning of the present development model from the point of view of the environment directly concerns them. They in fact have an important role to play in the promotion of a sustainable development path. In this research, we want to look at one very important international development institution, the World Bank. The World Bank consists of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Its central purpose is "to promote economic and social progress in developing nations by helping raise productivity so that their people can live better and fuller lives".³ It tries to do this by helping governments undertake policy reforms and development projects. It has over 150 member countries.⁴ In 1989, it lent over \$21 billion for development purposes.⁵

²The World Commission on Environment and Development, Our Common Future (New York: Oxford University Press, 1987), 8.

³The World Bank, The World Bank (Washington, D.C.: The World Bank, 1987), 1.

⁴Ibid.

⁵The World Bank, Annual Report 1989 (Washington, D.C.: The World Bank, 1989), table 7.7, 182.

Our main objective in this research is to determine to what extent the World Bank promotes sustainable development. In order to do so, we will look at what ought to be done to promote sustainable development at the Bank at the level of its global planning/management process and at the extent to which the Bank has done what ought to be done. To realize this objective, our thesis will be divided into five chapters.

This first chapter will be divided into two main sections. In the first we will explain what is the methodology used in this research. In the second main section, the three objectives are to give a general definition of sustainable development, to give evidence for the need for it through some case studies, and to point to a general criterion that will eventually help identify necessary conditions at the World Bank for the promotion of sustainable development.

The promotion of sustainable development by the Bank requires the definition of new attitudes, policies, institutional arrangements, operationalization procedures and practices at the Bank, complementing those already in place, or sometimes contradicting them. The member countries have an important say in the operations of the

Bank, and thus on the planning itself. This is why in chapter two we will identify the requirements for the promotion of sustainable development by the Bank at the level of the member countries of this institution. We will then assess how each of these requirements has been fulfilled. In chapter three and four we will do the same thing for the requirements at the level of the planning/management process and we will look at some obstacles to a further promotion of sustainable development by the Bank (see Appendix A for a complete list of the requirements identified throughout this thesis). Finally, the conclusion of this research (chapter five) will be a summary of our findings on how well the Bank has done in meeting all these necessary requirements for the promotion of sustainable development. This will lead us to a global evaluation of what is the actual role of the Bank in the promotion of sustainable development. Let us begin.

I-THE METHODOLOGY USED IN THIS RESEARCH

One of our first tasks in this research was to identify the requirements to be fulfilled at the Bank in order for this institution to really support a sustainable development approach in its operations. Although for the purpose of this thesis we did research work on a larger amount of requirements, because of operational constraints (time, finance and length), we finally concentrated our analysis on the requirements at the level of the planning/management

process in this institution. We identified these requirements on the basis of: (a) a general criterion we developed in this thesis and that we explain at the end of this chapter and (b) what was asked by the defenders of the sustainable development approach such as the World Commission on Environment and Development, the Worldwatch Institute and the World Resources Institute.

After we had identified these requirements, a very important part of the work in this research consisted in finding out what were the Bank actions and positions concerning each of these requirements. In order to do so, three types of sources were used.

One type of source consisted of diverse written material such as books and public and confidential documents. These written sources are listed in the bibliography. An important proportion of the World Bank documents are classified as confidential, a usual practice for this institution. It is indeed very hard to get critical information on the activities of the Bank without referring to this type of document. A very small number of confidential documents, from both inside and outside the Bank, aren't directly mentioned in the text of this thesis and aren't listed in the bibliography but were nevertheless consulted. Their absence as references is explained by the

fact they were considered too sensitive by our private sources.

Another type of source consisted of confidential interviews. Our interviewees were chosen following a nonprobability purposive sampling.⁶ We tried, as much as possible, to get interviewees who had different points of view on the activities of the Bank because of their profession. Our purpose here was to get the most complete picture of the situation as possible. Each of our interviewees had a thorough knowledge of the activities of the Bank in the field of environment and sustainable development. We selected our candidates for interviews (a)after consultation with different people knowledgeable about the Bank, the subject treated and/or likely to know people working on this issue; (b)after consultation of the organizational chart of the Bank; and, (c)after consultation with some of our first interviewees themselves. We contacted forty-seven people from both inside and outside the Bank that we had selected; however, because of the difficulty to get these people to be interviewed, our final sample was twenty. Nevertheless, it is still a representative cross section. Of the twenty people interviewed, three were in Ottawa and seventeen in

⁶A. Satin and W. Shastry, Survey Sampling: A Non-Mathematical Guide, Statistics Canada (Ottawa: Statistics Canada, 1983), 31.

Washington. We interviewed nine people from inside the Bank and eleven from outside.

Concerning the interviewees from the Bank, every one of them was occupying a senior position at the time of the interviews. We interviewed staff working at the decision-making level, the policy and research level, the administrative level and the operational level including: one Senior Vice-President, five senior managers, one senior adviser, one senior economist and one country representative. In all cases they were knowledgeable about the Bank's activities in the field of environment and sustainable development and had to deal with these issues in their activities. Concerning the operational level, we had interviewees in each of the regions: Asia; Latin America; Africa; and Europe, The Middle East and The Mediterranean. In our judgement, our sample permitted us to get views very representative of those prevailing within the Bank and allowed us to get a very complete picture from the inside, not only in terms of regional activities but also in terms of the different levels of activities: decision-making, policy, institution, operations and implementation.

Concerning the interviewees from outside the Bank, it is important to note that five of them are working for NGOs that initiated what is known as the Multilateral Development

Banks(MDB) campaign. This was a Washington based public information campaign from NGOs to lobby for environmentally sounder practices by the Multilateral Development Banks. These interviewees are a research associate from the National Resources Defense Council (NRDC), a legislative representative for the International Program at the National Wildlife Federation (NWF), an energy analyst from the Environmental Defense Fund (EDF), a senior attorney from the EDF and a senior director from the Sierra Club. These two last interviewees are among those who started this campaign. The Bank Information Center from where one of our interviewees comes (a senior director) is also supporting this campaign. Two other interviewees come from government departments: one from Canada, who is referred to as a Canadian civil servant and one from the United States, from USAID, who is referred to as a USAID staff person. They both monitor closely the Bank activities in the environmental field for their respective governments. Finally, the three remaining interviewees have been working actively on environment, sustainable development, and World Bank issues for several years now. They are a senior official from the Institute for Research on Public Policy (IRPP), a senior official from the International Development Research Center (IDRC) and a research assistant from the Worldwatch Institute in Washington. In our judgement, the views of all these interviewees were representative of those outside the

Bank who are concerned with environmental issues, because our sample covers a range of people (coming from different NGOs, from different types of institution and from two different countries) knowledgeable about Bank activities. We believe that, overall, (both inside and outside the Bank) we do have a sample which will allow us to have a comprehensive and nuanced picture of the Bank positions and activities in the field of sustainable development.

The questions asked during the interviews were all open ended questions. They were based on the requirements, identified later, as necessary to the promotion of a sustainable development process at the Bank. A slightly different questionnaire was used depending on whether or not the person was from the Bank or an outside interviewee. The two questionnaires used can be found in Appendix B of this research. The average length of each interview was about one hour and fifteen minutes. Nevertheless, in certain cases, a shorter version was used depending on the time available for certain interviews to gain the maximum from them. In these cases, the questions asked were those which related to the specialization of the people interviewed. The first five interviews in Ottawa and Washington served as a pre-test. A few questions were then added while others were suppressed because of their inadequate or redundant character. The dates of each interview are also mentioned

in the bibliography. Concerning the responses to the questions, where relevant, they were classified (the classification depending on the questions) and compiled. The results of this compilation are given throughout the following chapters.

The third type of source used in this research are commentaries from three people from Washington with whom we communicated, either by mail or by phone, to get updated information on certain aspects of Bank activities which had changed since July 1989. These people were a country representative from the Bank, a research associate with the International Project at the NRDC and a staff person from the Bank Information Center. This information was obtained about five months after the interviews.

Before concluding this section, there is an important point to mention concerning the cases of new development projects from the Bank which are referred to in this thesis. We use these cases to illustrate certain problems encountered at the Bank since its reorganization in 1987. However, this reorganization is recent and therefore new cases are not likely to be numerous at this stage. It is because of this constraint that we sometimes refer more than once to a specific case in order to illustrate different realities.

Finally, let us note that the conclusion to this research is an appraisal of the actual role of the Bank in the promotion of sustainable development following the evaluation made of its activities concerning each of the requirements identified. Although we claim that our results are significant due to the quality of our sample, we do not make any claim about statistical significance. Given our research objectives and the time and financial constraints, we believe that nonprobability purposive sampling was the most efficient and effective way to achieve the objectives of this study. Now that we described the methodology used, let us get into the second section of this chapter.

II-THE NEED FOR SUSTAINABLE DEVELOPMENT

A)What is sustainable development

To define what is sustainable development, it is important to first look at the Report from the World Commission on Environment and Development (WCED), Our Common Future⁷, chaired by Mrs Gro Harlem Bruntland, Prime Minister of Norway, and published in 1987. This report was among the first major publications which addressed the issue of sustainability in development. From the perspective of the Commission, present development efforts often bring environmental degradation. Natural resources are depleted

⁷WCED, Our Common Future.

and the effects of present human activities on the biosphere are brought to levels that couldn't be sustained in the future. The report also clearly links poverty and environmental degradation. Poor people are forced to put additional pressure on the environment to ensure their living. In the Bruntland Report, renewed development efforts are presented as the basis for survival of humanity as a whole, a survival that greatly depends on the preservation of the environment which itself depends on our efforts for co-operative management of development and poverty eradication. According to the report new sustainable approaches to development must be introduced.⁸ As we mentioned earlier, sustainable development is defined as development that "meets the needs of the present without compromising the ability of the future generations to meet their own needs"⁹. This is the general definition adopted in this thesis.

B)The importance of sustainable development

In order to show clearly the importance of sustainable development and the need to promote it, we will now look at the unsustainable character of the present relationship taking place between development and the environment through

⁸Ibid., viii-347 passim.

⁹Ibid., 8.

the study of some cases. One last point, however, must be made clear before doing this.

To depict this relationship between development and the environment we will use two terms: development and underdevelopment. In this thesis, development will refer to a process that involves a progressive transformation of the economy and the society in order to satisfy human basic needs (such as eating, housing, clothing and working) and human aspiration for a better life¹⁰, while underdevelopment will refer to the consequences of the absence of such a process or to the consequences of the general failure of such a process to meet its objectives. It must be made clear that underdevelopment will be used only in this general sense and does not refer to the definition used by the dependency school.

Now that these definitions have been made, let us consider those aspects of the present development process that would impede sustainable development.

1-The relationships between environment and underdevelopment

a)The deforestation problem: The African case

In Africa, from 1950 to 1983, the total forested and woodland areas declined from 901 million hectares to 690

¹⁰Ibid., 43-44.

million hectares.¹¹ From 1981 to 1985, the area deforested per year was 3.7 million hectares ¹² , while the current replacement ratio was as low as 1:29. ¹³ This means that for every tree planted, 29 were cut. "In 1900, 40% of the Ethiopian territory was forested; today there is only a bit more than 4% left."¹⁴ Twenty countries in Africa now have less than 1.5 hectares of forest per capita.¹⁵ "In all, African countries account for 62 percent of the deforestation of the world's open tropical forests and woodlands"¹⁶. Let us now try to look more closely at what caused this situation.

A very critical issue when we talk of environmental degradation in Africa is population. Indeed, for the period

¹¹The World Resources Institute and The International Institute for Environment and Development, World Resources 1987 (New York: Basic Books, Inc., 1987), 58.

¹²The World Resources Institute and The International Institute for Environment and Development, World Resources 1986 (New York: Basic Books, Inc., 1986), table 5.9, 72.

¹³Worldwatch Institute, State of the World 1988: a Worldwatch Institute Report on the Progress Toward a Sustainable Society (New York: W.W.Norton & Company, 1988), 85.

¹⁴René Dumont, Un Monde Intolérable: Le Libéralisme en Question, L'Histoire Immédiate (Paris: Editions du Seuil, 1988), our translation, 152.

¹⁵The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, 68.

¹⁶Ibid., 71.

1985-1990, the annual population growth rate is estimated to be as high as 3.05 percent. Predictions are that in the year 2000 the population of Africa will be about 870 millions compared to 560 millions in 1985.¹⁷ This population pressure, coupled with inequitable land distribution and the expansion of export agriculture, largely reduces the area of agricultural land available for subsistence farming (this is also true for Latin America and Asia). Small farmers thus have to deforest new plots of land to survive. This contributes, among other things, to making fuelwood sources scarcer in the long run. The peasants who practice continuous cropping rather than shifting cultivation, usually have practices that are not adapted to the fragile tropical forest soil, causing its degradation. However, most farmers practice shifting cultivation. Scarcity of land becomes so important that they must replant before soil fertility is restored.¹⁸ In fact, the "FAO estimates that the breakdown of traditional shifting cultivation practices is responsible for 70 percent of closed forest clearings in tropical Africa"¹⁹ (35 percent in tropical America and 50 percent in tropical Asia).

¹⁷K.C. Zachariah and My T. Vu, World Population Projections 1987-1988 Edition: Short and Long-Term Estimates (Baltimore: The John Hopkins University Press, 1988), 8.

¹⁸Worldwatch Institute, State of the World 1988, 86.

¹⁹Ibid.

The massive competition for fuelwood has also largely contributed to the deforestation in Africa and has been exacerbated by this first cause of deforestation we just mentioned. Most of Africa's poor depend on fuelwood for their cooking, as other sources of energy are far too expensive. There is competition taking place for the provision of that fuelwood particularly in those arid woodlands where population density is high, and around large cities.²⁰ In Africa, the share of fuelwood as a percentage of total roundwood production represented 88 percent for the period 1981-83.²¹ In Southern Africa, the primary causes of forest depletion are both the demand from the population of the cities for fuelwoods and for timber.²²

Following harvesting for fuelwood and construction wood, other causes of deforestation are cutting for fodder, grazing, fire and drought.²³ In semi-arid West and East African rural areas, forest degradation and its conversion to non-forest uses have been particularly grave as fuelwood, poles, forage and other forest products have dwindled.²⁴

²⁰Ibid.

²¹The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, table 5.7, 69.

²²Ibid., 112.

²³Ibid., 71

²⁴Ibid., 71

Other causes of deforestation in Africa include large infrastructure projects such as dams or roads, and very rapid urbanization.²⁵ Lack of management of forest resources is also an important cause of depletion. Today, only about one percent of productive forests in Africa is managed. Three quarters of them are in Ghana and Uganda with far from optimistic prospects for their future.²⁶ This last problem relates both to a lack of political commitment to this issue and to a lack of management capacity characteristic of many Third World countries.

Deforestation in Africa is linked to the most severe problems Africa is now facing such as droughts and starvation. Short of fuelwood and charcoal, villagers have to use crop residues and animal dung for cooking. Two important cycles are then interrupted: it deprives the land of its nutrients and of the organic matter necessary to maintain a productive soil structure. "In Ethiopia, the dung that is used as household fuel has a fertilizer value of about \$123 million per year and could increase grain harvest by 1-1.5 million metric tons annually"²⁷ This represents an important economic loss. As the nutrient level and productivity of soil is lowered, the vegetation

²⁵Ibid., 112.

²⁶Ibid., 65.

²⁷Ibid., 68.

disappears, soil becomes more compact and rainfall increasingly runs off while erosion accelerates. Less water can be absorbed and thus soil moisture essential for healthy crops diminishes. The level of water tables falls and slowly wells go dry. There comes a point when there is not enough soil even for supporting a subsistence-level agriculture. Eventually, villagers become environmental refugees, leaving behind them a land at an advanced state of desertification.²⁸ The process goes on as new forests are cleared for agriculture and fuelwood. In many areas, irreversible destruction of the soil results in desertification. This process certainly has exacerbated living conditions of the African population and it will contribute even more to this in the future as population growth puts more pressure on the environment.

The competition for fuelwood has resulted in increasing numbers of hours spent every day by the people in the search for wood. The burden has fallen mainly on women and children who, in the Sahel region, might have to spend up to 300 person/day/per year per household to find their fuel.²⁹

²⁸Worldwatch Institute, State of the World 1989: a Worldwatch Institute Report on the Progress Toward a Sustainable Society (New York: W.W.Norton & Company, 1989), 47-48; idem, State of the World 1988, 91.

²⁹The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, 68.

They have to go further and further away from their home. The time spent at fulfilling this basic need is certainly a great economic loss when we consider what it could have been used for in other conditions. Faced with this scarcity of fuelwood, boiling water becomes a luxury and quick-cooking cereals take the place of more nutritious but longer to cook foods, like beans. Health conditions are gravely affected by this process, exacerbating underdevelopment by the additional burden it puts on economic activity.³⁰

Concerning other consequences of environmental degradation, rings of desolation characterized by a complete destruction of the forest cover and advanced deterioration of soil are taking place around cities such as Dakar, Ouagadougou and Niamey.³¹ East Africa also shows an important vulnerability to drought and floods (because of soil degradation, mainly in Ethiopia but spreading) and loss of biological diversity (particularly acute in Madagascar).³² This last issue is a very important one; as J. Gustavo Speth, president of the World Resource Institute, said, "If destruction of the tropical rain forests continues unabated, an estimated 10 to 20 percent of the Earth's plant

³⁰Worldwatch Institute, State of the World 1988, 88.

³¹The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, 112.

³²Ibid., 71.

and animal life will be gone by the year 2000."³³ Their loss would clearly impoverish not only the people of these countries but the world as a whole. Their destruction might well mean the loss forever of important genetic material of great value for, among other things, improving crops or fighting diseases. "More than 50 percent of modern medicines come from the natural world, many from tropical forests including: strychnine, ipecacuanha, reserpine, curare and quinine"³⁴ Many industrial products also come from tropical moist forests such as oils, gums, resins, latexes, exudates, steroids, waxes, rubber, fiber, dyes, tanning agents, spices and pesticides.³⁵ Economic losses could be tremendous and are already important. For example, deforestation is now affecting existing infrastructure; heavy siltation of land, a consequence of deforestation, "has clogged hydroelectric reservoirs, irrigation canals, and coastal harbors."³⁶

Starvation and migration now appear only as symptoms of the deep environmental, political and economic crisis Africa

³³WCED, Our Common Future, 161.

³⁴The World Resources Institute and The International Institute for Environment and Development, World Resources 1987, 70.

³⁵The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, 70-71.

³⁶Worldwatch Institute, State of the World 1988, 92.

is now facing. The description just given certainly helps us to understand why it is important to prevent more degradation. Indeed, environmental degradation puts a significant burden on further prospects of development because it entails important social and economic costs. The struggle for life is a major cause of environmental degradation and ultimately of even deeper poverty because, as we have seen, it forces people to put more pressure on the environment to survive. More degradation then occurs and puts the people in an even more precarious situation. Underdevelopment brings environmental degradation which itself exacerbates underdevelopment.

b) Food Security: A generalized consequence of environmental degradation on present and future development.

One huge consequence of environmental degradation that is likely to affect every part of the world (though more strongly the poorest of the developing countries) and which seems important to mention is the problem of food security. It is clearly linked to deforestation. As more and more land is removed from cultivation, as water retention is lowered by the disappearance of complete forests and the erosion of top soil layers, the problem of feeding people becomes even more acute.

Other important causes of declining food security and production include the continual loss of topsoil from

croplands, the conversion of cropland to nonfarm uses, the waterlogging and salting of irrigation systems, falling water tables, the use of irrigation water for nonfarm uses and the possible bad effects of climate changes.³⁷ The situation is now evolving quite dramatically. In Ethiopia in 1978, it was reported that, in the highlands, one billion tons of topsoil were washing down each year. The recurrent famine in that country is clearly linked to this process of soil degradation. Soil and wind erosion is now also taking place in the United States, the Soviet Union and China.³⁸ And, overshadowing all this, the desert is continuing its devastating and inexorable advance. Indeed, there are six millions more hectares of desert in the world every year.³⁹

When discussing food security, two indicators appear very useful: per capita grain production and carryover stocks of grain. Between 1950 and 1984 per capita output increased from 246 to 345 kilograms, an increase of 40 percent. However, between 1984 and 1988, per capita grain production fell dramatically to 296 kilograms, suggesting

³⁷Worldwatch Institute, State of the World 1989, 42.

³⁸Ibid., 47.

³⁹René Dumont, "La Survie de L'Humanité en Grand Péril," Le Monde Diplomatique, October 1988, 11.

that global food security was far from acquired.⁴⁰

Concerning the year 1988,

The decline in total grain production ...--largely the result of the droughts in North-America and China--completed the largest two-year drop on record. The accompanying 14-percent fall in per capita production since 1984 brought this indicator back to the levels of the mid-seventies. Record grain reserves permitted a drawdown of the stocks to offset most of the decline, limiting the drop in consumption per person to 3 percent.⁴¹

When we look at world grain stocks, the prospects for the future are also alarming. Between 1987 and 1989, there was a large decline in world stocks before harvest (carryover stocks) from 101 days of consumption for the world to 54 days of consumption.⁴² Unusual droughts consequent to global climate change, which is already taking place according to some climatologists, could aggravate dangerously the already precarious state of world supplies.

In the United States, droughts were so severe in the summer of 1988 that for the first time grain production has fallen below the consumption level.⁴³ The situation is even worse in the Third World:

With five exceptions (Cameroon, Central African Republic, the Ivory Coast, Rwanda, and Sudan),

⁴⁰Worldwatch Institute, State of the World 1989, 55.

⁴¹Ibid.

⁴²Ibid., 41.

⁴³Ibid.

population growth has outstripped production in all 41 sub-Saharan countries. Per capita food production has dropped by a staggering 20 percent over the past decade in such countries as Angola, Ghana, Mozambique, Senegal and Somalia. Even before the ... drought(s) 25 percent of the population of the Sub-Saharan nations had become dependent on imports for their food. Not since 1970 has the continent produced as much food as it consumes. Indeed, for the past 20 years, African commercial food imports have risen 9 percent a year.⁴⁴

Other forms of pressure on the environment that may affect global food prospects nevertheless continue to take place. Use of land for urbanization and industrialization goes on, misuses of forest, soil and water resources continue to flourish. Sustainable agriculture must be introduced before it is too late.

c) Population growth: an additional pressure on the environment

These environmental problems and many others will be further exacerbated by overpopulation. For example, by the end of the next decade, there will be around a billion more people to feed ⁴⁵, and the problem of urbanization, with its pressure on forest and agricultural land, will also get more acute. "The world's population, now at 5 billion, is increasing at least 80 million every year."⁴⁶ The UN

⁴⁴The World Resources Institute and The International Institute for Environment and Development, World Resources 1986, 56.

⁴⁵Worldwatch Institute, State of the World 1989, 43.

⁴⁶Nigel Holmes and others, "The Major Threats to the Earth's Environment," Time (Toronto), 2 January 1989, 54.

projects 6.1 billion people by the year 2000 and 8.2 billion by the year 2025. Of this population increase, 90 percent would be in the developing countries. This increase is thus to be seen, at least partly, as a consequence of underdevelopment. The preceding numbers are based on some specific rates of population growth. Nevertheless, if the replacement-level fertility rate is reached by 2010 (an optimistic scenario), stabilization of the world population at 7.7 billion could take place in 2060. If it is reached in 2035, stabilization would take place in 2095 at 10.2 billion and finally, if it is reached in 2065, stabilization would take place in 2100 at 14.2 billion.⁴⁷ These numbers are not without meaning in terms of pressure on the environment. Third World people will have to fight even more for food, fuelwood and other subsistence goods. This will cause even more environmental deterioration and its adverse consequences on underdeveloped areas, some of which we have already reviewed.

Now that we have looked at the relationships between environment and underdevelopment, we should proceed to the description of the relationships between environment and development.

⁴⁷WCED, Our Common Future, table 4.2, 101.

2-The relationships between environment and development

As we have seen in the preceding pages, underdevelopment is a very important cause of environmental degradation. On the other hand, development as we conceive it today through industrialization and high consumption levels is also very damaging to the environment, and ultimately to further prospects of development. So, the solution is not only to develop but to develop in a way that is sustainable from the point of view of the environment. The consequences on the environment resulting from the development of the North clearly support this proposition.

a)Global Warming

The building up of greenhouse gases concentrations in the atmosphere, which is the principal cause of global warming, is largely due to industrial development and it is calculated that

if emissions of carbon dioxide and other greenhouse gases are not severely curtailed, their heat-trapping properties could raise the atmosphere's mean temperature as much as 8°F during the next 60 years.⁴⁸

Of the six warmest years of the world since temperature measurements began, four were between 1980 and 1987.⁴⁹ These projections and facts strongly indicate the

⁴⁸Holmes, "The Major Threats to the Earth's Environment," 54-55.

⁴⁹Dumont, "La Survie de L'Humanité en Grand Péril," 11.

unsustainable nature of our present development model. In fact, major sources of CO₂ come from activities which are at the basis our development: transportation, factories and power plants of the industrial countries. As Luc Gagnon and Harvey Mead say in the preface of the French version of Our Common Future: "Dans les pays occidentaux, il n'existe pas de scénario de basse consommation d'énergie sans réduction de l'utilisation de l'automobile privée."⁵⁰ Indeed, concerning automobile consumption of energy: if we add gas and the energy entering into the fabrication and maintenance of vehicles (materials, foundries, assembling and distribution of parts) plus such elements as what is spent to create and maintain automobile transportation networks, gas stations and the energy consumed by oil refining and petroleum exploration, and if we consider that the automobile has encouraged urban dispersion of low density (by favoring the development of suburb with all their infrastructures, rather than more concentrated urban patterns), then we can estimate that the automobile is responsible for as much as half the total energy consumption in the industrialized world and the heat production associated with it.⁵¹ This form of pollution comes mainly

⁵⁰Luc Gagnon and Harvey L. Mead, foreword to Notre Avenir à Tous, by La Commission Mondiale sur l'Environnement et le Développement (Montréal: Editions du Fleuve, 1988), xiii-xviii.

⁵¹Dumont, "La Survie de L'Humanité en Grand Péril," 12.

from the developed countries. Carbon emissions from fossil fuel in millions of metric tons in 1987 were 1224.0 for the USA and 1013.6 for the USSR representing increases from 1960 of 440.3 for the USA and of 623.7 for the USSR. If we compare data from India, the second most populous country and where industrialization is less intensive, we see that although in relative terms the increase is larger, in real terms it is obviously much smaller. It went from 32.1 millions of metric tons in 1960 to 150.4 in 1987, an increase of 118.3. Data are of similar magnitude for other Third World countries.

In the developing countries, it is tropical deforestation which attracts most attention. For example, in 1980, net carbon emission from burning was as high as 1.659 millions of tons, of which 336 million tons were produced in Brazil.⁵² This gives us one more consequence of the deforestation process on the biosphere; the emissions of CO₂ coming from this activity contribute to global warming. It is worthwhile to note that deforestation is often a requirement for development along the unsustainable path now promoted in the world. For example, deforestation is often required for the construction of hydroelectric dams necessary for industrialization.

⁵²Holmes, "The Major Threats to the Earth's Environment," 54-55.

As we will see, the adverse consequences of global warming on development are diverse, disastrous and worldwide. This shows how important it is to promote international co-operation for the resolution of this problem. The environmental crisis is now reaching a global level. Though national actions are necessary, they alone are not sufficient.

Generalized droughts which are more and more associated with global warming are taking place worldwide: Africa, Asia, and more recently, in the summer of 1988, even in the Western U.S. and in the Canadian prairies.⁵³ Experts talk of a risk of melting polar ices within half a century which could result in a rise of the sea levels of one meter. This last factor would threaten millions of hectares of the most fertile alluvium (as the rice fields of the Asian deltas). The FAO projects that meanwhile, rain volumes could diminish by 25 percent. This would have disastrous effects on the irrigation system of South and Southeast Asia, and therefore on rice production. The drought that already affects western United States and western Canada will get worse and will affect the production of rice, corn and soya. In the next fifty years, world production of cereals could thus drop by at least 15 percent while world population is

⁵³Dumont, "La Survie de L'Humanité en Grand Péril," 12.

expected to almost double. Also the insect carriers of malaria would migrate to countries up to now considered as temperate.⁵⁴ We can see from these points that environmental degradation brought by industrial development has eventually adverse consequences on development itself and the quality of life.

It thus appears there is an urgent need to fight pollution by methane (CH₄) and carbon dioxide (CO₂), two important greenhouse gases. On that, the conclusion of a Toronto Conference in June 1988 on Climatic Security of the Biosphere is quite clear: if emission of greenhouse gases is not reduced by 50 percent within the next generation, a disaster as important as a nuclear war is threatening us.⁵⁵ But reductions even more drastic are needed, particularly concerning CO₂, the most important greenhouse gas. However today this seems quite in contradiction with our short-term development objectives concerning, for example, the use of cars, as we saw earlier. It seems therefore that these objectives would have to be revised.

b)The case of Energy

Energy is a good case for illustrating the unsustainability of our development process because it is at

⁵⁴Dumont, Un Monde Intolérable, free translation, 59.

⁵⁵Ibid., 59-60.

the basis of any development model as we conceive it today. Based on current trends in industrial development, John O'Manique has made a projection of the amount of energy consumption which would be needed to bring every country of the world to a per capita GNP level of \$4000 (the level of Spain) while keeping countries already above that at their present level. This is a very optimistic scenario. Taking account of increases in efficiencies, of present patterns of consumption and of supply estimates, he arrived at the following projections. This level of development would require a global four-fold increase in energy consumption in the world and a twelve-fold increase for developing countries. Concerning the global supply, the increase would break down as follows: oil:1.9-fold; gas:4.1-fold; coal:6-fold; nuclear:36-fold; and renewable:4.6-fold. This would pose large dangers for the environment. Apart from depriving nature of its resources, as the author points out, it also entails the use of dirty energy sources in higher ratios than at the present time (coal) and much higher ratio of dangerous energy sources (nuclear).⁵⁶ Apart from aggravating the global warming effect and thus its potential adverse economic consequences, "this would bring the number of reactors in the world to over 13000, with all of their

⁵⁶John T. O'Manique, "The Environment and North-South Conflict," in Canada Among Nations 1987: A world of conflict, ed. Maureen Appel Molot and Brian W. Tomlin, The Norman Paterson School of International Affairs, Carleton University (Toronto: James Lorimer and Company, 1988), 124-126.

associated risks"⁵⁷ environmental and, ultimately, economic. These projections are not to be seen as predictions. But they give us the opportunity to judge the likelihood of success in achieving development, following the present path, on a global basis without severely endangering our common future. On the other side, they also give us the opportunity to imagine how the present trends in production and consumption habits (which use a lot of energy) can represent a very important potential source of armed conflicts between nations because of the limited and rapidly shrinking energy resources necessary to sustain these trends versus their growing demand and diffusion worldwide. Our production and consumption habits thus endanger our common future in at least three ways: through deeper environmental degradation which would result also in economic losses on a longer run and through greater potential for international conflicts.

C) A general principle and a criterion for sustainable development

Before concluding this chapter, it seems important to state a general principle that comes out of the points made throughout this second section. It is on the basis of this principle that we can define the criterion which was used to help us identify the requirements for the promotion of

⁵⁷Ibid., 126.

sustainable development at the Bank, which are reviewed in the next chapters.

Human beings cannot create from nothing. We depend on finite resources for surviving. We are part of nature, so we have to harmonize with it. We must make our system fit within the global framework of nature -- of the biosphere. Sustainable development demands a change in our relationship with nature from a relationship of domination to an harmonized relationship of co-operation. This is the general principle.

A privileged way to promote this change of relationship at the Bank, and therefore to promote sustainable development, is to favour the integration of environmental concerns in project planning and project management at the Bank. Our general criterion is that requirements have to contribute to this integration. Thus, requirements such as the creation of an environment office, the implementation of impact assessments and the implementation of diverse environmental policies at the Bank would be favoured on the basis of this criterion.

D) Conclusion

In this chapter, we looked at the alarming reality that humanity is now facing. Development has brought and continues to bring environmental degradation, thus

endangering our common future. At the same time, this deterioration of the environment slows down the development we have been seeking and further questions the viability of our present development process. Underdevelopment has also brought and continues to bring threats to nature, also endangering our common future. Meanwhile, this environmental degradation itself further exacerbates underdevelopment, and the cycle goes on. By illustrating this link between environment and development we had the opportunity to appreciate the unsustainable character of the present development process which is due, in part, to the relationship it promotes between people and nature, a relationship of domination in many respects.

In that context of non-sustainability, it appears important that institutions working in the field of development question their policies, structures, operational procedures and practices regarding the relations they promote or support between environment and development. Among the international institutions which deal with development issues, one very important and powerful institution is the World Bank. It is because of this particular status that we will concentrate, in the remaining chapters of this thesis, on the role of this multilateral international development institution in the promotion of environmental protection in development and the reciprocal

harmonization of development activities with the environment.

CHAPTER TWO

THE MEMBER COUNTRIES AT THE BANK

Within the organizational structure of the Bank, the member countries have the ultimate say in most of the activities of the Bank through their votes on the Board of the Executive Directors. The Board generally has authority over the Presidency on operational matters. The countries thus have a significant say in project planning and management.

It is important, therefore, to look at the attitudes towards sustainable development of the member countries at the Bank and to compare these to what we would argue are the required attitudes.

I-RECOGNITION AND COMMITMENT

A) Required attitudes

First, in order for the World Bank to promote sustainable development, it must have the commitment of the member countries on the Board to sustainable development.¹ In order for this commitment to take place, the member countries must, first of all, recognize the severity of the

¹WCED, Our Common Future, 338.

environmental problem and the importance of the environment to development. Secondly, the member countries must show a willingness and commitment for multilateral action for the promotion of environmental issues within the Bank.

If the commitment to sustainable development and environmental protection is not ensured at this level, action will be limited. To come to sustainable solutions to development problems, and particularly environmental problems, multilateral actions (and thus an implicit recognition of international interdependence) are a prerequisite because global problems such as these ask for global solutions. As we saw in chapter one, environmental problems are not necessarily restricted to a country; they often have a regional or global scale. As the environment has no frontier, sustainable development approaches must also try to go beyond borders and give rise to cooperation and dialogue.

B)The situation at the Bank

Throughout our assessment of this first point through interviews and documents, it appeared that the degree of recognition and commitment depend on the category of country considered. The demarcation line is mainly between the developed and the developing countries. Although we will proceed following these broad categories, we will also have the opportunity to review what have been the positions and

actions of some specific countries. This will ultimately lead to an appraisal of the commitment to sustainable development and environmental protection of the member countries in general.

1-The developed countries

All the people interviewed agreed that, by and large, there was a recognition of the environmental problems and a commitment to their resolution, at least in the official statements, in this category of countries.

The United States is largely considered by all the interviewees as the leader in this area. In fact, three of the interviewees from outside the Bank in Washington related the creation of the Environment Department of the Bank in 1987 (as part of the general reorganization of the Bank) to the pressure and the lobbying activities of five U.S. NGOs which orchestrated what is now known as the Multilateral Development Bank (MDB) campaign. Furthermore, all interviewees who addressed the issue of outside pressure mentioned the importance of public or NGO pressure (notably through this campaign) in the U.S. for the changes underway at the Bank. The aim of this campaign was basically to sensitize public opinion about the harmful effects of MDBs' activities, and more particularly World Bank activities, on the environment. These five environmental NGOs are based in Washington; they are the Environmental Defense Fund (EDF),

the Natural Resources Defense Council (NRDC), the Sierra Club, the National Wildlife Federation and the Environmental Policy Institute (EPI). This group, over the years, has done such effective work in publicizing and lobbying through the Congressional Appropriation Committees, that it was able, with the effective support of a U.S. Senator, Mr. Robert Kasten, to modify considerably the action of the U.S. government vis-a-vis the World Bank in the environmental sphere.² Indeed, the U.S. government adopted Public Law 100-202 which instructs the U.S. Executive Directors on how to vote on projects concerning certain issues related to the environment, and on the necessity for the United States Executive Directors to dialogue with Executive Directors from other countries in order to promote the protection of the environment in MDB projects. This law also created a new position in USAID and two new positions in the Department of the Treasury. These were put in place basically to monitor the MDBs' activities in the environmental sphere, to promote action and dialogue on a new innovative approach to sustainable development and to reinforce what is known as the Early Warning System of USAID concerning projects of the MDBs that could potentially be environmentally unsound.³ It is the only legalized approach

² "Washington Times" tries to co-opt environmentalists," SO Networker 5 (Fall 1988): 8; A senior attorney from The Environmental Defense Fund, a research assistant from the Worldwatch Institute and a USAID staff person, interviews by author.

³ United States Government, Public Law 100-202, Statutes at Large, 101, sec. 537, 1329-161 to 1329-164 (1987); Interviews by the author.

so far adopted by any country in that sphere although members of the OECD agreed in May 1988 to elaborate an environmental checklist for World Bank administrators.⁴ The first vote against a World Bank project on environmental grounds by a United States Executive Director came in June 1986.⁵ In July 1989, it had occurred about six or seven times.⁶

The U.S. Congress is also trying to bring the Bank under the United States environmental laws, but without success up to now. But pressure from this country on the World Bank since the mid-1980s has been very important for further changes. Recently, the United States has been trying to convince other donors at the Bank to put, as a condition for the ninth replenishment of the International Development Association (IDA), the inauguration of a systematic environmental assessment process within the Bank.⁷ Furthermore, at the 1989 meeting of the Board of

⁴Yolaine St-Jacques, "Eléments d'une Stratégies Canadienne en Vue de l'Amélioration des Considérations Environnementales des Actions des Banques Multilatérales de Développement" (M.A. Thesis, Ecole National d'Administration Publique, 1989), 66-67.

⁵Pat Aufderheide and Bruce Rich, "Environmental Reform and The Multilateral Banks," World Policy Journal (Spring 1988): 309.

⁶A research associate with the International Project from the NRDC, interview by author.

⁷A USAID staff person, interview by author.

Governors in September, President Bush continued to press for further changes concerning the environmental work of the Bank. He noted that although some things had improved, there was more to be done in the areas, for instance, of global warming, energy efficiency and conservation and protection of forest resources.⁸

It is not our intention in this research to look deeply into the motivations of the U.S. government to ask for more environmental safeguards at the Bank. Nevertheless, a paradox is interesting to mention. The important efforts made by the United States government to bring changes at the Bank are in contradiction with the relative weakness and slow pace of the environmental efforts at home on environmental issues such as the greenhouse effect and acid rain. Such a situation makes us wonder if there is not a hidden agenda underlying the environmental actions of the United States government at the Bank. It is something that has been suggested during the interviews. One interviewee from the Bank questioned the alliance of certain senators in the U.S. with the environmental groups in Washington. The person noted that these senators were known for their anti-MDBs convictions in the past. The argument of the

⁸George Bush, "Remarks by the Hon. George Bush, President of the United States, at the 1989 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund," Press Release 4 (27 September 1989): 4.

interviewee was that these politicians who ultimately wanted the U.S. contribution to the World Bank to be substantially reduced were using the politically fashionable environmental issue as a means to win their cause. The possibility that the Bank eventually might not meet the stricter environmental requirements of the U.S. government would force, because of public pressure, the U.S. administration (which wants to maintain its present level of participation at the Bank) to withdraw its support to the institution. This affirmation is hard to verify. What can be verified however, is that, whether this perception is correct or not, support for environmental changes at the Bank from the U.S. is undeniable.

Canada has also been quite active in the promotion of changes towards more sustainable practices at the Bank. As a public servant monitoring this issue mentioned during an interview, Canada says that as it puts money in the development banks, it has, in specific projects, the right to ask for economic rationality, and ultimately for sustainable development. It is becoming increasingly vocal, both in the Development Committee (the highest policy institution of the Bank which reports to the Board of Governors of the World Bank and the IMF), and through

official speeches.⁹ A good example of this is the Speech of Michael Wilson before the Development Committee at the World Bank/IMF Annual Meeting in Berlin in 1988. On this occasion, the Canadian Minister of Finance put forward a four-point plan of proposals on development and environment. He argued that first, "The World Bank should prepare and publish a comprehensive annual report on the environmental impact of its operations" supplemented by "periodic publication of the environmental assessments for approved loans". Second, it should inform NGOs about and involve them in environmental impact assessment. Third, it should, in consultation with the countries concerned and other interested parties, develop criteria for its lending that affects the vital resources that are tropical rainforests. Wilson also asked for the development and implementation of similar guidelines for other sensitive areas such as water resources. Finally, he proposed that the Bank "examine innovative ways to finance conservation in the developing world."¹⁰ More recently again, at the 1989 meeting of the Board of Governors in Washington, Canada announced its support of \$5 million to the recently created technical assistance fund for the environment and its related

⁹A country representative and a Canadian civil servant, interviews by the author.

¹⁰Canada, Department of Finance, "Notes for remarks by the Honorable Michael Wilson, Minister of Finance and Governor for Canada at the annual meeting of the IMF and the World Bank, Berlin," Information, 27 September 1988, 8-9.

activities.¹¹ What comes out of our interviews is that Canada is moving in a positive direction on the issue of sustainable development at the Bank, and it has taken the lead on some occasions.

Some other countries are also seen as quite active in this area. As noted by a Canadian civil servant, Norway and Sweden, for example, follow the issue closely although more quietly. The commitment of these countries as well as of West European countries in general has also been noted by seven other interviewees. Norway and Sweden support, along with the United States, Austria, the Netherlands and West Germany, the proposals of Canada just reviewed and they provide technical expertise on environmental issues within the Bank. Australia was also mentioned a few times as being interested in the promotion of sustainable development by the Bank. As pointed out by a Canadian civil servant, until recently, France and Britain, although interested in these issues, appeared a bit less to the forefront of the movement for further changes at the Bank. However, France at the 1989 meeting of the Board of Governors made a concrete proposition for the environment. Indeed, it proposed the creation of a special program for the environment within the

¹¹John McDermid, "Statement by the Hon. John McDermid, Minister of State for Privatization and Regulatory Affairs and Temporary Alternate Governor of the Bank and Fund for Canada, at the Joint Annual Discussion," Press Release 20 (26 September 1989): 4-5.

Bank in which it would be prepared to provide F900 million over a three-year period.¹² As noted by two other interviewees, the British are also beginning to be more active. For example, they have been leading discussions with Bank management on the Narmada Dam project in India which included several environmental issues.¹³ In Nepal, recently, they also have shown "significant political and financial support" for a natural resource management project.¹⁴ The situation is thus rapidly evolving. As two interviewees also noted, Japan is getting involved slowly. Recently, it agreed to give money for the creation of a new environmental fund within the Bank. As a well informed Bank staff explained, this financial participation from Japan amounts to about \$5 million for IDA countries (lower income countries) and about 10 to 15 million for IBRD middle income countries. This fund will be used mainly to accelerate the preparation of environmental projects or environmental components of other projects, projects in agriculture or energy for example. Finally, the Bank hope to get contributions to this fund from other developed countries.

¹²Barber B. Conable, "Concluding Remarks of Barber B. Conable, President of the World Bank, at the Closing Joint Session," Press Release 52 (28 September 1989): 1-2.

¹³A USAID staff person, interview by author.

¹⁴Christopher Gibbs, "Natural Resource Management in Nepal," Environment Bulletin 1, no.2 (March/April 1989): 9.

2-The developing countries

Concerning the developing countries, the attitudes that can be traced from the comments during the interviews, from official speeches and other documents, are mixed. Eleven of the sixteen people who mentioned the role of the Third World countries during the interviews acknowledged that there was a recognition of the environmental problems by this group of countries and a certain commitment, while four people strongly questioned this commitment, and one person believed the commitment was very mixed, depending on the countries. During the interviews, it was mentioned that the perception from these countries has generally been evolving during recent years. However, the reality these countries face is different and hence their sense of urgency is not the same. They have very few financial resources. Consequently, they are often very nervous about proposals for the promotion of sustainable development.¹⁵ It is a very sensitive area in most developing countries. Publicly they would often say they are too poor to worry about the environment--that it is a luxury. They tend to emphasize the need for financial resources while the developed countries emphasize the policy reforms necessary for a response to environmental degradation.¹⁶ Some of them would even go further saying

¹⁵Interviews by the author

¹⁶A legislative representative at the International Program of the National Wildlife Federation, interview by author.

that it is just one more way for the North to stop the South from developing. There is a question of national sovereignty, and a sense that environmental policies and assessments and environmental components of projects with the associated delays and costs are imposed on them.¹⁷ There is also a sense of inequity. They believe there are environmental problems much more important than deforestation of the rain forests that could be addressed in the North. They feel they are being asked to bear the largest part of the costs of restoring and protecting the environment while they

have repeatedly pointed out that international environmental problems such as acid rain, depletion of the ozone layer and the greenhouse effect have largely been caused by industrial nations.¹⁸

Resistance is posed by certain key developing countries, such as Brazil. This country, for example, doesn't see the Amazonia as an international common but as a Brazilian territory to be exploited for economic development. India, Indonesia and many South East Asian countries are also reluctant to see stronger environmental measures at the Bank.

¹⁷Barber B. Conable, Environment, Population and Sustainable Development: Address to the World Resources Institute (Washington, D.C.: The World Bank, 13 June 1989), 2; A country representative at the Bank, a Canadian civil servant and a senior manager at the Bank, interviews by author.

¹⁸Larry B. Stammer, "Environmental String Tied to Sri Lanka Loan," Los Angeles Times, 17 June 1989, 1.

Nevertheless all this seems to be changing. There is some evidence that Africa is now quite aware of the need for sustainable development. According to the interviewees, this has to be related to the fact that it has already faced serious environmental problems.¹⁹ Madagascar, for example, presented a few loan proposals to protect its forest and help the forestry industry.²⁰ It is pressing for even more action in that sphere.²¹ In 1988, Lesotho launched an Urban Development project and a scheme to improve the management of rural land resources.²² In Asia, Indonesia, although still reluctant, is also a good example of this evolving attitude; it is becoming more conciliatory on this issue. In April 1988, the World Bank announced that, given the problems facing Indonesia's forests and watersheds, the government had decided to address this problem through a \$16 million investment "a three-part World Bank project designed to strengthen forestry planning and management, improve watershed conservation measures, and reinforce management of nature conservation areas".²³ Sri Lanka has

¹⁹A Canadian civil servant and a senior manager at the Bank, interviews by author.

²⁰Mary Lou Ingram, "Madagascar Moves to Preserve Its Forests," IDA News Release 88/42 (1988): 1.

²¹Laurence Matri, "National Geographic cites Bank concern over Madagascar," Environment Bulletin 1, no.2 (March/April 1989): 6.

²²Leandro V. Coronel, "Lesotho to Strengthen Urban Planning, Improve Land Management," IDA News Release 88/62 (1988): 1.

²³Christopher Chamberlin, "Forest Conservation Project in Indonesia Stresses Long-Term Development," Bank News Release 88/63 (1988): 1.

also given assurance that a large forestry project recently approved by the Bank would go through an environmental impact assessment in accordance with a new law the local government enacted last December.²⁴

C) Assessment

So, we see among the World Bank member countries an evolving recognition and commitment to the resolution of environmental problems worldwide. Nevertheless, the situation is still far from resolved as the interests of the diverse parts are not yet always seen as reconcilable. These interests refer mainly to the costs of a sustainable development approach to development and how they should be shared. We will now look more closely at the different positions on this issue.

II-EQUITABLE COST SHARING

A) Required attitudes

When it comes to real cooperation and multilateralism, countries must be ready to share the costs associated with a development process taking into account the environment and other sustainability considerations.

Indeed, global resolution entails an equitable sharing of the costs. We believe that no real sustainable solution

²⁴Larry B. Stammer, "Environmental String Tied to Sri Lanka Loan," Los Angeles Times, 1.

to development problems can be found if there isn't a consideration of the diverse interests involved and if all costs for sustainable development in third world countries are to be borne by those countries. Too often the environmental problems from which the biosphere suffers and which now command corrective actions in the development process have been initiated by the developed countries. Through their environmentally unsound development they have greatly contributed to these problems. They produced a large part of the ozone layer depletion, they deforested their part of the world and greatly contributed to increase the CO₂ level in the Earth's atmosphere through this deforestation and their industrialization. The last countries to industrialize and develop must not have to bear alone a cost that those who developed before them never had to bear. They must not have to bear the whole cost associated with the corrective measures for past mistakes. It cannot be expected that the developing world will be glad and able to support the total investment costs of environmentally sound measures often demanded or proposed by the developed countries. An equitable part of this new cost and correction cost must be borne by the developed world.

B)The reality of added costs

Before looking at the positions of member countries on this question of the sharing of costs, it would be useful to look at the debate on the existence of these added costs.

An interesting observation to note concerning the question of added cost encompassed by a sustainable development approach at the Bank is that four of the interviewees from outside the Bank questioned on this point emphasized that from their point of view in many cases there is no added cost to the integration of sustainability considerations into the development process. In most cases they refer to this as a problem of design, of priority, rather than one of cost, although they generally admit that there are situations where upfront injection of capital is necessary to capture benefits in the long term. An example often given during the interviews involves silting of hydroelectric dams which, because this problem was ignored in many projects, has led to an overevaluation of the life of the dams. A positive cost benefit analysis might have been negative if it had taken into account the environment.

However, it is the view point of the majority of the interviewees (thirteen out of eighteen) that added costs are a general requirement for more sustainable development approaches to development and not the exception. A person from USAID, very well informed about costs of environmental assessments (a requirement for more sustainable projects) mentioned that it will typically account for between one and ten percent of the cost of the project. More recently,

there has even been acknowledgement by the Development Committee of the fact that additional resources had to be committed to support sustainable development.²⁵

So, it appears there is a growing recognition that there are indeed added costs to the promotion of sustainable development. Having outlined this necessity to invest new money for the protection of the environment and the evaluation of environmental costs and benefits, let us now look at the commitment to equitable cost sharing by all countries involved.

C)The situation at the Bank

1-The developed countries

Bilateral aid and co-financing with the Bank is getting more and more into the field of environmental protection. The World Bank is getting grant money for environmental planning (from Norway and Japan and more recently from France and Canada as we saw earlier) and technical aid (from UNDP). The developed countries now accept the need for additional support in the development field, especially for the poorest countries. Madagascar is a good example. It is one of the poorest countries from an economic point of view

²⁵B.T.G. Chidzero, "Report to the Boards of Governors of the Bank and the Fund by the Hon. B.T.G. Chidzero, Chairman of the Joint Ministerial Committee of the Boards of Governors on the Transfer of Real Resources to Developing Countries (Development Committee)," Press Release 26 (27 September 1989): 2-3.

but one of the richest from a biodiversity point of view. This biodiversity is now threatened. Recently, the Bank evaluated an environmental project in that country; the total cost of the project should be around 80 or 90 million dollars, of which 50 to 60 percent will be in grants while the rest will be IDA money (highly concessional loans). The grants come from donors such as the U.S., Japan and European countries. This is a project in cofinancing between donor agencies like most of the future environmental projects are likely to be.²⁶ Finally, it is interesting to note that it is also the general belief of the interviewees both inside and outside the Bank that developed countries are more and more ready to share the cost of sustainable development and environmental protection. Of the ten people who commented on this point eight mentioned the willingness of developed countries to commit resources.

This shift in the northern countries is largely due to pressure from public opinion there. As a senior official from The Institute for Research on Public Policy (IRPP) mentioned during the interview, there is an awareness in the Canadian and U.S. governments that if government doesn't put pressure to bring environmentally sounder practices to the Multilateral Development Banks, public support for the contributions to their activities might erode.

²⁶A senior manager at the Bank, interview by author.

Although most people at the Bank agree that there is a realignment in resource allocation in favor of environment in the Bank by the world community, a senior adviser at the Bank questioned the extent of the willingness of the world community to support sustainable development. To him, the important question when talking of cost-sharing must go further than a simple reallocation of resources within the Bank. It should mean changes in pricing policies for certain goods like tropical hardwood which at current prices cannot be managed in a sustainable way. The answer to the proper management of rain forests is to include the externalities in the actual price of tropical hardwoods. To achieve that would require the establishment of a cartel by major hardwood producing countries (like Brazil and Indonesia) which is contrary to the Bank's usual advice in international trade and management. Ultimately, however, that may be required. That would be a good test of the World Bank and the world community commitment to sustainable development. However, the interviewee points out that at present the actors could only fail this test because none of the producing countries (like Indonesia and Brazil) nor the consuming countries (particularly the U.S. and Japan) have a very strong economic interest in doing this. Although this case refers to the perception of only one interviewee, we believe it is a valuable argumen' to justify qualifying

our overall evaluation of the commitment of the member countries at the Bank to cost-sharing and ultimately to sustainable development. It is a clear but limited commitment.

2-The developing countries

The demands from developing countries for more money from developed countries in the environmental protection field are becoming more frequent. They are taking place in many stands such as World Bank negotiations and negotiations on technology transfer (e.g.: chlorofluorocarbon (CFC) replacement technologies). As a Senior Vice-President at the Bank pointed out concerning the share to be borne by the southern countries in the process of adjustment to sustainable development, the limit is determined by their competitive edge vis-a-vis their trading partners or competitors and their financial resources. They are ready to invest in sustainable development practices, but are very reluctant to saddle themselves with higher costs and to protect their environment when the industrial countries are not protecting their own environments. There is of course the problem of resources and of relevant expertise in the developing countries, a problem which has been seen as an important obstacle by World Bank staff; indeed, it came up often in the interviews. This lack of resources and expertise ends up as a source of difficulty in the negotiation process for loan agreements. The biggest

challenge to Bank staff in this regard is probably to convince these countries that these investments are important. As noted by a senior environmental adviser in a technical unit, when you have to deal with feeding people today, you cannot be worrying about preserving the park, for that is thousands of miles from your preoccupations.

D)Assessment

Thus, although recognition of environmental problems is worldwide, a consensus on these issues has not yet been achieved and may, in certain instances, as often pointed out during the interviews, interfere with the willingness of the Bank as an institution to incorporate environmental concerns and sustainable practices in its lending. While many donor countries are ready to allow additional but limited resources for environmental protection in the South, they are not themselves addressing the sustainable development issues raised in their parts of the world. It is difficult to convince developing countries, already very short of resources, to incorporate sustainability considerations in their own development plans and ask them at the same time to bear a large part of the costs both in terms of planning and reduced competitiveness.

This completes the first part on the member side of the problem. We will now look at the requirements of a sustainable development approach in the different elements

of the planning/management process at the Bank and describe the actual practices of the multilateral development bank for each of these elements to finally make an assessment of the performance of the World Bank at this level.

CHAPTER THREE

THE PLANNING/MANAGEMENT PROCESS

In this chapter and the following one, we will look at the promotion of sustainable development at the Bank within the global planning/management process. We will identify requirements necessary to meet this objective at the Bank and assess how the Bank meets them through a review of what is the actual situation in the multilateral development bank. We will do so by dividing these two chapters according to the four different components of the planning/management process that we identified. These are the policy development component, the institutional component, the operationalization process component, and the implementation component (this last component will be dealt with alone in chapter four). In this thesis, policy development entails the statement of policies as well as all research activities that are related both to the development of new policies and to the application of these new policies. The institutional component refers to all aspects of the structural framework necessary to the activities of the Bank: the offices and other structural entities such as new groups of research, task forces and seminars with their interrelationships. It entails also the human and financial

resources involved in these structures as well as their characteristics. The operationalization process component refers to the technical and stated official process through which the policies of the Bank are translated into elements that can be applied to the actual operations of the Bank. This component is complemented by the last one which refers to the actual implementation of the policies of the Bank at the level of the operations. It concerns the actual practices of the Bank. It deals with what "is" rather than what "ought" to be. All these components are interrelated, the more abstract level being the first one, the one of policy development. Hence, any real promotion of sustainable development must meet the requirements at all levels, the ultimate test taking place eventually at the implementation level.

I-POLICY DEVELOPMENT COMPONENT

A-Requirement

First of all, the World Bank must "make long-run resource and environmental objectives an integral part of planning "¹ and reorient its international assistance toward the goal of ecological security.

¹Robert Repetto and others, The Global Possible: Resources, Development and The New Century (New Haven/London: Yale University Press, 1985), 514.

This is something that has been requested by both the Brandt commission and the Bruntland report. Planning is one very important element of the decision making process. If sustainable development is not promoted at the planning stage, through policies, clear objectives and research activities, it won't take place in actual projects. As we have seen in the first chapter, it is imperative that such a thing be done if we don't want to deplete our resources and destroy our future. Too often, environmental considerations have been badly treated. Different projects have often been contradictory to one another in their environmental impacts because the design priorities weren't clear. For example,

Although the World Bank spent over \$1 million on reforestation projects between 1968 and 1980, it financed at many times that level projects ranging from dams to road construction that destroyed forest resources.²

Sustainability considerations have often been left aside leading to many failures in projects. This is particularly true of Africa, whose environmental realities have often been overlooked. Consequently, project failure rates in agriculture on that continent have been very significant with an average rate of 14 percent, entailing 30 percent failure in West Africa and 51 percent in East Africa.³ Not

²Worldwatch Institute, State of the World 1985: a Worldwatch Institute Report on the Progress Toward a Sustainable Society (New York: W.W. Norton & Company, 1985), 235.

³The World Bank, Tenth Annual Review of Project Performance Audit Results (Washington, D.C.: The World Bank, 1985), 19-24, referred to in The World Resources Institute and The International Institute for Environment and Development. World Resources 1987, 225.

rare were projects pushing monocropping instead of intercropping and fostering tractor plowing or machine clearing methods on very fragile soil.⁴ Let us look at what the Bank is now doing at this level.

B)The situation at the Bank

One of the most important World Bank documents on its new policy orientation concerning sustainable development and the environment is Environment, Growth and Development⁵ published in 1987. This document affirms the commitment of the Bank to these development issues. It covers the inter-relationships between economic growth, poverty alleviation and environmental degradation. Like the report of the World Commission on Environment and Development, this paper affirms "that poverty alleviation, environmental management and economic growth are often consistent objectives"⁶. It deals with problems ranging from agricultural pricing to the role of women in sustainable development. It is a very comprehensive document, which emphasizes the need to look at environmental issues, not only at the project level but also

⁴The World Resources Institute and the International Institute for Environment and Development, World Resources 1987, 225.

⁵Development Committee, Environment, Growth and Development, Publication of the Development Committee, no. 14 (Washington, D.C.: Development Committee, 1987).

⁶Development Committee, Environment and Development: Implementing the World Bank's New Policies, Publication of the Development Committee, no. 17 (Washington, D.C.: Development Committee, 1988), 11.

in all aspects of development work. After the publication of this document, the commitment of the Bank to these issues has been reaffirmed on many occasions.⁷

Furthermore, in terms of actions at the policy level, the Bank has put forward a number of policies that are in general considered to be very good from the point of view of interviewees both from inside and outside the Bank. For example, it adopted in 1986 a wildland policy which seeks a "balance between preserving the environmental values of the world's more important remaining wildlands, and converting some of them to more intensive, shorter term uses."⁸

The Bank's report on the quantity of research for the development of policies and their applications is impressive:

Environmental-issues papers (EIPs) are being prepared for each of the Bank's borrowing member countries. This process is intended to heighten awareness within the Bank of environmental issues, to clearly delineate responsibility for addressing them in country operations, and to achieve a consistent approach to their solution.... Environmental-issues papers were

⁷Among other documents see: Barber B. Conable, Address to the Board of Governors, Berlin (West) (Washington, D.C.: The World Bank, 27 September 1988); Idem, Address to the World Resources Institute (Washington, D.C.: The World Bank, 5 May 1987); Idem, Environment, Population and Sustainable Development: Address to the World Resources Institute (Washington, D.C.: The World Bank, 13 June 1989).

⁸The World Bank, Wildlands: Their Protection and Management in Economic Development, Operational Policy Note, no. 11.02 (Washington, D.C.: The World Bank, June 1986), 1.

prepared for about seventy borrowing countries during the year. Several papers had been completed in fiscal year 1988, and the remainder are scheduled to be completed in the early months of fiscal 1990. Priority topics identified in the EIPs include all the major issues in the environmental spectrum: watershed erosion and upland degradation, deforestation, loss of biological diversity, soil and land management, air and water pollution, urban sanitation and waste disposal, environmental health, the protection of cultural property, marine and coastal zone protection, and water-resource management in general. Some factors aggravating environmental problems have been identified in many of the papers, and include population pressures on resources and legal and policy constraints. Insecurity regarding property rights, distorted economic incentives, and lack of existing institutional capacity to tackle major problems are often mentioned, as well.⁹

Other studies also take place:

Complementing the EIPs are a number of in-depth studies of selected key environmental issues in particular countries. The original goal--completion by the Bank of thirty such studies by the end of fiscal 1992--is well ahead of schedule.¹⁰

Furthermore,

Country-wide environmental strategies are being developed in the form of Environmental Action Plans (EAPs), which address recommended actions with emphasis on the policy, legislative and institutional changes. Among IDA-recipient countries, EAPs have been completed for Madagascar and Lesotho; others have been started for Burkina Faso, Ghana, Guinea, and Rwanda.¹¹

Apart from this general regional research work, environmental studies completed or under preparation include

⁹World Bank, The World Bank: Annual Report 1989, 50.

¹⁰Ibid., 50-51.

¹¹Ibid., 51; International Development Association, IDA's Environmental Activities, Technical Note no. 5 (Washington, D.C.: The International Development Association, June 1989), 4.

The Capital Cities Clean-up Project which targets pollution problems in large Third World cities such as Mexico. There is also a regional initiative in the Asia-Pacific region to strengthen environmental training institutions. A Watershed Sector Review is also planned for FY90 in the Asia region. Finally, a study which reviews the role of remote sensing and geographic information in renewable resource management in Africa has recently been completed.¹² Other research and policy works are also planned in several sectors. A first one is natural resource management in which nine studies will be completed by the end of 1989. They "cover topics such as dryland management, biodiversity, forestry, and watershed management."¹³ A second sector is environmental quality and health in which studies

cover topics such as natural hazards, industrial risk, industrial pollution, air quality management, climate change, and public policy and health. Two studies are being undertaken in 1989 in this area.¹⁴

A last sector is environmental economics and institutions which

covers national income accounting, power system planning, the environment in project economics, the economics of sustainable development, environmental institutions, and land tenure and conservation. Seven studies have been completed or are planned for 1989.¹⁵

¹²International Development Association, IDA's Environmental Activities, 5.

¹³Ibid., 5-6.

¹⁴Ibid., 6

¹⁵Ibid.

A listing of the titles of these studies can be found in Appendix C of this thesis.

The Bank has also produced some sixteen working papers on a variety of subjects which "present preliminary and unpolished results of country analysis or research that is circulated to encourage discussion and comments"¹⁶ A list of these can be found in the bibliography.

Since FY87, the Bank/IDA has also been developing

a database on the environment to help integrate environmental considerations into operational activities. This database, the Environmental Information System (ENVIS), draws on internal and external sources. It is designed to monitor and track Bank/IDA environmental projects, provide country-by-country sources of environmental information, and provide electronic access to economic and sector studies through an environmental/economic bibliography. System development will continue over the next several years.¹⁷

Finally, it is important to note that the few commentaries of the people interviewed concerning the actions of the Bank at this level in the last years were only positive. Nobody criticized the Bank for lack of quality and quantity of the research. Furthermore, four

¹⁶Stein Hansen, Debt for Nature Swaps: Overview and Discussion of Key Issues, Environment Department Working Paper, ed. The World Bank, no. 1 (Washington, D.C.: The World Bank, February 1988), preface.

¹⁷International Development Association, IDA's Environmental Activities, 8.

interviewees from outside the Bank said that research material was usually very good.

C)Assessment at the level of policy development

We can see from the preceding review of what is done at the Bank at the level of policy development, that the amount of work in order to integrate environmental and other sustainability considerations in the planning/management process at the Bank has been significant. Stated policies and research on their applications suggest that the Bank is quite committed. But changes in commitment to planning and management also demand changes at the institutional level, which we will now look at.

II-INSTITUTIONAL COMPONENT

A)Requirement

At the institutional level, the commitment to the environment should first be translated into what has been proposed in 1987 by the World Commission on Environment and Development, that is the establishment of a high-level office in the agency with "the authority and resources to ensure that all policies, projects, and loan conditions support sustainable development".¹⁸ Let us look at what the Bank has done concerning this proposition for change.

¹⁸WCED, Our Common Future, 338.

B) The actual institutional framework at the Bank**1-The structure**

In 1987, there was at the Bank a major reorganization. Its objective was "to increase efficiency and effectiveness and better focus on the Bank's personnel resources"¹⁹. A new emphasis on environment in the Bank's work was an important element of this reorganization.²⁰ As a result of this, there is now a member of the President's personal staff who monitors environmental matters.²¹ Replacing the then very small Office of Environmental and Scientific Affairs in its task of monitoring environmental matters at the Bank, since November 1988 the World Bank has an Environment Department in the division of Policy, Planning and Research (PPR) and four environmental units in the regional technical operational groups (Asia; Africa; Latin America and the Caribbean; and Europe, the Middle East and North Africa).²² The central Environment Department has three main tasks: to develop environmental management strategies through operational support; to cover economic

¹⁹United States Department of the Treasury, Progress Report on Implementation of Environmental Reform in Multilateral Development Banks (Washington, D.C.: Department of the Treasury, 5 February 1988), 3.

²⁰World Bank, The World Bank: Annual Report 1988 (Washington, D.C.: The World Bank, 1988), 43.

²¹United States Department of the Treasury, Progress Report, 5.

²²*Ibid.*, 3.

policies and research; and to deal with technical and scientific issues.²³ The regional technical environmental units are responsible for the integration of environmental aspects into the operations of the Bank (project and non-project loans).

Here the most important problem identified by the interviewees comes from the non-integration of the new structure into the whole Bank institutional complex. Particularly, the central Environment Department is seen by all interviewees outside the Bank as an entity really separated from the operational areas, having almost nothing to do with the operations. Its research work on policy issues and guidelines, according to them, has almost no effect on the operations. In fact, although the central department officially has a role to play in the operations and in individual projects, its limited involvement in that field has been criticized during the interviews. Three interviewees from the NGO community in Washington even characterized the establishment of the Environment Department in general, and the hiring of certain of its high staff members as some sort of public relations activity. Indeed, they suggested that these were put in place only to

²³Vice President and Secretary, World Bank Procedures for Integrating Environmental Issues into Country Strategies (Washington, D.C.: International Bank for Reconstruction and Development, 19 October 1987), 1.

reduce the pressure on the World Bank for changes, not to bring real changes.

This problem of non-integration was also mentioned by a senior adviser at the Bank who noted the credibility problem of the people working in the central department, most of their work being almost completely detached from the reality of the operations of the Bank.

2-The resources

In terms of human resources, the central Environment Department has over thirty staffers plus consultants. Each one of the technical environmental units has a staff of five or six people.²⁴ Thus, apart from a new structure at the Bank, the increase in staff resources working fulltime on environmental matters over the last three year period has been sevenfold; it is now up to sixty-five full time staff plus consultants.²⁵ A Senior Vice-President of the Bank told us that he was confident he would get ten new positions in FY90, of which he would put eight into the regional

²⁴Bruce M. Rich, The Environmental Performance of the Multilateral Development Banks and the International Monetary Fund, Statement on behalf of the Environmental Defense Fund and the National Wildlife Federation before the Subcommittee on Foreign Operations, Committee on Appropriation, United States House of Representatives (Washington, D.C.: Environmental Defense Fund, 24 April 1989), 2.

²⁵Barber B. Conable, Environment, Population and Sustainable Development, 1

environmental units and two in the central department. Concerning the mobility of information, Bank staff mentioned to us there was a continuous flow of information between the central department and the technical units and that there were people from the central department working with those of the technical units on specific questions and projects upon request by the environmental units, so that the central department knows what is going on in the regions.

Finally, although it does not relate directly to the environmental structures, it is worth noting that at the level of the human resources in the Bank in general, evidences suggests there are also changes going on. The new emphasis on environmental matters results in jobs for environmental specialists even outside the Environment Department or units. As a senior manager of a regional environmental unit mentioned to us, just before the interview a chief of an agricultural division told him he had two positions available for people with background in the environmental field.

It is interesting to note that the original promise for staffing on environmental matters, made by President Conable in 1987 when he announced the reorganization, was of a hundred positions. Now, there are sixty-five with ten more promised. This is still twenty-five staff positions away

from the President's target. Seven interviewees said that these positions are needed. If we look at the regional units for example, in the Latin America section there are four people while in Asia there are six staff positions. The Bank now approves about one loan per day. A comparison between the large number of loans to be monitored and the relatively small staff working on environmental matters at the Bank strongly suggests that a proper monitoring of every project isn't possible with the present staff resources. To a senior manager of the Bank Information Center in Washington, it can be summarized only as the "Strategy of the Worst Case" where it is only when the environmental community points out problems in a particular project or when the impacts are observed during implementation of the project that deep attention is accorded to the environmental question. A unit senior manager told us that in his view, this problem of staffing was also present in the central department so that it was not always the case that the central department could meet the needs for professional advice of the units. Overall though, it was emphasized in the interviews that an increase in personnel resources should go to the environmental technical units first, "where the real business is transacted".

In terms of the qualifications of Bank staff working in this new structure, everybody interviewed both inside and

outside the Bank agrees that the Bank usually has very well qualified people in its different fields of work. People from the environmental community emphasized that those in the technical units were usually especially qualified. In terms of background, these are economists, environmental scientists and sometimes social scientists. For example, in September, the people working in the Asia unit on operations were an anthropologist, a social forester, a women-in-development specialist, an urban planner, a chemical engineer, a biodiversity specialist, an ecologist, a forest economist, a sanitary engineer and a natural resources economist. This comprised the total work force of the unit. It is also a typical distribution of backgrounds for an environmental unit at the Bank. When looking at both the central Environment Department and the units together, there is a majority of people with a background in economics. This was seen as an asset by some people interviewed within the Bank because the World Bank is first of all a Bank and because it appeared to them as a supplementary element of credibility in their task to convince the other employees working at the Bank who are mainly economists. Finally, about half of all these staff positions in environment were filled by people already in the Bank prior to the reorganization.

Concerning interesting criticisms from outside the Bank on this specific question of background, but this time at the level of the Bank as a whole, two of the interviewees mentioned that they believed there was a problem of specialization. Too many are economists (qualified economists nevertheless) while, they argue, sustainable development entails many things that have an unquantifiable economic value, a value that can't fit into a standard economic analysis. There was a need for more people with other backgrounds to be brought in to make sure World Bank analysis of projects and programs, in all stages of planning/management, and in all departments of the Bank, would not rely solely or mostly on quantifiable economic values.

3-The authority

Concerning the authority of these environmental structures within the Bank, what comes out of the interviews in general is that the power of control concerning the environmental soundness of projects is in the technical units where the operations are conducted, where the action is. In fact, the Bank officially affirms that all projects "require clearance from regional environmental divisions"²⁶ It is stated by the Bank that environmentalists are involved from the beginning in a project and that if a project

²⁶World Bank, The World Bank: Annual Report 1989, 52; Interviews by the author.

doesn't meet the guidelines, it doesn't go further. But as pointed out by the Senior Vice-President interviewed, "there is no legal veto of the environmental unit, there never is. It is an integrated process." It is "integrated" in the sense that there is a continual dialogue between the project officers and the environmental units from the beginning of the projects so that corrections are made as the projects are developed. In practice, two senior managers from the environmental units mentioned to us that on certain occasions they have held up projects and that there has then been agreement to redefine the projects. This has happened at least in two divisions, Asia and Africa. In the latter region, they had last year about eighty loans and of these, five have been held up for environmental reformulation.

However, to the interviewees outside the Bank, the lack of effect of the work of the Environment Department on the operations of the Bank is only one more way to show that its power within the World Bank is very limited. With the reorganization, the then very small environmental office was split into parts. The main Environment Department, as we have seen, is now located in PPR, and as explained by a researcher from the NRDC, "part of that splitting was sort of removing the right or power, and the obligation of the policy side to review and approve all projects." Indeed, even the person responsible for monitoring World Bank

activities in the Government of Canada had doubts about the actual role of that department. To him, it was not clear at all whether it does what it was created to do in terms of quality control of projects.

Still in terms of power, ten of the eleven interviewees from outside the Bank agree that even the environmental units have not enough actual power to ensure that environmental safeguards are incorporated in every project. The changes in design are ensured officially only when they come from a request of the project officers and country directors²⁷; the same was true of the environmental impact procedures which up to now were usually done at the request of the country officers. As the units don't have independent budgets from the country offices, they had to rely on these officers for such matters.²⁸ As we will see later, institutionally, these people in charge have little incentive to do so.

From inside the Bank, a senior manager of an environmental unit mentioned to us that he was himself sometimes facing important resistance to the integration of environmental safeguards to projects from among the

²⁷Bruce Rich, "Conservation Woes at the World Bank: Funding Deforestation," The Nation, 23 January 1989, 90.

²⁸A USAID staff person, interview by author.

personnel in the operational complex. The lack of power of the environmental units was also acknowledged by one staff person from the Bank who worked in these units. This person mentions that legally and officially there is authority. However, in practice, every effort is made to ensure dialogue and cooperation between the environmental units and the project officers to integrate environmental concerns from the beginning of the project cycle. The environmental units then have officially two functions to exercise: they are cooperative in-house consultants who are supposed to design environmental safeguards into the projects from the very beginning, and they are environmental auditors or watch dogs to be an arms-length critic. The second function is somewhat contradictory to the first one which implies team work; it appears that there is an organizational problem in requiring both functions from the same people. As the interviewee noted, it puts them in a position where they do have the authority to stop a project but it is very difficult to exercise that within the actual system.

Finally, this lack of power of the environmental units can probably best be illustrated by a case that a senior director of the Bank Information Center brought up during the interviews. The example refers to the Brazil Power Sector II five hundred million dollar loan. It required among other things that the Brazilian government integrate

nuclear power into its energy program. Financing nuclear power is contrary to the Bank policy in the energy sector. The head of the environmental unit at the Bank for the Latin American region was opposing the loan and said he wouldn't sign off on that loan to his Vice-President. However, the project was still moving towards approval. Because of enormous international pressure the project was never taken to the Board for a vote but it was not because of internal pressure from environmentalist within the Bank. It was because of external pressure from the environmental NGOs which brought the debate to the public (this has been confirmed by a second interviewee who monitored the progress of the loan for the U.S. government) as well as the fact that the economic situation in Brazil deteriorated to the point where the Bank didn't feel that it could give Brazil a loan at that time.

C) Assessment

From this discussion of the new structure at the Bank, we can see that although positive changes have taken place since 1987, both in terms of resources and authority, the present offices do not meet entirely the requirement set at the beginning of this section. That is, it has neither sufficient resources nor sufficient authority to ensure that all policies, projects and loan conditions support sustainable development. This conclusion will become even clearer in the following sections.

D)Other institutional elements

Aside from consideration of the institutional requirement earlier identified (the creation of a high level office within the Bank), to be as comprehensive as possible in our assessment of the work of the Bank in the area of sustainable development promotion it seems to us important to also mention other institutional changes that have taken place at the Bank in the recent years as well as other important institutional problems.

1-The situation

The Bank created eight task forces to study global problems and their resolution from an environmental perspective. They deal with dryland management (desertification), deforestation, conservation of biological diversity, watershed degradation, human welfare aspects of irrigation, inappropriate pesticide use, industrial disasters, and urban environmental issues.²⁹

Finally, an important institutional change that has taken place at the Bank is at the level of seminars. The Bank provides a very large number of these to its staff. This is all to its merit. In Fiscal Year 1989 alone, the

²⁹Representative Summary of Current Bank Activities in the Environment, (Washington, D.C.: 1988), 8.

Bank undertook seventy major training sessions which reached about 450 Bank staff. These were seminars and workshops on different subjects such as the implications of climate change, environmental and safety aspects of large dams, natural resource management, dryland management, municipal and industrial waste management, and industrial hazards. The goal of these sessions is to create awareness of these issues among staff of the institution.³⁰

2-The problem: the non-integration

Although these new task forces with their research activities and recommendations and all these new policy development elements reviewed in the first section are valuable, a significant institutional problem at the Bank is the non-integration, not only of the Environment Department considered above, but also of environmental matters, into the overall operations of the Bank. For instance, although there are environmental units in the regional divisions, there are separate offices for power loans and industrial loans away from the environmental units and the Environment Department, so that any coordination of environmental activities become elusive and to a certain extent at the discretion of the different offices. Environmental

³⁰International Development Association, IDA's Environmental Activities, 7-8; World Bank. The World Bank: Annual Report 1989, 54; James Listorti, "Bank Staff Training," Environment Bulletin 1, no.1 (January 1989): 3.

soundness of projects thus depends in the final analysis on the different sectoral commitments to this aspect. While one department may write a very good paper on a particular subject, it is far from clear what will be the impact of this research on the activities not only of that department, but also on the activities of other offices. An interesting example of this is the one given by a senior director of The Bank Information Center, a Washington based NGO. About eight months before the interviews were held, the representatives of the NGO were talking to some people in the Energy office of the Bank about what needed to be done in the power sector in Brazil. They were opposing the power generation approach the Bank has in Brazil. The NGO representatives argued in favor of end-use efficiency projects in that country referring to Bank studies on this topic done by another department. However, these studies were not used in the evaluation of the projected programs of the Bank for that country.

This is the kind of situation that often arises. Finally, even for projects that aren't sectoral, the environmental quality isn't ensured from the outset. One senior staff member in a region indeed told us that although environmental issues in projects are recognized, they are subject to debates and that consensus is far from acquired

on the relative importance and the priority of these issues vis-a-vis other development issues.

E)Assessment

It is clear that although a significant amount of research (through the task forces and policy development) and seminars are conducted on sustainable development issues at the Bank, the basic institutional problem of non-integration of environmental matters in the planning/management activities of the different departments of the Bank still remains for both sectoral and non-sectoral projects.

This completes the section on the institutional component of the planning/management process. Let us now look at the operationalization process component.

III-PROCESS OF OPERATIONALIZATION OF THE POLICIES

According to a senior adviser at the Bank, environmental issues are now one of five or six major sets of questions which are posed at the stage of project design. This person argues that in a complicated environment like the World Bank, being one of only five or six key questions about a project is in fact assigning to environmental issues a great deal of importance. But how are these environmental issues and policies operationally integrated into the

planning/management process? This is what we will now look at.

A)First Requirement

In order for the policies and the new structures of the Bank to be really effective, there needs to be an adequate way of translating them into the operations. In that sense, the establishment of practical environmental regulations are important.

This would contribute greatly to clarifying the objectives of the Bank both vis-à-vis its own staff and the other groups involved with it. The large number of institutions, countries, and industries working with the World Bank on development projects underlines the importance of these elements in ensuring that all actors are going in the same direction. Let us look at how the Bank has succeeded in doing this.

1-The actions of the Bank

Policies and objectives are translated into guidelines. All these guidelines are designed in a process of interaction between the central department and the technical units (environmental units) and are subject to the approval of the Bank operation's committee. These guidelines are called Operational Manual Statements (OMS) or Operations Policy Notes (OPN). Most of them are considered

confidential documents. We have been told during the interviews by a senior manager of an environmental unit at the Bank that the OMS are now being revised so that they will become Operational Directives (OD) which should then be made publicly available. Until now, the World Bank's publicly available guidelines are:

- . "Environmental Guidelines", and
- . "Occupational Health and Safety Guidelines"

These two sets of guidelines were published in September 1988 and both of them concern industrial operations supported by the Bank. These are comprehensive technical documents which indicate the Bank's standards and procedures to follow when different industrial elements enter in a project, and finally, there is the most recent OMS 5.30: "Collaboration with NonGovernmental Organizations".³¹

Confidential guidelines concerning the environment are the following ones:

- . "Projects on International Waterways"(OMS),
- . "Social issues associated with involuntary resettlement in Bank-Financed Projects"(OMS),
- . "Tribal people in Bank-Financed Projects"(OMS),
- . "Environmental aspects of Bank work"(OMS),
- . "Guidelines for the Selection and Use of Pesticides in Bank Financed Projects and Their Procurement When Financed by the Bank"(OPN),
- . "Guidelines for the Use, Selection and Specifications of Pesticides in Public Health Programs"(OPN),
- . "Management of Cultural Property in Bank-Financed Projects"(OPN),

³¹For complete reference see bibliography under the heading "Guidelines".

- . "Operations Issues in the Treatment of Involuntary Resettlement in Bank-Financed Projects"(OPN),
- . "Wildlands: Their Protection and Management in Economic Development"(OPN).³²

Finally, in 1989, a number of new confidential guidelines have been issued:

- . "Guidelines on economic analysis of off-farm aspects of watershed management",
- . "Guidelines on environmental considerations in port and harbor development",
- . "Guidelines on environmental and ecological considerations in land transportation",
- . "Guidelines on the use and application of pesticides",
- . "Environmental policy for dam and reservoir projects",

A Technical Manual on safe disposal of hazardous wastes, with special reference to needs of developing countries, has also been issued, and most recently, the Operational Directives on Environmental Assessments which has long been demanded by the outside critics, has also come out.³³ Finally, work has been initiated on a technical manual on the preparation of environmental satellite accounts, and on operational directives on tribal people.³⁴

Officially all these guidelines are followed in the planning/management process by the technical environmental

³²For complete reference see bibliography under the heading "Guidelines".

³³The World Bank, Environmental Assessment, Operational Directive 4.00, annex A (Washington D.C.: The World Bank, September 1989).

³⁴International Development Association, IDA's Environmental Activities, 5.

officers in the regional units working on specific projects, and as a Senior Vice-President at the Bank mentioned during our interview with him, every project must meet the required guidelines.

2-The problems

But here also problems are far from over. In fact, out of the fifteen persons who answered this question, eleven (of which nine from outside the Bank) mentioned the guidelines were not always implemented as they should be. They mentioned that the guidelines are far from integrated into the planning/management process, although the Bank, as we have seen, claims they are. The criticisms are not with the quality of the guidelines. The critics mention that the project officers don't pay attention to them. It is a problem of systematization. People outside the Bank, who get these documents by unofficial channels, have in fact noted requirements in Bank's OMS, OPNs and ODs which haven't been met and they have brought these contradictions to the attention of Bank officials on different occasions.

There are many examples where actual implementation of the operational guidelines has not taken place. A USAID staff gave us an interesting one, relating to a new project. The week before the interview, a dam project in Brazil was approved. That project involved the relocation of people. USAID representatives consulted the resettlement guidelines

of the Bank which were themselves clearly affirming that the Bank should have a resettlement plan for such projects. However, there was no resettlement plan for this project.

To ten of the eleven interviewees outside the Bank the problem comes from the lack of effective power of the environmental units and of their directors. The commitment of the staff in the operational environmental units is not questioned.

Another important problem is in the making of these operational statements. A senior director from The Bank Information Center points to the lack of consultation in the process. He gives as an example the making of the Operational Manual Statement on Collaboration with NGOs. The Bank set up in 1982 the World Bank-NGO committee which consists of about twenty-six leaders from NGOs around the World and staff of the Bank from different part of the institution. Its role is to promote cooperation with NGOs and their involvement in Bank activities.³⁵ The Bank first discussed this OMS with this Bank-NGO committee. The committee was asked to do consultation on this question of

³⁵The Deputy Secretary, Meeting of the World Bank-NGO Committee and Recent Progress in Bank-NGO Cooperation (Washington, D.C.: International Bank for Reconstruction and Development, 13 February 1989), 1-2.

Bank-NGO collaboration. But Bank staff didn't discuss the final OMS document with the NGO committee before publishing it. It is something that offended many NGOs. The same lack of consultation was noted in the making of the recent Operational Directives on Environmental Assessments which were finally done without any consultation with qualified environmental NGOs or any other qualified people or group of people outside the Bank. Although there is expertise inside the Bank on this issue, consultation with outside experts could have contributed to the quality of the Operational Directives.

Concerning the pace of the process, in some instances, as in the case of toxic wastes, progress on the making and adoption of guidelines has also been disappointing, as mentioned below by the Senior Attorney for the Environmental Defense Fund, in a statement before a U.S. Appropriation Committee:

The bad news again is that progress has been disappointingly slow in forming the Toxics Advisory Panel, let alone any sub-panels to deal with specific issues (i.e no panel has been formed yet). Meanwhile hundreds of millions of dollars of Bank loans are being prepared to help support use of substances and technologies which are banned or obsolete in many highly industrialized countries. Use of asbestos cement pipe is still an issue on which the Bank is "neutral" and we were told that a large loan for a chlorine bleaching paper mill in Chile was too far along to be changed.

We are somewhat disturbed by the lack of urgency with which the Bank views this situation, since waiting another year or two to develop and put into force

guidelines on these issues will burden developing countries with what are already known to be environmentally costly and technically obsolete technologies. For example, the adverse impacts of chlorine bleaching paper mills has been well documented (including testimony in hearings before the Congress) and feasible alternative technologies are now being implemented in Sweden, Germany, Canada and the U.S. Installing low chlorine facilities is much more cost-effective than retro-fitting existing operations.³⁶

3-Assessment

So, in terms of operationalization, there are also problems at the Bank. Not only is the process sometimes slow and done with a lack of concern about the interested groups, but most important of all, the actual application of the guidelines is often lacking, while the environmental units don't have the effective power to ensure their implementation.

B)Second requirement

Still at the operational level, consequent to a process of integration of environmental considerations into the project cycle, another requirement at the World Bank is the need to internalize social and environmental costs as production costs.

Too often production costs represent only extraction costs. They are thus improper and underevaluate the real costs of a project as they don't take into account the

³⁶Bruce M. Rich, The Environmental Performance of the MDBs (24 April 1989), 13.

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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
(ANSI and ISO TEST CHART No. 2)

pervasive effects of environmental degradation on future development.

In order to evaluate this requirement, we will proceed following the analysis of three sub-requirements or three more specific requirements. This will bring us to a general assessment of this more global requirement.

1-First more specific requirement

Within the project cycle, an element which may signal the integration of environmental considerations surely concerns the evaluation of environmental costs and benefits in projects. It is thus interesting to see what is the work done by the Bank in the area of methodologies of appraisal.

The lack of methodologies of appraisal integrating environmental costs and benefits is something that has clearly been acknowledged by the WCED.³⁷ It is on the basis of these methodologies that a decision will eventually be made in the planning of projects. It is thus important to further develop them and to integrate them into the decision making process. They would be useful to give a more appropriate picture of all the costs and benefits associated with a project. These methodologies, by looking at the cost

³⁷WCED, Our Common Future, 338.

of environmental restoration and all spillover effects³⁸, would provide new values for goods on the basis of which project evaluation would be made, an evaluation taking into account sustainability considerations.

a) Situation at the Bank

The general belief outside the Bank is that quantitative methodologies are predominant in Bank analysis. However, it is interesting to note that three of the four senior managers from the environmental units we interviewed mentioned qualitative methodologies as important approaches in their appraisal. In fact one of them affirmed that he was more inclined towards qualitative methods when evaluating environmental costs and benefits. All staff people interviewed recognized that the goal of the institution in that field was to internalize the externalities when preparing projects using the best methodologies available. To them however, it is a goal not yet completely achieved although they affirm the Bank is moving towards its achievement. One senior adviser interviewed even affirmed that, in his judgement, environmental and social cost were well internalized in 60 to 65 percent of the Bank lending. State of the art techniques in that field are used entailing, among other

³⁸Robert E. Asher and Edward S. Mason, The World Bank since Bretton Woods (Washington, D.C.: Brookings Institution, 1973), 310; Robert Repetto and others, The Global Possible, 486-487.

things, innovative economic analysis. Another interviewee from the Bank pointed out that progress in the area of internalization will go as far as is technically possible.

b)The problem

Concerning quantitative methodologies, the problem of the lack of adapted operational techniques available has been acknowledged by the Director of the Environment Department himself. This goes along with most of the criticisms which concern the use that is made of cost-benefit analysis and the problems of measurement they entail for environmental aspects.³⁹ As the Senior Attorney from the Environmental Defense Fund in Washington points out:

There is a tendency to focus on those factors that can be expressed in dollar terms. For instance, to be approved, a development project must promise a favorable rate of return (typically 10 percent). In calculating the rate of return, economists rely on cost-benefit analyses that treat ecological destruction as an externality or a trade-off exchange for other benefits. But this destruction has very real economic costs, even if they cannot be easily quantified. Another problem with this model is the narrow definition of social welfare it employs, one that assesses a country's economic progress in terms of increased gross national product or export volume.⁴⁰

³⁹These have been acknowledged in a publication of the World Bank. For more information see: James A. Lee, The Environment, Public Health, and Human Ecology: Considerations for Economic Development (Baltimore: Published for The World Bank by The John Hopkins University Press, 1985), 9-12.

⁴⁰Pat Aufderheide and Bruce Rich, "Environmental Reform and The Multilateral Banks," World Policy Journal, 304.

He also points out that this kind of analysis tends to ignore cultural and social elements in its appraisal. It also faces the problem of the availability of data, sometimes nonexistent, sometimes manipulated, sometimes unreliable.⁴¹

c)The response of the Bank

These criticisms are legitimate. However, as we have seen, there now appears to be at the Bank a tendency to use qualitative methods of evaluation as well as quantitative and also new methods that would integrate as much as possible the externalities. Furthermore, the acknowledgement by the Director of the Environment Department that appropriate methods of evaluation are lacking in this field may signal that the commitment of the higher management at the Bank to do more work in that field is now there.⁴² When higher management recognize a problem publicly it is often because it is already working on its resolution.

Indeed, the Bank is already taking action in that field. As explained by an environmental economist at the Bank, they are now working on an ambitious project to

⁴¹Ibid., 304-5.

⁴²Zeinab Partow, "A Surge of New Interest in Sustainability," Environment Bulletin 1, no.2 (March/April 1989): 2.

develop a new System of National Accounts (a project that the environmental groups in Washington are supporting, and that, if realized, would permit a better valuation of environmental goods in development). The project refers basically to a revision of the System of National Accounts in order to reflect environmental costs, the depreciation of environmental capital being subtracted from the income. The idea behind this project is that there is the need to get a better measure of income which represents the amount a country can consume on a sustainable basis, so that sustainability is built right into the concept of income. The World Bank is now beginning a project for some case studies to try to actually calculate or estimate the degree of natural capital consumption that should be subtracted from national income to get a better measure of sustainability.

In 1989, the Bank published a paper called "Environmental Accounting for Sustainable Development", that brings together different research papers on how to integrate environmental accounting into the System of National Accounts(SNA) and other sorts of environmental accounting. In the last section, it is said that the World

Bank jointly with other organizations will get into deeper studies and case studies in that area.⁴³

d)Assessment

Concerning this particular aspect of the use and development of new methodologies of appraisal that favor the integration of environmental and social costs as production costs in project planning, the Bank seems to be moving in the right direction. To a few interviewees in daily contact with the Bank appraisal process, it appears that the Bank is actually starting to use qualitative approaches that do a better job of internalizing externalities than the traditional cost-benefit analysis. The Bank is also working on new innovative methods of appraisal. However, concerning these, it remains to be seen how they will be applied in planning activities.

2-Second more specific requirement

Another institutional requirement, linked to the preceding one, is that the World Bank should encourage the establishment of a uniform and rigorous procedure for the evaluation of project costs and benefits.⁴⁴ Such a

⁴³Yusuf J. Ahmad, Salah El Serafy, and Ernst Lutz, eds., Environmental Accounting for Sustainable Development: A UNDP-World Bank Symposium (Washington, D.C.: The World Bank, 1989), 88-91.

⁴⁴Robert Repetto and others, The Global Possible, 514.

procedure could take the form of an Environmental Impact Assessment process.

Indeed, although the actions and methodologies reviewed in the preceding section are interesting, the uniformity and rigour of the appraisal process is absolutely necessary to ensure a constant and efficient treatment of projects.

a)The situation at the Bank

Progress at this level is now taking place. Changes in Bank practices came in September 1989 after years of outside pressure. Before that, Bank staff had claimed that they were performing environmental assessments, but the Bank had not adopted an Environmental Impact Assessment (EIA) process that met even the minimum accepted international standards established by the United Nations Environment Program in its nonbinding 1987 statement on "Goals and Principles of Environmental Impact Assessment." While a short discussion of environmental impacts was included in the Staff Appraisal Report for each World Bank project, these discussions tended to be cursory at best and rarely raised any issue that would threaten the project's approval. No explicitly written evaluation of a proposed project's environmental impacts were prepared before the loan approval stage. Furthermore, the Bank did not require that people

affected by a project be advised of the potential environmental impacts of the proposed project.⁴⁵

As we mentioned earlier, the Bank released Operational Directives on Environmental Assessments. This appears to be progress, however, it remains to be seen how it will be implemented. This process has indeed been criticized. It has been mentioned by the environmental groups in Washington that this assessment was not taking place early enough in the planning/management process so that some of its recommendations were likely to come too late and that the purpose of the EIA was thus somehow questioned; environmental considerations are not there from the beginning as they should be.⁴⁶ The Operational Directives will offer a classification for projects in different categories, following the nature, magnitude, and sensitivity of the environmental issues they deal with. Category A is where the full environmental assessment is normally

⁴⁵Thomas B. Stoel Jr., Testimony of Thomas B. Stoel, Jr. Director, NRDC International Program, before the Subcommittee on Foreign Operations, House Committee on Appropriations., also on Behalf of the National Wildlife Federation (Washington, D.C.: Natural Resources Defense Council, 24 April 1989), 16.

⁴⁶These criticisms were compiled from conversations with a staff person from the Bank Information Center and with a research associate from the NRDC in Washington and from: Nongovernmental organizations, Letter to President of the World Bank on World Bank Operational Directive on Environmental Assessments, 14 November 1989, Washington, D.C.

required, category B requires more limited review as the project may have specific environmental impacts, category C is where environmental impact assessment is not considered necessary (e.g.: educational programs) while category D is reserved for environmental projects where separate environmental impact assessment may not be required because environment is already a major focus of project preparation.⁴⁷ This classification is left to the judgement of the project officers. There are concerns on how this system of classification will be used within the Bank. The critics are afraid a large number of projects could be classified in less strict categories so that they could avoid complete environmental impact assessments. The wording of the document is also seen as too loose. Indeed, there is no strict obligation to follow the guidelines. There is often "could" instead of "should". Finally, there are also concerns about how broad will be the considerations of alternatives to projects that will be found unsound. For example, concerning the energy sector, will it merely be the reconsideration of a site for a project or will the Bank also consider alternatives in energy efficiency.⁴⁸

⁴⁷The World Bank, Environmental Assessment, 6 and Annex 3.

⁴⁸These criticisms were compiled from conversations with a staff person from the Bank Information Center and with a research associate from the NRDC in Washington and from: Nongovernmental organizations, Letter to President.

b)Assessment

The critique is incomplete as implementation of the Operational Directives on Environmental Assessments has just begun. The substance of these new guidelines is very good overall. They could bring more uniformity and rigour in project appraisal. Environmental groups in Washington were glad to see them adopted. Most of their criticisms concern the rigour and uniformity, not of the directives themselves, but of their implementation. As far as this last point is concerned, only the future can tell. However, for what we can judge from the present practices of the Bank, and this will be even clearer at the end of chapter four, it is likely that there will still be cases where the procedure will not be respected.

3-Third more specific requirement

Of course there is the need not only for Ante-environmental impact analysis but also for Post-environmental impact analysis, as in any rigorous project cycle.⁴⁹ This represents another requirement at the level of the operationalization process.

Methods at this stage also are still experimental in most cases and as knowledge concerning the environment and

⁴⁹Rudi Klaus and David C. Korten, eds., "Planning framework for people-centered development," chap. in People-centered Development: contributions toward theory and planning frameworks (Kumarian Press, 1984), 201.

the effects of development on it are still partial, it appears important to study more carefully the actual impacts of past development projects on the environment. These would represent not only a way to measure carefully the effects but also be a rich source of information necessary to further refine the measurements of impacts and improve the soundness of the decisions.

a) The actions of the Bank

As summarized in the latest annual report of the Bank,

Studies in the operations evaluation department are carried out at three levels; individual audits, impact evaluations, and special studies. Environmental issues are now addressed in the course of performance audits and in reviews of project-completion reports. In addition, work commenced during the past year on two country-specific studies of environmental issues, for Brazil and Nepal.⁵⁰

The Bank is now evaluating pre-1979 projects, now that the impacts that took place over time can be measured. Every borrowing country is also required to evaluate its projects by itself.⁵¹ Furthermore, the Bank is performing evaluation of a more global nature on the general schemes and tendencies in all projects in order to learn from past experiences. Studies on the management of renewable natural resources and an examination of the loans from the Bank in forestry development are also underway.⁵²

⁵⁰World Bank, The World Bank: Annual Report 1989, 54.

⁵¹A senior manager and a senior adviser at the Bank, interviews by author.

⁵²World Bank, The World Bank: Annual Report 1988, 44.

b)The problems

Concerning Post-Environmental Impact Analysis, although there is an established general procedure, the problem comes from the origin of the standards of analysis. The standards used are those which were built into the loans at the time of their planning. For new loans (after 1987), there are now strict environmental standards built into the projects. These new loans will eventually be evaluated following these stronger environmental standards. For projects which were implemented a number of years ago when environmental impacts were not a very important concern in planning, there are no or very weak internal environmental standards of analysis, furthermore, these standards vary greatly from one project to another. Post Environmental Impact Analyses of older projects, now being performed, should also be based on the standards used for new loans in order to maximize the benefits of this operation of evaluation. But, this is not the case. The evaluation department is looking back at those older loans to see how they have performed using the older internal standards. There is no systematic attention to environmental aspects in Post Impact Analysis performed now.⁵³ It is more question of a global evaluation process in which certain environmental issues are sometimes looked at with diverse degree of depth. The words of a senior

⁵³A country representative at the Bank, interview by author.

environmental unit manager during the interviews corroborate this. He mentioned that an effective Post-Environmental Impact Analysis is not something that is done yet within the Bank.

This affirmation is supported by three outside observers who noted that in depth Post-Environmental Impact Analyses are rather the exception than the rule. They claim that they are performed in exceptional cases in response to outside pressures, as a public relation action. An outside critic (a senior director from the BIC) gave an example where this has happened.

This example refers to the Cotabongo dam project in Indonesia. They had closed the gates of the dam and flooded the dam place. However, because of this project, tribal people had been forced out. The environmental community, aware of this situation, criticized the Bank and the project. Eventually, because of the pressure exercised, the Bank sent a team to the site that produced a report outlining the gravity of the negative consequences of the project.

However, as this senior director from the BIC notes, unless the environmental groups hear about the environmental problems associated with a project, unless the project is in

a country where there is an environmental community that can express itself, in depth Post-Environmental Impact Assessments aren't generally performed.

4-General Assessment

Globally, if we look at the integration of social and environmental costs in project planning, we have seen that there has been and is now progress concerning the development of new methodologies for the appraisal of costs and benefits. An Ante Environmental Impact procedure has also been adopted although there remain questions about its actual implementation. However, progress is not sufficient with regard to the development and real implementation of new methodologies for appraisal and in terms of the development of a Post-Environmental Impact Analysis from which the Bank can learn for future operations.

But further progress won't be carried forward without pressure from the outside, pressure coming both from the member governments at the Bank (particularly from the developed countries) and from the environmental groups and the public opinion in these countries -- pressure that will also notably be necessary to ensure that, during the negotiation process between the Bank and its borrowers, too much is not given away in terms of environmental safeguards. But this outside pressure will continue. The MDB campaign is well organized and it has the support of important member

countries at the Bank (like the U.S., Canada and Germany). Within the Bank itself, internal pressure will be growing with the hiring of some seventy-five people dealing with the environment and the new guidelines adopted and in preparation. Concerning the importance of outside pressure, although this point wasn't an explicitly proposed subject in the interviews, ten of the interviewees (six from outside the Bank and four from inside) mentioned this pressure as an important factor of change at the Bank since 1985. Most recently, the adoption of the Operational Directives on Environmental Assessments can probably be linked to this form of pressure. Indeed, the management of the Bank was surely aware of the fact that its most powerful member, the United States Government, was preparing legislation to activate its adoption. A law is indeed moving through the congress right now that will prevent the government of the U.S. from voting on projects in which an environmental analysis has not been done. The U.S. government will stop participating in the Bank voting for such projects two years after the law passes.⁵⁴

⁵⁴A senior director from The Sierra Club, interview by author.

CHAPTER FOUR

THE ACTUAL IMPLEMENTATION

But what about the actual implementation of environmentally sound measures in projects at the Bank? At the other end of the planning/management process, away from the speeches, official positions, research, structural changes and operational procedure, what are the results, the common practices? This is, ultimately, the real test to appraise the level of commitment of the institution to sustainable development. This is what we will now look at.

I-PERSPECTIVE FROM WITHIN THE BANK

To many people within the Bank it still seems too early to judge the effects of all these measures on the operations of the Bank. The process is not yet totally implemented. Nevertheless, it is possible to see what is coming forward.

Over a hundred projects with significant environmental components have been approved by the Board of Directors of the Bank during the Fiscal Year 1989 which ended June 30. As Barber B. Conable mentioned in an address in the summer, a few days before the end of the Fiscal Year,

This represents about 35 percent of the expected total of Bank and IDA projects for FY89. Sixty percent of

all agricultural projects expected to be approved this fiscal year contain environmental components. Environmental components have been prominent also in energy and power projects, in transportation projects, in water supply and sewerage, and urban development. Clearly, environmental monitoring is now a critical element of our Operational work.⁵⁵

Moreover, when we look in the pipeline, "Over twenty free-standing environmental projects are at various stages of the project cycle and are expected to be submitted for Executive Board approval over the next three years."⁵⁶ Over the next three fiscal years, the Bank expects to lend some \$1.3 billion for such projects.⁵⁷

The Bank is also putting more resources in sectors of activities where environmental problems are frequent and important. More projects and environmentally sounder projects in these sectors could have positive effects on environmental preservation.

For example, as mentioned in an internal document written at the beginning of the 1989 calendar year,

The Bank has 29 projects under preparation, amounting to some US\$200 million a year over the next several years, related to desertification. In Sudan, for instance, the Bank is supporting a comprehensive land and water use policy that will recognize the rights of

⁵⁵Barber B. Conable, Environment, Population and Sustainable Development, 2.

⁵⁶World Bank, The World Bank: Annual Report 1989, 52.

⁵⁷Barber B. Conable, Environment, Population and Sustainable Development, 2.

traditional land users and encourage the development of land and water use programs at local levels. The Bank also continues its program of lending for water and urban development, with emphasis on management and the urban poor. The Bank's current work on air and water pollution includes, as an illustration, a project to strengthen the regulatory and compliance capacities of the Steel Authority of India.⁵⁸

In water supply and sanitation projects, the Bank has clearly affirmed that it wants to increase its lending by about 20 percent over the period from 1988 to 1993 (it was at about 735 million per year in 1988).⁵⁹

In the sector of pollution control and urban environment, many projects are now underway like the Sao Paulo Second Pollution Control Project in Brazil and a project to strengthen the Central Environmental Authority in Sri Lanka, projects are also underway in Indonesia, Bangladesh and India.⁶⁰

In the Forestry sector, progress is also taking place. From FY1987 to FY1989 IBRD and IDA lending for projects in that area have totaled \$474 million. The World Bank is now

⁵⁸The Deputy Secretary, Meeting of the World Bank-NGO Committee, 16.

⁵⁹[Barber B. Conable], President's Report to the Development Committee (Washington, D.C.: The Development Committee, 1 September 1988), 5-6.

⁶⁰Ibid.

committed to more than double that amount in the next three fiscal years.⁶¹ An example of a project in that area is the Ghana Forest Resource Management Project. This project

will support policy reforms designed to improve the management of industrial forestry operations. The conservation of natural forests and promotion of agroforestry, as well as the strengthening of the structural base of the sector and its institutions, are among the main objectives of the project. The project also provides resources to strengthen the management of national parks and game reserves. These goals will be supported by technical assistance in institution building; improving the management of the commercial forests especially reducing logging waste; a study of secondary forest products, and the development and implementation of a rural forestry program; and the reactivation of forestry education and research activities.⁶²

Already, changes have been taking place in the project cycle and projects have also been rejected or changed by the Bank. These include, for example:

- . a CFC plant in India which would have been constructed to produce long-life chlorofluorocarbons for use as aerosol propellants;
- . a hotel development in Turkey which would have adversely impacted one of the major carretta turtle breeding beaches on the Mediterranean;
- . a food irradiation plant in Thailand;
- . and a gold mining project in Papua New Guinea which would have produced severe impacts on a 7 km stretch of coral reef.⁶³

⁶¹Barber B. Conable, Environment, Population and Sustainable Development, 2.

⁶²International Development Association, IDA's Environmental Activities, 2

⁶³Representative Summary, 6-7.

II--THE PROBLEMS

Once more, although at first glance prospects appear encouraging, when we look at the reality, evidence suggests that there are major problems with the implementation; in fact, the bulk of the criticisms towards the Bank comes at this level. According to all our interviewees from outside the Bank, there are numerous cases, even in recent years, where environmental concerns are to some extent ignored in implementation. Overall, of the nineteen people who were asked questions dealing with implementation of guidelines and policies, four said they were always implemented (all from the Bank) and twelve mentioned they were not always while three didn't comment on this specific issue. Thus, as noted earlier, although the Bank has several very good policies and guidelines on the environment, a majority of the interviewees noted they weren't rigorously implemented in project planning/management. Among the different cases which were brought to our attention that corroborated this position, we selected a few that we found illustrated this situation.

A) Some cases

A case in point, where respect for the environmental policies of the Bank was very dubious from the beginning and in which only pressure from outside the Bank permitted a reprieve, is the Sri Lanka Forestry loan recently approved, in July 1989, by the Bank. This loan, if implemented the

way the Bank originally planned it, would have converted large sections of Sri Lanka's tropical forest to plantation land. The government said they could not evaluate the environmental impacts because they had not implemented the project yet, so they would not know until after the project is implemented what the impacts would be. The environmental groups in Washington, with the help of the U.S. Treasury Department, negotiated environmental safeguards with the project staff. The project staff finally got a commitment from the Sri Lanka government that they would do environmental analysis of sites and involve the public before they would cut any trees and establish where the project should be located.⁶⁴

This reprieve was finally given only because there had been awareness from NGOs outside the Bank of this particular project. This is not always the case. The critics are not always aware of the Bank projects in a specific country or region as the information policy within this institution is very strict and as information sources in the field are not always available nor tolerated by certain governments.

⁶⁴Larry B. Stammer, "Environmental String tied to Sri Lanka Loan," Los Angeles Times, 1; A research associate with the International Project from NRDC and A senior director from The Sierra Club, interviews by author.

A Canadian civil servant provided another example: the proposed Argentina Dam and the Mexico Hydro electric power plan which consist of two huge dams in Mexico and which represents a project of around \$450 million. According to him, these projects do not entail any environmental assessment in their loan reports. There is basically nothing on the environment in these projects, although there should be as the potential impacts on the environment are enormous.

Another case is the second loan being developed for Polonoroeste in Brazil. The first loan had many adverse environmental impacts, the environmental and social conditions of the area still deteriorate even more every day. "There has been systematic pillaging of Indian lands ... and "constant epidemics of tuberculosis, measles and malaria." ⁶⁵ But still, the second loan is in preparation. It appears as something good, \$150 million going to public health and \$200 million for agricultural consolidation. However, before approving this loan the Bank should use the leverage power it has in Brazil, because of its importance as an investor in this specific case and in general. It should do so to ensure that the agencies responsible for the implementation of the first Polonoroeste project take

⁶⁵Bruce Rich, "Conservation Woes at the World Bank: Funding Deforestation," The Nation, 88.

actions on the adverse impacts of the first loan. In that way, the Bank would clearly indicate the kind of priority it gives to environmental concerns. If this is not done, there could be violation of the loan agreement by the implementing agency as there has been in another project in Brazil, the Carajas Mining Project. This last project entailed the settlement of a large iron mine in the Amazon and of a railroad to that mine. After the project was completed, a large number of pig iron smelters sprang up along either side of the railroad, starting to process the ore and cutting down the forest for energy. This now risks destroying a tropical forest area the size of Wisconsin⁶⁶, it has also been in contravention of the World Bank policy on indigenous people and it "clearly violates the environmental conditions stipulated in the bank's loan agreement with the Brazilian state mining company."⁶⁷

The Brazil IBRD Electric Sector II Project mentioned in a preceding section is another example. Although this Sector Loan was not attached to any specific project, it would have supported numerous power projects contained in Brazil's Plan 2010 each of which may have had adverse environmental and socio-cultural impacts (destruction of tropical forest, species extinction, absence of adequate

⁶⁶Ibid.

⁶⁷Ibid.

resettlement plans for tribal people, use of nuclear power).⁶⁸

The response of the Bank to these criticisms was that

Contrary to a frequently encountered view, the Bank is not financing large environmentally damaging dams all over the Amazon... The Second Power Sector Loan coming up in FY89 will not finance any dams; it will cover mainly...general imports and studies of possible projects in exchange for conditionalities on tariffs and environmental and settlement management.⁶⁹

The Bank resisted the criticisms for a while. Many groups (environmental groups in Washington) and governments (U.S., Japanese, British) became very interested in the project for its environmental impacts, and it became a very sensitive point, so that, after significant international controversy the Bank put aside the proposed loan and replaced it by a \$300 million "Environmental Reform and Energy Conservation" loan for the Brazilian power sector that it is now preparing.

In that specific case, because of the size of the loan and because of the political importance this loan took, the Bank eventually reacted positively to the pressure, but this is not always the case.

⁶⁸Agency for International Development, June 1989 List of Upcoming MDB Projects with Possible Environmental Concerns (Washington, D.C.: USAID, June 1989), no. 33.

⁶⁹Representative Summary, 6.

Still concerning the lack of implementation of policies and guidelines at the Bank, it is interesting to note that although the Bank has had operational directives(ODs) for pollution control devices on industrial projects since 1976, it appears that the limits imposed haven't been followed in any rigorous way in projects.⁷⁰

B)General comments

A senior adviser at the Bank, with much experience in the operational and negotiation field within this institution, pointed out during the interview that it is very hard to include conditions on the environment in legal agreements. These are left to the implementing agency in the borrowing country as has always been in the past. Negotiation and drafting of loan agreements in general are however crucial elements for implementation. This affirmation outlines the limited progress accomplished in the Bank regarding implementation of policies and directives at the project level.

The funding of the projects is also criticized. As a research associate with the NRDC pointed out in the interview, it seems from the environmental community that, in general, for a natural resource project, funding is

⁷⁰Yolaine St-Jacques, "Eléments d'une Stratégies Canadienne," 72.

harder to get. This is incidently acknowledged by a senior economist at the Bank who mentioned that the first stage of the reorientation at the Bank is not to make projects that are designed from the beginning with strong environmental interest but rather to clean up projects and minimize environmental damage.

Another problem which has often been noted by the NGO community is the final control on the implementation of the environmental directives. The people supposed (officially) to have this control are the Executive Directors of the Bank representing different member countries of the institution. They are members of the Board of Directors and vote on every project that is to be financed by the Bank. But as acknowledged by a country representative during the interviews, the problem of lack of information has rendered, in the past, effective control by this Board very difficult. Up to September 1989, the environmental assessments were not published. Staff appraisal reports (which are the final loans documents that come to the Board) were supposed to have enough information to prove to the Board that adequate preparation work had been done regarding environmental and other aspects that the loan was addressing. The Board could want to check for environmental safeguards which should have been in a document but these questions were not always handled very well in the reports; they were sometimes

deliberately omitted. Therefore, an environmentally damaging loan could go through because information was not proper for sound decision making. Now that the new Operational Directives on Environmental Assessments are effective, omission of information could be more difficult, but it also remains to be seen, as we mentioned earlier, how rigorously and uniformly these guidelines will be implemented.

Before concluding this part, although it would warrant further investigation, we feel it would be important to mention what we believe is a significant impediment to further implementation and promotion of environmental safeguards and sustainability considerations at the Bank. This impediment is the pressure to disburse that take place within the Bank.

This pressure comes from the nature of the World Bank itself. The Bank is a financial institution that gets most of the funds it lends by selling securities to investors. These investors expect returns on their investments and the Bank itself covers its operating costs and maintains high credit ratings with the profits it makes through its lending activities.⁷¹ The more the Bank lends, with the lowest

⁷¹Stephan Schwartzman, Bankrolling Disasters: International Development Banks and the Global Environment: A Citizens' Environmental Guide to the World Bank and the Regional Multilateral Development Banks (Washington, D.C.:

operating costs possible, the better the institution and the investors are. There is also an incentive to look mostly at those factors that permit secured economic investments and that are reflected by economic assessments which generally do not take into account externalities such as environmental costs and benefits.

The actions and decisions of Bank staff are thus significantly shaped by these incentives. The staff people of the Bank are encouraged to increase the size of their loans and the pace at which they lend, two factors which can have negative impacts on the sustainable character of World Bank loans. Because it needs the lowest operating costs, the Bank has limited staff resources. As it takes almost as many of these resources to prepare a \$5 million loan as a \$50 million loan, the institution and its personnel are encouraged to target larger loans, which often end up as infrastructure loans which may not be particularly compatible with a sustainable development approach under consideration of size, details, orientation and target groups. This limitation in staff resources also puts pressure on the personnel to lend faster in order to increase the number of loans processed by each officer. Because of this pressure to lend fast, the integration of environment or other sustainable development issues in

The Sierra Club, 1987), 11.

planning/management may also suffer as it is perceived to be time consuming.

This conflict between environmental and lending objectives at the Bank, which was mentioned by eight of our interviewees including one from the Bank (although they were not asked directly about it), is likely to be even stronger in the future as the Bank just received a general capital increase that will double its annual lending volume. This will increase the volume of its lending by about ten percent a year for the next several years.⁷²

The following recent case reported during the interviews illustrates the importance of this incentive to disburse on Bank staff actions and the kind of adverse disincentive to the consideration of environmental issues by Bank staff this brings.

A competent environmental unit officer, in his first year of employment at the Bank, objected on economic and environmental grounds to the Second Brazil Power Sector loan we reviewed earlier. The people in charge of Brazil operations were very angry at him as, according to our interviewees, it was threatening their careers. These people finally submitted the loan for Board approval.

⁷²World Bank, The World Bank: Annual Report 1988, 32.

Eventually, the loan was withdrawn but, as we have seen, for reasons other than this internal conflict.

Before commenting on what happened to this environmental unit officer, we must mention that the first year after a person is hired at the Bank, he (she) is on probation. Therefore, if someone raises an objection to that person or his (her) work, his (her) future as a World Bank employee can be re-examined.

This is what happened to this officer; according to our interviewees, he was almost forced to resign over the fight. Against his will, he was eventually moved to the central Environment Department while all other people working in the operations on Brazil weren't touched even though they were found to be wrong in the end.⁷³

Finally, it seems this pressure to disburse has had also, before the implementation of an EIA process, significant pervasive effects on the information sources used by the Board of Directors to exercise power over Bank activities. Indeed, as noted in the draft of a confidential study conducted outside the Bank:

It is widely acknowledged that the staff appraisal reports, released after months or years of project

⁷³A senior attorney from the EDF, interview by author. Later confirmed by a person involved in the conflict.

development by staff whose career futures rest on the approval of their work, do not represent an effective and critical evaluation of the proposed projects and its alternatives. The considerations of environmental impacts and constraints are especially slighted.⁷⁴

We can thus see the importance, suggested by our evidence, of this somewhat hidden institutional incentive. It is an element that is likely to be even more important in the future unless significant corrective measures are integrated.

III-ASSESSMENT

As we saw, there are some sounder projects planned and more resources devoted to environmentally sensitive sectors. However, evidence suggests that complete implementation is not achieved and that environmental guidelines are not rigorously followed. Furthermore, the availability of funds for environmental projects seems to be lacking while control of environmental safeguards in projects by the Board of Directors has not always been possible up to now. It remains to be seen whether or not the new Operational Directives on Environmental Assessments will solve this last problem. An important element of the explanation for this lack of integration of environmental concerns and other

⁷⁴Confidential study conducted outside the Bank, draft, April 27, 1989.

sustainability considerations in implementation, but also in planning/management in general, would be the pressures to disburse that take place within the Bank.

CHAPTER FIVE

CONCLUSION

Throughout this thesis, we identified a number of requirements at the World Bank that, if met would contribute greatly to make it an instrument for the effective promotion of sustainable development. The list of requirements (Appendix A) didn't pretend to be complete but it included important elements concerning the role of the World Bank in sustainable development.

At the level of the member countries, we noted that the Bank needs their commitment to sustainable development because of their important role in decision making. In order for this commitment to take place, these countries have to recognize the importance of environment to development and to show a willingness and commitment for multilateral actions for the promotion of environmental issues within the Bank. This commitment to multilateralism has to pass through their willingness to share the costs associated with a development process taking into account the environment and other sustainability considerations. Our conclusion concerning this point is that this requirement is only partially met. Member countries

recognize that there are important environmental problems. However, a consensus on the impacts of these problems on development and the kind of priority to give to their resolution has not yet been achieved among the member countries. This lack of consensus may, in certain instances, interfere with the willingness of the Bank to incorporate environmental concerns and sustainable practices in its lending. Many donor countries are ready to allow additional but limited resources for environmental protection in the developing countries, but some are not themselves addressing the sustainable development issues raised in their part of the world. It is therefore very difficult to convince developing countries, already very short of resources, to incorporate sustainability considerations in their own development plans and ask them at the same time to bear a large part of the costs both in terms of planning and reduced competitiveness on the world market.

Concerning the planning/management process itself at the Bank, we identified four different but interrelated components: the policy development component, the institutional component, the operationalization process component and the implementation component. The ultimate test for the promotion of sustainable development takes place at the implementation level, where the effective

consequences of the measures taken at the other levels of the planning/management process should be seen. For each of these components there is at least one requirement. In order for the real promotion of sustainable development to take place, requirements at all levels have to be met.

At the policy development level, the World Bank has to make long-run resources and environmental objectives an integral part of planning and reorient its international assistance toward the goal of ecological security. Our final assessment is that the amount of work required to integrate environmental and other sustainability considerations, at this level at the Bank, has been significant. The requirement has been met. Stated policies and research on their applications suggest that the Bank is quite committed to sustainable development.

At the institutional level, the commitment to sustainable development at the Bank should first be translated into the establishment of a high-level office in the agency with the authority and the resources to ensure that all policies, projects, and loan conditions support sustainable development. Although positive changes have taken place since 1987, both in terms of resources and authority (with the creation of new structures monitoring and promoting environmental matters at the Bank), the

present offices have neither sufficient resources nor sufficient authority to ensure that all policies, projects and loan conditions support sustainable development. Furthermore, although a significant amount of research (through the task forces and other policy development groups) and seminars are conducted on sustainable development issues at the Bank, the basic institutional problem of non-integration of environmental matters in the planning/management activities of the different departments of the Bank still remains for both sectoral and non-sectoral projects. More time may be necessary to ensure integration and sufficient resources for the environment offices of the Bank, changes at the Bank are recent and so is the sustainable development approach. In a large institution like the Bank, adjustment is often slow. However, integration won't be possible if the environment structure doesn't have sufficient power to exercise control, and this power could have been given at the time of the reorganization. In that sense, and taking into account the time limitation, we conclude that the requirement at this level has only been partially met.

At the level of the operationalization process, our first requirement is the need for the establishment of practical environmental regulations. We conclude here too that the Bank has only partially met the requirement. Not

only is the process sometimes slow and done with a lack of concern about the interested groups, but most of all, the actual application of the guidelines is often lacking, while the environmental units don't have the effective power to ensure their implementation.

Our second general requirement at this level is the need to internalize social and environmental costs as production costs. This would require new methodologies for appraisal of the environmental costs and benefits in projects, the use of a uniform and rigorous procedure for the evaluation of projects and the adoption of a Post-Environmental Impact Assessment procedure. Our conclusion concerning the development of new methodologies for the appraisal of costs and benefits is that, given the time limitation at the Bank, the requirement has been met. However, more progress at this level and at the level of the implementation of these methodologies is still needed in order to deliver operational instruments that permit the internalization of social and environmental costs and benefits. Eventhough the Bank took a time to respond to the criticism, the requirement concerning the establishment of a uniform and rigorous procedure of evaluation of projects has also been met through the recent adoption of an Ante Environmental Impact Assessment procedure. However, the response of the Bank to this requirement would eventually

need to be reevaluated because the actual implementation of the EIA procedure is still recent. Finally, the requirement has only been partially met with regard to the development of a Post-Environmental Impact Assessment procedure from which the Bank can learn for future operations because of the limited value of the internal standards of evaluation now used for older projects.

It is important that all environmental policies and guidelines of the Bank be actually implemented at the project level in order for this institution to promote sustainable development in its global planning/management process. As we noted earlier, this implementation is the ultimate test of the commitment of the Bank to sustainable development. Although there are some sounder projects moving towards approval and more resources devoted to environmentally sensitive sectors, evidence suggests that implementation of policies is not always achieved and that environmental guidelines are not rigorously followed. Furthermore, the availability of funds for environmental projects seems to be lacking while control of environmental safeguards in projects by the Board of Directors, a process that could contribute to actual implementation of guidelines and policies, has not always been possible, up to now, because of lack of information. Taking into account all these elements, we conclude that the requirement has only

been partially met at this level too. This conclusion is in line with our other findings. As we saw, some important requirements at other levels have also only been partially met. The consequences of this lack of integration of environmental and other sustainability considerations at other levels of the planning/management process can be felt right into implementation. Time could contribute to improve implementation but because of the limitations found at other levels as well, it would be unlikely to bring rigorous implementation.

Thus, concerning the overall performance of the Bank on sustainable development issues, we conclude that although the institution is going in the right direction at all levels of the planning/management process, five out of the eight requirements identified are only partially met. Consequently, the World Bank promotes sustainable development but this promotion is limited.

In order to activate the promotion of sustainable development by the Bank, a first general recommendation would be that the Bank carry on with, and in certain instances revise, its effort for the fulfillment of the requirements where lack of progress and weaknesses have been identified in this conclusion (at the institutional, the operationalization and the implementation levels). It has

to work further towards the actual implementation of its policies and guidelines and to try to get a more profound and shared commitment to sustainable development from its member countries through enhanced dialogue with them. One can expect that growing pressure from the recently created environmental structure of the Bank (with its seventy-five specialists) and from outside the Bank will also contribute to these further changes and progress in this institution. Concerning outside pressure, the Multilateral Development Bank campaign of the environmental NGOs is well organized and has the support of important member countries at the Bank like Canada, Germany and the United States (although there are concerns over the possible hidden agenda underlying the support from this last country).

In terms of institutional limitation, an important element of the explanation for the lack of integration in planning/management activities of environmental concerns and other sustainability considerations at the Bank, would be the pressures to disburse that take place within this institution and that are intrinsically linked to the nature of the Bank. The staff people of the Bank are encouraged to increase the size of their loans and the pace at which they lend. This would have significant consequences on the sustainable character of the projects of the Bank. Larger

loans often end up as infrastructure loans which may not be particularly compatible with a sustainable development approach under consideration of size, details, orientation and target groups. Faster lending practices may also discourage from integrating environment or other sustainable development issues in planning/management as this is perceived to be time consuming.

Given this structural limitation, to enable the emergence of a leadership at the Bank for the promotion of sustainable development would eventually require a profound change in its priorities. By leadership on sustainable development we refer to the capacity to take the initiative for new approaches to environmental problems and to the integration of environmental and other sustainability concerns in planning and management. In order for this leadership to take place at the Bank, and thus in order to ensure that Bank staff treat environmental matters with the same efficiency and effectiveness as they treat financial and economic matters and to favour original environmental initiatives, we believe the performance of the staff people would have to be judged to a greater extent on the environmental soundness of their projects rather than on their effectiveness in making more and larger loans. However, because of the financial interests of the Bank and its investors, this appears unlikely right now.

Therefore, to conclude, we may hope that by following the general recommendation given earlier, the Bank will become a more important partner in promoting sustainable development. However, it is dubious that the Bank will be a leader in this field, at least in the short term if not in the long term, because of the structure of the institution in itself.

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3-INTERVIEWS

a)World Bank Staff:

- A Country Representative at the World Bank. Interview by author, 26 June 1989, Washington. Tape recording in the hands of the author.
- A Senior Adviser at the World Bank. Interview by author, 3 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Economist at the World Bank. Interview by author, 6 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Manager at the World Bank. Interview by author, 28 June 1989, Washington. Off the Record Interview. Transcription in the hands of the author.
- A Senior Manager at the World Bank. Interview by author, 3 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Manager at the World Bank. Interview by author, 6 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Manager at the World Bank. Interview by author, 7 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Manager at the World Bank. Interview by author, 7 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Vice-President at the World Bank. Interview by author, 7 July 1989, Washington. Tape recording in the hands of the author.

b)Outside the Bank:

- A Canadian Civil Servant. Interview by author, 14 June 1989, Ottawa. Off the Record Interview. Transcription in the hands of the author.
- A Legislative Representative, International Program, National Wildlife Federation. Interview by author, 30 June 1989, Washington. Tape recording in the hands of the author.

- An Energy Analyst, Environmental Defense Fund. Interview by author, 5 July 1989, Washington. Tape recording in the hands of the author.
- A Research Assistant and Staff Writer, Worldwatch Institute. Interview by author, 27 June 1989, Washington. Tape recording and notes in the hands of the author.
- A Research Associate with the International Project, NRDC. Interview by author, 5 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Attorney, Environmental Defense Fund. Interview by author, 5 July 1989, Washington. Tape recording in the hands of the author.
- A Senior Director, The Bank Information Center. Interview by author, 30 June 1989, Washington. Tape recording in the hands of the author.
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- A USAID staff person. Interview by author, 28 June 1989, Washington. Tape recording in the hands of the author.

4-PERSONAL COMMUNICATIONS

- A Country Representative at the World Bank. Phone conversation with the author, 19 December 1989.
- A Country Representative at the World Bank (Same). Correspondence with the author between 27 December 1989 and 13 March 1990.
- A Research Associate with the International Project, NRDC. Phone conversation with the author, 19 December 1989.
- A Staff Person of The Bank Information Center. Phone conversation with the author, 15 December 1989.

APPENDIX A
LIST OF REQUIREMENTS IDENTIFIED

At the level of the member countries:

1. The World Bank needs the commitment of its member countries to sustainable development. These countries have to recognize the importance of environment to development and to show a willingness and commitment for multilateral actions for the promotion of environmental issues within the Bank. This commitment to multilateralism has to pass through their willingness to share the costs associated with a development process taking into account the environment and other sustainability considerations.

Concerning the planning/management process:

At the policy development level:

2. The World Bank has to make long-run resources and environmental objectives an integral part of planning and reorient its international assistance toward the goal of ecological security.

At the institutional level:

3. The commitment of the World Bank to sustainable development must be translated into the establishment of a high-level office in the agency with the authority and the resources to ensure that all policies, projects, and loan conditions support sustainable development.

At the level of the operationalization process:

4. The World Bank must establish practical environmental regulations.

**At the level of the operationalization process
(cont'd):**

5. The World Bank must development and use new methodologies for appraisal of the environmental costs and benefits in projects.
6. The World Bank must encourage the establishment of a uniform and rigorous procedure for the evaluation of projects. Such a procedure could take the form of an Environmental Impact Assessment process.
7. The World Bank must adopt a rigorous Post-Environmental Impact Assessment procedure.

At the implementation level:

8. All environmental policies and guidelines of the World Bank must be actually implemented in its projects.

APPENDIX B
QUESTIONNAIRES

The questionnaires for World Bank staff and for outside interviewees have been put together in this Appendix. When a question differs depending on the origin of the interviewee, it is noted.

At the level of attitudes

- 1- What evidence have you seen that the major actors (countries) at the World Bank recognize the existence of environmental problems and are committed to their resolution?

2- **Outside:**

Do you think there is a will among the top decision makers for multilateral actions, cooperation and sincere dialogue on these issues and why?

World Bank:

How would you qualify the will among the top decision makers for multilateral actions, cooperation and sincere dialogue on these issues and why?

- 3- How sincere is the will of the countries, members at the World Bank, to share equitably the costs encompassed by a development process taking into account the environment?

Now concerning the planning process at the World Bank

- 4- To what extent do you think the World Bank makes long-run resource and environmental objectives an integral part of planning and operations?
- 5- To what extent do you believe the World Bank has succeeded to establish a high-level office in the agency with the authority and resources to ensure that all policies, projects, and loan conditions support sustainable development?
- 6- Does this high-level office prepare and publish annual assessments and reports? If yes, what do they entail?
- 7a) How are these environmental goals, regulations and policies of the World Bank operationalized in the technical units?
- b) What are the major obstacles to their operationalization?
- 8a) **Outside:**
- Do you believe the people employed at the World Bank in the new Environment Department are qualified for their job and why?
- World Bank:**
- What are the general backgrounds of the people employed at the World Bank in the new Environment Department in terms of education and professional expertise?
- b) What about those in the regional technical units?

9- Are there enough people in each of these structures?

10- **Outside:**

How much do you think the World Bank takes into account sustainability considerations when it appraises structural adjustment lending and other policy-oriented lending?

World Bank:

How does the World Bank take into account sustainability considerations when it appraises structural adjustment lending and other policy-oriented lending?

11- What kind of policy dialogue is taking place with the borrowers?

12a) Does it uses new methodologies for its appraisal of environmental soundness in project analysis?

b) Do you know what these methodologies integrate in terms of elements of appraisal?
(environment, restoration, costs and important environmental spillover effects)

13- Could you tell me what kind of Post- environmental impact analysis the WB does?

- 14- So, to what extent do you believe the WB is on the way to really internalize social and environmental costs as production costs in its projects?
- 15- Concerning population issues, do you know how much more the WB now favours projects and programs linked to the support or creation of social security systems, education facilities and family planning programs?

Concerning technological capability

- 16- How does the WB promote and diffuse environmentally sound and energy efficient technologies and favour the building up of technological capability?
- 17- Do you believe the WB plans to create a section or department dealing, working and promoting environmentally sound technologies?

18- Outside:

Do you think the people at the WB feel they have a role to play in increasing the capacity to deal with industrial hazards in the Third World? What is this role?

World Bank:

Do the people at the Bank feel they have a role to play in increasing the capacity to deal with industrial hazards in the Third World? What is this role?

Commitment to environmental protection and cooperation

- 19- Does the WB put or want to put significantly more resources to enhance environment and the productivity of the resource sectors and to what extent?
- 20a) What about a debt retirement fund linked to the WB (debt forgiving). Is it seen as probable?
- b) If yes, do you think it would be conditional to environmentally sound measures from the recipient country?
- 21- Does the WB give serious consideration to the development of a special international banking programme or facility linked to it, in order to marshal and support investments in conservation projects and national conservation strategies?
- 22- Do you think the World Bank is likely to have large increases in its flows of concessional and non-concessional finance to the Third World in the near future and why?
- 23- Is the WB seriously considering new sources of revenue for financing international actions in support of sustainable development such as
- a) revenue from the use of international commons?
 - b) taxes on international trade?
 - c) International financial measures?
 - d) others?

24- Outside:

Does the WB favour dialogue between donor and recipient countries' populations on environmental matters?

World Bank:

How does the WB favour dialogue between donor and recipient countries' populations on environmental matters?

25- Outside:

Does the WB want to draw even more upon NGOs and local community movements in executing programmes and projects in the future and to what extent?

World Bank:

Does the World Bank plan to draw even more upon NGOs and local community movements in executing programmes and projects in the future and to what extent?

- 26-** Does it mobilize resources to activate the debate in the North on sustainable development and to sensitize people on the unsustainability of the present development path and on the needed changes?

Concerning the management capability

27- Outside:

How important and relevant are the efforts of the WB to support the development of an institutional capacity regarding the assessment and management of natural resource problems? (financial resources, technical personnel, information systems, legal and administrative mechanisms)

World Bank:

What are the efforts of the WB to support the development of an institutional capacity regarding the assessment and management of natural resource problems? (financial resources, technical personnel, information systems, legal and administrative mechanisms)

Concerning species preservation

28- Outside:

Does the WB show a more comprehensive and systematic attention to the problem of species preservation and how?

World Bank:

What forms do the actions of the WB in the field of species preservation take?

(Does it make any sorts of environmental impact analysis?)

Concerning food sustainability

29- Outside:

To what extent does it now place a greater emphasis on more equitable agrarian reforms and on the improvement in the productivity of smallholder agriculture?

World Bank:

To what extent does the WB now deal with agrarian reforms and with the improvement in the productivity of smallholder agriculture?

General questions:

- 30- Are there other attitude, policy or institutional arrangements which presently take place at the WB or should take place at the WB in support of sustainable development and that we did not mentioned up to now?
- 31- What do you think are the most important obstacles to further promotion of sustainable development by the World Bank?
- 32- Globally, what do you think will be the role of the World Bank in sustainable development in the future?

- 33- Did the writing and publication of the report of the World Commission on Environment and Development contribute in bringing changes for the promotion of sustainable development at the World Bank? And how important was it?
- 34- What has been the response of the WB to environmental concerns in the past and how would you qualify it?
- 35- In which way do you think the World Bank reacted to the proposition for changes of:
- a)the UN conference on Human Environment?
 - b)the call for a NIEO?
 - c)the Brant commission?

APPENDIX C

LISTING OF STUDIES UNDERTAKEN BY THE BANK

Some of these studies are Environment Department Working Papers to which we already referred.

1-In the Field of Natural Resource Management:

- . "Dryland Management: The Desertification Problem," ENV Department Working Paper No.8 (September, 1988).
- . Review of dryland management projects and policies. Assessment of the lessons of various interventions by the Bank/IDA, other agencies and NGOs (December, 1989).
- . "Conserving the World's Biodiversity" (with IUCN, WWF, WRI) - Contribution to inter-agency report (September, 1989).
- . "Natural Resource Systems and Human Exploitation Systems: Physiobiotic and Ecological Linkages," ENV Department Working Paper No.12 (November, 1988).
- . "Containing Tropical Deforestation: A Review of Priority Areas for Technological and Policy Research," ENV Department Working Paper No.10 (October, 1988).
- . "Government Policies and Deforestation in Brazil's Amazon Region," ENV Department Working Paper No.7 (June, 1988).
- . "The Economics of Farm-Level Adoption of Soil Conservation Measures in the Uplands of Java," ENV Department Working Paper No.11 (October, 1988).
- . "The Costs of Soil Erosion in Java--A Natural Resource Accounting Approach," (August, 1989).
- . Review of watershed development practices. A survey of lessons from preparation and implementation of a number of watershed programs in Asia and a proposed regional strategy (December, 1989).

2-In the Field of Environmental Quality and Health:

- . "Economic Incentives and Industrial Pollution in Developing Countries" (July, 1989).
- . Synthesis of three metropolitan area case studies, identifying policy measures needed for improved air quality management (with WHO) (December, 1989).

3-In the Field of Environmental Economics and Institutions:

- . "Accounting for Natural Resource Depletion and Degradation in Developing Countries," ENV Department Working Paper No.13 (January, 1989).
- . "Environmental Accounting for Sustainable Development" (with UNEP) (June, 1989).
- . Research Proposal entitled: "Improved Accounting of Natural Resources and the Environment for More Sustainable Resource Management", submitted to Research Committee for funding (April, 1989).
- . Methodology for Use of the Geographic Information System in the Optimization of Power System Planning (February, 1989).
- . "Economic Analysis of Sustainable Growth and Sustainable Development," ENV Department Working Paper No.15 (March, 1989).
- . "Environmental Management and Economic Development," a compendium of papers covering theoretical issues and case material (July, 1989).
- . "The Challenge of the Commons: The Allocation of Nonexclusive Resources," ENV Department Working Paper No.14 (February, 1989).

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