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The World Bank’s Decade for Africa: A New Dawn for Development Aid?

By Korinna Horta

Africa earns billions of dollars every year through exports of oil, diamonds, and other natural resources and is a major recipient of international aid. Yet sub-Saharan Africa is the only region in the world where child mortality is rising and where no date can be set for meeting the Millennium Development Goals (MDGs), a globally agreed program to reduce poverty by 2015, because the situation is worsening with regard to hunger, access to clean water, and other fundamental social indicators.¹

The World Bank, the world’s largest development agency, is at the center of new international initiatives to spur development on the continent and assist African countries in moving toward achieving the MDGs. The leaders who gathered at the Group of Eight summit held in Scotland in July 2005 confirmed the World Bank’s prominent role. Aside from promises to forgive the debt that some of the poorest countries owe to the World Bank, the International Monetary Fund, and the African Development Bank, the G8 called for a doubling of aid by 2010, with an extra $25 billion going to Africa. They also determined that the World Bank would administer the increased aid.² This decision confers extra responsibility on Paul Wolfowitz, who took over as president of the World Bank in June 2005. He too pledged to make aid to Africa his top priority and hopes to see significant improvements in African countries during his tenure.³ Under Wolfowitz, the World Bank has declared 2005-2015 to be the “Decade of Africa.”

Unfortunately, a critical piece is missing in the efforts by the international community to aid Africa. Donor governments have not asked why the World

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Bank and other aid institutions have failed so badly on the African continent and what needs to change to ensure that the much needed debt relief and fresh infusion of development funds will help reduce the poverty facing much of the continent.

Historical and geographical factors partly explain Africa’s current predicament. The creation of national borders incongruent with traditional cultural boundaries was followed by the entrenchment of corrupt and autocratic regimes nurtured by both sides in the Cold War. During that period of intense rivalry between the United States and the Soviet Union, aid flows played a major role in buying influence and obtaining strategic advantage with little concern for how aid was used and the way it distorted societies. After the Cold War, ill-conceived international aid flows often continued to sustain political regimes with little legitimacy in the eyes of their own people. National elites used the financial resources and external legitimacy provided by aid to strengthen their grip on power. These elites have viewed democratic reforms as a threat to their control of public assets, which they have often turned into private wealth. All of this has produced structural violence and inflamed ethnic tensions in many African countries that are pushing large parts of the continent toward an abyss of political and social turmoil.5

William Easterly, a former senior economist at the World Bank, calculated that the Bank and its sister organizations have channeled $568 billion in current dollars to Africa over the past four decades, with poor and even negative results.5 Close examination reveals the complicity, perhaps unwitting, of international development lenders, especially the World Bank, in reproducing the political inequities that perpetuate structural violence and poverty in Africa. As the single largest financier of African development, the World Bank sets the standard for investment on the continent. Therefore, serious reform in the World Bank’s approach to development could have far-reaching implications for improving the way large amounts of international development aid and private investment capital are spent.

Much can be learned about what kinds of reform are needed by examining the World Bank’s own evaluations, which are often refreshingly forthright in identifying problems and inefficiencies in the organization’s aid programs. The experiences of two of the largest World Bank-supported development projects in sub-Saharan Africa today, the Chad-Cameroon Oil and Pipeline Project and the Lesotho Highlands Water Project, illustrate the urgent need for reform and the broad steps that must be taken to reform the World Bank’s approach to development. These two massive projects sought to reduce poverty among some of the world’s most vulnerable populations while
protecting the environment. Both are now close to completion and at risk of becoming monuments to failed development. There are many lessons to be learned from these case studies, including the need to take a country's political economy into consideration and to build institutional capacity for environmental management and social development before embarking on major infrastructure or extractive industry investments.

**Demanding Accountability**

Reviewing ongoing large-scale projects seems all the more important as the World Bank embarks on a new Africa Action Plan (AAP) that promises more mega-infrastructure development as the engine for reducing poverty on the continent. The AAP, which was formally presented to the World Bank's Board of Executive Directors in September 2005, is meant to improve donor coordination and assist African governments in using the additional aid effectively. The AAP's priorities are to be translated into country-specific development programs. They include references to education and health, but their major emphasis is on large infrastructure development and export-led, private sector-driven growth. This growth is to be "shared growth," but the AAP falls short of explaining how the "sharing" will be achieved in practice. While it is too early to judge the AAP, it is in many ways reminiscent of previous failed plans, such as the Special Program of Assistance (SPA), which the World Bank established in 1987 to tackle poverty by investing in and empowering people. The SPA initials were soon used to mean Strategic Partnership for Africa as donors recognized the need to work with African governments. This type of partnership is also to be a centerpiece of the AAP, which promises to focus on measurable results, build monitoring and evaluation capacity to assess these results, and provide an annual report to the World Bank's board.

Whether this promise represents a genuine departure from current practice, and the possibility of holding the World Bank accountable for ensuring that funds reach their intended beneficiaries, remains to be tested. The World Bank's record to date has been one of systematic weaknesses in accountability structures, as documented by the organization's own Operations Evaluation Department (OED). According to the OED, "Overall lack of systematic monitoring and evaluation has contributed to a major knowledge gap about the contribution of Bank lending to poverty and social outcomes." This is a stunning finding for the world's preeminent institution dedicated to reducing poverty.

Calls for accountability have increased in recent years. Chaired by British Prime Minister Tony Blair, the Commission for Africa—membership of which includes both African and international leaders—prepared a report in
preparation for the G8 summit that called attention to the need for greater accountability from international financial institutions.\textsuperscript{10} Recent U.S. legislation sponsored by Senator Richard Lugar (R-IN), chairman of the Senate Committee on Foreign Relations, calls for stronger anti-corruption measures at the multilateral development banks and direct links between program results and staff compensation.\textsuperscript{11} The United States, of course, cannot establish new policies at the international lending institutions unilaterally. The legislation is directed at the U.S. Treasury Department, which represents U.S. interests at the multilateral development banks, but the United States will need the support of other countries to implement the legislation’s reform measures. However, given the considerable weight of the United States in the World Bank, Senator Lugar’s efforts may open up new venues for greater accountability in the way the World Bank and the smaller regional development banks are managed.

Increased public scrutiny of the actual impact of policies and projects supported by the World Bank and its sister organizations on the poor and the environment is critical as a reality check against the usually rosy claims of development’s benefits. Information from the field and testimony from people directly affected represent powerful tools to generate the political pressure necessary to change a large bureaucracy, especially one that easily adopts a new discourse but has great difficulty in reforming its underlying corporate culture.

A Learning Institution?

The 2005 Commission for Africa report echoes recommendations made in earlier World Bank reports that the bank and other aid providers largely seem to have forgotten. In 1989 the World Bank published \textit{Sub-Saharan Africa: From Crisis to Sustainable Growth}, a report that emphasized the importance of effective judicial systems and public administration for successful development in Africa.\textsuperscript{12} Another World Bank report in 2000, titled \textit{Can Africa Claim the 21st Century?}, acknowledged that the organization’s lending for growth-oriented macroeconomic policy reforms had achieved precisely the opposite effect. According to this report, “The adjustment decades also saw a substantial deterioration in the quality of public institutions, a demoralization of public servants and a decline in the effectiveness of service delivery in many countries.”\textsuperscript{13} This led to declining social indicators that, as the report acknowledges, cannot be reversed speedily, and a weakening of parliaments and other representative institutions.\textsuperscript{14}

Given the increasingly weak domestic capacity of many African countries, the international donor community has relied on expatriate management to
provide technical assistance in implementing most development programs. According to Edward Jaycox, the World Bank’s former vice president for Africa, reliance on foreign technical assistance not only does not solve problems, but it is “a systematic destructive force which is undermining the development capacity of Africa.” Despite this admirably frank recognition, the World Bank seems to have done little in the past decade to reduce its reliance on foreign technical experts. From 1995 to 2004, the World Bank provided close to $10 billion, mostly in loans, to support institutional capacity building in Africa intended to improve the performance of the public sector. Yet the World Bank’s own Operations Evaluation Department (OED) concluded that these programs often were not based on the needs of the countries concerned and furthermore lacked rigor and standard quality controls.

Throughout the World Bank’s history, lending for capacity-building has been dwarfed by lending for a standard set of economic policy reforms known as the Washington Consensus, which includes deregulation, privatization, and trade liberalization. The Washington Consensus emerged forcefully in the early 1980s when a combination of falling commodity prices and growing public sector deficits led to mounting debt service problems for many countries. No country can live beyond its means for an indefinite period of time, and adjustments are sometimes necessary. But the World Bank’s structural adjustment lending assumed that a single set of measures was beneficial for all countries at all times. This approach is now widely recognized to have been a failure and even the term “structural adjustment lending” was replaced in 2004 by the term “development policy lending.” This new approach has augmented the Washington Consensus to include more institution building, a focus on good governance, and warnings about the corrosive forces of corruption.

However, the World Bank faces an uphill battle to improve its record in this area. The OED report on development effectiveness in 2004 concluded, “So far, there is little evidence that governance is improving or that corruption is decreasing.” The same OED report notes that social development programs intended to address the priority needs of the poor do not always reach the intended beneficiaries and that in some cases poverty has grown worse in the context of World Bank-financed projects. The report states, “The Bank...has yet to translate its social development themes into practical operations on a significant scale.” This conclusion is disconcerting, given that poverty alleviation has been the World Bank’s overarching mission for several decades.

Even as it demands improved governance from the countries to which it lends money, the World Bank has struggled to develop systems of accountability
within its own organization. In its evaluation of the environmental impact assessments produced by the World Bank, for example, the OED found in 1996 that while there was formal compliance, the assessments were largely a set of formal exercises that "generated massive documents that are of little use in project design and during implementation."²⁰ The findings appear to have had little effect. Eight years later, the OED again evaluated the World Bank's environmental performance and concluded that "the current system does not provide the appropriate accountability structure to meet the Bank's commitments to incorporate environmental sustainability into its core objectives and to mainstream the environment in its operations."²¹ The evaluation called for fundamental reforms of accountability processes. The World Bank appears to have responded to these findings merely by re-writing some of its policies and weakening its environmental and social safeguards to reduce the institutional requirements for which it can be held accountable.

The explanations for these failures are rooted deep within the World Bank's corporate culture, implicating both bank management and members of the bank's Board of Executive Directors, who represent donor and recipient governments. Board members often lack the staff to review individual programs in depth and are mostly concerned with ensuring smooth funding flows. The World Bank's management is designed to spend money and receive new infusions of cash as a primary way for its large bureaucracy to consolidate and extend its own power. This has led to what former World Bank Vice President Willi Wapenhans identified in 1992 as a "culture of approval," characterized by the relentless pressure to lend money.²² Donor governments need to see their aid budgets spent, recipient governments want the aid fast and without social and environmental strings, and the bureaucracy must show that it can quickly use up existing funds in order to ask for more in the next replenishment round.

But decisions to move large amounts of money are always political decisions that affect different groups of people in different ways. Although poverty alleviation is the stated rationale of many programs, the poor often lose out. This fact becomes less abstract when one considers the impacts of Africa's two largest development projects.

**Dancing with Dictators**

Because many African governments lack the administrative capacity to handle large investments and the private sector is reluctant to invest in high-
risk environments, it is not easy to find projects in Africa that can absorb large amounts of money. This may have been why the World Bank found it hard to refuse the proposal by an Exxon-Mobil-led consortium for a large oil development project in the landlocked central African country of Chad. In addition to developing the oil fields, the project included a 1,050 km pipeline through neighboring Cameroon to the Atlantic coast where the oil is shipped to the United States and Europe. The project’s $4.2 billion price tag makes it the largest development project on the African continent today.

From the start, the oil consortium made it clear that World Bank participation was essential for the project to move forward. What mattered to Exxon and its partners were not a few hundred million dollars from the World Bank, but the fact that the organization’s presence would provide political risk insurance in a volatile region and help attract additional funding on favorable terms from other public entities and from private banks.23

Oil development in Africa has a history of ruinous corruption, armed conflict, human rights violations, and environmental degradation. The situations in Chad and Cameroon suggest that this pattern will endure. Chadian President Idriss Déby came to power in a military coup in 1990; his security forces are responsible for large-scale killings of civilians and overall repression is severe. In Cameroon, President Paul Biya has been in power since 1982 and, although multiparty presidential elections were allowed after 1992, the country has not had a single free and fair election. Extrajudicial killings, torture, and ethnic violence are common in both countries. Given the well-known corruption and human rights abuses in both Chad and Cameroon, the World Bank should have been skeptical from the beginning that either government could be counted on to invest oil revenues to develop the economy or benefit the poor.24 The World Bank claimed that with some government capacity building, the project would lift Chad out of poverty and generate royalty payments for Cameroonian in return for letting the pipeline pass through their country. Jobs would be created, and new businesses would sprout.

African non-governmental organizations, such as the Chadian Association for the Promotion and Defense of Human Rights and Cameroon’s Center for Environment and Development, disagreed. In a letter to the World Bank, the organizations stated, “We are working on the ground and we know that at present the necessary minimum conditions in terms of good governance and human rights are not being met for the project to go forward without causing massive environmental and social harm.”25 The NGOs feared the oil project would lead to an increasing number of human rights violations,
environmental degradation, the loss of local livelihoods, and further impoverishment of the people living in affected regions. They were particularly concerned about the situation in southern Chad, where the oil fields are located. A climate of fear and intimidation has permeated this region since the late 1990s, when government security forces, dominated by northern and largely Muslim tribes, carried out massacres against civilians to wipe out a long-standing rebellion in the largely Christian and animist south.26

In Cameroon, local organizations feared both corruption and the environmental impacts of the pipeline in the country’s still largely intact tropical rainforest, which is home to an indigenous population of Bakola pygmies. At great personal risk, African human rights and environmental leaders demanded legal frameworks and governance reforms in their countries before the World Bank gave the green light for the project. As the late Mongo Beti, one of Francophone Africa’s most popular authors, put it, “No freedom—no pipeline.”27 The demands were supported by an international coalition of development, human rights, and environmental organizations. In addition, many donor country government agencies, and some in the World Bank itself, expressed sympathy.

Public pressure led the World Bank to include unprecedented safeguards, the centerpiece of which was a Revenue Management Law adopted by the Chadian government at World Bank insistence. This law required oil income to be used for poverty reduction in priority sectors such as health and education, including requirements that 10 percent of this income be set aside in a fund to meet the needs of future generations and that another 5 percent be set aside for regional development in the oil-producing region itself. To ensure implementation, the World Bank also pressed for an oversight committee made up of six representatives from the Chadian government and three from civil society.

The Bank also required Exxon-Mobil to rewrite its environmental impact assessment because it had lacked information on mitigation measures as well as a plan for compensating the indigenous people on the Atlantic coast. The assessment also provided insufficient analysis of indirect impacts and lacked baseline data against which project impacts could be measured. One of the results of the early critique was that the pipeline was rerouted away from two ecologically sensitive areas, the Mbéré Rift Valley and the Deng Deng Forest in Cameroon. The Bank also provided extra loans to both governments to build the capacity for addressing the environmental and social risks from a project of such magnitude. To ensure results, the World Bank created an unprecedented monitoring system made up of an International Advisory Group (IAG) and the External Compliance Monitoring Group managed by a
consulting firm with a mandate from the International Finance Corporation, the World Bank's branch which lends directly to the private sector.

Despite these efforts, African NGOs pleaded with the World Bank to postpone the project until there was real evidence of governmental reforms. Yet the World Bank refused to wait, claiming that the risks had largely been addressed and that the project would serve as a model for public-private partnerships to reduce poverty in one of Africa's neediest regions. According to the World Bank, this was to be a different kind of project, where success would be measured "by poverty reduction rather than by barrels of oil produced or millions of dollars received by Chad for oil exports." In June 2000, the Bank's board approved financing for the project.

Things got off to an embarrassing start for the World Bank. The Financial Times and other news sources reported in January 2001 that Chad had used part of its $25 million signing bonus from the oil consortium for weapons purchases. This misuse of funds violated the agreement with the World Bank—if not in letter then certainly in spirit—to use oil revenues for poverty reduction. Nonetheless, the project proceeded and was completed more than a year ahead of schedule. In October 2003, Chad, a country three times the size of France with a population of nine million and ranked by UNDP's Human Development Index as one of the world's ten poorest countries, joined the club of oil-producing nations.

But what has happened to the "soft" components of the project—the capacity-building, the transparent use of the oil revenue to fight poverty, the environmental protections, and the promised regional development? The International Advisory Group soon noted that this was a "two-speed project," in which the construction components advanced rapidly while government capacity-building lagged seriously behind or failed to get off the ground at all. The group warned that the delays would compromise the success of the project. Three years later, as oil was already flowing, the IAG concluded that the capacity-building objectives had not been met, adding,

The World Bank must share responsibility with the government for having allowed funds for the capacity-building projects to be used for often unproductive studies and for construction projects, with serious consequences in terms of Chad's lack of training and preparedness.

Chad's lack of governmental capacity is most evident in the area of public health. The massive influx of migrant workers into poor rural communities
and the consequent growth of prostitution, including among minors, has led to the spread of HIV/AIDS and other communicable diseases. These problems are not being adequately monitored, let alone addressed. In an article published in the Bulletin of the World Health Organization titled, “Health and Equity Impacts of a Large Oil Project in Africa,” William Jobin, a public health expert working on the project, expressed dismay at the failures. Jobin stated, “It appeared that in the project decisions were largely based on cost and profit considerations, giving only passing attention to environmental and social aspects, and little or no decision-making power to the affected populations.”33 The World Bank had promised a regional development plan when the project was approved in 2000. It was meant to ensure direct benefits to the communities in the oil region and could have put in place measures to address the social, environmental, and public health impacts of the project. Five years later, the regional development plan which was prepared by foreign consultants still awaits completion.

Meanwhile, compensation to local farmers and communities by the oil companies for the loss of land and other resources has been inadequate. Local authorities supported by the military reportedly tax—or, more accurately, extort—part of the compensation received by poor farmers, who have no justice system to which they can turn. Villagers who resist the deduction from their compensation payments have been beaten. Human rights workers who defend local villagers have received death threats and been arrested. For example, Nekarmbaye Gedeon, who heads a local section of the Chadian Association for Non-Violence in Krim Krim in the region of Logone Occidental and four of his colleagues were arrested in March 2004 on order of the local police chief. After his release, he told an interviewer that his life was only saved because of an international campaign on his behalf.34

The local oversight committee has shown integrity and resolve despite the great difficulties it faces and despite government threats against civil society. One civil society activist who serves on the committee, Thérèse Mekombe, told the BBC that the oversight committee was underfunded, understaffed, and deprived of information from both Exxon-Mobil and the Chadian government.35 Nonetheless, the committee reported on financial irregularities of all kinds, including the building of waterless wells and other fake improvements. The situation has become so critical that the World Bank told the Financial
Times in August 2005 that it had serious concerns about how the Chadian government was using the oil revenues.36

These problems represent the tip of the iceberg. Chad’s original revenue management law covers only the initial three oil fields, exempting additional oil development already underway. It also exempts indirect revenues such as taxes and customs duties. President Déby has clearly indicated that he does not want to relinquish control over the oil revenues. In June 2005 he orchestrated a referendum to end presidential term limits and expressed his wish to be president for life. Chadian journalists who report on these problems often languish in jails. When NGOs alerted the World Bank to the persecution of journalists in the summer of 2005, the Bank responded rather unconvincingly that it was continuing its dialogue on the need for good governance with the Chadian government.37

Finally, in October 2005, the government of Chad announced its intentions to make substantial modifications to the oil revenue management law, the centerpiece of the project designed to ensure that oil revenues reach the poor. The government plans to abolish the funds set aside for future generations in the post-oil era and to include spending on security as one of the priorities to be financed out of oil revenues. This would represent the breakdown of the system of oil revenue management that the World Bank had hailed as a model. It also would violate the loan agreements Chad has with the Bank. The World Bank tried to dissuade Chad from changing the law by working with other donors to help make up for government spending shortfalls.38 But when the Chadian parliament, which is largely controlled by President Déby, passed amendments watering down the law in late December 2005, the World Bank took action. It suspended pending credits and halted new lending for Chad in January 2006.39 The Bank also made clear that it is ready to reverse its decision as soon as an agreement with the Chadian government can be reached.

The World Bank’s decision to stake its reputation on a regime such as the one in Chad can only be explained by the pressure to lend even in high-risk situations. It remains questionable whether the World Bank will draw critical lessons from this experience, such as the need for basic minimum governance standards, including a demonstrated respect for human rights, to be in place prior to launching extractive industry investments.

Exporting Water from a Drought-Stricken Kingdom
The tiny mountain kingdom of Lesotho is the site of one of the world’s largest civil engineering projects, the multi-billion dollar Lesotho Highlands Water
Project. The project consists of five large dams and a network of tunnels and pumping stations that redirect the southwesterly flowing Senqu River to the north toward South Africa’s industrial Gauteng province. Phases 1A and 1B of the project have been completed at a cost of about $3.5 billion. Phase 1A included the Katse dam, the highest dam ever built in Africa, and the much smaller Muela hydropower plant, while Phase 1B included the Mohale dam.

World Bank participation once again played a key role in initiating this project. Beginning in 1986, the Bank provided critical support for the technical design of the project, which was initially hampered because its main beneficiary, the apartheid regime in South Africa, was subject to international sanctions. The World Bank resolved the problem by developing a complex financial arrangement, including the establishment of a special trust in London “to provide some comfort for lenders who might otherwise be reluctant to assist in the financing.”40 The Bank made the exceptional move of agreeing to share risk with other lenders by participating on a pari passus basis in the same trust. The strategy proved successful and demonstrated once again the institutional pressure to lend money even under circumstances where other lenders have strong reservations and are only willing to join a World Bank program when provided with special inducements.

Other development banks, such as the European Investment Bank and the African Development Bank, as well as export credit agencies and private European banks, contributed to the financial package. While the World Bank loan was only $110 million out of a total of $2.5 billion for Phase 1A, its participation moved the project forward. The World Bank usually responds by claiming that it cannot be held responsible for the impact of its projects because its own financial contributions are limited. Yet without World Bank support, these projects would not take place in the first place.

An unusual amount of staff time went into preparing this project. The transcript of an executive directors meeting notes, “Operations had put in the amount of staff work that would normally go into about ten projects. All this was done because the project had such enormous and far-reaching importance for the future of Lesotho.”41 The project was planned to raise revenue from water exports to be paid into a development fund. Additionally, electricity generated by the Muela hydropower plant would supply much-needed energy to Lesotho.

Reality has been rather different. The development fund quickly became an instrument of political patronage and was finally closed in September 2003.
Energy generated by the Muela plant is too expensive for the vast majority of Lesotho’s people. Most of Lesotho continues to be lit by candles and kerosene. The Lesotho Highlands Water Project has failed to reduce poverty, and in many respects has left the population of the Lesotho Highlands worse off. The World Bank based its support for the Lesotho project on the premise that Lesotho’s abundant availability of water far exceeded the country’s future demand, and if not exported, the water would simply be lost. But Lesotho has suffered from severe drought and critical water shortages in recent years. The UN Integrated Regional Information Network predicted “up to 948,000 people will experience food shortages—nearly half the population.” The World Food Programme describes the situation as one of “severe food insecurity,” and substantial food aid is needed to deal with this crisis.

Severely reduced river flows are also taking their toll on downstream communities and the environment. Until recently, the effects on downstream conditions of large water projects were rarely considered. Much to the World Bank’s credit, it insisted on the preparation of a technical study on downstream impacts, which concluded that if water exports are to go forward as stipulated in the 1986 treaty between Lesotho and South Africa, there would be a severe impact on fisheries, farming, public health, and the broader ecology of the region. Any additional disturbance would transform the rivers into “something akin to wastewater drains.” A related socioeconomic study concluded that “severe to critically severe impacts can be expected from diarrheal diseases and nutrition deficiencies under the treaty scenario.”

As of 2005, compensation for downstream communities has not materialized, although official reports recognize that local residents have “lost between one third and one half of their river flow and have yet to see any positive impact from the project, despite their being among the poorest people in Lesotho.” While it is known that releases of water from the dams into the rivers are insufficient, monitoring of both the biological and socioeconomic impacts continues to be delayed. Without knowing the consequences, there is little chance of mitigation measures being carried out.

The communities in the Lesotho Highlands that struggle at the edge of subsistence in the harsh mountain climate suffer the most serious impacts. The Katse Dam alone affected an estimated 20,000 people by flooding their grazing lands and fields, and in many cases, their homes. Again, compensation for lost land and other resources has often been inadequate because it did not allow villagers to reestablish their livelihoods, and schemes to generate new income-earning opportunities for local people have largely failed.
World Bank officials themselves warned about the dangerous delays in compensation, resettlement plans, and rural development programs and called on their institution to reconsider all future disbursements of funds if no immediate improvements were made. Yet the World Bank went on to finance Phase 1B with fresh promises to address outstanding environmental and social problems. But now that Phase 1B has also been completed, World Bank experts note that compensation, involuntary resettlement, and environmental and social action plans are all rated as unsatisfactory. These plans have failed to comply with a minimum World Bank standard, which requires that affected people and communities at least maintain the standard of living they had before a World Bank-financed project started and are not made worse off.

Further, Lesotho is facing a national HIV/AIDS disaster that destroys the quality of life of large sections of the population and undermines prospects for future economic and social development. The pandemic has reduced average life expectancy in Lesotho from 56 years in the mid-1990s to 36.3 years today. HIV/AIDS also constitutes a serious problem in the context of the project. The incidence of HIV/AIDS in the project area is reported to be much higher than the national average. The disease’s prevalence is not surprising, since it is well known that transport corridors and large infrastructure projects are catalysts for spreading HIV/AIDS. According to an article published in the Archives of Internal Medicine, the project resulted in the influx of a workforce of predominantly single men into an isolated mountainous area where HIV was previously unknown. Infection rates have skyrocketed since the early 1990s. An official project study now acknowledges that the impact of the construction workforce has been much greater than anticipated and concludes, “While many of the economic benefits have not materialized, most of the social disbenefits have, leaving the social fabric of these communities visibly disintegrating.” Project authorities are planning to take on an active role in tackling HIV/AIDS, but critical epidemiological studies commissioned from outside consultants remain delayed.

The Lesotho project is also riddled with corruption, yet the extent is not yet fully known. The Lesotho courts, which since 1999 have waged an unprecedented fight against corruption, deserve much of the credit for uncovering and prosecuting corruption in the water project. The courts convicted three of the world’s leading construction companies—Acres International of Canada, Lahmeyer of Germany, and Spie Batignolles of France—of paying bribes to the chief executive of the Lesotho project, who is now serving a prison sentence. Investigations into bribery by other multinational companies are still in process.
Former World Bank president James Wolfensohn recognized that fraud and corruption can wreak havoc on development projects, but the World Bank has been slow to sanction the companies convicted in Lesotho. The World Bank debarred Acres International from future participation in Bank-financed projects two years after its conviction. The decision came barely a week after the lead prosecutor in the Lesotho courts testified in hearings held by the U.S. Senate Foreign Relations Committee on corruption in projects funded by multilateral development banks. Astoundingly, the same company received another World Bank contract for a project in Uganda just one week prior to debarment.

Although the 1986 Project Treaty between the governments of Lesotho and South Africa explicitly committed to ensuring that affected people not be made worse off as a result of the project, twenty years later this bare minimum has not been met. Thanks to the vigorous initiative of a highly committed World Bank staff person, the World Bank is still engaged in efforts to address some of the outstanding problems before it plans to finally close its books on the project in late 2006.

Possible Reforms

The Chad-Cameroon Oil Pipeline and the Lesotho Highlands Water projects provide valuable lessons that may sound familiar but are rarely translated into practical action when it comes to decision making about large-scale development finance. The key lesson from both projects is the indispensable need for transparency and public participation in project planning. Where repression and human rights violations stand in the way of genuine participation, the World Bank and other donors should finance only well monitored activities that directly address the priorities of their intended beneficiaries, the poor. They should not support investments in high-risk extractive industries and infrastructure development in the belief that eventually something will trickle down to poor communities. Experience shows that the poor bear most of the costs and receive none of the benefits.

In situations where human rights are demonstrably protected and high-risk projects receive public support, affected communities must be part of the process to determine how their livelihoods are to be restored. In addition, as the Lesotho case shows, the full costs of assisting people in reestablishing themselves must be an integral part of project costs and not something to be negotiated between unequal partners once construction is already underway.

Both the Chad-Cameroon pipeline and the Lesotho Highlands projects illustrate that comprehensive environmental impact assessments—including
plans to address public health and social impacts—must be carried out in a participatory manner and accounted for in project design and implementation. This has to be followed by continued independent monitoring of projects to ensure that corrective measures can be taken in a timely fashion.

In cases where the government lacks capacity to address the environmental, social, and public health impacts of a project, international financial organizations must help build the capacity in these areas before physical construction of a project commences. The Chad-Cameroon project demonstrates that capacity-building efforts in parallel with construction do not work and adds further evidence to a long history of development projects where “soft” project components were left behind the moment that construction machinery was put in place.

The plight of Cameroon’s semi-nomadic Bakola pygmy people demonstrates the imperative of recognizing and respecting the rights of indigenous peoples. The oil pipeline now crosses the traditional Bakola homeland in Cameroon’s Atlantic forest. Its construction brought poachers and loggers into the region who are now destroying the forests that sustain Bakola livelihood and culture. The U.N. Convention concerning Indigenous and Tribal Peoples, which entered into force in 1991, recognizes indigenous peoples’ collective rights to traditional lands, territories, and resources. In addition, many United Nations bodies, such as the U.N. Committee on Economic, Social and Cultural Rights, have recognized indigenous peoples’ right to free, prior, and informed consent (FPIC) concerning activities that affect them. Although FPIC now forms part of contemporary international law, the Chad-Cameroon project shows that the principle has to be made binding on international financial institutions. Otherwise it is unlikely to be applied in practice when large financial interests are at stake.

**Conclusions**

The Chad-Cameroon and Lesotho projects are not isolated cases. For more than a decade, affected groups in developing countries have protested World Bank investments in large dams and in oil, gas, and mining projects. In response to public pressure, the World Bank supported two valuable initiatives. In 1998 it helped establish the World Commission on Dams (WCD), and in 2001 it commissioned the Extractive Industries Review (EIR).

The WCD, which consisted of representatives from government, industry, and civil society, traveled to all continents to gather testimony before publishing its final report in 2000, in which they concluded that while large dams have
contributed to development, in too many cases the social and environmental costs were unacceptably high. The report calls for comprehensive and participatory assessments of people's water and energy needs and careful examination of the options for meeting those needs. It also recommends that large dams should be built only if affected people have demonstrated acceptance.

The World Bank appointed Emil Salim, a former Indonesian environment minister, to head the EIR. The EIR's first mission was to produce a set of recommendations to guide World Bank investments in oil, gas, and mining projects to ensure their compatibility with poverty alleviation and sustainable development goals. Salim and his team traveled to many countries and interviewed governments, industry, and civil society representatives. The final EIR report, published in 2003, also calls for improved dialogue, participatory decision making, and sound environmental practices. Specifically, it calls on the World Bank to adopt a clear position on human rights and to finance extractive projects only in countries where a basic measure of the rule of law and other good governance indicators are already in place.

Both the WCD and the EIR call for the empowerment of local people, who usually have no word in the decisions that will profoundly alter their lives. Both processes recommend deepening democracy and respect for people's rights, including acceptance of indigenous peoples' right to free, prior, and informed consent as indispensable to ensuring that large-scale investments in dams, oil, and mining are socially and environmentally acceptable to local communities.

Couching its response in polite language, the World Bank has rejected the central recommendations of both the WCD and EIR. This is unfortunate because the recommendations point the way out of the current development morass by recognizing that the distribution of power and influence within society lies at the heart of the development challenge.

The World Bank should evaluate its new Africa Action Plan against the standards developed by the WCD and EIR, especially with regard to the transparent and participatory frameworks for decision making that both of them propose. As long as the political and economic root causes of poverty, such as the absence of the rule of law, are ignored, the new funds for Africa promised by the G8 will likely foment further corruption, prevent the development of more diversified economies, and continue to prop up dictatorships. Paraphrasing exiled Cameroonian theologian Jean-Marc Ela, Africa would continue to be a continent of oppression and injustice where the primary
needs of the vast majority of people are ignored while local elites and their foreign partners plunder the region’s wealth in natural resources.  

Underneath the World Bank’s technocratic and depoliticized development discourse lurks an institutional culture bent on increasing quantity, not quality, of lending. This culture has hampered development assistance at the cost of immeasurable human suffering. Overcoming this culture will require deep institutional reforms, such as moving away from the organizational pressure to lend and toward a system in which management incentives are based on concrete results in promoting poverty reduction and environmental sustainability. It will also require procedures by which the World Bank and its sister organizations can be held accountable for achieving tangible results for their intended beneficiaries in Africa and elsewhere.

As the Africa Action Plan moves forward, it is critical for the World Bank to remember that investments in large-scale infrastructure development require legal, regulatory, and policy measures to ensure desirable social and environmental outcomes. The rule of law is essential if such measures are to be effective. Yet as the Bank’s Operations Evaluation Department noted in a report published in 2004, “[N]o current Bank analytic product allows an evaluation of the rule of law,” i.e. the degree to which a government exercises power according to law.  

The report argues that in the absence of the rule of law, there is not much of an argument to be made in developing or expanding investments in the extractive sector. The same is certainly true for investments in other high risk areas, such as large dams and industrial forestry. Transparency, participation, and accountability are the centerpieces of good governance. According to the OED, they are considered prerequisites for the effective use of development aid. Under conditions where they cannot be ensured, the World Bank would do well to focus its activities on providing basic social services and building capacity and institutions.  

NOTES

14 Ibid.
19 Ibid., 44.
21 World Bank Operations Evaluation Department, "Promoting Environmental Sustainability in Development,"
34 Nekarmbaye Gedeon, interview with author, N'Djamena, Chad, 10 October 2005. Mapideh Kagmbayae, president of the Association of Human Rights (ADHI), a human rights organization, has also received death threats. For more details see Letter from the German NGO working group on the Chad-Cameroon Oil Pipeline Project to the World Bank, 24 July 2005. www.erdol-tsach.de.
39 Paul Blustein, "World Bank Cuts Off Aid To Chad in Oil Dispute," Washington Post, 7 January 2006, D2, Col. 1.
48 Ibid., 6.
65 Ibid., 7.
66 Ibid., 11.