United States
Environmental Protection
Agency

Office of
Communications, Education,
And Public Affairs

Volume 19, Number 2
April-June 1993
EPA 175-N-93-018

EPA JOURNAL

Sustainable Development: Linkages and Partnerships for the Developing World

Can the World Bank Be Reformed?

The bank's record on promoting sustainable development is poor

by Korinna Horta

Mr. El-Ashry's article acknowledges that protecting the environment is not separate from development and poverty reduction, but that, indeed, it is the basis for all economic activity and ultimately human survival. This represents an important departure from the still widely held view of a tradeoff between economic development and environmental quality. Equally important is Mr. El-Ashry's recognition that environmental concerns must be fully taken into account by mainstream economic decision making.

However, the real task at hand is bridging the gap between the rhetoric of sustainable development and what is actually happening. The same institutional barriers that prevented the World Bank from financing environmentally sustainable programs in the past continue to be at work today.

The World Bank, the world's largest development agency, is widely viewed by both environmental and development organizations as an institution that continues to be incapable of promoting environmentally sustainable development. Environmental organizations in both developed and developing countries have accumulated widespread evidence that World Bank financed projects often lead to environmental destruction and social disruption and that very little attention is being paid by the World Bank to the degradation of natural resources and increasing poverty that arise from many of the policy reforms the bank promotes through its structural adjustment programs. World Bank forestry-sector loans to the West Africa countries of Ghana and the Ivory Coast are examples of a lack of attention to the environment and the needs of local people.

After years of international criticism and pressure on part of nongovernmental organizations and some parliaments, including numerous legislative efforts by the U.S. Congress, the World Bank launched in 1987 widely publicized environmental reforms. While these reforms have led to vastly increased environmental staff at the bank and to several positive policy statements, such as the one strengthening the requirements for environmental impact assessments, there is mounting evidence that their impact in field projects has often been marginal at best.

Interestingly, a recent internal World Bank report, known as the Wapenhans Report, named after the bank's now retired vice president who headed the task force that wrote the report, identifies the bank projects' lack of sustainability in much the same way that environmental organizations have. The Wapenhans Report carried out an internal review of the bank's $140 billion loan portfolio and reached the disturbing conclusion that, according to the bank's own criteria on adequate economic rate of return, nearly 40 percent of recently evaluated projects are failures. The underlying problem, according to the report, is that the bank emphasizes only rapid loan approval and pays scant attention to the actual implementation of projects. Environmental organizations have pointed out for several years that the bank's overwhelming priority to meet certain lending targets and its internal structure, which rewards staff for rapid loan processing, prevents the institution from promoting the long-term viability of its development projects. It also leads to pervasive violations of the bank's stated policies, which require consultations with populations affected by projects, because these are time consuming and therefore not conducive to career advancement of bank staff.

The World Bank's policy of withholding project documents and reports from the public in both donor and recipient countries and from lawmakers and government entities is another key institutional barrier that stands in the way of sustainable development. While the need for confidentiality of certain documents may be legitimate for the borrowing country's national sovereignty, there is no justification for keeping secret relevant environmental and social information related to World Bank programs.

There are, for example, no provisions to ensure that the environmental impact assessments and national environmental action plans, mentioned by Mr. El-Ashry as key elements in the bank's strategy to achieve sustainable development, are made public systematically. The World

(Horta is an economist with the Environmental Defense Fund.)

Bank refuses to make this environmental information available to the public, stating that it is up to the recipient governments to decide what to do with it. However, not many governments in recipient countries choose to grant access to information and involve the communities and resource users that are directly affected by the environmental plans. More often than not, these planning exercises are carried out in a top-down fashion by foreign experts on short-term missions, and their on-the-ground impact is questionable. Development will be sustainable only when local people are actively consulted. How this can be achieved without public access to project information is incomprehensible.

The Global Environment Facility (GEF) is largely run by the World Bank, which administers, chairs, and coordinates the facility and handles all GEF investment projects. The other two participating agencies, the U.N. Development Program and the U.N. Environment Program, are very junior partners in the GEF. As such, the GEF suffers from many of the same problems as regular World Bank lending, namely a highly centralized management structure focused on rapid project processing and not on the actual project impact on the ground, and an overall lack of access to information and accountability.

In addition, about 80 percent of all GEF investment projects are mere components of much larger World Bank loans, which often undermine the very same global environmental goals that the GEF seeks to address. Yet neither the governments participating in the GEF nor the GEF's Scientific and Technical Advisory Panel, which evaluates GEF project proposals, have full access to information on the associated World Bank loans.

Environmental organizations have documented that, especially in forestry and energy projects, World Bank loans are often at odds with the objectives of biodiversity conservation and reduction of greenhouse gas emissions that the GEF seeks to achieve. For example, the World Rainforest Movement, an international environmental organization based in Malaysia, recently produced a study on a GEF biodiversity protection project that is attached to a World Bank forest loan for Laos. The study found that the World Bank was violating its own policies designed to protect indigenous peoples, and that its top-down management planning for the forest resources of Laos would reduce access to the forest for about 50 percent of the country's population that relies on traditional forest uses.

Some of the findings of the World Rainforest Movement were corroborated by an internal World Bank report. Although local community involvement is essential to any long-term conservation efforts, the internal World Bank report found that no provisions were made for a participatory development process in and around the areas to be protected by the GEF project.

Mr. El-Ashry's article rightly emphasizes the need for integrating global environmental concerns into the development process. The global environment would greatly benefit if the World Bank's annual lending operations of about $25 billion were made consistent with global environmental goals. This will require major institutional reforms, without which sustainable development will continue to elude us. ■

By permission of Mike Luckovich and Creators Syndicate.