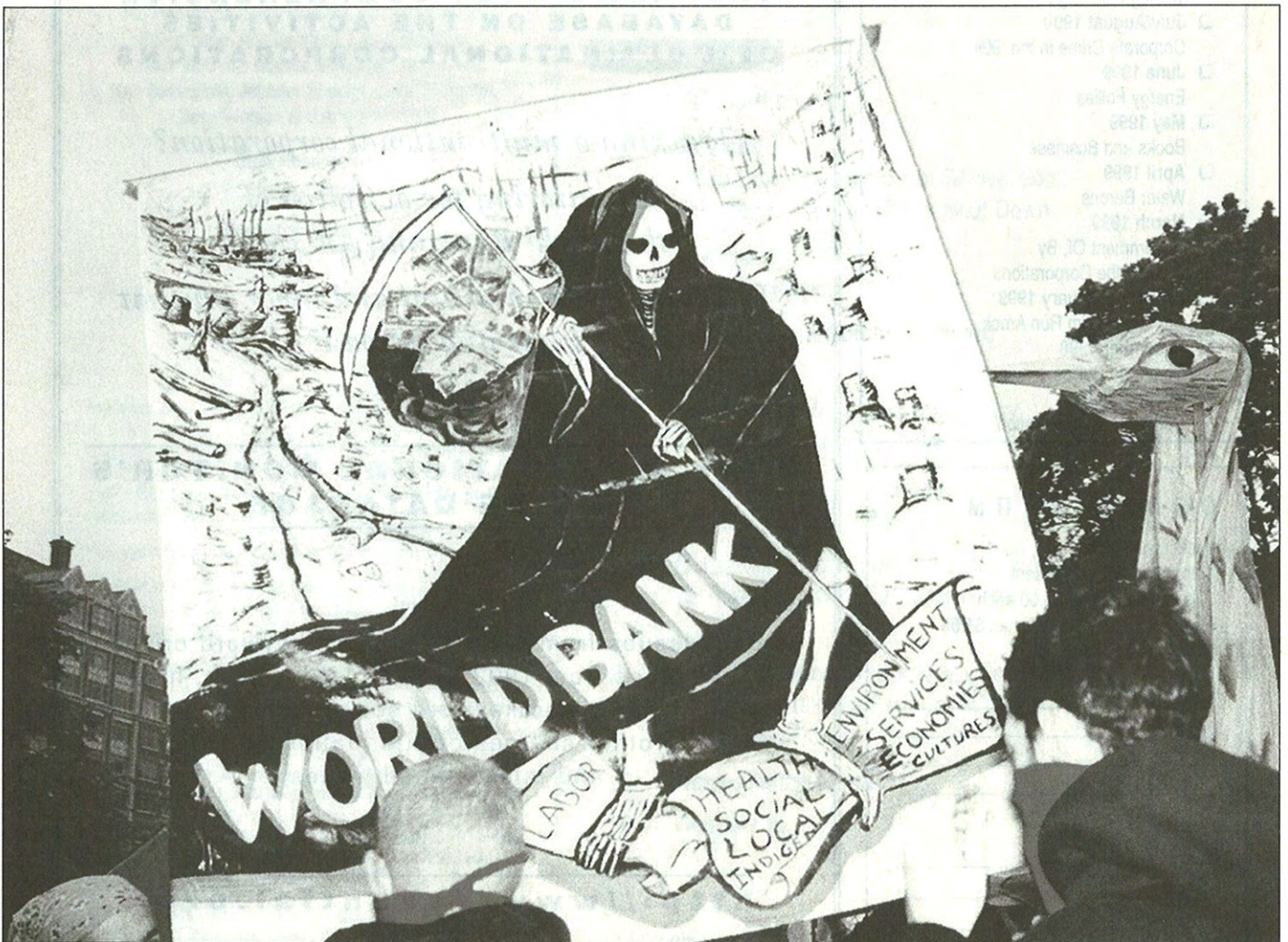


MULTINATIONAL MONITOR

Warning: World Bank Hazards • The Fight for Water and Democracy
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The World Bank: Reaping a Grim Harvest



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Warning: World Bank Policies Destroy Forests

Internal Report Documents Bank Contribution to Deforestation

By Korinna Horta

DESTRUCTION OF TROPICAL FORESTS as well as of the world's temperate and boreal forests has continued unabated over the past decade, with consequences no longer seriously in dispute: Hundreds of millions of people who rely wholly or in part on the use of forests for their livelihoods are put at risk. Agriculture is suffering as local climates are changing with the advance of savannas and deserts. The world's terrestrial biodiversity, predominantly found in tropical forests, is increasingly at risk. In addition, deforestation worldwide is estimated to contribute about 20 percent of the greenhouse gases now released into the atmosphere.

Virtually all tropical forests are located in developing countries, and no single global institution plays a bigger role in developing countries than the World Bank.

Environmentalist campaigns in the 1980s against the World Bank's contribution to forest destruction — through support for commercial logging, road-building through forested areas and megadams that flooded large forest areas — led in the early 1990s to a rethink at the Bank. In 1991, the Bank published a Forest Policy paper which ended Bank support for commercial logging in primary forests and promised a new Bank approach that would emphasize conservation, poverty reduction and support for the rights of local people.

Nearly a decade later, the World Bank's Operations Evaluation Department (OED, its internal review agency), pub-

lished a review in November 1999 of the Bank's implementation of its Forest Policy Paper of 1991. The OED report documents that the Bank's performance has been a flop.

"Bank influence on containing rates of deforestation in tropical moist forests has been negligible in the 20 countries identified for Bank focus," the report concludes.

The OED finds that World Bank has largely ignored the guidelines provided in the Forest Policy Paper, and that it has paid little attention to the impacts of its loans on forests. Most strikingly, the OED report identifies the economic policies promoted by World Bank structural adjustment programs as one of the driving forces of deforestation — meaning the Bank is making the problem worse.

In a break from previous World Bank studies, the OED report does not blame poor farmers and "slash and burn" agriculture for deforestation, nor is demographic pressure mentioned as a major underlying cause of forest loss. The new report declares globalization and economic policies designed to promote exports, bad governance, corruption and out-of control logging companies to be the driving forces of deforestation in the world.

ADJUSTMENT AND DEFORESTATION

SOME of the economic policies identified by the OED report as harmful to forests, such as trade liberalization and export promotion, lie at the very heart of the World Bank's structural adjustment lending.

Structural adjustment loans are made to governments in exchange for their commitment to adopt a set of policy changes, including promotion of exports and opening up to foreign investment. Last year, for the first time in the World Bank's history, the volume of structural adjustment loans was larger than the volume of regular project loans, repre-

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senting more than 50 percent of the institution's approximately \$30 billion annual lending in fiscal year 1999.

The OED highlighted a range of structural adjustment measures that contribute to deforestation. "[P]olicies associated with economic crisis and adjustment — such as devaluation, export incentives and removal of price controls — tend to boost production of tradable goods, including agricultural and forestry products. In doing so, and without mitigatory measures, they encourage forest conversion," the report states. "Further, constrained fiscal situations may lead to reduced public spending on environmental protection and weaken the capacities of forest ministries to enforce laws and regulations."

Yet the OED report concludes that "the Bank has made little progress in addressing the impacts of adjustment lending on the forest sector." In a few cases, the Bank has added special conditionalities to protect forests to structural adjustment packages. However, the OED report found that these measures "lack credibility," because building capacity and institutions require long-term efforts and agreement from national governments.

While emphasizing the distinction between the processes of globalization and Bank adjustment lending, Uma Lele, an adviser in the World Bank's OED and the chief author of the November report, says that "the Bank's own adjustment lending must do a better job of environmental impact assessment." Noting the technical difficulty in conducting such an analysis (as compared to environmental assessments for project loans), she says that she is relatively optimistic that the Bank will move in this direction.

Mainline World Bank officials did not respond to requests for comment on the OED report.

BROKEN PROMISES

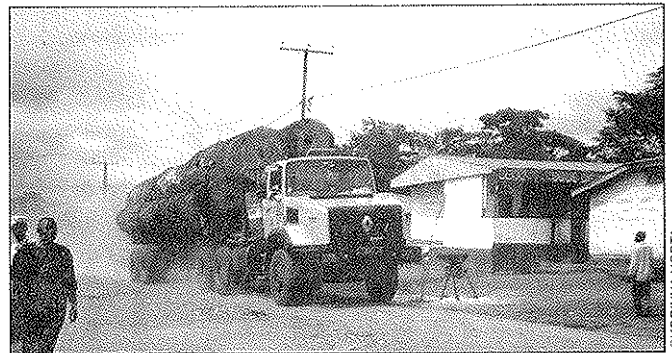
The 1991 Forest Policy Paper emphasized the importance of respect for indigenous peoples' rights and local community participation in project development. With some caveats, environmental and development organizations applauded this policy as a break from the past and as offering hope for a more holistic Bank approach to the world's forests.

The Forest Policy instructed World Bank staff that all types of investments, including infrastructure construction and energy and mining projects, had to take into account their potential impacts on forests. It also required that the World Bank's investment plans for a country, known as country assistance strategies, and all economic sector work consider possible impacts on forests.

But the 1991 policy's promise has not been met, the OED report finds.

After reviewing hundreds of project documents, the OED study concludes that the Forest Policy has largely been ignored at all levels and that forest-related World Bank lending had done little to alleviate poverty.

While "plans for incorporating participation in Bank projects have become more ambitious," the report states, "implementation has lagged." The report cites five "weaknesses" to account for this implementation failure: "inade-



Logging in Cameroon.

quate reflection of social, technical, institutional and political realities on the ground in project design; omission of key stakeholders during project preparation and implementation; inadequate time and resources allowed to develop genuine participatory approaches; lack of sufficient expertise in participatory techniques among Bank staff and consultants; and poor choice of monitoring and evaluation indicators."

In addition, it found that the Bank had neglected governance issues and that its activities in the area of institution building had been weak.

Despite its claims of being a "Knowledge Bank," the OED report found that the World Bank is frequently oblivious to the local political, economic and social realities in regions affected by its projects. The report stated that "crucial information" on land tenure (land ownership arrangements) is frequently missing from key Bank documents, even though this information is essential to respect and protect indigenous rights and to advance effective conservation schemes.

WHICH WAY FOR THE BANK?

The OED report reveals that a whole decade has been lost in which the world's forests could have benefited from improved protection. In order to address the problem, the OED report urges the creation of incentives to ensure that Bank staff have the necessary resources and can be held accountable for implementing forest policy guidelines.

But environmentalists were stunned by other OED recommendations, which they found entirely divorced from the report's findings. Many environmentalists believe senior World Bank staff whose goal is to increase lending for forestry projects significantly influenced these recommendations.

The OED report claims that the prohibition of direct financing for logging in moist primary tropical forests has had the effect of discouraging innovative investments in forestry — implying that investments in logging can save forests. Furthermore, it claims that the prohibition has led to a "chill" in overall lending for forestry — even though, as the OED itself documents, annual Bank lending for forestry-related projects has increased by 78 percent since adoption of the Forest Policy Paper in 1991. In fact, a specific policy directive published in 1993 created an enormous loophole

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Then she discovered that some company employees used a security card to enter and leave the office. Her lawyers asked the judge to obtain records from the security company on her husband's use of the card. The records provided striking evidence of how much employees were forced to work — between 12 to 16 hours a day, seven days a week, including various national holidays.

At the same time, in 1997, the Ministry of Labor's worker's compensation commission concluded that Mr. Kanaya was entitled to worker's compensation because the company deliberately violated labor laws in overworking Mr. Kanaya.

The judge subsequently forced Toyota to settle the case and the company agreed to pay compensation. During the settlement negotiations, however, the company, which often boasts about maintaining cash reserves of over \$21 billion, battled over every dollar, resisting compensating Mrs. Kanaya for trivial items such as commuting costs. Her lawyers persisted and, after several years, Mrs. Kanaya finally won, bringing the nation closer to confronting the death by overwork issue.

When asked about the Kanayas' case, Mr. Hirasawa, director of human resources at Tokyo Toyota Motors, admits the company made mistakes during the lawsuit, but claims "the company did nothing wrong in making decisions about working conditions." Despite what his wife claims, Hirasawa told *Multinational Monitor*, "Mr. Kanaya was not worked that hard everyday." ■

Campus Resistance

United Students Against Sweatshops

&

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Action at Nike Headquarters!

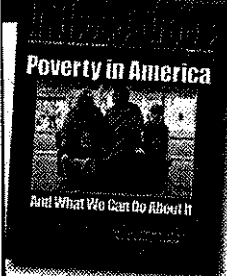
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allowing direct support for logging under special circumstances which are not defined in detail.

The OED's Uma Lele says that the OED review shows that in individual cases the Bank is funding important forest projects that facilitate both conservation and poverty elimination, especially in tree-poor countries. In China, she says, Bank-supported tree planting may absorb one fifth of the country's carbon emissions. "It would be a mistake to throw out the baby with the bath water," she says, in arguing for increased funding.

Environmental and development NGOs have emphasized that small-scale community-based logging on a pilot basis might provide valuable learning experiences about how to manage forests sustainably for the benefit of local people. But, citing the extensive recent record of failure, they have resolutely opposed large-scale industrial forestry in the tropics. Industrial systems, they insist, cannot sustain timber yields over time, much less protect ecosystems and biodiversity. And as the OED report itself acknowledges, it has done nothing to improve the livelihoods of local communities.

What remains to be seen is whether the Bank in the years ahead will follow the implicit recommendations in the OED report's findings, while strengthening the 1991 Forest Policy Paper to provide added focus on boreal forests in Russia which since the end of the Cold War have increasingly become the target for World Bank investments; or whether the Bank will instead open the floodgates for new large-scale industrial forestry investments, thereby spelling an ever faster acceleration of global deforestation. ■