HAS THE WORLD BANK GREENED?

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INTRODUCTION

For more than a decade, non-governmental organizations (NGOs) from the industrialized and developing countries have been criticizing World Bank projects for being environmentally destructive. Massive infrastructure projects such as hydroelectric dams, power plants and coal mines have been accused of causing, not only physical destruction or disruption of ecosystems, but also social damage by forcing the resettlement of populations. Bank loans for road building and agricultural colonization, for example, in the 1981 Polonoroeste program in northwest Brazil, have been shown to result in severe deforestation.

Perhaps influenced by these criticisms, Barber Conable, the President of the World Bank, publicly acknowledged in May 1987 that the Bank had been guilty of being part of the environmental problem rather than its solution. He declared that the Bank would make amends for its environmental sins and pledged several actions. As a result, there was, between 1987-1990, a dramatic increase in the Bank's environmental staff, a proliferation of new environmental policies, action plans and task forces, unprecedented increases in lending for environmental projects and a deliberate attempt to involve environmental and grass-roots NGOS in both borrowing and donor countries. Finally, there were repeated 'vows to weigh the environmental effect of projects'[2].

The NGOs concerned with 'greening'[3] issues were initially thrilled with the new direction set by Conable. However, they became more and more disillusioned as time passed. They began to feel that the main outcome of Conable's call was '... a proliferation of green rhetoric that hides a reality that is largely unchanged' to quote a paper entitled <u>The Emperor's New Clothes</u>[4]. The critics of the Bank declare, with a feeling of <u>deja vu</u>, that the Bank's present attempt at environmental revolution will fail like its former President McNamara's top-down revolution in the 1970s to make the World Bank a poverty-oriented institution.

The Bank, however, is convinced that it has achieved a major reorientation and that it has greened. Who is right -- the environmental NGOs who say that the Bank has not greened or the new and reformed Bank which says that it has? The question is extremely important because the outcome of the Bank's stated intentions and deliberate attempts to turn green have profound implications for the near-term and long-term fate of the global environment. This is because the Bank appears to have been chosen by the industrialized countries as the mechanism for protecting the global environment, i.e., the donors would like the World to be entrusted to the Bank.

THE BANK'S CASE

The Bank has a strong case to prove that it has greened. Following Conable's pledge in 1987, the Bank took several organizational steps. Of particular importance is the creation and staffing of the Environment Department (located in the Policy, Research and External Affairs complex) and four Environment Divisions (each one located in the Technical Department of each of the four Regional Offices). The Environment Department 'is responsible for overall policy formulation, research, guidelines, staff training, and some aspects of external relations. It has also acquired responsibility for administering the Global Environment Facility (GEF).'[5] The Environment Divisions are responsible for ensuring the environmental quality of Bank operations. The Bank also claims that increasingly Country Operations Departments and other Divisions in the Technical Departments are taking responsibility for environmental issues. The Country Operations Department also 'coordinates operational activities for the GEF.'[6]

Between 1987 and 1990, there was a ten-fold increase in Bank environmental staff, but this 'is but the tip of the iceberg' because of 'the large number of Bank staff working entirely or partly on environmental matters ... throughout the Operations complex, in Policy, Research and External Affairs, and among Legal, Finance, and Operations Evaluation staff.'[7] The latest report on The World Bank and the Environment states that there were 140 higher level and 51 support-level staff in the Environment Department and the four Regional Environment Divisions.[8] 'Overall, ... some 270 staffyears (regular staff plus consultants) were devoted to environment' in FY 1991 corresponding to about 6% of total staff time.[9]

There are many mechanisms for the Bank to systematically incorporate environmental concerns in its routine operations. Starting from 1988, the Bank has produced a series of country environmental issues papers which are now ready as internal documents for almost all countries. The resulting Bank strategies in borrower countries are being addressed by National Environmental Action Plans formulated on a country-by-country basis, and regional analyses of specific environmental problems, such as water resource management or pollution. The Bank claims that the environment is taken into account throughout the project cycle and that it also enters into both the economic policy dialogue and the structural adjustment lending involving the Bank and member countries. A growing research effort backs all this up. Approval of the Bank's Environmental Assessment Operational Directive in October 1989 was an important milestone providing as it does a systematic approach to environmental issues at all stages of project development. International action to combat global environmental problems has focussed on initiating and implementing the GEF and the Montreal Protocol. The Bank has also set up task forces, stepped up its lending for environmental programs and taken some steps towards involving environmental NGOS from both borrowing and donor countries. The 1992 World Development Report is on DEVELOPMENT AND THE ENVIRONMENT and the Bank has brought out Progress Reports on <u>The World Bank and the Environment</u> for Fiscal Years 1990, 1991 and 1992.

The Bank took special pride in its Tropical Forestry Action Plan (TFAP) which has been described as '... the most ambitious environmental program ever conceived'.[10] The TFAP was produced in response to the Bank's perception that tropical deforestation was the most obvious and serious environmental crisis in developing countries. This perception is understandable because the forest clearing and submergence resulting from the Bank's agricultural colonization and power/irrigation projects constitute some of the most notorious environmental debacles of the past decade involving massive destruction of rainforests in Brazil and Indonesia and prime forests in India.

The TFAP was launched, therefore, as a global program to conserve tropical forests. Conable committed the Bank to increase its forestry investments (from $137 millions in 1987) by 150% by 1989, and in September 1989 he announced a further tripling of forestry lending through the early 1990s. Thus, forestry investments became $800 millions annually by 1992.

In September 1989, Conable claimed that one-third of the Bank's projects had <u>significant environmental components</u> and there were also <u>primarily environmental or free-standing</u>[11] environmental protection and research loans such as a loan to Brazil which even the critics acclaim as an excellent project.

Implicit in all this environmental activity is the World Bank's strategy for greening which may be caricatured thus:

Greening = Call from the President + New Environmental Staff + Environmental Issues Papers, Action Plans, etc + Increased Environmental Lending + NGO involvement. Is this strategy working?

THE GREEN NGOS' CHARGE AGAINST THE BANK[12]

Notwithstanding all this reorientation of perspectives and thrust of environmental activity, NGO activists testified at a U.S. Congress hearing on October 24, 1989, that the Bank was systematically violating its own environmental and social policies. For example, in the case of the Sardar Sarovar Dam project in India, they asserted that '... the Bank was continuing to finance the project despite five years of non-compliance by project authorities in preparing critical environmental studies and action plans, and in the absence of a resettlement plan ...'.[13] The charge has been repeated again in the full-page advertisement in the New York Times and Washington Post of September 21, 1992. The purpose of this advertisement was to warn American tax-payers that their tax dollars were financing the Bank-abetted environmental threat from Sardar Sarovar dam in India and to invite them to join a worldwide campaign to cease all funding for the World Bank if it does not reverse course on the project. It has also been pointed out that there are '... scores of ongoing and proposed World Bank ecological debacles ... that have occurred despite a tremendous increase in Bank environmental staff and proliferation of new environmental policies, action plans and task forces.'[14]

The critics have been particularly hard[15] on the TFAP which they assert is '... basically a fraud ... prepared without any significant consultation or involvement of NGOs and local communities in tropical forest countries ...'. They charge that the TFAP is '... mainly a plan to promote traditional, export-oriented timber industry investments camouflaged by small components for environmental purposes.' It was argued that the '... forestry investments proposed would dramatically accelerate the rate of deforestation through increased logging...' And, the '... plan seemed to blame the poor for the destruction of tropical forests while promoting investments to open large areas of pristine forests for exploitation, rebaptizing such projects a 'sustainable forestry'.' Support for these charges came in February 1990 from a most unexpected quarter when Prince Charles said that the TFAP '... is little more than a plan to chop down trees.'[16]

The Bank's reply, apart from distancing itself from the TFAP in recent years, is that '... deforestation would proceed uncontrolled without the project and that with the project, logging could be controlled within 'sustainable' limits.'[17] That is, if a '... project is potentially very damaging to the environment, and if Bank participation could do much to reduce the damage but would not eliminate it entirely, the net gains from participation must be the deciding factor.''[18] Of course, this means that the Bank wants to play the role of an environment-destruction-mitigation agency whereas the NGOs are judging the Bank on whether it is acting as an environment-protection agency.

The critics of the Bank have also been harsh on the Bank's way of dealing with the forced resettlement caused by its projects. 'No single Bank activity has greater immediate social impact than the physical destruction or disruption of rural ecosystems caused by large infrastructure projects such as hydroelectric dams, power plants and coal mines. The forced resettlement of populations that occurs from these projects occurs on a large scale: as of January 1990, an estimated 1.5 million people were being forcibly displaced by over 70 ongoing Bank projects, and proposed projects currently under consideration may displace another 1.5 million.'[19]

'The World Bank policy on forced resettlement was established in 1980, predating most other Bank environmental directives. It is the most important of the Bank's environmental policies that deal with the social consequences of ecological destruction. Bank policy requires that when it finances a project that will forcibly displace populations, a resettlement and rehabilitation plan must be prepared and implemented by the borrower in a timely fashion, such that the affected population is at least put in a position where it is no worse off and preferably better off than before.... the Bank's own internal reviews found very few instances in which a population that has been resettled is economically better off than before or has even regained its previous standard of living...'[20]

The record of the Bank has been particularly poor in the case of the Sardar Sarovar project. It has even been suggested that Conable was so unsure of the truth emerging from internal Bank sources that he created a precedent by setting up an independent review commission -- the Morse Commission -- which has come out with a report[21] that is very damaging to the Bank's recent efforts to implement longstanding environmental policies on resettlement.

The situation has led James Scheuer, Chairman of the House Subcommittee on Agriculture Research, Environment and Natural Resources to remark that '... the Bank has not institutionalized Barber Conable's rhetoric and ... demonstrated concern, both for the environment and for computing the predictable, inexorable environmental damage that these projects will cause.'[22]

SUMMING UP OF THE CASE

Likening the situation to a court case with the NGOs as the prosecution and the Bank's spokespersons as the defence, it is clear that there are several points on which there is agreement. Prior to half a decade ago, the Bank did not have significant environmental concerns in the modern sense -- it was little concerned with greenhouse gas emissions and global warming, pollution and acid rain, deforestation, etc. However, the Bank has taken many steps to develop and implement environmental concerns, particularly in the past five years. In particular, a number of internal units have been established to catalyze the greening of the Bank. Despite these achievements, all parties, including the Bank, are agreed that '... more still needs to be done.'[23] The reorientation of the Bank is crucial because, despite opposition from many quarters, the Bank is bound to play an increasingly major role in environmental matters -- through international initiatives such as the Global Environmental Facility and the Montreal Protocol as well as through country operations.

As important as the areas of agreement are the issues on which there is disagreement, viz. the pace and extent of the greening. Whereas the Bank thinks that its acquisition of an environmental thrust has been very rapid, critics believe that the '... Bank is still essentially doing what it has always done: moving large amounts of money to Third World government agencies for capital-intensive projects or -- an innovation of the 1980s -- for free-market, export-oriented economic policy changes.'[24] They also argue that the 'soul' of the Bank is its powerful Operations complex and this has not changed despite the increase in environmental staff and the brilliant papers.

Consider, for example, the issue of forced resettlement caused by Bank-financed projects, which could be avoided by environmentally less disruptive investments in energy alternatives. This possibility has in fact been identified by World Bank studies which 'indicate that 1/3 to 1/2 of new demand for electricity in Brazil and India through the year 2000 could be provided through investments in energy conservation and end-use efficiency.'[25] This saving of about 20,000 MW corresponds to at least 10 giant dams or coal-fired plants. Between 1987 and 1990, the NGOs charge that 'the Bank has made theoretical commitments to increased energy efficiency and conservation investments, but the actual changes have been insignificant. ... in 1988 and 1989, less than 2% of World Bank energy and industry loans were for projects that included end-use efficiency as a component.'[26] The Bank, however, disputes these figures and declares that the actual investments in efficiency are very much higher.[27] Such differences must obviously be due to definitions and methodology, but it is very unsatisfactory that even matters of fact have not been resolved between the Bank and its critics.

What has become clear is that greening must be looked upon, not as an event, but as a process. If so, are the critics of the Bank being unreasonable by implicitly asking for an over-night greening event or an impossibly fast process?

A MODEL FOR THE GREENING PROCESS

In this analysis of the transformation of an organization like the Bank, some insights can be gained from our understanding of the transformation of physicochemical systems from one phase to another phase, for example, the freezing of liquid water to solid ice. In such phase transformations, a necessary requirement is that the surrounding conditions warrant and sanction the transformation, for example, the temperature of the water must fall below the freezing point of water. But, the satisfaction of this condition is not sufficient. In general, the transformation of the system is not a one-shot affair in the sense that the whole system does not transform at the same time; instead, nuclei of the new phase are born within the old phase, and if they grow, they can take over the whole system by expanding and/or coalescing. Thus, phase transformations are in fact not events; they take place through a nucleation and growth process.

If the greening of the World Bank is a process that has a mechanism similar to the transformation of physicochemical systems, then the crucial questions are the following:

- are the surrounding conditions favorable for greening?
- are there nuclei to initiate the greening?
- are these nuclei growing?
- what are the barriers to the growth of the nuclei?
- is the growth fast enough to complete the transformation in a reasonable time?

THE CONTEXT FOR GREENING

The most valuable environmental lesson that has emerged over the past few decades is that the environment is too important to be left either to international institutions (including the Bank) or to national governments or to producers (industries and agribusinesses) with short-term concerns and high discount rates. Environmental concerns emerge primarily from a concerned public and environmental protection depends upon public interest and vigilance.

The single most important external pressure that led the World Bank to undertake environmental reform came from NGOs in North America, Europe and many developing countries. NGO pressure made a crucial difference. The green movements in the North and South played a critical role in pushing the bank towards stricter Bank observance of existing environmental policies, more far-sighted Bank leadership in the formulation of debt-forgiveness strategies, greater transparency and accountability in the Bank, and greater substantive participation in the Banks's deliberations of those affected by its projects in the Third world.

Their coordinated campaign consisted of well-publicized case studies of World Bank-financed environmental disasters, congressional and parliamentary hearings in the USA and a number of European nations, and mobilization of media coverage in the industrialized and developing countries. In addition, the obscure environmental and political concerns of affected, but powerless, communities in the Third World were globalized and transformed into international issues.

This globalization process requires the unity of NGOs from industrialized and developing countries -- demonstrated for example in the above-mentioned advertisement in the New York Times and Washington Post, on the Bank-abetted environmental threat from the Sardar Sarovar dam in India. Fortunately, this unity is a growing force that will have to be reckoned with increasingly.

But, even more the unity depends crucially on the growth and strengthening of civil rights world-wide and particularly in the developing and erstwhile-communist countries. Thus, a democracy that encourages the free expression of the environmental concern of NGOs and permits the vigilant monitoring of the performance of international and national project implementors is a necessary condition for the greening of the Bank and for environmental protection. And this condition is being increasingly satisfied.

The role of NGOs is also becoming more sophisticated and constructive; they are becoming more expert in assessing the environmental implications and impacts of projects and they are turning from mere negativism to a constructive approach of suggesting alternatives. This is understandable because there is a great deal of expertise on issues relevant to Bank projects, and only some of these experts have hired themselves out to the Bank; others are available to the NGOs.

Finally, environmental degradation is no more a matter that only concerns nations or regions. Environmental impacts such as the accumulation of greenhouse gases in the atmosphere are of global concern so that the fate of industrialized countries is inextricably bound to what the developing countries do. This globalization of environmental concerns will ensure the establishment and strengthening of international environmental actions such as the GEF and the Montreal Protocol.

There is another situation of profound significance. In the past, industrialized countries could collude with the elites of developing countries and their governments in environmentally unsound development patterns because the sufferers were primarily the poor of these countries. Now, the situation is different because industrialized countries also will be affected by global environmental phenomena such as global warming. At some point, therefore, industrialized countries will have to jettison the elites and forge an alliance with the poor in developing countries. If that happens not only will the poor and the meek in developing countries inherit development but also the earth.

THE GREENING AGENTS

The organizational steps, following Conable's call for greening, seeded the Bank with many nuclei to usher in its environmental transformation. The recent international environmental responsibilities have also created new environmental-agents. The crucial greening agents within the Bank are:

- the Environment Department (located in the Policy, Research and External Affairs complex)
- the four Environment Divisions (each one located in the Technical Department of each of the four Regional Offices)
- the Operations Evaluation Department which is completely independent and reports not to Bank management but to the Bank's Executive Board of Directors.
- the environmental staff added to the Country Operations Departments and other Divisions in the Technical Departments.

THE BARRIERS TO GREENING

With the external conditions being favourable for greening and with the creation of so many greening agents within the Bank, it may seem that a rapid greening is assured. In fact, such a conclusion would be misplaced over-confidence primarily because of the large number of factors that inhibit and impede the greening process. As in physico-chemical systems, nuclei are unstable; they either grow or decline. The question must, therefore, be asked: 'Where do the pressures come from ... pressing down on the World Bank to degrade its own procedures

...' and preventing it 'from implementing reform in a meaningful way?'[28] These inhibitory factors or barriers arise from various sources: the development paradigm used by the Bank, the very nature of the Bank as an international institution, some organizational units inside the Bank and many forces outside the Bank.

Pseudo-development Paradigm

The importance of distinguishing between genuine development from pseudo-development was stressed by Camdessus, Managing Director, International Monetary Fund when he pointed out[29] in July 1990 that pseudo-development (which he called pseudo-growth) is 'growth for the privileged few, leaving the poor with nothing but empty promises' and 'forced quantitative expansion, pursued through the disorderly exploitation of natural resources and the ravaging of the environment.' Genuine development (which he called high-quality growth) 'is concerned with the poor, the weak, the vulnerable ... it is growth that does not wreak havoc with the atmosphere, with the rivers, forests or oceans, or with any part of mankind's common heritage.' Implicit in this statement is the recognition that most developing countries have dual societies with decision-making elites living in small islands of affluence amidst powerless masses in vast oceans of poverty.

Unfortunately, it would be considered interference in internal affairs and therefore taboo for intergovernmental organizations to probe into whether the ruling elite of a country is, in the name of development, high-jacking economic growth and appropriating its fruits. It is also not protocol for such organizations to inquire whether the government of a country represents not only the elite but also its poor. The net result of these taboos is that the Bank tends to collude with the governments of developing countries with dual societies and abet environmentally destructive pseudo-development in the interests of the elite rather than genuine environmentally sound development in the interests of the poor.

The resulting conflict between pseudo-development and environmental protection cannot be resolved within the framework of the pseudo-development paradigm which therefore prevents the greening of the Bank. Particularly in the case of forced resettlement, '... the Bank has been reluctant to pressure local governments that are unwilling to involve local populations in development planning, even when massive resettlement is planned.' 'Instead, a top-down technocratic approach prevails in which the local peoples are treated merely as project-affected populations'..[30]

The Bank is '... caught in a double bind. The Bank has pledged to incorporate environmental with developmental concerns, but it is constrained to treat these as technical, apolitical matters. Its modus operandi is by definition only with sovereign governments and certain ministries within those governments, but the most crucial environmental challenges are political and social in nature, and call for planning and decision-making that give much more legitimacy and empowerment to nongovernmental, civil society.'[31]

There can also be a conflict at the global level between pseudo-development and ecological sustainability. The Bank chose from the 1987 Brundtland Report the concept of sustainable development but has not given the same emphasis to the need to change to a less material- and energy-intensive pattern of development as the basis of sustainability. Thus there can be a conflict between the expansion of export capacities required by the pseudo-development paradigm and the ecological soundness of sustainable development. In the case of forestry, for example, the desire to expand export capacities leads to talk of the sustainable logging of rainforests even though tropical forest timber is almost always produced and logged unsustainably and must, therefore, be considered a non-renewable resource.

Intrinsic Unaccountability and Inscrutability of Bank[32]

A major fundamental criticism of the Bank is that it '... is not directly accountable to civil society within borrower and donor countries, or even fully to the representatives of its member nations. Moreover, the Bank heavily restricts access to information concerning details of its activities. These practices make scrutiny of the World Bank ... -- which uses public monies to lend for public purposes -- extremely difficult, and places serious constraints on efforts to reform ...'. The '... official avenue of accountability ... lies with the board of executive directors ...' but the Bank's charter '... is ambiguous on the exact status of the directors' who '... approve every loan and every policy change.... But, the Bank withholds from the executive board access to most of the documents produced by Bank staff in the identification and preparation of projects....' which means that 'the principal recourse for detailed information on projects are oral briefings by Bank staff.'

Worse still, 'If there is a relative lack of Bank accountability to its directors, there is an almost total absence of accountability to the people affected by its projects and to the public in member countries.' And '... without access to information on Bank projects, meaningful involvement and participation is impossible.' 'If the Bank is to be a democratic institution committed to greater involvement of local people in development planning, it cannot continue to bar the people from access to basic project information.'

In defence of its lack of transparency and accountability, the Bank argues that public access to information undermines its negotiating relations with borrowing governments who are their sole clients.

Internal Barriers

Since power in the Bank flows from the authority to identify and prepare loans, the Operations Complex has always been more powerful than the Policy, Planning and Research Divisions. The Bank's critics argue that, along with the 1987 environmental reforms, a larger Bank-wide reorganization took place in which the Operations Staff (the Country Directors/ Project Officers) were granted greater autonomy and authority. Thus, the Operations Complex has even more power and scope to ignore and prevent the growth of the environmental thinking and greening influence of the Policy, Planning and Research Divisions. The brilliant policy, planning and research papers and analysis are of no avail if they are not implemented by operations.

Though the Operations Evaluation Department has the requisite independence and is not subordinate to the Bank management, its evaluation and recommendations do not guide subsequent practices of the Operations Departments and provide the organizational learning for the Bank.

The country strategy papers and economic memoranda -- the critical economic documents that set the outlines for Bank country lending -- need not reflect environmental issues papers for borrowing countries and their environmental action plans. This bias is facilitated by the fact that the Bank's charter '... stipulates that officers and staff are to base their decisions and actions exclusively on economic considerations.' The critics state that '... the exclusion of substantive environmental analysis in its most important economic planning exercises, such as country strategy papers, bodes ill for practical attempts to incorporate environmental concerns into such lending in any systematic way. In 1989, only five of the Bank's 45 adjustment loans explicitly addressed environmental concerns.'[33] These numbers cited by the critics are, however, misleading because the picture is rapidly changing and in 1990, 40 out of 117 projects had explicit environmental components.[34]

GEF projects are designed to help developing countries and Eastern European countries to implement projects with global environmental benefits. These projects involve the Operations Complex in two ways:

(1) after the Bank's GEF staff design the project and get it approved, the implementation is carried out by the Operations staff
(2) if the Bank co-finances the project, then its Operations Complex has a major role in the project.

In either case, there is scope for the environmental concerns of the GEF staff to be thwarted by the operations staff. From being a catalyst for change in the Bank, its GEF unit may be frustrated. However, there does seem to be evidence thus far for the GEF being a greening agent inside the Bank.[35]

The senior management of the Bank did not initiate the greening of the Bank. Neither did all of them become greens when the greening process was started by Conable. It is no surprise, therefore, that the Bank's senior management often rejects the recommendations of its environmental staff. It has also decided -- according to the critics -- not to include environmental issues papers in country strategy papers thus making environmental concerns largely cosmetic.

'Bank staff advance their careers by building up large loan portfolios and keeping them moving, not by slowing down the project pipeline to ensure environmental and social quality', the critics assert.[36] Consequently and understandably, there is an intrinsic bias towards, for instance, large energy infrastructure projects because efficiency and conservation loans are harder to prepare and move less money. From a greening point of view, therefore, the Bank has not got its incentives right for its staff.

Another pressure to lend money for large projects is the tendency of large bureaucracies to measure their success in terms of their own growth and expansion. For the same reason, vested interests and government bureaucracies in borrowing countries prefer big dam projects. There is also the additional reason in corrupt societies, that larger projects mean larger commissions. The intensity of the contradiction between moving money rapidly and ensuring environmental quality of projects is proportional to the amount of money, and will intensify as the Bank gets more money to lend.

External Barriers

The Third World debt crisis of the 1980s led to the search for solutions. Two major options for tackling the crisis turned up. The first option of debt-for-nature swaps involves forgiving large portions of private commercial debt and using debt-relief programs as mechanisms of environmental protection. This could be done by ensuring that some portion of the domestic funds committed to debt repayment/servicing would be invested on environmental protection. The second option required structural adjustment lending along with the imposition of conditions that would increase a country's ability, at least in the short term, to meet its debt-servicing obligations, if necessary at the expense of the environment.

Perhaps to rescue their commercial banks which had lent heavily to Third World countries, the major donors, specially the U.S., promoted the second option and pressured the Bank, to lend more money to heavily indebted countries and temporarily resolve the debt crisis. The net result of this convergence of interests between the Bank and the donor countries, particularly the U.S., has been to exacerbate the Bank's tendency to ignore the environmental consequences of its lending. In fact, many of the conditions attached to structural adjustment loans -- such as the reduction of domestic expenditures, currency devaluation, and the increase of exports -- invariably have a negative impact on the environment. They encourage governments to cut down domestic conservation investments and exploit resources unsustainably to increase exports. Thus, the so-called environment-development conflict is really a conflict between environmental protection and short-sighted high-discount-rate-based economics.

Barriers to the greening of the Bank have also been raised by the borrowing nations. In particular, they object to the Bank's environmental conditionalities as an added cost and an imposition of industrialized country priorities.

Though the governments of many of these countries have dismal records in the matter of poverty reduction within their countries, they argue with the Bank that environmental conditionalities are an obstacle to poverty reduction. The most vehement opponents of environmental conditionality among the bigger borrowing nations also have highly stratified societies in which there is little concern for those who suffer from the impacts of development projects. So when the spokespersons of these governments ask for protection of the environment without penalizing development[37], it is not clear: development for whom? For their elites? or for their masses below the poverty line? Even though the poor of the dual societies of most developing countries 'suffer a disproportionate share of the adverse effects of large projects and enjoy few of the benefits'[38], the governments of these countries rarely articulate the demands of the poor. How then are these elitist governments able to secure the collusion of the Bank in environmentally disastrous projects? Perhaps because the Bank's objective of moving money might be frustrated if it is too strict about environmental policies. On the other hand, Bank support plays a crucial role in legitimizing environmental destruction in the case of projects such as Sardar Sarovar '... that might otherwise have died a natural death from divided domestic support and insufficient foreign funding.'[39]

The rural and forest areas of the Third World are invariably viewed by their governments as '... consisting of relatively 'empty' and 'undeveloped' expanses of space awaiting planning, inputs, and infrastructure from the outside'.[40] In fact, the spaces are invariably populated by people with centuries-long records of sustainable management of natural resources. With 'modernization', however, these traditional people are marginalized by their fellow-countrymen who then degrade the environment and destroy its natural resources. The marginalized people are often tribal minorities who feel increasingly dispossessed and powerless vis-a-vis a development model that is capital intensive, export oriented, and favors urban and rural elites. These elites and their governments turn a deaf ear to the experiences and protests of the victims of environmentally unsound pseudo-development. Unfortunately, this deafness is passed on and readily acquired by international institutions. In this process, the Bank deprives itself of insights into the negative environmental impacts of Bank-assisted projects and into the possibilities of sustainable development that could be provided by environmentally affected communities. The greening influence of these communities has been inhibited.

ACCELERATING THE GREENING PROCESS

Accelerating the Shift to a Genuine Development Paradigm: There is sufficient understanding, both inside and outside the Bank, of how genuine development differs from a pseudo-development in which the poor are ignored and the environment is destroyed. It is the percolation of this understanding into the Bank's projects that is the crux of the issue. A possible internal mechanism to facilitate the percolation process is to arrive at and use a set of sustainable-development criteria for the identification of Bank projects. And of course an external mechanism is to encourage, listen to and learn from the views of NGOs, particularly those from the developing countries representing communities affected by actual or potential projects.

Making the Bank more Accountable and Transparent: If there is ambiguity regarding the accountability of the Bank and its staff, this ambiguity should be removed, for instance by clarifying the status of the Executive Directors of the Bank as constituting a body to which the Bank is responsible and accountable.

Of course, this accountability becomes meaningful only when the Executive Directors have complete access to information. The situation has to be analogous to a democratic system of government in which officials have to report to ministers who then have a right to complete information on the work that the officials are doing and propose to be doing.

Accountability becomes reasonable only when the activities have benchmarks and targets that are decided before the activities commence. It is to be expected that the Bank will resent any benchmarks and targets so that the Bank is responsible (at least partly), for example, for the achievements of a structural adjustment program. Nevertheless, such benchmarks and targets are crucial.

Empowering the Operations Evaluation Department: The Operations Evaluation Department (OED) is well positioned to carry out post-project evaluation of Bank projects and report on their environmental impacts. But mechanisms must be established to incorporate mandatorily into various stages of Bank projects such of those recommendations of OED as are approved by the Executive Directors.

Reconciling Country Strategy Papers with Environmental Action Plans: To accelerate the greening process, it must become mandatory for the Operations Complex to integrate the environmental dimensions of the issues papers into the economic memoranda and even more important to incorporate the environmental action plans into the country strategy papers.

Reconciling Bank Projects with GEF Projects: GEF projects have been identified taking into account the environmental criteria of GEF, but the associated Bank projects are not identified with the same criteria. Hopefully, the criteria used by the Bank are at least developmental (as distinct from pseudo-developmental!), if not environmental, criteria. It is important, therefore, to change the criteria used in the Bank projects so that the GEF component greens the Bank component instead of the Bank component corrupting the GEF component.

Subordinating Rapid Movement of Money to Improvement of Environmental Quality of Projects: To be an agency of sustainable development, the Bank must emphasize project quality rather than rapid disbursement of money. This requires a radical change in the incentives for Bank staff so that they are motivated to promote environmentally sound development projects rather than move money rapidly. And the donor countries must unambiguously support such a change.

Debt-for-Nature-cum-Development Solutions to the Debt-Environment Crises: Instead of the structural adjustment loans that quite often push debt-ridden countries into environmentally destructive courses of action, there should be debt-for-nature-cum-development solutions that force these countries to divert funds into investments that promote environmental protection along with genuine development.

Empowering Environmentally Affected Communities: Underlying the global environmental crisis is a very large number of local ecological crises. And in most of these local crises, there is a community of indigenous people that is affected by the fate of its ecosystem and has a social, economic, or political interest in the conservation of the ecosystem and its natural resource. Often this community knows best how to manage those natural resources in a sustainable way. The empowerment of community organizations of all kinds that have a vested interest in the conservation of the world's increasingly threatened systems is of paramount importance to the greening of the Bank. The success of this empowerment depends upon the ability of the local green movement to link its ecological, social, and economic concerns to international environmental issues.

CONCLUSION

It is abundantly clear that the greening of the Bank cannot be an event that could be described thus: Conable said 'Let the Bank be green!' and the Bank became green. Greening has to be a process similar to the phase transformation of a physicochemical system. The overall conditions are favourable and there are sufficient nuclei to initiate the greening process. It also appears that the nuclei are growing and that they will eventually take over the whole system. But there are a number of factors that are inhibiting the growth of these nuclei -- that is the bad news. However, there are steps that can eliminate or reduce the barriers to the greening process. If these steps are implemented, the greening process can be accelerated -- that is the good news.

REFERENCES AND NOTES

1. The views expressed in this paper are those of the author in his personal capacity; they are not necessarily those of the International Energy Initiative. The author is very grateful to Ian Johnson of the World Bank and Bruce Rich of the Environmental Defense Fund for guiding him to relevant literature and sending it to him promptly. Bruce Rich also made valuable comments on the draft.
2. "World Bank Vows to Weigh Environmental Effect of Projects" says the headline in a New York Times report (September 21, 1992, page A13) on the annual meeting of the World Bank and the International Monetary Fund.
3. The word "greening" will be used in the rest of this paper to refer to a process of acquiring environmental concerns and promoting their implementation. The word "green(s)" will also be used without quotes to indicate a person or persons with environmental concerns who promote(s) these concerns.
4. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", World Policy Journal, Spring 1990, pp.305-329.
5. The World Bank and the Environment -- Fiscal Year 1991, The World Bank (1991) p.2
6. ibid. p.3
7. The World Bank and the Environment -- Fiscal Year 1990, The World Bank (1990) p.72
8. The World Bank and the Environment Report -- Fiscal Year 1991, The World Bank (1992) p.127
9. The World Bank and the Environment -- Fiscal Year 1991, The World Bank (1991) p.3
10. Rich, Bruce, ibid. p.310.
11. According to The World Bank and the Environment Report for Fiscal Year 1992, a project is considered to be primarily environmental or free-standing if either the costs of environmental protection measures or the environmental benefits accruing from the project exceed 50% of total project costs or benefits. The projected is deemed to have a significant environmental component if the environmental protection costs or environmental benefits are in excess of total project costs or benefits.
12. (1) Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", World Policy Journal, Spring 1990, pp.305-329.
    (2) Rich, Bruce, Statement before the Subcommittee on Foreign Operations, Committee on Appropriations, U.S. Senate, June 25, 1991.
    (3) Letter dated June 25, 1991, of Robert Kasten and Patrick Leahy of the Foreign Operations Subcommittee, U.S. Senate Committee on Appropriations to Secretary of the Treasury, U.S. Treasury Department, with copy to World Bank President.
    (4) Global Environment Facility Information Packet, Environmental Defense Fund (1992)
13. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", ibid. p.305.

14. ibid. p.305
15. ibid. p.309-310
16. ibid. p. 310.
17. ibid. p. 311
18. World Bank Support for the Environment: A Progress Report, Development Committee Pamphlet 22 (1989)
19. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", p.313.
20. ibid. p.313.
21. Sardar Sarovar: Report of the Independent Review, Chairman: Bradford Morse (1992)
22. ibid. p.305.
23. The World Bank and the Environment -- Fiscal Year 1991, The World Bank (1991) p. 110
24. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", p.308.
25. ibid. p.316.
26. ibid. p.316
27. Energy Efficiency and Conservation in the Developing World: The World Bank's Role, Industry and Energy Department, OSP, March 18 (1992)
28. Statement by James Scheuer, Chairman of the House Subcommittee on Agriculture Research, Environment and Natural Resources quoted in Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", ibid. p.306.
29. Statement by Camdessus, Managing Director, International Monetary Fund to the United Nations Economic and Social Council, Geneva, July 11, 1990, quoted in the Statement of Bruce M. Rich before the Subcommittee on Foreign Operations, Committee on Appropriations, U.S. Senate, June 25, 1991.
30. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", ibid. p.324.
31. ibid. p.324.
32. ibid. p.321-322.
33. ibid. p.319.
34. The World Bank and the Environment -- Fiscal Year 1990, The World Bank (1990), p.89.
35. Kjorven, Olav, Facing the Challenge: The World Bank and the Global Environmental Facility, Report 1992/3, The Fridtjof Nansen Institute (1992).
36. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", p.317.
37. As was done by the Finance Minister of India a propos criticisms of the Sardar Sarovar dam project in India during his visit to Washington during the week of September 21, 1992, for the Annual World Bank/IMF meeting.
38. Rich, Bruce, "The Emperor's New Clothes: The World Bank and Environmental Reform", p.320.
39. ibid. p.320. Some sources in India argue, however, that Sardar Sarovar construction will go on, albeit at a slower pace, even without Bank funding, particularly because there is virtually universal support for the project from the people of Gujarat where the dam is located and because the Bank's financial contribution is minor.
40. ibid. p.327.

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