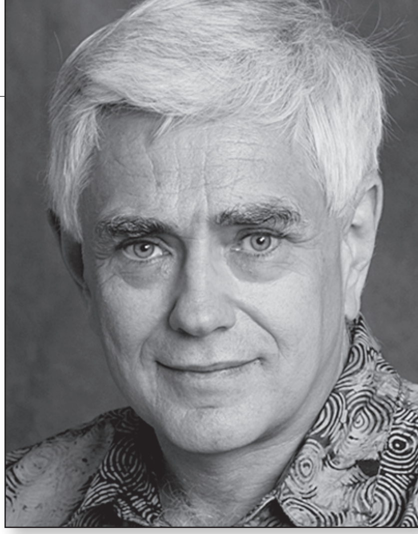

By Bruce Rich

A Flight From Sustainability

World Bank efforts to weaken environmental and social safeguard policies are provoking international concern. These measures date back thirty years and have played a critical role in promoting the adoption of similar policies at other multilateral development banks. And they have catalyzed environmental and social assessment procedures at export credit agencies and in the project finance of major commercial banks.

Last July the bank released proposed new safeguards that in effect abandon requirements for preparation and public disclosure of environmental assessments before project approval. Numerous loopholes permit degradation and destruction of legally protected natural areas and allow projects to proceed with inadequate measures to protect resettled populations and indigenous peoples.

The changes incited protests not just from civil society, but also from 27 leading human rights experts and officials associated with the UN High Commissioner for Human Rights, as well as from six Nobel peace laureates. The UN experts wrote bank President Jim Yong Kim expressing their dismay that "the bank's proposed new safeguards seem to view human rights in largely negative terms, as considerations that, if taken seriously, will only drive up the cost of lending." They also identified, like many other commentators, the bank's de facto abolition of mandatory environmental and social assessment, since the proposed policy allows projects to go forward even if they do not meet environmental and social safeguards. In fact, the draft qualifies virtually every key operational decision with opt-out phrases.

Email comments of World Bank vice presidents on the draft safeguard revisions were leaked to the press last summer. One wrote that "it might appear that the bank is interest[ed] [in] lending more, hence lowering the ex ante standards." Another VP commented on the lack of consultation on the safeguard revisions with bank environmental and social specialists.

The mounting criticisms led the U.S. Congress to enact legislation last December, included in the 2015 Omnibus Appropriations Act, that requires the U.S. executive director at the World Bank "to vote against any loan, grant, policy, or strategy," if "any environmental and social safeguard relevant" to such loan or grant provides "less protection than World Bank safeguards in effect on September 30, 2014." The legislation is a not particularly subtle threat that U.S. contributions to the bank could be cut if the diluted safeguards were to replace those currently in force.

The World Bank pulls back from public environmental and social evaluations

In March, hours after public comment and consultations on the proposed safeguard changes closed, bank management let drop a policy bombshell — releasing three draft internal studies, all prepared before July 2014, that pointed to grave social and environmental harm caused by bank neglect over two decades in implementing its existing safeguard policies. The reports revealed that some three million people were being adversely affected or physically displaced by bank-financed projects, but in the majority of cases bank management had not ensured economic and social rehabilitation of the dispossessed as required by the safeguard policy on involuntary resettlement.

The bank's internal audit vice presidency found that for 53 percent of the bank's 2,355 investment projects ongoing as of February 2014, even elementary mandatory environmental and social risk assessment simply had been ignored. The study quotes bank staff observing that "safeguards are irrelevant for managers" and "management views candid communications as creating problems rather than solving them." It concludes, "Nobody is accountable for safeguard risk management results."

These documents had not been shared with most bank management nor with the bank's country executive directors, even as the proposed safeguard dilutions were drafted and circulated for public consultation. The documents' abrupt release was accompanied by a hastily put together six-page "action plan" and a press release with apologetic statements from Kim that seemed to indicate that he was surprised by what was going on. It appears that investigative journalists obtained the documents from internal whistleblowers and queried bank managers on the findings, leading external relations staff to advise the bank to release the documents to attempt to manage the story.

The safeguards dilution is a misguided effort to ensure the bank can move money more quickly, in larger amounts, and with fewer procedures to avoid being marginalized by the growing volume of loans from public lenders in China, Brazil, and other emerging economies, as well as from private international banks. But the World Bank cannot prevail in such a race to the bottom. It will only remain relevant by refocusing on the environmental and social quality of its lending, rather than abandoning it.

Bruce Rich, an ELI Visiting Scholar, is an attorney and author who has served as senior counsel for major environmental organizations. His email is brucemrich@gmail.com.