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THE EMPEROR'S NEW CLOTHES: THE WORLD BANK AND ENVIRONMENTAL REFORM

Bruce Rich

On October 24, 1989, an extraordinary hearing took place in the U.S. Congress. Two and a half years after the president of the World Bank, former congressman Barber Conable, had committed the Bank to sweeping environmental reforms, activists from its most important borrower and donor countries—India and the United States—testified about the Bank's systematic violation of its own environmental and social policies in the Sardar Sarovar dam project in north-central India. The activists objected that the Bank was continuing to finance the project despite five years of noncompliance by project authorities in preparing critical environmental studies and action plans, and in the absence of a resettlement plan for the 90,000 rural poor that the dam's 120-mile long reservoir would displace. Only a month before the hearing, 60,000 people had protested against the World Bank and project authorities near the dam site—the largest demonstration against a development project in the history of India.

Conable's former colleague, James Scheuer (D-N.Y.), the chairman of the House Subcommittee on Agriculture Research, Environment and Natural Resources that called the hearing, was angry and perplexed. "It must be said that the Bank has not institutionalized Barber Conable's rhetoric and Barber Conable's demonstrated concern, both for the environment and for computing the predictable, inexorable environmental damage that these projects will cause," Scheuer stated. Indeed, the Sardar Sarovar project is only one of literally scores of ongoing and proposed World Bank ecological debacles that have come to congressional and international attention over the past two years—debacles that have occurred despite a tenfold increase in Bank environmental staff and a proliferation of new environmental policies, action plans, and task forces. "[The Bank's] written assurances don't amount to hill of beans; they don't exist for practical

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purposes," Scheuer charged. "Where do the pressures come from," he asked, "pressing down on the World Bank to degrade its own procedures and to bring its own integrity into question?"

How has the Bank come to such an impasse, and where indeed do the pressures come from that have led it there?

The answers to these questions have important implications for the fate of the global environment in the 1990s and beyond. Since 1987 the World Bank has been at the forefront of the most important international development institutions—the multilateral development banks (MDBs) and the International Monetary Fund (IMF)—in initiating environmental reform of its lending policies. At the same time, after a period of relative stagnation, the importance of the MDBs and the IMF as international economic and political arbiters has begun to increase dramatically. In 1988 the World Bank's lending capacity was nearly doubled by a $75 billion capital increase, and together the four MDBs are now lending more than $32 billion annually for programs whose total cost is well over $100 billion. And the IMF, in 1991, will receive the largest capital (quota) increase in its history, probably around 50 percent.

What led the World Bank to undertake environmental reform in the first place was largely the pressures from a coordinated campaign launched by nongovernmental organizations (NGOs) in the United States, Europe, and several developing nations. Starting in 1983, the "MDB Campaign" employed a variety of tactics to pressure the banks, including well-publicized case studies of World Bank–financed ecological disasters in Brazil, India, and Indonesia, congressional and parliamentary hearings in the United States and a number of European nations, and the mobilization of media attention in both the developed and developing world. [See Pat Aufderheide and Bruce Rich, "Environmental Reform and the Multilateral Banks," *World Policy Journal*, Spring 1988.] In May 1987, World Bank President Barber Conable delivered a speech in Washington in which he publicly acknowledged that the Bank had been "part of the problem in the past," and announced that the Bank would mend its ways by greatly increasing its environmental staff and by increasing lending for environmentally beneficial projects.

Environmentalists were guardedly optimistic about Conable's new-found commitment to reform at the time. Now, three years later, it is apparent that the emperor's new clothes bear only faint traces of green. Instead of becoming a leading environmental lender, the Bank has become an arena where the political, practical, and theoretical difficulties of reconciling economic development with ecological sustainability are most glaring. The Bank continues to stress its commitment to the environment, but deep institutional and political contradictions prevent it from implementing reform in any meaningful way. Unless these contradictions are resolved, they will continue to inhibit real environmental change.

The Bank's Environmental Reforms: Appearance and Reality

The Bank's environmental reform program followed in large part the outlines of Conable's May 1987 speech. First, the Bank increased its environmental staff; by 1990, some 60 new positions—representing a tenfold increase—had been created. The Bank also launched a series of environmental issues papers and environmental action plans with the purpose of reviewing and addressing environmental problems in the most vulnerable developing countries. Conable also committed the Bank to financing environmental programs of various kinds, the most important of which was a plan to address tropical deforestation through unprecedented increases in forestry lending. Finally, Conable called for greater involvement of environmental and grass-roots NGOs in both borrowing and donor countries in the Bank's operations.

On the face of it, this program reflected much of what NGOs had pushed for. The greatly increased environmental staff was particularly important, since NGOs had hoped that such a staff would finally ensure the implementation of Bank environmental policies, many of which had existed for years. Some of these policies call for the protection of wildlands and cultural sites affected by Bank projects. Others address the social impact of environmental change—for instance, the need for special measures to protect tribal populations in environments affected by development.

Yet as NGOs in the North and the South have encountered more and more Bank-financed ecological debacles, disillusionment with the Bank's environmental reform initiatives has grown. Ironically, the limits of the World Bank's reforms are becoming apparent just as the NGOs are succeeding in promoting similar institutional changes in regional development banks like the Inter-American Development Bank (IDB), and even within the IMF. In January, the IDB announced the creation of a full environmental division with 13 staff members, a change that the IDB had long resisted. Earlier, in November 1989, the U.S. Congress had enacted legislation drafted and promoted by Washington-based environmental groups that requires the secretary of the treasury to promote the creation of an environmental analysis unit in the IMF as well as the initiation of a process whereby the Fund will review prospective lending programs for their impact on the environment and natural resources. Already by February of this year, the Fund's management had indicated to NGOs its willingness to implement the measures suggested in the U.S. legislation.

Of course, creating new bureaucratic positions and producing new policies, action plans, and task forces are not difficult for centralized, Washington-based bureaucracies. But such measures by themselves do not guarantee institutional reform and substantive change. In fact, the fate to date of MDB environmental reform bears some similarity to what had hitherto been the most concerted effort to change the Bank: Robert McNamara's top-down revolution in the 1970s to make the World Bank a poverty-oriented institution. Then, as now, the Bank underwent an impressive bureaucratic reorganization and generated an avalanche of policies and papers that appeared to signal a veritable revolution in the institution's mission. When the dust settled, many researchers outside the Bank concluded that the Bank's projects were not benefiting the Third World poor to any greater degree than they had a decade before.

Beneath its self-proclaimed mission of banker to the poor, and behind its new green facade, 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. Although in a speech delivered last September Conable claimed that a third of Bank projects approved in fiscal year 1989 had "significant environmental components," NGOs now realize that this characterization includes mainly projects whose environmental impacts were so severe to begin with that the Bank felt compelled to incorporate some mitigating measures, as well as ostensibly environmental projects whose hasty design undermines prospects for implementation or, astoundingly, are positively destructive. The few environmental projects that NGOs would commend unreservedly, such as a recent $117 million environmental protection and research loan to Brazil, are conspicuous as exceptions. To their dismay, the NGOs are realizing that their very success in promoting conventional institutional changes has resulted in a proliferation of green rhetoric that hides a reality that is largely unchanged. The Washington-based NGOs that have led the campaign fear that they have inspired the creation of a new Orwellian dialect: greenspeak.

The basis for this fear can be well seen by taking a closer look at two of the most critical areas in the Bank's environmental reform program: the Tropical Forestry Action Plan (TFAP) and the Bank's record in dealing with forced resettlement caused by Bank projects. The former is the most important example of the Bank's increased support for new environmental initiatives; the latter is a fair indication of the Bank's recent efforts to implement longstanding environmental policies.

The Tropical Forestry Action Plan. Conable's May 1987 speech emphasized that the most important focus of the Bank's new environmental lending would be to contribute to a global program to support tropical forest conservation—the Tropical Forestry Action Plan. To that end he committed the Bank to increase its forestry lending 150 percent by 1989, and in September 1989 he announced a further tripling of forestry lending through the early 1990s.

Tropical deforestation in the late 1980s was, in the view of many in the industrialized world, the most visible and urgent environmental crisis in the Third World. Indeed, several of the most notorious environmental tragedies of the past decade involved massive destruction of rainforests in Brazil and Indonesia, abetted by Bank-financed agricultural colonization schemes. It was not surprising, then, that the major focus of increased environmental lending announced by the Bank in 1987 would be tropical forests. The Bank's commitment to increased lending for forestry through the TFAP is unprecedented: from $138 million in 1987 to as much as $800 million annually by 1992.

The Tropical Forestry Action Plan was originally conceived in the mid-1980s by the Bank, the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP), and the World Resources Institute (WRI), a Washington-based environmental think tank. The TFAP sought to alleviate pressures causing deforestation in the Third World by mobilizing $8 billion from multilateral and bilateral aid agencies over a five-year period for a variety of forestry and agricultural activities that included the building of forestry and environmental institutions, supply of fuelwood needs, conservation of protected areas and vulnerable watershed regions, and support of forest management for industrial uses.

The World Bank's involvement in the TFAP is a revealing and shocking indicator of the gap between rhetoric and reality in the Bank's self-proclaimed greening. Already by 1986, a number of Third World NGOs such as Friends of the Earth in Brazil and the Malaysia-based Asia-Pacific Peoples' Environmental Network (APPEN) were publishing urgent protests maintaining that the TFAP was basically a fraud. It had been prepared, they alleged, without any significant consultation or involvement of NGOs and local communities in tropical forest countries. Worse, it appeared mainly to be a plan to promote traditional, export-oriented timber industry investments camouflaged by small components for environmental purposes. Third World NGOs were particularly outraged because the plan seemed to blame the poor for the destruction of tropical forests while promoting investments to open up large areas of pristine forest for exploitation, rebaptizing such projects as "sustainable forestry."

WRI attempted belatedly to address many of the criticisms, but following the Bank's commitment in 1987 to increased funding of the TFAP, the plan gathered seemingly unstoppable momentum to become the most ambitious environmental aid program ever conceived. By the end of 1989, 62 developing nations had requested forestry-sector aid under the TFAP and 21 nations had already completed forestry-sector reviews (pre-investment surveys), with the World Bank as the leader or a major participant in eight. The plan is well on track to mobilize billions of dollars for forestry projects in every country in the world with remaining tropical forests.

Environmentalists around the world now fear that an ecological Frankenstein has been unleashed. The World Rainforest Movement—a Malaysia-based coalition of mainly Third World NGOs—prepared a critique in February of six completed national TFAP plans—for Peru, Guyana, Cameroon, Tanzania, Nepal, and Colombia. The study concluded that in most of these cases the forestry investments proposed would dramatically accelerate the rate of deforestation through increased logging; in no instance was it found that these investments would actually reduce deforestation. And in February, Prince Charles publicly criticized British support for the TFAP, which he said amounts to little more than a plan to chop down trees.

One of the first TFAP projects to be funded by the Bank (with a sizable contribution from West Germany) is a $23 million forestry and fisheries scheme for Guinea. Yet, as World Wildlife Fund International discovered in late 1989, the so-called "forest management and protection" component of the project actually amounts to a deforestation scheme: the Bank's money will help support the construction of 45 miles of roads in or around two humid forest reserves totalling 150,000 hectares, of which some 106,000 hectares are still pristine rainforest. Worse, hidden in the fine print of the "management and protection" section of the Bank's project document is its real thrust: two-thirds of the remaining 106,000 hectares of rainforest are to be opened for timber production. As a result of these findings, in late 1989 WWF mobilized eight national WWF organizations in North

America and Europe to lobby the World Bank's executive board against the project. WWF's efforts were too late, however, and the project was approved in January, though minutes of the board meeting reveal the bewilderment of some of the Bank's executive directors. They queried Bank staff on the WWF allegations, which were mostly repetitions of what the Bank's own project appraisal report had stated. The Bank staff replied that deforestation would proceed uncontrolled without the project and that with the project logging could be controlled within "sustainable" limits.

This rationale—that the environmental situation would be worse without Bank intervention—is a particularly specious one, and has been proffered in the past to justify a number of the worst Bank-financed environmental disasters, including rainforest colonization schemes in Brazil and Indonesia. On the contrary, it is often the large infusions of foreign exchange, rapid construction of infrastructure such as roads, and an international stamp of approval provided by the Bank that ensure that a government's environmentally destructive plans become a physical reality within the shortest time possible.

Other projects in the TFAP pipeline appear, incredibly, to be even more destructive than the Guinea loan. For instance, the Bank is preparing a $30 million loan for the latter half of 1990 that will support a $167 million TFAP investment program prepared by the FAO for Cameroon. The program's principal stated goal is to make Cameroon the largest forest-product exporter in Africa by the 21st century. To accomplish this will require opening up nearly 14 million hectares (an area the size of Florida) of pristine tropical forest in southeastern Cameroon. The TFAP proposal concedes that getting the timber out will require the construction of a major penetration road to the sea, for which the Cameroon government has already approached Japanese donors. The plan provides only $4.4 million to address what it admits is the major domestic pressure on tropical forests in the country—fuelwood demand. Even more startling, it notes that given stiff international competition for timber exports, especially from Asia, the government may have to grant special tax incentives to stimulate production. This contradicts recent studies published by the World Bank and World Resources Institute that rightly emphasize the economic folly of tax holidays and subsidies for logging and deforestation.

The public pressure orchestrated by WWF and other NGOs in several countries over the Guinea loan has caused considerable concern among a number of the Bank's executive directors. The German executive director and several bilateral aid agencies have come under strong domestic attack for their support of the TFAP in general and the Guinea loan in particular. Earlier in 1989, 88 West German nongovernmental groups, including all of the country's major environmental NGOs, endorsed a "Rainforest Memorandum" to their government that condemned the TFAP.

In January, the U.S. executive director requested from the Bank's staff a copy of the draft project appraisal report for the next major World Bank forestry loan to Africa—an $80 million project for the Ivory Coast. NGOs fear that the loan will again support a national forestry sector whose main priority is to accelerate timber exports in an unsustainable fashion. The Bank's staff refused to give the report to the U.S. director—the representative of the Bank's largest shareholder—and the decision was backed by the senior vice-president for operations. This is not surprising for an institution that typically denies its executive directors—the ultimate source of authority according to the Bank's charter—access to most project documents and reports until the final appraisal report is ready, which is usually no more than two weeks before they are asked to approve a project.

In January, another troubling example of Bank efforts to fund environmental projects came to the board's attention—this time in the now infamous Polonoroeste program in northwest Brazil, where previous Bank loans totalling $457 million for road building and agricultural colonization led to the influx of 500,000 landless colonists in the early 1980s and the highest deforestation rate in Brazil. Now the Bank is preparing $317 million in new loans to control the environmental devastation in the region, which is larger than Great Britain. A Brazilian negotiating team arrived in Washington in mid-January for final consultations on the first loan, the $167 million Rondonia Natural Resources Management project.

This is one of the first Bank projects ever to be justified on purely environmental grounds, with no economic rate of return. The project finances an "agro-ecological zoning plan" for the entire state of Rondonia, setting aside large areas as Indian reserves, protected natural areas, and so-called "extractive reserves" managed by local rubber tappers that are also protected forest areas to be used for sustainable extractive harvesting of rainforest products such as Brazil nuts and rubber. A second, similar loan of $150 million is in preparation for agro-ecological zoning in Mato Grosso state. Others may follow.

Although highly commendable in theory, the Rondonia project, environmentalists argue, is actually weaker in its implementation and monitoring provisions than the original 1981 Polonoroeste loan, even though some of its environmental goals are the same. For example, the project finances the establishment of new protected areas and requires the demarcation of four natural protected areas and eight Indian reserves that were to have been fully demarcated and protected by the mid-1980s under the terms of the 1981 Polonoroeste loan agreement. While providing still more funds for the protection of these areas, the new Rondonia project lacks any specific timetable or conditions to ensure their complete establishment — timetables and conditions that the first loan required, though they were not followed. Moreover, rubber-tapper organizations complain that they were not consulted and involved in the identification of areas supposedly to be set aside for their benefit. The Bank appears to have learned little from its bitter experiences in Brazil in the 1980s. On January 10, 35 environmental and human rights groups from Brazil, the United States, and 12 other countries sent a letter to the Bank's executive directors urging them to delay consideration of the project until its implementation and monitoring provisions are strengthened.

Forced Resettlement. 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 results from these projects occurs on an enormous scale: as of January 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.

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 tenfold increase in environmental staff—which includes resettlement experts and anthropologists — gave environmentalists and human rights activists hope for an improvement in implementing this policy. But a special hearing of the U.S. Congress Human Rights Caucus on the issue in September 1989 revealed a shocking fact: 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.

If anything, since 1987 the situation has worsened. Over the past three years NGOs in the North and South have brought to light more and more examples of the Bank's failure to remedy the plight of populations displaced by ongoing projects, some of which are destitute or on the brink of civil disorder. In Java, where some 20,000 people have been displaced by the Bank-financed Kedung Ombo dam, more than 5,000 "development refugees" still refused to move in early 1990, after the reservoir filled, because there had been no consultations with them regarding resettlement. Rather than ensure that a fair resettlement and rehabilitation plan was being implemented, for years the Bank accepted the Indonesian government's assertion that most of the people affected by the project were volunteering to become rainforest colonists in transmigration (resettlement) sites hundreds of miles away in Indonesia's outer islands. The Bank ignored evidence of coercion and intimidation by project authorities, as reported in numerous newspaper articles and in a letter of protest from a leading Indonesian NGO to the Bank's Jakarta office in 1987.

In the case of two dam projects in Africa in the late 1980s, the Bank also ignored the plight of thousands of people adversely affected or displaced. With the Ruzizi II Regional Hydroelectric project, more than 12,500 people in Zaire and Rwanda were expropriated and forcibly resettled with inadequate compensation. Only in 1989—six years after the appraisal of the project—did the Bank acknowledge the problem and undertake to require compensatory measures, which in early 1990 were still not implemented. Similarly, with the Kenya Kiambere Hydroelectric project, 6,000 rural poor were displaced without compensation, and for the past three years the Bank again violated its most basic policies on resettlement by not requiring that the Kenyan government address the situation. As of early 1990, practical measures still have not been taken, though the Bank appears to be finally committed to demanding action from the borrower.

It is in India where popular reaction to the resettlement issue has been strongest. There a nationwide grass-roots NGO campaign has succeeded in mobilizing the public against large infrastructure projects that benefit relatively few people but that displace the poor and harm the environment on which rural communities depend. One project in particular, the Sardar Sarovar dam, located in the Narmada River Valley, has become the focus of a campaign both in India and among NGOs in the United States and Europe. The Bank committed some $450 million in 1985 to the project, whose 120-mile long reservoir, when completed, will forcibly displace more than 90,000 poor rural Indians in three different states. The Bank has also been considering funding a second dam on the Narmada, the Narmada Sagar project, which would displace another 120,000 people. Both projects are part of a series of dams on India's biggest westward flowing river to provide water for irrigation and electric power. The entire Narmada scheme, if carried out, would be the most ambitious river development program in history, involving the construction of some 30 large dams and hundreds of smaller ones, and would forcibly displace as many as 1.5 million people, mainly of tribal, outcaste origin.

The Bank has continued to disburse funds for the Sardar Sarovar project despite numerous delays, construction problems, and the noncompletion of several critical environmental impact studies and action plans that were to have been executed by December 1985. More serious, Bank funding has continued despite the unwillingness and inability of project authorities to prepare a resettlement plan for the tens of thousands of poor farmers and forest dwellers who will be displaced. In 1989, the frustration and desperation of most of the "oustees," as they are called in India, finally boiled over.

On September 28, 1989, more than 50,000 oustees as well as activists from all over India gathered in the Narmada Valley town of Harsud to protest against the Narmada dams and other large Bank-financed projects. Harsud is a settlement of 15,000 people that will be totally inundated by the Narmada Sagar project. The demonstration was timed to correspond with the annual World Bank–IMF meeting in Washington, and occurred two days after a special hearing of the U.S. Congress Human Rights Caucus on the World Bank and forced resettlement, where witnesses denounced the Bank's record in a number of projects, including Sardar Sarovar, Kedung Ombo, and Ruzizi.

Smaller demonstrations in other parts of India preceded the Harsud rally, including one staged three weeks before in downtown Bombay, where activists publicly burned a symbolic World Bank loan agreement for the Sardar Sarovar project. The Indian press views the Harsud meeting as the birth of an Indian "green" movement that consciously links international environmental issues with the local ecological, social, and economic concerns of the Indian rural poor. These poor are often tribal minorities who feel increasingly dispossessed and powerless vis-à-vis a development model that is capital intensive, export oriented, and favors urban and rural elites.

Since most of the projects that forcibly displace populations are in the energy sector—large dams and coal-fired power plants, for example—much forced resettlement could be avoided by investments in energy alternatives that are less disruptive environmentally. In fact, the World Bank itself has commissioned studies that indicate that between one-third and one-half 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. In both countries these investments would free up the equivalent of about 20,000 megawatts—equal to the energy generated by at least 10 giant dams or giant coal-fired plants—at less than half the cost of new generating infrastructure. The need to reduce carbon emissions from coal consumption to slow global warming produced by the greenhouse effect should provide further incentive for such investments.

Over the past three years the Bank again has made rhetorical commitments to increased energy efficiency and conservation investments, but the actual changes have been insignificant. For example, in 1988 and 1989, less than 2 percent of World Bank energy and industry loans were for projects that included end-use efficiency as a component; indeed, the proportion of conservation and efficiency loans in the Bank's energy-sector portfolio was actually higher in the mid-1980s than in more recent years. This gap between rhetoric and reality is one more example that points to deeper institutional problems at the Bank.

The Bank Beset By Contradictions

The Bank's efforts to respond to international pressures for environmental reform have exposed a whole series of contradictions that, when demands on the Bank and multilateral financial institutions were more modest, remained relatively dormant and unexposed. Some of these contradictions are largely internal, others result from conflicting pressures put on the Bank by donors and borrowers, and others appear to be rooted in the nature of the multilateral system itself—especially in its lack of accountablility—as well as in current patterns of global economic development, which are often at odds with the requirements of global ecological sustainability.

Internal Contradictions. The first order of Bank contradictions are internal in origin and include a number of classic bureaucratic syndromes, such as a longstanding lack of coordination between the Bank's operations staff, who identify and prepare loans, and its policy, planning and research divisions. The 1987 environmental reforms took place in the context of a larger Bank-wide reorganization that only exacerbated this dichotomy. About half of the new environment staff (approximately 30 positions) was placed in a newly created central Environment Department, but the quality control duties that this department's predecessor had exercised over operations were assigned to four new environmental assessment units that are hampered by limited budgets and staff.

Real power is concentrated even more than in the past in country directors and project officers who actually prepare loans and who have been granted greater autonomy and authority. Thus at times during the past three years the Environment Department has taken on the appearance of a vast paper mill, while the real business of the Bank continued as if on a separate planet called Operations. The environmental policies and plans the Bank is churning out seem impressive. Environmental issues papers are being prepared for most borrowing countries, and, in accordance with one of the pledges Conable made in his May 1987 speech, environmental action plans are being drawn up for 30 nations. But the issues papers often appear to float in their own bureaucratic limbo, since the critical economic planning documents that set the outlines for Bank country lending—country strategy papers and economic memoranda—in large part do not reflect their existence.

It is in Africa where the chasm between Washington paper pronouncements and Third World reality often appears most dizzying. Africa is the Bank region responsible for the greatest volume of environmental issues papers and action plans, and though there are examples of promising projects (a $7 million IDA credit to support the protection of 295,000 hectares of endangered forests in Madagascar is one), they are overwhelmed by the scale of ecological and social atrocities posed by the Tropical Forestry Action Plan and botched resettlement in large dam projects.

The Bank's environmental effectiveness has also been undermined in some cases by the Bank's senior management, which on occasion has overruled the recommendations of its environmental staff. A decision not to incorporate environmental issues papers into country strategy papers, for instance, is said to have been heavily influenced by the Bank's chief economist. And last year, the Bank's Asia region vice-president apparently overruled objections of environmental staff and authorized the preparation of a $250 million loan to India for the Subernekha dam, even though compliance with environmental and resettlement requirements in a previous loan for the project was so abysmal that the loan was officially suspended. The project will forcibly displace 60,000 rural poor.

The lack of internal coordination that inhibits environmental effectiveness is compounded by pressures on operations staff to move money rapidly. 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. Bank-lending priorities appear more understandable in this light. The bias toward large energy infrastructure projects, for instance, is not irrational given that efficiency and conservation loans are harder to prepare and move less money. Vested interests and government bureaucracies in borrowing countries prefer big dam projects for the same reasons. The situation has only worsened since 1988, when the Bank received a capital increase of $75 billion — the largest in its history—which has nearly doubled its total lending capacity. The Bank is now committed to increasing its annual lending by 50 percent through the mid-1990s, without any increase in its professional staff.

The Bank lobbied its major donors intensely for this capital increase, citing the growing economic and financial crisis in many Third World countries. Nothing could be more embarrassing for the Bank than to finally obtain such a capital increase and not be able to find bankable projects and programs to justify it. This was a real fear in 1989, when lending was halted or reduced for large borrowers such as China, Brazil, and Argentina because of political and economic crises — a situation that intensified pressures to keep money moving to other large borrowers such as India.

The problem of moving money will become even more acute if the Bank phases out its short-term structural-adjustment lending, as a top Bank official recently indicated it will do. Structural-adjustment loans do not finance specific projects but are transfers of funds loaned on the condition that specific macroeconomic policy measures will be adopted. These loans are the Bank's main mechanism for moving large amounts of money rapidly and account for over a quarter of all Bank lending. Thus the phasing out of structural-adjustment lending will put even more pressure on big-project lending and on the Bank's already overstretched environmental staff.

To some degree the Bank's internal contradictions are amenable to institutional reform. Already more budgetary and staff resources are being channelled into the environmental assessment divisions, which are best placed to influence operations. And with sufficient political will, greater progress could be made in integrating environmental studies and policies into country economic and sector work. But to change priorities from moving money quickly to emphasizing the environmental and social quality of projects requires more than greater political will on the part of senior management. Indeed, such efforts, though they would result in marginal improvements, would probably also have the effect of exacerbating the Bank's environmental schizophrenia. This is because of deeper problems that are linked to fundamentally contradictory pressures exerted on the Bank by its member countries.

Contradictory Pressures of Member Governments. The Bank is subject to a number of simultaneous and contradictory pressures from both its developed and Third World members—pressures that, with respect to the Bank's environmental performance, result not only in contradictory actions but in institutional paralysis.

The pressure to lend more money, for instance, is not only the consequence of the propensity of large bureaucracies to measure success in terms of their own growth and expansion. It also comes from the Bank's major donors, and especially from U.S. efforts to involve the Bank and other multilateral institutions in resolving the Third World debt crisis. As a result of this crisis, the 1980s have witnessed an unprecedented net outflow of financial resources from the Third World to industrialized countries that is now running at a rate of $50 billion a year. The United States, particularly under the Baker and Brady debt-crisis plans, has viewed increased multilateral and private lending to heavily indebted nations as a preferable alternative to forgiving large portions of private commercial debt. Thus, the United States encouraged the Bank's movement into structural-adjustment lending in the early and mid-1980s, seeing it as a way to channel more money to heavily indebted nations and at the same time impose conditions that would increase a country's ability to meet its debt-servicing obligations, at least in the short term.

In this regard, there has been a certain convergence of interest between the Bank and the U.S. government. The overall effect of this convergence, however, has been to exacerbate the Bank's tendency to ignore the environmental consequences of its lending. Some of the conditions associated with structural-adjustment loans—such as the reduction of domestic expenditures, currency devaluation, and the increase of exports—often have a negative impact on the environment. They prompt governments to reduce domestic conservation investments and they heighten pressures to exploit resources in an unsustainable fashion in order to increase exports. The Bank has recognized in theory the environmental implications of its adjustment lending, but 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.

In the end, the solution is to forgive much of the debt. In this way, much of the pressure to ravage the natural resource base will be alleviated and multilateral institutions will be able to play a more constructive role than that of cash conduit to Third World regimes needing to make their next interest payments to New York banks. NGOs have maintained for years, in fact, that massive debt forgiveness would also present an unprecedented opportunity for conservation investments, if debt-relief programs were accompanied by conditions to ensure that some portion of the domestic funds freed up in developing countries were designated for environmental protection. The MDBs could act as facilitators and coordinators of such investments.

Of course borrower countries, too, bear much of the responsibility for the environmental quality of Bank-financed projects. The Bank encounters considerable resistance from some borrowing nations to conditionality of any kind, and particularly to environmental conditionality, which is viewed as both an added cost and as an imposition of the industrialized North's priorities on the South. This resistance is evident in negotiations for individual projects. It is also evident among the Bank's executive directors representing Third World countries. Although they do not have a voting majority at the Bank (the 10 leading industrialized countries control about 65 percent of the vote), some nonetheless resist as a matter of principle attempts to incorporate greater conditionality and oversight in MDB lending, which they maintain is already too heavily conditioned. Not surprisingly, the bigger borrowing nations such as Brazil, India, and Indonesia, which have been subjected to international criticism by the MDB campaign, have been the most vocal opponents of environmental conditionality.

The Bank is acutely sensitive to these pressures, and particularly with respect to its larger borrowers, is reluctant to endanger its "dialogue with host countries" by overly zealous insistence on environmental policies. The Bank's timidity in this regard is well illustrated by its approach to the recent Rondonia Natural Resources Management project. In informal discussions, some Bank directors' staff went so far as to argue that since the earlier 1981 Polonoroeste loan conditions were poorly fulfilled by the Brazilian government, less rigorous demands on the Brazilians the second time around might dispose the government to better compliance.

It is a mistake, however, to assume that either the governments or the societies of developing nations are monolithic. In many governments there are officials who advocate environmental and social measures that equal or even exceed the Bank's standards. And in the civil societies of these countries there can be found even stronger advocates among environmental and social movements, and among disadvantaged minorities such as tribal peoples in India, who suffer a disproportionate share of the adverse effects of large projects and enjoy few of the benefits. Rarely, however, are these advocates able to mount a serious enough challenge to the powerful vested interests inside and outside the government who are often the chief beneficiaries of these projects.

In the case of the Sardar Sarovar dam, for example, the Indian Department of Environment and Forests had originally refused to grant legal clearance for the project because the requisite environmental and resettlement studies had not been completed. The Bank did not allow this to stand in the way, however, and approved the loan agreements anyway. Once the loans were approved, the Environment Department was subjected to tremendous political pressure from agricultural interests in the state of Gujarat and finally from Indian Prime Minister Rajiv Gandhi himself to grant a "provisional clearance" that allowed construction to proceed even though the studies had still not been prepared. Here, as in other instances, Bank support played a crucial role in legitimizing an environmental boondoggle that might otherwise have died a natural death from divided domestic support and insufficient foreign funding.

The Bank argues that its support of projects like Sardar Sarovar is justified because Bank participation can serve to mitigate environmental destruction. In its latest environmental report to the Bank/IMF Development Committee, for instance, the Bank states that "if the 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." Over the years this rationale has been used time and time again by the Bank to justify dubious loans. Its true implications are reflected in an off-the-record comment made several years ago by a U.S. Treasury official: "There is no project too destructive, and too costly, that the World Bank will not throw hundreds of millions of dollars at to try to make it better. In fact, the worse the project, the more urgent the justification for the Bank's involvement. Is this any way to run a development institution, let alone a bank?"

Contradictions of the Multilateral System. While the conflicting pressures of member nations may sometimes hamper the Bank's environmental protection efforts, there is another explanation for its conduct that relates to the fundamental character of the Bank and of the multilateral system generally. The Bank, like other multilateral institutions, 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 and other MDBs—which use *public* monies to lend for *public* purposes—extremely difficult, and place serious constraints on efforts to reform them.

The official avenue of accountability in the World Bank, other MDBs, and the IMF lies with the board of executive directors for each of these institutions. The World Bank's charter, for example, states that "all powers of the Bank are vested in the Board of Governors"—who are usually the finance ministers or central bank presidents of each of the Bank's 152 member nations—and most of the powers of the governors are delegated on a day-to-day basis to the Bank's 22 executive directors. The directors approve every loan and every major policy change.

Over the past decade, the executive directors—particularly those representing the United States and a number of European nations—have come under increasing pressure by environmental groups in their countries not only to promote institutional reforms but also to monitor and review individual projects and lending programs of the Bank more closely. But the Bank's management withholds from the executive board access to most of the documents produced by Bank staff in the identification and preparation of projects. Although a project may take over two years to prepare, the directors are given access to appraisal reports on average only two weeks before they are asked to approve a project. The U.S. executive director, E. Patrick Coady, was reminded of his relative powerlessness when, earlier this year, his request for a draft appraisal report of a proposed forestry loan for the Ivory Coast was denied.

The circulation of project preparation documents is restricted on the grounds that they are draft materials and staff would feel constrained in conducting their work impartially if their written opinions were subject to constant supervision by directors representing member countries. While this is a legitimate concern, the Bank and other multilateral institutions have grossly exaggerated its importance relative to the paramount need of the Bank's executive directors to be minimally informed about the projects they are asked to approve.

The lack of access to project documents has serious practical consequences. It means that the principal recourse for detailed information on projects are oral briefings by Bank staff. However, there is no assurance that these briefings will include any significant discussion of project risks and problems that can be found in the more candid documents in the project files—information that is obviously necessary for any critical assessment. These briefings often turn out to be little more than confidence-building sessions in which the directors nervously seek reassurances that the projects are under control, and the Bank staff gladly provides them.

The Bank's charter is ambiguous on the exact status of the directors, which in part explains management's treatment of them as well as the directors' general diffidence. Are the directors Bank officials, whose allegiance is exclusively to the Bank as an institution? Or do they represent the interests of their member countries? The Bank's directors act on the instructions of the countries they represent, but the charter states that "the President, officers and staff of the Bank, in the discharge of their official duties, owe their duty entirely to the Bank and to no other authority." The Bank's Legal Department has done little to clarify this ambiguity; it has asserted that the executive directors are Bank staff and that they owe a duty both to the Bank and to the demands of their country constituencies.

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. The Bank withholds all written documents prepared in the planning of projects from the public in both borrower and donor countries, despite the fact that the Bank has been insisting over the past three years that it recognizes the importance of involving local NGOs and community groups in its development activities. "Involving local communities in the preparation and implementation of projects that affect them is clearly of great importance for sustained development," the 1989 Bank/IMF Development Committee report states. Yet without access to information on Bank projects, meaningful involvement and participation is impossible.

In its own defense, the Bank argues that public access to information undermines its negotiating relations with borrowing governments. But here, too, the Bank is exaggerating the importance of a legitimate concern. In 1988, for instance, the Bank refused to release project documents relating to a loan to Botswana for nearly a year, even after the Sierra Club and the Natural Resources Defense Council—two U.S. environmental NGOs—produced a letter from the Botswanan government stating that it did not object to sharing the documents in question with NGOs. The Bank's Legal Department, it turns out, delayed the release of the project documents because of its concerns over the precedent this would create.

Ultimately, the World Bank and other multilateral development institutions justify their lack of transparency and accountability on the grounds that the sole legitimate interlocutor with whom they deal is the nation-state. The Bank, in fact, restricts the channels of communication even further. According to its charter, "Each member shall deal with the Bank only through its treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies." This leaves little room for the substantive involvement of nongovernmental entities of any kind. Moreover, the propensity to deal exclusively with finance ministries has, on occasion, helped to weaken the authority of the judicial and legislative branches of governments when conflicts over development projects have arisen.

New operational policies issued by the Bank in 1989 make some provision for consultation with and involvement of NGOs and local community organizations in Bank operations. While this can be viewed as an attempt by the Bank to promote a more participatory approach to development, in practice little has changed. In some cases (e.g. Narmada, Kedung Ombo), 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. In other cases (e.g. Rondonia), participation and consultation have been pro forma: public meetings may be held simply to inform local groups of decisions that have already been reached. In either case, local groups enjoy little or no legitimacy to determine their economic, social, and political fate. Instead, a top-down, technocratic approach prevails in which local peoples are treated merely as "project-affected populations." One need look no further than the Bank's charter to understand the basis of this tendency: the charter stipulates that officers and staff are to base their decisions and actions exclusively on economic considerations.

Environmental NGOs in the North and South are challenging these tendencies and the premises that underlie them. Sustainable development, they argue, cannot take place without greater public participation. Since the environmental impacts of a project are often manifold and widely distributed, gathering and synthesizing the information needed to formulate policy and planning decisions requires a free flow of information and inputs from local populations, as well as from nongovernmental and research organizations of various kinds. This has long been accepted in the United States, where public review and access to information have been considered vital to successful planning ever since environmental assessment procedures were established 20 years ago. And in the Soviet Union, Mikhail Gorbachev is now proposing that all major development schemes be subject to referenda by local populations.

The World Bank and other multilateral international institutions are 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.

Contradictions of Global Economic Development. Finally, the World Bank's environmental quandaries are also a reflection of contradictions rooted in the Bank's attempts to reconcile ecological sustainability with global economic development. The most blatant of these contradictions relates to the very slogan that not only the World Bank but most international institutions and governments have adopted as the solution to the environmental dilemma: "sustainable development." The term was popularized by some NGOs in the early 1980s and received multilateral canonization in the 1987 Brundtland Report, the widely cited study by the U.N.'s World Commission on Environment and Development.

Sustainable development is a kind of mother-and-apple-pie formulation that everyone can agree on. The Brundtland Commission defines it as "meet[ing] the needs of the present without compromising the ability of future generations to meet their own needs." Critical to achieving sustainable development, the Commission argues, is the revival of economic growth in both the developing and the industrialized nations. Growth, it maintains, is essential to the alleviation of poverty, which intensifies pressures on the environment and as such is a major cause of environmental degradation in many Third World countries.

The World Bank and other multilateral institutions have enthusiastically embraced this aspect of sustainable development while virtually ignoring many of the Commission's other "strategic imperatives," such as the need to conserve and enhance the resource base and the need to change the quality of growth to one that is less material- and energy intensive. The Bank's emphasis on expanding the export capacities of recipient countries thus may be consistent with its own conception of sustainable development, but it is clearly at odds with the requirements of ecological sustainability.

Some of the best examples of what this contradiction means in practice are the projects that the Bank is financing under the Tropical Forestry Action Plan. The TFAP, hailed by the Bank as a model of sustainable development, places strong emphasis on export-oriented timber harvesting. This is not surprising since under current international economic conditions the most immediate option for economic growth for many Third World nations is the export of commodities. Experience has shown, however, that rainforest timber is almost always produced and logged unsustainably. Indeed, from a biological standpoint, the tropical rainforest is a nonrenewable resource, and to talk of the sustainable logging of rainforests is a contradiction in terms.

What the World Bank and, for that matter, the Brundtland Commission fail to recognize is that fundamental political, economic, and social changes are required to cope effectively with the intensive use of natural resources that is responsible for so much environmental degradation. Unequal access to natural resources, for instance, must be overcome if per capita pressures on the environment are to be alleviated. Among other things, this means redressing skewed land distribution patterns that, by forcing populations to overwork the land, have resulted in deforestation, soil erosion, siltation of waterways, and other serious environmental problems. Similarly, the Third World and industrialized economies must shift to patterns of development that are less material- and energy intensive in order to alleviate future burdens on the environment. These are matters that cannot be solved by economic or technical fixes, but require making difficult political decisions. The formulation and implementation of these decisions will require widespread public support and participation in both the North and South.

The need of nation-states and multilateral organizations to find real solutions to the global ecological crisis has thus created the conditions for, and indeed requires the empowerment of, nongovernmental and community organizations of all kinds that have a vested interest in the conservation of the world's increasingly threatened ecosystems. The global crisis is made up of myriad local ecological crises, and in most of these local situations there is a community, indigenous people, or an NGO that has a social, economic, or political interest in the conservation of an ecosystem or natural resource. Often, too, they know best how to manage natural resources in a sustainable way. In the Brazilian Amazon, for example, 500,000 rubber tappers depend for their livelihood on conservation of the rainforest; they harvest a number of extractive products for export such as natural latex and Brazil nuts. With international NGO support, they have successfully convinced the Brazilian government and MDBs to reverse development policies and support the creation of "extractive reserves" that protect the forest ecosystem, which is the basis of their livelihood.

The linking of NGO efforts in the North and South to promote environmental change has highlighted the fact that the multilateral development institutions, and many nation-states, are poorly prepared and structured to cope with the fundamental political challenge posed by the need for global ecological sustainability. These efforts on the part of NGOs have helped to globalize local, community-rooted ecological and political concerns in the Third World. They have brought the viewpoint of Amazonian rubber tappers and tribal leaders in India to the pages of the New

York and London *Times*, to the board rooms of the MDB executive directors, and to First World finance ministries. Most important, they have transformed what were the obscure demands of powerless communities into international issues and have brought these issues back to Third World national capitals such as Brasilia and New Delhi.

The international media attention focused on groups like the rubber tappers or the Narmada oustees is also altering what could be called an epistemological imbalance. The political discourse and epistemological framework for multilateral development institutions has traditionally been based in the North. Third World national capitals share this conceptual framework, linked as they are to the centers of finance and multilateral power in the North as points on the outside of a wheel to a hub. By its very nature, this framework is reified and abstracted from the perceptions of social, ecological, and political reality of local Third World communities. A classic example of the distortion that results from this epistemological imbalance is the view, shared in the past by Brasilia, New Delhi, and Washington alike, of the rural Third World as consisting of relatively "empty" and "undeveloped" expanses of space awaiting planning, inputs, and infrastructure from the outside. It is precisely this view that led to the decision of the Indian government and the World Bank to build a series of coal-fired power plants in India over the past 13 years without any regard for the hundreds of thousands of people who were displaced as a consequence.

There is an inchoate but growing worldwide grass-roots green movement that is challenging these perceptual and political imbalances. Environmentalist and social groups in the Amazon, rural India, and even Siberia are changing the perception of these areas as "empty" places. As a result, the large land areas of the globe that until now have been viewed as passive fields for economic development are coming to be seen as having an ecological importance that is quite considerable. The incipient global perception of their ecological importance is providing a means for the political empowerment of at least some of the peoples of the world who have been marginalized by the past 400 hundred years of economic internationalization.

Beyond the Contradictions

When the World Bank announced its environmental reforms in 1987, nongovernmental groups seriously underestimated the barriers to their implementation. Yet while these barriers are formidable, they are not necessarily insurmountable. The Bank's institutional schizophrenia can be remedied, but only if it is forced to choose its identity. If the Bank is truly to be a vehicle of sustainable development, it must place greater emphasis on project quality over the quick disbursement of money—a need the Bank will face even if it phases out its structural-adjustment lending. Likewise, 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 public from access to basic project information. Institutional tinkering is not sufficient for resolving these contradictions; instead, the Bank must be pressured to sort out conflicting priorities.

The growing green movements in the North and South can play a critical role in pushing the Bank to make some of these harder choices. NGOs, for instance, can and must press for stricter Bank observance of existing environmental policies, for more far-sighted Bank leadership in the formulation of debt-forgiveness strategies, for greater transparency and accountability on the part of the Bank, and for greater substantive participation in the Bank's deliberations of those affected by its projects in the Third World.

NGO pressure, if properly targeted, can make a difference. This is evident from a number of encouraging, albeit isolated, developments since the Bank first announced its environmental reform program in 1987. For instance, NGO efforts in 1988 led the Inter-American Development Bank (IDB) to attach bold public participation conditions to an environmental and Indian lands protection plan associated with an IDB-financed road in northwest Brazil. Despite objections from the Brazilian military, the IDB insisted that local groups be granted a veto over any proposed demarcations that would affect them.

Similarly, it was largely because of NGO efforts last year that more than 30 donor nations of the International Development Association (IDA)—the soft-loan facility of the World Bank—endorsed the need for greater public access to information through the World Bank. The IDA donors, as a result, have required the Bank to consult with affected groups and local NGOs in preparing its environmental assessments, and to make the completed reports available to the public and to the Bank directors well in advance of final project appraisal.

Yet these are only isolated successes. If the World Bank and other MDBs are ever to come to grips with their environmental contradictions, such NGO efforts will need to be replicated many times over. In particular, governments must be made aware of the need for more fundamental reform of the MDBs and of development planning generally. The internationalization of Third World ecological conflicts is critically important in this regard; it is also a crucial factor for strengthening environmental and democratic movements in developing nations. Ultimately, successful MDB environmental reform depends on the growth and evolution of such movements in the Third World. Multilateral institutions like the World Bank can assist this evolution or hinder it, but they can no longer avoid the challenge it presents.