Marketing the Earth

The World Bank and Sustainable Development

Friends of the Earth

Halifax Initiative d'Halifax

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This report documents the World Bank's approach to sustainable development in specific sectors addressed in Agenda 21. Agenda 21 is a landmark document resulting from the United Nations Conference on Environment and Development held in 1992. This report was released on the occasion of the World Summit on Sustainable Development in order to educate the public on how the approach taken by the World Bank has undermined sustainable development objectives. A focus on the Bank is crucial, as it has an enormously influential role in developing countries and as it acts as a norm-setter for the development community.

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THE REPORT IS AVAILABLE VIA THE INTERNET

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ACRONYMS

FfD	Financing for Development
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
OED	Operations Evaluations Department of the World Bank
PRSP	Poverty Reduction Strategy Paper
UNCED	United Nations Conference on Environment and Development
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

OVERVIEW

THE RIO SUMMIT

The 1992 Earth Summit in Rio de Janeiro represented one of the more significant global attempts to make the link between environment and development issues, in order to deepen understanding of the root causes of environmental degradation. Agenda 21, a key outcome from the Earth Summit, recognized that environmental sustainability cannot be achieved in a world with vast wealth disparities, extreme poverty, and a lack of control over natural resources by local communities.


Family in India Photo by Pam Foster

At the same time, powerful governments, influenced by large corporations, refused to define key terms in the outcomes, terms such as over-consumption or "sound macro-economic policies that promote efficient use of resources"[1], let alone development.[2] Similarly, efforts to expose the links between specific economic policies, poverty and environmental degradation were thwarted. The World Bank's 1992 World Development Report (WDR), Development and the Environment, contributed to the Rio Summit's compromises. The 1992 WDR, while emphasizing that environment is a cross-cutting issue, raised the profile of the concept of an "Environmental Kuznets Curve" which can be translated simply to 'grow now and fix the environment later'.[3]

As well, the 1992 WDR talked about "win-win" solutions, approaches that would lead to both development and environment. For those who wanted to define development largely as growth, these concepts allowed the Rio Summit and its resulting accords to avoid addressing in a substantive way, contradictions between particular approaches to growth and poverty, environmental degradation and inequality. [4]

The compromises within Agenda 21 and the other outcomes, together with the influence of corporations at the Summit itself, led some non-governmental organizations to predict that the Rio Summit would lead to the "globalization of greenwash".[5]

Woefully, ten years after Rio, the prediction appears to have come true.

THE ROAD TO THE WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT

The last decade has seen worsening environmental conditions and growing inequality.

- In sub-Saharan Africa and many least developed countries, per capita incomes are lower than they were in 1970.[6]
- 20 per cent of the world's population eat 45 % of all meat and fish, consume 68 % of all electricity, 84 % of all paper, and own 87 % of all cars.[7]
- The US, which represents about 5 % of the world's population, emits nearly 24% of the world's greenhouse gases.[8]
- Over 27 % of the world's coral reefs are now severely damaged, up from 10 % at the time of the Rio Summit. [9]

Without coincidence, the last decade has also seen a global homogenization of economic policies. The World Trade Organization (WTO) was created in 1994. Together with the World Bank and the International Monetary Fund (IMF), the three institutions, guided by the most powerful countries, spent the decade since Rio, enforcing the implementation of economic globalization. Economic globalization can be characterized as a four point plan[10] to:

- privatize public and natural assets
- liberalize trade and finance
- orient production to exports
- cut back on government spending (subsidies, social services), focusing the role of the state on maintaining a stable investment climate, law and order and assuming private risk - commercial and environmental.

In March of 2002, the UN held a conference on Financing for Development in Monterrey, Mexico. For the first time, the World Bank, the IMF and the WTO participated fully in a UN conference. The outcome from FfD, the Monterrey Consensus, called for more official development assistance and more economic globalization. One NGO observer of the Financing for Development conference called the Monterrey Consensus, the 'Washington Consensus wearing a sombrero'. For him and many others, the conference failed "because it did not go far enough to redress the free-market, open trade system that has been the hallmark of the era of globalisation in the '90's that has increased the global wealth gap".[11]

Globalization, long promoted by its advocates as being good for growth, was declared in Monterrey to be good for the poor. Now, it appears that the World Summit on Sustainable Development (WSSD), which will take place August 2002 in Johannesburg, South Africa, is poised to declare globalization as good for the environment.[12]

THE WORLD BANK: FROM RIO TO JOBERG

This report looks at how the World Bank has implemented the spirit of Rio. It does so to provide insight into the implications of a plan of action for poverty eradication and environmental protection that is premised on privatization, liberalization and market-based approaches.

Specifically, it looks at how the World Bank has implemented particular Agenda 21 objectives in chapters such as:

- combating poverty (Chapter 3) and ensuring women access to equitable development activities (Chapter 24)
- protecting the atmosphere (Chapter 9)
- combating deforestation (Chapter 11)
- controlling the use of chemical pesticides and providing integrated pest management (Chapter 14)
- protecting oceans...and their living resources (Chapter 17)
- providing access to safe water and sanitation for all (Chapter 18)

The Bank itself has taken stock of its own progress.[13] The four-page report focuses on the quantity, and not the quality, of lending in the World Bank's environment portfolio. A recent Operations Evaluation Department (OED) report provides more insight into the Bank's overall environmental performance.

> Environmental sustainability was not integrated into the Bank's core objectives and country assistance strategies, and linkages between macroeconomic policy, poverty alleviation, and environmental sustainability were not explicitly forged. There has been a lack of consistent management commitment to the environment, coupled with a lack of consistent management accountability. The Bank has not supported environment efforts as a central theme through staff incentives or resources.[14]

The articles in this report support the OED findings. The Bank has consistently pushed for privatization, liberalization and exploitation of natural resources, despite mounting evidence that orthodoxy to this approach results in poverty, environmental degradation and increasing inequity.

When presented with this evidence, the Bank relies on its own Knowledge Bank[15] and its External Affairs department to manage criticism.[16] The upcoming World Development Report, the Bank's flagship document, again focuses on environment and development. The Bank is offering the WDR report as "an intellectual framework for analysis on issues of central concern to the Summit".[17]

The report, Dynamic Development in a Sustainable World, argues that the failings of the past decade in terms of poverty eradication and environmental sustainability are a result of institutional failures. In other words, at its base, the WDR pins the on-going poverty and environmental crisis on a failure of governance. Like the Monterrey Consensus and the New Partnership for Africa's Development, the WDR calls for partnership to better pursue the dominant economic and development agenda. "Aid will be forthcoming if reform is deepening, reform will be deepening if aid is forthcoming". [18] As it has become virtually impossible to deny the failures of the last decades of development, the Bank and its major shareholders are arguing that the failures were due to poor implementation, and not poor vision.

The World Bank and its major shareholders have a vision where markets are created for the earth's resources. Instead of analysing the impacts of commodification, privatization and liberalization on poverty and the environment and offering these lessons learnt, the Bank offers a rationale for the continuation of globalization - structural adjustment with a human face.

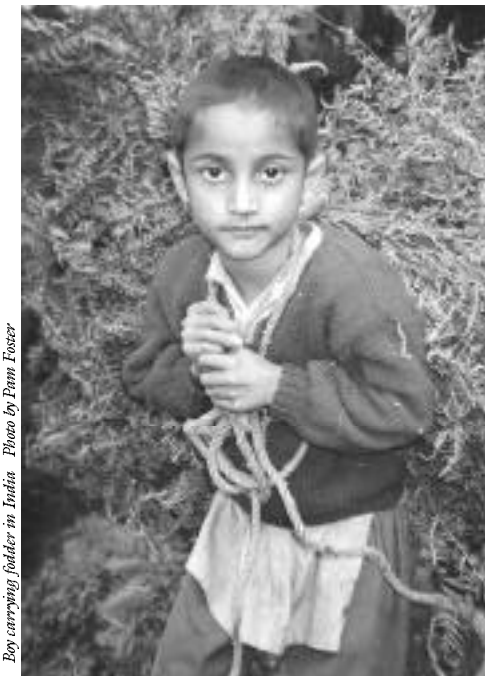
Whereas World Bank lending and loan conditions market the earth's resources, the World Bank's External Affairs Department markets the Bank. In a Strategic Directions paper prepared in 2001, the External Affairs Department noted that, "This paper is being presented now because External sees an urgent need for broad endorsement of an institution-wide communications approach. Such an effort is required to reinforce the Bank's reputation at a time when the institution faces extraordinary pressures". Whereas the Environment Department struggles to integrate itself across Bank programs,[19] External Affairs itself notes how demands for its services have "increased dramatically as a result of new challenges and opportunities".[20] Since the Rio Summit in 1992, External Affairs' budget has grown by 52%. In comparison, the Bank's overall administration budget has grown by 16%.[21]

In preparation for the World Summit on Sustainable Development, the World Bank is positioning itself as an agency whose approach protects the environment and helps the poor.

As the following articles show, if the WSSD is to achieve its stated goal of battling poverty and protecting the environment, the world's governments will have to take different approaches than those spearheaded by the World Bank - approaches that correct current power imbalances and past environmental, social and economic injustice.

POVERTY

By Pam Foster and Carol Welch



Boy carrying fodder in India Photo by Pam Foster

As the Rio Earth Summit attempted to deepen the understanding of the linkage between environment and development, Agenda 21 appropriately contains a specific chapter on poverty (Chapter 3) that aims at "enabling the poor to achieve sustainable livelihoods". The chapter recognizes poverty as a multidimensional problem with national and international dimensions. It calls for adequate funding for human development policies, stresses the need for income generation and enhanced employment, and urges focus on vulnerable groups, including rural communities and women.

The United Nations system, of which the World Bank is part, is called on in Chapter 3, Agenda 21 to make poverty alleviation a major priority, including by examining "the international economic framework, including resource flows and structural adjustment programmes, to ensure that social and environmental concerns are addressed, and ... conduct a review of the policies of international organizations". The burden of external indebtedness and depressed commodity prices are specifically mentioned as issues meriting greater international cooperation.

The World Bank Group is one of the largest sources of development financing. Its 'dream' is to rid the world of poverty.[22] Many others who share this dream, however, believe that a world free of poverty is a world free of the World Bank and its support for mega-projects, its structural adjustment loans and conditions, and its requirements that poor countries use scarce resources to service debts.

In the decade since Rio, the World Bank has launched numerous initiatives in response to intense criticism: the Heavily Indebted Poor Countries Initiative and the Enhanced Heavily Indebted Poor Countries Initiative, the Structural Adjustment Participatory Review Initiative, the Poverty Reduction Strategy processes, the Extractive Industries Review, the World Commission on Dams, and reviews of its operational policies - to name a few.

Despite these initiatives, little has changed at the Bank except, perhaps, its capacity to manage criticism. The Bank has failed to seriously address many of the problems identified in Rio and Agenda 21, including the burden of external indebtedness, the social and environmental impacts of structural adjustment, the poverty of vulnerable groups, such as rural communities and women, and the need for sustainable livelihoods.

DEBT

The debt crisis - the net transfer of resources from the South to the North- is worrisome for both sides of the World Bank personality - the bank and the dreamer. In 1996, the World Bank, together with the International Monetary Fund, announced the Heavily Indebted Poor Countries (HIPC) Initiative, which offered minimal debt reduction for a select few countries after the countries completed successfully six years of structural adjust-

ment. The Bank and the Fund did not take any losses on the little debt that would be reduced; instead the Bank and the Fund set up a trust fund to which the rich Group of Seven (G-7) and other countries contribute to 'bail-out' the creditors.

In 1999, the World Bank and the IMF, following a world-wide citizen's movement for debt cancellation, announced the Enhanced HIPC Initiative. The Enhanced HIPC Initiative gives minimal relief after a minimum of three years of adjustment. The 'floating completion point' has been promoted as a way of speeding up the process, yet the three years has become indefinite. All HIPCs are off track to some extent, most of them enough that their completion points are delayed.[23] In addition, the country must also agree to develop a poverty reduction strategy paper (PRSP).

Yet even its enhanced programme is woefully inadequate, cancelling too little debt for too few countries. For example, after debt relief under the enhanced HIPC initiative, debt service in Mali was $88 million in 2000. This is greater than the level of government spending on health ($54 million in 1998), in a country where one in four children do not live to see their fifth birthday, and where per capita spending on health is $5 as compared to the World Bank's recommended level for basic health care of $12. In Zambia, debt service after enhanced HIPC remains more than spending on health and education in 1998 combined.[24] Other poor countries do not even qualify for HIPC.

The goal of the Bank's debt relief programme is to get impoverished countries to a level of "debt sustainability" in which they can continue to make payments to the full extent possible given their economic situation. The IMF and WB decide the level of sustainability based on economic indicators, not on social realities like endemic poverty, disease or country-specific problems like the landmines of Mozambique. The Bank's own review of the Enhanced HIPC Initiative showed that even this minimum goal was not being reached as many of the participating countries had seen export earnings decrease due to a drop in commodity prices or drought, for example.[25] The Bank also found that of the five countries due to receive debt relief in the past year, four had not, due to "delays in implementing key macroeconomic or structural adjustment reforms".[26]

The Bank has used the carrot of minimal debt relief to require countries to 'globalize'. Conditions for debt relief include for Guinea: privatization of energy, privatization of telecommunications, deregulation of petroleum prices, removal of subsidies for public transportation, and for Honduras: privatization of telecommunications, liberalization of mining sector, implementation of bank service fees. [27] Privatization and cuts to public spending are the main conditions demanded in every country wanting debt relief through the HIPC Initiative.

Ten years after Rio and six years after the World Bank's debt relief programme, impoverished countries continue to service debts that are illegitimate. Illegitimate debts are debts that cannot be serviced without causing harm, were incurred to strengthen despotic regimes, or for fraudulent purposes, were stolen through corruption, or that became unpayable as a result of creditors unilaterally raising interest rates. As one of the biggest sources of development assistance for decades, the Bank is complicit in the illegitimacy of current debts.

STRUCTURAL ADJUSTMENT

In 1996, the World Bank agreed to participate in a review of structural adjustment. Bank President James Wolfensohn noted in a letter to the global civil society network organized for the review, "What I am looking for ...is a different way of doing business in the future".[28] The four-year study, in which the Bank took part, concluded that in all the countries studied, structural adjustment had resulted in the systematic weakening of productive capacities and deepened the inability of the poor to access essential services at affordable rates. The World Bank has ignored the findings to date, not committing to any actions based on the study, and structural adjustment loans and conditions have not changed.[29]

Adjustment policies also remain free of the Bank's safeguard policies and no formal assessment for impacts on the poor and the environment are required for structural adjustment loans or conditions. The Bank has prepared a draft User's Guide on Poverty and Social Impact Analysis (PSIA). The draft Guide provides a menu of possible tools and techniques for carrying out PSIA. "It does not suggest a minimum standard for Bank staff, nor does it represent Bank operational policy".[30]

The World Bank claims that countries are now in the driver's seat of a proverbial car, determining their own development path through the consultative Poverty Reduction Strategy process. However, it appears that the essence of SAPs has not changed and is actually on the outside of the PRSP process. Research in Uganda, considered to be a success country by the international financial institutions, has shown that crucial policy prescriptions within World Bank and IMF loans given to support the PRSP were agreed without public consultation or even public disclosure.[31]

An internal World Bank study leaked to the Financial Times found "a disconnect between Bank policy and practice." The internal study reviewed 54 structural adjustment and sectoral loans made between July 1997 and December 1998. The Bank's review concluded: "The majority of loans do not address poverty directly, the likely economic impact of proposed operations on the poor or ways to mitigate negative effects of reform."[32]

VULNERABLE GROUPS

Rural Communities

Ecuador photo Inda MG

The rural poor were identified in Agenda 21 as a vulnerable group that demanded special attention in order to address global poverty. Most recently about 25% of the Bank's public sector lending has gone to operations in "rural space".[33] The Bank's market-based approach to rural development has had a number of negative impacts, including liberalizing para-statals and other support services without ensuring that more effective and funded institutions can take their place. Furthermore, while natural resources are considered important to for rural livelihoods at a rhetorical level, this has failed to translate to concrete policies.

In a World Wildlife Fund (WWF) paper, the Bank's 2000/01 World Development Report, which focused on poverty, was cited as the starkest example of the international development community's failure to link rural poverty and the environment. In this report, the environment was addressed only in terms of natural disasters that harm the poor. In WWF's view there is no difference between the 1990 and 2000 World Development Reports dealing with poverty. Policies that could have helped the rural poor, such as increasing access to and control over natural and physical resources, were not pursued, in part because these policies are politically difficult and challenge entrenched power structures. Instead, many policies that have been pursued in the past ten years have harmed the rural poor. These include expansion of modern, high-input agriculture and conversion of forest areas to agricultural land. [34]

The Bank is currently developing a Rural Development Strategy that many NGOs say perpetuates a failed approach and encourages measures that will harm, not help, the rural poor. The strategy encourages more market-based land reform, which landless movements say does not address poverty. They contend that the most vulnerable groups, such as rural women or indigenous communities, benefit least from these programs because they cannot meet established preconditions, such as contributing their own resources to acquire land, or individual ownership rather than community or collective ownership.[35] 150 NGOs from 40 countries recently signed a letter to the World Bank calling for a rejection of draft Strategy, noting it advocates the wrong plan, the wrong partners and the wrong technologies.[36]

Women

The importance of focusing on the gender dimensions of poverty was recognized at the 1992 Earth Summit, particularly since the majority of the world's poor are women. The World Bank adopted a gender policy in 1994. A 2000 World Bank evaluation of implementation of the gender policy found that the Bank "did not establish processes of institutionalizing and operationalizing its policy". Of 3,000 loan agreements reviewed, only seven percent contained references to gender or women.[37] Gender impacts are rarely addressed in structural adjustment programs, and many large sector investments, including areas like agriculture, fail to address women's needs separately or in a distinct manner. This is despite the fact that in Africa, for example, women access less than 10 percent of small farmer credit and less than one percent of total agriculture sector credit although women comprise 70 percent of African farmers.[38] A 2002 OED study again called for the need for serious introspection on the scope, degree of integration and implementation of the Bank's gender strategy. [39]

Woman in India Photo by Sebastian Madhew

As one participant noted in a World Bank Regional Gender Workshop, "For more than 25 years, the Bank has been discussing gender, poverty and agriculture issues. When will it stop talking and address issues of inequitable access to assets, resources and services in agriculture?"[40]

Labour

Agenda 21 explicitly recognizes the primacy of employment and income generating programs as a way to reduce poverty. The typical structural adjustment reforms, privatization, deregulation, trade and financial sector liberalization have significantly impacted on working people and labour conditions. This impact has been deepened by specific labour market reforms, mainly geared to achieving labor market "flexibility", such as the removal of minimum wage laws and barring collective bargaining provisions above the firm level. These "reforms" have been criticized by many for their negative impact on workers' rights and workers' ability to secure sound employment at fair wages and under adequate conditions.

An analysis by the International Labour Organization (ILO), of the percentage of the population in the formal labor market in five sub-Saharan African countries undergoing adjustment, found that from 1990 to 1995 employment dropped in all countries.[41] In Latin America as a whole, informal employment as a percent of the labor force rose from 51.6% in 1990 to 57.7% in 1997.[42]

A recent UNDP Roundtable in Nigeria, held in preparation for the World Summit on Sustainable Development, concluded that 'free-market' policies have "distorted development. Nowhere has this distortion been more evident than in the area of employment, as workers steadily lost the bargaining power they need to secure decent wages, working conditions and the right to participate in decision-making. Since 1980, large segments of the world's workforce have been driven into substandard, marginal, underpaid work.[43]

CONCLUSIONS:

The Bank is impeding countries' abilities to address poverty by failing to acknowledge the negative impacts of structural adjustment and debt.

Recently, the Bank's major shareholders partially acknowledged that poor countries cannot sustain further indebtedness. While being promised minimal debt relief from the HIPC Initiative, the poorest countries continue to borrow from the International Development Association (IDA), the soft-loan window of the Bank. Richer countries grant public funds to the Bank, which to date, has lent these funds to developing countries. Although well below market rates, IDA loans have contributed to the debt crisis, not only because they are loans that must be paid back in foreign currency, but because the conditions attached to them have limited countries' abilities to grow and de-industrialised whole sectors.[44]

In June 2002, it was decided that IDA would provide 18-21% of its funds in grants, instead of loans.[45] Without radical changes to Bank programming, which would require radical changes to Bank structures and decision-making, this initiative, like the ones before it, will do little to address the twinned crisis of poverty and debt.

CLIMATE CHANGE

By Daphne Wysham

The first five principles of Agenda 21 frame the issue of sustainable development clearly: human beings have the right to sustainable development; a state's right to exploit its own natural resources also includes a responsibility to ensure this right does not result in transboundary environmental problems, such as climate change; the right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations; environmental protection is an integral part of development; and poverty eradication must be a goal and priority for all States.

Under the Climate Convention, also signed at the Rio Earth Summit by a majority of the world's countries, the task of mobilizing the financial resources needed to ensure that poorer, developing countries are given the resources to develop their economies in a sustainable manner was given to the World Bank and other multilateral institutions.

The Convention states:

"...Multilateral institutions play a crucial role by providing intellectual leadership and policy advice, and by marshalling resources for countries committed to sustainable development."

After these momentous documents were delivered to the world, one would expect a response of a similar magnitude from the World Bank with regard to its energy lending practices, particularly since energy and power sector lending have traditionally been among the top two or three sectors of World Bank lending.

However, research shows little has changed at the World Bank since Rio. In fact, the agenda being pushed by the World Bank and its major shareholders-opening up oil, gas and coal fields to private investment, pushing privatization and deregulation of the power sectors in various countries, and investing heavily in fossil fuel-based industry and infrastructure-continues, ensuring a dirty technological lock-in by developing countries, with disastrous consequences for the poorest.

Baku, Azerbaijan photo by Karen Decker

The UN's scientific body on climate change, the Intergovernmental Panel on Climate Change writes: "The impacts of climate change will fall disproportionately upon developing countries and the poor persons within all countries, and thereby exacerbate inequities in health status and access to adequate food, clean water, and other resources."[46] As sea levels rise, countries such as Tuvalu are facing a future in which their countries will cease to exist. Hurricanes, floods, and droughts are already hitting the poorest countries like Mozambique, Ethiopia, Bangladesh, and Honduras with extraordinary vengeance.

Nevertheless, and despite the fact that fossil fuel combustion is the leading cause of climate change, since Agenda 21 and the Climate Convention were signed in 1992, the World Bank has invested over $22 billion in oil, gas and coal projects in developing countries and economies in transition. These projects will release over 40 billion tons of carbon dioxide (CO2) over their lifetimes-an amount equivalent to almost twice the annual anthropogenic greenhouse gas emissions of the entire globe for 1999.[47] Although this energy investment is made in the name of the poor in developing countries, the poorest 2 billion, those who live largely in rural areas where clean, renewable energy would be most cost-effective, are the target of less than ten percent of all World Bank energy lending. [48]

From mid-1992 to June of 2002, the World Bank supported 226 fossil fuel projects with over $22 billion in financing, and 35 renewable or energy efficiency projects with $1 billion in financing.[49]

In addition to the climate changing consequences of fossil fuel combustion, fossil fuel projects cause serious local environmental problems, from oil spills, to toxic emissions and poisonous effluents. Their development and human rights impacts are also dire.

A recent internal paper commissioned by the IFC noted: "The notion that governments invest incremental rents/returns from extractive industries profitably and for the benefit of poor people is all too often more of an aspiration than a reality."[50] Poor people are the most likely to be forced off of their land and made homeless by oil, gas, and mining projects. They are the most likely to live in polluted surroundings and the least empowered to demand fair compensation or a share in the revenue from oil, gas and mining projects. A recent study by Oxfam America[51] further notes that the more heavily countries rely on oil and mineral exports, the worse they seem to do with regard to health, education and income indicators.

What is required of the World Bank and this moment in time is simple: stop using public money to invest in fossil fuels.

The Oxfam report also found a higher correlation between those developing countries' that relied on minerals exports for income and the dangers of civil war than mineral resource-poor nations in any given five-year period. Mineral exporting nations spend a far higher percentage of their budgets on their militaries, diverting funds from programs that directly address the needs of the poor. This militarization of mineral-rich countries also has an alarming human rights consequence: governments and corporations associated with fossil fuel operations routinely force relocation of local populations, with brutal and sometimes deadly repression of critics.

Scholars have examined the relationship between corruption, authoritarian governments, governance, conflict and extractive industries and found strong evidence for a repression effect, which holds that resource wealth retards democratization by enabling the government to better fund the apparatus of repression.[52]

WORLD BANK AND CLIMATE CHANGE

With these concerns in mind, but focusing primarily on the climate change impacts of fossil fuel investments, The Institute for Policy Studies, together with the Halifax Initiative and other NGOs, released its first report on the World Bank's investments in fossil fuels, "Changing the Earth's Climate for Business," in 1997, at the Earth Summit + 5 in New York. In response to the report's charges and ensuing press coverage, World Bank President James Wolfensohn made the following remarks in New York in June 1997:

> "...The World Bank will routinely calculate the potential impact of all its energy projects on climate change and, where there is cause for concern, assist developing country clients to finance more climate-friendly options..."

With little faith that this small step would result in major changes in the Bank's energy portfolio, on December 5, 1997, the Oilwatch-NGO Declaration was delivered to the delegates attending the Third Conference of the Parties (COP-3) to the Climate Convention in Kyoto. That declaration, signed by over 200 groups from around the world,[53] called on the World Bank and other public institutions to immediately shift their investments from the extraction of dirty fossil fuels to clean renewable energy and energy efficiency, with a particular focus on meeting the energy needs of the poorest 2 billion.

Similar concerns over the World Bank's fossil fuel investments were echoed in the 1998 "Study of the GEF's Overall Performance" (March 2, 1998) commissioned by the Global Environment Fund (GEF) Secretariat. This report was unequivocal regarding the World Bank's efforts on climate change:

> The Bank has not succeeded in systematically integrating global environmental objectives into economic and sector work or into the CAS [Country Assistant Strategy] process; nor has it taken meaningful action to reduce its traditional role as financier of fossil fuel power development...It has not yet undertaken any programming based on global environmental objectives...Continued financing by the World Bank for such projects (as conventional fossil fuel generation) is inconsistent with mainstreaming of the global environment in the Bank's regular operations.

At the May 1998 Summit of the Group of Eight (G-8) in Birmingham, England, the G-8 Environment Ministers carried forward these concerns in their communiqué, which was endorsed by the G-8 leaders: ..."We must ensure that the policies and operations of the World Bank and other International Financial Institutions take full account of climate change..."

Then in September 2000, at the World Bank annual meetings in Prague, Friends of the Earth International Chairman Ricardo Navarro presented a petition to the World Bank, calling on the Bank Group to get out of oil, mining and gas completely. Mr. Wolfensohn responded that he would call for the establishment of an "independent review" comparable to the World Commission on Dams (WCD) to evaluate the World Bank's investments in the mining sectors.[54] "We can stand back and take a look at the actualities of these extractive industries, the pros, the cons, the pluses, the minuses, and see if together we can come up with something that will either lead to an exclusion or to an inclusion on certain terms of what we are doing," Wolfensohn said.

That review, underway since October 2001, has proven disappointing to many NGOs. Instead of an independent review, the World Bank has hand-selected the team that will conduct the review, and has even considered itself a "stakeholder" in the consultations that have taken place, often dominating the "dialogue" with the Extractive Industries Review secretariat.[55] Meanwhile, and despite its own recognition that fossil fuels pose a "clear and present danger"[56] to both its reputation, human rights and the environment, the Bank continues to invest in these sectors.

As well, because the World Bank has yet to adopt the recommendations arising from the WCD process, many are sceptical about whether the Extractive Industries Review can extract change from the Bank.

THE WORLD BANK AND THE OPEC OIL CRISIS

The World Bank began to invest more heavily in oil and gas in 1977, following on the heels of the Organization of Petroleum Exporting Countries (OPEC) oil embargo and oil price shocks of the 1970s.

In a 1981 report entitled, An Examination of The World Bank Energy Lending Program, the office of the U.S. Treasury's Assistant Secretary prescribed measures the World Bank should take to encourage private investment in oil and gas development.

"...Direct U.S. pressure to improve terms and conditions is likely to be counterproductive in most countries. We are seen as interested parties (as home countries to many affected oil companies) and to be seen [sic] as bowing to U.S. pressure would hand a powerful issue to host country government opponents. Where we have a special relationship with an LDC [least developed country], however, we can and should express quiet concern about the impact of restrictive terms and conditions on development of petroleum potential...To increase foreign private investment in oil and gas development, reduction in average host government tax rates or other policy changes (such as depreciation, accelerate cost recovery, etc.) having [sic] a similar effect would be beneficial. Here, the "neutral" stance of the Bank can play an important role. As a multilateral "development advisor," it can help LDCs revise their incentive structure to encourage investment. [57]

The rationale for World Bank investment was clear: The U.S., an oil- and gas-dependent nation with limited indigenous sources of oil, needed to diversify its sources of non-OPEC oil and gas. U.S. government officials were concerned that OPEC had a virtual monopoly on the fuels, and could raise prices at whim, sending shockwaves throughout the global economy. And it needed the World Bank to diversify non-OPEC sources of oil and gas for US markets.

PRIVATIZATION

The World Bank has succeeded in pushing developing country governments to privatize state-owned oil and gas companies, as well as power suppliers, making privatization a condition for further loans. Post-privatization, power rates have gone up exponentially for the few households in developing countries with access to power; power rates have plummeted for industry, many of them foreign-owned corporations, or industries producing products for export to the North.

The energy sector lending that follows on the heels of privatization brings direct benefits to the Bank's major shareholders. For every dollar the U.S. government puts in the World Bank's coffers each year it gets $1.3 in procurement contracts for U.S. transnational corporations (TNCs).[58] In fact, nine out of ten beneficiaries of energy sector lending via the World Bank were G-7 TNCs, including General Electric (with annual sales larger than the Philippines), Exxon-Mobil, Chevron-Texaco, Foster Wheeler, AES, Enron and others.[59]

DIRTY DEVELOPMENT MECHANISM?

One could say that the World Bank's fossil fuel investments are a "dirty development mechanism," the polar opposite sort of financing that the newly minted Clean Development Mechanism (CDM) is supposed to provide.

The CDM, conceived at the Kyoto Third Conference of the Parties (COP-3) in December 1997, is a U.S. modification on a Brazilian proposal for a "clean development fund,". It promises developing countries the potential for "enhanced sustainable development, increased private capital investment in energy projects and accelerated acquisition of advanced technology." In exchange, it permits certified emission reductions from CDM projects in non-Annex 1 (developing) countries.

Between 2008 and 2012, non-sinks projects under the CDM are expected to lead to reductions of 50-375 megatons of carbon (MtC) per year.[60] Meanwhile, the emissions from fossil fuel projects supported by multilateral development banks and export credit agencies in an average year already exceed this amount many times over. In the case of the World Bank, in an average year of financing between 1992 and 1998, the World Bank supported fossil fuel projects with lifetime emissions of 1457 MtC; this is at least four and as much as 29 times the amount of emissions reductions anticipated under the CDM per year.[61]

Currently, the World Bank is engaged in three new carbon funds: the "Prototype Carbon Fund," capitalized with $150 million in 1997; the "Community Development Carbon Fund," capitalized in 2002 with $100 million to focus on "small scale emissions reduction projects, which tend to come from small countries and poorer, rural areas of the developing world;" and the BioCarbon Fund, also capitalized in 2002 with $100 million.

Probably the most controversial of them all, the BioCarbon Fund proposes to do sequestration demonstration projects Carbon sequestration projects are controversial because of concerns that sequestration is ultimately a temporary method of storing carbon; forest fires, droughts, and other uncontrollable events-some of which are expected to accelerate as the planet warms— could quickly render such carbon "credits" into "debits." Currently, the Kyoto Protocol does not allow carbon sequestration projects to be considered as CDM projects.

Why is the World Bank interested in carbon trading? Early internal documents on the PCF suggest the World Bank was eager to profit from the growing carbon market, which it envisioned reaching into the hundreds of billions of dollars by 2020. These documents show the Bank was poised to profit from a "win-win" strategy wherein the World Bank would capture "low-hanging fruit," (i.e., carbon emissions that are relatively inexpensive to capture).[62] The Bank estimated it could generate roughly $100 million per year in net revenue for itself from these "low-hanging fruits" by 2005.

Concerns over the Bank involvement in carbon trading-expressed by both government and NGOs— stem from the conflict of interest inherent in the same institution acting as a broker for carbon credits it claims its projects help sequester or "avoid" releasing (via renewable energy projects, for example), while, at the same time, acting as a broker for carbon-combustion projects (such as oil pipelines in Chad), without tallying any carbon "debit" for these projects.

What is required of the World Bank at this moment in time is simple: stop using public money to invest in fossil fuels. Instead, use public funds to help us create a rapid transition away from fossil fuels, targeting the energy needs of the poorest first. Anything short of this risks the health and lives of millions of poor people, those whom the World Bank is supposed to serve.

The World Bank in the Forest

by Ricardo Carrere

THE STATE OF THE FORESTS

Ten years after the Rio Earth Summit, forests continue to disappear at an alarming rate. Close to 161 million hectares of forest were lost during the 1990s, an average rate of deforestation that was basically the same as the rate in the 1980s. [63]

However, this figure does not reflect the full disaster, as it only includes areas completely cleared of forest on a permanent basis. The additional millions of hectares of primary forests that were clearcut and replanted, or allowed to regrow are not included by in these figures, as they are considered forests that are "temporarily unstocked".[64]

Neither do these figures reflect the widespread degradation of forests due to selective logging operations, pollution linked to mining and oil exploitation, commercial hunting, or to the invasion of alien plant and animal species.

In fact, primary forests now only represent some 20% of the total area still covered by forests, while half of the remaining forests are under threat of destruction by logging, mining and agricultural conversion.[65] Other activities such as hydroelectric dams, shrimp farming, and industrial tree plantations (eucalyptus, oil palm, rubber trees), also increase the problem.[66]

The globalization process supported and promoted by the structural adjustment programmes of the International Financial Institutions also threatens forests. One of the main policies imposed by structural adjustment programmes is export promotion, which in most countries implies forest destruction from either exports of logs, minerals and oil, or forest clearance to allow the export of soya beans, beef, shrimps, palm oil or paper pulp. At the same time, structural adjustment also demands liberalization - the opening of national economies to transnational companies for investment in the exploitation of the countries' natural resources. The power of these companies, coupled with a control system weakened by other impositions of structural adjustment —such as a "redimensioned" state and lower public employee salaries— result in the widespread violation of environmental legislation concerning forest conservation.[67]

Shrimp farm in Thailand Photo by Brian O'Riordan

Most of the causes of deforestation and forest degradation stem from the root causes of unsustainable development - inequity and injustice. Unfair land tenure patterns, the lack of recognition of indigenous peoples' territories, unfair international trade and unsustainable consumption patterns in the North, constitute some of the major underlying causes of forest loss, particularly in the tropics.[68]

THE EARTH SUMMIT OUTCOME

Conservation of forests was high on the agenda leading to the 1992 Earth Summit because of public outcry over widespread forest destruction. However, the Rio process proved unable to achieve political commitment to address the issue. Instead of developing an international agreement on forests, governments only managed to adopt a "Non Legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development on all Types of Forests".[69] Governments thus showed a lack of willingness to commit themselves —through a legally binding instrument— to seriously address the issue of forest loss.

Within that context, the adoption of Agenda 21's Chapter 11 (Combatting Deforestation) appeared to be more a public relations exercise to appease public concern than an international agreement aimed at truly addressing the issue of deforestation and forest degradation. The main message that came out from Rio regarding forests was that many influential governments —both North and South— were unwilling to generate the necessary conditions for ensuring forest conservation.

While Chapter 11 and the Forest Principles contain aspects that are positive, they also promote some of the worse aspects of the free trade agenda that at the time was beginning to be implemented.

A positive example is Article 5 (a), which states that "National forest policies should recognize and duly support the identity, culture and the rights of indigenous people, their communities and other communities and forest dwellers. Appropriate conditions should be promoted for these groups to enable them to have an economic stake in forest use, perform economic activities, and achieve and maintain cultural identity and social organization, as well as adequate levels of livelihood and well-being, through, inter alia, those land tenure arrangements which serve as incentives for the sustainable management of forests."

Yet Article 13 promotes the free trade agenda that works against indigenous communities: (a) "Trade in forest products should be based on non-discriminatory and multilaterally agreed rules and procedures consistent with international trade law and practices. In this context, open and free international trade in forest products should be facilitated. (b) Reduction or removal of tariff barriers and impediments to the provision of better market access and better prices for higher value-added forest products and their local processing should be encouraged to enable producer countries to better conserve and manage their renewable forest resources."

What many governments actually implemented during the following ten years was the most negative aspect of both documents: the plantation of alien tree monocultures. Defined by Agenda 21 and the Forest Principles as "planted forests", such type of plantations have since been increasingly promoted —particularly in the South— resulting in widespread deforestation processes and in extensive social and environmental impacts.[70]

THE WORLD BANK: A SHIFT IN POLICY?

During the 1980s, the World Bank was identified as being responsible for widespread forest destruction in the South.[71] The Bank's "development" policies included funding for large-scale projects that directly or indirectly resulted in deforestation and forest degradation. Hydroelectric dams and road-building were particularly notable examples high on the Bank's agenda. While the former destroyed wide areas of forest, the latter opened up vast regions to logging, cattle-raising, agriculture and mining. The result in both cases was that forests were destroyed along with the livelihoods of local peoples, whose rights were not only ignored but actively violated.

Local resistance, coupled with international activism, resulted in highly visible campaigns that put the Bank in an awkward political position, forcing its management to realize that it could not continue with business as usual. As a result, the Bank adopted a new forest policy in 1991, including many of the issues highlighted by the NGO community.[72]

The new policy appeared as if it would steer the Bank in a different course regarding the world's forests. Unfortunately, this proved not to be the case. The Bank continued to be a major actor in forest destruction.[73]Although it suspended lending to some of the most openly destructive projects, its staff basically disregarded the new forest policy, while management did little to ensure its implementation.[74] This conclusion was echoed in an extensive review carried out in 1999 by the Bank's Operations Evaluation Department (OED) on the implementation of the 1991 Forest Policy. In general terms, the OED concluded that the Bank had failed to contain rates of deforestation in moist tropical forests, which was one of the main objectives set out in the 1991 policy. Regarding implementation, the OED highlighted the lack of sufficient synergy between conservation and development, and the fact that the multisectoral approach —emphasized in the forest policy as essential— was "not pursued actively." Integration of the forest policy with country assistance strategies, macroeconomic and sectoral analysis, or with lending to adjustment, infrastructure or agriculture, "was also limited."[75]

The OED team carried out in-depth studies in a number of countries, including Brazil, Indonesia and Cameroon, which exemplify the policy failures.

THE CASE OF BRAZIL

Deforestation in Brazil photo by Brian O'Riordan

If the Bank had had any intention of contributing to the conservation of endangered tropical forests, then Brazil should have clearly received special attention. However, the Bank did little to ensure forest conservation, in spite of the fact that Brazil was one of the Bank's largest borrowers in the past ten years. Amazingly enough, the Bank's own review highlights as a "strategic victory" having been able to avoid criticisms for doing the "wrong things"[76] since the adoption of the 1991 policy.

Many of the "wrong things", the Bank supported in Brazil occurred through structural adjustment lending. The Bank's review highlights the importance of global economic forces in relation to deforestation in Brazil that "seem to dwarf even the mightiest of national policy instruments". These forces include liberalization of trade and decentralization, which offer powerful incentives to deforest in the short and medium term. Trade liberalization, coupled with a devalued currency, has been the driving force to increased exports of primary products, including soybeans, production of which is rapidly expanding into the Amazon and leading to deforestation. Needless to say, previous Bank lending for the creation of an extensive road network throughout the region made forest substitution by export crops possible.

THE CASE OF INDONESIA

Some of more extensive tropical forests in the world are located in Indonesia. Here again, had the Bank been serious about the implementation of its forest conservation agenda, this should have been one of the countries receiving more attention.

The Bank's assessment starts by acknowledging that the so called "Indonesian miracle" was the result of an export-led strategy in which forest resources were viewed "as an asset to be liquidated to support [its] growth strategy, establishing Indonesia as a world leader in the export of tropical forest products".[77]

However, until the financial crisis in 1997, forest sector issues were ignored because Bank staff were reluctant to jeopardise their relations with the government by pursuing the sensitive issues of policy and institutional reform in the forest sector. As the OED Report states, "Between the risk of irritating a large borrower and the relevance of the small proportion of forestry operations in the overall lending portfolio, the Bank was willing to sacrifice the latter".[78]

The 1997 crisis exacerbated deforestation. The 50-point package pushed on Indonesia by the International Monetary Fund and the World Bank in the context of the economic crisis called specifically for the liberalization of the oil palm plantation sector —one of the major causes of deforestation in the country. That meant reopening the sector to foreign investment. Point 39 of the package required Indonesia to remove "all formal and informal barriers to investment in palm oil plantation". This requirement was clearly detrimental to environmental concerns, since it would greatly increase pressures to convert forest land to plantations. Although point 50 requires the government to "reduce land conversion targets to environmentally sustainable levels by the end of 1998", this requirement obviously contradicted the more important point 39.[79]

THE CASE OF CAMEROON

Cameroon is one of the six countries that share the rainforest ecosystem of the Congo Basin, which is home to one of the world's largest contiguous blocks of tropical rainforest, only second to that of the Amazon Basin in terms of unfragmented forest areas.

The Bank's review identifies foreign logging companies that dominate the sector as having continued to have a free hand in the depletion of the country's forest resources. Logging is one of the four dynamic mechanisms of forest resource degradation and deforestation described by the Bank's 1991 Forest Policy. The OED report clearly identifies the existence of an environmental conflict between public interests represented by the government and civil society, and private interests defended by the companies.

However, the Bank's interventions not only did little to address that situation but, on the contrary, assisted those same powerful logging companies by providing them with further incentives through the opening of the economy, promoted by the Bank as part of its structural adjustment lending since 1989. While the Bank worked to influence forest policy reform in Cameroon, the OED report states that the Bank "made no provisions for implementation or enforcement of those provisions", creating a gulf between stated policies and implementation. [80]

To make matters even worse, the Bank supported road building for the Chad-Cameroon pipeline, thus opening up the frontier forests of the East Province and paving the way for further forest destruction and for widespread human rights abuses. In spite of local peoples' opposition in Cameroon and Chad to the project and in spite of the international uproar it resulted in, the Bank finally approved the funding of the project.[81]

THE BANK'S NEW DRAFT FOREST POLICY

The OED review was the first step in a long consultation process carried out by the Bank with the stated aim of improving its performance in relation to forests. However, the Bank is now adopting a new forest policy that is perceived by most forest activists as a major threat to forests. In spite of being defined as a "safeguard policy", forests will not be made safer by the adoption of this policy. The new policy flies in the face of demands of civil society and ignores most of the advice given to the Bank by its own Technical Advisory

Group. In addition, it fails to address the main causes of deforestation that the Operations Evaluation Department identified as including the powerful forces of globalization and economic liberalization.

In fact, the proposed policy relies on market forces or marketing arrangements to address deforestation. Large-scale timber export and carbon sequestration projects are the likely beneficiaries. Yet there is no evidence to date that these projects can be effective in promoting environmentally sound and socially equitable development.

The proposed policy opens the door to extractive investments by the Bank in all types of forests, except those Bank bureaucrats deem to be "critical forests". Participatory mechanisms to ensure that the nearly one billion people world-wide whose livelihoods depend on forests will have a say in the definition of "critical forests" are not part of the plan. The only mention of participation is where the proposed policy calls for the private sector, as well as local people and non-governmental-organizations, to provide input into the establishment of timber certification systems, which are to be based on the borrower country laws and institutions. Given the balance-of-power in many of the world's main forest countries where governments and the logging companies operate in highly collusive, destructive and non-equitable ways, a much stronger requirement for the rights of affected people is required.

The main message that came out from Rio regarding forests was that many influential governments --both North and South-- were unwilling to generate the necessary conditions for ensuring forest conservation.

Instead of proposing clear and strong new safeguards to protect the world's forests, the proposed policy refers to seven other existing World Bank "Safeguard Policies" as a means of ensuring the protection of ecosystems and forest-dependent people. Ecosystems are to be protected under the Safeguard Policy for Natural Habitats, yet this policy has been largely ineffective and has not halted destructive investment projects. Local people's rights are to be protected under the Indigenous Peoples' Policy, yet this policy does not secure the tenure rights of indigenous forest peoples, and fully ignores the hundreds of millions of non-indigenous people depending on forests for their survival.

The new policy represents a severe weakening of the existing Operational Policy on Forests of 1993. Its planned provisions are unacceptable because they lack proper safeguards and pose a high risk to the forests and forest peoples who will be harmed when Bank projects inevitably go wrong.[82]

Lastly, the Bank has completely sidestepped the controversial issue of the impacts on forests of programmatic and structural adjustment lending. It simply passes this serious problem to a long-delayed, forthcoming revision of the Bank's overall policy on adjustment lending.

HAS THE BANK LEARNED NOTHING?

Among the world's official institutions, the World Bank is probably the most knowledgeable regarding the direct and underlying causes of deforestation, both as a result of decades of funding destructive projects and from extensive studies carried out by its own staff. In spite of that, the Bank does not appear to be willing to change course. On the contrary, it has modified the 1991 forest policy in order to allow flexibility to fund logging projects in primary tropical forests.

Even more importantly, it is necessary to highlight the Bank's close partnership with the International Monetary Fund and the World Trade Organization. The three institutions consistently impose the same economic model on Southern countries, which the Bank should know very well impacts negatively on forests and forest peoples. Nevertheless, it continues actively promoting it.

In sum, the issue is not whether the Bank has learned the lessons in relation to forests. It has. Whereas the Bank forces countries to comply with its conditionalities such as privatizing, opening up economies to foreign investment and increasing exports, it does not require countries to comply with human rights or environmental standards that demand forest protection, territorial rights, informed participation or transparency, for example. To these, the Banks can turn a blind eye. Which it does.

THE WAY FORWARD

Being the strong actor it obviously is —particularly in the crisis situation that most Southern countries are currently facing— the World Bank cannot simply be ignored; it needs to be influenced. Unfortunately, the main lesson learnt from the forest policy implementation review exercise is that the Bank is more easily convinced by organized pressure than through arguments.

The Bank has considerable expertise in adopting some civil society demands while continuing to carry out its basic business as usual. Examples of this are a number of programmes —which are perceived by some as a first step in the right direction— but which are in fact in contradiction with other Bank projects and policies.

For instance, the Bank is involved in the WB-World Wildlife Fund Alliance launched in 1998, with the aim of both protecting and sustainably managing large forest areas. One year later, the Bank was instrumental in the foundation of Forest Trends, aimed at sustainable forest management. The Bank also hosts the PROFOR (Programme on Forests) initiative —a multi-donor partnership— with the objective of enhancing the economic and sector work in forestry. Additionally, it is a member of the Collaborative Partnership on Forests within the framework of the United Nations Forum on Forests.

The Bank's involvement in the above initiatives is not bad per se, nor are those initiatives necessarily positive, negative or irrelevant. What needs to be underscored is the clear contradiction between trying to preserve and conserve forest areas while at the same time being a lead actor in the creation and promotion of the conditions that destroy forests.

At the time of writing this article, the new forest policy is still a draft. It is therefore crucial to campaign as strongly as possible to introduce a large number of changes to this policy before its adoption. It is possible that when this article is published the new policy will have already been approved —with or without changes. In either case, organizations struggling to protect forests will need to increase their campaigning efforts to influence the World Bank at both the global and local levels. Given that this institution is part of a wider net that includes the IMF and the WTO, it becomes crucial to join efforts with the many other organizations working from different perspectives to change the prevailing destructive "development" paradigm.

Pesticides and Pest Management

by Marcia Ishii-Eiteman

In Chapter 14 on agriculture, Agenda 21 contains a recognition of the devastating health and environmental impacts caused by overuse of chemicals and a clearly articulated commitment to reverse those impacts by promoting ecologically based integrated pest management (IPM) instead. When 178 governments signed Agenda 21 in June 1992, they and participating agencies of the United Nations demonstrated their resolve to "put integrated pest management practices within the reach of farmers through farmer networks, extension services and research institutions."[83] Agenda 21 describes IPM as a combination of "biological control (of pests), (crop) resistance and appropriate farming practices [which] minimizes the use of pesticides." Agenda 21 calls on governments with the support of institutions such as the World Bank to promote biological control, organic agriculture and traditional non-chemical approaches to pest management; establish farmer networks in IPM; increase on-farm research into non-chemical pest management alternatives; and conduct training programs for farmers ensuring the participation of women.

Young boy spraying pesticides Photo by Joko Maryono, FAO-IPM Jakarta

As the largest and most influential of the multinational banks, the World Bank is well positioned to assist client countries in reducing their exposure to hazardous pesticides and in implementing Agenda 21 commitments to ecologically safe pest management. But although the Bank promotes sustainable development and IPM on paper, it has largely failed to implement these approaches on the ground. Instead, the Bank has pushed an agenda that favors large-scale industrial agriculture and benefits multinational corporations rather than the world's rural poor.

THE WORLD BANK AND IPM

Pesticide Action Network (PAN) and other NGOs have lobbied the World Bank to strengthen its pest management policies since the late 1980s.[84] Ignoring Agenda 21's call for international financial institutions to assist governments in developing and promoting non-chemical pest management, the World Bank steadily downgraded its own policy on pesticides throughout the 1990s, until it sought merely to avoid "excessive use of pesticides."[85] In 1998, in response to mounting public pressure,[86] the Bank issued a revised Operational Policy 4.09 on Pest Management, the official pest management policy to guide all Bank lending. This binding policy now commits the Bank to support ecologically-based IPM strategies that "promote the use of biological or environmental control methods and reduce reliance on synthetic chemical pesticides."[87] The policy contains additional commitments to ensure farmers' lead role in designing and implementing locally appropriate IPM.

Unfortunately, despite the World Bank's current policy commitment to ecologically based IPM, a large proportion of World Bank projects fail to comply with these requirements and instead contribute to increased use of hazardous pesticides.

PERSISTENT PROBLEMS IN WORLD BANK PROJECTS

Many World Bank projects today still supply farmers with toxic pesticides, introduce agricultural systems that lead farmers to become highly dependent on chemical inputs and/or fail to provide effective training in ecological alternatives-all violations of World Bank policy.[88]

In most cases, implementation of IPM in Bank-financed projects has proven extremely challenging.[89] A PANNA review of WB documents describing over 100 projects approved between 1997 and 2000 found that few mentioned IPM.[90] Many projects, particularly in Africa and Asia, focused on increasing farmers' access to agrochemicals and intensifying production without acknowledging or addressing the hazards of increased pesticide use. In the rare instances where IPM was mentioned, it was often treated as an add-on mitigatory measure to minimize pesticide poisoning in a basically chemical-dependent system, rather than introduced as an integral part of agroecosystem planning and the starting point for sustainable crop management.

US companies have been able to offload pesticides banned at home on Southern countries, whose pesticide regulations are weak or nonexistent.

The cursory treatment or absence of IPM in WB projects reflects in part the limited capacity and time that most World Bank project managers have to investigate and propose pest management systems that are likely to be more difficult to implement than simply purchasing pesticides. Currently, World Bank project managers have a disincentive to ensure policy compliance as they must pay for the cost of obtaining in-house assistance on these matters from their own budgets. They are also evaluated and promoted on the basis of the size and number of loans that they approve, rather than the quality of project impact.[91]

However, the Bank's difficulty in implementing IPM appears also to be influenced by more fundamental problems: the Bank's continued promotion of an unsustainable agriculture model and the enormous influence of powerful multinational corporations on decision-making.

INDUSTRIAL AGRICULTURE: AN UNSUSTAINABLE FARMING MODEL

World Bank agricultural lending today by and large continues a decades-old tradition of promoting industrial agriculture, a farming model that relies on use of expensive inputs such as hybrid seeds, chemical fertilizers and pesticides, and irrigation.[92] Frequently entailing a shift to intensive cultivation of a single cash crop for export, this model is neither ecologically sustainable nor appropriate for the ecosystems where it is introduced.[93] Most cash crops are non-native plants that are highly susceptible to local pests and disease and require high use of pesticides. Resulting environmental problems include soil degradation; chemical contamination of soil, water and air; more frequent and severe pest outbreaks as beneficial insects are wiped out; greater use of toxic pesticides; loss of biodiversity; and deforestation.[94] Health problems associated with pesticide use include acute poisonings, cancer and disruption of the neurological, respiratory, endocrine and immune systems.[95] The adverse effects of pesticides can further be aggravated by malnutrition,[96] a condition common in many of the Bank's borrower countries.

The World Bank's promotion of industrial agriculture falls within its larger agenda of structural adjustment. In the agricultural sector, common requirements of structural adjustment loans include liberalization of agricultural trade, increased production of cash crops and non-traditional export crops (to generate foreign exchange earnings) and removal of subsidies for staple food production.[97]

Despite evidence to the contrary, the World Bank claims that its structural adjustment programs can reduce pesticide use, thereby improving environmental quality.[98] While the removal of subsidies and devaluation of currency required by structural adjustment programs can raise the price of chemical pesticides beyond the reach of small farmers, large growers and foreign agribusinesses can still buy them without difficulty. As large agribusinesses become more prevalent and convert more land into industrial-style agriculture, overall use of toxic chemicals generally rises. After Costa Rica followed the World Bank's prescription for structural adjustment of its agricultural sector, farmers reported applying extremely dangerous pesticides in order to produce melons for export.[99] Three-quarters of melon farmers experienced health problems associated with their exposure to insecticides and fungicides while 58% of their water supply was contaminated by these chemicals.

Adding insult to injury, when borrower governments ease environmental trade regulations as required by structural adjustment programs, they become more susceptible to pesticide dumping. US companies have been able to offload pesticides banned at home on Southern countries, whose pesticide regulations are weak or non-existent.[100] Meanwhile, landless workers experience the brunt of these chemicals' deadly health effects as they labor on plantations owned by multinational corporations with little interest in protecting the local community or their environment.[101]

The World Bank's continued promotion of the industrial model of agriculture cannot be justified. A growing body of data from around the world indicates that community-based diversified agricultural systems are not only more appropriate for local ecosystems and the needs and values of local cultures, but are also highly productive, less vulnerable to risk and better able to ensure local and national food security and food sovereignty.[102]

POISONED PROFITS:
WB Partnerships with Multinational Corporations

In the name of poverty alleviation, the World Bank has entered into business partnerships with some of the most notorious and aggressive producers of hazardous pesticides, undermining its stated policy commitments to the environment. Within the framework of the Bank's Staff Exchange Program, personnel exchanges routinely occur between the World Bank and the major pesticide companies (e.g., Rhône-Poulenc Agro (now Aventis[103]), AgrEvo (now also Aventis), Novartis (now Syngenta) and Dow AgroSciences).[104] These companies all have a variety of "red flag" issues in which they have placed their commercial interests above public interest. For example, corporate misdeeds have included illegal toxic shipments, chemical dumping and accidents, Superfund sites, chemical testing on humans, false advertising, and convictions for racketeering.[105] Furthermore, some of these companies have histories of unethical manipulation of pesticide registration decisions, corruption, refusal to withdraw products that are known to cause high frequency of casualties and use of massive public relations campaigns to deceive the public about the health and environmental risks of their products.

World Bank partnerships with pesticide companies to promote "safe use" are also unlikely to lead to reduced use, or even safer use, of pesticides. Field studies and independent assessment of industry's "safe use campaign" have found no credible evidence that these trainings have reduced either use or incidence of pesticide poisoning.[106] In some cases they have had the opposite effect, particularly when used as a marketing tool to showcase products.[107] Even the Novartis Foundation concludes that safe use programs are not effective in changing farmers' behaviors and that if pesticide manufacturers cannot guarantee the safe handling and use of hazardous products, they should be withdrawn from the market.[108]

For public monies to support the placement of World Bank staff at these companies constitutes a gross violation of the Bank's pest management policy and its business partnership guidelines.[109] It is also antithetical to the Bank's commitment to sustainable development and a misuse of public funds. Instead, the Bank should pursue forming partnerships with biological control companies, food and commodity producers, processors and retailers with an interest in reducing pesticide residues, NGOs and public interest groups that do not have a vested financial interest in the outcome of development decisions.[110] This would be a wiser course of action and far more likely to lead to sustainable production, poverty reduction, environmental protection and the empowerment of the rural poor.

...organic and conventional farmers who have used the naturally-occurring soil bacterium Bt as a biopesticide for decades are deeply worried about the potential loss of its use, a risk made real by the biotech industry's creation and promotion of bio-engineered Bt crops.

AGRICULTURAL BIOTECHNOLOGY: REMEDY OR RUIN?

The World Bank's commitment to integrated pest management and ecologically sustainable agriculture is further undermined by its support for agricultural biotechnology, in particular, the genetic engineering of seeds. In our view, the use of transgenic crops is inconsistent with a truly sustainable approach to pest management and food production. The vast majority of commercially available transgenic crops have been engineered for resistance to herbicides, which encourages rather than reduces chemical dependency in agriculture.[111] Meanwhile, organic and conventional farmers who have used the naturally-occurring soil bacterium Bt as a biopesticide for decades are deeply worried about the potential loss of its use, a risk made real by the biotech industry's creation and promotion of bio-engineered Bt crops. These so-called "Bt crops" will ultimately hasten the development of pest resistance to Bt and may be harmful to non-target insects such as the natural predators of pests. More fundamentally, the use of transgenic seeds continues the old failed paradigm of betting the entire farm on a single technology (often a single genetic trait), rather than diversifying the farm ecosystem through a plethora of management tactics based on ecologically, socially and culturally appropriate strategies.

The Bank's eagerness to embrace biotechnology is consistent with Chapter 16 of Agenda 21, a chapter devoted specifically to biotechnology and one that shows the obvious influence of the biotech industry's presence in Rio. Regarding its uses in agriculture, Chapter 16 calls for promoting the "successful and environmentally safe application of biotechnology."[112] However, rather than proposing concrete measures to safeguard the environment and public health from unknown and unwanted side effects of agricultural biotechnologies, Chapter 16 puts almost exclusive emphasis on generating new technologies that are likely to be expensive and risky. For example, the chapter makes no mention of the importance of requiring independent safety testing of the most controversial biotechnology developed to date, the genetic engineering of seeds and other life forms. Instead, the chapter appears to reflect the agenda of the multinational biotech industry and the economic interests of the countries that stand to benefit the most (the United States and Canada, for example, together account for almost 75% of global acreage planted to transgenic crops[113]).

In the ten years since Rio, powerful biotechnology companies have even more aggressively stepped up their promotion of genetically engineered seeds as the solution to world hunger and poverty. Their strategy includes targeting influential public institutions such as the World Bank, United Nations and government agencies as high visibility partners whose support will enhance the multinational corporations' credibility and increase the sale of their products worldwide. Consequently, the World Bank is now echoing industry claims that agricul-

tural biotechnology has "enormous potential" to assist in poverty reduction and is already financing research in the genetic engineering of seeds.[114]

Despite the World Bank's support for agricultural biotechnology, a growing number of scientists and development experts are questioning the capacity of transgenic crops to reduce poverty and hunger, while voicing concerns about the environmental and health risks of the technology.[115] Critics of genetic engineering (GE) argue that the release of transgenic crops into the environment can threaten biodiversity, cause genetic contamination of conventional and organic crops as well as indigenous landraces, threaten the safety of the food supply and pose serious risk of allergenicity to humans.[116] Furthermore, many rural communities are rejecting transgenic crops because their use frequently denies farmers' cultural right to save, breed and exchange seed, while giving control of their food production to transnational corporations that ultimately have no interest in their well being. Tens of thousands of farmers in Brazil, India, Indonesia and elsewhere have organized mass protests of GE crops and are demanding that their governments forbid importation of GE seeds.[117]

Unsafe storage of pesticides photo by Marcia Ishii-Eitman

A growing number of countries are unwilling to import GE products, due to consumer rejection of genetically engineered foods.[118] Farmers in Southern countries who export to markets in Europe, Japan and Korea, for example, could find themselves at a grave disadvantage if they start planting transgenic crops. These farmers would be exposed to greater financial risk and increased vulnerability upon adoption of such technologies.

While on the one hand, the Bank claims that it has no official policy on genetic engineering, on the other hand, it has already approved US$50 million in project loans for agricultural biotechnology, including transgenic crops such as Bt rice, Bt cotton and sweet potato.[119] It is not clear whether the World Bank genuinely believes industry's claim that transgenic crops will feed the world or whether the Bank is simply responding to the combination of powerful corporate pressure and the pro-biotechnology bias of the US Treasury Department. Regardless, World Bank leadership should recognize the enormous risks associated with the widespread adoption of transgenic crops and adopt a precautionary approach towards genetic engineering.

While consistent with the objectives outlined in Chapter 16 of Agenda 21, the World Bank's rush towards agricultural biotechnology in general, and genetic engineering in particular, without clearly defined safeguards, violates the broader commitments made in Rio to protect the environment and ensure truly sustainable development. Rather than investing in and promoting genetic engineering, the Bank should redirect its resources towards the many already proven sustainable agricultural methodologies developed by and intended to benefit small farmers around the world.

A BETTER WAY FORWARD

The World Bank has a very long row to hoe before its actions can be said to contribute to reduced pesticide dependence and ecologically sound, socially just and culturally appropriate food production. The Bank should start by implementing its own pest management policy, OP 4.09. This means that it should approve only projects with ecologically based IPM plans that show commitment to reducing pesticide dependence. It must encourage the establishment of national IPM programs that utilize farmer or community-based learning and ecological field studies.[120] It should also cease financing projects that allow the use of highly hazardous pesticides, including persistent organic pollutants (POP) and those known to cause long term adverse health or

environmental effects. Taking these basic steps would go a long way towards reducing poverty by helping farmers spend less money on pesticides, and improving public health worldwide by reducing farmers' and consumers' exposure to toxins.

Furthermore, the Bank should immediately adopt a precautionary approach towards agricultural biotechnology and declare a moratorium on financing genetic engineering until independent safety testing demonstrates that transgenic crops have no harmful effects on human health or the environment. It should also eliminate staff exchanges with pesticide / agricultural biotechnology companies and reject private sector partnerships that are at risk of violating basic principles of governance, conflict of interest and unfair advantage (including those outlined in the Bank's own business guidelines).

Ultimately, however, for the World Bank to achieve lasting progress towards the environmentally sustainable development goals outlined in Agenda 21, the Bank must cease promoting the industrial model of agriculture through its structural adjustment loans and other measures. It must also reduce the influence of multinational pesticide companies in the design and implementation of its projects, policies and strategies and redirect its vast resources towards supporting community-based approaches to safe, equitable and sustainable food production.

Marine Resources

By Aparna Sundar

THE STATE OF THE FISHERIES

The world's fisheries are in a crisis.[121] Seventy-five percent of major marine fish stocks are either fully exploited, overexploited, or depleted. Only two oceanic regions, the Eastern Indian Ocean and the Western Central Pacific, still have potential for "development", with all the others being exploited close to their maximum capacity. World marine and inland capture fisheries production experienced barely any growth in the 1990s, from a high of 6% per year through the 1950s and 1960s, and 2% a year through the 1970s and 1980s.[122]

Inland water bodies and coastal and marine ecosystems are also under stress. Biodiversity is threatened. Some species of fish have virtually disappeared.[123] Stocks of predatory fish higher on the food chain have declined, with smaller fish lower on the chain being harvested to make up the biomass, a phenomenon Pauly refers to as "fishing down the food web."[124] Fragile marine habitats, such as mangroves and coral reefs are being rapidly destroyed.

Fishermen in India Photo by Sebastian Mathew

An estimated 36 million people were employed in the primary capture fisheries and aquaculture production sectors in 1998. Since then, however, growth in employment in the capture fishery seems to have stagnated, although aquaculture is now providing more employment.[125]

The fisheries also have a North-South dimension. Fish is an important source of revenue for developing countries. Thirty-three percent of world fish production (live weight equivalent) was exported in 1998. In value terms, Low Income Food Deficit Countries (LIFDCs) account for almost 20% of exports, and developing countries as a whole for nearly 50%. Meanwhile, 77% of all fish (by value) is imported by Japan, the USA and the EU.[126]

Fish also represents a major source of protein for developing countries, especially for those with large coastal populations. For example, fish contributes over 50% of total proteins in Bangladesh and North Korea, among others. In industrialized countries, on the other hand, its percentage contribution to animal protein intake is around 7-8%. However, in 1997, the per capita provision of fish in industrialized countries was 27.7 kg, whereas in the LIFDC excluding China, it was 7.8 kg.[127]

Thus, despite the South's greater dependence on fish for its protein needs, there is a net flow of fish from the South to the North.[128] This situation is only likely to grow worse, as scarcity will raise prices beyond those affordable for the majority of Southern consumers. Already, it is reported that for Africa as a whole, availability has declined, and in some countries (e.g. Ghana, Liberia, Malawi) the average diet contained less fish protein in the 1990s than it did during the 1970s.[129]

Northern demand and southern need for foreign exchange is a major cause of overfishing, but there are others: overcapacity; over-efficient and destructive technologies; population pressure; land and sea based pollution and destruction of habitats; the complexity of management given biological, environmental and social factors, undefined access regimes, overlapping jurisdictions, and a large and diverse number of actors; and poor regulation and enforcement.[130] Sustainable management of the fisheries must address these, as well as balance the competing uses of the fisheries: food security; livelihood for fishing communities, and revenues for developing countries.

AGENDA 21 AND OTHER INTERNATIONAL FISHERIES AGREEMENTS

Recognizing the breadth of issues involved in sustainable oceans and coastal management, Chapter 17, the "Oceans" chapter, is the most complex chapter dealing with a specific area in Agenda 21.[131] Agenda 21 was followed by the FAO Code of Conduct for Responsible Fisheries in 1995,[132] and the UN Agreement on Straddling Stocks and Highly Migratory Fish Stocks, which opened for signatures in 1995. Along with the United Nation Convention on the Law of the Sea (UNCLOS), which came into force in 1982, these constitute the normative framework for the management, regulation and exploitation of marine resources.[133]

This framework claims to be "integrated in content, and precautionary and anticipatory in ambit." (17.1) Of particular significance are the following principles:

- integrated coastal management, a key programme area for Chapter17, is based on the need to integrate the multiple uses of coastal areas in any new development plans, given the complex interaction of coastal and marine ecosystems and resources.[134]
- the precuationary principle, elaborated upon in the Code, states that "the absence of adequate scientific information should not be used as a reason for postponing or failing to take conservation and management measures."(Article 7.5)[135]
- the contribution of the fishery to food security and the right to subsistence (17.46 a; 17.74 a), especially for local communities and indigenous people (17.82), and developing countries (17.87) is stressed as primary in Chapter 17 and is listed as a key objective of fisheries management and use in the Code (Article 2, f).
- the special role and rights of artisanal and small-scale fishers.(17.79.b, 17.82) Article 6.18 of the Code, containing language campaigned for by representatives of small-scale fishers,[136] states that, in recognition of the important contributions of artisanal and small-scale fishers to employment, income and food security, their right to a secure and just livelihood, as well as preferential access, where appropriate, to traditional fishing grounds and resources in the waters under their national jurisdiction should be protected.

THE WORLD BANK AND FISHERIES

Fisheries and aquaculture constitute a relatively minor area of lending for the Bank. From 1994 to 2001 the Bank (IBRD & IDA) lent a total of only $ 213.2 million for 8 projects dealing directly with fisheries and aquaculture.137 A further $269.20 million was lent to agricultural projects that had some small fisheries component and $150.8 million was devoted to environmental projects to do with the coastal zone.[138]

However, the Banks' role in the fisheries cannot be evaluated solely in terms of its sector-specific projects for, as a Bank document notes, it is "ideally placed to play a strategic and highly leveraged global role in the devel-

opment of the sector because of its geographic coverage, interdisciplinary approach, contribution to development policy, role in aid coordination, strong commitment to private sector development, specialized arms (IBRD, IDA, MIGA, IFC) and diversified lending operations (project, investment, structural and sector adjustment)."[139]

The World Bank has been involved in the fisheries since 1963, when it gave a $7.8 million loan to Taiwan for a deep sea fisheries project.[140] The bulk of its early loans went to finance fishing vessels and landing and processing infrastructure, with development as the goal. As well, through its Industrial Development and Finance (IDF) activities, and IFC investments, it contributed substantially to the development of the private industrial fishery in the South.[141]

Since the 1980s, the focus has shifted to alleviating poverty and to small-scale fishery development and, with the decline of previously underexploited fishery resources, to aquaculture development.[142] "Most recently, the World Bank further shifted its focus by giving top priority to assisting countries in establishing sustainable fisheries management systems, taking into account FAO's Code for Responsible Fisheries."[143] In the late 1990s, the current portfolio included projects and activities directly contributing to the establishment of integrated coastal zone management (including sustainable mariculture, ecotourism, and marine bioprospecting),[144] the International Coral Reef Initiative and programs to improve regional seas.[145]

Fisheries sector projects since Rio contain an explicit acknowledgement of sustainability as a concern. However, it may be argued that the crisis in the fisheries, coupled with the environmental "leadership" role assumed by the Bank since Rio, has allowed it to invoke sustainability while furthering the transformation of the sector along neo-liberal lines. As demonstrated below, Bank interventions in the fisheries, whatever its stated intentions and however limited, have contributed to legitimizing and securing the privatization and market penetration of the last remaining commons.

AQUACULTURE

In contrast to the declining capture fisheries, inland and marine aquaculture production grew by about 5% per year between 1950 and 1969, by about 8% per year during the 1970s and 1980s, and by 10% per year since 1990.[146] The World Bank contributed significantly to this growth.

In the 1980s and early 1990s, the World Bank provided millions of dollars to several Asian countries for aquaculture development.[147] In addition, it acted as a catalyst for private sector investment, providing seed funds for feasibility studies and other related research.[148] Many of these new projects were intensive or semi-intensive commercial aquaculture farms using industrial processes for the monocropping of high-value species, such as salmon, mussels, oysters, and shrimp, to supply international markets.[149] The most valuable species, and therefore the one most aggressively promoted by international development banks, the FAO and governments, was shrimp.[150] Intensive shrimp aquaculture farms were established in Taiwan, China, Thailand, Indonesia, the Philippines, Malaysia, India and Bangladesh, as well as in Ecuador, Honduras, Peru and Mexico.[151]

By the early 1990s, the adverse social and ecological impacts of intensive commercial aquaculture were becoming obvious, and local opposition to it had achieved national and international prominence.[152] In recognition of this, Agenda 21 (17.83) and the Code (Article 9) contain language requiring aquaculture development to minimize its harmful impacts. Consequently, Bank fisheries lending since Rio is largely for extensive, rather than intensive aquaculture, although much of it is still for shrimp and other high-value species.[153] More recently, the FAO and the World Bank set up a shrimp aquaculture consortium[154] to research and document problems and design best practice standards.

The Bank continues to promote large-scale aquaculture as the sustainable alternative to a declining capture fishery and as necessary to the food needs of a still-growing world population. A 1998 Bank newsletter states:

"Expansion of aquaculture follows the historical changes from a high dependency on land-based hunting and gathering to agriculture and animal husbandry. Accordingly, greater reliance on aquaculture will further reduce dependency on aquatic natural resources and enhance the capacity to foster conservation of nature aquatic habitats and biodiversity..."[155] World Bank documents share the optimism expressed by the FAO and the aquaculture industry[156] that the problems associated with commercial aquaculture can be resolved through improved technology and better management practices. But the problems with commercial shrimp aquaculture are not amenable to a few technical fixes. Rather, the very structure of the industry is antithetical to many of the key promises of Agenda 21 and the Code.

Activists have argued that commercial and export-oriented aquaculture, even if extensive, does not reduce dependence on aquatic resources because its demand for fishmeal can only be met by a large industrial fishery. Despite improved techniques that address many of the environmental problems of intensive aquaculture, extensive aquaculture can also lead to salination and pollution of groundwater, and coastal erosion and subsidence. It contributes to a loss of biodiversity through destruction of biotic life in inshore waters, the possible impact of escaped cultured and transgenic fish on wild populations, and the conversion of diverse wild species into feed for a single species.[157]

In addition to being unsustainable, commercial aquaculture does not contribute to a net increase in food security. With the exception of China, high-value species such as shrimp are farmed almost entirely for export. The extensive use of fish oil and fishmeal as feed further reduces the amount of cheap fish available for local consumption. With the pollution of inshore waters and destruction of biotic life, the inshore fishery is threatened, as is agriculture with the depletion and salination of ground water.

But, perhaps, the real value of commercial aquaculture for its promoters lies in the privatization of coastal zones, the concentration of ownership and the integration into global markets that is inherent to the industry. A key factor underlying the emergence of the global shrimp commodity system has been the transformation of property and property rights[158] with multi-purpose, multi-user public coastal land being transformed into single-purpose private property, and the consequent alienation of the rights of small-scale, community based fishers to the fishery and coastal zone.

The high capital needs, as well as the high risk due to disease and world market fluctuations, favour the survival of larger operators.[159] The largest firms are increasing direct and indirect control over all phases of the shrimp commodity chain. TNCs, such as Mitsubishi, British Petroleum Aquastar, Charoen Pokphan and Ralston Purina, are consolidating market shares in numerous Asian and Latin American countries.[160] Finally, the increased use of GMOs, and other "improved" inputs, so vigorously promoted by the World Bank and FAO,[161] is increasing dependence on the few transnational agribusiness companies that produce these, and ever more firmly inserting a sector, already entirely dependent on global markets for its output, into global input markets.

ITQS (INDIVIDUAL TRANSFERABLE QUOTAS)

According to World Bank fisheries officials, the chief cause for the crisis of overfishing is the absence of clear-cut property rights.[162] Hence, for them the "most promising solution is to adopt fishery management regimes that create "property rights" in fisheries..." [163] While acknowledging mechanisms for vesting use rights in communities, such as Territorial Use Rights in Fisheries (TURFs), the mechanism they favour is the Individual Transferable Quota (ITQ).

An ITQ represents the right to catch a certain quantity of fish each year within a given area, usually as a percentage share of the total allowable catch. Quotas are initially awarded to vessel owners, on the basis of reported historical catch and, like any other asset, can be bought, sold, or transferred.[164] In addition to rationaliz-

ing the fishery by vesting rights in fewer hands, ITQs have the further advantage, from the Bank's perspective, of working on market principles of supply and demand and reducing the state's role in management.[165]

Described as an 'exit" strategy to reduce capacity in industrial fisheries,[166] ITQs are also being applied to the fisheries of developing countries. A World Bank symposium held in Peru, which purportedly drew on the experience with ITQs of various Northern countries, concluded by recommending ITQs for reducing capacity in the Peruvian fishery.[167] An appropriate legal framework for, and management regime based on, ITQs, in conjunction with the privatization of the fish meal processing industry, were made conditions for structural adjustment loans in Peru.[168] A World Bank sustainable fisheries project in Argentina prescribes ITQs for the management of the collapsing hake fishery, and they have been incorporated into the new Argentinian fisheries law.[169]

Although there is as yet no developing country experience with ITQs, experience elsewhere confirms that there is nothing in the logic of ITQs to prevent overfishing.[170] Enforcement has proved difficult, with quota owners resorting to practices such as quota busting, high-grading and price dumping, all of which mean that the actual quantities of fish caught and discarded are far in excess of the quota.[171] The ITQ system, by giving rights to fish particular species, is incompatible with the precuationary and integrated management principles, since the fish are fugitive, and interdependent with other species and the ecosystem.

Further, ITQs run counter to commitments in Agenda 21 and the Code to protect the prior rights of small-scale fishing communities. In New Zealand, small-scale fishermen were excluded from the first round of allocations, which were awarded to large commercial operators.[172] In the United States, East Coast SCOG fishery, the British National Westminster Bank and accounting firm, KPMG, held ITQs, as did large food firms such as General Mills and Campbell Soup Company. Within two years of the ITQs being implemented there, one-third of those working in the fishery had lost their jobs.[173] The realization that such a system of property rights, once instituted, was virtually impossible to reverse, has led Icelanders to characterize the quota system as "the biggest theft in the history of Iceland."[174]

If Northern consumption patterns remain unchanged, and development in the South is predicated upon this apparently infinite demand, equity and sustainability will continue to be casualties. As resources become scarce, it will become ever more important to secure access to them. Herein perhaps lies the real significance of World Bank strategies of privatization, introduced in the name of sustainable management.

Freshwater Resources

By Nancy Alexander

Agenda 21 exhorted governments to develop programmes relating to:

- Integrated water resources development and management;
- Water resources assessment;
- Protection of water resources, water quality, and aquatic ecosystems;
- Drinking water supply and sanitation;
- Water and sustainable urban development;
- Water for sustainable food production and rural development; and
- Impacts of climate change on water resources.

The action programme embodied by Agenda 21 is more urgent than ever for both environmental and social reasons.[175] A fifth of the world's population lacks an adequate supply of safe drinking water and over a third lacks adequate sanitation. Five million die each year from water borne diseases.

Water-Related Millennium Development Goals

- ✔ Halve by 2015 the proportion of people without sustainable access to safe drinking water. This involves improving water supply for 1.018 billion urban dwellers and 581 million rural inhabitants. [176]
- ✔ By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers - access to improved sanitation.
- ✔ By 2015, reduce by two-thirds the under-5 mortality rate.

Worldwide, half of all wetlands have been lost. In many parts of the world, the rapid drop in groundwater levels threatens agricultural sustainability. Increasing the productivity and efficiency of existing irrigation systems, especially those of small or subsistence farms, is essential to reducing poverty and hunger.

In addition, major rivers have been diverted; many are shrinking and polluted. The rate of extinction of freshwater fish species is five times that of saltwater species. Dams produce about 20% of the world's electricity. Yet their construction has displaced millions and caused massive environmental destruction.

DESCRIPTION AND CRITIQUE OF THE ROLE OF THE WORLD BANK GROUP

Many developing country governments are dependent upon donors and creditors, especially the World Bank, for policy advice and financing. The World Bank is usually the pacesetter for the regional development banks and bilateral donor governments.

At present, about $60 billion is invested in water in developing countries each year and about 90% of this total comes from domestic sources. The World Bank Group accounts for about half of external financing - or $3 billion per year and, in addition, leverages private investment.[177]

Water-related investments represent 14% of the World Bank's overall portfolio of loans. At the end of fiscal year 2001, the World Bank had outstanding commitments in water-related sectors of about $20 billion, including about:

- $4.8 billion for urban water and sanitation;
- $1.7 billion for rural water and sanitation;
- $5.4 for irrigation and drainage;
- $1.7 billion for hydropower; and
- $3 billion for environment projects.[178]

The water supply and sanitation (WSS) and irrigation and drainage projects are some of the poorest performing projects financed by the Bank.[179] The "sustainability" of the WSS portfolio (defined as "the ability to reap benefits over time, after project completion") has improved from 27% in 1993 to 40% today.[180] At present, only half of the Bank's WSS projects are in its WSS portfolio. The other half, which is distributed among several portfolios (e.g., agriculture, Social Fund, urban development or environment), has only 24% sustainability.[181] Too often, the Bank defines "sustainability" as the capacity of a project to recover costs from consumers. Yet, high water fees can reduce access by poor people to water.

Women at a well in India. Photo by Pam Foster

WORLD BANK POLICY

In recent years, the World Bank has concluded that many developing country governments are not capable of providing safe water and sanitation for all, as called for by Agenda 21. For instance, the World Bank's Director of Energy and Water says that water and sanitation loans to Africa without a private component are "out of the question." This policy denies borrowing countries the option of public provision.

In many countries, public provision of water and sanitation and irrigation services is woefully inadequate. Frequently, public policies promote profligate use of water.

However, the World Bank falsely assumes that market mechanisms, privatization and full cost pricing can improve the situation for poor people, despite considerable evidence to the contrary. In its review of privatization in ten Asian cities, Asian Development Bank staff say that "one cannot help but conclude that most of

the privatization was driven by donors and contractors and not by consumers nor Government's looking for improved and more suitable services."[182] In addition, donors and creditors frequently fail to ensure that proper regulatory frameworks are in place prior to privatization (e.g., Jakarta). It is impossibly to protect consumers and the natural environment without establishment of independent regulators prior to privatization.

The body of evidence is growing about the ways in which markets fail poor consumers. In Tucuman, Argentina and Cochabamba, Bolivia, consumers ousted multinationals, accusing them of offering bad service at unaffordable prices. In El Alto and La Paz, Bolivia, private providers are promoting heavier water consumption in order to make a profit.

Water as an Economic Good. The World Bank's shift toward market-based solutions occurred in 1993, the year after the Earth Summit in Rio, when the World Bank adopted a new Water Resources Management Strategy that, among other things, called for treating water as an "economic good." In its 1996 review of the WSS portfolio, the Bank found a "lukewarm country commitment - at best - to the new [1993] Bank policy" given ambivalence about managing water as an "economic good." In 2002, the Bank is preparing three water strategies that, as described below, would act on this principle by relying on markets and promoting full cost recovery for water.

Markets. [183] The Bank takes the position that integrated water resource management can be achieved by creating markets (through, for instance, tradable water rights); using markets (through, for instance, water fees); establishing water-related regulations; and fostering participation through mechanisms, such as river basin organizations and water user associations, which are described below.[184]

Decentralization. Post-Rio, 70% of projects promoted decentralized water resource management, despite country views that communities lack the capacity for such management. Bank surveys show that Bank staff were three times more likely than country stakeholders to believe that small rural communities could plan and management water supply systems.

Too often, the Bank indiscriminately promotes the transfer of responsibilities for irrigation from governments to water users' associations (WUAs). In many circumstances, there is a strong case for WUAs that can give local farmers more direct control over the system that delivers irrigation water. This is vital to maintaining agricultural production. In cases where the system is discrete enough (e.g. the water used for irrigation is not connected to other water bodies or utilized by upstream or downstream users), the local group will assume full control of water management issues, including distribution, allocation, management, and maintenance. But where WUAs are mandated, they often fail (Indonesia[185], Pakistan, Ethiopia, and Kenya[186]).

Cost recovery. The Bank plans to remedy its poor record of implementing cost recovery policies, where user fees have priced water out of access to the poor.

GOVERNANCE OF THE WORLD BANK GROUP.

Transparency and Ownership. The Rio Declaration on Environment and Development (Principles 10 and 22) promotes peoples' right to participation in open decision-making processes. The World Bank attaches policy conditions to loans and debt relief operations that require water privatization. This contravenes the spirit of Rio. While the creditor and donor communities publicly extol "good governance," they finance tactics that short-circuit the possibility of open and pluralistic decision-making. Multinational corporations compound the problem by engaging in private bidding wars and shaping tariff structures without transparency and proper oversight.

Sidelined: Poverty, Social Development and Environmental Concerns. The Bank's Operations Evaluation Department (OED) states that the limited treatment of social development issues within the water sector is endemic. At the beginning of the decade, "poverty considerations were mostly bypassed as the Bank responded to the pressure from influential segments of the population for better water and sanitation services." OED observes that little has changed over the decade given "the scant attention given to the direct impact of these operations on the poor....and to tailoring project design to meet the needs of target populations."[187]

Non-Compliance with Safeguard Policies. Three-quarters of water projects are environmentally-sensitive, meaning that the safeguard policies apply.[188] There are ten safeguard policies intended to ensure that Bank-financed projects "do no harm" to people and ecosystems.[189] The Bank is undertaking major steps to minimize the costs of these policies to borrowers.[190] Data on compliance with safeguard policies is poor and good supervision is inadequate with respect to practices such as monitoring and evaluation; mitigation and management; consultation; and appropriate action when safeguards are breached.

The Bank's Operations Evaluation Department (OED) reports that, "The modest extent of mainstreaming the environment into the Bank's overall programme is disturbing".[191]

Indeed, reliance on private provision of water raises many questions about the disincentives for private providers to increase efficiencies, conserve water, improve water quality, or balance ecological needs with downstream uses. In theory, environmental assessments (EAs) are a critical tool in designing and implementing water projects to address such factors. However, EAs are very rarely conducted early enough to make a difference in the design of a project or to prepare for mitigation measures.

NEW INITIATIVES AND STRATEGIES.

In 2002-2003, the World Bank will adopt three new water strategies: the Water Resources Sector Strategy (WRSS), the Water and Sanitation Business Strategy and the Irrigation and Drainage Business Plan. These strategies promote water privatization and big infrastructure with new resolve and new financial instruments.

While the Bank consulted with the public in a highly selective manner with regard to the WRSS, it has no plans to consult the public on the other two strategies.

While the draft WRSS claims a consensus in favor of private provision, the Bank's OED acknowledges that "getting the private sector to focus on the alleviation of poverty and to design tariffs in a way that does not discriminate against the poor has proved hard to achieve in practice...where the private sector cannot deliver or sees the risks as too high, there may be a case for the Bank to intervene to improve capacity and policy to upgrade public sector utilities." [192]

Water Allocation Systems. The Bank urges water markets to allocate water to "high value" users (industrial and export agricultural users); the millions of poor subsistence farmers around the world are defined as "low value" users.

In its proposed Rural Development Strategy, the Bank recommends a policy that would create vast food insecurity: "Trade arrangements should encourage water scarce regions to focus on production and export of high-value crops while importing water intensive lower value staple crops.[193] If water is denied to producers of staple crops (i.e., rice in Sri Lanka), poor and marginalized groups, who often live outside cash economies, could find themselves increasingly unable to purchase their basic food requirements.

Financing and Cost Recovery. In order to attract private investors, the World Bank Group plans not only to utilize its guarantees to offset commercial and political risk, but also to use new grant flows to subsidize cor-

porations.[194] Output based aid (OBA) schemes may be used to compensate corporations for outputs (e.g., new water connections) rather than inputs (e.g., costs of pipes and labor for installation).[195] Many domestic bidders are excluded from bidding on OBA contracts because the contracts require that bidders have "deep pockets" to underwrite the cost of project inputs and postpone returns on their investments.

The Bank is also conditioning assistance to the water sector on full cost recovery and its prerequisites such as installation of meters and improved billing and collection procedures.

The danger is that the Bank and its borrowing governments will "overcorrect" for poor irrigation subsidy and drinking water subsidy policies in the past. Over-correction could undermine the livelihoods of small farmers and expand agribusiness. In consultation with their citizens, borrowing governments should determine the appropriate mix of public and private water services.

In general, the Bank contends that only water connections for, not consumption by, poor groups should be subsidized. This approach contrasts with Agenda 21 injunctions: "In developing and using water resources, priority has to be given to the satisfaction of basic needs and safeguarding of ecosystems" and that "beyond these requirements, water users should be charged appropriately."

By treating water as an economic good, the Bank comes to the conclusion that "the more users pay, the more likely a project is to be demand-driven."[196] While it is true that the higher the proportion of a person's income goes to a the provision of a service, the more that person is likely to care about that service, this is hardly a reason to raise rates. For the third of the world's population that subsists on less than two dollars a day, raising rates will undoubtedly lead to exclusion from service provision. Furthermore, minimizing the amount that the majority pays for essential services increases their purchasing power for other goods, whose consumption may be needed for economic growth. United States legislators have long used this argument to provide subsidies to their agricultural sector in an effort to keep food prices artificially low. It is unlikely that poor farmers and workers will be able to lead better lives if they are spending large parts of whatever income they have on essential services.

CONCLUSION: TOWARD THE WSSD

Increasingly, policy-makers strive for integrated resource management in order to achieve basic developmental goals, such as the Millennium Development Goals (MDGs). The Bank assumes that the means to achieve such goals involve creating markets (through, for instance, tradable water rights); using markets (through, for instance, water fees); and establishing water-related regulations.

However, market mechanisms cannot function without independent, strong regulatory systems - something that most Bank borrowers lack. There are many examples in which private provision has not improved development outcomes. Still, the Bank appears to favor almost indiscriminate privatization, such as when Bank officials rule out African water projects without private participation. At the same time, the Bank has failed to identify the regulatory preconditions for equitable and just private provision.

Especially in countries with weak regulation, privatization will not promote integrated water resources management. It involves "unbundling" water services and functions to attract private investors to "cherry-pick" the profitable parts, which saddles government with the rest.

Given that water is essential for survival, it is not a pure "economic good" and cannot be treated as such.

Rather than financing public relations programmes to persuade borrowing country constituencies of the virtues of privatization and big infrastructure, the Bank should "put its money where its mouth is" by supporting good, accountable governance processes. Citizens, themselves, should determine the best path to water protection, management and development. The Bank must cease requiring privatization of water or specific cost recovery schedules as conditions of loans or debt relief.

Conclusion and Recommendations:

For the ten years since the Rio Earth Summit, the World Bank has supported policies and projects in developing countries that have negative impacts on people and the environment. Its core environmental portfolio and its work under the Global Environment Facility have grown, but the impact of these investments has not been fully evaluated. Even working on the assumption that all of these investments contributed to poverty eradication and environmental sustainability, these investments are in no way indicative of the Bank's work in other programmes and sectors.

This report assesses the Bank's market-based approach to protecting forests, marine and freshwater resources, and reducing pesticide use, greenhouse gas emissions and poverty. It found that:

- privatizing water services has reduced access to the poor and failed to demonstrate dividends in regards to water conservation;
- assigning property rights in the capture fisheries has failed to prevent overfishing;
- supporting intensive commercial aquaculture has turned coastal areas from multi-purpose, public space, to private, single-purpose areas, concentrated wealth, and wreaked environmental havoc;
- demanding increased exports has resulted in forest destruction or substitution, resulting in deforestation and the impoverishment of forest peoples;
- promoting a chemically dependent model of industrial agriculture has benefited multinational corporations rather than poor farmers;
- partnering with pesticide / biotech companies has consistently undermined the Bank's policies to reduce pesticide use;
- investing in fossil fuel development failed to eradicate poverty, contributed to climate change and did little to meet the energy needs of the poorest; and
- adjusting economies through policies to liberalize trade and finance, privatize public and natural assets, recover costs from public services and introduce greater labour market flexibility have failed overall to result in employment or growth, poverty reduction or environmental protection.

This report contributes to the growing body of evidence that economic globalization is at the root of the deepening environmental and social crisis. [197] It calls attention to the role of the World Bank in deepening this crisis.

The Bank is both the ventriloquist's dummy, the ventriloquist being its major shareholders, and a vocalist, advocating for market based, private sector approaches to growth, development and sustainable development.

As it did in Rio, it is positioning itself to be key in defining and delivering WSSD outcomes.

FINDING THE RIGHT BALANCE - THE WSSD

The trade-offs between rapid growth and wealth creation for some, and the protection of the environment for all, is often described as finding the right balance. The World Bank's World Development Report 2003 is typical of this discourse, calling for the need to balance diverse yet equal interests, and weigh environmental returns against economic costs. [198]

If the WSSD is to succeed at creating a plan of action that is more than 'globalization greenwashed', then Northern governments and the institutions they control must agree to balance power - by addressing economic, environmental and social injustices. As noted by the Third World Network, an independent non-profit international network of organizations and individuals involved in issues relating to development, the Third World and North- South issues,

> Johannesburg will thus serve as a test of the political will of northern countries, both to accept the weight of their present and historical contribution to depletion of natural resources, and to assume primary responsibility for the costs of rebalancing the earth's ecosystems for the benefit of the world's peoples. This responsibility will involve not only the contribution of substantial financial resources to aid developing countries in bearing the adjustment costs of sustainable development, but a commitment to reorienting current unsustainable production and consumption patterns and reforming the global economic system which forms the basis of the present ecological devastation and human misery. [199]

RECOMMENDATIONS

Many argue that in order to achieve a balance of power internationally, the World Bank should be shut down. At the root of these calls is a long history of articulated reform efforts on the part of the Bank. "The bank survives by repeatedly asking people to forget about the past and to look to the promise of the future," said Robert Myers, a former senior economist at the World Bank.[200]

If implemented, the recommendations below would render the World Bank unrecognizable. They would result in new and improved mechanisms for multilateral cooperation - mechanisms that would balance power, address injustices and by so doing, contribute to sustainable development.

The World Bank should:

- immediately write off the debt of the poorest countries, using its own resources;
- cease requiring privatization of natural and public assets, and unfettered financial and trade liberalization as conditions;
- support country-owned policies that may diverge from the Washington Consensus, including the use of tariffs, industrial subsidies and capital controls - policies used in the past and present by industrialized countries;
- subject all Bank lending to environmental and social assessments, to evaluate impacts of Bank policies and programs on the poor, vulnerable groups including women and rural communities, jobs and income, and natural resources, to recommend alternative policies, and to monitor implemented policies;
- close its Multilateral Investment Guarantee Agency which assumes private risk;[201]

- use its resources to support energy efficiency and renewable energy projects, ending its support for fossil fuel exploitation;
- undertake activities that respect the full range of human rights agreements;
- support the creation of an accountable, transparent and Southern-led World Solidarity Fund that would provide grants and reparations, and then transfer resources of the International Development Association;[202]
- adjust its decision-making processes to ensure a greater voice for developing countries and full transparency. [203]

The WSSD is not a space to negotiate changes to the World Bank. It must, however, be a space to fundamentally address power imbalances and economic, social and environmental injustice. Sustainable development can no longer be vaguely defined as meeting the needs of the present generation without compromising the ability of future generations to meet their needs. It must be about meeting the needs of the present and all future generations by addressing the injustices of the past and present economic system.

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THE HALIFAX INITIATIVE is a Canadian coalition working together for the fundamental transformation of the international financial system and its institutions to achieve poverty eradication, environmental sustainability and an equitable redistribution of wealth. It members include: Canadian Labour Congress, Social Affairs Office of the Canadian Conference of Catholic Bishops, Co-Development Canada, CUSO, Kairos: Canadian Ecumenical Justice Initiatives, MiningWatch Canada, North-South Institute, Oxfam Canada, Results Canada, Rights & Democracy, Social Justice Committee, Toronto Environmental Alliance, World Inter-Action Mondiale. As well, the Halifax Initiative hosts the NGO Working Group on the Export Development Canada.

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