

World Bank – Civil Society Lunch Discussion

Presentation and Discussion of the “Gambling with People’s Lives” Report

November 11, 2003

Summary Note

A World Bank – Civil Society Lunch Discussion was held on November 11, 2003 at the Bank to discuss the report “Gambling with People’s Lives” that was recently released by three leading environmental CSOs – Environmental Defense (ED), Friends of the Earth (FOE), and International Rivers Network (IRN). The report analyzes the World Bank’s track record with high-risk projects and future investment plans in areas such as water, forestry, and mining. The lunch discussion was attended by some 90 staff persons from the World Bank, Civil Society Organizations (CSOs), and the International Finance Corporation (IFC).

Report Presentation

The lunch began with a presentation on the report by three of its authors: *Shannon Lawrence* (ED), *Carol Welch* (FOE), and *Peter Bosshard* (IRN). They began by clarifying that “Gambling with People’s Lives” was a joint publication by three organizations with a longstanding track record of monitoring the Bank. The report does not represent a blanket criticism of IFIs, but rather a focused critique of the World Bank’s proposed new high-risk strategy that is based on numerous internal Bank documents. The authors further clarified that the study does not constitute a personal critique of Bank staff, but rather a critique of Board decisions and institutional mechanisms.

They said that based on past experience, adopting a high-risk strategy without strengthening the capacity to analyze, contain, and mitigate social and environmental risks amounts to gambling with the lives of poor and disenfranchised populations. While acknowledging that this is not the Bank of 1985, important problem areas remain including the failure to adopt a human rights policy, and that the safeguard policy conversion process is actually watering down important aspects of the existing policies. Also, while the World Bank has for more than 20 years insisted that it has changed, it has still failed to mainstream environmental and social concerns throughout its operations.

Many people seem to assume that the publishers of the new report were opposed to any infrastructure financing by the World Bank Group. The authors made it clear that this was certainly not the case. Rather they are critical of the vested interests that skew infrastructure investment, the lack of support for participatory approaches and innovative technologies, the inequitable distribution of benefits, the social and environmental impacts of many projects, and the Bank’s lacking capacity to adequately deal with respective risks. They also brought up the issue of governance and how large infrastructure projects, such as mining operations, when

undertaken in contexts characterized by low governance and non-participatory decision making, often result in failed projects, corruption, and conflict. Sustainable development will only happen when communities participate in their own development. The Bank group is not well placed to support such participatory, small-scale, low-risk/high-reward development projects.

The authors concluded by recommending that the Bank Group should: repair the damage of past projects; restructure the internal staff incentive system; adopt a rights based approach within the safeguards policies; include social and environmental concerns in credit and loan covenants; institutionalize the rule of *prior free informed consent* of the affected communities; monitor project outcomes and impact throughout the project cycle; and create independent supervision mechanisms to assess project risks and ensure compliance with safeguard policies.

Bank Comments on the Report

The report presentation was followed by comments made by four Bank staff persons representing four different thematic areas/units: *David Cassells* (Environment Department/ESSD Forests Team), *Barbara Lee* (Infrastructure Vice Presidency/INF), *Karin Kemper* (Water Department/) and *Steve Lintner* (Safeguards Unit/OPCS). The Bank commentators began by acknowledging the serious research which was contained in the report, although several stated that the analyses presented were in some cases dated or incomplete in that they did not report on the corrective actions subsequently undertaken by the Bank. While there is no doubt that some of the past Bank infrastructure investments experienced implementation problems and/or led to unexpected social and environmental impacts, the speakers stressed the fact that the Bank had learned lessons from these problems. That is why the Bank adopted ten social and environmental safeguard policies, which are now being reviewed and updated in order to streamline and consolidate them.

On the other hand, the Bank is experiencing growing demand from developing country governments to increase its investments in such infrastructure areas as transportation, water, and energy in order to fill a growing need for basic public services at the country level. Not only does the Bank need to be responsive to the growing demand from member countries, but the new emphasis on infrastructure projects is part of the Bank's emphasis on pro-poor policies as the direct beneficiaries of these infrastructure investments will be the poor. The Bank had reduced its investments in the infrastructure area during the 1990's in order to concentrate on the provision of social services and address fiscal crises, as well as in response to civil society pressure against large infrastructure projects such as dams. The expectation was that the private sector would step in and fill the void, but this did not happen in practice. As a matter of fact, private sector investment in the infrastructure area dropped from \$128 billion in 1997 to \$58 billion in 2002. In the water sector, for instance, the private sector has provided little investment in building or expanding water distribution services in the developing world. As a result, the needs for basic public services by poor communities throughout the developing world are not being met. It is precisely for this reason that the Bank is moving back to financing infrastructure through the public sector and through new public-private mixed models .

The Bank's infrastructure agenda, as articulated in the newly developed Infrastructure Action Plan, focuses on service delivery. It is quite broad, including water, energy and mining, urban development, information and communications and transportation activities of varied sizes from large to small. The approach to service delivery is not just "bricks and mortars", but includes sector policy reform, governance issues, and government capacity building to make investments sustainable. The infrastructure agenda includes analytic and country diagnostic work geared to understanding all key variables related to service delivery -- such as access, affordability, quality of service, efficiency, and fiscal and institutional sustainability -- in order to better target investments and measure progress.

In the water sector, for instance, the Bank is funding the provision of basic water services, rehabilitation of silted dams, and completion of hydro projects which government agencies never finished. The developing world needs what the developed countries have achieved in terms of water security and storage capability. Northern countries have been able to regulate the impacts of natural disaster, whereas most developing countries remain completely vulnerable in the event of floods, cyclones, and famines, which negate progress. In the face of global climate change/climate variability this concerns needs to be addressed if we are to achieve any long-term gains. Bank staff ended by stating that external monitoring of Bank work is useful as it helps us to see different perspectives and identify blind spots, as well as introduce many new ideas which we otherwise wouldn't necessarily develop ourselves.

General Discussion

The report presentation and Bank comments was followed by a general discussion by both Bank and CSO staff of the report and its findings. Several expressed some frustration about the fact that after nearly two decades of dialogue and close contact between the Bank and civil society on environmental and infrastructure issues, both sides still appear to be talking at cross purposes. Others noted the on-going need to improve communication in order to promote more effective dialogue around these complex issues. Still others mentioned the fact that important policy and program changes have indeed occurred in the environmental area, and that both the Bank and civil society do have common ground in these areas and have much to gain from working together. Indeed, the constructive working partnerships between NGOs and the Bank in areas such as the World Bank-WWF Forest Alliance and the Critical Ecosystem Partnership Fund were noted. There was a general consensus about the value of these sorts of frank and open discussions in order to clarify misunderstanding and more clearly identify the areas of agreement and disagreement.