

THE WORLD BANK & THE WORLD COMMISSION ON DAMS REPORT Q&A

The World Bank believes that the World Commission on Dams Report has made a great contribution in framing many of the major issues in this contentious and broad-ranging debate. It fully shares the Commission's goals of equity, efficiency, sustainability, participation, and accountability. It believes that the Report is a valuable guide, and it is putting in place an action plan, and are working with its partners in implementing the Report's good recommendations.

What is the controversy over large dams?

Large dams have been important contributors to the development of many countries. They improve and expand power generation, irrigation, domestic and industrial water supplies and provide protection from floods. At the same time, they often submerge substantial areas, and change the pattern of river flows downstream, causing significant adverse impacts on the environment and local communities. As a result, large dam projects have become controversial. Some have argued that the World Bank should stop funding dams altogether, while others have argued that the Bank has paid too much attention to critics of dams.

How many dams does the World Bank finance, and how has this changed over time?

The Bank's involvement in large dams has been declining over the last 30 years, and is focusing more on financing dam rehabilitation and safety and less on financing new dams. With regard to all active projects (January 2001), about 1.3 percent (\$1.5 billion) of all World Bank lending is for dam-related costs, and about 0.9 percent (\$1 billion) is for new dams.

From 1970-1985 it was estimated that World Bank financing was involved in about 3 percent of the world's new dam projects. Over the following 10 years the World Bank's rate of involvement fell to about 2 percent. Current World Bank loans for dams are approximately 0.6 percent of the world's financing for new dams in developing countries.

In 1997, there were an estimated 800,000 dams around the world of which approximately 45,000 are categorized as "large dams" (above 15 meters).

What is the World Commission on Dams (WCD)?

The WCD was an independent commission of 12 eminent commissioners, chaired by Professor Kader Asmal, then Minister of Water from South Africa. The Commission's mandate was to review the development effectiveness of large dams and assess alternatives for water resources and energy development, and to develop internationally acceptable criteria, guidelines and standards, where appropriate, for the planning, design, appraisal, construction, operation, monitoring and decommissioning of dams. The Commission disbanded, as planned, after launching its Report on November 16, 2000.

Where can one learn of the recommendations of the WCD Report?

The WCD Report is available in full on the WCD website (www.dams.org). In brief, the Report's recommendations include a set of five core values for future decision-making (equity, efficiency, participation, sustainability and accountability); a rights and risks approach for identifying stakeholders in negotiating development choices and agreements; seven strategy priorities for water and energy resources

development (public acceptance, options assessment, addressing existing dams, sustaining rivers and livelihoods, recognizing entitlements and sharing benefits, ensuring compliance and sharing rivers for peace, development and security); and a set of criteria for assessing compliance and 26 guidelines for review and approval of projects at five stages of decision-making.

What was the World Bank's role in the WCD?

The World Bank was instrumental in convening the Commission – it arose out of a World Bank/World Conservation Union (IUCN) Workshop in 1997. The Bank supported the Commission, and rigorously respected its independence.

What process has the World Bank followed in response to the WCD Report?

- In London at its launch, World Bank President Jim Wolfensohn welcomed the Report and said that the Bank would consult its shareholders on their opinions.
- Internal follow-up:
 - The formation of a Bank Group-wide Task Force, with staff from all relevant sectors and regions.
 - Review and discussions with Senior Management.
 - Three discussions with the World Bank's Board or committees of the Board (the Board is made up of the 182 governments that own the World Bank).
- External follow-up:
 - In-country consultations with seven client country governments.
 - Participated in the February Asian Development Bank (ADB) meeting which included 14 developing country governments.
 - Received input from NGOs, professional associations, and governments.
 - International Finance Corporation (IFC) met with financiers.
 - Participation in the WCD Stakeholders' Forum in Cape Town.

What is the overall response of the World Bank to the WCD Report?

Our initial response (http://www.dams.org/events/forum_3.htm) is as follows:

1. The Bank welcomes the WCD Report and will use it as a valuable reference to inform its decision-making process when considering projects that involve dams.
2. The Bank will continue to support dams that are economically well justified and environmentally and socially sound.
3. In support of our borrowers, and at their request, the Bank will:
 - a) support strategic planning processes by borrowers for decisions concerning water and energy to enhance the evaluation of options and alternatives, and will support borrowers in financing the priority investments emerging from such processes.
 - b) work with borrowers on new projects to map these against the Strategic Priorities articulated in the WCD Report and assess their applicability in the specific setting.
 - c) review how the principles of the twenty-six WCD criteria may be put into individual use in the context of specific projects.

4. The Bank will continue to strengthen implementation of its safeguard policies, use of consultation and disclosure of information for all projects including those with dams.
5. The Bank will undertake measures in the form of a Preliminary Action Plan to strengthen its work in the water and energy sectors and to improve the evaluation, implementation and operation of dams when they are the appropriate development option.
6. The Bank will continue to disseminate and discuss the WCD Report with its borrowers, recognizing its broad interest for development issues.

What is the Preliminary Action Plan, and what are the next steps in implementing it?

The Preliminary Action Plan comprises:

- working with borrowers to move “upstream”
- effectively implement the World Bank’s existing “safeguard policies”
- continue to support borrowers in improving the performance of existing dams
- continue to stress institutional reform for more efficient use of water and energy
- develop a more proactive and development-oriented approach to international waters
- continue to support innovative approaches for dealing with complex dam-related management and technical issues

The Next Steps involve:

- working with partners on items of joint interest to develop detailed, costed proposals
- reviewing what can be done with existing resources
- soliciting additional financial resources for actions that cannot be done with existing resources.

Stakeholders have communicated different reactions to the WCD Report:

(a) What has been the response of some developing country governments to the WCD Report?

Senior Bank staff have held in-country consultations with the governments of seven developing countries. We have also heard directly from 15 countries at a consultation held by the Asian Development Bank (ADB), and from several other developing countries. Among the many commonalities in their positions are the following:

- Dams are essential for growth and poverty reduction.
- There is broad acceptance of the importance of the environmental and social issues highlighted by the WCD, and all governments report on marked progress in practice in recent decades.
- Governments want to continue to learn and improve practice – technical, economic, environmental, and social.
- Governments emphasize that the engagement of the World Bank has made a big positive difference in bringing in best practice.
- There is concern among developing country governments about the reduction (prior to the WCD) in World Bank support of dams.
- Among developing country governments there is broad acceptance of the WCD “core values” (equity, efficiency, participation, sustainability and accountability) and “strategic priorities” (public acceptance, options assessment, addressing existing dams, sustaining rivers and

livelihoods, recognizing entitlements and sharing benefits, ensuring compliance and sharing rivers for peace, development and security).

- Some developing country governments are concerned that the 26 “WCD guidelines” will result in “more conditionality” by the World Bank and other financiers.

(b) What has been the response of project developers and utilities?

In a letter to Jim Wolfensohn, signatories from 19 project developers and utilities give the following overall response to the WCD Report. (For a detailed review by the International Hydropower Association, see the WCD website at http://www.dams.org/report/reaction_iha2.htm.)

“The overall tone of the WCD’s Report presents a negative picture of the role of reservoirs, underplaying their fundamental purpose, which is development. This tone undermines the constructive elements the Report contains.

The WCD has raised very important issues, and it has proposed a set of core values and strategic priorities that we share in principle. However, the details of the strategic priorities require further consideration, and the proposed guidelines are not universally applicable. If the guidelines became regulations, good projects could be prevented from going ahead.

The result of decision-makers hastily adopting the guidelines would be that the process of studying and constructing dams would become impossibly lengthy, costly and uncertain. Financing conditions tying countries to a set of impractical rules would impede urgently needed projects.”

(c) What has been the response of NGOs to the WCD?

NGOs have generally welcomed the Report. A group of NGOs have called upon the World Bank (and other financiers) to comprehensively adopt the recommendations of the WCD, to establish independent reviews of its planned and ongoing dam projects, to establish mechanisms for providing reparations to communities that have been hurt by earlier dam projects, and to place a moratorium on the funding of new dams until it has implemented the WCD guidelines. (http://www.dams.org/report/reaction_ngo.htm).

What is the World Bank’s response to some of the issues raised by stakeholders?

- The World Bank is enthusiastically moving forward on working with our partners in making many of the WCD’s good recommendations happen on the ground, but recognizing that not all WCD guidelines apply in all cases and should not be taken literally, but rather as guiding principles. The decision on whether to adopt the guidelines lies with the respective developing countries.
- The World Bank agrees that dams are important for growth and poverty reduction.
- The World Bank will support those governments that want to continue to learn and improve practice – technical, economic, environmental, and social.
- With regard to some of the specific demands:
 - On “complying with the 26 WCD guidelines”: The World Bank has examined the text of the WCD Report pertaining to guidelines very carefully. In some sections the Report notes that the proposed WCD guidelines are “*not a blueprint*”, while in others it calls for “*compliance with WCD guidelines*” and specifically recommends that bilateral aid agencies and multilateral

development banks “*respect the Commission’s guidelines*” and “*conform to the Commission’s recommendations*”. This ambiguity seems to have been cleared up at the recent WCD Stakeholders’ Forum in Cape Town, where WCD Chairman Professor Kader Asmal clearly stated that, “*Our guidelines offer guidance– not a regulatory framework. They are not laws to be obeyed rigidly. They are guidelines, with a small “g”*” (see www.dams.org WCD Forum). Consistent with the clarification provided by the WCD Chair, the World Bank will not “comprehensively adopt the 26 WCD guidelines”, but will use them as a reference point when considering investments in dams.

- On a proposed moratorium: In December the WCD Chairman explained that “*...Others may use the report as a means of opposing any and all dams by calling for a blanket moratoria, and thus paralysis. This, too would be a mistake. We unequivocally affirm that in response to growing development needs dams remain one important option.*” The World Bank does not plan to institute a moratorium.
- On reparations: The WCD Report itself is clear. Under the heading “*Responsibility for reparations*”, it says, “*It is the State’s responsibility to protect its citizens, including their right to just compensation.*” Accordingly, the World Bank position is that we would consider dealing with legacy issues if and when asked to do so by a borrower.

What recommendations does the WCD make with regard to the Bank’s safeguard policies and how will the World Bank respond to these?

Preliminary comparisons of the WCD recommendations and current Bank policies show that:

- There is no major difference between the recommendations and the operational policies on environmental assessment, natural habitats, cultural resources, and safety of dams.
- Significant differences exist with Resettlement and Indigenous Peoples Policies, mainly due to the concept of the free, prior, and informed consent that could be interpreted as a veto right.
- On resettlement, the proposed requirements for demonstrable public acceptance and negotiated agreements represents a higher standard than current Bank policies.

The safeguard policies cover all Bank work, not just dams. The safeguard policies are reviewed regularly by Bank staff and our Board who decide on whether and when they should be changed. The Board has been informed of the changes which the WCD advocates, and these will be discussed in greater detail as part of the ongoing review of the WCD report by the Board. The Bank is currently reviewing how and where WCD recommendations can be reflected in our current work on policy conversions from the operational directives (OD) format to an operational policy/best practice (OP/BP) format. The Bank will continue to strengthen implementation of its safeguard policies, use of consultation, and disclosure of information for all projects, including those with dams.

How does the World Bank view efforts such as the World Commission on Dams in the future?

This was an unprecedented and highly productive dialogue between all parties. The World Bank believes that such dialogues are very important for the many controversial development issues, and will continue to engage in them in the future.

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