

Some comments re. the WBG Environment Strategy Concept note
by Paul Wolvekamp, Both ENDS, 1st February 2010

General comments:

Both ENDS read the concept note bearing in mind our experiences during our ongoing engagement with IFI institutions. We revisited the mission of the World Bank Group, which reads: *"Our mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors."*

In answer to questions raised by the concept note, we have the following observations and suggestions.

<p>(1) What should the role of the Bank be in helping developing countries to achieve environmentally sustainable development?</p>

The concept note rightly argues that the largest manifestations of deep poverty have environmental dimension. The majority of the poor are notably those being dependent on natural resources, vulnerable to degradation and expropriation or who try and survive in urban slum areas, vulnerable to pollution.

It is relevant to critically discuss the concept within its wider context: The WBG has for decades pursued a mere economic approach, with an emphasis on increasing GNP and per capita income as major yard sticks. It implies that it is by assisting 'developing countries' to reach economic and institutional development one will ultimately also benefit the poor. The group introduced and revised a range of standards to mitigate negative social and environmental impacts: on Resettlement & Rehabilitation, Indigenous Peoples, a Forest Strategy and so forth.

The outcome of numerous evaluations by the Bank itself, by scientists, consultants and CSOs shows, by and large, that merely mainstreaming environment and social aspects, is inadequate.

What seems left out of the equation is that in reality economic growth, for all its positive benefits, is often accompanied by a destructive onslaught on key natural resources – forest, rivers, wetlands, farm land – and massive displacement and marginalisation of the politically and economically less privileged.

Also countries which have passed through successful economic growth cycles, such as Malaysia and Thailand, count numerous victims. E.g. indigenous peoples and farmers who had to vacate their land to make space for golf courses, hotel resorts, palm oil plantations and so forth. The dire position of migrant labourers in these countries is well known.

In countries such as India and Indonesia, mining, infrastructure and the plantation sector have displaced millions of people. A number of such developments benefitted from sector or project lending projects through the WBG.

The economic growth model does also ignore the fact that for next generations, hundreds of millions of people – whether it is Sub-Sahara Africa or in Central India, are still not included in the economic up-swing and will have to continue to fend for themselves in the informal economy.

(3) What should be the balance in the Bank Group's role between addressing country/client specific priorities and global public goods agendas?

(5) How should short term and long term trade-offs between development and environmental sustainability be balanced?

More fundamentally, it is worrisome that the draft Environment Strategy still mentions 'trade-offs between short-term development en long-term development and environmental sustainability' and between local interests (poverty alleviation, economic growth and infrastructure) and global concerns (quality of ecosystems).

Without ignoring the tensions between these dimensions, it is also a reality amplifying such a tensions is over the past decades a self serving strategies of certain dominant political and economic players. If the objectives of the Environment Strategy are to be achieved, it is essential that WBG takes an approach based on other paradigms, which start from the premise that poverty alleviation is not possible without nurturing the environment – whether local, regional or global.

In this respect, one may argue that the 3 objectives stated in the concept note: (i) improving the quality of life; (ii) improving the quality of growth; and (iii) protecting the quality of the regional and global commons are too vague and general to direct the changes the new Environment Strategy aspires for.

(2) What should the role of the IFC and MIGA be in helping private sector stakeholders to achieve environmental sustainability?

MIGA and IFC lending to the private sector needs to follow a much stricter and pro-active sustainability agenda. This calls for much stronger Coherence within the WBG. Key issues surrounding extractive industries, climate and so forth demand, obviously, a concerned approach with the WBG. It is therefore a reason for concern that the consultation on the WBG Energy Strategy is undertaken separately for the Environment Strategy. Likewise, the agriculture-environment nexus need to be brought to the fore and now seems lacking.

There are ample opportunities for the WBG to work with pioneering companies and drop the free-riders. In certain sectors, the WBG may decide to cease investing in marginal improvements in otherwise destructive industries and, instead, focus on innovative players such as the solar industry, pro-poor horticulture etc.

The World Bank itself can play a much active role in helping to create pre-conditions to regulate the industry in host-countries; spatial planning, fiscal reform, support for Round Tables, monitoring mechanisms. It is appreciated that the concept document in section 19 refers to the task of how the WBG can strengthen underlying institutions and governance mechanism: capacity building for environmental governance, access to information, accountability, mechanisms for engaging vulnerable stakeholders in decision-making, effective enforcement, conflict resolution. For Both ENDS, this section constitutes the centre piece of the document. Elaborating Section 19 is strongly recommended.

It is hereby a matter of urgency that the WBG accepts and communicates an interpretation of the widely accepted principle of 'FPIC' as *Free Prior Informed Consent*. This will also help avoid the WBG from stumbling into problems as encountered by the IFC through its financing of certain palm oil plantation developments.¹

(4) How can the WBG put in place a systematic approach to assess environmental sustainability in sector portfolios?

WBG internal process and external linkages

The Wapenhans committee which was commissioned to undertake an in-depth evaluation of the bank's performance in the early 1990s, revealed that the Bank reward system is biased in favour of staff who create turn over – not those who create quality projects which perform well -from a social, economic and environmental point of view. The question is: has this bias been addressed, will it be addressed? Will the WBG indeed be able to reach, sustainable, *lasting results*?

¹ Free Prior Informed Consent is, for example, part of the Principles & Criteria adopted by the RSPO – the Roundtable on Sustainable Palm Oil of which IFC is a member.

The Environment department is institutionally in a relative weak position; it creates no turn over, it tries to persuade other departments to incorporate and adhere to do's and don'ts. The analogy is with the annual World Development Report: a excellent report with a good analysis & recommendations, but not the best reflection of where the actual focus of the WBG lies.

Good policies are a good start, but it is implementation that matter; this requires the strictest possible evaluation, preferably external evaluations.

This brings me to the donors, the Netherlands in particular: The Dutch government has always been a loyal donor, without asking too many questions. Bluntly put, an annual blanco check is provided, without too many questions asked; based on the reasoning that the WBG has the best internal evaluations department. It is striking that whereas the bilateral and CSO programmes are, for good reasons, regularly submitted to an external audit, the Dutch government never commissioned an independent audit of the Dutch funded IFI programme. It is interesting that now, perhaps the first time, an external review by the Dutch national Scientific Council of the overall Dutch ODA, questions the Dutch unwavering trust in the IFI's and makes some very critical observations.

Risk:

The WBG considers support for high risk ventures, such as infrastructure development, plantation sector and so forth more or less as a must. It enters into negotiations with its key clients, I.e. borrowing government and the private sector. On the downside, however, it is notably the environment and socially disadvantaged people who bear the brunt of those risks, not the WBG or the donors. themselves.

Inspection Panel

Following public criticism about the way in which collateral damage tends to be rolled of on the environment and marginal sections of society, the WBG instituted the Inspection Panel and the IFC CAO (Compliance Advisory Ombudsman). There work towards addressing grievances, compliance and mediating compensation is vital, but often falling short of what is really required if the WBG really aspires to contribute to sustainable development. It is key that the WBG allows the Inspection panel and the IFC CAO to expand their role beyond projects and enables them to advise better management practices, the Environment Strategy and overall lending policies. The WBG overall temporary moratorium on lending to the palm oil sector in answer to the IFC CAO's findings is a commendable step in answer to IFC violating its own standards.

From 'do-no-harm' to 'do-good'

Much will be gained if the Environment Strategy leads to quantifiable targets. This in terms of 'do-no-harm' is not sufficient. It is also to measure the WBG's contribution to environmental rehabilitation. Using on base-lines, the challenge for the WBG is to show where it is able to help create tangible improvements in the field of environmental and natural resources management. And here I would like to emphasise again that, considering that the majority of the poor are dependent on, rapidly degrading, natural resources such as farm land, forest and wetlands or urban slum conditions, this is probably where the WBG can make its largest contribution by matching poverty alleviation and harnessing country-specific environments and global public goods. Based on baselines, it is then crucial that the WBG reports periodically to its own board, its international donors and the larger community. *Section 27* can expand on this.

The concept paper asks the question about leveraging other stakeholders support' for this agenda. One key player is the European Union: the EU Delegations, negotiate country strategies with host governments and select 2 or 3 priorities. Commissioned by the European Commission to evaluate the EU's investments in ACP countries, Both ENDS observed that with one exception, Pakistan, none of the negotiated Country Strategies included environment as one of the 2 or 3 agreed priorities.² Unfortunately, the dominant ministries, by and large always prevent that the environment-poverty nexus is being addressed with priority. For the WBG to work with the EU Delegations could offer a major step forward – tying in the less dominant agencies in host countries who desperately seek funds and support to reach out to support ecosystem resilience, abate pollution and build extension and (soft) infrastructure for large rural or urban populations.

The reality is that dominant political and economic patterns in developing countries, for all their positive benefits, will simultaneously continue to and externalise environmental costs and exclude large sections of society. It is crucial that the WBG focuses precisely on enhancing their chances of survival and well being. This calls for an approach which deviates from the WBG's past strategies and practices; an approach in alliance with other partners. Here a lot is to be gained, true to the mission of the WBG.

In conclusion, given the rapidly changing landscape of financial service providers, the WBG requires a rethinking of its long term vision and its own niche.

² See report by the EC co-authored by Both ENDS' staff on 'Activities undertaken and support provided by the European Community to countries in Asia, Latin America and Caribbean, Central and Eastern Europe regions in the period January 2001 – December 2005', submitted to UNCCD CRIC-5 by The European Commission, prepared by Imeson A., Koning P.C. de, Kistermann H., and Wolvekamp P.S., 2006

Firstly, the WBG's major role to play in the next decades is, true to its mission, to help match poverty alleviation and environment protection. Bring economic development back into an environmental approach. This calls for a departure of its current and past approaches whereby the WBG merely attempted at mainstreaming social-environmental considerations. It requires the WBG to reconsider and abandon traditional lines of business – such as the extractive industries – and explore new paradigms, whereby protecting and restoring social and environmental capital are considered the drivers of sustainable economic development and human well being. By tradition, the WBG has a strong and unique rallying power which it can use to convince and mobilise donors and the private sector funds to help achieve this.

Secondly, it calls for the WBG to play a more pr-active role, as section 19 argues, to strengthen '...Mechanisms for engaging weak and vulnerable stakeholders in decision-making, ensuring access to information and accountability among different stakeholders, effective enforcement, conflict resolution mechanisms and recourse to justice...through a range of lending and non-lending instruments....'