
The Bank and the Environment:

The Director of the Bank's Environment Department, Kenneth Piddington, highlights the main issues

Why is the Bank so concerned about the environment these days? Is this a recent concern?

The environment is a major worldwide issue today, especially for many countries that borrow from the Bank. Their agenda may be different from the concerns of people in North America. The professional challenge for the Bank and its staff is to meet these varied concerns, and to link them with other important issues, such as poverty and women in development. No other development agency is as deeply engaged in environmental issues as the Bank is today.

But this is not a recent concern. There is evidence of careful environmental planning in individual Bank projects from many years ago. The Bank's first environmental Advisor was appointed in 1969. The concern, however, was diffuse, and there was no clear framework for treatment of environmental issues in the project cycle. The main changes in the Bank's approach clearly date from Bank President Barber Conable's speech of April 1987 to the World Resources Institute and from the subsequent restructuring of the Bank in the middle of that year. The Environment Department was created, with 22 full-time professionals and some additional 20 staff-years of consultants, to work on environmental issues. A similar strengthening was provided to the regions, through the four new environmental divisions. In addition, other Bank staff deal with such issues in their day-to-day work. The guiding principle behind this work is Mr. Conable's doctrine that "sound ecology is good economics."

What are the main lines of criticism of the Bank on the environment issue, and who are its main critics?

In simple terms, prior to the Berlin Annual Meetings of 1988, the main critics were the nongovernmental organizations, with two clear lines of attack:

- poor performance in specific projects (e.g., the Polonoreste program in Brazil);
- questioning of "mega"-projects, overall development strategy, and issues relating to debt and equitable growth.

For some people in the developed (donor) countries, the Bank is also criticized for not doing enough on climate issues.

The Bank now works very closely with NGOs everywhere. Although some NGOs may remain unconvinced that changes have really taken place in the Bank, most try to work with the Bank, get information from it on projects and issues, and try to influence governments to change their approach to development. Many NGOs think, for example, that the Bank should use its conditionality in lending policies to force a transition to new energy sources. The Bank is taking a different approach, by encouraging borrowing governments

to work with NGOs in formulating development plans, particularly those involving energy and environmental issues.

Is the Bank doing anything about global environment issues, such as preserving the ozone layer, or preventing the "Greenhouse effect"? Is the Bank adding to these problems by lending for coal-fueled power plants, for example?

The Bank is doing a great deal in its lending program and in studying the implications for its borrowers of the "Greenhouse effect," that is, the presumed warming of the global climate. It is quite clear that "Greenhouse" is primarily the responsibility of industrial countries and that until they are seen to act to counter it, developing countries will be reluctant to abandon current patterns of resource use. The Bank cannot act unilaterally on such global issues. But that does not mean it is blind to the crisis that faces the planet and is created by excessive use of resources.

Environmental goals have to be identified and pursued within the Bank's tradition, which is one of analytical rigor. The day the developed countries agree, for example, that there should be some sort of a "carbon tax," the Bank could begin to apply that to the costing of coal versus alternative sources of energy. In the meantime, however, there is a lot that can be done, as reflected in the new breed of Bank lending for energy conservation. But this is justified on the grounds of efficiency in resource use, regardless of the "Greenhouse effect."

Are the developing countries suffering environmental damage caused by the developed countries, for example, from toxic waste, pollution of sea lanes, dumping of trash, and supply of toxic chemicals that are banned in developed countries?

The short answer is yes to all of these, but not because of anything the Bank is doing. In each area, there are remedial measures that the Bank can support. There may well be a surge in Bank funding for prevention and clean-up of such environmental problems. This is already evident in some of the country Action Plans, for example in Mauritius. Institutional strengthening and technical capacity (to monitor developments) can be a major contribution from the Bank.

What are the main environmental issues facing the developing world, and to what extent do these emanate from within the poorest countries?

Without generalizing about the issues in the developing world, one could point out that in a large number of countries the Bank is evaluating the capacity of degraded ecosystems to provide basic sustenance for human populations. This used to be described as "carrying capacity." Today, we must add air pollution in the "megacities" to the more familiar patterns of soil, water, and fuelwood depletion. By definition, these pressures are most intense in the poorest countries, but population growth has a tremendous adverse effect on all the environmental issues facing the developing world.

Questions & Answers

How does the Bank help address these problems?

With very few exceptions, by bringing environmental analysis to bear on the country program, by bringing technical expertise to bear, and, of course by helping to find additional finance to attack the problems. But the Bank also looks for the convergence between sound economic policies and sustainable resource use.

How does the Bank enforce its guidelines on environmental issues in its project and program lending?

The Bank cannot be an environmental policeman. But as a counselor, it can achieve a great deal. Borrowers are often keen to adopt sound environmental practices. The Bank is about to introduce an environmental assessment process, which will increase the force of all current guidelines. But it will also ensure that sound environmental policies are fashioned through collaboration with the borrower and not through more conditionality.

To what extent can the Bank help save the Amazon forest?

Some of the forest will be saved, and the Bank can help in that effort. Again, this will be through collaboration and with a full understanding of the Brazilian Government's position, including the issue of national sovereignty. But the Amazon question is highly complex—to save the forest is as complicated as cleaning up the waterways of the industrial world. One must not underrate the political and social difficulties that are faced by Brazil, and therefore by the Bank.

What other schemes has the Bank supported to fight deforestation in other parts of the world? In Africa, for example.

With lending for forestry (including afforestation) expected to double over the period 1988–92 compared with the previous five-year period, and with a number of policy proposals (e.g., on timber pricing) aimed at forest protection, there is a prospect of real progress. In Africa, a good example is in Ghana, where the Bank has a project that will tackle the causes of forest depletion (resulting in this case from the structure of the timber industry) and will include conservation elements. Another example of careful forest management is in Sri Lanka, where a project has been carefully revised to meet environmental criteria.

Is resettlement a major environmental issue? Has the Bank adequately prepared the ground for resettlement of people, say in Indonesia's Transmigration program, or India's Narmada Dam project?

The involuntary movement of people has always been the other side of the development coin. Transmigration in Indonesia is of course an old resettlement project in its own right, having been launched originally in 1905 (to move people to less populated islands). The Bank and the Indonesian Government have intensified their efforts to safeguard the environment and protect local people during this

program. There is also increasing emphasis on consolidating and improving settlements that are already in place rather than encouraging new migration. In the Narmada Dam project in India, there is an even more fundamental question: Is there any land that can be made available to people displaced by the dam to meet Bank guidelines? As population pressures build, in India and elsewhere, this issue will arise more and more frequently. The Bank is aware of the issues in resettlement and is approaching them carefully and rigorously in its exchanges with the Indian Government and with other countries with similar situations.

Can most developing countries afford to spend vast amounts on preserving the environment when they can barely feed their poor and provide for the health and education of their people?

Contrary to popular notions, environmental protection does not require vast expenditures, nor do poor countries have to make some sort of sacrifice in tackling this issue. The Bank must demonstrate (1) whether there is, in fact, any additional cost and (2) how it can help meet that cost. The environment is related to food supply and health over the longer term. Against that backdrop, the true costs of degrading the environment become enormous. The Bank's concerns about the environment are designed also to protect other investments in development and manage the risks to the environment arising out of that work.

In an age of scarce resources, especially concessional aid, how does the Bank work with countries in finding resources for preserving the environment?

There is no evidence that resources for environmental projects are scarce in the current political climate. What donors are looking for, however, are well prepared projects and the proper policy framework. This is where the Bank has a comparative advantage in environmental work. It can provide both.

What broad changes have resulted in the Bank's operational work and lending program as a result of its new emphasis on the environment?

The main thing that has happened is that environmental considerations are being brought into the broader economic assessments made by Bank economists and project staff. But environmental Action Plans and free-standing environmental loans also exist. This category may well approach 5 percent of Bank lending by FY1991, but grants from national donors are also going to be increasing sharply. ■

A detailed review of the Bank's experience with environmental issues and an explanation of its new strategy in this area will be appearing in the next issue of Finance & Development.