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THE WORLD BANK AND THE NATURAL ENVIRONMENT: EXPLORING THE CONTRADICTIONS

by
Peter Greechan

A thesis submitted in partial fulfillment
of the requirements for the Master of Arts degree in
International Development Studies
at
Saint Mary's University

April 25, 1996

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THE WORLD BANK AND THE NATURAL ENVIRONMENT

EXPLORING THE CONTRADICTIONS

ABSTRACT

Following World War II, the Western Allies created international financial institutions such as the World Bank, in order to provide the financing needed for reconstructing war-ravaged economies, primarily in Europe, and to provide financing for economic development throughout the world. The World Bank did provide partial financing for this reconstruction phase but soon turned its attention to its secondary mandate - financing economic development throughout the world. Due to the absence of extensive economic development in the South, as compared to the industrial economies of the North, the Third World provided ideal conditions for World Bank influence to flourish.

Since its creation the World Bank has successfully grown to become a powerful financial and political actor in the global arena. With annual budgets in the billions of dollars, the Bank has become one of the most influential actors in promoting capitalist economic development in the South, as well as in other regions. Its endeavour to finance economic development has now evolved to include both project and policy based lending in order to achieve its mandates.

Despite its financial success the World Bank continues to be confronted with a harsh reality - economic development as promoted by the Bank has not only been unable to eradicate, reduce or even alleviate poverty, but has also contributed to the degradation of the planet's natural environment, particularly within the Third World.

By examining certain key aspects of the World Bank's structure and operation, such as voting structure, constitutional and ideological foundation, and its maturation, this paper exposes the World Bank's unsuccessful attempts to promote environmentally sound economic development.

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I would like to thank the students, staff, and faculty in the International Development Studies program at Saint Mary's University. In particular I would like to thank Dr. Henry Veltmeyer, Dr. Michael Clow, and Dr, Robert Mckinnell for being a vital source of information and inspiration. I would also like to thank Martha Greechan, my wife, as well as my parents, Barbara and Patrick, for their encouragement and support throughout this entire process.

CHAPTER ONE

INTRODUCTION

Five decades have past since the negotiations at the Bretton Woods conference gave birth to the powerful financial institution known as The World Bank. Initially the World Bank was one single institution but soon grew into four institutions. The International Bank for Reconstruction and development (IBRD), International Development Agency (IDA), International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). These institutions comprise what is often referred to as the World Bank Group. Distinctions will be illustrated at a later point in this discussion.

Due to the fact that World Bank policies are in most cases applicable to all institutions and that over eighty percent of its overall budget is consumed by the IBRD and the IDA (World Bank, 1991c), the primary focus of this study will involve examining only the collective activities of the IBRD and the IDA. They will be referred to in this study as simply the World Bank.

The Western Nations, along with their allies, created the International Bank for Reconstruction and Development (IBRD), now commonly referred to as The World Bank Group. Its mission was to provide financial assistance, in the form of low interest loans, for the reconstruction of a primarily war-torn Europe and play a key role in a new global economic order, soon to be implemented by the victors of World War Two. The primary agenda of this new global economic order, driven and characterized by constantly evolving economic philosophies, was to facilitate economic growth on a global scale, hence attempting to create a global economy. The prime directive has not altered to this day.

History has now revealed to us that economic endeavors such as those financed by the World Bank, are having severe consequences on the state of the natural environment. The constant drive to induce a suitable environment for economic growth while disregarding the social and environmental impacts has not been an uncommon occurrence in the past five decades. This is not that startling when you examine the levels of economic growth experienced in our era; they are unprecedented.

In the past century the gross world product has increased 21 times, the consumption of fossil fuels 30 times and industrial production 50 times (Commission on Developing Countries and Global Change, 1992:16). Since 1950, the world economy has quadrupled in size (Gorden & Suzuki, 1990:166). The extraction of raw materials (natural resources) has attributed immensely to this rapid expansion of the global economy and consequently on the increasing levels of environmental degradation. As one environmentalist explains:

"Productive economic activity is simply the process in which human work transforms resources into things society either needs or wants. The root of environmental problems, and the root of environmental constraints on production, is in the bio-physical relationship between the economic activity and the environment" (Clow, 1989:2-3).

The World Bank is by no means the only guilty party involved in the devastation inflicted upon the planet's natural environment. This is a matter which has been debated from social, economical, political and cultural perspectives, throughout the evolution of our awareness of human induced ecological degradation.

The purpose of this study is not to examine the infinite facets of environmental degradation; the purpose of this study is to examine specifically the World Bank's continual efforts to integrate ecological considerations into economic decision making. Given their record in the past, the Bank has failed to adequately address the environmental impacts of the projects and policies it advocates. The Bank has been slow to respond to the obvious neglect it has had in respect to the natural environment. If the World Bank was just an ordinary financial institution whose primary objective is to maximize its profits, we would be less likely to question the nature of its lending activities. However, the World Bank claims to be an international development institution dedicated to alleviating poverty primarily within the "Third World". Due to the obvious connection between a healthy environment and a healthy society, the Bank cannot ignore the potentially devastating environmental side-effects its actions may have on Third World societies and their natural environment. This in turn would hinder the Banks mission to alleviate global poverty, if in fact that is their primary objective.

The World Bank has been labelled as much more than just a bank from a number of supporting and critical schools of thought. The World Bank "as lenders in their own right, directly control billion of dollars each year; indirectly, tens of billions more. They sit in judgement on governments, using their financial clout to influence economic policy in scores of developing countries. The fate of hundreds of millions of people turns on the decisions this institution makes. The world they were created to serve no longer exists; yet their role is undiminished" (Economist, 1991:6) The size and scope of the Bank's lending activities, (it lent over nine billion dollars to developing countries in 1994, Globe and Mail, 1994) illustrates its potential to have an immense impact on the environment in the Third World. .

Given the evidence, it is safe to assert that the World Bank is a predominant actor in the world economy and plays a vital role in the evolution of Third World economic growth and consequently in the maintenance and/or destruction of the natural environment. The World Bank claims to have recognized the potential affects its actions may have on the environment and in response, has attempted to formulate environmental policies to help guide economic decision making towards a path of environmentally sustainable economic development.

In order to assess the Bank's attempts to deal with environmental problems often associated with economic development it is necessary to examine the "nature of the beast". Is the World Bank in fact a development institution or is it simply just a bank attempting to maximize returns to its bond-holders or its shareholders, which are in this case primarily national governments?

LITERATURE REVIEW

The scale of economic development witnessed by our planet in the past century is causing havoc in the natural functioning of many ecosystems. We are destroying the biosphere at a rate such that it cannot regenerate itself nor destroy the toxic substances that we have deposited into it. Furthermore we are impairing the biosphere's capabilities for regeneration. This has left us in a global situation where the large and expanding "ecological demand" of development is taking us in a tightening spiral towards ecological exhaustion (Clow, 1991a). According to a reputable academic study entitled the *Blueprint for Survival*:

"we do not need to utterly destroy the ecosphere to bring catastrophe to ourselves, all we have to do is carry on as we are, clearing forests, reclaiming wetlands, and imposing sufficient quantities of pesticides, radioactive materials, plastics, sewage and industrial wastes upon our air, water, and land systems to make then inhospitable to the species on which their continued stability and integrity depend" (Editors of *The Ecologist*, 1972).

The World Bank is an essential component of global economic development and therefore should be involved in formulating solutions to combat the ecological crisis that studies such as the *Blueprint For Survival* alerted to our attention over two decades ago. More recent studies and global forums have highlighted to humans that little progress has been made to avoid a potential ecological catastrophe (The Brundtland Report: *Our Common Future*, United Nations Conference on Environment and Development, World Watch Institutes' *State of the World*; among many others).

Evidence suggests that the World Bank, rather than scaling down its involvement in Third World development is reformulating its approach to tackling the environmental problems associated with the type of economic development it advocates. Rather than exhausting all its efforts in project funding, the Bank has changed its focus towards policy-based lending. We are witnessing an unprecedented effort put forth by the World Bank to influence policy making in the South. "Evidently, the growth in this type of lending has been spectacular. Starting from virtually nothing in the late 1970's, policy-based lending made up 25 percent of annual World Bank lending and 10 percent of its portfolio by 1988" (Taken from the Annual Conference on Development Economics, 1990:397). In some instances the Bank will actually fund the "necessary" institutional and political restructuring within the recipient nation and in many cases, attach certain "conditionalities" prescribed by the World Bank, to loans prior to their disbursement. These conditionalities often referred to as "structural adjustment programs" (SAP's), frequently involve a mandatory restructuring of government policies prior to and during loan disbursements.

In order to link an analysis of the nature of the World Bank and its ability or inability to finance environmentally sustainable development, it will be necessary to limit the scope of this research paper. It would take a lifetime of reading to examine all the studies dedicated to analyzing the "pros and cons" of the World Bank's involvement in Third World development. Therefore I have chosen to analyze the literature pertaining specifically to: World Bank activities in relation to their disregard for the natural environment, institutional and policy alterations within the World Bank aimed at enhancing the Banks' capability to finance environmentally sustainable development, policies prescribed by the World Bank related to "environmentally friendly" approaches to economic development, and critical perspectives which advocate the need to abolish or dramatically alter the role of the World Bank in global development.

As previously discussed, during the first approximately two decades following World War Two, the state of the environment was hardly a concern for the World Bank and other large financiers of economic development. But as levels of economic growth increased at unprecedented rates so did the occurrences of environmental degradation. Consequently, the increasing awareness of environmental degradation gave rise to an environmental consciousness; many people began to realize that our endeavor to grow economically was causing havoc in the natural environment; an environment upon which humans depend to live. River systems which gave life to communities were being polluted. Forests, oceans and other ecosystems which provide a livelihood for many people, were being depleted of their natural resources at unsustainable rates. And other ecosystems that support life (including human life) began exhibiting signs of degradation.

The state of the natural environment could no longer be ignored. People and communities throughout the World began to organize and express their concerns for the environment. Environmental movements were born and extensive lobbying accompanied with the obvious; environmental degradation, lead to global conferences such as The United Nations Conference on the Human Environment (UNCHE); Stockholm, in 1972, which institutions such as the Bank did attend. Although the Bank seemed to express concern for the environment prior to the UNCHE; efforts aimed at finding solutions, as we shall soon discover, were not a high priority for the Bank. Creating a suitable environment for economic growth to flourish in the South was paramount, and taking precautions to avoid environmental implications were often viewed as unnecessary or as impediments to their main objectives.

In 1970, Ernest Franco, a World Bank representative, stated on behalf of the World Bank: "The Bank is taking steps...to assure that the projects financed by it do not have serious adverse ecological consequences..." (Cited in *The Ecologist*, 1987:I). Although the Bank announced its concerns for the environment it is debatable as to whether or not it had the institutional capability, at that point in history, to integrate sound environmental management into its everyday decision making. Two years following, a report pertaining to the environment stated:

"..though the Bank had, in the past concerned itself with the environmental effects of its' developmental activities, no systematic procedure existed to identify and examine those effects. More importantly, methods to prevent and mitigate adverse environmental consequences had not been devised" (World Bank Group, 1972:6)".

In the same report, the Environmental Advisor for the World Bank, James Lee expressed his discontent by claiming that he was solely responsible for assessing the environmental effects of literally thousands of projects and often forced to make last minute decisions (World Bank Group, 1972).

Statements regarding the environment, by the World Bank have been to say the least, contradictory in nature. The Bank's institutional inability to prevent the negative environmental consequences (environmental degradation) which often accompanied development projects, was illustrated in one of their first reports dedicated solely to the environment.

"the World Bank was unable to foresee a 'fool-proof' way to measure systematically, the long term savings that may accrue from establishing environmental safeguards against the short-term benefits that wou'd surely come from untrammelled economic growth" (World Bank, 1971b:7).

At that point in time the Bank did not have any environmental safeguards installed within its' bureaucratic structure. There were no ecologists, environmentalists or other professionals able to examine the potential effects of the projects in which the Bank was involved. However, prior to the UNCHE the Bank issued a statement in its first report dedicated to the environment. A report entitled *The World Bank and the Natural Environment*, claimed that "...careful and studied attention must be given, in the planning of its development projects, for the consequences of the environment and the health and well being of affected peoples" (World Bank, 1971b:6).

Since its first report dedicated to the environment, the Bank has released numerous reports pertaining to the ecological effects of economic development. These reports cover a variety of issues ranging from, the impact of specific projects on the environment, to an entire annual report dedicated to examining the many aspects of environmental degradation, entitled; *World Development Report 1992: Development and the Environment* (1992). Project reports written by the World Bank, although are not irrelevant to this study, will not be discussed in detail unless they make reference to particular environmental policies advocated by the World Bank. This study will focus mainly on analyzing environmental policies which guide World Bank operations; policies that guide internal decision making as well as policies prescribed by the Bank for recipient nations.

Enlightening as some of the literature may seem, the feeling soon diminishes when one is continually confronted with the statement that often reads: "the ideas expressed in this discussion are not those of the World Bank Executive Directors". The executive directors are responsible for approving all project lending and in the ratification of any new policies to be adopted by the Bank. Assessments of projects and policies by World Bank staff, and often thought provoking articles that deal with environmental issues, seldom transcend from theory to practice. The inability to transcend beyond the confines of propagation is a characteristic common to a majority of World Bank publications.

A review of the literature emanating from World Bank sources does not reveal a success story in terms of their ability to integrate ecological concerns into economic decision making. Although elaborate models for environmental impact assessments (EIAs), have been developed by the World Bank (see Figure 1.1 in *Environmental Assessment Sourcebook*, 1991a:3), seldom do the recipient nations have the economic or human resources to implement EIA's. Often EIA's do not take into consideration the value, not in a monetary sense, of the local ecosystems in terms of their ability to maintain a healthy environment. EIA's do not always involve public participation hence excluding many cultural factors which could determine the success or failure of a project. Denying local participation can often result in inadequate policy formulation and implementation. In many cases the Bank refuses to make environmental assessments public (Danaher, 1994:180).

Another dimension of the Bank's attempts to fund ecologically sound economic development involves promoting "proper" environmental management. "Assisting member countries in their efforts to improve environmental management is the principal objective of the Bank's environmental work" (World Bank, 1992d:2) The World Bank encourages national governments to establish what are known as "Environmental action plans". Environmental action plans are nation-wide assessments that attempt to identify and prioritize environmental problems. Once identified, attempts should be made to establish the proximate and underlying causes of environmental damage in order to design appropriate policies and government programs. (World Bank, 1988a). An essential component involved in formulating environmental action plans is establishing what the Bank refers to as a system of national accounting (SNA). SNA's in theory attempt to empirically value natural resources and various ecosystems such as river systems or marshlands which perform particular functions for society and hence should have a financial value or at least be integrated into economic development decision making (Peskin, 1989). To this day no nation, including any industrialized nation, has formulated a complete and/or accurate system of national accounting for its' natural resources and many would argue that this methodology for promoting sustainable development is itself inherently unsustainable. (Clow, Trainer, Daly, Meadows, Kothari, Perring, Redclift, Hayter; among others). Attempting to place a value on all goods, services, "human resources", natural resources both harvested and unharvested, functions of ecosystems, and other factors which are involved in sustaining economic development, is not only an extremely complex task but also, in the opinion of this author, futile.

In relation to policy formulation the Bank has developed specific policies to deal with specific environmental problems and they have also formulated policies to deal with the overall environmental complications associated with economic development. Environmental action plans are designed to produce environmental policies to guide nations while EIA's usually pertain to specific projects. In the past the Bank has had a tendency not to assist in national environmental action plans but rather to concentrate on particular urgent problems (World Bank, 1991). In respect to policy formulation the Bank continues to develop methodologies for improved environmental management, emphasizing on strengthening policies and institutions of the recipient nation. However it has been argued that many of the policies advocated by the Bank do not deal with the underlying causes of environmental degradation and are in fact just economic policies formulated to stimulate economic growth, not environmentally sustainable development (Brecher, J. Cavanaugh, J. Payer, C. Watson C. *The Ecologist,* George, S. Collins, J. Lappe, F.M. Hayter, T. Environmental Defense Fund, Oxfam; among others).

Examining World Bank environmental policies and procedures exposes many flaws in the Bank's approach to minimizing environmental degradation. Many of the policies are in fact economic policies designed to reduce environmental degradation. For example; the World Bank in its 1992 annual report, dedicated solely to "development and the environment", described what they felt were necessary policies to alter unsustainable economic development as:

"...those based upon incentives, so-called "market-based" policies, which tax or charge polluters according to the amount of damage they do; and those based on quantitative restrictions, the so-called "command-and-control policies," which provide no such flexibility. A third type of instrument, the tradable permit, sets an absolute ceiling on pollution or resource extraction and then allows individuals the right to buy or sell the right to pollute up to that limit" (*World Development Report 1992: Environment and Development*, 1992a:17).

The World Bank has chosen to tackle the environmental side-effects primarily through "free market" instruments in the form of economic policies. It has been argued that the Bank is unable to promote sustainable development because of its ideological foundations (Payer, Hayter, Watson,). It is a financial institution and because of that it must make profitable financial decisions regardless of the consequences to the environment. This does not denote complete and utter failure to address environmental concerns on behalf of the Bank. The proof that it still exists and has an annual budget hovering close to twenty five billion dollars annually suggests the Bank will continue to play a key role in Third World development.

In order to provide a valid critique of World Bank environmental policies it is not enough to just examine the policies. A historical structural analysis, an examination of the evolution of the World Bank, will provide insight to this task. By examining the many forces and ideologies which have helped shape the Bank into what it is today, the reader will obtain a better understanding as to why the World Bank behaves in a particular manner. Studies such as Brown's examine one particular facet of the Bank's evolution; the influential position in which the United States has maintained throughout the history of the World Bank (Brown, 1992). His study, entitled: *The United States and the Politicization of the World Bank*, investigates the legal and practical implications of a certain type of politicization in the context of two of the institutions which comprise the World Bank. They are the International Bank for Reconstruction and Development and its affiliate the International Development Association. The investigation focuses on the use by the United States of its voting power in these organizations in order to serve political purposes unilaterally determined by the US Congress.

The study does not focus on the Bank's external activities, but rather on the Bank's internal constitutional structure, the relations between its members, and the political consensus which is the basis for the cooperation of states within the Bank. Prior to describing these, Brown provides the reader with various considerations pertaining to the role of international organizations in the global economy. This is a very useful tool for any analysis of the World Bank.

There are other historical studies which examine different aspects of the Bank's evolution, and provide an even deeper understanding of World Bank behaviour (Acheson, 1972; Morawetz, 1977; Akins, 1981; Feinberg, 1986; Mason, 1989; *The Economist* special edition dedicated to the World Bank and The IMF, 1991; Aruda, 1994; Danaher, 1994). Findings from these studies and others will be incorporated at a later point in this thesis.

THESIS STATEMENT

Based on the findings of the many studies on World Bank environmental policies, the historical evolution of the World Bank, and on the critique of World Bank environmental policies, I will argue that the policies which guide the World Bank and policies prescribed by the Bank for underdeveloped nations, perpetuate the degradation of the natural environment. One of the various arguments for this thesis is that the World Bank cannot help but contribute to the global environmental crisis because of the logic of its operations as a capitalist enterprise; a bank whose primary mandate is to maximize profits for its shareholders. This study will expose the "true nature" of the World Bank, whose primary mandate is not promoting sustainable development.

To provide a context for this argument, chapter two provides a historical analysis of the development of the World Bank. In addition to a historical analysis of the World Bank I will examine and compare the findings of other studies to construct an argument that reveals the ineffectiveness of the World Bank in its efforts to support environmentally sustainable development. Analyzing the thesis from this perspective will not only reveal the internal and external limitations confronted by the World Bank, but it will also contribute to the overall understanding of the difficulties involved in promoting environmentally sustainable.

RESEARCH METHODOLOGY: SOURCES AND TYPES OF DATA

The evidence to support this thesis will be derived primarily from printed publications. These will include sources such as published and unpublished articles, books, environmental bulletins, economic and environmental reports, various studies related to the topic(s), as well as interviews and discussions with those who have had experience working/dealing with the World Bank.

Unfortunately, the World Bank as an institution is not always helpful when it comes to providing academics with publications that extend beyond presentations of a carefully edited discussion pertaining to their role in promoting environmentally sustainable global development. Many World Bank publications resemble little more than a propagation of its viewpoint. The Bank severely restricts public access to information about its policies and operations...(Duncan, cited in Danaher, 1994:179). This will certainly place limitations on the research and hence on the final assessments and conclusions drawn by this thesis. To compensate for this liability, data will be derived from an extensive array of sources and systematically compared. Even so, my reinterpretation may contain various degrees of subjectivity.

Evidence gathered for this thesis will be interpreted, analyzed and evaluated through the utilization of historical interpretations (chapter 2), policy analysis (chapter 3), assessments of the ideology that underlies the World Bank (chapter 4), and critical examinations (chapter 5). Examining the problem from these perspectives will expose the limitations of the Bank in promoting ecologically sound economic development. It will not only expose the limitations of the World Bank but will also expose the Banks inability to formulate solutions because this financial institution is part of the problem, not the solution.

CHAPTER TWO

HISTORY OF THE WORLD BANK

THE BRETTON WOODS NEGOTIATIONS

The negotiations at Bretton Woods, New Hampshire, in July of 1944 was the birth place of the World Bank. The Western powers led by the United States, held a series of conferences to advocate the need for a new global financial and trade system. The vanguards of the negotiations, primarily the United States and Great Britain, felt that the world economy prior to World War Two was plagued with inhospitable economic policies such as "floating currencies", high tariffs, government subsidies and other protectionist policies which inhibited trade amongst the world's nations. "The aim of the postwar planning, at Bretton Woods and other negotiations to follow, was to design a system of international economic cooperation that would avoid a repetition of the beggar-thy-neighbor trade and currency practices of the interwar period and instead encourage economic stability, full employment, and rising levels of income through the growth of international trade and investment" (Gwin, 1994:2).

An international financial system, as desired by the political and economic elites of the western nations, would need institutions that are not confined to an allegiance to any particular nation, in order to implement and administer or facilitate this new economic order. Following numerous political and economic debates amongst the participants of the Bretton Woods negotiations, the International Bank for Reconstruction and Development (IBRD), now referred to as the World Bank, and the International Monetary Fund, came into existence. Although their role in the international economy would vary throughout time, these two institutions would soon mature to become major actors in regulating and financing economic activity throughout the world.

"Although the roles assigned to the two institutions differed, their joint objective was to provide the monetary and financial machinery that would enable nations to work together toward world prosperity, thus aiding political stability and fostering peace among nations." (World Bank *Questions & Answers*, 1971a:1).

This discussion will focus on the history of the World Bank in particular. However, brief mention must be made in regards to the IMF. One of the most prominent items on the agenda at the Bretton Woods negotiations was the need to create a regulatory financial institution; the IMF was to be that regulatory institution. A special edition of *The Economist* devoted to the IMF and World Bank described the IMF in this manner:

"The IMF is not a Bank, but a club. Member countries pay a subscription and agree to abide by a mutually advantageous code of economic conduct. Sometimes, if necessary to uphold that code of conduct, the club lets members borrow briefly and on certain conditions from its pool of subscriptions." (*The Economist*, 1991:5)

Prior to World War Two national currency exchange rates could be lowered or raised depending on a government's decision. This was viewed by leading economists at that time, as an attribution to the collapse of the world economy and hence on the outbreak of the second world war. Negotiators decided that a new international financial system would be characterized by fixed, but adjustable, exchanges rates in which price was determined by the international exchange of gold in American dollars.

In the post war global economy nations belonging to the IMF could alter their exchange rates if the IMF felt it was necessary to do so. For example, nations running chronic deficits may devalue their exchange rates and alter other economic policies in hopes of reducing their debt; all implemented under the auspices of the IMF. In fact the IMF would often only allow nations to devalue their currency if they implemented additional economic policies which the IMF considered necessary in assisting the nation on the road to economic stability. Following the implementation of IMF supported economic policies the IMF would continue to monitor the nation to ensure that "necessary" economic policies remained intact. Failing to implement IMF supported policies could result in expulsion from the IMF and consequently, severing trading relations with a vast segment of the global economy.

To sum up, the IMF's perceived role in the global economy was to liberate international payments and international trade from the restrictions of exchange controls, multiple exchange rates, competitive depreciation, import quotas, trade discrimination, excessive tariffs and to ensure member nations did not implement economic policies in conflict with the IMF's objectives (Mason & Asher, 1973). During the negotiations at Bretton Woods the future role of the World Bank was not as defined but one thing was certain; any nation wishing to become an active member of the World Bank must belong to the IMF and hence abide by its economic doctrine. The fact that a majority of the negotiations at Bretton Woods concerned the establishment of the IMF and that membership to the Fund became a prerequisite for membership to the Bank, suggests that the Banks' role and policies which will guide it need not be accurately defined.

The initial intentions of the Banks' founders were to create an international bank which would assist in the reconstruction of nations which received the severest damage from World War Two. The Banks role would be to finance projects in war-torn economies; primarily Europe but other areas of the world as well. Funds emanating from the Bank would supply the necessary financial resources to reconstruct heavily damaged infrastructures such as highways, bridges, railways, irrigation systems for supplying clean water to various cities, as well as allocate funding for basic needs for those most affected by the war. Due to circumstances to be discussed, the Bank approximately three years following its ratification and implementation, began focusing its efforts on inducing capitalist economic development within the "Third World".

FACTORS INFLUENCING WORLD BANK MATURATION

Although forty four nations attended the final negotiations at Bretton Woods, initially, only twenty eight nations endorsed the final documents - the World Bank "Articles of Agreement". The level of participation amongst the nations and hence on the formulation of the Bank charter, was even lower. The negotiations resembled a series of ideological battles between the British government and their economists, primarily J. M. Keynes, and the American government (i.e. Congress, Treasury Department, Presidents Office), and their affiliated economists, primarily H.D. White. By the time the debates subsided and nations ratified the Bank charter, American views prevailed. "U.S. views regarding how the world economy should be organized, how resources should be allocated, and how investment decisions should be reached were enshrined in the Charter and the operational policies of the Bank." (Gwin, 1994).

The American hegemonic position in the World vis-a-vis economic and military power, following World War Two, combined with the fact that a majority of the negotiations concerned the ratification of the IMF charter and not the World Bank charter, permitted the Americans to formulate a majority of the Banks' constitutional basis. British diplomats recognized American efforts to control the creative processes throughout the negotiations but as a nation heavily ravaged by War and in dire need of financial assistance, they were unable to overcome American dominance. "The political and economic circumstances of the post World War II transition period made it virtually inevitable that the American viewpoint should prevail." (Gardner, 1980:73).

Many forces were involved in establishing the World Bank but it was Harry White, a senior American economist and advisor to the American Treasury department, who mainly shaped the initial debates pertaining to the overall function of the World Bank and the IMF. White stated in April of 1942:

"No matter how long the war lasts nor how it is won, we shall be faced with three inescapable problems: to prevent the disruption of foreign exchanges and the collapse of monetary and credit systems; to assure the restoration of foreign trade; and to supply the huge volume of capital needed virtually throughout the world for reconstruction, for relief, and for economic recovery". (White cited in Mason and Asher, 1973:15)

From the time of White's statement, from which the IMF and the World Bank evolved, to the final ratification of the Articles of Agreement, numerous debates surrounding the future role of the World Bank were entertained by the delegates. For example: was the Banks' main emphasis to provide loans for reconstruction or development?, would funds be allocated for balance of payment problems?, who would be able to borrow money from the World Bank? what would be the specific conditions under which the Bank could guarantee or make loans? The precedence given to the negotiations surrounding the formulation of the IMF left many of these questions unresolved.

Due in part to the absence of concern and consensus, combined with American assertiveness, the World Bank charter was conceived to accommodate flexibility in the formulation and implementation of operational policies (Akins, 1991. Brown, 1992). The flexibility and vagueness which characterizes many elements of the Bank's charter has enabled the Bank to conform to ongoing transformations in U.S. diplomacy in particular, and in general, to the global economic and political environment. To illustrate: Article III, section 1(a) states:

"The resources and facilities of the Bank shall be used exclusively for the benefit of members with equitable considerations to projects for development and projects for reconstruction alike." (IBRD, Article of Agreement, Article III, section 1(a), cited in Mason and Asher, 1973:23)

However, section 1(b) of the same Article asserts: ..."the Bank shall pay special regard to lightening the financial burden for countries that have suffered great devastation from enemy occupation or hostilities." (cited in Mason and Asher, 1973:23). Because the charter was rather ambiguous, the first few years of the Bank's maturation was plagued by legal battles aimed at resolving the opposing interpretations of World Bank Articles and on the many unanswered questions (Brown, 1992).

Although the World Bank claims that the Articles of Agreement are general enough to give the Bank flexibility in its operations, so it can adjust its policies to the realities of a changing world (World Bank, 1971a:5), it is not necessary to analyze the entire constitutional foundation of the Bank in order to weaken the validity of this statement. It is also not the main intention of this discussion. At this point it is sufficient to state that due to the ambiguous nature of the Charter, there remains to this day the potential to interpret the Bank Articles of Agreement in order to manipulate World Bank operational behaviour. Regardless of one's perspective, the flexibility of the charter has indeed allowed the Bank to adapt to a constantly changing world, hence enabling it to maintain a substantive function in global economic development.

The original Board of Governors of the International Bank for Reconstruction and Development held its first meeting in Savannah, Georgia in 1946. Although a charter had been established, many issues surrounding the Bank remained vague. Let us take one rather important issue for example; the Bank was intended to be a financial institution with no allegiance to any particular government. However, the nature of the voting system within the Bank seemed to favor American interests. (Gardner, 1969. Mason & Asher, 1973. Gwin, 1994).

"All powers of the Bank are vested in the Board of Governors, which consists of one Governor appointed by each country. The Board meets once a year and in the interim votes by mail or cable on matters requiring its action. With the exception of certain powers specifically reserved to them by the Articles of Agreement, such as decisions on membership, allocation of net income, and changes in the capital stock, the Governors have delegated their powers to a board of Executive Directors who perform their duties on a full-time Basis at the Bank's headquarters in Washington, DC.... Five of these Directors are appointed by the five largest stockholders and the remainder (now numbering 15) are elected by the other members." (World Bank, 1971a:5).

The final decisions concerning operational policies and procedures which guide the Bank and consequently influence Bank endeavors, are determined by an ongoing series of voting amongst the Board of Governors. If individual nations each had an equal vote the system would better reflect the interests of all its members, but this is not the case. Voting power is determined to a certain degree, by representation. Each member has 150 votes plus one extra vote for every share of stock held ("capital subscriptions paid into the Bank," World Bank, 1970). The United States has always been a dominant shareholder in the World Bank. Therefore, it has always maintained a majority of the voting power. In 1947 the United States held 37.20% of the total voting power (Mason & Asher, 1973.) and as of 1993 (in the IBRD), the United States control 17.2% of the voting stock; Japan 6.6%; Germany, France, and the United Kingdom about 5% each. In contrast, forty-five African countries together control only 4% of the total. (George & Sabelli, 1994).

Prior to the creation of World Bank subsidiaries, which will be discussed in detail later, it was officially entitled; "The International Bank for Reconstruction and Development. As its name and charter indicate (see for example World Bank Charter; Article III, section 1(a), cited in Mason & Asher, 1973:52) loans for development and reconstruction were to be of equal importance. The main intention of the IBRD was to supply financial assistance to borrowing countries specifically for projects and not for balance of payments problems or for purchasing imports for general use by the nation. In terms mentioned in the charter, the Bank would supply funding for development projects and only for development programs under "special" conditions (Mason & Asher, 1973).

The Bank issued its first loan to France in 1946 in the amount of $250 million American (Gardner, 1969). The loan application issued by France and its approval by the Bank was the first indication that the Banks function would be defined by a flexible charter and an evolving external political and economic environment. For example: the first loan issued to France explicitly stated that funds would not just be used for development projects.

"The French applied in 1946 for a loan of $500 million and specified a number of commodities whose imports were to be financed..... Although the total commitment of the Bank was scaled down to $250 million, the share of the total for each commodity category was unchanged. These commodities were to be a part of the required imports for the first year of a development plan" (Mason & Asher, 1973:265).

The Executive Directors of the IBRD found justification for accepting the French proposal from within the World Bank Charter. The flexibility of the charter allowed Bank officials to broaden the spectrum of acceptable loan criteria. Consequently, within the next year the Bank disbursed three other loans to nations in Europe to be utilized for a variety of purposes. These initial loans dispensed by the Bank enabled it to [broadly] define its purpose in the global arena.

Financing provided by the World Bank to assist in the reconstruction of war-torn European countries was insufficient to complete the task. Even though the Bank's criteria for loan acceptance were broadly defined much of the capital needed for reconstruction was not part of this criteria. In conjunction with this, the Bank simply put did not have the financial resources needed to reconstruct European nations. The Banks only resources at that time were derived from capital subscriptions paid to the Bank by member nations, which were limited at that time, and from finances generated by selling shares of the World Bank in the private market; not an easy task to do given the state of the world economy.

Some nations were in dire need of financing for the general purpose of balance of payments. The Bank, restricted by its doctrine and financial resources, could not provide this assistance. However the United States could. The United States, under the direction of the "Marshal Plan", not only provided the necessary financial resources to reconstruct Europe, it ultimately forced the Bank to shift its emphasis from reconstruction to development.

Secretary of State George Marshall first introduced what was to become the Marshal Plan in 1948. The Marshall Plan was an extension of US foreign policy designed to provide financial loans, mostly in the form of grants, to European nations. The fact that loans offered through the Marshall Plan were easily accessible and there were few restrictions on where or how the grants were to be spent (Oxford University Press, 1982), forced the Bank to announced it would halt large loans to Western Europe since European Nations obviously preferred to do business with the United States. Funds available by the Unites States initiated by the Marshall Plan exceeded the entire capital of the Bank (Acheson, 1972), hence placing the United States as the largest financier of post-war reconstruction and economic development.

The International Bank for Reconstruction and Development, now inhibited by its lack of financial resources and American bilateral assistance, began concentrating on its future role: the long-term task of financing economic development. Although the Bank's resources were limited in comparison to American assistance programs, it still had substantial assets and a function to perform in the global economy. The state of many economies in the South and the low levels of economic development and investment experienced in these economies, provided an attractive opportunity for the Bank to venture on the road to financing long-term economic development.

The Bank proceeded with caution when it began to finance economic development in the "Third World". Between 1946 and 1950 the Bank had only authorized $350 million in loans to underdeveloped areas, of which only $100 million had been disbursed; in comparison to the Export-Import Bank of Washington which made loans in excess of $800 million between 1946 and 1950. (Acheson, 1972). The first "underdeveloped" country to receive a loan from the World Bank was Chile in the amount of sixteen million dollars (Mason & Asher, 1973). The money was used specifically for hydroelectric and agricultural projects which the Bank felt would induce the necessary conditions for economic development to thrive. Soon after loans were approved for Mexico and Brazil; the Banks' role in "Third World" economic development had commenced.

The Bank, still in its infancy, faced a number of constraints to financing projects in the South. For example, private banks within the United States were still supplying a majority of the financing to Third World countries and the Bank was still witnessing internal organizational disputes and financial constraints. There was much debate amongst World Bank executives and the Bank President concerning the prospective function the Bank would perform in Third World economic development. At one extreme Bank officials did not want to become involved in the "aid" business; involving the Bank in high risk ventures with low rates of return on loans. At the other extreme, some Bank members envisioned a predominant role for the Bank to perform in "Third World" social and economic development. Witnessing the Bank's behaviour in the past five decades indicates that the latter vision of the Bank prevailed.

"in its fifty years of existence, the World Bank has influenced more lives in the Third World than any other institution..." (George, 1994).

In summation, there have been a number of factors which have influenced the maturation of the World Bank. As noted the Bank has been and continues to be heavily influenced by the political and economic environment within the United States. The flexibility of its charter, the continued financial commitment by its members, its ability to successfully raise funds in the private market, and its involvement in profitable ventures, has enabled the World Bank to survive in a hostile global economy.

THE WORLD BANK GROUP

Initially, World Bank involvement in Third World economic development, as already discussed, was relatively modest. However the year 1958 marked an end of the Bank's passive involvement in economic development in the South.

"During the fiscal year ending 30 June 1958 there was a dramatic rise in the World Bank's lending activity from a level of about $400 million annually, which had been maintained for the three previous years, to over $700 million , two thirds of which went to underdeveloped regions." (Mikeskell cited in Acheson, 1972:71).

Although the negotiations at Bretton Woods did foresee a role for the Bank to play in financing economic development in all regions of the world, its future role in the Third World was not given much thought. This region of the world often referred to as the Third World or "least developed", located primarily south of the equator, represented a vast domain where capitalist economic development was in its genesis. The Bank, as an advocate of capitalist development, seized the opportunity to focus its efforts almost entirely on the Third World.

In comparison to post World War Two Western Europe, economic conditions in the South were deplorable. Third World nations faced a number of distinct constraints. For example, many of the Nations in the South prior to the War were already heavily indebted and forced to default on previous loans. The Bank's Executive Directors, in accordance with the Bank Charter, believed defaults on existing loans was the most obvious obstacle to the restoration of credit, and therefore evidence of a borrower's willingness to settle outstanding debts should be made a prerequisite for loans. (World Bank, Second Annual Report, cited in Asher & Mason, 1973:180).

In addition, considerable components of the infrastructure needed to accommodate capitalist economic development were absent in many nations of the South. The absence of an infrastructure for industrial or agricultural production, transportation and ultimately the possibility of competing in the global economy, ironically, represented an ideal environment for the Bank to flourish in. In order to develop an infrastructure equivalent to the West, Southern nations would need immense levels of foreign investment. Consequently a majority of economic development financed by the Bank in the South was initially committed to large scale projects designed to facilitate mass production of agricultural and industrial exports.

Unlike the situation in Europe just following the war in which funding was readily available, the South's demand far exceeded that which was needed to reconstruct Europe. Leaders in the South argued that the Bank could not make a significant contribution to their massive investment requirements; even if it could, the terms and conditions were restrictive (Oxford University, 1982). A United Nations Subcommission on economic development also believed at that time that even if the Bank did increase its involvement in project funding in the Third World, it would still be insufficient.

".....on a realistic assessment it cannot be assumed that the Bank could, in the foreseeable future, be able to make a significant contribution to the massive investments required for economic development involved over a long period. Moreover, even if the finance available through the Bank could be increased beyond present expectations, the Sub-Commission is of the opinion that the terms on which it would be available under the policy established by the Bank, limit the effectiveness of this financing to under-developed countries. There are fields and types of investment required for economic development which can neither satisfy the preconditions required by the Bank, nor carry the interest charges involved, nor be liquidated within the period required... (United Nations Sub-Committee on Economic Development, cited in Asher & Mason, 1973:382).

The Bank charter regarding operational policies did indeed restrict access to funding for many Third World nations and the feeling within the Bank, especially within the Board of Governors, was that the Bank charter could not be reinterpreted broadly enough to include many Third World nations; any attempts to do so would change the financial character of the institution (Oxford University, 1982).

The Bank continued to provide modest funding in the Third World during its first decade of business. In conjunction with Bank funding, some nations in the South were able to access funds from private Banks or bilaterally from such nations as the United States, Germany, England, Japan; among others. Despite the influx of financial assistance, nations in the South, with few exceptions, were still experiencing increasing levels of debt and poverty, as well as extremely low levels of economic growth. Pressure from Third World governments and the obvious; conditions in the Third World were deplorable, initiated changes within the World Bank. Whether in response to the crisis brewing in the Third World or merely modifying its function in the global economy, the Bank reacted by creating subsidiary agencies.

In an attempt to facilitate a wide spectium of recipients ranging from national governments and private interests in "least developed countries" to nations experiencing relatively stable levels of economic growth, the Bank created three subsidiary agencies. They were: the International Development Agency (IDA) the International Finance Agency (IFC) and the Multilateral Investment Guarantee

Agency (MIGA).

The IFC, established in 1956, is financially and legally separate from the Bank (George, 1994). Decision-making within the IFC, although heavily influenced by Bank executives, does not reside in the hands of the Bank's Board of Governors. By providing loans exclusively for the private sector within nations currently engaged in business with the Bank, the IFC further induces conditions for economic growth to flourish.

The MIGA was the newest member to join the World Bank Group. Established in 1988, its function was and still is to facilitate foreign investment within nations that currently receive either IBRD or IDA loans. It achieves this goal by providing guarantees on investments from the private sector. It has also on occasion advised developing nations on matters concerning foreign investment policies (George, 1994).

Although the IFC and MIGA have facilitated the expansion of loan criteria, the two institutions, in comparison to the IDA and the IBRD, consume a substantial minority of the Banks financial resources. They have also maintained a subordinate position within the World Bank Group in respect to policy formulation. Rather than formulate economic policies to guide the Bank, the two institutions attempt to conduct business according to Bank doctrine.

The IDA was created to accommodate the financial needs of the world's poorest nations. In World Bank discourse:

"The International Development Association (IDA) is an inter-governmental agency making concessionary loans to its poorest member countries for sound, productive, high-priority economic development projects. (Concessionary loans are ones whose terms impose a relatively light burden on the borrower, either by bearing a very low rate of interest or by being repayable over a very long period of years, or both)" (World Bank, 1971a:72).

Due to the important impact the IDA would have on the evolution of World Bank policies and operations and consequently on Third World economic development, the IDA deserves more attention in this discussion.

The idea of creating an economic development institution designed to accommodate the poorest nations of the world evolved primarily from governments of the South expressing their concerns in various agencies such as the United Nations. These agencies provided a global forum where Third World desires could at least be recognized by nations throughout the world.

"The less developed countries,... showed extraordinary ingenuity in keeping the issue alive and inching forward toward their goals. Their campaign splashed over from the United Nations channels into other channels and back again, creating waves and ripples in Washington; in European, Asian, and Latin American capitals; in World Bank circles; and among special commissions and committees, national and international" (Mason & Asher, 1973:383).

The United Nations responded to the constant pressure exerted by "Third World" countries by establishing aid agencies such as the International Development Authority. The United States although resisting pressure from the South, did vanguard the establishment of such institutions such as the Inter-American Development Bank (IADB). Other bilateral and to a lesser extent, multilateral, economic development institutions began to emerge throughout the world; the aid business had commenced.

The International Development Association (IDA) established in 1960 was part of the World Bank's response to the growing pressure emanating from the South. As previously stated the IDA was designed to provide low interest and long term loans to the poorest countries in the world for "development" projects. Development projects in this case were not restricted to conventional projects such as hydroelectric dams or highway construction; projects initially favored by the Bank. Economic development projects, due to the expansion of the loan criteria accompanying the IDA, now included irrigation systems for clean drinking water and sewage, construction of educational institutions, building of hospitals; among many others. These projects in the past were not alluring to the Bank because they did not generate capital in the immediate future and therefor threatened the borrower's ability to repay the loan within the negotiated time period.

It is important to note that, prior to the Bank's shift to policy funding in the 1980s, a majority of IDA resources financed hydroelectric, transportation, and other infrastructure related projects; not hospitals, schools or waste disposal plants. Initially, the only distinct differences between IBRD loans and IDA loans were loans terms (i.e. interest rates and length of time to repay loan) and the clientele; the poorest nations of the world.

Before concluding this discussion pertaining to the IDA it is necessary to describe certain features of this institution which are often misinterpreted in historical accounts of its evolution. First, it is important to note that the idea of creating a "soft loan" affiliate to the Bank was initially resisted by many of the "developed" member nations of the World Bank; nations that maintain a majority of the voting power within the Bank. As a consequence it took a decade of arguing and negotiating before the IDA came into existence. Rather than resolving many of the controversial issues the Bank executive chose to ratify a charter which was even more flexible (vague) than the IBRD charter. This has allowed the dominant shareholders, especially the United States, given its position, to influence the evolution of the IDA and its behaviour.

The IDA and the IBRD have separate Charters but are very close affiliates within the World Bank Group. Decisions on projects and operational policies are made by the same Executive Directors and Board of Governors. Consequently, voting power, although it differs slightly from the IBRD, heavily favors nations which contribute the greatest amount of capital. The IDA in many ways does not resemble the institution which many nations of the South fought for; it is not under UN control, it does not make grants, and it operates under weighted voting (Mason & Asher, 1973).

Their close affiliation extends beyond similar voting and decision-making authorities. A majority of the loans issued by the IDA and the IBRD have been utilized for similar projects and are expected to create production capabilities in the developing world (Bajaj, 1990). The IBRD and the IDA are guided by "consistent fundamental principles" (Payer, 1982), suggesting that any differences amongst the institutions are superficial at most.

> The distinction between the IDA and the rest of the Bank is often misunderstood. They are not separate agencies - not even in the way that the Bank and its newer affiliates, such as the IFC, are semi-detached. IDA and IBRD are simply labels that the Bank attaches to different sorts of financing . Much the same criteria for evaluating projects apply in each case: loans under either headings are supervised by the same management" (The Economist, Oct. 12th, 1991:9).

Due to the close association the IBRD and IDA share, the two institutions will remain the primary focus of this study. Distinctions between the IDA and the IBRD will be made only when it is relevant to the discussion.

FROM PROJECT TO POLICY FUNDING: A NEW ERA FOR THE BANK

The stage has now been set for the World Bank to facilitate economic development throughout the world. A financial commitment by economically powerful nations, the ability to generate finances from the private sector by selling its own securities on capital markets, and the profits generated from current loans, provides the economic means on which its survival depends. As previously argued, the obscure constitutional basis (e.g. vague constitutional charter) has also contributed to the Bank's financial success. It has enabled the Bank to expand its loan criteria to include: telecommunications, public sector management, water supply and sewage, urban development, transportation, population, health and nutrition, development finance companies, industry and small enterprise education, energy, policy reform and technical assistance, agriculture and rural development (World Bank, 1992d).

To phrase matters in financial terms, the IBRD from its creation in 1946 to 1994, had loaned or committed $235 billion (US funds), in more than 3500 loans. In addition, the IDA in the same time-frame lent close to $78 billion to nations which the IMF and the Bank have categorized as the poorest. (George, 1994:11). Simple arithmetic reveals that World Bank Group, from its establishment following World War Two to the present day, has committed over $300 billion to finance economic development in all regions of the world. In this section, rather than analyze specific ventures the Bank has participated in, of which there have been thousands, I will describe the patterns of Bank behaviour within the past five decades in relation to the nature of its lending portfolio.

World Bank funds have almost always been fashioned to accommodate the needs of specific projects. "Traditionally", the Bank favored infrastructure projects such as transportation, communications, and electric power (Payer, 1982). Other sectors of Bank lending involved funding projects designed to: extract natural resources (eg. minerals, petroleum, forests), increase the output of agricultural commodities, and develop industry in regions of the world which it considered an ideal environment for industrialization to prosper - factors usually determined by a particular nation's "comparative advantage".

Bank funding, for a number of reasons to be discussed, expanded to include what the Bank regarded as "socially constructive and/or poverty oriented" projects (Hurney, 1980; Payer, 1982). These ventures, which continue to consume a minority of Bank endowments, include funding for education, health care, water supply and sewage; among others.

A number of factors have influenced the actual levels of Bank financing in specific sectors within the Third World. First, ideology within the Bank seemed to favor large "mega-projects" because it was believed that these projects would form the basis of any nation's endeavor to industrialize. Initially many of these projects did induce the necessary conditions for economic growth to flourish and many economies in the South actually experienced relatively high levels of economic growth within the first few decades following the war.

With massive amounts of investment flowing into the South from multilateral and bilateral, private and public sources, it does not seem too surprising that the South did experience impressive growth rates in the 1950's, the 1960s and, to some extent, in the 1970's. However, despite the increasing levels of economic growth experienced in the South, levels of poverty, unemployment and ecological destruction, have also risen at alarming rates. Efforts to finance economic development were rewarded by impressive growth rates witnessed in the South. However, if sustainable development and poverty alleviation are the primary objectives of these endeavors, then they have failed miserably.

The World Bank's annual report in 1972 stated:

"In 75 countries with 96 percent of the population of the Bank's developing members, aggregate production and income appear to have grown at an average annual rate of more than 5.5 percent over the last 10 years. Preliminary statistics suggest an even higher rate during the last four years... Averages are not wholly revealing, however. Behind them lie the grim realities of how life at the lower end of the scale is lived by the poorest among nations and the poorest within nations... As a generality, it is probably true that the world's burden of poverty is increasing rather than declining" (World Bank Annual report, 1972. Cited in Oliver, 1975:268).

The global economic and political environment has also influenced the activities of such institutions as the World Bank. The global economy has never remained static. The evolution of this highly complex system, determined largely by competitive and co-operative interactions amongst the players involved (those involved range from national governments and massive corporations to nongovernmental organizations and indigenous minorities), has shown signs of severe instability (eg. pre-World War Two depression, 1980s' global recession). To Third World nations attempting to compete in the global economy, this instability has inhibited and in many cases reversed trends in economic growth. Simply stated: many of the commodities produced in the Third World for sale on the global market have experienced severe reductions in price. On the other hand, many of the commodities not produced in the Third World but are vital for economic development such as petroleum and manufactured goods or machinery and equipment, have increased in price (Mosley, Harrigan, and Toye, 1991). Nations in the Third World experienced severe imbalance of payments (capital expenditure exceeds revenue) and, therefore are unable to purchase many of the commodities used to stimulate economic growth, not mention feed the people.

Other influential factors emanating from the global economy - to take, for example, increasing interest rates - have also suppressed progress in the South. Many Third World economies in the past borrowed immense amounts of capital at low interest rates. These rates have since increased tremendously resulting in a vast debt generated in large part by rising interest rates. The recession of the early 1980s which devastated many economies in the South, particularly in Sub-Saharan Africa, contributed to what many refer to as the "lost decade", a decade plagued with low economic growth rates, increasing poverty and malnutrition, and an escalating ecological crisis, all of which are inter-related.

The amount of academic discourse and literature describing the various reasons for the occurrences of instability in the global economy is astonishing. Recessions, depressions, inflation, fluctuations in prices, etc; are all explained in accordance to one's own perspective. It is not my intention to describe and debate the numerous explanations nor is it to commit myself to any particular theory. It is sufficient to state that Bank efforts to finance economic development in the South have been manipulated, obstructed and sometimes even facilitated by the complex and dynamic forces engaged in the global economy.

As one of the vanguards for promoting economic development in the Third World, the Bank once again expanded its loan criteria to include not only project but "policy-based" loans. According to the Bank, in order to combat the hostile forces in the world economy, nations in the South would need to devise significant changes in their economic policies, including greater attention to macroeconomic stabilization and greater reliance on markets and the price mechanism (Polak, 1994:7). The Bank believed in many cases that it was not the projects which were to blame for the failed attempts to induce economic growth.

"A well designed irrigation project would raise yields by less than had been expected. Perhaps the government kept farm prices artificially low, giving farmers little or no incentive to supply more; or perhaps the price of an essential input, such as fertilizer, was kept high by trade and industrial policies. Projects in other parts of the economy - industry, energy, transport - were undermined in the same way, not by the defects in design but by the broader policy environment" (World Bank Official cited in *The Economist*, 1991 p.13).

Although there is little mention of it in current Bank discourse, in the 1960s and 1970s the Bank was dissatisfied with protectionist economic policies functioning in many industrialized nations (Mosley, Harrigan, & Toye, 1991). Even though many First World nations continue to maintain economic policies which are inconsistent with the overall ideology of the Bank, a majority of the criticism emanating from the Bank is aimed at Third World governments.

According to Bank dogma, the failure of billions of dollars invested in the South to alleviate poverty and "underdevelopment" has been directly related to the hostile economic and to some extent political climate within the Third World (World Bank, 1992c). This type of conviction within the Bank made way for the Bank's expansion in its lending portfolio to include policy based loans. Broadly speaking, policy based loans are either designed to finance the implementation of Bank ordained economic policies in specific nations or materialize as loan "conditionalities" - certain conditions (i.e. the implementation of specific economic policies) which a nation must fulfil prior to and during loan disbursement. This type of funding is now commonly referred to as "structural adjustment lending" (SAL).

These conditionalities usually embody assorted fiscal, monetary and sometimes even environmental policies. The main policy measures consist of: trade liberalization, financial liberalization, public sector reforms, privatization of public firms, unification of exchange rates, land reforms and, the removal of distortions in domestic pricing of outputs and inputs in agriculture, forestry, industry and energy (Hansen, 1990). The Bank's mission to finance [economic] development projects is now accompanied by efforts to transform the economic structures of many Third World nations through loan conditionality. Implementing the policy measures listed above, according to the Bank, would provide the necessary environment for economic growth to flourish, hence providing the fuel for development.

The idea of manipulating government policies in recipient nations even though it is relatively new to World Bank behaviour, was not a phenomenon unforeseen by the founders of the World Bank. The Bank has provisions in its Charter to accommodate the expansion of Bank funding. Article III, section 4, clause (vii), states: "..loans made or guaranteed by the Bank shall, except in special circumstances, be made for the purpose of specific projects of reconstruction or development" (IBRD Article of Agreement III, cited in Lewis & Kapur, 1973:75).

Initially, the interpretation of "special circumstances" worked to the advantage of some nations seeking financial assistance to fund enterprises which did not fall within the category of project funding; as determined by the Bank. As previously discussed, just following the war, France received financing from the Bank which was not intended for any specific project but rather to be used in a "development plan". France argued successfully that given the "special circumstances", in this case a war ravaged economy, they should not be denied access to finances for ventures not necessarily pertaining to specific projects (Mason & Asher, 1973). The executive directors of the Bank at that time set a precedent by interpreting the charter to allow funding for "economic restructuring" (Mason & Asher, 1973:25), thus enabling the Bank to expand its realm of influence.

A vaguely written and ambiguously interpreted charter has enabled the Bank to expand its lending portfolio but we must be careful not to place too much emphasis on this point. Disputes pertaining to the interpretations of particular Bank Articles of Agreement are no longer a common occurrence. The Charter has indeed been a useful instrument for Bank officials; especially during the first decade of the Banks maturation. Initially it enabled Bank officials to justify the expansion of Bank activities. But unlike the Charter, the influence bestowed upon the Bank by its member nations, particularly its most powerful, and the economic philosophy governing Bank transactions, continues to perform a significant role in the Bank's evolution.

The Bank's augmentation to include [economic] policy-based lending was accommodated by a vaguely written charter but economic and political interests have consistently been the guiding force behind Bank behaviour. Policy-based lending simply put represents yet another instrument the Bank has utilized to achieve its objectives and expand its horizons.

Many factors have facilitated the Bank's involvement in the policy-making of recipient nations.

Beginning with the most obvious, membership in the Bank was made conditional on membership in the International Monetary Fund. In principle this meant that nations applying for Bank loans should already be initiating changes in domestic economic policy in accordance to Bank/Fund orthodoxy. It was not written explicitly within the Bank Charter, not an uncommon characteristic of the Charter, but member nations were expected to implement economic policies which the Bank deemed necessary to facilitate economic development.

As stated in the charter, the Bank may in "special circumstances" work out specific recommendations for strengthening the economic and financial policies of the member government" (World Bank, 1960). Although it has not been well documented, in the first two decades (approximately), of the Banks development it was not uncommon for the Bank to make negotiation of and compliance with Fund agreements a condition of lending (Mason & Asher:543). By doing so the Bank avoided the hazardous task of forcing nations to alter domestic economic policies, an act which many governments felt was a threat to national sovereignty.

Attempts by the Bank in the past to influence domestic policy were met with much opposition. For example, attempts to place "economic conditionalities" on loans to India in the 1960s resulted in a tremendous backlash from Indian officials and the Bank was forced to retract the conditionalities (The Economist, 1991). Consequently, rather than attach specific conditions to loans, the Bank preferred to periodically send economic missions to member countries to assess their economic policies. As a result of these missions, the Bank often recommended to the host country certain policy changes which it believed would further the country's economic development (World Bank, 1971a:14). According to Bank officials, recommendations were not formal conditionalities and nations which did implement Bank supported economic policies, did so on their own accord (World Bank, 1971a). Since many of these negotiations were held in confidentiality between Bank and government officials it was difficult to accuse the Bank of being overly coercive.

As previously discussed, conditionality is not a new phenomenon. However, the nature and magnitude of Bank loan conditionality in the South is unprecedented. Coercive or not, loans for policy reform and technical assistance, which include structural adjustment lending, now consumes a significant portion of the Bank lending (The Economist, 1991). From the mid-1980s to the present day, Bank recommendations have indeed evolved to become conditionalities. Even though "tied loans" (loans containing conditionalities) were prohibited according to the Bank Charter (World Bank, 1960), in many cases it is now mandatory for nations receiving Bank finances to implement Bank ordained economic policies prior to loan disbursal.

A study dedicated to the examination of World Bank policy-based lending describes the nature of conditionality:

"Conditionality as practiced by the World Bank is a *game*... the conditionality game can be divided into three periods or "acts":

1. An initial negotiation process (Act 1) in which donor and recipient try to agree on the conditions that are to be attached to a development loan...
2. An implementation process in which the recipient government decides how far to honor the promises it has made during Act 1.
3. A response by the donor in the following period consisting of a decision to grant or refuse further finance to the recipient in the light of the recipient's performance during Act 2. (Mosley, Harrigan & Toye, 1991:67-69).

Rather than describe in detail specific negotiations, this description provides an accurate account of an instrument utilized by the Bank within the overall framework of policy-based lending.

To conclude this chapter it is important to note that the Bank has utilized a variety of lending instruments to fulfil its objectives. These can be broadly categorized as project loans, sub-sector loans, sector loans, and structural adjustment loans (Bajaj, 1990:10). Within each of these categories the Bank continues to influence the policy environment of the recipient nation. Generally speaking; the Bank in negotiation with particular nations, designs different combinations of instruments to suit specific nations and to respond to the constantly evolving international economic environment.

The Bank continues to be subjected to much criticism, especially in respect to its policy-based lending activities. This has not hindered the Bank's endeavor to influence policies in the South nor has it caused the Bank to alter its current trends in "development assistance". Resistance to what some have labelled "neo-colonialist" tactics has been unsuccessful and the Bank continues to discover financial opportunities throughout the Third World. Deplorable conditions within many Third World nations and the fact that financial assistance from other sources is often unavailable or contains greater degrees of conditionality has facilitated the Bank's evolution to a new era of policy driven development financing.

Despite the dramatic change in the nature of World Bank lending activity, its original mission to generate finances for reconstruction in industrialized economies and to induce economic development in "developing" economies (Acheson, Chant, & Prachowny, 1972: xiii), remains intact. Even though the "rules of the game" (conditions agreed upon at the Bretton Woods negotiations), which influence the Bank's behaviour within the international financial system, have to a great extent deteriorated, ironically the Bank continues to follow its original mandate. The World Bank in its current state continues to finance economic development in the South and economic reconstruction in Europe, except in this case reconstruction follows the demise of the "Cold War", not World War Two.

CHAPTER III

WORLD BANK ECONOMIC AND ENVIRONMENTAL POLICIES

THE EVOLUTION OF WORLD BANK ENVIRONMENTAL AGENCIES

The historical characterization of the World Bank provided in chapter two illustrates, among other features, the World Bank's ability to adapt to a constantly evolving global economy and consequently, prosper economically. Despite the Bank's continual exposure to the hostile forces and ongoing transformations in the "rules and regulations" which govern the international global market, it has evolved to become a major component of the current global economy. In its fifty years of existence, the World Bank has influenced more lives in the Third World than any other institution (George & Sabelli, 1994:*back page*). In conjunction with its success the Bank's membership and consequently its financial resources have increased dramatically, with more than one hundred and forty member nations and an annual budget in excess of twenty five billion dollars. The Bank's role in facilitating economic growth throughout the world has indeed varied since its creation, but its survival has never been threatened. The World Bank has prospered in a global economy plagued with economic, social and political instabilities. In some instances these instabilities have actually facilitated the expansion of World Bank operations. To take for example the "debt crisis" of the 1980s which forced many Third World nations to borrow from the World Bank because access to other sources were often denied.

The World Bank, now a powerful financial institution, is facilitating the expansion of the global economy at unprecedented rates. Evolving from a purely financial institution designed to promote economic growth through loan disbursal, it now possesses the ability to regulate and sometimes dictate policy formulation and implementation in many Third World and to some extent First World Nations.

Even though the global economy continues to expand, the economic benefits do not seem to solve many of the problems facing our planet. The global community is afflicted with a sickness which manifests in the form of poverty, violence and environmental degradation. Despite successful endeavors to integrate national economies in hopes of inducing economic growth, increasing trading relations, and hence expanding the global capitalist economy, the sickness continues to grow. As national economies integrate so do the problems associated with economic development.

The relationship amongst poverty, violence, and environmental degradation and their connection to economic growth is complex. The World Bank in many of its publications attempts to identify the nature of these complex relationships. (See for example; World Development Report

1992). A common theme seems to emerge - Bank studies suggest that economic growth, with relatively equal distribution of the wealth, of course, will eventually alleviate poverty and lead to sustainable patterns of economic development. While some have argued that the Bank can risk not alleviating poverty and in some cases even "perpetuate poverty" without jeopardizing its affluence (Payer, 1982; Bandow & Vasquez, 1993), it can no longer ignore the environmental impacts emanating from the type of economic development it advocates.

Wealth generated from economic growth, particularly within the Third World, is derived primarily from natural resources. History reveals that institutions such as the World Bank have been active in funding economic development projects designed to exploit the abundance of untapped resources in the South. As we have already discussed, the Bank in conjunction with project financing has now become quite active in policy formulation; not just for the Bank but for other nations as well. Given this information one should be able to assume that if the Bank is as influential as studies display, then it should also be extremely concerned with finding solutions to environmental problems caused by economic development.

During the first two decades of the Bank's maturation little thought was given to the potential ecological side-effects of economic development. Even though there was evidence that industrialization had the potential to cause harmful effects to the environment, the founders of the World

Bank neglected to instill a genuine concern for the environment within the World Bank Articles of Agreement. Perhaps the creators of the World Bank in their ignorance could not possibly foresee the environmental consequences of their efforts to facilitate the expansion of the global economy. Numerous studies have illustrated to us that environmental degradation is now a global concern. Ecosystems (i.e. rivers, lakes, wet-lands, oceans; etc,) polluted by human activity associated with economic development do not recognize national boundaries. Degradation of the environment not only perpetuates poverty and unemployment but it has now become so severe that it is threatening the survival of the international economy (Clow, 1986). "That environmental degradation in its many forms constitutes a significant threat to economic development has become evident during the past decade" (World Bank, 1990:1). As a financier of economic development and a facilitator for the expanding global economy, the Bank must reconcile the environmental consequences of the type of economic development it supports.

The dawn of the 1970s marked a new era for environmentalism. (Environmentalism in this context refers to the increasing awareness of the degradation of our planet's natural environment). Concern for the environment has evolved in many forms ranging from local community organizations to vast international institutions; emanating from academic as well as private and public sources. As concern for the environment expands so do efforts to study the causes, effects and potential solutions to environmental degradation.

The World Bank in response to the environmental dilemma has been constantly attempting to integrate ecological factors (i.e. maintaining a healthy environment), into economic decision-making. By formulating various policies and guidelines for both Bank staff and recipients of Bank funding, the Bank claims it is involved in an ongoing process aimed at minimizing environmental degradation generated by economic activity. Before examining these various policies and guidelines I will briefly describe the institutional restructuring of the World Bank in its attempt to strengthen the institution's proficiency in dealing with environmental degradation.

Prior to the late 1960s the Bank did not express concern for the potential ecological side-effects of economic activity. As pressure to at least recognize the danger mounted, the Bank created in 1969 the post of Environmental Advisor - later changed to the Office of Environmental Affairs (OEA). (World Bank, 1979). As mentioned in chapter one the creation of an Environmental Advisor to monitor thousands of projects was insufficient.

The establishment of the OEA resulted in an increase in the number of Bank staff dedicated to analyzing the environmental side-effects of various projects. The expansion of the Bank to include the OEA was accompanied with greater efforts not only to give advice on specific projects but to research the various relationships between economic growth and environmental degradation. However, with the continual expansion of Bank involvement in economic development, the OEA was still incapable of advising and monitoring an overwhelming majority of the projects financed by the Bank. The OEA was, however, able to identify many of the problems associated with economic activity. For example: Environmental Considerations for the Industrial Development Sector, published in 1979 by the World Bank for the OEA, not only identified many of the sources, effects and solutions of industrial pollution (economic development), but also formulated "acceptable" criteria and standards for industrial development (World Bank, 1979:14-21).

As projects continued to escape scrutiny by the OEA, evidence of environmental degradation continued to mount. The OEA, although unable to have much influence in the selection and implementation of projects, was certainly involved in analyzing the aftermaths of Bank activity. The OEAs brief existence within the World Bank did not evolve to become an active participant in Bank decision-making. Rather than formulate preventative measures the OEA devoted much of their efforts toward examining the environmental side-effects of Bank funded projects at that time; of which there was ample material.

The OEA during its existence did not experience radical changes in its structure or its in its meager consumption of Bank resources. It did expand to become the Office of Environmental and Scientific Affairs (OESA), but expansion was restricted primarily to its title. "In practice, these efforts remained inadequate, largely because of the small number of environmental staff in the Bank at that time" (World Bank Development Committee, 1988:3).

In 1987 the World Bank Group embarked on a major effort to incorporate environmental concerns into all aspects of its work (The World Bank Group, 1994). Consequently the Bank significantly restructured the nature of its environmental department. Inspired perhaps by the increasing rate of environmental degradation in the developing world and a change in World Bank mentality, to be discussed in detail in the latter sections of this discussion, the Bank created the World Bank Environment Department, (WBED) in 1989.

The WBED at the time of its creation to this day consists of four units within the four Bank regional offices, and a central Environment Department situated in the Senior Vice Presidency for Policy, Planning and Research. The World Bank Development Committee in its report entitled; Environment and development: implementing the World Bank's new policies, describes the intended role of the WBED.

"The four regional environmental units, which together contain about thirty staff members and consultants, focus on the environmental impact of projects and on identifying more general tasks, the priorities of which are established according to country and urgency. The Central Environment Department consists of three divisions and will contain about thirty staff members and consultants. Its function are to conduct policy and research activities in a range of technical, economic, and social areas, to support the regional staff with conceptual guidance or specialized expertise, and to establish and maintain information systems and data bases. The department also participates in training and informing Bank staff on environmental issues through seminars, workshops, and briefings" (World Bank Development Committee, 1988:4).

Temporary "sub-committees" within the Environment Department also evolve from time to time to examine new environmental problems and according to numerous official Bank publications, ecological considerations are attracting a great deal of attention in other departments.

In 1993 the Bank experienced its most dramatic reorganization witnessed since its creation. Accompanying this reorganization was a Bank-wide assessment of environmental staffing needs. Even with the Bank's expressed commitment to "sustainable" [economic] development, its own assessment "found a shortfall in a number of critical skills areas", and consequently Bank authorities created "twenty seven new positions for technical environmental specialists" (World Bank Group, 1994:157).

The institutional changes accompanied by the increase of "environmental specialists" suggests that the Bank is at least recognizing the existence of a causal relationship between environmental degradation and the type of economic development it advocates. Although Bank doctrine is less likely to refer to the environmental dilemma as a crisis, it does recognize the effects environmental degradation will have on economic development, and hence on the success or failure of some Bank funded projects - particularly on projects heavily dependent on a healthy environment for their survival.

"Environmental degradation in its many forms has commanded increasing concern in the international community in recent years.....a problem that ever more clearly threatens economic and social well-being throughout the world" (World Bank Development Committee, 1988:1).

An examination of the World Bank today reveals that there are more than 300 high-level staff and long-term consultants now working on environmental matters for the Bank (World Bank Group, 1994:158). A vast amount of publications dealing with the need to integrate ecological considerations into economic development decision-making, have been produced by such staff. This is evident in the amount of time Bank staff has dedicated to developing techniques such as "environmental accounting" and environmental impact assessments. Unfortunately, much of these efforts are not endorsed by the Bank executive and therefore do not evolve from theory to practice.

Institutional restructuring within the Bank to facilitate the examination of environmental problems is rarely internally motivated. Rather then take the initiative to combat environmental degradation the Bank acts in a reactionary manner. To illustrate: the 1972 UNCHE, the 1986 Brundtland Report (Our Common Future), and the 1992 United Nations Conference on Environment and Development (UNCED), three conferences which increased global awareness of environmental degradation, seem to motivate the World Bank in each event, to implement institutional changes. Also in comparison to the amount of overall research and development undertaken within the Bank, the environment continues to be a subordinate topic. Well, after-all it is labelled a Bank.

INTEGRATING ECOLOGICAL AND ECONOMIC DECISION-MAKING

"Although it is the largest, the World Bank is but one of many major multilateral development agencies that have recently provided some concrete definition of what may be termed "environmental responsibility". In doing so, these agencies now recognize that any development project that ultimately degrades the human environment is not a sound investment; as a consequence, environmental factors are now weighed in their project review procedures" (World Bank, November, 1979:8).

The evolution of the project review process to include an environmental component was the first step taken by the Bank in order to integrate ecological considerations (i.e. pollution, ecological deterioration), into economic decision-making. Initially environmental assessments were confined primarily to identifying potential pollutants of specific industrial development projects (World Bank, 1978). Industrial development in this context referred to a vast array of development projects ranging from sugar cane production to various types of mining operations. (See for example, World Bank Environmental Guidelines, 1981; Environmental Guidelines, 1988). Following the identification of the potential environmental side-effects of industrial production, the World Bank environmental staff developed a series of acceptable guidelines for environmentally sound economic development. "The guidelines cover a number of aspects: including the environmental factors, permissible pollutant levels, and principal control methods" (World Bank OEA, 1981:1).

It was soon obvious to Bank officials that even by producing an extensive set of environmental guidelines for particular categories of economic development, the task of protecting the environment would require much more attention. Firstly, developing specific guidelines could not possibly encompass all forms of economic development, nor could it accommodate the diverse nature of the Third World. But perhaps the largest barrier to Bank endeavors is the fact that, for reasons such as technological innovation, environmental degradation has escalated.

As the means of production transforms with the application of new technology, the causes and consequences of environmental degradation become increasingly complex. As one environmentalist illustrates:

"What was found in the technological innovation of the first and subsequent "industrial revolutions" were ways to tap into and harness more natural processes and energy flows. In agriculture, forestry and aquaculture we have found increasingly sophisticated ways to modify habitats and divert more and more of the biomass of living plants and animals into our production system. We have found ways to harness more and more exotic physical, chemical, and biological processes to produce plastics, petrochemical based products, modified life-forms and electronic apparatus....The exponential expansion of production....has only been possible by the greater and greater intrusion into and manipulation of, the normal operations of Nature, particularly the normal operations of the biosphere" (Clow, 1991b:4).

The World Bank's efforts to promote environmentally sustainable development by conducting EIAs of specific projects was not successful. For various reasons, many projects, as mentioned, did not undergo EIAs and it was soon discovered that even those projects which did, failed to comply to even the Banks own environmental standards. It was clear that EIAs alone would not solve many of the ecological effects of economic development.

In response to the Banks obvious inadequacy to deal with environmental problems, it was forced to expand its efforts in promoting environmentally sustainable development. In 1987, inspired by the release of Our Common Future, the Bank claimed it would add a significant new dimension to its work on the environmental consequences of economic development (World Bank, 1988a). A report titled Environment, Growth and Development, released in 1987 outlined the Bank's new approach to sustainable development. The report claimed that while the Bank would continue, even more energetically than before, to address the environmental consequences of individual projects and identify projects specifically aimed at environmental problems, it also emphasized that environmental issues must be addressed as part of overall economic policy rather than project by project (World Bank, 1987; World Bank, 1989a:3).

Endeavors to foster environmentally sustainable economic development or, as stated in Bank discourse, to integrate economic and environmental interests, can be divided into various classifications: fund projects specifically designed to enhance the natural environment, integration of EIAs with the overall project cycle, formulation of national Environmental Action Plans, develop and implement [economic and environmental] policies which ensure "sustainability" of economic development. A brief explanation of each classification will provide insight into the Bank's overall efforts to become "green".

The Bank has made a commitment to fund projects specifically designed to enhance the natural environment. These type of projects range from the restoration of particular ecosystems (i.e. rivers, marshlands, forests, atmosphere) to projects designed to develop "ecotourism" (i.e. wildlife parks) within a particular community. As expected, funding of these types of ventures is a relatively new characteristic of Bank behaviour. In comparison to the overall Bank budget, these projects consume a substantial minority of the loans. However, due to the increasing amount of projects which have, according to the Bank, "environmental components" (World Bank, 1994), it is difficult to determine if the project is in fact designed specifically for the conservation or enhancement of the natural environment. Thus the Bank is able to include projects, which are designed primarily to facilitate economic development, within environmental classifications and thereby ambiguously expatiating the announced levels of funding dedicated specifically to the environment. (See for example, Annexes B to E in <u>Making</u>

Development Sustainable, World Bank Group, 1994).

A second element of the Bank's efforts to promote environmentally sound economic development involves the integration of EIAs within the overall project cycle. Simply put, environmental factors must be dealt with throughout the life of the project in question. To illustrate, according to the WBED:

"Bank environmental assessments emphasize identifying environmental issues early in the project cycle; designing environmental improvements into projects; and avoiding, mitigating, or compensating for adverse impacts. By following the recommended environmental assessment procedures, designers, implementing agencies, borrowers, and the Bank are able to address environmental issues immediately, thereby reducing subsequent requirements for project conditionalities and avoiding costs and delays in implementation due to unanticipated problems" (World Bank Environment Department, 1991:1).

Current Bank discourse has replaced the terms "EIA" and "projects" with "environmental assessment" and "project cycle", a consequence of the Bank's evolution. As the Bank becomes more and more involved with the many aspects of economic development, new terminology must evolve to more appropriately describe its behaviour. For example, an EIA once referred to an assessment of a specific project and its impact on the local environment. Environmental Assessments (EA) or "environmental reviews", are designed, in theory, to perform a vital and influential component of any project cycle. The Bank, more-so than in the past has become an active participant within all stages of the project - hence the term "project cycle".

An elaborate model of the project cycle with an accompanying environmental review has been developed by the WBED. (See for example: WBED's Environmental Assessment Sourcebook, Volume I, 1991). Once a request for a particular loan is received by the Bank the first phase of the project cycle, the "identification" phase begins. Within this phase of the project cycle Bank staff, known as "Task Managers", implement a process known as "environmental screening". Environmental screening is crucial because within this phase, those involved, identify any aspects of the project which are not environmentally significant and which therefore can be eliminated from further considerations (WBED, 1991:4).

Based on the findings of environmental screening, projects are assigned to various categories which determine the extent of the environmental assessment throughout the project cycle. To illustrate, there are four main categories:

"Category A: EA is normally required, as the project may have diverse and significant environmental impacts.
Category B: More limited environmental analysis is appropriate, as the project may have specific environmental impacts.
Category C: Environmental analysis is normally unnecessary, as the project is unlikely to have significant environmental impacts.
Category D: Environmental projects for which separate EAs are not required, as environment is a major focus of project preparation" (WBED, 1991:4).

Even though the Bank has expressed its commitment to minimizing the ecological effects of the projects it finances, all project assessments will not have environmental components such as an EA. Reasons for this, to cite a few, are: the absence of adequate resources, Bank operational policies do not always require the implementation of environmental assessments, or Bank staff (task managers), for a number of reasons allow projects to escape environmental assessments. To explain the latter; slightly over twelve percent of the projects approved by the Bank (IBRD & IDA) in 1991 received complete environmental assessments and out of that twelve percent, almost half were projects designed specifically for the environment (*Adapted from table 4-1 in* The World Bank and the environment - Fiscal 1991, World Bank 1991:67). The most current statistics, although they describe environmental components of various projects, do not reveal the decisions made by the Task Managers, who ultimately decide on whether or not projects receive environmental assessments. This information is usually confidential.

As noted, due to the scale of economic development funded by the Bank (i.e., 1000s of projects), there are often not enough human and financial resources available to set in motion a thorough environmental assessment. In addition Bank policy, to be discussed in detail in the latter section of this chapter, does not require that all projects undergo environmental assessments. It is also important to note that sectoral adjustment loans (SECAL) and structural adjustment loans (SAL), which comprise over twenty-five percent of the Banks current portfolio, do not require environmental review (WBED, 1991; World Bank, 1994). Yet another element of the

Bank's environmental work involves the creation of Environmental Action Plans (EAP). According to the Bank, EAPs are important vehicles for assisting borrowers to set environmental priorities (World Bank Environment Community, 1992b:2). The EAP represents an advancement of environmental concerns beyond the project level to the overall economic development of a particular nation. The most recent development the EAP, as described by Bank officials, state that in theory, an EAP should contain the following:

"The EAP describes a country's major environmental concerns and problems and formulates policies and actions to address the problems. The government is responsible for EAP preparation and implementation, noting that the Bank's role is primarily to provide advice and help arrange technical assistance for the government. The bank's policy is to foster preparation of the country EAP and to incorporate EAP findings and strategies into Bank work. The EAP is expected to be a preliminary step in a continuing government process of environmental planning and an integral part of developmental policy and investment decision-making.The Bank uses the EAP to provide a basis for dialogue with the government on environmental issues and information for developing country assistance strategies" (WBED, 1992:8).

The EAP is an essential component of the Bank's overall strategy to develop environmentally sound economic decision-making, even though to this day a majority of the nations currently receiving World Bank assistance have not completed comprehensive EAPs. Due to the enormity of the EAP, and, similar to EIAs and Eas, EAPs are the responsibility of the recipient nation - nations often do not have the human and financial resources available to complete an EAP.

The expansion of Bank environmental work reflects other patterns of Bank behaviour. For example as the Bank expanded its loan criteria from primarily funding mega-projects, to include policy-based lending (i.e. SALs), Bank efforts in the environmental sector have evolved from specific EIAs for specific projects to, attempts to establish economic and environmental policies to facilitate environmentally sound patterns of economic development.

WORLD BANK ENVIRONMENTAL AND ECONOMIC POLICIES

With the evolution of Bank endeavors to finance ecologically sound economic development, comes a new mandate. The World Bank's new "environmental agenda" consists of:

"Assisting countries in strengthening their own environmental policies and institutions.
Assessing and mitigating potential damage from Bank-financed activities.
Building on the complementaries between sound development and sound environmental policies.
Addressing global environmental problems" (World Bank Group, 1994: forward).

With a description of the Bank's overall commitment to the environment, it is now necessary to examine the environmental and economic policies designed to support this commitment.

Poverty alleviation and promoting sustainable development facilitated by appropriate policies has now become the Bank's mission. (World Bank, 1992a; World Bank Group, 1994). Prior to discussing these policies a brief definition of sustainable development, as defined by the World Bank, is necessary.

"Sustainable development is about ensuring that improvements in human welfare are lasting. A specific concern is that those who enjoy the fruits of economic development today may be immizerizing future generations through excessive degradation of the earth's resources and polluting the earth's environment. The general principle of sustainable development adopted by the World Commission On Environment and Development (Our Common Future, 1987) - that current generations should meet their needs without compromising the welfare of future generations - has become widely accepted, and is strongly supported by the Bank" (World Bank, 1992a: 50).

Promoting sustainable development at the project level originates within the actions of those involved in project evaluation. As part of their efforts Bank staff have strived to enhance economic models used in the project evaluation, to ensure sustainability of the project. Methods such as the "cost-benefit analysis" or "user cost approach" have been enhanced to include environmental factors such as the depletion of natural resources and/or natures ability to absorb the waste (pollution) of economic growth. If a project in question depletes natural resources or has the potential to inflict damage on the environment thus threatening its sustainability, these factors must be considered prior to investment.

It is not necessary to describe the various economic approaches to project evaluation, nor do I have the academic ability to do so. It is obvious however that Bank efforts to integrate economic and environmental concerns, by and large, involves "pricing the environment" - formulating values for, what were once considered to be "externalities" (i.e. pollution in its many forms) or environmental factors previously omitted entirely from the project cycle. Bank staff are continuing their efforts to achieve this task but as one would expect, placing values on such factors as the atmospheres ability to absorb carbon monoxide, or the capacity of a river to absorb waste, is complex. Consequently, much of the work accomplished by Bank staff remains in theoretical stasis or is under-utilized in the decision-making process. As a recently retired senior economist at the World Bank illustrates:

"Project evaluation is well recognized by standard economics which has long taught the need to count "user cost" (depletion charges) as part of the opportunity costs of projects that deplete natural capital. World Bank *best* practice counts user costs, but *average* Bank practice ignores it. Uncounted user costs show up in inflated net benefits and an overstated rate of return for depleting projects. This biases investment allocation toward projects that deplete natural capital, and away from more sustainable projects" (Daly cited in Cavenaugh, 1994:112).

To assist in the Bank's endeavor to promote sustainable development it is continually establishing certain guidelines for World Bank staff to follow when assessing the environmental impacts of certain projects. Many of these guidelines, often referred to as "Operational Directives" (ODs), which highlight potential environmental hazards of particular projects, do provide important information for those involved in the project. However, in reality ODs and all the guidance they provide are not binding on either the Bank or the recipient of Bank funding.

In October of 1989 the Bank issued OD 4.00, to be replaced by OD 4.01 in 1991, to deal with environmental assessments. Within these guidelines the Bank describes in detail the various stages of EAs. (See for example OD 4.00 in

Environmental assessment sourcebook Volume I, 1991:27-38). OD 4.01 appears to be a vital component of the Bank's [potential] institutional ability to deal with the environmental side-effects of the projects it is involved with. But because of the fact that ODs are not mandatory, the Bank's efforts to promote environmentally sustainable development at the project level seems in vain.

The Bank's reluctance to enforce vital ODs such as OD 4.01 reflects its overall institutional inability to promote environmentally sustainable development. To illustrate: the Executive Directors of the World Bank who ultimately decide on whether a project shall be financed or rejected by the Bank, are unwilling to enforce OD 4.01, as well as other relevant ODs. The Executive Directors maintain that ODs are general instructions from management to staff issued primarily for guidance purposes. ODs receive little attention unless they contradict Bank Articles of Agreement or policies previously approved by the Bank Board of Governors (Shihate, 1994:44).

OD 4.02, which outlines Bank policies and procedures relating to the preparation of EAPs by the Bank and by borrowing countries, faces similar constraints: conducting EAPs are not mandatory for either Bank staff or recipients of Bank funding, recommendations in EAPs are not binding, technical and financial assistance for devising EAPs is scarce, and most importantly, ODs which deal primarily with environmental issues, have not evolved to become Operational

Policies" - policies that are binding.

In theory EAPs represent a step towards at least recognizing the potential environmental constraints to economic development. But formulating accurate EAPs involves a number of processes that are in themselves controversial. It is the opinion of this author that EAPs do in fact provide an opportunity for those involved in policy-making, to acknowledge a nation's "major environmental concerns". However, the formulation of EAPs are not only complex and culturally biased, they are driven foremost by economic rather than environmental interests.

An essential function of the EAP is to provide guidance for overall developmental policy and investment decision-making (WBED, 1992). This includes decisions affecting patterns of economic development within a particular nation. Since in the minds of many policy-makers economic interests often supersede environmental concerns, the essence of EAPS - to promote environmentally sustainable development - is lost.

At this stage in its evolution EAPs are concerned primarily with integrating environmental and resource management concerns in the economic decision-making process (Peskin, 1989). In order to achieve this task certain Bank staff and recipients of Bank funding have expended efforts on adjusting national economic accounts; or more commonly known as systems of national accounting (SNA). SNA formulated by the United Nations in the late 1950s and recently revised in 1993, generally speaking, attempts to identify a nation's current and unexploited financial assets as well as its financial liabilities and from this monitor economic growth, - a process which involves a great deal of accounting. According to Peskin and Lutz, World Bank staff:

"National economic accounts, a framework for the systematic organization of economic data describing a nation's economic condition, exist in one form or another worldwide. Governments have found these accounts indispensable for purposes of organizing the data necessary for the analysis and design of economic policies and for gauging the success of these policies. From this SNAs reveal such statistics as gross domestic product, which is according to Bank discourse, even with its shortcomings, one of the most important indicators of economic development" Peskin & Lutz, 1990:Appendix III).

In measuring economic performance and setting guidelines for public policy, the World Bank, as well as developing countries themselves, rely heavily on the aggregates in national income accounts (Lutz, 1993:1).

Bank philosophy dictates that if environmental factors can be integrated into a nations SNAs, it would provide greater guidance for decision-makers as well as a more accurate description of a nations progress, in terms of promoting environmentally sustainable economic development. With this type of thinking evolved the discipline commonly referred to as "environmental accounting". Pioneers of environmental accounting claim that meaningful values can be attached to a wide range of environmental attributes. The identification of these values is the primary task of environmental economics - environmental accounting provides the means to achieve this task. Proponents of this view see the identification of these values as a condition for progress on rational decision-making where the environment is accorded its proper weight (Bower, 1994:91).

Prior to the growing recognition of environmental degradation, national economic accounts rarely recognized ecological constraints to economic growth. Without taking into account such factors as environmental degradation, distribution of wealth, or the "quality of life" experienced by the people, they narrowly defined national progress; primarily in economic terms. SNAs have evolved to incorporate more and more "indicators" of national well being, but in relation to the environment, very little progress has been made. SNAs, although evolved somewhat, continue to be based primarily on an accounting system designed over four decades ago. At that time those involved in formulating a nations SNA failed to recognize the importance of including better treatment of natural resources and the environment. (Lutz, 1993).

Efforts by Bank staff, as well as other economic development institutions, since then to devise formulas for environmental accounting (i.e. to integrate environmental factors within a SNA), are quite active. The World Bank has released a number of publications pertaining to environmental accounting, (See for example; Lutz, 1988; Ahmad, 1998; Daly, 1991; Lutz & Munasinghe, 1991; Peskin, 1990 & 1991; Pezzey, 1992; among others). These publications discuss the many complex and controversial aspects of environmental accounting.

Without questioning the logic behind environment accounting, it is important to note that, despite the energy exerted by Bank officials, much of the work, as with most enlightening aspects of the Bank, has not been put into practice. Bank economists such as Herman Daly, once one of the forerunners for the advocacy of environmental concerns within the Bank, has expressed discontent with the Bank's inability to adopt economic models designed to promote sustainable development (Cavanaugh, Wysham & Arruda, 1994). The Bank, rather than implement much of the theoretical advancements in environmental accounting (EIAs), and environmental reviews (Eas), by in large has chosen to tackle the ecological dilemma by manipulating the overall policy environment of those nations receiving Bank financial assistance.

The term "lost decade", which refers to the rising levels of poverty experienced in the South despite massive amounts of investment provided by such sources as the World Bank, can also be applied to the success rate of promoting environmentally sound economic development. Consequently, the Bank has chosen to include policy-based lending as an instrument to combat environmental degradation. Policy-based lending, as discussed in chapter two, appears in many forms ranging from loan conditionality to loans provided exclusively for institutional restructuring.

One facet of policy-based lending involves institutional restructuring. The Bank as part of its mandate encourages nations to restructure government institutions. In relation to the environment this usually refers to strengthening the government's ability to deal with environmental concerns throughout the development process. Creating environmental departments or other enforcement agencies to ensure that respect for the environment is considered in all aspects of a nations development, although not widely financed by the Bank, is one from of institutional restructuring.

The most popular form of institutional restructuring does not involve the creation of environmental departments. The Bank is far more active in restructuring national economies rather than encouraging nations to develop public institutions to deal with environmental concerns. This evolves from the belief that the development of "market-based instruments" (i.e. economic policies), is the first step to sustainable development. Once policies are in place, but not until then, should governments become involved, and even then they should restrict themselves to policy enforcement and environmental protection. But before the poorest nations of the South become committed to enforcing environmental policies and, protecting the environment, according to my interpretations of World Bank reports, they must first induce the necessary conditions for economic growth to thrive. Once the economic benefits of increased growth rates materialize, governments can than concentrate on strengthening their ministries, agencies and other governmental institutions, to deal more effectively with environmental issues (World Bank, 1994). Until then they simply cannot afford to; the access to funding for such purposes is limited. The Bank in 1994 provided funding for only three projects aimed at "environmental institution building" - strengthening a government's capacity to deal with environmental issues (World Bank Group, 1994:12).

Although the evolution in World Bank behaviour is designed to promote environmentally friendly economic development, its prime directive, to induce the necessary conditions for economic growth to flourish, remains paramount. It is believed that in certain cases, policies justified on economic grounds alone can deliver substantial environmental gains (World Bank, 1992d). The dramatic increase in policy-based lending, particularly SAPS, suggests that the Bank favors this route to fulfil its mandate.

Numerous World Bank reports have highlighted the obvious connection between economic growth and the escalation of environmental degradation. Yet scaling down economic activity, as a means to complement sustainable development, has never been a comfortable idea within the Bank. The Bank has always maintained that continued, and even accelerated economic and human development is sustainable, when accompanied with "policy, program and, institutional reform" (World Bank, 1989-94). As the World Development Report 1992: Environment and Development explains:

"Under present productivity trends... developing country output would rise by 4 percent per year between 1990 and 2030, and by the end of the period would be about six times what it is today... World output by 2030 would be 3.5 times what it is today, or roughly $62 trillion... Under simple extrapolation based upon today's practices and emissions coefficients, this would produce appalling problems of pollution and damage. Tens of millions of people would probably die each year as a result of pollutants, water shortages would be intolerable, and tropical forests and other natural habitats would be a fraction of their current size. The possibility is clear and real... However, the evidence suggests that where environmental policies are publicly supported and firmly enforced, the positive forces of substitution, efficiency, and structural change can be just as powerful..... This explains why the environmental debate has rightly shifted away from a concern over physical limits to growth toward a concern about incentives for human behaviour ıd policies to overcome market and policy failures (World Baı 1992a:11-12).

The research, development, and implementation of new economic policies, by the Bank, outweighs its efforts dedicated to the formulation of environmental policies. Generally speaking, the Bank's attitude towards projects, or economic development in general, which have failed on whatever criteria, have done so because of a hostile policy environment. Therefore efforts to formulate complimentary economic policies has become a central component of the Bank's strive to promote sustainable development.

In the past, we have witnessed the Bank's inability or unwilli..gness to implement much of the theoretical accomplishments in the disciplines of environmental assessment and environmental accounting. However, the same scenario does not apply to policies of economic character.

The World Bank has recently completed a study, not published in complete as of yet, documenting the progress made in understanding the links between economy-wide policies and the environment (See Mohan & Cruz, forthcoming). The study is based on an extensive survey of "recent and current" Bank activities (World Bank, 1994). This report attempts to identify economic policies which attribute to or inhibit progress in terms of facilitating environmentally sound economic development.

Following the examination of numerous Bank studies the primary motive of economic policy, is exposed - economic policies should be formulated to facilitate economic growth which will ultimately lead to an increase in aggregate income; the most valued indicator of development. The acceleration of equitable income growth combined with improved access to the "required resources and technologies", according to the Bank, will solve many of the underlying causes of environmental degradation and "underdevelopment" (World Bank, 1992a). Stressing the importance of raising incomes as a means for alleviating environmental problems is justified on the basis that increasing income will allow societies to worry less about poverty, malnutrition or unemployment, and more about "profitable investments in conservation" (Adapted from World Bank discourse).

Promoting equitable income growth must be accompanied by additional policies in order to facilitate sustainable development. The Bank has identified four main policy areas which need to be strengthened: policies which encourage efficiency, policies which discourage distortions in the market (i.e. removal of subsidies), policies which clarify property rights, and, targeted policies to change behaviour. The latter, according to Bank dialogue, can be described as "market based policies, which tax or charge polluters according to the amount of damage they do; and those based on quantitative restrictions, the so-called command and control policies , which provide no such flexibility" (World Bank, 1992a:17). As expected Bank officials, although recognize the importance of "command and control" policies, favor the use of market-based policies because they tend to impose less of a burden on the economy.

The World Bank's 1991 annual report released a description of a number of "market-friendly" policies, some which have already been mentioned, to facilitate sustainable development. "These policies emphasized: investment in people through education, health, nutrition, and family planning; creating the right climate for enterprise, through ensuring competitive markets, removing market rigidities, clarifying legal structures, and providing infrastructure; integration with the global economy through promoting open trade and capital flows; and ensuring macroeconomic stability" (World Bank, 1991b).

The Bank, which places confidence in a "free-market" approach to sustainable development, does recognize the potential for market failure. For example, according to the

Bank, markets frequently do not accurately reflect the social value of the environment for several reasons: no market exists because it is difficult to demarcate or enforce the rights to own or use the environment - as with air quality, utilization of resources are not always marketed (tropical forests are marketed while watershed protection is not), resources in international domain generally are available to anyone (i.e., depletion of the World's oceanic resources). In addition to market failures Bank staff have also identified in some cases where inadequate economic policies such as the subsidization of certain industries accompanied with market failure have contributed to the escalating environmental crisis.

Persuading nations to adopt Bank recommended economic policies has become a common practice by the World Bank. In consultation with loan recipients, Bank officials attempt to formulate policies to complement economic growth. But in many cases, to ensure that policies are in fact implemented, Bank funding is denied until appropriate policies are in place. (As previously mentioned, SALs are a form of loan conditionality).

Because of its growth in practice it is necessary to briefly describe the economic [policies] conditionalities imposed by the Bank on recipients of Bank funding. Keeping in mind that Bank studies suggest policy conditionality is as appropriate for environmental protection and natural resource management as it is for any other objective of structural reform (World Bank, 1988; 1990; 1994). There are a broad range of policies which the Bank prescribe. Rather than discuss each particular policy, an arduous task not necessary for this analysis, I will comment on the nature of the policies in general and how they pertain to the fight against environmental mismanagement.

The Bank expends much of its efforts in influencing [macro] economic policies in the South. Bank supported policies, which adhere closely to the principles of "Neo-classical" economics or a "neo-liberal" agenda, are concerned primarily with the following: trade and financial liberalization (i.e. "free trade"), public sector reforms, privatization, exchange rates, land reforms, and, the removal of distortions in domestic pricing of inputs and outputs in economic activity. There are many factors which determine which polices will be implemented and on what basis; too many to describe.

"Any attempt to summarize them into one coherent and consistent package is bound to be misleading...no attempt at definition will succeed in making adequate allowance for all the complex variants which are to be found... let us suggest that neo-liberals have a strong preference for economic liberalization. This implies the roll-back of the state, both in terms of ownership of industries, financial institutions, and marketing agencies and of its regulatory activities in trade, industry, agriculture, credit and foreign investment" (Mosley, Harrigan & Toye, 1991:11).

It is believed that the economic goals of "adjustment or stabilization programs", a series of prescribed economic polices such as those described above for Third World nations, are complimentary to the defined goals of environmentally sustainable development (Cruz, 1992). To illustrate:

"Removal of major price distortions, promotion of market incentives, and relaxation of other constraints, which are among the main features of adjustment-related reforms, generally will contribute to both economic and environmental gains" (World Bank, 1994:121).

It is evident that the Bank places a great deal of faith in economic adjustment specifically, and on economic growth in general, as a means for solving many of the Third World's problems. The Bank has chosen to concentrate its efforts on manipulating national economic policy on the premise that, on average, the impact of domestic policies on long run growth is about twice as large as the effects attributable to changes in external conditions (World Bank, 1992d).

Although adjustment programs do not necessarily contain specific references to the environmental impacts of economic growth, the consequences of "appropriate" economic policies will yield environmental benefits since instability undermines sustainable resource use (World Bank, 1994). In addition, implementing economic policies based on "Bank principles" will have long-term effects on the environment through changes in employment and income distribution (World Bank, 1994:123).

Bank principles (the dominant philosophy which guides and dictates World Bank actions) consist of: support for reliance on market forces and the private sector; encouragement to foreign private investment and good treatment of existing foreign investments; support for the principles of free trade and comparative advantage; aversion to the use of controls on prices, imports and movements of capital; aversion of subsidies and support for the principle of "full cost recovery" on the projects it finances and public investment in general, development and implementation of "stabilization" programs, including overall reductions in demand and devaluation; and the requirements that debts be serviced and repaid (Hayter & Watson, 1985:111). Keeping this in mind it is possible to discuss the limitations and impediments of World Bank behaviour.

CHAPTER FOUR

LIMITATIONS AND IMPEDIMENTS OF THE WORLD BANK

THE STATE OF THE GLOBAL ARENA

The terms "limitations" and "impediments" must be clarified prior to continuing this discussion. In the context of this dialogue, these terms refer to obstacles which inhibit the Bank's ability to finance environmentally sound economic development, not its ability to remain a profitable institution. It is necessary to make this distinction because hindrances to environmentally sustainable development are in some cases, in a purely economic sense, beneficial to the Bank. As witnessed, impressive economic growth rates experienced by many Third World nations, as a consequence of Bank financed economic development, intensifies environmental degradation.

The international arena, or more specifically the international economy, is constantly expanding. Generally speaking, it is argued that the application of new technology to the productive processes accompanied with the increase in trading amongst the world's nations, has enabled the global economy to experience rises in income and production - the total global GDP (World Bank, 1994). "Conventional thinking about the global economic process - that is to say established-supportative economic theory - attribute this growth in large part to the beneficence of trade" (Miller, 1994:2).

The World Bank has performed a substantial role in altering the economic dispositions of the South. While powerful economic interests in the North, (e.g. "Group of Seven"), including the Bank, formulate international economic policies designed to complement global trading, institutions such as the World Bank facilitate the implementation of such polices in the South. Given the relative amount of Bank investment in the South, it is puzzling as to why this institution has been able to manipulate policies of national governments so effectively. For example, in comparison to the total amount of investment in the South, the Bank constitutes a meager share of this total - the World Bank accounts for approximately three per cent of the total investment in developing countries (World Bank, 1994). But in terms of influence, the Bank is far more active than its private sector counter-parts: thirty of the forty-seven governments in sub-Saharan Africa alone have been pressured by the Bank to adopt Bank subscribed economic adjustment programs (Danaher, 1994:3).

Throughout the history of the Bank's evolution it has proclaimed a number of mandates - the Bank has advocated for reconstruction and development, poverty alleviation, environmentally sustainable development; among other slogans.

But a mandate which is not often explicitly stated involves the desire to integrate economies of the South into the capitalist world economy. Despite its original intention of non-interference in national affairs, and, as stated in the World Bank Articles of Agreement, its commitment to finance development regardless of a nation's political/economic system, the Bank clearly favors capitalist economic development as a means to achieve its mandates.

According to Bank convictions, expansion of the international economy and the subsequent rises in production, income, and trade on a global scale, are primary indicators for development (progress). But as our global community "progresses", alarming evidence suggests that a majority of the world's population, as well as its natural environment, do not benefit from this progression. In terms of providing a meaningful life for the majority of the World's population and respecting the environment upon which all life depends, economic growth has been extremely unsuccessful. The evolution of the global economic community exhibits many symptoms that materialize as obstacles to environmentally sustainable development. There is much evidence to support this reproach.

A number of studies indicate that, as the global economy expands, so do the negative side-effects of economic growth induced by this expansion. To illustrate, Morris Miller's study titled, <u>Where Is Global Interdependence Taking Us?</u>, reveals features of the global community which could not possibly indicate progress. His study, among many others, (See for example, Brecher & Costello, 1994; Rich, 1994; Daly, 1992; Chossudovsky, M. 1991; Ekins, 1989;), highlight the negative consequences of a rapidly expanding global economy: "the gap between the rich and the poor is widening with immiseration remaining persistent and widespread, the nature of technology is changing rapidly widening the educational/informational gap and increasing the unemployment rate, the pressure on the environment is increasing exacerbated by spreading poverty and by the debt overhang, the capacity of developing countries to compete is decreasing and that of the large multinational companies is increasing with partic.larly distressing social, economic, political, and environmental consequences for developing countries, and, "off-shore" international financial flows are large and growing rapidly - the rate of increase, composition and volatility of these flows has been increasingly beyond government control" (Miller, 1994:3-13).

Although many nations throughout the world experience these "negative consequences" in varying degrees, it is most severely witnessed in the nations of the South. Third World societies are being manipulated by institutions such as the World Bank into integrating into the global economy - a hostile environment to even the most powerful players in the global arena - and as a consequence have borne the heaviest burden of economic development.

The type of economic development advocated by the World

Bank, primarily "free-market" capitalist economic development, has deteriorated many of the traditional methods of societal development (Trainer, 1989; Editor of the Bank Information Centre, 1989; Brecher & Costello, 1994; among others). To facilitate the adoption of free-market capitalism, Third World societies have had to dramatically alter existing political, economic, and, social institutions; alterations designed to integrate national economies with the global economic system.

The movement toward an international system of economic dependency, a system based on international trading relations as opposed to "intra-national" trading relations (i.e. the buying and selling of goods and services within national boundaries), has produced a phenomenon often referred to as "globalization". Although globalization is an immensely complex process involving every aspect of global development, economic globalization - the international economy - is evolving at a much faster pace than its social and political counterparts, thus becoming a vanguard for global development.

The Bank's rationale for facilitating globalization has remained consistent throughout its existence. Whether it was involved in reconstructing Europe, financing irrigation projects in the South, or designing macroeconomic policies for recipients of Bank financing, the Bank has remained a proponent of globalization. By promoting the movement of capital, foreign investment, and international trade, throughout its evolution, the Bank has become a fundamental component of global capitalism.

The expansion of the world market to many represents a movement in the wrong direction for global development. (This point will be elaborated on in chapter five). To some, including this author, the phenomenon of globalization facilitated by institutions such as the World Bank, has caused many problems for not only the environment but also for a majority of the world's population. As one study suggests:

"Globalization facilitated by the World Bank has led to, particularly within the Third World, rising unemployment, falling real incomes, mass layoffs, cutbacks in public services, deteriorating working conditions, elimination of small farms and businesses, accelerated destruction of the environment, and loss of democratic control over their governments and societies. While these problems have many causes, all are aggravated by globalization" (Brecher & Costello, 1994:4).

POLITICIZATION OF THE WORLD BANK

Research demonstrates that the processes involved in integrating nations in the World economy results in many hardships for millions of people (Trainer, 1995; Rich, 1994; Oxfam, 1992; among others). Nations afflicted with such ailments as poverty or environmental degradation, resulting from economic adjustment, are often reminded that "short term pain will lead to long term gains". Bank supported research claims that in order to induce the necessary conditions for economic growth to flourish, nations must often tolerate such ailments as described above; but only temporarily of-course

(Reed, 1992; World Bank, 1990b).

Perhaps, integration is not the answer for many nations. But all evidence suggests that the Bank has always favored globalization; particularly in an economic sense. Throughout time nations have experimented with various economic models (i.e.Keynesian or Marxist economic theories) to guide decision-making within national economies. Numerous policies emanating from such schools of thought advocated a need not for liberalization and privatization, but rather for protectionism, planning, and active government intervention. Even though the World Bank was influenced by the dominant economic theories of the time, a majority of its activities (i.e. projects and polices financed and supported by the Bank) supported the expansion of the global economy. (Evidence indicates that Bank financing, for the most part, encourages integration in the global economy).

Why does the World Bank so heavily favor particular models of economic development, and why is it swift to dismiss alternative approaches? One such explanation involves a phenomenon known as "politicization". In this context, politicization refers to an important component of the Bank's constitution which influences the manner in which this institution behaves - in this instance this involves constitutional character as opposed to the Bank's written constitution. Even though some officials would like to believe that the decisions made by the Bank are done so without political interference, this is not the case. Hence, the phrase "politicization of the World Bank"!

The World Bank, similar to other international organizations, is quite susceptible to politicization. As we have witnessed, the nature of the Bank's voting structure "concentrates a great deal of power over the Bank's policies in the hands of the principal contributors, especially the United States" (Brown, 1992:7). Consequently, policies adopted by the Bank could favor the "wealthiest" nations thus perpetuating the economic inequalities amongst its member nations.

Minority sharehclder nations have voiced concerns in the past and have even convinced international organizations such as the United Nations to pressure the World Bank to alter its voting structure in order to better reflect the interests of all its members. Despite efforts to democratize the voting composition of the Bank, the fact still remains that increased voting power can only be achieved by an increase in "capital subscriptions" paid to the Bank. The World Bank is hardly based on the "principle of sovereign equality of all its Members", despite what its charter may claim (See for example, *World Bank Articles of Agreement* cited in Mason and Asher, 1973).

To a certain degree, cooperation amongst its most dominant shareholders has contributed to the Bank's success. However the United States because it has always maintained a majority vote, has been the most influential of the Bank's members.

"Throughout the history of the International Bank for Reconstruction and Development (the World Bank), the United States has been the largest shareholder and its most influential member country. U.S. support for, pressures on, and criticisms of the Bank have been central to its growth and the evolution of its policies, programs, and practices. The United States, in turn, has benefitted substantially in both foreign policy and economic terms from the Bank's promotion of development. The benefits have been especially significant during the past two decades as U.S. bilateral development aid has dwindled" (Gwin, 1992).

From its birth to the present day the United States has always been an active participant in World Bank affairs. However, during the first two decades of the Bank's maturation, it was able to function with relatively little interference from the US. The Bank's dependency on American markets as its primary source of private capital in the 1950s and 1960s and the fact that American interest were already instilled within the Bank during the Bretton Woods negotiations, provided assurance for American convictions. (See for example Snow, 1969:24). In addition, the relatively stable state of the world economy in the 1950s and 1960s provided an appropriate atmosphere for the Bank to function, to a certain degree, without political interference. But as national economies and the global economy in general began exhibiting signs of instability, nations such as the U.S. began scrutinizing the behaviour of international [public] financial institutions such as the World Bank.

During the first two decades of the Bank's existence it was the American Treasury Department's responsibility to act as a mediator between the World Bank and the American Government (The President's Office and the US Congress). However, in conjunction with the dramatic expansion of American foreign economic and political interests, World Bank matters would increasingly be the concern of the US Congress. The US Congress adopted policies and created [sub] committees designed specifically to examine the behaviour of international financial institutions (IFIs), and subsequently, attempted to influence the decision-making processes of IFIs such as the World Bank.

Evidence demonstrates that in some instances Bank policy is actually determined by decisions made not by Bank officials but made indirectly by the US government. This type of coercive diplomacy evolved in the 1970s largely because of the growing hostilities between "non-capitalist" nations and the US (i.e. "The Cold War"). To illustrate: because the Bank had approved loans to such nations as Vietnam, the US government in response adopted legislation which prohibited US funds from being utilized for loans to Vietnam; among other "non-capitalist" nations. Soon after the endorsement of this type of legislation by the US Congress, the World Bank cancelled a sixty million dollar loan to Vietnam (Gwin, 1994; among others). Although this particular type of American influence is less apparent, the practice still remains (George, 1994).

In the current context the Bank is much less reliant on

US capital markets for funding. With the expansion of the global economy and the accompanying expansion in private capital markets outside the American domain, the Bank has been able to minimize dependency on American based funding. Bank bonds, because of their attraction (i.e. World Bank bonds have a "Triple A" rating), have been purchased by commercial banks, insurance companies, trust funds, public pension funds, national banks, among many others (Cohn, 1973:16). This has attributed to a decrease in the amount of control exhibited by the US over World Bank affairs, however the phenomenon of politicization by the US specifically and the majority shareholders in general, is still very much applicable in the case of the World Bank. As one Executive Director explains; "the United States could send Mickey Mouse to the board and he would still have enormous influence" (Walden Bello, cited in George, 1994:214). It is also important to note that, while the IBRD has become less dependent on American based financing, its subsidiary, the IDA, is still heavily reliant upon American capital subscriptions.

"US withdrawal from the World Bank Group, unilateral US control over all Bank Group decision-making, or multilateral control over all Bank Group decision-making are all scenarios which are very unlikely to occur... The actual mix of unilateral control which will evolve in the future remains to be seen" (Akins, 1984:330).

With the reorganization of the World Bank in 1987, greater control over the ecumenical operations of the Bank was placed in the hands of the Executive Directors. Given this fact it can be argued that politicization once applicable primarily to the US, has now become a phenomenon applicable, more than ever, to the majority shareholders. The interests of the majority shareholders are driven by particular economic ideologies not always consistent with the interests of a majority of its members and/or with a genuine concern to finance sustainable development. As we shall see in the next section of this chapter, the dominant ideology, emanating primarily from the interests of the majority shareholders, inhibits the Bank's success in achieving one of its stated mandates - poverty alleviation and sustainable development.

IDEOLOGICAL CONSTRAINTS TO SUSTAINABLE DEVELOPMENT

The World Bank is motivated primarily by an ideological commitment to capitalist economic development. As we have observed it has endeavored to achieve various mandates, not unforeseen by its founders. The intentions of the World Bank as stated in Article I of the Articles of Agreement, not only reveals its ideological commitment to a capitalist path towards economic growth but also the founder's ability to envision an international finance institution with many potential roles to perform in promoting capitalist development throughout the world. Article I, condensed by Donald Snow, states the objectives of the World Bank. They are as follows:

"...to assist in the reconstruction and development of member countries by promoting capital investment; to promote private foreign investment by participating in or guaranteeing loans; to promote the growth of international trade and the maintenance of international balance of payments equilibrium; to arrange loans for the most urgent and important projects which come before it; and to take into account international business conditions in all its dealings" (Snow, 1969:24-5).

History reveals that the Bank has been quite active in pursuing all of these objectives to various degrees. For example, while the Bank continues to finance specific projects it has expanded its efforts to finance [economic] development programs in numerous Third World countries and it has consistently done so with a conscious awareness of the international economic environment.

Despite the Bank's stated proficiency in economics, the institution continues to blame the lack of "progress" in the South primarily on hostile domestic and international economic environments (e.g. inappropriate economic, and to some extent political, environment, as well as misguided inappropriate policies); (World Bank, *numerous citings*). If the Bank chose to finance ventures in essentially stable political and economic environments, it would have never evolved to what it is today: a powerful international financial institution. Along with other powerful actors, the Bank has endeavored to create a suitable environment for capitalist economic development to flourish. Given the expansion of the global economy since the demise of World War II, the Bank and its allies have been extremely successful.

In the past two decades, driven by an ideological belief in and commitment to global capitalism, the Bank has intensified its efforts to manipulate economic policies in most of its member countries. These policies, aimed at reinforcing the expansion of "free-market" capitalism, are designed to "stabilize" and/or "adjust" national economies. Depending on the Bank's interpretation of a particular nation's economic state, it will advise, negotiate, and/or dictate policy reform for the recipient in question. Even at the project level, Bank decisions are predicated on the assumption that the nation in question will adhere to Bank supported economic policies.

Prior to the World Bank's extensive involvement in the domestic economic affairs of recipient nations, an era often referred to as the "project by project" generation (World Bank, 1990e), its capability to facilitate free-market capitalist development on a global scale was restricted. Given the current status of the World Bank, it is safe to say that many of these restrictions have vanished.

In concert with international agreements such as the General Agreement on Trade and Tariffs (GATT), and its most powerful shareholders, primarily the Group of Seven (G7) nations, the Bank is responsible for the adjustment of many national economies. If nations continue to alter their national economies in accordance with Bank convictions, global capitalism and its assault on the natural environment will continue to thrive. As one study on the global economy asserts:

" For the quarter century after their founding, the IMF, World Bank, and GATT were quite successful in their technical missions but they remained weak and subordinate in relation to nation states. They served as an adjunct rather than an alternative to nation based capitalism. In the era of globalization, however, they were to become the nuclei around which a system of global economic governance would begin to form" (Brecher & Costello, 1995:46).

As previously mentioned, the acceleration of this process, commonly referred to as "globalization", has contributed to the deplorable condition of the World's natural environment, particularly within the Third World. If so, then why do institutions such as the World Bank continue to facilitate the expansion of the global capitalist economy?

The answer to this question is that the Bank continues to support the expansion of global capitalism because it is influenced by an economic doctrine committed to such a purpose. This commitment is guided by theoretical assumptions pertaining to the evolution of not just individual nation states, a misconstrued phenomena in itself, but to the evolution of our global community, as well as the survival and health of the capitalist system as a whole. This vision of global [economic] development, essentially a Western perspective, has evolved in such a form because it rejects any alternative models for societal development.

In development discourse, Bank philosophy is often associated with the "modernization" approach to societal development. Defining the term modernization in its most broadest application, involving notions of "progress", industrialization and development, cannot be condensed into any set of explicit definitions. Generally speaking, a Western perception of modernization involves a vision of a process set in motion by the application of scientific research and analysis in order to expand production processes. It is assumed that this should take place within a liberal and democratic capitalist framework. In the academic arena, modernization refers to a school of thought or paradigm which attempts to define the causality between development, on the one hand, and industrialization and a reorientation of social institutions towards modern values (e.g. individualism), on the other. The origins of this perspective evolves out of a deeply rooted philosophical orientation emanating from European history. Some of the main sources of these philosophies include the works of Smith, Ricardo, Malthus, Darwin, Rousseau, and Hobbes. The more recent founders of modernization theory were primarily American academics striving to provide a theory of a path of international development which other nations would eventually follow. As we have witnessed "other nations" have often had no choice but to follow.

At the heart of modernization theory is, without a doubt, a desire to maintain economic growth - to ensure of process of economic growth. Economic growth provides the fuel for development, and hence is a necessary and paramount objective of any nation's development. To the Bank and other advocates of modernization, the most sensible manner of inducing economic growth into a nation's economy is through industrialization. Industrialization in this context applies to both urban and rural settings. Applying industrial techniques, such as machinery, to agriculture and industry will create greater efficiency and lead to increases in production. This process will also create "backward and forward linkages" further expanding this movement towards modernity. This has caused nations, in this case, to adopt various macro-economic strategies (e.g. import substitution industrialization, agro-industrialization, and export oriented industrialization), implemented under the auspices of the Bank, in order to develop/modernize. According to Bank dogma, it is possible and desirable to establish mutual trading relations amongst those nations choosing to modernize; amalgamate into a global capitalist market. This is often referred to as the "Free World" or put in a more modern context, "The New World Order". Nations labelled as being under-developed can access the wealth needed to develop by actively participating in trade within this global market.

As previously stated, the path which "under-developed" nations must travel to modernity, according to Bank discourse, will not be without social, political, environmental, and economic hardship. Temporary sacrifices in the name of progress will inevitably have to be made. In sociological terms, this transitional process in many cases redirects society from socio-economic relations based on particularism, ascriptiveness and role diffusion, to that of universalism, achievement orientation and role specificity. This is consistent with the functionalist perspective on modernization within sociology. What this essentially means is that no longer will unproductive and inefficient production processes such as subsistence agriculture or the application of primitive technology, be tolerated. Societies must break free from such traditional practices in hopes of increasing production, specialization, comparative advantage and their trading relations, hence furthering their advancement towards modernity.

As an advocate of modernization, the Bank utilizes various means (e.g. policy-based lending), in attempts to induce change in the traditional values of Third World societies, and to replace them with "key" modern social, political and economic institutional values; "modern" in this context refers to the Bank's perception of development. Although social and political institutions reflecting this modern idealism, will eventually establish a democratic society, the transition of traditional economic values and institutions usually supersedes all other transitions. This is often the cause of "temporary disequilibria" within evolving societies. These disequilibria materialize in the form of hardships such as those already mentioned. However, the "entrepreneur is seen as the motor of change" (Larrain, 1989:99) and will eventually provide an atmosphere which facilitates progress, modernity and all the accompanying societal benefits.

This all-encompassing view of societal development is based primarily on economic theories designed not only to facilitate the expansion of capitalism but also to justify its hegemonic position in development studies. The Bank, as an agent of this development philosophy, utilizes economic means to promote economic development and to ensure its own survival.

At this point it is necessary to discuss these "economic means" and how they discourage sustainable development rather than promote it. "Economic means", in this context, refers to economic policies formulated by the Bank in conjunction with its commitment to "free market" capitalist development. For clarification, these policies will be labelled as "stabilization" and/or adjustment policies. Stabilization policies, generally speaking, are designed to reduce government expenditures, reduce and eliminate subsidies, increase tax revenues, restrict money supply and Bank credit, and increase interest rates. Adjustment policies such as those contained within numerous SAPs, include: liberalization of trade (i.e. currency devaluation, reduction or elimination of export taxes, unification of external tariff rates), increase producer profits (i.e. reduction of wage bill, wage freezes, reduction in real wages and salaries, reduction or elimination of employee benefits), privatization of economic activities (i.e. the sale of State enterprises in the productive and the financial sector, reduction or elimination of State marketing agencies), and provide economic incentives for foreign investment (*Adapted from* Taylor, 1994:7-8).

Based on the research compiled and analyzed thus far, there is ample evidence to suggest that the policies, in conjunction with the Bank's overall efforts to facilitate economic growth, is leading our planet towards an ecological breakdown. Even employees within the Bank have published articles which reject the Bank's notion of sustainable development, most notably ex-senior economist Herman Daly. But the Bank continues to intensify its convictions.

"Daly an outstanding environmental economist, stayed at the Bank for six years. With his colleagues, particularly Robert Goodland and Salah el-Serafy, he tried with patience and unfailing good humor to show the Bank why its economic world-view was archaic and inoperative in the late twentieth century" (George and Sabelli, 1994:202).

The Bank's obsession with this "economic world-view" consisting of an international capitalist economy governed primarily by "free-market" forces, has proved to be detrimental to the Earth's environment (*numerous citations*). The Bank with all its efforts to promote environmentally sound economic development within this model for societal development, has failed to recognize its own ideological constraints. Beginning with the most obvious - even if the economic benefits derived from economic growth were evenly distributed it is not a panacea for societal development.

Chapter three discussed the Bank's inability and to a greater extent its unwillingness to incorporate a genuine concern for the environment at the project level. In addition, an examination of Bank endeavors to facilitate the expansion of the global economy, primarily by utilizing coercive tactics such as SAPs, reveals a similar indifference and inability to promote ecologically sound economic development. To this date the World Bank has failed to examine the environmental repercussions of economic restructuring, a process of which it is an active participant. Reed argues this point: "at no point has there been an institutional commitment to understand the impact of macroeconomic adjustment on the sustainability of developing country strategies" (Reed, 1992:43).

The Bank's neglect in examining concretely the environmental consequences of economic development reflects in part its loyalty to free market solutions, a reliance on market forces to sustain [economic] development. Bank supported policies are not designed to incorporate ecological concerns in development decision-making. They are designed primarily to free restrictions on the international mobility of capital; support ventures which expand international trade; and, in general, facilitate economic growth, hence ensuring its own survival as well as the survival of capitalism.

The Bank's loyalty to "market forces", such as supply and demand and/or comparative advantage, represents a major ideological constraint on sustainable development. In the past approximately two decades, the Bank has intensified its efforts to facilitate free-market capitalist development, thus exacerbating its dependency on the market, not only for solutions to the current environmental crisis (although some would not refer to it as a crisis), but also for dictating overall development strategies.

Although markets have existed for centuries, the nature of the present capitalist free-market economy accompanied by the actual levels of global output is destined to destroy the natural environment (Trainer, 1989; among others). If the scale of global economic development was perhaps a small fraction of what it is today, free-market solutions would be able to delay environmental degradation temporarily. However, we must be realistic. Given the expanding rates of global economic growth, and the current state of the natural environment, we cannot rely on market mechanisms to ensure ecologically sound societal development. As one World Bank economist placidly stated:

"Years ago, when the pressure was small, economists may have been justified in making no reference to the role played by the environment, both as a resource base and as a "sink" to receive the residues of the production and consumption process. But there is little justification for it now" (El Serafy, 1989).

Indeed, there is no justification for past, present, or future destruction of the natural environment.

It would be superficial and naive to label this concept known as the "market" as a procreator of unsustainable human behaviour. Therefore clarification of this [immeasurable] human phenomenon is necessary. In the context of this discussion, the term market refers to the Bank's perception of "free-market" capitalism, with its theoretical roots emanating from what is often labelled as "conventional economics"; or more specifically, "neo-classical" economics. From this economically based theoretical school of thought originates the Bank's perception of [economic] development. In many instances Bank behaviour is based on theoretical assumptions emanating from this re-emergence of classical economics, now considered to be the "appropriate" driving force behind global development.

It is argued that theoretical assumptions (economic theory) contained within conventional economics have evolved to become not only the guiding force behind [development] institutions such as the World Bank, but also a model for global development which is transforming societies in the Third World. If, as numerous studies suggest, this model for societal development continues to prevail, there is little chance of preventing ecological disaster. This point will be discussed in further detail in the concluding chapter of this thesis.

There is a fundamental flaw in the Bank's approach to development. Its ideological commitment to an inherently unsustainable economic doctrine represents a tremendous obstacle to ecologically sound societal development. As discussed in chapter three, efforts to incorporate ecological factors into economic decision-making remains largely in a theoretical stasis. After-all, attaching financial values to the ecological factors such as the biological function of ecosystems, a central component of the Bank's formula of sustainable development, is a complex, and to this author, futile task.

Such accusations against what has now become the "conventional" model for Third World development, are indeed justifiable. Numerous studies, many of which are based on facts rather than theoretical assumptions, reveal alarming evidence of environmental deterioration. To illustrate the classic example: global warming is now not just a scientific theory; it is a reality. Scientists from various academic disciplines no longer debate as to whether or not this process is occurring. A close examination of the principal causes of environmental degradation (e.g. ozone destruction) exposes the harsh reality that the "developed" world of advanced capitalist economies account for most of the damage inflicted upon the earth's natural environment. If Third World countries continue to pursue models of capitalist development, as prescribed by financiers of global development such as the World Bank, the planet will witness an environmental catastrophe of global proportions.

"Development dynamics within Northern countries have such a powerful effect on the World - particularly Third World countries - that what are ostensibly national-level decisions an actions in the North are actually international causes of environmental change.Key among these are overdevelopment in the North and the assimilation of Southern economies into a North-dominated global economy" (A Report from the Commission on Developing Countries and Global Change, 1992:36).

The current trend towards the expansion of capitalism on a global scale, supported and facilitated by entities such as the World Bank, is not a natural evolutionary process. This type of societal development envisioned by the Bank, a socially constructed phenomenon, has now become the sole model for global development, thus representing a major obstacle to achieving truly sustainable development. However, if it is socially constructed, then it is possible to socially de-construct, a mandate of many critics of the Bank.

To sum up, the Bank, in alliance with the most economically powerful actors in the global economy, is facilitating the advance of global capitalism. Emerging global trends such as internationalization of trade, export-oriented production, and privatization, have been supported by powerful economic institutions such as the World Bank. The primary aim of such strategies has been to increase production of goods destined for the global market, in particular the Western hemisphere. By doing so it is believed that wealth generated from export commodities will provide Third World societies with the financial resources needed to alleviate poverty, malnutrition, and environmental degradation.

One of the most fundamental errors in accepting this type of rhetoric is the inability to recognize environmental constraints, which inhibits progress in any sense. Thus there is a contradiction in sustaining development and environmental degradation in terms of capitalist theory because of the "progression" of capitalism is theoretically in the direction of greater economic productivity. However, with its survival being dependent on growth, the environment is being degraded in ways, ironically, that are decreasing productivity. This contradiction points to a theoretical deficiency in terms of its ability to facilitate sustainable growth while avoiding the destruction of the environment.

The problem above is that there is an assumption that resources are divisible and can be owned. There is little acknowledgement that resources bear a relationship to each other in the natural environment, as part of environmental systems. Thus, market mechanisms fail to allocate environmental goods and services efficiently precisely because environmental systems are not divisible and frequently do not reach equilibrium positions and incur changes which are not reversible. In other words, the properties of ecological systems run counter to the atomistic-mechanical world view of conventional economics.

Economics, or more specifically neo-classical economics, is not adapted to a consideration of total changes. Similarly, economic theory had difficulty in recognizing that both ecological and social systems evolve over time, in ways which change both of them (Redclift, 198:40-1). This reductionism is inappropriate in terms of the environment because it does not adequately handle the interrelated environmental systems that are non-divisible and that result in permanent changes.

This situation is worsened by the use of "econocentric" methods of analysis (i.e. valuation techniques) which do not adequately address issues relating to environmental sustainability. An example of this is the over-used and abused GNP which, despite Bank convictions, treats sustainable and unsustainable production alike, and compounds the error by ignoring processes (i.e. energy conversion, recycling, and other conservationist tactics) which do not lead to the production of goods or marketable services.

Thus the ideological driving force behind global capitalism, of which the Bank plays an important role, is faced with the contradiction of continued growth and resource exploitation versus environmental degradation and the limits to growth which we are rapidly approaching. Furthermore, these contradictions are not addressed by solutions such as those proposed by the World Bank because they do not adequately address the fundamental issues of economic activity (economic growth), and the interdependence of ecological systems which are integrally related to the problems of environmental degradation.

CHAPTER FIVE

CONCLUSION

CRITICAL ANALYSIS OF THE WORLD BANK

> "The fish are rare now, not like before," says Mr. Banpot, 45 years old. Before the World Bank-funded Pak Mun Dam was built in the 1990s, his family could earn as much as $20 (US) a day selling fish. "Now we barely have enough to eat. Sometimes we don't have enough to eat... The story is the same in village after village along the Mun River. Despite World Bank guidelines requiring that projects it funds protect the environment, the dam appears to have devastated the fish population... With the people unable to make living from fishing, the villages are half empty, their residents gone to the teeming streets of Bangkok..." (The Globe and Mail, March 4th, 1994:B4).

This recent example of how the World Bank continues to neglect environmental implications of the projects it finances is not an isolated incident! The Bank's involvement with "mega-projects" in the past, such as the infamous Narmada Valley irrigation projects in India, the "Three Gorges" dam on the Yangtze River in China, or the "Palonoroeste" project which, through the construction of highways, exposed the Amazon to economic development, has had immense impacts on the local as well as the global environment.

As evidence concerning the Bank's neglect for the environment mounts, so do the protests. During the 1994 annual meecing of the World Bank and IMF, held in Spain, an impressive force of protesters displayed their discontent for Bank/Fund behaviour. Numerous interest groups from all regions of the world travelled to Madrid to deliver the message of the harsh reality that Bank supported economic development has done little to alleviate the growing symptoms of poverty, unemployment and, environmental degradation. According to representatives of certain interest groups, Bank supported policies (i.e. SAPs) were actually reversing progress towards sustainable development. Levels of poverty and environmental degradation experienced in the poorest countries of the world have been exacerbated by economic adjustment programs implemented by the World Bank as well as the IMF (The Globe and Mail, Oct 3rd, 1994). Despite the growing discontent against the nature of Bank financed economic development, (this includes policy based lending because according to Bank rhetoric, adjustment programs are a form of [economic] development), Bank philosophy has not altered.

"A confidential World Bank report on structural adjustment suggests that the short-term impacts could endanger the long-term success of adjustment efforts. According to the report, expected increases in the efficiency and growth rates of economies currently undergoing adjustment have failed to materialize, with two thirds of the countries experiencing declines in both public and private sector investment....the report largely ignores environmental degradation, social breakdown, and economic failure associated with structural adjustment loans. Its conclusions call for more of the same orthodox medicine and for closer collaboration between World Bank and the International monetary fund" (Duncan cited in Danaher, 1994:135-6).

Despite the recent criticism from Japan, the second largest contributor to the Bank, the "same orthodox medicine" (i.e. economic philosophy), designed to stimulate economic growth in Third World nations, continues to guide Bank decision-making.

Projects and policies financed and supported by the Bank have directed many nations towards a dependency on the global market not only for sale of exports but also for the supply of goods needed for domestic consumption. Entire societies have been altered to create a suitable environment for capitalist development to thrive. In certain regions of the Third World, the Bank, in conjunction with other economically powerful government and non-government participants, have financed projects and polices which have resulted in impressive economic growth experienced by the recipient. As anticipated massive foreign investment in conjunction with Bank supported financing and economic adjustment, certain Third World economies which have recorded above average growth rates and thus have become the epitome of Bank supported societal development. But behind the success stories lie the grim realities of poverty, loss of livelihoods, and environmental devastation.

To illustrate a classic example: Thailand's economy which followed a model of development promoted by the Bank as well as other government and non-government participants, grew faster in the early 1990s than any other nation (Rich, 1994). However, in conjunction with its economic success Thailand has been experiencing an increasing gap between the rich and the poor, an increase in access to the resources once vital for survival of countless individuals, and alarming evidence of increasing damage to the natural environment. In this particular but not isolated case, Bank supported societal development, a model which places sole confidence in economic growth as a means to achieving sustainable development, has failed miserably. Wealth generated by impressive economic growth rates has failed to "trickle down" let alone provide solutions for the environment - development dilemma. Thailand's case demonstrates Bank supported models for societal development are seriously flawed.

The fact that more and more countries are adopting Bank supported strategies as a means to develop, represents a serious threat to local, and consequently, to the global environment. More emphasis on this matter will be discussed in the conclusion of this thesis.

Throughout this entire discussion, attempts have been made to provide the reader a better understanding of the World Bank. A historical examination revealed a number of factors which have influenced the maturation of the Bank, extending from its constitutional foundation (World Bank Articles of Agreement) to the nature of its voting structure, including the expansion of its lending portfolio from specific projects to complete national development programs. Further examination exposed the Bank's attempt to integrate environmental factors with the operations of the IBRD and the IDA. As pressure mounted to at least recognize the potential environmental consequences of its actions, we witnessed the creation of environmental departments and Bank staff, dedicated to examining the environment/development relationship.

But despite the institutional changes within the World Bank, in response to the obvious (a growing recognition of environmental degradation and its causes) fundamental structures within the Bank remain in place. To illustrate: the nature and patterns of voting behaviour within the IBRD and the IDA have not altered. The Articles of Agreement, written primarily by Western economists, financial specialists, and politicians, over four decades ago, continue to provide justification and leniency for its actions. Instilled within its charter is the desire to create a capitalist world economy of which all nations must participate in order to prosper. It has been argued that if this model continues to be adopted by nations in the Third World, environmental degradation will continue to threaten the evolution of this planet.

From the creation of the Bank up until the mid-1980s the Bank seemed to view environmental degradation as largely an image problem rather than a real threat to economic growth. This type of attitude seems to still prevail amongst the high-ranking decision-makers within the Bank. However, Bank reports and an attempt at grasping the obvious, have just recently induced a greater concern for the state of the environment, or more specifically, the impact of Bank endeavors on the natural environment. This concern for the environment within the Bank has enabled Bank staff to dedicate more time to the examination of the causes and solutions of environmental degradation. Consequently, elaborate models have been formulated to integrate environmental concerns into project and policy financing, particularly within the latter.

These efforts, which continue to comprise a substantial minority of the overall research and development addressed at the Bank, are restricted for a number of reasons. To begin with the most obvious, recipients of Bank financing are almost always responsible in implementing costly measures to avoid environmental complications of Bank financed economic development (World Bank, numerous citings). As demonstrated in chapters two and three, a small minority of Bank finances are actually utilized to assist in establishing measures to combat environmental degradation in member countries. (These measure range from EIAs of specific projects to overall domestic policies). The expansion of Bank lending (policy-based lending now constitutes a considerable portion of the Bank's lending portfolio), has not been accompanied by efforts to examine the environmental effects of such behaviour. Although efforts have been made to educate Bank staff on environment related issues, it still remains a low priority for Bank management (i.e. Board of Governors).

The Bank's attempt to facilitate sustainable development, which by definition should provide the needs of the present without compromising the ability of future generations to meet their own needs, is based on the assumption that a new era of economic growth will eventually relieve the poverty, hardship, and environmental decay experienced in much of the developing World (World Commission on Environment and Development, 1987; World Bank, 1992a). Given the dramatic expansion in global production in the past two decades, accompanied by the expansion of the global capitalist economy, it is safe to conclude that this new era of economic growth has commenced.

Without questioning the conventional assumptions contained within the theoretical foundations guiding this new era of economic growth, (i.e. basic assumptions such as privatization, centralization, liberalization; etc,), the Bank continues to support its expansion as a model for societal as well as global [economic] development. Initially designed to complement the development of nationally based capitalist development, in recognition of national sovereignty, in the current context the Bank appears to have little regard for this principle, particularly in relation to its poorest members.

THE "HIDDEN AGENDA": RADICAL PERSPECTIVES ON THE WORLD BANK

The original intention of the founders of the World Bank was to create a financial institution which would not only finance projects, but also play a key role in the maintenance of a post World War Two global economy. Although it was considered a "development" institution, it was not in the minds of its founders, a foreign aid agency. Issuing non-repayable financial assistance to "underdeveloped" nations of the South has never been a mandate for the World Bank.

With the collapse of the international exchange regime in 1971, a system based on fixed exchange rates measurable by the international price of gold in American dollars, the Bank, rather than be dismantled, adapted to new rules and regulations which were to govern the international economy. Ironically, the new international exchange regime accompanied by other economic arrangements determined substantially by Western powers, allowed institutions such as the Bank and the IMF to perform a more influential role in the global economy (Dam, 1982).

A major contributing factor involved in the Bank's maturation from an insignificant financier of post-war reconstruction to a powerful IFI, as well as a prominent international "development" institution, has been its ability to accumulate wealth from the ventures it has been involved with. The Bank's impressive economic performance, annual profits sometimes exceeding one billion dollars, is a topic which is often not mentioned in Bank discourse. Viewed as a purely financial institution, (i.e. Bank bonds are sold in private markets) the Bank is not liable to expose information pertaining to current or future investment decisions. Exposing information could influence levels of investment from public and private sources alike.

The main sources of the Bank's financial assets are derived from "capital subscriptions" paid annually by member countries, of which there are well over one-hundred, the sale of Bank bonds in private capital markets, and from the interest owed to the Bank from previous loans by borrowing countries. Judging by the Bank's annual Budget, it lent in excess of 16.4 billion dollars in its 1993-94 fiscal year (Danaher, 1994), and the recorded annual profits, it has become an extremely lucrative institution.

It has been noted that despite its financial success, in terms of its ability to alleviate poverty and environmental degradation, Bank endeavors have failed miserably (Bandow, & Basquez, 1994; Brecher & Costello, 1994; George & Sabelli, 1994; Editors of the Ecologist; 1992; Oxfam, 1992; among many others;). The unintentional release in 1991 of a World Bank report entitled "*Effective Implementation: key to development impact*", provided confirmation for Bank critics. The report, completed by Bank staff revealed that 37.5 percent of Bank projects completed in 1991 were deemed failures and an additional 30 percent of projects in their fourth and fifth year of implementation in 1991 had major problems (Danaher, 1994:137). The scope of this report not only examined Bank endeavors in 1991, it also reviewed approximately 1800 current Bank projects in 113 countries which accounted for $138 billion of Bank financing (Danaher, 1994:137-8). It is important to note that a substantial percentage of the projects which failed (e.g. 28 percent of the "poverty" oriented projects, 30 percent of which addressed environmental degradation, and 23 percent in "private and public sector reform" projects), accelerated conditions of poverty and environmental degradation.

If and when a Bank venture (e.g. policy reformation or mega-project financing) fails, and a substantial minority do fail, the recipient of Bank financing remains obligated to repay the loan; Bank loans are guaranteed by the recipient government. Hence the Bank continues to generate profits from projects which even their own staff have labelled as a failure.

"Repayment of its [World Bank] loans has no connection whatsoever with the economic performance of projects, since borrowing governments (or more precisely, their hapless taxpayers) are the debtors and the guarantors for most Bank loans; moreover, for developing nations the Bank and the IMF have first priority for repayment, since these countries know that access to all private international credit is contingent on staying on good terms with the Bank and the Fund" (Rich, 1994:184-5).

It has now been demonstrated that Bank endeavors, failures or success stories, continue to generate profits for the Bank. This and other factors has lead many to believe that the theoretical framework within which the World Bank operates, will not resolve development related problems such as poverty and environmental degradation. From this belief emanates a number of "radical" perspectives whose only use for the Bank is dismantlement.

These perspectives are often referred to as being "radical" because, in essence, they represent a threat to the dominant model for societal development; free-market capitalism, and hence to the survival of the World Bank. By condemning capitalist development, in any fashion, radical perspectives, or more appropriately labelled, alternative schools of thought, are not willing to accept models of societal development which are based primarily on free market capitalist economic development.

A common belief within many of the alternative perspectives, suggests that the Bank's main function in the global economy is not to alleviate (and absolutely not reduce) poverty and environmental degradation, but to generate profits for investors; primarily multinational corporations and their affiliated local elites. Facilitating the expansion of the global capitalist economy is seen as merely promoting the interests of the world's most economically powerful actors. A thorough examination of the Bank, by an adversary of Bank doctrine, for whom I have immense respect, concluded:

"...the World Bank has deliberately and consciously used its financial power to promote the interests of private, international capital in its expansion to every corner of the "underdeveloped" world. It has worked toward this end in many different ways:

- By acting as intermediary for the flow of funds abroad, with taxpayers' money from its developed member countries serving to guarantee the safety of the bonds it sells;
- By opening up previously remote regions through transportation and telecommunications' investments, thus destroying the natural protection such regions had previously enjoyed'
- By directly aiding certain multinationals;
- By pressuring the borrowing governments to improve the legal privileges for the tax liabilities of foreign investment;

- By insisting on production for export, which chiefly benefits the corporations that control international trade;
- By selectively refusing to loan to governments that repudiate international debts or nationalize foreign property;
- By opposing minimum wage laws, trade union activity, and all kinds of measures that would improve the share of labour in the national income;
- By insisting on procurement through international competitive bidding, which favors the largest multinationals;
- By opposing all kinds of protection for locally owned business and industry; and,
- By financing projects and promoting national policies that deny control of basic resources - land, water, forests - to poor people and appropriate them for the benefit of multinationals and their collaborative local elites" (Payer, 1982:19-20).

By examining the many practices of the World Bank (i.e. specific project and policy-based lending), Payer's report claims that "the World Bank is perhaps the most important instrument of the developed capitalist countries for prying state control of its Third World member countries out of the hands of nationalists and socialists who would regulate international capital's inroads, and turning that power to the service of international capital" (Payer, 1982:20).

Other perspectives which support the demise of the World Bank express a similar argument (Hayter, Watson, Rich, Danaher, etc). Given the expansion of Bank endeavors in the past two decades, the approximate length of time since the release of Payer's report, the Bank's role as an advocate for the interests of international capital[ism] has become increasingly obvious.

An important feature of these alternatives schools of thought, is their ability to examine critically the social, political, environmental, and economic affects of World Bank activity. By revealing what I have labelled as the hidden agenda of the World Bank - facilitating the expansion of free-market capitalism to ensure a continual growth in the profits of international investors and the Bank itself - exposes the most fundamental obstacle to environmentally sound economic development; the continuance of capitalist development. Even within the Marxist school of development, from a conventional perspective considered to be perhaps one of the most "radical" schools of thought because of its threat to the survival of capitalism, academics are beginning to realize that capitalist economic development, considered to be a pre-requisite for socialist development, has now been threatened by the natural limits placed upon the [capitalist] system by the environment. Until recently this perspective neglected to recognize the natural limits (i.e., the planet's ability to provide the natural resources upon which most productive activity depends, and its ability to assimilate waste), which is now jeopardizing the struggle to accumulate capital, accomplished primarily by, to use Marxist terminology, continually expanding the means and forces of production.

Based on the interpretations of numerous "unorthodox" perspectives, it is obvious that such factors as profits, economic growth, and globalization, remain the highest priority for the World Bank. Environmental implications, although recognized and studied immensely by particular Bank staff, remain a low priority for the Bank. The Bank is bound not by the laws of the free-market, but by the nature of any capitalist enterprise: grow or die. But the reality is, the Bank's model for societal development, sustainable by some miracle or more likely unsustainable, represents more of a human evolution gone astray scenario to the point at which it is threatening our existence; including the existence of other life-forms on earth. Keeping this in mind, communities large and small throughout the World are expressing their discontent towards the Bank's perception of reality and consequently of societal development.

"The strategies employed by the World Bank to guarantee the hegemony of its ideology and to deal with dissenters also correspond to those of fundamentalism... The Bank not only denies the legitimacy of alternatives, but has actively sought to ensure that all of the options available to developing countries have been narrowed to one" (Mihevc cited in George & Sabelli, 1994:96).

It should be noted that in the case of fundamentalism, which in most cases is applicable to religious movements, there exists only one interpretation of the "Word" - in the Bank's case: the meaning of development

ALTERNATIVE APPROACHES

"I sympathize therefore, with those who would minimize, rather than those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel - these are things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national" (Keynes, cited in Cavanaugh, 1994:117).

Ironically, these are words were spoken by John M. Keynes, one of the founders of the World Bank. Keynes envisioned a world of independent nations states whose economies were, by in large, self-sufficient. In the mind of Keynes, gearing up one's domestic production primarily for export, a common element of current Bank financing, seemed quite absurd. However history has revealed just the opposite. Never before has the world experienced the current levels of international trade. Economies in both [over] developed and "underdeveloped" nations are becoming more dependent on international trade. As noted this process is facilitated by institutions such as the World Bank.

Although Keynes' influence at the Bretton Woods negotiations was overpowered by American ascendancy, his "ideas for managing capitalism held a powerful ideological currency, particularly in the Northern industrial world, from the end of World War II up to the mid-1970's" (Hooey, 1993:45). Numerous countries implemented domestic economic policies in accordance with Keynesian convictions (i.e. economic polices which supported government intervention in economic development). However, economic instability exhibited by the international economy in the early 1980s, attributed to the rise of "free-market" capitalist development. Reasons for the demise of the "Keynesian Consensus" are highly debateable and a detailed discussion is not necessary here.

With respect to the World Bank, it was successful in its endeavors to promote the expansion of capitalist development in times when governments were highly involved in economic matters, keeping in mind that policy-based lending was not a vital component of Bank financing. However with the collapse of Keynesian influence and the subsequent rise of neo-classical based economic development, the Bank has been able to expand its lending portfolio to include policy-based lending. The World Bank has become an important instrument for the powerful economic and political forces which encourage the growth of the global capitalist economy. It is not so much the failure of alternative models for economic development which has contributed to the current onslaught of the "free-market"/ "free-trade" capitalist ideology which motivates institutions such as the World Bank, but rather the success of the current model for global development. Powerful economic actors (e.g. World Bank, IMF, OECD nations, national and multinational corporations, GATT and more recently; World Trade Organization,; among others), in conjunction with private and public interests (i.e. government or non-government) have successfully elevated their interpretations of societal development to its current dominant status. In addition, but not exclusive to the collapse of the "communist/socialist" economies, primarily in Eastern Europe, the Bank and other economic actors have performed a predominant role in the reconstruction of these nations, thus further facilitating the cause; free-market capitalism. Many eastern European countries are currently implementing

Bank/Fund economic adjustment programs.

Jacques Attali's publication, entitled Millennium: winners and losers in the Coming World Order describes the dark side of this success:

"From their privileged technological perches, they will preside over a world that has embraced a common ideology of consumerism but is bitterly divided between rich and poor, threatened by a warming and polluted atmosphere...

And they will know that the prosperity that is not theirs partly comes at the price of their well-being and at the price of the environment's degradation" (Attali, 1991:4-5).

(It should be noted that Attali is currently the president of the European Bank for Reconstruction and Development).

If what numerous studies suggest and this study argues is true, that Bank financed "development programs" perpetuate and further induce obstacles to ecologically sound development, then alternatives are not only conceivable but are essential for guiding humans on the path towards a truly sustainable global community.

Providing solutions to the many problems associated with environmental degradation and development must not lie solely in the hands of economically powerful financial institutions (e.g. World Bank), and the type of development they advocate. We must keep in mind that the survival of institutions such as the World Bank - its ability to generate profits - are dependent on capitalist economic development. Financing alternative strategies for economic development, in particular those which threaten the expansion of free-market capitalism, profitable or not, could be in the long term, suicidal for the

Bank. At the other extreme, numerous studies have suggested that the Bank is already financing a suicidal model for global economic development (Brecher & Costello, 1994; Trainer, 1989; Goldsmith, 1987; Meadows, 1972).

If such accusations are indeed correct then alternative models of [economic] dev lopment must prevail. However, as free-market capitalist development continues to expand, it does so at the expense of alternative models of economic development.

It is not the intention of this writer to provide a universal model for societal development. On the contrary, alternative strategies for societal development that place poverty alleviation and environmentally sound development as its highest priority must not be homogenous. Rather than formulate a theoretical model for societal development, an impossible and undesirable task in itself, suggestions and recommendations will be provided in recognition of our current obstacles to sustainable development.

A fundamental obstacle to environmentally sound development, is the over-consumption nature of economic development in the "developed" countries; primarily Western countries. It has already been noted that North America which contains a small percentage of the world's population, consumes a vast majority of the world's resources (Trainer, 1989; Suzuki, 1996; among others). On a broader scale, "the one quarter of the world's population in "industrial countries" use between 60 and 80 percent of its fossil fuels and minerals and are responsible for a similar proportion of resulting pollution problems (global warming, ozone depletion, acid rain, toxic wastes)" (Ekins, 1991). Even though facts and figures alone demonstrate the unsustainable nature of capitalist development, rapidly becoming a model for Third World development, very little of this is mentioned in official Bank reports. Instead, Bank officials encourage, sometimes coercively, Third World leaders to follow Western patterns of societal development. However, a report from the Commission on Developing Countries and Global Change argues:

> In many cases, the socioeconomic crisis is the result of development styles that destroy both human potentials and the environment. In fact, the two phenomena - the global environmental crisis and socioeconomic decline in the South - are the result of unsustainable systems of production and consumption in the North... (Commission on Developing Countries and Global Change, 1992:17).

It is further argued that "overdevelopment" (where production processes in the North deplete a majority of the world's resources and release a majority of the pollutants) is not only unsustainable but dependent upon "underdevelopment" in other regions of the world (World Commission on Developing Countries and Global Change, 1992:38). Underdevelopment is manifested in the form of poverty and environmental degeneration.

In order to maintain current rates of consumption in advanced capitalist societies, resources in the South continue to be exploited. Wealth produced from the exploitation of

Third World resources, both human and natural, for a number of reasons has not been able to alleviate the growing occurrences of poverty and environmental degradation. To illustrate: more than 40 percent of the Brazilian rainforest cut down in the 1970s was done for cattle production, mainly for export to US fast food outlets (Skinner cited in Trainer, 1989:126). Such alarming scenarios unfolding in many places.

Dependency Theorists argued a similar case. Generally speaking, dependency theory argues that the process of development under capitalism only involves development for the "core" or wealthy countries, while the Third World or "peripheral" countries are "underdeveloped"; thus underdevelopment is a state that is created in the peripheral countries by capitalist development in the core countries (Trainer, 1989:179). In this context the occurrence of environmental degradation is indeed a symptom of underdevelopment.

Representing a major transition towards progress in relation to sustainable development, economies in the North must break-free from this obsession of and dependency on economic growth. National economies depend upon a continual economic growth process. As witnessed in the past, nations which do not maintain growth rates of three to five percent or above are considered to be in a state of recession or even depression. Western models of societal development, as advocated by the Bank, are so structured around the concept of economic growth that when it does not occur there are tremendous hardships, particularly for the lower classes.

Economies in the North and South alike must break free from this dependency on economic growth and come to the realization that there are (real) physical limits to the current patterns of economic growth. Despite the "Limits to Growth" perspective, which demonstrated two decades ago the unsustainable nature of Western models of societal development, these and other schools of thought have had little effect on such institutions as the World Bank. As already explained, Bank philosophy rejects any notion of limiting economic growth, but would rather embrace a new era of economic growth. (See for example World Development Report, 1992). Rather than take the advice of such perspectives, institutions such as the World Bank have chosen to reform the current system. Reformation in this context refers to environmental assessments, "environmental accounting", environmental action plans, and other futile attempts to place a value on intangible resources. These attempts do not recognize the nature of our finite planet and hence continue to support economic development which is environmentally, socially, and economically unsustainable.

It is argued that if Third World nations continue to follow the same conventional type of growth as experienced by the overdeveloped economies of the North, and promoted by institutions such as the World Bank, increasing rates of environmental degradation will threaten not only sustainable development, however defined, but also all life on Earth. Therefore alternatives must involve: revolutionary changes to the current patterns of economic development in the wealthiest nations including a redefinition of societal values (a drastic reduction in the *present* levels of materials and energy consumption in industrialized countries), a rejection of the growth driven free-market capitalist ideology or any other econocentric ideology by Third World societies, and a *genuine* respect for the environment - living within the carrying capacity limits of the biosphere.

Societal values within affluent societies are severely distorted and thus represent a major obstacle in the struggle against a deteriorating biosphere. This argument has been supported by numerous studies, including this discussion.

As societies strive to "modernize" a closer examination of the products of modernization (i.e. progress), within affluent countries, reveals the unsustainable nature of free-market capitalist economic development. To illustrate; within North America, forests, wetlands, river systems, coastal ecosystems, the Arctic, etc; have all been degraded, some quite severely, by socio-economic activity. Our desire to prosper has had serious affects on the environment as well as our perceptions of development. As one study suggests:

"[a high intensity market setting promotes, and a social process enshrines] a lifestyle that is dependent upon an endlessly rising level of consumption of material goods...individuals are led to misinterpret the nature of their needs and to misunderstand the relationship between their needs and the ways in which they are satisfied..." (Leis cited in Alternatives, Vol 16-3, 1989:31).

In addition to the environmental impacts of "First World" development, the social impacts are immense - 25 million people, approximately the population of Canada, living within the United States are considered to be "below the poverty line". Illustrating that even within the affluent nations non-material needs (e.g. food, clothing and shelter) are not being met. As Leis suggests, these needs are not being met largely because they have been subverted to the struggle to meet artificially exaggerated material needs (Alternatives, Vol 16-3, 1989:31-2). At the forefront of this struggle are the powerful economic actors whose wealth and power are dependent upon the enormous profits generated by such subversion.

World Bank ventures in the Third World clearly support interdependency amongst nations of the World - visions of one gigantic global capitalist economy in which nations are free to exploit their human and natural resources, in order to generate economic growth. However alarming evidence disclosed by numerous studies, supports just the opposite. This simplistically labelled "global economy" is a hostile environment. It is not in the interests of a majority of the Third World, or a solution to poverty and environmental degradation, to integrate into the global economy.

In support of this "rejection", features of the international capitalist system and measures being taken by

Third World governments should be identified: economic adjustment radically alters almost all aspects of social and economic activity thus eroding indigenous modes of production, economic policies adopted in the South have not been accompanied by similar measures in the North (protectionism, subsidization and other policies continue to support certain sectors of "developed" economies), payments on debt which in many cases were generated by interest charges from previous loans, continues to drain financial resources from development projects in the South, Bank economic development financing supports the production of goods to be sold in affluent societies and profits generated remain in the hands of rich; among other factors. Thus the global economy represents more of a highly skewed system in which heavily favors the most powerfully economic actors. Enormous wealth generated from a constantly expanding global capitalist economy does not trickle down an overwhelming majority of the world's poorest nor does it solve the growing environmental crisis facing all "worlds".

In order to provide solutions to avoid further deterioration of our planet's environment, institutions such as the World Bank must reexamine the relationships, as defined by conventional economics, between culture and development, society and economy, and on a larger scale between the North and South. In the name of "comparative advantage", "free trade", economic efficiency, and other conventional assumptions, the natural and cultural resources of Third World societies, which should be the basis of any model for societal development, are "wasting in under-utilization and misdevelopment", while environmental degradation continues to accelerate and "the majority of the population remain poor and powerless" Levitt, 1992:11-12).

> "The pain and suffering generated by the Bretton Woods institutions are immense. They can be measured in the tens of millions of people displaced, impoverished, marginalized and sent to premature death by economic projects and policies that have subordinated human and community values to free markets and growth targets. There have been few winners, but they are not the people and nations of the South - the ostensible targets of development. The true beneficiaries have been the several hundred large corporations and banks and the several thousand elites of the Third World" (Cavanaugh, 1994:xii).

CONCLUSION

The World Bank will likely continue to influence the lives of millions of people in the world. Portrayed as a "development" institution, the Bank is able to boldly go where no Bank has gone before; administer of numerous Third World economic adjustment programs. But behind the scenes, the Bank is primarily a financial institution with mandates that include: generating profits for itself as well as its "partners in development" (i.e. shareholders, foreign investors), and to facilitate and regulate the expansion of "free-market" capitalist economic development.

In terms of poverty alleviation and preservation of the environment, the Bank's record is not a total failure.

(Watershed projects in Egypt have brought life to Nile tributaries once thought to be destroyed forever by pollution). But because of the nature of the Bank, elements which have been discussed throughout this entire discussion, (i.e. its reliance on growth oriented strategies based on "neo-liberal" economic assumptions as a panacea for sustainable development), it is immensely undermining even its own progress. Despite institutional reshuffling from time to time including the addition of environmental departments, Bank operations continue to be driven by an economic doctrine which places profits before people, and the environment. Executive Directors (EDs), primarily economists and "financial specialists", continue to be responsible for the approval of all World Bank (IBRD & IDA) loans. In addition, Bank EDs must approve any new operational policies to be implemented by the Bank whether economic or environmental.

Criticisms of the World Bank and its approach to development are growing rapidly. The valiant efforts by environmental groups, trade unions, "indigenous" movements, academics, and many other groups, continue to expose the devastation which Bank endeavors have had on the Third World. However, pressure from such groups continue to have little effect on the level of influence in which the Bank currently maintains in the global arena; particularly within the Third World. Even the United Nations, which has been critical of the Bank from time to time, has been willing to place responsibility of such agendas as the Global Environment Facility, created in 1992 to finance environmental projects throughout the World, in the hands of the World Bank.

In 1992, the World Bank's annual report was dedicated solely to examining the causes and potential solutions to environmental degradation. Rather than release enlightening ideas for solving our current global dilemma, although many would refer to it as a crisis, in the minds of many the report failed miserably. Unsurprisingly the report failed to identify many important facets of the environment - development debate: the industrialized countries of the North produce an overwhelming majority of the pollution in the World which produce environmental problems which are threatening to the planet as a whole, the environmental effects of policy-based lending have never been examined in detail, the international economy is hostile to Third world nations; particularly the poorest, Bank officials failed to discuss the role of multinational corporations and other economically powerful actors in destroying the natural environment within the Third World, and lastly, the report did not address in detail the hostility which Third World countries must face upon entering the global economy.

In addition, enormous debts, political instability, extreme inequality, "capital flight" and other colonialist legacies, not only strengthen many societies' dependency on Bank financing thus exposing them to the coercive nature of the Bank, but continue to act as major barriers to human development.

The Bank's neglect in even identifying the primary causes of environmental degradation suggests that at least in the near future it should not play a major role in alleviating many of the deplorable conditions experienced in the Third World. In fact this study has suggested that it is part of the problem rather than the solution. Although one wonders why development would be seen in any other context, the Bank's short-sighted and "economistic" interpretations of progress and development, even in this age of "sustainable development", will continue to lead nations down the road to environmental catastrophe.

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