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Environmental Change and Security Program

Greening Aid? Understanding the Environmental Impact of Development Assistance

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Edited Transcript – Robert Goodland

Geoff and Karin, many thanks for inviting me. It's a pleasure to be here.

My first remark is warm congratulations to all three of you on such a galvanizing book and with such exquisite timing, too. The need for your book has never been greater, in my opinion. To me the priority is to heed the book's dire warnings, and all three of you mentioned it. You predict an increase in funding for extractive industries. That means even more finance for fossil fuels, deforestation and mining, the most environmentally destructive sectors of all.

Now everyone concerned with their environmental life-support systems and your own taxpayers' dollars should implement the book's commendable "10 Principles of Improving Aid." This book is a research, firmly based academic treatise which is an absolutely necessary first step, but the second step, to me, is more interesting – I'm not a statistician – and that is, the prescription.

This book is not prescriptive. The nearest it comes to being prescriptive are these wonderful, highly commendable "10 Principles on Improving Aid Agencies." And the reason for that is -- I think the question mark on the book's covers should be deleted. To me, there's no question but that aid or at least World Bank Group aid is de-greening itself fast. I can only speak for the World Bank Group, not any other aid agencies.

So my question is slightly different from the book's question and that is, has the World Bank Group morphed into the world's biggest financier in developing countries of greenhouse gas emissions from fossil fuels, deforestation and livestock production? If so, the World Bank Group is de-greening itself fast. This absorbing book asks, have the multilaterals been greened? In my view the answer is clear: No, at least not the World Bank Group for the following reasons.



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Let's look at the World Bank's recent environmental track records. My data set is slightly different from that of the book; I just look at the very recent track record of the World Bank. Between '92 and '05, the World Bank Group committed about \$28 billion to fossil fuel projects, 17 times more than its financing for renewables. Recently, the World Bank has been ramping up finance for coal, agri fuels and bio diesel, vast industrial cattle ranches in the Amazon, deforestation worldwide, including clearance of tsunami buffering mangrove forests for shrimp culture in Indonesia and elsewhere, widespread industrial logging in the Congo, Cambodia, Peru and elsewhere. That's the facts that I propose to show that the World Bank Group, at least, is de-greening itself.

And five more facts to support the argument that the bank has already de-greened itself or is well on the way to de-greening itself. There was a very beneficial decayed long moratorium on logging in old growth or intact tropical forests. That policy was rescinded recently in 2002. Since 2002, the World Bank has ramped up industrial logging and road-building in tropical forests and elsewhere. The inspection panel has examined most of these projects, the logging projects, the new logging projects, and found policy violations in every single one. The midterm review of the new pro-logging policy was suppressed. It was written, but not available.

Second fact: coal. There was a decade long de facto moratorium against coal financing in the 1990s. It ended in 2003, as soon as the extractive industry review recommended phasing out of coal. So the independent extractive industry review, catalyzed by the World Bank, said phase out of coal and the World Bank did absolutely the opposite and phased in coal.

Third point is somewhat similar, not on coal but on dams. There was an independent World Commission on dams, reported in the year 2000, recommended huge precautions in dams and recommended getting out of the ones we produced a lot of methane and displaced a lot of people. The World Bank, on the other hand, since the World Commission on Dams report of year 2000 has ramped up dams, including methane-producing dams. And people have dams which have displaced large numbers of people. The use of force as a routine systematic tool in economic development is just outrageous and I hope some academics look into the routine use of force in voluntary resettlement.

The fourth point is, after the bank adopted two excellent strategies, the livestock strategy and the nutrition strategy, very recently '01 and '06, respectively, IBRD and IDA then phased out





of cattle and livestock projects. Since those two strategies were adopted, IFC, on the other hand, has ramped up livestock production projects to the tune of about two billion dollars. So IFC claims that they're immune or exempt from the following World Bank policies.

Fifth, the World Bank's environmental social departments, as you know, have been demoted. They are now subordinated under the Infrastructure Vice-Presidency, which to me is a brazen example of regulatory capture where environmental regulators and social regulators acting in the public interest become dominated by the vested interests of the infrastructure trickle-down lobby, as I call them.

Okay, so if you buy any of that, what's the way forward? In my view, the World Bank should be doing almost the opposite of what they are doing at the moment. Climate change is the world's biggest market failure. Your research shows that very clearly. It's the most severe environmental threat at the moment. It's practically irreversible to all intents and purposes and above all it's anti-poor. The poor suffer first from climate change; they suffer the longest and they suffer the most. And the crucial point that would come out very well in the book: there's only a dangerously brief period of time remaining before our options diminish fatefully.

In my view, the World Bank should de-emphasize adaptation, that's the sea wall approach that the book mentions, and should de-emphasize carbon trading. Instead, it should make prevention of climate change the top priority. Prevention means vastly accelerating renewable energy, promptly halting this enormous financing of fossil fuels, the increased financing of deforestation and livestock, according to the IPCC. We'd all be better off with no financing for industrial scale livestock.

IFC's secret Amazon strategy must be reoriented to halt deforestation, particularly when deforestation is for sugar cane, alcohol, cattle ranching monoculture, soy and industrial logging. Instead, the bank should galvanize the opposite: tree plantations, conservation and regeneration of forests. This is all borne out by Sir Nicholas Stern who used to be the bank's chief economist and vice-president, who came back after he had published his U.K. government DFID report and advised the bank their top priority should be to get out of deforestation and industrial logging, controlled forest fires and, on the contrary, plant trees, not cut them down.





Then on the institutional side, the environmental and social departments need to have their independence restored and their voice strengthened commensurate with global risk. Instead of being demoted, they should be promoted. The environment property reduction and social impacts clearly merit at least their own VP. I know all VPs are being demoted; now there are about three ranks of VPs, but anyway. Environment and Social now don't have their own voice at the VP level. And it might be the multilateral development goals, which this book doesn't harp on all that much, should be the paramount goal of the bank.

In the heyday of the 1980s and 1990s when Manish and I were driving ourselves nuts trying to, what we used to call, put lipstick on the pig, trying to toss up a real dog of a project.

Anyway, in the '80s and '90s we were getting towards direct policy reduction. That was our priority, together with health, education, nutrition and job creation. Those were our priorities, and they culminated, of course, in the world 2000, in the magnificent Millennial Development Goals.

Most unfortunately since then, because Manish and I left, of course, since then the pendulum has swung backwards towards inefficient and leaky trickledown economics, corporate friendliness, big infrastructure: dams, highways, coal, oil and globalization as this fine book warns. Sadly, the World Bank Group now de-emphasizes the Millennial Development Goals. Direct poverty reduction is threatened by IFC's pledging to become the biggest single donor of IDA. In other words, IFC, the corporate sector, has taken over IDA, which is the biggest paradigm shift in recent World Bank Group history. But it's almost unknown. It's certainly no consultation or discussion of that huge paradigm shift.

IDA, in our day, when Manish and I were there, used to be the noblest branch of the World Bank, helping the poorest of the poor. As IDA's biggest donor, IFC now calls the shots in IDA, giving priority to corporate welfare over the poor. So maybe it's high time for the pendulum of economic fads to start swinging back in the opposite direction, away from championing corporate interests and get back to champion the interests of the poor, pushing environmentally sustainable development, whatever that is, and the full set of [unintelligible] formal transparent and annual recalibration of the balances overdue between these two parts, between direct poverty reduction on the one hand, and inefficient leaky trickle down on the poor. That balance has to be looked at, at least annually and adjusted.





Accountability, too, is slipping. Transparency and disclosure policies began in a minor way in about '93 and are slowly improving, but all policies and strategies are still concocted and adopted in secret. Why are policies exempt from transparency and accountability? Why is IFC exempt from official bank strategies? Is IFC now the least accountable of the bank's arms? IFC doesn't disclose achievements in its project's specific corrective action plans. It publishes the corrective action plan, what the borrower or people, the groups receiving the investments are supposed to do, but the moment that's over that there's no indication of how much the borrower has complied with the action plan.

And as long as the outcomes of the caps are not disclosed it means IFC's performance standards are a total charade. There's no formal mechanism in any part of the World Bank Group for handling complaints related to disclosure or consultation on any strategy or any policy, only on projects. The inspection panel and CAO compliance advisor ombudsmen can't touch all strategies and policies. They're restricted to the very inefficient retail level of projects.

The World Bank Group's Independent Evaluation Group, IEG, has become superbly effective in showing how to improve development outcomes and assiduously points out deficiency in the accountability mechanisms. But the inspection panel and the ombudsperson are routinely disputed by the World Bank, which ignores the findings to a large extent of all three accountability mechanisms.

And let me end with an amusing anecdote. I haven't analyzed more than 400,000 projects and so I'm going to talk about one project. Excuse myself for that. It is an anecdote. You know the plural of anecdote? Data.

Last month the bank approved a \$54 million project which illustrates most of what the book has said, and what I've been saying. The project manufactures cheeses in India, flies them to Japan to supply Pizza Hut. Project appraisal omitted any assessment of greenhouse gas emissions or climate risks; accountability is zero, in terms of respecting local religious taboos on holy cows. In this project the World Bank promotes the interests of the well-to-do, flying food away from those who need more to those that don't. Despite soaring claims of fighting the global food crisis and climate change, the bank makes cows fly. Financing methane emissions from cows and carbon emissions from jet airplanes, one of the most potent combinations imaginable of exacerbating the global food crisis and climate risk at the same time.





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Let me end. I urge you to read *Greening Aid*. Not only is it fascinating, it's very important for our livelihoods. Above all, implement the book's "Ten Conditions" and our civilization might just have a chance. But act now; time is short. Vigorously promote the rapid de-greening of aid. Demand an end to World Bank Group recklessness with our life-support systems from now on.

Warm congratulations to Timmons Roberts, Michael Tierney, and Brad Parks. Thanks also to Geoff Dabelko and Karin Bencala for inviting me. Many thanks to you all.



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