

# At issue: World Bank social and environmental policies: abandoning responsibility?

**The World Bank is planning a major overhaul of its social and environmental policies. NGOs say the Bank has already diluted key provisions of these policies and are determined not to allow further changes which will make it harder to hold the Bank accountable for the impacts of its operations. They are calling for the Bank to improve the content and implementation of its policies in line with international agreements.**

The World Bank has ten policies intended to protect the environment and vulnerable social groups from being harmed by its operations. These "safeguard policies" - introduced since the early 1980s in response to NGO campaigns - cover issues such as involuntary resettlement, forestry, indigenous peoples, environmental assessment, natural habitats and cultural property. The World Bank says they are a set of "minimum standards that all Bank-supported operations must meet". Other development agencies, and more recently private banks, have used the Bank's policies as a benchmark.

Since 1996 the Bank has been 'reformatting' these policies. This exercise has the stated aim of giving clearer guidance to Bank and borrower government officials on which policy requirements are mandatory and which ones allow for some flexibility. But it has been condemned by many NGOs which fear that "policies are being made so flexible that staff or borrowers can never be accused of having contravened them and therefore never held to account for problems and failures in implementation". In 2002 the Bank changed its forestry policy to allow it to support logging in tropical rainforest. In other policies civil society groups have lobbied successfully to prevent damaging policy revisions. A dispute is currently raging about planned revisions to the Bank's indigenous peoples' policy, which may be presented to the Bank's Board later this year.

## A new process

Despite the ongoing concerns about the ongoing reformatting exercise, the Bank has announced a new process. This, it claims, is to "clarify the purpose" of its safeguard policies, following a request from its Executive Board. The Bank plans to pilot new approaches to social and environmental safeguards which may result in a new set of policies "in about 5 years".

The Bank paper (*Safeguard Policies Framework: a Discussion Note*, October 2002) sets out the following main reasons for further changes:

- Safeguard policy work carries high costs and deters some borrowers from approaching the Bank. Bank staff are excessively risk averse and are avoiding certain kinds of projects which might have significant social and environmental issues;
- Some Bank policies do not apply to sectoral and structural adjustment lending;
- Bank staff work on safeguards during project implementation is insufficient;
- Agreeing common policies, principles and approaches with export credit agencies, bilaterals and other multilaterals would assist developing countries and affected people;
- Donors are increasingly being urged to provide hands-off support for countries' broad policies and objectives, but safeguard policies are "specialized and prescriptive".

In summary the Bank says it wants to focus on policy objectives and principles but do more to delegate decisions to national governments on how to achieve them. It's new approach is intended to "place a premium on results rather than planning requirements, encourage innovation, and facilitate adaptation to realities on the ground".

## The Bank's proposals

The Bank will clarify which social impacts should be covered in environmental assessments, and experiment with the use of Country Environmental Assessments and Sectoral Environmental Assessments. It wants to make safeguard approaches "more relevant" for adjustment loans as well as for loans with multiple sub-projects, such as social funds.

The Bank plans to draft a statement "clarifying accountabilities between the Bank and the borrower and within the Bank". Where possible the Bank wants to assign specific assessment and monitoring responsibilities to national institutions and to play a less active role itself where country or institutional track records and capacity permit. The Bank is also considering third party monitoring of safeguard implementation, presumably by private sector consultants.

It intends to work with other development agencies to produce common statements of principles they will all adhere to. These would be very short and general (see Box 1 for an example), but would be complemented by detailed language setting out how the principles will be applied in specific types of agency operations. Later the Bank might discard its ten separate policies and create "a single, unified statement summarizing the general processes to be followed when adverse impacts are expected."

## Box 1: Statement of principles - Pollution Prevention and Abatement

*"Project requirements or standards should be determined with reference to both national law and relevant internationally recognized directives or guidelines. Normally, the higher of the two is applied. Where national standards are not technically or economically feasible, deviations from these should be fully justified and agreed to by both the client and the funding agency. Any proposed deviations should be fully disclosed in the EA and project documents".*

## Key concerns

A joint NGO letter in 2001 cogently argued the importance of strong Bank safeguard policies, saying "enfeebled policies will limit the Bank's capacity to avoid or mitigate adverse development impacts and will further undermine the already limited accountability of the World Bank".

The small number of NGOs, officials and researchers who are aware of the new policy proposals have also started expressing their concerns about some of the arguments made. They agree with the Bank that its safeguard policies are inadequately applied, but not with many of the ways the Bank wants to do so. Robert Goodland, who worked in the Bank's environment department for 25 years, welcomes the Bank's intention to introduce assessments of proposed national policy changes through adjustment loans, to clarify its approach to social issues and to include social and environmental issues in its loan agreements. But he says "strengthening the social and environmental assessment policies and

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procedures should in no way reduce the bank's responsibility to ensure conscientious compliance with the safeguard policies."

### Box 2: Bank reviews show policy non-implementation

*For over ten years a succession of Bank reports have revealed the Bank's failure to implement its own policies. In late 2002 the Bank's Inspection Panel reported the dismal results of the Coal India projects where "many of the displaced Project-affected persons have not been [adequately] compensated and have suffered and continue to suffer harm". This project was intensively supervised by Bank staff. But as "the supervision team's knowledge of ground realities was limited, their efforts to resolve problems had virtually no impact on the ground". And a recent report from the Bank's Operations Evaluation Department found that one third of Bank projects that impact indigenous peoples have not applied the relevant safeguard policy.*

### Devolution debated

Forest Peoples Programme argues that "devolving all the responsibility for safeguard work to the borrower is a recipe for disaster and more failed projects because many borrowers lack the necessary policies, laws and institutional capacity to achieve these social and environmental standards without special efforts. The World Bank itself has obligations and duties under international law to uphold human rights and environmental standards. The vast majority of states have voluntarily ratified the core human rights instruments promulgated by the United Nations. By basing its own policies on these instruments, the Bank would merely be requiring that its borrowers comply with commitments they have already accepted". This does not imply that the Bank should be the lead agency in charge of interpreting how well countries are implementing their obligations: it should respond to the judgements of courts and UN treaty bodies. Indigenous peoples groups have been pressing the Bank to engage in a detailed discussion on its responsibilities under international law, but the Bank has so far sidestepped this request.

NGOs are also concerned that less specific policies will compromise the effectiveness of accountability mechanisms like the Inspection Panel whose work is based on monitoring safeguards. The Bank, however, argues that its proposed new approach will introduce ways to ensure better implementation of social and environmental standards by harnessing local knowledge and ownership. It says it will only delegate responsibility for policy implementation to national institutions where sufficient capacity is available and that this delegation will not absolve the Bank of responsibility. A Bank staff member involved in this process hints that most borrower government institutions are likely to be found to lack sufficient capacity, with a few exceptions such as in some EU Accession countries and some middle-income countries such as Brazil. Interestingly, the Bank's paper recognises that the Bank itself lacks capacity and will require new skills and resources to conduct national level assessments and engage in productive dialogue with borrowers and other stakeholders.

Campaigners fear, though, that just as Bank staff face pressure to maximise loan volume rather than focus on project impacts, national institutions may well be reluctant to challenge projects which are deemed by powerful political or economic interests to be important. Unless national bodies and the Bank are subject to legal challenges where they fail to uphold peoples' rights, there is little reason to expect them to enforce them consistently. Currently, however, the Bank is immune from lawsuits and it plans to assess national potential for policy implementation more on the basis of technical skills than legal frameworks.

### Losing business?

The claim that the cost of implementing safeguard policies is a major deterrent for Bank clients is inaccurate and raises questions about who are the Bank's real clients: governments or their poorest people. The Bank's *Costs of Doing Business* study which is supposed to provide the evidence for this claim in fact found that the costs of implementing social and environmental policies were just one third of the costs of implementing the Bank's ever more extensive competitive bidding and fiduciary ones. The costs of failing to conduct adequate social and environmental due diligence are also often substantial.

The Extractive Industries Review, established by the Bank's President in 2001, demolishes the argument that the Bank will lose business if it improves its standards. Its draft report finds that "on many issues, industry associations are more progressive and forward thinking than the Bank in its safeguard policies. One example is on human rights. There is absolutely no danger that the Bank Group will get too far ahead of [other agencies]". The Compliance Advisor/Ombudsman which scrutinises the Bank Group's private sector operations came to similar conclusions in a report published in early 2003.

### Potential new approaches

As well as demanding that the Bank maintain clear and strong policies NGOs are proposing new institutional arrangements to help ensure implementation. These include enforceable legal contracts binding on all parties including the Bank, borrower government, private sector and affected peoples". These legal agreements would be established through a process of participatory negotiation based on the rights and priorities of rights holders and other interested parties (along the lines of methodologies endorsed by the World Commission on Dams). Local institutions would act as tribunals to hear grievances and require remedial action where necessary.

### Conclusion

The Bank recognises that launching a new review of safeguards may be seen "as a way for the World Bank to dilute its commitment to its safeguard policies". Though the World Bank has made its discussion note public, it appears to have already largely decided on its approach. Steven Lintner, the Bank staff member leading the exercise, says the Bank is having "an interactive dialogue" with stakeholders and aims to submit a statement to a Bank Board committee in late 2003. A pilot project using these new approaches has already started in Vietnam.

Many NGOs, however, are extremely frustrated with the way the Bank has handled consultations on safeguards in recent years and are wary of this new process. They want the Bank to raise its standards in line with evolving international agreements, to improve coverage of social issues, and above all to maintain binding standards. People interested in these issues are encouraged to raise them with Bank staff and their countries' representatives on the Bank's Board.

Alex Wilks, September 2003

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World Bank Safeguards Framework [www.worldbank.org/sgfw](http://www.worldbank.org/sgfw)

Forest Peoples Programme [www.forestpeoples.org](http://www.forestpeoples.org)

Bank Information Center [www.bicusa.org](http://www.bicusa.org)

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