Campaign Supplement to

"Bankrolling Polluting Technology"

- Background on the World Bank Group
- Background on the World Bank Group and Environment
- World Bank Group and Information Disclosure
- World Bank Group Executive Director Contact
- Where to find WBG country/region offices

Please note that the Full Report "Bankrolling Polluting Technology" includes contact information and resources on incineration, alternatives to incineration, and the World Bank. For more information about the campaign to stop World Bank Group funding of incinerators, please contact:

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THE WORLD BANK GROUP

The **World Bank Group (WBG)** comprises five distinct organizations, all headquartered in Washington, D.C. They share the same president and board of directors, but have distinct roles and policies. Rather confusingly, two of the WBG's component institutions, the IBRD and IDA, are referred to collectively as the World Bank; the term "World Bank Group" encompasses all five.

The WBG's mission is officially poverty reduction, but after 57 years and more than US$500 billion in expenditures,[1] its successes are few and debatable. It has been widely criticized as a neo-colonial institution whose true goal is not poverty reduction but promoting the interests of multinational corporations in the South and undermining national sovereignty through perpetual indebtedness. The World Bank Group carries out projects primarily by lending money to national governments. These loans then become part of the country's sovereign debt. As debt levels increase, nations increasingly borrow money simply to meet their debt payments. World Bank and IMF structural adjustment programs force countries to cut social spending in order to meet the payments on their sovereign debt.

The World Bank Group is also widely viewed as being influenced to an undue extent by the U.S. government; the WBG's president is always a U.S. citizen[2] and the U.S. enjoys de facto veto power on the board of directors. The WBG has a board of 24 directors (termed "Executive Directors") who represent the various nations who are members of the Bank. Votes on the Board of Executive Directors are distributed through a complex formula, but the rule of thumb is that a nation's votes are in proportion to the amount of money it donates to the Bank.[3] Thus the U.S., donating approximately 16% of the Bank's capital, has roughly 16% of the votes; Japan, the

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1. World Bank website, accessed August 2002.
2. The WBG's sister institution, the International Monetary Fund, is always headed by a European citizen. Although the two institutions sometimes disagree publicly, they closely coordinate macroeconomic policy for Southern countries.
3. Donations to the World Bank are primarily to the IDA. The IBRD is a profit-making institution, but IDA, because it charges minimal interest on its loans, runs at a loss and therefore needs fresh infusions of capital every few years.

second-largest donor, has 8%. Nations that only borrow but do not donate also have votes, although very few. As a result, many nations combine their voting power into the person of one Executive Director, who votes for their combined shares. Thus, the whole of sub-Saharan Africa is represented by only two Executive Directors with a total of 5.35% of the vote between them.[4] In fact, voting is rarely used at the Bank. With all board decisions made behind closed doors, and not even minutes being made public, external dissent is rare.

Of the WBG's five components, the largest and oldest is the International Bank for Reconstruction and Development, founded in 1946 to loan money to national governments to enable them to carry out large-scale public projects. No longer is the IBRD's role limited to financing. Its extensive staff (currently numbering approximately 10,000), regular consultants and tight relationships with many transnational corporations provide much of the expertise and hands-on personnel to actually carry out its projects. As such, it combines the functions of both lender and development agency.

The International Development Agency (IDA) was established in 1960 to provide concessional (very low or no-interest) loans to the world's poorest countries. The IBRD and IDA, together known as the World Bank, are in practice tightly integrated in their operations. As such, World Bank policies on the environment, information disclosure, and the like apply equally to IBRD and IDA projects, and they go through the same project approval process. The primary difference between the two is that IDA lending is restricted to a smaller set of countries, and it charges almost no interest on its loans. The IDA disburses about one-third the money (on an annual basis) that the IBRD does.

The International Finance Corporation (IFC) was created in 1956 in order to finance private-sector investment in Southern countries. Its charge is to encourage investment by the private sector in Southern countries, and in particular to exhibit the "demonstration effect," i.e., to underwrite the expansion of the private sector into countries or sectors where it has previously been wary of investing, and thereby demonstrate the profitability of such activities. In practice, it often behaves like a commercial investment bank, investing in profitable, established industries, and funneling the bulk of its lending to a few countries.[5] The IFC is also notable in that it not only loans to private companies but in fact owns equity in many of their projects.

Rounding out the World Bank Group is the Multilateral Investment Guarantee Agency (MIGA), established in 1988. MIGA provides political risk insurance to companies that invest in Southern countries. This is insurance that will pay the company in the event that the host government expropriates its assets, prevents it from exporting its profits or converting them to hard currency, or uses its sovereign powers to change a contract to the detriment of the company. This sets up an interesting conflict of interest, for the IBRD prescribes (and enforces) economic policy to the same countries in which MIGA has projects, raising the possibility that MIGA may have to pay an insurance claim on an IBRD-sanctioned policy. In practice, this is unlikely to occur, as the IBRD's policy advice rarely conflicts with the interests of international investors. To further confound the issue, MIGA requires host countries to issue counter-guarantees, effectively insuring transnational corporations against the government's own actions. To date, MIGA has issued US$9.1 billion in insurance guarantees and only paid out one claim, for the sum of $15 million, to Enron Corporation.[6]

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4. Except Ghana, which shares a representative with a few North African and non-African nations.

5. Cray, Charlie, "Dubious Development: The World Bank's Foray Into Private Sector Investment," *Multinational Monitor*, Vol. 22, No. 9, September 2001. http://multinationalmonitor.org/mm2001/01september/sep01corp3.html#aes

6 This was paid to Enron for a flawed project in Indonesia; and MIGA recovered some of the money from the Indonesian government. Source: Chidozie Ugwamba and Jennifer Webster, "Guaranteeing Corporate Profit: The Multinational Investment Guarantee Agency," *Economic Justice News*, Vol. 3, No.3, September 2000.

The least-known member of the World Bank Group is the International Centre for Settlement of Investment Disputes (ICSID), established in 1966 to resolve disputes between sovereign governments and private (foreign) investors.

THE WORLD BANK AND THE ENVIRONMENT

The World Bank Group has an ugly history on environmental issues. Much of the criticism has focused on the WBG's lending for specific projects, but the Bank's macroeconomic programs have also had widespread, negative effects on the environment.[7]

The World Bank Group is the greatest single source of funds for large dams, which destroy forests, wetlands, fisheries, habitat for threatened and endangered species, and increase the spread of waterborne diseases.[8] Large dams also routinely displace large numbers of people from flooded lands, with little or no compensation. The WBG is also a major funder of fossil fuel projects (coal, oil, natural gas), which release the lion's share of carbon dioxide (the primary culprit behind global warming) into the atmosphere. The Sustainable Energy and Economy Network[9] estimates that the WBG's fossil fuel projects will release 1.3 times as much carbon dioxide into the atmosphere as all global releases in 1995, and many of their projects have entailed human rights abuses.[10] The WBG has also financed numerous disastrous projects that have accelerated the logging of tropical rainforests,[11] engaged in destructive mining practices (including large-scale hazardous waste problems)[12] and encouraged the use and misuse of dangerous pesticides in preference to less-toxic alternatives.[13]

In response to strong resistance on the ground and international criticism of these and other projects, the World Bank Group has taken several measures to reduce environmental harm from future projects.[14] However, few of the Bank's critics are satisfied with these measures; nor has the Bank offered to recompense those harmed by its previous and existing projects.

The Bank has produced a veritable flood of documents on various environmental issues. These range from technical papers on environmental mitigation to almost-

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7.Friends of the Earth, "Structural Adjustment and the Environment," April 2001. http://www.foe.org/international/imf/newguinea.pdf

8.Manibeli Declaration: Calling for a Moratorium on World Bank Funding of Large Dams, September 1994. http://www.irn.org/programs/finance/manibeli.shtml

9. The Sustainable Energy and Economy Network, a project of the Institute for Policy Studies (Washington, DC) and the Transnational Institute (Amsterdam), works in partnership with citizens groups nationally and globally on environment, human rights and development issues with a particular focus on energy, climate change, environmental justice, gender equity, and economic issues, particularly as these play out in North/South relations. www.seen.org.

10. "The World Bank and the G-7:Still Changing the Earth's Climate for Business, 1997-98," Sustainable Energy and Economy Network, December 1998. Available at http://www.seen.org/pages/ifis/wbstill/stfindings.shtml

11. Money in the Rainforest: Factsheet," Rainforest Action Network, July 1996. Available at http://www.ran.org/info_center/factsheets/04f.html . Also see http://www.whirledbank.org/environment/logging.html

12. Project Underground, "International Finance Corporation Refuses To Investigate Newmont Corruption," Drillbits and Tailings, Volume 7, Number 2, February 28, 2002. Available at http://www.moles.org/ProjectUnderground/drillbits/7_02/3.html. Also see other stories on WGB and mining at Project Underground, www.Moles.org

13.. Mimi Kleiner and Marcia Ishii-Eiteman (Pesticide Action Network North America -- PANNA), "50 Years Is Enough Factsheet: The G-7 Pesticide Industry's Stake in the World Bank,"), April 1997. Available at http://www.50years.org/factsheets/pesticide.html

14. "How Project Campaigns Influence Policy Changes at the World Bank, Bank Information Center, Adapted January 2001. Available at http://www.bicusa.org/policy/projectcampaigns.htm

philosophical investigations of sustainable development. The effect of all this on the Bank's own policies and practices, however, has been minimal. A case in point is the Bank's Environment Strategy.[15] Formally adopted by the Board of Executive Directors in 2001, the Environment Strategy is the Bank's first attempt to fashion a coherent whole out of its various environmental policies and projects. It is also an attempt to work environmental issues into the very fabric of the Bank's work – "mainstreaming" the Environment, in the Bank's lexicon. This means that environmental issues should no longer be an afterthought, to be dealt with after a project has been designed and (often) approved, but should be an integral part of the planning process. However, the Environment Strategy remains an idea without an implementation plan. It is not a binding policy on the Bank, and contains little in the way of concrete actions to bring about the fundamental change in perspective and operations that it envisions.

The strongest protective measure is the WBG's "safeguard policies."[16] There are ten such policies, on topics such as involuntary resettlement, pesticide use, dam safety, and forestry. Aside from pesticides, none address toxics. The Bank is in the process of "converting" these policies into a three-tier system of Operational Policies, Bank Procedures and Good Practices. As the name implies, compliance with Good Practices is not mandatory, but encouraged. The safeguard policies apply to the entire World Bank Group, except ICSID. However, they only apply to project lending, not the Bank's other activities, such as structural adjustment lending, policy "advice" and other macroeconomic activities. Since the majority of the IBRD's lending now goes to structural adjustment-type policies rather than to projects, this represents a major gap in the safeguard policies. Similarly, the most rapidly-growing section of the IFC portfolio -- lending to financial intermediaries (usually banks that re-lend the money) -- is not subject to the safeguard policies. The IFC does go one step further than the World Bank by establishing an "Exclusion List" -- a list of types of projects that will not receive any IFC funding. This list overlaps with the safeguard policies, but is more specific. It includes exclusions on PCBs, asbestos, and pesticides/herbicides subject to international phase-out, but does not mention byproduct POPs or other toxics.[17] The Bank has weaker standards, such as guidelines, on a wider range of issues, but it does not commit itself to always following these guidelines (or guidance notes -- a yet weaker standard). Indeed, even the safeguard policies are not really enforceable, since the World Bank is not subject to the jurisdiction of any national court.

When the World Bank does violate its own policies, there is one recourse: the Inspection Panel. Established in 1994, the Inspection Panel is a quasi-judicial body within the World Bank whose purpose is to hear complaints from "project-affected persons" about the Bank's violations of its own policies. The Inspection Panel is extremely limited in its scope and influence, for several reasons. First, only individuals who can demonstrate that they have suffered direct harm from a Bank-funded project have standing to bring a complaint before the panel. It is highly doubtful, for example, that an endometriosis sufferer could lodge a complaint against an incinerator, even though incinerators are a known source of dioxins and dioxins do travel long distances and do cause endometriosis. Most people directly affected by World Bank projects are

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15. The Bank's Environment Strategy can be found at http://www.worldbank.org/environmentstrategy

16. These can be found online at http://wbln0018.worldbank.org/essd/essd.nsf/safeguard/homepage

17. The exclusion list can be found at: http://www.ifc.org/enviro/enviro/Review_Procedure_Main/Review_Procedure/Annex_A/exclusion.htm and includes bans on: forced labor/harmful child labor, weapons and munitions, alcoholic beverages (excluding beer and wine), tobacco, gambling and casinos, wildlife or wildlife products regulated under CITES, radioactive materials, logging in primary tropical moist forests, asbestos, PCBs, pharmaceuticals subject to international phase-outs or bans, pesticides/herbicides subject to international phase-outs or bans, ozone depleting substances subject to international phase out, drift nets longer than 2.5 km. It includes a host of caveats, including a "reasonableness test."

of course unable to avail themselves directly of the Inspection Panel and must instead seek advocates among NGOs. Second, the panel can only hear claims based upon violations of the Bank's own policies or procedures. Violations of national or international law, the Bank's own (weaker) guidelines, or the Bank's public commitments are not sufficient cause for an Inspection Panel hearing. Third, the Bank's governing body (Board of Executive Directors) must assent to allow the Panel to investigate a claim, so complaints are liable to be set aside at the Bank's whim. Fourth, the Inspection Panel cannot order a project halted nor restitution awarded; remedies are still left up to Bank management, and must be approved by the Board. Despite these weaknesses, the Inspection Panel is a useful tool to raise the profile of a problematic project and illustrate when the Bank fails to live up to its own standards. However, it is not by any means an independent judicial body.[18]

The Inspection Panel only hears cases from the IBRD and IDA. The IFC and MIGA are covered by another body, the Compliance Advisor and Ombudsman (CAO).[19] The CAO's role is quite different from that of the Inspection Panel, in that it has no power to inspect. Rather, it fulfils two other roles: it provides internal advice to the IFC on how best to comply with safeguard and other policies; and it seeks to address complaints raised by project-affected persons as an ombudsman. These are valuable roles, but they do not substitute for an independent review board.

THE WORLD BANK GROUP AND INFORMATION DISCLOSURE

Public access to information is an important safeguard against the abuse of any power, but the World Bank Group lags far behind international standards on information disclosure. After a lengthy review, the World Bank (IBRD and IDA) issued a new Information Disclosure Policy in September 2001. In spite of worldwide demands for more openness, most World Bank documents are still considered confidential, including minutes and transcripts of all the meetings of the board of directors; national-level economic strategy documents; and Project Appraisal Documents. More documents are available after a decision has been made or a project implemented than during the preparation and implementation phases. In effect, the Bank has largely rejected the notion that the public has a right to know about the Bank's activities while there is still time to affect those activities. Indeed, this was cited as a specific reason not to release information regarding Board discussions -- that it would encourage "external actors" to get involved in decisions that the Bank clearly thinks is none of their business.[20] The IFC and MIGA have even more restrictive information disclosure policies. They claim that, because they deal with private firms, much information is "business confidential" -- that is, its release would harm the business interests of the borrowers. As a result, even less information is available from IFC and MIGA, and usually it is only available just before a project is finalized and implemented.

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18. .For more information on the Inspection Panel and how to file a claim, see A Citizen's Guide To The World Bank's Inspection Panel

19. . The CAO's website is at www.tomoye.com/simplify/cao/ev.php and it can be reached by email: cao-compliance@ifc.org, telephone: +1-202-458-1973, or fax: +1-202-522-7400

20. ..For more information on World Bank information disclosure, see the BIC website: www.bicusa.org
HTML: http://www.bicusa.org/mdbs/wbg/execdir.htm
PDF: http://www.bicusa.org/mdbs/wbg/execdir.pdf

Where to find WBG country/region offices

World Bank country offices are listed on the World Bank website, www.worldbank.org Click on “Contact Us” at the top of any page on this site, and chose your region.

IFC country offices are listed on the IFC website, www.ifc.org Click on “Contact Us” at the top of any page on this site, click on “Field Offices,” and chose your region.

If you are unable to find the office, or unable to access the internet, please contact Essential Action and we will send you the contact information.

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