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Jellyfish Issue

World Bank-NGO Relations: An Overview

Although the World Bank was founded in 1945 as one of the Bretton Woods institutions, it was only in the early 1980s that NGOs started lobbying for changes in its policies, procedures and lending. This was prompted by news of WB-financed mega-projects in Brazil, India and Indonesia - mainly dams and penetration roads into tropical forests - that were causing a large public outcry in those countries. NGOs in Washington, DC decided to help their colleagues and launched an appeal to the US Congress to hold the first oversight hearings about the Bank, which took place in 1983.



The World Bank listening mission

At that time there were no binding rules requiring detailed environmental impact assessments for projects being considered by the Bank, nor were there any substantive policies to guide lending. Virtually all documents were kept confidential. NGOs and affected communities had little information and no way of redressing their grievances. The Bank employed only one environmental expert at that time.

From this modest beginning, the dialogue between NGOs and the World Bank has grown enormously in breadth and sophistication. Today, quite a number of program-oriented NGOs actually help carry out WB-financed projects in developing countries. Hundreds, if not thousands of NGOs participate each year in reviewing project proposals, environmental assessments, poverty studies, etc., and then provide detailed comments and recommendations to the Bank.

In response the Bank has changed in fundamental ways. This is mainly the result of campaigning by NGOs around the world over the past seventeen years, coupled with periodic pressure from a few parliaments. That pressure, often linked to a replenishment of funding for the World Bank, has played a key role in convincing the Bank to accept a series of reforms.

Today the World Bank has a relatively open information policy, with documents made publicly available at all stages of the project cycle. The Bank carries out detailed environmental and social assessments of any project that could cause significant harm to the environment or communities. It

employs hundreds of environmental and social experts to help evaluate projects and provide guidance on how to ameliorate problems. And it has established an internal Independent Inspection Panel to serve as a "court of last resort" when affected communities or NGOs want to challenge the Bank for failure to abide by its official rules. The Panel is a three-member commission created in 1993, whose mission is to investigate complaints of violations of Bank "operational policies and procedures" that either have or could have a "material adverse effect" on the "rights or interests" of parties and groups in borrowing countries.

The most rapidly growing areas of Bank activities in the late 1990s have been (1) support for the private sector and (2) huge, non-project emergency bail-out packages and various forms of structural adjustment and sector lending. The latter has totalled about half the lending over the past few years. The Bank has been criticised by NGOs for its move toward the private sector, which in many cases supports international

continued on page 3 ...

A Crippled CAS In Slovakia

Chaos, confusion and disappointment marked the second and final consultation for the World Bank Country Assistance Strategy (CAS) in Slovakia. The consultation, held in Bratislava on March 17th, was the last opportunity for public input on the CAS before its final adoption in April.

Problems with the consultation process have plagued the CAS in Slovakia. During the first public consultation in February, NGO representatives expressed concern over the poor process guiding the consultation preparation and implementation. They also cited concerns about a lack of access to timely information and a generally closed and non-transparent process. Juraj Zamkovsky, director of Friends of the Earth Slovakia, said that the invitation and informal notice of the consultation were distributed only a few days in advance of the meeting.

Following the February meeting, the civic groups submitted a series of recommendations to the World Bank covering a broad range of issues such as energy, water management, forests, waste, transport, rural development, gender, structural and macroeconomics reforms, and support for small and medium sized enterprises. They addressed key areas where the Bank has made mistakes in the past in other countries, as well as in Slovakia.

In addition, they laid out several questions for the Bank regarding its strategy for Slovakia. For example, the Bank described the immediate plans for quick privatisation of state

continued on page 2 ...

World Bank Aids CEZ to Fund Czech Nuclear Power

You make some promises and we make some promises. Your government gives us guarantees in order to minimise our lending risk. Then we give you money and you do anything you please with that money.

This very cynical portrait of the World Bank's lending practices is unfortunately based on a very accurate and common lending procedure.

A 1994 WB loan to the Czech Republic's state owned utility company CEZ is an unfortunate example of this lending philosophy. While the loan should have demonstrated the World Bank's potential for contributing positively to sustainable development, it has instead served as an illustration of the manner in which the World Bank's good intentions sometimes lead to disaster.

The 246 million USD loan was given to CEZ to decrease the environmental impacts of electricity production in the Czech Republic -- at the time the main sources of electricity production were outdated lignite-fired power plants. The modernisation program of fossil fuel power plants was officially completed in 1998.

Since that time, by far the largest percentage of the CEZ investment portfolio has been in nuclear projects. CEZ's official investment plan for 1999-2006 shows a budget of 2 billion USD, 69% of which is aimed at nuclear development

projects.

Two of the five projects for which CEZ used the World Bank loan were directly connected to the highly controversial Temelin Nuclear Power Plant.

This is in spite of the fact that in a 1992 report, the World Bank advised the Czech government not to proceed with Temelin. Events since then have confirmed the Bank's conclusions: five years later, Temelin is still under construction; delays and cost overruns have nearly tripled the overall budget.

CEZ has received several loans in recent years, but many of the lenders deny that the funds have been used to support nuclear projects. But these loans, alongside that of the World Bank, have facilitated an investment plan focussed on nuclear power by an otherwise cash-strapped CEZ.

The World Bank claims not to support nuclear power, but this is an empty statement if the Bank gives money to companies like CEZ whose main focus is obviously the development of nuclear power. On the basis of this new report, CEE Bankwatch Network demands that the Bank substantiate its claims and promptly puts pressure on the Czech government and CEZ to immediately change their business and investment policy to exclude unsafe and economically crippling nuclear power.

A Crippled CAS In Slovakia

... continued from page 1

companies. However, Joseph Stiglitz, former chief economist of the World Bank, has publicly commented that problems in Russia resulted partly from the poor sequencing of privatisation. Rapid privatisation occurred before an institutional infrastructure was properly established, which contributed to corruption, private monopolies and asset stripping. Stiglitz argued for more gradual privatisation, after the establishment of institutional infrastructure.

During the first consultation, World Bank officials told NGOs that they would be informed of the implementation of CAS and would only be consulted on individual projects after its completion. Many NGO representatives, however, state that they wanted the development of the CAS to be open and transparent, since the CAS serves as the basis for all Bank activity.

Although the primary global objective of the World Bank is to reduce poverty, an internal Bank review of structural adjustment and sectoral loans made between July 1997 and December 1998, found that the Bank was not meeting its objectives in practice. The report stated that "the majority of loans do not address poverty directly, the likely economic impact of proposed operations on the poor or ways to mitigate negative effects of reform." The report suggested that the Bank make a greater effort to keep poverty as a central focus of the Bank's mission and that the Bank do a better job of

consulting civil society on adjustment lending so as to improve the analysis of the potential negative impacts of reform. "It would be nice to know how the findings in this report are incorporated into the process of the CAS development," suggested Zamkovsky.

Bank officials said administration funds are limited and cannot address all of the concerns. NGO representatives worry that such comments are a signal of further weak Bank participation in the consultations and wonder if the Bank will meet its global objectives in its activities in Slovakia. The fact that the recommendations and concerns submitted by civic groups were not addressed or incorporated into the final draft "certainly implies that [the consultation] was all merely a public relations ploy rather than a genuine public participation process," said Zamkovsky. The civic groups further charged that the consultation did not address the CAS framework, but only its implementation.

During the final consultation meeting, World Bank representatives said that although the Bank had very little knowledge of the situation in Slovakia, they planned to move forward with the CAS. This document will serve as the basis for all World Bank activity in the country.



corporations that are the source of serious environmental and human rights abuses. NGOs also have been highly critical of the move to non-project lending, where the normal substantive and procedural rules (such as environmental and poverty assessments) do not apply.

In the summer of 1996 two important studies by the Bank's Operation Evaluation Division (OED) revealed the failure of the Bank to effectively implement its key environmental and poverty alleviation policy instruments -- Environmental Assessments (EAs) and Poverty Assessments. The OED concluded that most full EAs (required for so-called CE Category A projects) "generate massive documents that are of little use in project design and during implementation." Most EAs were undertaken too late in the project cycle, so that "very few EAs actually influence project design;" as a result, public consultation and information disclosure, also required by the Bank's Public Information Policy, was very weak. When it did occur it was often too late in the project cycle to be effective. Moreover, "...most Category A project EAs failed to give serious consideration to alternative designs and technologies as called for in the [Operational] Directive, and those that do, often explore weak, superficial or easily dismissed options." Recommendations and environmental action plans contained in EAs were often not implemented, and Bank supervision of the environmental components of projects was often lax or non-existent. Environmental Assessments, the report continued, "are often not understood by project implementation staff and, in many instances, not even available in project offices."

The Bank's present President, James Wolfensohn, who has just started his second term, promised to revolutionise the Bank, to change the institution's internal culture of loans -- in which staff were rewarded above all for pushing money -- to a culture of "development effectiveness" and "accountability," in which economic, social and environmental results in the field would be top priorities. He also has stressed the need for the World Bank to become more effective in helping the poor while protecting the environment. NGOs were quite hopeful when he first took office.

Wolfensohn's first act was to cancel one of the most controversial pending projects, the Arun Dam in Nepal. Following the murder of Nobel Prize nominee Ken Saro-Wiwa by the Nigerian military junta, Wolfensohn personally intervened to stop a proposed International Finance Corporation liquefied gas project in Nigeria. He encouraged much greater and regularised Bank consultations with non-governmental groups, and took the lead in initiating serious debt-relief for highly indebted poor countries. He supported a joint NGO/Bank review of structural adjustment lending. Finally, Wolfensohn publicly addressed a problem plaguing all development assistance, which Bank Presidents in the past had ignored: corruption.

Although NGOs have saluted this series of personal initiatives, they are dismayed that most of them have not been followed through by staff and management. In spite of all the positive changes that have resulted from this ongoing NGO-WB dialogue over the last 18 years, NGOs continue to see many different sorts of problems with the institution in practice. This has led to a number of appeals being filed with the Independent Inspection Panel, most of which have been supported by the Panel vis-à-vis the Bank. In addition, NGOs have written hundreds of policy letters to Wolfensohn about a wide range of subjects.

At each of its annual meetings over the past 12 years, the

Bank has been met by protestors, who have called for more fundamental reforms, and even for Bank closure. These demonstrations perhaps reached their zenith during the 50th anniversary of the Bretton Woods institutions, with the "50 Years is Enough" campaign mounted by NGOs around the world. That campaigning umbrella continues to exist, and is increasingly successful in drawing together a wide range of civil society actors -- from church groups to health care specialists, from tropical forest protectors to groups that want the Bank to stop lending money for fossil fuel projects.

As we begin the new millennium, NGOs around the world will continue to keep a close and critical eye on the World Bank Group and its activities, in order to ensure that real changes occur and are honored by the Bank's Board, management and staff.

News in Brief

NGOs Urge Increased Access to Information. In commenting on the revised Public Information Policy for the European Bank for Reconstruction and Development (EBRD), CEE Bankwatch Network said the Bank should provide the public with more convenient and timely access to information. Bankwatch urged the Bank to translate policy documents, including Environmental Impact Assessments and Emergency Response Plans, into local languages and make them available in local offices where major infrastructure projects are either planned or underway. Bankwatch also urged that minutes of the meetings of the Board of Directors be released for public review.

Slovak EXIM Bank will not support problematic coal power plant in Georgia. CEE Bankwatch Network was pleased to learn that the Slovak EXIM Bank will not participate in an environmentally and economically unsound coal-fired power station project in Georgia. In a 10 March fax, Slovak EXIM Bank stated that it is not involved in, nor has even considered, any projects in Georgia, and that information to the contrary is false. A follow-up telephone call confirmed that the Bank has never considered to be involved in the coal-fired power station. "It is great news that the Slovak EXIM Bank is not considering participation in this unwise project. The news raises more questions, however, as to why the Georgian government has misled the public into thinking that the Slovak EXIM Bank is considering the project," commented Manana Kochladze of the Georgian Greens.

The EBRD breaks its own environmental procedure on oil project. An oil exploration and transporting project in Azerbaijan and Georgia, funded by the European Bank for Reconstruction and Development, will begin without a full Environmental Impact Assessment and adequate public consultation. The Bank approved the Frontera Resources project, which was purposely split into two segments for review and approval. The first part of the project was declared as Category "B" which neither requires an Environmental Impact Assessment nor public consultation. CEE Bankwatch Network believes this strategy is intended to circumvent the EBRD's own policies on environmental assessments and public consultation. In addition, the proposed project will lead to an increase of greenhouse gas emissions, and will threaten the Black and Mediterranean Seas and nature reservations in Azerbaijan. Bankwatch members sent letters to EBRD directors urging them to "play by the rules" on this project.

Ripples from the EIB Report Reach EIB Executive Suite

A series of events triggered by the release of the Bankwatch Network report on the European Investment Bank (EIB) provide cautious optimism for reform in the Bank. The 67-page report, titled "The European Investment Bank: Accountable Only to the Market?" was released in Brussels on 31 January 2000 at a press conference attended by 15 journalists from national and international media. The subsequent extensive news coverage helped to raise the public's awareness of problems with accountability and transparency within this European Union financial institution.

The report was sponsored by the Heinrich Boll Foundation and prepared by CEE Bankwatch Network co-ordinators Magda Stoczkiewicz and Jozsef Feiler. It outlines the structure of the EIB, shows how its range of activities has changed over the years, and cites specific case studies where the Bank has not abided by European Union standards of performance for environmental protection. The report includes a number of specific recommendations for changes in the Bank's operations. More than a thousand copies were sent to NGOs, media, members of the European Parliament, and the EIB Board of Directors. Further distribution to NGOs is underway.

Following the press conference, a round-table discussion on the report was organised, attended by members of the European Parliament, European Commission officials, NGO representatives, and the report's authors. Representatives of the EIB and the European Ombudsman attended as observers. The purpose of the discussion was to expand on issues raised in the report and develop a greater public awareness of EIB's operations. Additional round-table discussions on the EIB and its relationship with the European Commission are anticipated later this year in Berlin and Brussels.

Bankwatch coordinators have met with EIB officials from time to time to discuss issues of concern. In February, Bankwatch received a letter from the EIB Director of Communications suggesting a meeting to discuss the issues raised in the report. According to the letter, "The Bank considers the report as a useful contribution to its own internal discussions on policies and procedures in the field of the environment and on information policy." The tone of the letter suggests a new openness to substantive discussions and, one would hope, changes in the Bank's operations. The date of the meeting is pending.

Prague 2000 Activities on the World Bank

A group of non-governmental organizations (CEE Bankwatch Network, Jubilee 2000 and Friends of the Earth) are preparing a series of public awareness meetings connected with the World Bank Annual General Meeting, to be held in Prague in September 2000. The goal is to introduce the activities of the World Bank and the IMF to citizens of the Czech Republic, with a specific focus on problematic projects and debt relief.

Activities Planned:

"Other News" Public Forum

This forum, to be held 24-27 September 2000, will consist of lectures and discussions about the following issues: debt relief; problematic projects supported by the World Bank; transition in CEE countries and Asia.

Film Festival on the World Bank and IMF

This festival will take place 25-26 September in Prague. Films will be translated into Czech and English.

Skillsharing for NGOs Working on the World Bank and the IMF

The main goal of this meeting of NGOs from the West, Central and Eastern Europe, and the South is to share experiences with WB/IMF projects that have had socially, economically, and environmentally negative impacts. Discussions will be held about strategies for work on these projects and lobbying. Skillsharing will be in English with Russian translation, from 20-22 September.

If you are interested in this skillsharing session, please contact:

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CEE Bankwatch Network is an international NGO of 16 environmental organisations from 11 CEE and CIS countries. The Network is monitoring the activities of International Financial Institutions in the CEE and the CIS region.

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