Title
Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies

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The Struggle for Accountability
The World Bank, NGOs, and Grassroots Movements

edited by Jonathan A. Fox and L. David Brown

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A new recognition of profound interconnections between social and natural systems is challenging conventional intellectual constructs as well as the policy predispositions informed by them. Our current intellectual challenge is to develop the analytical and theoretical underpinnings crucial to our understanding of the relationships between the two systems. Our policy challenge is to identify and implement effective decision-making approaches to managing the global environment.

The Series on Global Environmental Accords adopts an integrated perspective on national, international, cross-border, and cross-jurisdictional problems, priorities, and purposes. It examines the sources and consequences of social transactions as these relate to environmental conditions and concerns. Our goal is to make a contribution to both the intellectual and the policy endeavors.
Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies

Jonathan A. Fox and L. David Brown

Has the World Bank really begun to reform its social and environmental actions? If so, what role did nongovernmental advocacy groups and grassroots protest play in the process? This process has been fought out in the media, in legislatures, and with mass citizen action for a decade and a half—more a "war of position" than a "war of movement." To the degree change has occurred, it has been slow, inconsistent, and ambiguous, with few clear-cut breakthroughs as far as people directly affected by projects are concerned. This observation should not be surprising; the World Bank is a bank, after all. Any change would come in degrees and would be combined with business as usual.

This concluding chapter focuses on the key patterns that emerge from the volume's diverse efforts to assess the role of external pressures in effecting change. Three analytical dilemmas have to be faced in the attempt to discern such patterns: (1) how can we assess changes in the Bank's portfolio; (2) what is the "set" of Bank projects that have been tangibly influenced, at least in part by public protest and (3) to what degree are social and environmental reform policies actually put into practice? One major conclusion is that many protest campaigns manage to influence subsequent World Bank policies, but have limited impact on the projects that provoked the protest in the first place.

This overview begins by illustrating such analytical challenges with a notable case of clear-cut "NGO impact" on World Bank decision making: its withdrawal of support for Nepal's proposed Arun III Dam after seven years in the design process. The chapter draws out the broad patterns of World Bank reform and concludes by proposing the specific conditions under which its "sustainable development" reforms could
actually be implemented. Future comparative studies will have to address the related issue of precisely which kinds of NGO/grassroots strategies and tactics have had the greatest impact.

Lessons from the Arun III Dam Campaign

The World Bank’s eleventh-hour 1995 decision to cancel its planned funding of the Arun III Hydroelectric Dam surprised both the project’s critics and supporters. Arun was a classic Bank “megaproject,” a $1 billion investment involving $175 million from the World Bank, influential private sector interests, and a Nepali government interested in cheap electricity. After many years in the design process, however, it had provoked widespread criticism from international and Nepali public interest advocacy groups on social, environmental, and economic grounds—a campaign that utilized the momentum of the early 1990s international campaign to stop India’s hotly contested Narmada River dam project.1 The August 1995 cancellation of the proposed loan showed that an emerging international NGO “alarm system” had gained a growing capacity to block questionable development projects before they were built.

At first glance, Nepal’s Arun III was not an obvious candidate to follow India’s Narmada Dam as the second-most contentious World Bank project of the 1990s. Unlike many other Bank-funded dams, Arun was a run-of-the-river operation that involved relatively little flooding—the kind of large dam usually considered to be as environmentally friendly as they get. Arun III Dam also promised little of the forced resettlement that made the Narmada Dam into such a contentious human rights issue. It did threaten isolated indigenous communities and forests with a massive influx of outsiders, however, and for one of the poorest countries in the world, the dam’s huge cost made it seem to be a “paradigm case” for challenging the World Bank’s longstanding commitment to large infrastructure projects.2 An international NGO network convinced the U.S. executive director of the Bank to join the opposition, supported by a U.S. Agency for International Development (USAID) study favoring a smaller-scale alternative energy strategy. Under pressure from a vocal NGO campaign, the German government also pulled back after its federal audit office questioned the project’s “economic viability, sustainability and the minimization of risk.”3 Japan’s expected aid contribution hung by a thread.

The international NGO campaign was further legitimated when a ranking World Bank dissenter came forward, taking early retirement and making public a powerful critique of the project’s questionable economic assumptions and social opportunity costs. He observed,

Since senior management seemed committed to the project, a serious and open debate was no longer possible, and even common sense questions were being dismissed. All the available energy went into building the case in favor of the project, rather than examining alternatives…. The project is not in conformity with the Bank’s poverty alleviation strategy for Nepal…. It is an unbalanced use of Bank funds with an overemphasis on energy which will crowd out investments in the social sector such as rural infrastructure and agriculture.”4

Then the Bank’s new Inspection Panel, the semiautonomous official accountability channel set up in response to the Narmada controversy, accepted Arun as its first case. The panel questioned whether Bank officials had followed their own indigenous peoples and resettlement policies.5 Arun’s backers in the Bank had so clearly ignored social, environmental, and economic concerns that radical NGO campaigners were eventually joined by quite moderate project critics—those who felt that project risks could have been acceptably mitigated if only the Bank’s policies had been followed. Indeed, the project had been so widely questioned inside as well as outside the Bank that the Inspection Panel’s credibility depended on accepting the case (even though very few actual residents of the Arun Valley were involved in the complaint).6

In spite of this convergence of internal and external criticism, Bank management remained committed to the project, distorting the Inspection Panel’s findings and moving the project toward board approval. The Bank’s board of directors has never rejected a project proposed by the Bank’s management. Having lost his battle to continue funding India’s discredited Narmada project, the highest official responsible for projects in South Asia dug himself in and declared that approval of Arun was crucial for the Bank’s “credibility,” thus raising the stakes beyond the project itself (a logic reminiscent of the U.S. government’s justification for not withdrawing from the Vietnam War).

To the surprise of many Bank critics, the new Bank president, James Wolfensohn chose to overrule his own top management: “the risks to
Nepal were too great to justify proceeding with the project." The Bank’s official explanation claimed that the proposed social and environmental mitigation measures were satisfactory, but suggested that these measures, in addition to increased power rates, "would have imposed requirements which the Bank now judges to be beyond what Nepal could realistically have achieved at present." This public recognition of unviable assumptions about proposed mitigation measures was new; prior internal recognition of such problems had not stopped classic project disasters in the past, as demonstrated by the Polonoroeste Amazon road project of the early 1980s. As an investment banker, Wolfensohn also looked more carefully at the project’s shaky economic assumptions—an action clearly in contrast to the approach usually taken by long-time Bank managers accustomed to the entrenched official "culture of approval." This "culture of approval" problem had been highlighted by a major internal evaluation (the Wapenhans Report) of rising rates of "unsatisfactory" project performance.

Environmental NGO advocates reacted to Wolfensohn’s rejection of Arun III with cautious optimism, and some hoped that the decision would send a strong message to World Bank staff that future large dam projects would receive much more scrutiny in the future. Indeed, the World Bank is currently preparing fewer large dam projects than it funded in the mid-1980s (outside of China, that is, where independent advocacy groups are not tolerated). Gopal Siwakoti of the Katmandu-based Arun Concerned Group concluded: "This is a victory for Nepal and stunning defeat for the Bank. This is [also] a very smart face-saving measure on the part of the Bank. It is trying to wriggle out of admitting that it violated its own policies by approving the Inspection Panel’s critical report." After the cancellation, however, Nepalese NGOs continued discussions with Bank staff and executive directors, lobbying in support of Bank funding for an alternative, smaller-scale hydroelectric development project for their country.

Is the Arun III cancellation evidence that the World Bank is finally "greening" itself, after more than a decade of sustained environmental and human rights protest? Or was this an isolated concession to environ-
Assessing Institutional Change: Analytical Dilemmas

How does one take stock of the impact of transnational advocacy campaigns on an institution as large, opaque, and slow moving as the World Bank? Four methodological problems come up. The first is the question of the counterfactual: would World Bank projects have been even more socially and environmentally costly—or would a larger number of them have been destructive—in the absence of external scrutiny and protest? Or, as World Bank officials often claim, would national governments have been less environmentally responsible in the absence of World Bank “greening?” Second, where the Bank does appear to have responded to public pressure, how does one open up the black box of official decision making to disentangle the relative weights of the various different factors—internal and external, ideological and interest driven—that come into play? Third, how does one avoid the conflation of normative and analytical criteria for assessing change? This problem is most serious for projects that were redesigned in response to pressure, but that remain socially and environmentally costly. For example, because of protest against Thailand’s Bank-funded Pak Mun Dam, the dam was lowered and resited, thus reducing the estimated number of people affected from twenty thousand to approximately five thousand displaced. These five thousand still lost homes or livelihoods, but some NGO critics neglect to mention the significant changes in the project along the way. Fourth is the problem of the time frame for assessing change. Many World Bank defenders have long argued that changing its institutional direction is like turning around an ocean liner—a necessarily slow and arduous process. The long lead time between changes in top-level decision-making processes and outcomes on the ground creates the “pipeline effect”: at the front end of the pipe, policymakers claim new projects will be different, but at the receiving end citizens groups continue to experience the results of past decisions. As discussed below, the pipeline effect creates an ongoing political dissonance problem between the Bank and its critics because reform promises can never be “definitively” assessed until an ever-moving point in the indefinite future.

Although Bank officials emphatically affirm that they have changed, many Bank campaign critics argue that the institution does not comply with its own reforms. The Arun III project cancellation would be a sign of the times for the former, but an isolated exception for the latter. In terms of assessing change, both sets of actors should be considered interested parties. It is obvious why Bank officials would claim to have “learned their lesson,” but it is less obvious why Bank critics might underestimate possible change. There is a tension between short-term political “campaign logics” and a more distanced, longer-term assessment of protest impact. In the short term, many advocacy groups see the recognition of partial reform as undermining the case for further change. Declaring victory before the job is done risks falling into the trap of accepting small concessions “instead of” more significant change. Some partial concessions can co-opt critics, though others serve as wedges that make deeper changes possible. Whether and when small changes are accepted “instead of” or considered “steps towards” bigger changes is an open empirical question that will vary from case to case. Either way, documenting partial changes is nevertheless significant, both in terms of informing future “pro-accountability” strategies and for potential “development refugees” whose lives are not disrupted as a result.

Assessing degrees of change can be framed in terms of three major analytical dilemmas, each associated with a different level of analysis of World Bank actions:

1. **Portfolio trends.** What criteria does one use to assess whether social and environmental reform has occurred? At the broadest macrolevel, one can look at the distribution of funds across the portfolio in terms of positive and negative categories.

2. **Impact on projects.** How does one determine the “relative weight” of a particular set of public interest advocacy pressures as distinct from other factors? The broader the level of change, the more difficult it is to trace external impact. The clearest examples are in cases of specific projects.

3. **Impact on policies.** Policies clearly have changed, but to what degree are they reflected in the actual projects? Policies ostensibly mediate between broad changes in institutional direction and the final impact of
specific project-lending decisions. What do the available studies tell us about the degree to which reform policies are actually implemented?21

Portfolio Trends: “The Good, the Bad, and the Ugly”
Perhaps the broadest indicator of the Bank’s actions is its diverse portfolio. Rather than go into a detailed assessment of changing trends in terms of types of actual loans—a daunting empirical task—we can frame the issue in hypothetical terms. For the sake of discussion, let us say that projects can be divided into different categories in terms of their social and environmental impact. Some projects clearly have worse impacts than others; indeed, international NGO networks are constantly on the lookout for especially devastating projects. For the sake of discussion, projects in the portfolio can be categorized as “the good, the bad, and the ugly.” These categories refer not to conventional sectors, such as energy versus education, but rather to the degree to which loans are consistent with some hypothetical minimum sustainable development criteria. If the Bank’s changes in policies and discourse managed to influence its actual lending patterns, the relative weights of “the good, the bad, and the ugly” within the portfolio would change.

“Good” Projects One set of projects might be “good” from a sustainable development point of view because they offer more access to basic education for girls, primary health care, reproductive choice, safe drinking water for poor people, titling and demarcation of smallholder and ancestral indigenous lands, biodiversity protection, industrial pollution control, microenterprise loans for low-income women, AIDS prevention, funding for worker-managed extractive reserves in the Amazon forest, and so forth.20 Some analysts assert that a sizeable fraction of this set of projects is no doubt much less enlightened in practice than in theory, as can be seen in the case of social service projects that require onerous “cost recovery” charges for poor people, or in the case of decentralized projects that risk strengthening authoritarian local governments.21 Other analysts make a broader critique of the Bank’s entire “market-led plus targeting the poorest” approach to social policy, arguing that it is replacing the principle of universal access to basic health care as a right with limited welfare for the destitute.22 This critique of official Bank human resource investment policies has yet to be followed up by systematic empirical studies that link projects with actual social impact on the ground.

Some Bank critics might argue that the “reformed” category of lending merely serves to legitimate the rest of what the institution does, which is much more negative on balance, or that such funding serves to divide and conquer NGO critics. For the most severely indebted low-income countries, the nominal purpose of “good-sounding” projects may well be moot because in practice they must devote most incoming loan funds to debt service. For countries that pay a large fraction of their national income back to international financial institutions, fresh development funds end up flowing from one building in downtown Washington, D.C., through national capitals, and back to another building in downtown Washington—from the World Bank to the International Monetary Fund (IMF) (or to another window of the World Bank itself).23 It would still be important to know whether these hypothetically pro-sustainable development projects really are what they claim to be and whether this category of “good” projects is growing.24

The Bank announced the shift toward “poverty reduction” as its overarching objective in its 1990 World Development Report, which described a three-prong strategy to attain this goal: export-oriented, labor-intensive growth; investment in the poor via the development of human capital (mainly health and education); and the promotion of safety nets and targeted social programs to support those who fall through the cracks.25 According to a top Bank social scientist, these changes came about “partly in response to NGO concern.”26 The most rapid increase in lending occurred in “human resource” investments (education, health, population, and nutrition). In the 1980s, human resource lending averaged about 5 percent of operations; this amount tripled to more than 15 percent in the fiscal 1993–1995 period.27 Nominally poverty-targeted projects accounted for 24 percent of total 1995 lending and 43 percent of IDA lending. The World Bank has also officially encouraged more projects to involve “stakeholder” and NGO participation through the “project cycle.” At least until recently, NGO involvement was largely limited to “retail” service delivery, but according to World Bank NGO
Table 13.1
World Bank lending since Rio (FY 1993–1995)

<table>
<thead>
<tr>
<th>Types of lending</th>
<th>Billions of dollars</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total lending</td>
<td>67</td>
<td>100</td>
</tr>
<tr>
<td>Environmental projects</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>“Win-win” projects</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Investments with potentially significant and harmful impacts on the environment</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>All other lending</td>
<td>28</td>
<td>42</td>
</tr>
</tbody>
</table>


liaison staff, this pattern is beginning to change, with some NGO involvement in project design and evaluation.28

On the environmental side, the World Bank reports that its mix of projects with either positive or negative environmental effects is changing. Environment Department analysts divide up the “post-Rio” World Bank lending portfolio into four categories: (1) positive environmental impact; (2) “win-win” projects, whose economic focus is on producing positive environmental benefits; (3) investments with significant environmental risk; (Category A projects, which require full environmental assessment; and (4) projects without direct environmental impact (see table 13.1). Many advocacy groups would differ over how to categorize specific projects, but the fraction of lending claimed to be pro-environmental is clearly growing, whether in green (natural resource) or brown (pollution control) categories. The degree to which Category A projects—that is, those acknowledged to be environmentally risky—are actually mitigated in practice varies widely, as does the quality of the environmental assessment (see below for further discussion of the Bank’s environmental assessment policy implementation).

The reliability of the Bank’s environmental and social project categories is contested by NGO watchdog groups, in part because the Bank’s ratings are usually based exclusively on its own internal or borrowing government sources, or on official intentions expressed in project docu-
ments rather than on actual implementation experience. At the same time, however, NGO critics also lack independent, field-based assessments of most ostensibly “good” projects because their monitoring energies are focused on more overtly threatening projects. For the sake of this conceptual exercise, let us assume that some undetermined subset of the broader categories of anti-poverty and pro-environmental projects might actually fit those descriptions, pending future field-based studies of outcomes.

“Bad” Projects From the point of view of some hypothetical minimal sustainable development criteria, another category of projects might be considered simply “bad.” This hypothetical category includes projects or policy-based loans that contribute to ongoing environmental degradation and social inequity, or are largely wasted through corruption, patronage, and/or support for local elites and international contractors. These projects often promote unsustainable paths of energy and natural resource use, as in the case of the Bank’s preference for huge investments in thermal power plants rather than energy conservation. One recent study found that the World Bank, including its private sector arm, now lends more than one hundred times as much on fossil fuel investments than it spends on the entire Global Environmental Facility (GEF) budget for projects that avert greenhouse gas emissions.29

Some structural adjustment packages would fit in this category as well, depending on their varied social impact and the degree to which regimes were going to carry them out anyway to please private financiers and the IMF (or the U.S. government, as in the case of the Mexican financial crisis). Indeed, assessing the impact of structural adjustment packages is especially problematic because governments tend to accept them only once they are already in economic crisis. Bank defenders can therefore claim that, as bad as poverty got, the alternative of “not adjusting” would have been even worse (based on the assumption that its particular adjustment path was the only one possible).30 The main point here is that a large fraction of World Bank projects can be considered “more of the same” in that they do not encourage change toward more equitable and environmentally sustainable development paths. This category is considered here to be “bad” rather than “ugly” because it mainly reinforces
existing trends in borrowing government development policies (leaving the problematic issue of the counterfactual aside for the sake of this exercise).

“Ugly” Projects The effects of the third hypothetical category of projects are even worse in terms of sustainable development criteria: “ugly” projects directly immiserate large numbers of low-income people, endanger fragile indigenous cultures, encourage the dangerous spread of toxics, promote irreversible biodiversity loss, and prop up dictatorships that might otherwise fall. The conceptual distinction between “bad” and “ugly” would be quite difficult to operationalize empirically, but it serves to illustrate the analytical dilemma of how one needs to “unpack” the diverse set of Bank activities to determine the relative weights of different kinds of project impacts. It matters how much money goes to each category. For example, it is possible that the relative share of “ugly” projects is growing smaller as a result of the cumulative impact of international protests and related institutional reforms. This possible decrease does not in any way make the “bad” projects less “bad,” nor does the growing set of “good” projects compensate for the combined set of “bad” and “ugly” projects. Another possibility is that the weight of the “ugly” projects is changing in terms of the scale of their social and environmental costs. As suggested above, the classic controversial project of the late 1980s and early 1990s—the Narmada Dam—threatened direct devastation to many thousands more people than the proposed Arun III Dam did. Moreover, by the mid-1990s, it was more likely that projects as contentious as Narmada would be blocked long before approval.

Damage Control: Assessing Protest Impact on Projects
Project cycles can last a decade or more, from design through approval and implementation. The Bank usually plays an intensive role in design at the beginning of the process, but the responsibility gradually shifts more to borrowing governments in the course of implementation. This cycle affects the opportunities for external influence. The first question is: to what degree did controversial projects change? Change is necessary but not sufficient to demonstrate advocacy impact, however. Bank staff can always claim that project improvements, such as mitigation of environmental and social impacts, were due exclusively to the effectiveness of their own autonomous implementation of their “reformed” policies. As senior Bank social scientist Michael Cernea put it early on, however, “Even though their [NGOs'] criticism of certain Bank-assisted projects has sometimes been harsh ... it has helped the Bank and some of its borrowing agencies become more keenly aware of some projects' implications on vulnerable groups, on resettlement, on nonrenewable resources.”31 The point that external critics had influence is not controversial in itself; the difficulty is in specifying the relative weight of that influence and under what conditions it had the most impact.

The influence of public interest advocacy on the World Bank varies greatly—over time, from country to country, across regime types and sectors, and through the project cycle—but this volume’s studies suggests that we consider two factors in particular. First, the studies found no direct link between the intensity of grassroots mobilization and impact on projects. Even though the most intense and sustained Bank protest so far led the World Bank to withdraw support from the Narmada Dam, Indian authorities moved ahead until domestic judicial challenges suspended construction. Conversely, a relatively small amount of strategic lobbying, combined with the potential threat of overt mobilization, can be sufficient to block a project in its early stages. The preemptive avoidance of controversial projects is known in Bank jargon as “negative selection.”

Second, the studies suggest that additional factors are required to explain the outcome of most cases of protest impact. As noted in the introduction to this volume, a simple two-actor model—the Bank versus the local communities and their international NGO allies—is not enough to explain the broader question of who is the winner and who is the loser in development projects. National states, local governments, divisions within local communities, national and international private sector interests, and distinct policy currents within the Bank all play important roles as well. As illustrated by figure 13.1, international pressure is mediated in important ways by the Bank’s governance structure of executive directors—representatives of national governments who can in turn be pressured both by private business and by public interest groups in democratic member countries.
Protest still matters, however, and it is not a coincidence that many of the more influential movements have focused on rainforests and dams. Rainforest destruction provokes high levels of concern even among the most moderate of environmental groups in donor countries, while dams provoke especially high levels of grassroots resistance. More than most development projects, the social costs of dams are especially clear to those who are displaced. Dam reservoirs create intensely shared interests and identities among those affected, potentially facilitating mobilization, but many protests gather momentum only once construction is well underway and is therefore especially difficult to stop.

Table 13.2 lists the thirty-six project campaigns found to have had some impact. Of this set, twelve involved dams, fourteen involved forests or other community natural resources, five involved mines or industrial energy projects, and only two involved urban infrastructure. At least twenty-three involved indigenous peoples' rights—an important factor in all of these sectors. Most project campaigns involving macroeconomic structural adjustment projects, urban transportation and water infrastructure projects, and social sector investments had little impact.

In terms of the geographic distribution of cases that have involved some protest impact, most have been concentrated in a handful of countries. Just more than half were located in Brazil (9); the Philippines (4); India (4); Indonesia (4); and Mexico (3). Notably, the impact cases did not occur only in countries with democratic political regimes. They did have in common relatively strong pro-democracy movements in civil society, however. More detailed analysis of the cross-national distribution of transnational advocacy coalitions and their impact would require much more field-based analysis.

Table 13.2 outlines most of the World Bank projects that appear to have been significantly influenced by advocacy coalitions. Some campaigns involved transnational partnerships, while others were either largely nationally driven or strictly local. Ideally, this data set would include the full set of advocacy campaigns to permit systematic comparison of successes and failures. It does include, however, those campaigns that failed to influence their projects but had spillover effects on subsequent projects and policies. The table is organized to show campaigns both in chronological sequence and in terms of the different kinds of impact.
Table 13.2
Conflictive World Bank projects influenced by NGO/grassroots protest

<table>
<thead>
<tr>
<th>Peak Conflict Periods</th>
<th>Project loan blocked before Bank approval</th>
<th>Ongoing project loan canceled</th>
<th>Loan disbursements temporarily suspended</th>
<th>Subproject within ongoing loan blocked before approval</th>
<th>Social/environmental impact mitigated</th>
<th>New project designed in response to past protest</th>
<th>Spillover impact of project campaigns on subsequent World Bank policies and projects</th>
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<tbody>
<tr>
<td>1975</td>
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<td></td>
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<td></td>
<td>Philippines: Tondo Foreshore</td>
<td>Philippines: Chico River dams</td>
<td>Brazil: Sobradinho Dam</td>
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<tr>
<td>late 70s</td>
<td>Philippines: Chico River dams</td>
<td></td>
<td></td>
<td></td>
<td>Brazil: Polonoroeste</td>
<td>Brazil: Power Sector</td>
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<td>1979</td>
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<td></td>
<td>Ethiopia Forestry</td>
<td>Indonesia: Transmigration</td>
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<tr>
<td>1981</td>
<td>India: Bastar Forestry</td>
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<td></td>
<td></td>
<td>Brazil: Ita Dam (Power Sector I)</td>
<td>Brazil: Power Sector</td>
<td></td>
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<tr>
<td>early 80s</td>
<td>Brazil: Polonoroeste</td>
<td></td>
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<td></td>
<td>India: Karnataka Social Forestry</td>
<td>Indonesia: Transmigration</td>
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<td>mid/late 80s</td>
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<td>Brazil: Ita Dam (Power Sector I)</td>
<td>Brazil: Power Sector</td>
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<td>1986</td>
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<td>Brazil: Itarica Resettlement and Irrigation</td>
<td>Indonesia: Kedung Ombo Dam</td>
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<td>1987</td>
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<td>Guinea Forestry</td>
<td>Guinea Forestry</td>
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<tr>
<td>1989</td>
<td>Brazil: Xingu Dam (Power Sector II)</td>
<td></td>
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<td>Ivory Coast Forestry</td>
<td>India: Narmada Dam</td>
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<td>1989</td>
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<td>India: Narmada Dam</td>
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### Table 13.2 (continued)

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<th>Spillover impact of project campaigns on subsequent World Bank policies and projects</th>
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<td>1990–91</td>
<td>Indonesia: Irian Jaya Area Development</td>
<td></td>
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<td></td>
<td>Brazil: Rio de Janeiro Flood Reconstruction</td>
<td>Brazil: Planalto (Rondônia Natural Resources Mgt.)</td>
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<td>1990–94</td>
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<td>Brazil: Planalto</td>
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<td>1990–96</td>
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<td>Brazil: Planalto</td>
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<tr>
<td>1991–92</td>
<td>Mexico: San Juan Tetelcingo Dam (Mexico Hydro)</td>
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<td>Brazil: Planalto</td>
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<td>1991–92</td>
<td>Cameroon Forestry</td>
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<td></td>
<td>Brazil: Planalto</td>
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<tr>
<td>1992</td>
<td>Northern Mexican Forestry</td>
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<td></td>
<td></td>
<td>Brazil: Planalto</td>
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<tr>
<td>1992</td>
<td>Philippines: Mt. Apo Geothermal (Energy Sector)</td>
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<td>Brazil: Planalto</td>
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<td>1992</td>
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<td>Brazil: Planalto</td>
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<tr>
<td>early 90s</td>
<td>China: Three Gorges Dam</td>
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<td>Brazil: Planalto</td>
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<td>1992–96</td>
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<td>Brazil: Planalto</td>
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<td>1993–94</td>
<td>Congo Natural Resources</td>
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<td>Brazil: Planalto</td>
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<td>1993</td>
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<td>Brazil: Planalto</td>
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<tr>
<td>1994</td>
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<td>Brazil: Planalto</td>
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*Assessing the Impact of NGO Advocacy Campaigns*
Table 13.2 (continued)

<table>
<thead>
<tr>
<th>Peak Conflict Periods</th>
<th>Project loan blocked before Bank approval</th>
<th>Ongoing project loan canceled</th>
<th>Loan disbursements temporarily suspended</th>
<th>Subproject within ongoing loan blocked before approval</th>
<th>Social/environmental impact mitigated</th>
<th>New project designed in response to past protest</th>
<th>Spillover impact of project campaigns on subsequent World Bank policies and projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td></td>
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<td>1995</td>
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<td>1995</td>
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<tr>
<td>1995</td>
<td>Nigeria: LNG Pipeline and Production Facilities (IFC)</td>
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<td>1995–96</td>
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<tr>
<td>1995–96</td>
<td></td>
<td>Mexico Aquaculture</td>
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<td>1995–96</td>
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<td></td>
<td></td>
<td>Indonesia (Irian Jaya): Freeport McMoran Gold &amp; Copper Company (MIGA)</td>
</tr>
</tbody>
</table>
From the top to the bottom of Table 13.2, the campaign cases are listed in chronological order based on the peak years of conflict. From left to right, they are categorized in terms of where they influenced the projects in their respective cycles in order to show the range of different points at which project critics had impact. Project campaign impact falls into four main categories. The first category includes blocking, canceling, or temporarily suspending a project by means of advocacy and/or protest. This type of impact could be felt at different points in the project cycle—for example, blocking projects before they are even approved or forcing their cancellation after they are already under way. The second broad category of impact is perhaps the most common—when protest or advocacy leads to a significant degree of mitigation of a project’s social or environmental costs. In cases where movements develop in response to projects already under implementation, this type of impact is often the most that can be expected. The third category of impact is small and new because it involves projects that are designed specifically to respond to protest and controversy, which was often provoked by previous projects in the same sector or region. The fourth column’s category details campaign impact on the broader policies that guide subsequent World Bank projects. Many other projects have been changed, restructured, or canceled for reasons unrelated to civil society concerns, but they are not the subject of this analysis.

**Loans Blocked before Approval** Table 13.2 begins with the category of protest impact in which projects in preparation were prevented from being approved. This data set is certainly missing cases that were internally vetoed very early in their cycles and are therefore little known outside the Bank. The first grassroots movement that succeeded in blocking a proposed Bank project was led by the indigenous Igrot peoples of the Philippine Cordillera region, who prevented a dam from flooding their ancestral domain. As Gray’s chapter shows, this conflict contributed to the Bank’s first tribal peoples policy in 1982. India’s Bastar Plan to turn a primary forest into a plantation was also blocked by tribal protest at a very early stage: the preliminary technical assistance loan was canceled. Gray also notes how in 1989 the indigenous-international NGO alliance against an Amazon dam contributed to blocking an entire energy sector loan to Brazil, as worldwide video coverage of the Altamira tribal summit added greatly to the World Bank’s public relations problems. The transnational/Indian NGO coalition INFID successfully questioned a regional development project for conflictive Irian Jaya. In the early 1990s, NGOs also contributed to blocking a potentially destructive forestry project in Cameroon and a nominally “green” project that threatened rainforests in the Congo.

The proposed support for Nigeria’s 1995 private sector liquid natural gas project would have been channeled through the Bank’s International Finance Corporation (IFC). Though not a focus of this volume, the World Bank’s rapidly growing IFC investments have provoked increased public scrutiny and protest. The Nigerian project would have invested in an industry widely known for extensive pollution and systematic violations of the rights of the minority Ogoni people. When the Nigerian government executed a leader of the minority rights movement in 1995, the IFC responded to an international NGO protest campaign and withdrew its proposed investment.

**Loans Canceled** Protest rarely manages to cancel an ongoing project, largely because governments must formally agree to cancellation. Partial concessions, if any, are much more likely, as the size of the “impact mitigation” category suggests. The Narmada Dam project was the first large loan to be canceled on environmental and social grounds, nominally by the Indian government (see chapter 11 by Udall and chapter 9 by Fox). At first it appeared that construction would continue in spite of the Bank’s pullout, but the government’s loss of international support contributed to increased domestic momentum against the project. Because of financial problems and challenges in the court system, construction was largely suspended in 1995.

The 1989 Mexican Forestry Project, a pilot developed for indigenous and peasant-owned northern temperate forests, provoked a new cross-border NGO coalition between a local Mexican human rights group and U.S. environmentalists that gained leverage in the context of the debate over environmental concerns surrounding the North American Free
Trade Agreement. The project’s cancellation appeared to be driven by NGO pressure, and the project was already vulnerable because the government’s trade opening undermined its economic logic, making it cheaper to import U.S. lumber than to take it from indigenous peoples’ forests.

**Loans Suspended** Canceling a loan is difficult for bureaucrats because it implies an official admission of failure. Instead, if Bank officials want to pressure governments to comply with loan conditionalities, they are more likely to suspend disbursements. The first suspension on environmental grounds occurred in 1985 in response to more than two years of international criticism of Brazil’s Polonoroeste. This campaign case had very significant spillover effects; it contributed directly to the 1987 strengthening of the Bank’s Environment Department and eventually led to the ostensibly “green” Planafloro project detailed in Keck’s chapter in this volume. Note that Polonoroeste is not listed in table 13.2 as a case that resulted in mitigation, in spite of its “founding” status in the MDB campaign. Few analysts would argue that the ongoing rainforest destruction and invasions of indigenous lands changed significantly on the ground in the 1980s.

The Mexico Aquaculture project was suspended in part due to civil society concerns just before the loan was to be signed. In response to concerns expressed by independent, low-income fishers’ groups and supportive Mexican NGOs about the social and environmental impact of proposed industrial aquaculture parks, the World Bank had encouraged the Mexican government to redefine the project to include more emphasis on environmental regulation in the sector, less support for the large-scale installations, site-specific social and environmental impact assessments, targeted funds for small-scale indigenous people’s fishing projects, and a commitment to make project performance indicators public on an annual basis. By 1996, Mexico’s Environment Ministry (responsible for the fishing sector) was willing to make these concessions, which the NGOs and the fishers saw as a victory, but then the Finance Ministry blocked the project for a year because of concern about setting precedents in favor of public participation and environmental assessments.

**Funds for Proposed Subprojects Blocked** The next impact category encompasses impacts on sector loans that pay for diverse subprojects. Because many of the actual projects and sites are not specified at the point when the loan is approved, sector loans are much more difficult for advocacy groups to monitor. Nevertheless, environmental and social impact criteria can be used to block specific subproject investments without changing the terms of the overall loan.

In Brazil, people affected by dams to be built on the Rio Uruguai had to face government power companies that were backed by a sectorwide Bank loan, but they managed to block dam construction. Brazil’s diverse dam protest movements won concessions that varied from dam to dam, depending on the local and regional political balance (winning more in the southern states, where social movements were stronger and democratic governance was more consolidated). Similarly, Mexico’s electric power company reportedly hoped to fund a planned hydroelectric dam under an already approved 1989 sectorwide loan for hydroelectric dams. The San Juan Tetelcingo Dam would have evicted at least thirty thousand indigenous peasants. Sustained grassroots mobilization in 1991 and 1992, however, put the project on indefinite hold. Because of the Mexican government’s heavy-handed resettlement track record, the scale of displacement, and the degree of resistance, the World Bank did not even come close to approving the project. As discussed in Royo’s chapter in this volume, the Philippines’ indigenous peoples and environmentalist alliance against the proposed Mt. Apo Geothermal Plant blocked the use of already approved World Bank sector funds, thus also empowering the Bank’s environmental staff to veto a project supported by its own Energy Department.

**Social and Environmental Impact Mitigated** Further down the project cycle, the next kind of impact is probably the most common: tangible mitigation of a project’s social or environmental costs. This mitigation can take the form of a range of actions—from redesigning a project to reduce its impact, as in the Thai dam mentioned above, to creating channels for negotiating solutions with grassroots groups and NGOs, as in the case of Brazil’s Planafloro project, to the recognition of the legitimacy of Ecuador’s indigenous organizations. NGO/grassroots protest
has also been able to buffer the impact of involuntary resettlement driven by urban infrastructure projects. Even under the Marcos dictatorship, Philippine poor peoples' neighborhood movements were able to win some important concessions in the context of the Bank-funded Tondo Foreshore Urban Renewal Project.\textsuperscript{42}

Isolated local resistance can also block project implementation, as in the case of the Ethiopian forestry project.\textsuperscript{43} Broad-based, local mass movements of Brazil's atingidos ("affected people") called for "land for land"—a compensation strategy approved by the World Bank's resettlement policy but rarely fully respected. In the Ita Dam case, the movement's strong social base, together with Brazil's democratization and a strengthening of civil society more generally, helped the movement to win unprecedented concessions, which included even farmland for affected landless workers.\textsuperscript{44} In another Brazilian project campaign that lacked an international advocacy wing—targeting a large-scale urban drainage infrastructure project—grassroots movements managed to improve the terms of resettlement significantly.\textsuperscript{45}

Local protest against displacement by Thailand's Pak Mun Dam came to worldwide attention in the context of the World Bank's annual meetings, which were held in Bangkok in 1992. As mentioned earlier, the Pak Mun case is one in which the scale of displacement was significant, but significantly reduced by the resting of the dam location. In the Philippines, where civil society is highly politicized and long aware of the impact of international financial institutions, sensitivity to impending problems was high as the World Bank began to plan an Integrated Protected Areas Project. The project began with a top-down approach to biodiversity conservation that ignored the indigenous peoples whose ancestral lands were to become "protected areas." After lengthy debates through the early 1990s between different NGO networks, the Philippine government, and the World Bank, the project was redesigned to create more space for NGO and indigenous community participation.\textsuperscript{46} Large development NGOs ended up with significant control over resource allocation, though indigenous leaders were concerned about continued lack of government respect for their ancestral land claims.\textsuperscript{47}

In the case of Brazil's Planalto Natural Resource Management Project, NGOs and grassroots organizations concerned about more account-

able project implementation took a formal complaint to the Inspection Panel, as Keck's chapter in this volume explains. In order to avoid a formal review, project authorities in the government and the Bank rushed to speed up implementation of its environmental provisions. Although Bank management decided not to pursue the complaint officially, the external pressure clearly provoked a response, accelerating implementation of key land demarcation measures for rubber-tappers and indigenous peoples.\textsuperscript{48}

The Lesotho Highlands Water Project is another case in which heightened local and international NGO scrutiny bolstered the implementation of mitigation measures. According to a senior World Bank environmental analyst, NGO concern "created space" for greater Bank and government attention to mitigation measures. One World Bank resettlement specialist noted that they were already beginning to deal with the project's problems by relying on information from local NGOs before international NGOs began to scrutinize the project in 1995. The subsequent international attention did, however, "sharpen our sense of urgency," and "we went to the Lesotho NGOs very directly" in an effort to bolster their leverage vis-à-vis the government.\textsuperscript{49} This example reflects a broader pattern in which public pressure from Northern NGOs encourages World Bank officials to grant more legitimacy to local NGOs as alternative interlocutors. This backwards triangulation process to create political space for local NGOs is an important outcome, beyond specific impacts on projects, of international pressure on the World Bank.

The 1996 Coal India Environmental and Social Mitigation Project is an example of an effort to respond to years of criticism leveled at one of the most controversial sectors of the Bank's India investments. In the new project, resettlement and indigenous development plans have been prepared for each of twenty-five coal mines stated for economic investment, and for several in the state of Bihar the plans improved significantly as the result of grassroots pressure and advocacy.\textsuperscript{50} Because of NGO concern, especially in Europe, about the social and environmental cost of India's past coal projects, the World Bank's board of directors approved the project on the condition that management submit a progress report on mitigation measures before economic expansion begins.\textsuperscript{51}

Several candidates among potential "impact mitigation" cases did not make the list. Thousands of villagers displaced by the Kedung Ombo
Dam found international allies late in the construction process, as discussed in Rumansara’s chapter. The local protests and international scrutiny did manage to save villagers from forcible relocation to distant islands, but this project campaign is not considered here to be a case of significant mitigation because most villagers appear to have ended up economically worse off than before.52

New Projects Designed in Response to Past Protests A few World Bank projects are actually designed to help governments respond to mass mobilization driven by negative experiences with previous projects. The first such project was Brazil’s Itaparica Resettlement and Irrigation Project. The World Bank did not fund the hydroelectric dam itself, which displaced fifty thousand people, but instead supported the creation of alternative livelihoods for those people who were relocated. This project was the first attempt in Latin America at comprehensive resettlement of an entire displaced population. The World Bank had previously funded the Sobradinho Dam in 1979, in the same region, which displaced more than 120,000 people and left half without any compensation. That project was imposed during the military dictatorship, and dissent was limited to vocal clergy, but by the mid-1980s Brazil had begun its return to democracy, and the rural poor mobilized to defend their rights. By 1985, grassroots protest against displacement by the Itaparica Dam grew, gaining international support from the Environmental Defense Fund (EDF) and Oxfam (United Kingdom). The World Bank made approval of the second and third tranches of its $500 million national electric power sector loan conditional on improved resettlement terms for those affected by the dam. Stepped-up grassroots direct action combined with international pressure led the Bank to encourage the government to begin to negotiate with the network of independent rural trade unions (Pólo Sindical). By 1987, the World Bank approved a separate Itaparica Resettlement and Irrigation Project to fund the investment in irrigation to permit high-value agriculture for formerly rainfed or landless peasants.53 Only years of subsequent mass mobilization convinced the government actually to install the irrigation works, however. By 1996 less than half of the displaced population had access to functioning irrigation. The rest of the population continues to pressure the government for access to irrigation.54

The next two projects designed specifically to respond to social, political, and environmental problems created by past projects were also Brazilian. As Keck’s chapter shows, the Planalto project began in the late 1980s mired in controversy, but combined local and international NGO pressure led to changes in project design that created notable opportunities for civil society participation. The third Bank project designed in response to grassroots/international advocacy followed on the heels of the 1992 global environmental summit in Rio. Mainly European countries agreed to provide $290 million for sustainable development projects under the “G-7 Pilot Project to Conserve the Brazilian Rain Forest.” Though slow to get off the ground, the project was closely supervised by an influential, region-wide NGO network and a representative grassroots organization: the Atlantic Forest Network and the Amazon Working Group, chaired by the National Rubber Tappers Council.55

The fourth project in this unusual category emerged in response to Ecuador’s massive grassroots indigenous protest. As Treake’s chapter shows, what began as a debate over land rights and planned oil investments evolved into a broader civil society questioning of the role of multilateral development banks. Treake shows how two national civic strikes won indigenous leaders the right to negotiate directly with both the World Bank and the Inter-American Development Bank (IDB), leading to the World Bank’s proposed Ecuadorian Indigenous Peoples Development Project. Its design was the result of an unusually pluralistic tripartite negotiation between the government, indigenous leaders, and the World Bank.56 If approved and implemented, this project would represent the most comprehensive example thus far of the implementation of the World Bank’s indigenous peoples policy (discussed in Gray’s chapter).

Spillover Effects on World Bank Policies One of the most important categories of project campaign impact takes the form of spillover effects: influence on policies beyond the project that is the immediate focus of the campaign. Although some project campaigns have influenced other projects, this category is limited to campaigns that have had policy impact. The process begins with the Bank’s first social/environmental policy—the directive on resettlement. In the design of Brazil’s Sobradinho Dam, no plans were made to resettle the population in the catchment
area, and the military evicted them as the flood waters rose. Together with the more successful Philippine Chico River protest, the Sobradinho experience encouraged the Bank to listen to its social scientists' recommendation that a policy was needed.57 Similarly, as mentioned, Brazil's Poconoroeste campaign contributed to the Bank's 1987 creation of the Environment Department, as did the U.S. executive director's precedent-setting environmental vote against Brazil's 1986 power sector loan (which was nevertheless approved).58 The international campaign against Indonesia's transmigration program led the World Bank to cease funding settler-colonization schemes in rainforests in general.59 As Rumsara's chapter notes, the local Indonesian and international Kedung Ombo campaign for compensation of displaced villagers raised the broader concern regarding noncompliance with the Bank's resettlement policy in general and encouraged bilateral donors, such as the Japanese, to carry out their projects more scrupulously.

Also in the late 1980s, grassroots protest against bureaucratic and commercial conceptions of "social forestry" raised the political cost of imposing top-down approaches on low-income, rural, natural resource-dependent communities. In 1987, the enclosure of poor peoples' commonlands in India to plant commercial eucalyptus plantations provoked widespread resistance to the Karnataka Social Forestry Project.60 Villagers managed to limit the imposition of eucalyptus, and the conflict influenced subsequent social forestry projects in India and elsewhere by underscoring the importance of genuine community participation in natural resource management. In 1989 and 1990, the Guinea and Ivory Coast forestry projects were approved, but NGO criticism convinced the U.S. executive director to encourage the Bank to revise its forest policy, which later led to a ban on support for rainforest logging.61

International NGO criticism of the massive impoverishment and displacement created by India's Singrauli power investment, together with concern from Bank resettlement specialists, encouraged India's National Thermal Power Company to develop a resettlement policy and created the background for the new Coal Mitigation Project discussed above.

More recently, several project campaigns have set precedents involving the World Bank's new Inspection Panel. As noted, the Inspection Panel's critique of Nepal's Arun III project legitimatized the NGO campaign and led directly to both the withdrawal of the project and the strengthening of the Inspection Panel more generally. The campaign targeting Brazil's Planalto had more mixed results. Because the complainants had a strong case, the Inspection Panel was willing to accept it, but the board decided to avoid offending Brazil and found an indirect way to monitor the project.62 Thus, even in an especially difficult case, the panel influenced the outcome. Local environmentalists also pursued an Inspection Panel claim in the case of Chile's Pangue Dam, a privately owned hydro dam that displaced indigenous peoples and was funded by the World Bank's International Finance Corporation (IFC). Officially, however, the Inspection Panel's mandate does not cover either of the World Bank's private sector arms, the IFC or the Multilateral Investment Guarantee Agency (MIGA, a political risk insurance enterprise). The board did not agree to extend the Inspection Panel's mandate in the Pangue Dam case, but it did agree to commission an independent assessment of whether World Bank environmental and social standards were being met, which set a precedent for the IFC.63 Similarly, in the case of the Freeport McMoran Mine in Irian Jaya, Indonesia, an international-local coalition sought to apply World Bank social and environmental standards to the Bank's private insurance arm for the first time. Again, the board did extend the Inspection Panel's mandate but also agreed to an independent assessment of compliance with World Bank environmental and indigenous rights policies.64

To sum up this diverse set of project campaigns that appear to have had some tangible impact on the World Bank, most either mitigated impact or influenced subsequent policies. But to what degree do reform policies in turn influence projects?

The Challenge of Reform Implementation: Policies Versus Projects

The World Bank's social and environmental policies spell out the procedures by which Bank staff must carry out environmental impact assessments, consider alternative investments, minimize involuntary resettlement, prevent immiseration of those resettled, buffer the impact of projects on indigenous peoples and encourage their "informed participation," and encourage NGO and beneficiary collaboration in project design and implementation (see table 13.3).65 Reading the Bank's policy
reforms creates a strong sense of dissonance between what the official policies say and what NGO critics claim is actual Bank practice. There are many reasons for such different assessment; some are due to differences over basic goals and conflicting visions of sustainable development, but many disputes are also over “the facts”—debates over what is actually happening on the ground. Where one stands often depends on where one sits. To a Bank staffer sitting in his or her office, reading official documents, the social costs of a development project may seem to have been dealt with, but at the same time local villagers might well see the floodwaters rising around them long before government project managers have offered them alternative homes and livelihoods.

Few comprehensive, field-based assessments of Bank and borrowing government compliance with these reform policies have been carried out. Most field-based assessments of actual project implementation cover specific projects rather than entire sectors or country portfolios. Moreover, most critiques of the World Bank cover a wide range of projects and policies, and only a few have isolated those projects that were approved after the reform policies were issued, in part because of the long lead time involved in project cycles. Most projects implemented in the mid-1990s were designed either before many of the reform policies or in the first few years of the policies’ implementation. Most projects conceptualized since the reform policies of the early 1990s are just beginning to be approved and implemented on the ground. Because the policies did not apply retroactively, the fact that disastrous “postreform” projects are ongoing is not an adequate test of the degree to which later reforms are being complied with. The following discussion reviews available studies of postreform implementation in several of the areas where the World Bank has been most vigorously criticized by local and international

Table 13.3 (continued)

<table>
<thead>
<tr>
<th>Principal World Bank social and environmental policies</th>
<th>Dates issued and main revisions</th>
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<tbody>
<tr>
<td>OP 4.01 Environmental Assessments</td>
<td>1989, 1991, under revision</td>
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<td>OP 4.02 Environmental Action Plans</td>
<td>1994</td>
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<tr>
<td>OP 4.04 Natural Habitats</td>
<td>1995</td>
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<tr>
<td>OP 4.07 Water Resources Management</td>
<td>1993</td>
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<tr>
<td>OP 4.15 Poverty Reduction</td>
<td>1993, under revision</td>
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<td>OP 4.20 Gender Dimensions of Development</td>
<td>1994</td>
</tr>
<tr>
<td>OP 4.36 Forestry</td>
<td>1993</td>
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<tr>
<td>GP 4.46 Energy Efficiency and Conservation</td>
<td>1992, under revision</td>
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<tr>
<td>OP 4.76 Tobacco</td>
<td>1994</td>
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<tr>
<td>OP 8.60 Adjustment Lending</td>
<td>1981, 1987, 1990, under revision</td>
</tr>
<tr>
<td>OP 10.20 Investments under the Global Environment Facility</td>
<td>1993, 1995</td>
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<tr>
<td>OP 10.21 Multilateral Fund of the Montreal Protocol</td>
<td>1993</td>
</tr>
<tr>
<td>GP 14.70 Involving Nongovernmental Organizations in Bank-Support Activities</td>
<td>1989</td>
</tr>
<tr>
<td>OP 17.50 Disclosure of Operational Information</td>
<td>1993, 1997, under revision</td>
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<tr>
<td>BP 17.55 Inspection Panel</td>
<td>1993, 1997</td>
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</tbody>
</table>

Note: Policies listed here as “under revision” were still being “reformatted” as of the end of 1997 (they are listed officially as “to be issued”). In these cases, the most recent policies ostensibly remain in effect. OPs refer to mandatory Operational Policies (formerly known as Operational Directives). BPs refer to Bank Procedures, and GPs are Good Practices. Most OPs are also backed up by more detailed BPs and GPs. See also the NGO descriptions of Bank policies in: Bank Information Center, “A Citizen’s Guide to World Bank Environmental Assessment Procedures,” (Washington, D.C.: Bank Information Center, 1992); Cindy Buhl, A Citizen’s Guide to the Multilateral Development Banks and Indigenous...
NGOs—including energy, water resources, indigenous peoples, involuntary resettlement, poverty targeting, gender, forestry, pest management, and environmental impact assessment.

So far, three kinds of Bankwide assessments of reform policy compliance have been carried out independent/external, internal/autonomous, and internal. Independent assessments of the degree to which postreform projects have changed include studies of policies involving energy, indigenous peoples, and water resources. The second kind of assessment is carried out by the Bank itself, but with relative autonomy from the operational staff responsible for the projects and with the capacity to cross-check their information—for example, the field work of the Operations Evaluation Department (OED). Unlike most internal assessments, the Bank’s resettlement review staff did not rely exclusively on information from project task managers and carried out their own field work and consultations with NGOs. An Operations Evaluation Department (OED) study of gender-related actions can also be characterized as an internal/autonomous assessment, though it did not include any independent field assessments. The third kind of assessment is limited to a “desk review,” based on official Bank documentation and supplementary interviews with project task managers. These reviews are not as autonomous when they are carried out by departments that share responsibility for policy compliance because the departments are thus interested parties to some degree. Desk reviews of the implementation of policies guiding poverty reduction (1990), forest policy (1991), agricultural pest management (1985), and environmental assessment (1989/91) are discussed in the next few sections.

External Review: Energy Policy

The Bank’s 1992 energy policy encouraged increased attention to more integrated resource planning and energy efficiency rather than just to production. The EDF and National Resources Defense Council (NRDC) report assessed all power loans under consideration during the first half of 1993 ($7 billion), based on the official project information. The report finds that the Bank’s energy loans, as designed, “do not comply with the Bank’s stated policy of increasing its comprehensive support for end-use energy efficiency and conservation.” Except for the area of pricing, the Bank “failed to incorporate its own policies into the loan preparation process. . . . Bank staff have no requirement or incentive to operationalize the policy, and they have only applied it selectively.” The report rates the forty-six loans covered and finds that only two complied with the Bank’s policy, and only three contain comprehensive support for improved end-use efficiency.66 Bank reformers might contend that the 1992 energy policy was advisory, without the ostensibly mandatory status of an operational directive. However, a much more recent study—based on a survey of Bank summaries of projects either in preparation or just approved in May 1995—found the same dominant pattern. Of fifty-six projects, three were found to be fully compliant, seventeen were “partially compliant,” and thirty-six “did not comply.”67

External Review: Indigenous Peoples

Though the Bank’s indigenous peoples policy was one of its first reform mandates, its implementation record is still among the weakest. The World Bank’s own internal review of implementation of the policy in its first five years found little evidence of progress.68 As Andrew Gray’s chapter and the discussion of table 13.3 suggest, violations of indigenous peoples’ rights remain among the most frequent causes of conflict over Bank projects. A fully comprehensive assessment of the policy directive would have to go beyond the infrastructure projects that provoke most resistance; it would have to include the natural resource management projects that often involve pro forma consultation rather than substantive participation, as well as the large number of rural social service and agriculture projects that ostensibly benefit indigenous peoples. Such an assessment is beginning in Mexico, home to the largest indigenous population in the Americas. The preliminary findings suggest that only a tiny fraction of the Bank’s vast indigenous-related Mexico portfolio can be considered to have even nominally applied the key operational directive 4.20 mandate for “informed participation” by ostensible beneficiaries in all phases of the project cycle.69

External Review: Water Resources

The water resources policy is much more recent and as a “policy paper” also lacks the obligatory quality that operational directives imply. Like
the energy sector reviews summarized above, however, Moore and Sklar's chapter offers a comprehensive assessment of the degree to which the policy's recommendations influenced projects in the design phase during its first three years. Based on the Bank's own summary project descriptions, Moore and Sklar find a small degree of responsiveness to the policy recommendations at the level of different kinds of water projects, with more for water supply and less for irrigation. They show small increases in the funding shares for infrastructure rehabilitation and institutional capacity. Although recognizing these changes, they also note that alternative-style projects, involving watershed management or smaller-scale initiatives, receive little funding, whereas privatization lending grew much more quickly. The number of large-scale infrastructure projects in the pipeline, with significant potential for negative environmental and social impact, appears to be decreasing, but many continue to provoke controversy.

**Internal/Autonomous Review: Involuntary Resettlement**

The 1994 resettlement review is still the most comprehensive analysis of Bank reform-policy compliance available. Its findings have been interpreted in varying ways: the Bank sees the glass half-full, whereas NGO critics see it as half-empty, as Fox's chapter notes. Critics nevertheless recognize that the report offers an unusually frank and comprehensive assessment. The report indicates that involuntary resettlement was part of 192 projects active between 1986 and 1993, displacing approximately 2.5 million people, and that "projects appear often not to have succeeded in reestablishing resettlees at a better or equal living standard and that unsatisfactory performance still persists on a wide scale" (p. x). Most responsibility for these results went to national governments (notably India and Indonesia) and their lack of commitment to compensate those evicted, but the report also documents a long list of procedures often ignored by Bank staff (lack of resettlement plans, inadequate funding, no base-line data, weak institutions, etc.). It shows that some improvement was made starting in 1991, but acknowledges that apparent compliance may be superficial because "Bank appraisals tended to overestimate likely performance" (p. 140). Moreover, the study recognizes that internal reform and external criticism are mutually reinforcing.

**Internal/Autonomous Review: Gender**

The World Bank has long engaged in public relations claims involving "women in development" and, more recently, gender. Bank presidents have been proclaiming the importance of educating girls and improving the status of women (at least in order to reduce fertility), since MacNamara's 1977 *Population Address*, but the World Bank had no gender policy until 1994. The OED's 1995 comprehensive review of the Bank's explicitly gender-related lending indicates that substantive attention to gender issues began in the late 1980s. Other Bank researchers claim that 24 percent of projects approved between fiscal years 1986 and 1993 included some form of gender-related action. The OED study notes, however, that "the rating standards were applied loosely for FY88 to FY93, and projects were classified as having some action specifically designed to address gender issues on the basis of very minimal action." A more recent report on World Bank gender actions, published as a follow-up to commitments made at the 1995 Beijing Conference on Women, "estimates" that in fiscal year 1995 "28 percent of World Bank operations contained gender-specific actions, and a further 9 percent contained a discussion of gender issues." This optimistic rating system appears to have the same limitations pointed out in the 1995 OED evaluation.

The vast majority of projects considered to be "gender-related" involve education and health, with a small but growing number of microcredit projects open to women. Although these projects certainly do try to reach women, their success in addressing gender roles varies widely and can only be determined by field-based assessments. The rating system also does not address the issue of supposedly "nongender" projects that turn out to have gender implications, which is part of the broader problem of the lack of field-based assessments of the relationship between project goals and actions. Overall, as one independent assessment concludes, the Bank (like other donor agencies) has ... done significantly more on behalf of women, but as *mothers* rather than as *workers*. There is intellectual consensus within the institution on the importance of addressing gender in population, health, and education, especially in relationship to women's reproductive roles. This consensus does not exist in the productive sectors; despite recent Bank statements to the contrary ... the staff ... has yet to be convinced of the direct impact on development and on the Bank's own portfolio performance of boosting women's home and market productivity.
Internal Review: Poverty-Targeted Lending
The World Bank’s 1990 World Development Report on poverty describes a three-prong strategy to attain its goal of poverty reduction: export-oriented, labor-intensive growth; investment in the poor via the development of human capital (mainly health and education); and the promotion of safety nets and targeted social programs. The Bank also emphasizes the importance of examining the actual composition of public spending and recommends that social spending be directed more toward the poor. Bank analysts now ask, for example, whether health spending is targeted at providing primary or tertiary care and if education monies fund primary schools in poor regions or college educations for urban middle classes.

Market-led growth remains the mantra of the Bank’s poverty-reduction strategy, but some internal analyses are beginning to recognize that the pattern of growth (i.e., which social groups are gaining) matters as well and that specific targeting is necessary to influence this pattern. The 1996 Agricultural Action Plan, for example, acknowledges that smallholder-led growth should be the priority for growth that would lead to poverty reduction. Although Bank research now recognizes that the social distribution of assets is crucial for determining the distribution of the benefits of growth, very little Bank lending promotes pro-poor asset redistribution.

Since 1990, the World Bank has developed an indicator to document its claim that it is increasingly targeting anti-poverty lending activities: the Program of Targeted Interventions (PTI). As table 13.4 indicates, PTI projects make up a greater percentage of the World Bank’s low-interest lending window for the poorest countries (IDA) than of its regular lending, which is at near-commercial rates. This difference is related to the reasons for the creation of the PTI in the first place. The PTI indicator was designed as part of the effort to persuade skeptical donor governments that money directed to the IDA was directly helping to reduce poverty. Most PTI projects are in agriculture and rural development, education, population, health, and nutrition. Table 13.4 shows that PTI projects now account for a growing and significant fraction of World Bank lending, especially to the poorest countries, reaching 54 percent of IDA investment lending in 1995. This figure is the basis for the claim that the World Bank is more often “directly targeting the poor”; however, several serious weaknesses in the indicator make it difficult to draw strong conclusions from this data. A project is included in the PTI “if it has a specific mechanism for targeting the poor and if the proportion of poor people among project beneficiaries is significantly larger than the proportion of the poor in the total population.” This definition permits Bank data to overestimate the relative weight of “directly targeted” lending operations in the portfolio. Even though only a small fraction of a given loan may be allocated to a targeted program, the Bank considers the entire loan to be poverty targeted. Assuming that targeting mechanisms actually target as designed, then aggregating these subcomponents would provide a more accurate sense of the degree to which the portfolio is poverty targeted. The second part of the official PTI definition is also very limited because it focuses on the percentage of the beneficiaries who are poor, rather than the percentage of the loan benefits actually received by the poor. For example, take a $100 million loan in a country where 50 percent of the population is poor. If 80 percent of the project beneficiaries are poor, and they receive 10 percent of the benefits, the entire loan is counted as a PTI project. In sum, the volume of poverty-targeted lending may be growing, but it is also systematically exaggerated.

Table 13.4
“Poverty-targeted” lending, 1993–1995

<table>
<thead>
<tr>
<th>Fiscal years</th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total WB PTI lending (U.S.$ millions)</td>
<td>4,674</td>
<td>4,441</td>
<td>5,437</td>
</tr>
<tr>
<td>Share of WB investment lending (%)</td>
<td>27</td>
<td>25</td>
<td>32</td>
</tr>
<tr>
<td>Share of all Bank lending (%)</td>
<td>20</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>IDA’s PTI lending (U.S.$ millions)</td>
<td>2,137</td>
<td>1,853</td>
<td>2,423</td>
</tr>
<tr>
<td>Share of IDA investment lending (%)</td>
<td>41</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>Share of all IDA lending (%)</td>
<td>32</td>
<td>28</td>
<td>43</td>
</tr>
</tbody>
</table>

Note: “Investment lending” excludes adjustment, debt and debt-service reduction operations, and emergency reconstruction operations.

Internal Review: Forest Policy
Although the resettlement review team had the autonomy to commission their own field investigations to cross-check operational staff claims, the Bank’s forest sector policy review did not. Like the NGO review of the energy sector portfolio, this review is based exclusively on official project documents and is therefore limited to information provided by interested parties: the staff responsible for the projects themselves. Similarly, it is also limited to projects still in their very early stages, though some had entered the implementation phase.

The forest sector review acknowledges that it is limited to the “intentions of work done since the issuance of the new forest policy” (p. iv, emphasis added). In 1991, the Bank issued a forest policy that promised to: take into account the impact of nonforest projects on forests; promote sustainable forest development and conservation; strengthen institutions; rectify market failures; expand public participation; promote plantations (outside of intact natural forests); take a “precautionary approach” to logging in temporal and boreal forests; and no longer directly finance commercial rainforest logging (although most Bank impact on rainforests was not through direct logging projects). In a comparison between the 1984–1991 and 1991–1994 periods, lending for “protective and restorative activities increased from 7 to 27%, alternative livelihood support (including a few extractive reserves) rose from 1 to 14%, plantations fell from 32 to 23% and road construction fell from 10 to 0.4%.”

The report lauds the more extensive use of environmental assessments to gauge the forest impact of nonforestry projects (p. 38).

Although the report acknowledges that many nonforest policies affect deforestation, it does not consider the crucial issues of land tenure and agrarian reform outside of forest areas to be relevant. It also alleges that log bans are ineffective at improving environmental stewardship (p. 10). It hints at possible negative impact from agricultural sector adjustment operations. The report admits a potential “sequencing problem” if extensive farming grows more quickly than intensive, employment-generating effects, but it doesn’t actually examine any sectoral project effects on forests (p. 38). It acknowledges that social assessment and community participation are limited.

The report also indicates that forestry “governance” is a problem: “officials of the agencies responsible for reform often have strong personal motives for resisting change because of the rent-seeking opportunities created by distorted policies” (p. 13), and “powerful social classes ... can dominate decision-making” (p. 44). Not surprisingly, then, it concludes that forest management “institutions are failing” (p. 43), but there is little discussion of whether the Bank’s effort to strengthen institutions might be bolstering the wrong institutions. The potential for business as usual persisting under the guise of new-style, green-sounding projects is evidenced by the experience of the Planalto project. On paper, it appeared to be an example of organizational learning in terms of resource management and the protection of indigenous peoples’ rights, but in practice it ended up repeating remarkably familiar problems—to the point of assigning the project to one of the same task managers responsible for the original Polonoroeste disaster.

Internal Review: Agricultural Pest Management
The World Bank first issued guidelines to regulate pesticide use in projects in response to a 1984 petition from more than two hundred NGOs. The 1985 Pesticide Guidelines announced that it would be policy to support integrated pest management (IPM) and to “aim to reduce dependence on chemical pesticides.” An independent review of official descriptions of twenty-four World Bank projects funded from the beginning of the policy to 1988 found that the policy was ignored. IPM did not receive support, and all nine projects examined in detail actually continued or increased pesticide use. Perhaps coincidentally, a major internal World Bank desk review begins where this study leaves off. Covering the 1988–1995 period, the Bank review analyzes ninety-five projects that involved pest management. Forty-two of these projects involved pesticide purchases, and forty-eight claimed an integrated pest management component, but only twenty-two actually planned to implement an IPM approach. Eleven projects planned to use both approaches. Within this set of projects, $361 million was used to purchase conventional pesticides, whereas only $83 million funded on-farm integrated pest management. The vast majority of IPM funds ($51 million) were allocated to only two projects. A majority of the projects were not.
subjected to even partial environmental assessments. These findings suggest systematic noncompliance with both the Bank’s pest management and environmental assessment policy directives, more than a decade after these directives were issued.

Internal Review: Environmental Impact Assessment

In 1995, Bank environmental staff conducted a desk-based review of compliance with a much broader policy—the linchpin of the “greening” of the Bank: its post–1989 environmental assessment (EA) policy. An earlier review covers the policy’s first three years, indicating significant inconsistencies and little impact on projects. Because this period included the initiation of the policy, however, uneven implementation of such a new (for the Bank) methodology was certainly to be expected. The second review is more revealing of the limits and possibilities for reform because it covers the second three years of policy implementation (projects approved from fiscal years 1992 through 1995). The public summary of this review states that the Bank’s EA “unfinished agenda” includes “implementing the portfolio of environmental projects … [m]oving beyond project-specific environmental assessments … [i]mproving the monitoring of on-the-ground impacts … [a]ddressing the social dimensions of environmental management.”

The full, internal version of the review states that EA is now a firmly rooted part of the Bank’s normal business activity, effectively reducing the adverse environmental impacts of Bank-financed projects. However, certain questions persist concerning the Bank’s capacity to further improve the quality and effectiveness of EAs. In particular, there are questions about how to ensure adequate supervision of EA-related measures during project implementation, especially in light of the rapidly growing number of Category A [high environmental risk] projects that will enter the active portfolio over the next few years.

The review indicates that EA quality improved, borrower government capacity to do the EAs increased, and progress was made in mitigation of direct impacts. However, “[t]he weakest aspects of EA work continue to be public consultation and analysis of alternatives” (p. ii). Supervision is also considered weak, which suggests that the Bank has limited information about the degree to which mitigation plans are actually implemented. A senior Bank environmental analyst confirmed that the quality of EAs has improved, but noted that the review downplays the systematic lack of implementation of recommended measures by borrowing governments. Overall, the 1992–1995 EA review found significant progress at the “end of the pipe,” with much weaker performance in terms of key “upstream” EA processes—such as seriously considering alternatives, broader sectoral and regional EAs, as well as public transparency and participation. The EA compliance review is quite frank, but is limited by its reliance on internal Bank records rather than independent, field-based assessments. On the whole, the results show a significant degree of progress toward greater institutionalization of EAs but limited evidence of their actual impact. By 1995, however, a new trend emerged, as Bank management began planning to “reformat” mandatory operational directives into shorter “operation policies” and various nonbinding guidelines. In the view of Washington-based environmental NGOs and of U.S. Environmental Protection Agency policy analysts, however, this reforming threatens to weaken the EA policy in important ways.

Most of these reviews of reform policy compliance are limited to official Bank sources, however, so independent assessments of the degree to which policies were actually carried out by country, sector, and over time remain quite limited. The problems with desk-based reviews of compliance with reform policy are not limited to potential biases from World Bank sources, it turns out that these internal reports often lack reliable information on project outcomes. The Bank’s Operations Evaluation Department carried out a study of the degree to which the twenty-year-old policy required projects to include monitoring and evaluation (M&E). The results were “disappointing…. The history of M&E in the Bank is characterized by non-compliance.” It found that basic project outcome information is systematically lacking or of poor quality. With such an inadequate information base, most desk-based reviews of policy implementation are inherently flawed.

Preventing Problems: Trip Wires, Back Channels, and Watchdogs

The three broad analytical dilemmas sketched out earlier in the chapter (i.e., the “good, bad and the ugly” in the portfolio, reviewing project
campaign impact and Bankwide policy compliance, respectively) suggest that the outcome of civil society advocacy and protest is largely mediated by its impact on the shifting balance of forces within the both World Bank and borrowing governments. This concluding section reviews three kinds of institutional change mechanisms within the Bank in the context of their interaction with external critics and discusses the role of borrowing governments.

If the Bank’s policies actually worked as written, its projects would be much less controversial. On paper, they are designed to prevent, or at least to channel, controversy. For example, one of the main potential results of social and environmental assessments is to fix or block projects early in the design process, before they gather bureaucratic and economic momentum. This potential for internal veting brings up the dilemma of how to assess the changing portfolio mix. What are the factors that influence the degree to which impact assessments veto the “ugliest” projects early on, perhaps even before external critics manage to mobilize? The Bank’s environmental staff are supposed to serve as internal “trip wires,” alerting the institution to potential public relations disasters before they happen.  

Although this function may serve the interests of the institution as a whole, it often conflicts with the interests of specific project task managers and their superiors, who are professionally rewarded for moving money quickly through the system. The capacity of environmental assessment staff to veto projects is therefore limited. In many of the most controversial projects, Bank staff alerted management to the social and environmental risks, but they were ignored. Because the trip wires do not always trip, they are necessary but not sufficient to encourage institutional change.

One of the main results of international advocacy campaigns is the increased number of World Bank staff dedicated to environmental and, to a lesser degree, social issues. Some of these staff are reassigned from other professional backgrounds and/or do not share NGO concerns. Others do, however, though to varying degrees. The number of institutional development specialists, who may be more likely than economists to encourage public participation and governmental accountability, remains very small. Although the social and environmental staff create at least a potential internal constituency for reform, their numbers alone do not necessarily give them influence over funding flows.

The Bank’s internal institutional structure limits the power of insider reformists in several ways. The choice of environmental impact analyst is in the hands of an interested party—the official responsible for getting the project designed and approved. In turn, the budgets available for the in-house environmental impact analysts (in the technical departments) depend on the demand for their services. These analysts may therefore be discouraged from “biting the hand that feeds them.” Project managers can contract outside consultants if in-house evaluators develop a reputation as too socially and environmentally rigorous. Independent minded environmental and social impact analysts are then unable to carry out direct field research, which in turn undermines the credibility of their critique, therefore making the implementation of promised mitigation measures a major problem. The structure of the environmental assessment process creates the public impression that the reviewers must formally approve or reject high-impact projects for the projects to proceed, but in practice the reviewers’ role is usually limited to commenting on project design. Internal project reviewers rarely attempt to block projects, especially because formal veto power remains vested higher up, in the same managers who oversee those persons responsible for originally designing the projects (the regional vice presidents).

When the “proper channels” for dealing with problem projects failed, environmental and social staff sometimes resorted to civil society “back channels.” For example, confidential project information sometimes fell into the hands of concerned local and international NGOs, especially before the Bank’s 1994 information disclosure reform. Indeed, it turns out that many early NGO campaigns against Bank projects were based initially on an insider tip-off. Valuable information flowed both ways. Such discreet information-sharing networks require high levels of personal trust between insiders and outsiders, who are to all appearances on opposite sides of highly contentious debates. Just as inside information empowers NGO critics, external pressure can empower insider reformists, as detailed in Fox’s chapter. Nevertheless, many efforts to block or mitigate socially or environmentally destructive projects still fail,
indicating powerful limits to both the institutionalization of trip wires and informal insider-outsider coalitions.

In-house Watchdogs: The Inspection Panel
Although social and environmental critics have pointed out weaknesses in reform policies as written, much of the recent public debate has focused on their lagging implementation (which varies greatly by policy, sector, and country, and over time). The reform policies have reshaped much of the institutional terrain on which NGO/grassroots protest unfolds, allowing critics to combine their own holistic criticisms of the basic logic of problematic projects with more technical "internal" critiques based on lack of compliance with the Bank's own standards. Non-compliance with reform policies turns out to be widespread in part because there are no systematic internal rules within the Bank for ensuring that staff consistently follow these reform policies. These directives are often time intensive and diplomatically challenging for technocrats used to dealing only with high-level government counterparts (who are usually at least as reluctant to encourage environmental impact assessments and informed local participation, if not more so). As the Bank's watershed Warenshans Report suggested, most staff career incentives favor moving as much money as quickly as possible, thus encouraging merely pro forma application of these policies. The array of career carrots and sticks changed somewhat in 1993, however, with the creation of the Inspection Panel, which was designed to encourage Bank officials to meet the standards set by Bank policies.

The mandate of the Inspection Panel is to investigate when parties directly affected by projects submit complaints that official Bank policies were not followed. As Udall's chapter shows, the Inspection Panel's initial mandate was weaker and less independent of the Bank than its ad hoc predecessor, the Narmada case's Morse Commission. Yet the handling of the Arun III case suggests that the Panel's degree of autonomy is not predetermined. What remains to be seen is the degree to which the existence of a complaint channel can send an effective signal to Bank staff that they will be held accountable for not abiding by reform procedures that may conflict with more immediate career incentives. After all, the Inspection Panel lacks the authority to choose its cases, to impose sanctions, or to provide compensation. It is clear, however, that most top Bank managers (and many board members) perceive the Inspection Panel as a threat, which suggests that it is having some effect. After its first year of activity, members of the Inspection Panel wondered whether the Bank's board would allow it to continue in the future. The board renewed the Inspection Panel's mandate in 1996, but seriously questioned its future in 1997.

In spite of its mission to increase World Bank accountability, however, the Inspection Panel has had a contradictory effect on efforts to encourage compliance with environmental and social policies. It was based on the premise that the reforms of the 1980s and 1990s set the standards against which the Bank could now be held accountable. Following the panel's inception, management argued that these policies were too detailed and unwieldy, and staff were therefore largely unfamiliar with many of their key provisions. They claimed that the policies needed to be "reformatted"—that is, separated into very brief mandatory sections (two pages)—and the "recommended" good practice section would then be much more extensive. As one senior manager recognized in an internal memo, "it has been hard for staff and managers to define clearly what is policy and what is advisory or good practice. Our experiences with the Inspection Panel are teaching us that we have to be increasingly careful in setting policy that we are able to implement in practice" (emphasis added).

As of 1997, it appears that the existence of an accountability mechanism provoked a powerful backlash in favor of watering down the Bank's own social and environmental policy standards.

Conclusions: Sustainable Development, Accountability, and the Pipeline Effect

Theoreticians often dismiss the concept of "sustainable development" as an oxymoron. Indeed, sustainable development is becoming all things to all people: a battle flag raised both by the technocrats defending the parapets of the besieged development institutions and by citizens' groups fighting on the front lines from civil society's trenches. Ideological contestation of the concept's legitimacy certainly continues, but now that the
dominant international policy discourse has accepted sustainable development as a goal, the terrain of political conflict over environment and development issues has shifted significantly. In some countries and in some parts of the World Bank apparatus, citizen advocacy groups are now legitimate participants in the debate over what counts as an acceptable environmental assessment, reasonable access to project information, and appropriate grassroots participation.

In the 1980s, the dominant advocacy strategy of publicizing devastation after the fact held the moral high ground but won remarkably few tangible victories. Development disasters proved very difficult to stop. By the time international alarm bells rang, rampant deforestation was well under way, or people forcibly evicted had already been immiserated and dispersed. Once launched, large projects inherently generate huge economic, political, and bureaucratic momentum. But the same accumulation of critical forces—the advocacy war of position that hammered the Bank via lobbying, mass media, legislatures, and grassroots direct action—was able to extract promises that the criteria and processes for making future lending decisions would change (without reversing project decisions already made). These promises took the form of new policies. The main impact of protest was therefore indirect—embedding new constraints, allies, and pressure points within the institution that were supposed to make future development disasters less likely. With increased access to project information earlier in the project cycle, and with the creation of an incipient mechanism through which the Bank can be held accountable for flouting its own policies, public interest groups now have greater leverage with which to try to prevent development disasters before they happen.

This chapter's review of studies of compliance with reform policies suggests that the impact of the Bank's reform policies is still quite limited. Therefore, the impact of protest remains limited. Before the creation of the Inspection Panel, there were no internal career incentives for Bank staff to follow the reform policies. Those staff members who tried to comply often encountered conflicts between their individual convictions and a powerful array of institutional disincentives and constraints. With the Inspection Panel, however, the implementation of the Bank's sus-
tainable development reforms no longer depends exclusively on the good will of individual staffers. The Bank's dominant career incentive structure still encourages most staff to continue doing business as usual but the existence of a new public accountability mechanism creates an important potential counterweight.

The prospect that discontented locals could file a complaint about noncompliance with Bank policies provoked a wide range of reactions among staff. Some may rest assured that the time a complaint makes its way through the system, they are likely to have been transferred to a different division or continent. There are still no mechanisms for holding accountable individual staff who flout social and environmental policies. Some staff have already invented the term panel proofing to describe preemptive measures such as pro forma consultations to create a defensible paper trail—just in case. Others take policy implementation more seriously—some merely adapting, others actually learning. The internal diversity within the Bank detailed in this volume's cases underscores the analytical importance of unpacking the institution to discover its distinct factions, interests, and ideologies. Most critics portray the Bank as monolithic, but this volume shows that one cannot explain the impact of protest without taking into account how external pressure is mediated by the Bank's internal policies, structure, and factions.93

The prospect that even limited policy reforms may make it possible to begin to hold the Bank accountable for its social and environmental damage creates new challenges for external critics. The Bank has hundreds of skilled professionals paid to design the new terrain of conflict, and many critics are understandably wary of hidden traps and dead ends. Yet the Inspection Panel's first case, Arun III, suggests that even limited policy reforms can lead to unexpected outcomes, especially when internal Bank conflicts create opportunities for greater public interest leverage. This leverage is likely to be greatest at the earliest stages of projects in the pipeline, before they generate bureaucratic and economic momentum. Both external critics and insider reformists are likely to have much less influence over projects well under way. This discrepancy creates another challenge for public interest groups: how can they assess their own influence—not to mention the reliability of insider reformists—when tangibly devastating projects march on?
This question brings us back to the “pipeline effect”—the process whereby the Bank is simultaneously supporting ongoing projects created and implemented under an earlier set of rules and incentives, while designing future projects under a different set of rules. If the new set of rules has any impact at all, the new set of projects will be different, but to what degree? Studies of reform policy implementation suggest that the differences so far are minor. But if one returns to “the good, the bad, and the ugly” framework for assessing the Bank’s portfolio, the differences may not be trivial. As a result of the social and environmental trip wires embedded in the institution as a result of public interest protest, “ugly” projects are more likely to get vetoed at such an early stage of the pipeline that they may barely reach NGO computer screens. The small category of “good” projects may grow, though most projects may still be considered “bad” from a sustainable development point of view, as the review of energy sector projects suggests.

If such a shift is under way, it poses a challenge for future efforts to hold the World Bank accountable for its actions. The most environmentally and socially outrageous projects of the 1980s gave the public interest groups their greatest leverage, but as the unambiguously “ugly” projects are increasingly vetoed or become less “ugly” (e.g., the contrast between Narmada and Arun), this strategy may become less effective. If insider-outsider reform coalitions are as important as this volume suggests, then more work needs to be done to strengthen the kind of critical cooperation that Covey outlines in her chapter because it would fill in the space on the political spectrum in between confrontational advocacy and uncritical collaboration.

The Arun experience also suggests that critics need to move beyond the strictly demarcated environmental and social arena and begin to assess the economic rationale of project decisions more systematically. The issue of the possible viability of alternative energy sector investments was crucial to the Arun cancellation, and the Bank’s own analysis of its environmental assessment process recognizes that the evaluation of alternatives remains one of its major weaknesses. Because it is a bank, its lending decisions are primarily economic decisions. Sustainable development advocates both inside and outside the Bank have made some progress toward damage control and marginal “greening”; now they face the challenge of bringing social and environmental concerns to the center of the Bank’s loan decision making. Otherwise, the Bank may well succeed in avoiding the more politically costly projects, but still lend mainly for “more of the same.”

To sum up, so far transnational advocacy coalitions have had more impact on policies than on projects. When policies are disregarded, they may be widely dismissed as window dressing, but they do set a standard to which the Bank can be held accountable. Accountability is determined more by bargaining power than by formal rules; but by setting minimum standards, however, those rules can empower challengers in potentially unexpected ways—as the Arun III Dam cancellation showed. Even the issue of who gets to participate in Bank project decisions is now on the table. The Bank’s 1994 Annual Report—not one of its many publications designed primarily to mollify NGO critics—goes so far as to claim that “involving beneficiaries in project preparation is now beginning to become normal Bank procedure.” Like its new recognition that good governance, transparency, and accountability are legitimate, this nominal acceptance of grassroots participation may open a Pandora’s box for the Bank—as many staff undoubtedly fear. Some staff members argue that community participation should be limited to deciding where to lay the sewer pipes and then digging the trenches for free. The legitimization of grassroots participation in project decision making—like the acceptance of minimum standards for sustainable development—could lead to unexpected outcomes, however. Because of the pipeline effect, it is still difficult to tell.

Epilogue: What Drives the Implementation of Sustainable Development Reforms?

This volume has stressed the gap between official discourse and practice in the arena of environmental and social reforms at the World Bank. This gap is politically contingent, however, in the sense that its depth and breadth are determined by the relative balance of power between actors that support or oppose the implementation of the Bank’s package of sustainable development reforms. This concluding discussion outlines an analytical framework for explaining the conditions under which the
World Bank can be held accountable to the minimum standards that it has recognized as legitimate.

The outcomes of interactions between the World Bank and civil societies are mediated largely by two other key sets of actors—government economic policymakers in donor and borrowing countries. The project and policy cases show how NGOs in donor countries use political access to their own nation-states as key levers over the World Bank and how the room to maneuver for grassroots groups and NGOs in developing countries is conditioned by their respective national regimes. These cases offer diverse examples of transnational bargaining over resources within and between three intersecting arenas: the world’s leading international development agency, diverse nation-states, and increasingly transnational civil societies. The cases show that the World Bank, nation-states, and civil societies (local, national, and international) are all internally divided over how to deal with the challenge of how and whether to promote sustainable development and public accountability. The main conceptual proposition here is that variation in project outcomes will be driven by bargaining processes that cut across state, civil society, and international actors. The degree to which reformists within states will be able to carry out reforms that increase institutional accountability will depend largely on their degree of support from outside allies (i.e., their mutually reinforcing interaction with pro-reform actors in organizations in other nations, internationally and within civil society). Similarly, the degree to which reformists within civil societies can reform their states will depend largely on their capacity to form broader transnational and national alliances. Internationally, the degree to which pro-accountability World Bank officials can implement their own reforms will depend on their capacity to bolster pro-reform interlocutors in both national states and civil societies. The specific coalitions needed to mitigate destructive action may be different, however, from those needed to promote positive environment and development policy.

This interactive approach informs the following attempt to depict the political dynamics that determine the nature and pace of implementation of sustainable development reforms. Figure 13.1 (p. 498) presents a stylized version of the North-South coalitions that drive both the formulation and implementation of sustainable development policies. Although this chapter has shown precisely how highly uneven and inconsistent the reform process has been, this chart attempts to capture the political process that will determine the degree to which they might be implemented in the future.

Pro—sustainable development actors are defined in this chart in the very limited way: those actors from each arena who are committed to social and environmental reforms compatible with those promised by the Bank. The process begins in the two lower rectangles, as North-South NGO/grassroots coalitions begin to put the social and environmental costs of World Bank projects on the political agenda. Especially in the 1980s, most local organizations in borrowing countries had little leverage over their governments, but their mobilization, authenticity, and credible alternative information bolstered their Northern NGO partners’ efforts to encourage donor governments to pressure the World Bank for reform. Note that the shaded areas are not depicted to scale, but simply suggest that these transnational advocacy coalitions represent subgroups rather than entire societies, and that their relationships are often rooted in interlocking transnational wings of largely local or national movements.

Once North-South coalitions managed to put sustainable development reforms on donor government agendas, at best they managed to win over policy makers within the executive and legislative branches of their national governments—hence the shaded triangle on the left side of the chart. To the degree that they were able in turn to influence the World Bank, such impact was achieved mainly through their governmental representation on the board of directors, depicted as a horizontal bar above the World Bank itself. This body includes representation from both donor and borrowing governments, but is organizationally distinct from both individual governments and the World Bank apparatus itself. Pro—sustainable development reform supporters on the board of directors rarely dominate votes; hence, they are depicted as a minority by the shaded area on the left-hand side of the horizontal bar. Because pro—sustainable development policymakers and NGOs in developing countries rarely manage to influence their countries’ representatives on the board of directors, this channel of influence is largely limited to Northern governments (hence, no pro-reform “support” arrow coming toward the board from borrowing governments on the right-hand side of the chart).
When reformists on the board do manage to exercise influence over the World Bank apparatus, it is largely by bolstering the power of pro-reform policy currents within the Bank itself, both through increased resources for potentially "good" projects and by reinforcing their authority over the operational staff (i.e., by strengthening mandatory reform policies). Insider reformists are depicted by the narrow triangle inside the Bank itself, sustained by the arrow of support from the upper left. They also often engage in mutual support relationships, overtly or implicitly, with transnational advocacy coalitions (relationships suggested by the two-way arrows in the center of the chart).

If and when Bank reformers manage to gain control over lending decisions and project design, they are well positioned to assign legitimacy and resources to pro-reform counterparts within borrowing governments (if there are any). Pro-reform national policymakers, depicted by the small shaded triangle on the right-hand side of the chart, in turn often have mutual support relationships with grassroots movements and NGOs in their countries, as suggested by the two-way arrows on the right-hand side. Each arrow depicting "political support" is implicitly accompanied by conflictive relationships—within civil societies, between civil societies and states, between states and the World Bank, and within the World Bank itself. The main thrust of this stylized picture is to underscore the importance of the contested balance of forces within as well as across diverse political arenas.

Against this backdrop, under what conditions will the Bank's growing category of potentially pro-sustainable development loans actually be able to meet reformists' ambitious goals? The framework depicted in figure 13.1 suggests a specific hypothesis that will hopefully be tested by future field-based research. The outcome of international sustainable development projects will depend on three conditions. To meet minimum sustainable development goals, projects must: (1) at the international level, be supported and controlled by committed reform elements within the international funding agency; (2) at the governmental level, be designed to target support specifically to agencies already controlled by reformist, pro-accountability elements within the state; and (3) within civil society, include informed participation by representative social organizations from the beginning of the design process. If any one of these three conditions is missing from the constellation of forces involved in the project, then it will likely fall short of even the World Bank's minimum sustainable development criteria. In other words, the impact of international sustainable development funding depends as much on the democratization of states and the mobilization of the underrepresented as on the intentions or interests of the World Bank.

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Notes

1. See chapter 11 by Udall and chapter 9 by Fox.
2. For an overview, see Lori Udall, "Arun Il Hydroelectric Project in Nepal: Another World Bank Debacle?" Washington, D.C., International Rivers Network, March 1995. The project's disruption of a very precarious subsistence economy would have put the very survival of villagers in the project area at direct risk. In spite of the World Bank's funding of social safety net projects elsewhere, the Arun project design was based on the gamble that market forces alone would be able to provide adequate income and food supplies to villagers. (Interview by Fox with long-time Arun observer Jane Pratt, former senior World Bank environmental advisor and director of the Mountain Institute, an NGO heavily involved in the Arun watershed, Washington, D.C., 31 October 1995).
5. See the preliminary conclusions by the Inspection Panel's in its December 16 memo to the World Bank's executive directors. The World Bank's board formally agreed that the Inspection Panel "should conduct an investigation into [the World..."
bank’s) ... adherence to its policies and procedures relating to Environmental Assessment, Involuntary Resettlement and Indigenous Peoples,” but, in an odd catch-22, only allowed the panel to begin field research if the Nepali government decided to go ahead with the project (World Bank, “World Bank Board Authorities Inspection of Nepalese Project,” press release, Washington, D.C., 2 February 1995).
8. See David Price, Before the Bulldozer (Cabin John: Seven Locks, 1989), and Bruce Rich, Mortgaging the Earth (Boston: Beacon, 1994).
13. Gopal Siwatoki, interview by Fox, Washington, D.C., 13 October 1995. Nepal is known for its emerging small-scale hydroelectricity industry. The NGO critique had stressed the proposition that a megaproject would benefit foreign contractors and would crush their own nascent hydroengineering capacity. Nepali advocacy NGOs were nevertheless put on the defensive by pro-project nationalist critics (see Gopal Siwatoki, “No Foreign Hand in ARUN Campaign,” and Rajendra Dahal, “To See a Foreign Hand is Nonsense,” Spotlight, 24 February 1995).
14. Right-wing U.S. Bank critics might also have raised eyebrows at making a controversial loan to the recently elected (and short-lived) Communist-led minority parliamentary coalition government. It should be noted that right-wing critics of the World Bank are giving it a taste of its own medicine, calling for it to be privatized. See Nicholas Eberstadt and Clifford M. Lewis, “Privatizing the World Bank,” The National Interest 40 (summer 1995). This potential threat creates an incentive for Bank management to fund the growing category of “green” and social projects because such projects distinguish the Bank from profit-maximizing private banks and therefore potentially broaden the constituency against privatization. See Adrian Wooldridge, “James Wolfensohn: Finding a New Role for the World Bank in the Global Economy,” Los Angeles Times, 16 November, 1997.
15. See chapter 9 by Fox for further discussion of this issue.
16. World Bank resettlement officials, interviews by Fox, 18 January 1995. As one staffer commented, “How can you build dams and not move anyone? Pak Mun was much improved, and close to what we consider best practice.” The dam destroyed fishing grounds, reportedly with the result that 2,500 fishers demanded compensation. According to one report, 50 percent of affected fishing families in fifty-three villages moved to the cities since construction (Rani Dasary, “Pak Mun Dam Destroys Fishing Communities,” World Rivers Review 11, no. 1 (1996), p. 3.
17. See, for example, Carol Sherman, Thailand’s Energy Tentacles: Power Plants, Dams on Disaster Fueling “Development” in Indochina (Woollahra, Australia: AidWatch, May 1995).
19. Peter Van Tuijl, formerly of the International NGO Forum on Indonesian Development (INFID), suggested that a fourth approach would be to assess whether a country portfolio has changed in response to civil society scrutiny, lobbying, and protest. Indeed, the Indonesian experience is by far the most advanced in this regard. Since 1985, INFID has been linking grassroots groups and national and international NGOs in an effort to influence multilateral development bank activity in Indonesia. In addition to its role in the Kedung Ombo Dam campaign discussed in Rumansara’s chapter in this volume, INFID also managed to convince the World Bank not to fund future transmigration programs and to block a proposed “area development project” that would have threatened indigenous communities on Irian Jaya; it also made official population control programs “less coercive,” according to Van Tuijl (interview by Fox, Washington, D.C., June 1996). Similar efforts in other countries are much less consolidated than INFID’s, including those made by the Philippine Development Forum,
(discussed in Royo’s chapter in this volume), whose activity peaked in the early 1990s, or by the Brazilian MDB Network, which (Rede Brasil) gained increasing strategic capacity by 1996.

26. This volume does not address the Global Environment Facility (GEF), in part because their projects are much smaller and usually less controversial than regular World Bank projects. The GEF is cosponsored by the World Bank, the United Nations Environment Program (UNEP), and the United Nations Development Program (UNDP), and many critics suggest that it was “captured” by the Bank.


21. For an analysis of the implications of turning poverty reduction projects over to local government, see Jonathan Fox and Josefina Aranda, Decentralization and Rural Development in Mexico: Community Participation in Oaxaca’s Municipal Funds Program (La Jolla, Calif.: Center for U.S.-Mexican Studies, University of California, San Diego, 1996).


24. Frances Korten (Ford Foundation) has argued that this entire category of environmental (and by implication social sector) lending is fundamentally problematic because the loans must eventually be repaid in foreign exchange, “creating pressures for exports that often involve damaging exploitation of natural resources. . . . The. . . multilateral banks [are therefore] . . . ill-suited to solving environmental problems” (“Questioning the Call for Environmental Loans: A Critical Examination of Forestry Lending in the Philippines,” World Development 22, no. 7 (1994), p. 979). This argument is more relevant for loans from the World Bank’s International Bank for Reconstruction and Development (IBRD) window, which are at near-commercial rates, than for IDA’s very low-interest, long-term loans.

25. This is not the first time the Bank has made poverty a focus. During the presidency of Robert McNamara (1968–1981), the Bank also had an anti-poverty agenda (see chapter 1, note 29). Two main elements distinguish the current approach. First, more attention is now paid to targeting resources directly to the poor and underserved, mainly through providing public goods that benefit poor people rather than investing in agriculture per se (local elites find it easier to capture credit and fertilizer than rural clinics and schools). Second, there is currently an emphasis on examining the composition of national-level public spending in order to direct social spending more toward the poor (as part of the Bank’s effort to influence national policy).


36. For an overview of the environmental campaign against this project, see Richard Lowerre, Evaluation of the Forestry Development Project of the World Bank in the Sierra Madre Occidental in Chihuahua and Durango, Mexico (Austin: Texas Center for Policy Studies, May 1994 [updated edition]).


38. On Brazil’s diverse anti-dam movements, see references listed in note 32, chapter 9.


41. To put the World Bank’s leverage in context, the Mt. Apo project was important enough to the government’s effort to provide cheap power for industry that it continued to drill without multilateral funding (in spite of the electricity surplus on the island of Mindanao).

42. See Bello et al., Development Debacle, pp. 108–18; Maria Anna de Rosas-Ignacio, Collaborative Effort in Development: The Case of the Tondo Foresorealnd/Dagat-Dagatan Development Project, case study (Boston: Institute for Development Research, 1991), and Ayres, Banking on the Poor.

43. In 1987, villagers resisted to the point where, according to an internal Bank assessment in a memo, “further resettlement was no longer tenable.”

44. See sources listed in note 32, chapter 9.

45. Riverbank-dwellers won the right to be resettled near their own neighborhoods, for larger housing units and affordable terms of repayment (five years, at 15 percent of the minimum wage). These terms set a precedent for later urban infrastructure projects in Rio (Orlando Alves dos Santos Jr., director, Public Policy Unit, Federacao de Orgaos Para Assistencia Social [FASE], interview by Fox, Managua, Nicaragua, June 1996). See also Jorge Florencio, Helio Ricardo Porto and Orlando Alves dos Santos Jr., Saneamento ambiental na baixada: Cidadania e gestão democrática (Rio de Janeiro: FASE/JAF, 1995).


47. Interviews, Victoria Corpuz, Asian Indigenous Women’s Network; Joji Carino, International Alliance of Indigenous and Tribal Peoples of the Tropical Forests; and Tony La Vina, Legal Rights and Natural Resources Center, Harper’s Ferry, West Virginia, October 1995.


44. Peter Bosshard, Berne Declaration (Swiss NGO), personal communication, May 1996.


47. Aurélio Vianna, Brazilian MDB Network (Rede Brasil), interview by Fox, Managua, June 1996 (former advisor to Iaparica rural workers movement).


51. See Rich, Mortgaging the Earth, pp. 136–137

52. Ibid., pp. 34–38.


73. For example, one might wonder about the gender impact of a 1994 basic education project in Nicaragua that proposed to support “curriculum reform” to “promote family values” (ibid., p. 12). On World Bank credit projects, see Lynn Bennett and Mike Goldberg, Providing Enterprise Development and Financial Services to Women: A Decade of Bank Experience in Asia, technical paper no. 236, Asia Technical Department (Washington, D.C.: World Bank, 1993).


75. This section draws on John Gershman and Jonathan Fox, “Taking Aim at Poverty-Targeting,” Bankcheck Quarterly 14 (May 1996).


79. Although table 13.4 is limited to investment loans, the PTI category is also applied to structural adjustment loans. An adjustment loan qualifies if it meets one of the following criteria: (1) reforms social expenditures to better reach the poor; (2) removes distortions of particular harm to the poor; (3) contains safety nets or other targeted programs; (4) introduces poverty monitoring; or (5) develops a poverty policy. Assessing the poverty focus of adjustment lending is also problematic. According to Poverty Reduction and the World Bank, Fiscal 1994 (Washington, D.C.: World Bank, 1994), and the World Bank Annual Report for 1994, seventeen of twenty-three adjustment operations in fiscal 1994 were poverty focused, compared with a third in fiscal 1993 and with just more than half in fiscal 1992. But the criteria for determining poverty focus are very weak. If an adjustment loan merely funds the counting of the poor (poverty monitoring), then the entire loan would count as a PTI loan. Meanwhile, the policies promised by the loan could actually worsen poverty.


81. See Marcus Colchester’s critique: “Towards Partnership? Community Participation in World Bank Forestry Projects. Comments on the World Bank’s ‘Forest Policy Implementation Review’ (April draft),” World Rainforest Movement (May 1994). He stresses the lack of attention to indigenous rights in many forest projects and concludes:

What has struck me most forcefully about this document is its literal to anecdotal approach. In the first place, no field visits were undertaken to check out even a handful of projects to see if the documentation available to the reviewers adequately reflects reality on the ground. In the second place, the review appears to be very unsystematic. It reads as if the reviewers have trawled through the documents related to the Bank’s recent forestry lending and then have picked out a project or two here and there to illustrate points that they wish to make. . . . It makes it very hard to gauge from the review whether commitments made in the 1991 Policy have been adhered to by none, some, many of all, the Bank’s projects.


84. See Environment Department, World Bank, *Mainstreaming the Environment*, p. 3.

85. High-impact or Category A projects increased their share of the nonadjustment portfolio from 11 percent in fiscal year 1991 to 24.5 percent in fiscal year 1994 (ibid., p. 10). This increase may be due in part to better screening.

86. World Bank analyst, interview by Fox, Washington, D.C., April 1996.

88. For example, the December 1995 draft revised policy removed a clear requirement that the EA must be done before project appraisal, weakened the requirement to use independent experts in controversial cases, and reduced Bank responsibility for EAs in sector investments. On the other hand, the draft language on public consultation is strengthened from a Bank “expectation” to a “requirement.” See letter from Center for International Environmental Law and other NGOs to Andrew Steer, director of Environment Department, World Bank, December 1995.


90. Former senior environmental advisor Jane Pratt underscored the need for an institutionalized “Lorax” who would speak for the trees (citing Dr. Seuss). Jane Pratt, interview with Fox, Washington, D.C., 31 October 1995.

91. For an overview of internal accountability problems, see Bruce Rich, *The World Bank: Institutional Problems and Possible Reforms* (Washington, D.C.: Environmental Defense Fund, March 1995). For updates on changes in internal organization, see Nancy Alexander, “World Bank’s Strategic Compact,” *News and Notices for Bank Watchers*, no. 17, April 1997, and her “Chaotic Reorganization at the World Bank,” *News and Notices for Bank Watchers*, no. 18, August 1997. Jane Pratt recalled that the original conception of the environmental assessment process, after the Bank’s 1987 reorganization, did nominally give reviewers the responsibility of approving or rejecting projects. However, when the senior environmental official in the Latin American region began to attempt to veto problem projects, he was removed from operational authority over projects, which had a chilling effect on the whole environmental project review process.


93. For example, Susan George and Fabrizio Sabeli present a sophisticated explication of the dominant Bank ideology as a virtually religious dogma (Faith and Credit [Boulder, Colo.: Westview, 1994]. This approach helps to explain continuity, which is certainly the dominant trend, but it does not help to explain degrees of partial change. In other words, the assumption that the Bank is monolithic makes it difficult to explain advocacy victories. Claiming that the Bank was “forced” to make a concession is insufficient. External protest does not necessarily “force” concessions from large, authoritarian institutions; whether to respond with concessions or hardening depends on the impact of protest on the internal balance of forces. If protest strengthens an insider reform faction, then concessions are more likely.

94. Some sustainable development advocates have long argued that many destructive projects would lose their economic logic if the social and environmental costs were fully taken into account (e.g., loss of “natural capital,” such as forests, or just compensation for involuntary resettlement) and if more socially and environmentally appropriate alternatives were considered. Insider environmentalists question the conventional criteria for valuing resources (see Ismail Serageldin and Andrew Steer, eds., *Valuing the Environmental: Proceedings of the First Annual Conference on Environmentally Sustainable Development* [Washington, D.C.: World Bank, 1994]). One notable ecologist resigned, however, in frustration over the limited results so far (see Herman Daly, “Farewell Lecture to the World Bank,” in John Cavanagh, Daphne Wysham, and Marcos Arruda, eds., *Beyond Bretton Woods* [London: Pluto, TNI, IPS, 1994].