

THE ENVIRONMENTAL EFFECTS OF THE WORLD BANK AS AN INTERNATIONAL INSTITUTION

GÜNAY GÖNÜLLÜ¹

ABSTRACT:

The World Bank has founded to achieve certain financial aims, basically “so as to provide developing countries with support and appropriate credits for their investments”. According to its foundation objectives, the Bank has a crucial role in the expansion of free market principles by using the power it holds, i.e., its role in transforming the natural values into commodity values. On the other hand, throughout the decades, the World Bank seems to be shifting focal point, environmental policies are prominent examples of this transformation. The Bank’s environmental policies grow out from two different basis. First one is the realization of the correlation between environmental degeneration and poverty, the other one is the increasing difficulties in the repairment of the environmental drawbacks of the World Bank projects in the various areas such as energy, industry, infrastructure and agriculture. In this paper, the rationale behind the World Bank’s interest in environment and the circumstantial changes that has stimulated this interest will be in question. The grant scale projects financed by the World Bank causing enviromental and social problems is another conflicting point which will be addressed throughout the study.

Key Words: World Bank, environmental problems, social problems, poverty, international institution.

¹ Ph.D. Candidate on International Relations, Research Assistant in Kocaeli University, Faculty of Economics and Administrative Sciences, Department of Politics and Public Administration.

INTRODUCTION

The environmentalist movement that started in 1970s and gained momentum in 1980s is seen to be influential on not only national but also international scale. This influence also promoted tackling environmental problems, which were narrowed down to pollution issues in the beginning, on an international scale with a wider and holistic perspective. This paved the way for considering the environment together with development and underdevelopment issues. Such considerations gave prominence to environmental protection and improvement, and brought international solidarity to the agenda. As a result of such developments experienced, environmental and environment-related issues for the last three decades have increasingly found wider coverage at international level.

Environmental issues becoming important at international level and the increasing importance of the issues for mankind led international organizations to take greater interest in the environment. In this context, there are numerous organizations directly or indirectly concerned about the environment. The objective of the study is to analyze the environmental policies of WB, which ranks among such organizations as a global-scale financial institution.

The reason for analyzing the environmental discourse of this institution is the large-scale investment projects financed by the Bank as a global financial institution which result in environmental impairment and social problems.

THE EFFECTS OF WORLD BANK OVER ENVIRONMENT

Western nations entered into a long period of prosperity in the aftermath of the World War II. The worldwide trade volume increasingly expanded, capital movements reached high levels; and in return, affirmative domestic price increases were realized. The unemployment rate had a trend that could be defined as temporary unemployment when compared to the period between the two great world wars. The international system established in the aftermath of the World War II also had a role in the stability of this long-term era of growth and prosperity rate of increase that was usually defined to be extraordinary in the history of capitalism (Korkmaz, 2003: 24).

Significant actors of the system which are Bretton Woods Institutions, i.e., WB and IMF also known as the twin institutions, were founded in Bretton Woods (New Hampshire, USA) as a result of United Nations Monetary and Financial Conference held from 1 to 22 July 1944 (Zabci, 2009: 30).

Bretton Woods Institutions originated as an idea during the World War II. The two world wars and the Great Depression in the 1930s were the most determinant experiences

underlying such development. Such experiences had a great influence on the way of thinking of all the parties concerned by the time of Bretton Woods Conference in 1944. The high inflation in the aftermath of the World War I, the increasing class conflicts across Europe and the exchange rates fluctuating with both mass capital and speculative capital movements represented the major characteristics of the interwar period (Tatar-Peker, 1996: 8).

The United States began studies on international finance institutions in 1941 before the World War II was over. This development was indicative of the emergence of a new postwar division of labor. The United States began to replace England, the hegemonic power of the nineteenth century. The issues that concerned the United States most in the postwar period were the reconstruction of Europe, the situation of the colonies and the prevention of a new crises similar to the crisis in 1929. The United States had two goals to this end (Zabci, 2009: 30):

- Form an international money fund to prevent the crisis,
- Form a reconstruction and development bank that would be effective regarding Europe and the colonies.

However, England aimed at ensuring full employment in the nation and not losing bilateral trade and financial relationships with the colonies; and her basic concerns were completely different (Tatar-Peker, 1996: 8).

According to the final documents of Bretton Woods Conference, the key objective of WB and IMF was to integrate nations with a global market and make global economic growth possible (Tatar-Peker, 1996: 9).

In materializing such objectives, IMF was given the mission to fund the global economic stability and thus prevent the crisis. The reason for the crisis in 1929 was regarded as the lack of demand. Therefore, IMF will do its part in protecting the total global demand and put international pressure on the nations that do not prevent the collapse of their economies. If necessary, it will offer liquidity to the nations that go through an economic collapse and cannot reinvigorate the total demand on their own (Stiglitz, 2002: 32-33).

The responsibilities of the WB can be listed as follows (Karluk: 1998: 245):

- Help member states in their efforts to develop and reconstruct including recovering from the wreckage of the war through productive capital investments and encourage the improvement of the funds of the developing countries,
- Guarantee private foreign investments and provide support by using its own resources when the private capital falls short by means of contributing in the increasing

productivity, improvement of the working conditions and betterment of the standard of living in the member states by supporting the international investments that will enable the improvement of the productive resources in the member states,

- Encourage developmental international investments in order to enhance international trade and ensure the balance of payments, and
- Ensure coordination between the guaranteed loans and the other international loans; prioritize the most lucrative and pressing projects regardless of the consequences.

According to the terms of the convention, the WB will provide loans only for specific projects to fulfill such key objectives. Besides, the Bank also needs to assure that the loans it grants are used for the implementation of the projects approved (Tatar-Peker, 1996: 9).

The Bank pays attention to certain important conditions in terms of international loan policy. These are related to the problems which are categorized as being “non-economic” and “political”. Such conditions indicates the following: The Bank shall only have economic and productivity concerns during its activities and shall under no circumstances interfere in the politics of the member states. The concern of keeping the Bank out of the political arena has actually been influential in terms of both the organizational structure of the Bank and the formation of its discourse.

The WB transfers funds to developing countries so that they can actualize certain development strategies and carry out their economic policies. This, in turn, causes the Bank to be the most influential international organization over the environmental and development policies of the developing countries.

Therefore, the position of the WB needs to be analyzed in such a binary structure. It is because while this organization plays significant roles in the funding of the development processes of the developing countries, it also contributes, either directly or indirectly, to the origination of many environmental problems experienced today due to its failure to take into account the environmental effects of the investments it supports. Such position of the WB has given rise to a critical environmental discourse.

However, in the 1980s, the WB started to implement activities intended to solve environmental problems under the influence of especially the environmental organizations and through a sustainable development approach that became politically dominant. In this process, the first activity was to form an environmental division under its own structure. Another development was that the Bank started to evaluate the projects it would support on the basis of certain environmental criteria and considered the environmental criteria as the key reference in project funding and loaning. Even though such initiatives of the Bank are

considered as rescue efforts, the importance of the corporate transformation of the Bank should be emphasized.

The actions of the World Bank went through a transformation with the New World order formed after the 1980s. Such transformed actions reflected on the support given by the Bank to large-scale hydroelectric and agro-industrial projects in particularly underdeveloped countries, which stepped up the deforestation and destruction of the natural environment and caused forced displacement of millions of people. The cutback on the public expenses in combination with the collapse in the purchasing power resulted in the resurfacing of epidemics such as tuberculosis, malaria and cholera (Demirer et. al., 1999: 178).

The World Bank blames the environmental problems on the governments across the world for their maldistribution and wasting of resources as a result of corporate weaknesses, market failures, destroyed policies and misguided investments, therefore, claims that the environment is damaged as a result. Furthermore, the World Bank attributes the origin of the problems to the public organization.

The major problems according to the Bank are as follows:

- Fragmented public investments programming and sector management that ignore the interdependency of regions and sectors; and
- Extremely widespread government institutions whose policies fail to take into consideration the economic pricing, financial responsibility and user participation and who fail to render effective services to the poor.

The Bank believes that increasing productivity by means of a more effective management of resources, strengthening the capacities of governments to fulfill their indispensable roles and developing a balanced complement of policies and corporate reforms are the key to solving the problems set forth (Guler, 1999: 18).

In the World Bank Environment Matters Annual Report drawn up by the specialists in the Bank, the view related to the environmental problems is that “when granting loans to development and sectoral projects, the Bank supports economic and structural reforms that are based on the ‘environment’. For example, liberation of the prices by removing the government support through an appropriate corporate structuring will have a ‘positive’ influence of the ‘environment’. Therefore, the ‘environmental’ objectives will be attained when the transition to the ‘free market economy’ is facilitated. Aside from such measures, the Bank supports the projects for lifting the government support from energy policies. Thus, use of clean fuel-oil and energy will be promoted in such countries which will help minimize the air pollution. The Bank also plays an active role for prioritizing the environment in structural

adaptation and sectoral adaptation loans”. In other words, the Bank tries to emphasize that the problems are caused by the countries using the loans with the belief that “the environmental problems will be eliminated when the countries which are granted loans by the Bank exactly fulfill the requirement of the ‘structural adaptation’” (World Bank, 1998: 20).

However, the belief that such problems becoming increasingly intense were an obstacle in the way of attaining the actual objective of the Bank, which were the war against poverty and ensuring the “sustainable development”, has had an influence on the World Bank in its consideration of the environmental issues within its scope of activity.

To put it another way, it was anticipated that the efforts to eliminate environmental problems would contribute in attaining the objective of eradicating the poverty and ensuring development. Another reason why the Bank had a close interest in the environment problems was that the economic development projects conducted by the Bank caused important environmental problems. Therefore, an environmental division was formed within the organization where specialists from several fields of expertise were started to be employed (Duru, 2003a: 108).

Even though the World Bank has become one of the important actors in the international environment policy by starting to take into account the environment in its activities especially after the 1980s, to strengthen its environmental division and to employ environmental specialists; the Bank deals with the environmental problems to the extent only they prevent the economic development efforts and addresses environmental values from an economic point of view (Duru, 2003b: 48).

The development policies implemented by the Bank has also negative social impacts. For this reason, the Bank tries to take into account specifically the poverty factor when changing its environmental discourse. Accordingly, in a brochure² prepared by WBG, it is basically underlined that WB “works towards a world where poverty does not exist”. In addition, it is stated that the activities of WB mainly focuses on helping the poorest people and the poorest countries.

Even if this is how the Bank expresses the objectives of its own policies, there are quite different opinions regarding to what extent the policies of the Bank decreased poverty. Many researchers underline that poverty could not be reduced with the aids provided especially for investments, technology gaps could not be closed, malnutrition and infant mortality increasingly continued, social services deteriorated, living conditions became difficult for the

² For details, see: World Bank Group (t.y.). **Yoksulluğun Olmadığı Bir Dünya İçin Çalışıyor**, Washington, DC, USA.

majority of the population of the underdeveloped countries especially in Africa, and the resources allocated for education and human capital accumulation could not give the desired results neither for growth nor the struggle against poverty (Uzun, 2003: 161).

The term good governance indicated in the World Bank report 1989 became an important variable in the Bank's discourse in terms of assessing the performances and suggestions of the countries receiving loans in the 1990s. Such transformation in the economic discourse of the Bank within the frame of the emphasis on good governance in 1990s reflected on the environment through important summits. The first of these summits was (UNCED) held in June 1992 in Rio de Janeiro. This conference took place in the form of an international meeting. The inclusion of NGOs and other organizations in this platform was an important development in terms of global governance. The good governance discourse of the Bank should be considered accordingly.

It should be noted that a resolution was passed during this conference on the necessity of an integration between environment and development at policy making, planning and administration levels. The reason is that, in accordance with such resolutions adopted during Rio Conference, the Bank started to ensure coordination by counseling the Environmental Action Plans (EAP) even though it was not a part of its fundamental duties.

United Nations Conference on Environment and Development (UNCED)³, held in Johannesburg in 2002 with Rio+10 slogan, was another summit that steered the environmental policies of the Bank that redefined its relationship with the environment over EAPs after Rio Conference. This summit was an important global activity where concrete projects were discussed and developed. The active participation of organizations from private sector and non-governmental organizations symbolized contribution in the implementation of the sustainable development approach. As a matter of fact, the significance of this Summit was the determination of the three elements of the sustainable development as “economic development”, “social development” and “protection of the environment” in the declaration issued afterwards.

Rio + 20 United Nations Conference on Sustainable Development (UNCSD) held in Rio from 20 to 22 June 2012 is another significant summit of the period to still have effects today. “Green policies” was included in the growth discourse of the WB as a result of this conference.

³ United Nations, (2002), World Summit On Sustainable Development, Johannesburg, South Africa, 26 August – 4 September 2002, s.1-6. www.un.org.

The challenges faced in food security, fight against poverty, access to energy resources and fresh water, resistance to and preparedness for disasters especially in the last years indicate that the success intended since Stockholm Conference till today could be attained in none of the elements of the sustainability being economic, social and ecologic sustainability. Moreover, there is an effort to reinvigorate the environmental politics with a series of new approaches which prioritizes certain concepts like green economy, zero carbon building, sustainable consumption and production and smart cities. The two keynotes of the UNCSO are also supportive of such approaches. The first one of these themes is green economy within the frame of sustainable development and fight against poverty whereas the second is the corporate structure of the sustainable development. Rio+20 tries to review the key elements of the environmental politics by means of addressing such themes and the objectives of the Rio Summit held 20 years ago and find answers to the question what kind of a future we want (Izci and Mazlum, 2002: 2).

WB puts forth certain policy changes in its report “Inclusive Green Growth”⁴ issued for the purposes of institutionalization of the terms green growth and sustainable development suggested after Rio+20. This report comprehensively underlines that green growth is a path to sustainable development. Additionally, it also emphasizes that governments must change their approach to growth. What is needed is a new era in the economic growth; in other words, growth is effective/strong when it takes place concomitantly with social and environmental sustainability. For this, what needs to be observed is that the growth is green and the green growth is inclusive.

CONCLUSION

Whereas WB plays significant roles in the funding of the development process of developing countries, it also directly or indirectly contributes in the origination of several environmental problems faced today as a result of its failure to take into account the environmental impacts of the investments it supports. Such position of WB has led to the emergence of a critical environmental discourse.

Since the day it was founded, WB has gone through several changes of discourse. The organization has drifted further away with every change of discourse it experienced. This especially reflected on the environmental policies of the Bank. Accordingly, in the 1980s, the WB started to implement activities intended to solve environmental problems under the influence of especially the environmental organizations and through a sustainable

⁴ For details, see: The World Bank Group (2012). **Inclusive Green Growth: The Pathway to Sustainable Development**. Washington, D.C: World Bank.

development approach that became politically dominant. In this process, the first activity was to form an environmental division under its own structure. Another development was that the Bank started to evaluate the projects it would support on the basis of certain environmental criteria and considered the environmental criteria as the key reference in project funding and loaning.

It is a fact that the real objective of the Bank in addressing environmental issues is to eradicate poverty and ensure development even though it defines priorities towards protecting the environment. In addition, another reason why the Bank has a close interest in the environment problems is that the various economic development projects conducted by the Bank causes important environmental problems.

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