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Course Essay

DV 415 – International Institutions and the Environment

Mainstreaming the Environment in the World Bank :

Only with a Structural Adjustment

Vicente Manzione Filho

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1. Introduction

In the heart of the development rhetoric lays a discussion about the significance of the environment as a subject that could enable or avoid it. On the one hand there are those – the ‘optimists’ - who think that the environment is unimportant because the technological innovation will be able to substitute the environmental functions and therefore be concerned with it is a waste of time and resources. On the other hand the ‘pessimists’ believe that the environment and its functions are not substitutable by technological innovation – they might be complementary sometimes – and consequently the environment must be protected and considered in all occasions. The currently paradigm, in which the World Bank (WB) is a strong representative, is guided by the former belief. As put by Rich “the global economic playing rules are largely set by the G7, and these are the rules the Bank has to take as given” (Rich, 1994: 271).

Nevertheless, this essay will be based on the later position - that the environmental issue is a bottleneck to development - and therefore it will support the importance of mainstreaming the environment as a toll to give future generations, specially the poor, better conditions to meet their needs. It is considering the meaning of a clean and wealth environment to enable sustainable development that mainstream the environment gains importance.

Wade (1997) pointed out that during the last few years the expression ‘mainstreaming the environment’ has entered into the World Bank’s vocabulary. Indeed this expression follows the Bank’s policy statement that claims to integrate the environment into its programs. According to the Operations Evaluation Report,

mainstreaming the environment means “to integrate environmental concerns into broader operational and analytical activities” (OED, 2002: 9). In other words the environmental issue would have to be treated not as a sector but as a theme and therefore it should be integrated in early stages of all projects and/or programs designed by the Bank. For instance during the designing of the Country Assistance Strategy (CAS) the staff involved should use the Strategic Environmental Assessment as an tool to analyse the links between the environment and all other issues.

However this is not the rule in the Bank’s every day life because of at least three factors all linked with the ‘optimist’ vision: lack of political willingness, lack of internal incentive and lack of borrower willingness. Putting in other way, in order to mainstream the environment three factors should be tackled: the political willingness, the internal incentives and the borrower willingness. These three factors will be analysed in this paper aiming to answer whether mainstreaming can be achieved. It should be noted that the main argument – and the ideal approach - is based on mainstreaming the environment firstly in the consciousness of management and staff as will be shown in sections 2.1 and 2.2 and only then in projects and programs – section 2.3. The following paragraphs will present a justification of why these factors represent a barrier to mainstream the environment.

The first factor, political willingness, is certainly the most important because when there is a window opened that enables outsiders to influence there will always be a possibility for change. This change has to come from civil society pressure, specially the North American. If it is considered that the Bank is highly vulnerable to politics and that

politicians actions are a response to civil society demands than an organised movement of the latter is a powerful tool of influence as the Polonoroeste and Narmanda Projects in Brazil and India respectively have showed. However, to avoid that the demands become only a shop window, as mentioned by Wade (Lectures, 2003), like it seems to be, a stronger pressure campaign must be made by civil society and NGOs.

The second factor, the internal incentives, comes after the civil society pressure starts to influence the Bank's activities. It becomes difficult for the Bank does not tackle the demands and therefore some internal changes have to be made. This factor can be divided in two subgroups: budget allocation and personal appraisal. They are important because while the former indicates the value given to an issue within an organisation the later gives the staff the career incentives that are necessary if one wants to include the environment into their analysis. For instance, a bonus would be given to those who introduce the environmental issue into the program or project they are working in.

Lastly, the third factor - borrower willingness - is important because in the end it is in developing countries that the WB activities are undertaken and it is where mainstreaming becomes reality, on the ground. Therefore to introduce the environmental issue within those countries strategies is paramount. A tool to do it would be the Strategic Environmental Assessment.

The essay is structured as follows. After this introduction, that has included the justification of why the three factors are important to mainstream the environment in previous paragraphs, section two will analyse what could be done to change the three factors '*status quo*' and how to do it. Finally the last section will conclude based on the

suggestions made that if mainstream the environment is to be achieved some deep changes will have to be made within the World Bank.

Perhaps one might think some of the issues that will be addressed later to be unapplied, unrealistic or out of the current context. Nevertheless in order to integrate the environmental issue in the mind of those who are part of the process and usually do not care about the environment this approach might be useful.

2. What could be done to change and how to do it

This section will present the problems (lack of interest) and suggest what could be done to facilitate the mainstreaming and how to do it. One should bear in mind that the start point is the assumption that the Bank will have to incorporate the idea that the environment concern is not a barrier to development and therefore at least a small change in behaviour would be necessary in order to mainstream the environment. This change might begin – or continuing - with the NGO pressure on the Bank's most powerful member, the US. This will be the focus of the next section.

During the analysis in the next two sections, in order to illustrate how some changes could be done an example of an international private financial institution which has been mainstreaming the environment in its operations will be used¹.

¹ The example is based on personal experience as a member of a consulting team responsible to implement one c

2.1. Political willingness

This issue is closely related to what Wade (Upcoming, ch. 01: 9) has called the political 'side' of the Bank's organization. According to him, the pressures the Bank suffers from environmental NGO, via the US Congress, demand that the Bank operates in two different and contradictory ways. Firstly, due to this pressure, the Bank has to make statements and movements, create internal policies and operational directives in order to satisfy those who have been pressuring it even though such actions do not really affect the core objective of a given program. For instance, the environmental staff has increased several times during the 80s and 90s but its power within the Bank is limited. Secondly it has to be a competitive organisation in the marketplace and therefore be able to do its business - design projects and programs - efficiently. For example the projects must be on the Board to be approved on time and within the budget. It is the action organisation.

These two contradictory 'organisations' – political and action - are sometimes a barrier to the Bank develops it work well. But if the objectives of these two 'organisations' were the same, the outcomes of the Bank's services would be better. Actually this should be the ultimately objective of an organisation. The political willingness is a fundamental issue because it can accelerate the mainstreaming of the environment. But it will not happen naturally. Pressure from outside will be fundamental.

The first step towards mainstreaming the environment is to get what all environmental management handbooks say: in order to be effective, the environmental policy must have the top management commitment. In the case of the WB, rather than

omponent of a broader Corporate Social Responsibility Program (CSR) for a Brazilian branch of an international

have the senior management commitment, the environment should also, in principle, have the donor commitment. It is a paramount issue because it demonstrates to staff that the change is a reality and that there is somebody with power to backup them if some resistance appears during the process. Moreover, it facilitates the introduction of the changes since there is an open space for ideas exchange. For example, in the case of the financial institution mentioned above, all the projects within the program were sponsored by an executive director, who was a volunteer (see next section), and usually got involved in the projects activities.

This change, however, would require a transformation in views since for senior managers the environment is an obstacle to development or more accurately to economic growth and therefore the most difficult task to be achieved. Here is where the civil society must use its power of influence on politicians since the later are very sensitive to the former demands as can be seen by the Germany government actions in topics related to the environment. Thus, lobbying activities together with a great pressure campaign, similar to those that made the Bank institutionalise the environment in the early 80s, should begin. The main actors this time would be the middle class since they turned out to be the most affected by lately developments in the world².

For instance, the average citizen in US and Europe – most of the population - has become more critical about what the current lifestyle are providing for them. Of course it is not what appears in TV news, daily newspapers and so on. But when one look in other sources this become clear. Laszlo points out that about 50 million people from the US have

private financial institution.

become more 'cultural creative' as he calls those who reject "products considered fake, imitation, throwaway, cliché or merely fashionable", who "do not buy on impulse" or "watch less television", etc (Laszlo, 2002: 30). Putting it in the WB context means that, not in a couple of decades but in a few, the politicians who in the end control the Bank will not be able to ignore the voice of those 'cultural creative'. It is in this context that the following analysis will be made.

Given the politician and the senior management commitment, the next step would disseminate this commitment to staff's daily work. Activities such as voluntary work and environmental education would have to be stimulated. Again the example from the private sector will be helpful. For example, in Sao Paulo, Brazil the 'waste collectors' – a few thousand people, usually homeless who gains their lives from collecting waste in streets to sell what is recyclable – have been organizing themselves in cooperatives with a small assistance from the local government.

However the lack of financial and human resources by the government avoids a more substantial help. The private sector can play an important role in this situation. One of the projects of the CSR Program was to implement a recycling pilot program. In one of the administrative buildings the recyclable waste³ collection service was given to one of those cooperatives. Since the administrative capacity of the cooperative was not enough to make the job it was suggested to the financial institution to divulgate in the intranet who would be willing to help the cooperative, in a voluntary way, in its administrative work. Of course those who have engaged in such work would be seen differently within the

² Surely a strong leadership will have to appear in order to wake them.

organisation what would make the difference in a possible promotion. If the Bank staff were encouraged to do something like this - especially in communities where their project influences - together with a short course on environmental education then it could bring precious information about the real world for the process of designing projects and programs. Bank staff around the world is very well qualified. They come from a variety of backgrounds and this implicit knowledge could be used to help, in small scale, poor people.

The last point that the Bank should take advantage and might help to mainstream the environment is learning how to use the cultural diversity of its staff. As Wade points out in his upcoming book, the cultural diversity within the Bank is seeing as a problem. Mistrust relations between different cultures and different interests, even if they belong to the same organisation, are highly embedded in the Bank. He continues by suggesting that it happens due to the WB follows the western values that may stimulate this behaviour. However, the diversity is what makes 'things' being in constant evolution and change and a source of opportunities that should not be put aside.

Following this point, the example that has been using may illustrate it well. In this case the diversity is seeing as a tool that "stimulates the interaction, provides the exchange of experiences and the enrichment of each individual within the group... aiming the social inclusion" (<http://www.bancoreal.com.br>). This is done through process of mobilization and to incentive the participation of the staff in voluntary activities, like above.

³ Most of it was white paper (high value)

All of it can only be achieved with political support. That is why the role of civil society is crucial. Mainstreaming the environment, in the end, requires a change in the organisation's culture, beliefs and attitudes as was shown above and as will be next in the Bank's internal context.

2.2. Internal incentives

In this section the internal incentives will be discussed. Firstly a brief overview of the personal appraisal system will be made. Then a critical analysis of it will point out what could be done to incorporate the environment in this system. In addition, in order to illustrate how it could be included, examples from the private financial institution will be used. The second part of the analysis in this section will look briefly at the budgetary system. Like in the previous subsection, this will present the problem with the current system - it avoids the environment to be a priority – and draw some suggestions of how it could be improved.

The problem with the personal appraisal system is that it inhibits the use of 'environmental tools' because staff is assessed by how many projects are delivered to the Board of Directors on time and within the budget. As Wade pointed out the 'environmental tools' are basically one: environmental assessment (EA). Since there is no incentive to use it and in fact it usually increases the costs and the time to design the project, the staff's attitude is to try to get free of EA by using its budgetary power (see next section) to pressure the environmental staff to classify projects in categories B or C rather

than A (that requires full and detailed EA). Having said the main problem we turn now to what could be done.

The first incentive, and following the change in culture mentioned in the previous section, would be the improvement of the workplace atmosphere. It means to create a stimulating internal environment where the staff would like to be. This is not what happens as indicated by the increases in medical treatment (Wade, upcoming) and by the advice of Herman Daly “don’t work weekends on anything you don’t enjoy” (Daly, 1994). Since it is well recognised that a good internal workplace enhances creativity and productivity this improvement could be used in the follow way.

The Bank would support cultural events, in its headquarters and in its offices around the world, related to the cultures that the Bank’s projects and programmes will affect. Before the opening meeting of a given project, a video or photographs about the people and the culture of a project related region would be showed. Alternatively at the end of the workday a cocktail would be offered where a local theatre group would be acting and exposing their views, their world. This would make the task managers and management think a bit of a related topic from another point of view. They would have some insights that could help in the designing of the project. But the most important thing would be that if the cultural values learned were used in the project design it would have the same value of delivering the project on time and within the budget.

A second sort of incentive can be well illustrated by taking the example of the financial institution mentioned above. During the implementation of the Corporate Social Responsibility (CSR) Program the management decided to use the voluntary work

philosophy to meet the strategy of implementation. For example, one of the projects was to implement a recycling project. An analyst from the Asset Management Department was asked whether he would like to spend some hours per week, as a volunteer, to be the manager of that project. He agreed, and to simplify a long story, after one year the project was successful and he was invited to take a short course at the bank's headquarters in Europe in order to develop his career. In the case of the WB the management could incentive voluntary readings about the relation of the staff activities and the environment in order to bear in mind the links during the project elaboration. It would be an indirectly way of mainstreaming the environment.

Moving to the budgetary system, the problem here is that the Environment Department does not have its own budget for its analytical work and therefore its 'survive' depends on selling its staff work hours to the other sectors or departments. It creates situation where small politics appear. For instance, the task manager can ask an environmental staff to classify a project as B (to reduce cost and time) suggesting that in future there will be a new project with X hours reserved for environmental advice (Wade, 2003).

The first and obvious thing that would have to be done is that "the analytical work should have an independent budget not controlled by the country director" (Kristalina Georgieva, 2003, lecture at LSE). This would put the environmental staff in a position that would allow them to make their work more freely. Moreover, budgetary changes in organisations usually represent a change in strategy that signals new priorities and makes

staff see things differently. This change would have to come firstly from outside pressure, as mentioned above, on donor governments or on the Board to make this change.

However the problem of the costs and time to prepare the environmental assessment would still have to be solved. This problem could be partially solved if the use of Strategic Environmental Assessment (SEA)⁴ were widely adopted. Regardless it is a new science and no consolidated methodology exists, SEA is much cheaper than the EA and “can assist in clarifying economic, social and environmental tradeoffs at aggregate levels of policy and planning and in developing balance responses” (Kjorven and Lindhjem, 2002: 3) and therefore when applied in early stages of the project design it could avoid future constraints.

Concluding, the use of SEA together with the cultural activities when the project or programmes are in the initial phase would be an indication of mainstreaming the environment. Perhaps more important than that during this process knowledge and information about the links between all the sectors and the environment may be created and therefore the Bank would have been generating new data. In addition when and if the cultural issues learned were introduced into the projects the Bank would start to design, for example, an irrigation project in India differently from an irrigation project in China or Brazil and then it may improve the project outcomes.

2.3. Borrower ‘willingness’

⁴ More about the SEA will be discussed in next section.

The analysis in this section will be based on the role that Strategic Environmental Assessment (SEA) can play as a tool to accelerate the mainstreaming in both the World Bank and in borrowers countries. Differently from the previous sections, in this section the analysis will be made in a more pragmatic way.

There are a few definitions about Strategic Environmental Assessment. In the definition used by Brown and Therivel (2000) “SEA is a process directed at providing the authority responsible for policy development and the decision maker with a holistic understanding of the environmental and social implication of the policy proposal, expanding the focus well beyond the issues that were the original driving force for a new policy” (quoted in Kjørven and Lindhjem, 2002: 7)⁵. This definition is closely related to what has been argued in this essay. Indeed it reinforces the need to include the environmental analysis in early stages of policy or program designing.

Further as pointed by Annandale et al. (2001) the SEA should be introduced at the program level rather than at project level and the Bank should institutionalise it as a system to be introduced in the strategic decisions process⁶. For example SEA should be used in the discussion about the Country Assistant Strategy. In addition introducing the SEA as mentioned would be the first step, the step that initiate the process of change that were tackled in the previous sections.

Regarding the borrower willingness it could be argued that it is not the main point if it is considered that when the Bank wants to implement something it know very well how to use its economic power to persuade. Therefore if the environment is

⁵ For more about SEA see Sadler and Verheem (1996), Annandale (2001) and Thiseen (2000).

mainstreaming in the World Bank it is likely that borrowers would not complain to borrow for include SEA into their Ministries activities. One more argument to show that the developing countries would borrow for is that SEA has been used in donor countries especially in Europe.

The SEA, a tool to mainstream the environment, could be introduced in developing countries directly and indirectly. Directly when governments are willing to extend the environmental issue out of the Ministry for the Environment boundaries. This is the case of Brazil where the intention of the Federal Government is to crosscutting the environment in all areas. As Kjørven and Lindhjem (2002) pointed out the WB is looking for a country to carry out a pilot program to introduce SEA. Perhaps it could be carried out in Brazil.

As suggested by Warford et al. (1997) and Munasinghe and Wilfrido (1995), the indirect way to introduce SEA in countries would be use it during key policy and legislation reforms. For example, Brazil has been discussing the Tax Reform. It would be a good opportunity to use it. However nobody is prepared to discuss this issue at this level.

Finally the SEA can also be seen a way of generate environmental data and knowledge.

3. Final remarks

Most of the suggestions made above require a change in the way one see the environment. A change in terms of becomes more pessimist about the environmental issue, think of it as a real problem that must be taken into account. Nevertheless it is

⁶ Annandale et al. suggests a methodology to introduce SEA in the Bank operations.

unlikely the World Bank will change its view in the short run especially when its most powerful State member seems to be engaged in a campaign that goes on the contrary way of what was suggested here. To take one example, the US strategic objective seems to be making the world a homogeneous place rather than stimulate its diversity.

On the other hand when one thinks in the long run and in the changes that have been happening in the civil society especially the North, as was mentioned above, there is still hope. Mainstreaming the environment is the first step toward a sustainable society and the civil society must push decision makers in this direction.

After all, if the World Bank does not believe in any of what has been suggested by many stakeholders, it should at least, seriously consider the quality of the environment as a important feature to provide dignity for poor people.

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