The World Bank in the Forest

Ten years after the Rio de Janeiro Earth Summit, forests continue disappearing at an alarming rate. According to the FAO, some 161 million hectares of forest were lost during the 1990's, which means that the average rate of deforestation remained basically unchanged compared to the one that occured during the 1980's.

However, the above figure does not reflect the full disaster, given that it only includes areas completely cleared of forest on a permanent basis. All the additional millions of hectares of primary forests that were clearcut and replanted or allowed to regrow are not included by the FAO in those figures --and termed by this organization as forests that are "temporarily unstocked."

Neither do those figures reflect the widespread degradation of forests due to selective logging operations, to pollution linked to mining and oil exploitation, to commercial hunting or to the invasion of alien plant and animal species.

In fact, primary forests now only represent some 20% of the total area still covered by forests, while half of the remaining forests are under threat of destruction by logging, mining and agricultural conversion, to which other activities such as hydroelectric dams, shrimp farming or industrial tree plantations (eucalyptus, oil palm, rubber trees), add up to increase the problem.

Even more importantly, it is necessary to stress that most of the above causes of deforestation and forest degradation are the result of a chain of causality originating from a number of less obvious --yet more important-- "underlying causes", which are at the root of the problem. To mention but a few, unfair land tenure patterns, unrecognition of indigenous peoples' territories, unequal international trade and unsustainable consumption patterns in the North constitute some of the major underlying causes of forest loss, particularly in the tropics.

Additionally, forests are threatened by a large number of underlying causes linked to the globalization process supported and promoted --among others-- by the World Bank, within the structural adjustment package. One of the main policies imposed by structural adjustment programmes consists in dramatically increasing exports, which in most countries implies forest destruction to either exports logs, minerals and oil or to substitute forests by other activities to allow the export of soya beans, beef, shrimps, palm oil or paper pulp. At the same time, structural adjustment also implies the opening of national economies to transnational companies for investment in the exploitation of the countries' natural resources. The power of these companies, coupled with a control system weakened by other impositions of structural adjustment --such as a "redimensioned" State and lower public employee salaries-- result in the widespread violation of environmental legislation concerning forest conservation.

The World Bank: a Shift in Policy?

During the 1980's, the World Bank was identified as being responsible for widespread forest destruction in the South. The Bank's "development" policies --consistently carried out throughout the tropics-- included funding for large-scale projects which directly or indirectly resulted in deforestation and forest degradation. Among these, hydroelectric dams and road-building were high on the Bank's agenda. While the former destroyed wide areas of forest, the latter opened up vast regions to logging, cattle-raising, agriculture and mining. The result in both cases was that forests were destroyed and with them the livelihoods of local peoples, whose rights were not only ignored but actively violated.

Local resistance, coupled with international activism, resulted in highly visible campaigns which put the Bank in an awkward political position, forcing its management to realize that it could not continue with business as usual. Among other things, this resulted in the adoption of a new forest policy in 1991, contemplating many of the issues highlighted by the NGO community.

The new policy appeared to open up a new era in the Bank's involvement in forests. Unfortunately, this proved not to be the case. The Bank did not fulfil its promises and continued being a major actor in forest destruction. Although it suspended lending to some of the most openly destructive projects, it shifted its funds --and power-- to impose an economic model which resulted in even more serious social and environmental impacts: structural adjustment.

At the same time, its staff basically disregarded the new forest policy, while management did little to ensure its implementation. That was the conclusion of an extensive review carried out during 1999 by the Bank's Operations Evaluation Department (OED) on the implementation of the 1991 Forest Policy. In general terms, the OED concluded that the Bank had basically failed in containing rates of deforestation in moist tropical forests, which was one of the main objectives pursued by the 1991 policy. Regarding implementation, the OED highlighted the lack of sufficient synergy between conservation and development and the fact that the multisectoral approach --emphasized in the forest policy as essential-- was "not pursued actively." Integration of the forest policy with country assistance strategies, macroeconomic and sectoral analysis, or with lending to adjustment, infrastructure or agriculture, "was also limited."

The OED team carried out in-depth studies in a number of countries, among which Brazil, Indonesia and Cameroon, concluding that the Bank has not actively pursued the implementation of its policies aimed at forest conservation.

The case of Brazil

If the Bank had had any intention of contributing to the conservation of endangered tropical forests, then Brazil should have clearly received special attention. However, the Bank did little to ensure forest conservation, in spite of the fact that Brazil was one of the Bank's largest borrowers during the past ten years. Amazingly enough, the Bank's own review highlights as a "strategic victory" having been able to avoid criticisms for doing the "wrong things" since the adoption of the 1991 policy, regardless of whether this meant any positive impacts on forests --which clearly did not.

On the other hand, the Bank actually did do all the "wrong things" through structural adjustment lending, and the Bank's review highlights the importance of global economic forces in relation to deforestation in Brazil which "seem to dwarf even the mightiest of national policy instruments", such as liberalization of trade and decentralization, which offer powerful incentives to deforest in the short and medium term. Trade liberalization, coupled with a devalued currency, has been the driving force to increased exports of primary products --including soybeans, production of which is rapidly expanding into the Amazon and leading to deforestation. Needless to say that previous Bank lending for the creation of an extensive road network throughout the region made forest substitution by export crops possible.

The case of Indonesia

Some of more extensive tropical forests in the world are located in Indonesia. Here again, had the Bank been serious in the implementation of its forest conservation agenda, this should have been one of the countries receiving more attention regarding this issue. However, this did not happen at all.

The Bank's assessment starts by acknowledging that the so called "Indonesian miracle" was the result of an export-led strategy in which forest resources were viewed "as an asset to be liquidated to support (its) growth strategy, establishing Indonesia as a world leader in the export of tropical forest products."

However, until the financial crisis in 1997, forest sector issues were ignored because Bank staff were reluctant to jeopardise their relations with the government by pursuing the sensitive issues of policy and institutional reform in the forest sector. As the OED Report states, "Between the risk of irritating a large borrower and the relevance of the small proportion of forestry operations in the overall lending portfolio, the Bank was willing to sacrifice the latter."

The 1997 crisis provided the Bank with more leverage with the government, but deforestation continued. Among other reasons, because of Bank-imposed structural adjustment. The 50-point package pushed on Indonesia by the International Monetary Fund and the World Bank in the context of the economic crisis called specifically for the liberalization of the oil palm plantation sector --one of the major causes of deforestation in the country. That meant reopening the sector to foreign investment. Point 39 of the package required Indonesia to remove "all formal and informal barriers to investment in palm oil plantation". This requirement was clearly detrimental to environmental concerns, since it would greatly increase pressures to convert forest land to plantations. Although point 50 requires the government to "reduce land conversion targets to environmentally sustainable levels by the end of 1998", this requirement obviously contradicted the more important point 39.

The case of Cameroon

Cameroon is one of the six countries that share the rainforest ecosystem of the Congo Basin, which is home to one of the world's largest contiguous blocks of tropical rainforest, only second to that of the Amazon Basin in terms of not fragmented forest areas. Yet in this case, little did the Bank do to address rampant deforestation in the country.

The OED report considers that even if the Bank influenced the ongoing process of forest policy reform in Cameroon, it "made no provisions for implementation or enforcement of those provisions". The document states that the Bank did not attempt all the right and relevant things prescribed by the 1991 policy, and made several mistakes from a strategic point of view. As a result there was a gap between the stated policies and their implementation.

On the implementation of the Forest Policy on the ground, the OED report concludes that the capital failure in the case of Cameroon has not been the policy in itself or the coherence between the intervention of the Bank inside and outside the forest sector and its forest policy objectives, but the ineffective and inefficient way in which things were done.

The Bank's review identifies foreign logging companies that dominate the sector as having continued to have a free hand in the depletion of the country's forest resources. Logging is one of the four dynamic mechanism of forest resource degradation and deforestation described by the Bank's 1991 Forest Policy and is even said to be responsible for a larger overall share of deforestation than is usually reported. The OED report clearly identifies the existence of an environmental conflict between public interests represented by the government and civil society, and private interests defended by the companies.

However, the Bank's interventions not only did little to address that situation but, on the contrary, assisted those same powerful logging companies by providing them with further incentives through the opening of the economy, promoted by the Bank as part of its structural adjustment lending since 1989.

To make matters even worse, the Bank supported road building for the Chad-Cameroon pipeline, thus opening up the frontier forests of the East Province and paving the way for further forest destruction and for widespread human rights abuses. In spite of local peoples in Cameroon and Chad to the project and in spite of the international uproar it resulted in, the Bank finally approved the funding of the project.

The Bank's new draft forest policy

The OED review was the first step in a long and fruitful consultation process carried out by the Bank with the stated aim of improving its performance in relation to forests. However, when the Bank is now about to adopt its new forest policy, the final draft is perceived as a major threat to forests. In spite of it being defined as a "safeguard policy", forests will not be made safer by the adoption of this policy which flies in the face of demands of civil society and ignores most of the advice given to the Bank by its own Technical Advisory Group. In addition, it fails to address the main causes of deforestation which the Bank's own Operations Evaluation Department identified as being driven by the powerful forces of globalization and economic liberalization, as well by as by poor governance.

In fact, the proposed policy relies on market forces or marketing arrangements to address deforestation. Large-scale timber export and carbon sequestration projects are the likely beneficiaries. Yet there is no evidence to date that these projects can be effective in promoting environmentally sound and socially equitable development.

The proposed policy opens the doors to Bank extractive investments in all types of forests except those Bank bureaucrats deem to be "critical forests". Participatory mechanisms to ensure that the nearly one billion people world-wide whose livelihoods depend on forests will have a say in the definition of "critical forests" are not part of the plan. The only mention of participation is where the proposed policy calls for the private sector as well as local people and non-governmental-organization to provide input into the establishment of timber certification systems, which are to be based on the borrower country national laws and institutions. Given the balance-of-power in many of the world's main forest countries where governments and the logging companies operate in highly destructive and non-equitable ways, a much stronger requirement for the rights of affected people is called for.

Instead of proposing clear and strong new safeguards to protect the world's forests, the proposed policy refers to seven other existing World Bank "Safeguard Policies" as a means to ensuring the protection of ecosystems and forest-dependent people. Ecosystems are to be protected under the Safeguard Policy for Natural Habitats, yet this policy has been largely ineffective and has not halted destructive investment projects. Local people's rights are to be protected under the Indigenous Peoples' Policy, yet this policy does not secure the tenure rights of indigenous forest peoples and fully ignores the hundreds of millions of non-indigenous people depending on forests for their survival.

The draft policy completely sidesteps the controversial issue of the impacts on forests of programmatic and structural adjustment lending by just passing this serious problem to a long-delayed, forthcoming revision of the Bank's overall policy on adjustment lending.

The proposed policy represents a severe weakening of the existing Operational Policy on Forests of 1993. Its planned provisions are unacceptable because they lack proper safeguards and pose a high risk to the forests and forest peoples who will inevitably be harmed when Bank projects go wrong.

Has the Bank learned nothing?

Among the world's official institutions, the World Bank is probably the most knowledgeable regarding the direct and underlying causes of deforestation, both as a result of decades of funding destructive projects and from extensive studies carried out by its own staff. In spite of that, the Bank does not appear to be willing to change course. On the contrary, it is now trying to modify the 1991 forest policy in order to flexibilize it to allow funding of logging projects in primary tropical forests. Even more importantly, it is necessary to highlight that the Bank works in close partnership with the International Monetary Fund and the World Trade Organization, the three of them consistently imposing the same economic model to Southern countries which the Bank knows very well impacts negatively on forests and forest peoples. Nevertheless, it continues actively promoting them.

In sum, the issue is not whether the Bank has learned or not the lessons in relation with forests. It has. Neither is it an issue whether it has the power to ensure that Southern governments comply with the conditionalities --to ensure forest protection-- attached to its funding. It also has. However, the Bank's conditionalities can be divided into "hard" and "soft." Privatizing, opening up the economies to foreign investment, increasing exports, are all "hard" conditionalities which the Bank demands to be complied with. Forest protection, territorial rights, informed participation, transparency, are only "soft" conditionalities, where the Bank can turn a blind eye if not complied with. Which it does.

Perhaps the explanation for the above can be found in a report published in 1994 by none other than by the United States Department of the Treasury itself, titled *"The Multilateral Development Banks: Increasing U.S. Exports and Creating U.S. Jobs*." Although the title says it all regarding who benefits from the World Bank, the following quote is yet more illustrating: "Since the founding of the World Bank in 1945, we have been their largest and most influential contributing member. We have also been their largest beneficiary in terms of contracts awarded to U.S. firms to help borrowing countries carry out projects financed through the banks." Which could mean that little can be expected from the Bank as long as the United States continues being such an "influential" and large "beneficiary" of its lending.

The way forward

Being such a strong actor as it obviously is --particularly in the crisis situation that mostSouthern countries are currently facing-- the World Bank cannot simply be ignored; it needs to be influenced. Unfortunately, the main lesson learnt from the forest policy implementation review exercise is that the Bank is more easily convinced by organized pressure than through arguments. Unfortunate but true.

At the same time, it is necessary to acknowledge that the Bank has an incredible expertise in adopting some civil society demands while continuing to carry out its basic business as usual. Examples of this are a number of programmes --which are perceived by some as a first step in the right direction-- but which are in fact in contradiction with other Bank's projects and policies that result in forest loss.

For instance, the Bank is involved in the WB-WWF Alliance launched in 1998, with the aim of both protecting and sustainably managing large forest areas. One year later, the Bank was instrumental in the foundation of Forest Trends, aimed at sustainable forest management. The Bank also hosts the PROFOR initiative --a multi-donor partnership-- with the objective of enhancing the economic and sector work in forestry. Additionally, it is a member of the Collaborative Partnership on Forests within the framework of the United Nations Forum on Forests. (World Bank's web page: www.worldbank.org)

The Bank's involvement in the above initiatives is not bad *per se*, nor are those initiatives necessarily positive, negative or irrelevant. What needs to be underscored is the clear contradiction between trying to preserve and conserve forest areas while at the same time being a lead actor in the creation of the conditions that necessarily result in forest destruction.

At the time of writing this article, the new draft forest policy is still a draft. At present it is therefore crucial to campaign as strongly as possible to introduce a large number of changes to this policy before its adoption. It is possible that when this article is published the new policy will have already been approved --with or without changes. In either case, organizations struggling to protect forests will need to increase their campaigning efforts to influence the World Bank at both the global and local levels. Given that this institution is part of a wider mechanism --that includes the IMF and the WTO-- impacting on other issues --both social and environmental-- it becomes crucial to join efforts with the many other organizations working from different perspectives to change the prevailing destructive "development" paradigm.

Briefing based on Ricardo Carrere's chapter "The World Bank in the forest", in "Marketing the Earth. The World Bank and Sustainable Development", published by Friends of the Earth/Halifax Initiative, August 2002

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