

Gambling with People's Lives

What the World Bank's new "high-risk/high-reward" strategy means for the poor and the environment

In the 1980s and early 1990s, the World Bank financed a number of highly visible development disasters. Dams in India's Narmada Valley, forestry and road projects in Amazonia, and gold mines in Pacific countries uprooted and impoverished hundreds of thousands of people and devastated the environment. Confronted by mounting public criticism, the World Bank began to shy away from many large infrastructure and logging projects in the mid-1990s.

Now the tide has turned. Big is beautiful again, and megaprojects are back in style. In October 2002, the Bank removed its ban on support for commercial logging in tropical moist forests. In February 2003, it announced that it would take up large dam projects again in its 'high risk/high reward' strategy for the water sector.

A new reportⁱ examines the World Bank's high-risk strategy, and considers past experience with the Bank's high-risk projects in

"The lessons from past experience are well known, yet they are generally ignored in the design of new operations."

World Bank
Quality Assurance Group
22 April 1997

sectors such as water, forestry, and mining. It finds the following:

- The World Bank has not learned lessons from its earlier mistakes. It has not strengthened its social and environmental safeguard policies (but rather has weakened them in important aspects). The policies still have glaring gaps (for example in the protection of human rights). And the Bank has a poor track record of putting its existing policies into practice.
- Decentralized, participatory, low-tech alternatives to destructive megaprojects in sectors such as water and power exist. Yet the World Bank has not made participation, social equity and the environment a core part of its development model. It is therefore not in a good position to support such alternatives.
- The World Bank often does not assess how the costs and benefits of its projects are distributed amongst various social groups. It has not explained who will bear the increased risks of its new high-risk strategy, and how the interests of these people will be protected.
- The World Bank often does not adequately take into account how corruption and a lack of democratic rights affect the outcome of development projects.



"We will not move!" Activists of the Protect the Narmada Movement refuse to leave the villages that are being submerged by the Sardar Sarovar Dam in India's Narmada Valley. Sardar Sarovar is one of the World Bank's early high-risk projects. (Photo: Narmada Bachao Andolan)

If the World Bank pushes through its new high-risk strategy, it will put poor people - the people who are supposed to be at the core of its development mandate - and the environment at great risk for projects that generate dubious rewards. The World Bank's new strategy will likely increase social conflict, and block the development of more people-centered alternatives. Yet affected people and the international public will no longer accept large-scale environmental destruction and human rights abuses. The Bank will therefore find it difficult to implement its new strategy.

"Traditional practice is to restrict the definition of risk to the risk of the developer in terms of capital invested and expected returns. (...) By contrast, a far larger group often have risks imposed on them involuntarily and managed by others. Typically, they have no say in overall water and energy policy, the choice of specific projects or in their design and implementation."

Dams and Development
The Report of the World Commission on Dams
London 2000

Environmental Defense, Friends of the Earth and International Rivers Network - the publishers of the report - have presented a series of demands to the World Bank. They include:

- Since the Bank is not capable of adequately dealing with high risk, it should not support new high-risk projects.
- The Bank, other financial institutions, governments, industry, NGOs, affected people's groups and legal experts should discuss mechanisms to assess and repair the damage done by existing projects.
- The Bank's safeguard policies must be strengthened and expanded. The Bank should adopt the principle of free, prior and informed consent of project-affected people, and should create a comprehensive human rights policy.

- Governments should strengthen mechanisms to support decentralized, participatory, low-cost alternatives to the Bank's high-risk approach.

"Unless and until the environment becomes part of the Bank's core objectives, the tension between the Bank and its stakeholders that has characterized the past decade will continue, and probably intensify."

World Bank
Operations Evaluation Department
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ENVIRONMENTAL DEFENSE

finding the ways that work

1875 Connecticut Avenue NW, Suite 600
Washington, DC 20009, USA
Phone 1-202-387-3500
www.environmentaldefense.org



**Friends of
the Earth
International**

PO Box 19199
100 GD Amsterdam, Netherlands
Phone: 31-20-622-1369
www.foei.org



International Rivers Network

1847 Berkeley Way
Berkeley, CA 94703, USA
Phone: 1-510-848-1155
www.irn.org

ⁱ *Gambling with People's Lives*, September 2003, 46 pages, published by Environmental Defense, Friends of the Earth and International Rivers Network, available at www.foe.org