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The World Bank: Making the Business Case for Environment*

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Acronyms

	CDM	Clean Development Mechanism
5	CFCs	Chlorofluorocarbons
	COP	Conference of the Parties
	EA	Environmental Assessment
	ENV	Environment Sector
	ESMAP	Energy Sector Management Assistance Program
10	ESSD	The World Bank's Environmentally and Socially Sustainable Development Network
	GDP	Gross Domestic Product
	GEF	Global Environment Facility
	GHG	Greenhouse Gas
15	GM	The Global Mechanism of the UNCCD
	IBRD	International Bank for Reconstruction and Development
	ICR	Implementation Completion Report
	IDA	International Development Association
	IPCC	International Panel on Climate Change
20	JI	Joint Implementation
	MANUS	Managers of Global Change Research Project (www.glogov.org)
	MEA	Millennium Ecosystem Assessment
	METAP	Mediterranean Environmental Technical Assistance Program
	MIGA	Multilateral Investment Guarantee Agency
25	MPMLF	Montreal Protocol Multilateral Fund
	NEAP	National Environmental Action Plan
	NGO	Non-governmental Organization
	NSS	National Strategy Study
	OECD	Organisation for Economic Co-operation and Development
30	OED	Operations Evaluation Department of the World Bank
	PCF	Prototype Carbon Fund
	PID	Project Implementation Document
	POP	Persistent Organic Polluters
	UNCCD	United Nations Convention to Combat Desertification
35	UNFCCC	United Nations Framework Convention on Climate Change
	UNEP	United Nations Environment Department
	USD	United States Dollars
	WB	World Bank

Introduction

In August 2004, the World Bank (WB) approved the largest environmental loan of its history, the USD 505 million *First Programmatic Reform Loan for Environmental Sustainability*, to support Brazil's goal of balancing economic growth with environmental quality. Emblematic for its 'making the business case' approach, the WB's country director for Brazil explained the rationale for the loan as: "The costs to society from environmental destruction are high, rough estimates placing them at as much as 4 percent of the country's GDP."¹

The WB² is not an environmental organization as such. But it represents a prominent case among the world's intergovernmental bureaucracies—and today also within the area of environment. Established at the Bretton Woods conference in 1944, it has become one of the largest international organizations of today, with a yearly administrative budget of USD one billion (World Bank 2004a, 33), and roughly 8,800 staff working either at the headquarters in Washington, DC, or in any of the over 100 country offices. It is a public, multilateral institution that is mostly known as a financier of large loans to developing countries, but also as a "source and proselytizer of ideas" on economic, social, and environmental development (Gavin and Rodrik 1995, 332).

According to the 'Articles of Agreement', the WB's constitutional document, its mandate consists of assisting reconstruction and development in regions that have been disrupted by war or that are less developed.³ Hence, the articles make no mention of environmental protection or even sustainable development. Only in 1987, and not without a preceding period of strong internal resistance (Wade 1997; Nielson and Tierney 2003), did the WB formally embrace environment as goal in its own right. As a first 'do-no-harm' measure, the WB's operational manual was amended by a series of safeguard policies, which aim "to prevent and mitigate undue harm to people and their environment in the development process".⁴ The establishment of an environment department shortly hereafter, along with the launch of 'core' environment projects (having primarily environmental objectives) marked the WB's adoption of a complementary 'do-some-good' agenda.

¹ Cited in World Bank 2004, News Release No. 2005/58/LAC.

² The term 'World Bank' refers only to the *International Bank for Reconstruction and Development (IBRD)* and the *International Development Association (IDA)*, as opposed to 'World Bank Group', which includes three other organizations, among them the *International Finance Corporation (IFC)*.

³ See: IBRD Articles of Agreement, Article I (Purpose).

⁴ The WB currently observes then safeguard policies, of which half are directly related to environmental issues, e.g. natural habitats, forests. See World Bank website (accessed August 2005): <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/52ByDocName/SafeguardPolicies>

Today, typically between five and ten percent of the WB's yearly investments go into environment (World Bank 2005a, 27), financing projects that range from pollution and waste management to environmental capacity building and global issues such as biodiversity, climate change, and international waters. Hence, the WB has de facto become a widely present actor in this field, with cumulative lending for environment reaching USD 9.2 billion over the years 1998-2003 (Acharya et al. 2004).

However, many outside the WB, environmentalists in particular, are skeptical about the WB's ability to adequately handle environmental issues, and point to a series of environmentally disastrous projects the WB has carried out in the 1970s and 1980s. Bruce Rich, a former WB staff member, describes several projects, such as the infamous 1982 Polonoroeste project in Brazil, that turned into environmental debacles, destroying coastal ecosystems, promoting deforestation, and furthering soil degradation (Rich 1994). The adoption of the safeguard policies in 1987 did not prevent the WB's continued involvement in environmentally controversial projects, and hence sparked further critique, from NGOs (Seymour and Dubash 1999; Alexander et al. 2002; Rich 2002), from WB-commissioned, independent reviewers (Morse and Berger 1992), but also from inside the WB (Liebenthal 2002; World Bank 2002a).

On the other hand, though much of the academic literature shares at least partly the NGO criticism, several authors have pointed out laudable aspects in the WB's environmental efforts (Haas and Haas 1995; Le Prestre 1995; Nielson and Tierney 2003). For instance, Haas and Haas (1995) analyze the institutional greening of 13 international organizations and conclude that only the WB and the UNEP exhibited traits of "learning" in the ways they integrated environmental issues into their work. A similar view is expressed by Nakayama (2000), who confirms the WB's generally much improved ability to handle environmental issues, even though he calls for further reforms. Gutner (2002) compares the WB's environmental performance in central and eastern Europe with that of two other multilateral development banks, and finds the WB to be the most responsive and transparent, as well as environmentally stringent among the three.⁵

Nevertheless, addressing (not to speak of dissolving) this important and highly complex controversy about the WB's overall impact on the environment is not the scope of this study. Rather, our objective is to identify causal links that explain how different types of influences of the WB on national and international environmental policy were brought about. To this end, the first part of our paper

⁵ A different and rather extensive strain of literature focuses on the WB's struggle for environmental reform, e.g. vis-à-vis external pressure (Nielson and Tierney 2003; Wade 2004), or on the grounds of economic rationality (Krueger 1998; Gilbert, Powell, and Vines 1999). In other cases, particular aspects are emphasized, such as the WB's production of hegemonic knowledge (Goldman 2004, 2005), corporate culture (Nelson 2003), the role of the WB's president (Fidler 2001; Moog Rodrigues 2004; Mallaby 2004), or its emphasis on structural adjustment lending (Kessler and Van Dorp 1998)

assesses the dependent side, describing the effects of WB environmental activities along three broad categories (cognitive, executive, normative). In the course of that analysis, we mainly 'follow the output' of the environment department, but do not exclude relevant activities from other units in as much as they, too, represent environmental activities. However, because we do not undertake a systematic assessment of all potentially adverse environmental effects of the WB's large non-environmental portfolio, our results are likely to correspond to an overly green vision of the WB, and for that reason cannot be directly linked to the above mentioned controversial debate. On the other hand, such a 'green bias' should not impair the correct identification of the factors that explain how the WB's influences were brought about. Hence, in the second part of our study we assess the explanatory power of several independent variables vis-à-vis the observed influences. By doing so, we refer to the design characteristics of the *international organization* WB, but we also show that a consistent argument can only be built if the internal characteristics of the WB *bureaucracy*, as represented by its staff and procedures, are taken into account.

In sum, most existing literature analyzes the WB's struggle to implement environmental policies in terms of several external and internal explanatory variables, especially governance, incentives, "goal congestion" (Naim 1994, c276) or "antinomic delegation" (Gutner 2005, 11). It fails, however, to disentangle the different effects and causal pathways. So far, it has not been investigated systematically how the environmental activities of the WB *as an actor* influence other actors, and in how far this influence is determined by the WB *bureaucracy*.

The World Bank's Environmental Output

The main environmental output of the WB consists in its environmental projects. The perception of WB-financed projects as output *of the WB* is justified by the fact that—unlike a commercial bank—the WB plays *de jure* a very active role both in the project selection and implementation process: Projects are first identified by a joint government and WB team. Then the latter prepares an official project proposal, and it also supervises the project implementation.

An overview of all past and present environment projects, broken down according to the WB's seven environmental themes and the type of project, is given in Table 1.⁶ It indicates that most core environment projects are based on small *grants* (on average USD 7 Mio per project). But it also shows that core envi-

⁶ Under the current codification, any World Bank project is associated with up to five sectors, five themes, and five goals. Whenever at least one of the possibly five project themes belongs to the environmental area, the project is classified as an environmental project as per WB definition. As a consequence, the environmentalism in some of these projects is rather marginal. For instance, the 'environmental' *São Paulo Metro Line 4 Project* (World Bank 2001c) essentially financed the construction of a new subway line.

ronment *loan* projects (~ USD 50 Mio each) and integrated *loan* projects which only include some environmental components (~ USD 100 Mio each) dwarf the grant projects in monetary terms. Strictly speaking, grants represent external funding and are mainly linked to the WB's role as an implementing agency of the GEF and of the Montreal Protocol Multilateral Fund (MPMLF), as well as to its various carbon funds.

Figure 1 Summary of all WB projects from 1984 to mid-2005 that address one of the seven environmental themes.⁷

	Total Number of Projects	Total Inv. Amount [Mio USD]	Projects financed through IBRD/IDA loans				Grants (GEF, MPMLF etc.)	
			Number of Core ENV Projects	Inv. Amount [Mio USD]	Number of Projects with ENV component	Inv. Amount ⁸ [Mio USD]	Number of Projects	Inv. Amount [Mio USD]
BD	288	5,391	54	1,994	51	2,388	183	1,009
CC	207	14,980	8	857	111	13,517	88	606
EPI	536	30,052	97	4,615	248	23,882	191	1,555
LAM	296	15,694	57	2,251	180	13,143	59	300
PMEH	548	42,108	58	3,498	367	37,381	123	1,229
WRM	352	23,960	49	2,966	245	20,656	58	338
OENR	147	5,527	10	359	89	4,938	48	230
Total	1,402	90,766	155	7,696	892	80,522	355	2,548

Source: World Bank project online database [accessed 14 April 2005]. BD = Biodiversity, CC = Climate Change, EPI = Environmental Policies and Institutions, LAM = Land Administration and Management, PMEH = Pollution Management and Environmental Health, WRM = Water Resource Management, OENR = Other Environmental and Natural Resources Management

Not unexpected for a development agency, *pollution management and environmental health and environmental policies and institutions* hold the largest share in the WB's 'green' portfolio. *Biodiversity* receives the least resources, even though it is not at all a small area when measured by the number of projects. As a matter of fact, the WB still is "the world's largest single international funding source for biodiversity projects" (World Bank 2005a, 53).

The WB integrates its lending by selected supporting measures. First, so-called *Analytical and Advisory Activities* encompass formal environmental reports and studies, as well as workshops and non-lending technical assistance programs. In the year 2004, roughly 100 (World Bank 2003c, 38) environment-related products of this kind were finalized. Second, to enhance its capacity building, the WB has bundled most of its so-called learning programs within a specialized center, the World Bank Institute. In 2003, this "capacity development arm of

⁷ Excluding MIGA guarantees (five projects). Projects with environment as "old major sector" and all grant financed projects are considered 'core' environment projects. Grant projects are financed through the GEF, the MPMLF, carbon offsets, rainforest fund, or special financing.

⁸ Shows total lending commitment, meaning that the amount representing the sole environmental component of the projects will be a fraction thereof.

the World Bank” has delivered 715 learning programs, reaching 58,000 client country participants (World Bank Institute 2003, 10). Of over USD 50 million spent for the training of individuals, about 20 percent were allocated to “Environment and Sustainable Development” (ibid., 75f.).

5 The vastness of WB activities is reflected in the roughly 4,000 documents it publishes every year in the form of reports, notes, newsletters, and research articles, with the *World Development Report* perhaps being the best known example.⁹ However, only around 10 percent—the largest part being environmental impact assessments—is dedicated to environmental issues. The flagship publication
10 of the environment department is *Environment Matters*, an annual review of its programs and activities. Furthermore, a considerable number of general project documentation, environmental action plans, and environment working papers—to cite but a few examples—are available on the WB internet site, yielding a total of 1,661 documents with relevance for the environmental sector.¹⁰

15 Summing up, the WB has a broad environmental output, which by far exceeds the immediate products of the 300 or so professionals of the environment department.¹¹ With a yearly turnout of around 100 environmentally relevant projects (corresponding to investments of in-between USD 1 and 2 billion), about 100 analytical and technical assistance products, and USD 10 million worth of
20 training days on environment and sustainable development, the WB constitutes by far the biggest player within the MANUS sample of organizations.

Influences of the World Bank in Environmental Politics

We analyze influences of the WB along three general categories. First cognitive
25 influences, which change the technical and scientific understanding of environmental problems, as well as the awareness or concern for them. Second, executive influences that affect the technical and institutional capacity of states to safeguard the environment. Third and last, normative influences, which shape international cooperation and the collective capacity to respond to environmental problems.

30 COGNITIVE INFLUENCES: A BANK AS KNOWLEDGE BANK?

Recent statistics seem to confirm President Wolfensohn’s vision of the “Knowledge Bank”: 700,000 users per month reach the WB’s external website, it has 50 e-mail newsletters with 90,000 subscribers, and 29,000 requests to the WB’s ad-

⁹ More than 15,000 documents are available online.

¹⁰ World Bank’s online document database (sector = environment), accessed 19 April 2005.

¹¹ As remarked by a former director of the environment department: “The level of staff effort in World Bank units is notoriously difficult to calculate, given the extensive use of consultant services” (Piddington 1992, 219).

visory service have been recorded within one year (World Bank OED 2003, 14ff.). But does the WB live up to its pretension even in the area of environmental knowledge?

Scholarly Knowledge

5 From 1995 to 2004, just over 2,000 scientific articles have been published by WB
staff in peer-reviewed, scholarly journals.¹² About ten percent of these, i.e. an av-
erage of 20 articles per year, relate to environmental issues, mostly from an envi-
ronmental economics point of view. Relatively seen, the WB's publication record
is quite significant: for example, no other research institution has published more
10 peer-reviewed articles on 'environmental services', and for the query 'environ-
ment AND poverty' the WB still ranks seventh.¹³ Moreover, each article was on
the average cited nearly five times, and some much more, e.g. 100 times in case of
Chomitz and Gray (1996).

15 Green accounting has been a particular thrust area of WB research. Al-
though conceived in the 1970s (and not by the WB), a real breakthrough of the
concept came in the wake of a landmark speech of then WB vice-president Ismail
Serageldin in 1995 (Charnela 1997). At the same time, the theoretical discussion
on the subject was influenced by the works of current and former environmental
staff members, including—among others—Hamilton, Goodland, Ledec, and Daly¹⁴,
20 and culminated in the well-received publication of the book "Where is the Wealth
of Nations?" (World Bank 2006).¹⁵ Confirming this, a review of the WB's inde-
pendent operations evaluation department (OED) found: "Seminal work was
done on natural capital, environmental indicators, and 'green accounting' by the
environment department." (Liebenthal 2002, 8).

25 This notwithstanding, some observers have been more reserved, question-
ing the originality of WB research and seeing its strength more in "testing theo-
ries, often developed elsewhere" (Gilbert, Powell, and Vines 1999, F608). Like-
wise, the WB's former chief economist, Nick Stern, found the WB's research per-
formance in the field of environment to be "less impressive" (Stern and Ferreira
30 1997, 557).

Environmental Data and Information

The WB's traditional stronghold of economic and development data has been ex-
panded to include a wide range of environmental data and indicators, most nota-
bly in its annually published *World Development Indicators*, but also in form of a

¹² To derive this result, we consulted both the Web of Science publication database of the Institute of Scientific Information, and Scopus, an abstract and indexing database. In order to be counted, at least one author of an article had to be affiliated with the World Bank.

¹³ Refers to the years 1990 to 2005.

¹⁴ E.g., one article by Robert Goodland (1995) has been cited 60 times.

¹⁵ E.g., reviewed in *The Economist* on 15 September 2005, p.96.

5 separate publication, the *Little Green Data Book*. While the former includes 800 indicators covering environment and five other topical sections, the latter contains key environmental data for “more than 200 countries” (World Bank 2005b, 5), and was quoted, inter alia, in the British weekly *The Economist*.¹⁶ Moreover, also the 1992 and 2003 editions of the *World Development Report* have focused on environment (World Bank 1992, 2002c). The former, entitled *Development and the Environment*, has notably stimulated the debate on the poverty-environment nexus, in particular by prompting “the first discussion” (Xepapadeas, forthcoming, 37)¹⁷ on the so-called environmental Kuznets curve, an inverted U-shaped relationship between pollution and income, for which it provided an “early example” (Boyce 2004, 116).

10 The stark influence of these publications is reflected in the high number of other publications in the field of environment that explicitly draw on these sources: over 400 documents cite the World Development Indicators and just over 1,500 some edition of the World Development Report.¹⁸ The WB’s strength within this area was also echoed in a positive external evaluation of the environment research in 1997, which in particular pointed to the WB’s success in defining pollution indices and uncovering patterns of international pollution.¹⁹

15 However, several academic scholars (Mehta 2001; St. Clair 2004; Bretton Woods Project 2004) question the apolitical nature of the knowledge emerging from the WB, and argue that underneath a disguise of objective science and a “technocratic veil” (St. Clair 2004) it actually promotes its own economic agenda. Referring to the Nam Theun II dam project in Laos, Goldman (2004) denounces highly biased environmental assessment reports, that still come to represent “cutting-edge knowledge of global significance” (ibid., 59), since the WB’s official seal on new knowledge and data gives it “tremendous global stability, legitimacy, and circulation” (ibid., 75). For instance, WB activities even led to the introduction of a new “lexicon” of terms like sustainable development and conservation into the national language of Laos (ibid., 73).

20 To summarize, our evidence suggests that the WB’s environmental data and knowledge production, though mainly focused on fringe areas such as environmental economics, has reached large audiences and is widely referenced. The WB has made scientific contributions by publishing a substantial number of articles in peer-reviewed journals. It has produced and analyzed environmental data and pioneered innovative approaches like remote sensing.

35 ¹⁶ Cited in *The Economist*: article “CO2 Emissions” on 10 May, 2003, and “Rescuing Environmentalism” on 21 April, 2005.

¹⁷ Available online at (accessed November 2005): www.soc.uoc.gr/ecosud/docs/Econ%20grow%20envir/GrowtEnvironXepapadeasAugust03.pdf

¹⁸ According to the database Scopus.

¹⁹ World Bank 1997, Evaluation of Environment Research, cited from World Bank web site: www.worldbank.org/html/rad/evaluation97/environ.htm. Accessed October 2005.

CAPACITY BUILDING AS CORE BUSINESS

In most cases, a precondition to any effects that WB projects may or may not have on the national level is its approval of project financing. This aspect becomes particularly relevant, when considering the fact that the WB typically only finances about 40 percent of the total costs of an environmental project.²⁰ The remaining part is provided by co-financiers such as regional or bilateral development banks, individual donor countries, and the borrowing country itself. Moreover, the approval of a project by the WB usually guides the investment decisions of other financiers, especially for controversial projects. For instance, in case of the Nam Theun II dam project in Laos, *The Economist* reports: “But commercial banks are wary of association with Laos’s unreconstructed communist regime and with the flood of environmental and social protests that big dams inevitably induce. So they will not stump up any money without the World Bank’s approval.”²¹ In other words, the WB has a strong influence on the flow of investments for development projects, with other financiers often following the WB’s lead.

In the following, we consider WB influences along two broad categories of capacity: first institutional capacity, which includes changes in laws, practices, domestic organizations, and the introduction of new programs or instruments. Second, influences on technical capacity, taking into account changes mainly in physical structures and conditions, e.g., in the form of technical assistance and technology transfer, or pollution control measures. One should note, however, that in practical terms many WB environment projects integrate both categories, often in a mutually reinforcing manner.

Institutional Capacity

A principal tool for the WB to influence the shaping of national policies was the National Environmental Action Plan (NEAP), which all countries were required to develop that receive soft loans from the IDA.²² Viewed as “the dominant framework for the WB’s environmental activities in Africa” (Piddington 1992, 216), the WB assisted countries both through financial contributions and through participation of specialized WB staff in the process itself. Up to the year 2000, an overall of 92 NEAPs had been completed.

According to Gutner, the NEAP was a successful instrument within the “Bank’s efforts to help countries formulate environmental policy reform strategies and assist in relevant capacity-building exercises at the domestic level” (Gutner 2002, 146). However, an OED review, though acknowledging that in many cases the NEAPs have helped to build new institutions and to identify priorities, judged the overall outcome to be only of “mixed quality” (Liebenthal 2002, 8), and criticized the lack of follow ups to keep the plans up to date.

²⁰ Own calculation based on World Bank online project database.

²¹ *The Economist*, issue of 29 November, 2003, p.28.

²² To IBRD client countries it was also recommended.

5 A high influence emanates from the WB's environmental (and social) safeguard policies. Two specific effects can be distinguished: first, they oblige every borrower to apply the WB's safeguard policies in the project implementation process. For instance, in 64 percent of all WB projects the borrower had to carry out an environmental assessment (EA) as a means to minimize potentially adverse effects on the environment (World Bank 2005a, 27). WB staff widely regarded the safeguard policies as a milestone in the WB's "environmental turnaround"²³, and as a general justification for continued WB involvement, since countries would often be expected to worry less about environmental issues if they financed and implemented projects solely on their own.

10 At the same time, the WB acknowledges that "the quality of the environmental assessments and management plans is variable"²⁴, and that more needs to be done to reinforce borrower compliance. A study of the OED found the EA implementation to be of varying quality (Liebenthal 2002). Safeguard procedures were not always implemented wholeheartedly by WB project staff (ibid., 11), or were carried out too late to still have a significant impact on project design (ibid., 19).²⁵ On the overall, the conclusion reads, "the Bank's performance on environmental safeguard policies remains contentious" (ibid., 19).

20 However, the influence of WB safeguard policies should not be seen solely in the context of WB-client interaction. Namely, the second effect has been—as put by a staff member—that WB environmental standards have become "world best practice", and were in many cases permanently adopted by client countries and by public and private financing institutions.

25 For instance, more than half of all Sub-Saharan African countries have introduced laws on environmental impact assessments during the 1990s (see Bekhechi and Mercier 2002), "and by and large are happy that they have done it".²⁶ The WB has pushed these initiatives with several projects, e.g. with the "highly successful" (Lintner, Arif, and Hatzios 1996, 8) *Mediterranean Environmental Technical Assistance Program* (METAP)²⁷, and the *Capacity Development and Linkages for Environmental Impact Assessment in Africa* program. It further encouraged the introduction of domestic regulations by announcing that eventually "responsibility for overseeing the EA process can be shared with national governments in selected countries" (World Bank 2001a, 41).

35 WB environmental standards are also widely referenced by public and private financiers. The so-called *Equator Principles*, which have been adopted by 27 major private lending institutions, are based on the WB's environmental and

²³ Interview with World Bank official, May 2005.

²⁴ Interview with World Bank official, April 2005.

²⁵ Another problem could be inaccessibility: for instance, the EA report for the Nam Theun II dam project had a length of 22 volumes.

²⁶ Interview with World Bank official, April 2005.

²⁷ The World Bank provided a grant for the Tunis International Centre for Environmental Technologies, a training center for environmental assessments.

social guidelines (World Bank 2005a, 27). Likewise, with the 1998 *Pollution Prevention and Abatement Handbook*, it has provided a best practice compilation which, according to an NGO, is “widely referenced by export credit agencies, donor agencies, and private lenders.”²⁸ Generally, WB safeguard principles are recognized—along with the OECD Common Approaches—as international standard in project financing (Knigge et al. 2003, 26). They were even called upon in the 2000 Jakarta declaration on the reform of export credit agencies, signed by 347 NGOs. Last but not least, the WB’s pivotal role in this field was also reflected in the way the recommendations of the World Commission on Dams were weakened because of the missing full endorsement by the WB (Knigge et al. 2003, 51).

In the area of biodiversity the WB has provided more than USD 3.2 billion for protected areas during the years 1988 to 2003, and thereby helped to established more than 33 million new hectares, i.e. roughly eight times the size of Switzerland, of protected areas around the world and to improve the management of another 135 million hectares (World Bank 2004b, 11). With the increased usage of conservation trust funds it has also devised an innovative instrument for the sustainable financing of such areas; currently such funds have been installed in Bolivia, Peru, Mexico, Bhutan, Brazil, Malawi, Uganda, and—in form of a regional trust fund for the Carpathians—in eastern Europe (World Bank 2003a, 18).

In hindsight, though, the WB’s efforts to build environmental institutions have only been partially successful. The environment strategy concludes that “in many projects [...] practical improvements in the functioning of the institutions concerned have been elusive” (World Bank 2002a, 30). One reason for that, according to the WB, was that its technical assistance approach viewed capacity building merely as organizational engineering and overemphasized improvements in formal organization and physical equipment (World Bank 2002a, 31), thus causing the WB to be perceived as the “elephant in the corridor”.²⁹

Still, this is not to say that the WB has had little influences on domestic institutional capacity. For instance, Hunter reports that the WB has assisted in the development of legal and institutional capacity in more than 50 developing countries since 1992 (Hunter 2001). Gutner also points to the strong role of the WB in Eastern Europe: “The World Bank’s main contribution [consisted] in providing intellectual and policy support in the area of government policy reform” (Gutner 2002, 164). So there are very significant influences, albeit not necessarily as strong as originally aspired by the WB itself.

Technical Capacity

The WB has extensively contributed to the implementation of the Montreal Protocol by assisting developing countries in the gradual phase out of ozone-

²⁸ Available at URL: www.bicusa.org/bicusa/issues/environmental_and_social_policies/1399.php
Accessed October 2005.

²⁹ Interview with World Bank official, April 2004.

depleting substances. In fact, with grant funding of USD 350 million for various technological conversion projects, it helped to eliminate more than 100,000 tons of such substances, and it expects to eventually phase out “74 percent of CFCs produced in developing countries and about 58 percent of global CFC production” (World Bank 2003c, Box 2.9).

Likewise, projects of the Prototype Carbon Fund (PCF) in energy efficiency and conversion as well as afforestation and forest management are likely to cut greenhouse gas emissions by 40-45 million tons of CO₂ equivalent over a period of about ten years (Prototype Carbon Fund 2004, 5). At the same time, however, greenhouse gases produced by WB-financed traditional energy and extractive industries projects amount to around 300 million tons of CO₂ equivalent per year according to WB estimates (World Bank 1999, 4), and much more according to an NGO (Wysham 2005, 4).

No aggregate data is available for the area of desertification. However, the WB has financed and implemented ‘physical’ interventions, as, for instance, in case of the *China Loess Plateau Watershed Rehabilitation Project*, which has been hailed as “one of the most successful erosion control programs in the world” (Varley 2005, 9). The project led to the terracing of nearly 100,000 hectares of erosion-prone slopelands as well as the planting of 290,000 hectares of trees and shrubs, and 100,000 hectares of grasslands (World Bank 2003b, 3ff.).

To sum up, capacity building stands out as the natural domain of WB activities. Naturally, of the many influences it has had on domestic institutions and laws, on the employment of technologies, and on the investment flows for development projects in general, we merely reported some notable examples, both for lack of aggregate data and need for conciseness.

INTERNATIONAL COOPERATION: DISCREET INFLUENCES

Prima facie, the WB’s role in international environmental co-operation should be limited to helping client countries to “meet the objectives of the global conventions” (World Bank 2002a, 35). In fact though, the WB has come to influence the normative aspects of environmental policy by shaping the way international agreements are operationalized and implemented, as well as by facilitating transnational cooperation on the regional level or through partnerships.

Implementation Engineer for Global Conventions

Two specific cases illustrate how the WB has influenced the implementation modalities of two international environmental agreements. For the Global Mechanism (GM) of the United Nations Convention to Combat Desertification (UNCCD), it became a reform engineer. The GM was established in 1997 under the UNCCD with the aim to facilitate the allocation of financial resources for the

implementation of the convention. After five years of an “almost unnoticed existence” and an “identity crisis” of the GM, the WB started a reform initiative.³⁰ Namely, it financed an independent evaluation, wrote a three year business plan, and put forth an agenda for action, all of which were subsequently endorsed by the COP. Hence, the WB successfully altered one aspect of the implementation modalities of the UNCCD.

The Prototype Carbon Fund, established by the WB in 2000 in order to spur the development of a global carbon market, represents an attempt to operationalize the Joint Implementation (JI) and Clean Development Mechanism (CDM) of the UNFCCC’s Kyoto Protocol. At a time when the protocol’s ratification was highly uncertain, the WB took a considerable risk and acted ahead of all other market players by launching a series of emissions reduction projects, that eventually needed to be certified under the protocol’s rules and traded on a yet nonexistent market in order to realize their value. It thereby turned a rather theoretical framework into something very concrete (Kiss, Castro, and Newcombe 2002, 1647). As a consequence, “the procedures, documentation and methodologies developed by the PCF are helping to structure CDM and JI projects and carbon transactions beyond the PCF” (Prototype Carbon Fund 2002, 49). Indeed, at one point the WB was even criticized for surging too far ahead of the UNFCCC negotiation process³¹, though its carbon funds were eventually copied by other institutions, e.g. the Dutch government or the German development bank KfW.

More generally, the field of climate change policy has emerged as a WB thrust area: alongside the implementation of projects through the PCF, it sponsored the elaboration of national CDM and JI strategies by its National Strategy Studies (NSS) program, and provided analytical results from its aligned research activities. Both measures proved to be influential, since the NSS data was later used to inform the COP (Black-Arbelaez et al. 2000), while the WB’s research led to new results on, inter alia, baseline definitions and carbon sequestration. It might even have inspired the so-called Colombian proposal.³² Hence, within the area of climate change, the WB strongly supported the Kyoto process through the injection of information into the negotiations, by demonstrating its practical feasibility, and by pointing out potential benefits for developing countries.

Facilitating Cooperation in Regional Projects

Technically, the WB has been party to three international environmental agreements, all of which were set up to resolve the dispute between India and Pakistan

³⁰ Interview with World Bank official, April 2004.

³¹ Interview with World Bank official, April 2004.

³² “I have the modest claim of having invented the Colombian proposal, but the Colombians also invented it internally, so I can’t directly claim the influence there”. Source: Interview with World Bank official, May 2005. The Colombian proposal concerned the ‘rules of accounting’ for emissions reductions stemming from biological sinks.

over the usage of freshwater from the Indus basin.³³ Through these agreements, and through the subsequent financing of the Tarbela dam, the WB stipulated an agreement on the sharing of a common water resource between these two antagonist countries (World Bank 2005a, 23), which was deemed “the only success story of the World Bank in trans-boundary freshwater bodies” (Nakayama 2000, 404). The WB continues to play a mediating role in this case even today, by appointing neutral experts or members of a court of arbitration during conflicts.³⁴

In absolute terms, however, regional activities still play a marginal role. By the end of 2004, the WB’s environmental portfolio included only 29 cross-boundary regional environmental projects. Of these, 26 were GEF projects, and roughly 50 percent addressed riparian cooperation in transboundary water and marine issues. In terms of project outcomes, the situation remains vague, not least because of the WB’s often rather supporting role as one of several sponsors or implementers (e.g. Mesoamerican Biological Corridor Project, or METAP). In one instance, a WB project led to the establishment of a regional organization, the *Lake Victoria Fisheries Organization* (World Bank 2002b, 2). On the other hand, the WB’s role in the rehabilitation of the Aral Sea was deemed a failure both by external (Nakayama 2000, 405) and internal referees (World Bank 2004c), despite an earlier self-praise as the “best in development diplomacy” (Kirmani and Le Moigne 1997). So, while it is difficult to draw final conclusions on the overall outcomes, it remains safe to say that the country level remains the dominant scope for WB projects.

Building and Promoting Partnerships

The WB participates in 44 (out of 308) global type-II partnerships for sustainable development, two of which it is actively leading: the *Critical Ecosystem Partnership Fund*, and the *Global Gas Flaring Reduction Partnership*.³⁵ While the former represents an effort to safeguard global biodiversity hotspots, the latter was launched with the aim to reduce the inefficient and GHG intensive flaring and venting of gas associated with the extraction of crude oil.

Other examples of increased cooperation in the form of partnerships that draw on WB financing and—to some degree—leadership are the *Global Water Partnership*, where the WB is represented on the steering committee, and which it has supported through a USD 1 million GEF grant, as well as the WWF/World Bank forest alliance, the Africa Stockpiles Program (Albert 2003, 28) and, finally,

³³ Two Indus Basin Development Fund agreements, and the Tarbela Development Fund Agreement. Source: Environmental Treaties and Resource Indicators, website at <http://sedac.ciesin.columbia.edu/entri>. Accessed April 2005.

³⁴ Source: World Bank website, accessed July 2005. URL: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0..contentMDK:20320047~pagePK:146736~piPK:583444~theSitePK:223547,00.html>

³⁵ Through its Energy Sector Management Assistance Program (ESMAP), the World Bank also has a leading role in the Global Villages Energy Partnership.

the World Commission on Dams, which was initiated in 1998 by the WB jointly with the World Conservation Union (see, e.g., Dingwerth 2005, Chapter 4).

To sum up, the WB demonstrates discreetness when it comes to its influences on international negotiations. It takes on supportive rather than leading roles, and its influences seem to be limited to the “injection of information on what different regimes might look like”³⁶, as well as to advice and identification of ‘good practice’ with regard to implementation, financial, and regulatory issues. Nonetheless, its importance for the operationalization of agreements should not be underestimated—as illustrated by the case of the Prototype Carbon Fund. And neither should one assume that the WB’s influence on international negotiation processes is wholly non-existent, as it might occur through informal channels that are difficult to trace, not least because of the political incentive to negate such influences: “Sometimes there was an influence, you know of it, but you can’t take the credit for it, for political reasons”.³⁷

In areas that do not fall into the domain of ongoing negotiations, the WB’s influence becomes more evident. It actively fosters regional cooperation between states through a number (albeit modest) of transboundary projects, it plays a leading role in the formation of international fora, and builds public-private partnerships. But even here the WB often avoids prominent leadership roles, and rather works as a coordinator, provider of administrative and financial support (in particular donor-coordination), or expert advisor.

WORLD BANK INFLUENCES – SUMMARY

We found the strongest influences of the WB to be on the executive side. This comes as no surprise, since most WB activities address development countries on a one-to-one basis. A remarkable fact is the strong influence of the WB on international environmental standards for project financing. Still, some cognitive and normative effects can be attributed to the WB, perhaps more than would be expected from its bare mandate.

What can also be observed is that the WB generally favors interventions based on market mechanisms, such as vouchers and auctions (e.g. for CFC phase out), certification (e.g. for ornamental fishing), eco-tourism (biodiversity), or emissions-trading (Prototype Carbon Fund). It thrives whenever issues can be linked across sectors to create win-win situations, e.g. energy efficiency and emission control, erosion control and agricultural productivity, pollution control and health etc. At the same time it is noticeable that some areas have developed higher profiles than others. For instance, climate change mitigation has received much more attention than adaptation. Likewise, ozone depletion has been a major issue, but not so transboundary freshwater bodies or desertification, which

³⁶ Interview with World Bank official, May 2004.

³⁷ Interview with World Bank official, May 2004.

even a staff member found “puzzling since it is an area that is so much related to much of the Bank’s lending”.³⁸ Finally, the WB appears to be more successful in physical intervention oriented technical assistance than in institution building.

5 Overall, the environmental performance of the WB remains to be characterized by the contrast between successful environmental projects and rather controversial ones, e.g. greenhouse gas reduction vs. continued support for extractive industries, biodiversity investments versus ongoing “totally devastating” agricultural projects.³⁹ Moreover, the rare but recurrent emergence of individual cases in which WB environmental safeguards were breached (e.g. Inspection Panel cases) negatively overshadows the WB’s environmental performance.

10 Reassuringly, our overall characterization of the WB compares well with the findings of Tarradell, who conducted an international expert survey to assess and compare how the nine organizations of the MANUS sample are perceived by stakeholders (Tarradell, forthcoming). She found that “the World Bank excels as an executive bureaucracy”, particularly by “facilitating new practices, e.g. energy audits or pollution abatement technologies”. Additionally, it exerts a relatively lower but still “remarkable” influence within the normative area. She also finds that in the environmental field the WB does not live up to its “Knowledge Bank” claim. In fact, the WB rather stands out for receiving the lowest rating among all organizations for the scientific credibility of its information—which appears to correlate with the fact that it was also classified as the organization with the lowest political neutrality.

Explaining the Influences

THE POLITY OF THE WORLD BANK

25 Polity stands for the long-term legal framework that determines an organization’s set-up and basic functions, namely its objective (scope), the means by which it is to pursue the objective (resources), and the governance structure vis-à-vis its member states (formal autonomy). Thus, the polity captures the defining features of the international organization WB, leaving out for now its bureaucracy, i.e. all internal processes. With a view on the other organizations in our sample, the polity of the WB can be subsumed in the following way:

- 30 (i) Broad scope: As a global development bank for national governments, whose task is less defined by what to do than by what to achieve (‘reduce poverty’), the WB has a very broad mandate. Consequently, it pursues a wide range of activities in terms of sectors, countries, but

³⁸ Interview with World Bank official, April 2004.

³⁹ Interview with World Bank official, May 2004.

also with regard to the policy cycle, with projects ranging from clean-up measures to basic research and the formation of public-private partnerships.

- 5 (ii) Relatively high formal autonomy: The WB is characterized by a mixed bottom-up/top-down governance structure, in which the board of executive directors lays out the general roadmap, but individual projects are identified and prepared by WB staff and then submitted for approval to the board. Acceptance by the board only requires a simple majority of the capital-weighted votes cast.
- 10 (iii) Extensive and reliable material resources: The main branch of the WB, the IBRD, has been equipped with a self-contained financing mechanism: each year it can raise billions of dollars at low costs on the private capital markets, and make a profit by issuing loans at a higher interest rate to its client countries. As a consequence, the WB's disposable resources, even only those for environment, are very high compared to most other international bureaucracies. Moreover, due to the self-contained nature of this funding mechanism it enjoys, unlike many other IOs, "significant financial autonomy" (Nielson and Tierney 2003) vis-à-vis its state principals.
- 15

20 *Broad Scope: Banking for Sustainable Development*

'Scope' explains influences of the WB that can be ascribed to the WB's multi-functional line-up, its activities across sectors and countries, or to its institutional position as a lender to national governments.

The Changeable Role of Environment

- 25 The WB's broad scope lies at the origin of the controversial role it has come to play in the field of environment. With the immense range of activities pursuable under the banner of development, blatant contradictions are easily created, when, for instance, the WB on one hand promotes the reduction of greenhouse gas emissions via its various carbon funds and climate related GEF activities, and on
- 30 the other hand heavily funds the extraction of fossil fuels. Moreover, changing 'vogues' within the field of development reverberate with the WB and have led to considerable fluctuations in the environmental budget, which has seen a decline in recent years to about 50 percent of its peak amount of the post Johannesburg summit era in the mid 1990s (Acharya et al. 2004, 32). As a consequence, environmental staff is obliged to perpetually battle for resources, since "there are different priorities, and because the Bank does so much—we have a large mandate—a
- 35 priority this week may not be a priority next week."⁴⁰ Hence, the fact that the WB

⁴⁰ Interview with World Bank official, April 2004.

is not an environmental but a development organization means that critique and requests for more, less, or different environmental activities are likely to persist. Its record will continue to be characterized by the contradiction arising from the co-existence of both highly innovative 'green' and environmentally controversial projects.

A Primus Inter Pares Who Sets Informal 'Do-No-Harm' Standards

The WB's preeminent position among the world's development institutions cannot be explained solely by the amount of its lending, on which it is actually surpassed by other public financiers, e.g. the European Investment Bank (Gutner 2002, 3). However, it is distinguished by its more than 60 year-long history, and by the particularly large group of parties that convene under its roof, due both to the quasi universal (184 countries) membership and the direct client relationship with about 100 national governments.

At the same time, the WB's broad 'any-sector' scope constitutes an ideal breeding ground for 'good environmental practice' identification and the definition of standards. This holds in particular for the 'brown' environmental issues, i.e. those related to pollution management, where an organization like the WB can draw on its in-house experience from many non-environmental projects. Arguably, this constitutes a comparative advantage over a purely environmental organization like the UNEP.

In view of these characteristics, the WB emerges as a natural catalyst and trigger of informal standards, because its environmental regulations guarantee the most universal applicability in terms of sectors, and it brings along the weight of an institution in which 184 countries are represented, if with variable weight. On the other hand, to the objection that WB environmental standards simply enforce western standards and have therefore also been adopted by other western public financiers can be replied by citing the prominent cases of the *World Commission on Dams* and the *Extractive Industries Review*: after strong resistance from key WB clients such as India and China, their recommendations were adopted only in an watered-down form by the WB, indicating that despite the West's overwhelming voting power, environmental policies of the WB incorporate borrower interests at least to some extent.⁴¹

Privileged Access to Governments

The Articles of Agreement explicitly require that "each member shall deal with the Bank only through its Treasury, central bank" or some "similar fiscal agency".⁴² As a consequence, the WB's management traditionally enjoys a "direct and frequent access to ministers and heads of state" (Naim 1994, c280). An offi-

⁴¹ Source: Interview with World Bank official, May 2005. See also Chapter 4 in Dubash et al. (2001) and the press releases of Environmental Defense, an NGO, at (accessed November 2005): <http://www.environmentaldefense.org/pressrelease.cfm?ContentID=3886>

⁴² IBRD Articles of Agreement, Article III, Section 2.

cer from the environment department confirms: “Having access to governments at the highest level is extremely important. Before I worked for [agency XY], and it is frustrating here at the World Bank that it is a lending and less a grant institution, but on the other hand the access is fantastic. It has a great convening power.”⁴³ This often asserted convening power (Piddington 1992, 216; Kanbur 2002, 7; Liebenthal 2002, 31) enables the Bank to launch its multi-party projects, such as trans-boundary water projects or the Prototype Carbon Fund, also with regard to the mobilization of co-financing. On the other hand, the constraint of always having to work in a top-down manner through the national government might hamper the success of projects for which a more direct involvement of local stakeholders would be desirable. For instance, reforms of the forestry sector prescribed by the finance ministry might not be equally embraced by the ministry of forestry (Seymour and Dubash 2000, 2). In a similar vein, the OED has criticized that project information is often accessible only to top-level government officials, but not to people at the implementation level (World Bank OED 2003, 60).

High Formal Autonomy: Approving Projects for Tutti Gusti

Under the WB’s governance structure, projects are identified and worked out by regional WB staff in collaboration with the client country. The WB’s task team then composes and submits a full length blueprint of the project, the so-called *Project Appraisal Document* (formerly called—*nomen est omen*—*Staff Appraisal Report*), to the board of executive directors, the WB’s 24 member in-house governing body.⁴⁴ Technically, a positive decision requires a majority of the capital-weighted votes cast⁴⁵, but—as reported by the UK executive director—de facto the board mostly operates on a consensus basis (Scholar 2005).⁴⁶ Still, “the board meeting is typically the end of a long process” (Scholar 2005), consisting of behind-door negotiations, during which relative voting powers are very likely taken into account (Bretton Woods Project 2005).

These two features of WB governance, the active role of staff and the simple majority rule, establish the “significant degree of relative autonomy” (Naim 1994, c278) of the WB. They also explain how the WB managed to obtain authorization for projects that did not grow out of the direct interest of any of its members, or even conflicted with its members’ interest. In terms of the observed effects, this means that the existence of some of the WB’s more controversial projects, as well as some of the pioneering ‘green’ projects, is (also) a consequence of its relatively high formal autonomy. This is exemplified in the following.

⁴³ Interview with World Bank official, May 2004. The point that the “lending process gives [a multilateral development bank] convening power” has also been made by Birdsall and Deese (2001).

⁴⁴ Currently, eight executive directors represent only their own country, while all others speak and vote for groups of countries. The voting power of each director is given by the total shares his/her country/ies holds. At the moment, the US, Japan, Germany, France, and the UK represent the five largest shareholders, with a combined voting power of roughly 40 percent.

⁴⁵ See IBRD Articles of Agreement, Article V, Section 3.

⁴⁶ In fact, no formal voting occurred during the entire fiscal year 2004 (DFID 2005, 20).

5 First, historical examples suggest that some WB projects become accepted largely because of approval-biased project appraisals. With about 300 projects per year covering 50 different sectors, it is evident that board members (and their personal staff) depend heavily on information prepared for them by project staff (Gutner 2005, 29). Relevant documents, however, might be framed in a “highly technical language, often obscuring the actions taken or the anticipated out-comes” (Nielson and Tierney 2003, 252). As a consequence, there have been cases of unpleasant surprises for the board. For instance, the full extent of resettlements in the Sardar Sarovar Dam construction project in India was only revealed ex-post by an investigative commission (Morse and Berger 1992). Allegedly, the WB’s management tends to treat the executive directors “like cultivated mushrooms—‘kept in the dark and fed manure’” (Daly 1994, 184). In one instance, it even withheld a critical internal report from the Board, despite explicit requests by the US executive director (Rich 2002). Hence, the WB’s high formal autonomy implies a reduced supervisory power of the board, which explains the rare but persistent occurrence of projects with *unexpected* (for a majority of principals) negative environmental repercussions.

20 Second, the board’s majority voting rule explains the approval of projects that are at odds with the interests of a voting minority. Such was the case in the highly controversial 1992 Narmada River dam project in India, which was initially approved against the votes of most industrialized countries (George and Sabelli 1994)⁴⁷, but also in the adoption of the Prototype Carbon Fund, where the US and Saudi Arabian executive directors jointly abstained from the vote.⁴⁸ In other words, WB projects not representing the collective interests of its principals may be approved through the formation of ad-hoc coalitions of member states with similar interests. Conversely, if WB projects needed the approval of a qualified majority, as in the GEF, a narrower range of projects, representing a ‘least-common denominator’ rather than a ‘to each its own’ pattern could be expected.

30 At the same time, some of the WB’s innovative green projects would not exist if WB staff were not intended to develop and advance own project ideas. Such was the case for the WB’s environment strategy, where

“the board gives it the legitimacy, but it does not dictate it. Frankly, the board did not even know what was going on, except that we told them that this is an important process.”⁴⁹

35 Likewise, the WB’s move to invigorate the Global Mechanism of the UNCCD went back to an initiative of three of its staff members.⁵⁰ And, finally, the idea of a Pro-

⁴⁷ The borrowing country, India, later withdrew its request for World Bank financing. Other examples of environmentally controversial projects that were approved against the votes of several western executive directors include the 1999 China Western Poverty Reduction Project (www.hsph.harvard.edu/Organizations/healthnet/SAsia/repro3/worldbankintibet.html), and the 1992 Pak Mun dam in Thailand (www.irn.org/programs/pakmun/rep.03wb.shtml, both accessed October 2005).

⁴⁸ Interview with World Bank official, April 2005.

⁴⁹ Interview with World Bank official, April 2004.

prototype Carbon Fund was originally conceived by a WB official in a paper drawn up several years before its actual creation.⁵¹

Substantial Resources: Leverage to 'Do-No-Harm'

At first sight, one might think that the WB's ability to issue loans of around USD 20 billion per year represents not only an incentive but actually a means of direct influence vis-à-vis its clients. In reality, however, total environmental lending typically lies between one and two billion USD per year (Acharya et al. 2004), and especially the 'greener' environmental projects are mostly funded by relatively small grants: "While for big infrastructure projects there is considerable leverage, environmental projects often are funded by grants that are generally smaller and so there is a smaller incentive for clients to change policies".⁵²

According to WB staff, "clients are still reluctant to take out loans for the environment", because (monetary) investment returns are perceived as too low, and because of the option to receive a grant. As a consequence, the availability of grant funding has almost become a necessary condition for a client country to accept a 'green' environmental project (Liebenthal 2002, 11). The by far largest contribution to the roughly USD 200 million in grants that the WB mobilizes each year for environmental projects stems from the GEF.⁵³ For instance, it finances almost all of the WB's cross-boundary environmental projects. With a view to biodiversity, a specialist underscored the crucial role of GEF funding: "If we didn't have the GEF funding I don't even know where we would be". Besides the GEF, considerable amounts of grant financing are provided through the Montreal Protocol Fund, and the Prototype Carbon Fund. The latter draws entirely on third party funding, which shows that many of the WB's more successful 'do-good' activities are in fact not explicable in terms of its own substantial material resources.

A way of overcoming the limited leverage of core-environment projects consists in resorting to policy development lending (formerly called adjustment lending), which finances WB-approved legal and institutional reforms with large and quickly disbursed loans. However, even though the recent issuance of two such loans to Mexico and Brazil might signalize a growing trend, the overall number of such loans so far represents less than five percent of all environmental projects up to 2005.⁵⁴ Still, a comprehensive study from the forestry sector has shown that this type of instrument has a strong potential to induce institutional

⁵⁰ Interview with World Bank official, May 2004.

⁵¹ Interview with senior member of the carbon finance group, April 2004. The 1993 paper is entitled "Mobilizing private capital against global warming: a business concept and policy issues". See www.carbonfinance.org/docs/LessonsLearnedCarbonFinance.doc (accessed October 2005).

⁵² Interview with World Bank official, April 2004.

⁵³ Average in time span of 1989 to 2004, according World Bank online project database.

⁵⁴ In comparison, between 1990 and 2005 policy lending roughly accounted for 20 percent of all WB projects, and 30 percent of its annual investments (World Bank 2005c).

reforms in client countries—both for better and for worse (Seymour and Dubash 2000, 19).

Alternatively, the WB can indirectly create leverage by linking environmental issues to loans from other sectors by means of conditionality. Indeed, the WB quite extensively applies environmental conditionality, and has clearly influenced the behavior of many of its clients through one form or another of this instrument. The first and perhaps most important example are the WB's safeguard policies, which among other things oblige the borrower to carry out environmental impact assessments for all projects with certain characteristics. As mentioned before, this is now done for every other project, which would hardly be the case if it were not laid down as a condition for receiving a WB loan.

Within a second form of conditionality, the WB requests the insertion of green components into larger, integrated projects, often as a means of compensation for negative environmental impacts of the project's main component. According to WB staff, this has had the effect of "bringing money from development to conservation" by "getting the developers to pay for creating a park", and thus created green side-effects in some large projects. For instance, the energy company Exxon helped to establish two nature reserves in the context of the Chad-Cameroon pipeline project (Mallaby 2004, 350). And as part of the Nam Theun II dam project in Laos, developers were obliged to replenish fish stocks and install a "new wildlife reserve no less than nine times bigger than the area to be flooded by the dam."⁵⁵

Limits on World Bank Influence

According to a WB official, "that the Bank is a bank gives it a lot of power in situations when a country really wants a loan". Indeed, the WB's leverage fades whenever a country has access to alternative funding sources through other donor institutions or private capital markets. Having a choice between a loan with attached conditionality and safeguard requirements from the WB, or a modestly more expensive unconditional one available on the capital markets, many emerging market and transition-countries may opt for the latter, as happened indeed with the Central and Eastern European countries (Gutner 2002, 158). Also India and China, among the WB's most important clients, have drawn lines with respect to the environmental and social conditions they are willing to accept: after initially requesting WB funding for, respectively, the 1992 Narmada dam and the 1999 Western China Poverty project, they withdrew their proposal once the approval became endangered or subject to modifications because of safeguard concerns,⁵⁶ obtained financing elsewhere, and implemented the project in their "own

⁵⁵ *The Economist*, issue of 9 April 2005, p.47.

⁵⁶ World Bank press release (2000) for China Western Poverty project (accessed October 2005): <http://web.worldbank.org/WBSITE/EXTERNAL/EXTINSPECTIONPANEL/0..contentMDK:20227238~menuPK:64129469~pagePK:64129751~piPK:64128378~theSitePK:380794,00.html>

way”.⁵⁷ Similarly, Laos now plans to build its next three dams without WB assistance, because “cynics say the Laotian authorities have learned that it is easier to do without World Bank funding, and all the environmental and social protections that come with it”.⁵⁸

5 In sum, the instrument that is most directly linked to the WB’s financial muscle—environmental conditionality—largely explains the effects of its ‘do-no-harm’ agenda, but plays only a limited role with regard to the effects of its ‘do-good’ activities. And even with green conditionality “you can push, but you can only push so far”⁵⁹, depending on the economic strength of the country in question. In fact, in order to secure WB funding for the Chad-Cameroon oil pipeline project, a weaker country like Chad even had to accept that a government independent college was put in charge of administrating the project revenues. For the future, the WB’s recent approval of two large environmental adjustment loans might indicate that it wants to increase its leverage in the core-environment sector by offering larger loans and strongly ‘making the business case’ for the environment, eventually convincing more clients of the financial viability of green projects.

PEOPLE AND PROCEDURES

20 Additional to the polity characteristics of the *intergovernmental organization* WB, the procedures embodied in its *bureaucracy* and the very people constituting it deliver explanations for some of its influences, as they capture both behavioral and structural factors related to the bureaucracy. On the behavioral side we discuss the expertise held by WB employees, the role of the WB’s president, and the bureaucratic culture of its staff. On the structural side we explore the formal rules and procedures that determine the workflow within the WB. Although these internal variables can be linked to some of the observed influences, they turn out to yield explanations rather for the direction and quality of WB influences in the field of the environment, than for their quantity or overall existence.

Expertise: Bankers in ‘Policy Dialogues’

30 Expertise refers to special knowledge and skills a bureaucracy’s staff avails of, and the extent to which it can explain influences. The WB is particularly known for its expertise in development economics, where it prides itself on recruiting only the “the best and the brightest” (Kapur 2002, 60). Flanked by massive investments that turned its research division into the World’s largest development research institute (Gilbert, Powell, and Vines 1999), and by offering lavish salaries and highly competitive career programs (e.g. Young Professionals Program), the WB

⁵⁷ Another example is the Chinese Three Gorges dam, which was built despite the Bank’s refusal for funding.

⁵⁸ *The Economist*, issue of 29 November 2003, p.28.

⁵⁹ Interview with World Bank official, May 2004.

successfully attracted a large number of high caliber professionals, testified by numerous PhDs from Ivy-League and other elite academic institutions.⁶⁰

5 However, in the environmental field, the WB is not nearly as well-positioned, perhaps because it experienced difficulties in the recruitment of highly qualified professionals from the non-economic disciplines (Weaver 2003, 123). Accordingly, the WB's 236 environmental specialists make up for only 2.5 percent of the total workforce (World Bank 2005a, 14). A staff member confirms: "I should say that we actually have very few environmental researchers, it is not a at all very active research area."⁶¹ Still, among the WB's environmental staff figure 10 some internationally recognized experts, most notably Robert Watson, the WB's official chief scientific officer, who—amongst other responsibilities—served as chair of the IPCC and co-chair of the Millennium Ecosystem Assessment (MEA).⁶² In other words, the WB avails of environmental expertise, but in a highly concentrated form in or around the central environment department, and 15 tied to a relatively small group of people.

As a consequence, the WB has developed a high profile role mainly in areas where it is vested with sufficient expertise, in particular climate change and biodiversity. The WB has managed to attract few but prolific environmental researchers, which have produced a respectable publication record and who, by 20 their involvement in the international environmental assessments, helped to 'green' the WB's appearance. However, because it has so few natural scientists, the WB lacks the normative power it has been said to emanate "as a generator of ideas about development" (Wade 1997, 5), e.g. it would never give an authoritative definition of 'critical habitats'.⁶³

25 With regard to the mainstreaming of environment throughout WB operations, an officer admits that "the World Bank first and foremost needs a well-informed staff" in order to succeed, but "does not quite achieve that". The reason is that

30 "although there is a lot environmental expertise in the Bank, the management which has the final say on decisions, often is 10 to 15 years away from active participation in the field. They know a lot about project management, but not necessarily a lot about where the world around them is going scientifically [...], and what is going on in, e.g., Bob Watson's office."

35 What is more, the tendency that "technical specialists are becoming fewer, more generalists are being employed" means that the WB increasingly relies on con-

⁶⁰ See, e.g., the educational backgrounds of senior managers (on World Bank website: Home > About Us > Organization > Senior Management), or of the newly recruited Young Professionals: www.worldbank.or.jp/06career/01recruit/ypp_selection.html (accessed October 2005).

⁶¹ "Very few" refers to the ten or so core members of the Infrastructure and Environment research group. There are few additional researchers in other units, e.g. the environment department.

⁶² He also participated in the International Scientific Assessment of Ozone, and the Global Biodiversity Assessment. Several other staff members have contributed to the IPCC and MEA reports; one officer received the Rose-Hulman Award from the International Association for Impact Assessment (IAIA).

⁶³ Although, according to Goldman (2004), it has done so on the national level in Laos.

sultants. Such was the case in Laos, where the WB's lacking in-house capacity to assess environmental impacts led it to hire "an army of Northern consultants to do these studies" (Goldman 2004, 60). This widespread reliance on external expertise has been blamed both for the production of biased environmental assessment reports (ibid.) and for the aforementioned "mixed quality" (Liebenthal 2002, 8) of the NEAPs, since "some were largely the product of foreign consultants and allegedly not reflective of local participation" (ibid., 45).

On the other hand, for less technical issues of economic-environmental policy, which are more accessible to the WB's highly trained and versatile economists, the bureaucracy's expertise does constitute a source of influence. In fact, building on its "world-class experts" (Rogoff 2004), the WB often advises governments and even stays in continuous 'policy dialogues' with them. The Arab countries of the Gulf Cooperation Council, for instance, do not borrow from the WB, but still use the WB's advisory services for the elaboration of, for example, an environmental strategy (World Bank, undated, 7). The foremost example for this type of influence is found in the WB's numerous strategy and action plan exercises, such as the National Environmental Action Plans, or the National Strategy Studies, which are usually elaborated in collaboration with (if not under guidance of) WB experts. Of course, influence through expertise is often difficult to detect. In a specific case, though, an employee confirmed the WB's influence on India and China with regard to the Clean Development Mechanism: "We have been in long discussions with the Chinese and Indian governments, and eventually we got them. India is now a big supporter of CDM projects. And China is on the brink".

Last but not least, many WB employees "have an intimate knowledge of the politics, economics, and social situation" (Piddington 1992, 216) of developing countries, thereby conferring the WB a "country experience and capacity to manage projects and programs".⁶⁴ This type of expertise explains why donors have entrusted the WB with the implementation of environmental programs such as the Montreal Protocol or the GEF, or, in case of the carbon funds, mandated the WB to spearhead CDM and JI projects. Similarly, because WB officials are well connected within the international donor community, the WB is often approached by developing countries to facilitate fundraising and coordinate donors for regional projects, as was the case in the Nile Basin initiative⁶⁵ or the Meso-american Barrier Reef System project⁶⁶.

In sum, expertise delivers some explanations, but one has to distinguish different types of expertise. The WB's highly concentrated environmental expertise explains mainly its cognitive effects, and helped to improve the WB's credentials as an 'environmental player'. At the same time, some evidence suggests that

⁶⁴ Cited from World Bank web site on 'Cofinancing': Home > About Us > Organization > CFP > Cofinancing. Accessed October 2005.

⁶⁵ See NBI website: www.nilebasin.org/background.htm. Accessed October 2005.

⁶⁶ See project website at www.mbrs.org.bz/english/projdesc.htm. Accessed October 2005.

lacking in-house environmental expertise at the operational level and the resulting reliance on consultants negatively affects the quality of environmental assessments and plans. Its more general policy expertise explains how the WB could become an authoritative and, accordingly, influential advisor in the executive field, i.e. on questions of national environmental policy. Finally, the WB's project implementation expertise and developing country knowledge explains its ability to attract substantial external funding for environmental projects on one hand, and its role as facilitator and coordinator of regional cooperation on the other.

10 *Organizational Structure: What is the Matrix?*

Organizational structure relates to the internal hardware of the bureaucracy, especially to its set-up in terms of divisions and units, and lines of authority. The current organizational structure of the WB was adopted under the Wolfensohn presidency, and can be depicted as a matrix consisting of so-called networks, anchors, and sectors, which involve officers in multiple affiliations and lines of reporting.

The matrix structure prompted criticism for various reasons: to begin with, an extensive staff survey conducted by the OED revealed "that the roles of the anchors, networks, and sectors are not commonly understood", which, in turn, leads to a "sectoral fragmentation and unclear accountabilities" (World Bank OED 2005, 31). Such reservations were echoed in our interviews: unclear accountabilities were seen as a reason that pro-environment "commitments made at the very highest levels are not necessarily translated consistently throughout the World Bank", and instead depend to a large extent on "the person in charge of the fund".⁶⁷ Officers from the environment department also lamented overlapping responsibilities and competition between departments and sectors for their working time, in which "staff ends up being torn in many directions". Resource allocation and decision-making were not always perceived as transparent:

"Quotas and other internal mandates often drive decisions, and these are not necessarily transparent. The decision is made and it does not seem to be completely rational or consistent with what the regulations may be, and so there are inconsistencies which can frustrate. (...) It would help to have more transparency on how decisions and particularly resource allocation decisions are made."⁶⁸

The increased regionalization has contributed indirectly to a weakening of the systematic implementation of environmental standards. In fact, under president Wolfensohn the WB experienced a substantial relocation of staff into 'the field', along with a transfer of decision-power to country directors, which now avail of "considerable latitude and powers" (World Bank OED 2004, 31). As a consequence, the relative importance of environment at the country level has be-

⁶⁷ Interview with World Bank official, May 2004.

⁶⁸ Interview with World Bank official, May 2004.

come susceptible to the personal priorities of country directors: “The Millennium Development Goals should be our guideline, and environment is one of these eight goals, but a country director might just choose to concentrate on four out of the eight, and environment might not be between them.”⁶⁹

5 Likewise, the fact that “every region has its way of doing things”⁷⁰, explains why environmental safeguards have been applied with varying rigor across WB operations. According to one officer, the environmental impacts of infrastructure projects are satisfyingly monitored in Latin America, because of a “stronger team”, but she tends to “hear more complaints from Africa, that despite the safeguard policies, they don’t really monitor well.”⁷¹ Similarly, an investigation of the
10 Independent Inspection Panel found a “disturbingly wide range of divergent and, often, opposing views” (Inspection Panel 2000, xiv) in the understanding of safeguard policies: while some staff members insisted on strict compliance, others merely saw them as “idealized policy statements”, leading the panel to warn that
15 “there is no way that the policies can be applied with reasonable consistency in the face of such wide divergences of opinion”.

Another point of contention regards the WB’s internal incentive system, which was often accused of fostering an “approval culture” (Wapenhans 1992) by
20 overly rewarding output, i.e. project preparation and approval, instead of supervision and evaluation (Rich 2002; World Bank OED 2004, x). With regard to the environmental safeguards, the “diffusion of responsibility and accountability associated with matrix management” leads to an additional perverse incentive and
25 “conflict of interest” (Liebenthal 2002, 20), when environmental specialists who on one side depend on their regional task managers for regular work assignments, are on the other side meant to ensure that their task managers comply with WB safeguard provisions.

Despite this critique, one aspect of the WB’s organizational structure was generally praised and seen as indispensable for the WB’s environmental turnaround: its institutional feedback mechanisms. In total, the WB disposes of four
30 monitoring units, including the longstanding Operations Evaluation Department (OED), and the Independent Inspection Panel.⁷² The OED, which reports directly to the board of executive directors, has provided a number of critical reviews with relevance for the environmental performance of the WB (e.g. Liebenthal 2002).
35 However, a recent survey showed that only 27 percent of the WB’s staff made use of OED products (World Bank OED 2004, 38), which might be linked to the time delay between project completion and review: “the problem with OED in the past has been that they were so slow, you got feedback ten years later. That doesn’t help.”⁷³ The Independent Inspection Panel, installed in 1993 and also reporting

Feldfunktion geändert

⁶⁹ Interview with World Bank official, May 2004.

⁷⁰ Interview with World Bank official, April 2004.

⁷¹ Interview with World Bank official, April 2004.

⁷² For a more detailed description of all monitoring bodies, see World Bank (2005a, 37).

⁷³ Interview with World Bank official, April 2004.

directly to the board of executive directors, starts an independent investigation whenever two or more private and local citizens credibly claim to be negatively affected from a WB's project due to a safeguard violation. Interestingly, this delicate trigger was activated in only 32 cases up to now, but has for some projects, e.g. the Chad-Cameroon Pipeline project or the Arun III dam project, lead to remedying modifications or even the WB's withdrawal from the project.

Recapitulating, the complex and highly decentralized organizational structure of the WB allows to understand the observed non-uniform environmental efforts and practices across its operations. The WB's inner-organizational slack has nurtured the mixed rigor seen in the enforcement of environmental safeguards, and put the WB's environmental commitment to the discretion of high-level managers such as country directors. At the same time, however, it allowed individual strong leaders to form 'pockets of environmental excellence', e.g. in the carbon finance business or ozone and POPs area. The WB's institutional feedback mechanisms may have helped to "knock out some of the wacky ideas from earlier on"⁷⁴, but fall short of acting as effective 'learning agents', as long as their valuable insights and 'lessons learnt' are not internalized in a more systematic fashion.

Organizational Culture: Speak No Politics (But Numbers)

The WB as a large international bureaucracy cannot be said to have developed a single and coherent ideology that all members would share. This is not surprising, given the remarkable diversity of geographical and cultural backgrounds within its staff.⁷⁵ But neither can one deny the existence of a particular organizational culture that shapes the way the WB envisions and depicts its core mission or the 'environmental and social sustainability' of its activities. Two characteristics of this culture stand out:

First, a dominance of economic reasoning lies at the core of the WB's theories and practices. In the literature (Kapur, Lewis, and Webb 1997) this is explained as being a historical consequence of the convergence of external interests (private commercial lenders, northern manufacturers) and political preferences of major shareholders (economic liberalization to combat communism). Moreover, as a response to the rise of policy-oriented adjustment lending and an increased focus on macroeconomic stabilization and liberalization during the 1980s, the WB experienced a rapid staff turnover which brought in a new class of

⁷⁴ Interview with World Bank official, May 2005.

⁷⁵ There is a high representation of staff from the South, even in higher positions (almost 50 percent in 2002, World Bank 2001b, 21). However, many of those are graduates from western universities, especially US and British institutions. Still, people with 165 different nationalities and native speakers of over 100 languages are working for the WB. 52 percent of the employed are women, including 40 percent of staff in middle positions and 23 percent in higher positions (World Bank 2001b, 20).

neoclassically-trained economists (Mosley, Harrigan, and Toye 1991, 47).⁷⁶ Today the picture of the WB as a large haven for all kinds of economists is still valid (World Bank 2001d, 21; 2003d), even within the environmental sector⁷⁷, and is also recognizable in the environment strategy's call for 'making the business case'.

5 Second, induced by its mandate, which imposes strict political neutral-
ity⁷⁸, the WB has embraced an apolitical and technocratic behavior, with a strong
preference for the language of numbers. As one member of the environment de-
partment put it: "We are evidence based, trying to guide our work by what is ef-
fective and what not. [...] This can be considered a strength of the World Bank".
10 George and Sabelli describe this as a rejection of all approaches that are not in
conformity with quantitative, abstract models based on econometric analysis of
large-N cross-country comparisons (1994, 193). Naim (1994, c281) confirms that
"sociological-type analysis is belittled", similar to Goldman (2004), who deline-
ates a culture that is unfamiliar and resistant to socio-cultural knowledge.

15 The environmental officers easily recognize the dominant organizational
culture as such. One staff member—noting that it is not the "natural inclination of
a macro-economist to think about the environment"⁷⁹—even spoke of a sometimes
frustrating clash of different cultures. Another employee revealed that he would
want to "lock up twelve of our best economists and tell them to find the solution
20 for our huge future environmental problems. And as long as they come with an-
swers like 'the market will solve it' or 'new technologies will emerge on time', I
would keep them locked up".⁸⁰ This widely shared perception suggests a certain
deviation from the WB's mainstream culture as far as the economic dominance is
concerned, though it was generally agreed that the environment department had
25 no specific subculture of its own.

 Despite this green undertone, the WB's dominating organizational culture
prevails to large extent even within the environment department and delivers
some explanations for the direction and quality of WB influences. Its preference
also in the environmental area for interventions based on market mechanisms
30 can be viewed as a manifestation of its 'economistic' organizational culture. In
particular, this refers to the WB's decision to invest in emissions trading, auc-
tions, environmental funds, and eco-tourism, and its trainings on cost internali-
zation. In a similar vein, its organizational culture also shapes the WB's prefer-
ence for environmental issues that are tractable by quantitative approaches and
35 rigorous cost-benefit analyses: for instance, the WB has played an influential role

⁷⁶ On the dominance of neoclassically-trained economists at the World Bank in the 1980s and 1990s, see Stern and Ferreira (1997), Wade (1997), or Kapur (2002).

⁷⁷ Notable examples include the head of the ESSD network Ian Johnson and the former director of the environment department Kristalina Georgieva.

⁷⁸ Article IV, Section 10 of the IBRD Articles of Agreement: "the Bank and its officers shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member or members concerned."

⁷⁹ Interview with World Bank official, April 2004.

⁸⁰ Interviews with World Bank officials, April 2004.

in climate change mitigation, but has been less proactive—and thus less influential—in adaptation; similarly for ozone protection vs. desertification. Finally, the ‘technocratic’ aspect of the WB’s organizational culture explains the intense effort it puts into data and indicator compilation (as opposed to, e.g., more efforts into ethnological and social research), needed to strengthen its evidence-based approach and to give it an ‘objectivistic’ character.

Leadership: The Role of President Wolfensohn

The WB’s corporate face is first and foremost seen in its president. Past presidents are associated with characteristic changes and particular business styles of the WB. For instance, the leadership of McNamara during the 1970s led to a strong expansion of WB operations and the rise of adjustment lending. President Wolfensohn’s leadership from 1995 to 2005 has mainly been described as “a dynamic proactive leadership” (Kapur 2002, 60). Among other things, e.g. bringing up the subject of corruption, he is generally credited with the honest attempt to mainstream environment into the WB’s projects and internal organizational structure (Pincus and Winters 2002). For instance, under his tenure the WB practically stopped the controversial financing of big dams, and made an effort to appease NGOs by increasing stakeholder inclusiveness and the transparency of WB operations in general.⁸¹

As with most assertions on the WB, not all agree, and some even strongly disagree. Bruce Rich most radically argues that the key feature of the Wolfensohn presidency is “the disconnect between Wolfensohn’s proclamations to change the WB’s culture and the actual reforms needed to address the WB’s systematic failure to implement its most basic policies concerning poverty alleviation and environmental assessment” (Rich 2002, 51). Likewise, former managing director Jessica Einhorn concedes that the “Bank has stressed vision, compassion, and charisma under Wolfensohn’s leadership” (Einhorn 2001, 22). However, she also views the WB as due for a ‘managerial’ cycle in order to clear the “goal congestion” created by the ‘visionary’ cycle associated with Wolfensohn.

Most of these claims find no echo in our interviews, on the contrary, environmental officers uniformly view Wolfensohn as a trigger for positive changes: “It’s hard to say anything without saying something about Wolfensohn. He has turned the institution around. Compared to when I joined the World Bank it is a brand new Bank now.”⁸² It was on his initiative that the WB adopted the risk-taking strategy seen in its approach to the Prototype Carbon Fund. At the time of its inception, the ratification of the Kyoto Protocol and the eventual marketability of any achieved emissions reductions could not be counted on, but Wolfensohn allegedly pushed for the project because he felt that it was precisely the role of a

⁸¹ The Nam Theun II dam, approved during the last month of his term, is the only exception.

⁸² Interview with World Bank official, April 2004.

public institution such as the WB to take risk and thereby eventually allow developing countries to profit from participation in the international carbon market.⁸³ He defended the project—“the principals may push, but Wolfensohn pushes back”⁸⁴—even against the reservations of the WB’s most powerful principal, the US, and in particular the George W. Bush administration.

Moreover, Wolfensohn overhauled the WB’s organization, introducing the matrix structure and creating (in 1996) the *Environmentally and Socially Sustainable Development* (ESSD) network. However, a senior staff member cast some doubt on the effectiveness of his pro-environment reforms:

“I would have said earlier yes, but now I think that some adjustments are made at the surface, or only in some areas [...]. Our president firmly believes in the importance of environment and talks about it, which is good since now we go on record all the time as an institution that is fully supportive of the principles of sustainable development, but if you look at our lending portfolio, and the relative importance of environment as compared to other sectors, it still isn’t one of the top five.”

In sum, it is difficult to provide evidence for a direct influence of the WB’s former president on the outside world. Arguably his explicit insistence on the WB’s active and supportive role within the Kyoto process represents one such instance. Certainly he brought about a change in the WB’s rhetoric and an increased involvement of civil society actors, but in how far these measures had an influence on other actors, or merely improved the WB’s public image is not clear. More visible are Wolfensohn’s influences on the WB itself, its organisational structure and working agenda. However, it remains an open question whether his campaigning and restructuring really had the intended impact on the WB’s effort to mainstream environment. This, in turn, well illustrates that even the WB’s president faces serious obstacles when trying to change deep-rooted habits and procedures within such a large and complex bureaucracy.

PROBLEM STRUCTURE: POLARIZING PRINCIPALS

For the WB, which deals with several local and global, brown (pollution related) and green (conservation related) environmental issues, problem structure necessarily represents not the characteristics of any specific environmental problem, but of environmental issues in general, as compared to other development-relevant areas.

From this perspective, environmental problems are first and foremost characterized by the “fundamental differences of view” (Liebenthal 2002, viii) about the perceived cost-benefit ratio among WB member states. Namely, while developed countries often act as environmental promoters, developing countries tend to prioritize other issues over environmental projects, such as infrastructure

⁸³ Interview with World Bank official, April 2004.

⁸⁴ Interview with World Bank official, April 2004.

projects that are seen as less “costly and rigid” (Liebenthal 2002, viii). A senior WB official confirms: “Our owners tend to split into groups of donors and recipients, with those that are donors on the average in favor of rather strict safeguards, and those that are recipients often viewing them as conditionality”. Large dam financing in the past, and, more recently, safeguard policies for structural adjustment lending represent typical issues that provoked such a dichotomy.⁸⁵

Nevertheless, the problem structure does not provide direct explanations for WB influences. It does so, however, in conjunction with the WB’s polity, in particular its autonomy and scope: first, the “environmental ambivalence” (Hunter 2001, 66), of WB activities can be understood as a consequence of a board that is divided and “full of big tensions”⁸⁶, but decides over policies and projects by simple majority rule. Indeed, whereas high voting thresholds can be expected to induce more inclusive compromises, the majority rule facilitates a rather unfettered mapping—or “reflection” (Hunter 2001, 66)—of the varying interests and priorities of member states onto WB activities. Second, the mismatch between the WB’s scope as a supplier of reimbursable loans and its clients’ perception that green environmental investments do not ‘pay off’ explains why the WB’s clout, and consequently influence, in this area remains comparably lower than in development in general. In fact, for its core environmental projects the WB heavily relies on third party-financed grants to overcome this drawback.

Conclusion: What Explains World Bank Influences?

A first result of our study regards the qualitatively different roles of the *polity* and *people & procedure* variables: while the former rather yields explanations for the existence of influences, the latter, i.e. the WB’s ‘soft’ internal properties, mainly determine their specific character. Second, although the *problem structure* by itself provides no immediate explanations, the relation between *problem structure*, *polity* and *people & procedure* plays an important role for the WB’s influences. In what follows, we go back to our three dependent categories of influence, i.e. cognitive, executive, and normative, and discuss how they can be explained in terms of our independent variables.

The WB exerts its strong influences on the national level through a mix of material incentives—pushing via conditionality for do-no-harm, pulling via grants for do-good activities—and its policy and country expertise (policy dialogues, ‘guided’ strategy studies). Perhaps counter-intuitive, the WB’s own generous material resources (loans and soft loans) fall short of providing a salient explanation for many of its influences in the green environmental area, where projects are of-

⁸⁵ Source: interview with World Bank official, May 2005.

⁸⁶ Source: interview with World Bank official, May 2005.

ten relatively modest in financial terms and based on grants provided by third parties, in particular the GEF.

5 The WB's overall still mixed environmental record originates in its loosely defined mandate, which opens the door to severe goal conflicts, but is in praxis driven by the combination of a divisive problem structure and a weak external (low-threshold decision making, dependence of staff for information) and internal supervision (unclear accountabilities, country directors as local strongmen), thereby nurturing the approval of controversial projects and the varying rigor in the enforcement of safeguard policies. At the same time, however, the relative freedom of staff to pursue own initiatives allowed for the formation of 'pockets of environmental excellence' (carbon finance, ozone), often driven by strong individuals from the environment department. Last but not least, its scope positions the WB at the epicenter of the global development (financing) community, vesting it with a strong influence on environmental standards in international project financing.

10 On the other hand, the WB's particularly strong role within some issue areas (climate change mitigation, ozone), and its limited presence in others (adaptation to climate change, desertification) can be understood in terms of its economic organizational culture, which lets the WB excel whenever a given problem is approachable by rigorous cost-benefit analysis and interventions based on market instruments. In the long run, however, the WB's 'business case' approach to environment may impair its effectiveness, standing at odds both with the public goods problematique and the limited practicality of monetary valuation so often encountered in environmental issues. Even the WB's widely predicted "many win-win opportunities" (World Bank 2002a, 5) within the poverty-environment nexus have so far produced only "few up-scale working examples" (Varley 2005, 9).

20 Second, less pronounced but nonetheless significant were the WB's cognitive influences, mainly associated with its scholarly contributions in the field of environmental economics and policy, but also apparent in its provision of comprehensive environmental data. Clearly, the WB's ability to fund a dedicated research group, and its successful recruitment of several high caliber experts provides the most straightforward explanation; however, the WB has developed a particular strength in assembling and analyzing environmental data not least because of its global scope, which confers the WB "a comparative advantage in accessing data" (Gilbert, Powell, and Vines 1999), and "unusual access to what were formerly impenetrable research sites" (Goldman 2004, 62). On the whole, the WB's cognitive influences remain closely associated with the environment department, and while they may have greened the WB's profile, our evidence suggests that their impact on the bread and butter ground operations remains marginal.

40 Finally, in the normative field the WB has shaped the modus operandi, i.e. regulation and implementation, of some aspects of global international coopera-

tion, and acted as a coordinator and facilitator at the regional level. Towards global issues and their negotiations, the WB takes up a discreet stance, and realizes its influences mainly by injecting relevant information derived from its implementation and policy expertise. But without the WB's ability to pursue—with some autonomy—own initiatives against the stalemate in the official negotiations, its influential role in the Kyoto process would of course be inconceivable. On the regional level, most influence is attributed to the WB's convening power, i.e. a mixture of its high-level government access and its ability to provide own—or arrange external—financing. Still, even though the WB exerts more direct influences on the regional level, a substantial scaling up of its regional environmental activities is, according to Nakayama (2000), hampered by its single-country focused institutional structure.

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