

Can we bank on the Bank

by Heidi Bachram to be published in the Red Pepper
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With its poor track record on poverty, Heidi Bachram asks the question, should the World Bank play a role in resolving the climate crisis.

The question the World Bank asked itself was ambitious: how to get energy to millions of people that need it, while sustaining economic growth and reducing greenhouse gas emissions. On April 23rd in Washington, they revealed some of their answers. But were their conclusions good for the environment, the money-poor and further - is the World Bank the best vehicle to provide solutions to the double whammy of energy and climate crises faced by developing countries.

The Bank's conclusions started from the assumption that the world will be reliant on fossil fuels for the next 20-30 years. Their solutions included a mix of energy efficiency, carbon capture and storage, dams, wind and solar and included a recommendation to utilise nuclear power. Finances for these would come from new funds to cover up front costs and future finances flowing from carbon trading. The response the framework received from environmental and social justice activists was decidedly frosty with accusations that the Bank was continuing "business-as-usual" and rein forcing the "quo".

On the face of it the Bank is careful to put emphasis on energy efficiency, wind and solar energy with an increase in funds of 20% per year for renewables. So why the coolness from activists. Daphne Wysham, a fellow at the US-based Institute for Policy Studies, suggests we read between the lines: "What they spend on renewables is so low already that 20% may sound significant but when you realise that the Bank is throwing billions at fossil fuel projects and mere millions at renewables, then you get some perspective on that."

So can the World Bank overcome the suspicion it inspires. Professor Michael Dorsey of the Environmental Studies Programme at Dartmouth College in the USA, sees hope for the Bank but only if it can transform itself into a micro-lender where small loans with low interest rates are targeted at the most vulnerable groups. "Right now since the level of response needed to climate change is obviously global and there is no other institution with the capacity to do this, the World Bank could be best placed to play a role," ventures Dorsey. Although it's true that the World Bank is in a unique global position, its failure to eliminate poverty should make us nervous. Dorsey agrees: "The Bank itself tells you that two thirds of its projects don't work and a third to half are abject failures. With a track record like that you need to come up with a strategy for success or close the doors." Dorsey describes a process where the Bank sets a definitive entry and exit strategy ensuring investment in renewables is not capital intensive, something that isn't part of their current practices.

However some believe that the Bank is rife with inherent contradictions that prevent it from playing a positive role in developing renewable energies. Long-time anti-World Bank activist, Professor Patrick Bond at the Centre for Civil Society in South Africa: "With the leading organic intellectual of the petro-military complex, Paul Wolfowitz, as Bank president, there is no hope whatsoever for reforming the institution's energy policy." Wysham also agrees that there are fundamental problems within the power structures of the Bank. "They are a bank first and foremost and answerable to their largest investors: the G7 countries. So the result is like the man behind the curtain in the Wizard of Oz, all whizz and bang out front but the same old hands pulling the strings."

So what is the future for investment in renewable energy? Bond sees a fundamental problem in the World Bank financing: "The interest bill on a World Bank loan soars when a Third World currency declines. If the World Bank were not holding the reigns on most Third World states' monetary policy, more local fiscal resources could be used for renewables." And the future for the Bank according to Bond: "The only serious strategy for progressives to pursue is the defunding and delegitimation of the Bank." In fact this is not a radical suggestion. The Bank's own consultants reviewed the institution's investments in fossil fuels and recommended funding cease for such projects by 2008 because they harmed the poor. The report, the Extractive Industries Review, was subsequently shelved by the Bank and Daphne Wysham sees this as a huge mistake. "The Bank needs to immediately get out of fossil fuels." According to Wysham's research the World Bank's oil, gas and coal projects financed since 1992 will release over 43 billion tons of CO2 in their

lifetimes. So it seems that more important than being relied upon to as a source for solutions to climate change the Bank should take its own advice and stop being part of the problem.

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