The History and Changing Objectives of the World Bank

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Fifty years ago at Bretton Woods on the east coast of America the World Bank, or, more correctly at its inception, the International Bank for Reconstruction and Development (IBRD), was conceived. Two years later, in 1946, it was born. With its brother institution, the International Monetary Fund (IMF), it now affects virtually every country in the world. Those in richer countries contribute through taxes and more than half the countries in the world borrow, many extensively.

Presently the World Bank has four main sections. The IBRD, the largest, is currently owned by the governments of 176 countries, including all 15 of the republics which formed the Eastern European block. This is a four-fold increase of membership over the 44 countries which conceived of the institution in 1944. In 1946 the Bank had an authorised capital of $10 bi11ion, worth about 20 times as much today[1]. In 1993 the Bank's total callable capital was almost $166 billion, though of that only $10.53 was paid in[2]. From mid 1946 to mid 1986 the World Bank lent a total of $160 billion for 4,000 projects in some 100 countries, its 1ending more than doubling in the last 10 years of that time[3]. By any reckoning the Bank's resources are huge. The IBRD makes loans only to creditworthy borrowers and has suffered no losses on the loans it has made. Throughout that whole time it has made a profit. A substantial part of that income goes to strengthen its reserves, and to fund the International Development Association (IDA), the Agency set up within the Bank in the 1960s to lend to developing countries[4]. Also some of the funds are loaned on the world market.

The early history of the World Bank, 1940s-50s

In 1944, Western powers were determined to prevent any re-emergence of the economic depression which had dominated the 1930s, and which played a big part in bringing about the second World War. In the last year of the devastation of that war, priority had to be given to re-establishing the European countries economically. Robert Olivier wrote: "their major objective was to provide a world within which competitive market forces would operate freely, unhampered by government interference, for they supposed that market forces would produce optimum results for the entire world…As Jacob Viner put it 'trying to reverse the whole trend of policy and practice of the world at large in the field of international economic relations since 1914 and especially in the ill-fated years since 1929'"[5]. From the beginning the Bank was intended to counter protectionism and economic depression.

The Bank was designed mainly by U.S. Government officials and is physically based in Washington. It was founded on a synthesis of the economic theories of Harry Dexter White (U.S.A·) and Maynard Keynes (U.K) America provided the highest proportion of the official finances and was therefore predominant: in 1946 it had 36% of the voting power. The Bank's Presidents have always been American.

The international Bank for Reconstruction and Development was, according to Article 1, to "assist in the reconstruction and development of territories of member nations by facilitating the investment of capital for productive purposes which was another way of saying the reconstruction of Europe, and to promote the long-range balanced growth of international trade". However, European reconstruction was mostly effected by the Marshall Plan where interest was low or non-existent. For this purpose, the World Bank made only four loans, to France, Netherlands, Denmark and Luxembourg, totalling $497million[6].

Pursuing its second task, the first loan to a developing country, Chile, was made in 1948 but the start was slow. Its loans have always been made using rates not very different from commercial rates typically at 0.5% above its own cost of borrowing and only for specific purposes. This reduced the attractiveness of borrowing particularly to poorer countries and by 1953 the Bank had only lent a total of $1.75 billion altogether.

However during the 1950s, the Bank's lending began to support the foundation of institutions within countries for development purposes. For instance, over 50 years, it has made 101 loans totalling some $4.374 billion to Thai land, enabling that country to set up, among other projects, the state electricity authority, EGAT the Industrial Finance Corporation of Thai1and, and the National Economic and Social Development Board[7]. This kind of pattern has been repeated world-wide and has enabled the Bank to build up a powerful influence within organisations in many countries.

The development of other agencies within the Bank

The IBRD remains the largest agency within the World Bank, but it has been joined over time by others, which have given the Bank a far greater flexibility and increased its influence at several different levels.

In 1956 the Economic Development Institute (EDI) was set up with considerable financial assistance from the Ford and Rockefeller foundations. The EDI offers 6 month training courses in the theory and practice of development for senior officials from developing countries. "By 1971, more than 1,300 officials had passed through EDI, a number of them already having risen to the position of prime minister or minister of planning or finance in their respective countries"[8]. This trend has continued.

The courses are in Washington. When they began they were given in English, Spanish and French. In 1981. Chinese and Arabic were added[9]. The EDI promotes international co-operation with other agencies, for example the Food and Agriculture Organisation (FAO) It set up an agency for Economic Research and Studies at a cost of $16 million which produces an annual Abstract of Current Studies, putting considerable emphasis on operational evaluation and auditing[10].

The International Development Association (IDA) came into being in 1960 as a result of pressure from developing countries for a more accessible lending agency, lending without interest or at very low interest to the poorest nations. The 1993 publication IDA states that the purpose of this organisation is "to market human vision, experience, energy and capital to build the wealth of nations" and that its story is one of "how the 'haves' help the 'have-nots'". The loans are only avai1able to the poorer countries; the present figure is $635 per head or lower; this is less than $2 or El a day per person. Loans are given for 30-40 years, with, currently, a 10 year grace for repayment, with no interest but with a service charge. The repayment of these loans is carefully monitored. Since 1960, the IDA has spent $75 billions "to promote development in some 90 countries", with almost half the money going to Africa.

The IDA and IBRD staff are interchangeable, follow the same policy guidelines and share the same supervision. They work in offices opposite each other in Washington.

The International Financial Corporation (IFC), set up in 1956, lends to the private sector, unlike the IBRD and the IDA which deal with governments.

In 1988 the Multilateral Investment Guarantee Agency (MIGA) was established. The terms were "to encourage equity investment and other direct investment flows to developing countries through the mitigation of non-commercial investment barriers." This organisation works for the flow of private capital, works against protectionist and other related po1icies, and offers guarantees to private capital against non-commercial risks. Its aim is to sponsor dialogue between governments and business. It had 85 member countries in 1992.

Economic and political foundations of the World Bank

At the start, 20% of the capital would be actually paid in; the rest would be callable available if needed. This system has continued over its history, but the actually proportion paid in is now much lower, as the Bank has built up its own capital. The Bank also borrows on the world market, and invests in its own right.

The Bank is not allowed by its Article IV to take political or non-economic considerations into account when lending. Section 10 of this Article states: "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 po1itical character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially to achieve the purposes stated in Article 1"

Management and structure of the World Bank

The powers of the Bank are held by the Board of Governors: each member country is represented by a Governor, usually the Finance Minister or President of the Central bank: the U.K. is represented currently by the Governor of the Bank of England. Of particular importance is t he President, who is elected by the Governors: his views and policies can powerfully affect the work and the way it is done .The present president is Lewis Preston. The Board of Governors meets annually, in late September.

Most of the detailed decision-making is done by the Board of, currently 24, Executive Directors. Voting powers on the Executive are related to capital invested. America has always held the largest number of shares (at the beginning it was 36% but it now down to 17.5%). The five biggest shareholders (currently U.S., Japan, Germany, France and U.K.) each have one Executive Director. The rest of the member countries are divided into areas, each area providing one Director. The Executive Committee meets twice weekly in Washington. The present U.K. Director is Huw Evans, a former Treasury Civil Servant.

Some 6,800 staff members are currently based in Washington, with 314 field staff assigned to some 69 field offices. There is a concentration of economists and engineers among the staff [11]. Economic policies on which the World Bank is founded

As stated these economic theories were heavi1y influenced by Maynard Keynes, the English economist. His macroeconomic model developed in response to the 30s crises, was that of free trade, the free market economy, modified by appropriate action taken by governments buying and selling on the market, and taking other appropriate measures, to ensure a national steady interest rate, effective demand, steady prices and as full employment as possible. His vision was one of a managed capitalism: the twin problems of inflation on the one hand and depression on the other should if possible be avoided by judicious state action. of

His first vision of the World Bank, formed in 1941 was an international clearing house "which would act basically as a central bank for the central banks of member countries"[12] emphasising the reconstruction and revitalisation of world trade. At the same time in America, Harry Dexter White was preparing his "Suggested program for Inter-Allied Monetary and Bank Action" (the White Plan) which proposed a contributory scheme focussing on stabilising exchange rates and abolishing restrictive practices internationally Keynes proposed executive offices in London and New York, though of course the final decision was to base the World Bank in Washington.

A compromise was eventually made between the plans, which had a basic similarity but which differed in many particulars. The proposals were debated in the House of Commons in April 1944, amid scenes of considerable opposition from both left and right.

In 1944,steady economic growth is expected in the national and the world system. As Henry Morgenthau, the President at the Bretton Woods conference said, the aim was the "creation of a dynamic world economy in which the peoples of every nation will be able to realise t heir potentialities in peace...and enjoy, increasingly, the fruits of material progress on an earth infinitely blessed with natural riches." He stated then "the elementary economic axiom … that prosperity has no fixed limits. It is not a finite substance to be diminished by division."The Bank attempts to help countries become industrialised and prosperous.

The free market system is based on Adam Smith's Wealth of Nations (1776) His famous theory, the foundation of modern capitalism, is t hat each individual, in pursuing his own self interest attempts to maximise his economic profit by the way he spends his money. Profit and price changes over the whole market are determined by the overall spending of all individual , constantly changing in response to demand. The firms and industries that grow up compete, and rise or fal1 according to demand and pro fit. The economic system is self-regulatory national1y and internationally, and theoretically "value-free" in other words, decisions are made by systematic market mechanisms, no t by governments. The profit motive and the free market can bring maximum benefit to all involved and ensure maximum freedom for all, with as 1ittle government interference as possible. In theory, the wealth of the whole society 'trickles down' even to the poorest.

Changing World Bank policies

One major change that has affected the World Bank over its 50 years has been the shift to a more 'pure' neo-liberal system, advocated by Hayek and Friedman among others. Hayek's The Road to Serfdom, protesting against government intervention in the market, was published in 1944, the same year as Bretton Woods; but it was not fully taken up until the late 1970s and early 1980s both international1y, and most particularly nationally by the governments of U.S.A. and U.K. under Ronald Reagan and Margaret Thatcher.

The policy of the World Bank has increasingly followed this Free Trade model in the last 15 or so years. Its view is that maximum profits can be made if the private sector is as large as possible, and can operate freely, without protectionist measures. Inter nationally, goods should pass freely, without tariff barriers or restrictions, between all countries. Emphasis is put upon the national indicators of wealth, the Gross National Product (GNP) or the Gross Domestic product (GDP), as a measure of a country's economic health. Exports are encouraged as a vital source of wealth for a nation, and nations are encouraged to develop their own industries and agricultural products to sel1 on the world market. Government machinery should be as small as possible and large civil service and local government sectors should be cut down, fine-tuned, to produce maximum efficiency. Foreign capital should move round the world with maximum ease, and should be free to invest in countries which are on their way to industrial development.

At the same time however, there has been within the World Bank an increasing direct concern with poverty and starvation world-wide. In Liberal economic theory, poverty is relieved when a whole society becomes better off, and the general increased wealth comes to affect the economic condition of all, even the poorest. But recurrent crises involving starvation of large numbers of people, particularly in African countries, have forced a more direct concern within the Bank itself.

The most recent factor that the bank has taken on board has been concern about the destruction of the environment world-wide. When Liberal theory was developed in the eighteenth and nineteenth centuries, land was regarded as a possession, a 'good', and still largely is. But global concerns about the indiscriminate use of land, culminating in the Summit of 1992, have driven environmental factors onto the economic agenda and have begun to affect the economic policies of the Bank in the way that loans are negotiated.

Thus over the 50 years of the Bank, a neo-liberal model has increasingly prevailed. But at the same time, the issue of poverty and starvation which cannot be ignored has brought a new direct factor into considerations of the effect of loans on the countries concerned. And the growing awareness of the effects of economic policies on the environment is questioning the assumption of continual economic and industrial growth and progress for all which was one of the founding visions.

Changing policies towards "developing" countries to 1980

In the first 20 or so years, loans were given to "developing" countries mainly for the building of infrastructure of the country electricity, gas, roads, water with stress on the growth of the Gross National Product. In some ways, as one early President commented, these loans were connected to the decolonisation process, as countries around the world became independent of former European empires. The fourth President, George Woods (1 963-8) was more innovative, and initiated loans directly for education and primary health services.

But it was with the long Robert McNamara presidency (196881) that radical1y new policies were pursued. The po1icies of growth and economic progress were maintained, but there was a new awareness of world poverty, and a growing pressure to eliminate it. The 1iberal economic theory within which the Bank operates indicates t hat poverty will be reduced as the society becomes richer overall, and that national incomes must therefore rise: however it has become increasingly recognised that poverty must also be tackled directly.

These initiatives were influenced by United Nations declarations of the period. The General Assembly stated on 17.12.74 that every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop fully and maintain their physical and mental faculties. Society today already possesses sufficient resources, organisational ability and technology and hence the competence to achieve this objective."This is a direct challenge to the resources and ski 11 of the World Bank.

This change and shift from all active work being with the macroeconomics and infrastructure of a country and the indicator of the GNP, to include concern for education, poverty and other social matters, is clearly of the utmost significance. It took the World Bank directly into areas well beyond the usual concerns of the banking system. It became both a Bank and a Development Agency.

The sense of mission in the McNamara years brought the Bank not only further into the educational field, but also into concerns with agriculture and industry. An influential employee of the Bank from 1970 was Mahbubul Hag, a 'house radical' whose major concern was world poverty, and Who wished to support small farms and farmers, and smal1industries. In these years, there was a growing sense that there should be more local participation in the decisions that affected loans and economic policies, though this did not greatly affect the actual practice of the time[13].

The change of policy during the 1970s and into the 1980s has meant that the World Bank has become far more pro-active. "The Bank must no longer stand on the sidelines giving a running commentary designed to encourage the players. It must plunge in itself"[14]. This change of role was not only pushed forward by the McNamara policy but was fuelled by the oil crises of 1973 and 1979-80, which were seen to threaten world economic and political stability.

So, already, by 1980, it was accepted that the World Bank was involved with policy-based lending. It had never made totally unconditional loans. By the 1970s "it had already devised a way of linking (partially) project aid allocations to more general indicators of economic performance"[15]. The linking of loans to economic conditions, which is such a feature of the Bank's work in the 1990s, had started to become a potent force. The growth of conditioned lending in the 1970s, 1980s and 1990s

The emphasis on world-wide free trade has meant that the Bank has increasingly been prepared only to lend to countries wishing to open up to world trade. In the 1970s it was commented that a good project in a bad economy was likely to be a bad project. It followed that loan conditions had to look beyond the project to the economy as a whole"[16]. The first part of the process is the preparation of a "Country Economic Mission" In 1970 McNamara stated: "There will be regularly scheduled, thoroughly staffed, comprehensive missions whose mandate will be to assist the member government to draw up an overall development strategy which will include every major section of the economy, and every relevant aspect of the nation's social framework. Once the mission is completed, we will promptly produce for use by all of the parties concerned a thorough Country Economic report which will serve as a profile of the country's progress and of its overall development plan."

The 1980s, conditioned lending and the Bank's Structural Adjustment Programmes (SAPs),

The World Bank developed its Structural Adjustment Programmes as a response to the deteriorating outlook for developing countries arising out of the financial crises of the 1970s. In exchange for loans, governments agree to set their economic houses in order, according to the principles laid down by the Bank: these include reducing government spending (including welfare services), cutting subsidies, lowering inflated exchange rates and lowering trade barriers. Also, "the World Bank actively supports privatisation in the context of its broader goals of economic development and poverty reduction", and encourages the change from a 'command-based' (i.e. government led) economy to a 'market-based' system[17]. The Bank's 1982 Annual Report states that borrowing without such a SAP programme "would likely lead to high rates of inf1ation and dangerous1y high levels of debt." Initially 10% of the Bank's lending were supported by SAPs, a peak of 29% of adjustment lending was reached in 1989, and the percentage of the total in 1993 was 17%($4 billions).

Clearly, the Bank has to be most aware of the embargo on pc1itical involvement contained in its terms of reference in Article 4 (quoted on p.3). As its Development Report 1990 states, "it is perfectly clear that the Bank's purpose is not to substitute itself for the peoples and governments of the borrowing member countries in deciding how these countries are to be governed. This would be a task for a world government, not the World Bank "The Bank, the report states, is justified in acquiring relevant political knowledge, but not in interference in a country's internal affairs. Governance, it says, is only relevant in terms of the "good order required for a positive investment climate and for the efficient use of resources"[19]. However, the Bank's legitimate concerns are deemed to be quite extensive: they include "issues 1ike 1egal reform in a borrowing country, the reform of its civil service and other institutions as well as the need for accountability and discipline in the use of public funds and, more generally, objectivity and efficiency in the rules and procedures related to the management of re sources"[20]. It is important to realise, the Report reiterates, that " technical considerations of economy and efficiency, rather than ideological and po1itical preferences, should guide the Bank's work at all times"[21].

The direct concern with poverty

It is reckoned at the present time that, out of the world's 5 bi1lion population, over 1 bi11ion are in primary (absolute) poverty, often close to or at starvation level. In the poorest countries, the average income per head per day can be less than £1. In the 1960s and 1970s, there were indications that poverty was lessening but in the last 15 years or so, indicators have worsened in many countries, particularly in sub-Saharan Africa.

The term 'poverty' subsumes the interest in health and disease which has become part of the World Bank's major involvements. As the 1993 World Development Report, entitled Investing in Health, writes on its back page advertisement, "because good health increases the economic productivity of individuals and the economic growth of countries, investing in health is one means of accelerating development."

It was in McNamara's presidency that projects were funded to directly alleviate both urban and rural poverty, and education and health projects were funded on a bigger scale. Later Presidents, A.W.Clausen, Barber Conable and Lewis Preston, have more or less followed these same concerns.

Influential reports and writing originating outside the Bank have throughout this period criticised many of the Bank's policies. The inf1uential report Adjustment with a human face made by UNICEF in 1987[22] demonstrated that the very poor were extremely vulnerable to adjustment measures.

Poverty has become a major theme within the Bank's programmes. Lewis Preston, for instance, on his address to the African Governors of the World Bank in 1992 said:-"development occurs when poverty is reduced and the quality of peoples' lives is improved. The challenge of development then, is to achieve better education, higher standards of health and nutrition, a sustain- able natural environment, equality of opportunity and a greater economic freedom"[23]. to the

In 1990 the World Development Report (WDR) was devoted issue of poverty. It stated that the World Bank seeks to tackle poverty in two main ways. One is to promote broad-based economic growth, within which poor people can again find employment and pull themselves out of the poverty trap. The second way is the direct provision of social services, including particularly primary education, health services, nutrition, family planning, and better 1iving conditions. The position of women has been acknowledged and programmes particularly aimed at supporting women are promoted.

The Annual Report of 1992 confirms that these concerns are tied up with the success of conditioneda1 ending and the free market system. "The Bank's efforts to reduce poverty cut across sectoral 1ines and include investments to improve education, ensure environmental sustainabi1ity, expand economic opportunities for women, strengthen population-planning, health and nutrition services, and develop the private sector. The bank's support of economic restructuring in many of its borrowing member countries is based on the knowledge that the precondition for restoring economic growth the cornerstone of successful development and poverty reduction - is structural adjustment"

In April 1992 the World 8ank published the Poverty Reduction Handbook an Operational Directive to implement further the 1990 Poverty Report. It advises that in future, the volume of lending wil1 be linked to the country's efforts to reduce poverty. It cal Is for participation and decentralisation of decision-making around its loans. It advocates a 'Poverty Profile' for each country as part of the preliminary assessment before the loan is made, which will attempt to delineate the characteristics of' the poor in that country. It calls for an assessment of the effectiveness and reach of poverty programmes, and of safety nets for poor people. Statistical systems should be accurate and effective.

By 1993, 20 poverty assessments had been completed for 19 countries, with 68 being scheduled by 1996. These programmes cover a large proportion of the world' s poorest people. 51 projects valued at $3 billion in 1992 are already being implemented under the Programme of Targeted Interventions. Lending towards social education and health services has increased from 5% of the total in 1981-3 to 14% in 1990-2. Also a Women In Development division was created in 1987, arid loans featuring the position of women have increased to around 30% in agriculture and education in recent years, remaining at 75% for population, health and nutrition[24]. Many of these projects were planned for urban areas, including Cairo, Calcutta, Mexico City, Shanghai, often upgrading slums, according to the 1990 WDR. However the Bank has accepted that in some areas poverty is getting worse, particularly for women, and particularly in sub-Saharan Africa.

To give some idea of the problem faced by any agency attempting to solve problems of poverty world wide, the Financial Times on 22 November 1989 produced a table of the world's income, estimated from the 1990 WDR.

Third World	**3,952**	**77.5**	**564**	**17.7**
Low Income	**2,884**	**56.5**	**320**	**5.4**
Middle income	**1,068**	**20.9**	**1,930**	**12.3**
Subsaharan Africa	**464**	**9.1**	**330**	**0.9**
Soviet Union/East Eur.	**365**	**7.1**	**1,930**	**4.1**
Total Poor Countries	**4,317**	**84.5**	**721**	**21.8**
OECD countries	**751**	**14.7**	**17,470**	**76.6**
World total	**5,101**	**100**	**3,470**	**100**

The problem of the world's poverty has come up the agenda of the World Bank to such an extent that Lewis Preston has stated that "the World Bank's fundamental objective is to achieve sustainable poverty reduction in the developing world" and it is, he maintains, by this criterion that the World Bank should be judged. It is the Bank's view that poverty increased in those countries where the poi icy framework "is not conducive to growth"[25].

The World Bank and the physical world

In 1944 it seemed as though world resources were infinite, and growth and industrial economic progress were 1imitless, although there had of course been previous work concerned with natural limits. As early as the first part of the nineteenth century Malthus had produced his dire theories on the relation- ship of population size to natural resources, but much of that anxiety had died down because the huge technological advances of industrialism seemed to modify his calculations.

Over the last 20 years however, concern about the destruction of the natural world resulting from both population increase and industrialisation has once again become acute. Between 1950 and 1990, world trade increased eleven-fold to about $3.5 trillion, over twice as fast as world product, which increased nearly five-fold over the same period[26]. Environmental concern has focussed on many aspects of the results: species destruction, destruction of rainforests and many other natural features of the world including wilderness, ozone depletion, po11ution of many kinds world-wide, the problem of waste including nuclear waste. World population is now 5.3 billion by 2030 it is calculated that it will grow to 9 billion[27]. The earth is not an infinite resource for the human species, and a realisation of the dangers in our present system has become obvious. World-wide, this culminated in the Rio Summit of 1992 on the environment.

Clearly the issue of poverty (and inequality) discussed earlier and the issue of development and natural resources are related. A smal1 pro portion of the world's popu1ation is now living at a material level aspired to by the many with very little. In 1986 the United Nations declared "the right to development is an inalienable human right by virtue of which every human person and all peoples are entit1ed to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realised." This is quoted in the 1990 World Bank Report with the comment that the World Bank has been promoting this aim throughout its history. The loans that the Bank has made through the 1ast 50 years, it writes, are intended to promote this end. But the environmental dangers and problems involved in world-wide development are huge.

The World Bank Report of 1992 on Development and the Environment faces many of these issues from the human and the economic point of view. Lewis Preston, then President, in his Foreword, says that the environment must be protected because on it depends human health, the problems of productivity and future development. The Report states that the concept of " equitable and sustainable development remains the greatest challenge facing the human race". Sustainable development, a concept developed by the Bruntland Report of 1987. is that which pays attention to the environment as a resource and which includes environmental considerations in any future development plans: "meeting the needs of the present generation without compromising the needs of future generations" The 1992 Report states that "high income countries must play a major role in financing the protection of natural habitats in developing countries from which the whole world benefits. They must also assume the primary responsibility for addressing world-wide problems of which they are the primary cause...". An additional responsibi1it y. the Global Environmental Faci1ity (GEF, was created in 1991 by the World Bank, the U.N. Development Programme (UNDP) and the U.N. Environment Programme(UNEP). It provides grants to cover the additional costs of environmental projects which are global as opposed to local or national).

The Bank argues that environmental problems are also associated with lack of economic development - inadequate sanitation, clean water, indoor air pollution, land degradation.

The Bank's view is that development and environmental considerations are a false dichotomy. More people today live longer, and have healthier and more productive lives than at any time in history. "The key is not to produce less but to produce efficiently": and "income growth will provide the resources for improved environmental management "All economic activity means transforming the natural world, which is a "sink" for wastes and a "source" of inputs.

The Bank accepts that the "intrinsic value" of the natural world "can be captured only imperfectly and partially under the notion of amenity values" It accepts that biodiversity and the web of interdependence are important but they are impossible to quantify in the natural world

One way, the Bank believes, of protecting these is to clarify the rights of ownership. "Even for natural re-sources other than land minerals, trees and fish - if private property rights are clearly defined the self-interested decisions of private owners will produce ;n8re desirable environmental outcomes than will open access"[28]. The Bank believes that in this, as with all other economic decision-making, the private market is more efficient than' governments.

As early as 1970 the Bank employed an Environmental Advisor. Subsequently Barber Conable, President in 1987, created a new environment department and four regional units; all Bank loans were to be screened for their environmental impacts. In 1989 loans under the IDA required countries applying for loans to prepare comprehensive environmental action plans: and those countries applying for IBRD loans are 'encouraged to do the same. Also the Bank has begun to address environmental issues in SAP loans. The State of the World Report 1994 gives evidence that some of this policy has started to be implemented.

There is now a new Vice-Presidency in the Bank for Environmentally Sustainable Development(ESD). The post-holder is responsible for developing regional strategies. These can operate across national boundaries – for instance the Programme for the Environmental Management and Protection of the Black Sea was launched in 1993 to reverse the environmental degradation of that area. This affects Bulgaria, Georgia, Rumania, Russia, Turkey, Ukraine. This will involve an educational brochure, priority investment portfolio, an initial survey of biodiversity and conservation needs. Thus environmental issues are now beginning to be built into the World Bank structure and decision-making.

Bank Self-critiques

In June 1992 the 'Morse' report (Sardar Sarovar: Report of the Independent Review was published. The President of the Bank had set up the first independent commission, under Chairman Bradford Morse, to evaluate the controversial Sardar Sarovar dam in India. The report revealed serious shortcomings and important lessons to be learned. Over 240,000 people would be made homeless by the project without any real resettlement plan. Both corruption and deception on a huge scale were uncovered by the Report, which were not unique to that particular project. Then in July 1992 the Bank published the Wapenhans Report(Report of the Portfolio Management Task Force), written by a former Vice-President, Willi Wapenhans. Wapenhans concluded that there had been a steady increase in unsatisfactory projects, on the Bank's own evaluation, from 15% in 1981, to 30.5% in 1989, to 37.5% in 1991 "Confidential surveys of Bank staff revealed that the pressure to move money quickly and meet lending targets overwhelms all other considerations."[29] This pressure to lend inbuilt into the Bank's remit from the beginning, is a criticism of the utmost significance - the necessity for quantity of work and activity, which is now a focus of criticism inside and outside the Bank's framework of activity. significance

The 50 years assessment

That the Bank's job is enormously difficult is not in dispute, and the Bank's activities are of central importance in any model which seeks the flowering of a just and peaceful world. We have traced the changing role the Bank has played over this last half-century. The two questions that underlie any assessment are: Has the World Bank stood up well as measured against its own objectives? Are these the right objectives and do they rest upon the right economic philosophy? It seems appropriate to end with a quotation form the 1994 State of the World Report from the influential Worldwatch Institute:- "the world community is starting to realise … the notions of development and progress that prevailed 50 years ago have little to do with today's sobering realities. If this influential institution is to live up to the high hopes that inspired its founders, it will need to accept that the extraordinary changes of the last several decades must be mirrored by transformations of a similar order at the World Bank itself"

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