



Debt and the Environment

Environmental destruction is an issue at the forefront of the struggle against unbridled economic globalization. The World Bank and International Monetary Fund have a long record of supporting environmentally destructive projects such as large dams and mines. Both institutions also perpetuate the exploitation of natural resources through Structural Adjustment Programs that force indebted countries to weaken environmental protections, refocus their economy on exports through support and promotion of extractive industries such as oil and gas.

How do the World Bank and IMF perpetuate the exploitation of natural resources?

The World Bank and IMF both talk of sustainable economic development that protects biodiversity and the ecosystems. But in reality the World Bank and IMF's policies and lending practices promote the exploitation of natural resources by encouraging countries to make their economies more attractive to foreign investors countries by weakening environmental protections or eliminated them all together.

- **Logging:** The World Bank has financed some of the most devastating logging projects in tropical forests through the International Finance Corporation, the private lending arm of the World Bank. These projects do not just result in mass deforestation but also lead to the dislocation of millions of people, the erosion of top soil, and loss of habitat for wild life. In Indonesia the World Bank lent \$500 million to relocate 3.6 million people in order to make way for a massive logging project. As forestland is logged and stripped of its inhabitability, many peasant farmers push deeper and deeper into fragile forests using destructive slash -and -burn techniques to clear ground for farming. IMF Structural Adjustment Policies also play an important role in deforestation. In Cameroon the IMF required the government to lower export tariffs on timber. This proved to be a powerful incentive for logging companies to increase operations in Cameroon. Between 1994 and 1995, the number of logging projects increased from 194 to 351.
- **Mining:** The World Bank and IMF both have strong track records of supporting large and ultimately toxic mining projects in the Global South. The World Bank provides risk insurance to large and large private sector loans to international mining companies who operate in Southern countries. Very weak guidelines exist within the World Bank regarding mining projects. The World Health organizations standards for arsenic in drinking water are 100 times stricter then the World Banks standards. The World Bank also has no limits set for dissolved ammonia, chloride, fluoride, nitrate, nitrite or sulphate, gross alpha and beta radioactivity all harmful chemicals often released in the mining process. Arsenic is used in the gold mining process and the tailings or waste products from the extraction are kept in ponds. The World Bank guidelines have no requirements regarding tailings dams and liners for waste ponds. In Guyana the Omai gold mine tailings pond leaked 3.2 billion liters of cyanide-contaminated waste in to the Essequibo River. Essentially all life in the river was killed and the main source of water for the country was lost. In Indonesia the World Bank has provided political risk insurance to the Freeport McMoRan of New Orleans, USA for a large copper and gold mine. The mine dumps 120,000 tones of toxic waste into the local rivers killing over 30 square kilometers of lowland forest. The IMF also supports mining without regard to the effects on the environment. Following the advice of the IMF the Ghanaian government relaxed rules on mining and the industry has grown 500 percent since then. At the same time 60% of Ghana's forests have been destroyed by mining projects.

- Fossil fuels: The World Bank asserts that fossil fuels are the best way to connect the estimated 1.6 billion people living without electricity to power sources. But this drive for fossil fuels is at the expense of the environment and renewable energy sources. The World Bank helped to finance large coal mining projects that do extensive harm to the surrounding environment not to mention that coal is one of the most polluting ways to generate electricity. It is estimated that World Bank projects will release over their lifetime 37.8 billion tons of CO₂ into the earth's atmosphere. Further, connecting rural and isolated communities to a national power grid is all but impossible in most impoverished nations. Renewable and clean energy alternatives such as wind and solar power are proving to be a much better way to bring electricity to these communities. In the village of Mindanao in the Philippines a micro-hydro scheme is providing power to 110 households and public buildings, cutting out the need for diesel. On the island of Sagar, Bengal, five solar-powered photovoltaic plants produce electricity for various outlets, including 1,600 families. The World Bank has continued to support the Chad-Cameroon oil pipeline despite the misery it has caused. The Chadian government has spent a portion of the funding on military expenditures, there are increased violations of human rights in the area of the pipeline's construction and livelihoods are being lost to the pollution. The IMF pushes countries to increase oil exports to generate revenue to repay debts while loosening environmental and labor standards.

Have the World Bank and IMF done anything to address their support of environmental destructive projects?

The World Bank initiated the Extractive Industries Review (EIR) at their 2000 annual meetings in Prague. The EIR's purpose was to evaluate whether support for oil, mining and gas projects lead to poverty reduction. In January of 2004 the final draft was released calling for the World Bank to stop support for coal mining, and phase out support for oil production by 2008. The review also made recommendations concerning enhanced human rights protections stating that the adoption of human rights principles should be a prerequisite for companies seeking World Bank support. The EIR also called for the World Bank to not support oil or mining projects without the consent of indigenous communities. **Most importantly the EIR found that funding of oil, mining and gas projects does not help alleviate poverty, the primary goal of the World Bank's mandate.**

Has the World Bank adopted the recommendations of the Extractive Industry Review?

The short answer is no. On July 17th 2004 the World Bank's executive board took up the EIR in a closed-door meeting at their headquarters in Washington DC. The Executive board refused to move on the EIR and to implement any of its recommendations and failed to make any concrete commitments to do so in the future.

Effects of World Bank and IMF policies on the environments are all too clear: ecosystems are being ripped apart to sell valuable minerals, communities are subjected to ever-increasing poverty, mounting debt burdens that keep countries enslaved, and record profits for multinational corporations.

For more information:
Friends of the Earth USA
www.foe.org

Jubilee USA Network
222 East Capitol St. NE
Washington DC 20003

