World Bank indirectly backs harmful Southeast Asian projects: report

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By Agence France-Presse

World Bank investments in commercial financial institutions are indirectly allowing land-grabs, evictions and pollution in Southeast Asia, a watchdog group charged in a report Friday.

World Bank (Reuters / MANILA BULLETIN)

By investing in banks and other so-called financial intermediaries, World Bank funds can increase poverty, social strife and promote projects which hasten climate change, according to a report by Inclusive Development International.

These investments by the World Bank's private financing arm, the International Finance Corporation, violate its own guidelines on environmental and social conditions, the report alleges.

"Once again, we have found that outsourcing the World Bank Group's development mandate to private financial institutions is a recipe for disaster," David Pred, the group's managing director, said in a statement.

Pred's US-based non-governmental organization, which researches the activities of development agencies like the World Bank and Asian Development Bank, issued another report in October saying the IFC's investments helped finance a "coal boom" across Asia even though the World Bank had pledged to phase out most support coal-fired power.

An IFC spokesman defended the practice of working with private financial firms, saying they were "essential" to poverty reduction and job creation.

"The multiplier effect of FI investments enables us to support far more enterprises critical to development than we would be able to on our own," IFC spokesman Frederick Jones told AFP.

"We work with our FI clients to improve their environment and social risk management practices."

In 2016, the IFC poured $5 billion into commercial banks, insurance companies, private equity firms and others, representing about half of its new annual long-term commitments, according to an internal IFC watchdog. The investments are aimed at boosting domestic capital and financial markets and supporting development.

But critics have grown increasingly critical of the practice in recent years, saying the financing can support end-users who violate World Bank environmental and social safeguards given the lack of oversight on how the funds are used.

The IFC compliance office said in a report last week that although supervision of these investments was improving, the corporation still lacked a means to assess whether clients met its standards. IFC disputed that report's findings, saying they did not give an accurate view of its performance.

Friday's report singled out IFC support for Raiffeisen Bank International of Austria, which the report said had financed the Thai mining firm Earth Energy, the main underwriter of a coal project in Myanmar's Tanintharyi region that allegedly involved land-grabbing and mining on ancestral lands that could affect as many as 16,000 people.

The report also said IFC bought a stake in Vietnam's state-owned VietinBank, which financed coal power, bauxite mining, rubber plantations and hydropower in Vietnam and Cambodia.

Those including Vietnam's Son La project, which had resulted in the displacement of 91,000 people, and Cambodia's Lower Sesan 2 dam, which threatens Mekong river fish stocks.