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***Viewpoint* – Overreach and Response: The Politics of the WCD and its Aftermath**

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ABSTRACT: This essay recounts the story of the World Commission on Dams (WCD) from the perspective of a former World Bank official who is often credited with first creating and then destroying the WCD. The story is consistent with the (in my view) only accurate previously published description of the politics of the WCD, that of the anti-dam leader Patrick McCully. In essence, this assessment is that the WCD was an extraordinarily audacious process, which aimed to substitute the legitimacy of the states in developing countries (elected in most cases, accountable in all) with the will of anti-dam NGOs that are not accountable to anyone except their fellow advocates.

This essay outlines the reasons why no dam-building country has accepted the central recommendation of the WCD – the 26 Guidelines. While the rejection of the Guidelines (by countries and by the World Bank) is bemoaned by anti-dam NGOs, this essay argues that this well thought-out rejection represents a positive and long overdue turning point in the governance of development assistance. Accountable representatives from the developing world eventually did their duty – they developed a coherent and united position rejecting the WCD Guidelines and articulated a vision of why water infrastructure was central to growth and poverty reduction. This essay shows how this coherence evolved and how important it is in counterbalancing the moral hazard ('I decide, you live with the consequences') that pervades most discussions of development. Finally, the essay outlines the hope which this evolution and broader changes in global economic geography hold for bringing accountability and some common sense to the often Alice-in-Wonderland world of development cooperation.

KEYWORDS: Governance, dams, World Bank, economic development, moral hazard

PREFACE AND A (BIG) CAVEAT

My engagement with water

I come from a developing country (South Africa) where my mother ran an orphanage in Soweto and taught me about inequality and injustice. Because the rain in South Africa falls on the eastern coast but much of the economy is in the arid interior, water has to be transferred over the mountains from areas of plenty to areas of scarcity. In the 1960s, I worked on such projects, as a young engineer in the Ministry of Water and Forestry. In the 1970s, I lived in a Bangladeshi village which was under water for months every year and where I saw both the consequences of poorly designed water infrastructure and the (much-worse) consequences of no infrastructure at all (Briscoe, 2001). I worked for Samora Machel's Government of Mozambique in the early 1980s, where many dedicated outsiders and I projected our socialist fantasies onto a country which ultimately paid a terrible price for this indulgence. I worked for the World Bank for 20 years, in projects and policy. From 1998 onwards I was the Bank's Senior Water Adviser, serving both in Washington and in Delhi. I spent my last three years in Brasilia as the Country Director for the Bank's biggest borrower (Brazil). I retired from the Bank at the end of 2008 and am now a professor at Harvard University.

My engagement with the WCD

As the Bank's Senior Water Adviser I was the Bank's point person in helping design the WCD, as liaison to the Commission, and as interlocutor with the Bank's staff and management, the Bank's Board and its borrowers. I was (and am) denounced by anti-dam groups as the person who instructed the malleable governments of China, India and Brazil (interesting idea, that!) to oppose the WCD Report.¹ I was the principal author of the Bank's 2003 Water Resources Sector Strategy (WRSS), which built on the debate launched by the WCD Report and repositioned infrastructure at the heart of the challenges of growth and poverty alleviation. The WRSS is widely acknowledged [by positive external (Mallaby, 2005), positive internal (World Bank, forthcoming), and negative external reviews (EDF et al., 2003)] as a turning point in the intertwined issues of (a) the Bank's engagement with infrastructure and (b) the voice of developing countries in the policies of the World Bank.

In whose name I do (and do not) speak

I am delighted to submit a paper to this special issue on the WCD, and am even more delighted to do this without the (appropriate and inevitable) shackles that come when one works for a large, structured intergovernmental organisation like the World Bank.

Before telling my tale, it is essential to make several things about this contribution clear. In the extensive debates in the World Bank on the WCD and related issues, my opinions sometimes prevailed and were sometimes reflected in official Bank documents. Most specifically, I played a major role in formulating a number of official Bank documents which bear on the WCD – the response to the WCD embedded in the 2003 Water Resources Sector Strategy (World Bank, 2003b), the Bank Country Water Resource Assistance Strategies for India (Briscoe and Malik, 2006) and Pakistan (Briscoe and Qamar, 2006), and the Brazil-World Bank Country Partnership Strategy (World Bank, 2008a). In all these cases – as it should be – there was a wide variety of opinions among staff and borrowers about the controversial issues related to major water infrastructure. In all cases there were colleagues and managers (many of whom I deeply respect) who disagreed with the positions I advocated. In all these cases these disagreements were (as they should be) argued out and, to an unprecedented degree, discussed with our borrowers and with the Board of Executive Directors, representing the governments of the 180 countries who own the Bank. A great and far-too-little defended strength and singular and precious source of legitimacy of the Bank is that it is governed by representatives of almost every government of the world. This confers an accountability and legitimacy which no single country and no single-issue NGO can match. An essential part of this story is that one outcome of the reaction by the governments of developing countries to the WCD was a better match between this underlying legitimacy and the actual performance of the Board of the World Bank.

In this essay I draw heavily on official documents which are relevant to the WCD and which are part of the public record. Now that I no longer work for or speak for the Bank, I also draw on a large store of information on what was really at stake and what really happened. I will try and be clear, throughout, of the distinction between the official views of the Bank and my private views.

In concluding this section, three observations:

- First, in all the many hours of discussion on these issues among technical staff of the Bank, with management and with the Board, it was extremely rare to face a substantive rebuttal for the position which I advocated vis-à-vis the WCD or the implications for the Bank's borrowers and the poor in the developing world. There was, however, at all these levels an enormous amount of disagreement on what to say, and on the potential damage to "the reputation of the Bank", primarily with NGOs and the Bank's rich country owners who both give great credence to the

¹ A few of many examples. See also McCully, 2002; Bosshard, 2008; Bond, 2007.

influence of these groups and who underwrite the Bank's large concessionary lending window (the International Development Association, IDA), and ever-growing Trust Funded activities.

- Second, while there was considerable daylight between the views I advocated and the position of most (but, crucially, not all) senior Bank managers in the short term, there is much less difference evident ten years later. In the 1990s, infrastructure was considered a 'sunset industry' in the Bank; today, the proportion of Bank lending to infrastructure has doubled (from 20% to 40%) and infrastructure is again regarded by almost all as fundamental for development and a priority area for Bank engagement.
- Third, the process around the Water Resources Sector Strategy (WRSS) (and the WCD) is widely credited with having been catalytic to accelerating a governance revolution on the Board of the Bank. Earlier, the voices of developing countries had often been timid and uncoordinated. In this process the major Middle Income Countries (MICs) (China, India, Brazil and others) exercised an unprecedented and often coordinated control of a major policy process.

THE REASON WHY THERE WAS A WCD

The WCD arose for both substantive and political reasons. The substantive reason is obvious – major interventions like dams create winners and losers, and have major impacts on the economy, on specific groups of people and on the environment. There are many cases where large dams have been the foundation for economic development and well-being of whole countries or regions. No arid country has become rich without extensive investment in water-retaining dams. And no mountainous country has become rich without tapping most of its hydroelectric potential. These benefits were so obvious that for decades too little attention was given to the negative impacts of dams and, particularly, to the devastating effects which unmanaged resettlement had on millions of poor people. While there are many cases (the WCD Report highlighting the experience of China, Brazil Colombia, Senegal, Japan, India, Pakistan and Canada), in which resettled people have become, as they should, the first beneficiaries of dams, there are too many other cases (more frequent in the early decades of major dam building in the developing world, but persisting in some countries still) where the plight of affected people has been given insufficient attention.

Social concerns about dams merge with environmental concerns. The American environmental writer John McPhee describes "the special animus that environmental activists hold for dams. To them, there is something 'disproportionately and metaphysically sinister' about dams. 'Conservationists who can hold themselves in reasonable check before new oil spills and fresh megalopolises mysteriously go insane at even the thought of a dam'" (Kenworthy, 1997).

While those concerned with single issues (the environment) and single groups (affected people) have merged into a powerful global anti-dam lobby, those who have responsibility for the well-being of all citizens in a developing country have a different and more complex task. They have to look not only at individual groups or particular issues, but make trade-offs and consider the relative weight of assets and liabilities. Political leaders of countries during the development phase, virtually without exception – from Roosevelt to Mao Tse Tung to Mandela to Lula – have given and do give high priority to building dams. While not all have waxed as eloquent as Jawaharlal Nehru – "dams are the temples of modern India" – with few exceptions political leaders have been strong supporters because of the manifest benefits which dams have brought by delivering reliable water supplies, helping produce low-cost food, energy and transport services, and protecting people from floods and droughts.

Contemporary strong support for dams by political leaders of the developing world derives from a few basic facts.

The first fact is that dams have been the foundation for economic development in most rich countries, which have developed huge inventories of dams. For example, arid countries like the US and Australia have around 5000 m³ of storage capacity for every citizen, and countries of the Organisation

for Economic Co-operation and Development (OECD) have developed over 70% of their economically viable hydroelectric potential.

The second fact is that poor countries have orders of magnitude of less water infrastructure. Instead of the 5000 m³ of storage in rich arid countries, India and Pakistan have 150 and Ethiopia and Kenya 50 m³ of storage capacity per capita! Instead of developing 70% of their hydropower potential, poor countries with large hydropower resources like Nepal have developed less than 1% of their hydro potential, and Africa as a whole less than 5%.

The next fact is that there are those who benefit from infrastructure (including dams) and those who are harmed by them. In most cases, the beneficiaries are many but dispersed and often unaware of the dam itself (which might be just another source of power into an electricity grid, for example), whereas those who are adversely affected are typically much smaller in number but very identifiable, and have a large number of anti-dam groups, often with sophisticated public-relations capacity, who focus on them and them alone.

The fourth fact is that there is often a big difference of opinion between elites and common people in developing countries. A Sussex University study (Chapman et al., 1997) which focused on attitudes regarding the controversial Sardar Sarovar dam on the Narmada in India is particularly illuminating:

The message coming out of India, most likely to be heard by the developed world, comes from its English language media, representing just 2% of the population. This elite group has adopted a more pro-environment stance and is more likely to protest against new dams. But inside India, the far bigger local language media representing the vast majority and the poorer sections of society are expressing the heart-felt cry for development.

The fifth fact is that there is a big difference between views of advocates (who are accountable only to the constituencies of their organisations) and those of elected officials (who are accountable to all of their constituents). The Indian novelist and anti-dam crusader Arundhati Roy (2004) notes that she once thought Mandela and Lula to be "extraordinary, charismatic men" but is dismayed to see that once they came to power they became (in her eyes) just another pair of oppressors of the poor. (She does not reflect on the fact that there is a difference between advocacy and responsibility, and is apparently undeterred by the extraordinary levels of popularity these great leaders achieved throughout their administrations).

The next fact is the great moral hazard which dogs debates of development policy in which people who have jobs, income, energy and food (and who take for granted the infrastructure which produced these) deciding what is good for those who do not have such basics.

The last fact is that poor countries have shallow domestic capital markets and rely heavily (a point to which we will return) on the World Bank and other international financial institutions for the long-term capital required for building dams and other major infrastructure.

These realities bring us to the politics underlining the founding of the WCD. In the 1990s, global institutions came under severe attack. There was 'the battle in Seattle' over the World Trade Organization and annual huge protests at the World Bank/IMF Annual Meetings in Washington. Those protesting were often 'red-green' coalitions – a combustible mixture of rich-country anti-capitalists and environmentalists. And high, always, on their list were dams.

For rich-country governments the views of these extreme groups have often had limited traction on domestic issues but they were articulate, organised, voted and cared about something (development) that was a secondary issue for most citizens. In the US, for example, they would vote against Republicans (and therefore 'for' Democrats). But they would always be disillusioned since political leaders (such as Bill Clinton at the time of Seattle and the great Washington protests) did not give their concerns on mainstream domestic issues the single-minded attention the advocates would like. And so the bone which was tossed to these dogs was frequently the World Bank, where the 'red-green' groups (supported, by opportunistic labour unions keen on using environmental concerns to impose trade restrictions) were passionately interested.

An illustrative current example of this domestic-international double-standard is the fierce debate about World Bank financing for the US\$3.5 billion coal-fired power plant in South Africa. Under heavy pressure from US environmental groups led by the Sierra Club² and Friends of The Earth, the US government did not support the loan "because of concerns about the climate impact of the project" (New York Times, 2010). The web site of the Department of Energy of the same US Government reports that

Coal is one of the true measures of the energy strength of the United States. One quarter of the world's coal reserves is found within the United States, and the energy content of the nation's coal resources exceeds that of the entire world's known recoverable oil. Coal is also the workhorse of the nation's electric power industry, supplying more than half the electricity consumed by Americans. Coal-fired electric generating plants are the cornerstone of America's central power system.³

How is this double-standard seen by others? As reported by the New York Times: "Developing countries were like a single bloc, reciting percentages of coal-powered generation in the United States, the United Kingdom and other industrialised countries and arguing the West shut down some of its own plants before telling the developing world to slow its growth" (New York Times, 2010).

Returning to the situation prevailing at the time of the WCD, by the late 1990s this had reached crisis proportions within the World Bank. A larger and larger number of conditions were imposed on projects which dealt with dams, and large numbers of socially engaged professionals (who often shared the views of the anti-dam NGOs) were hired by the Bank to ensure that there was full compliance with these 'safeguards'. Ambitious managers knew that the Bank was ruthless in punishing 'sins of commission' but paid little attention to 'sins of omission'. Managers thus steered away from such 'risky' projects. The Kafkaesque Inspection Panel was created to investigate violations of Bank policies in general and safeguards in particular. The probability of an Inspection Panel request for a project with a dam was 64 times higher than for a project which did not have a dam. The 'costs of doing business' in this and related 'risky' areas soared and elicited strong reactions from borrowing countries.

On the one hand, developing countries 'with choices' (MICs) decided that the endless conditions and interminable processes imposed by the Bank for building of dams were absurd. "Why – complained Governor Tasso Jeressati, a progressive governor in northeast Brazil – when I want to build a small dam which all local people want in the semi-arid, am I put through processes as though I am building Itaipu (the largest hydropower plant in the world)?" On the other hand, poor developing countries without choices had to deal with the enormous transaction costs and processes which piled up in the Bank. "I am ashamed to even come here" said President Museveni of Uganda, when he thought he was inaugurating the Bujagali dam in 2002. "I am not happy because a project that should have taken two years has taken seven years to start. All this hullabaloo has been a waste of time and a lack of seriousness... this was a circus" (Reuters, 2002) (little knowing that the process would take another six years before the project was to be actually approved!).

In short, there was an impasse between the urgent needs for financing of infrastructure in poor countries, on the one hand, and an ever-more skittish set of institutions (with the World Bank, the iconic institution) unable and unwilling to make capital available for reasonable projects which should be built. Bank lending for hydropower fell by 90% in the 1990s.

The WCD (described in detail in numerous other reviews and in other papers in this volume) was a response to this impasse. It was an attempt to bring stakeholders from all sides of the debate together, to develop a shared fact base and a shared set of recommendations which would ensure (a) that bad dams were not financed or built and (b) that good dams were financed and built without inordinate costs or delays.

² http://action.sierraclub.org/site/MessageViewer?em_id=170181.0

³ www.energy.gov/energysources/coal.htm

The formation of the WCD itself is a long and complicated saga, with blackmail by anti-dam groups being a prominent feature (again best described by the anti-dam leader Patrick McCully). As the World Bank official who worked in putting this together it was my judgement that while the Commission was heavily stacked with anti-dam activists, they would be counterbalanced by some excellent professionals and politicians who had a broader view of the issue. I also believed – incorrectly, it turned out – that the Secretary General, a person of great capability, would play a moderating, balancing role. With the benefit of hindsight I can see why this was not the case – the anti-dam commissioners and the extensive support groups they brought to the process were 'veterans', acutely aware of the unwritten rules of the game with international financial institutions. Whereas several of the moderate commissioners were sophisticated operators in other political contexts, in the context of the WCD they were 'innocents' who had never been engaged at close quarters in this blood sport at the global level. It did not help that the Chinese government, realising that "the WCD was very much biased to the developed countries and anti-dam activists and extreme environmentalists" (Government of China, 2001) withdrew their commissioner in 1998. It also did not help that the person representing the hydropower business was a Chief Executive Officer who decided, early on in the WCD process, that his company would exit the hydropower business. And, critically, as described by McCully "the diplomatic skills of the Secretary General, Achim Steiner, were also vital in keeping most of the people involved in the process sufficiently satisfied most of the time".

THE WCD REPORT

The WCD Report is a beautifully written, excellently produced very long paper. The elegant presentation notwithstanding, a host of major questions have been raised about the samples studied, the methodology used, and the link between data and recommendations. For the present purposes the key element of the report was its three main components: (a) the shared values (b) the Strategic Priorities, and (c) the 26 Guidelines.

In many ways the "Shared Values" and "Strategic Priorities" are broad statements of intention with which few disagreed or disagree. The heart of the report was the normative part – the 26 Guidelines. Some of these Guidelines (relating to natural habitats, cultural resources, dam safety and environmental assessment) were reasonable and reflected existing practice. Others represented extraordinary flights of fancy. For example:

- The universal practice whereby government can exercise eminent domain with reasonable compensation was replaced by a guideline which would require "free, prior, and informed consent" for indigenous peoples and thus give indigenous and tribal groups a de facto veto right.
- Multiple rounds of negotiation would mean enormous costs and uncertainties and make any project virtually undoable in practice.
- International financial institutions should fund no new dam before 'legacy issues' on all prior dams were resolved (an idea without precedence on any issue anywhere in the world).
- Countries which were not in 'good faith dialogue on shared rivers' with all their neighbours would be denied funding from development banks for any purpose in any way related to water.

Two key questions immediately dominated the post-WCD discussions. The first question was "did the WCD intend the Guidelines to be mandatory" and the second was "are the Guidelines practical"? To the governments of the developing world and to the World Bank the answers were clearly "Mandatory? Yes" and "Practical? No".

On the first question (mandatory?), the written Report (if not the opinion of all Commissioners, a distinction to which we return later) is clear that the Guidelines are meant to be mandatory. Chapter Nine, on "Criteria and Guidelines" is heavily normative, with the word "compliance" appearing over 60

times in just this chapter. (And from the parochial perspective of the World Bank, the Report is unambiguous – it demands that the multilateral development banks comply with the Guidelines).

On the second question (practical?) several of the key Guidelines were not, in the view of developing country governments, industry and the World Bank, remotely practical. Taken as a whole they had never been considered let alone implemented in any country and their demands were so extreme that it was unimaginable that even the most capable of countries could comply with them.

Strikingly, there was unanimity among defenders and opponents of the Report on these two issues. The anti-dam NGOs focused like a laser on 'compliance with the 26 Guidelines' and on the day of the launch of the report celebrated the fact that, in the words of the leaders of the International Rivers Network (IRN) "the WCD recommendations for transparent planning process and 'prior informed consent' would virtually preclude future dam projects" (Williams and McCully, 2000). And 'comply with the Guidelines' was, for years, the focus of persistent NGO pressure on the World Bank (and other financing agencies).⁴

The opponents of the Report, and especially the governments of the developing countries, came to the same conclusion on intent and practicality. They, too, concluded that many of the Guidelines were impractical and even undesirable and that the intention was clearly to push for compliance, something they rejected out of hand in their countries and would oppose at the development banks.

THE WCD PROCESS

I have read many reports of the WCD process, many of them written by so-called 'independent' NGO-related groups and their sympathisers. Most of them are suffused with political correctness. They reveal a lot about the writers, but few bear any relation to the reality of the subject or process.

There is one exception, which is the account written in the American University Law Review (McCully, 2001) in 2001 by the anti-dam IRN leader Patrick McCully. McCully, in a triumphalist tone, provides the only accurate published description of the WCD process. It is worth quoting McCully on three of his main themes:

Theme one: how to use a "process which seems to find common ground" to further the interests of one particular party:

(...) anti-dam activists saw the WCD as a means to further the aims of the international movement against dams (...) to adapt Clausewitz's famous dictum, the WCD was a mere (continuation) of the anti-dam movement by other means.

Theme two: how to ensure that governments and intergovernmental organizations are sidelined:

(...) the largely successful efforts of Commissioners and staff to keep the World Bank's influence at a minimum were also critical to the WCD's success.

Several pro-dam governments attacked the process at one time or another, but their efforts were never coordinated or effective. The Chinese and Indian governments both withdrew from the process after initially welcoming it, and, in doing so, only ensured that they could do little to influence its outcome ...

[T]he exclusion of governments from substantive power in the process was also vital. Had the governments of leading dam-building nations like Brazil, China, India, Japan or Turkey formed an organized bloc within the Reference Group, it is almost certain that their coalition would have destroyed the Commission's potential to issue a progressive report.

Theme three: on the importance of leadership which was aligned with this 'balance of power':

⁴ For example, a letter from "83 groups in 29 countries" complained specifically that "the World Bank will not adopt the Report's 26 Guidelines".

(...) the diplomatic skills of the Secretary General, Achim Steiner, were also vital in keeping most of the people involved in the process sufficiently satisfied most of the time (...).

The ambition (described in detail by McCully) was breathtakingly audacious. Having manipulated a process in which governments (most of them democratically elected) are sidelined, as are the intergovernmental cooperatives (such as the World Bank), 'organised civil society' would then use the WCD to ram the recommendations down the throats of those they had successfully excluded. Wow!!!

I can only make a few additions to McCully's portrayal (presented as a playbook for other such engagements by activists in the future) of the hijacking of the WCD by anti-dam activists.

Important, in my view, was a serious 'principal-agent' problem in the Commission. On the one hand, was a group who were 'veterans' at dealing with 'Guidelines' for financial institutions like the World Bank. The most important of these was the Secretary General. They knew that the heart of the matter was not the hundreds of pages of text, but the specification of Guidelines. They knew very well that 'comply with Guidelines' was, in World Bank parlance, an absolute, zero-tolerance concept. On the other hand, was a group of 'innocents' (several terrific people who served as Commissioners, including, in my view, the Chair of the Commission) who had never engaged in the trenches of institutions like the World Bank, and for whom such words, buried in a 400-page report, did not have any particular resonance or imperative quality.

From the day of the launch of the Report (which had, predictably, been leaked to the anti-dam activists) the 'veterans' and their anti-dam colleagues lasered in on 'compliance with the 26 Guidelines'. This took the innocents by surprise, for that was clearly not their reading or intention. The Chair of the Commission issued an immediate clarification: "Our guidelines offer guidance – not a regulatory framework. They are not laws to be obeyed rigidly. They are guidelines, with a small 'g', that illustrate best practice and show all nations how they can move forward". The veterans (with, in my mind, justification) dismissed this as the opinion of an individual and not the recommendation of the Commission, and insisted (again with justification, in my mind) that it was the Report which was 'the bible'. And it was to the 'comply with the 26 Guidelines' idea that the activists tirelessly returned. Even six years later, when there was broad understanding that no government engaged with dams or multilateral financing agency would 'comply with the Guidelines' the former Secretary General (and then and now the head of UNEP) continued to lobby for 'compliance with the Guidelines' (announcing that the EU "requires WCD Criteria and Guidelines to be reflected in projects under the Clean Development Mechanism" [Steiner, 2006]).

REACTIONS TO THE REPORT

The agreed-on WCD process was that a draft of the Report was to be circulated to the Steering Committee (which represented all stakeholders) prior to finalisation. This was not done. The fig leaf was that the Commission needed to meet its deadline. What veterans knew well was that coming up with a draft report for review would mean that there would be a firestorm over the guidelines from the many stakeholders they had kept at bay, and that it was very unlikely that anything like the draft Report would be accepted. So the Report was not shared with stakeholders before its release.

As one of the two midwives (the other being the IUCN) to the WCD Report, the World Bank was given a copy of the Report a week before publication, under strict instructions that it was not to be disseminated and released. The compliance-sensitive World Bank complied. Others – presumably the staff of the WCD or a commissioner – had no such scruples. The Report was leaked to the anti-dam activists before its launch.

I led the small team of Bank officials who were asked to review the Report and to ensure that Jim Wolfensohn, the President of the Bank who had agreed to participate in the November 2000 launch, was adequately briefed. It was immediately apparent (a) that there was much of value in the Report but (b) that the heart of the matter – compliance with the 26 Guidelines – would effectively make it

impossible for the Bank (or anyone else) to ever finance another dam. Mr. Wolfensohn was careful at the launch.⁵ "The critical test for us will be whether our borrowing countries and project financiers accept the recommendations of the Commission and want to build on them".

The veterans within the WCD, who had so successfully sidelined exactly these constituencies, recognised that this spelled trouble. And so a response was launched in the form of a mini-campaign claiming that "the Bank had said it would follow WCD's recommendations whatever they were (...) [and that] NGOs are convinced that the Bank has come under strong pressure from commercial concerns not to abide by the WCD report".⁶

They went on to claim that "ever since the report was published, (the Bank has) busily undermined it and worked to ensure that some large and powerful countries like China and India, whose record on dam-building is particularly egregious, would reject it, effectively consigning the WCD report to the library shelves".

The campaigner who set this in writing, an experienced Canadian NGO leader who was close to the Secretary General, had provided extensive consultancy support to the WCD and knew very well that such a 'promise' never was, nor ever could be, made, since the policies of the World Bank are set by the Board of Directors (representing the 180 governments that own the Bank). It was and is impossible to cede the right for setting Bank policies to a Commission.

After the launch, on Jim Wolfensohn's instructions I was then dispatched with one other senior staff member to discuss the Report with officials of a representative sample of developing countries that were building dams – Ethiopia, China, Nepal, Thailand, Lao PDR, Brazil and Jordan. The message from every government we visited (and from many others whom we never met but who had studied the report closely and sent official messages to the Bank) was consistent and unequivocal. The following quotes give a flavour of the responses:

- China (Government of China, 2001): "The Government of China viewed the WCD as very much biased to the developed countries and anti-dam activists and extreme environmentalists. We therefore retreated from the WCD in 1998. We think it may be more appropriate to change the title of the report into 'Anti-dams and anti-development'".
- India (Government of India, 2001): "The WCD has (...) totally ignored the Government's views on the report and the data on successful projects in India furnished by us to the WCD (...). The recommendations and Guidelines of the WCD are not acceptable to us".
- Brazil (Government of Brazil, 2001): "If these Guidelines come to be interpreted by the World Bank as standard requirements which have to be complied with, then this would signify, in practice, paralysis in the financing of new dams".
- Ethiopia (Government of Ethiopia, 2001): "The conclusion of the WCD is totally unacceptable (...). If the decision-making framework for future development of large dams is to be used by the Bank it will be unacceptable to nations that have not tapped their water resources".
- Nepal (Government of Nepal, 2001): "There is a general consensus that the WCD Guidelines cannot be implemented (...). Its recommendations cannot be taken as Guidelines".

The Asian Development Bank followed a different path in formulating a response to the WCD Report. It did not consult its borrowers, but invited them to a meeting in Manila two months after the Report was issued. ADB managers opened the meeting, telling the countries that the ADB intended to comply with the recommendations of the Report. The spirit of that meeting is captured well in a letter⁷ to the Chair

⁵ Quoted in *Dams, Official newsletter of the WCD*, No. 8, December 2000.

⁶ Mark Halle, Letter to the Editor of Foreign Policy, September 2004.

⁷ Letter from Ramaswamy Iyer to Kader Asmal, 22 February 2001.

of the WCD from the Indian anti-dam commentator, Ramaswamy Iyer, who had authored the Indian Country Report for the WCD and who participated in the Manila meeting:

The Indian Government, whose response to the WCD is comprehensively negative, did not participate in the meeting. The leader of the Chinese team expressed himself very strongly and made points similar to the Indian Government. The representatives of other governments namely Pakistan, Bangladesh, Nepal, Sri Lanka, the Philippines, Vietnam etc. all agreed that the Report is biased, that there was inadequate consultation at the final stage of formulation of the Report, the Guidelines will put an end to new projects and stop the process of development and they would be opposed to the imposition of any new requirements or conditions by the ADB or World Bank. The WCD process, far from narrowing differences, seems to have led to a greater divisiveness. Developing countries see it as yet another instance of the imposition on them by the developed countries of an agenda designed in the latter's interests.

Most poignant and telling of all was an exchange at the post-WCD stakeholders' meeting near Cape Town between Ronnie Kasrils, then Minister of Water in the Government of South Africa and Kader Asmal, his predecessor and Chair of the WCD: "Kader, my comrade, as you know very well, we fought for decades and at great cost to make sure that we have a government which is elected by and accountable to *all* of our people. If we followed the WCD Guidelines we would be surrendering this hard-earned power to groups of NGOs. That we will not do".

An interesting and telling aside is that defenders of the WCD Guidelines have endlessly repeated an interpretation⁸ that I strong-armed the governments of the developing world to take this position. On the one hand, this is risible (try strong-arming the governments of China, India, Brazil and others!) and, on the other, it reveals, in my view, a deep-rooted paternalism in that it assumes that government officials in these countries can't or don't read or decide, and that they are incapable of forming and articulating an independent view.

Once the reactions from borrowing countries were received, there were two long discussions of the WCD Report and the Bank's proposed response at the Board. Two things were interesting about these discussions. First, for once it was not 'Part One' (rich country) governments that were doing the talking – it was the developing countries, with the MICs taking the lead. Second, the rich countries did not contradict the views of the developing countries but did their talking in other ways. Immediately after one of these sessions the phone rang in the office of my Vice President. It was the US Executive Director who, uncharacteristically, had not said a word during the discussion. "If this is the position taken by the Bank, then you should know that it will be very difficult for the US to support the next round of IDA". IDA is the concessionary tail which wags the hard-lending dog in the World Bank (Kapur, 2002).

Internal discussions among management in the Bank were intense. Strikingly there was virtually no disagreement on the substance of the Bank response, but there was an immense amount of discussion about the harm this might do to 'the Bank's reputation' (with the rich countries which provide funds for IDA and for the burgeoning Trust Funds on which the Bank depends).

The Bank put out an official communiqué thanking the Commissioners for their work, highlighting the positive aspects of the Commission's work, and stating that the Bank would not comply with the 26 Guidelines. Box 1 provides the more detailed exposition of the Bank's position on the WCD which was included in the 2003 Water Resources Sector Strategy.

⁸ For example, see Mark Halle, letter to the Editor of Foreign Policy, September 2004, and Bosshard, 2008.

Box 1. The World Bank position on the WCD Report and Guidelines, as stated in the 2003 Water Resources Sector Strategy.

As is evident in many places in this Strategy, the report of the World Commission on Dams issued in late 2000 is a major reference point in the ongoing debate about dams and their role in development. The main thrust of the report is the advocacy of:

- *Five Core Values – equity, efficiency, participation, sustainability and accountability – for future decision-making on dams.*
- *Seven Strategic Priorities: gaining public acceptance; assessing options; addressing existing dams; sustaining rivers and livelihoods; recognizing entitlements and sharing benefits; ensuring compliance; and sharing rivers for peace, development and security.*
- *A set of criteria for assessing compliance and 26 Guidelines for review and approval of projects at five stages of decision-making.*

Most organizations involved in the debate concur with the five core values and seven strategic priorities. However, in the two years since the report was issued, no consensus has emerged on the applicability of the 26 Guidelines. The World Bank conducted a detailed comparison of the 26 Guidelines and the Bank's safeguard policies. Although there is much in common, there are several important differences.

First, while there is agreement on the importance of the rights of affected and indigenous people, the World Bank believes that adoption of the World Commission of Dams' principle of "prior informed consent" amounts to a veto right that would undermine the fundamental right of the state to make decisions in the best interests of the community as a whole.

Second, while there is agreement on stimulating good-faith negotiations on international rivers, World Bank experience and policies are based on proactive engagement rather than on disengagement from countries that are not already negotiating with their neighbours on international waters, as advocated by the World Commission of Dams.

And, third, while there is agreement on the importance of consultation and public acceptance, experience suggests that the multi-stage, negotiated approach to project preparation recommended by the World Commission of Dams is not practical and would virtually preclude the construction of any dam.

The World Bank is committed to support its borrowers in developing and managing priority hydraulic infrastructure in an environmentally and socially sustainable manner. In doing this, the Bank believes that the World Commission of Dams' Core Values and Strategic Priorities are appropriate principles and consistent with Bank practice and policies. The Bank will not, however, comply with the 26 Guidelines. Rather, it will continue to work with its borrowers in effective implementation of current World Bank operational policies, which the World Commission of Dams describes as "the most sophisticated set of policies, operational procedures and guidelines amongst the international donor community".

THE AFTERMATH, IN THE WORLD BANK AND BEYOND

As the Christian Brothers inflicted incomprehensible punishments on us unruly schoolboys they used to tell us that "the Lord works in mysterious ways". So, too, it has been with the Report of the WCD. The WCD was, as so well described by McCully, an exercise which was successful (in the short run) and succeeded (Step A) in sidelining governments and their cooperative global institutions and (Step B) inventing a set of impossible-to-meet conditions and (Step C) insisting that the excluded governments must now accept that which was invented in the WCD. This was an extraordinarily audacious (and, in my view, dangerous) process, since it aimed to substitute the legitimacy of the state (elected in most

cases, accountable in all) with the will of self-appointed- anti-dam NGOs that are not accountable to anyone except their fellow advocates.

As described above, governments and their cooperative international institutions (including then-naive officials like yours truly) may not have been up to playing this Machiavellian game, but they were certainly not stupid enough to surrender. In fact, the opposite happened. The outrage at this attempted takeover catalyzed actions by developing countries on the Board of the World Bank, in a concerted way for perhaps the first time. This opened up a new questioning of the priorities of the Bank and, in particular, the way in which the social cart had been put before the economic horse – how the social and environmental goals embedded in the Millennium Development Goals had, over the course of the 1990s, replaced the goals of growth and jobs which remained the overwhelming priority of poor people and their governments. There was now a mobilised developing country coalition which demanded that the Bank get back into the infrastructure business (which had once been the Bank's bread and butter but had now diminished dramatically).

Among Bank staff, a group of staff and managers who were sympathetic to the concerns of developing country borrowers prepared a report (The Patel Panel Report, World Bank, 2001, named after the Chair and soon-to-be Vice President for South Asia) to articulate why infrastructure mattered for the poor, why the Bank had to engage with both 'normal' and 'high-risk/high-reward' infrastructure and how the Bank had to reduce the excessive costs of doing business.

These messages were built into the draft Water Resources Sector Strategy, which was discussed extensively internally and externally over the next two years. Consultations on the draft report were held with stakeholders in Brazil, India, Yemen, the Philippines and Nigeria, and in focused sessions with the private sector, global NGOs and donors. In each of these sessions individuals were asked to identify the group to which they belonged, and responses to a set of key questions were tallied by group. The results were striking and consistent. For example, on the key issue of the importance of Bank re-engagement with major water infrastructure there were two distinct groups. Group A, comprising developing country government officials, the private sector, local academia and most local NGOs, was strongly in favour of Bank engagement. Group B, comprising global NGOs and aid officials from rich countries, was strongly opposed.

As is usual for major policy documents, there were rounds of one-on-one discussions with Executive Directors who represent their countries on the Board of the World Bank. The Executive Directors were shown the results of the consultations, and the way in which the proposed strategy had been received by the two groups. My colleagues and I made it clear to them that many global NGOs were strongly opposed to the Strategy, and that there was sympathy for this view in the capitals of many rich countries. We advised the Executive Directors that they should expect a flurry of faxes and emails and petitions from the anti-dam groups. But we also showed evidence of the overwhelming support for the Strategy from governments of developing countries and explained why we believed this was the right Strategy for the Bank. Because rich countries play such an important role in supporting the budget of the World Bank, there was considerable nervousness among senior managers about the Board discussion and its implications. Key to moving the Strategy forward was Shengman Zhang from China, the number 2 official in the Bank who quizzically asked "But isn't it obvious that the developing world needs dams, and obvious that they need to be done according to reasonable, practical standards"?

The Water Resources Sector Strategy was finally presented to the Board in early 2003. Again the historic pattern at the Board was changed – now it was not the rich lecturing the poor, but developing countries who were in the drivers' seat, providing unequivocal support to the strategy. The Strategy was approved unanimously.

The repercussions of the Strategy within the Bank were deep and lasting. A few months later, management presented a new (and timid) infrastructure strategy to the Board. The strategy was blasted by the developing countries, with the Chinese and Indian Executive Directors writing an unprecedented joint memo (World Bank, 2003a) which they circulated widely, urging that the Bank put infrastructure back at the centre of the development agenda and that this be done by building on the

principles of the Water Strategy. The change in 'who calls the shots' and the implications for the WCD Report were summarised well by The Economist (2003): "under pressure from its Chinese and Indian executive directors, the Bank's new water resources strategy backs away from the WCD report".

Seven years later, much has changed and much has not. What has changed is that infrastructure has, indeed, come back to the centre of the development agenda, in the Bank and outside. The proportion of Bank lending to infrastructure has risen from 20% around 2000 to 40% by 2008, with investments in water alone rising from \$1.8 billion in FY03 to \$6.2 billion in FY09. What has also changed is the belief that major water infrastructure, with reasonable attention to social and environmental issues, is vital for developing countries and is something the Bank must support. It has meant that the two iconic Bank-financed hydropower projects (Nam Theun II in Laos and Bujagali in Uganda) were eventually approved by the Board.

The symbolism was striking. One of Jim Wolfensohn's first acts as President of the World Bank was to terminate Bank involvement in the 400 Mw Arun project in Nepal. The fig leaf was that "the project is too big for Nepal", ignoring the fact that Bhutan, with an economy 1/8th the size of Nepal's, had done marvellously well out of building structures with over 1,200 Mw of hydropower capacity! In his years as Bank President Wolfensohn, however, had learned about 'no off-button' single-issue NGOs and had famously proclaimed (Mallaby, 2005): "I think it's important that we have a proper balance between the Berkeley mafia and the Chadians (...) and I, for my part, am more interested in the Chadians". At his last Board meeting Wolfensohn presided over the signing of the loan for Nam Theun II.

Because the Bank is the global institution which, more than any other, sets the development agenda, the Bank is subject to disproportional attention from those wishing to change the rules of the game. The corollary is that if the Bank takes a position – as it did in rejecting the WCD Guidelines and in re-embracing infrastructure in general and water infrastructure in particular – this has an enormous knock-on effect for other players in the development business. This has clearly happened in this case, with infrastructure returning to front and centre stages for most development agencies.

Over time as the Guidelines were not accepted by a single country which builds dams, the conversation – even among the most ardent supporters of the WCD Guidelines – gradually shifted to the non-controversial Strategic Priorities. The 26 Guidelines, taken as a whole, have, to all intents and purposes, been found to be impractical and infeasible by all parties. This was the (politely stated) conclusion of the 'follow-on' process, the UNEP-hosted Dams and Development Project (it is worth noting that this consensual position, that the Core Values and Strategic Priorities are useful and generally accepted but that the Guidelines are impractical and undesirable, was the original position of the World Bank, a position initially, and still occasionally, assailed by some of the leaders of the WCD and the associated NGOs).

For the most part, rich and poor countries alike have moved on to other things, but a footnote is relevant for the case of Germany. Dams played a major role in Germany's economic and institutional development (as described recently in David Blackbourn's [2006] brilliant book *The Conquest of Nature: Water, Landscape and the Making of Modern Germany*). But as Blackbourn says, "the state of the art is always provisional". Its days of building dams and locks and draining wetlands long gone (but the benefits not), contemporary Germany has a large Green Party constituency and played a major role in the WCD (and in funding anti-dam organisations like the IRN). After the launch of the WCD the representative of the German government suggested that there be a "world body of eminent people" who should, armed with the WCD Guidelines, make decisions on dams to be built anywhere in the world and that no government should be able to build a dam unless this body approved its construction. In response to a question the German official clarified that this would not be constitutional in Germany, but that it should be imposed on developing countries. While others have moved on, Germany persistently finances conferences and books (Scheumann et al., 2008) where NGOs committed to a literal interpretation of the WCD Guidelines meet and deliberate and demand 'compliance'.

Other aid agencies, while not as relentlessly persistent as the Germans, also often act in similar ways. Consider the recent case of the engagement of the US Government with major hydropower in Brazil.

Brazil is correctly eulogised for having 'the world's cleanest energy matrix', in part due to biofuels but mostly because about 80% of Brazil's electricity comes from hydropower. Since Brazil has exploited only about 35% of its hydropower potential, and since hydropower is by far the lowest-cost source of energy, Brazil is committed to a major hydropower expansion. The challenge is that the undeveloped potential is mostly in the Amazon. If you think 'dams' is an ugly word, try 'dams in the Amazon'! Upon his re-election in 2006 the construction of the 7000 Mw Rio Madeira hydropower projects was President Lula's highest priority. These are run-of-the-river projects with small environmental footprints (per unit of energy generated) and ones which can also increase environmentally friendly river transport of agricultural projects. As the Country Director for the World Bank I was proud that the Bank helped Brazil move these projects forward in several ways: by helping mobilise world expertise to deal with environmental licensing issues; by helping ensure that contracts were competitively bid (with resulting massive cost savings) and by doing a major report indicating how Brazil should modernise – for the good of all – its hydro licensing system (World Bank, 2008a). In a country like Brazil, as President Lula stressed, this is actually the greatest contribution the Bank can make – by putting its reputation in play in helping countries deal with otherwise intractable, complex problems. (In terms of the story of the World Bank, it is striking that this sort of engagement, which is public and enshrined in, for example, the Board-approved Country Partnership Strategy, does not have to face the endless hurdles of internal Bank processes associated with loans).

While we were so engaged, the Government of the United States, through USAID, was involved in a quite different exercise. USAID formulated an Amazon Conservation Initiative, a multimillion dollar project which had the explicit objective of equipping international and local NGOs to stop the highest priority projects – including the Madeira hydropower projects – of the (enormously popular) democratically elected government of President Lula! Once the Government of Brazil became aware of the proposed USAID project it made clear that it could not operate in Brazil. (Only for the project to re-surface as a project which would do similar activities in other Amazon basin countries!).

With respect to the WCD, the good news is that the World Bank eventually took what I believe to be the high road. The not-so-good news is that processes in large bureaucracies are very 'sticky'. Over the years the Bank had built a formidable list of 'safeguards' (a list twice as long as any of the regional development banks; see Kapur, 2002) and an 'Inspection Panel' which made sure that any claimed sins of commission were severely punished. Large numbers of staff were hired to deal with safeguards. Many are very good, but many others see themselves as part of a fifth column with the noble task of protecting people from their governments and the decisions those governments make (such as building infrastructure). The end result is that while the policy and the rhetoric in the Bank have changed and have had a big impact in the real world, ironically the Bank, with its panoply of processes and incentives which create an institutional aversion to risk, has financed very few 'high-risk/high-reward' water projects.

When the discussions of the WCD and the WRSS were ongoing there was a clear dichotomy between developing countries 'with choices' (the MICs) and 'countries without choices' (the poor). The huge (and, in my opinion, overwhelmingly positive) story of the last decade is that supply options for those countries that had no choices have changed, dramatically. This is a consequence of the rise of the MICs, whose recent, successful development experience highlights the importance of water (and other) infrastructure, and whose pockets are deep with the massive reserves they have accumulated. Brazil is important, as is India, but for poor countries the name of the game is China. And here the record is clear. Whereas the World Bank finances, at most, a handful of dams around the developing world, China now finances over 200 outside of China. This escape from the 'we know best' paternalism of the old development order is broadly welcome in the developing world. Polls by the Pew Research Trust (The Pew Global Attitudes Project, 2007) show that Africans overwhelmingly approve of China's

engagement; Hilary Clinton (2010) bemoans the fact that there is little appreciation of US assistance and that all she hears from poor countries is what China is doing; and Dumbisa Moyo's (2009) recent book on aid explains why Africans are so appreciative: "China's straightforward approach is an attractive alternative to the endless nit-picking of the traditional donors".

LOOKING BACK

The WCD did its work at a particular historic moment, in which governments and intergovernmental institutions (like the World Bank) had ceded enormous space to the self-chosen, self-anointed groups who call themselves 'global civil society'. In the WCD process representative institutions like the World Bank and the private sector largely left the commission to the mercies of the anti-dam groups. The result was, in many ways, predictable, in that the guidelines would have put NGOs in the driver's seat and left governments with the secondary role of mopping up operations.

In this climate it was probably inevitable that the WCD Guidelines would prove to be so extreme that they would engender a reaction from governments that did, after all, have responsibility for making trade-offs and taking the benefits and costs to all different parties into account. The reaction has been, in my view, enormously positive. Governments in many countries have taken control again, and are finding new and creative ways of (a) addressing the very important social costs which are borne by those directly affected by large infrastructure and (b) ensuring that the much larger numbers who benefit from most such investments are not marginalised. Similarly, the countries that have a dog in this fight – the developing countries that desperately need infrastructure – have engaged in unprecedented ways to assert leadership in cooperative institutions (like the World Bank) and to providing alternatives to those who previously had no choice.

It was the initial hope that the WCD would become a 'model' for dealing with such difficult, contentious issues. The overreach and arrogance of those who took over the WCD process and their profoundly flawed premise (that 'organised civil society' should replace government as the appropriate policy-setting body) came to a logical and happy end. An article in the *Financial Times* in 2004 (Beattie, 2004) articulated the conclusion that most serious observers had come to:

The vogue for stakeholder consultations, a product of the 1990s, was imbued with the glowing optimism of globalizers during that era. The dream was that non-government organizations and corporate executives could establish practices that would capture financial returns for companies and social returns for the poor. The reality, however, has proved more mixed. Some of the first attempts at partnerships and consultations, such as the World Commission on Dams, ended in disillusionment. Sir Mark Moody-Stuart, chairman of the mining company Anglo-American, former chairman of Shell and a veteran of many such partnerships, says: "I consider the job of an adviser is to give advice which might be adopted. Giving extreme advice which will be rejected is not doing your job".

This change in global political economy has been accelerated, dramatically, by the new economic geography which has emerged after the economic crisis of 2008. As President Lula remarked "who would imagine that the IMF would come to Brazil begging for a loan"! The levelling of the world, the ascendancy of the MICs, the creation of alternatives for poor countries all head in the same direction – away from the moral hazards which have characterised the development process in recent decades and towards new alignments and institutions in which those who live with decisions will have an ever more assertive and coherent voice in making these decisions.

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