

# The World Bank Improving Environmental and Natural Resource Policies: Power, Deregulation, and Privatization in (Post-Soviet) Armenia

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**Summary.** — Over the past decades, development projects by international organizations like the World Bank use concepts such as “joint forest management”, “community-based natural resource management”, and “participatory conservation” as integrated approaches to poverty alleviation and conservation. These Integrated Conservation and Development Projects primarily promote the intensification of natural resource production. Currently, a research program on the pathways and politics through which international organizations influence related domestic policy and cause changes is being developed. The aim of this study is to analyze the influence the World Bank had on environmental and natural resources policies aiming at poverty alleviation in Armenia. We use Armenia for analyzing how this neoliberal approach of the World Bank echoes in a post-Soviet system. Empirically, we use a qualitative case-study design building on content analysis of key policy documents from World Bank interventions and subsequent domestic policy changes. Our results show that the World Bank interventions in Armenia, formally aiming to reduce rural poverty by means of improving natural resources management, de facto promoted policy and administrative changes. These changes, however, largely benefit transnational private companies, while at the same time restricting the access of poor local users to natural resources. By employing a discourse of illegal logging and by framing local actors as the main drivers of deforestation, the World Bank achieved considerable deregulation of the forest sector. This in turn promoted privatization of the forestland as well as a reform of the state forest administration. We conclude that interventions by international organizations, such as the World Bank, may formally claim to enhance the common good e.g. through strengthening ecological goals in natural resources management. Informally, however, quite the opposite might happen: Neoliberal privatization and deregulation will further weaken state actors and their capacities, while at the same time strongly and quickly incentivizing the increase in extractive natural resource production, as observed with increased timber harvests and exports.  
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## 1. INTRODUCTION

Over the past decades, international organizations have promoted intensification of natural resource production using the concepts of “joint forest management”, “community-based natural resource management”, and “participatory conservation” as an integrated approach to poverty alleviation and conservation (Dressler & Roth, 2011). These international organizations are considered the key actors directing patterns of global change through their development projects (Singh, 2009; Biermann, Siebenhüner, Busch, Dingwerth, & Marschinski, 2009; Burns & Giessen, 2016). Although by promoting market-based mechanisms through a new framework of neoliberal conservation governance they claim to be more inclusive to local users’ needs (Otto & Chobotová, 2013), market conservation governance has been considerably criticized in the last few years. Critics have claimed that rather than giving control to community members, neoliberal conservation policies that promote decentralization, privatization, and commodification allow corporations and international actors to increase their influence over local natural resources (Levine, 2002; Fletcher, 2010; Roth & Dressler, 2012). Among the international organizations promoting this shift, the World Bank is considered as perhaps the most influential actor bring-

ing about neoliberal and interventionist elements, characteristic of the World Bank interventions in all issue areas in developing countries, under the umbrella of poverty alleviation and natural resources management projects (Humphreys, 2006; Singh, 2009; Marschinski & Behrle, 2009). Such projects can be described as a type of Integrated Conservation and Development Projects (ICDPs) which pursue dual conservation and development goals (Bauch, Sills, & Pattanayak, 2014). While some authors suggest that these two goals are contradictory others claim that these projects fail to achieve either (Cagalan, 2013; Bauch *et al.*, 2014). In order to induce global changes a certain type of authority is required, that can be explained by theories of power and emancipation (Manuel-Navarrete & Pelling, 2015; Burns & Giessen, 2016). Besides providing economic incentives, multi-lateral development banks like the World Bank, provide knowledge to the borrower countries, by including their ideas

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in the project proposals as well as project management and technical expertise in the project design and implementation (Davies & Woodward, 2014; Ika, 2015). However, in order to influence domestic policies at national levels, international organizations depend on domestic coalition partners (Humphreys, 2006; Bernstein & Cashore, 2012). Especially domestic state actors are important since they have to invite these international organizations due to sovereignty principles and they are instrumental in developing policies in the domestic policy-making process (Burns & Giessen, 2016).

In post-socialist countries, market-driven conservation governance, along with other market-oriented approaches, became dominant during the transformation process that started after the Cold War. However, its implementation was especially challenging due to the previous system of complete state control, with limited private property and centralized administrative systems (Otto & Chobotová, 2013). During this time of transformation, World Bank lending to post-soviet countries went to those undertaking big Structural Adjustment Programmes aiming to eradicate poverty by promoting sustainable social and political changes together with economic reforms (Davies & Woodward, 2014), as in the case of Armenia. Such structural adjustment lending provided economic incentives to economic sectors, such as forestry and agriculture, to restructure government activity, shift activities to the private sector, and downsize bureaucracies (Davies & Woodward, 2014, p. 254). Since 2005, multilateral organizations like the World Bank adopted a new assistance approach integrating security, development, and human rights into so-called 'fragile states' (Karsenty & Ongolo, 2012). Fragile states can be defined as countries with a "lack of political capacity to provide the basic functions needed for poverty reduction, development and to safeguard the security and human rights of their populations" (OECD/DAC 2007, p. 29). In these countries, the state has no autonomy or power over different sectors, and these sectors manipulate the state based on their own interests, considering it a means to ensure their own private wealth accumulation (Karsenty & Ongolo, 2012). This lack of power by the state limits the influence of international organizations, such as the World Bank, that seek to reach the national level through state actors who cannot be counted on to implement specific policies because of their lacking technical capacity or power.

The World Bank, as an international organization, has assisted more than fifty developing countries in the development of their environmental, legal, and institutional capacities (Marschinski & Behrle, 2009). A research program on the pathways and politics through which international organizations influence domestic policy change is currently being developed (Arts & Babili, 2012; Bernstein & Cashore, 2012; Balboa, 2014; Burns & Giessen, 2016). Previous studies in Argentina and Mali have shown that forest sector reforms, with funding from the World Bank, resulted in a weakening of forest bureaucracies (Gautier, Benjaminsen, Gazull, & Antona, 2013; Burns & Giessen, 2016) calling for research on the declining power of forest bureaucracies due to an overarching neoliberal approach in international forest policy (Humphreys, 2009). However, there is a lack of research on the impact of such international organizations in fragile countries within a post-socialist context, where weak state bureaucracies have limited power to implement policy change. Hence, the aim of this study is to analyze the influence of the World Bank on environmental and natural resources policies aiming at poverty alleviation in Armenia as a case of a post-socialist fragile state. In so doing, this article poses the following main research question: How did a coalition of an international

organization like the World Bank and a weak domestic forest bureaucracy, influence the restructuring of administrative structures and policies affecting forests and natural resources in Armenia under the umbrella of a poverty alleviation and natural resources management project?

## 2. THEORETICAL APPROACH

Multiple international environmental negotiations take place continuously, resulting in a body of international environmental policy that is referred to as 'international environmental regimes' (Humphreys, 2006). An international regime can be defined as a "set of implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations" (Krasner, 1982, 186). The ways by which international regimes influence domestic policies can be categorized into "four pathways of influence, each with its own causal logic: through international rules; international norms and discourse; creation of or interventions in markets; and direct access to domestic policy processes" (Bernstein & Cashore, 2012, p. 587). The direct access pathway refers to influence by means of direct funding, education, training, assistance, and capacity building (Bernstein & Cashore, 2000, 2012). This pathway is linked to providing incentives to domestic policy actors, which, according to the theory of incentives, can cause an actor's interest to change direction, and therefore functions as a critical resource of power (Karsenty & Ongolo, 2012; Krott *et al.*, 2014). Although it represents a very important form of influence, this path can be described as one "infiltration" in the domestic policy-making process by attempting to change the power balance among domestic state actors, raising issues of sovereignty, and being seen as intrusion (Bernstein & Cashore, 2000, 2012). The other three pathways may also challenge state autonomy and even state sovereignty through international coercion, constraint, or permeating the normative framework of the policy-making process, however they do it by pushing governments to make policy changes in response to outside pressures and not from inside the state as the direct access pathway (Bernstein & Cashore, 2000). Therefore, in order for direct access to occur a specific domestic state actor has to take agency bringing critical legitimacy to the process, which is essential in overcoming sovereignty concerns (Gulbrandsen, 2003; Biermann *et al.*, 2009). By forming coalitions with domestic state actors, international organizations get the opportunity of having direct access to domestic policy change. In exchange, those domestic state actors gain additional sources of power, such as legitimacy and financial resources (Peters, 2010; Burns & Giessen, 2016). In our analysis, these domestic state actors are described as domestic bureaucracies.

A bureaucracy can be defined as "a public institution that makes decisions concerning specific problems on the basis of general legal standards, resolving those problems by implementing special measures" (Krott, 2005, p. 126). Every bureaucracy has both formal and informal goals. Formal goals are related to serving the public interest while the informal ones are related to surviving, as well as maximizing power, budget, and staff (Krott, 2005; Wibowo & Giessen, 2015). The bureaucratic politics theory claims that bureaucracies compete with each other for resources, staff, and responsibility for policy domain. This competition between bureaucracies with different preferences, abilities, and power capabilities shapes the resulting policy to a great degree (Krott, 2005; Peters, 2010; Giessen, Krott, & Möllmann, 2014). Bureaucracies have differ-

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