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Are the MDBs Accountable? Reflecting on the Independent Accountability Mechanisms of the Multilateral Development Banks

Susan Park¹

Taken from domestic democratic political systems, accountability is a concept that is increasingly applied to international organizations (IOs).² This perspective considers the nature of the accountability the IAMs provide according to the six standard questions of accountability:³ who is accountable, to whom, for what are they accountable, and what are the standards, processes, and sanctions employed to demonstrate that the MDBs are accountable. Doing so sheds light on how the IAMs, as part of the governance of the Banks, can hold the institution to account for their environmental and social impacts, particularly in light of global processes of production and exchange, climate breakdown, and species extinction.

Who do the IAMs seek to hold to Account?

A common definition of accountability is that it is “when some actors have the right to hold other actors to a set of standards, to judge whether they have filled their responsibilities in light of those standards, and to impose sanctions if they determine that those responsibilities have not been met.”⁴ The concept of accountability comes from democratic political systems where people have the right to hold those they elect to account for their actions and to vote them out should politicians not meet certain standards and responsibilities for governing. This transfers to the international context through representative models of accountability. This is where states are held responsible by their political communities for their decisions, and international organizations are responsible to the member states that create them.⁵ This is built into the Article of Agreement comprising the MDBs constitution or charter. In the case of the MDBs,

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² SUSAN PARK, *THE GOOD HEGEMON US POWER, ACCOUNTABILITY AS JUSTICE, AND THE MULTILATERAL DEVELOPMENT BANKS* (Oxford University Press, 2022).

³ Jerry Louie Mashaw, *Accountability in Institutional Design: Some Thoughts on the Grammar of Governance*, in PUBLIC ACCOUNTABILITY: DESIGNS, DILEMMAS AND EXPERIENCES, 115-116 (Michael D. Dowdle, ed., Cambridge University Press, 2006); Teresa Kramarz and Susan Park, *Identifying Multiple Accountabilities in Global Environmental Governance*, in GLOBAL ENVIRONMENTAL GOVERNANCE AND THE ACCOUNTABILITY TRAP, (Susan Park and Teresa Kramarz, eds., MIT Press, 2019).

⁴ Ruth W. Grant & Robert O Keohane, *Accountability and Abuses of Power in World Politics*, 99(1) AMERICAN POLITICAL SCIENCE REVIEW, 29-43, (2005).

⁵ Ngaire Woods, *Making the IMF and the World Bank More Accountable*, 77(1) INTERNATIONAL AFFAIRS, 83-100, (2001).

the member states collectively oversee the Banks through the Board of Governors, who then delegate to a smaller group of member states on the Board of Executive Directors. The MDBs are relatively autonomous technical agencies, where the president manages the staff, and has been given discretion to present policies and development project and program loans to the Board of Executive Directors for their approval. The ‘governors dilemma’ is to ensure that the Banks are doing as requested by their member states and to maintain control over an IO, where members have neither the expertise nor information to ensure their directives are carried out.⁶

The IAMs are viewed as both ‘vertical’ and ‘horizontal’ forms of accountability.⁷ Vertically, the IAMs were introduced by member states to hold the MDBs to account for their actions, after sustained transnational and national activism to do so. This represents a hierarchical relationship between those in authority to their subordinates, such as member states to IO management to staff. However, the IAMs themselves also represent a form of horizontal accountability in that they investigate whether the operations staff of the Banks are meeting the institution’s environmental and social policies in project financing. Thus, the IAMs investigate whether the Banks are accountable for their actions to their member states while identifying where in the project lending process they have failed to fulfil their environmental and social responsibilities. While the Banks can be held accountable for not meeting those standards to their member states, staff are notably not sanctioned for working on projects that contribute to environmental and social harm. No real negative consequences exist for staff if they are investigated, although there is a great deal of fear that they may be investigated.⁸ An investigation may contribute to project delays and increased costs, leading to borrower opposition.⁹ But the IAMs aim is to ensure the accountability of the MDBs, not of borrowers.

To whom are MDBs rendered accountable?

As outlined above, the aim of the IAMs is to render an account of the MDBs to their member states, not to those affected by the projects financed by the MDBs. Over time, almost all of the IAMs have transitioned from only undertaking compliance investigations to determine whether

⁶ Kenneth W. Abbott et al., *Competence versus control: The governor’s dilemma*, 14 REGULATION & GOVERNANCE, 619–636 (2020); DELEGATION TO INTERNATIONAL ORGANIZATIONS, (Darren G. Hawkins, David A Lake, Daniel L. Nielson, Micheal J. Tierny, eds., 2006).

⁷ Alexandru Grigorescu, *Horizontal Accountability in Intergovernmental Organisations*, 22(3) ETHICS AND INTERNATIONAL AFFAIRS, 285-308 (2008).

⁸ SUSAN PARK, *supra* note 2.

⁹ FILHO WALTER LEAL AND ANGEL RENE RIOS, ACCOUNTABILITY ISSUES IN INTERNATIONAL DEVELOPMENT PROJECTS, (Peter Lang Publishing, 2007).

the Banks contributed to environmental and harm, to offering problem solving that seeks to address people's grievances. The IAMs are now bifurcated mechanisms that provide the opportunity for "problem-solving" where the Bank, the borrower member state, company (for non-sovereign loans), and claimants in the project area, can come together to discuss the grievance and determine whether they can be addressed. Should they remain dissatisfied, they may choose to make a claim to have the issue formally reviewed through a compliance investigation (or they may choose to skip the problem-solving stage and go straight to an investigation).

For what are they accountable?

The IAMs seek to hold the MDBs to account for their environmental and social impacts - for example where projects might lead to the loss of land or livelihoods for local communities, loss of biodiversity, damage to cultural heritage, and other impacts. Initially the claims for recourse had to identify the specific environmental and social standards according to which claimants were seeking recourse for Bank transgressions, such as the World Bank's Indigenous Peoples Policy. The MDBs specify the environmental and social standards against which they are to be held to account - for example, their environmental and social frameworks. These policies have evolved since the first attempts to instil environmental impact assessments in the World Bank in the late 1970s. They are updated periodically, increasingly with stakeholder input. There are some sectors in the Banks' portfolios that are more likely to lead to claims from people in project areas, primarily where there are more sensitive projects with a larger impact; these sectors include the extractive oil, gas and mining sectors, as well as infrastructure (transport) and energy (such as hydropower).¹⁰ Projects are classified according to four categories, under which are assessed on the "likely type, location, sensitivity and scale of the project and the nature and magnitude of its potential environmental impacts" (World Bank 2017: 6).¹¹ Thus, Category A includes projects with significant environmental impacts, Category B describes substantial environmental and social impact, Category C low-risk environmental impacts, and the Financial Intermediary (FI) category describes projects whose impacts should be mitigated by a third party under their own environment and social management system.

¹⁰ Kristen Lewis, *Citizen-Driven Accountability for Sustainable Development: Giving Affected People a Voice 20 Years On: A Paper by the Independent Accountability Mechanisms Network*, (2012), http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/Rio20_IAMs_Contribution.pdf; Violet Benneker et al., *Glass Half Full: The State of Accountability in Development Finance*. (Report by 11 NGOs, 2016), <https://www.somo.nl/glass-half-full-2/>.

¹¹ World Bank, 2017, *Environmental and Social Framework*. Washington D.C., World Bank, p. 6.

The IAMs can only investigate claims that pertain to projects being financed by the Banks, with technical criteria to determine if a claim is *bona fide*. This means that the IAMs cannot investigate claims that lie outside this scope, and cannot accept claims by people outside the project area unless authorised by affected people in the project area - for example where project-affected people fear state or company reprisal, they may ask for a group to act on their behalf.¹² The IAMs seek to ascertain whether the Banks contributed to harm. If there is no link between the harm and Bank operations, then the IAMs will not investigate, even if harm is occurring. Increasingly, however, the IAMs have chosen not to investigate even where there is harm resulting from Bank practices. In the cases of both the World Bank Group and the European Bank for Reconstruction and Development (EBRD), the IAMs increasingly focus on claims that demonstrate evidence of substantial harm arising from Bank practices, or harm that comes from practices by the Banks that are considered systemic.¹³ This raises questions as to the processes, standards and sanctions that the IAMs use to demonstrate that the MDBs are accountable for their actions.

By what processes do the MDBs demonstrate that they are accountable?

The IAMs were established as last resorts for project-affected people to seek recourse for environmental and social harm. People must first take their concerns to Bank management to have their issues addressed. If there is no response within a reasonable timeframe, or claimants are dissatisfied with the Banks' response, they can then file a claim with the IAMs. In this regard, the IAMs are "citizen-driven", in that they are triggered by claims from people in the project area or their representatives.¹⁴ The creation of the IAMs was very much a product of negotiations among member states and the Banks, with significant involvement from national and transnational activists in shaping the structure of the IAMs. The processes followed by the IAMs to determine how they will hold the Banks to account are detailed in the Resolutions creating them. Over time, the MDBs have become more transparent about providing information about the claims submitted to the IAMs, and how they process the claims. The IAMs increasingly have converged on similar stages of progression for claims. These include claims being filed, assessed as *bona fide* according to the criteria for assessment, and

¹² This excludes the European Bank for Reconstruction and Development's IAM that does allow claims from people or a person outside the project area.

¹³ Park, S. 2022. *The Good Hegemon US Power, Accountability as Justice, and the Multilateral Development Banks*. New York: Oxford University Press.

¹⁴ Lewis, K., 2012, *Citizen-Driven Accountability for Sustainable Development: Giving Affected People a Voice 20 Years On*, A Paper by the Independent Accountability Mechanisms Network Accessed: 7 July 2026. Cited: http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/Rio20_IAMs_Contribution.pdf.

determining whether they should progress through the consultation (the problem-solving phase), or through the compliance investigation phase. In the problem-solving phase these are followed by stages of mediation, agreement of the parties, and monitoring. Publicly available data demonstrates how and why claims do not progress through the stages for consultation or investigation. For example, few claims end up with a facilitated settlement between stakeholders during the consultation process, most often because stakeholders are unwilling to undertake or continue with the process,¹⁵ usually due to a lack of trust or communication breakdown between the parties.

In relation to the compliance investigations process, the IAMs have very clear procedures for undertaking investigations, for determining whether it was a Bank's actions or inactions contributing to harm, and making recommendations to the Board and management as to how this may be corrected. Over time the IAMs have been given monitoring powers to ascertain whether Bank management have addressed the violations and, where possible, to bring the project into policy compliance. The IAMs have established regular reporting requirements and oversight in relation to monitoring the MDBs; the resulting material is now publicly available. Increasingly, there is demonstrable evidence that MDB management is being held to account once it has been found to have contravened their own policies, although there is variation amongst the Banks.

The IAMs however, have no capacity to determine whether people are better off after making a claim, in terms of stopping environmental and social harm and rectifying damage.¹⁶ While the IAMs provide recourse for affected people, it remains the purview of the Banks' boards and management to ensure remedy. A recent United Nations report highlights the ways in which the MDBs could include remedy throughout the Banks' operations to embed accountability in the development project process.¹⁷ Some argue that the IAMs represent a corrective norm to the Banks' activities, rather than a means to pre-empt harm.¹⁸

¹⁵ SUSAN PARK, *supra* note 2.

¹⁶ Daniel Bradlow & Andria Naudé Fourie, *Independent Accountability Mechanisms at Regional Development Banks*, in HANDBOOK OF INNOVATIONS IN TRANSNATIONAL GOVERNANCE, 122-138 (Thomas Hale and David Held, eds., Polity Press, 2011).

¹⁷ United Nations Office of High Commissioner for Human Rights, 2022, *Remedy in Development*, New York and Geneva.

¹⁸ SUSAN PARK, *supra* note 2.

What standards are the IAMs seeking to uphold?

In order to assess whether the IAMs are able to hold the MDBs to account it is worth understanding the extent to which the standards against which they are being held to account are substantive commitments or vague assurances. As mentioned above, the policies of the MDBs include environmental and social impact assessments, involuntary resettlement, indigenous peoples, biodiversity, and waterways.¹⁹ These are increasingly converging with the UN Guiding Principles for Business and Human Rights in relation to Transnational Corporations and other Business Enterprises.²⁰

While policy adherence may seem easily verifiable, there are two points to bear in mind. First, throughout the history of the World Bank Inspection Panel, its findings of violations by the World Bank of its own environmental and social safeguard policies have been challenged by Bank management, with environmental specialists involved in a “he said, she said” style of conflict between technical experts. Second, there is difficulty in implementing standards in challenging environments; some scholars have argued that it is difficult to implement such standards on the ground.²¹ The aim of the Inspection Panel is not therefore just to demonstrate whether harm has occurred, but also to investigate staff deliberations for implementing the policy and monitoring it.

What sanctions are used to enforce compliance?

The creation of the IAMs was very much a product of transnational campaigns demonstrating harm with large-scale environmental and social impacts resulting from World Bank lending to developing countries. Transnational campaigns relied on four means to change the World Bank's behaviour: information politics, symbolic politics, leverage politics, and accountability politics.²² Accountability politics in this regard is to name and shame those undertaking the harm to halt it; by shaming actors, transnational activists can draw attention to MDB operations to change them. Over the decades, the MDBs have strengthened their environmental and social policies, become more transparent, improved their monitoring of project implementation and

¹⁹ SUSAN PARK, *ENVIRONMENTAL RECOURSE AT THE MULTILATERAL DEVELOPMENT BANKS*, (Cambridge University Press, 2020).

²⁰ Radu Mares, *Securing Human Rights through Risk-Management Methods: Breakthrough or Misalignment*, 32 *LEIDEN JOURNAL OF INTERNATIONAL LAW*, 517-535, 2019.

²¹ Jessie Connell, *Is 'Good' Resettlement Policy Unimplementable?: Learning from Advocacy in Cambodia*, 25(5) *DEVELOPMENT IN PRACTICE*, 655-72 (2015).

²² MARGARET E. KECK & KATHRYN SIKKINK, *ACTIVISTS BEYOND BORDERS: ADVOCACY NETWORKS IN INTERNATIONAL POLITICS* (Cornell University Press, 1998).

post-hoc reviews of their portfolios. In no instance, including during IAM findings of MDB violations contributing to harm, is use made of hard sanctions such as fines or firings that would be found in public or corporate settings. Some scholars argue that hard sanctions are needed to ensure compliance.²³ Although the IAMs lack hard sanctions, they are increasingly able to monitor the MDBs actions on behalf of member states, who have the capacity to determine how to control these international organizations.

Conclusion

In reviewing the IAMs against the six standards of accountability, we find that they are able to hold the MDBs to account. This is evidenced by the ability of IAMs to show when the Banks have not met their own policies through compliance investigations. They hold the MDBs to account for their environmental and social impacts resulting from whether their actions do or do not meet their environmental and social standards, seeking to hold the MDBs to account to their member states, not to those affected. The IAMs have detailed procedures for undertaking their problem-solving and compliance investigations. Over time, the IAMs have been given the power to monitor whether the MDBs have sought to address the harm and bring the projects back into compliance, although implementation remains uneven. However, many scholars argue that without hard sanctions it is very difficult to ensure that the accountability of the MDBs contributes to a change in MDB operations. Although it is common for the MDBs to highlight the role of the IAMs as contributing to learning, the IAM cases routinely demonstrate the same policies being violated. Furthermore, there are few instances where findings from case violations have contributed to changing World Bank policies.²⁴ One positive example is a high-profile Inspection Panel case investigating the forcible movement of people in Cambodia in relation to a World Bank land management and administration project in 2009, which led to the creation of a Bank-wide Natural Resource Management Framework that addresses land tenure rights. However, the lack of hard sanctions may indicate that accountability is not fully realised, and might be difficult to implement in the Banks.

²³ Marcel Kaba, *NGO Accountability: A Conceptual Review across the Engaged Disciplines*, 23 INTERNATIONAL STUDIES REVIEW, 958–996, (2021).

²⁴ SUSAN PARK, *supra* note 2.