Can multilateral institutions be made publicly accountable?

https://escholarship.org/uc/item/5wr1m1d1

Fox, Jonathan

2004-06-06
Can multilateral institutions be made publicly accountable?
by Jonathan Fox

Multilateral organizations, by definition, are formally accountable only to the nation-states that ostensibly share in their governance. This is not enough to hold multilateral organizations *publicly* accountable, especially when nation-state power within them is very lop-sided, when some are quite insulated, and when they respond to non-state actors only at their discretion. In this context, what kinds of institutional reforms can help multilateral organizations to become more publicly accountable?

This study focuses on the lessons from one of the first significant international pro-accountability reforms in a multilateral organization, the World Bank Inspection Panel. The first section introduces and contextualizes the Inspection Panel. The rest of the brief presents some of the main findings of a collective research project, organized in terms of ten summary propositions.

**Bank Safeguard Standards**

The most recent internal Bank policy assessment summarizes the Bank’s social and environmental policies as follows:

“Safeguard policies provide a mechanism for integrating environmental and social concerns into decision-making. In general, they provide that (a) potentially adverse environmental impacts affecting the physical environment, ecosystem functions and human health, and physical cultural resources, as well as specific social impacts, should be identified and assessed early in the project cycle; (b) unavoidable adverse impacts should be minimized or mitigated to the extent feasible; and (c) timely information should be provided to stakeholders, who should have the opportunity to comment on both the nature and significance of impacts and the proposed mitigation measures.” (World Bank, 5 June 2002, 3.)
The Inspection Panel: introduction

In 1993 the Board of directors of the World Bank responded to unprecedented external and internal pressures by creating the Inspection Panel. The Inspection Panel process allows people who are affected by a World Bank-funded project to file a complaint and request an independent investigation into whether or not the Bank complied with its own environmental and social policies. The process is designed to respond directly to grievances from citizens of developing countries, without requiring the intermediation of governments.

Despite its potentially powerful mandate, the Inspection Panel’s official role is significantly bounded.

Like most formal accountability processes, the Panel’s scope is circumscribed by specific standards and procedures – an approach that empowers some strategies for change but not others. First and foremost, the Panel’s investigations can only examine those grievances that involve the Bank’s noncompliance with its own minimum policy standards. The Panel cannot challenge projects whose flaws fall outside those policies, projects whose loans have closed, nor can it examine actors other than the World Bank. For example, the Panel cannot evaluate the roles of borrowing governments, except to the extent that their non-compliance with Bank loan agreements and policies reflects a failure by the Bank to adequately monitor a project. Since Bank-funded projects are inherently Bank-state

Origins of the World Bank Inspection Panel

The Bank’s Board created the Inspection Panel in 1993, along with its public information disclosure reform, in direct response to an unprecedented convergence of external and internal pressures. The political moment combined the ideologically hospitable climate of the UN environmental summit in Rio, increased mass protest (most notably in India’s Narmada Valley), increased South-North and US-European coordination among public interest groups, as well as serious high level internal Bank concern about poor performance and oversight. These factors were necessary but not sufficient. External civil society pressures ended up extracting institutional reforms from the World Bank because they leveraged a response from the Bank’s most influential stakeholder, the US government. Backed by this combination of external and internal pressures on the Bank to avoid more costly “development disasters,” a congressional threat of the reduction in US aid appropriations shifted the balance of forces on the Bank’s Board in favor of these first accountability and transparency reforms.

Early Years

The early years of the Inspection Panel were marked by resistance from the bank’s Board and management. The first claim handled by the Inspection Panel resulted in the cancellation of bank funding for the Arun III Dam in Nepal. However, it would be nearly five years before the Inspection Panel was again authorized by the Board of executive directors to conduct a full investigation. Management also resisted Inspection Panel involvement by proposing “Action Plans” designed to circumvent panel investigations.

Turning Point

In 1998 the Board began a second review of the Inspection Panel process. In the review, the Board called upon management to cease interfering with the panel process. The review also revised the Board approval process by calling on the Board to respect panel recommendations for inspections. While weaknesses remain in the panel process, the 1998 review was a key point in restoring the “Panel’s function, its independence, and integrity.”

(Source: Clark, Fox, and Treakle 2003)
partnerships, however, it is often difficult to tell where the Bank’s role ends and the borrowing government’s responsibility begins. When challenged on implementation failures, the Bank and the borrowing government each tend to point the finger at the other. The boundaries of the Panel’s mandate are therefore regularly contested. Most importantly, the Panel does not have the power to apply sanctions for non-compliance with minimum social and environmental standards, nor does its mandate include the power to find remedies or compensation. The Panel’s main lever is its power to carry out investigations and to make its findings public. The power to sanction, remedy or compensate remains with the Bank’s Board, management and with national governments.

Learning from the Inspection Panel Process

The Inspection Panel has given increased legitimacy to the claims of people affected by World Bank projects, and it serves as a forum through which their voices have been amplified, both within the institution and in the international media. The Panel represents the first formal acknowledgement by the Bank of ordinary people as stakeholders with rights and interests that are affected by the Bank’s decisions and operations. At the same time, any assessment of the Panel’s effectiveness depends on whether and how the claims filed have had any impact on the projects they address. The Panel has also been a catalyst for broader change at the World Bank. In particular, it has heightened the debate about the Bank’s commitment to, and effectiveness in, promoting environmentally sustainable development, through the lens of its environmental and social safeguard policies. Another test of the Panel’s effectiveness, then, is its impact on the institution beyond the specific cases that provoked claims.

Some of the main lessons and impacts of the Panel process are summarized in the following propositions. (Based on Treakle, Fox, and Clark 2003.)

1) The Inspection Panel creates a crosscutting process of World Bank ‘answerability’ to civil society, transcending traditional state-centered multilateral accountability relationships.

Formally, multilateral organizations are responsible only to the nation-state representatives that govern them. The World Bank’s governing Board created the Panel to respond to tensions in this relationship, after independent evidence of the Bank’s politically costly noncompliance with social and environmental policies became too overwhelming to ignore. The Panel provides the Bank’s Board with the possibility of third-party verification of concerns expressed by people directly affected by Bank operations. The process gives the Board discretionary power over whether and how to use this information to redress wrongs or to hold management accountable for policy violations.

Civil society campaigners promoted a broader approach to accountability, calling for institutional answerability to the people directly affected by Bank projects. Two dimensions of the Panel process made this public answerability possible: the combination of official standing for affected people, plus the commitment to release the Panel’s findings. The cases analyzed here show that when Panel reports publicly verify claims of grassroots critics, they create a new crosscutting accountability relationship, constituting a form of “answerability” of the Bank to directly affected communities. When these reports officially recognize institutional failure, they are newsworthy and legitimate the concerns of both external critics and internal Bank reformers. This built-in use of “sunshine” to shame the Bank has the potential to pressure the Board to act when the Bank has violated its own standards, and can lead to broader policy impacts.
2) Most Panel claims so far have challenged the social and environmental costs of large infrastructure projects.

Most Panel claims have involved large infrastructure projects, including:

- six dams (in Nepal, Chile, Argentina, Brazil, Lesotho and Uganda) and
- four energy and extractive industry projects (in India, Ecuador, Chad and Cameroon).

In addition, claims have involved rural development projects:

- Planoforo, Itaparica, Brazil Land Reform and China/Tibet.

The diversity of projects involving claims has increased over time. In addition to infrastructure projects, claimants have shown that they can successfully use the Panel process to improve sustainable development projects (Planoforo) and to bolster social protections in structural adjustment loans (Pro-Huerta). By accepting claims brought against structural adjustment loans, the Panel accepted the standing of, and legitimated the claims by, affected people, thereby showing that macroeconomic policy loans can have direct, tangible impacts that cause harm. This precedent opens up new possibilities for civil society actors to hold the Bank accountable for the social impacts of its macroeconomic development model.

Terms

**Accountability** – Accountability refers to the process of holding actors responsible for their actions. This involves “answerability”, usually formal processes in which actions are held up to standards of behavior or performance. For some this definition is sufficient, while others prefer more rigorous criteria that include sanctions for violations of standards. Accountability is inherently relational, and its meaning varies greatly depending on the actors involved (for example, contractual, corporate and political accountability are all quite different). The standards themselves, “what counts” as compliance, as well as the scope and meaning of public accountability more generally are all contested and shaped through political conflict.

**Civil Society** - refers to the set of institutions, organizations and practices situated between the state, the business world, and the family. Specifically, this includes voluntary and non-profit organizations of many different kinds, philanthropic institutions, social and civic movements, as well as other forms of social participation, representation and engagement.

**Inspection Panel** – Inspection Panel: A panel established by the World Bank to give voice to those adversely affected by Bank projects. This Brief concludes that the Inspection Panel has ‘has created the opportunity for people negatively affected by World Bank projects to gain some degree of international standing, access to transnational public interest allies, potential global media coverage, and even the possibility of some tangible changes in Bank projects.’ This precedent may provide ideas for making other global financial institutions, like the IMF, more accountable.

**Structural Adjustment** – a set of government macroeconomic policies to encourage private sector investment, promote export production, and reduce social spending and subsidies.

**World Bank** – The World Bank is one of the global institutions established at a meeting in Bretton Woods, New Hampshire, in 1946. The other important institution established at that meeting is the International Monetary Fund (IMF). The Bank provides finance for development projects and advice to governments about development questions. Both the Bank’s projects and the advice it provides have gone through distinct phases, associated with changes in global politics and in ideas about development. In the latest phase, the Bank proclaims ‘Our dream is a world free of poverty’ (World Bank 2002). The relationship between the Bank’s official discourse on social and environmental change and its actual practices is widely debated.
3) Most Panel claims have been led exclusively by directly affected people and their Southern allies, suggesting that the process has largely fulfilled its goal of being “citizen-driven.”

The Panel process was intended primarily for people directly affected by Bank-financed projects. A review of the sources of leadership in each claim demonstrated that the majority of cases so far have been clearly Southern-led, and that most of the rest emerged from coalitions between claimants and their allies from both Southern and Northern NGOs. Seventeen claims were generated exclusively by Southern actors (mainly from civil society organizations and affected people but also from the private sector); ten were generated through South/North coalitions involving local, national and international groups. Only in the exceptional case of the China-Tibet project did outside representatives lead the claim process. This evidence puts the charge that ‘the Panel process is a tool of Northern NGOs’ to rest, and shows the degree to which diverse Southern civil society actors have tried to engage with the Panel.

As information about the Panel and its potential became more available, and as the process became more navigable, more claims were generated by local and national actors without any direct role for Northern NGOs, or the need for high-profile international campaigns (Jamuna, Ecodevelopment, Lesotho Highlands Water, Pro Huerta, Land Reform, Lake Victoria, Prodeminca). Due to the technical nature of the claims process, some grassroots claimants need NGO assistance to develop the strongest possible claim, and limited access to this technical assistance continues to be a factor that affects the accessibility of the Panel process. As a result, Panel claims often still need cross-sectoral coalitions, though not necessarily transnational ones.

4) Bank management has often responded by denying the validity of Inspection Panel claims.

The Bank’s long-standing culture of impunity has allowed staff, Management and the Board to avoid having to answer for the sometimes disastrous results of their decisions. When the Panel started to document policy non-compliance and to substantiate the claimants’ allegations of harm, the reaction from Bank managers and borrowing country governments was defensive. The Bank’s Board, meanwhile, usually split along North/South lines, often failed to empower the Panel to do its job. This led to chronic animosity between the Panel and Bank officials, as well as resentment by project managers called upon to testify to the Panel about the specifics of policy compliance.

In the vast majority of cases, the World Bank’s management and legal department responded by denying they had violated any policies, challenging the eligibility of claimants and/or by contesting the claimants’ allegations of harm. In only four cases did
Management acknowledge some failure to comply with Bank policies. This should be contrasted with the fourteen cases where the Panel found evidence that at least some of the claimants’ allegations of policy violations were valid. In response to several claims, the Board accepted ostensibly problem-solving “Action Plans” proposed by the borrowing governments and Bank management, in order to pre-empt investigations (Rondônia, Yacyretá, Itaparica, and Ecodevelopment).

The Inspection Panel in Action: Three Case Studies

**Argentina Structural Adjustment**

In November 1998 the bank agreed to fund a $2.5 billion structural adjustment loan in Argentina. The loan contained “Social Budget Conditions” that were designed to maintain a minimal level of spending in certain social programs. One of these programs was Pro Huerta, a food security program. With support from a human rights NGO, grassroots participants filed a claim with the Inspection Panel, asserting that the terms of the loan had been violated because the budget for Pro Huerta was to be cut by nearly 65 percent. After the Inspection Panel had received the request for an investigation, management was able to secure additional funding for Pro Huerta, nearly double its proposed budget. As stated by the panel, “the potential harm rightly feared by the Requesters when they submitted the Request for Inspection, which was based on the information available to them at that time, seems to have been avoided both by their own actions in submitting the Request, and by the subsequent favorable reaction of both the Argentine authorities and Bank Management.”

**China-Tibet**

The China Western Poverty Reduction Project was one of the most controversial cases in the history of the Inspection Panel and the World Bank. The project was ostensibly designed to reduce absolute poverty among hillside farmers in Qinghai Province in western China by resettling these farmers in Haixi Prefecture, a Tibetan and Mongol Autonomous Prefecture. Concerns arose, however, about a number of violations in bank policy and about the effect the relocation would have on the Tibetan and Mongol minorities that already inhabited the resettlement area. On June 18, 1999 a U.S.-based NGO filed a request for an investigation with the Inspection Panel. Ultimately, the panel concluded that there were apparent violations of bank policies on “environmental assessment, indigenous peoples, involuntary resettlement, natural habitats, pest management, investment lending—identification to the Board presentation, and disclosure of information.” After vigorous civil society protest, the World Bank withdrew funding for the project. The China-Tibet case has a number of important implications. The case indicates the importance of communication between “the Bank, the Panel, and civil society.” The China-Tibet case also led to structural reforms within the bank. For example, “the Panel’s involvement indirectly triggered the establishment of the Bank’s Quality Assurance Group (QAG).”

**Singrauli**

The Singrauli region of Central India was once known for its rich natural environment. However, the region is becoming rapidly industrialized, led by bank financed power generation projects. Among these was the expansion of two coal-fired power plants funded by a $400 million 1993 loan to the National Thermal Power Corporation (NTPC). In May 1997, Madhu Kohli, an independent activist, filed a claim on behalf of a small group of subsistence farmers. It was claimed that these farmers “were being forcibly removed from their homes and resettled in urban areas completely unsuited to their mode of living” to make room for the power plant's expansion. In a preliminary field visit, the Inspection Panel found “evidence of harm based on violations of the Bank's policies on involuntary resettlement, environmental assessment, and supervision.” However, the Board only allowed the panel to conduct a limited desk study. The panel's December 1997 report, nevertheless, confirmed that serious violations had occurred. The panel's involvement did lead to some improvement in compensation for the displaced, however, according to Dana Clark, "the fundamental objectives of the resettlement policy have been completely violated in Singrauli".

(Source: Treakle, Fox, and Clark 2003; The World Bank 2003)
More recently, however, procedural changes, coupled with growing Board acceptance of the Panel’s role in the Bank, have allowed the Panel to operate more in keeping with the original intent – to provide the Board with an independent perspective on the concerns raised by citizens experiencing negative impacts of Bank lending. In every case since the Panel’s 1999 “Second Review,” the Board has approved its recommendations for investigations.

5) The number of Panel claims so far represents only a fraction of potentially controversial projects, suggesting significant constraints on the Panel process.

The Bank has approved thousands of loans since the Panel was created. The small fraction of those projects that provoked Panel claims could lead one to conclude that policy violations are few and far between. However, such a conclusion would be based on the assumption that affected people have full access to relevant information about the Bank’s impacts on their lives, as well as full freedom of expression and association.

There are several obstacles to filing claims:

- Many people directly affected by Bank-funded projects are not aware that the Bank is even involved; those on the receiving end see government bulldozers.

- Few affected people are aware that the Bank’s safeguard policies grant them some minimal rights and set standards for institutional behavior.

- Many are also unaware of the Panel’s existence.

- Some affected people may be aware of the Panel, but are not convinced of its relative autonomy.

- Some may be wary of pursuing their campaign on the Bank’s home turf – its own limited policy framework.

- Others have ideological objections to formally engaging with an institution that they see as illegitimate.

6) Some Panel claims have led to clear project and policy level impacts on the World Bank.

The institutional impacts of Panel claims can be understood in terms of two crosscutting dimensions. The first dimension involves the distinction between influence on a specific project versus broader influence on policies and policy compliance. The second dimension involves the distinction between more vs. less tangible impacts. Table 1 shows project-level and policy impacts in a number of cases.

Direct project impacts are identifiable changes in the projects that provoked the claims, such as increased compensation for affected people, reversal or reform of project decision-making processes (as in Pro-Huerta in Argentina and Planaflo in Brazil), or mitigation of project impacts (as in suspending the increase in the water level behind the Yacyretá dam on the Argentina-Paraguay border). The overall pattern of Bank and borrowing government response shows that the most
common approach is to promise partial compensation or mitigation, but neither full redress nor sanctions. Repeatedly, management and borrowing governments promised the Bank’s Board that they would deal with the problems cited, often through arrangements in which were outcomes on the ground not subject to independent monitoring and sometimes instead of a full investigation. This approach puts the solutions in the hands of those responsible for the problems in the first place, eludes the Panel’s mandate and shifts the political terrain of struggle back to national and local arenas. In these cases, the outcomes of civil society attempts to change the local or national balance of power through an intervention in the transnational arena, end up being determined by local and national actors.

Other impacts are direct but less tangible, such as the nominal recognition of rights of a previously excluded social group, or a reported sense of empowerment on the part of those filing claims. The Jamuna Bridge case offers a clear example of the distinction between tangible and intangible direct impacts. The claim triggered the Bangladesh government’s first recognition that the char people, who live on shifting river islands, would be affected by the project. The claim’s material impacts included extremely small amounts of compensation for only a subset of those affected, delivered through a bureaucratic process that – in spite of being NGO-run – was discriminatory towards the very people whose rights were being recognized.\(^8\) The spillover effects of the government’s first ever recognition of the char people’s rights to compensation are less tangible, but could possibly be significant in the future.

In several important cases the most tangible impact of the claim took place far from the affected community, influencing policy but not the project. The Biobío dam claim directly provoked the establishment of a new environmental and social policy framework at the International Finance Corporation and the Multilateral Investment Guarantee Agency, as well as the creation of an ombudsman/compliance process to address problem projects.\(^9\) At the same time, the claim process produced very little in the way of tangible improvements for those directly affected by the dam. Another indicator of tangible but indirect impact is the Bank’s shift away from some of the most controversial kinds of projects, such as large dams (see discussion of “risk aversion,” below).\(^10\) Because the Panel process is only one of many factors contributing to this shift, however, this policy impact would count as tangible but indirect. Recently, the World Bank has indicated its renewed interests in so-called "high risk, high reward" infrastructure projects.\(^11\)
### Table 1: Project and Policy Level Impacts of Selected Panel Claims (1994-2002)

<table>
<thead>
<tr>
<th>Inspection Panel Claims Filed</th>
<th>Claimants' Objectives</th>
<th>Outcome at Project Level</th>
<th>Broader Bank Institutional Response / Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Arun III Hydro, Nepal</td>
<td>Adequate compensation; overhaul of the energy sector; postponement of project</td>
<td>Loan cancelled, dam stopped, claimants satisfied</td>
<td>Institutional resistance to Panel process began</td>
</tr>
<tr>
<td>4. Rondônia Natural Resources, Brazil</td>
<td>Meet sustainable development goals</td>
<td>Partial project reform, including compensation, creation of protected areas, and civil society legitimacy (power-sharing)</td>
<td>Triggered backlash against the “harm” standard, which was changed by Board of Directors during Second Review</td>
</tr>
<tr>
<td>5. BioBío (Pangue) Dam, Chile</td>
<td>Cancellation</td>
<td>No discernable outcomes on the ground; partial compensation for a group of those affected</td>
<td>Creation of CAO and adoption of social and environmental policies at IFC and MIGA</td>
</tr>
<tr>
<td>6. Jamuna Bridge, Bangladesh</td>
<td>Inclusion of char people in project planning and compensation</td>
<td>Partial compensation, with high transaction costs for affected people; creation of new, precedent-setting project-level policy for “erosion and flood affected” people</td>
<td></td>
</tr>
<tr>
<td>7. Yacyretá Hydro, Paraguay-Argentina</td>
<td>Expanded compensation and environmental mitigation; stop increase in dam height; stop privatization</td>
<td>Dam height has not increased, avoiding displacement of thousands of people; privatization stopped. Still unresolved issues with resettlement, compensation and mitigation</td>
<td>Management coverup of Panel findings; claim fueled borrower backlash against the Panel, leading to Second Review</td>
</tr>
<tr>
<td>10. Singrauli/ NTPC Power, India</td>
<td>Fair resettlement and rehabilitation and environmental mitigation</td>
<td>Improved compensation package for 1200 families out of hundreds of thousands of affected people</td>
<td>Board accepted Management Action Plan; including innovative Independent Monitoring Panel; claim fueled borrower backlash against the Panel, leading to Second Review</td>
</tr>
<tr>
<td>17. China Western Poverty Reduction</td>
<td>Block the resettlement component of the project</td>
<td>Bank financing of resettlement component cancelled; government project scaled back; claimants satisfied</td>
<td>Board rejected Management Action plan, China withdrew project; Management expanded internal compliance efforts</td>
</tr>
<tr>
<td>18. Structural Adjustment, Argentina</td>
<td>Protect funding for food security program for urban poor</td>
<td>Funding restored; claimants satisfied</td>
<td>Affirmed Panel’s jurisdiction over claims regarding Structural Adjustment Loans</td>
</tr>
</tbody>
</table>
7) The Panel has had contradictory institutional impacts on the Bank: “risk aversion” vs. “policy conversion.”

Overall, in terms of its impact on the Bank beyond the specific projects that provoked claims, the Panel process appears to have had contradictory impacts on the social and environmental policy process, simultaneously improving and weakening accountability. It is possible that recent internal changes have improved compliance with safeguard policies for projects in their early phases, as a direct result of the impact of the China/Tibet claim. At the same time, management continued to pursue its on-going “conversion” of the safeguard policies into often-weaker standards – a process also motivated in part by the threat of Panel claims. Finally, Management is now proposing to shift compliance responsibility to borrowers. The “net effect” of these changes, in terms of the social and environmental impact of the institution’s actual behavior, is difficult to predict. Any answer would require extensive independent field-based evaluations of projects launched “before” and “after” these changes.

8) Transparency can promote accountability through synergy between internal and external sunshine.

If the Panel lacks the mandate to impose sanctions, then how does it actually influence staff and management behavior? What is the precise causal mechanism? How does the potential for its investigative reports to publicly embarrass the Bank as an institution translate into actual changes in the internal incentive structure that shapes the behavior of individual managers and staffers? The relationship is neither direct nor automatic.

The World Bank has long been criticized for its internal incentive structure, which rewards staff more for moving projects and money through the pipeline than for assuring socially and environmentally sustainable outcomes on the ground. Bank management’s mantra of “client focus” in the late 1990s encouraged staffers to choose their battles with borrowing governments carefully. In this context, some staff treated full compliance with the Bank’s safeguard policies as a costly distraction, especially if compliance risked slowing project preparation or created tension with their official counterparts in borrowing governments. In addition, the Bank’s internal decentralization in the late 1990s weakened its own limited internal checks and balances by undercutting the autonomy of its own social and environmental vetting process. The threat of exposure used to be limited to denunciations by advocacy groups or occasional criticism in the media. This kind of “sunshine” proved to have very limited shaming power for those staff members and managers who appear to have been responsible for a disproportionate share of disastrous projects. Indeed, the perpetrators could easily hide behind their official anonymity, since external criticism rarely focused on specific individuals in the Bank. The Panel process created the first institutional mechanism to question the specific individuals responsible for complying with the Bank’s social and environmental standards to find out what went wrong and why.

The Panel process thus brings a limited kind of sunshine to bear on individual staff members. Though individuals identified by the Panel as having violated safeguard policies are not specifically named in the Panel’s public reports, they nevertheless become widely known within the institution. The Panel’s public reports do sometimes identify the positions held by those responsible for policy violations. This practice, by revealing the identities of culpable individuals to Bank insiders but not to the public, holds specific people accountable through internal rather than external sunshine. This threat, combined with the tension surrounding having to provide official testimony, explains why Panel investigations provoke widespread discomfort, even fear, among
staff and management. Even though the Panel process does not threaten them with external exposure, officials fear the loss of prestige associated with being exposed in the eyes of their own colleagues for policy violations that embarrass the Bank as a whole. The Panel’s use of transparency therefore operates in two different arenas at once – externally, by potentially validating the concerns of affected people, and internally, by potentially holding individuals “answerable” to an unprecedented degree. This threat of internal exposure could therefore be interpreted as adding a new de facto dimension to the mix of institutional incentives that shape staff decisions about whether to comply with minimum social and environmental policies.

9) “Institutional replication among multilateral organizations has begun, but has been limited so far.”

The Inter-American Development Bank and the Asian Development Bank followed the lead of the World Bank and established accountability processes in 1994 and 1995, but the investigation processes of these regional development banks lacked many fundamental guarantees of independence and effectiveness. Neither have a permanent panel, relying instead on ad hoc “rosters of experts” from which to choose inspectors in the event that their Board’s authorize an investigation. Few claims have been filed. One claim process at the ADB, however, revealed the impact that one well-organized project campaign can have on the broader process of institutional reform. The Samut Prakarn case, from Thailand, led to significant internal debate within the ADB’s Board, a serious review of their approach to accountability and a significant strengthening of the reform process. The Inter-American Development Bank, in contrast, has consistently resisted reforming its inspection process and has not accepted a role for public consultation. In 2002 the European Bank for Reconstruction and Development launched a process to create an “independent recourse mechanism.”

Other multilateral agencies, in contrast, have not followed the World Bank’s example of experimenting with public accountability processes. The IMF and the WTO still frame accountability narrowly in
terms of how nation-states must respond to their authority. In addition, the United Nations agencies still lack citizen-driven accountability agencies to deal with concerns from affected people about possible gaps between their policies and their own practices. Most donor government bilateral foreign aid agencies, notably including the influential export credit agencies, also lack social and environmental accountability processes, though this is beginning to change.

10) The Panel experience highlights the difference between getting a “foot in the door” for civil society actors and gaining a “seat at the table.”

The international standing gained by Panel claimants can be seen in terms of getting a “foot in the door.” This image of partial opening is especially appropriate because it leaves the outcome open-ended. The question is whether sustained pressure will open the door even further, whether the door will get stuck, or end up being slammed shut. Whatever happens in any one case, the process may let in some light and help those on the outside to see more clearly what the powers that be are doing on the inside.

A “foot in the door” is quite distinct from “a seat at the table,” an image that also suggests official recognition of standing. But being “at the table” goes further, suggesting that civil society actors have the opportunity to participate in negotiations over how decisions are made. The scope of the Panel process, in contrast, is limited to the investigation of the application of the Bank’s already-defined policies and projects. Moreover, once civil society actors trigger the process by submitting claims, they lack any additional role in the process. That is, the size and shape of the door to the process is already determined, and the question is whether and how far the door will actually open in the case of any particular claim. This metaphor would be incomplete without highlighting the different ways in which the institution’s insiders react to the opening of the crack. Insider reformists pull the door from within, in synergy with those pushing from outside. Other insiders, meanwhile, put their shoulder against the door, trying to prevent those outside from coming in.

Conclusions

This study found that the Inspection Panel generates an important, though limited degree of official “answerability.” A significant number of claims led
to tangible institutional responses. The Panel achieved an impressive degree of autonomy, and demonstrated notable investigative powers. However, these “answerability powers” are necessary but far from sufficient to ensure redress or compensation for those affected, or sanctions for those responsible in the case of specific claims and policy violations. In terms of the Panel’s potential broader impact beyond individual claims, we still lack sufficient empirical evidence to draw strong conclusions about its impact on the quality and consistency of the World Bank’s compliance with its own social and environmental reform commitments more generally.

One could sum this up by saying that the Panel process offers “sunshine without teeth.” This does not mean that it lacks clout, just that its bite is very uneven. The clout of its sunshine comes from the heat of exposure, which can be quite uncomfortable for those not used to being publicly examined in the light of day. If Panel investigations were insignificant, then staff would not resent and fear them. In contrast to the impression of consistent impacts created by the term “accountability mechanism,” however, the image of “sunshine without teeth” suggests the political contingency of the conditions under which an answerability agency can generate tangible accountability impacts. The phrase “information is power” is widely repeated, but in practice, the assertion only holds up some of the time. Much broader comparative research on such institutional experiments will be necessary to answer the following analytical question: under what conditions do third-party investigative bodies actually live up to their potential to change institutional behavior in practice?

In conclusion, the Inspection Panel has created the opportunity for people negatively affected by World Bank projects to gain some degree of international standing, access to transnational public interest allies, potential global media coverage, and even the possibility of some tangible changes in Bank projects. Bank management and staff have tended to react defensively to the threat of exposure of non-compliance with the institution’s environmental and social reform commitments, which is an indicator of weakened impunity. In many of the cases, the claim process changed whose voices count, and who listens. The Panel’s history has shown that for such institutional innovations to broaden and deepen their reach, both civil society actors and reformers inside the institutions need to broaden and deepen mutually empowering coalitions. While it remains to be seen just how far the Inspection Panel’s multiplier effects will travel within and across powerful institutions, this institutional experiment is a significant test case of civil society actors’ capacity to promote, use and empower institutional checks and balances.

Jonathan Fox is Professor of Latin America and Latino Studies at the University of California, Santa Cruz.


This team research project was made possible thanks to grants from the C.S Mott and Ford Foundations.
References

1 For a political history of the World Bank’s social and environmental policies, see Jonathan Fox and L. David Brown, eds., 1998.

2 For a definition of a stakeholder approach to accountability, see Kovach, Neligan and Burall, 2002/2003.


4 For details on this case, see Dana Clark and Kay Treakle, “The China Western Poverty Reduction Project,” in Clark, Fox and Treakle, op cit..

5 This perception nevertheless persists among some policymakers. For example, the UNDP’s recent Human Development Report, speculates that “judicial-style accountability” reforms like the Inspection Panel “may end up being shaped more by the desire of industrial country NGOs to garner publicity though confrontations and showdowns, not by quiet measures that more modestly improve the lives of people directly affected by projects.” (New York: Oxford, 2002): 117. The director of the UNDP previously served as head of public relations for the World Bank.


10 For example, The Economist reported “the World Bank’s lending for dam-building declined from some $1 billion per year to little more than $100 million last year” (July 19, 2003).


14 For example, the IMF’s approach to promoting transparency is to oblige nation-states to provide better financial data to private investors (Susanne Soederberg, “Grafting Stability onto Globalization? Deconstructing the IMF’s Recent Bid for Transparency,” Third World Quarterly 22(5) Oct. 2001: 849-864). The World Bank has been more vulnerable to challengers than, for example, the IMF or the WTO, because of a combination of its dependence on public funds, its high visibility, its projects’ very tangible impacts, its own internal debates, as well as its self-proclaimed mission to fight poverty.

15 On bilateral aid agencies, see the International NGO Campaign on Export Credit Agencies (www.can-watch.org). The Japan Bank for International Cooperation launched a public
information policy in 2001 and has had significant public consultations to develop a complaints process. For Japanese public interest group assessments, see www.foejapan.org/en/aid/index.html and www.mekongwatch.org/english/index.html.

16 The World Commission on Dams, in contrast, is a very significant example of an institutional innovation in which civil society actors gained a seat at the table at which decision-making criteria are set – though in this case the Bank and dam-building nation-states did not accept the new “rules of the game.”

Bibliography


