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Thorne, Eva T.

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Eva T. Thorne

Gutner, Tamar L. 2002. *Banking on the Environment: Multilateral Development Banks and their Environmental Performance in Central and Eastern Europe*. Cambridge, MA: MIT.

Clark, Dana, Jonathan Fox, and Kay Treakle, eds. 2003. *Demanding Accountability: Civil-Society Claims and the World Bank Inspection Panel*. Lanham, MD: Rowman & Littlefield.

In recent years, there has been a virtual explosion of literature in the field of political science concerned with the role and performance of multilateral development banks (MDBs). The main target of this scholarly interest has been the World Bank. The literature on the Bank is vast, and has—much like reform efforts within the Bank—appeared in waves. The earliest literature sought to demystify the institution, and highlighted its role within international politics. More recent waves addressed various aspects of Bank work, ranging from its poverty alleviation programs to its early efforts to take up "the environmental challenge." Current scholarship on MDBs is perhaps the most interesting, as it is more theoretically sophisticated and empirically rich. It moves beyond the sometimes static nature of international relations theorizing, and draws insights from policy literature, the literature on organizations, and transnational civil society. Two works reviewed here, Tamar L. Gutner's *Banking on the Environment: Multilateral Development Banks and their Environmental Performance in Central and Eastern Europe* and *Demanding Accountability: Civil-Society Claims and the World Bank Inspection Panel*, a volume edited by Dana Clark, Jonathan Fox, and Kay Treakle, represent the most empirically-grounded and theoretically creative of recent scholarship. What is especially refreshing about the two volumes reviewed here is that both examine the internal dynamics of MDBs, rather than leaving them as "black boxes."

Both works are united by several themes. First, both are concerned with the issue of institutional performance and make important contributions to our understanding of why MDBs function the way they do. Gutner frames her analysis in terms of the gap between MDBs' stated environmental goals and their

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realization, while Clark, Fox, and Treakle use accountability as their organizing principle. In particular they focus on how the World Bank's public appeals mechanism, the Inspection Panel, is leveraged by project-affected people in an effort to hold the institution accountable for its actions (p. xii). Second, both volumes break new empirical ground. Gutner's analyzes three MDBs' environmental behavior, rather than merely focusing on the World Bank, which is the most researched institution. Perhaps more importantly, she sheds light on the European Investment Bank, a little understood institution on which very little empirical research exists. In doing so, Gutner begins to fill an important gap in our knowledge of MDBs and offers a richer set of cases from which she draws. The Clark, Fox, and Treakle volume is comprised of chapters written mainly by civil society actors who participated directly in the Inspection Panel process, and analyzes nine claims. The case studies are developed from independent field research, access to World Bank documents and interviews with key informants. The volume represents one of the few in-depth analyses of claims brought before the Panel, and sheds light on the strengths and limits of civil society-driven efforts to promote institutional accountability between the Bank and those affected by projects it finances. Third, both engage recent literature on the interplay between transnational civil society and international institutions. Gutner's book draws on neorealist and neoliberal institutionalist approaches, as well as the literatures on policy-making and international institutions. Her contribution is in linking these literatures to explain the complexity of MDBs' environmental behavior. Gutner's findings support some existing theory, while arguing for the need to better integrate political and institutional variables. Moreover, she rightly points out the need to open up the "black box" of MDBs to understand how shareholder preferences influence the internal dynamics of the institution, as well as the mechanisms of reform. The Clark, Fox, and Treakle volume is decidedly less concerned with theory and is clearly aimed at a less specialized audience. Still, the introductory chapter and case studies engage the literature on transnational civil society. Where the volume makes a useful contribution is in expanding how the issue of accountability is conceptualized (p. xii).

Gutner's work " . . . investigates the environmental behavior of three major multilateral development banks, in order to determine whether or not these institutions are making great strides in integrating environmental considerations into their work, or whether they are engaged in "green" window dressing and causing more harm than good in recipient countries" (p. 2). To carry out her investigation, Gutner examines the environmental mandates and behavior of three institutions in Central and Eastern Europe (CEE): the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB). Gutner's approach is to use an analytical framework that focuses on the interplay between shareholder commitment, institutional dynamics, and recipient demand (p. 7). These variables are analyzed over three critical points along the policy-making process. "*Policy objectives* are the

MDB's stated environmental goals; *policy process* is defined as the ways these goals are institutionalized into decision-making processes and institutional design; and *policy outcomes* include both the composition of the MDB's portfolio and an assessment of whether its activities are carried out as planned" (p. 7). In assessing the varied outcomes in environmental behavior among the three MDBs, Gutner finds that different variables matter at different points in the policy-making process.

Gutner ranks the World Bank as the best in terms of responding to its shareholder-driven environmental mandate. The EBRD (which is charged with promoting free markets and private enterprise in CEE countries committed to democracy and open markets) ranks second, and the least well-known and under-researched EIB (a creation of the European Community, designed to be a long-term lending institution) ranks last. The rankings also reflect the extent to which the institution is "banklike." The World Bank is more of a development institution than a bank, while the EIB is more bank-oriented. The EBRD occupies an intermediate position. The most interesting and perhaps unexpected finding is the Bank's "high" ranking. When placed within the context of the three institutions in her study, perhaps its placement is more understandable. However, given the sustained, largely critical lens focused on the World Bank for its environmental performance, Gutner's finding is, indeed, as she characterizes it, "counterintuitive." Gutner makes several important contributions to our understanding of MDB performance. Perhaps her most significant one is in contextualizing the behavior of the Bank across a single issue area (environmental performance), thereby providing us with a richer, better informed empirical database from which to make observations and draw conclusions.

Policy objectives, the first stage in the policy-making process, are heavily determined by shareholder preferences. Gutner's main finding is that "[p]ressure from major shareholder countries, usually supported or pushed by environmental NGOs, is a key factor in determining how seriously an MDB will decide to address environmental issues in its work and explains why the World Bank and EBRD are "greener" than the EIB" (p. 47). In 1983, northern advocacy-oriented NGOs[1] began a campaign targeting MDBs' lending policies and practices.[2] The main target was the World Bank. Over time, these transnational advocacy networks (TANs) expanded to include Southern NGOs and groups adversely affected by MDB projects. NGOs focused their lobbying on European parliaments and the US Congress, the Bank's powerful shareholders. Results included a mandate for the US Executive Directive to work for environmental reform in Bank work. The Bank's environmental policy initiatives in the late 1980s through the mid-1990s reflect the impact of advocacy on powerful shareholders. In the case of the EBRD, the institution's adoption of an environmental

1. See Keck and Sikkink 1998 for more on TAN advocacy. NGOs involved included: Environmental Defense (formerly the Environmental Defense Fund), Natural Resources Defense Council (NRDC), and International Rivers Network (IRN).
2. For more on the interaction between NGOs and the US Congress, see Bramble and Porter 1992.

mandate occurred with strong support from donor agencies for which the issue was a priority. The largest shareholders (the United States, Germany, France, the UK, Japan, and Italy) have the most voting power, and all have significant domestic environmental advocacy groups. The last institution under consideration, the EIB, has the least ambitious environmental policy goals. It is more oriented toward damage mitigation than promoting environmental aims. Moreover, because the EIB enters the project process late, it is more difficult for the institution to have a stronger impact.

Gutner's analysis of the policy process stage moves from the politics of environmental mandates to their institutional expression. Institutional commitment to a given set of policies does not address how they will be executed. It is here that institutional design matters. The more bank-like and client-driven it is, the less likely it is that environmental mandates will be institutionalized. Rather, the financial and economic health of the recipient country is the primary goal. This characterization applies to the EIB, which is more a bank than a development institution, and to a lesser extent, the EBRD, which has banking and environmental goals. The World Bank is at the other end of the spectrum, and attempts to balance banking and development goals. It is more likely than the other two institutions to promote environmental issues because it focuses more heavily on development. Gutner presents five indicators that identify the degree to which the MDBs will focus on banking or other policy goals: institutional mission, structure, financial tools, procedures, and porousness (p. 77). Mission is about the institution's aims. *Structure* addresses the institution's bureaucracy, especially the type and location of staff in addition to how operations occur. *Financial tools* direct the recipients' identity as well as the nature of fundable projects. *Procedures* are mechanisms for funding activities and *porousness* refers to the MDBs' susceptibility to external pressure.

Gutner finds that the World Bank has done more to address environmental policy goals in its institutional structures than the other two MDBs. There are specific units and departments that are explicitly devoted to addressing implementation of environmental policies in Bank work. Gutner, while acknowledging the importance of institutional incentives as key in understanding how MDBs manage conflicting goals (banking and environmental) does not account for variations in compliance with environmental policies. Nor does it explain how "green" staff relates to other relevant actors in the project process. Is it always the case that dedicated staff promotes environmental policies? Finally, the analysis offered does not address the ways in which reform efforts can become "stuck" within the policy outcomes stage. Of course, addressing these issues would require a different analytic lens than the ones she employs. The other two MDBs (the EBRD ranks second, and the EIB, last) have more limited institutional structures in place to support the promotion of environmental aims in projects. Based on this analysis, the expectation is that the World Bank should perform the best in incorporating environmental concerns into the last stage of the policy-making process, *policy outcomes*. Moreover, the other two banks should perform in ways consistent with their more limited environment-friendly institutional structures. Through an analysis of each MDB's projects in CEE countries, Gutner confirms these predictions.

Ultimately, Gutner concludes that

> In the case of the environment, the optimal institutional balance may be where strong due diligence procedures better permeate all of the bank's projects, while dedicated projects exist in areas that dovetail with the banks' existing expertise. Integrating the environment in this way requires a tighter alignment of policy goals and internal incentive systems and a deeper penetration of green bankers throughout the institutions (p. 201).

These recommendations appear reasonable. How likely they are to be implemented remains open to question, especially as institutions such as the World Bank are becoming increasingly borrower-centered and critics question whether a commitment to the safeguard policies on the environment still exists.

What happens at the World Bank is often a harbinger of things to come for other MDBs.[3] The question of institutional accountability, therefore, remains the focus of scholars and activists alike. A key vehicle for challenging the World Bank to take its policies seriously has been its Inspection Panel, which its Board of Executive Directors voted to create in 1993. The publication of the Wapenhans Report and the Narmada debacle generated massive public scrutiny, leading to calls for the Bank to pay greater attention to its social and environmental safeguard policies. A public appeals mechanism became part of the reform initiative at the Bank. Through the Panel, project-affected populations would have direct access to the institution for the first time. Transnational civil society and Bank critics hoped that the Panel would lead to greater accountability, and a closing of the gap between Bank policy and practice. The Bank would benefit, too, as Panel claims would identify troubled projects for remedial action. The Panel promised gains for all involved stakeholders.

Demanding Accountability focuses exclusively on these issues and is organized around the Bank's Inspection Panel. This accessible volume makes important contributions to our understanding of the dynamics of institutional reform and public accountability. The Bank is the best-known of the MDBs, and maintains its position as a trendsetter in the field of development, especially in the areas of social and environmental policies. It is the first institution to respond to TAN pressure by establishing a public appeals mechanism. The volume's case studies " . . . examine cases where local, national, and international campaigns were mutually reinforcing. Local, national, and international arenas each offer advocacy campaigns distinct sets of allies, resources, and obstacles" (p. xviii). Moreover, the chapters " . . . assess the processes and outcomes in light of the interests and goals of the different actors involved" (p. xviii). These goals are di-

3. As *Demanding Accountability* points out, other MDBs, such as the Asian Development Bank and the Inter-American Development Bank, followed the World Bank's lead in adopting safeguard policies.

verse, including implementing sound projects as planned, halting projects, and implementing compensation packages and damage mitigation measures. In addition to highlighting how the Panel process affects transnational civil society processes, the volume also deepens our understanding of how external scrutiny, protest, and pressure, processed through the Inspection Panel, affect the political calculations of actors within the World Bank. The diversity of case studies leads to a range of conclusions that address: the projects most likely to generate claims; the policies most often violated; the types of civil society actors involved in the Panel process; and how the Bank responded. Each is considered in turn, after a brief discussion of the highly political nature of the Panel.

The Panel immediately served as a lightning rod for Bank project managers, senior officials and the Board itself. The investigation process generated division and conflict between the Panel and a defensive Bank management, which often ignored Panel rules by communicating directly with the Board in an attempt to influence its deliberations. During some claims processes, it seemed that the Panel functioned less as an investigatory body, and more as an information-gathering one. The Panel so threatened the Bank that Management attempted to limit its autonomy during its 1998 review of the Panel. NGOs and claimants campaigned to maintain the Panel's autonomy. The Panel also affected the Bank's Board, which customarily operates by consensus. Claims brought to the Board challenged this, and generated conflict between board members representing donor and borrowing countries. Southern governments and their Bank representatives objected vigorously to what they viewed as incursions into their internal decisionmaking processes by claimants and northern NGOs.

All these issues played out in the nine claims analyzed in the chapters. The claims include infrastructure projects (dams, bridges, and coal projects), market-assisted land reform and poverty reduction projects, and natural resource management projects. The policy most violated was the Bank's environmental assessment policy, which is interesting, given Gutner's finding that the World Bank performed best in the area of environmental policy. Again, this underscores the need to further probe the dynamics of Bank projects in which the policy was triggered in order to understand the determinants of safeguard policy compliance and implementation. Other Bank policies heavily implicated are triggered by large infrastructure projects, which figure prominently among those most likely to be cited by claimants. These include policies on involuntary resettlement, indigenous peoples, information disclosure, and project supervision.

In contrast to the perception that northern NGOs drive the claims process, the findings clearly show that it is Southern civil society actors that have generated most of the claims (seventeen). South-North coalitions generated ten claims, and one claim was filed as a result of the efforts of an international NGO acting on behalf of local actors (p. 251). These results also challenge the common notion that the global North remains the center of civil society activism. Given the immense amount of work required to even file a claim, this finding is especially noteworthy. Filing claims can be costly politically and organizationally and may divert resources and attention from more immediate concerns and local politics. Actors considering filing claims must undertake a cost-benefit analysis before engaging the long process.

Ironically, as several of the case studies show, improvements in projects and policies do not always lead to improvements on the ground (p. 274). While additional pressure on the World Bank is clearly necessary, it is also worth pointing out the obvious—that governments that borrow the money to finance development projects ultimately bear responsibility for development outcomes, whether positive or negative. Civil society groups use the World Bank's Inspection Panel to leverage not only that institution, but also their own governments. An interesting and potentially fruitful avenue for additional research would be how civil society campaigns directed primarily at the Bank affect borrowers' development policies. The chapters are suggestive in this regard.

In terms of the Panel's impact on the Bank, a key finding is that Bank management denied allegations of policy violations, and consistently questioned the eligibility of the claims. A civil society campaign with strong Southern participation is credited with successfully pressuring the Bank to allow the Panel to continue functioning, and to do so more independently:

> Subsequent 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 side effects of bank lending. In every case since the second review, board members have approved panel recommendations for investigations (p. 257).

As the chapters clearly show, the Panel has affected how the Bank relates to its safeguard policies. They are designed to mitigate social and environmental harm associated with Bank-financed projects. Their guiding principle is to "do no harm" and, where possible, "do good." TAN campaigning has raised their visibility, in large measure because they are also used by nonstate actors to generate pro-sustainable development outcomes in addition to policy compliance. Safeguard policies—and perhaps more importantly their norms—are the focus of debate between various stakeholders in the development process. For the Bank, they still represent a major challenge to implement, especially given the structure of the institution's bureaucracy and incentives, and its increased concern with borrower preferences. For transnational civil society, the policies and the Panel are critical weapons to protect vulnerable populations, improve project quality, and hold the World Bank accountable. The chapters in *Demanding Accountability* document in rich detail how these issues play out.

This edited volume, along with Gutner's study, deepen our understanding of the dynamics of MDB policy and practice, and are a welcome addition to the literature. Though each has a different starting point, both address important questions about how accountability is constructed through "high" and "low" politics. Each provides a different window into why MDBs respond to certain pressures, whether from shareholders, clients, or transnational civil society. It remains to be seen whether MDBs will be able to satisfy these different constituencies.

References

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