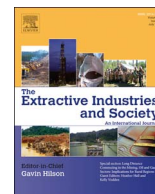




Contents lists available at ScienceDirect

The Extractive Industries and Society

journal homepage: www.elsevier.com/locate/exis

Original article

Monitoring the moneylenders: Institutional accountability and environmental governance at the World Bank's Inspection Panel

Benjamin K. Sovacool^{a,b,*}^a Center for Energy Technologies, Department of Business Development and Technology, Aarhus University, Denmark^b Science Policy Research Unit (SPRU), School of Business, Management, Economics, University of Sussex, United Kingdom

ARTICLE INFO

Keywords:

Environmental governance
Sustainable development
Multilateral financial institutions
Corruption

ABSTRACT

This article discusses how Independent Accountability Mechanisms (IAMs) such as an Inspection Panel have the potential to improve both the legitimacy and environmental governance of multilateral financial institutions such as the World Bank. The World Bank provides loans and credit to developing countries to stimulate social and economic development in an attempt to alleviate poverty, often investing in infrastructure projects such as pipelines, power plants, and oil and gas fields. With billions in annual lending, the World Bank is the largest international financial institution in the world. Between 1994, when it started operations, and June 2015, the World Bank Inspection Panel received 103 requests for inspection across more than 50 countries that resulted in 34 approved investigations. Based on a qualitative case study methodology, the study finds that institutional accountability has inherent value in improving the internal governance of an institution—in this case the World Bank—and its ability to achieve development and sustainability goals. Yet to be effective, such governance needs steered by committed and independent leaders on all sides, and there are limits to what IAMs such as the IP can accomplish. Understanding the internal dynamics, processes, and accountability mechanisms of the World Bank offers a rare chance to test the efficacy of institutional accountability in practice. Moreover, this study shows how attributes reflecting independence, impartiality, transparency, professionalism, accessibility, and responsiveness are crucial to improving governance outcomes and more equitable decision-making processes—themes highly relevant to public policy and development studies as well as environmental governance and the extractive industries.

1. Introduction

In the more than quarter-century since they were first proposed in the 1970s and 1980s, Independent Accountability Mechanisms (IAMs) have become a prominent fixture on the international stage. IAMs have been hailed for enhancing the transparency and efficacy of inter-governmental and multilateral financial institutions such as the World Bank or the European Investment Bank (Lewis, 2012). Indeed, as of 2012, more than a dozen IAMs were in operation globally and they had collectively handled a total of 260 complaints spanning 72 countries (CAO, 2012). This may come as no surprise given that accountability and transparency mechanisms have long been held to promote improvements in governance, empowerment, responsibility, and democracy (Schillemans and Busuioic, 2015; Macdonald and Miller-Dawkins, 2015; Dobel, 1992).

Inspection Panels (IPs) are one of the more prevalent types of IAMs. IPs make it possible for citizens and communities to “challenge decisions of international bodies through a clear and independently

administered accountability and recourse process” (World Bank, 2009). But do they work? This study qualitatively examines the World Bank's IP, the world's first (Shihata, 2000) and also largest and longest running IP to date (World Bank Inspection Panel, 2016). This paper asks: what types of accountability does the IP promote? What are some of the tangible benefits that result from the IP? What challenges continue to hamper its effectiveness? And, critically, what lessons does it offer scholars and practitioners of environmental governance and energy policy, core themes in this journal?

Answering these questions yields multiple contributions. First, and most obviously, the paper focuses on the performance of the World Bank Group (WBG), a major source of financing for energy and infrastructure projects (including pipelines, oil and gas fields, and power plants). International financial institutions such as the WBG are, in the words of Keohane (2002), “organized anarchies” founded and maintained to reduce transaction costs, offer information, and enable agents to orchestrate complicated actions. The WBG in particular is a multilateral institution that provides loans and credit to developing countries

* Corresponding author at: Department of Business Development and Technology, Aarhus University, Birk Centerpark 15, DK-7400 Herning, Denmark.
E-mail address: BenjaminSo@hih.au.dk.

<http://dx.doi.org/10.1016/j.exis.2017.08.003>

Received 9 May 2017; Received in revised form 28 August 2017; Accepted 29 August 2017
2214-790X/ © 2017 Elsevier Ltd. All rights reserved.

to stimulate social and economic development in an attempt to alleviate poverty (Clark, 1999). The WBG's annual average lending ranges \$60 to \$70 billion in loans, grants, equity investments, and loan guarantees (World Bank, 2015), making it the largest international development bank in the world. Though it operates independently, the WBG's major shareholders are France, Germany, Japan, the United States, and the United Kingdom, and its major borrowers are Brazil, China, India, Indonesia, Mexico, and Russia. Understanding the internal dynamics, processes, and accountability mechanisms of the WBG is therefore of importance for both scholars of environmental governance and energy policy and practitioners of multilateral financial aid.

Second, this study examines a particular type of accountability—institutional accountability—infrequently investigated in the environmental governance literature. Much governance literature has broadly assessed personal accountability or professional accountability, usually meant to describe the relationships between a public servant or agency and an elected or appointed official (Bundt, 2000; Hays and Sowa, 2006; Romzek and Dubnick, 1998). Others have analyzed the implementation of performance management and performance based contracting systems to see the extent to which they improve accountability or effectiveness (Moynihan et al., 2011; Radin, 2006). Little research in environmental governance has yet explored institutional accountability—where an institution is held accountable by an independent, impartial, transparent, professional, accessible, and responsive panel—where options for due recourse, for redress, for increased participation and representation exist. Institutional accountability is therefore meant to encompass not only accountability “for what” but also “to whom” (Bardach and Lesser, 1996)—in this particular instance “for” harms such as the erosion of indigenous culture or the despoliation of the environment, and “to” an independent, external panel. In this way IPs seek to enhance performance through better independent monitoring, oversight, and control. They attempt to “guard the guardians” and operate sort of like an internal affairs division of a police department (Cabral and Lazzarini, 2015)—meaning they occupy a unique, and rarely studied, brand of accountability.

Third, the WBG's IP is structured in a way that it is generally polycentric, participatory, and inclusive. It coordinates multiple actors at multiple scales, making it a new mode of “polycentrism” (Ostrom, 2010) or “collaborative governance” (Johnston et al., 2010) since it necessitates, to a degree, consensus-oriented, deliberative processes that stitch together government stakeholders, affected communities, private sector actors, management at the World Bank, and other institutions. In other words, the IP reflects the principle of decentralized, citizen-driven accountability attempting to increase visibility and create more responsive systems of redress for people harmed by inter-governmental processes or projects (Lewis, 2012). Examining the World Bank's IP offers a rare chance to test the efficacy of this form of collaborative structure (Sovacool, 2013).

2. Research design, case selection, and conceptual focus

To demonstrate the salience of accountability and IPs, the paper provides a historical, qualitative case study of the World Bank's IP. The paper relies on a case study methodology because this is well suited for rich, qualitative and processual studies of phenomena in real-world contexts (Yin, 1994). This particular method offers effective tools for specifically analyzing the contextual dynamics of institutions and controversy (Mjøsset, 2009). The World Bank's IP was chosen because it was the first and therefore has the most operational experience (Sovacool, 2013). In addition, the WBG offers a unique place to test the efficacy of institutional accountability because its membership includes almost every country in the world (Woods, 2000). Moreover, as Bugalski (2016: 3) writes, the WBG's template for an IP has come to be modelled by many other international actors:

The Bank's accountability system, encompassing its safeguard policies

and the Inspection Panel, has been emulated in some form and to varying extents by all other traditional multilateral development finance institutions and some bilateral aid agencies. The system has also spread, somewhat tentatively, into the world of private finance

The author conducted primary research at the archives of both the World Bank and the World Bank's IP (which has a separate secretariat, website, and institutional repository). Both archives are open to the public. The paper also synthesizes, inductively, historical data from textual academic sources when relevant, most of them from the legal studies and jurisprudence literature. Admittedly, this review of the literature was not completely systematic and was done more to supplement or triangulate the archival results.

To provide a bit more justification and background for case study selection, the WBG is actually comprised of five separate organizations. The International Bank for Reconstruction and Development (IBRD) was created in 1944 at the Bretton Woods Conference, as a special agency of the United Nations. Its purpose was to allocate money from wealthy nations to those that needed help financing reconstruction efforts after World War II. According to the IBRD website, its role has now shifted:

The IBRD works with its members to achieve equitable and sustainable economic growth in their national economies and to find solutions to pressing regional and global problems in economic development and in other important areas, such as environmental sustainability. It pursues its overriding goal—to overcome poverty and improve standards of living—primarily by providing loans, risk management products, and expertise on development-related disciplines and by coordinating responses to regional and global challenges.¹

The IBRD remains the Bank's second largest lender with \$18.6 billion invested in 93 operations in fiscal year 2015 involving 188 member countries, offering money and guarantees to middle income governments for development projects.

The largest part of the Bank is the International Development Association, or IDA, established in 1960 to fund projects in developing countries unable to borrow money on IBRD's terms. Bankers sometimes call these loans “soft” since they have extended grace periods and minimal finance charges. As the WBG (2012) described it, the IDA “supports countries' efforts to boost economic growth, reduce poverty, and improve the living conditions of the poor.” In 2015, 81 countries received IDA assistance worth roughly \$22.3 billion in total, the largest of any part of the WBG.

The third branch of the WBG is the International Finance Corporation (IFC), created in 1956 and owned by 176 member countries. In 2015, it invested \$17.2 billion across 100 countries. Unlike the previous two branches, the IFC lends to the private sector rather than governments, and its mandate is to “promote productive and profitable private enterprises in developing nations” and to allow “financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities” (World Bank, 2012). The IFC generally offers technical assistance to companies including privatizing government linked monopolies, protecting securities, and creating stock exchanges.

The fourth and fifth arms of the WBG are the Multilateral Investment Guarantee Agency (MIGA), created in 1988 with about \$3.1 billion of investments and guarantees in 2014, and the International Centre for Settlement of Investment Disputes (ICSID), created in 1966 to resolve disputes between foreign investors and governments.

Due to its size and scale, the WBG is a major financier of infrastructure and mining projects around the world. Although precise numbers differ year-to-year, as Fig. 1 shows lending for energy/mining

¹ See <http://www.worldbank.org/ibrd>

Download English Version:

<https://daneshyari.com/en/article/7454402>

Download Persian Version:

<https://daneshyari.com/article/7454402>

[Daneshyari.com](https://daneshyari.com)