Assessing the Accountability of the World Bank Group

By

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ABSTRACT

Since the 1980s international organizations (IOs) such as the World Bank have been accused of being unaccountable. In 1994, the Bank created an Inspection Panel, setting a precedent in allowing peoples affected by Bank projects to seek redress. Yet quasi-judicial panels are not the only means of IO accountability. Within the broader World Bank Group, a different accountability mechanism was created in 1999: a Compliance Advisor/Ombudsman (CAO). This article first assesses broader trends towards accountability mechanisms by IOs and attempts to define accountability for global governance structures. It then compares the Panel and the CAO, examining their organizational structures and functions. Lastly, it evaluates their success based on a holistic definition of accountability. The article argues that while the Panel and the CAO face similar challenges in ensuring accountability, that in order to be successful, accountability mechanisms must be both internally and externally accountable.

INTRODUCTION

International organizations (IOs), particularly international economic institutions such as the World Bank, International Monetary Fund (IMF) and World Trade Organisation (WTO) have been the focus of scrutiny by groups within global civil society over the past two decades (Bird, 2001; Gershman 1996; Kaldor 2000; Woods 2001, 2000; Woods and Narlikar 2001).[1] These groups include activists, non-government organizations (NGOs), grassroots movements, think tanks, academia and the media, spanning issues including: the environment, human rights, gender, poverty, inequality and debt (Adams 1992; Danaher 1994; O'Brien, Scholte and Williams 2000; Rich 1994). While challenging the actions of international economic institutions across these issue areas, global civil society groups have consistently argued for greater transparency and accountability of IO actions "on the ground" as well as in their decision-making processes. This paper first assesses trends towards accountability mechanisms by IOs arguing that this is based on duel definitions of making global governance structures "internally" and "externally" accountable (Keohane 2002).

It then examines the two accountability mechanisms established by the World Bank Group in the 1990s.[2] The World Bank has been the largest target of transnational activist campaigns and has been at the forefront of establishing accountability mechanisms for IOs, particularly for multilateral development banks and export credit agencies.[3] Within the World Bank Group, the International Bank for Reconstruction and Development (the "World Bank") and private sector lender and guarantor affiliates, the International

[1] The United Nations has also been accused of being unaccountable in its various operations and an UN ombudsman has been suggested. See Hoffman and Megret 2005.

[2] The World Bank Group includes the International Bank for Reconstruction and Development (IBRD) established (1944), the International Finance Corporation (1956), the International Development Association (1960), the International Center for the Settlement of Disputes (1966), the Multilateral Investment Guarantee Agency (1988).

[3] Soon after, regional development banks established accountability mechanisms including: the Inter-American Development Bank (1994); the Asian Development Bank (1995); the European Bank for Reconstruction and Development (2004); and the African Development Bank (2006). In contrast, most export credit agencies do not have accountability mechanisms although some follow the OECD "Guidelines for Multinational Enterprises" (2000). Exceptions include: Export Development Canada (established a Compliance Officer in 2001); the Swiss Export Risk Guarantee (established a monitoring mechanism in 2004) and the American Overseas Private Investment Corporation (established an accountability mechanism in 2004). The latter has been liaising with the World Bank Group's Compliance Advisor Ombudsman on its structure and function. Interview with the CAO Office September 9, 2005.

Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), created very different accountability institutions in response to global civil society and member state demands. It compares the establishment of the World Bank Inspection Panel and IFC/MIGA's Compliance Advisor Ombudsman (CAO) through examining their organizational structures and functions before evaluating their success in improving accountability. The comparison points to varying degrees of accountability. Arguably, the CAO model is better able to respond to the needs of recipients of loans, investments and guarantees (external accountability) than the Inspection Panel, as a result of creating a structure that reflects the needs of private sector lenders, guarantors and their recipients than the World Bank's public lending development model which tends to uphold pre-existing Bank-state structures (internal accountability). This paper argues that accountability structures should reflect the needs of both IO principals and stakeholders to bridges the internal/external dichotomy. First, however, an overview of how accountability became an issue for IOs is warranted.

ACCOUNTABILITY IN INTERNATIONAL ECONOMIC INSTITUTIONS

IOs such as the World Bank, IMF and the regional development banks play a significant role in international politics through their influence in shaping developing states' economic (and increasingly social and political) policies and institutions. As multilateral lenders to developing countries with considerable clout over loan conditions, these IOs have been the focus of large-scale transnational activist campaigns. Among the many and varied goals of these campaigns (outlined earlier) they have increasingly urged IOs to become more accountable for their actions and decision making procedures (Clark, Fox and Treakle 2003; Fox and Brown 1998; Woods 2001, 2000; Woods and Narlikar 2001). Accountability is the "means to be held responsible for a state of affairs: the way a department is run, a budget is spent, a soccer team performs, and a transnational system is governed" (Caporoso 2003: 366). In relation to the World Bank, Fox states that

accountability "refers to the process of holding actors responsible for their actions" (2003: xii).[4]

Public calls for accountability have come from activists and NGOs within the powerful industrialized member states of IOs who often act in coordination with coalitions of NGOs and activists from developing member states. This conjoining of Northern and Southern NGOs and activists forms what Keck and Sikkink have called transnational advocacy networks (1998: 9). These non-state actors attempt to influence powerful member states to influence the World Bank to then influence developing states, a process referred to both as "backward triangulation" and a "boomerang pattern" (Fox and Brown 1998: 511; Keck and Sikkink 1998: 13). Demands for accountability are based on the adverse effects IO operations have on peoples and ecosystems in developing countries. Yet calls for accountability are not limited to demands for IOs to mitigate their adverse impacts on peoples and ecosystems but also to improve the transparency of IO decision making. Significantly and most recently, calls for improved decision making processes come not only from non-state actors but also from IO member states (Buira 2003). Critics argue that the Bank and the Fund are not accountable because they are not sufficiently democratic in their organizational voting structure (Buira 2003; Woods 2000, 2003). This "democratic deficit" is viewed in light of the democratic ideals of states. These are distinct demands and are examined below.

Demands for accountability examined here are thus divided into two categories according to the *internal accountability* of principle member states over their agencies and *external accountability* to stakeholders such as transnational advocacy networks (Keohane 2002: 14). For some, IO accountability is based on a blend of legal responsibility and political accountability (Hoffman and Megret 2005: 50). This incorporates how and what makes an organization responsible for its actions and to whom it is accountable. For the World Bank Group, this legal-political blend is in relation to meeting the demands of its principle member states, where "accountability is frequently defined as applying to

[4] In comparison to the World Bank and other multilateral development lenders the WTO and IMF has resisted external accountability, continuing to view accountability in terms of how states "respond to *their* authority" (Fox 2003: xv, emphasis in original).

situations in which an agent 'is held to answer for performance that involves some delegation of authority to act'" (Koenig-Archibugi 2004: 236; quoting Romzek and Dubnick 1998).[5] This internal accountability refers to the authorization and support of the organization by principals (member states). These principals confer authority, and therefore obligations, on the agent (IO) as a result of member states' financial and political support. This compares with external accountability which Keohane defines as the "accountability to people outside the acting entity, whose lives are affected by it" (Keohane 2002: 14-15). This is akin to the responsibility that (transnational) corporations have whereby "a person or community is substantially affected by the actions of an individual or organization may, under certain circumstances, justify the establishment of a relationship of accountability between them" (Koenig-Archibugi 2004: 236).

Keohane and Nye identify five areas of accountability for global governance that include the following: electoral, hierarchical (principal-agent), legal, reputational and market accountability (2003: 389-91). First, electoral accountability refers to the ability to elect or re-elect a member or organization to continue its delegated task based on some measurement of its legal and/or political responsiveness. Second, hierarchical accountability refers to states delegating authority for a task to an agent or organisation. The principal has formal authority in its ability to write contracts, establish incentives and impose sanctions on the agent (Kiewiet and McCubbins 1991: 26; Miller 2005: 203-4). Third, legal accountability refers to the ability of the actor to adhere to the law while undertaking its tasks, while reputational accountability rests on standards of expected behaviour of actors in specific roles. Finally, market accountability refers to being held responsible for the consequences of market actors' decisions (Raffer 2004: 62)

Both electoral and hierarchical accountability refer to the internal accountability of IOs, where voting and delegation lies with principal member states. Legal, reputational and market accountability span both internal and external accountability in relation to the World Bank Group. Legal accountability for the World Bank Group is less clear, as the

[5] On the delegation chain between principal member states and international organizations see Hawkins et al 2006.

organizations are accountable in terms of following their own policies and constitutions (internal accountability), but hard law refers to international and domestic law (external accountability). With regard to the accountability mechanisms established within the World Bank Group they tend to ensure that the IOs meet their responsibility to their principals or stakeholders based on standards or expectations not on international or domestic law with recourse to legal redress. Most recently, the World Bank has introduced a conversion process to its safeguard policies to ensure that middle income borrowers use domestic standards and laws as the basis for World Bank funded projects – perhaps to ensure legal accountability for project operators rather than lead to recourse through the Inspection Panel (World Bank 2006). Reinisch highlights the lack of legal accountability of IOs in relation to domestic laws that contribute to their lack of both internal and external accountability (2001: 132).

Regarding reputational accountability, the World Bank Group's accountability mechanisms were created for reputational reasons in light of sustained transnational advocacy network campaigns that tarnished the image of the largest and most significant multilateral development lender and which spurred increased oversight by principals (Rich 1994; Fox and Brown 1998). The result was to make the organizations (at least nominally) responsible to external stakeholders (Clark Fox and Treakle 2003).[6] Thus, reputational accountability can trigger changes to how an IO operates including expanding its notions of accountability (such as opening the IO up to external accountability). Reputational accountability has been raised in relation to the action's of the current World Bank president Paul Wolfowitz although this is in relation to the internal procedures of the Bank and is part of internal accountability discussed below.

On IO market accountability, the World Bank and International Monetary Fund's economic (specifically financial) accountability has only recently been challenged according to notions of accountability (Raffer 2004), although there is a long history of challenging the IMF and the Bank on their neoliberal economic model (Bello 1994;

[6] Indeed, only recently has the World Bank and International Monetary Fund's economic (specifically financial) accountability been challenged (Raffer 2004).

Caufield 1996; George and Sabelli 1994; Mosley Harrigan and Toye 1991). Significantly, the World Bank's Inspection Panel has only been used to limited effect in challenging the macro-economic program lending of the Bank, where most panel claims are on specific project lending (Inspection Panel 2002: 39).

The use of internal and external typologies thus remains the key focus of this paper as it relates specifically to the use of the types of accountability mechanisms created by the World Bank Group. In doing so, it illuminates the inherent power dynamics within and outside IOs – where member states have more power over the organization than non-state actors outside the institution, which in turn influences the structure of the accountability function. The next section discusses arguments for increased internal IO accountability, before examining pushes for external accountability and the creation of the Inspection Panel and the CAO.

Internal Accountability

This section examines the internal accountability of the World Bank Group in relation to electoral, hierarchical, and reputational accountability. IOs hold hierarchical accountability: IOs are accountable to their principals (member states) who created and continue to fund IOs in order to undertake tasks that states are unable or unwilling to do alone. As it stands, IOs are "traditionally" accountable to their member states via their organizational structure. For the Fund and the Bank this includes a Board of Governors made up of member states' finance ministers who meet annually to discuss the overall direction of the organizations. The Governors are in turn represented by a smaller number of Executive Directors that vote on IO management decisions (electoral accountability). Executive Directors vote on proposals presented by the President or Managing Director (IO management), the latter determining the daily operations of the IO.

First, electoral accountability refers to the voting procedures within the World Bank Group where the Executive Directors can vote to determine program and policy funding. Most recently the voting process has become much more prominent with the debate over whether the current World Bank president Paul Wolfowitz followed Bank procedure in

approving a raise for his companion, a staff member of the World Bank in 2005. This issue itself is one of reputational accountability, with Bank staff and (European) Executive Directors arguing that the president has damaged the reputation of the institution by acting unethically in light of the organizations stated transparency, good governance and anti-corruption aims. Whether the Board goes to a vote on this issue, as opposed to consensus decision making, demonstrates how electoral accountability can reveal differences in principal interests over reputational accountability. Again, reputational accountability refers to the expected behaviour of an actor or agent in a specific role.

An argument for further internal accountability is based on electoral accountability: that IOs are not responsive to their principals or groups of principals. Specifically, the relative power of member states has changed from 1944 when the Fund and Bank were established but their involvement in voting and influence has not. Witness for example, the varying fortunes of Japan, China and India and the emergence of newly independent states through decolonization. Significantly, Kapur notes that even as US funding of the World Bank has declined, its influence has increased (2002: 62). This can be compared to the increased role of Japan and the Nordic countries in financing programs and trust funds of the Bank rather than increasing their shareholder capacity and therefore votes at the Board level (Kapur 2002: 63).[7] While developed states have found alternative ways to influence the World Bank, the same cannot be said for larger developing countries such as Brazil, China and India. Calls to redress the power imbalances in decision making processes of the Bank and the Fund continue to be made on the basis of the inequality of member state representation (Woods 2001: 85).

Second, hierarchical accountability is a process of delegation from member states to multilateral institutions and is best outlined within a Principal-Agent model (P-A model) (Caporoso 2003: 366; Hawkins et al 2006). The P-A model examines the broader nature

[7] Kapur states that this is a means for developed countries to bypass budgetary restraints on International Development Association (IDA) funding, the soft loan window of the World Bank, which is based on periodic replenishments from developed states that have been successfully challenged by NGOs through domestic political processes (Kapur 2002: 63; Bowles and Kormos 1999: 213).

of interaction between IOs and states by examining the agent (IO) and its multiple principals (many member states with diverse interests) or its collective principals (various delegations including different government agencies and lobby groups within the state). In this way, the P-A model examines the competing pressures on IOs as agents in the international system, by demonstrating the way in which states press IOs to undertake certain functions. Conversely, applying the P-A model also reveals that states cannot ensure that IOs will act as states intend. This is the potential for "agency-slippage" (Nielson and Tierney 2003: 248). The process of delegation from states to IOs is analyzed within the context of exploring the increased demand for IO accountability. The agent's activities that are determined by the principal devising its contract, determining how staff are selected and screened, as well as imposing monitoring, reporting and institutional checks designed to overcome agent slack (Kiewiet and McCubbins 1991: 26). The principals' choice of oversight mechanisms can include the establishment of monitoring and oversight mechanisms as well as the use of rewards and punishments. With-holding funding by the US principal was central to the establishment of the Bank's Inspection Panel (McCubbins et al 1987: 243, 249; Bowles and Kormos 1999: 220).

A strong argument for increased internal accountability is that IOs are not responsive to its principals through hierarchical accountability. IOs such as the Fund and the Bank aim to assist developing countries but that they are unable to effectively do so and that this needs to be addressed. For example, large borrower states such as China continue to expect the Bank to support large infrastructure projects (such as dams and relocation projects) and resent the influence of transnational advocacy networks in preventing them (see for example Khagram 2004; Clark and Treakle 2003). Here the cleavages of interests between multiple principals (as well as collective principals) come to the fore. Similarly, heated debates have taken place between states over the IMF's role in 1997-8 Asian financial crisis as a means of helping or hindering borrowers' post-crisis recovery (Thirkell-White 2004; Stiglitz 2002). There are pushes to increase internal accountability in order to make decision making processes more transparent to ensure the organizations are more effective in undertaking their intended functions. Woods argues that the

structure of the Fund and the Bank means that state representatives are unable to effectively oversee and monitor the organization's operations (2001: 87).

A related argument towards increasing the internal accountability of IOs is through "constitutionalism" because IOs are "bound by their constitutions" (Woods and Narlikar 2001: 573). IO constitutions are established by principals and are a means of detailing the tasks required of the agent and how they are to be undertaken. Notably, this has been the chief means through which NGOs and transnational advocacy networks have attempted to ensure the accountability of IOs. Woods and Narlikar call this horizontal accountability: Where internal checks and balances ensure that the organization is accountable (Woods and Narlikar 2001: 574) Indeed, after challenging the World Bank Group to recognize the adverse impact on peoples affected by their operations (external accountability), NGOs and activists then attempted to ensure the IOs were meeting their own policy guidelines (internal accountability). This has drawn attention to the way in which IOs have responded to non-state actors as the cases studies below elaborate.

Finally, reputational accountability informs the demand for more transparent, effective and accountable decision making processes regarding how to appoint IO leaders. The appointment of Paul Wolfowitz to the presidency of the World Bank in April 2005 raised eyebrows over the political nature of the appointment, while discussions continue over the process of appointing WTO and IMF leaders. Tradition and protocol has determined the head of the Fund and Bank since their inception, with an American head of the World Bank and a European for the IMF, while the recent institutionalization of trade liberalization into an IO such as the WTO has lead to confusion over whether a developing country representative is the best means of achieving the WTO's ends. This system of tradition and political bargaining does not reflect the current configuration of states in terms of relative power or population (again the roles of Brazil, China and India) nor does it represent a merit based system. Indeed, the selection system is based less on capability than political favorability (see for example Kapur 2000). Calls for more democratic election processes within these organizations reveal discontent by both groups within global civil society and developing countries in insuring that IOs are global in

scope rather than dominated by a small number of developed states (Woods 2001: 85). This is related to the considerable leverage of these organizations within the international system. The shift towards rejecting the status quo of appointing IO leaders based on tradition does influence the reputation of these global institutions. Next, an examination of external accountability is detailed.

External Accountability

External accountability refers to making IOs accountable to peoples affected by their operations rather than from electoral or hierarchical accountability, although NGOs have pressured principals to spur change within IOs (Bowles and Kormos 1999). For the most part, the relationship between the IO and affected people, combined with reputational accountability (rather than legal or market accountability) triggered the establishment of accountability mechanisms in the World Bank Group. The inter-related nature of many IO functions today mean that in undertaking their agendas, IO often adversely impact on people within borrower countries, such as the negative impact of development projects on indigenous, rural and local people and the environment; or in the case of the IMF, the perceived role of the IO in exacerbating financial crises in developing countries which affect whole societies (Thirkell-White 2004; Clark, Fox and Treakle 2003). Unsurprisingly, many supporters of the internal or traditional notion of IO accountability have turned the tables on advocates of external accountability such as NGOs, by questioning their accountability and legitimacy within the international system (Collingwood 2006; Nelson 2002).[8]

Calls by global civil society for external accountability are based on demands that these organizations should be accountable to the peoples affected by IO project and policy decisions. Such demands are not without grounds: In the 1980s the World Bank was engaged in a number of environmentally and socially damaging projects (Fox and Brown 1998; Wade 1997), which were brought to international attention through major transnational activist campaigns (Fox and Brown 1998; Keck and Sikkink 1998; Rich

[8] Alternatively, Benner, Reinicke and Witte (2004) examine the accountability of public policy networks, thus demonstrating how non-state actors are being held to account as part of global governance structures. On NGO accountability to their recipients see Kilby 2006.

1994). For example, environmental groups have challenged the World Bank on particular "problem projects" (Wirth 1998) such as the Polonoroeste project in Brazil or the Narmada Sadar Sarovar dam in India in the 1980s, and in doing so have repeatedly called for improved access to information regarding the projects environmental and social impacts (which came to a head in the 1990s), and the right of beneficiaries of the projects to be involved. Regional development banks have been the focus of similar campaigns (Nelson 2001). While legal accountability has been used, for example in the Narmada dam controversy the states of India rather than the World Bank were the focus of legal action in terms of halting dam building (Khagram 2004). Legal recourse against states was also a feature of the Rondonia and Planaflora projects in Brazil (Rodrigues 2004).

In contrast, the IMF has faced only a proportion of the campaigns directed towards the Bank although the arguments against the organization are similar (Woods and Narlikar 2001). The large scale protests held outside the joint IMF/World Bank meetings in 2000, 2001 and 2002 demonstrate how the Fund and the Bank face the wraith of protestors that recognize the role of these organizations in determining developing country policies without accountability and well beyond their original powers (Woods 2001: 88-89). Further, "IMF Riots" during the 1990s and early 2000s demonstrate popular protest against the IMF by citizens of its borrower member states (Scholte 2000: 262). The Fund and the Bank have been challenged by groups within global civil society on the basis of their opaque decision-making processes that impact on the fate of citizens throughout the developing world. Market accountability has therefore been raised by civil society groups in relation to challenging IOs to become accountable for market decisions but this has not lead to any shift in this direction.

While IO accountability has more in common with domestic public bureaucracies than with governments they still differ from domestic public bureaucracies that are at the behest of a government on behalf of its citizens as opposed to collective governments (which purportedly act on behalf of their citizens) (Haas 1990:18). External accountability however, is often as based on direct participation between IOs and citizens more akin to state-individual relations than the indirect accountability of IOs to states,

and states in turn to their citizens (Dahl 1999: 23). As Moravcsik points out, arguing that IOs have a "democratic deficit" is to assume that IOs should behave like national governments; specifically modern industrialized democracies. This in itself is not enough however, because democracies may or may not be accountable to their citizens but how they are accountable are based on different models of democracy (Moravcsik 2004: 2-3).

In responding calls for increased external accountability, the Fund and the Bank responded in two ways. The initial response in the 1980s was to do nothing. The IMF argued that issues such as the environment were not part of its mandate.[9] Similarly, the World Bank did not respond to demands by NGOs for increased accountability for its actions exemplified by problem projects. Contra the Fund, increasingly vocal campaigns over prolonged periods of time led to a shift in the Bank's perception of its role in international development especially in areas such as the environment (Wade 1997; Le Prestre 1989). It then moved towards increasing transparency through the release of its project documents and through strengthening its policies in crucial areas such as environmental and social safeguards. This has been emulated, to varying degrees by the regional development banks (Nelson 2001). Continued effort by transnational activists and principals then placed the need for a formal accountability mechanism for the World Bank Group on the table. As a result of the increased demands for accountability placed upon the World Bank Group, the next section examines the establishment, structure and function of the Inspection Panel and its success in increasing World Bank accountability, before comparing it to the Compliance Advisor/Ombudsman created for the private sector lending affiliates within the World Bank Group. The final section evaluates the success of these two mechanisms in light of the internal/external accountability dichotomy.

THE WORLD BANK INSPECTION PANEL

The panel was created by the former World Bank President Wolfensohn in response to pressure from transnational activists to improve its accountability to peoples in affected

[9] Scholte argues that early NGO tactics against the IMF were not geared towards policy change but were protest driven (2000: 262).

areas (Kapur 2002: 72; Fox 2000: 279; Umana 1998: 1; Shihata 1994: 9-13; Hunter 1994: 2). Transnational activists were able to do so through influencing key components of the US Congress to make the Bank more accountable by creating an independent Inspection Panel mechanism. Indeed, Fox argues that "transnational campaigns put the issue on the agenda, but the Inspection Panel's creation was made possible by leverage politics based on conjunctural domestic state-society coalitions within the United States" (2000: 289).

The push for an Inspection Panel arose from the impact of a "problem project," specifically the Narmada dam project in India. An independent evaluation of the project commissioned by the Bank, the Morse report, revealed the Bank's oversight of environmental and social considerations. This lent impetus to transnational activists and US Congress support for an accountability mechanism to ensure the Bank's social and environmental sustainability. In 1993 the US Congress threatened to withhold International Development Assistance (IDA) replenishment funds should the Bank not establish such a mechanism (Bowles and Kormos 1999: 220). IDA is a separate fund with different terms and articles of agreement, although it is administered by Bank staff in conjunction with Bank loans. To raise funds for IDA rather than ask for an increase in Bank members' capital, states voluntarily became members of IDA through an initial subscription, accompanied by periodic replenishments which occur every three to four years (Shihata 1991: 11). IDA replenishment became a focal point for environmental groups seeking to reduce the impact of World Bank loans by arguing that IDA funds should not be provided until the Bank instituted accountability measures along with other NGO demands. The panel was then established in consultation with Washington based environmental NGOs (Kapur 2002: 72). The panel began operating in 1994 to investigate claims that the World Bank had not adhered to its own environmental or social safeguards.

Panel Structure and Function

The panel is made up of three members, with additional staff and secretariat. Its role is investigative and advisory, not judicial (or legally accountable) (Nelson 2001: 1843; Abouchar 1997; Bradlow and Grossman 1995). As such, the panel may accept the claim

and/or undertake a preliminary investigation, and recommend to the Board of Executive Directors that the project be investigated. If the Board accepts the panel's findings within 21 days of receiving the claim from the panel, then an investigation takes place and the results are then presented to the Board. If the panel finds the Bank has violated its own policies then the Bank must respond to the panel's findings within 6 weeks on what remedial action it will take to resolve the problem. The Bank is required to ensure that all complaints, findings and recommendations of the panel and the Executive Directors' decisions are made public. However, an internal review in 1996 by the Board restricted the powers of the panel (Nelson 2001: 1843). A subsequent review in 1999 further narrowed the scope of the panel, although the panel has been successful in putting "safeguard policies on the map" within the Bank (Fox 2002: 154; Inspection Panel 2002: 55-57).

While concerns remain about the institutional strength of the panel, subsumed as it is under the Bank's Board, its very existence has created a precedent which further changes the nature of the role of individuals and private citizens under international law.[10] The Bank was one of the first IOs to have a mechanism that made it directly accountable to private citizens affected by its operations (Udall 1997: 1). Moreover, "The panel is conceptually…unique: combining the possibility of access of individuals and private groups to rights under international law, with the opportunity to question the activities of international organizations" (Bissell 1997: 741; Former Inspection Panel Member). The panel was given the power to investigate claims made by a group of people adversely affected or potentially affected by a World Bank funded project. The panel's objective therefore is to:

> provide independent judgment that would help resolve major differences in cases where it is asserted that rights and interests of the parties are adversely affected because the Bank has failed to follow its operating policies and procedures in the design, appraisal and/or implementation of Bank lending operations (Bank President memorandum cited in Shihata 1994: 36).

[10] Concurrent moves within the European Court of Justice challenge state sovereignty, giving private citizens increased international standing and raising further questions about the accountability of IOs. The EU has also established an Ombudsman for reviewing grievances by individuals (Hoffman and Megret 2005: 54).

As such, the panel may only investigate claims against its own actions, or inaction, rather than against borrower states, and claimants must be directly affected or potentially affected by the project in order for the claim to be considered legitimate. Hence, accountability here refers to the internal accountability of the World Bank that is instigated by an external stakeholder process (in the attempt to obtain external accountability).

The panel's first claim, Arun III, raised questions by some scholars over the validity of claims by affected "locals" based on geographic proximity to the project (Abouchar 1997; Armbrecht Forbes 1994). This distinction was seen as a means of restricting the "abuse" of the panel by northern NGOs. The panel does exempt instances in "exceptional cases where the party submitting the request contends that appropriate representation is not locally available and the Executive Directors agree with this contention at the time they consider the request for inspection" (Shihata 1994: 58). This exception was used in the Greater Western China Poverty Reduction Project claim in 2000, where advocacy networks argued that local Tibetans were unable to protest the project for fear of Chinese government reprisals. In this case, a transnational advocacy network led by the International Campaign for Tibet filed the claim and was accepted, but was cancelled by President Wolfensohn before the panel's findings were released. The next section analyses the Panel's success in ensuring Bank accountability.

Success of the Inspection Panel

By 2004 the Inspection Panel had received 33 requests for investigation (with 3 currently pending). Of the remaining 30, the Panel recommended 14 for investigation and rejected 10. Of the 14 recommended 9 led to full investigations; the rest resulted in partial progress reviews or other remedial measures meant to satisfy borrower member states' opposition to the process. Some argue that the Bank has attempted to circumvent the Panel's operations as a means of preventing socially and environmentally disastrous projects coming to light, where Bank management promote remedial action plans to the Board to patch up problem projects rather than a full scale independent Panel investigation (Treakle, Fox and Clark 2003: 266). Of the remaining 6 claims, 4 were

recommended for investigation by the Panel but were rejected by the Board, while the 2 remaining claims have not been registered and await further developments (Inspection Panel 2004: 97-99). Rejected claims may result from the requests being outside the Panel's mandate, such as the Chile Pangue dam claim in 1995 which could not be investigated because the Panel could not examine the activities of IFC (who had invested in the dam's sponsor) rather than the World Bank which the Panel investigates.

Throughout the history of the panel, the number of claims alleging violations of the Bank's policies have been focused on its adherence to environmental assessment, followed closely by its policy on involuntary resettlement of people's affected by Bank projects (Inspection Panel 2002: 48). Thus, the panel is a means of monitoring and ensuring the accountability of the World Bank in relation to its adverse effects on peoples and ecosystems. Yet Inspection Panel claims like 1995 Rondonia network claim from Brazil, brought greater political leverage to the network and NGOs, but ultimately failed to improve the social and environmental effects of the Bank supported project (Rodrigues 2004: 137). Indeed, according to Treakle, Fox and Clark, "there is no guarantee that a claim will lead to improvements at the project level." They further note that there is a "fundamental flaw in the panel's architecture: it is designed to present findings to the board of directors, not to prescribe or oversee the development or implementation of solutions to problems raised by the claimants" (2003: 258). More research in this area needs to be done to assess the impact "on the ground" of all of the Bank's Inspection Panel claims.

Arguably then, the role of the Panel is to provide the Bank with internal accountability (ensuring the Bank is accountable to its member states) but it does not necessarily ensure that the Bank is externally accountable to those affected by its operations. This is borne out in the Panel process: The Board evaluates the Panel's recommendations for investigation, while Bank management often proposes remedial action plans to the Board to circumvent the investigation process. Thus management aim to propose remedies to the environmental and social problems they helped create (through designing the loans in the first place). Strikingly, Bank management often deny that problems exist (Treakle,

Fox and Clark 2003: 266). Such a process does not seem to ensure anything but the most limited understanding of external accountability: Allowing peoples affected to air grievances against the Bank for its operations, while the possibility of concrete positive action on the ground may remain unrealised. Further research across the various panel claims is thus warranted. The next section introduces the Compliance Advisor/Ombudsman as a means of comparing these very different accountability mechanisms within the World Bank Group before returning to an examination of the internal/external accountability dichotomy.

IFC AND MIGA'S COMPLIANCE ADVISOR OMBUDSMAN (CAO)

Transnational activists were again directly involved in instituting a new accountability institution within the World Bank Group, specifically for IFC and MIGA. IFC's mandate is to partially finance and facilitate financing for private enterprise in developing countries. It aims to invest in private sector development projects where capital is not available from private investors on reasonable terms (Mason and Asher 1973: 351). In contrast, MIGA aims to promote direct foreign investment (FDI) in developing countries by underwriting investor political risk insurance. Like IFC, MIGA operates in the competitive private sector marketplace where speed is essential to maintain competitiveness; requiring "timely and flexible responses from participants" while preserving business confidentiality.[11] More importantly, however, IFC and MIGA share development goals as part of the wider World Bank Group. According to transnational activists, both IFC and MIGA should be held accountable via a mechanism such as the CAO regardless of their relatively small size (there are over 2000 IFC staff and only MIGA 130 staff compared to approximately 10,000 Bank staff), and their once removed position from the development process. IFC and MIGA's roles within the World Bank Group imbue both organizations with development goals such that transnational activists would expect that they would not only have their own environmental and social safeguards (instituted in the 1990s from transnational activists and member state

[11] IFC/MIGA "Proposed Inspection Mechanism for Private Sector Projects: IFC and MIGA Inspection Panel," Report to the Committee on Development Effectiveness for the World Bank, IFC and MIGA, June 27, 1996.

pressure), but that it also be held accountable to peoples and ecosystems adversely affected by IFC/MIGA backed projects (Clark, Fox and Treakle 2003).

Transnational activists aimed to establish an accountability mechanism for IFC/MIGA operations: The Center for International Environmental Law (CIEL), Friends of the Earth, and the Bank Information Center (BIC) were all involved through meetings and interaction with IFC/MIGA staff as well as providing comments to the World Bank Group's Committee on Development Effectiveness (CODE) on the proposed draft of an accountability mechanism's operating guidelines and functions in 1996.[12] At this stage, the structure and function of an accountability mechanism was being debated and compared to the Bank's Inspection Panel. CIEL favored establishing a similar Panel, although it was later determined by IFC and MIGA that a private sector accountability mechanism be more flexible than the Panel's quasi-judicial proceedings. However, while the mechanism emerged differently to that proposed by NGOs, they were both informed about the form of the accountability mechanism, and responded positively to the idea for creation of a Compliance Officer/Ombudsman.[13]

In addition, the accountability mechanism had long been supported by the US Executive Director (US-ED) Jan Piercy, where the US Executive Director had already been influenced by transnational activists on the need for accountability mechanisms for all multilateral development banks (MDBs) and their affiliates. In 1997, at a World Bank Group CODE meeting regarding the establishment of an accountability mechanism, Piercy made the following comments:

> The IFC/MIGA process for developing a proposal can proceed now. It need not await the review that the Board is undertaking of the Bank's Inspection Panel…The CIEL/Friends of the Earth

[12] Dana Clark and David Hunter of CIEL, "Extension of the Inspection Panel to IFC/MIGA Operations," report to the Committee of Development Effectiveness, the World Bank, IFC and MIGA, July 3, 1996; Friends of the Earth, "Friends of the Earth's Comments on the Draft Operational Guidelines for the Office of the Compliance Advisor/Ombudsman at IFC/MIGA," manuscript, no date; Letter from Kay Treakle from BIC, Claudia Saladin of CIEL and Doug Norlen from the Pacific Environment and Resources Center, to Meg Taylor, the CAO, on the Draft Operational Guidelines for the Office of the Compliance Advisor Ombudsman, March 2, 2000.

[13] Report from the Secretary, CODE, "Options to Enhance Environmental and Social Compliance and Accountability in IFC and MIGA," World Bank, IFC and MIGA, March 4, 1998: 7.

> proposal received by CODE members yesterday provides launching point. We understand that the NGO proposal has been reviewed by the private sector and incorporates many of their concerns. This proposal can provide the basis for reconciling differences and to help focus the discussion and negotiations.[14]

The US-ED's support for making an accountability mechanism part of both IFC and MIGA remained throughout.

Pressure has also been consistently applied by transnational activists in all stages of the establishment of an accountability mechanism: From the need for such a body, to its creation, and initial operations. CIEL was part of the search committee established to find a suitable candidate for the job of the CAO.[15] Moreover, CIEL, BIC, the Berne Declaration, and Friends of the Earth were (and remain) members of the CAO's Reference Group, assisting in the establishment, operation, and procedures of the CAO through roundtable workshops in 1999, 2000, and 2001. The Reference Group is "an independent body of stakeholders from the private sector, the NGO community, academia and other institutions" which has "guided the development of operational guidelines for the CAO and participated in the safeguard review process" (CAO, 2002: 4). Furthermore, Friends of the Earth and CIEL have consistently monitored CAO's operations since its inception in 1999 to ensure that the CAO operates in a transparent and accountable manner.[16] Moreover, the CAO Office has enabled the input of a number of NGOs. The CAO office has gained the trust of NGOs with regard to its intentions to provide an accountability mechanism for peoples and ecosystems adversely affected by IFC/MIGA backed projects. The next section describes the CAO's role and function, before analyzing its success in making IFC and MIGA more accountable.

CAO Structure and Function

President Wolfensohn set up the CAO Office in 1999 and appointed a selection committee to choose applicants for the position. The committee was made up of IFC and

[14] Statement by Jan Piercy, "Consultations with private Sector on IFC/MIGA Inspection Function," CODE meeting October 8, 1997; emphasis added.

[15] Other members included the World Wide Fund for Nature, and the International Institute for Environment and Development. See IFC (1999b).

[16] Letter from David Hunter and Claudia Saladin of CIEL, to Meg Taylor, the CAO Officer, February 9, 2001.

MIGA staff, international and local NGOs, business groups and sector experts such as the Colombian Petroleum Association. There was strong participation from external stakeholders from the very beginning. The subsequent CAO "Reference Group" is a group of people with expertise in social, environmental, and private sector knowledge (especially knowledge of IFC or MIGA operations) and serves as a body of knowledge the CAO may tap as a reference for its investigations. The reference group includes many NGOs including: the Bank Information Center, Friends of the Earth, Center for International Environmental Law, Conservation International, the World Conservation Union (the Netherlands), as well as the Industrialization Fund for Developing Countries (Denmark), Survive (Paraguay), Pro-Natura (Brazil), and the World Wildlife Fund (Pakistan). The CAO was committed to a multi-stakeholder approach from the very beginning by the appointment of a CAO agreeable to both the private sector and NGOs. From there, the broad dialogue continued with an open forum and discussions concerning the operation guidelines for the CAO Office. Drafts of the operational guidelines were available to NGOs for comment. NGOs also had the opportunity to attend roundtable meetings in September 1999 and early 2001 in four regions (Africa, Latin America, Asia, and the United States). A third roundtable meeting was held in May 2001 to discuss the CAO's first year operations.

The CAO was established as an independent office to report directly to the President of the World Bank Group, independently from IFC and MIGA Executive Director boards. The aim of the CAO is to assist both IFC and MIGA to "enhance the social and environmental outcomes of the projects in which they play a role" (IFC 1999a: Appendix). The CAO has three functions: Compliance, advisor, and ombudsman roles. The first role evaluates of IFC and MIGA's compliance with environmental and social safeguards and their attempts to improve their operations and policies. This may entail informal analysis by the CAO Office or it may become a full-blown compliance audit. The second role of the CAO Office is as an advisor to IFC and MIGA staff, management, and President. This role is both formal in terms of regular reporting to the President and periodic reporting to IFC/MIGA Boards, and informal in terms of responding to queries from staff. The final role of the CAO is the ombudsman role, which was established to

respond and mediate problems regarding people adversely affected by IFC/MIGA related projects. The Ombudsman role is significantly different than the quasi-judicial Panel process established by the Bank although both the Inspection Panel and the CAO were established to ensure accountability.

Of the three functions, the ombudsman role is the most crucial in terms of external accountability although both the compliance and advisor functions inform internal accountability and feed back into mitigating future claims by external stakeholders. The aim of the ombudsman function is very different to the Panel. It aims to resolve problems and recommend "practical remedial action" in conjunction with addressing "systemic issues that have contributed to the problems *rather than finding fault*" (IFC 1999a: Appendix; emphasis added). While the Inspection Panel investigates World Bank project operations and determines whether peoples were adversely affected as a result of World Bank non-compliance with its own safeguard policies, the CAO Office acts as an independent problem solving and mediating office.

Like the Inspection Panel, the CAO becomes involved in an IFC/MIGA related project when it receives a complaint from peoples adversely affected by that project. Like the Panel, the CAO Office attempts to ensure the validity of the claim. From this point on however, the Panel and the CAO take very different steps to resolve the dispute. While the Inspection Panel investigates whether the Bank has met its own safeguard policies, the CAO undertakes an approach of direct involvement and conciliation. The CAO Office collects information regarding the claim through documents from IFC or MIGA and the claim made by the affected community. The CAO Office then attempts to mediate between the parties involved: The affected community, IFC or MIGA, and the project sponsor. Although the CAO has the full confidence of IFC (and to a lesser extent MIGA) the Office can only attempt to persuade parties to some remedial form of action through conflict resolution and problem solving techniques. Thus, the CAO has less power than that of the Panel, which may find the World Bank in breach of its own guidelines, therefore requiring improvement on the World Bank's behalf.

Unlike the Inspection Panel however, the CAO Office directly attempts to influence IFC or MIGA project sponsors where they have breached the safeguard policies, something which the Inspection Panel only does indirectly through investigating the cause of non-compliance. Indeed, the CAO Office is able to influence the resolution of problem projects through direct mediation between parties (affected communities, IFC/MIGA, private corporations, and even the host government) and attempts to limit the damage to the community and the project. This is in contradistinction to the Inspection Panel, which "finds fault" and apportions blame to Bank operation departments on discovering non-compliance. This is because the panel has investigatory, rather than mediation, powers. As a result the World Bank is now said to be suffering from "risk aversion" as a dominant response to claims made to the Inspection Panel (Fox 2000). Yet the CAO can only persuade project sponsors or other parties to negotiate and accept an agreed settlement. Consequently, the only leverage the CAO has to sway project sponsors is the cooperation of IFC/MIGA in investing in or guaranteeing the project. This depends on the percent IFC has invested or at what time the complaint occurs (and how much IFC has invested or recouped) and how much insurance has been guaranteed by MIGA.

The process of a complaint begins with an acknowledgement (within 5 days of receiving it) and appraisal of the complaint. Acceptance or rejection of the complaint is then conveyed to the complainant after 15 days and the assessment of the investigation is informed after 20 working days of accepting the complaint. The process then moves onto mediation, dialogue, conciliation or full investigation and is only concluded with a report to the President, notification to the parties and, hopefully, a settlement agreement. The complaint is then closed, subject to continued monitoring and follow-up (CAO 2001: 9). Three possible outcomes of the investigation include: The successful settlement between the parties and a report to the President; an unsuccessful settlement of the parties with a report to the President outlining recommendations for future action and investigation; or unsuccessful efforts to reach settlement with a report to the President outlining that no action on behalf of IFC or MIGA could resolve the problem. The second outcome with regard to further recommendations for IFC or MIGA falls under the advisory function of the CAO. In these circumstances, a project settlement may not be possible but the reasons

for which it occurred are investigated. This may take the form of informal advice and recommendations to IFC or MIGA, or may take the form of a full compliance audit. An audit may be undertaken to ascertain the reasons why a safeguard policy (or policies) failed to prevent adverse affects on the local community or their environment.

Success of the CAO

The aim of the CAO is far-reaching, although the Office attempts to maintain a division of operations between mediator, advisor, and compliance auditor in order to maintain the confidence of IFC and MIGA staff, and external stakeholders, in sharing information. By 2005, the CAO had rejected 10 and assessed 12 complaints while 19 remained in mediation (CAO 2005: 3). The CAO is receiving an increasing number of complaints although this may be due to increasing knowledge of its existence rather than IFC involvement in more risky projects. While the networks question specific decisions made by the CAO, such as the Pangue dam in Chile and the Jordan Gateway project, it is clear that the CAO does have the overall support of transnational activists (CIEL 2000). Overall, the CAO argues that it has had a positive impact on improving IFC/MIGA environmental and social capacity in 56% of the complaints that it has been involved in, and that the "positive impact of CAO's work on social and environmental performance has been incremental and cumulative" (2006a: 23, 30). Thus far, it is possible to suggest that the CAO is able to meet some of the needs of people adversely affected by IFC/MIGA backed projects, and therefore has been able to ensure that these organizations are externally accountable. In April 2002, the CAO commissioned an independent investigation of its own operations to date. The report, released in July 2003, stated that the CAO Office was committed to its ombudsman role and had been successful in this area, but found that the office was overextended. The report also noted that while the compliance audit function remained underdeveloped, the CAO had contributed overall to the increased knowledge and improvement of IFC and MIGA functions, while recommending further feedback for the organizations' environmental and social integration (Dysart, Murphy and Chayes 2003: 1-14).

The CAO Office is based upon three roles, the most important being the mediating or Ombudsman role. The CAO is having success in mediating between the parties involved as mentioned above, although more needs to be done to make people both outside and within IFC/MIGA aware of the CAO office (CAO 2003: 4). The CAO's second role is to act in an advisory capacity to both IFC and MIGA Boards and the President of the World Bank Group. In its advisory role, the CAO has undertaken a review of IFC's environmental and social safeguards, reported on IFC's role in the Extractive Industries and provided feedback on the implementation of IFC's performance standards that replaced the safeguard policies in February 2006. The CAO plays an important function in providing advice to IFC and MIGA over their policies and is therefore a means of attempting to ensure external accountability (stakeholder concerns based on previous complaints). However, there is no mechanism in place to ensure that either IFC or MIGA follows the CAO's advice. The only means of doing so would depend on the advocacy of the CAO to an interested President. Yet, there is evidence that the CAO Office, with its aim of assisting local communities in resolving issues with IFC/MIGA backed projects, and its open stance on information disclosure, may be attempting to broaden IFC's (less so MIGA's) interpretation of information disclosure at least (CAO 2001). Certainly the very establishment of the CAO is a step forward in establishing accountability institutions within MIGA.

The CAO's third role, its compliance function, has recently been enacted. In 2002 the CAO established its compliance audit operational guidelines and procedures. This process enables a compliance audit to be instigated "for those projects where there are substantial concerns regarding social or environmental outcomes," and is distinct from the Ombudsman role of mediating conflicts between parties (CAO 2002: 14). The Compliance role is to determine the internal policy decisions on specific environmental and social impacts of projects as a means of preventing further problem projects from occurring (internal horizontal accountability). The CAO has already undertaken six compliance audits, three of which were in 2005; one was triggered by President Wolfowitz and one from IFC management (CAO 2006a: 7, 13). The compliance audits are a means of ensuring that IFC and MIGA are adhering to their own policies (internal

accountability). The CAO is now reviewing its own operational guidelines with a period for public comment, to ensure greater clarity in its processes, to assess its ongoing neutrality in its ombudsman role and to uphold procedural fairness (CAO 2006c). The next section assesses the success of the CAO and Inspection Panel in light of the internal/external definitions of accountability.

DEFINING IO ACCOUNTABILITY: BRIDGING THE DIVIDE

This section reviews the internal/external distinction of accountability in light of the case studies analyzed. Arguably, the Panel focuses on internal accountability while the CAO plays both external and internal accountability roles. This will be expounded before drawing together a synthesized definition of accountability based on a holistic understanding of IOs in international politics.

While the Panel has proved to be a mechanism where people adversely affected by problem projects can seek redress, the Panel *process* seems to focus on Bank compliance versus non-compliance with its own policies, thus favouring internal rather than external accountability. To elaborate, the focus on compliance creates a blame game which may lead to limited remedial measures instituted by the Bank and a continuation of problems "on the ground." The structural difficulties with the establishment of the Panel are two-fold: First, that Bank management pre-empt the Panel process, thus demonstrating how the investigation process can be used to ensure internal accountability by allowing management to alter projects to address possible panel findings. This may be at the expense of external accountability. The needs of the member states who support the organization are thus being met (establishing an accountability mechanism as demanded by US and industrialized member states) while borrower states (who resent the Panel's intrusions) are at least implicitly supported by Bank management who circumvent the Panel's process. Both processes, in their own ways, ensure that the Bank is being held accountable to its member states (hierarchical accountability). Yet there is no evidence that once the Panel was established, that reputational, let alone electoral, legal or market accountability played a role. Second, the Panel can only ensure that the Bank has complied with its own policies as dictated by "constitutionalism." Thus, if the Bank has

followed its own policies to the best of its abilities but there are still problems at the project site, then the Panel process has ensured internal accountability of the IO but the process is of no use in ensuring external accountability (that peoples' needs are being addressed).

On the other hand, the CAO has so far demonstrated its capacity to ensure external accountability by directing its attention towards its ombudsman role and attempting to meet the needs of all parties engaged in the development process. Notably however, this does not succeed in all cases. Often by the time a complaint is made to the CAO office the dispute between complainants, the project sponsor, IFC/MIGA and the host government are beyond repair. This may account for the average 50% success rate of the CAO. Significantly, both the panel and the CAO are often the final resort for complainants, which undermine their capacity to ensure the external accountability of the World Bank Group. Although the CAO is now engaged in undertaking compliance audits which uphold "constitutionalism" or internal accountability, its advisory capabilities to IFC/MIGA's are not enforcement such that there is no means of ensuring that either IFC or MIGA is listening. The CAO thus aims to uphold IFC/MIGA's internal accountability through constitutionalism rather than through electoral, hierarchical, legal, reputational or market accountability. Should further leverage be given to the CAO to ensure that its policy concerns are met, then internal accountability could feed into future external accountability (through the establishment of improved pro-external stakeholder policies that would lead to fewer problem projects).

The Panel and the CAO were both nominally established to meet the needs of peoples adversely affected by the World Bank Group (external accountability). However, the Panel's existence and operations were established by principals for reputational reasons as outlined earlier. Moreover, since it was operationalised the panel has focused on upholding hierarchical accountability where industrialized principals such as the US wanted to halt the Bank's negative environmental and social impacts (Caufield 1996: 27-8). Importantly for internal accountability, the Panel's existence does however challenge the needs of some borrowing principals who remain opposed to the Panel. In this instance,

the Panel's existence demonstrates the way in which the internal accountability of an IO is supporting some member states (developed countries) while its operations are hamstrung by Bank management and opposed by other groups of member states (developing countries).

This could lead to electoral accountability through voting at the Board over specific panel claims. The Bank's power imbalances deeply affect the Panel. Moves to ensure the Bank's external accountability could potentially trigger a dispute between developed and developing principals over a Panel claim at the Board. The Greater Western China Poverty Project claim in 2000 is an example of the split between developed and developing principals' interests where transnational activists (supported by developed state agendas for greater environmental and social safeguards) challenged a Chinese project on social and environmental grounds. China, one of the Bank's largest borrower states, withdrew from Bank lending rather than capitulate to the Panel's findings (CIEL 2000). An irreparable split between the different interests of the member states, however, remains to be seen. Lastly, the Panel continues to ensure the Bank's compliance with its own policies. Thus, the Panel plays a role in increasing Bank compliance by highlighting the importance of the safeguard policies throughout the Bank through constitutionalism rather than legal or market accountability.

Contra the Panel, there is no divide between developed and developing principals over the CAO operations, although the CAO was instituted at the behest of the US and industrialised states (again as a result of NGO influence). Indeed, the conciliatory role of the CAO offsets the negative investigatory role of the Panel in relation to borrower states' interests, and the CAO only reviews IFC/MIGA policy compliance that emerge from the mediation process (thus ensuring the IOs meet their policies via the constitutionalist form of internal accountability). While the CAO was therefore established on the basis of reputational and hierarchical accountability, electoral, legal and market accountability are absent. The next section proposes a holistic understanding of IO accountability that addresses the internal/external dichotomy.

A holistic understanding of accountability would include both internal and external characteristics. First, IOs are accountable to the member states that created and fund them (electoral and hierarchical accountability). IOs would be, therefore, accountable for their actions and for ensuring that they meet the needs of their member states by adhering to their own policies (constitutionalism). Second, IOs such as the World Bank Group are now, at least nominally, externally accountable to those whom it affects. Yet, as this paper has attempted to outline, internal accountability should not be at the expense of external accountability. The Panel seems to focus on internal accountability, while not be able to meet the needs of peoples adversely affected by World Bank projects on the ground (external accountability). The CAO supports both external and internal accountability although it has weak internal accountability powers. The CAO attempts to ensure that IFC and MIGA not only address issues on the ground at the project site, but then analyze how or why their policies failed. The aim therefore, is to ensure that IOs such as the World Bank and IFC/MIGA meet the needs of their principals, but not at the expense of recipients.

In effect, the structure of the accountability mechanism or how it was created by principals, determines the extent that the accountability mechanism upholds both internal and external accountability – even if, like the Inspection Panel and the CAO – it was purportedly established to do both. An IO should be responsible for its actions, the details of what the IO should be accountable for depended on the initial reputational challenges to the operations of both the World Bank and IFC/MIGA as a result of principal concerns over activist campaigns. Thus, shared assumptions emerged over IOs' being externally accountable for their operations lead to the establishment of the Inspection Panel and the CAO. Shared assumptions may emerge in other areas such as the basis for appointing IO leaders although this is not yet foreseeable. Notably, neither the panel nor the CAO were established to respond to legal or market accountability, although market accountability remains an issue to which the Bank and IFC/MIGA remain to be held responsible.

CONCLUSION

This paper examined how accountability emerged as an issue for international economic institutions as a result of pressure from transnational activists and member states. Although there has been little change within IOs such as the IMF, the regional development banks have taken their lead in improving accountability from the World Bank. Yet there are two distinct accountability mechanisms within the World Bank Group. This article outlined the differences between the structure and function of the World Bank Inspection Panel and the CAO. Current evidence suggests that the Inspection Panel has improved the responsiveness of the Bank to some of its member states, but argues that the CAO has a greater chance of external accountability for peoples affected by World Bank Group funded, invested or guaranteed projects. This is demonstrated by the process through which claimants must appeal for a Panel investigation supported by the Bank's Board, compared to the problem solving structure of the CAO. However, the paper argued that in order to be accountable, an IO should not only meet internal accountability requirements but also external accountability. The article concluded by arguing that a holistic understanding of IO accountability that incorporated both internal and external accountability would ensure complete I accountability but that the structure of accountability mechanisms are established to favour certain types of accountability over others.

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