Accountability in public international development finance

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Amidst an explosion of new global governance practices during the last quarter century, one of the most striking developments has been the rise of new norms and institutions of accountability. The world of development finance has been a central site in which this new politics of accountability has unfolded. Under scrutiny and pressure from civil society groups and key countries, prominent international development financing institutions have increasingly acknowledged the need for them to answer for their decisions to an expanding array of 'stakeholders' outside their own organisations, increase transparency, strengthen dialogue with external stakeholders, promote adherence to internal policies, and in some cases also provide access to grievance procedures for people affected by development finance activities.

As "moral or institutional relation[s] in which one agent (or group of agents) is accorded entitlements to question, direct, sanction or constrain the actions of another" (Macdonald, 2014, p.428) accountability systems play an important role in shaping the claims that development actors are empowered to place on one another, as they contest development policy-making in accordance with their values and interests. It is not surprising then that political controversies concerning the design of accountability institutions often centre on *normative* disagreements about who owes obligations of responsiveness to whom. Yet such debates are not wholly or even primarily normative in character. Rather, debate surrounding the practical design of accountability institutions is usually underpinned also by *empirical questions* about what institutional qualities enable or constrain accountability mechanisms to promote desired normative purposes. Scholars and practitioners engaging such debates have combined normative and empirical analysis in varying ways.

The collection of papers presented here brings together three empirical studies of public accountability mechanisms that currently govern both bilateral and multilateral public development finance. The questions addressed by contributors are animated in important ways by normative concerns about the responsiveness of public institutions to their stakeholders. Yet the main contribution of the papers is to enrich empirical understanding of the practical functioning of accountability institutions. Each contributor examines how the accountability mechanisms they have studied play out 'on the ground', and how accountability practices are shaped by the wider political and cultural environments in which accountability institutions emerge, operate and evolve. The analytical goals of the collection are thus partly evaluative: to assess the implications of varying accountability arrangements for contested development outcomes and processes—and, in particular, implications for project affected people. The goals are also interpretive and explanatory: to identify significant currents of change in accountability practices across varying contexts, and generate insights into the underlying causal mechanisms and processes that drive institutional change—shaping and constraining the capacity of accountability mechanisms to achieve their intended normative purposes.

Reflecting this central interest in how accountability mechanisms work in practice in specific political and institutional contexts, each paper grounds its analysis in empirical qualitative case studies of particular accountability institutions, and in some cases, particular disputes. Qualitative case-based methods provide insight into the complex, dynamic processes that characterize the practical

Bennett, 2005). Such methods offer particularly important tools for analyzing the contextual particularities of specific institutions and disputes (Mjoset, 2009). Thick description of contextual detail enables authors to identify patterns of norms, institutions and power relations that are of particular salience in a given context (Brady and Collier, 2010). While case based analyses of these kinds cannot be generalized across an “entire universe of instances” (George and Bennett, 2005, p.xi), they offer insights into causal mechanisms and processes in particular circumstances, that can enable some “contingent generalizations” and help to frame questions of broader significance.

Each of the three papers in this collection defines the scope of its case study in part with reference to particular accountability institutions: one examines bilateral accountability in Brazilian development cooperation, another the International Finance Corporation (IFC)’s Compliance Advisor Ombudsman, and the third the Asian Development Bank (ADB)’s Accountability Mechanism. Each examines both the macro-political context of these institutions, and case studies of their practical use in specific development projects. This enables the papers to go beyond a focus on formal institutional design of accountability mechanisms to examine also how political and institutional contexts at multiple levels shape the operation of accountability mechanisms in practice, and their evolution over time.

The first paper in the collection, by Lidia Cabral and Iara Leite, examines a controversial development programme based in Mozambique, receiving funding from the Brazilian government. The paper examines the complex challenges facing project-affected people who seek to hold development financiers to account. Pursuit of accountability in this case has been complicated by the multiple actors involved in the project, the fragmentation of policy processes and social interest organization at both giving and receiving ends of the funding relationship, and the significant social and geographical distance that separates these constituencies. The accountability practices that emerge are shaped not only by the politics of the project within Mozambique, but crucially also by the shifting domestic political and institutional environment of development policy making within Brazil. While new patterns of transnational civil society mobilization have enabled a degree of contestation of established development models, the networks of actors involved in such transnational alliances remain relatively narrow, and the voices of project ‘beneficiaries’ relatively weak.

The following two papers examine accountability in multilateral public development finance. Samantha Balaton-Chrimes and Fiona Haines examine the operation of the IFC Compliance Advisor Ombudsman (IFC-CAO) – an independent accountability mechanism that is available to stakeholders of the private sector lending arm of the World Bank Group. Drawing on empirical research documenting the IFC-CAO’s work in the Indonesian palm oil sector, they identify the mechanism’s potential to provide a framework through which communities can negotiate concessions concerning IFC financed activities that affect them, and broader policy learning can occur. They highlight the limited capacity of this kind of ‘internal’ accountability mechanism - linked to the financing institution itself - to challenge more fundamentally the continuation of projects being financed, or broader underlying tenets of the funding agency’s approach to development.

Examining the evolving accountability mechanisms adopted by the Asian Development Bank (ADB), Susan Park’s paper likewise finds that while these mechanisms can provide some recourse to people who are ‘directly materially and adversely affected’ by development projects financed by the ADB, their capacity to provide more extensive forms of remedy is limited. Drawing on an empirical assessment of cases across the history of the ADB accountability mechanism, Park concludes that gaps in redress to project-affected peoples persist. By placing analysis of these practical failings in the context of a broader analysis of the ADB accountability system's political and institutional development, Park sheds light on some of the underlying political barriers that accountability institutions face as they attempt to influence relationships of power and responsiveness between development stakeholders.

A picture emerges across the three papers of the strong cross-pressures confronting public development finance agencies, as they seek to balance obligations to multiple stakeholders with competing interests and values, across widely varying political environments. Such contradictory pressures produce quite uneven patterns and trends in accountability practice. In the brief introductory discussion below, we locate key insights from the three papers in this collection within wider discussions of how accountability is changing, how such changes affect the intended 'beneficiaries' of development finance, and what all of this means for the practical capacity of accountability mechanisms to advance their overarching normative purpose of promoting responsiveness to affected stakeholders.

Changing agendas of accountability in public development finance

Promotion and diffusion of new accountability norms

An extensive scholarly literature has documented the explosion of transnational civil society campaign activity that occurred during the 1990s, demanding reforms to accountability arrangements of prominent development finance institutions. Campaigners highlighted what they perceived as a lack of accountability to communities directly affected by lending activities, and demanded new accountability systems that would strengthen entitlements of affected people to be involved in decision making processes, and develop clearer standards governing the terms of loans to safeguard the interests of affected people. This emphasis on citizen- or beneficiary-centred accountability contrasted in important ways with 'traditional' or statist accountability norms that stressed fiscal, supervisory and hierarchical forms of accountability (Woods, 2000; Nelson, 2001; Woods, 2001; Grant and Keohane, 2005).

Many initial demands for accountability reforms were focused on high profile multilateral development institutions such as the World Bank Group. Campaigning on this issue began to build momentum during the 1980s, when critical attention was focused on the social and environmental impacts of controversial projects such as large-scale dams or infrastructure projects. Such campaigns came to a head during the early 1990s, amidst the surge of 'anti-globalization' mobilization that targeted high profile global economic institutions at that time (O'Brien, Goetz et al., 2000; Fox, 2003; Kahler, 2004). These pressures contributed to the development of significant reforms by the World Bank, including the high profile establishment of the World Bank's Inspection Panel in 1993. The Inspection Panel process enables people affected by World Bank funded projects to register a grievance, and initiate an investigation into whether the Bank has adhered to its own social and environmental policies. Associated reforms have involved the development of new social and environmental standards to govern World Bank activities, together with significantly increased transparency in relation to Bank funded projects. Formal channels of routine consultation with civil society groups were also greatly expanded by sections of the Bank during this period.

Such reforms at the World Bank diffused gradually into other multilateral development institutions leading to the creation of the Asian Development Bank's Office of the Special Projects Facilitator and the Compliance Advisory Ombudsman of the International Finance Corporation (Fox, 2003; Park, 2005; Park, this volume). A number of other regional development banks have subsequently established accountability mechanisms (Nanwani, 2013), and UN agencies such as UNDP and UN-REDD are now developing similar compliance review and grievance mechanisms focused on project affected communities (United Nations Development Program, 2013). Within bilateral development cooperation also, there have been shifts from a system in which accountability towards citizens in recipient countries was generally viewed as the responsibility of these countries' governments, towards one in which accountability is also understood as oriented towards the intended beneficiaries of cooperation, and more broadly to citizens and other stakeholders on both sides of the donor-recipient relationship (Cabral and Leite, this volume).

Uneven diffusion and persistent counter-pressures

Alongside such citizen- or beneficiary-focused accountability practices, traditional accountabilities to creditors and governments have continued to be asserted by many actors, generating significant variations in accountability practice between financing actors of different kinds.

First, some notable differences are evident between the accountability practices of bilateral development cooperation programs, and those of multilateral development finance institutions. The establishment of independent accountability mechanisms targeting project affected communities has been most prevalent amongst multilateral development banks, and to a lesser extent amongst bilateral development banks and export credit agencies. Examples of the latter include grievance mechanisms established by the Japan Bank for Regional Cooperation, the US Overseas Private Investment Corporation, The Netherlands Development Finance Company (FMO), and the German Investment Corporation (DEG). In contrast, bilateral development assistance or cooperation has tended to be dominated by accountability practices answering to domestic political constituencies on the use of public funds, and to recipient governments with regard to broader policy frameworks. Such accountability processes have often placed less emphasis on direct accountability to citizens of host countries affected by lending projects.

Much has been made of the increased visibility and volume of financing from emerging, non-DAC donors[1] – including the so-called BRICS countries, the Gulf States, Indonesia and Turkey, along with multilateral lenders currently in the process of being established such as the BRICS Development Bank and Asian Infrastructure Investment Bank (Tierney, Nielson et al., 2011; Bilal, 2012; Hou, Keane et al., 2014). Increasing attention to these emerging sources of development finance has been accompanied by concerns that such donors may de-prioritize accountability principles focused on the rights of affected citizens, in favour of state-centric principles of non-interference and mutual benefit (Dreher, Nunnenkamp et al., 2011; Kragelund, 2011; Zimmermann and Smith, 2011; Quadir, 2013; Tilak, 2014).

Available evidence suggests that differences between the accountability practices of DAC and non-DAC bilateral donors are not clear-cut. Both groupings share tendencies to align development finance with their national interests and investment priorities, and to resist establishing official

[1] These donors are not members of the OECD Development Assistance Committee. We use the term "non-DAC" as an alternative to the use of "new and emerging donors" as many of these countries have a long history in development cooperation.

avenues for handling grievances from citizens of host countries affected by their programs or projects (Dreher, Nunnenkamp et al., 2011; Quadir, 2013). There are also significant variations *within* the DAC and non-DAC groupings. For example, while donors such as Brazil share with other non-DAC donors an emphasis on principles of non-interference in partner countries' domestic affairs, its development cooperation is increasingly vulnerable to scrutiny and pressure from civil society, media, and other domestic actors, generating pressures for citizen-centred accountability reforms that exceed those in most other non-DAC and some DAC donor countries (Cabral and Leite, this volume).

To the extent that significant differences between accountability practices remain, competitive interactions between lenders can sometimes work against ongoing pressures for reform. To some extent, governments that seek financing now find themselves in an "Age of Choice" (Greenhill, Prizzon et al., 2013), in which there is widespread availability of financing options beyond traditional multilateral and bilateral lenders. This can challenge the capacity of institutions like the World Bank or Asian Development Bank to attract "client" governments willing to submit to their relatively stringent safeguards for social and environmental impacts and associated accountability mechanisms (Wade, 2010; Kragelund, 2011). It is plausible that within this competitive environment, internal pressures to maintain volumes of lending together with direct demands from recipient governments may result in the reorientation of accountability more strongly towards sovereign borrowers. Debates surrounding a reported proposal for governments to be able to opt out of Indigenous Rights safeguards linked to World Bank lending provide a salutary reminder that changes in accountability practices and mechanisms can be subject to reversal.[2]

As a result of these competing pressures, multiple overlapping logics of accountability now coexist. Some development lenders have prioritised accountability to particular stakeholders, such as financial donors, or maintained a narrow focus on assurance systems concerning effective implementation of internal programs and processes. Others have expanded accountability to multiple individual or community actors affected by development activity. This plurality of overlapping accountability mechanisms can give rise to normative and political tensions, and complex dynamics of political contestation. The outcomes of such contests are difficult to predict, and depend crucially on the specific institutional and political contexts in which these mechanisms are created and implemented. Park (in this volume) highlights tensions between the Asian Development Bank's accountability to member states that contribute to its financial base, and its 'external' accountability to those affected by the Bank's operations. Cabral and Leite highlight similar tensions between the multiple accountability relationships operating within highly fragmented development cooperation policy making processes in Brazil, and among the multiple agencies and stakeholders affected by development programs in recipient countries.

What difference does accountability reform make for development 'beneficiaries'?

Although resulting patterns of accountability can be ambiguous and conflicting, some persistent shifts in accountability practice towards greater recognition of the claims of development 'beneficiaries' are nonetheless evident. Surprisingly little existing research has systematically

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[2] https://intercontinentalcry.org/concern-world-bank-proposals-roll-back-safeguards-indigenous-people-25521/

examined the impact of changing accountability arrangements on contested processes and outcomes of development finance. Contributors to this collection devote particular attention to examining the implications of accountability reforms for communities receiving or directly affected by development finance projects or programs.

What then can we say about the impact of changing accountability arrangements on the capacity of 'beneficiary' groups to influence development activity in which they have a direct stake? The papers by both Park and Balaton-Chrimes and Haines present examples where independent accountability mechanisms established by multilateral lending institutions have enhanced the capacity of communities to air their grievances. In some cases they have also enabled communities to access compensation for project impacts, such as loss of livelihoods, or to negotiate other improvements to their conditions.

However, the potential for these independent accountability mechanisms to prevent or redress harm associated with large scale projects remains limited for most affected people. Park and Balaton-Chrimes and Haines concur in their assessment that these accountability mechanisms usually fail to enable improvements compared with conditions prior to the project. Both papers also highlight the weakness of these mechanisms as means of addressing concerns about whether or not a given project should proceed, or substantially challenging aspects of a project's purpose, location or design (as opposed to simply ameliorating social or environmental harms resulting from a project). The limits of such accountability mechanisms are linked to their establishment and control by sovereign shareholders of international development institutions.

There remain opportunities, however, for more adversarial forms of contestation to be advanced by campaigners invoking citizen- or beneficiary-centred accountability norms. Cabral and Leite document how a coalition linking protest movements in Mozambique with like-minded organisations in Brazil and other countries has facilitated coordinated efforts to strengthen citizen-centred accountability for a Brazilian funded project in Mozambique. Coalition actors have fundamentally challenged the premises of the lending program, which many of them view as imposing a paradigm of large scale commercial agricultural development on Mozambican recipients, compromising the livelihoods of peasants and threatening the environment. Although the lasting impact of this campaign is yet to be determined, accountability demands of this kind have at least demonstrated their capacity to heighten the visibility, political salience and contestability of development cooperation processes.

In some cases, such campaigns can interact constructively with accountability mechanisms linked to lending institutions. For example, Balaton-Chrimes and Haines describe how IFC-CAO involvement in mediating community complaints in the palm oil sector contributed to strengthened safeguards around lending in this sector, through an apparent combination of political pressure and institutional learning. However, they show that such campaigns may be impeded by conflicting accountabilities, as engagement with the CAO incentivizes some communities to shed more contestational dimensions of their grievances in favour of more ameliorative forms of bargaining. The extent to which such campaigns are able to gain broader traction depends importantly on the broader normative and political environment in which such contests play out.

The potential and limits of accountability

Accountability arrangements not only reflect normative standards regarding who has the right to seek information, justification and responsiveness from whom, on what range of issues. They also put in place institutional systems that empower stakeholders to assert claims against those they hold to account. The citizen- or beneficiary-centred accountability practices documented in this collection have in some cases been linked to modest, context-dependent, yet nonetheless significant shifts in the norms and power relations underpinning decision making in the field of contemporary development finance. To this extent, these evolving accountability agendas can be viewed as part of a broader trend towards more inclusive or pluralised practices of global governance (Gordenker and Weiss, 1995; Fox, 2003; Scholte, 2004; Krisch and Kingsbury, 2006).

However, the papers in this collection also reveal high levels of unevenness in such patterns—between countries, projects, and categories of lenders. In part, such differences reflect variations in social expectations among key constituencies regarding the responsibilities of development financers to competing stakeholders. Accountability practices have also been influenced and constrained in varying ways by the preferences and power of key states. Reforms to accountability institutions within multilateral development banks have been highly dependent on political support from influential donor states such as the US. Effective implementation of designated accountability processes has in turn been vulnerable to resistance from borrower states, as described in the case of the ADB by Park, in this collection. In bilateral development cooperation also, changing accountability arrangements are influenced by state-centred politics at the domestic level—including domestic civil society mobilization, and the ongoing role of national legislative, budgetary and broader political and administrative processes (Schmalenbach, 2009; Cabral and Leite, this volume).

These complex patterns of change in contemporary accountability practice draw our attention to the dynamic, contradictory and contested political environment that characterises governance of contemporary development finance. As the contributions to this collection highlight, the capacities and limits of formal mechanisms of accountability to promote their intended normative purposes depend in important ways on the political and institutional contexts in which accountability mechanisms operate. Systematic empirical attention to how accountability mechanisms play out in practice, within varying political environments, can thus support both theoretical understanding of global governance and accountability, and practical understanding of the political contests through which impacts of development finance on its intended beneficiaries are determined.

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