

Joint CSO Statement on Inspection Panel Reforms

Centre for Research on Multinational Corporations (SOMO) * Bank Information Center *
Center for International Environmental Law * Inclusive Development International *
Accountability Counsel

As civil society organizations that advocate for accessible, effective independent accountability mechanisms (IAMs), we cautiously welcome the [reforms](#) to the World Bank's accountability system adopted on March 5, 2020 by the Board of Directors. The reform package is the outcome of a review, launched nearly three years ago, that was intended to modernize the Inspection Panel's mandate by bringing it in line with its peers and to ensure its effectiveness in light of the Board's recent overhaul of the Bank's social and environmental safeguards. The result, following a process that did not include an opportunity for public comment on the proposed reforms, was mixed. While far from adopting innovative changes that would have set the bar for public accountability in development finance, the Board did approve tools, such as a dispute resolution function, that are well-established practice at other IAMs. However, the reform package also included structural changes that could undermine the independence of the Inspection Panel as well as the effectiveness of the system as whole. Ultimately, the effectiveness of these reforms will depend, in part, on the Board's commitment to ensuring the independence of the new Accountability Mechanism and to making any adjustments necessary as the new system is operationalized.

"A camel is a horse designed by a committee, as the saying goes, and so is the World Bank's new Accountability Mechanism," stated Kris Genovese, Senior Researcher at the Centre for Research on Multinational Corporations (SOMO). "Whether these reforms are positive depends on what you measure against. Is the accountability system stronger than it was before? Yes. Does it bring the World Bank in line with best practice? No."

The Board of Directors established the Inspection Panel in 1993 in response to demands from grassroots and civil society organizations worldwide after several controversial World Bank projects resulted in significant human rights violations. The Panel receives complaints from people who have been or are likely to be harmed by a Bank-financed project and assesses the actions or omissions of Bank management in appraising, approving and supervising the project against its own environmental and social policies, among others. In response to findings of non-compliance resulting in harm to complainants, Bank management must develop and implement an action plan to bring the project into compliance.

The addition of Dispute Resolution Service (DRS) to the Bank's accountability system is one of the most welcome aspects of the reform package. However, there are serious concerns with the tight parameters the Board has placed around it, including the one-year time limit on the process.

"The new dispute resolution function has been a long time coming and has the opportunity to make a real difference in the lives of families affected by World Bank projects," said Natalie Bugalski, Legal Director of Inclusive Development International. With regard to the one-year time limit, with the possibility of a six-month extension, that has been set on dispute resolution processes, Bugalski said, "While we support an efficient and timely process, our experience is that most cases—which can involve complex land and natural resource disputes involving thousands of people—simply cannot be resolved within a year."

Another deficiency in the current system that the Board review aimed to address was the lack of independent verification of the implementation of management's action plan. The reforms adopted yesterday allow for independent verification to be carried out by the Panel, but only in limited circumstances—based on the urgency of redress, risk of repetitive harms, and complexity of the case, among other criteria—and only with the approval of the Board.

“While we welcome the addition of independent verification to the Panel's toolkit, it is critical that communities have the ability to trigger this function when management's implementation of its action plan falls short or fails to remedy the harm. The limited circumstances within which the Panel is able to verify the implementation of action plans could mean that significant harm to communities persists for months or years before independent verification is permitted. As this reform is operationalized, communities should have a role in determining when the function is triggered,” stated Jolie Schwarz, Policy Director at the Bank Information Center.

The structural changes adopted by the Board to accommodate the new DRS also raise questions. Rather than simply endowing the Inspection Panel with the dispute resolution function, the Board created a new unit to house both the Inspection Panel, which will continue to focus on compliance, and the DRS, which will facilitate dispute resolution between communities and Bank clients. The new World Bank Accountability Mechanism will be led by an Accountability Mechanism Secretary that will share a reporting line to the Board with the Panel Chair, a structure that has crippled other IAMs.

“It is critical that the selection of the Accountability Mechanism Secretary reinforces the independence of the office by following the precedent set by the selection of the International Finance Corporation's Compliance Advisor Ombudsman (CAO) Vice President in which a selection committee of external stakeholders makes the hiring recommendation,” stated Schwarz. “The AM Secretary should also have the same restrictions as Panel members against working at the Bank after his or her term ends.”

Another shortcoming of the Panel that the review sought to address was the time limit within which the Panel can receive requests. The newly adopted time limit of 15 months after the closing date of the loan is a longer and more easily understandable limit for Requesters than the former, which was based on the amount of funding that had been disbursed. However, unlike the other newly adopted provisions, this reform will only apply to activities financed after the changes go into effect, delaying its benefits for requesters for several years.

Although the review process that ultimately led to the reforms lasted nearly three years, there was [little opportunity for public input](#)—a clear break from what has become accepted practice at the World Bank and its peer institutions.

“Especially given the origins of the Panel, it is inconceivable to me that the Board has made such a sweeping change to the Bank's accountability mechanism without first providing the public an opportunity to comment on the proposals. Just a few years ago, the Board approved a consultative process that led to the adoption of the Environmental and Social Framework, which allowed for extensive public comment and discussion of draft policies before they were approved. Reviewing the mandate of the ‘citizen-driven’ accountability mechanism should have been similarly participatory and robust,” stated Genovese.

“The big question now is: how will this be implemented? It is critical that communities potentially impacted by projects have the opportunity to engage in the operationalization of the changes to ensure that they are put into practice in a way that best serves the very people who are most likely

to need the accountability mechanism,” stated Margaux Day, Policy Director at Accountability Counsel. “There remains a real risk that ambiguities in the approved recommendations will result in practice that undermines the effectiveness of the bank’s accountability system.”

The Inspection Panel reforms come as the Board is overseeing a review of the accountability framework of the International Finance Corporation and the Multilateral Investment Guarantee Agency, including its accountability mechanism, the Compliance Advisor Ombudsman (CAO). The report of the external Review Team, commissioned by the Board, is expected in the coming weeks. The Board has not committed to disclose that report or provide any opportunity for the public to comment on the proposed reforms.

“Only after egregious cases were brought to the CAO such as Dinant (Honduras), Tata Mundra (India) and Bujagali (Uganda) did IFC management finally make changes to internal risk assessment processes, early-stage prevention, and problem solving –all vital to ensuring the IFC does more good than harm. It is short-sighted for the IFC to still perceive the CAO as an adversary,” declared Carla García Zendejas Senior Attorney at the Center for International Environmental Law (CIEL). “If the CAO’s strengths and mandate are lost as part of another opaque review, the CAO will not only lose its place as a standard-bearer for public accountability, but may also lose its ability to effectively address the concerns of communities affected by IFC projects.” added García Zendejas.