Missing in action: accountability is noticeably absent from the World Bank Group's new Corporate Scorecard

At Issue

Stephanie Amoako, Accountability Counsel

December 2024

The World Bank Group's (WBG) new Corporate Scorecard fails to include indicators on accountability, a gap which is symptomatic of a broader failure by the WBG to internalise learning from its independent accountability mechanisms (IAMs). Civil society remains concerned that Multilateral Development Banks' 'evolution' processes risk deprioritising accountability in order to get money out the door more quickly.

Stephanie Amoako is the Policy Director at Accountability Counsel, a non-governmental organisation that supports communities to use independent accountability mechanisms and engages in research and policy advocacy to strengthen the accountability landscape. She holds degrees from Columbia Law School, Columbia School of International and Public Affairs, the University of Amsterdam, and Duke University. She has extensive human rights experience around the world, including in Brazil and the Maldives.

The World Bank Group (WBG) - the world's most prominent multilateral development bank - has been embarking on a giant overhaul in the past few years. Recognising the ongoing damage from climate change and other global crises, the 80 year-old institution just last year expanded its mandate to alleviate poverty and promote shared prosperity "on a livable planet". The WBG is now outlining how it will determine success in fulfilling that mission. Civil society and other stakeholders are concerned, however, that the WBG is missing a crucial element to ensuring that it can adequately meet its goals: accountability to local communities affected by its financing.

Earlier this year, the WBG released its new Corporate Scorecard, which has been presented as the main tool the Bank will use to determine if it is effectively meeting its mandate. The Scorecard comes after a massive WBG effort to set out how it will "evolve" to better address global challenges. A key part of this evolution is to get money out of the door more quickly. With this emphasis on speed, there are risks that leaner due diligence will cause further human rights impacts and environmental damage. The evolution also pushes for more private capital mobilisation, although there have been serious negative impacts stemming from private sector financing. While it is positive that the Scorecard focuses on outcomes instead of just inputs, the 22 indicators, which include highly questionable indicators on gender equality and digital connectivity, do not adequately capture the net impact of the WBG's financing (see *Observer* Autumn 2024). Decades of experience demonstrates that even with the best intentions, projects financed by the World Bank Group can cause harm. In fact, the WBG has received nearly 600 complaints to its independent accountability mechanisms over the past 30 years on harms including displacement, livelihood impacts and sexual abuse (see *Observer* Autumn 2024, Spring 2024).

One would think that the WBG would include in its Scorecard a measure to track negative impacts from its finance and, importantly, whether and how these impacts have been addressed. But this is missing from the Scorecard. Why is accountability important? In addition to its obvious human rights implications, unremedied harms can undermine sustainable development. They can leave the very communities that are supposed to benefit from development – which claims to be 'people-centred' under the WBG's new approach – poorer than before the project began and can also lead to increased community conflict.

A history of unaccountable finance and continuing harm

In 1993, the public sector side of the WBG – i.e. the International Bank for Reconstruction and Development (IBRD), the WBG's non-concessional lending arm, and the International Development Association (IDA), the WBG's low-income country lending arm - created the first independent accountability mechanism (IAM), the Inspection Panel, to give project-affected communities a direct channel to raise environmental and social concerns to the Bank. The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), the private investment and political insurance arms of the WBG, respectively, created a similar mechanism in 1999, the Compliance Advisor Ombudsman (CAO). Since then, these bodies, along with the Dispute Resolution Service created in 2021, have been crucial tools to address serious allegations of harm. IAM complaints have led to the suspension of harmful projects, prevention of further project harm and livelihood restoration. Further, the Inspection Panel and the CAO have advisory functions that have surfaced lessons for the WBG on topics ranging from involuntary resettlement to greenhouse gas emissions mitigation (see *Observer* Winter 2024).

The Corporate Scorecard's accountability gap is symptomatic of a broader failure on the part of the WBG to fully internalise, integrate and learn from the work of its accountability mechanisms. It is also a missed opportunity to address the systemic institutional failure to ensure that harms identified through IAM processes are fully remedied. Preliminary research based on data on closed complaints from the Accountability Console shows that through 2023, only 41 of the 75 eligible complaints filed to the Inspection Panel have resulted in any commitments to remedy, while only 92 of 195 eligible complaints filed to the CAO have resulted in remedial commitments. And many of the commitments that were made have not actually been implemented. This means that communities are bearing the brunt of development going wrong.

The Corporate Scorecard's accountability gap is symptomatic of a broader failure on the part of the WBG to fully internalise, integrate and learn from the work of its accountability mechanisms

For example, fishing communities and farmers affected by the IFC-financed Tata Mundra Ultra Mega coal plant in India filed a complaint to the CAO about negative impacts to their fishing livelihoods, health and environment in 2011. In 2013, the CAO's investigation report confirmed IFC failures in the due diligence and supervision of the plant. Despite the CAO's strong report, to this day, the IFC has failed to ensure remedy for this harm, which led the communities to sue the IFC in the US (see *Observer* Summer 2022, Summer 2014). These stories should inform the narrative on how successful the WBG's activities are and be taken into consideration as the institution adapts its approach to development.

Civil society has pushed the IFC to create a remedy framework whereby the institution would commit to ensuring that harm to communities caused by IFC projects is remediated. After an external review of its accountability framework in 2020, the IFC's executive board tasked the institution to develop a remedial action framework. The IFC released a draft of this framework in early 2023. However, this draft was severely criticised for restating many actions that the IFC is already supposed to do and for lacking a commitment from the IFC to contribute financial resources to remedy (see *Observer* Winter 2023). The final remedial action framework has yet to be released, even as the WBG proceeds with its ambitious new mandate.

Accountability and remedy are particularly important for the WBG's new mandate because as the institution moves towards more climate financing, it must have a concrete appreciation of the impacts that these projects can have. Even green projects can cause harm, despite the importance of addressing the climate crisis. This year, several communities have already raised alarms about the Bank's climate mitigation and adaptation projects, including impacts of wind farms, transmission lines, and flood management projects. Questions have been also raised about the Bank's support for mining required to support the green transformation (see *Observer* Autumn 2024). As the World Bank Group embarks on this expanded mandate it is even more important to ensure that how it addresses harm is included in how it measures success.

A troubling proposal to shift accountability

Troublingly, while the WBG is ignoring accountability in its Scorecard, IBRD and IDA are actively proposing a seismic shift in communities' access to its IAM. In late October 2024, the World Bank and the Asian Development Bank (ADB) released a "Full Mutual Reliance Framework", under which one of the two institutions would serve as a lead lender for certain co-financed projects. With this framework, the lead lender's policies and procedures would completely and solely apply, and complaints would be limited to the lead lender's IAM. This framework stems from global conversations, including at the G20, on how to reduce burdens on clients and better facilitate co-financing among multilateral development banks to meet global challenges.

However, not all safeguards, and not all accountability mechanisms, are equal. This proposal could lead to weaker environmental and social standards being applied in certain circumstances, which could lead to harm to people and the environment. Moreover, the limitation on the applicability of the IAM is a massive shift in the world of accountability. For the three decades of IAMs' existence, in circumstances where multiple financiers are involved and multiple IAMs are available, communities have had the opportunity to file to one or more IAMs of their choosing. Communities may choose to file to just one IAM because they trust that IAM more or want to highlight the specific shortcomings of that particular institution that contributed to the harm. Or, they may want to file to multiple IAMs in order to hold each MDB accountable for their role in the project and push each institution to use its leverage to facilitate remedy. IAMs have established practices of co-operation. However, the proposed framework threatens to undermine communities' access to justice.

The limitation also assumes that the World Bank's and ADB's mechanisms are interchangeable. This is not the case. Each mechanism has its own strengths and shortcomings. The Inspection Panel was the first IAM created but lacks some of the tools of most mechanisms created after it. For example, although the Panel's mandate expanded significantly in 2020, it still lacks the independent monitoring function needed to ensure that remedial actions are fully implemented. On the other hand,

2024 IMF& World Bank Group Annual Meetings. View of the Data Playground at World Bank Group Headquarters, Washington DC, 23 October 2024. Credit: World Bank the ADB accountability mechanism's policy lacks a requirement for the ADB's management to consult with communities on the planned remedial actions to address non-compliance. The proposed framework risks the quality of the outcomes that communities would have had if they had the opportunity to access both mechanisms.

Fundamentally, the proposed framework would lead to an accountability gap concerning the non-lead - or trail - lender. In stakeholder meetings on the framework, the World Bank and the ADB asserted that accountability would lie with the lead lender. This means that if the ADB is the lead lender for a project, the World Bank would hold no accountability for the millions of dollars that it committed to the project and the impacts stemming from its financing. This goes against the international legal principle that all entities that contribute to harm have an obligation to contribute to remedy. Further, it makes it harder to measure the Bank's success at its new mission if it is outsourcing accountability to another institution.

The way forward

As 2025 promises to be a crucial turning point in the world's approach to MDB financing, now is the time for the WBG to course correct and ensure that accountability is at the centre of its new ambitions. The WBG should do the following:

Revise the Scorecard to include an accountability indicator: the WBG calls the scorecard a 'living document' (see *Observer* Autumn 2024). As such, the WBG should revise the Scorecard to incorporate an accountability indicator that would take into account the complaints filed to the institution's IAMs, corporate grievance mechanisms and project-level grievance mechanisms, and would also capture how these grievances and concerns have been addressed. Just having complaints is not necessarily a measure of failure - even with the best due diligence, problems can arise. Success is determined by whether the complaints are effectively addressed and harm is remedied. Further, this approach of incorporating metrics on addressing grievances is in line with emerging practice on community-informed impact measurement and management. If the WBG wants a full picture of its impact - and to avoid greenwashing - it needs to revise the Scorecard urgently.

In adding this indicator, the WBG should consult with its IAMs on the indicator's development. Troublingly, there are reports that the institution's IAMs were not even consulted in the drafting of the Scorecard.

Finalise a robust remedial action framework: decades of experience has shown that having strong IAMs is not enough. There must also be a strong institutional commitment to remedy. The still-pending IFC remedial action framework should be revised to incorporate a meaningful commitment from the IFC to contribute to remedy and should be published as soon as possible. This will help guide the institution to ensure that it can successfully remedy harms before they undermine sustainable development. Similarly, the public sector side of the WBG should start conversations - in consultation with civil society and project affected communities - on developing a remedial action framework.

Revise the proposed full mutual reliance framework: the Bank and the ADB should revise the proposed Full Mutual Reliance Framework to ensure that communities have access to both institutions' IAMs and that each institution plays a constructive role in facilitating remedy.

Without taking these key steps, the WBG risks undermining its own stated mission and causing harm to people and the planet. These actions are also crucial as the IFC embarks on a reform process in 2025 of the Performance Standards, which outline the environmental and social requirements that projects must adhere to. The review should include an in-depth examination of the instances where the Performance Standards were not properly implemented, and the WBG can get a head start on that examination by better incorporating accountability in its impact measurement.

BRETTON WOODS project

Bretton Woods Project
33-39 Bowling Green Lane
London EC1R 0BJ
United Kingdom
Tel: +44 (0)20 3122 0561
info@brettonwoodsproject.org

The Bretton Woods Project is an Action-Aid-hosted project, UK registered charity no. 274467, England and Wales charity no. 274467, Scottish charity no. SC045476. This publication is supported by a network of UK NGOs, the C.S. Mott Foundation, the William and Flora Hewlett Foundation, and the Well-spring Philanthropic Fund.

@brettonwoodspr
facebook.com/BrettonWoodsProject
www.brettonwoodsproject.org