

Participatory Development & NGOs: A Look at the World Bank in the 1990s

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In this section, you will learn about the role non-governmental organizations (NGOs) have played in development throughout the 1990s, with a focus on the World Bank. NGO participation in development was a very important theme in discussions regarding globalization and the future of the nation-state throughout the last decade.

NGOs came to prominence in the global community during the 1990s for the roles that they played in advancing many world concerns, including human rights and, especially, the environment. Through use of their advocacy and lobbying, NGOs were able to influence national and international policies on the environment and contribute precious information to the people affected by those policies.

Because of its disclosure policy, the World Bank initially was reluctant to work with NGOs. After persistent lobbying tactics, however, the Bank realized the benefits that NGOs could convey, including their environmental expertise and capacity to reach people that the World Bank was unable to connect with on its own.

A. NGOs: What They Are and What They Do

1. NGOs are Private Organizations that Have Significant Influence on Public Policy, Including Development Issues.

Numbering in the tens of thousands, NGOs are groups of individuals organized for virtually any purpose or issue, ranging from sexual discrimination to the rights of disabled people. Neighborhoods, professionals, and religious groups are but a few of the wide variety of constituencies that NGOs represent. NGOs may carry out programs on a grassroots level, such as providing disaster relief. They can be organized on a national level and deal with specific concerns of an individual country. NGOs can also be international in scope, tackling problems of a widespread nature in the global community.

As you might have guessed, NGOs can range greatly in size, from the tiny local NGO to mammoth groups such as the environmental-activist and policy organization Greenpeace. They receive their funding from many sources, including donations, fees, foundations, governments, and international organizations. Collectively, NGOs have become the second largest source of development assistance, behind national governments. In many

developing countries, NGOs manage a significant share of incoming assistance.

2. NGOs are Powerful Even Though They do Not Share Sovereign Status with Nation-States.

Groups acquire the NGO label because they are private organizations that may contribute to developments in international or domestic affairs even though they are not established by a government or by an agreement among governments. Unlike states, NGOs do not enjoy formal recognition ("legal personality") under international law, although they have achieved recognition under the domestic laws of various countries. They have also obtained "consultative status" with international (and regional) organizations. For example, Article 71 of the United Nations (UN) Charter permits NGOs to establish consultative relations with the Economic and Social Council, allowing them to provide the UN with technical advice and to express the views of the public. The World Trade Organization (WTO) also grants NGOs consultative status. Moreover, treaties that do not otherwise establish international organizations may grant NGOs "observer status," as illustrated by [environmental treaties](#) such as the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer. Observer status under the Montreal Protocol allows both environmental and industrial NGOs to attend the convention's meetings and intervene in plenary sessions. It does not allow them to propose amendments to the treaty, however.

3. NGOs Mobilize Civil Society, Monitor Governments and International Organizations, Provide Technical Expertise, and Help Disseminate Information.

Although NGOs are not sovereign like states, they clearly wield significant power. One reason for their influence is that they reflect the great masses of civil society. Through NGOs, people with opinions relating to development can push for actions such as donor-policy debates, sound macroeconomic policy, the opening of industrial country markets, the strengthening of bilateral assistance, or better environmental management of World Bank projects.

Another reason for NGOs' influence is their ability to monitor governments and international organizations and thereby help allocate scarce resources more efficiently. Because of their great interest in the policies of governments, NGOs have become effective monitors of intergovernmental organizations (such as the World Bank and the IMF), state-sponsored activities and national development policy. For example, the Supreme Court of Indonesia allowed an Indonesian NGO, Friends of the Earth Indonesia (WALHI), to file a complaint against President Suharto for his alleged diversion of nearly \$200 million

designated for reforestation projects to a budding aircraft industry. Additionally, NGO advocacy led to the World Bank's establishment of the environmental assessment (EA) procedure in 1989. The EA calculates possible environmental consequences in the early stages of a proposed project through a set of established criteria. Thereafter, it attempts to communicate information about those effects to the public. The EA also mandates procedures by which to help mitigate a project's negative impacts and recommends ways that countries may deal with any unavoidable problems.

NGOs also provide technical expertise to governments and international organizations. For example, experts have helped accelerate the phasing out of environmentally harmful chemicals and helped set up an environmental program on a global scale. They have helped create aspirational standards for governments to follow and implemented policies for international organizations and individual nation states. In the United States, NGOs have worked with U.S. legislators on developing support systems to monitor the World Bank and other significant lending institutions.

Successful NGO lobbying brought about the Early Warning System (EWS), mandated by the U.S. Congress in 1987, by which government agencies, in collaboration with NGOs, scrutinize the investments of multinational development banks (MDBs). The screening process identifies MDB projects that could cause negative environmental or public health consequences, or adversely impact indigenous people. To comply with the Congressional mandate, in 1990, the U.S. Agency for International Development (USAID) established a regular meeting routine between NGO advocates and representatives from U.S. government agencies to discuss upcoming MDB projects. The group is known as the Tuesday Group and they continue to meet monthly to develop a list of bank activities that could pose problems. Working with the NGOs, the system enables the U.S. government to conduct further research and take appropriate actions to push for alternatives to potentially harmful projects.

NGOs' ability to disseminate information to the public adds to their influence. For example, in August 1995, a dam broke at the Omai Gold Mine in Guyana and released more than 325 million gallons of cyanide into the Essequibo River. The mining company declared that there was absolutely no threat to animal or sea life. International NGOs, however, working through sources of information close to the scene of the spill, claimed that the site of the accident was an "environmental disaster area." The press in the United States relied on these NGOs accounts for most of its information on the accident, which resulted in huge health and environmental impacts. Building off of the communication networks that were

started in the 1990s, today, much local information is routed worldwide almost instantly through NGO computer networks. This allows for the dissemination of more accurate information about local circumstances, and such fluid communication helps place pressure on companies and governments to engage more quickly in ameliorative action.

B. NGOs and Their Relationship with the World Bank

The activity of NGOs throughout the 1990s affected many aspects of the World Bank's operations and heavily influence the manner in which the World Bank continues to operate today. Here the discussion is limited to environmental issues and the creation of the World Bank Inspection Panel.

1. The World Bank was Initially Reluctant to Disclose Information About Member Nations to NGOs.

The relationship between the World Bank and NGOs did not begin as one of cooperation. Historically, the World Bank resisted granting public access to information regarding its projects and lending, claiming that, as a lender, it was protecting the confidentiality rights of its clients—borrowing governments. NGOs, for their part, worked diligently to form a bond with the World Bank. They continued to approach the World Bank, as they had other institutions, with aggressive lobbying tactics and informational campaigns.

The Bank's initial resistance led NGOs to mount information campaigns to educate the public about the harmful environmental consequences of many of the Bank's lending operations. For example, in Jakarta, national and international NGOs opposed the Kedung Ombu dam project, supported and financed by the World Bank, on grounds that the project would unnecessarily displace the people of the island. The NGOs filed a court claim against the World Bank and used extensive lobbying efforts to exert pressure on the World Bank. Although the NGOs failed in their campaign to stop the construction of the dam, they were able to secure better relocation arrangements for many of the people displaced by the project.

2. After Considerable NGO Pressure, the World Bank Realized that NGOs Could Improve Bank Operations and Policy.

Within a short period of time, numerous demands fell upon the Bank to disclose more information to parties who could be directly affected by its policies. Faced with this pressure, the World Bank began to understand the important impact of NGOs and the

potential benefits it could reap from associating with them. NGOs provided an incomparable link between the World Bank and the people of developing countries. NGOs, the World Bank concluded, help reflect the interests of the public in the policy making process on an individual level that the Bank and the governments of developing countries could not. Additionally, in many places, NGOs had easier access to World Bank representatives than governments. In fact, because of their innovative information gathering, advocacy, consultancy and operational activities, NGOs may possess better information than government representatives or officials of inter-governmental organizations. The scientific information that NGOs have accumulated is particularly important to World Bank reforms. NGO experts have thus contributed in important ways to international development policy.

After years of criticism that its "top-down" approach to development was out of touch with the realities of developing nations, the World Bank finally began to use NGOs to bridge the information gap, making effective development a possibility for the World Bank. Throughout the 1990s, the Bank made great efforts to broaden and formalize its relationship with NGOs. Under current Bank requirements, all of the Bank's resident representatives must hold regular meetings with the NGOs of those particular countries. NGOs' work in policy making and reform, coupled with incessant lobbying largely has been responsible for this.

The results of NGOs' tireless advocacy have been most evident in environmental matters. For example, NGO activity prompted the Bank to issue a policy statement recognizing the importance of environmental audits of companies working in the developing world. These audits analyze existing environmental concerns at a site and recommend how to bring any problems into compliance with particular audit criteria, namely the World Bank guidelines. Often these audits are done in conjunction with the broader and more in-depth EA discussed previously. This development has helped fortify NGOs' stance on the environment and give them the backing needed to place great pressure on companies to disclose environmental audits.

NGOs initiatives throughout the 1980s helped form the Global Environment Facility (GEF) in 1991, a multilateral fund that promotes environmentally sound policies and programs. The GEF is implemented jointly by the World Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP). Today, there are also seven international agencies, including four regional development banks and three UN agencies, which contribute to the management and execution of GEF projects. These entities were first included in the GEF initiatives in 1999.

The GEF gives grants to national governments to help them follow environmentally safer policies. For example, because coal is relatively cheap, a country may be tempted to generate power by the use of coal rather than geothermal energy, or energy generated from the earth's natural heat. But coal is also infinitely more hazardous to the global environment. Burning coal to create electricity produces a number of dangerous chemicals that have the potential to infiltrate and poison the world's water systems. Additionally, coal burning contributes to the creation of smog and increases global warming. The GEF fund may give this country a grant to cover the difference in cost between generating power by geothermal energy and coal. Since 1991, the GEF has provided \$6.2 billion in grants (and helped generate over \$20 billion) in order to support more than 1,800 projects that benefit the environment. The GEF fund still operates today and focuses on six particular areas of environmental policies: biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

NGOs' lobbying has also resulted in the World Bank reconsidering its reforestation policy. In 1990, the World Bank was in the final stages of preparing loans for forest projects on the Ivory Coast. Based on reports by the World Wildlife Fund (WWF), an international conservation organization, numerous NGOs complained about the feasibility of these projects. The WWF had published a report that claimed that if the Bank went through with the forestry loan, large areas of forest would be opened to commercial logging without government agencies or private entities having to show that they would be able to log in a sustainable manner. Convinced of the validity of the argument, the World Bank agreed to halt all lending for forest projects for a period of three years and until it finished a review and revision of its policy.

3. NGOs' Concerns Led to the Creation of the World Bank Inspection Panel, Which Has Enabled Communities to Monitor and Challenge Bank Development Policies.

NGOs' ability to focus attention on the local impact of development policy led to the creation of the World Bank Inspection Panel in 1993. The World Bank formed the Inspection Panel in order to provide communities with access to the Bank if they believe they are being adversely affected by the Bank's projects.

Under [World Bank rules](#), an affected party that is in the territory of the borrower and that is not a single individual (i.e., a community of persons such as an organization, association, society or other group of individuals), or a representative of that party, may submit a request for inspection. The requesting party must demonstrate that its rights or

interests have been or may be materially and adversely affected because of the Bank's failure to follow its operational policies and procedures with respect to the design, appraisal and/or implementation of a project financed by the Bank. If the Panel finds merit in the request, a series of procedures are triggered to review the Bank's actions. The review process may ultimately result in the Bank's Board of Directors taking corrective measures.

Throughout the 1990s, nineteen projects were brought to the attention of the Inspection Panel, and the Panel has required the World Bank to reconsider several projects with potentially harmful consequences. For example, NGOs complained to the Panel about the Arun III Hydraulic Project in Nepal. Because of existing Bank policies involving resettlement, indigenous peoples and environmental assignment, after the Panel investigated the matter, the Bank management was forced to reassess the project and ultimately decided to withdraw from the area.

The results of the investigations may not always please the NGOs who instigated the requests, however. In August 1996, for example, the Jamuna Char Integrated Development Project, an NGO representing the island inhabitants in the area of the Jamuna Bridge Project in Bangladesh, submitted a request to the Inspection Panel. The NGO claimed that the project would be a threat both to the environment and to the indigenous peoples. The Panel concluded that no investigation was necessary because either the Bank or the government of Bangladesh would compensate the potentially displaced people.

In another instance in 1996, owners of private jute mills in Bangladesh who were affected by a World Bank privatization loan submitted a request to the Panel for review. The mill owners claimed that they were the beneficiaries of the Bank's proposed privatization program and that a three-year delay in its implementation put several of jute mills out of business and threatened countless others. Panel officials received the owners' requests to expedite the privatization. Upon consideration of the matter, however, the Panel refused to recommend a full investigation. The Panel reasoned that barring a restructuring of the project to coincide with changing political and financial circumstances, an investigation would not have produced a result useful to the owners. The Bank's Board agreed and accepted the Panel's decision on April 4, 1997.

While the Panel has met with marked success, critics claim that the procedure in place to review investigation requests must be more transparent. This lack of transparency is evidenced by frequent ex-parte communications between Bank management, the target of an investigation, and the Board of Directors. Additionally, prior to 1999, the Board of Directors

had the power to deny the Panel's request to investigate a claim for any reason. Frequent, arbitrary denials caused a loss of public confidence in the Inspection Panel. In late 1999, the World Bank implemented reforms that restricted the reasons for which the Board could reject a Panel's request to investigate. As part of those reforms, the Board agreed to defer to the Panel's judgment regarding whether to investigate in hopes of depoliticizing the process. The Board also committed to organize educational initiatives to help the public understand the interaction between the Board and the Panel. Critics still argue that for the Panel to work more efficiently and effectively it needs to communicate more directly and openly with the Board of Directors, without any procedural impediments or interferences. In fact, there are advocates who believe that investigations should not have to be approved by the Board at all.

C. NGOs and Their Impact on Development in the 1990s

1. NGOs Became Major Participants in Global Discussions Regarding Governance.

In the past fifty years, NGOs have made a tremendous impact in the areas of international governance and the formation of international policy in numerous areas, ranging from the environment to human rights. In the 1990s they frequently made their mark at major United Nations conferences devoted to key aspects of development (e.g., the 1992 Rio Conference on the environment, the 1993 Vienna Conference on human rights, the 1994 Cairo Conference on population, and the 1995 Social Summit in Copenhagen).

2. A Fear that NGOs Contributed to an Erosion of Sovereignty Emerged.

During the 1990s, many observers believed the activities of NGOs and other non-state actors, such as multinational corporations (companies with operations worldwide) and liberation movements (e.g., [the Zapatistas of Mexico](#)), contributed to the erosion of traditional notions of sovereignty. These notions are discussed in other sections of the E-Book. Consequently, some claimed that the state was no longer able to claim center-stage in the drama of development. Indeed, through the 1990s the drama's script changed, and states had a much weaker role over affairs within their borders. This also led to a decrease in the distinctions between "domestic" and "international" law. Sovereignty's erosion intensified throughout the 1990s, largely influenced by the fall of the Soviet Union, advances in communications technology (i.e., computer networks that relay information in seconds), and a globalized economy.

3. States and International Organizations Such as the World Bank and the IMF Formulated More People-Centered Development Policy Built From the Ground Up.

The erosion of the traditional divide between citizens and the state ultimately led to the widespread use of the terms "participatory development" and "people-centered development," which refer to grassroots, decentralized development from the ground up, rather than from the top down. This framework of development stresses policies that genuinely improve the local living conditions of all people, and the participation of the people in the formulation of development policy.

The increasing presence of NGOs caused international organizations such as the World Bank and the IMF to address their operations in accordance with these evolving conceptions of sovereignty and development. Project lending, structural adjustment loans, stand-by arrangements (a type of IMF loan), and technical advice from these institutions slowly began to be more sensitive to an array of ground-up issues, including income distribution, military spending, cultural integrity and human rights. The E-Book covers these issues in a different Section.

D. NGOs: Their Limitations

Although NGOs have made important and positive contributions to the evolution of development policy, many observers in the 1990s pointed to both actual and potential problems arising from the activities of tens of thousands of NGOs.

1. Governments on the Defensive.

The increase in NGO power in the 1990s caused some developing-nation governments and international organizations to fear the encroachment upon sovereign power. Consequently, their status was closely regulated by the vast majority of developing-country governments. For example, Arab and Asian countries often limited NGOs' ability to take a public stance on human rights and other issues that they held to be vital national interests. In Hong Kong, NGOs were under constant surveillance by China until the Chinese government reclaimed Hong Kong in 1997. Prior to that time, the Chinese government had warned Hong Kong's NGO community that they must register with the government and that NGOs would be permitted to operate only after obtaining government approval.

NGO participation in international organizations was also carefully limited

throughout the 1990s and many of those limitations continue today. As discussed previously, intergovernmental organizations typically allow representatives of NGOs to observe departmental meetings and receive certain types of documents. Some have allowed NGOs to circulate documents and reports of their own. On rare occasions, NGO representatives are allowed to speak at meetings. NGOs, however, do not have the power to vote at these meetings or execute any binding decisions and are essentially relegated to consultant status.

According to some observers in the 1990s, governments' defensive postures were useful in some respects. To the extent that thousands of NGOs began pursuing their own individual agendas without a sense of commitment to a broader community of interests, reserving some form of state-centered sovereignty guarded many of government's effective and efficient ways of coordinating measures to meet the crucial needs of communities.

2. NGOs Focused Too Heavily on Governmental Officials and Suffered from "Tunnel Vision."

A common complaint leveled at NGOs that arose in the 1990s relates to their relationship with developing-country governments. NGOs tended to focus nearly all their attention on government officials and government institutions. This narrow focus neglected the very powerful effect that extra-state participants, including multinational corporations, arms dealers and guerrilla groups, have on human rights and other aspects of development. By avoiding contact with these actors, NGOs limited their overall effectiveness.

Another issue that many experts felt worked to limit the overall effectiveness and performance of NGOs was their failure to appreciate the big picture. Most NGOs are created with very specific mandates tied to their funding. The narrow focus on one particular issue frequently excludes the wider context, which limits their effectiveness in emerging economies and may lead to fragmentation of civil society. At the very least, the activity of thousands of NGOs had the potential to create distracting noise and information bottlenecks.

3. NGOs May Not Have Been Responsive to Their Constituencies.

While NGOs developed a reputation for the advocacy of the disenfranchised, some found it ironic that NGO leaders have the ability to exert tremendous, almost arbitrary, power over their members. For the past couple of decades, many observers have wondered whether NGOs, most of which are Western-oriented, act as true representatives of larger

constituencies, or whether they serve as political platforms for a few executives. This concern still exists today.

In most situations, NGO leaders are not elected by the members of their organizations. This fact, coupled with a lack of public-law safeguards against abuse, leads many to believe that NGO leaders enjoy virtual potentate status. Members are unlikely to investigate policy matters with any great depth or skepticism. It is not unusual for members of a non-governmental organization to disagree in principle with some of the organization's stances. In this regard, international NGOs function much like political parties, whereby the leadership is expected to develop a platform and accompanying policies without much real, extensive input from party members. The resulting structure gives the leadership nearly uncontested discretion as to what concerns NGOs will pursue and in what capacity.

The problems stemming from arbitrary decision-making have at times resulted in the branding of NGOs as power-mongers with little regard for any agenda but their own. The Brent Spar Episode is cited by many experts as a demonstration of the potential oppressiveness of NGO decision-making. In that instance, Greenpeace opposed the scuttling of a decommissioned oil rig, named Brent Spar, in the North Sea. What Greenpeace failed to recognize initially was that the scuttling posed a miniscule threat to the environment. The information Greenpeace received incorrectly stated the amount of waste that would descend with the oil rig.

Even after admitting the error in calculation, however, Greenpeace refused to relent. This was despite the fact that no national or international laws were being violated as a result of the scuttling activities. Shell Oil, fearing heavy potential financial losses from extended media exposure, finally acquiesced and withdrew its scuttling project. Greenpeace continued to oppose all scuttling activities in the North Sea, and Shell met with Greenpeace representatives on several occasions to seek its approval of the decommission of other oil rigs. One observer concluded that Greenpeace created its own environmental law where there was no prior environmental law to enforce.

Alison Guernsey, a UICIFD staff member, contributed to the 2007 update.