

Governance and Accountability of the World Bank

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A. Introduction

The World Bank has undergone significant changes in its purpose and membership since its inception in 1944. As a result, it has been the subject of much criticism regarding its current governance and accountability. Critics assert that the Bank's governance system is undemocratic, largely because borrowing countries that are impacted the most by Bank projects have minimal voice in the Bank's decisions about loans and projects and the selection of the Bank President is unilateral. The Bank has also been attacked for lacking transparency in its decision-making, by withholding Bank documents from the public. Finally, critics argue that the Bank is unaccountable to its members, because it generally enjoys immunity from lawsuits and the Bank's member governments are far too removed from the Executive Board to hold it accountable. In response, the Bank has taken a number of steps to address these criticisms, including proposals to reform the voting system and Presidential selection as well as creating several mechanisms to check the Bank's accountability.

The World Bank is a multilateral institution that consists of a number of institutions, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association. The World Bank is one of the two Bretton Woods Institutions, the other being the International Monetary Fund (IMF), formed in 1944 on the eve of the end of World War II. Currently, the World Bank is comprised of over 10,000 employees from nearly every country in the world. Initially, the IBRD was established to assist with the reconstruction of war-torn Europe, and to prevent the monetary insecurity that resulted in the Great Depression. Therefore, the original priority of the Bank was not "development." However, after the Marshall Plan was announced in 1947 to deal with European reconstruction, the IBRD switched its lending from reconstruction to development, with a focus on improving developing countries' infrastructures. Today, the IBRD has two primary purposes: (1) to

promote economic and social progress through loans to governments of low-income and middle-income countries for projects and programs related to “development,” and (2) to reduce poverty and increase the standard of living in the developing world. Therefore, the role of the World Bank has evolved significantly since its inception and correspondingly, the Bank’s stakeholders have increased to include “non-concessional borrowing countries” (countries that pay most of the Bank’s running costs through loan charges). This evolution has created problems regarding the Bank’s governance and accountability to its members, because the governance and accountability mechanisms have not evolved to reflect these changes in the Bank’s role.

Beginning in the 1990s, critics of the World Bank claimed it was “secretive, unaccountable, and ineffective.”¹ They charged that the Bank was unresponsive to its member countries. Most of the problems that have been voiced about the Bank’s governance, including lack of transparency and the Bank’s accountability to its member countries stem from the expansion of the World Bank’s activities to development lending. As a result of protests and criticism, the World Bank has undergone changes to become more accountable to all of its stakeholders. Its stakeholders include member governments, groups directly affected by Bank projects and loans, and individuals or institutions that are indirectly involved in or affected by Bank projects and loans (i.e. NGOs, private sector businesses, and technical and professional bodies). This paper will focus exclusively on concerns with the IBRD’s governance and accountability and proposals for reform to make its decision-making more open and transparent and to improve its governance and accountability.

B. Governance

Although the membership and activities of the World Bank have changed considerably since its creation over 50 years ago, very little of its basic structure has been altered. The main criticism of the World Bank’s governance is that the developing countries that are most affected by the Bank’s loans do not have adequate representation on the Executive Board. Because developing countries do not each have their own Executive Director, most of these countries have a very weak link to the Bank’s formal decision-making processes. As a result of this criticism, proposals to reform the current voting or quota system and select the Bank President

¹ Ariel Buira, *Reforming the Governance of the IMF and the World Bank*, 149.

have been suggested.

1. Internal Organizational Structure

Because the Bank is a multilateral institution, it is owned by the governments of its 184 member countries. The Bank is run like a cooperative, and the member countries are shareholders of the Bank, with shares based on the size of each country's economy. At the top, the shareholders are represented by a Board of Governors, which consists of Ministers of Finance or Development and Central Bank Governors. The governors meet annually and have the ultimate responsibility for making decisions and maintaining oversight of the Bank. However, the 24 Executive Directors who sit on the Executive Board make the day-to-day decisions. Each Executive Director represents either a single country or a group of countries. Only the five largest shareholders (France, Germany, Japan, the United Kingdom, and the United States) appoint their own Executive Director, while the other countries are grouped into constituencies that are represented by one Executive Director (for example, one sub-Saharan African Executive Director represents 22 countries). The Executive Directors usually meet twice a week for general oversight of the Bank. Their responsibilities include approving loans and guarantees, setting new policies and the administrative budget, and making decisions regarding lending. Additionally, the Executive Directors are in charge of selecting and potentially dismissing the World Bank President, who controls the management and the staff of the Bank.

Critics argue that this organizational structure leads to unaccountability. They charge that member governments are too removed from the Executive Board to be able to hold the Board accountable. This leads to a lack of vertical accountability (accountability between an organization and its stakeholders), because the member countries in a constituency cannot force the Executive Director representing the constituency to resign if he/she fails to perform. Consequently, the Executive Directors are not accountable to the governments that they represent.

The Executive Board also exercises minimal control over the Bank's staff and management and it has been criticized for not holding the Bank's staff and management to account. The Executive Board has the responsibility to appoint and oversee the Bank's senior management. As a result, the Executive Directors are responsible for the Bank's accountability

to member countries. However, the Board provides only limited oversight for a number of reasons. First, the Executive Directors have difficulty preparing views and opinions on every issue brought to the Board meetings. Second, the staff and management usually do not disclose internal disagreements to the Board. Third, agreement on many decisions is usually reached before Board meetings, as debates over policy and issues often occur outside of Board meetings.

2. Voting/Quota System

Many people are critical of the Bank's existing voting or quota system. When the Executive Board makes decisions about loans and other policies, voting is not based on a one-vote-per-country rule. Instead, voting power is weighted and is based on a country's quota. Under the current quota formula, each member country receives a base of 250 votes. Additionally, member countries receive votes based on the size of their economies (they receive one additional vote for each share of stock held by that country, which depends on that country's relative economic and financial strength). For example, the United States is the largest shareholder and it carries 16.41% of the votes. Member countries that have larger shares of the total quota have larger voting percentages. Therefore, wealthier countries hold more voting power than the poorer countries. Ironically, the loans affect the poorer countries the most, yet under this voting system, they have the least amount of voting power to make loan decisions. Because the quota system dictates that a handful of developed countries hold a majority of the shares, these member countries are able to dominate the Bank's decision-making process.

Consequently, many argue that the World Bank is undemocratic, because developing countries, who are the main recipients of the Bank's loans, hold minimal voting power when the Bank makes decisions. For example, because the sub-Saharan African countries hold a mere 5.4% of the voting shares, they have negligible influence over the 464 Bank projects in Africa. Instead, a small number of industrialized countries hold most of the votes, with the seven wealthiest nations holding 45% percent of the voting shares. This system has led critics to contend that the Bank is more accountable to creditor nations, including the United States, rather than developing countries. Therefore, developing countries are demanding that they have a greater voice and representation in the Bank's policy and decision-making.

Member countries have suggested proposals for reforming the voting system to increase

representation of the borrowing countries. Notably, a number of countries have advocated simultaneous reform of the voting systems of both the World Bank and the IMF, pushing for an increase in quotas at the IMF paired with an increase in capital shares at the World Bank. These proposals have ranged from expanding Board seats to reallocating votes.

One reform that may enhance developing countries' participation and representation is selective double majority voting. Under this system, decisions would require two separate majorities to pass: a majority of shareholder votes and a majority of developing country votes. This would ensure the cooperation of every member in decisions, including developing countries, because decisions would not pass without support from a majority of these countries. Additionally, a double majority helps to create consensual decisions by all member countries by restructuring the weight of arguments during Board discussions. This system allows different stakeholders, including the industrialized donor countries and the developing recipient member countries, to assert their claims.

The largest obstacle to this proposal is that the Bank would be legally required to amend its Articles of Agreement, which requires an 85% majority of total voting power. Therefore, some have suggested limiting the double majority voting to decisions at the operational level at Board meetings (including projects, programs, and personnel). This would increase the level of participation by those countries that are most affected by the projects and programs. Yet, voting on financial and strategic matters would continue to follow the current voting structure that is set forth in the Bank's Articles of Agreement.

3. Selection of the World Bank President

Another major issue relating to Bank governance is the selection of its President. The World Bank does not have a specific formal selection procedure for choosing the President. The Bank's Articles of Agreement state the "Executive Directors shall select a President ... [who] shall be chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank."² All World Bank Presidents have been United States nationals as a result of tradition and a long-standing informal agreement. The

² IBRD Articles of Agreement, *available at* <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049604~pagePK:43912~piPK:36602,00.html#I6> (last visited Feb. 3, 2008).

Executive Director of the largest shareholder in the World Bank, the United States, nominates the President. The Board of Governors then elects the President for a five-year, renewable term.

Critics argue the selection process is outdated and should be reformed. The initial reason for selecting a United States national as President is no longer applicable. When the World Bank was established, the United States controlled the market for Bank bonds. Accordingly, the founders believed United States leadership would encourage investment in Bank securities. However, since 1944, capital markets have expanded worldwide and the Bank has increased and diversified its funding. Thus, the reason for selecting a United States national as the President is no longer valid.

Today, many people, including experts on global finance and World Bank employees, are troubled by the way the President is chosen and argue there should be a democratic, rather than unilateral, selection process. They claim the United States should not solely choose the president because the United States does not play a dominant role in the World Bank's financing anymore (currently, United States donations account for about 16% of the World Bank's shares). Moreover, they complain that the current selection process is not transparent and allows one country, the United States, to hold a monopoly over the World Bank's leadership.

Many people advocate for changes in the selection process. Generally, critics support a formalized selection process that eliminates a nationality requirement, is open, and is based on merit. By opening up the selection process to other member countries, an authentic competitive process will ensue among qualified candidates. In addition, the Bank should release the names of the candidates and the Board reports concerning selection. Others believe the World Bank should adopt a new voting system. The new President would need a double majority to win. That is, the President must be approved by a majority of the member countries and also a group of countries representing a majority of the World Bank's shares.

In 2000, the World Bank and IMF Boards formed Working Groups for the purpose of making suggestions for the selection process. These recommendations include: (1) the Board should oversee the selection process, rather than a single country; (2) any member country may nominate a candidate, instead of only the most powerful countries; and (3) Executive Directors should create specific criteria to identify, nominate, and choose candidates. Most importantly,

the Working Groups urge the selection process should set forth guidelines to evaluate candidates based on their experiences and qualifications. The selection process should ensure the Executive Directors and their authorities adequately consult with the Board in the decision-making process.

4. Two Bank Presidents and Their Impact on Governance

As noted, in the early 1990s, and particularly on the 50th anniversary of the creation of the World Bank in 1994, the Bank was subject to withering criticisms from various constituencies. Two Bank Presidents, James Wolfensohn and Paul Wolfowitz, sought to respond to the critics by placing improved governance at the center of their agendas.

James Wolfensohn, President of the World Bank from 1995 to 2005, brought the issue of good governance to the forefront and prioritized anti-corruption efforts. Since 1995, the Bank has started more than 600 programs or initiatives related to governance. Furthermore, Wolfensohn launched the Strategic Compact in April 1997 in response to criticism about the Bank's inefficiency, bloated bureaucracy, and rigidity. The Strategic Compact was a compact "between the Bank and its shareholders: to invest \$250 million in additional resources over a three-year period to deliver a fundamentally transformed institution – quicker, less bureaucratic, more able to respond continuously to changing client demands and global development opportunities, and more effective and efficient in achieving its main mission – reducing poverty."³ The purpose of the Strategic Compact was to renew the World Bank and improve development effectiveness. The Strategic Compact concentrated on implementing four priority programs: (1) refueling current business activity, (2) refocusing the development agenda; (3) retooling the knowledge base; and (4) revamping institutional capabilities. A Compact Assessment Team evaluated the Strategic Compact and prepared a Strategic Compact Assessment. The team found the quality of the Bank's work is significantly better and the Bank has improved at responding to client demand. However, to build on the Bank's effectiveness, the team recommended that corporate leadership must develop and put into practice improved processes related to decision-making, that the Bank must strengthen the mechanisms used for ensuring that strategies are implemented, and that institutional capabilities must be modified and strengthened.

³ THE WORLD BANK, ASSESSMENT OF THE STRATEGIC COMPACT, Mar. 13, 2001, *available at* <http://www.worldbank.org/html/extdr/strategypapers/assessment.pdf>.

Wolfensohn's legacy as Bank President has been mixed. He stood out for his commitment to and focus on fighting corruption. As IMF Managing Director Rodrigo de Rato commented in his tribute to Wolfensohn, "It used to be that even mentioning corruption in some official circles was considered taboo."⁴ Under Wolfensohn's leadership, the Bank "insisted that corruption be seen as a cancer, and that fighting it be made synonymous with fighting poverty."⁵ Wolfensohn will also be remembered for leading the Bank to focus on promoting growth and reducing poverty. Yet, he gave the Bank an overly broad focus and failed to transform the Bank into a vehicle that could truly help the poor.

After becoming Bank President in 2005, Paul Wolfowitz also aimed to make good governance and anticorruption important objectives for the World Bank. He specifically concentrated on eliminating illegal practices, such as bribery, in borrowing countries. In 2006, Wolfowitz detailed the World Bank's strategy which involved three different fronts: (1) expanding anticorruption work so that countries are sufficiently supported in implementing reforms; (2) implementing a new system for reducing the possibility of corruption in projects; and (3) developing partnerships with a variety of groups which have an interest in improving governance.

Wolfowitz's tenure at the World Bank was controversial. Despite his mission to improve governance and rid corruption within the World Bank, Wolfowitz's tenure illustrated problematic governance at the World Bank, resulting in increased criticism concerning Bank governance. For example, to accomplish his goals, Wolfowitz used strategies such as disrupting projects and stopping, delaying, or retracting the disbursement of loans which were already approved. Because Wolfowitz unilaterally stopped disbursements, his power seemed to be random and discretionary. This prompted critics to argue that the decision to delay or cut off loans should be more transparent through an orderly review process which used objective and valid evaluation methods.

Ironically, Wolfowitz resigned as World Bank President due arguably to corruption relating to his personal relationship with Shaha Riza, a communications officer at the World

⁴ IMF Managing Director Rodrigo de Rato Pays Tribute to Outgoing World Bank President James D. Wolfensohn, Press Release No. 05/127, May 31, 2005, *available at* <http://www.imf.org/external/np/sec/pr/2005/pr05127.htm>.

⁵ *Id.*

Bank. World Bank regulations prohibit supervision of a romantic partner. Wolfowitz disclosed his relationship with Riza and she transferred to the State Department. However, Riza continued to be on the Bank's payroll and her salary increased from \$133,000 to \$193,590. Critics argued that Riza received special treatment as a result of Wolfowitz's power. World Bank board members requested an investigation and a special group was appointed to investigate. The group concluded that Wolfowitz had a conflict of interest and had violated the Bank's ethical and governing rules in arranging Riza's promotion and compensation package in 2005. Wolfowitz insisted that he acted in good faith in arranging Riza's compensation. However, many people, including foreign leaders, were critical of Wolfowitz's integrity. They urged Wolfowitz to resign, due to concern that his reputation would negatively impact the Bank's reputation. For example, Dutch Finance Minister Wouter Bos commented, "What we need is a president with a good reputation and integrity." Similarly, Belgium's Finance Minister Didier Reynder asserted, "It is impossible to go around the world speaking about good governance without good governance at the World Bank."⁶ Although the Bank accepted Wolfowitz's argument that he acted "ethically and in good faith," Wolfowitz ultimately agreed to resign as a result of the scandal over his relationship with Riza.

C. Accountability

In contrast to governance, accountability addresses the extent to which the institution abides by its charter and is otherwise accountable for its policies and actions to various stakeholders. This paper has already addressed how vertical accountability should work in theory: ultimately, the World Bank should be accountable through vertical institutional channels to its member countries. However, this type of accountability is not rigorous in practice.

Critics argue that the Bank is unaccountable to its members, because it enjoys immunity from lawsuits. The Bank's Charter grants the Bank immunity to the extent that it prohibits member countries or persons deriving claims from member countries from suing the Bank in domestic courts for failing to follow its policies or to make it more accountable. As a result, the Bank has developed a number of horizontal accountability mechanisms to respond to these criticisms, including the Operations Evaluation Department, the Department of Institutional

⁶ Jeannine Aversa, *Wolfowitz Resignation Pressure Mounts*, WASHINGTON POST, May 8, 2007, available at <http://www.washingtonpost.com/wp-dyn/content/article/2007/05/08/AR2007050800466.html>.

Integrity, and the Inspection Panel.

1. Transparency

Transparency is one of the preconditions for institutional accountability. Prior to 1993, the Bank restricted public access to almost every type of document that came under the Bank's control or that related to Bank projects. Consequently, groups who were directly affected by the Bank's lending operations could not access information about the projects, and uninformed taxpayers in donor countries were unable to influence how the Bank used their money. This led to a lack of transparency. The Bank justified its withholding of this information by arguing that public scrutiny could harm the Bank's deliberations and decision-making process as well as asserting that the Bank did not have the right to disclose the document in question because it was the borrowing country's property.

As a result of increased public scrutiny and criticism, the Bank has attempted to implement changes to improve its transparency. The Bank has expanded the public's access to information about its activities. The Bank now uses its website to disclose and publish more of its research as well as explain what it is doing. The website includes information that the Bank staff prepares which includes annual reports, project reports, research, and presentations. Additionally, the Bank revised its information policy to disclose more information to the public and created the Operations Manual. The Bank has also created a number of mechanisms to enhance horizontal accountability (by which departments scrutinize and check the abuses by other departments within the Bank) by creating the Operations Evaluation Department (OED), the Department of Institutional Integrity, and the Inspection Panel. Together, these changes have increased the Bank's governance and transparency and help to ensure that the Bank is more accountable to its member countries.

a. Revised Information Policy

Initially, the Bank restricted public access to almost every type of document that came under the Bank's control or that related to Bank projects, asserting that the Bank's deliberations and decision-making process needed to be shielded from public scrutiny. However, the information policy was attacked for its lack of transparency and the Bank revised its policy in

1993. Under the revised information policy, there are Public Information Centers in which documents are available for the public. Additionally, the Bank created categories of documents and information for the public. One of these categories is the project information document (PID), which includes documents that are specifically written for the public. Generally, they are written at the beginning of a project to inform the public about the main elements of the project. Furthermore, the new information policy allows factual and technical documents to be released to the public before loan approval is given.

b. Operational Manual

The Bank also created an Operational Manual which is available on the internet for the general public to view. The Manual is the repository for Bank procedures and policies regarding current or future projects. It includes four types of policy documents: Operational Policies (OPs), Bank Procedures (BPs), Operational Directives (ODs), and Operational Memoranda (OP Memos). Operational Policies ensure that operations are in line with the Bank's Articles of Agreement by laying out how operations should be conducted in various situations. Bank Procedures explain how Bank staff should implement the policies in the OPs. Operational Directives include policies, implementation guidelines, and guidance. Operational Memoranda are temporary documents that contain interim instructions to elaborate on existing OPs and BPs, and are retired after their changes have been incorporated into the relevant OP or BP. The policies laid out in the Operational Manual are revised on an as-needed basis, with input from outside experts (NGOs).

2. Operations Evaluation Department

The Operations Evaluation Department (OED) continuously performs three types of audits of the World Bank: project reviews, country assistance evaluations, and process reviews. To assist the Bank with improving development assistance, OED conducts independent evaluations of Bank lending operations following completion of the projects. In assessing the completed operations, OED rates the overall performance and sustainability of the projects, with the intention that the results and recommendations will be factored into the design and implementation of new policies and lending operations. OED then reports its findings to the Executive Board. The Executive Board does not determine which Bank projects the OED will

evaluate. Instead, OED is functionally separate from the Bank's operating staff and is free to make these decisions itself. However, OED's audits are all internal, so there is no guarantee of objective analysis.

3. Department of Institutional Integrity

The World Bank Group formed the Department of Institutional Integrity (INT) in 1999 to further enhance its accountability. The INT is responsible for investigating fraud and corruption in the World Bank. Specifically, the INT "investigates allegations of fraud, corruption, coercion, collusion, and obstructive practices"⁷ associated with World Bank projects and also investigates claims of serious staff misconduct. In addition, the INT provides training to Bank staff to detect and deter fraud and corruption. The INT works to ensure that Bank funds are used for their intended purposes: to alleviate poverty and increase prosperity and stability in the borrowing countries.

In September 2007, the Independent Review Panel, led by Chairman Paul Volcker (former Chairman of the Federal Reserve Board), reviewed the INT's work related to governance and anticorruption and prepared its findings in the "Volcker Report." The Volcker Report applauds the INT for its innovative approaches to assist investigations. Despite the INT's successes, the Panel included six main recommendations for improvement. The first recommendation focuses on the INT's organizational relationships. Specifically, the head of the INT should be directly responsible to the President. In addition, a small external Advisory Oversight Board should be formed to increase the INT's accountability. The second recommendation focuses on the INT's preventive role. The INT should create an internal consulting unit which would work with Operations units to create protections against corruption. The third recommendation centers on remedial action. The Managing Director should make certain that a comprehensive action plan is created and carried out to guarantee the Bank responds effectively and quickly when the INT discovers corruption in a Bank project. The fourth recommendation concentrates on changing disclosure policies to increase the transparency of investigations and reports. Specifically, the Bank should inform funding partners and relevant

⁷ The World Bank, About Integrity, *available at* <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/ORGUNITS/EXTDOI/0,,contentMDK:20659342~menuPK:1701693~pagePK:64168445~piPK:64168309~theSitePK:588921,00.html>.

Operations staff concerning the beginning and ongoing status of an investigation and allow Operations staff to review investigation reports. The fifth recommendation concerns the INT's investigation of bank staff. The INT should not investigate staff misconduct which does not involve allegations of significant fraud or corruption. Furthermore, the Bank should decrease the amount of time to complete staff misconduct investigations and should strengthen and explain the rights of Bank staff concerning internal investigations. Finally, the sixth recommendation involves the INT's staffing, management, and evaluation. The INT should diversify its staff. In addition, the INT should regularly review its performance.

4. Inspection Panel

One of the most visible criticisms of the World Bank has related to its lack of accountability for alleged human rights violations. Human rights issues may surface in a variety of the Bank's work. Specifically, the Bank's interest in issues related to gender, HIV/AIDS, child labor, corruption, and governance may involve human rights. The Bank's Articles of Agreement do not explicitly mention human rights. The World Bank takes the position that an explicit commitment to human rights extends beyond its authority as a development institution. However, the Bank claims its projects indirectly improve human rights. Specifically, the World Bank asserts that its programs promote economic and social human rights, claiming that "through its support of primary education, health care and nutrition, sanitation, housing, and the environment, the Bank has helped hundreds of millions of people attain crucial economic and social rights."⁸

However, in reality, the effects of World Bank projects are sometimes troubling in light of human rights and antithetical to the Bank's goals of alleviating poverty and increasing prosperity in developing countries. Critics argue that Bank projects result in the suffering, impoverishment, and disempowerment of many people. Involuntary resettlement is an example of a human rights violation. Many Bank projects have forced millions of people to leave their homes. As a result, these displaced people are left without jobs, land, and skills that would secure earnings in the future. The World Bank has a policy on Involuntary Resettlement which requires that people who are displaced from their homes by Bank-funded projects must benefit

⁸ Dana Clark, *The World Bank and Human Rights: The Need for Greater Accountability*, 15 HARV. HUM. RTS. J. 205 (2002).

from these projects and their standard of living must either improve or stay the same. Unfortunately, this is not usually the case. Instead, involuntary resettlement projects have devastating cultural, economic, and health effects on the displaced communities. In fact, usually the people who must involuntarily resettle actually experience a decline in their living standards. The World Commission on Dams studied the negative effect of displacement on indigenous people. It concluded that Bank projects have resulted in suffering related to unemployment, debt, hunger, and a cultural breakdown for many displaced people, particularly on women and children. The hardship which displaced populations experience directly conflicts with the Bank's purposes to reduce poverty and increase the standard of living.

In 1993, the Bank responded to criticism regarding serious problems with some Bank projects by creating the Inspection Panel. The Panel was the first forum in which actors harmed by Bank projects could hold the Bank directly accountable for its failure to follow its own rules and procedures. Initially, interested private parties had to go to their elected representatives to voice their concerns, so communication between the Bank and private actors with respect to Bank projects was indirect. Therefore, people or groups that were adversely affected by Bank projects generally had no recourse (with the exception of complaining to their governments) and could not directly hold the Bank accountable.

Because the Bank officials who approve its loans often are personally involved with proposed development projects, problems with objectivity arise. To help address this concern, the Panel consists of three members who are independent of the Bank staff and who serve a non-renewable five-year term of office. The Executive Directors select the members who must be of three different nationalities from three different member countries. Additionally, individuals who have worked as Bank staff in the last two years are prohibited from serving on the Panel, and Panel members cannot work for the Bank following their service on the Panel. Through this Panel, parties living in the project territory who believe they have been adversely affected by a bank-supported project, and who have presented their problems to the Bank management with an inadequate response, can file a request for inspection. The Panel provides independent advice to the Executive Directors about whether to authorize an investigation, based on a combination of the merits of the complaint, management's response to the request, and preliminary studies which may entail a visit to the project site. The Panel's investigation determines whether the

Bank has complied with the relevant Bank policies and procedures.

After the investigation concludes, the Bank publicizes the complaints submitted to the Panel, the Panel's findings and recommendations, and the Executive Directors' decisions about whether to authorize an investigation. Additionally, an annual report is published and available for the public to view. These public reports can be used to hold the Panel as well as the Bank's Directors and staff accountable, which should enhance the Bank's performance.

Several problems remain with the Inspection Panel, with a general concern about whether the Panel truly increases the Bank's overall accountability. First, many private actors are unaware of the Panel's existence and therefore do not try to hold the Bank accountable. Second, the Panel does not have the authority to grant relief to those harmed by Bank projects. It cannot provide compensation, issue an injunction, or stop a project from going forward. Instead, the Panel and affected communities often look to management which may, as a result of the investigation, propose remedial action plans which the Board must approve. Yet management often fails to follow through with these remedial plans. Third, the Panel has a limited mandate since it can only investigate certain complaints. Fourth, some NGOs assert that the executive directors still have too much control over the Panel, so that the Panel lacks the independence it needs to be a fully effective institution. Fifth, the selection process and criteria of the Panel members is not transparent. NGOs, donor and borrower governments, executive directors, and Bank staff can all nominate Panel members, but since the criteria are vague, qualified nominees have not been appointed members. Fifth, public access to the Panel is more limited than expected, because the Bank management almost always challenges the claimants' eligibility in filing complaints. Finally, critics assert that there is a delay in the release of Panel reports to the public, and that the extent and substance of the records disclosed to the public are inadequate.

D. Conclusion

The World Bank has received criticism for its lack of accountability, governance, and transparency. To address these concerns, the Bank has implemented a number of changes to improve accountability, such as increased access to and disclosure of Bank documents, changes in the selection of the President and quota system, and the creation of the Operations Evaluation Department and the Department of Institutional Integrity. The Inspection Panel provides a

forum, however imperfect, where citizens can indirectly try to hold the Bank accountable for human rights violations. In addition, Bank Presidents Wolfensohn and Wolfowitz's focus on fighting corruption have also been important steps in trying to improve governance and accountability. Still, as this paper has indicated, critics claim further reforms are in order.

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