



The World Bank must clean up its act

A court ruling on environmental damages is a wake-up call: agencies are slipping in their mission to help the global poor, says Vijaya Ramachandran.

Last month, the US Supreme Court ruled that an environmental-damages lawsuit could proceed against a unit of the World Bank Group, rebuffing its claim of immunity from prosecution. Community groups and social-justice organizations welcomed the ruling as a tentative victory. It should be something else, too: a wake-up call.

Instead of complaining about a potential barrage of lawsuits, the World Bank Group should make itself accountable for errors when it funds projects that undermine its reason for existence. As the world's largest public lender, it works to end poverty and improve lives in more than 170 countries.

The events leading to the court's 7–1 decision started more than a decade ago. In 2008, Coastal Gujarat Power started up a coal-fired power plant in the Indian port city of Mundra, financed, in part, by a US\$450-million loan from the International Finance Corporation (IFC), a private-sector arm of the World Bank Group.

Thousands of fishers and farmers suffered. The plant's emissions heated estuaries and seawater, killing fish and destroying mangroves. Air pollution and groundwater contamination sickened families. Many left their homes of generations. In 2011, a group of them filed a complaint that the IFC had not enforced the environmental safeguards that it had placed on the power company to minimize unintended negative consequences of the project.

An independent arbiter for those funded by the IFC, the Compliance Advisor Ombudsman (CAO), agreed. A 2013 CAO report concluded that the complainants, who were from a socially marginalized religious-minority group, had not been considered or consulted adequately; that aquatic disturbances had not been properly taken into account; and that the IFC had not ensured sufficient monitoring of the power company.

The IFC issued a document acknowledging an action plan, but took no substantive action. In 2017, the CAO reiterated its concerns, citing "an outstanding need for a rapid, participatory and expressly remedial approach to assessing and addressing project impacts". (This is high condemnation in bureaucratic speak.)

Meanwhile, the community group filed suit against the IFC in the United States, where the lender is based, with the help of a non-governmental organization, EarthRights International in Washington DC. The IFC did not comment on whether it had acted responsibly; instead, it argued that it could not be sued because international organizations based in the United States are protected from prosecution for commercial activity. With the Supreme Court's ruling limiting this immunity, the case will go back to the lower courts.

That makes the IFC vulnerable to more suits. It's worth noting that the group fulfils its purpose by taking on risky projects that typical investors shy away from — ranging from rebuilding post-conflict

zones to addressing climate change. In Niger, the IFC is investing in solar-powered drip-irrigation systems for smallholder farmers, to increase crops' resilience to drought. In 2018, the IFC financed more than \$23-billion worth of projects in the developing world. As a former staff member of the World Bank and as a consultant to the IFC, I have witnessed sincere, effective efforts to address poverty and inequality. These organizations do essential work. It is disheartening to think that some of these funds might need to be diverted to legal fees.

But I am frustrated by the lack of accountability when things go wrong. Mundra is only one example. In a case that has dragged on for nearly seven years, the CAO is investigating whether Dinant Corporation, a Honduran palm-oil and food company given IFC funds, used private security forces to effect forced evictions of farmers on and around its plantations. (Dinant denies the charges.)

How can the IFC — and the World Bank Group as a whole — be held accountable? I have four suggestions.

First, the IFC must consult people affected by its projects to draft comprehensive reform, which should include elevating the mandate of the CAO beyond its advisory role.

Second, responsibility should not end with publishing reports. Advocacy groups such as the Accountability Counsel in San Francisco, California, argue that the World Bank's Inspection Panel — an independent complaints mechanism for those who feel adversely affected by funded projects — should monitor follow-up actions.

Third, funds should be set aside to help the harmed party when projects fail. Vivek Maru, a former World Bank lawyer and head of Namati,

a grass-roots legal-empowerment organization, argues that international organizations should also help to finance independent legal support for communities harmed by their actions.

Fourth, international development agencies must be able to learn from their mistakes. The World Bank Group should invest in mandates and mechanisms to collect data that can establish a baseline against which to evaluate project outcomes.

Finally, when complaints are verified, the people affected should receive compensation in a timely manner. Eight years on, the IFC has done little to help the thousands of fishers and farmers who have lost their livelihoods, and has not commented further on the matter.

Critics will say that these efforts could make the IFC more risk-averse, driving the institution out of projects where its capital is needed most. But if the IFC is going to be true to its mission, it must ensure that it does not harm those it is meant to serve. ■

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