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## Recommendations for Balancing Ownership and Accountability for Effective Safeguard Implementation

April 2013

Over the past year, the World Resources Institute (WRI) has looked at the strengths and weaknesses of different approaches to social and environmental safeguards used by multilateral development banks (MDBs). Rather than focusing on a particular substantive issue, such as resettlement or environmental protection, the research explored the relationship between bank safeguard policies and the systems of recipient countries. We sought to help answer the question of how financial institutions can best balance ownership over safeguard processes with accountability for ensuring that social and environmental results are achieved. The research consisted of interviews with representatives of MDBs, recipient governments and civil society, as well as desktop reviews of bank documents and secondary sources. A recently published [working paper](#)<sup>1</sup> spells out the main findings with a focus on the World Bank. This submission consists of the main lessons outlined in the working paper.

### **LESSON ONE: Building on country safeguard systems can enhance ownership and incentives for safeguard implementation.**

World Bank, government and citizen experiences indicate that building on country safeguard systems has the potential to not only support the principle of country ownership. If done correctly it can also enhance safeguard effectiveness in the long term. As seen in the Use of Country System (UCS) and Program for Results (PforR) approaches, building on country systems can help change the conversation from one of how the country has complied with Bank policies, to one that looks at how systems in recipient countries operate. It also allows national actors to work within their own familiar policy and institutional structure, which may enhance their ability and commitment to successfully complete safeguard tasks.

Using country systems will not always allow the investors to meet minimum standards, and in such cases other arrangements should be made. If strong national laws exist but implementation is poor, the Bank can focus on supporting implementation. If the legal framework is not strong enough, the Bank should have policies in place capable of filling the gap for the investment in question. The focus though should be on using the systems that do exist, and on supporting increasingly strong domestic systems to protect people and the environment.

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<sup>1</sup> Gaia Larsen with Athena Ballesteros. 2013. "Striking the Balance: Ownership and Accountability In Social and Environmental Safeguards." Working Paper. Washington, DC: World Resources Institute. Available online at <http://www.wri.org/publication/striking-the-balance-ownership-and-accountability-in-social-and-environmental-safeguards>.

## **LESSON TWO: Minimum standards and positive incentives can clarify requirements and encourage countries to strive toward more ambitious social and environmental goals.**

The social and environmental requirements used by the Bank to date have provided varying degrees of guidance. The policy governing Development Policy Loans, for example, gives little direction about the acceptable level of social and environmental risk. The PforR approach creates a similar challenge. The traditional safeguards, on the other hand, provide so many details that it may sometimes be difficult to determine the most important protections that should be in place. The operational principles of the UCS approach come closer to providing distinct standards.

Providing clear minimum standards can help clarify the steps that the Bank and government must take to satisfy safeguard needs, and aid those seeking to hold the institution and government accountable for their actions. When safeguards fail to clearly distinguish between acceptable and unacceptable behavior, several negative consequences can follow, including uncertainty about how to implement safeguard policies, and lack of information about the impacts of investments. The minimum standards should be flexible enough to account for different country contexts, clear enough to identify the most important criteria, and detailed enough to support efficient and effective implementation.

Minimum standards can be defined in different ways. On the one hand, safeguards are associated with the concept of “doing no harm,” which is often thought of as not making things worse than before the investment occurred. Status quo within some countries though may fall below a standard that is acceptable to the World Bank and its shareholders. The Bank and other institutions may therefore wish to define the minimum standards based on internationally accepted environmental and social norms, rather than on status quo. These norms are embodied in international environmental and trade agreements, customary international law, industry standards, and legal systems across the world.

The minimum standards should also be realistic. To encourage countries to go beyond the minimum, the Bank and other financial institutions may wish to offer positive incentives in the form of, for instance, grants, additional loan concessions, or rewards for safeguard champions within a government.

## **LESSON THREE: Safeguard implementation requires anticipating risks, planning to deal with those risks, managing and monitoring implementation, and responding to harm.**

The traditional, UCS and DPL approaches to safeguards tend to emphasize impact assessments and plans over support for implementing and monitoring these plans. At times, this has resulted in poor implementation. Experience indicates the importance of not only anticipating impacts, but also dealing with the actual effects of the investment. Regardless of whether a safeguard system is based on national rules and institutions or those of the financial institution, the system should:

1. Anticipate social and environmental risks and impacts,

2. Plan to avoid or mitigate those risks and impacts,
3. Manage implementation,
4. Monitor the results of investments, and
5. Respond to problems as they arise.

When the Bank relies on recipient-country systems to implement social and environmental protections, these systems should be able to perform all five of these functions. If they are unable to do so, the Bank should step in to help fill the gaps. The Bank should stay engaged in all functions of a safeguard system, including responding to challenges that arise. In order to balance the ownership provided through the use of country systems, financial institutions should continue to remain accountable for ensuring that minimum safeguard standards are met, as in the case of the UCS approach.

#### **LESSON FOUR: Proper safeguard implementation requires people on the ground to engage, collaborate and problem solve.**

Interviewees across the board expressed concern that the World Bank does not invest enough resources into their own safeguard systems. The World Bank's own reviews of safeguard implementation express a similar sentiment.<sup>2</sup> The Bank consistently has few people engaged in monitoring and supporting safeguard implementation on the ground. Social and environmental safeguard specialists and monitoring specialists employed by the Bank often work on several investments at once, and visit project sites relatively infrequently. Governments and stakeholders have also noted the lack of Bank investments in safeguard staff. Low staffing levels can create an impression that the Bank is not truly serious about safeguard implementation.

There also appears to be a tendency for safeguard experts to receive less recognition than other types of Bank employees, perhaps because rewards are linked more closely to lending levels than social or environmental protection. Successful safeguard systems ultimately depend on the motivation and skills of those tasked with implementation. The World Bank should therefore provide positive incentives to attract high quality employees to both Bank and government safeguard teams, and to encourage them to stay for the long term.

Moving toward more use of country safeguard systems should not mean a reduction in costs for the World Bank, at least not in the short term. Bank staff will need to collaborate with government employees in implementing the country's safeguards, and domestic systems will often move more slowly than those implemented by the Bank due to, for instance, a lack of resources or the involvement of multiple national and subnational institutions. As stated by Stephen Knack of the World Bank Development Research Group: "The benefits of using country systems are mostly external...and

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<sup>2</sup> Independent Evaluation Group, "Safeguards and Sustainability Policies in a Changing World an Independent Evaluation of World Bank Group Experience," IEG Study Series (Washington, DC: World Bank Group, 2010) chapter 4.

realized only over the long term, while costs are short term and fully internalized by the donor.”<sup>3</sup>

### **LESSON FIVE: Recipient country safeguard systems still need support.**

While many developing countries have succeeded in strengthening their legal and institutional systems in recent decades, many challenges still remain. Poverty, political instability, growing stratification between the rich and poor, corruption and other problems continue to hinder the development of effective systems to protect people and the environment. This is true even in countries that have seen rapid growth in recent years.

In a sense, the Bank has engaged in strengthening country safeguard systems for a long time, through implementation of its traditional safeguard policies and programs to enhance the legal and institutional frameworks in recipient countries. This work can be augmented and improved. For example, the Bank invested \$850 million in 36 projects to strengthening justice systems between 1994 and 2011.<sup>4</sup> A World Bank report from 2012 indicates, however, that investments in justice systems to date focus on efficiency and effectiveness, not the rights and needs of the most vulnerable and marginalized.<sup>5</sup> The Bank should seek to coordinate its work across the institution and continue to investment in governments systems to protect vulnerable people and ecosystems.

The ADB’s technical assistance program aimed at strengthening country systems offers a promising example.<sup>6</sup> This work, along with the World Bank’s experience so far with PforR, suggests that recipient governments appreciated engagement from financial institutions that focuses on improving domestic processes.

### **LESSON SIX: Citizens play a key role in any effective safeguard system.**

Engaging the public in the recipient country is vital to both ownership and accountability. Ensuring ownership over projects means turning not only to national governments, but to a variety of different actors, including NGOs, community representatives, academics, the private sector, and private individuals. Citizens are a highly diverse and knowledgeable group of people, who can contribute to every stage in the safeguard process, from anticipating risks to responding to problems that arise.

They can, for instance, help assess risks to their communities, develop plans that most effectively meet community needs, manage implementation of these plans, monitor community well-being long after the funder has gone home, and ensure that problems are rectified in a manner appropriate for the local context. The World Bank and other financial institutions should therefore seek to enable citizens to participate in their country’s safeguard systems. The new Global Partnership for Social Accountability, led

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<sup>3</sup> Knack, Stephen, When do Donors Trust Recipient Country Systems? (Washington, DC: World Bank Development Research Group, 2012).

<sup>4</sup> World Bank, New Directions in Justice Reform a Companion Piece to the Updated Strategy and Implementation Plan on Strengthening Governance, Tackling Corruption (Washington, DC: World Bank Group, 2012).

<sup>5</sup> Id. at 12.

<sup>6</sup> See ADB, Country Safeguard Systems, <http://www.adb.org/site/safeguards/country-safeguard-systems> (last accessed March 26, 2013).

by the World Bank, is an interesting initiative to support accountability through civic engagement.<sup>7</sup>

A first step in citizen engagement, and a key element of any effective safeguard process, is to provide information openly and proactively to the public. Transparency can help enhance both government and stakeholder trust in the World Bank, and improve safeguard implementation across the board. The Bank has taken important steps toward increasing transparency in recent years, and should continue to strive to be a model for transparent governance. To support transparency the Bank must first ensure that their decisions are appropriately documented. The four safeguard methodologies analyzed here showed various degrees of weakness on this front, particularly in relation to documenting the link between risk assessments, plans to deal with risks, and implementation results. Stakeholders, governments and the Bank itself will all benefit from greater availability of such information.

The Bank should also ensure that recipient country safeguard systems uphold the principle of transparency through disclosure of information and active involvement of communities in all aspects of the safeguard system. The relationship between governments and different sectors of civil society often involve complex political dynamics. Understanding and engaging with these dynamics can be challenging. Ignoring them though will tend to lead to, at best, subpar development efforts and, at worst, harm to people or the environment.

**LESSON SEVEN: Recognizing differences between countries, sectors and projects is necessary to successfully balance ownership and accountability.**

Experience with safeguards to date has shown that the ability of governments to implement social and environmental protections varies greatly between countries. The safeguard policies of the World Bank and other financial institutions need to be flexible enough to adapt to these differences. In some countries, national rules and institutions can prevent harm more effectively than the policies of the Bank or any other financial institution. In other countries, the investor will need to be significantly involved in every function of the system.

There may be benefit in categorizing countries based on the strength of their safeguard systems. While this will likely bring political challenges, it could also encourage positive competition. Care should be taken though to differentiate between activities within a country, since some nations may have poor governance overall, but strong systems in a particular sector (or vice versa). Rankings could take into consideration the government's commitment to sustainability and to improving their safeguard systems.

Categorizing countries based on the strength of their social and environmental safeguard systems will necessitate in-depth understanding of these systems. The World Bank's Safeguard Diagnostic Reviews and ESSAs are a good step towards developing sound processes for assessing country systems, not just on paper but in practice. To improve this process, the Bank should provide further clarity around the standards and methodologies for determining the strength of the country's rules and institutions. The

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<sup>7</sup> World Bank, Global Partnership for Social Accountability, "GPSA in Brief," December 2012.

assessments should acknowledge the often complex socio-economic, political, and historic context in which the country's systems function. Assessments should include an explanation of the quality of the relationships between different sectors of government, and between the government and non-governmental stakeholders. To encourage both ownership and accuracy, the Banks should conduct its assessments in collaboration with recipient governments and local citizens, including those likely to be affected by an investment. It can be wise to conduct assessments of safeguard systems separate from individual investments in order to allow for an analysis of wider systemic issues, and to give more time for the assessment by disconnecting it from the timeline of a specific investment. This can also help spread the cost of such assessments more broadly across investments.

Finally, individual investments should also be categorized according to the risks that they entail. These categorizations should be based on the nature of the investment as well as the strength of the legal institutional framework in which it is being implemented. In order to conserve resources, low-risk projects can be subject to fewer safeguard mechanisms, while high-risk projects should receive special attention. Projects should not be ranked solely based on the type of funding involved. Rather, similar risks should receive similar treatment.