

PDB SAFEGUARDS AND ACCOUNTABILITY POLICIES: STRENGTHS AND LIMITATIONS

As a result of civil society pressure, the major PDBs have developed environmental and social rules that apply to their project investments. On paper, these rules or principles provide important protections for communities and the natural areas impacted by project finance. Additionally, many PDBs have policies around transparency, accountability and participation. These safeguards, their [mandatory application](#) in

PDBs' activities, the supervision and oversight of PDBs to ensure their application, and the availability of accountability and grievance mechanisms for communities when the safeguards are not followed are seen as something that distinguishes PDBs from private businesses.⁸³ This section will describe the strengths and weaknesses of PDB safeguards.



Indigenous People's action during the COP 23 in Egypt.
Credit: Kiara Worth / UN Climate Change (via Flickr).

STRENGTHS

ENVIRONMENTAL AND SOCIAL PROTECTIONS

When applied rigorously, PDBs safeguards and oversight from PDBs social and environmental specialists can make the difference on whether a critical habitat is destroyed, whether a dam is safe or unstable, whether a road is rerouted around local communities or they are displaced, whether patients' rights are upheld, whether trade unions are respected or child labor is

utilized, or whether a public benefits program includes or excludes women-headed households. In this way, safeguards can have the effect of raising environmental and social standards of projects PDBs fund, and can help [prevent or mitigate](#) some of the worst social and environmental impacts.⁸⁴



A community roadblock near Las Bambas Copper Mine in Peru.
Credit: CooperAcción.

TRANSPARENCY AND PARTICIPATION

In principle, safeguards support greater transparency and participation. When followed, safeguards can open opportunities for communities and groups to access information, raise concerns, and otherwise engage or pressure development actors in order to defend their rights. All the major multilaterals, for instance, require some degree of disclosure and consultation around environmental and social impacts (for direct project investments). Safeguards can also serve as a powerful hook to demand access to information on

government or corporate development activities. In some contexts where civil society space is restricted, PDBs have been useful in supporting civil society engagement and creating some space for civic participation. For example, the World Bank's Country Partnership Framework process has been used by civil society groups in the MENA region to open space for citizens, to at least raise concerns about government development plans.

ACCOUNTABILITY

Many PDBs have accountability and grievance mechanisms to address complaints when safeguard policies are not met. These are particularly important, since most PDBs that are working internationally cannot be sued in court for the impacts of their projects. Accountability mechanisms can provide a useful process for mediation between communities and companies or governments. They can be utilized

to draw national/international attention to grievances, harmful proposals, or unjust practices of a government, company or industry sector. They can also help put pressure on companies and governments to respond. In some [cases](#), they can lead to concrete improvements in people's lives, such as displaced communities being [compensated](#), or a harmful project being canceled.⁸⁵

LIMITATIONS

Unfortunately, as described below, there continue to remain significant limitations in the scope and implementation of PDBs' environmental and social safeguards, as well as gaps in other policies and practices related to transparency, accountability and participation.

LARGE PARTS OF PDBs' WORK EXCLUDED FROM SAFEGUARDS

PDBs' safeguards primarily cover only direct equity investments or lending of the banks. Safeguards are not applicable to a large portion of PDBs' [portfolio of work](#), including policy lending or technical assistance.⁸⁶

WEAK IMPLEMENTATION OF SAFEGUARDS

Implementation and enforcement of PDB safeguards are weak and often sorely [lacking](#).⁸⁷ Despite strong policies in support of participation on paper, communities are often unable to influence the decision-making of PDBs. Consultations and participation become checkbox exercises, without the space to actually change projects. The right to FPIC of Indigenous Peoples is also frequently not followed.

On paper, the larger PDBs have policies stating zero tolerance for [reprisals](#).⁸⁸ But in many countries and

contexts, people who speak out about development projects face attacks for doing so. PDBs fail to implement due diligence processes to assess and prevent reprisal risks when they support projects in such contexts, or address reprisals when they happen.

Poor implementation is particularly true for PDBs' investments through financial intermediaries. In such cases, safeguards and other environmental and social policies do apply but are rarely implemented.



WORLD BANK GROUP'S PERFORMANCE STANDARDS FAIL TO PROTECT HOTEL WORKERS' RIGHTS ACROSS PORTFOLIO

After a five-year engagement with the World Bank Group's financing in the hotel industry, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), the global union federation for the hotel sector, and allied groups have [documented](#) due diligence failures and safeguard violations relating to 50 hotels in 12 countries receiving bank

funding. Despite protections for workers' rights in the performance standards of the IFC, there have been [retaliatory termination](#) of several union leaders, efforts to intimidate organizing workers, abrupt mass terminations of workers, and unsafe workplaces, among other violations of the safeguards and national law.⁸⁹

REMEDY REMAINS RARE

When projects don't follow the safeguards, communities rarely receive remedy for the harm the project caused. Sometimes, PDBs leave projects where their safeguards are not being followed, but this can also be harmful.⁹⁰ PDBs can walk away from projects

without any public process, effectively removing whatever protection safeguards they provided behind the scenes. They also do not account for how their investment moved forward a [harmful project](#) that may not have proceeded without their support.⁹¹

GAPS IN ACCOUNTABILITY

Similarly, PDBs [accountability processes](#) are limited in that they cannot compel action or require sufficient remedy and justice, and may come with restrictive admissibility requirements or be slow to deliver recommendations.⁹² It is worth noting that civil society is making some inroads in their push for remedy,

including for grievance mechanisms to have a role to recommend [remedies for harms caused](#) as a result of the violation of their host banks' policies,⁹³ and for PDBs themselves to formalize their [approach to remedy](#).⁹⁴ However, progress by PDBs on this remains slow.

MANY PDBs CONTINUE TO BE QUITE OPAQUE

Despite transparency and disclosure policies, most PDBs fall considerably short of fulfilling communities' right to information. Many Chinese PDBs contractually prevent borrowers from disclosing information.⁹⁵ While most multilateral MDBs have access to information and disclosure policies, the exceptions are pervasive

and implementation of disclosure policies can be very spotty. Citizens often can't even see the contracts through which their governments become indebted to PDBs. [Project disclosures](#) are also rarely updated, often lack critical details, are overly [technical](#), and are unavailable in local languages.⁹⁶

DILUTION OF SAFEGUARDS

Many PDB clients and other institutions are pushing for an even greater flexibilization of existing standards. As a result, in recent years, many safeguards policies have been further diluted, by focusing on principles (rather than precise requirements and consequences for non-compliance), allowing projects to be approved through

environmental and social management plans without doing rigorous environmental and social assessments, and entrusting [borrowing countries and businesses](#) (and their own systems) with greater responsibility for determining and implementing safeguards.⁹⁷

SAFEGUARDS ARE NOT A REPLACEMENT FOR INTERNATIONAL HUMAN RIGHTS LAW

Since PDBs are owned by States, they should act as duty bearers within the [international human rights system](#). Yet, many larger multilateral PDBs do not accept that the international human rights legal system applies to them.⁹⁸ They justify this in part by saying they have their own environmental and social safeguards. In practice, however, these safeguards fall short of a human rights-based approach to development. They are an inadequate business or economic response, which is then legitimized because of the incredible standard-setting power the PDBs have.

Moreover, when PDBs standards are used as a benchmark, other stronger standards may be undermined. For example, the OECD relied on IFC Performance Standards as its benchmark, rather than the more robust UN Guiding Principles on Business and Human Rights, which also include a responsibility to provide remedy, and are a better reflection of [international human rights law](#).⁹⁹



Protest against the Yanacocha mine in Peru.
Credit: Earthrights International.