

**Berlin Conference on the Human Dimensions of Global  
Environmental Change  
“International Organisations and Global Environmental  
Governance”  
Berlin, December 2-3, 2005**

**“It Ain’t Easy Becoming Green: The World Bank Group, Norm  
Diffusion and Transnational Environmental Advocacy Networks”**

**By**

**Susan Park  
School of International and Political Studies  
Deakin University  
221 Burwood Highway, Burwood  
Melbourne VIC 3125  
Australia**

**Tel: +61 3 9244 3940  
Fax: +61 3 9244 6755  
Email: [susan.park@deakin.edu.au](mailto:susan.park@deakin.edu.au)**

## **ABSTRACT**

Constructivists recognise the role IOs play in not only providing funds, assistance and expertise in given areas of international relations but as diffusing norms throughout the international system, spreading ideas through their actions. The literature on the diffusion of norms within IOs, however, remains little examined. The aim of this paper is to identify processes of socialization whereby both state and non-state actors, such as transnational advocacy networks, interact and diffuse norms within IOs, changing their identities. Using to the World Bank Group affiliates' interactions with transnational environmental advocacy networks as examples, this article demonstrates how of socialization processes, both direct and indirect, are uneven in shaping IO identities within a given area of international relations. Indeed, the processes of "becoming green" outlined within, exemplifies a constant, ongoing process whereby IOs, states and non-state actors explore, contest and create norms appropriate for IOs within the international system.

## **Introduction**

Constructivists have examined the ways in which international organizations (IOs) spread norms throughout the international system including: gender mainstreaming, transparency, human rights, minority rights, and alternative security norms (True and Mintrom 2001; Grigorescu 2002; Checkel 2003; Ratner 2000; Adler 1998). Identifying where these norms come from remains a key issue in international relations (Wiener 2003: 254). Recognizing IOs as norm diffusers in the international system, this article examines the process of norm contestation and construction between IOs, states and non-state actors, which lead IOs to diffuse the norms they do. While rationalist theories point to the strategic actions of states in determining their preferences to achieve their interests (which are then enacted by IOs), this article examines how non-state actors are able to shape the interests and identities of states and IOs in previously non-political issue areas such as the environment (Price 1998). Arguably, this occurs through processes of socialization, direct and indirect, which create shared understandings of the appropriate role of IOs within the international system. These processes are, however, uneven across IOs within a given issue area. The extent to which interaction can shape the identity of an IO is predicated on the IO being engaged not only in norm contestation but also in the norm creation process.

The processes of socialization that lead to norm contestation and creation are examined through a comparative analysis of two of the World Bank Group affiliates, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).<sup>1</sup> This paper examines processes of socialization in relation to the World Bank Group for two reasons. First, the World Bank Group affiliates are increasingly active in the international system but are little examined, and second, they have become the focus of scrutiny by transnational environmental advocacy networks reminiscent of previous network interactions with the World Bank (Park 2005). Analyzing two of the World Bank Group affiliates allows us to compare how non-state actors, such as transnational advocacy networks, attempt to shape the identity of IOs through processes of direct and indirect socialization. It also reveals

---

<sup>1</sup> The World Bank 'Group' includes: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) a soft loan borrowing window of the Bank, the International Finance Corporation (IFC) which invests in private sector projects in developing countries; the International Centre for Settlement of Investment Disputes (ICSID) designed to arbitrate international private sector investment disputes; and the Multilateral Investment Guarantee Agency (MIGA) which provides political risk insurance to foreign investors in developing countries. The IBRD/IDA is generally known as the 'World Bank'.

how processes of socialization are uneven across IOs in a given issue area: the socialization processes enacted against two of the affiliates arguably shaped IFC to become green, while MIGA continues to contest new sustainable development norms rather contribute to the creation of a shared understanding of sustainable development. Arguably, this results from the affiliate remaining disengaged from the interaction process with state and non-state actors. This paper seeks to map how sustainable development norms have been endogenised by IFC but not MIGA as a result of direct and indirect socialization by comparing both affiliates' core components: their projects and policies. This article argues that while the identities of IFC and MIGA are different, these components demonstrate how only IFC has shifted towards sustainable development, revealing the uneven process of socialization across IOs in international development. First, however, an analysis of socialization is warranted.

### **Socialization, IOs and Norm Diffusion**

This analysis seeks to examine the role of IOs in contesting and (re)creating norms in the international system. The international system is, after all, heavily institutionalized in all areas of international relations, and IOs routinely contribute to the maintenance of international norms and the socialization of states (Barnett and Finnemore 2004; Johnston, 2001). Yet the way in which IOs themselves internalize norms remains little examined. There has been a relative lack of discussion within the norm diffusion literature of where the norms IOs diffuse originate from (see Park 2005). While this has been attempted in the broader constructivist literature, it remains “an important theoretical challenge in the area of norm research” (Wiener 2003: 254; Ruggie 1998: 864; Kowert and Legro 1996: 469-83). While states determine an IO's mandate, scope and function as laid out in their constitution or charter, IOs interpret and operationalize their mandate and function in certain ways and not others (Ruggie 1998: 859). Indeed, IOs often “operate in ways not intended by states that establish them” (Abbott and Snidal 1998: 13). What influences IO interpretations of the rules is of interest here. This section will first discuss how international norms regarding IO behaviour are created, before arguing that international norms are contested and recreated through constant interaction between IOs, states and non-state actors. The processes through which norms this occurs is socialization. This will be expounded before applying these to the cases of the World Bank Group affiliates.

The argument being propounded is this: IOs operate in a social structure of international norms which inform how IOs behave in the international system, and that these international norms are created and contested through constant interaction between states, IOs and non-state actors, such as transnational advocacy networks. Norms are defined here as ‘collectively held ideas about behaviour’ such that ‘Unlike ideas which may be held privately, norms are shared and social; they are not just subjective but *intersubjective*’ (Finnemore 1996: 23). Norms have structural characteristics in that ‘ideas – understood more generally as collective knowledge, institutionalized in practices – are the medium and propellant of social action; they define the limits of what is cognitively possible and impossible for individuals’ (Adler 1997: 325). In this regard, actors’ identities are informed by norms, which in turn define actors’ interests (Hobson 2000: 146).

Shared understandings of how IOs should behave are initially created between states through the establishment of the organization. This is constantly reinforced and recreated through ongoing state-IO interactions and IO practices (and as argued below, through interactions with non-state actors). As such, IO identities are not fixed, often shifting to diffuse norms that are different from those it began with. Examples of IO identity shifts include the United Nations and gender mainstreaming, the Organization of Security and Cooperation in Europe (OSCE) and changing norms of security and dispute resolution, and the World Bank and poverty alleviation (True and Mintrom 2001; Ratner 2000; Adler 1998: 149; Finnemore 1996: 89-128). How IOs shift to diffuse new norms is central to the argument articulated here: that IOs follow new norms that result from interaction with state and non-state actors. Interestingly, recent attempts to integrate constructivist and rationalist theories have led to analyses of IOs within a Principal-Agent model, where states as principals attempt to reign in the actions of IO as agents (Gutner 2005; Nielson and Tierney 2005, 2003).

The principal-agent (P-A) model has attempted to examine the broader nature of interaction between IOs and states by examining the agent (IO) and its multiple principals (many member states with diverse interests) or its collective principals (various delegations including different government agencies and lobby groups within the state) (Nielson and Tierney 2003: 248). In this way, the P-A model examines the competing pressures on IOs as agents, yet the model has not been used to examine IO interests. Thus far it has only examined the causal pathway from states to IOs (Barnett and Finnemore 2004: 11). Furthermore, the P-A model does not adequately recognise

the nature of non-state actors such as transnational advocacy networks. The transboundary nature of non-state actors and their actions blur the distinction between collective and multiple principals. Therefore, the P-A model views the creation of shared understandings of appropriate IO behaviour through the prism of state-centrism. This tends to marginalize analysis of how non-state actors such as transnational advocacy networks attempt to influence IO behaviour not only indirectly through influencing state perceptions of appropriate IO behaviour, but also through direct IO-non-state actor interactions. Unpacking the role of transnational advocacy networks in contesting and (re)creating norms appropriate for IO behaviour an important part of determining an appropriate role for IOs within given areas and is examined next.

Non-state actors such as non-government organizations (NGOs) and transnational advocacy networks play an increasing role in diverse areas of international relations including security, trade, and human rights (Price 1998; Risse, Ropp and Sikkink 1998). Transnational advocacy networks are fluid, loosely based connections of non-state actors that organise around issue-based campaigns often across state boundaries. They include the following: research and advocacy NGOs (local, national and international), activists, local social movements, foundations, the media, churches, trade unions, consumer organisations, and intellectuals (Keck and Sikkink 1998: 9). Keck and Sikkink also include actors from the IOs and states which they wish to influence. However, these groups are excluded from the use of the transnational advocacy networks concept here, in order to maintain the theoretical distinction between agents (the World Bank Group) and the social structure (norms of development contested by the network). The distinction is important with regard to World Bank Group/transnational advocacy network interaction and socialization at the project and policy levels.

In the cases outlined below transnational advocacy networks politicized an area of World Bank Group operations not previously politicized before: the social and environmental impact of World Bank Group projects, investments and guarantees (Price 1998: 621). They did so through contesting the role of IOs in promoting norms of development in the international system that ignore environmental and social factors. Transnational environmental advocacy networks challenged, contested and attempted to recreate norms of development appropriate for IOs, such as the World Bank Group, through processes of socialization examined below.

Constructivists have examined various processes of norm diffusion. For example, Wiener (2004: 196) identifies four processes including: Elite learning (Checkel 2001); the “transfer and internalization of legal rule into domestic contexts” (Finnemore, 1996); the socialization of outsiders into the “behavioural rules set by a community of insiders” (Johnston 2001), and finally persuasion and shaming by non-state actors within both international and domestic contexts (Keck and Sikkink 1998). Interestingly, Wiener calls for the separation of norm diffusion (and therefore norm compliance) from norm contestation in the examination of shifts in normative structures in world politics. She argues this on the basis that analyzing norm diffusion (and actors’ compliance of that norm) entails a static view of norms. This compares with a more reflexive constructivist approach to analyzing the meaning of norms as contested, which lead to an assessment of how shared understandings of norms are created (Wiener 2004: 200-201). She also argues that within the norm diffusion and compliance literature, social constructivist analysis has ‘facilitated more information about the role of different types of norms than about the impact of variation in the meaning of one single type of norm’ (Wiener 2004: 200).

Arguably, this need not be the case: for example, socialization is not a pure process of one actor being ‘socialized to death.’ It is not, as discussed below, a static process where an agent is persuaded to follow a norm, internalizes it, and from then on becomes converted as a believer without conflict (Schimmelfennig 2000: 112). As Barnett succinctly states, this categorizes actors as ‘cultural dupes’ that have no impact on social change (Barnett 1999:7; Wiener 2004: 200). Socialization is denoted here as a process whereby agents take on board norms constitutive of the social structure in which they exist, but that this process is contested: From the need for an agent to respond to new norms, to the internalization of the norm, to its interpretation (and therefore recreation) of the norm. Wiener’s reiteration of Kratochwil’s distinction between generic social norms and procedural norms is illustrative in this regard (Wiener 2004: 199).

Kratochwil points to generic norms that delineate under what ‘circumstances certain norms provide “reasons” which decision makers find persuasive,’ as opposed to explicit conventions that prescribe behaviour (1989: 69). In essence, the former establishes ‘worldviews or core constitutional norms and principles’ compared with ‘specific procedural norms’ (Wiener 2004: 199). The article aims to determine how the contestation over generic norms such as sustainable development, necessarily

become focused on specific procedural norms where transnational advocacy networks challenge the identity of IOs such as the World Bank Group affiliates, according to their procedural norms (environmental and social safeguard policies) devised in light of socialization by states and non-state actors (detailed next). Thus, norm diffusion may take place at the generic level (and entail a process of conversion), but norm contestation takes place at the procedural level. This is where the meaning of the generic norm is devised. In other words, IOs may all agree that sustainable development is important, but unless they demonstrate this through their actions and practices as characterized through their projects and under gird by their policies and monitoring (ie the *procedural* norms), the generic norm may have no value. How transnational advocacy networks influence IOs through socialization is examined next.

Socialization is the process by which agents recognize the social basis for interaction which informs how they act and react to specific situations and contexts. Put another way, the concept of socialization enables an understanding of how given contexts influence how agents behave, based upon what is appropriate. Therefore, the social structure informs how agents behave, but not necessarily what they will do. This implies recognition by the agent that the world is socially constructed and ‘made up of norms and rules [that] govern the kinds of actions that will be contemplated and taken’ (Finnemore 1996: 29).

Socialization is defined as a process whereby agents endogenize ideas into their identities that are constitutive of the social structure in which they exist.<sup>2</sup> The socialization of IOs does not occur as an independent action of transnational advocacy networks (and/or states). Rather, advocacy networks respond to the actions of IOs: Transnational advocacy networks and NGOs are the constituents of IOs, they are the recipients of the actions and behavior of IOs in areas such as human rights, development and security (Ratner 2000; Checkel 1999; Adler, 1998; Finnemore 1996). An IO’s actions impact on communities; NGOs and transnational advocacy networks as norm entrepreneurs, respond to IO actions and attempt to reconstitute the IO’s identity. Therefore, an analysis of the way in which IOs are shaped by norms is based on the norm entrepreneurship of non-state actors (Finnemore and Sikkink 2001: 400-401). How an IO’s practices (actions and ideas) change as a result of interaction with

---

<sup>2</sup> This conception is inspired by Schimmelfennig (2000: 110-112).

transnational advocacy networks, also represent a change in socially shared understandings of the IO's identity.

Yet, the process of socialization is not only unidirectional and static (transnational advocacy network to IO, demonstrating that the IO has been socialized, indeed this may also run the other way) but that the process is inherently interactive in devising and reconstructing a new norm through contestation. Thus, actors' identities and interests reconstitute norms, such that, 'in all politics...actors reproduce or alter systems through their actions' which means that 'Any given international system does not exist because of immutable structures, but rather the very structures are dependent for their reproduction on the practices of the actors.' Thus, for constructivists 'Fundamental change of the international system occurs when actors, through their practices, change the rules and norms constitutive of international interaction' (Koslowski and Kratochwil 1994: 216). The processes of socialization therefore, not only create new identities of IOs, but also new social structures in the international system.

With reference to influencing and shaping IO identities two avenues of socialization can be identified, direct and indirect, to demonstrate how non-state actors contest the norms IOs follow. Direct socialization is where non-state actors such as transnational advocacy networks interact with and attempt to influence IOs such as the World Bank Group affiliates. This may be through *persuasion* via dialogue such as meetings, letters, emails, and phone calls, or *social influence* including demonstrations, protests and petitions at IO project sites, offices or headquarters.<sup>3</sup>

Whereas indirect socialization is understood as a process in which member states are first pressured by lobbying (*coercive pressure*) and then engaged in dialogue (persuasion), in order to then influence the IO.<sup>4</sup> Thus, non-state actors such as transnational environmental advocacy networks attempt to reshape IOs such as the World Bank through an indirect process of influencing powerful states. States can assist transnational advocacy networks to shape the interests of the IO to reflect norms such as sustainable development because IOs are made up of state representatives. Both processes, it is argued, are necessary in the broader socialization of IOs because

---

<sup>3</sup> The specific micro-processes of socialization: persuasion, social influence and coercive lobbying are detailed next.

<sup>4</sup> To ignore how ideas shape material pressure would be to overlook the normative capacity of transnational advocacy networks in influencing other actor's ideas and identities.

it demonstrates a convergence of ideas around increasingly accepted alternative norms pertaining to IOs. In this case socialization involves: Challenging the IO's behavior and engaging with the IO to establish shared understandings between the IO, states and the networks. This process involves a reconstitution of the IO's identity through the endogenization of new norms into its ideas and practices, such that the IO shares a new understanding of its role from these interactions.

Within these avenues, micro-processes of socialization can be identified (Johnston 2001; Checkel 1999). Johnston argues that socialization can be understood through two micro-processes: Persuasion and social influence. Persuasion involves "changing minds, opinions, and attitudes about causality and affect (identity) in the absence of overtly material or mental coercion" (Johnston 2001: 496). Persuasion, he notes, can succeed when the actor is exposed to counter-attitudinal information repeatedly over time (Johnston 2001: 499). This is how transnational advocacy networks are able to persuade IOs to the relevance of particular norms through ongoing campaigns.

Transnational advocacy networks also engage in the second micro-process of socialization: Social influence. This second process involves the distribution of social rewards and punishments. Punishments include "shaming, shunning, excluding, and demeaning, or dissonance derived from actions inconsistent with role and identity" which the transnational advocacy networks aspire IOs to acquire; while rewards "might include psychological well-being, status, a sense of belonging, and a sense of well-being derived from conformity with role expectations" (Johnston 2001: 499). Transnational advocacy networks engage in micro-processes of socialization in order to further norms throughout the international system. By promoting new shared meanings across a range of areas within world politics, transnational advocacy networks can reconstitute the identity of IOs. Yet IOs do not just conform to these social structures but help mediate and shape them through their responses.

To Johnston's two micro-processes of socialization an additional process is added here: Coercive pressure through lobbying. While lobbying states to institute regulations to stop particular IO behaviour is not considered to be a process of socialization, the very act of changing an IO's actions influences its interests and ultimately its identity. In the case of the World Bank Group affiliates below, determining specific actions as not acceptable for international financial and political risk institutions with development mandates, combined with social influence and

persuasion, arguably lead to a rethink by IFC (but not MIGA) about how to remain an industry leader through other means (identifying with, and then promoting, previously imposed sustainable development ideas). Thus, each micro-process of socialization is important in shaping the identity of the World Bank Group affiliates, but it is argued below that a shift in identity comes from various combinations of the three rather than a single isolated process. These processes mirror the three levels of internalization established by Wendt: Coercion, calculation and belief. Yet this article argues that micro-processes are enacted simultaneously as opposed to determining an overarching linear culture (Hobbesian, Lockean or Kantian) informing state actions (Wendt 1999: 268). The three micro-processes of persuasion, social influence and coercion are undertaken via avenues of direct and indirect socialization and are detailed next.

### **Norm Contestation and Diffusion across IOs: Comparing IFC and MIGA**

Having outlined the processes of socialization both direct and indirect (and the micro processes that constitute socialization), this section analyses how transnational environmental advocacy networks attempted to socialize two affiliates within the World Bank Group in order to reconstitute their identities as green financiers and insurers. The following sections first outline the structure, function and operations of IFC and MIGA before tracing the processes of socialization where advocacy networks interacted repeatedly with IFC, MIGA and states over their ‘problem’ projects and social and environmental safeguard policies, but with varying outcomes. In each instance, advocacy networks attempted to socialize the affiliates through direct and indirect processes providing opportunities for norm contestation and creation between advocacy networks, states and IOs.

#### *Structure, function and operation of IFC and MIGA*

Established in 1956, IFC shares its Board of Governors, Directors and its President (currently James D. Wolfensohn) with the World Bank. However, IFC has its own mandate, operations, Articles of Agreement and funding. Currently, IFC has 178 members, and the voting and influence of each member is determined by the amount of share capital ‘paid in.’ At present, the US provides the dominant share of IFC funds at 23.93%, paralleling the World Bank’s organizational structure in membership and

voting rights.<sup>5</sup> IFC raises funds through international capital markets and, like the World Bank, has a triple -A credit rating.

IFC's mandate is to partially finance and facilitate financing for private enterprise in developing countries. It invests in private sector development projects where capital is not available from private investors on reasonable terms, although the project must have some 'prospect of productivity' (Mason and Asher 1973: 351). IFC operations increased significantly in the 1990s and early 2000s reflecting the trend towards direct foreign investment (FDI) flows eclipsing official development assistance (ODA) to developing countries (World Bank 1997: 9).<sup>6</sup> In 2002, IFC's committed portfolio reached \$15.1 billion and included loans (\$10.6 billion) and equity investments (\$3.5 billion), risk management products and guarantees for 1,402 companies and 117 states (IFC 2002a: 76). IFC is 'the largest multilateral source of loan and equity financing for private sector projects in the developing world' (IFC, 2001a; IFC 2002b: Attachment II). IFC undertakes its development objectives through three types of operations. First, it finances private sector projects in developing countries (usually investing 5 to 20%, maximum 35%). IFC is the provider of venture capital for private projects (Feinberg 1986: 125). Second, it assists private sector companies to attract investors from international financial markets, which are known as 'B' loans or syndications. Lastly, it provides technical assistance to both private sector companies and developing country governments (IFC 2002c). As a result, both private sector corporations (project sponsors) and developing country governments are its clients.

In contradistinction, MIGA was established in 1988 as a multilateral organization by agreement of the World Bank's Board of Governors. The Agency has its own Board of Governors, Directors, convention (constitution), budget, and Chairman. The President of the World Bank was nominated as Chairman of MIGA's Board of Directors, who in turn nominated the head of the Agency (the Executive Vice-President). MIGA currently has 167 members which are divided into two categories: category one 'capital-exporting' states seeking political risk insurance, and category two 'capital-importing' states primarily seeking technical assistance in increasing foreign investment. All members subscribe to the capital stock of MIGA,

---

<sup>5</sup> The next percentage by country is Japan at 5.94, Germany at 5.43, and France and Britain at 5.09% (IFC 1998: 117-8).

<sup>6</sup> FDI flows to developing countries continue to overshadow ODA by a wide margin (OECD 2002: 7).

which gives the Agency its underwriting capacity. Voting within MIGA is equal, except where a special majority is required for decisions of general application and overall financial exposure (Shihata 1991: 284).

MIGA provides international political risk insurance covering four types of non-commercial risk to investors in developing countries: currency transfer risk, expropriation, the risk of civil disturbance and war, and the risk of breach of contract committed by a host government towards an investor. The Agency operates on a case-by-case basis in determining the political risk of each investment, usually insuring 70% to 95% of the investment (MIGA 2001a). By 2000, the Agency had issued over 500 guarantees amounting to \$7.7 billion in insurance coverage for \$39 billion of FDI since its inception in 1988 (World Bank 2001a). By the mid-1990s, MIGA had already grown to one of the largest investment risk insurers in the world with over \$1.6 billion in outstanding liabilities, and could boast the facilitation of \$19 billion in FDI from 1988 to 1997 (MIGA 2001b). MIGA plays a central role in the insurance industry as an affiliate of World Bank Group.<sup>7</sup> MIGA's mission statement is 'to promote foreign direct investment into emerging economies to improve people's lives and reduce poverty' (MIGA, 2003a). The Agency offers two services to its clients: political risk insurance (guarantees) to investors and lenders, and technical assistance to aid developing states attract private investment (World Bank 2001b). The former has attracted the attention of transnational environmental advocacy networks and is examined below.

### **IFC and MIGA: Problem Projects**

Having outlined the structure, function and operations of the affiliates, this section aims to analyse how direct and indirect socialization by advocacy networks unevenly influence these IOs first through problem project campaigns. Transnational advocacy networks began promoting new norms of sustainable development for IFC and MIGA in the 1990s. Advocacy networks develop by advocating against specific 'problem projects' (Wirth 1998) where local environmental groups, NGOs, media and citizens coordinate with northern environmental NGOs to oppose specific projects.

---

<sup>7</sup> MIGA's role results from its 'leverage value' or ability to reduce exposure for investors and to deter moral hazard on behalf of the investor or host country while aiming to provide amicable settlement of disputes before arbitration (West 1999: 28-30).

That advocacy networks tried to socialize IFC and MIGA is significant because they are less well-known organizations. It is therefore more difficult to garner popular opposition that enabled advocacy networks to halt World Bank projects through direct socialization. Direct socialization first opposes IO actions at the project level through protest (persuasion), and then through social influence (dialogue) at the policy level. This occurs simultaneously with indirect socialization, where advocacy networks attempt to influence state perceptions of IO behaviour through coercive lobbying and persuasion. Interestingly, because of IFC's minimal equity percentage in private sector projects, and MIGA's underwriting of companies undertaking projects, it was never assured that opposing IFC or MIGA backed projects would lead to project victories. Yet, as will be demonstrated below, advocacy networks undertook similar campaigns against IFC and MIGA: reiterating IFC's and MIGA's harmful environmental practices and seeking to clarify the link between the affiliates and World Bank environmental practices. The first advocacy network campaign against IFC, the Pangué dam, demonstrates how direct and indirect socialization (through the US) began to reconstitute the organization first through its projects, and later through its policies.<sup>8</sup> This compares to campaigns against MIGA in which also used direct and indirect socialization to little effect.

### *IFC*

The Chilean Pangué dam was the most controversial project in IFC history and one that would shape future IFC projects, policies and institutions (IFC 2005: 1).<sup>9</sup> IFC classified Pangué as a World Bank Category A project according to its high environmental and social impacts (IFC 1992).<sup>10</sup> Category A projects have high risk environmental impacts, B have serious but mitigatory impacts while C projects are negligible.

The network opposed the project through direct socialization from 1990. Petitions were sent by the consolidating network to IFC prior to the loan's approval in

---

<sup>8</sup> Since Pangué, other campaigns have emerged including: the Jordan Gateway Project (2001); the Bujagali hydropower project in Uganda (2001); and the controversial Chad/Cameroon Petroleum Development and Pipeline Project, a joint World Bank/IFC funded venture approved in 1992 but subject to an Inspection Panel claim in 2001.

<sup>9</sup> For more details on Pangué see Park 2005b.

<sup>10</sup> IFC had no environmental and social safeguards at that time.

1992.<sup>11</sup> Indirect socialization began in 1991 when the network questioned the US Executive Director's (US-ED) view on IFC's investment in Pangué.<sup>12</sup> In January 1992 US Treasury met IFC regarding the environmental and social impacts of the dam. The company, Pangué S.A, sent a copy of the Environmental Assessment to the US-ED, and in May the US-ED was one of a number of Directors involved in meetings with the network.<sup>13</sup> The US-ED then abstained from voting on the Pangué project with the US Alternate ED arguing that the dam demonstrated 'what we see as a general failure of recent World Bank hydroelectric projects to assess adequately, and in a timely manner, the likely impacts of proposed projects to fisheries and aquatic biodiversity.'<sup>14</sup> Significantly, the Alternate US-ED requested information from Pangué S.A including specific reports for the network.<sup>15</sup> The US, through Treasury and through its representatives in IFC advocated on behalf of the network, revealing the extent to which its role had been socialized by the networks. While indirect socialization in this project campaign was successful in influencing the US-ED's position on Pangué, it was not able to mitigate the project's environmental effects. However, indirect and direct socialization would continue to influence IFC.

In 1997, IFC threatened to declare the Pangué S.A subsidiary, Endesa, in default for its failure to meet the environmental and social loan conditions. James Wolfensohn urged Chilean government mediation.<sup>16</sup> In doing so, Wolfensohn referred to two independent critical reviews of IFC's 'handling of the environmental appraisal and supervision of the Pangué project and the compliance of...Endesa with their obligations under the IFC agreement.' The reports were prepared at the urging of 'green lobbies.'<sup>17</sup> The first report documented an independent investigation contracted by IFC in 1995 by American anthropologist Dr Theodore Downing. It listed Pangué's impacts: unchecked in-migration to a previously isolated area, land speculation, deforestation, as well as severe limitation of Pehuenche land rights and the general

---

<sup>11</sup> Letter from Grupo de Action por el BioBio (GABB) representing 13 Chilean environmental and social groups to President Preston 4/2/92; Letter from Natural Resources Defense Council (NRDC) representing 25 NGOs to President Preston, 20/4/92.

<sup>12</sup> Letter from International Rivers Network (IRN) to the US Executive Director, 17/4/91.

<sup>13</sup> GABB's limited chronology of events 'does not list numerous other letters, FAX or phone contacts, or meetings with Pangué, US Treasury, US Directors Office, NGO groups, the press and the public' (GABB, 1995: attachment 1).

<sup>14</sup> Statement by the US Alternative Executive Director to IFC Board of Directors, December 17/12/ 92.

<sup>15</sup> Letter from the US Alternate Executive Director to Erupresa Electreca Pangué S.A, 3/4/92.

<sup>16</sup> Letter from President Wolfensohn to Minister of Finance, Chile, 6/2/97.

<sup>17</sup> The *Financial Times*, 'World Bank Arm Warns Endesa', 21/2/97, p3.

failure of the Pehuen Foundation to protect the indigenous community (Downing 1996: 5).

In 1995 the network filed a complaint with the World Bank Inspection Panel. *The claim was rejected on the basis that the Inspection Panel does not have the power to inspect IFC projects*, although IFC must meet World Bank policies and has the same Directors, Governors, and President (GABB 1995: 4-5). The claim argued that IFC had violated eight IFC/Bank environmental and social safeguards (GABB 1995: 6-7). In response, President Wolfensohn commissioned an autonomous internal review of Pangué in 1996, which was undertaken by Dr Jay Hair, the former head of the National Wildlife Federation and the World Conservation Union.

The Hair report stated that: 'IFC did not follow fundamental World Bank Group requirements in any consistent or comprehensible manner throughout the development and implementation of the Pangué Project' and that 'There was no evidence in the record that comprehensive and systematic monitoring of requirements to determine compliance with relevant World Bank Group requirements were either a) identified within IFC or to the project sponsor or b) subsequently monitored' (Hair 1997: 35, 38). The Hair report revealed fundamental flaws within IFC in implementing sustainable development.

IFC attempted to alleviate the negative social implications of the dam. The Foundation was an innovation although according to one of the original consultants it 'failed miserably' (Robinson 1998). The lack of structural incentives to adhere to the original plans indicates IFC had not endogenized sustainable development norms and is reminiscent of the Bank's flawed social and environmental innovations in the Polonoeste project in Brazil (Rich 1994). Finally, the dam's environmental problems were not systematically addressed and have since been accepted as a major problem by IFC. The project was a 'wake-up call' to IFC over its use of Bank safeguard policies and revealed inherent weaknesses in adopting but not endogenizing sustainable development norms. This was exacerbated when Endesa did not fulfill its requirements. Following Pangué, the network aimed to influence IFC to improve its environmental safeguard policies.<sup>18</sup> The next section compares MIGA's interactions with advocacy networks over 'problem projects.'

---

<sup>18</sup> The network filed a complaint with the new Compliance Advisor Ombudsman (CAO) on July 2, 2002. On July 12 IFC 'exited' the project. The CAO discovered this in September. IFC's position on Pangué remains defensive, and the CAO remarks that the 'cloak of secrecy that covers all things related

## *MIGA*

Advocacy networks also questioned MIGA's role as part of the WBG, undertaking both direct and indirect processes of socialization of MIGA beginning with its problem projects. The networks claimed that MIGA had guaranteed investments in numerous problem projects after the Freeport McMoran gold mine in West Papua (1995) including: the Omai gold mine in Guyana (1995); the Kumtor gold mine in the Kyrgyz Republic (1995) with the World Bank; the Lihir Gold mine in Papua New Guinea (1997); the Antamina Mine in Peru (1999); the Brazil-Bolivia Gas Pipeline (1999); and the Julietta Mine in Russia (2000); a soft drink plant in Bosnia-Herzegovina (2000); the Bujagali hydroelectric power project in Uganda with the Bank (2001); the Buljanhulu Mine in Tanzania (2002). These campaigns made MIGA aware that environmental and social problems may affect business as usual, although the extent to which projects were halted or ameliorated was limited. However, the following section demonstrates that MIGA incorporated environmental and social safeguard policies soon after the explosion of campaigns targeting MIGA.

These campaigns have had limited success on the project sponsors in terms of halting the project's environmental degradation. In the first case, the West Papuan Mine, the mining company Freeport McMoran instituted environmental and social plans to limited effect (Leith 2003). While MIGA was not the focus of the campaign in West Papua, as was IFC with Pangue or the World Bank with Polonoeste, advocacy networks still attempted direct socialization of MIGA through social influence and persuasion. Direct socialization of MIGA was a small component of the campaign, but it was effective. Not because MIGA cancelled Freeport's coverage, but because MIGA was roused to investigate the claims made by the network. However, MIGA's coverage was cancelled by the company prior to its investigation – an act which drew media attention to MIGA and Freeport. Freeport may have been worried about having to meet the environmental and social standards of MIGA and Freeport's main insurer OPIC (which had threatened to cancel Freeport's insurance over environmental concerns).<sup>19</sup> Had Freeport remained a client, it is conceivable that the insurers would have strengthened their monitoring efforts on environmental and social safeguards as a result of direct socialization. In 1998 OPIC strengthened its existing

---

to Pangue is at odds with evolving attitudes and practices within Endesa, Chile and IFC' (CAO 2003a: 4).

<sup>19</sup> MIGA used IFC safeguard policies at this stage.

policies (OPIC 1999). Also in 1998, MIGA began drafting its own policies as other problem project campaigns were coming to light. Direct socialization thus played a role, as did indirect socialization: the network's engaged in the socialization of the US government sponsored (though privately run) OPIC, the projects main guarantor. The knock-on effect of ensuring environmental and social standards may have influenced MIGA's decision to establish safeguards in 1998.

These project campaigns therefore emphasise the role that political risk insurers can play in diffusing sustainable development norm via socializing international political risk insurers. This politicizes yet another aspect of the development process. By including MIGA in international project campaigns, advocacy networks moved one step closer to the mass media campaigns that had contributed to earlier successes with the Bank and IFC. Such problem projects are more than incidental on an analytical level because it was at the height of numerous campaigns that MIGA introduced environmental and social safeguard policies. This is discussed next.

### **IFC and MIGA's Safeguard Policies**

Processes of direct and indirect socialization were also attempted to diffuse sustainable development norms within IFC and MIGA through strengthening their safeguard policies. Advocacy networks attempted direct socialization of IFC and MIGA: influencing staff through normative pressure at the policy level. Indirect socialization occurred via the US, in order to pressure IFC and MIGA to implement safeguard policies. IFC incorporated environmental and social safeguard policies in the wake of increased transnational environmental advocacy network scrutiny into 'problem projects,' demonstrating how advocacy networks diffused norms throughout IFC, while MIGA remained resistant.

#### *IFC*

In 1989 IFC created an Environment Division and appointed its first, and only, environmental advisor. IFC emulated the Bank by introducing environmental categories (A to C) for its projects according to their impact on the environment. Yet in 1990, only 7 of 160 projects reviewed were deemed to have potentially significant environmental impacts; the volume of projects to review was beyond the capacity of one permanent staff member (IFC 2002c: 30). In 1993, during the direct socialization

of the Pangué project campaign, IFC began to revise its use of World Bank safeguard policies (SPs). Prior to this there was a vague assumption that IFC would adhere to Bank standards. Indirect socialization also influenced key parts of the US, who in turn supported a sustainable IFC. The networks assisted the US Congress to pass a law requiring IFC (and other MDBs including MIGA) to improve information disclosure necessary to ensure sustainable development (the Pelosi Amendment).<sup>20</sup> The US adherence to sustainable development norms is evident in its advocacy and leadership on environmental issues within MDBs, especially IFC (United States Treasury 2001: 2).

IFC's 1993 adoption of policies signified the establishment of safeguards as being part of IFC rather than the ill-defined use of Bank policies that had been tentatively in place since 1988 with ad hoc amendments in 1990 and 1992. Concurrent with the mass campaign against Pangué, IFC reviewed the Environment Department and drafted a 'Best Practice Manual' (IFC 1996a: 77-8). Yet, it was the Pangué Inspection Panel claim in 1995 that had convinced IFC to completely review its approach to environmental and social issues. It was not until direct and indirect socialization by transnational advocacy networks relating to the Pangué project culminated in the Inspection Panel claim in 1995 that IFC began to realize the importance of environmental and social aspects of development. Indeed, according to one IFC staff member, the Pangué campaign really affected IFC's outlook.<sup>21</sup> This is supported by the network who argue that IFC became much more responsive after the Bio Bio claim, by adopting, and then endogenising, safeguard policies.<sup>22</sup> Indeed, recommendations from the 1997 Hair report lead to a wide scale review and comprehensive establishment of IFC's own environmental and social safeguard policies in 1998 (IFC 2002c: 31).<sup>23</sup>

Transnational advocacy network's therefore helped reconstitute IFC by pressing for the affiliate to have its own safeguard policies. The full establishment of comprehensive safeguards in 1998 resulted from continued socialization in the form

---

<sup>20</sup> Letter from a Member of US Congress to IFC President, dated June 28/6/91; Keck and Sikkink 1998, 149.

<sup>21</sup> Interview with NGO Liaison Officer, IFC, 19/9/01.

<sup>22</sup> Interview with a BIC activist, 21/9/01.

<sup>23</sup> IFC currently has the following IFC-specific environmental safeguards in place: Operational Policy (OP) 4.01 Environmental Assessment; OP 4.04 Natural Habitats, OP 4.36 Forestry; 4.09 Pest Management; OP 7.50 International Waterways; OP 4.12 Involuntary Resettlement; OP 4.10 Indigenous People; OP 4.11 Safeguarding Cultural Property; OP 4.37 Safety on Dams; Policy on Information Disclosure; and Policy on Harmful Child Labour and Forced Labour (IFC 2000).

of calls, meetings and consultations with the network. While there remain concerns about the implementation of safeguard policies, and existing ‘problem projects’, IFC has become a leader in integrating environmental and social considerations into its operations and lending requirements.<sup>24</sup> From 1998, IFC became committed to incorporating social and environmental concerns into its operations.<sup>25</sup>

Since then, IFC has established the independent Operations Evaluation Group (OEG) as well as other internal monitoring mechanisms. OEG results for 2001 presented cumulative findings for its recently matured investment operations by evaluating 171 randomly selected investments approved between 1993 and 1995, and evaluated between 1998 and 2000. The OEG concluded that two-thirds of projects were deemed satisfactory or excellent for their environmental, social, and health and safety requirements. The OEG states that only four per cent of projects evaluated were rated unsatisfactory because they were ‘concentrated in high risk countries’ where ‘ineffective legal and regulatory regimes...undermine projects’ compliance’ (OEG 2002: 2-4). A 2004 OEG report notes that unsatisfactory projects continue to be improved and, as of 2005, the OEG intends to link environmental evaluations back into the project cycle (IFC 2004b: 41-2). Other review mechanisms have been instituted to assist IFC staff, including the establishment of a Quality Portfolio Management (QPR) system in 2000 for environment and social specialists, and the introduction of an Environment and Social Risk Rating (ESRR) system in 2001 to identify projects with a high risk of non-compliance (CAO 2002: 19).

In 2001, IFC senior management asked the Compliance Advisor/Ombudsman (CAO) to undertake a review of its 1998 safeguard policies (SPs). The CAO Office was established by James Wolfensohn in 1999 with assistance from transnational advocacy networks, at the same time that the IFC appointed its first liaison to the NGO community (Park 2005b). The report outlined IFC’s main weaknesses including: ‘the weak system supporting the SPs, including lack of specific objectives, weak project monitoring and supervision, and poor integration...into IFC’s core business’ (CAO 2003b:7). However, the review noted that there was no drastic shift in practice before and after the 1998 adoption of the SPs, but a ‘steady progression and evolution of practice’ and that safeguard policies are having an overall positive effect, contributing to positive environmental and social impacts (CAO 2002: 23-42). Finally,

---

<sup>24</sup> Interview with an CAO Officer, IFC, 14/9/01.

<sup>25</sup> Interview with NGO Liaison Officer, IFC, 19/9/01.

it stated that the safeguards often go beyond the 'do no harm' approach (CAO 2003b: 6). IFC is currently in the process of finalizing updated safeguard and information disclosure policies after the 2003 CAO report and consultation with transnational advocacy networks.

Throughout the 1990s and early 2000s IFC undertook substantial changes including: incorporating sustainable development concerns into its mission statement; dramatically increasing environmental and social staff; and its introduction and leadership of safeguard policies in the finance industry. These changes are significant in demonstrating not only a change in IFC interests and practices but a normative shift in its identity: from having no social and environmental conscience, to a position of 'do no harm,' to the present 'do good' (IFC 2002c: 2). Further 'beyond compliance' changes demonstrate IFC's commitment to sustainable development norms: IFC now reports on its own greenhouse gas emissions and its environmental footprint (IFC 2001: 57). It instituted a Sustainability Initiative in 2001 to centre its approach to sustainable development lending and investment (IFC 2001: 51). The Initiative embodies a triple bottom line approach which equals a commitment to 'people, the planet and profits' (IFC 2002c). Its success will be determined by IFC's marketing of sustainable development to project sponsors. This is already being addressed by the recent introduction of the Equator Principles by investment banks. On June 4 2003, 10 large investment banks adopted the Equator Principles, 10 voluntary environmental and social guidelines that will influence an estimated 10 billion in global investment over the next 10 years.<sup>26</sup> These Principles were initiated by IFC and demonstrate how IFC has begun to diffuse sustainable development throughout the project finance industry.

Crucially, the network supports the view that IFC has changed. They argue that IFC's environment department is both useful and growing, and that IFC seems genuinely concerned with environmental improvement and global issues.<sup>27</sup> Indeed, advocacy networks perceive IFC to be 'better than the Bank' in terms of responding to interactions with the networks. Furthermore, IFC is seen to be less bureaucratic in responding to environmental problems and incorporating environmental issues into

---

<sup>26</sup> Statement by Peter Woike, Executive Vice President of IFC, Equator Principles Press Conference, 4/7/03.

<sup>27</sup> Interview with BIC activist, 21/9/01.

IFC work.<sup>28</sup> IFC's identity therefore informs how it reproduces and transforms sustainable development through its operations.<sup>29</sup> The project and policy changes outlined throughout, along with the recent 'beyond compliance' measures detailed demonstrate IFC's identity shift. This compares with MIGA's limited shift towards sustainable development, as discussed below.

### *MIGA*

Transnational advocacy networks attempted to influence MIGA's environmental and social safeguard policies through the same interactive processes. This section demonstrates the Agency's footdragging in establishing its own policies, by outlining network processes of direct and indirect socialization. Advocacy network concerns are that MIGA's identity as an international political risk insurer is at odds with its developmental objectives and that MIGA shows no sign of becoming accountable and transparent (Friends of the Earth, Urgewald, and Campagna per la Riforma della Banca Mondiale 2001).

In 1999, MIGA formally adopted IFC environmental safeguards to its own operations. Prior to this there was the same assumption that MIGA would adhere to IFC standards just as IFC had previously adhered to the Bank's. The Agency began implicitly using Bank and IFC safeguard policies for its appraisals in 1991 (OEU 2003: 7). In 1996, advocacy networks began arguing that there were 'a series of double standards between the World Bank's public and private sector lending operations' (Bosshard 1996a: n.p). The network argued that environmental assessment guidelines were less strict and comprehensive for MIGA projects and they were occurring too late in the project cycle, while the guarantee process allowed little time for a proper appraisal. The Berne Declaration argued that MIGA did not have its own environmental department, subcontracting its environmental project analysis to IFC. At that time IFC had a small department with seven staff and three consultants reviewing between 200 and 250 new projects a year while supervising approximately 1000 ongoing projects. The network claimed that up to 1993, only 10 of MIGA's 185 projects were classified as Category A even though MIGA underwrites projects known for their high environmental impacts such as mining and infrastructure (Bosshard 1996b: n.p).

---

<sup>28</sup> Interview with Conservation International activist, 18/10/01; Interview with FoE activist, 26/9/01.

<sup>29</sup> Interview with FoE activist, 26/9/01.

In response, the Agency created an in house environmental unit in late 1997. The unit currently has two environmental specialists, employing consultants to undertake project appraisals. MIGA began drafting its own specific environmental policy in 1998 and in May 1999, MIGA's Board adopted interim safeguard policies from IFC's environmental and social policies (Van Veldhuizen 2000: 54). In early 1999 MIGA allowed for a 50-day comment period open to all stakeholders including investors, insurers, businesses, multilateral financial institutions, and civil society on MIGA's draft environment policies.<sup>30</sup> MIGA's interim safeguard policies were permanently adopted in 2002 (MIGA 2003). According to MIGA's lead environmental specialist 'The environmental assessment policy formalizes an approach to environmental review that has been taken by MIGA for many years' and that 'It is MIGA's policy that all the investments it facilitates through its guarantee program are carried out in an environmentally and socially responsible manner' (Van Veldhuizen 2000: 54). The formal adoption of environmental and social safeguard policies demonstrates how MIGA responded to the pressure of advocacy networks although it does not signify that an identity shift has occurred. MIGA's introduction of safeguard policies provides little indication of their impact on the organization. This contrasts with the extensive discussions and reviews that have taken place within IFC since 1998 and by the CAO over IFC policies from 2001 to the present.

Significantly, MIGA noted that the process of adopting specific IFC environmental safeguard policies applicable to MIGA-insured investments had been 'less than satisfactory.' MIGA stated that this was partly the result of IFC having only officially adopted four of the Bank's eight safeguard policies and that progress had been limited while awaiting IFC's safeguard policy review (2001-2003). MIGA intends to adopt specific environmental and social safeguard policies from IFC's new safeguard policies (2005-6). MIGA awaits IFC's conversion because its private sector needs are more akin to IFC than to the World Bank, and the Agency has limited capacity to undertake these conversions itself. MIGA therefore relies on IFC policies, even when these may not suit a political risk insurer. It also uses Bank policies when there are no IFC policies to cover specific environmental issues – although these are less likely to suit MIGA. Yet MIGA is a small affiliate of the WBG and it is natural

---

<sup>30</sup> IFC and World Bank policies adopted by MIGA include: Natural Habitats, Forestry, Pest Management, Safety of Dams, Projects on International Waterways, Involuntary Resettlement, Safeguarding Cultural Property in IFC-financed projects, and Indigenous Peoples (MIGA 2002).

that it should rely on IFC, although IFC and MIGA are separate institutions with distinct operations and MIGA is not legally bound to the policies of IFC. The CAO review emphasizes that IFC and MIGA need to come to a formal arrangement in order for MIGA's operations to be policy compliant.

The networks further argue that MIGA had done little to monitor the impacts of the investment projects it underwrites. In 1998, after network pressure on MIGA's problem projects and lack of environmental policies, the Agency released its first Development Impact Review, evaluating 25 projects covered by MIGA guarantees. In 2001, a more extensive Development Impact Review was undertaken evaluating 52 projects from 27 states and representing 75 per cent of all active projects backed by MIGA between 1990 and 1996 (West and Tarzona 2001: 25). Environmental impacts of MIGA backed projects are mentioned within the reviews but only 10 projects (17 per cent) were visited by environmental specialists. Considering that manufacturing, mining, infrastructure, and tourism sectors combined total 60 per cent of sectors evaluated (West and Tarazona 2001: 26-27) and generally have large environmental and social impacts, demonstrates the need for further analysis on assessing sustainable development. Environmental specialists involved in the evaluation process identified 10 of the 52 projects as requiring environmental monitoring (West and Tarazona 2001: 29). No projects failed on environmental grounds. Of the 52 projects analyzed, 22 were not measured, none failed, and none were deemed 'untraceable' (or unable to measure). However, little explanation is provided regarding the projects not measured for their environmental impact. MIGA continues to underwrite projects in high environmental impact sectors such as oil, gas and mining, yet there is no response to advocacy network campaigns within these reports. Although the recent Extractive Industries Review by the OEU argues that 73 per cent of extractive industry projects reviewed were consistent with current MIGA safeguard policies, more needs to be done on information disclosure, due diligence, monitoring compliance, and reviewing social safeguard outcomes (OEU 2003: 9-13).

The networks also state that MIGA lacked 'environmental and social accountability for the projects it guarantees' (Friends of the Earth et al 2001). They claim that MIGA's monitoring capacity remains weak because the organization is 'not equipped properly to continue monitoring...[so that] the project[s] it insures adhere to MIGA's standards and policies, especially in environmental and social areas' because of limited staff and no ongoing monitoring system (Down to Earth 2001: n.p). The

network further argued that MIGA's clients are not screened for their past social, environmental, labour and human rights records. MIGA replied that it

has turned down and cancelled projects that have not complied with our environmental and social requirements. Companies know that they have to be environmentally and socially responsible if they come to any of the institutions of the World Bank Group for support.<sup>31</sup>

In September 2001 MIGA's response had become strident, highlighting increasing network-MIGA tension:

MIGA's activities do not promote or subsidize poor corporate behavior at the expense of people and the environment. The broad statements made in the report that MIGA's activities are anti-environmental...are untrue. And there is no evidence to support the claims that MIGA's clients have poor environmental and human rights records.<sup>32</sup>

In April 2002, the networks replied that MIGA was stuck in an outdated and overly constrained understanding of development. They further note the discrepancy of listing (but not making public) the environmental impact assessments for Category A projects, while Category B and C projects do not require assessment. This is, they argue 'clearly unsatisfactory for a publicly-financed development institution.' MIGA has not been socialized by advocacy networks unlike IFC, as evidenced by these network admonishments:

We find the tone of your response disappointing and unproductive...Mischaracterizing the nature of our critiques only shows that MIGA has little interest in recognizing its weaknesses as a development institution. We have found MIGA to be duly resistant to reform and find MIGA's progress in reform efforts to be wholly inadequate. This has led many organizations to conclude that MIGA has little interest in conforming its policies and practices with the World Bank's...and has led many to conclude that MIGA should no longer function as part of the World Bank Group.<sup>33</sup>

This exchange demonstrates how MIGA moved from explicitly ignoring, then rejecting advocacy network claims, to engaging and responding to issues with more comprehensive measures such as the OEU an institution comparable to the World Bank's Operations Evaluation Department and the IFC's Operations Evaluation Group. While the OEU is a positive step in establishing a more permanent evaluation process, it remains to be seen what the long term impact on MIGA operations will be.

---

<sup>31</sup> Letter by MIGA to FoE, 26/7/01.

<sup>32</sup> Letter by MIGA to FoE, 28/9/01.

<sup>33</sup> Letter from FoE, Urgewald and Reform the World Bank Campaign to MIGA's Corporate Relations Group, 3/4/02.

MIGA is engaging with the networks, although this does not necessarily mean that MIGA has endogenized sustainable development. Attempts at direct socialization continued with the 2003 network publication which outlines MIGA's secretive stance and its weak safeguard policies compared with the other affiliates (Environmental Defense, Friends of the Earth and International Rivers Network, 2003: 4). While MIGA argues that it is one of the most transparent political risk insurance agencies and that it encourages export credit agencies to improve their environmental standards, it has not endogenized norms of sustainable development (MIGA 2004).<sup>34</sup>

Regarding indirect socialization, there is little evidence to suggest that the network is as active within the Tuesday Group regarding the strengthening of MIGA's policies as has been the case with IFC. However, the network has been active in politicizing the need for the CAO to overlook IFC *and* MIGA operations with the support of the US Executive Director. In addition, the network has engaged in indirect socialization of MIGA by persuading the US Congress to increased pressure on MIGA to reform its projects and policies. Friends of the Earth claimed victory in 2001 when the US gave partial lending of \$5 million to MIGA rather than the \$10 million requested for MIGA's capital increase, although this has not had a demonstrable impact on MIGA.<sup>35</sup> MIGA has slowly instituted policies, rather than viewing these policies and monitoring procedures as important goals in themselves.

The relatively limited changes of adopting safeguard policies do not provide evidence that socialization has occurred. Importantly, the Agency does not highlight its role as a sustainable development underwriter. Only recently has there been information publicized on its environmental activities (via its website), although sustainability remains absent from its mission statement. In addition, MIGA has limited professional staff to undertake environmental and social monitoring. As such, transnational advocacy networks argue that MIGA's identity has not changed, as witnessed by the interactions between the network and MIGA detailed above. The networks argue that MIGA acts like an 'ostrich' rather than engage with them, although this is changing in the post-Wolfensohn era. As a result, the networks still

---

<sup>34</sup> MIGA, Response to NGO stakeholder comments, note 64, public discussion ending February 5, 1999. Accessed: [www.miga.org](http://www.miga.org) Cited: December 2, 2003. Last Updated: 2003.

<sup>35</sup> Friends of the Earth, 'Multilateral Investment Guarantee Agency Fact sheet,' [www.foe.org](http://www.foe.org) Accessed: December 2, 2003. Last Updated: 2003.

consider MIGA outmoded in its views of sustainable development.<sup>36</sup> This contrasts with the recognition that various networks give to IFC.

Perhaps most revealing however, is the view of the CAO regarding MIGA's attitude towards sustainable development. The CAO sees MIGA as a 'closed book' and that MIGA is 'harder to fathom' in terms of its commitment to sustainable development compared with IFC (whom is considered to be 'way ahead' on sustainable development issues even compared with the Bank) because of the type of organization MIGA is.<sup>37</sup> This reinforces the network's view that MIGA is not interested in endogenizing sustainable development. MIGA is considered to be a 'dinosaur' based on its political risk insurance identity where its project cycle and services make it impossible for them to meet the safeguards of the other affiliates of the Bank.<sup>38</sup> Some activists state that the environment is 'not on their [MIGA's] radar screen' and that socializing efforts have not had much success, leaving NGOs like Friends of the Earth convinced that MIGA should be shut down.<sup>39</sup>

The confrontational nature of the network-MIGA interaction may be the very beginning of the socialization process, in that opposition and contestation is the basis of initial interaction. A conflictual stance allows the organization's norms to be questioned, and for dialogue to begin – even if it is combative. This is reminiscent of the initial stage of the socialization process that emerged against the World Bank in the early 1980s and differs sharply from the style of engagement between advocacy networks and both the Bank and IFC in the late 1990s. MIGA vehemently rejects the claims that it does not promote sustainable development, remaining in the norm contestation phase. However, it does accept that there are 'challenges' in reconciling its insurer identity with sustainable development. Transnational advocacy networks attempted direct and indirect socialization processes through IFC and MIGA's projects and policies. The effect has been the initial creation of the form of sustainable development within the affiliate but its reactive and reluctant stance has meant that MIGA has a long way to go toward endogenizing sustainable development compared with IFC.

---

<sup>36</sup> Interview with former FoE activist, dated 4/10/01; Interview with David Hunter from CIEL, 18/9/01.

<sup>37</sup> Interview with a staff member, the CAO Office, 14/9/01.

<sup>38</sup> Interview with David Hunter from CIEL, 18/9/01.

<sup>39</sup> Interview with a staff member of BIC, 21/9/01.

## **Conclusion**

This article posited that IOs contest and create international norms appropriate for IOs with non-state actors and states through a process of socialization. It analyzed how sustainable development norms were diffused within IFC by assessing its projects and policies. The networks emerged to socialize this IO, directly and indirectly through the US. IFC reproduced and transformed sustainable development through its operations.<sup>40</sup> In comparison, sustainable development norms were not diffused within MIGA and the assessment of interactions with the networks over its projects and policies demonstrated MIGA's negative response to the norm diffusion process. Sustainable development norms were not endogenized within MIGA as a result of the socialization process with transnational advocacy networks. MIGA's political risk insurance identity determined that norms of sustainable development were at odds with its insurer's identity.

---

<sup>40</sup> Confidential interview with Friends of the Earth activist, dated September 26, 2001.

## Bibliography

- Abbott, Kenneth and Duncan Snidal (1998) 'Why states act through formal international organizations', *Journal of Conflict Resolution* 42(1): 3-33.
- Adler, Emmanuel (1998) 'Seeds of Peaceful Change: The OSCE's Community Building Model', in Emanuel Adler and Michael Barnett, eds, *Security Communities*, 119-60, Cambridge: Cambridge University Press.
- Adler, Emmanuel (1997) 'Seizing the Middle Ground: Constructivism in World Politics,' *European Journal of International Relations* 3 (3): 319-63.
- Barnett, Michael (1999) 'Culture, Strategy and Foreign Policy Change: Israel's road to Oslo,' *European Journal of International Relations* 5 (1): 5-36.
- Barnett, M. and Finnemore, M. (2004) *Rules for the World: International Organizations in World Politics*, Ithaca: Cornell University Press.
- Bosshard, Paul (1996a) 'The Private Sector Lending of the World Bank Group: Issues and Challenges,' January 1996, The Berne Declaration, Switzerland. Cited: [www.2.access.ch/evb/bd/privlend.htm](http://www.2.access.ch/evb/bd/privlend.htm) Accessed: January 20, 2003. Last Updated: 1999.
- Bosshard, Paul (1996b) 'A Case Study about MIGA's Lihir Island Goldmine Project in Papua New Guinea,' February 1996, The Berne Declaration, Switzerland. Cited: [www.2.access.ch/evb/bd/privlend.htm](http://www.2.access.ch/evb/bd/privlend.htm) Accessed: January 20, 2003. Last Updated: 1999.
- Checkel, Jeffrey T. (2003) 'Going Native in Europe? Theorizing Social Interaction in European Institutions', *Comparative Political Studies* 36 (1/2): 209-31.
- Checkel, Jeffrey T. (2001) 'Why Comply? Social Learning and European Identity Change', *International Organization* 55 (3): 553-88.
- Checkel, Jeffrey T. (1999) 'Norms, Institutions, and National Identity in Contemporary Europe', *International Studies Quarterly* 43(1): 83-114.
- Compliance Advisor/Ombudsman (CAO) (2003a) 'Assessment by the Officer of the Compliance Advisor/Ombudsman in relation to a Complaint Filed against IFC's Investment in Endesa Pangué S.A.', CAO Assessment Report May 2003, Washington D.C., IFC and MIGA.
- CAO (2003b) 'Assessment by the Officer of the Compliance Advisor/Ombudsman in relation to a Complaint Filed against IFC's Investment in Endesa Pangué S.A.', CAO Assessment Report May 2003, Washington D.C., IFC and MIGA.
- CAO (2002) 'Review of IFC's Safeguard Policies: Draft for Comment,' CAO Office Report, Washington D.C., IFC and MIGA. Cited: [www.cao-ombudsman.org/env](http://www.cao-ombudsman.org/env) Accessed: September 2002. Last Updated: September 2002.
- Downing, Theodore (1996) 'A Participatory Interim Evaluation of the Pehuen Foundation,' IFC 2067, AGRA Earth and Environment: Downing and Associates.
- Down to Earth (2001) 'The Multilateral Investment Guarantee Agency (MIGA): Whose Interests are Served and at What Cost?' *Down to Earth Fact Sheet Series* 16, Cited: [www.dte.gn.apc.org/](http://www.dte.gn.apc.org/) Accessed: January 21, 2003. Last Updated: 2002.
- Environmental Defense, Friends of the Earth, and the International Rivers Fund (2003) 'Gambling with People's Lives: What the World Bank's New 'High Risk/High Reward Strategy' Means for the Poor and the Environment.' Accessed: [www.environmentaldefense.org](http://www.environmentaldefense.org) Cited: December 2, 2003. Last Updated: September 2003.
- Feinberg, Richard, and Contributors (1986) *Between Two Worlds: The World Bank's Next Decade*, New Brunswick: Transaction Books.

- Finnemore, Martha (1996) *National Interests in International Society*, Ithaca, NY and London: Cornell University Press.
- Finnemore, Martha and Kathryn Sikkink, (2001) 'Taking Stock: The Constructivist Research Program in International Relations and Comparative Politics', *Annual Review of Political Science* 4: 391-416.
- Friends of the Earth (2000) 'Dubious Development: How the World Bank's Private Arm is Failing the Poor and the Environment,' Washington D.C., Friends of the Earth.
- Friends of the Earth, Urgewald, and Campagna per la Riforma della Banca Mondiale, (2001) 'Risky Business: How the World Bank's Insurance Arm Fails the Poor and Harms the Environment,' Washington D.C., Friends of the Earth.
- Grigorescu, Alexandru (2002) 'European Institutions and Unsuccessful Norm Transmission: The Case of Transparency', *International Politics* 39(4): 457-89.
- Gutner, Tamar, (2005) 'World Bank Environmental Reform: Revisiting Lessons from Agency Theory', *International Organization* 59: 773-783.
- Hair, Jay (1997) 'Pangue Hydroelectric Project (Chile): An Independent Review of the International Finance Corporation's Compliance with Applicable World Bank Group Environment and Social Requirements,' IFC Internal Review, Washington D.C: IFC.
- Grupo de Action por el BioBio (GABB) (1995) 'The BioBio Dams in Chile: Violations of World Bank Policies and Lack of Accountability at the International Finance Corporation,' Claim before the Inspection Panel and Petition before the IFC Board of Executive Directors, Chile, GABB.
- Hobson, John (2000) *The State and International Relations*, Cambridge: Cambridge University Press.
- International Finance Corporation (IFC) (2002a) 'IFC Annual Report 2002,' Washington D.C: International Finance Corporation.
- IFC (2002b) 'Strategic Directions,' Confidential Report to the Board of Directors, International Finance Corporation March 8, 2002.
- IFC (2002c) 'Basic Facts About IFC.' Cited: [www.ifc.org/about/](http://www.ifc.org/about/) Accessed: December 3, 2002. Last Updated: 2002.
- IFC (2002d) "The Environmental and Social Challenges of Private Sector Projects: IFC's Experience," *Lessons of Experience Series* 8, Washington D.C., International Finance Corporation.
- IFC (2001a), 'Basic Facts About IFC', Cited: [www.ifc.org/about/](http://www.ifc.org/about/), Accessed: January, 2001. Last Updated: 2000.
- IFC (2001b) 'Building a Sustainable Development Roadmap: IFC's Strategy to Ensure Environmental and Social Responsibility,' *Environment Matters*, IFC Annual Newsletter: 48-51.
- IFC (2000) 'Environment and Social Safeguard Policies,' [www.ifc.org/about/](http://www.ifc.org/about/), Accessed: November 2, 2000. Last Updated: 1999.
- IFC (1998) 'IFC Annual Report 1998,' Washington D.C., S&S Graphics, International Finance Corporation.
- IFC (1997a) 'Statement of IFC about the report by Dr. Jay Hair on the Pangue Hydroelectric Project' Press Release dated July 15. Cited: [www.ifc.org/press/1997/HAIR-E.HTM](http://www.ifc.org/press/1997/HAIR-E.HTM) Accessed: April 2, 1999. Last Updated: 1999.
- IFC (1997b) 'Pangue Prepays IFC,' IFC Press Release No. 97/82.
- IFC (1997c) 'Agreement between IFC and Pangue S.A,' IFC Press Release No. 97/95.

- IFC (1997d) 'IFC Annual Report 1997,' Washington D.C., International Finance Corporation.
- IFC (1996a) 'Financing Private Infrastructure,' *Lessons of Experience* number 4, Washington D.C., The World Bank.
- IFC (1996b) 'IFC Annual Report 1996,' Washington D.C., International Finance Corporation.
- IFC (1995) 'IFC Annual Report 1995,' Washington D.C., International Finance Corporation.
- IFC (1992) 'IFC Board Approves Pangué Dam,' IFC Press Release No 92/32.
- Johnston, Alistair Iain (2001) 'Treating International Institutions as Social Environments', *International Studies Quarterly* 45(4): 487-515.
- Keck, Margaret and Kathryn Sikkink (1998) *Activists Beyond Borders: Advocacy Networks in International Politics*, Ithaca, NY and London: Cornell University Press.
- Koslowski, R., and Kratochwil, F., 1994, "Understanding Change in International Politics: The Soviet Empire's Demise and the International System," *International Organization* 48 (2): 215-47.
- Kowert, Paul and Jeffrey Legro (1996) 'Norms, Identity and their Limits: A Theoretical Reprise', in Peter J. Katzenstein, ed., *The Culture of National Security: Norms and Identity in World Politics*, 451-97, New York: Columbia University Press.
- Kratochwil, Frederich (1989) *Rules, Norms and Decisions: On the Conditions of Practical and Legal Reasoning in International Relations and Domestic Affairs*, Cambridge: Cambridge University Press.
- Mason, Edward S. and Asher, Robert E. (1973) *The World Bank Since Bretton Woods*, Washington, D.C: The Brookings Institution.
- Multilateral Investment Guarantee Agency (2003) 'Annual Report 2003,' Washington D.C., MIGA.
- MIGA (2002) 'MIGA's Interim Issue Specific Safeguard Policies,' *MIGA Policies*, Cited: [www.miga.org/](http://www.miga.org/) Accessed: November 25, 2002. Last Updated: 2002.
- MIGA (2001a) 'Commentary on the Convention Establishing the Multilateral Investment Guarantee Agency.' Cited: [www.miga.org/](http://www.miga.org/) Accessed: May 30, 2001. Updated: 2001.
- MIGA (2001b) 'MIGA: The First Ten Years.' Cited: [www.miga.org/](http://www.miga.org/) Accessed: June 12, 2001. Last Updated: 2001.
- Nielson, Daniel and Tierney, Michael (2005) 'Theory, Data, and Hypothesis Testing: World Bank Environmental Reform Redux', *International Organization* 59: 785-800.
- (2003) 'Delegation to International Organizations: Agency Theory and World Bank Environmental Reforms', *International Organization* 57(2): 241-76.
- OECD (2002) *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs*, Paris, OECD.
- Operations Evaluation Unit (OEU) (2003) 'Extractive industries and Sustainable Development – MIGA's Experience.' Cited: [www.miga.org/](http://www.miga.org/) Accessed: December 2, 2003. Last Updated: 2003.
- Park, Susan (forthcoming, 2005) 'Norm Diffusion within International Organizations: A Case Study of the World Bank', *Journal of International Relations and Development* 8 (2).
- Price, Richard (1998) 'Reversing the Gun Cites: Transnational Civil Society Targets Land Mines', *International Organization* 52(3): 613-32.

- Ratner, Steven R. (2000) 'Does International Law Matter in Preventing Ethnic Conflict?', *Journal of International Law and Politics* 32(3): 591-698.
- Risse-Kappen, Thomas (ed) (1995) *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*, Cambridge: Cambridge University Press.
- Risse, Thomas, Ropp, Steven, and Kathryn Sikkink, (eds.) (1999) *The Power of Human Rights: International Norms and Domestic Change*, Cambridge: Cambridge University Press.
- Robinson, S. (1998) 'Comment From Dr. Scott Robinson, IFC Consultant in the Planning Stage of the Pangu Project,' American Anthropological Association. Cited: <http://ameranthassn.org/pehuenc2.htm> Accessed: September 1998. Last Updated: 1998.
- Ruggie, John Gerard (1998) 'What Makes the World Hang Together? Neoliberalism and the Social Constructivist Challenge', *International Organization* 52(4): 855-85.
- Schimmelfennig, Frank (2000) 'International Socialization in the New Europe: Rational Action in an Institutional Environment', *European Journal of International Relations* 6(1): 109-39.
- Shihata, Ibrahim (1991) *The World Bank in a Changing World: Selected Essays*, Dordrecht: Martinus Nijhoff.
- Shihata, Ibrahim (1988) *MIGA and Foreign Investment: Origins, Operations, Policies and Basic Documents of the Multilateral Investment Guarantee Agency*, The Netherlands: Martinus Nijhoff Publishers.
- True, Jaqui and Michael Mintrom, (2001) 'Transnational Networks and Policy Diffusion: The Case of Gender Mainstreaming', *International Studies Quarterly* 45(1): 27-57.
- United States Treasury (2001) 'Annual Report to Congress on the Environment and the Multilateral Development Banks, FY 2001,' US Treasury Press Release Report 3051, US Treasury Office of Public Affairs. Cited: [www.ustreas.gov/press/release/report3051.pdf](http://www.ustreas.gov/press/release/report3051.pdf) Accessed: December 2, 2002. Last Updated: March 29, 2002.
- Van Veldhuizen, Harvey (2000) 'Multilateral Investment Guarantee Agency,' *Environment Matters*, IFC Annual Newsletter, World Bank, Washington DC.
- Wendt, Alexander (1999) *Social Theory of International Politics*, Cambridge: Cambridge University Press.
- West, Gerald (1999) 'Political Risk Investment Insurance: A Renaissance,' *Journal of Project Finance* 5 (2): 27-36.
- West, Gerald and Tarazona, E. (2001) *Investment Insurance and Developmental Impact: Evaluating MIGA's Experience*, Washington D.C.: The World Bank Group.
- Wiener, Antje (2003) 'Constructivism: The Limits of Bridging Gaps', *Journal of International Relations and Development* 6(3): 252-75.
- Wiener, Antje (2004) 'Contested Compliance: Interventions on the Normative Structure of World Politics', *European Journal of International Politics* 10(2): 189-234.
- Wirth, David (1998) 'Partnership Advocacy in World Bank Environmental Reform', in Jonathan Fox and David Brown, eds, *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements*, 51-79, Cambridge, MA: MIT Press.

- World Bank (2001a) 'The World Bank and the Environment,' *Issue Brief*. Cited: [www.worldbank.org/html/extdr/pb/pbenvironment.htm](http://www.worldbank.org/html/extdr/pb/pbenvironment.htm) Accessed: January 3, 2002. Last Updated: 2002.
- World Bank (2001b) 'MIGA Corporate Overview,' *World Bank Development News: Issue Briefs*. Cited: [www.worldbank.org/html/extdr/pb/miga.htm](http://www.worldbank.org/html/extdr/pb/miga.htm) Accessed: June 5, 2001. Last Updated: 2001.
- World Bank (1997) *Private Capital Flows to Developing Countries: The Road to Financial Integration*, Washington D.C., Oxford University Press.