Investigating the Discursive Power of Multilateral Financial Institutions

The International Finance Corporation and the Emergence of the Equator Principles

Christopher Wright

London School of Economics and Political Science (LSE)
Department of International Relations
Houghton Street, London WC2A 2AE, UK
c.m.wright@lse.ac.uk

THIS IS A WORK IN PROGRESS. PLEASE DO NOT CITE WITHOUT PERMISSION

ABSTRACT

This paper investigates the role of multilateral financial institutions in shaping the content and institutional design of global environmental governance. It presents analytical advantages with using discourse analysis in conceptualizing the influence of multilateral financial institutions on global environmental governance. Applying this framework, it briefly considers the evolution of environmental discourse at the International Finance Corporation's (IFC), and associates this with the emergence of the Equator Principles, a voluntary environmental code of conduct for the international project finance market.

The IFC's direct influence on the Equator Principles principally manifested itself in two ways. First, it convened and encouraged an initial pool of multinational banks to discuss environmental and social management issues, which eventually led to the launch of the Equator Principles in June 2003. Secondly, it directly influenced the terms of the governance arrangements, as the framework's specific provisions are directly derived from the IFC's own environmental and social policies and procedures.

Lastly, the paper considers the role of the IFC, and the World Bank Group generally, in diffusing ideas and norms related to corporate social responsibility. It argues that this discursive influence, which legitimizes certain ideas, norms and understandings of policy problems, may fundamentally reshape institutional environments in developing countries by encouraging voluntary forms of governance, and by extension delegetimise certain institutional roles that run counter to this discourse.

KEYWORDS: Multilateral financial institutions, Corporate Social Responsibility, Voluntary Codes of Conduct, Environmental Risk Management, International Banking, Project Finance.

Background

The recent decade has seen the proliferation of a wide variety of institutionalized networks and partnerships between and among transnational advocacy groups, international organizations, and transnational corporations, operating largely independently of the formal treaties, conventions and agreements that are typically associated with inter-state relations. In many cases, these have produced lose forms of political governance in which behaviour is voluntary, and guided concerns for corporate reputation and organizational legitimacy, rather than mandatory, and driven by legal obligations to comply with formal rules. The confluence of actors around these forms of governance entails that legal, political and normative sources of influence are increasingly entangled, rarely operating autonomously or uncontested, instead being integrated into complex, hybrid forms of institutional arrangements and patterns of power.[1]

In most cases, the literature on these new forms of governance is organized around the concept of regimes, which "encompass principles, norms, rules and decision-making procedures around which actors' expectations converge in a given issue area." [2] But in such cases where institutional arrangements are not rooted in formal or legal authority, there is much uncertainty about how and why they emerge.[3] The paper will attempt to fill this gap by considering the growing discursive influence of multilateral financial institutions in encouraging and providing legitimacy to particular forms of global environmental governance. Specifically, it will consider the role of the International Finance Corporation (IFC), the World Bank's private sector lending arm, in facilitating the formation of the Equator Principles, a voluntary code of conduct that

contains sets of normative principles and operational procedures that stipulate why and how commercial banks should address environmental and social concerns in their project finance loans.[4]

In understanding the influence of multilateral financial institutions on private governance formation, it will argue for applying a discursive approach that more strongly recognizes the extent to which agency is embedded in broader, evolving understandings of environmental and social problems and the appropriate corporate responses to them. This recognizes that in carrying out some of their activities, multilateral financial institutions operate as international actors in their own right, largely autonomous from their government shareholder, and primarily motivated to enact favourable normative and ideational changes to their institutional environment. Their discursive influence manifests itself in using convening power to facilitate the establishment of voluntary governance arrangements that institutionalize certain norms, understandings and practices, such as the Equator Principles, as well as more knowledge-intensive activities that promote certain ideas and normative perspectives on particular policy problems, and attribute specific institutional roles to public and private actors in addressing them.

It is in this perspective that support for voluntary governance approaches embedded in emerging corporate social responsibility practices should be understood. The paper will be divided into four sections. The first section will consider the analytical implications of considering governance formation in the context of discourses. The second section will survey the evolution of policy discourse at the IFC in the last decade towards a distinctly corporate environmental discourse, and link this to the

emergence of the Equator Principles. The third section will comment on the growing stature of the corporate social responsibility agenda within the World Bank, and how it legitimates and encourages certain institutional roles over others.

Using Discourse Analysis to Study Multilateral financial institutions

The multilateral financial institutions, such as the World Bank and the IFC, are highly technocratic organizations, dominated by a professional culture that favours rational and standardized decision-making tools, universally applicable technocratic interventions and quantifiable performance targets and assessments. Yet, since they operate in highly contested policy environments characterized by clashes between a variety of ideas and interests, their influence over economic development in developing countries has a significant discursive dimension. In the case of the World Bank Group, it has formally recognized and embraced this by seeking to project itself as a 'knowledge bank'.[5]

It argues that agents and social structures are mutually constituted, whilst also recognizing that this dynamic may reinforce the legitimacy of broadly accepted norms, rules and conventions at the detriment of others. By placing ideas and norms, rather than material forces, at the centre of social change, it recognizes that social phenomenon only gain meaning in the context of agency, and crucially, the interactions between agents. By extension, systemic change then is assumed to correspond with significant norm shifts that reconstitute the identity, interests and behaviour of social actors.

The analysis will seek to incorporate both of these consideration by examining social change in the context of discourses, or "sets of linguistic practices and rhetorical strategies embedded in a network of social relations."[6] In turn, behaviour is conceptualized as discursive practice, deeply embedded in language, communication and social interactions, that produces and reproduces, affirms and de-legitimizes normative claims and forms of knowledge. [7] Embedded in discourses are particular norms, rules and conventions that have a constitutive quality, in helping defining "who may act, in what context they may act, and what their actions mean in that particular context." [8]

The major implication for adapting this approach is that social interactions and collective behavior becomes the center of inquiry, as their qualitative characteristics give rise to institutional arrangements that solidify more strongly particular norms of behavior. As such, a focus on discourses will not disregard the behavior of actors entirely, as they do play a significant role in perpetuating or contesting the social context within which preferences are developed and decision are made. As Litfin (1994) observes, discourses have no meaning apart from the individuals or groups advocating and confronting them. But the acknowledgement that actors do place their argumentative statements within the context of recognized normative principles to give them meaning does mean the relationship between actors and discourses has to be interpreted in the strict rational-materialist sense, in which ideas are reduced to discrete objects that individual actors strategically deploy and promote to further their fixed interests.

Instead, the identities and interest of actors are more deeply embedded in discourses, as interactions between them subject forms of knowledge or sets of ideas to contestation, and in the process, affirm the dominant position of certain discourses over others. This means the discrete choices of actors both reflect the discourses within which their identities and interests are embedded, and simultaneously reproduce those discourses by perpetuating the cognitive frames, causal stories, normative interpretations and social knowledges that make up their social content.

A discourse perspective of multilateral financial institutions would problematise their position in international relations beyond being extensions of power politics, or conveners of self-interested states. First, their behaviour would be viewed as intrinsically tied to development discourse that perpetuates a particular idea of progress, normative understandings of human behaviour and desires, and certain causal stories about the origins of social phenomena. In turn, decisions are made on the basis of knowledge systems based on certain cognitive frames that confine interpretations and judgements to sub-set of possible policy interventions, commonly associated with technocratic, rationalized, development planning.

Second, over time, the material resources of multilateral financial institutions combined with their susceptibility to a wide variety of external pressures means they have also become social venues within which inter-discursive struggles takes place. They are simultaneously embedded within different clusters of actors with particular ideational and normative affiliations that collectively advance the acceptance and legitimacy of particular understanding and interpretations. As a consequence, they are intensely contested spaces, where coalitions of actors embedded in conflicting

professional cultures and adhering to competing normative understandings and beliefs confront each other, and in some ways, continuously legitimate themselves through a process of differentiation.

Environmental Discourse in Multilateral financial institutions

Since the 1980s, with the emergence of a transnational advocacy network that criticized the adverse environmental consequences of large-scale development projects, the process of institutionalizing environmental policies and procedures in multilateral developments has been contentious, divisive, and discursively linked to broader normative contests over the legitimacy of development planning based on neo-liberal economic norms and principles. Subsequently, the adoption of more explicit environmental protection and poverty alleviation commitments can be seen as efforts by multilateral financial institutions to mitigate the "crisis of legitimacy" that has mired development finance since the early 1980s, when a few environmental advocacy groups first exposed the significant adverse impacts some large-scale development projects had on the surrounding environment and local communities.[9]

The institutional relationships between increasingly defensive multilateral financial institutions, most notably the World Bank, and increasingly well organized environmental advocacy groups has produced a policy discourse that legitimated incremental expansions of compliance-driven operational policies and procedures in the areas of environmental management, public consultation and information disclosures, primarily meant to enhance the accountability and transparency of

decision-making. In turn, this helped broaden the acceptance of normatively-based principles that valued the rights of local communities and the protection of the environment in investment decisions, and as a result, effectively delegitimised the practice that regarded financial viability as the only significant criteria for sound development finance.

The IFC and Its Early Years

In analyzing the emergence of corporate environmental discourse at the IFC and its implications for global environmental governance, its original organizational mandates is assumed to be less relevant, as they long predate the emergence of the ideas and understandings that now increasingly influence its environmental and social policies. Instead, a more sociological perspective that acknowledges that particular policy initiatives are embedded in particular influential understandings of policy problem is adopted to identify the more subtle discursive influences of particular ideas and norms on institutional environments in developing countries.

The IFC's engagement with environmental and social issues sheds light on how the ideational foundation of multilateral financial institutions can change over time. During its first three decades, the IFC showed little recognition that the environment and the concerns of local communities are relevant to the design and execution of private sector projects. As late as 1989, it declared that its policy to only lend to projects with a 'satisfactory ex-ante economic rate of return' to be its most fundamental development contribution, and considered the financial profitability of

the projects it supported as the 'sine qua non' of their development impact.[10] At this stage, it had no separate environmental and social policies and procedures designed to address the diverse, and often unique, operational contexts of private sector projects. Nor did it have environmental staff that would conduct environmental reviews of project proposals under consideration, instead claiming that these were handled by the World Bank's environmental staff.

In the early 1990s, greater public interest in and scrutiny of development projects forced the IFC to more systematically address the environmental and social impacts of its investments. Between 1989 and 1997, the IFC undertook a series of incremental reforms that expanded its environmental staff, increased the scope of its due diligence practices, and increased its environmental projects portfolio, largely in response to the demands of civil society groups that scrutinized individual projects for their adverse environmental and social impacts.[11] In 1997, the World Bank reorganized existing thematic policies and developed new ones to form a set of environmental and social *Safeguard Policies* that stipulated various assessment, consultation, disclosure, monitoring and reporting requirements placed on borrowers.

In 1998, the IFC formally adopted most of them, thus institutionalizing environmental assessment as a formal aspect of project preparation, as well as thematic policies covering impacts in a variety of thematic areas, such as natural habitat, international waterways, and involuntary settlements. It also adopted a set of *Environmental and Social Review Procedures*, which formalized the requirements placed on borrowers, and outlined the internal procedures by which the IFC assesses project proposals. Combined, these produced a policy framework that would become the 'foundation for

IFC's work in the environmental and social areas and for assessments of IFC's compliance and accountability.' [12]

The Discursive Shift to "Sustainability"

The policy discourse in which these reforms attained their legitimacy promoted an understanding of private sector development that focused on mitigating or preventing the inevitable negative externalities generated by private companies and investors. Hence, it perpetuated the idea that reconciling environmental and social concerns, and the actors that championed these causes, with the commercial interests of private entrepreneurs and investors would require a set of formalized, legal rules that clearly allocated obligations and rights to financial institutions, private clients and project-affected communities. Without such a formal framework, it was assumed that private companies and their financiers would inevitably evade their environmental and social responsibilities, as it was in their strategic self-interest to do so.

The understanding that public and private interests were organically juxtaposed to each other was deeply embedded in the advocacy campaigns of environmental advocacy groups, and became increasingly problematic for the IFC as a multilateral development bank servicing the private sector. In particular, as the growth in private capital flows had increased the presence of both public and private financial institutions in developing countries, there was a growing sense among investment staff that this prevailing understanding of environmental and social issues, and the due diligence practices it legitimated, increasingly conflicted with its financial interests as

a commercial bank.[13] At the same time, commercial banks were grappling with ways in which they could retain corporate reputation in the eyes of increasingly vocal pressure groups by incorporating environmental and social concerns into their investment operations.

In 2001, following an assessment of attitudes and grievances of internal investment staff and private clients, the IFC launched the *Sustainability Initiative*, a strategic attempt to reframe the environment-development nexus based on the premise that "many opportunities exist for businesses in emerging markets to benefit from actions which advance sustainable development." During the next five years, it would undertake a series of internal training, capacity-building and organizational reforms aimed at replacing attitudes and understandings of environmental and social issues shaped by adversarial relations with civil society groups, with the "sustainability" agenda that integrated the consideration of environmental and social issues with the risk management practices of clients.

By emphasizing the synergies between economic, social and environmental objectives, the *Sustainability Initiative* cast the consideration of environmental and social issues as a central component of profitability, thereby reinforcing the notion that they were compatible with the IFC's mandate to catalyze private sector growth and development.[14] As a result, the *Sustainability Initiative* had redefined the social purpose of the IFC, from placing legal environmental and social requirements on borrowers and overseeing their compliance with them, to building capacity and identifying the "business case" for them to do so voluntarily.[15] It legitimized an approach in which environmental and social issues in private sector financing were

understood in the context of “risks” to be mitigated or prevented only insofar as they affected the financial viability of a project. This realigned its public mandate as a multilateral development bank with the commercial mandates of its clients, which in turn provided a foundation for more assuming a leadership role in diffusing “sustainability” practices in the private sector in developing countries.

The Emergence of the Equator Principles

During the 1990s, the liberalization of capital markets and the resulting growth in transnational private capital flows increased the institutional interactions between private and public financial institutions. As partners in loan syndications, and co- and intermediary financing arrangements, commercial banks are often required to follow the environmental and social policies and procedures of multilateral financial institutions. But a subset of multinational commercial banks increasingly assumed visible positions as lead arrangers of complex and controversial project finance deals, which over time invited the scrutiny of civil society groups concerned about the adverse impacts on local communities and the environment.

This was the social context within private environmental governance in the international project finance market arose. In 2002, in informal discussions with the IFC, executives at four major multinational commercial banks expressed increasing concern that project finance investments in sensitive industrial sectors or regions were being increasingly targeted by civil society groups, contesting their impacts on local communities and the environment. These exchanges led the IFC to convene a

conference of leading multinational banks to discuss environmental and social review procedures for project finance. A year later, ten leading commercial banks adopted the Equator Principles, a voluntary code of conduct that contains sets of normative principles and operational procedures that stipulate why and how commercial banks should address environmental and social concerns in their project finance loans.[16]

The provisions are largely based on the *Safeguard Policies*, the recently revised policy framework that defined the IFC's consideration of environmental and social issues in project finance transactions. Its overall stated intention is to "serve as a common baseline and framework for the implementation of [the signatory banks'] individual, internal environmental and social procedures and standards for [the signatory banks'] project financing activities across all industry sectors globally." It has thus far been adopted by thirty-six financial institutions, which in effect means making a public statement committing themselves to implementing environmental and social policies and procedures in their project finance activities in developing countries.[17] By adopting the Equator Principles, signatory banks vow not to " provide loans directly to projects where the borrower will not or is unable to comply with [their] environmental and social policies and processes."[18]

The framework exemplifies how cooperation on the provision of public goods can be facilitated and achieved by private actors outside of conventional inter-state relations, albeit with significant multilateral involvement, thereby representing an example of "private governance.[19] It is a strictly voluntary framework that lacks legal obligations or formal enforcement mechanisms, and depends largely on the reputational benefits it affords members.[20] No formal agreements are signed. Instead, "each institution

adopting the Equator Principles individually declares that it has or will put in place internal policies and processes that are consistent with the Equator Principles", and as is clarified, "this can be done at any time."[21] It has no formal organization or secretariat, and communication with stakeholders is done through a website, hosted by one of the signatory banks. Its scope and applicability are circumscribed by a specific financial instrument, project finance, rather than defined in terms of national jurisdictions. While projects financed by signatory banks will still be subject to host country laws and regulations, this particular framework makes little reference to them. And its stated universal scope and application implicitly suggests that national governments are expected to harmonize domestic laws and regulations affecting project finance activities according to its provision, rather than vice versa.

The IFC and the Equator Principles

While the Equator Principles was initially triggered by a need of a few multinational commercial banks to defend their corporate reputations from the malpractices of some high-profile clients, the scope and broad acceptance of the framework undoubtedly reflects the convening power of multilateral financial institutions. The leadership role of the IFC in diffusing best practice provided it with a new source of legitimacy as a development institution that was fully compatible with its commercial interests as a bank. Commenting on the simple fact that the largest multinational commercial banks had voluntarily decided to commit themselves to IFC's environmental and social policies and procedures, the IFC proclaimed "the principles have become the new market standard, transforming project finance on a global scale." [22] It expressed

"pride" in its role in the effort, and proclaimed the Equator Principle exemplify "the potential for [its] leadership on issues of sustainability." [23] It later asserted with confidence that, as the content of the Equator Principles was directly derived from its environmental and social policies and procedures, the IFC maintained it had "a stake in ensuring that standards are well understood and implemented within each bank." [24] In turn, it has provided environmental management training to investment staff in numerous Equator banks.

While key IFC executives were instrumental in enabling the Equator Principles, the relationship between the emergence of this framework and the IFC's *Sustainability Initiative* is more subtle. The IFC had long claimed a leadership role in "assisting financial institutions worldwide to incorporate environmental issues into their investment decisions", by offering environmental risk management training to partnering financial institutions in various forms for more than a decade.[25] However, its past focus had largely been on helping partner institutions to fulfil the environmental and social requirements placed on them as administrators of IFC funds. [26] The *Sustainability Initiative*, by promoting an understanding environmental and social issues from the vantage point of private companies, produced a social context that added legitimacy to the IFC's leadership role in diffusing environmental and social practices in the private sector and help private actors "achieve international best practices." [27]

The Broader Implications of "Sustainability" Discourse

The analysis holds that the discursive shift to "sustainability" will potentially alter the way multilateral financial institutions servicing the private sector engage with environmental and social issues in developing countries. As an indication, the IFC's recent revision of its *Safeguard Polices* towards a more commercial orientation decouples it from the due diligence framework that governs the World Bank's public sector projects, and institutionalizes the ideas and understandings of the "sustainability" discourse in its policies and procedures.

The "sustainability" discourse supplements compliance-driven standards by seeking to expand the incentives for corporations to follow internationally recognized best practices in environmental management, consultation and reporting. As reflected in the IFC's new *Policy and Performance Standards on Social and Environmental Sustainability,* the reduced reliance on formal enforcement to induce behavioral changes is part of an effort to intentionally shift environmental and social responsibilities from financial lenders to creditors, so as to alleviate the role of multilateral financial institutions as regulators and enforcers of their environmental and social financing conditions. In particular, demonstrating a "business case" for environmentally and socially responsible behavior may convince otherwise uncommitted corporations to adhere to international best practice standards.

A central premise underlying this agenda is that, as laws and regulation in the conventional sense do not exist at the global level to govern the adverse consequences

of transnational economic activities, "the reputational process of developing voluntary standards for corporate responsibility will continue to play an important role." [28] This is particularly the case for environmental considerations, as these are not governed by a recognized collection of international legal requirements as in the International Labor Organization's (ILO) Conventions.[29] In turn, the promotion of voluntary forms of governance as supplements to existing laws and regulations ascribes particular institutional roles to actors that affect corporate decision-making, and in general terms, legitimizes partnerships and new forms of governance between civil society, government and business that focus on areas of convergence and collaboration, rather than ideological differences.

Reconfiguring Its Institutional Environment

Commentator have argued that multilateral financial institutions can foster corporate social responsibility in a number of ways; by researching and disseminating best practices in development countries by convening conferences and offering training; by developing a conducive policy environment for corporate social responsibility; by conditioning financial support on corporate social responsibility practices; and by promoting compliance, reporting and accountability.[30]

Enacting this agenda does not only depend on amending the institutional relationship between multilateral financial institutions and their private clients, but also calls for other actors that shape the institutional environment of private companies to align their activities with the ideas and understandings embedded in the corporate social

responsibility agenda. As a result, the promotion of corporate social responsibility has broader implications for how environmental and social problems in developing countries are understood and addressed, as it legitimizes certain problem assessments and policy interventions, and crucially, particular institutional roles.

First, private companies and investors are at the centre of this discourse, and act as implementers of "sustainability". Within this policy agenda, they are expected to adopt enlightened business and risk management strategies that perceive the implementation of responsible corporate practices as a component of productivity, or as an insurance against future reputational damages. Rather than simply comply with formal laws and regulations to avoid scrutiny from public enforcement agencies, companies are expected to proactively integrate environmental management into strategic business plans and thereby enact environmental improvement actions not only because they are required by law, but because they are profitable.

Secondly, the promotion of corporate social responsibility is also associated with a public policy reform agenda that seeks to improve the business and investment climate in developing countries by amending regulatory frameworks so that they provide incentives for companies to undertake responsible business practices. In a report that significantly informs the World Bank's approach, corporate social responsibility is presented to governments "as a means to enhance sustainable development strategies and a component of their national competitiveness strategies to compete for foreign investment and position their exports globally, as well as to improve poverty-focused delivery of public policy goals." [31] These recommendations are embedded in a broader agenda of making the investment climate in developing

countries conducive to greater private sector investment and ownership. The preference for voluntary governance may be driven by an assumption that it reduces the risk of regulatory capture and increases the effectiveness of governance, as compliance is not determined by a public enforcement agency, but by the wide range of stakeholders that affect corporate reputation.[32]

And thirdly, as reputational risks are central to incentivising corporate social responsibility, the role of civil society groups and consumers becomes problematic. Generally, the approach calls for civil society and consumer pressure to be commensurate with the environmental and social commitment of firms, in which poor performers are criticized and have their reputation damaged, and strong performers are praised and have their reputation enhanced. In a sense, as corporate social responsibility agenda relies on market signals to induce behavioral changes, its success depends to a certain extent on "getting the prices right." This means all actors involved, whether they be domestic public authorities, business associations, civil society groups or local communities, should aim at creating a business case for considering environmental and social issues by rewarding and sanctioning companies in proportion to their performance. As the IFC has noted, with an implicit reference to civil society groups, "all parties in the debate have a responsibility to look for issues that offer the biggest benefits rather those that are the most sensational."[33] In its view, aggressively targeting companies that are only beginning to engage with environmental and social standards may reduce the incentive for them to continuing to do so, while failing to recognize those that enacted positive change, however slight, discourages companies to be transparent in their operations.[34]

Conclusion

The emergence of the Equator Principles provides an example of the growing discursive power of multilateral financial institutions, in this case the IFC's ability to convene major multinational corporations, and significantly shape the terms upon which environmental and social dimensions of privately-financed investment projects are understood, debated and resolved. While having their credibility continuously challenged by environmental advocacy groups, the IFC's policies and procedures nevertheless enjoy considerable legitimacy, and came to define how private multinational banks harmonized their environmental and social practices.

The paper argues that this form of knowledge-based power will become increasingly significant, as multilateral financial institutions continue to promote ideas and normative understandings related to corporate social responsibility in developing countries. In particular, by providing a new discursive framework around which the institutional roles of business, government and civil society should converge, it can potentially reshape the institutional environment within which environmental and social problems are understood and discussed.

NOTES

[1] According to Cerny (1995:596), the change is of such magnitude that it has "transformed the way that the basic rules of the game work in politics and international relations.", Cerny, P. (1995), "Globalization and the Changing Logic of Collective Action", *International Organization* (**49**)4, Autumn 1995, pp.595-625

[2] Krasner, S. (ed) (1983), *International Regimes*, Ithica, NY: Cornell University, p.1-2; In this most commonly used definition of a regime, principles are "beliefs of fact, causation and rectitute", norms are "standards of behavior defined in terms of rights and obligations", and rules are "specific prescriptions and proscriptions for action."

[3] Graz, J.C (2003), "How Powerful are Transnational Elite Clubs? The Social Myth of the World Economic Forum", in *New Political Economy*, (8)3, November 2003, p.321-340; Young, Oran R. (1989), *International Cooperation : Building Regimes for Natural Resources and the Environment*, Ithica: Cornell University Press.

[4] Project finance is a financing structure in which debt, equity, and credit enhancements are combined for the construction and operation, or the refinancing, of a particular facility in a capital-intensive industry. Lenders base credit appraisals on the projected revenues from the operation of the facility, rather than the general assets or the credit of the sponsor of the facility, as is the case with conventional corporate loans. They are often characterized by high financial risk and technically complex operations, requiring the assembly of a wide variety of organizations with development, construction, operation, financing and investment capacities and expertise.

[5] World Bank (1999) Knowledge and Development, World Development Report 1999, World Bank; Washington D.C.

[6] Litfin, K. (1994), *Ozone Discourses: Science and Politics in Global Environment Cooperation*, New York: Columbia University Press, p.3

[7] Payne, R.A. (2001), "Persuasion, Frames and Norm Construction", *European Journal of International Relations* (**7**)1, pp.37-61.

[8] Bernstein, S. (2001), *The Compromise of Liberal Environmentalism*, New York: Columbia University Press. p.5.

[9] Rich, B. (1993), Mortgaging the Earth; Environmental Impoverishment and the Crisis of Development, Boston: Beacon Press; Wade, R. (1997). "Greening the Bank: The Struggle over the Environment, 1970-1995." In: Kapur, D., Lewis, J. & Webb, R. (Ed). *The World Bank: Its First Half Century. The Brookings Institution, Vol. 2*, Washington, D.C., 611-734.

[10] IFC (1989), *The Development Contribution of IFC Operations*, Economics Department, IFC Discussion Paper No.5, 1989.

[11] See Park, S. (2006), "It Ain't Easy Becoming Green: Creating Sustainable Development Norms throughout the World Bank Group", in Stone, D. and Wright, C. eds. (2006) Banking on Success: The World Bank's Decade of Reinvention and Reform", Routledge. Forthcoming.

[12] IFC (2002a), *The Environmental and Social Challenges of Private Sector Projects: The IFC's Experience*, International Finance Corporation, 2002,p.33.

[13] IFC (2003a), *A Review of IFC's Safeguard Policies - Core Business: Achieving Consistent and Excellent Environmental and Social Outcomes*, IFC's Compliance Advisor Ombudsman (CAO), January 2003

[14] For a more extensive discussion of the emergence of corporate environmental discourse at the IFC's strategies and policies, see Wright, C. (2006), "Examining the Emergence of Corporate Environmental Discourse at the IFC – The Case of the Sustainability Initiative", in Stone, D. and Wright, C. eds. (2006) Banking on Success: The World Bank's Decade of Reinvention and Reform", Routledge. Forthcoming.

[15] IFC (2002), *Developing Value – The Business Case for Sustainability in Emerging Markets*, International Finance Corporation, SustainAbility and the Ethos Institute, 2003.

[16] Project finance is a financing structure in which debt, equity, and credit enhancements are combined for the construction and operation, or the refinancing, of a particular facility in a capital-intensive industry. Lenders base credit appraisals on the projected revenues from the operation of the facility, rather than the general assets or the credit of the sponsor of the facility, as is the case with conventional

corporate loans. They are often characterized by high financial risk and technically complex operations, requiring the assembly of a wide variety of organizations with development, construction, operation, financing and investment capacities and expertise.

[17] As of November 15, 2005. The ten original signatory banks were ABN AMRO Bank NV, Barclays plc, Citigroup, Credit Lyonnais, Credit Suisse First Boston, HVB Group, Rabobank Group, Royal Bank of Scotland, WestLB AG, and Westpac Banking Corporation. Since then, the following financial institutions, in chronological order, have adopted the principles; ING Groep NV (June 23 2003), BG Group (July 2 2003), Royal Bank of Canada (July 21 2003), MCC S.p.A, (July 29 2003), Dresdner Bank AG (August 18 2003), HSBC Group (September 4 2003), Dexia Group (September 18 2003), Standard Chartered Bank (October 8 2003), Mizuho Corporate Bank, Ltd (October 27 2003), CIBC (December 3 2003), KBC Bank and Insurance Holdng Company (January 27 2004), Bank of America (April 15 2004), Eksport Kredit Fonden (May 14 2004), BBVA (May 18 2004), Unibanco (June 1 2004), Banco Itaú (August 12 2004) Banco Itaú BBA (August 12 2004), Banco Bradesco S.A (September 8 2004), Scotiabank (January 18 2005), Banco do Brasil (March 3 2005), JP Morgan Chase (April 25 2005), Manulife (May 11 2005), Wells Fargo and Co. (July 12 2005), BES Group (August 16 2005), BMO Financial Group (September 15 2005), FMO (October 19 2005), and Nedbank (November 10 2005).

[18] *The Equator Principles*, the Preamble, www.equator-principles.com

[19] According to Falkner (2003:73), "private governance emerges at the global level where the interactions among private actors, or between actors on the one hand and civil society on the other, give rise to institutional arrangements that structure and direct actors in an issue-specific area.", Falkner, R (2003), "Private Environmental Governance and International Relations: Exploring Links", in *Global Environmental Politics*,(**3**)2, May 2003, pp.72-87.

[20] For a discussion of the relationship between institutional pressures, corporate reputations, and adoption of voluntary codes of conduct, see *See* Wright, C. and Rwabizambuga, A. (2006), **"**Institutional Pressures, Corporate Reputation and Voluntary Codes of Conduct: An Examination of the Equator Principles", *Business and Society Review*, Forthcoming March 2006.

[21] *See*, http://www.equator-principles.com/join.shtml

[22] IFC (2004), *Annual Report 2004*, International Finance Corporation, Washington D.C, 2004. p. 17

[23] Sustainability Review 2003, IFC.

[24] IFC (2004), *Annual Report 2004*, International Finance Corporation, Washington D.C, 2004.p.17

[25] IFC (1998), *Annual Report 1998*, International Finance Corporation, Washington D.C, 1998.

[26] World Bank (1995), *Mainstreaming the Environment*, World Bank 1995, p.198.

[27] IFC (2001),*Annual Report 2001*, International Finance Corporation, Washington D.C, 2001.

[28] Klein, M. and Harford, T. (2004) "Corporate Responsibility - When Will Voluntary Reputation Building Improve Standards? ", Public Policy for the Private Sector, Note No.274, May 2004, p.4

[29] Ward, H. (2004), "Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock." World Bank and International Finance Corporation, Corporate Social Responsibility Practice, Washington, D.C.

[30] Vives, A. (2004) **"**The Role of Multilateral Development Institutions in Fostering Corporate Social Responsibility", Study of the Inter-American Development Bank. Online, www.iadb.org/csramericas/doc/pVives.pdf (accessed November 15 2005)

[31] Ward, H. (2004), "Public Sector Roles in Strengthening Corporate Social Responsibility: Taking Stock." World Bank and International Finance Corporation, Corporate Social Responsibility Practice, Washington, D.C.

[32] Klein, M. and Harford, T. (2004) "Corporate Responsibility - When Will Voluntary Reputation Building Improve Standards? ", Public Policy for the Private Sector, Note No.274, May 2004, p.4

[33] Klein, M. and Harford, T. (2004) "Corporate Responsibility - When Will Voluntary Reputation Building Improve Standards? ", Public Policy for the Private Sector, Note No.274, May 2004, p.3

[34] IFC (2002), *Developing Value – The Business Case for Sustainability in Emerging Markets*, International Finance Corporation, SustainAbility and the Ethos Institute, 2003.