

Responsibility of International Financial Institutions for Harmful Environmental Consequences Arising from Their Development Interventions

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Abstract : Over the last few decades, the influence of International Financial Institutions (IFIs), especially the World Bank (WB), has significantly increased. Since the early 1980s, IFIs have assumed greater role, especially in developing countries; their total lending has dramatically increased, affecting billions of people in their Borrower States. Though the purpose of the development assistance provided by IFIs is to alleviate poverty and promote economic and social development in their member countries, IFIs have been subject to massive criticism by civil society institutions, international NGOs and local communities for the harmful environmental, social and economic impacts resulting from their development interventions in borrower countries, such as deforestation, displacement of indigenous peoples, and unemployment. While the role of IFIs has expanded over time, affecting billions of people, their accountability mechanisms remained behind and were criticized for lacking sufficient independency and enforceability. The serious adverse environmental impacts of the World Bank's funded projects, along with their weak accountability mechanisms, raises the question of 'To what extent IFIs should be held internationally responsible for the harmful environmental consequences arising from their development interventions?'. This paper argues that IFIs are legally responsible for the harmful environmental consequences arising from their development interventions. The study (i) identifies the applicable laws and relevant primary rules from which the international environmental obligations of IFIs towards their borrower countries are derived (ii) assesses the World Bank's compliance to the principles of the International Environmental Law including the precautionary principle, the polluter pays principle, and the principle of Good-Neighborliness, (iii) assesses the World Bank's current internal accountability mechanisms for harmful environmental impacts resulting from the World Bank's funded projects, and finally (iv) identifies the appropriate dispute settlement mechanisms to which states and non-state actors could raise their claims against IFIs for harmful environmental consequences arising from their interventions.

Keywords : international environmental law, international financial institutions, international responsibility, world bank, environmental and social safeguards

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