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# Accountability in Global Governance: Civil Society Claims for Environmental Performance at the World Bank<sup>1</sup>

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(Forthcoming in *International Studies Quarterly*)

International organizations frequently lack accountability to both states and civil society groups. States often face difficulties monitoring the actions of international organizations. Civil society groups often enjoy little direct influence over decision-making within international organizations. Thus, states have created accountability mechanisms for international organizations. Accountability mechanisms allow civil society groups to submit complaints about the performance of international organizations. They take the form of ombudsmen offices, accountability panels, and complaint procedures. But, little is known about when and why these mechanisms constrain behavior by international organizations that runs counter to the mutual interest of states and civil society groups. Using the World Bank Inspection Panel as a test case, I show that monitoring by civil society groups alters lending at the World Bank when it enhances oversight by powerful states. By combining their abilities in sanctioning and monitoring, states and civil society groups can promote accountability at international organizations.

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## Introduction

Many criticize international organizations (IOs) for their apparent lack of accountability to both member states and local people in the countries where they operate. They apply such criticisms to a wide variety of IO activities, including monetary policy (Vreeland 2006), peacekeeping operations (Lipson 2010), and development programs (Gutner 2002). IOs are often too far removed from democratic processes to face effective pressure from local people who are affected by their actions. Member states require a broad, and therefore difficult to obtain, consensus to reform or terminate IOs (Dahl 1999, Nye 2001). These challenges raise fundamental concerns about the roles IOs play in international affairs (da Conceição-Heldt 2013, Delreux and Kerremans 2010, Elsig 2007, Frey and Stutzer 2006, Haftel and Thompson 2006, Lake 2007).

The lack of democratic feedback at IOs has led to the establishment of specific institutions that aim to make IOs more accountable for achieving their mandates. A subset of these institutions, which I refer to as *accountability mechanisms*, seek to enhance oversight of IOs by investigating and processing monitoring from civil society groups. Accountability mechanisms include audit procedures, accountability panels, citizen complaint boards, and ombudsmen offices (Grigorescu 2010). Each of these institutions manages a process that can lead states to sanction an IO if it acts outside of its policies or mandates.

Little evidence exists about when and why accountability mechanisms contribute to accountability from IOs – the condition when states can credibly identify, sanction, and deter actions by IOs that fall outside of policies and mandates. I argue that these mechanisms result in greater accountability from IOs when monitoring by civil society groups combines with oversight by powerful member states. Monitoring is more likely when civil society groups are organized around the relevant issue and can provide information without fear of retribution. When powerful states find the actions flagged by civil society groups undesirable and have institutional means to sanction IOs, they are likely to hold IOs accountable for their actions.

I investigate a specific operationalization of this argument by testing whether complaints about environmental performance filed by civil society groups at the World Bank Inspection Panel have altered lending decisions about environmentally risky projects in later years. Civil society groups, defined here as groups of people that suffer material harm because of a World Bank project, have repeatedly raised concerns about whether World Bank projects adhere to environmental policies established by member states. Complete data exist on the origin countries of complaints and the allocation of environmentally risky projects following complaints. Because the intended accountability response at the Inspection Panel is “the avoidance of further disastrous projects” (see Clark 2003:2), the Inspection Panel offers an opportunity to test whether the joint availability of monitoring by civil society groups and sanctioning by states promotes accountability.

I show that the Inspection Panel has changed lending to recipient countries where monitoring by civil society groups and sanctioning by donor countries is jointly available. Civil society groups are more likely to file complaints when they are organized around environmental issues and when they can challenge government without fear of repression. I address the non-random generation of complaints using a matching procedure before analyzing how complaints affect the allocation of projects. I find that countries are less likely to receive environmentally risky projects after Inspection Panel cases if they borrow exclusively from the arm of the World Bank that faces greater oversight from donor states through a regular replenishment process. These findings suggest that civil society groups and states can combine advantages in monitoring and sanctioning to promote accountability from IOs.

## **Can Accountability Mechanisms Enhance Oversight at IOs?**

The management and staff of IOs do not always act in ways that member states prefer (Barnett and Finnemore 1999, Gutner 2005, Hawkins et al. 2006, Nielson and Tierney 2003, Pollack 1997). Management often seeks to preserve organizational autonomy, resists undergoing costly reforms, or prioritizes different outcomes than member states because of

professional socialization (Nielson et al. 2006, Weaver 2008). Individual staff might use resources for private gain or seek to secure career advancement because of the incentives set by management (Wapenhans 1992). When member states cannot easily monitor the operations of IOs, the divergent preferences of IO management and staff become problematic.

In many cases, it is impossible for states to observe all the operational actions of IOs, which limits oversight and accountability (Ascher 1983:422, Hawkins and Jacoby 2006, Lyne et al. 2006, Woods and Narlikar 2001). Uncertainty can limit oversight by states when the outcomes of actions are not realized until long after decisions are made (Barnett and Finnemore 1999, Lipson 2010, Lyne, et al. 2006). The worst consequences of divergent preferences and limited monitoring are easy to observe. For example, in 2005 news broke that the United Nations office established to monitor the Oil-for-Food Program in Iraq had not ensured that revenues were spent on humanitarian programs. This resulted in billions of dollars overpaid or lost (Miller 2005). At the multilateral development banks, project teams have not always protected local people from environmental harm, despite clear directives from member states (Gutner 2002, Gutner 2005, Nielson and Tierney 2003).

While states often have trouble monitoring IOs, civil society groups often cannot sanction IOs for poor performance. When governments run afoul of their interests, civil society groups can seek accountability through electoral processes or revolutionary means. Civil society groups that seek redress for the actions of IOs must gain support from powerful states (Keck and Sikkink 1998, Woods and Narlikar 2001). Even direct publicity campaigns that civil society groups pursue against IOs typically aim to induce member states to intervene (Park 2005:103-06). Finding sympathetic states can be impossible, especially when the offending actions by IOs fall below the level of state attention (Smythe and Smith 2006). This problem is compounded for civil society groups in poor countries, which may lack the resources to access international decision-making forums and advocacy networks (Acuña and Tuozzo 2000, Keck and Sikkink 1998, Kravchenko 2010). Making matters more difficult, civil society groups have few legal remedies against IOs (Bradlow 2004).

These challenges have prompted concerns that IOs can act without accounting for local interests, even when member states would like to protect local interests. Grant and Keohane (2005:41) argue, for example, that “sanctions remain the weak point in global accountability since they can only be implemented by the powerful – for example, by powerful states over multilateral organizations.” Civil society groups must rely on “peer” and “public reputational” forms of accountability and use informational strategies to highlight how IOs fail to live up to the mandates set by member states. Success for civil society groups depends on deploying information in ways that disrupt IO-state relations, which is often difficult (Keck and Sikkink 1998, Park 2005, Park 2005).

In many cases, powerful states have preferences to increase the legitimacy of IOs by making them responsive to the concerns of local people (Bowles and Kormos 1999, Hurd 1999, Pallas and Urpelainen 2012, Princen and Finger 1994, Woods and Narlikar 2001). For IOs with development mandates, donor countries have expressed a strong preference that local people not be harmed by displacement, corruption, or environmental deterioration in the programs they fund (Shihata 2000). Yet these outcomes can be difficult for states to monitor. Effective oversight of IOs for accountability, like other public agencies, depends on both *monitoring* and *sanctioning*. Accountability mechanisms might combine the advantages civil society groups have in monitoring with advantages that states have in sanctioning to ensure that errant actions by IOs are corrected and deterred.

### *The Rise of Accountability Mechanisms at IOs*

By establishing accountability mechanisms, member states create conditions for the joint availability of monitoring and sanctioning. Accountability mechanisms have two core elements. First, dispersed and independent monitors can submit complaints about IO actions, thereby reducing the costs and increasing the volume of information available to member states. Second, an investigative body processes this information and reports to member states about whether the IO violated mandates or policies (Table 1).

**Table 1: Examples of Accountability Mechanisms at International Organizations**

Accountability Mechanism	Year Established	Summary of Procedure
World Bank Inspection Panel	1994	<ul style="list-style-type: none"> <li>• Materially affected groups of people can seek redress when World Bank policies are not followed during project implementation.</li> <li>• Inspection Panel automatically investigates all eligible claims on a no-objection basis.</li> </ul>
Organization of American States Office of the Inspector General Hotline	1995	<ul style="list-style-type: none"> <li>• Civil society groups or internal whistleblowers can provide information on administrative and financial irregularities.</li> <li>• The Office of the Inspector General conducts investigations and makes recommendations that require a mandatory response from staff.</li> </ul>
International Finance Corporation Compliance Advisor Ombudsman	1999	<ul style="list-style-type: none"> <li>• Civil society groups file complaint when IFC or MIGA project has negative environmental or social consequences.</li> <li>• Ombudsman advises the group on negotiating with IFC management to resolve the claim.</li> </ul>
United Nations Development Programme Office of Audit and Investigations	2008	<ul style="list-style-type: none"> <li>• Hotline established to take complaints from internal and external sources about staff and contractor misconduct and misuse of funds.</li> <li>• Independent investigations are carried out with the possibility for disciplinary measures against staff.</li> </ul>
European Anti-Fraud Office	1999	<ul style="list-style-type: none"> <li>• Citizens or civil servants can anonymously report fraud and financial irregularities in the use of European Union public funds.</li> <li>• Administrative investigations are conducted based on complaints and referred to appropriate prosecutors.</li> </ul>

Just as external monitoring plays an important role in holding domestic bureaucracies accountable, accountability mechanisms at IOs might be an important step towards enhanced accountability in global governance. When legislative bodies have limited resources to monitor the performance of bureaucracies, they may turn to “fire-alarm oversight” and rely on external monitors to report problems (McCubbins and Schwartz 1984). Fire-alarm oversight shifts the cost of monitoring to external groups that have low monitoring costs and allows legislators to take credit for being responsive. But recent research casts doubt on whether “event-driven” oversight prompted by alarms occurs as often as theoretical accounts would predict (Balla

2013). Legislatures that oversee bureaucracies do not always respond to citizen monitoring, which may affect the propensity of citizen groups to provide monitoring (Epstein and O'Halloran 1995). This creates complex strategic interactions between legislatures, bureaucracies, and civil society groups, making the outcomes and efficacy of “fire-alarm oversight” unclear in many circumstances (Lupia and McCubbins 1994).

Accountability mechanisms at IOs remove some of this complexity, since they are institutional pre-commitments to investigate complaints by civil society groups. While research on responses to citizen complaints about domestic bureaucracies focuses on the alignment of interests between legislators and monitors (e.g., Parker and Dull 2013), accountability mechanisms at IOs pre-screen complaints based on the interests of member states and create independent processes to investigate and resolve complaints. This arrangement is closer to domestic legal recourse, but is available to claimants at lower costs.

Accountability mechanisms at IOs might contain important lessons about how institutional pre-commitment to citizen complaints can promote accountability from public organizations. Internationally, recent research explores the importance of oversight in determining the performance of IOs (Elsig 2010, Gutner and Thompson 2010, Johns 2007, Reinalda and Verbeek 2004). The degree to which IOs can be controlled has important implications for the roles they can and should hold in international affairs (Hawkins, et al. 2006).

### *When and Why Do Accountability Mechanisms Constrain IO Actions?*

Accountability mechanisms cannot work without monitoring. Civil society groups frequently monitor the actions of IOs related to trade, development policy, and macroeconomic management (Almeida 2007, Dai 2007, Lake and McCubbins 2006, Nelson 1996, Raustiala 1997, Roberts 2008). Monitoring should be more likely when civil society groups have overcome barriers to collective action and established organizational means to collect and disseminate information. The emergence of NGOs related to a particular issue indicates that citizens have



overcome barriers to collective action and developed the ability to deploy information strategically and persistently in political processes (Johnson and Prakash 2007). Glasbergen (2010) finds that international networks of civil society organizations have more influence in domains of global governance where they have achieved higher membership and organizational stability.

However, the existence of civil society groups in a particular domain does not mean that these groups can produce information that is useful for oversight. Civil society groups have a superior ability to monitor policies and programs that directly impact identifiable and small groups of people (Keck and Sikkink 1998:27). Under these conditions, information collected by civil society groups is likely to be credible, since outcomes of interest for oversight can be directly linked to operational actions by IOs.

For accountability mechanisms like anti-fraud offices and staff misconduct hotlines, civil society groups may not be in a position to observe the majority of infractions. For example, the Office of the Inspector General at the Organization for American States receives several complaints from external monitors each year about irregularities in procurement and use of funds, but many complaints contain insufficient information for further oversight.<sup>2</sup> For large-scale programs like International Monetary Fund structural adjustment programs, civil society groups often have information about individual livelihood outcomes that cannot be directly tied to the program.

Additionally, civil society groups that face high risks from sharing information should be less likely to provide monitoring. Policy advocacy depends on freedom of association and space for collective action (Longhofer and Schofer 2010). IOs and their members states may not want their failures exposed and may seek to squelch claims of poor performance (Clark 2003). Under threat of political repression, civil society groups may not provide monitoring, choosing instead less confrontational approaches to dealing with IOs.

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<sup>2</sup> For reports on activities of the Office of the Inspector General at the Organization for American States, see: <https://www.oas.org/en/oig/activityreports.asp> (Accessed September 2013).

To enhance oversight and promote accountability, states must be able and willing to sanction IOs based on monitoring by civil society groups. Sanctions can be automatic, such as when accountability mechanisms trigger costly procedures that IO staff and management must follow, or event-driven responses where member states change mandates, insist on new policies, or decrease resources to constrain the future actions of IOs (Bradley and Kelley 2008, Crane and Dusenberry 2004, Nielson and Tierney 2003). If states sanction IOs, they not only rectify current problems, but they also alter the expectations of staff and management about the consequences of future decisions, which might deter actions outside of policies and mandates. The establishment of accountability mechanisms suggests that there is baseline consensus among states about preventing certain actions by IOs.

But, states may not sanction IOs on the basis of monitoring information, especially when trade-offs with other preferences are necessary. Many sanctions require collective decisions by member states. This can be difficult when states have heterogeneous preferences and face high coordination costs (Copelovitch 2010, Elgie 2002, Lyne et al. 2009, Nielson and Tierney 2003, Pollack 1997, Wilks 2005). For example, the Inter-American Development Bank has adopted a weaker Inspection Panel and consults less frequently with civil society groups than the World Bank, since borrowing countries have majority ownership and have resisted calls for a strong accountability mechanism (Nelson 2000). When individual or small groups of states have the ability to sanction IOs without full consensus—by withholding critical replenishment resources, for example—a response to monitoring should be more likely.

### **Test Case: Claims for Environmental Performance at the World Bank**

The specific conditions that contribute to the joint availability of monitoring by civil society groups and sanctioning by member states will vary by accountability mechanism. However, the World Bank Inspection Panel offers a unique opportunity to test theoretical expectations about the effect of jointly available monitoring and sanctioning. In this case, civil society groups are not uniformly able to provide monitoring across recipient countries and

donor countries have varying levels of influence over different lending arms of the World Bank, particularly those that do and do not require regular replenishments.

The World Bank has a controversial history of exposing local people to the toxic byproducts of industrial development, displacing rural communities through large hydropower projects, and allowing large swaths of natural landscapes to convert because of uncontrolled settlement after road building, among other harms (Gutner 2002, Rich 1994). Under pressure from domestic NGOs, donor countries and especially the U.S. have sought to limit “disaster projects.” By moving away from approving highly risky projects in response to monitoring, donor countries are better able to maintain public support for appropriations to the World Bank, which is in turn necessary to maintain the voting share that allows donor countries to steer policy on international development (Wade 2002).

In the early 1990s, the U.S. and other donor states pushed the World Bank to establish policies to protect local people from the negative consequences of development projects. These policies require environmental impact assessments during the planning of projects and compensation for displacement or the loss of access to natural resources (World Bank 1993). Despite the adoption of these policies, donor states are not in a position to monitor implementation across thousands of field sites. Civil society groups might fill this gap in some countries.

### *A Brief Introduction to the Inspection Panel*

By the late-1980s, opposition from civil society groups to environmentally risky World Bank projects grew strident. The Narmada Dam in India, which was approved for financing by the World Bank in 1985, became a focal point for this opposition. When it became clear that tens of thousands of people would lose their homes as a result of the project, and that vast areas of forest and agricultural land would be inundated, both Indian and international civil society groups mobilized in protest. Hundreds of thousands of people marched against the project and participated in civil disobedience in project areas (Clark 2003). These protests were supported

by international NGOs, leading to legislative hearings in donor countries about the environmental and social practices of the World Bank (Authorizing Contributions to IDA, GEF, and ADF 1993).

In response to protests and pressure from donor countries, the World Bank agreed to form an independent commission to review the Narmada project. The commission found systematic flaws in the planning, design, and implementation of the project, mostly regarding environmental management and resettlement (Morse and Berger 1992). In 1993, facing growing criticism, the World Bank canceled its support of the Narmada project. With public support for World Bank appropriations declining, officials in Europe and the U.S. responded to calls from their own NGOs for systematic reforms at the World Bank (Shihata 2000:4-5).

In particular, U.S.-based NGOs demanded a permanent commission that would review complaints by civil society groups about the environmental and social performance of the World Bank, a position that the U.S. adopted after sustained lobbying (Mallaby 2004). In 1994, as part of the 10<sup>th</sup> International Development Association (IDA) replenishment, the U.S. insisted that the World Bank either adopt a permanent Inspection Panel or lose U.S. financial support (Clark 2003, Shihata 2000, World Bank Disclosure Policy and Inspection Panel 1994). In light of this strong position, member states approved a permanent Inspection Panel.

The Inspection Panel is composed of three individuals from different nationalities who have “independence from the Bank’s management,” have not served on the World Bank staff in the previous two years, and who are barred from employment at the World Bank for their lifetime following a five-year term (World Bank 1993). The Inspection Panel receives complaints from groups of any size that are based inside the territory of a recipient country and suffer material harm because of poor implementation of World Bank policies on environmental protection, resettlement, and/or procurement (Shihata 2000:104-08). A request for an investigation may be lodged at any time before a project is completed. If a claim meets eligibility requirements, including a documented attempt to resolve the problem with World Bank staff, the Panel produces an initial, public report on the case and sends it to member states.

The Panel recommends a full investigation when claimants provide credible allegations about a breach of World Bank policies. Beginning in 1999, member states agreed to follow Panel recommendations about pursuing a full investigation on a no-objection basis. This procedure has reduced recipient country efforts to block investigations, which were common in the early years of the Inspection Panel (Clark 2003:15-17). Poor environmental practices are the most common grievance lodged by civil society groups at the Inspection Panel (see Technical Appendix, Table 8).

If the Board of member state representatives approves (or after 1999, does not object to) an investigation, then the Panel visits the project site, interviews claimants and Bank staff, and reviews project documents. The Panel then produces a public report about policy violations and makes recommendations for remedial actions. This is the only direct role that the Inspection Panel plays in the sanctioning process, as member states must determine remedial actions. Civil society groups are not able to demand specific compensatory actions, but are involved in providing relevant information to the Inspection Panel (Fox and Treakle 2003:282-83, Steffek and Ferretti 2009:41). In practice, almost all recommendations that are made by the Inspection Panel are approved by the Board and become binding directives for the management. Thus, the Inspection Panel functions by alerting member states to instances of poor performance, but ultimately depends on member states to implement sanctions and alter future lending.

Because member states are alerted to significant problems in implementing environmentally risky projects in a particular borrowing country, they are likely to be much more cautious in their approval of similar projects in the future. For example, after the Arun III Hydropower Project in Nepal came up for Inspection Panel review in 1994, the World Bank withdrew not only from the project, but also did not approve lending in the hydropower sector for the next decade. The 1996 Country Assistance Strategy for Nepal, which outlined World Bank lending priorities following the Arun III Inspection case, focused on policy consultations and investment facilitation “to promote and catalyze private investment in technically, economically, environmentally, and socially sound [hydropower] projects” (1996:16). Even with

this plan in place, approval of the Nepal Power Development Project was delayed until 2003, and the scope of World Bank support was further reduced “from investment support for hydropower development to technical assistance.”<sup>3</sup> As this example shows, the Inspection Panel serves the dual purpose of correcting implementation problems for active projects and alerting member states to risks in future operations.

### *Provision of Inspection Panel Requests at the World Bank*

Since violations of environmental policies are the most common item in Inspection requests, countries with more environmental NGOs should produce more Inspection requests. Countries with more environmental NGOs already have organizational capacity and have overcome collective action problems related to environmental monitoring and advocacy (Rydin and Pennington 2000). Since requests for Inspection do not require broad support from the public, the number of environmental NGOs can be understood as an absolute measure of the ability of civil society groups to engage in environmental monitoring. The number of environmental NGOs captures several theoretical concepts related to monitoring ability, including the amount of foreign resources available for environmental advocacy, the collective action potential of society, and the degree of environmental concern among the public.

**Hypothesis 1:** *Borrowing countries with more environmental NGOs experience more Inspection requests related to environmental problems.*

In addition, more Inspection requests should originate in countries that protect political rights, since civil society groups do not threaten their existence by engaging in monitoring. Inspection Panel investigations often delay the disbursement of lending projects, which may

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<sup>3</sup> See the Nepal Power Development Project (P043311) abstract at: <http://www.worldbank.org/projects/P043311/nepal-power-development-project> (Accessed September 2013).

harm the borrowing countries and lead to repression (Clark 2003:15-17). For example, in response to the Inspection Panel case about its Western Poverty Reduction Project, China stated that the Inspection Panel was “being used as an instrument to oppose China politically, acting as a proxy for those who are waging a campaign against the sovereignty and integrity of the country” (as quoted in Roos 2001:479). Facing such strong preferences with few political protections, civil society groups might not provide monitoring.

**Hypothesis 2:** *Borrowing countries that repress political rights will experience fewer Inspection requests related to environmental problems.*

### *The Response to Independent Monitoring*

One indication of enhanced oversight is when the World Bank does not pursue the types of projects that previously generated complaints. When I conducted interviews at the World Bank in 2009-2010, many staff reported that World Bank management and staff are highly sensitive to the oversight enabled by the Inspection Panel. In particular, Inspection cases often upset relationships with donor countries, which insist on new studies and assessments in response to cases. This diminishes the ability of staff to “push the pipeline.” Donor states even threaten to withhold funding from the World Bank in response to “high-profile” cases.

Because Inspection cases upset donor relations, they influence decision-making throughout the World Bank. Staff that are involved in Inspection cases have fewer career prospects. A recent Inspection Panel case in Albania resulted in the firing of World Bank staff members, which is almost unheard of within the World Bank (Inspection Panel 2008). Operational staff, including one staff member who had recently been involved in an Inspection case, reported a high level of “neck protection” in operational departments involved in environmentally risky projects. While staff cannot avoid the risks associated with Inspection cases entirely, project teams often avoid project components that might lead to an Inspection case when history shows that these cases are likely in a particular borrowing country. While the

Inspection Panel may have made environmentally risky lending a less appealing alternative for staff overall, this shift is pronounced for staff working with recipient countries that have a history of Inspection cases.

As I have argued, monitoring alone will not result in greater accountability; individual states or groups of states with an interest in responding to monitoring information must be able to sanction the World Bank. In turn, these sanctions are likely to deter risky behavior in the future. The International Development Association (IDA), the lending arm of the World Bank that makes concessional loans below market rates, is particularly sensitive to sanctioning by donor states, since it requires regular replenishments from donor states to continue operating. During IDA replenishment meetings, donors frequently use Inspection cases to pursue policy changes that involve stronger environmental and social protections for local people, often backed up by the threat of withholding replenishment funding.<sup>4</sup> In 1999, for example, the U.S. House of Representatives voted to withhold \$200 million from the World Bank because of concerns raised about the Western Poverty Reduction Project in Qinghai, China, which was submitted for an Inspection Panel investigation (Mallaby 2004:270-82). These threats have important implications for the ability of IDA to lend and do not require support from all member states. Given that IDA depends critically on replenishments from donor states, the World Bank should be less likely to pursue environmentally risky projects in countries that borrow primarily from IDA following an Inspection case.

In contrast, the International Bank for Reconstruction and Development (IBRD) makes loans at market rates and covers the costs of its operations without periodic replenishments from donor states. The IBRD did not go through a single capital increase supported by donor states during 1994-2009, the time period considered in this analysis. Recipient countries that borrow from IBRD tend to be middle-income countries with good credit and access to

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<sup>4</sup> For example, on June 18, 2008 several environmental NGOs testified at a U.S. House of Representatives Committee on Financial Services urging new environmental and accountability policies to be adopted at the World Bank. These groups argued that the US should use its leverage over IDA replenishment to push for these reforms. See the statement of Lori Udall, available at: <http://archives.financialservices.house.gov/hearing110/udall061808.pdf> (Accessed July 2012).



commercial bond markets. This means that borrowing countries are more active at setting their IBRD lending priorities and under less pressure to accept investments preferred by donor states. Middle income countries that borrow from the IBRD often approach the World Bank with fully developed project proposals, leaving less space for staff and donor representatives to shape lending priorities (author interview at World Bank, 2010). Unlike the IDA, there are no set formulas that determine how much IBRD countries can borrow. Because donor states exercise less leverage over lending at the IBRD, Inspection cases should have less of an effect on lending patterns at the IBRD. Thus, the distinction between IDA and IBRD responses to Inspection cases can be used to test theoretical expectations that accountability is not only about monitoring, but also about the sanctioning ability of states that wish to act on monitoring.

I examine the effect of Inspection cases on environmentally risky lending in the following three years, since country-level lending plans typically cover three years.<sup>5</sup> The environmental policies established at the World Bank require all projects to be assigned a risk category according to technical criteria *before* they are approved by member states, which ensures the level of riskiness tolerated at the time of approval is independent from later measurements of performance. If Inspection cases decrease environmentally risky lending within three years, it is likely that existing plans for lending were changed. As discussed above, Inspection requests are signals to member states regardless of whether a full Inspection is approved. Thus, I model both the effect of requests (weaker signal) and full investigations (stronger signal) on future lending. In both cases, I hypothesize that the effect of Inspection cases will depend on the lending window used by the borrowing country:

**Hypothesis 3:** *The World Bank will be less likely to approve an environmentally risky project in any given year for a country that borrows from IDA for all projects and has been subjected to an Inspection Panel case in the past three years, but Inspection cases will not impact the approval of*

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<sup>5</sup> For more information on World Bank Country Assistance Strategies, see: <http://go.worldbank.org/4M75BI76J0> (Accessed July 2012).

*environmentally risky projects for countries that can borrow at least some projects exclusively from IBRD.*

## **Provision of World Bank Inspection Requests**

From 1994-2009, civil society groups filed 61 Inspection requests (Technical Appendix, Table 8). Of the 41 requests that included an environmental complaint, the Board approved 25 full investigations, which produced 22 cases that required remedial actions related to environmental policies. Since I seek to first explain the provision of monitoring through the Inspection Panel, I create a panel that includes every country-year when a borrowing country is eligible for an Inspection request, which is up to two years prior to having at least one active project or any year when at least one project is active.<sup>6</sup> The outcome of interest is a binary variable that is positive for any country-year when a civil-society group files an Inspection request regarding World Bank environmental policies. Recognizing the problems associated with over-specified models (Achen 2005), I choose the minimum number of predictor variables that capture the theory proposed above, together with other omnibus variables that are likely to explain broad variance in the provision of Inspection requests.

As outlined in the hypotheses, I use the number of environmental NGOs (*ENGOs*) documented in various editions of the *Environment Encyclopedia and Directory* to measure the extent of civil society mobilization around environmental issues (H1). To measure whether civil society groups face high political costs for revealing monitoring information (H2), I create a binary variable *POLITICAL REPRESSION* that is positive whenever the Freedom House index of political rights indicates that representation, toleration of political discussion, and the ability of the public to lodge complaints with government are circumscribed (index value  $\geq 5$ ).

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<sup>6</sup> Two years prior to project approval is an estimate of the time World Bank projects spend in preparation on average (Kilby, 2011). No Inspection requests fall outside the panel I create to distinguish “eligible” countries.

I account for other variables that should make Inspection requests more likely. Civil society groups in certain countries may be more likely to challenge the World Bank through the Inspection Panel for unobserved reasons. To control for country-level and temporal heterogeneity in NGO approaches to interactions with the World Bank, I generate the variable *No. PREVIOUS INSPECTION FINDINGS*, which is a count of the previous Inspection cases in a country that required remedial actions by the World Bank for each year in the panel. Likewise, borrowing countries that pursue a higher number of risky projects may be more likely to experience Inspection requests, because a portfolio with more risky projects provides more opportunities for poor environmental performance. The riskiest World Bank projects are classified as category “A,” and require environmental impact assessments and environmental management plans. I control for the number of environmentally risky projects approved during the five years prior to each observation in the panel (*No. RISKY IN PAST 5 YRS.*).

Civil society groups may also respond to internal evaluations. For example, Marra (2000) finds that civil society groups highlighted World Bank evaluations on corruption in Tanzania and Uganda as part of their advocacy activities. Thus, I include the variable *EVALUATION W/ SAFEGUARD FAILURE IN PAST 5 YRS.*, which is positive whenever a project evaluation completed by the independent evaluation department in the previous five years noted a failure to implement environmental policies. Finally, it is possible that effective governments are more likely to avoid Inspection requests because their capacity to implement policies is higher. Evidence suggests that good governance is associated with better implementation of environmental laws and policies (Weidner 2002). I use the Worldwide Governance Indicator index of *GOVERNMENT EFFECTIVENESS* to account for this possibility.<sup>7</sup> Since the outcome of interest is a binary variable, I estimate the effect of the predictor and control variables using a generalized linear model with a logistic link function.

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<sup>7</sup> Some of the independent variables are missing on an intermittent basis. Thus, I interpolate data values where possible and apply the latest value for up to three years of missing data.

To ensure that parameter estimates for the main hypotheses are not a product of collinearity between *ENGOS* and *POLITICAL REPRESSION* or missing values of the *ENGOS* variable (26% of panel observations), I show four different specifications in Table 2. Model 1a includes only complete cases. Model 1b is the pooled estimate of five multiply imputed datasets, using the percent of the country's population living in urban areas, GDP per capita, forest area, an index of regulatory quality, and the Worldwide Governance indicator for voice and accountability, all of which are highly correlated with the number of *ENGOS*, to impute complete datasets. Models 1c/d include only complete cases, but drop one of the two main predictor variables.

### *Model Results*

The results confirm that organization by civil society groups around environmental issues and an absence of political repression are important predictors of Inspection requests involving environmental issues (Table 2). Borrowing countries that have a greater number of environmental NGOs have a greater chance of experiencing an Inspection request. Borrowing countries that repress political rights have a lower chance of experiencing an Inspection request. I investigated the possibility of a positive interaction between *ENGOS* and *POLITICAL REPRESSION* but did not find an effect, even after imputing missing values for the *ENGOS* variable. It is likely that any positive effect of political liberties on civil society advocacy related to environmental issues is already captured in the count of environmental NGOs.

These results indicate that the availability of monitoring is not uniform across countries, which is likely to limit the broader effectiveness of the Inspection Panel, since states cannot act on monitoring that is not provided. If accountability mechanisms constrain IOs, then more risky projects might be steered to countries where opposition by civil society groups is unlikely. Thus, the people that have the most to lose might be least able to avail themselves of the opportunities provided by the Inspection Panel.

Other control variables were also important predictors of Inspection requests, as expected. In both models, borrowing countries that experienced previous Inspection investigations are more likely to experience additional requests. This may be an important clue about how Inspection Panel cases affect future lending decisions, since staff will anticipate higher risks of future cases. Borrowing countries that received a higher number of environmentally risky projects over the previous five years are more likely to experience Inspection requests. This result holds if the amount of risky financing during the last five years is substituted as a control variable. The effectiveness of the borrowing government at implementing policies negatively predicts Inspection requests in most of the models. Taken together, the results indicate that several baseline conditions make use of the Inspection Panel more likely – civil society groups actively engaged in environmental issues, a lack of political repression, past experiences with Inspection requests, and a lending portfolio with numerous environmentally risky projects.

**Table 2: Requests for Inspection Involving Environmental Performance at the World Bank**

<i>Model</i>	<i>1a</i>	<i>1b</i>	<i>1c</i>	<i>1d</i>
<b>H1: No. ENGOs</b>	<b>0.04</b> (0.01) [0.00]	<b>0.04</b> (0.01) [0.00]	<b>0.04</b> (0.01) [0.00]	
<b>H2: POLITICAL REPRESSION</b>	<b>-0.70</b> (0.46) [0.06]	<b>-0.70</b> (0.42) [0.05]		<b>-0.87</b> (0.43) [0.02]
<i>No. PREVIOUS INSPECTION FINDINGS</i>	<b>0.68</b> (0.38) [0.04]	<b>0.72</b> (0.39) [0.03]	<b>0.77</b> (0.37) [0.02]	<b>0.85</b> (0.39) [0.01]
<i>No. RISKY IN PREVIOUS 5 YRS.</i>	<b>0.07</b> (0.03) [0.01]	<b>0.08</b> (0.03) [0.01]	<b>0.05</b> (0.03) [0.03]	<b>0.08</b> (0.03) [0.00]
<i>EVALUATION W/ SAFEGUARD FAILURE IN PREVIOUS 5 YRS.</i>	-0.35 (0.94)	-0.29 (0.97)	-0.31 (0.92)	-0.53 (0.99)
<i>GOVERNMENT EFFECTIVENESS</i>	<b>-0.63</b> (0.34) [0.03]	<b>-0.51</b> (0.31) [0.05]	<b>-0.45</b> (0.32) [0.08]	-0.29 (0.29) [0.16]
Data Subset	Eligible for Request	Eligible for Request	Eligible for Request	Eligible for Request
Multiple Imputation	No	Yes	No	No
Observations (Countries)	1524 (133)	2061 (141)	1524 (133)	1992 (137)
Residual Deviance	312.7	364.3	315.3	364.1
Null Deviance	340.8	394.6	340.8	384.0

(Notes. Coefficient; (Standard Error); [*p*-value of one-tailed hypothesis test]).

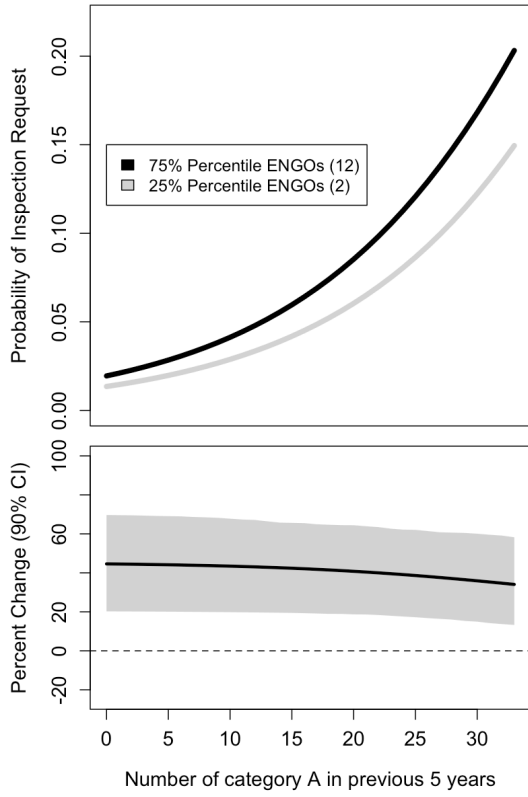
To aid substantive interpretation, Figure 1a shows the predicted probability of Inspection requests across different levels of environmental risk in country portfolios, with the 90% confidence interval for the substantive effect of moving from the 25th percentile to the 75th percentile of ENGOs for countries in the panel.<sup>a</sup> This change increases the probability of

<sup>a</sup> I produce the confidence intervals by simulating 1000 sets of coefficients from the estimated coefficient distributions in Model 1a, computing the first difference in the model prediction for each set of coefficients holding all variables values at their mean or median levels except the variables displayed in

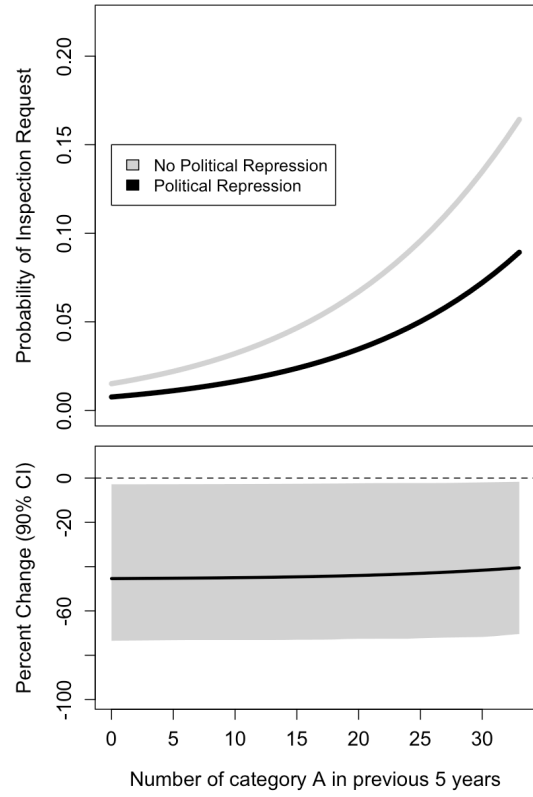
Inspection requests by approximately 40% across much of the range. Similarly, Figure 1b shows that borrowing countries with high levels of political repression are approximately 40% less likely to have Inspection requests.

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Figure 1, and then limiting to the 90% interval of first differences. In this way, the confidence intervals represent total model uncertainty about the substantive effect of political repression.



**Figure 1a: Number of ENGOs and the Probability of Receiving an Inspection Request (Model 1b)**



**Figure 1b: Political Repression and the Probability of Receiving an Inspection Request (Model 1b)**



## **Influence of Inspection Cases on Environmentally Risky Lending**

The most direct way to test whether Inspection cases alter future lending decisions is to examine the impact of these cases on the approval of projects that tend to give rise to Inspection requests. While the Inspection Panel may have changed staff preferences across the World Bank, it should have a greater effect for borrowing countries with a history of cases. Of the 4181 projects approved by the World Bank's International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) from 1995-2009 – years that new projects faced the possibility of being affected by a previous Inspection request – 377 projects received a category “A” risk rating and required full environmental impact assessments and management plans. The combined value of these projects is approximately \$58 billion, which represents 16% of total World Bank lending during the time period. In the models presented below, I use projects assigned a category “A” risk rating to construct the dependent variable. I consider the factors that make a borrowing country more likely to receive at least one category “A” project in a given year.

### *Factors Contributing to the Approval of Risky Projects*

To test whether Inspection cases decrease the rate of approval for category “A” projects, I create two primary predictor variables. *REQUEST PREVIOUS 3 YRS.* is a binary variable that indicates an Inspection request involving environmental performance was made during the previous three years, regardless of whether the request was approved for a full investigation (H3a). Since some requests prior to 1999 were not approved for investigation due to disagreements on the Board (Clark 2003:15-17), it is important to recognize the possibility that all Inspection requests offer a signal. *INVESTIGATION PREVIOUS 3 YRS.* is a binary variable that indicates a full investigation was approved by the Board of the World Bank during the

previous three years (H3b). Since the Board either actively or passively agreed to have the Inspection Panel collect more information about these cases, they may be a stronger signal.

It is challenging to estimate the effect of Inspection cases on the subsequent approval of environmentally risky projects because several variables that predict Inspection requests (as reported in the models above) are also likely to influence lending directly. A regression model that assumes independence between the Inspection cases and the control variables risks confounded estimates of the effect of Inspection cases on lending.

Thus, it is necessary to isolate a group of control observations that are similar in observable ways to country-years affected by requests. To address this issue, I adopt a pre-matching process proposed by Ho and colleagues (2007). The goal of this approach is to prune and re-weight the dataset so that treated observations (i.e., country-years with Inspection requests in the past three years) are observationally equivalent to control observations with regards to other observed variables, or more formally:

$$\rho(X | T=0) = \rho(X | T=1)$$

where  $\rho$  is the observed probability,  $X$  is a matrix of control variables, and  $T$  is the treatment state. I additionally match on a lagged measure of the dependent variable (number of risky projects in the previous three years), which should balance unobserved factors that make some countries more likely to receive risky projects.

I include all of the variables that consistently predict the provision of Inspection requests, as reported above, in the matching procedure to ensure that they are balanced across treatment conditions. The number of environmental NGOs (*ENGOs*) predicts the provision of Inspection requests, but it also might have a direct effect on the allocation of environmentally risky projects through the expectations of staff about the opposition they are likely to face in approving and implementing a project. Likewise, political rights are associated with Inspection requests, but might also have a direct effect on environmentally risky lending. Repressive borrowing countries might be more likely to insist on projects, even if they face substantial

opposition from the public, or World Bank staff might avoid projects in countries where they know they will face public opposition.

Since previous research has shown that multilateral development banks respond to performance information contained in evaluations (Buntaine 2011), I include a count of the evaluations completed during the previous five years that indicate failure to implement environmental safeguards (*No. EVALS W/ SAFEGUARD FAILURE*) and the count of evaluations that indicate successful implementation of environmental safeguards (*No. EVALS W/ SAFEGUARD SUCCESS*) as controls.

Borrowing countries that receive more risky projects in the previous three years (*No. RISKY PREVIOUS 3 YRS.*) have a revealed preference for environmentally risky borrowing and might continue to borrow for risky projects at a higher rate than other countries despite increased oversight associated with Inspection cases. This lagged dependent variable should control for recipient preferences for environmentally risky projects over time. Additionally, since the choice to pursue at least one risky project is likely to be a function of overall lending amounts, I also match on the total lending of any kind that each recipient received in the previous three years (*LENDING PREVIOUS 3 YRS.*).

To distinguish countries that are subject to greater oversight from donor states, I split the original panel of country-years into two groups. The groups distinguish country-years when the borrowing country did or did not have access to IBRD-only loans in the previous three years. Borrowing countries that have access to IBRD-only lending are better able to shift risky lending to that window to avoid oversight from donor states, have access to sovereign lending on commercial markets, and are considerably more likely to fully design their own projects. IBRD lending may be less influenced by donor preferences because it does not require frequent replenishments from donor countries.

I first pre-prune the dataset so that the treatment and control observations have common support based on a convex hull test, which discards observations that are outside the range of values of the independent variables in the other group (King and Zeng 2007). I then use a

genetic algorithm to search across candidate datasets where each treatment observation is matched to one or more control observations that are similar on the variables used for matching (Diamond and Sekhon 2008, Sekhon and Grieve 2008). Intuitively, the matching algorithm discards “control” observations (i.e., those that do not have an Inspection case in the previous three years) that are dissimilar to the “treatment” observations (see Technical Appendix for technical exposition).

In the post-matching dataset, the treatment state (an Inspection case in the previous three years) is no longer correlated with observable variables used for matching, which decreases the potential that the estimated effect of Inspection cases is confounded by other variables. The post-matching data set is constructed solely by balancing the treatment and control groups by maximizing the smallest  $p$ -value of the paired t-test between the treatment and control groups for any single covariate, rather than parametric modeling assumptions.

For the variable *No. EVALS W/ SAFEGUARD FAILURE*, the matching algorithm creates a dataset with no variation in most cases, which requires that this variable be dropped at the regression stage. Although the results are robust to the inclusion of *ENGOS* in the matching procedure (Technical Appendix, Table 4), I report results without matching on *ENGOS* in the main text because of substantial missing data that makes the matching solutions dependent on fewer observations and the results are interpretable only as the average treatment effect on the subset of the treated observations with no missing data.

**Table 3. The Effect of Inspection Panel Requests and Investigations on the Approval of Environmentally Risky Projects**

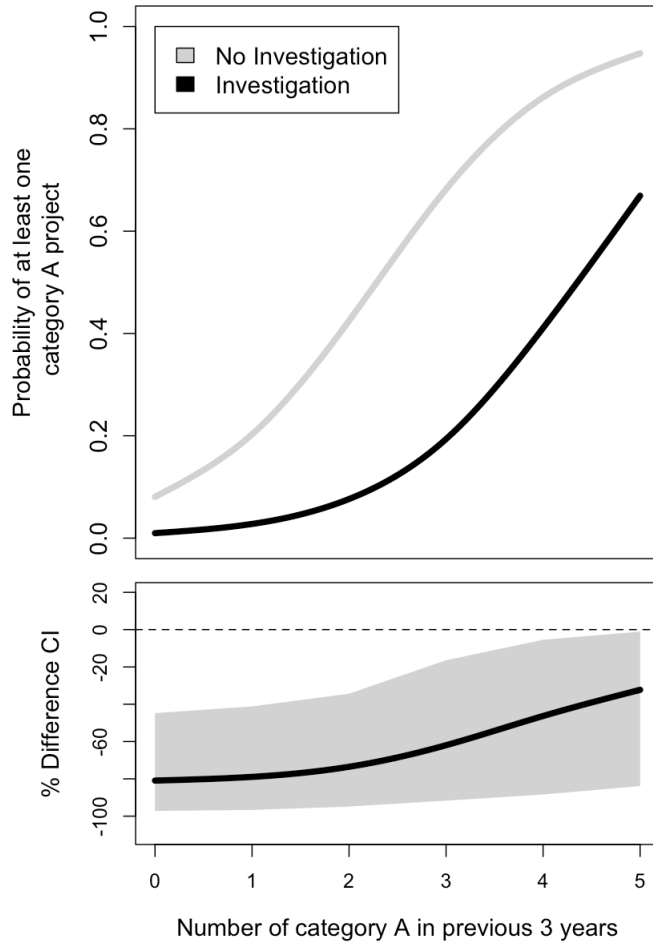
<i>Model</i>	<i>2a</i>	<i>2b</i>	<i>3a</i>	<i>3b</i>
<i>Data Subset</i>	<i>IBRD Only Eligible</i>	<i>IBRD Only Ineligible</i>	<i>IBRD Only Eligible</i>	<i>IBRD Only Ineligible</i>
<b>H3a: REQUEST PREVIOUS 3 YRS.</b>	<b>1.38</b> (0.69) {0.04}	<b>-0.88</b> (0.54) [0.05]		
<b>H3b: INVESTIGATION PREVIOUS 3 YRS.</b>			1.19 (0.94) {0.20}	<b>-2.19</b> (0.93) [0.01]
<i>FEWER POLITICAL RIGHTS</i>	0.16 (0.26) pre: -0.16 post: -0.15	-0.06 (0.13) pre: 0.18 post: -0.02	0.55 (0.30) pre: 0.13 post: 0.11	-0.56 (0.32) pre: 0.35 post: 0.06
<i>No. EVALUATION W/ SAFEGUARD SUCCESS IN PREVIOUS 5 YRS.</i>	0.12 (0.52) pre: 0.19 post: 0.08	0.24 (0.33) pre: 0.43 post: 0.04	-0.53 (1.93) pre: -0.08 post: -0.08	0.71 (0.72) pre: 0.50 post: 0.10
<i>No. EVALUATION W/ SAFEGUARD FAILURE IN PREVIOUS 5 YRS.</i>	pre: 0.04 post: 0.13	pre: 0.01 post: 0.00	pre: 0.05 post: 0.00	pre: 0.04 post: 0.18
<i>No. RISKY PREVIOUS 3 YRS.</i>	0.65 (0.20) pre: 0.47 post: 0.06	1.13 (0.32) pre: 0.63 post: 0.03	0.60 (0.23) pre: 0.54 post: 0.23	1.07 (0.46) pre: 0.58 post: 0.04
<i>LENDING PREVIOUS 3 YRS. (\$ Billions)</i>	0.32 (0.18) pre: 0.68 post: -0.01	-0.34 (0.54) pre: 0.83 post: -0.03	0.52 (0.26) pre: 0.89 post: -0.01	2.21 (0.96) pre: 0.80 post: -0.05
Post-Matching Observations (Countries)	116 (31)	162 (45)	59 (21)	54 (27)
Residual Deviance	71.0	156.9	36.3	37.4
Null Deviance	146.4	178.0	78.9	59.4

(Notes. Coefficient; (Standard Error); *p*-value of [one-tailed] or {two-tailed} hypothesis test  
Pre and Post: number of standard deviations the treatment group is different than the control group).

After pruning the dataset so that control observations are observationally equivalent to the country-years with Inspection requests and investigations, I find significant support that the Inspection Panel has caused the World Bank to be more selective about environmentally risky projects in countries that require IDA support for all of their projects and cannot shift their

borrowing to the arm of the World Bank that faces less oversight from donor countries (Models 2b & 3b). In contrast, Inspection requests do not appear to influence lending decisions about environmentally-risky projects for countries that are able to fund at least some projects entirely from the IBRD lending arm. This result provides preliminary evidence that the effect of Inspection cases is not primarily driven by the preferences of recipient countries for less environmentally risky lending after cases, since the effect of Inspection cases should be constant across World Bank lending arms under that scenario.

These results confirm the hypothesis that external monitoring can have an important impact on IO behavior when it enhances oversight by member states, which in this case varies across the IDA and IBRD lending arms. As seen in the 90% treatment effect confidence interval at the bottom of Figure 2, an Inspection case decreases the probability of receiving at least one environmentally risky project by more than 50% for countries that require IDA lending. These results are robust to regression without matching, matching that includes the number of ENGOs, and matching that uses proportions or counts of risky projects in each country-year as the dependent variable (see Technical Appendix).



**Figure 2: Influence of Inspection Investigations on the Approval of Environmentally Risky Projects (Model 3b)**

## Conclusions

Monitoring by civil society groups, channeled through accountability mechanisms, can play an important role in enhancing accountability at IOs. At the World Bank, monitoring provided by civil society groups changes lending patterns. Countries that finance all projects partly through IDA — which faces significant oversight from donor countries — are less likely to receive environmentally risky projects in the three years following Inspection cases as compared to similar countries without Inspection cases. I do not find the same effect for countries that are able to finance projects entirely from the IBRD — which faces lower oversight

from donor countries. These results demonstrate the potential for improved accountability when monitoring and sanctioning are both available.

Past research on IOs finds that high-level policy reforms do not always translate to better outcomes at the operational level (Gutner 2005, Nielson and Tierney 2003). For example, the World Bank has not always diligently implemented the environmental policies that it adopted under pressure from donor countries. Member states of the World Bank cannot easily gather information about outcomes in the field, similar to constraints in other domains where IOs work. I demonstrate that member states decrease the distance between their mandates and the actions of IOs by creating institutions that recruit civil society groups as monitors.

When civil society groups serve as monitors, they can help states improve accountability in global governance and decrease problems associated with delegation. The result in this article suggest new lines of research and policy options. Civil society groups are able to monitor the actions of IOs that work on development, humanitarian assistance, conflict prevention and reconstruction, environmental protection, and macroeconomic management. With the proliferation of information technologies, civil society groups are likely to expand their monitoring activities. As Dai (2007) argues, monitoring by civil society groups improves many cooperative arrangements in international affairs. The ground is ripe for investigation of how monitoring by civil society groups improves the operations of IOs and international cooperation, including the institutions that most effectively induce and channel monitoring.

For example, as an institution, the Inspection Panel offers a pre-commitment to potential monitors that states will consider certain types of complaints. This pre-commitment lowers uncertainty for monitors, making it more likely that they will provide costly monitoring. This arrangement reflects domestic legal institutions, but has lower entry costs based on flexible filing requirements. This kind of institution – where complaints are screened, but a response is pre-committed – might be used more broadly to incentivize monitoring in complex strategic contexts (see Lupia and McCubbins 1994).



At the World Bank, the primary limitation of civil society monitoring is that it is not provided uniformly across all countries. This means that citizens in borrowing countries that repress political rights are not as likely to avail themselves of the Inspection Panel when their interests are harmed. Inspection requests are less frequent in countries that do not have civil society groups mobilized around environmental issues.

The uneven availability of monitors raises an important concern about the promise of accountability mechanisms at IOs: they are not easily available to the people who lack alternative pathways to accountability. Civil society groups that operate in countries with strong political and civil rights can use accountability mechanisms at IOs more easily. They can also pressure their own government directly or form relationships with international advocacy groups (Fox and Brown 1998). Thus, the Inspection Panel augments the options available to groups that already have other political options in their home countries. It does not provide for uniform responsiveness to the concerns of local people in borrowing countries.

As such, monitoring by civil society groups does not provide a substitute for systematic monitoring and evaluation carried out by states, internal departments at IOs, or external auditing bodies. Other procedures that provide for monitoring and sanctioning should not be overlooked. Available procedures include administrative policies that restrict agent discretion, specialized monitoring and evaluation offices, and periodic strategic planning.

Existing research on principal-agent relationships in international relations has mainly explored the negative consequences of delegation. However, principals are not powerless in managing IOs after delegation. Oftentimes, civil society groups can play an important role in enhancing oversight and improving accountability. Future research on the performance of IOs, which is attracting increased attention, will need to focus on mechanisms that harness the advantages of civil society groups in monitoring to enhance oversight by states (see Gutner and Thompson 2010). Civil society groups can play an important role in promoting accountability in global governance.

## Supporting Information

Additional Supporting Information may be found with the online version of this article, including an elaboration on the matching and modeling procedures, tables with alternative model specifications referenced in the text, and a complete list of the Inspection Panel cases during the study period. Replication data, metadata and code are available from the website of International Studies Quarterly and the author's Dataverse.

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