Multilateral development banks (MDBs) are uniquely-positioned to finance the UN Sustainable Development Goals. But in order to facilitate economic development with minimal social-environmental costs, MDBs must design and implement standards which ensure that they support high-benefit, low-risk projects and mitigate the negative impacts that can nonetheless occur as a result of project development. What combination of academic knowledge, political processes, and organizational dynamics are currently shaping the social-environmental standards of MDBs?

To answer this question, I use theories of resource dependency and sociological institutionalism to examine the World Bank’s (WB) 2012-2016 Safeguards Review and Update, a policymaking process through which the WB overhauled its decades-old social-environmental standards. While official WB accounts state that the resulting Environmental and Social Framework (ESF) “make[s] people and the environment affected by Bank-financed projects safer from any adverse impacts,” many observers believe that it carries weaker protections than the standards it replaced. Especially contentious is increased reliance on borrower countries’ own legislative systems and capacities for ensuring accountability in Bank-financed projects.

Through 37 interviews with current and former employees of the WB, other MDBs, donor and borrower country representatives, and global NGOs, I trace the academic, political, and organizational influences that shaped the ESF. I find that key features of the ESF represent a response to shifting geopolitics and rising competition among development financiers more so than an evidence-based effort to operationalize new sustainable development knowledge and/or international norms.

Most notably, client countries – empowered by new, alternative sources of finance – drove the transition toward use of borrower frameworks and procedures requiring fewer impact mitigation procedures prior to loan approval. WB staff and management played a key role in this outcome. Facing financial pressures and borrower aversion to loan conditions, many held incentives to align with borrowers’ policy objectives.

Practically speaking, these findings highlight need for a multi-pronged approach to ensuring strong and durable standards among development financiers, including: enhanced global coordination between financiers, increased investment in systems for assessing and implementing the social-environmental frameworks of borrower countries, and rigorous analysis of the relative costs and benefits of different regulation frameworks.