

# Preventing the Negative Externalities of Development: Shirking, Capacity, and Incomplete Contracts\*

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## Abstract

This paper examines the potential negative externalities of foreign aid projects: that is, costs that accrue to people outside the aid transaction between the recipient state and the aid organization overseeing projects (the agent). Both scholars and the media tend to blame agents for aid implementation problems. However, recipients are nowadays responsible for implementation, negative externalities can drastically affect people's livelihoods, and politicians generally want to credit-claim from aid and avoid blame for failures. Accordingly, I argue that both state capacity and agent quality explain the prevention of negative aid externalities. Given that powerful donor countries only have limited bandwidth to affect project implementation, I diverge from principal-agent accounts and also argue that donor influence is minimal. To the extent that donors have influence on aid implementation, it is via their effects on agents. To test the hypotheses, I compile new project-level datasets on World Bank Task Team Leader quality and recipients' compliance with safeguard policies on involuntary resettlement, indigenous peoples, and the environment. Statistical support for the hypotheses from numerous models and measures suggests that availability and representativeness biases color how scholars and the media approach aid failures. More broadly, future scholarship needs to move beyond its focus on principal-agent accounts and consider the role of incomplete contracts between agents and recipients. Otherwise, related literature will remain susceptible to a social engineering fallacy, as principal-agent accounts have difficulty distinguishing agent shirking from capacity constraints.

Keywords: incomplete contracting, principal-agent models, externalities, compliance, involuntary resettlement, indigenous peoples, environmental destruction

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In rural Paraguay, an aid project finances the construction of a road. Typically, such roads can help project beneficiaries access markets, schooling, and medical care. However, this road cuts through the land of an indigenous community, dividing its village in half. For its part, the staff from the multilateral development bank (MDB) supervising the project learn that the community does not hold a property title for the land. The other competing claims for the land, allegedly obtained via questionable means, thus endanger the community's rightful claim for compensation from involuntary resettlement. Nearby, another indigenous community with a property title cannot protect themselves from new agricultural settlers, who are a direct result of the road. Reportedly, the settlers threaten the community with violence, burn down its school, and convert precious forests into plots, destroying ecosystem services and people's livelihoods in the process (Tello, 2015, 37-40).

The above example illustrates a larger problem in international development: foreign aid projects often create severe negative social and environmental externalities. These externalities not only affect people outside the aid transaction between the state and the aid financier but also occur with considerable frequency. For example, each year development projects cause the forced resettlement of about 15 million people (Cernea, 2008; Negi and Ganguly, 2011).<sup>1</sup> To address these problems, all MDBs and wealthier countries giving bilateral aid have social and environmental risk management (safeguard) policies to prevent negative externalities for people and the environment (Greenstein, 2022, 173). Despite aid agencies' efforts to bridge recipient capacity deficits, compliance with these policies is often wanting, resulting in major scandals that can even involve the loss of life. It is thus crucial to know: what drives compliance with safeguard policies? By extension, what prevents or mitigates the negative externalities of development?

In terms of which actor is most to blame for the negative externalities of aid projects, both the media and academic literature tend to put the onus on MDBs. Notably, the [International Consortium of Investigative Journalists's \(2015\)](#) multi-site and -year investigation

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<sup>1</sup>For a study on the economic impacts of population resettlement, refer to [Bazzi et al. \(2016\)](#).

excoriated the World Bank in newspapers across the world for “regularly fail[ing] to follow its own rules”.<sup>2</sup> For its part, academic literature tends to examine such phenomena using the lens of the principal-agent framework and focus on agency slack (e.g., [Hawkins et al., 2006a](#)). Although the principal-agent framework is useful for examining governance relationships between powerful donor countries (principals) and MDBs (agents), the framework mostly neglects interactions between MDBs and recipient countries ([Gutner, 2005b](#)).

Given that agents design and supervise aid projects, but recipients are responsible for implementation following the 2005 Paris Declaration on Aid Effectiveness ([OECD, 2008](#)), it is most useful to analyze safeguard policy implementation as a compliance problem. Due to the severe aforementioned consequences of aid externalities, as well as politicians’ desires to credit-claim for aid outcomes and avoid citizens blaming them for aid failures, I argue that both high agent quality and state capacity reduce negative aid externalities. For their part, principals are more “reactive bodies” ([Kapur, Lewis, and Webb, 1997](#), 10), so I argue that their *average* effect is null—even though principals clearly do intervene strategically ([Stone, 2011](#)). By extension, the paper diverges from seminal principal-agent accounts (e.g., [Nielson and Tierney, 2003](#)), whose origins actually began from a case study of safeguard failures.

To test the above hypotheses, the paper introduces new data on agents as well as new data on World Bank safeguard policy compliance. For the agent data, I made multiple World Bank transparency requests to receive the necessary input data to reconstruct and update [Denizer, Kaufmann, and Kraay’s \(2013\)](#) previously confidential measure of Task Team Leader (TTL) quality.<sup>3</sup> For the safeguard data, I individually coded all 2007-2015 World Bank investment lending projects with completed evaluation reports for safeguard policy compliance relating to resettlement, indigenous peoples, and natural habitat destruction, etc. To evaluate the state capacity hypothesis, I use [Hanson and Sigman’s \(2021\)](#) state-of-the-art Bayesian

<sup>2</sup>The quotes comes from the headline on the [International Consortium of Investigative Journalists’s \(2015\)](#) investigation overview page.

<sup>3</sup>The new data differ from those of [Limodio \(2021\)](#) and [Heinzel \(2022b\)](#), whose measures do not take into account the TTL at each Implementation Status Report (ISR).

measure. For principal control, I follow [Vreeland \(2019\)](#) and include measures of World Bank Board membership, United Nations’ General Assembly (UNGA) voting alignment with the United States, and temporary membership in the UN Security Council. I complement the above independent variables with numerous country- and project-level control variables.

Given the ordered nature of the safeguard compliance dependent variable, I employ ordered multilevel logit models to estimate the extent to which principals, agents, and recipients matter for safeguard policy compliance. Throughout, I use the bias-corrected [Mundlak \(1978\)](#) specification from [Hazlett and Wainstein \(2022\)](#), but I also consider the robustness of the results to numerous measures and models. All relevant adjustment sets are derived from a Directed Acyclic Graph (DAG).

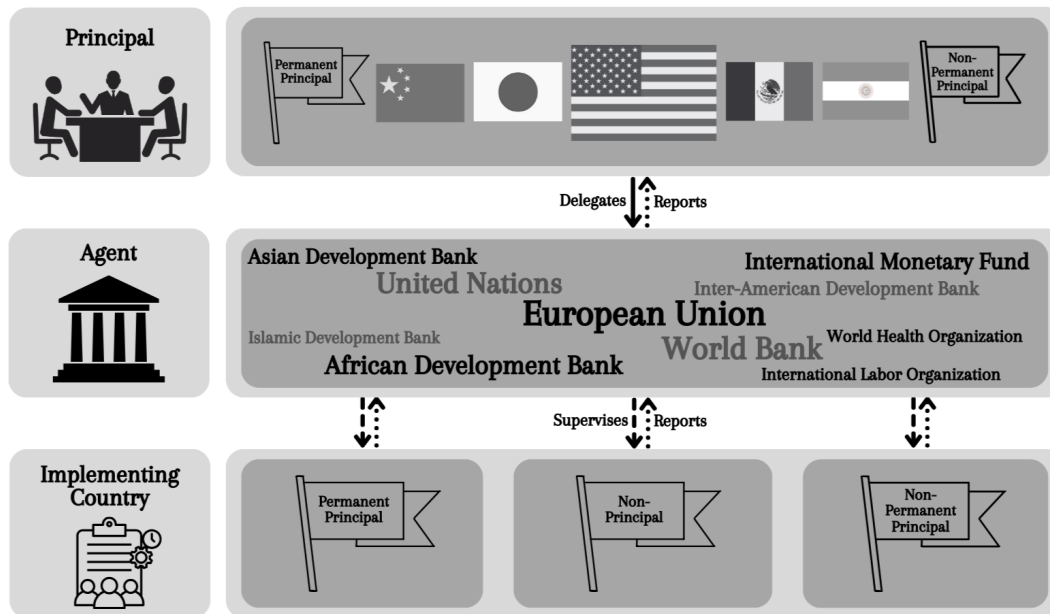
I find that both recipient state capacity and the agent—specifically, TTL quality—both consistently explain very high shares of variation in safeguard compliance outcomes. State capacity’s effects primarily manifest when comparing across countries, whereas the TTL’s effects are mostly—but not exclusively—discernible within each country. By contrast, none of the measures of principal control consistently explain variation directly. To the extent that powerful donors countries have influence, it is via their ability to moderate the effect of TTL quality.

This paper makes four contributions. First, the paper is one of the few to holistically analyze principals, agents, and recipients together. In doing so, the paper empirically demonstrates that powerful donors exert less influence on salient phenomena than standard principal-agent accounts suggest,<sup>4</sup> reaffirms the importance of the agent,<sup>5</sup> and shows that recipient capacity deserves more attention than it receives. Indeed, analyses suggest that the TTL explains only slightly more variance than state capacity, so principal-agent accounts that focus on agency slack are insufficient.

<sup>4</sup>e.g., [Nielson and Tierney \(2003\)](#), [Stone \(2011\)](#)

<sup>5</sup>e.g., [Kilby \(2000, 2001\)](#), [Hawkins and Jacoby \(2006\)](#), [Denizer, Kaufmann, and Kraay \(2013\)](#), [Bulman, Kolkma, and Kraay \(2017\)](#), [Heinzel and Liese \(2021\)](#), [Heinzel \(2022b\)](#), [Ashton et al. \(2023\)](#)

Figure 1: Principal-Agent and Agent-Implementer Interactions in Multilateral Aid



Sources: Own elaboration and Canva stock images.

Second, the paper provides a framework for integrating the principal-agent and agent-implementer relationships. Per Figure 1, scholars can continue to examine delegation and reporting relationships between principals and agents. However, agents also supervise recipients through incomplete contracts,<sup>6</sup> not secondary principal-agent relationships. Consistent with Nielson and Tierney's (2005) clarification on Gutner (2005b), MDBs do not grant recipients a (conditional) delegation of authority. Almost the opposite takes place between MDBs and recipients: the latter grant the former authority to operate on its sovereign territory, and recipients can alter the delegation contract at a moment's notice. This pattern is at odds with the canonical principal-agent template, where agents are subordinate and are mostly subject to principal punishment, such as via re-contracting (see Hawkins et al., 2006a). In turn, true agents' powers are limited, and they can only overcome principal control via slack, discretion from multiple principals, writing or reinterpreting rules, and buffering (Hawkins

<sup>6</sup>For an overview of incomplete contracts, see Hart (2017).

and Jacoby, 2006, 202). Outside of idiosyncratic moments,<sup>7</sup> agents cannot easily re-write the delegation contract once one it is in place.<sup>8</sup>

Fortunately, incomplete contracting can accurately characterize the supervision and reporting relationships between aid agencies and recipients. In particular, an incomplete contracting approach recognizes that recipient countries have residual control by virtue of their ownership status/sovereignty and can “hold-up” the aid agency (e.g., Hart, 2017, 1732-1733). The phenomenon is akin to the obsolescing bargain describing how multinational firms lose leverage after they make investments in recipient countries (Bennon and Fukuyama, 2022). That becomes even more clear when considering agents’ disbursement imperative,<sup>9</sup> as well as the facts that agents often supervise powerful members of the UN Security Council or even their own principals (see Figure 1). To be clear, the bottom (implementer) row of Figure 1 has “Non-Principal” in the center to reflect that agents mostly do not supervise principals. Nevertheless, the opposite is still possible. In the case of the World Bank, aid recipients such as China and Brazil mostly enjoy permanent Board member (principal) positions, and countries such as Argentina generally rotate their Board positions within different country groupings (see Vreeland, 2011). Similar dynamics play out at other MDBs, too. Accordingly, the context-specific power of recipient states deserves more attention than the literature currently concedes.

Third, the paper demonstrates that there is heterogeneity in aid compliance problems, as only some are strategic. While some literature focuses on how recipient factors affect aid compliance (e.g., Girod and Tobin, 2016), recipients’ revenue options outside of aid, such as natural resources and foreign direct investment, are less relevant for environmental and social

<sup>7</sup>e.g., Chwieroth (2008), Johnson (2014), Denly (2021)

<sup>8</sup>For this reason, Denly (2021) moves away from the principal-agent model to capture bureaucratic autonomy in multilateral aid. Nielson and Tierney (2005, 737) even go so far to as suggest that studies examining relationships between aid agencies and recipient countries via the principal-agent model do not proffer falsifiable hypotheses. I maintain that we can learn from such studies (e.g., Gutner, 2005a,b; McLean, 2015), even if they miss key details.

<sup>9</sup>MDBs need to disburse to survive and, as a consequence, often do so when corruption or other issues should prevent them from doing so. See, for example, Booth (2011), Buntaine (2016), and Weaver (2008).

risk compliance. The reason why is that environmental and social aid externalities have more immediate political consequences than overall aid non-compliance. For example, politicians all over the world routinely decry the World Bank and International Monetary Fund (IMF) for the conditionality on their loans, and that is often politically popular. Indeed, there is a large literature on strategic noncompliance with international organizations (e.g., [König and Mäder, 2014](#)). While some leaders can get away with destroying a rainforest or an indigenous peoples' sacred cultural site, *on average* that is not a strong political strategy. Even if politicians can deflect some part of the blame on the aid financier, it is generally bad publicity that they seek to avoid. Additionally, politicians seek to engage in aid credit-claiming and prolong their power ([Cruz and Schneider, 2017](#); [Baldwin and Winters, 2023](#)), and environmental and social disasters reduce future aid commitments ([Buntaine, 2016](#)), so aid recipients aim to prevent aid externalities if they have the capacity to do so.

Fourth, the new data on safeguard policy compliance help overcome selection biases that impact how academia and the media understand protection of vulnerable people and the environment from the adverse impacts of aid. In particular, the present paper underscores what happens in terms of broader patterns, not just the *selected sample* of failures that reach the newspapers, the World Bank Board, or Inspection Panels.<sup>10</sup> Essentially, the new data and empirical regularities that I show help overcome what [Tversky and Kahneman \(1974\)](#) famously described as availability and representativeness heuristics: that is, the ability of salient information to shape human thinking in biased ways. In the context of foreign aid, these biases take the form of a social engineering fallacy that devalues local conditions and knowledge ([Scott, 1998](#); [Andrews, Pritchett, and Woolcock, 2017](#)); overemphasizes the ability of grand plans to solve development challenges ([Easterly, 2006](#); [Acemoglu and Robinson, 2012](#));<sup>11</sup> and undervalues the constraints that agents face in fragile contexts ([Honig, 2019](#)).

<sup>10</sup>For more on quasi-judicial bodies like the World Bank Inspection Panel, see [Fox \(2002\)](#) and [Zvobgo and Graham \(2020\)](#). For more on newspaper stories, see [International Consortium of Investigative Journalists \(2015\)](#).

<sup>11</sup>By referencing [Acemoglu and Robinson \(2012\)](#), I am referring to what they call the ignorance hypothesis: that is, that all developing countries need to overcome their problems is Western advice

# 1. Negative Externalities and Foreign Aid

In the context of economics, “negative externalities are costs that accrue to parties other than [those] that produce them” (Krugman and Obstfeld, 2003, 277). Typically, negative externalities are social in nature, incur transaction costs for monitoring and governance, and outweigh the private benefits or rents that amass to the initiators of the transaction (Coase, 1960; Williamson, 1985). Accordingly, negative externalities are socially inefficient, arise from the lack of institutions such as property rights to correct for market failures, and thus harmfully affect societal provision of public goods (Arrow, 1970; North, 1981). Overcoming negative externalities in economics requires government regulation, a solution to the collective action problem, or an innovative arrangement between the affected parties (Olson, 1965; Ostrom, 1990; Ostrom, Walker, and Gardner, 1992).

It is both possible and fruitful to apply what scholars know from negative externalities in economics toward foreign aid. In the context of foreign aid, negative externalities are the costs that accrue to the people outside the aid transaction between the aid financier (the agent) and aid-receiving state (the implementer). Generally, states have different capacities to prevent or mitigate negative externalities to people outside the aid transaction—i.e., project “beneficiaries”. They are the very people that aid projects aim to support with, for example, public goods in health (e.g., vaccines), education (e.g., schooling), and infrastructure (e.g., roads, sanitation, flood protection).<sup>12</sup>

What, then, are the potential negative externalities of aid? Rajan and Subramanian (2011) argue that aid causes exchange rate woes and lowers economic competitiveness, but this is clearly only possible under certain circumstances: the aid flows have to be very large as compared a country’s national GDP, which is usually not the case (Qian, 2015). Another set of scholars suggest that aid is a fungible non-tax revenue that prolongs the rule

<sup>12</sup>OECD (2017) provides a classification of the economic sectors and activities that aid projects support. By definition, public goods are both non-rival and non-excludable, and a large percentage of aid activities meet these criteria.



of authoritarian leaders, forestalls democratization, and fuels authoritarian reversals in a manner that is worse than oil.<sup>13</sup> However, other more recent studies contest these claims,<sup>14</sup> and aid agencies nowadays take great measures to control corruption in their projects (Rose-Ackerman and Carrington, 2013). Yet another suite of studies argue that aid or aid shocks fuel civil conflict (Nielsen et al., 2011; Crost, Felter, and Johnston, 2014; Nunn and Qian, 2014; Dube and Naidu, 2015; Wood and Sullivan, 2015). By the same token, aid did not cause conflict on its own in any of the countries under study (e.g., Colombia, Mali, the Philippines); all of these countries had pre-existing civil conflict or tensions, and aid only added fuel to the fire. Finally, Lee and Platas (2015) examine the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) and find that the targeted program had adverse downstream consequences on neonatal health outcomes.

What, then, are the potential negative externalities that can apply to every aid project and do not require pre-existing country-level development challenges or the study of long and complex causal chains?<sup>15</sup> The negative externalities that accrue to project beneficiaries when the state does not implement the social and environmental risk management policies of the aid financier provide a more complete, direct answer. When states do not adequately implement these policies, the relevant negative externalities that arise might outweigh the benefits of providing aid in the first place. That is why all bilateral donors from OECD countries and all major MDBs have relevant safeguard policies to prevent social and environmental aid externalities (Greenstein, 2022, 173). Failure to adequately implement safeguard protections has resulted in some of the most egregious and embarrassing humiliations in the history of foreign aid and development more broadly (Nielson and Tierney, 2003; Weaver, 2008; Buntaine, 2016). Beatings, forced migration, and large-scale deforestation are just a few examples. What prevents or mitigates such negative aid externalities?

<sup>13</sup>Djankov, Montalvo, and Reynal-Querol (e.g., 2008), Bueno de Mesquita and Smith (2009), and Morrison (2012).

<sup>14</sup>e.g., Kono and Montinola (2009), Altincekic and Bearce (2014), Arndt, Jones, and Tarp (2015), Bermeo (2016), and Findley et al. (2017).

<sup>15</sup>For more on aid’s long and complex causal chains, see Bourguignon and Sundberg (2007) and Denly (2021).

## 2. Theory

In their role as agents with incomplete contracts, MDBs can take *some* action against negative aid externalities beyond typical supervision activities. Because negative aid externalities hurt bureaucrats' careers and damage agent legitimacy more broadly, safeguard failures prompt agents to decrease countries' future aid funding envelopes (Buntaine, 2016). More immediately, however, agents are subject to the constraint that they do not implement projects. That responsibility belongs to recipients, particularly since the 2005 Paris Declaration on Aid Effectiveness (see OECD, 2008). In turn, both agents and recipients matter (Swedlund, 2017), but recipients garner hold-up power consistent with the obsolescing bargain that characterizes foreign direct investment. The hold-up power stems from MDBs' lack of sovereignty to fully prevent negative aid externalities on recipients' territories (Nielson and Tierney, 2005) and the costs of canceling projects. Contributing to recipients' hold-up power are MDBs' high sunk costs of both money and time due to the multi-year project preparation cycles. Another set of factors is that canceling projects endangers institutional survival, especially given that MDBs' business models depend on disbursing project funds and having loans repaid. In this light, MDBs expend less effort on compliance matters that are not easily monitorable (Martens et al., 2002), which makes aid externality prevention highly dependent on recipient actions.

For their part, politicians in recipient countries value aid, so they prefer to avoid negative aid externalities that imperil potential future funding streams. Ostensibly, there are exceptions. *On average*, though, the destruction of a rainforest or an indigenous people's cultural heritage site presents potential political risks. A safer strategy is for politicians to spend their time engendering compliance and claiming credit for aid-financed public goods that can deliver votes (e.g., Cruz and Schneider, 2017; Baldwin and Winters, 2023). The challenge is that it can only happen if states have capable and independent bureaucracies across their territories, yielding:

Hypothesis 1 (state capacity): Aid recipients with higher state capacity are more likely to prevent or mitigate negative social and environmental externalities via their higher potential to implement.<sup>16</sup>

As compliance scholars will discern, Hypothesis 1 is related to both the management school and scholars emphasizing the role of domestic constituencies. The hypothesis aligns with the management school due its focus on capacity constraints (e.g., [Chayes and Chayes, 1993](#)). Some scholars divide the management school into resource constraints and neoinstitutionalist-oriented autonomy constraints (e.g., [Börzel et al., 2010](#)), but it is difficult to distinguish between the two subtypes in foreign aid, as both traits are *mostly* lacking in recipient countries (e.g., [Fukuyama, 2004](#)). Additionally, the management school not only ignores incomplete contracts but also the distribution of costs and benefits, which is where scholars emphasizing domestic constituencies offer insights (e.g., [Dai, 2005](#); [McLean, 2015](#)). Notably, MDB procurement contracts often stay within the same country ([McLean, 2017](#); [Heinzel, 2022a](#)), so recipients have an incentive to avoid negative aid externalities and potentially curry favor with domestic suppliers, who can be politically powerful.

It is also worth underscoring why the predictions of the enforcement school (e.g., [Keohane and Nye, 1977](#)) or constructivist school (e.g., [Finnemore and Sikkink, 1998](#)) are not in conflict with the state capacity hypothesis. For its part, the constructivist school is more about changing longer-term norms, consistent with the critical juncture that made safeguard violations salient. By contrast, the enforcement school is more relevant, though not in conflict with Hypothesis 1. The enforcement school emphasizes the utility of better monitoring (e.g., [Downs, Rocke, and Barsoom, 1996](#); [Tallberg, 2002](#)). From an incomplete contracts perspective, better monitoring is still relevant and unequivocally helps with compliance. Following numerous studies that empirically emphasizing the crucial role of agents (e.g., [Denizer, Kaufmann, and Kraay, 2013](#); [Bulman, Kolkma, and Kraay, 2017](#); [Heinzel and](#)

<sup>16</sup>The most used definitions of state capacity stress implementation (e.g., [Soifer and vom Hau, 2008](#); [Besley and Persson, 2010](#); [Centeno, Kohli, and Yashar, 2017](#)). All of these scholars draw from the [Mann's \(1984\)](#) definition of infrastructural power.

Liese, 2021; Heinzel, 2022b; Ashton et al., 2023), I thus offer:

Hypothesis 2 (Agent quality): Higher-quality agents prevent or mitigate negative aid externalities more frequently.

Finally, it is necessary to specify the role of principal. Although Nielson and Tierney’s (2003) original contribution on principal-agent theory in MDBs focuses on a case study of safeguard failure, the Boards overseeing MDBs are more “reactive bod[ies]: ratifier[s], occasionally naysayer[s]” (Kapur, Lewis, and Webb, 1997, 10). Additionally, principals maintain only small staffs at MDBs (Buntaine, 2016, 64), making principal monitoring more sporadic than consistent for implementation issues. In line with Stone’s (2011) findings that principals only selectively intervene on high-salience issues, I proffer the final hypothesis:

Hypothesis 3 (Limited principal hypothesis): Principals only have minimal influence on the prevalence of negative aid externalities in the normal course of operations, but principals do moderate agents’ ability to engineer safeguard compliance.

The moderation effects are consistent with Figure 1. It underscores that agents *sometimes* supervise principals from a compromised position of power.

### 3. Research Design

#### 3.1. Dataset and Dependent Variable

To test the above hypotheses, I coded a new dataset of states’ compliance with social and environmental risk management—i.e., safeguard policies—in World Bank projects. These policies are the product not just of World Bank staff but numerous consultations not just with recipient governments but also NGOs, interest groups, and local communities negatively affected by previous aid projects (Humphrey and Michaelowa, 2013; Humphrey, 2015; Greenstein, 2022). The World Bank was the first MDB to adopt safeguard measures in

the late 1980s following severe negative externalities for failed projects in Brazil and India. In Brazil, these externalities included large-scale deforestation and the spread of tuberculosis and malaria to local, indigenous populations. In India, forced displacement led to a “long-march” of protests, ultimately resulting in 140 arrests and beatings of affected populations by local authorities (Weaver, 2008, 22-23). Since these low moments in the history of the World Bank, the institution rebounded and has served as a leader in the development of safeguard policies, yielding significant policy emulation across the different MDBs (Buntaine, 2016; Greenstein, 2022).

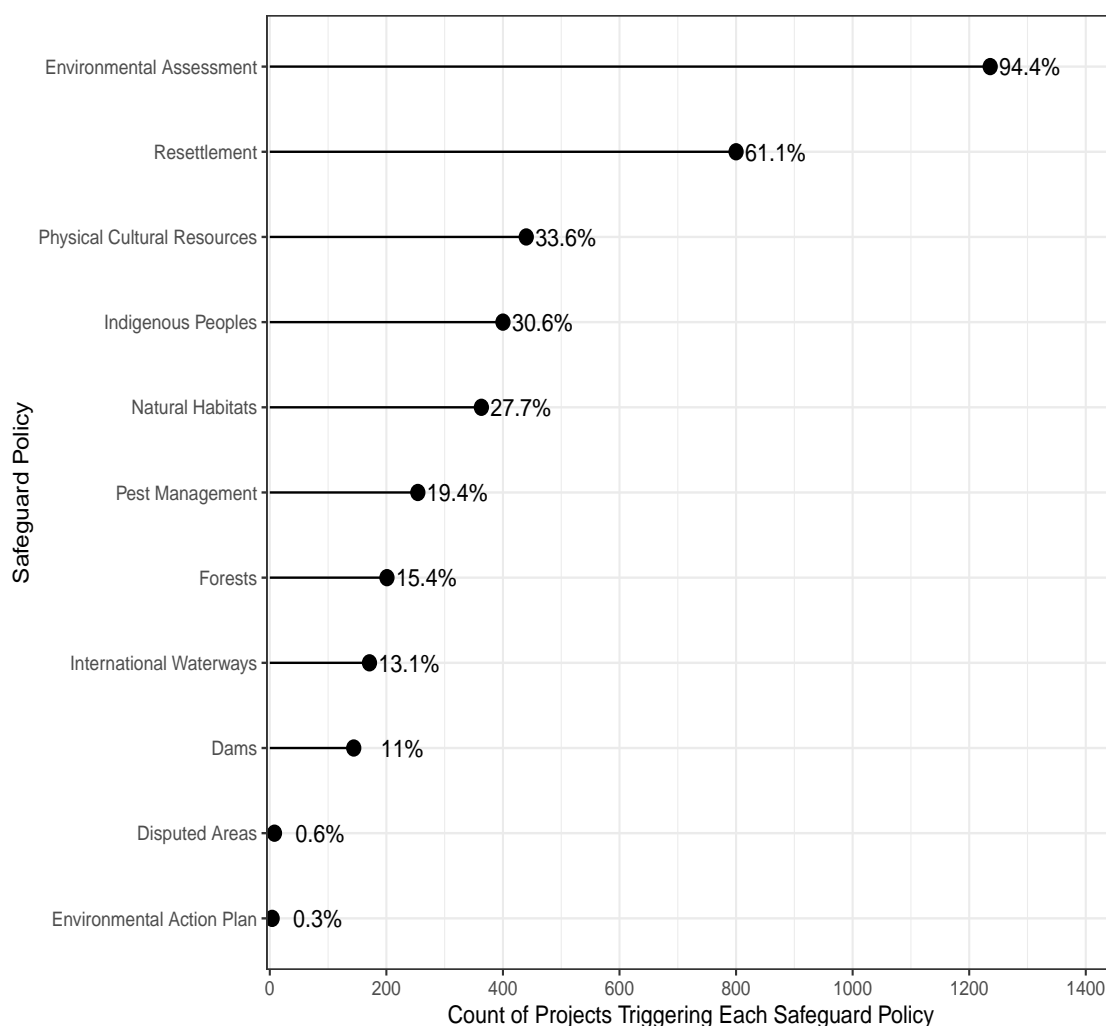
The dataset in the present paper only covers World Bank investment projects, which serve as the unit of analysis for this study. I exclude structural adjustment/policy projects because they do not have safeguards policies. For their part, Program for Results (PforR) projects do not have the same uniform usage of social and environmental risk management measures due to the flexible nature of the PforR lending instrument,<sup>17</sup> so I also exclude PforR loans.

With respect to the time period of study, the dataset covers 1,309 investment projects from 2007-2015. I chose 2007 as the starting year for two main reasons. First, although aid recipients implemented their own World Bank projects prior to the 2005 Paris Declaration on Aid Effectiveness, starting the analysis after 2005 made recipient ownership even more salient. Second, the World Bank finished converting the social and environmental risk management measures in Figure 2 from Operational Manual Statements to official Policies in 2006 (Independent Evaluation Group, 2010, 7). Starting with 2007 thereby prevents any potential problems with staff treating Operational Manual Statements different than Policies. Similarly, starting with 2007 reduces biases arising from implementers using the Operational Manual Statement and Policy distinction to reduce their safeguard policy compliance burden. Essentially, by 2007 safeguard policy inclusion happened a matter of course,

<sup>17</sup>See Winters (2010) and Winters and Kulkarni (2014) for more on the different types of World Bank lending instruments as well as when the institution decides to use one over the other.

as opposed to being subject to bargaining outcomes that may produce endogeneity. Given that it usually takes 4-8 years to implement projects, another 6-12 months for relevant evaluation documents to be ready, and it is only possible to fully evaluate safeguard compliance on completed projects, the current ending year of the dataset is 2015. I also stopped in 2015 because the World Bank approved a revised safeguards policy framework in 2016 (Greenstein, 2022), so using data beyond 2015 would lead to comparability problems.

Figure 2: Safeguard Policies Triggered in the Sample



Source: Own coding.

Figure 2 provides a numerical breakdown of the safeguard policies triggered in the sample of 1,309 projects. The most frequently policies triggered include those regarding required

environmental assessment (94%) and resettlement (61%). Projects trigger policies regarding physical cultural resources (34%), indigenous peoples (31%), natural habitats (28%), and pest management (19%) with relatively high frequency as well. With relatively less frequency, projects sometimes trigger policies regarding forests (15%), international waterways (13%), and dams (11%). Projects in the sample almost never trigger policies on disputed areas or required environmental action plans.

To measure the dependent variable, project-level compliance with World Bank safeguard policies, I coded the available evaluation documents for each project. Notably, I focused on Project Performance Assessment Reports (PPARs), Implementation Completion and Results Report Reviews (ICRRs), and project documents examined by the Independent Evaluation Group (IEG). Although IEG produces an overall borrower compliance score for each project that it evaluates, its scope is much broader than merely safeguards,<sup>18</sup> which is why the manual, safeguard-specific coding was necessary. Implementation Completion Reports (ICRs) are generally written by consultants hired by each project's respective TTL, making them at least somewhat independent. However, the IEG PPARs and ICRRs provide another level of insulation against the potential downplaying safeguard issues in projects. In particular, the PPAR is very extensive, often entailing visits to the implementing country. By the same token, IEG does not evaluate all investment projects and exhibits some biases in the projects that it chooses to evaluate (Kilby and Michaelowa, 2019), so I always examine both the ICR and IEG PPAR/ICRR. When other relevant documents are available, such as Project Papers detailing the safeguard performance of the first project in a supplemental financing project, I examine those documents as well.

Following Buntaine (2016),<sup>19</sup> the safeguard compliance scores range as follows:

<sup>18</sup>As Girod and Tobin (2016, 220) explain, citing Smets, Knack, and Molenaers (2013), overall borrower compliance captures “the extent to which the borrower complied with covenants and agreements. The following criteria are taken into account: government ownership and commitment to achieving objectives, adequacy of stakeholder involvement, timely resolution of implementation issues, adequacy of M&E [Monitoring and Evaluation] arrangements and relationship with donors/partners.”

<sup>19</sup>Buntaine (2016) uses safeguard compliance as an independent variable, not a dependent variable, to explain commitment patterns and how safeguard failures impact bureaucrat careers.

1. full non-compliance: major issues and clear non-implementation of policies.
2. moderate non-compliance: policy non-implementation falling short of major issues.
3. moderate compliance: (nearly) full policy implementation with only minor issues.
4. full compliance: all policies fully implemented with (essentially) no issues.

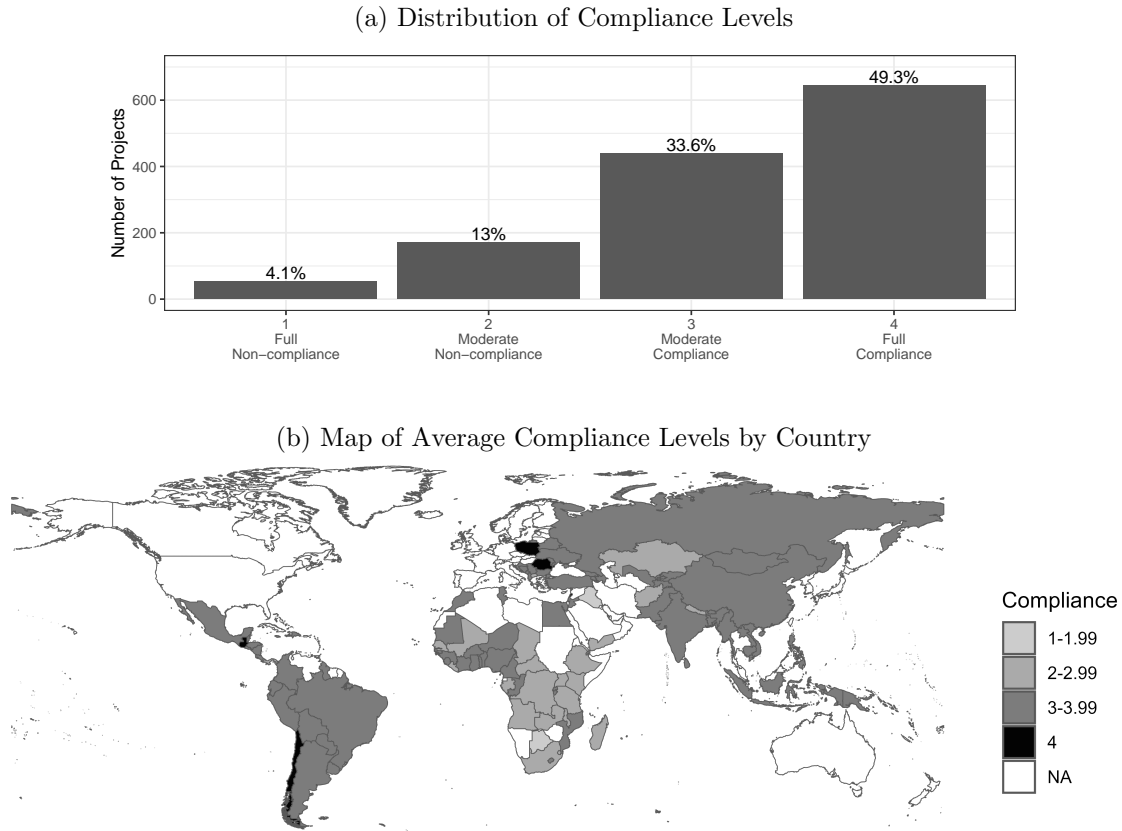
The difference between the present study’s coding and that of [Buntaine \(2016\)](#) only pertains to the years under study. On that score, [Buntaine \(2016\)](#) examines 1990-2009, which is mostly prior to the World Bank’s conversion of the safeguards Operational Directives to official Policies.

To ensure quality in the coding of safeguard compliance, all projects underwent at least two rounds of coding. One team member performed an initial review, then a more experience team member or I performed a double-check of the first team member’s work. Additionally, I performed random triple-checks of some projects. When I did so, I never changed any of the final compliance scores. Appendix [G](#) provides example projects and accompanying coding details for eight projects, encompassing two projects for each of the four compliance outcomes.

Figure [3a](#) provides summary statistics for projects that coded to date, and Figure [3b](#) provides a map of average country-level compliance scores. As Figure [3a](#) indicates, around 83% projects generally comply with the safeguard policies, as indicated by the share of projects with a compliance score of 3 (moderate compliance) or 4 (full compliance). Circa 17% of projects exhibit moderate-to-full non-compliance, as suggested by the shares of compliance scores with only 1 (full non-compliance) or 2 (moderate non-compliance). Table [A.1](#) provides the average results by country.



Figure 3: Summary Statistics of World Bank Safeguard Policy Compliance (2007-2015)



Source: Own coding.

## 3.2. Independent Variables

### 3.2.1. Primary Independent Variable

I employ [Hanson and Sigman's \(2021\)](#) measure for the primary independent variable, state capacity. [Hanson and Sigman's \(2021\)](#) state capacity variable stands out relative to competing frequentist measures.<sup>20</sup> Notably, [Hanson and Sigman's \(2021\)](#) measure uses a Bayesian measurement model to combine multiple indicators and overcome missing data challenges in a way that competing frequentist measures cannot (see [Fariss, Kenwick, and Reuning, 2020](#)). To capture the multiple, latent dimensions of state capacity, [Hanson and Sigman \(2021, 1502\)](#) include indicators on administrative efficiency, bureaucratic quality,

<sup>20</sup>See, for example, [Hendrix \(2010\)](#), [Lee and Zhang \(2017\)](#), and [O'Reilly and Murphy \(2022\)](#).

budgetary quality, census frequency, fiscal capacity, information capacity, law and order, military expenditures, police expenditures, public administration, and taxation. The variable's large scope is not only useful from a measurement perspective, but it also reduces the risk of endogeneity from previous World Bank projects contributing to large shares of current state capacity.<sup>21</sup> In the present dataset, [Hanson and Sigman's \(2021\)](#) state capacity variable ranges from -1.667 to 1.55. As a robustness test, I also consider the government effectiveness measure from the Worldwide Governance Indicators.

### 3.2.2. Agent (Project-Level) Variables

Following [Denizer, Kaufmann, and Kraay \(2013\)](#) and [Bulman, Kolkma, and Kraay \(2017\)](#), outcomes for safeguards, or any other project component, depend on project-specific features, especially the quality of the Task Team Leader (TTL). To capture the quality of the TTL, I made a transparency request to the World Bank to obtain full data on the name of the TTL at each mandatory, 6-month Implementation Status Report (ISR) for each project. After three rounds of back-and-forth, the World Bank sent me the data. I then combined these data with IEG data on project outcomes to calculate a TTL quality score. Following the detailed description in [Appendix E](#), I (i) code the TTL name at each ISR; (ii) compute each TTL's daily average IEG outcome score for his/her completed projects, excluding the current and future ones to prevent circularity, leaving a TTL-day dataset of 40 million observations; (iii) merge those daily scores back into each ISR for each project; and (iv) average across all ISRs for each respective project to obtain a project-specific TTL-quality score.

Other potentially important project-level confounding variables include the safeguard risk category determined prior to project approval and commitment amounts. The safeguard

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<sup>21</sup>Such a risk is minimal because projects are generally targeted at particular sectors, so state capacity only increases over long periods of time with many projects from various donors.

risk category, which has three principal levels,<sup>22</sup> captures *ex-ante* expectations about compliance difficulties. Given that the variable only correlates at 0.08 with both TTL quality and overall IEG project outcomes, the variable helps show that potential endogeneity from TTL assignment into more difficult safeguard projects is not a concern here. For their part, projects with higher commitment amounts might garner more attention. I thus take into accounts commitments, deflate the variable to constant 2015 US dollars, and take its natural log to decrease the risk of overdispersion affecting the results. Although supervision costs may proxy for supervision effort designed to reduce safeguard compliance issues, I exclude them because they are clearly post-treatment to any safeguard issues that arise—or what [Angrist and Pischke \(2008\)](#) call a “bad control”. Additionally, the direction of post-treatment bias is hard to predict from a statistical perspective ([Montgomery, Nyhan, and Torres, 2018](#), 760).

### 3.2.3. Principal (Donor) Variables

Especially given that [Nielson and Tierney’s \(2003\)](#) seminal article on the relevance of principal-agent theory to the MDBs focuses on a case study of a safeguard policy failure, it is essential to control for donor variables. Following [Vreeland’s \(2019\)](#) review, I use three variable to capture powerful donor countries principals’ interests. To capture formal influence these donor countries, I follow [Kaja and Werker \(2010\)](#) and add an indicator of whether the aid-receiving state was a member of the World Bank Board. Next, I follow [Dreher, Sturm, and Vreeland \(2009\)](#) and include an indicator variable of whether the country was a temporary member of the UN Security Council (UNSC). Additionally, I include [Bailey, Strezhnev, and Voeten’s \(2017\)](#) measure of the aid-receiving state’s ideal point distance from the United States, the World Bank’s most powerful shareholder. As [Bailey, Strezhnev, and Voeten \(2017\)](#) explain, their ideal point measure captures dynamic state preferences through

<sup>22</sup>As Table 1 demonstrates, the variable has four categories. However, the fourth category “FI” refers to financial intermediary loans. I recode those to missing given that risk levels vary across financial intermediaries, and the “FI” risk level does not necessarily imply higher or lower pre-implementation risk, consistent with the other categories.

Table 1: World Bank Safeguard Risk Categories and their Corresponding Sample Statistics

Category	Details	Sample Frequency	Mean Compliance Score
A	Projects qualify when they are likely to have significant “ <i>sensitive, diverse, or unprecedented</i> ” adverse impacts. Required assessment for Category A projects must compare the impacts with alternatives, including foregoing the project, and recommending prevention, mitigation or compensation measures. The recipient must also prepare a full environmental impact assessment or an equivalent regional/sectoral document.	216	3.08
B	Projects qualify when potential adverse impacts are <i>less severe, more site-specific, largely reversible</i> , and easier to mitigate than Category A. Required assessment documents are narrower in scope but still analyze impacts and specify mitigation and performance-improvement measures.	959	3.29
C	Projects qualify when they are expected to have <i>limited or no</i> adverse impacts. Beyond the initial assessment, no further EA is necessary.	83	3.63
FI	Projects qualify the World Bank routes funds via through a <i>financial intermediary</i> (e.g., bank, micro-finance institution) for sub-projects that could generate social and environmental impacts.	51	3.51

Sources: [World Bank \(2013\)](#), [World Bank \(2022\)](#), and own coding.

UN General Assembly (UNGA) voting and correlates at 0.92 with the separate ideal point measures using only votes deemed “important” votes by the US State Department. For all of these donor variables, I follow [Kilby and Michaelowa \(2019\)](#) and merge based on the evaluation year,<sup>23</sup> whereas I merge on the project approval year or fiscal year, as appropriate, for the other covariates—i.e., given that they pertain more to implementation.

### 3.2.4. State-Level Control Variables

Given that many resettlement and social safeguards issues often arise from lack of property rights ([Tello, 2015](#)), I also control for the Varieties of Democracy (V-Dem) project’s measure property rights protection (see [Lindberg et al., 2014](#)). Because democracies are

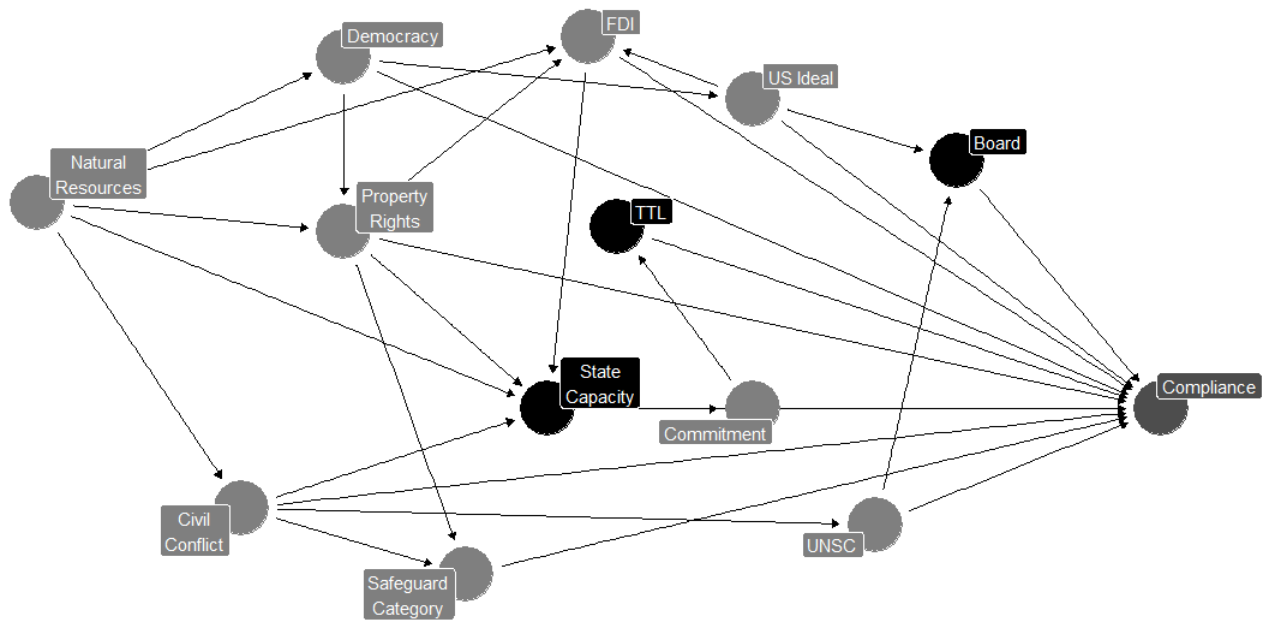
<sup>23</sup>The main results do not change when I merge by the approval year instead of the evaluation year.

generally better at environmental protection than autocracies (e.g., [Bernauer and Koubi, 2009](#)), I further include V-Dem’s overall democracy measure, which does not have the same measurement challenges as the commonly-used Polity measure (see [Vreeland, 2008](#)).

The final set of state-level control variables come from the [World Bank’s \(2017\)](#) World Development Indicators (WDI). In line with [Girod and Tobin \(2016\)](#), I control for natural resource rents as a share of GDP and foreign direct investment as a share of GDP. Although safeguards are only one component of [Girod and Tobin’s \(2016\)](#) measure of borrower compliance, it is feasible that these variables are relevant for safeguard compliance as well.

### 3.2.5. Identification and Determining the Final Covariates

Figure 4: Covariate Selection DAG



Note: See Appendix F for path descriptions. DAG drawn with the `ggdag` R package ([Barrett, 2025](#)).

The previous sections indicate that there are many potential control variables, but some of them are irrelevant. Notably, some variables may be mediators that can change the estimand from a total effect to a direct effect; others may be colliders that produce spurious results; and still others may be descendants that must be excluded. To obviate such

possibilities and estimate the total effect, I present a Directed Acyclic Graph in Figure 4. Appendix F provides a verbal description for all paths.

Table 2 details the relevant model specifications that I derive from the DAG and pairwise correlations between all variables in Figure A.1. Under selection on observables,<sup>24</sup> all “base” specifications following the DAG satisfy Pearl’s (2009) backdoor criterion. That is theoretically sufficient for unbiasedness, but controlling for additional variables yields efficiency gains in terms of reducing variance. I thus also consider Perković et al.’s (2018) canonical, “full” adjustment sets with a richer set of controls. Finally, I supplement those full adjustment sets with ones that exclude potentially collinear variables in the “full lc” specifications, according to Figure A.1 and Table 2.

The key reason underpinning the necessity of using multiple adjustment sets—and not estimating effects from the same model—is that commitments mediate the effect of state capacity on compliance. Per Pearl’s (2009) rules of do-calculus, controlling for either commitments or its descendant, TTL quality, would change the estimand from the targeted total effect to a direct effect for the state capacity treatment. By contrast, the TTL and Board treatments do not suffer from the same drawbacks, so it is useful to control for state capacity in models where the Board and the TTL are the treatments. Table A.2 presents the summary statistics for all covariates included in the final adjustment sets that I detail in Table 2.

### 3.3. Empirical Strategy

The primary empirical strategy involves a bias-corrected, Mundlak (1978) multilevel ordered logit model with cluster-robust standard errors, as advanced by Hazlett and Wainstein (2022):<sup>25</sup>

<sup>24</sup>Selection on observables means that there are no unaccounted for control variables. Of course, it is *possible* that the DAG is missing a variable, but the DAG does formalize all assumptions transparently.

<sup>25</sup>Wooldridge (2010) and Schunck (2013), as well as other econometricians, often refer to the Mundlak (1978) approach as the correlated random effects model.

Table 2: Adjustment Sets and Models Derived from the DAG

Model	Treatment	Set Type	Variables Included	Notes
base1	State capacity	Minimal	Civil conflict, democracy, FDI, property rights, US ideal	Dropped commitment (mediator) and TTL (descendant)
base2	State capacity	Minimal	Civil conflict, FDI, natural resources, property rights	Dropped commitment (mediator) and TTL (descendant)
full	State capacity	Canonical	Board, civil conflict, democracy, FDI, natural resources, property rights, safeguard category, US ideal, UNSC	
full lc	State capacity	Canonical	Board, civil conflict, democracy, FDI, natural resources, safeguard category, US ideal, UNSC	Removing property rights due to potential collinearity
base	TTL quality	Minimal	Commitment	
full	TTL quality	Canonical	Board, civil conflict, commitment, democracy, FDI, natural resources, property rights, safeguard category, state capacity, UNSC, US ideal	TTL is upstream of state capacity, so the latter is OK to include here
full lc	TTL quality	Canonical	Board, civil conflict, commitment, FDI, natural resources, property rights, safeguard category, state capacity, UNSC	Removing US ideal and democracy due to potential collinearity
base	Board	Minimal	UNSC and US ideal	
full	Board	Canonical	Board, civil conflict, commitment, democracy, FDI, natural resources, property rights, safeguard category, state capacity, UNSC, US ideal	
full lc	Board	Canonical	Board, civil conflict, commitment, democracy, FDI, natural resources, safeguard category, state capacity, UNSC, US ideal	Removing property rights due to potential collinearity

Note: See Figure 4 for the DAG. Adjustment sets created with **dagitty** (Textor et al., 2016). State capacity has two minimal adjustment sets that satisfy the backdoor criterion, but the others only have one.

$$\Pr(y_{compliance(i,j)}^*) = \Lambda \left( \underbrace{\alpha_{country\ j[i]} + \beta_w(X_{ij} - \bar{X}_j)}_{\text{within-country effect}} + \underbrace{\beta_b \bar{X}_j}_{\text{between-country effect}} \right) \quad (1)$$

where subscript  $i$  indexes projects and  $j$  their implementing country;  $X_{ij}$  corresponds to the project-level values of the time-varying independent variables;  $\bar{X}_j$  is the country-level mean for each independent variable; and  $\alpha_{country\ j[i]}$  is a random intercept that captures the

unobserved, time-invariant country-level factors  $j$  for project  $i$ .<sup>26</sup> Because the dependent variable,  $y_{compliance(i,j)}^*$ , has four ordered categories, it is possible to classify it as follows, where  $\tau_i$  are the cutpoints for each imposed category:

$$y_{compliance(i,j)} = \begin{cases} 1 & \text{if } y_{ij}^* \leq \tau_1 \\ 2 & \text{if } \tau_1 < y_{ij}^* \leq \tau_2 \\ 3 & \text{if } \tau_2 < y_{ij}^* \leq \tau_3 \\ 4 & \text{if } \tau_3 < y_{ij}^*, \end{cases} \quad (2)$$

The bias-corrected [Mundlak \(1978\)](#) specification is useful for at least five reasons. First, as [Appendix C](#) demonstrates, state capacity changes little within countries. Accordingly, a fixed effects approach that only estimates within-unit changes is inappropriate: although it is still consistent, it discards almost all relevant information and produces imprecise estimates ([Bell and Jones, 2015, 139](#)). Second, the [Mundlak \(1978\)](#) specification enables the model to capture the effects of time-invariant variables and overcome omitted variable bias in the same way as the fixed effects model ([Hazlett and Wainstein, 2022](#)).<sup>27</sup> Third, the [Mundlak \(1978\)](#) specification enables for comparison of between/across-country effects ( $\beta_b$ ) and within-country ( $\beta_w$ ) ones. Fourth, the use of cluster-robust standard errors enables the model to overcome typical biases in the multilevel model and recover the same standard errors as the fixed effects model ([Hazlett and Wainstein, 2022](#)). Fifth, I allow for minimal deviation from the fixed effects coefficients and standard errors by incorporating partial pooling. In turn, the estimates regularize the coefficients toward their respective global means and overcome small-sample biases when countries receive few projects over the sample time period (see [Gelman and Hill, 2007, 252](#)). [Table 4](#) summarizes the numerous robustness tests considered in the paper.

<sup>26</sup>I focus the main results on those entailing a single intercept per [Kropko and Kubinec \(2020\)](#), who show that two-way fixed effects and their multilevel equivalents are very difficult to interpret. Nevertheless, I consider the robustness of the results to two random intercepts in [Table 4](#).

<sup>27</sup>The fixed effects model is unbiased under conditional independence ([Hazlett and Wainstein, 2022, 56](#)).



## 4. Results

### 4.1. State Capacity

Table 3 presents the main results in terms of average marginal effects.<sup>28</sup> In the base models corresponding to the minimal adjustment sets to satisfy the backdoor criterion, a one-unit increase in state capacity between countries raises the probability that a project has full, category-4 safeguard compliance by 15-16 percentage points. In the models with full covariates corresponding to the canonical adjustment sets, that number is 13 percentage points. For the the lower-compliance categories of 3, 2, and 1, a one-unit increase in state capacity between countries reduces the probability of compliance by 2-7 percentage points in the full models, respectively. Given that [Hanson and Sigman’s \(2021\)](#) state capacity variable ranges from circa -1.67 to 1.55 in this dataset, a one-unit increase in state capacity corresponds to a 32 percentage point increase in the variable.<sup>29</sup> These magnitudes are very high. Although the between-country estimates are highly statistically significant throughout ( $p < .001$ ), the within-country estimates do not reach statistical significance. These results are consistent with the slow-moving nature of state capacity (see Appendix C). The robustness tests summarized in Table 4 indicate very similar results regardless of the specification or measure, including with the Worldwide Governance Indicators’ Government Effectiveness score. Overall, state capacity between countries is a very strong predictor of safeguard compliance.

### 4.2. TTL Quality

Per Table 3, the TTL variable is a highly statistically significant, positive predictor of category-4 compliance outcomes, as well as a statistically significant, negative predictor of category 1-3 compliance outcomes within countries. In terms of average marginal effects,

<sup>28</sup>See [Arel-Bundock, Greifer, and Heiss \(2024\)](#) for more on the different types of marginal effects.

<sup>29</sup> $1/(1.67 + 1.55) = 0.32$

Table 3: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit Models with Country Random Intercepts)

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Panel A: Between-Country Effects										
Compliance = 1	-0.0242*** (0.0056)	-0.0280*** (0.0063)	-0.0282*** (0.0071)	-0.0270*** (0.0064)	-0.0488*** (0.0155)	-0.0144 (0.0108)	-0.0249* (0.0128)	-0.0061 (0.0168)	-0.0172 (0.0114)	-0.0143 (0.0116)
Compliance = 2	-0.0617*** (0.0132)	-0.0710*** (0.0135)	-0.0723*** (0.0176)	-0.0693*** (0.0160)	-0.1157*** (0.0309)	-0.0370 (0.0277)	-0.0624* (0.0322)	-0.0145 (0.0402)	-0.0442 (0.0277)	-0.0368 (0.0284)
Compliance = 3	-0.0617*** (0.0153)	-0.0665*** (0.0134)	-0.0614*** (0.0148)	-0.0641*** (0.0148)	-0.0974*** (0.0254)	-0.0300 (0.0219)	-0.0490* (0.0262)	-0.0131 (0.0371)	-0.0358 (0.0226)	-0.0295 (0.0228)
Compliance = 4	0.1476*** (0.0313)	0.1655*** (0.0294)	0.1619*** (0.0365)	0.1604*** (0.0346)	0.2619*** (0.0665)	0.0814 (0.0600)	0.1362* (0.0697)	0.0337 (0.0940)	0.0972 (0.0609)	0.0806 (0.0623)
Panel B: Within-Country Effects										
Compliance = 1	-0.0074 (0.0228)	-0.0042 (0.0241)	-0.0019 (0.0236)	-0.0112 (0.0229)	-0.0225*** (0.0062)	-0.0190*** (0.0054)	-0.0196*** (0.0056)	0.0121 (0.0079)	0.0095 (0.0114)	0.0083 (0.0107)
Compliance = 2	-0.0189 (0.0579)	-0.0105 (0.0612)	-0.0048 (0.0605)	-0.0288 (0.0588)	-0.0535*** (0.0114)	-0.0487*** (0.0117)	-0.0491*** (0.0118)	0.0289 (0.0189)	0.0245 (0.0285)	0.0214 (0.0269)
Compliance = 3	-0.0189 (0.0578)	-0.0099 (0.0571)	-0.0041 (0.0513)	-0.0266 (0.0543)	-0.0450*** (0.0094)	-0.0396*** (0.0098)	-0.0386*** (0.0097)	0.0260 (0.0179)	0.0199 (0.0235)	0.0172 (0.0219)
Compliance = 4	0.0453 (0.1385)	0.0246 (0.1424)	0.0107 (0.1354)	0.0666 (0.1359)	0.1210*** (0.0240)	0.1073*** (0.0249)	0.1074*** (0.0245)	-0.0670 (0.0441)	-0.0540 (0.0631)	-0.0470 (0.0594)
Observations	1268	1162	1112	1217	1148	1055	1063	1190	1055	1055

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

“full” refers to the variables in [Perković et al.’s \(2018\)](#) canonical adjustment set;

“full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))

Table 4: Robustness Tests for the Main Effects

Model	Table	State Capacity (between)	TTL Quality (between)	TTL Quality (within)	Board (between)	Board (within)	Notes
Traditional ordered logit without Mundlak structure	B.1	0.1472*** 0.1638*** 0.1763*** 0.1817***	0.2219*** 0.0653 0.1240*		-0.0184 0.0284 0.0245		Models lack a Mundlak structure here, so between column reflects overall coefficients.
Linear model with country random intercept	B.2	0.1635*** 0.1718*** 0.1735*** 0.1744***	0.2219*** 0.0653 0.1240*	0.0909*** 0.0770*** 0.0864***	0.0223 0.0864 0.0651	-0.0303 -0.0127 -0.0057	
Logit model with country random intercept (compliance categories 1–3 coded to 0; category 4 coded to 1)	B.3	0.7345*** 0.7700*** 0.7990*** 0.7957***	0.9925*** 0.3151 0.5844*	0.4141*** 0.3628*** 0.3694***	0.0833 0.4413 0.3233	-0.1292 -0.0607 -0.0258	The coding follows the distribution of compliance (see Figure 3a).
Cross-sectional Mundlak ordered logit model	B.4	0.1598*** 0.1694*** 0.1579*** 0.1543***	0.2970*** 0.0881 0.1907***	0.1209*** 0.1078*** 0.1082***	0.1138 0.1187** 0.1059*	-0.0844 -0.0541 -0.0465	
Ordered logit with country and year random intercepts	B.5	0.1480*** 0.1663*** 0.1626*** 0.1607***	0.2631*** 0.0808 0.1359**	0.1176*** 0.1048*** 0.1056***	0.0333 0.0990 0.0812	-0.0693 -0.0546 -0.0478	Year nested to maintain clustered robust SEs.
Subsetting to only projects with an IEG evaluation	B.6	0.1445*** 0.1616*** 0.1530*** 0.1488***	0.2619*** 0.0814 0.1362*	0.1210*** 0.1073*** 0.1074***	0.0402 0.0972 0.0806	-0.0353 -0.0540 -0.0470	Kilby and Michaelowa (2019) suggest potential favoritism in which projects IEG evaluates—hence the reason for the model.
Subsetting to only projects triggering indigenous peoples, cultural resources, and resettlement safeguards	B.7	0.1511*** 0.1666*** 0.1467*** 0.1474***	0.2661*** 0.2546***	0.1322*** 0.1199***	0.0695 0.1348**	-0.1435** -0.1094	
Switching state capacity measure to Government Effectiveness from the Worldwide Governance Indicators	B.8	0.1120*** 0.1320*** 0.1353*** 0.1410***	0.2619*** 0.1263*** 0.1074***	0.1210*** 0.1075*** 0.1301***	0.0337 0.1304** 0.1128*	-0.0670 -0.0494 -0.1427	
Estimating the direct effects of the UNSC and US ideal point distance variables with appropriate adjustment sets	B.9						No US Ideal point estimate reaches statistical significance. Only 1/24 UNSC estimates reaches significance at the 10% level.

Note: see Appendix B for full tables. All effects, except for those corresponding the linear model, are average marginal effects; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . State capacity (within) coefficient excluded because it is insignificant throughout, consistent with Appendix C and Table 3. Coefficients for ordered logit models correspond to full, category-4 compliance outcomes.

a one-unit increase in the TTL category raises the probability of receiving a category-4, full compliance score by 11-12 percentage points within countries. For the lower-compliance categories (1-3), a one-unit increase in TTL quality decreases the probabilities of receiving these lower compliance outcomes by 5-7 percentage points. The results are also similar across the numerous robustness tests detailed in Table 4, suggesting that TTL quality is a robust predictor of safeguard compliance within countries.

Effects of TTL quality between countries has a less consistent, though still overall, positive effect on compliance. In all base models that minimally satisfy Pearl’s (2009) backdoor criterion under selection on observables, all estimates in Tables 3 and 4 are statistically significant at the 1% level. By contrast, TTL quality between countries often loses statistical significance after augmenting the controls to correspond with Perković et al.’s (2018) canonical adjustment set (see Table 2). Given that models with many controls are subject to potential collinearity or positivity challenges, I remove some variables according to Table 2. TTL quality between countries often regains statistical significance in these models with a smaller number of covariates, though usually only at the 10% level. The broader takeaway is that TTL quality between countries likely matters most of the time but not always. Practically, the result suggests that a lot—though not all—TTL knowledge is country-specific (Heinzel, 2022b), so re-assigning better TTLs to other countries may not always yield better compliance outcomes.

### 4.3. Principal (Donor) Variables

The Board variable neither consistently predicts the noncompliance outcomes nor the full, category-4 compliance outcome between or within countries. In the main results captured by Table 3, the Board variable never reaches statistical significance. In one base model and some of the full model robustness checks corresponding to Perković et al.’s (2018) canonical adjustment sets (see Table 2), the Board variable does reach statistical significance. However, the coefficients are difficult to interpret. First, the fact that the effect only appears

after introducing many controls suggests that Board is not very strong by itself. Second, these robustness are not preferred specifications (see Section 3.3). Third, the coefficients are negative for the within-country effects, whereas those for between countries are positive. *A priori*, a true effect in either direction would be interesting. For example, it is possible to surmise that Board membership could spur increased compliance via the spotlight that it brings. Alternatively, decreased compliance from Board membership could suggest that agents have difficulty supervising principals, consistent with Figure 1. The challenge is that having both effects take place at once, varying within and between countries, is rather implausible and difficult to unpack—particularly given the lack of consistent evidence.

Donors’ abilities to influence compliance outside of their formal Board positions is similarly weak. Both the UNSC variable and the US ideal point distance, which reflect informal influence, show similarly poor abilities to predict compliance. For example, none of the US ideal point estimates reach statistical significance, and only 1/24 UNSC estimates reach statistical significance at the 10% level (see Table B.9).

More broadly, the inconsistent donor interest results take on special meaning given that Nielson and Tierney’s (2003) seminal article on principal-agent theory’s relevance to MDBs uses safeguard failure for a confirming case study. Following Abadie (2020), statistical nonsignificance is often more informative than significance itself. I do not interpret further control variables due to the Table 2 fallacy and the difficulty associated with their interpretation (see Westreich and Greenland, 2013). As the DAG clarifies (see Figure 4), each treatment requires its own unique set of controls.

#### 4.4. Variance and Residual Decomposition

To answer the question of whether the TTL variable or state capacity explains more variance, I re-run bivariate multilevel ordered logit models, employing both traditional and Mundlak specifications. Then, I assess the models across numerous metrics in Table 5. As

Table 5: Model Performance Metrics (Country Random Intercept Models)

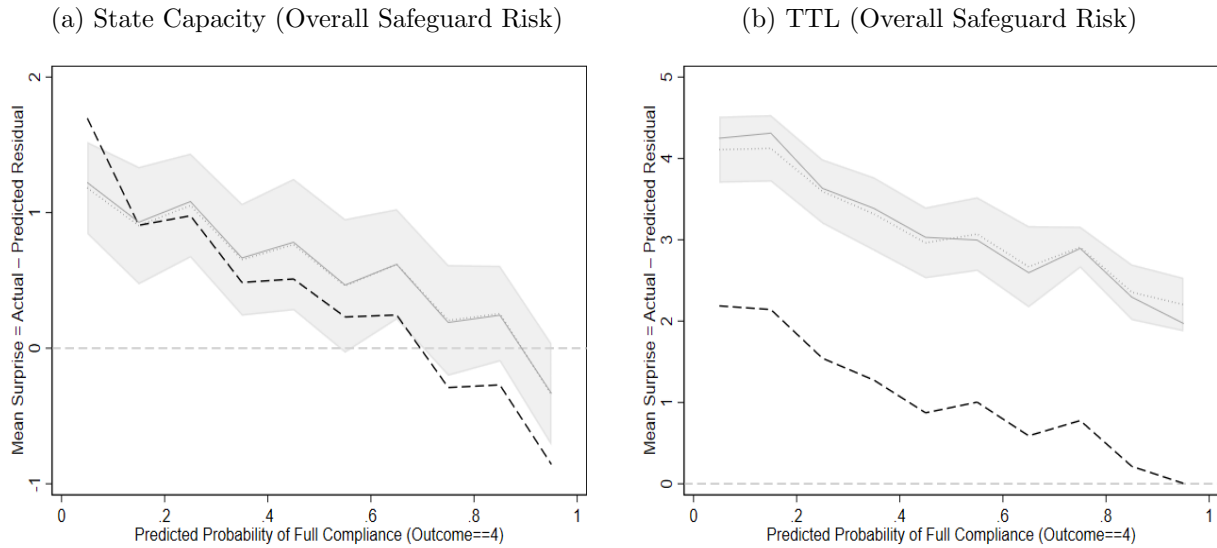
Specification	AIC	BIC	Conditional $R^2$	Marginal $R^2$	RMSE	$\sigma$ residuals
SC Traditional	2757.75	2783.50	0.11	0.04	2.96	2.96
TTL Traditional	2522.89	2548.13	0.12	0.03	2.95	2.95
SC Mundlak	2759.14	2790.04	0.11	0.05	2.96	2.96
TTL Mundlak	2519.94	2550.22	0.13	0.04	2.95	2.96

Note: “SC” corresponds to state capacity; “Traditional” corresponds to the regular multilevel ordered model without the Mundlak structure. “Mundlak” refers to the models with both between and within treatments. The SC models exclude the TTL variable, and the TTL models exclude the state capacity variable. All models are bivariate, with compliance as the dependent variable.  $R^2$  calculations follow the latent scale according to Nakagawa and Schielzeth (2013) and Lüdtke et al. (2021).

the results suggest, the models with the TTL variable fit slightly better according to the Akaike Information Criterion (AIC), Bayesian Information (BIC), and root mean squared error (RMSE). Furthermore, the TTL models generally have slightly higher conditional and marginal  $R^2$  values, suggesting that TTL explains more variance. Nevertheless, these differences are small throughout, indicating that a model without either state capacity or TTL quality runs a high risk of omitted variable bias and, in turn, endogeneity.

To further probe model fit, I conduct residual decomposition (“surprise”) analysis along the lines of Card and Dahl (2011). The latter show that, after controlling for Las Vegas point spreads, U.S. football game outcomes are essentially as-if random—the average surprise is zero. In World Bank safeguards, the closest analogue to the spread is the pre-implementation risk category, which closely tracks actual compliance outcomes (see Table 1). By controlling for the category as well as the full adjustment set in Table 2, I reduce *ex-ante* predictability relative to each category’s starting point. Assuming that the model is correctly specified, omitted variables are the source of any remaining surprises that deviate from a residual mean of 0 on the  $y$ -axis in Figure 5. Its  $x$ -axis, which reflects deciles bins, captures the differing predicted probabilities of attaining full, category-4 compliance. The modeling strategy remains a Mundlak ordered logit model with a country random intercept and clustered robust standard errors by country. Both the between coefficient in dashed black and within coef-

Figure 5: Residual Decomposition



Note: Diagnostic plots adapted from [Card and Dahl \(2011\)](#). Plots with mean surprise closer to zero indicate better regression fit. Dashed black lines = addition of between coefficients; solid gray lines = addition of within coefficients; dotted gray lines = baseline estimates without treatments. 95% confidence intervals correspond to baseline estimates, which reflect the adjustment sets from Table 2. All plots contain 10 equally-spaced bins to measure predicted probabilities on the  $x$ -axis. Figure D.2 provides estimates by safeguard category.

coefficients in solid, dark gray are relative to the baseline without either state capacity or the TTL in dotted, light gray. The 95% confidence interval bands refer to the baseline estimates.

As Figure 5 demonstrates, the between-country coefficients in the black-dashed lines contribute most to reducing residual surprise: that is, the difference between actual and predicted residuals. The solid-gray, within-country coefficients for both state capacity and the TTL stay similar to dotted-gray baseline estimates without them. Although only the TTL between-country estimates fall outside the baseline confidence interval, the state capacity model residual surprises are closer to zero and better fitting, so both sets of estimates remain informative. To the extent that it is possible to make inferences from the small-sample plots by category in Figure D.2,<sup>30</sup> state capacity reduces residual surprises the most in high-risk, category A projects, but less so for other categories. By contrast, TTLs do not reduce

<sup>30</sup>Sample sizes by category follow Table 1.

residual surprises much in high-risk, category-A projects but do so in moderate-risk, category-B situations. Neither the TTL nor state capacity have much impact in low-risk, category-C projects, which is unsurprising given the lower difficulty of the task.

Overall, the variance and residual decomposition exercises showcase that both the state capacity and the TTL variables are essential for the appropriate modeling of safeguard compliance. Consistent with Figure 1, the model is underspecified without both variables. Although recent work demonstrates the value of the agent, scholars need equal attention to state capacity to avoid a social engineering fallacy. The current conception of the principal-agent model that guides much of the foreign aid and international organization literature is helpful but insufficient on its own. The fact that agents cannot always achieve the tasks that principals delegate to them is often not the product of agent guile or shirking but state capacity.

## 4.5. Moderation Analyses

There are two types of potential moderation that are potentially relevant for discerning the universality of the results. The first is whether TTL quality can moderate state capacity, such that one can substitute for the other. Unfortunately, as the DAG suggests, TTL is a descendant of the commitment mediator (see Figure 4), so such an analysis is empirically fraught.<sup>31</sup> Second, although I do not find that the principal has any immediate effects on safeguard compliance outcomes, it is possible that the principal could moderate the effect of state capacity or TTL quality on safeguard compliance. These analyses are empirically straightforward and involve interacting the principal variables with state capacity and TTL quality.

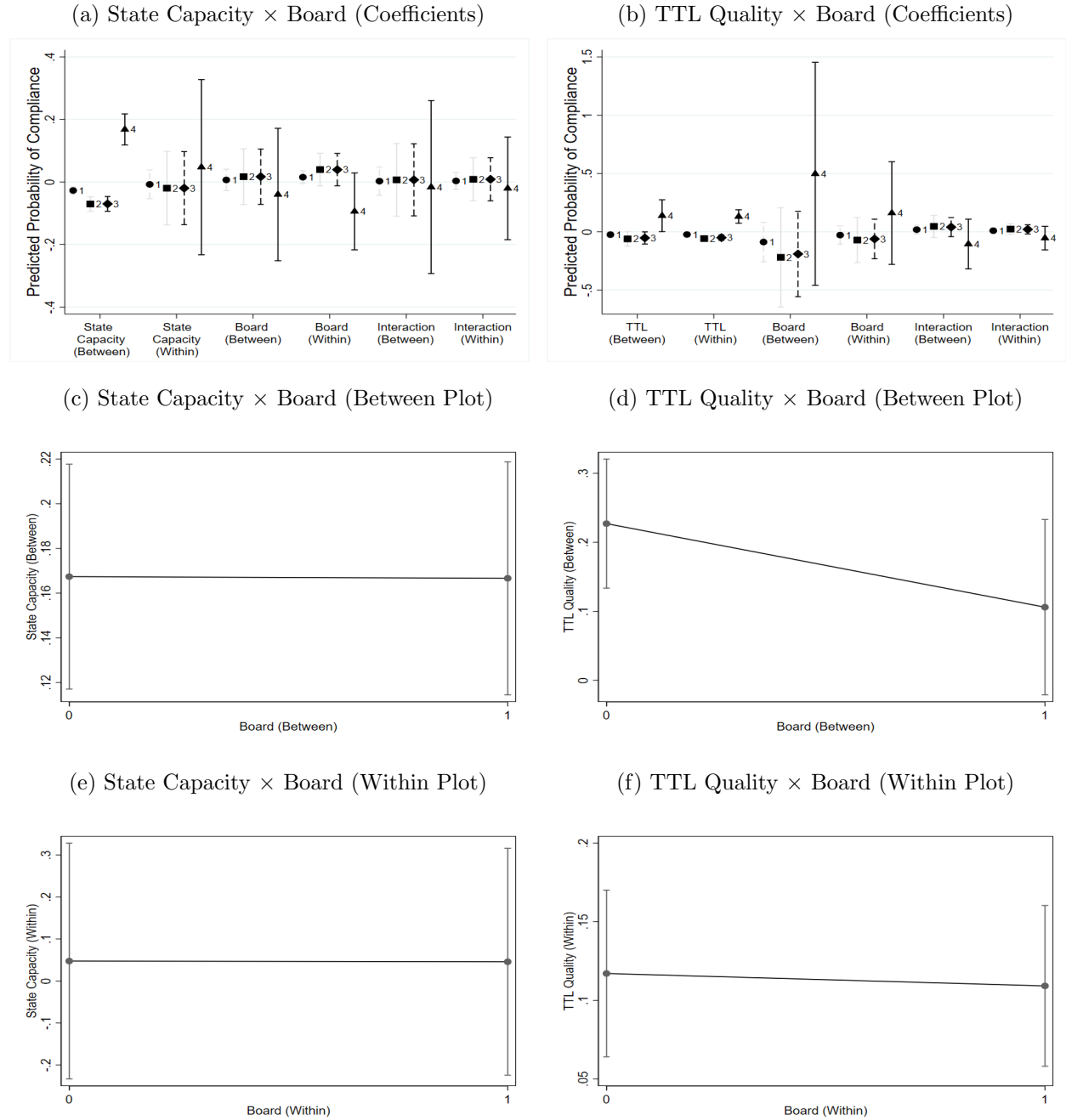
While the Board's ability to moderate state capacity is low (see Figure 6a), Board membership has some marginal impact on TTLs' ability to engineer compliance across countries.

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<sup>31</sup>The analysis is technically possible, but performing it changes the estimand to a direct effect, which is not the quantity of interest. This analysis focuses on the total effect.



Figure 6: Moderation Analyses (Country Intercept Models with Full Controls)



Note: All coefficients correspond to marginal effects from Mundlak multilevel ordered logit models with country random intercepts, controls from the canonical adjustment sets, and country-clustered robust standard errors. Interaction plots correspond to the full compliance category (category 4). The DAG-derived adjustment set for the state capacity interactions includes: civil conflict, democracy, FDI, natural resources, property rights, safeguard category, UNSC, and US ideal point distance. The DAG-derived adjustment set for the TTL interactions adds the commitment.

I characterize the impact as marginal because the relevant  $p$ -values hover around 0.1, and the effect is not present within countries. Figure 6b demonstrates that full compliance (category 4) tends to decrease the effect of the TTL with Board membership between countries, whereas the opposite pattern takes place with less than full compliance (categories 1-3). Per Figure 6d, the size of the relevant slope change is substantial, too. By contrast, the slope changes in the other interaction plots in Figure 6 are minimal.

I also assess the extent to which such findings travel beyond the formal influence of the Board to reflect informal influence. Because the DAG indicates that the US ideal point is an ancestor of state capacity (see Figure 4), I forgo analysis with the US ideal point and focus on moderation with the UNSC variable. Figure D.1 present the results for both the state capacity and TTL quality variables. Neither the between nor within effects achieve statistical significance, and the relevant sizes of the slope changes are minimal.

Overall, consistent with Figure 1, there is some evidence that MDB staff have some difficulty supervising powerful countries via formal channels, not informal ones. In line with Nielson and Tierney (2005), evidence suggests that staff-implementer interactions are not principal-agent relationships. Otherwise, staff's ability to engineer safeguard compliance outcomes would not change based the power of the recipient country in the respective institution.

## 5. Implications for Theory, Policy, and External Validity

It is worth repeating that the above results correspond to the World Bank, which is the aid agency with the most developed environmental and social safeguard policies to prevent negative aid externalities (Humphrey and Michaelowa, 2013; Humphrey, 2015). Over time, other MDBs and bilateral aid agencies have emulated the World Bank's policies (Greenstein,

2022), but that emulation and implementation after emulation takes time. It is thus clear that the above results correspond to what case study scholars call an “extreme case” (see [Gerring, 2017](#)). What that means here is that the World Bank is, *on average*, more likely than other aid agencies to have the ability to design projects and deploy high-quality agents to prevent or mitigate negative aid externalities. For this reason, state capacity is likely to be even more essential for determining safeguard outcomes at other MDBs and bilateral aid agencies with less safeguard policy experience. Given that the World Bank approved a revised, borrower-centric safeguards framework in 2016,<sup>32</sup> state capacity likely matters more for later projects outside the scope of this paper as well.

More broadly, the importance of state capacity in driving results calls into question the focus of previous media exposés on safeguards as well as the previous academic literature. In line with the 2005 Paris Declaration on Aid Effectiveness, the World Bank generally does not implement its own projects, so it also does not implement its own safeguard policies. Furthermore, the cases that reach the World Bank Board and quasi-judicial accountability bodies like the World Bank Inspection Panel are a *selected sample* extreme safeguard policy failures.<sup>33</sup> For this reason, the focus of media exposés—including that of the highly-respected [International Consortium of Investigative Journalists \(2015\)](#)—and the academic literature on inspection panels and their findings does not provide a full picture safeguard compliance. More specifically, previous media exposés and literature are subject to what [Tversky and Kahneman \(1974\)](#) famously called availability and representative biases. Only by examining the full range of safeguard policy outcomes can scholars and lay audiences understand that compliance, not significant policy failure, is the norm.

Another implication of the findings is that the dominant framework for theorizing about foreign aid, the principal-agent model, likely needs augmentation to better capture dynamics with recipient countries. To be clear, the seminal work from [Pollack \(1997\)](#), [Nielson and](#)

<sup>32</sup>See [Greenstein \(2022\)](#), who suggests that competition from China and other financiers with less safeguard constraints contributed to the World Bank’s borrower-centric, revised safeguards framework.

<sup>33</sup>For more on inspection panels, see [Fox \(2002\)](#).

Tierney (2003), and Hawkins et al. (2006b), among others, remains highly relevant and useful for capturing dynamics between principals and agents. However, the literature’s focus on principals and agents has come at the neglect of recipient state capacity issues, and the statistical results in the present paper suggest that neglect is costly. To remedy this issue, I propose supplementing the principal-agent model with a second level focusing on the incomplete contract between the agent and aid recipient country implementer (see Figure 1). Doing so will enable the academic literature to make better sense of the true nature of foreign aid, which is subject to hold-up problems and other agent-implementer power dynamics that prevent agents from *engineering* outcomes in the way that the principal-agent model focusing on agency slack suggests. After all, all foreign aid—regardless of whether it is bilateral or multilateral in nature—has not two but at least three main actors: principals, agents, and recipients/implementers. In cases where procurement is relevant for describing outcomes (e.g., Malik and Stone, 2018), there are even more actors to consider, too.

## 6. Conclusion

Even if an aid project accomplishes all of its objectives, its potential negative externalities—such as destruction of habitats, involuntary resettlement, and the loss of indigenous cultural property—can outweigh the benefits of undertaking an aid project in the first place. The present paper is thus not about reaching aid effectiveness targets but making sure that those targets are not achieved at all costs. In contrast to the previous literature on aid externalities, which focuses on externalities deriving from long causal chains, the present paper examines the direct social and environmental negative externalities of aid. It does so by examining aid recipients’ project-level compliance with World Bank social and environmental safeguard policies (see Figure 2).

Consistent with past literature, I find that agency matters, but also I find that state capacity is a primary predictor of safeguard policy compliance—and, by extension, the pre-

vention or mitigation of negative aid externalities. These results are consistent with my broader theory. It stresses that agent-implementer interactions are subject to incomplete contracts, hold-up problems, and political incentives that differ from typical aid compliance scenarios.<sup>34</sup> In the case of safeguard policy compliance, noncompliance in the form of, say, destruction of a rainforest or indigenous people’s land rarely constitutes strong political strategy. Although politicians may wish to punish some outgroups on the margins, their larger incentive is to credit claim from aid and prolong their power (Cruz and Schneider, 2017; Baldwin and Winters, 2023). Along those lines, recipient states wish to avoid the penalty in terms of less future aid commitments that Buntaine (2016) documents. That is why aid recipients, regardless of their political regime, generally attempt to avoid negative aid externality outcomes if their state has the capacity to do so.

Finally, the present study responds to what Falleti (2021) called the “invisibility” of indigenous issues to political science and provides some cross-country, quantitative data to better understand these topics and related environmental ones.<sup>35</sup> I say “better understand” because the literature and media has to date focused on anthropological case studies and a *selected sample* of projects that reach accountability bodies like the Inspection Panels (e.g., Fox, 2002; Randeria, 2003; Randeria and Grunder, 2011; International Consortium of Investigative Journalists, 2015; Tello, 2015; Zvobgo and Graham, 2020). To further overcome availability and representativeness biases, future research can use the new data advanced in this article to investigate when state capacity and agency break down. By doing so, scholars and policymakers will be able to better protect people and the environment from the negative externalities of foreign aid.

<sup>34</sup>See Girod and Tobin (2016) for more typical aid compliance scenarios.

<sup>35</sup>Notably, Falleti (2021) finds that the top-3 journals—*American Journal of Political Science*, *American Political Science Review*, and *Journal of Politics*—only published 11 articles with the word “indigenous” in the title or abstract from 1990-2020.

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## Appendix A Descriptive Statistics

Table A.1: Compliance Scores by Country (Coded Projects)

Country	N	Mean	Std. Dev.	Minimum	Maximum
Afghanistan	21	2.952381	.8646497	1	4
Albania	9	3.888889	.3333333	3	4
Angola	5	3	1.224745	1	4
Antigua and Barb	1	1		1	1
Argentina	26	3.307692	.6793662	2	4
Armenia	13	3.538462	.5188745	3	4
Azerbaijan	12	3.583333	.7929615	2	4
Bangladesh	30	3.5	.5723515	2	4
Belarus	7	3.857143	.3779645	3	4
Belize	2	3.5	.7071068	3	4
Benin	11	3.363636	.504525	3	4
Bhutan	5	3.6	.5477226	3	4
Bolivia	12	3.583333	.6685579	2	4
Bosnia and Herzegovina	11	3.545455	.6875517	2	4
Botswana	2	2	0	2	2
Brazil	50	3.28	.7835034	1	4
Bulgaria	4	3.75	.5	3	4
Burkina Faso	14	3.214286	.6992932	2	4
Burundi	10	3.2	.9189366	2	4
Cape Verde	2	4	0	4	4
Cambodia	6	3.833333	.4082483	3	4
Cameroon	15	3.066667	.8837151	2	4
Central African Republic	6	2.333333	.8164966	1	3
Chad	8	2.75	1.164965	1	4
Chile	1	4		4	4
China	110	3.645455	.6145986	1	4
Colombia	11	3.636364	.6741999	2	4
Comoros	3	3.666667	.5773503	3	4
Congo, Democratic of	15	2.733333	.8837151	1	4
Congo, Republic of	7	3.571429	.5345225	3	4
Costa Rica	2	3.5	.7071068	3	4
Cote d'Ivoire	11	3.272727	1.00905	1	4
Croatia	10	3.6	.5163978	3	4
Djibouti	8	3.25	.46291	3	4
Dominican Republic	7	3.857143	.3779645	3	4
Ecuador	5	3.2	.83666	2	4
Egypt	15	3.133333	.9904304	1	4
El Salvador	4	3.5	.5773503	3	4
Ethiopia	27	2.555556	1.050031	1	4

*Continued on next page*

Table A.1: Compliance Scores by Country (Coded Projects) – *continued*

Country	N	Mean	Std. Dev.	Minimum	Maximum
Gabon	4	2.5	1.290994	1	4
Gambia, The	4	2.75	1.258306	1	4
Georgia	11	3.272727	.4670994	3	4
Ghana	17	3.117647	.9926198	1	4
Guatemala	3	4	0	4	4
Guinea	9	3.444444	.5270463	3	4
Guinea-Bissau	5	3.2	1.30384	1	4
Guyana	2	3.5	.7071068	3	4
Haiti	17	2.647059	.8617697	1	4
Honduras	12	3.5	.6741999	2	4
India	82	3.195122	.8949657	1	4
Indonesia	23	3.130435	.8688732	1	4
Iraq	3	2	1	1	3
Jamaica	6	3.833333	.4082483	3	4
Jordan	5	3.8	.4472136	3	4
Kazakhstan	6	3	1.264911	1	4
Kenya	19	2.842105	1.118688	1	4
Kiribati	3	3.333333	.5773503	3	4
Kosovo	4	3.75	.5	3	4
Kyrgyz Republic	13	3.615385	.6504436	2	4
Lao PDR	16	3.75	.5773503	2	4
Lebanon	2	4	0	4	4
Lesotho	6	3.5	.83666	2	4
Liberia	11	2.818182	1.250454	1	4
Macedonia, FYR	6	2.833333	.7527727	2	4
Madagascar	7	3	.8164966	2	4
Malawi	11	2.818182	.8738629	2	4
Maldives	2	2	1.414214	1	3
Mali	12	2.916667	.7929615	1	4
Marshall Islands	1	4		4	4
Mauritania	2	3.5	.7071068	3	4
Mauritius	1	4		4	4
Mexico	16	3.625	.7187953	2	4
Micronesia	2	4	0	4	4
Moldova	8	3.5	.7559289	2	4
Mongolia	10	3.7	.6749486	2	4
Montenegro	7	3.714286	.48795	3	4
Morocco	8	3.375	.7440238	2	4
Mozambique	19	3.105263	.875261	2	4
Myanmar	6	3.166667	.7527727	2	4
Nepal	25	2.84	.6244998	2	4
Nicaragua	12	3.583333	.6685579	2	4

*Continued on next page*



Table A.1: Compliance Scores by Country (Coded Projects) – *continued*

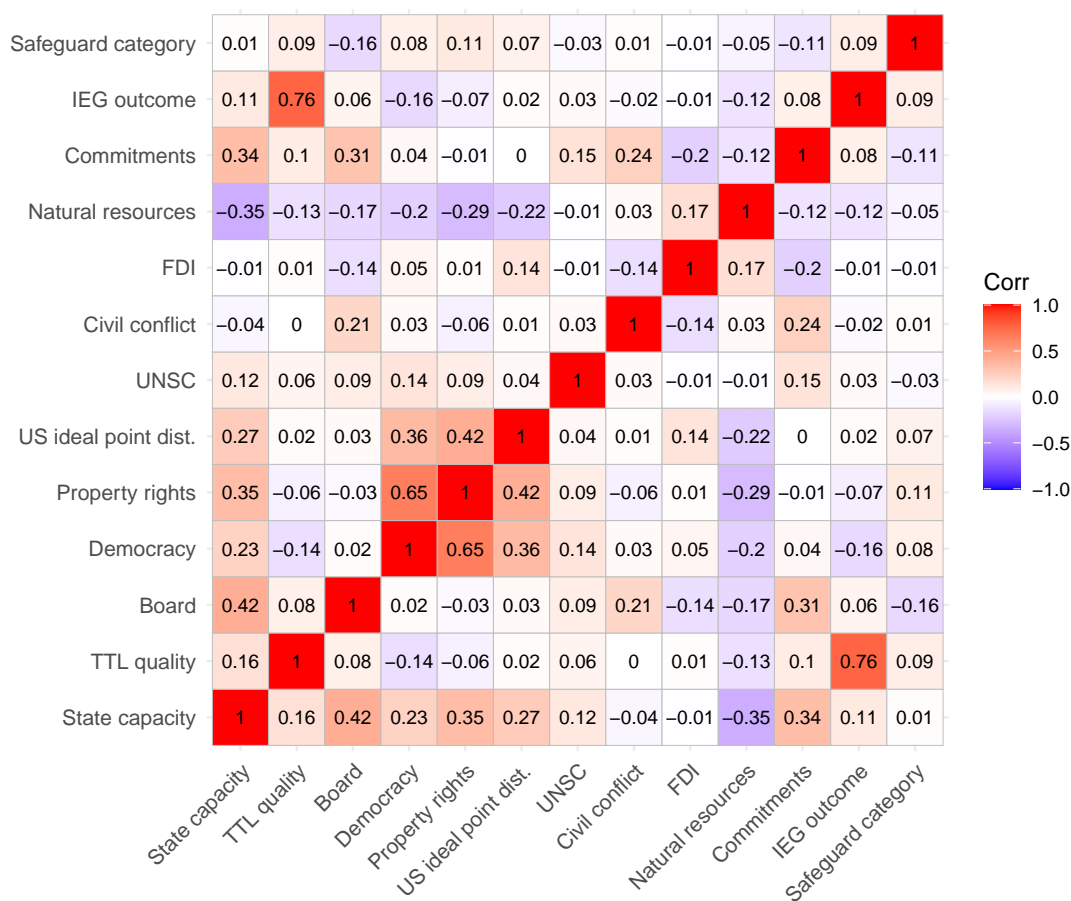
Country	N	Mean	Std. Dev.	Minimum	Maximum
Niger	13	3.076923	.7595545	2	4
Nigeria	25	3.16	.8981462	1	4
Pakistan	21	3.285714	.9561829	1	4
Panama	6	2.5	1.048809	1	4
Papua New Guinea	9	3.222222	.6666667	2	4
Paraguay	4	3.25	.9574271	2	4
Peru	16	3.1875	.9105859	1	4
Philippines	9	3.555556	.8819171	2	4
Poland	1	4		4	4
Romania	1	4		4	4
Russia	4	3.75	.5	3	4
Rwanda	9	3.777778	.6666667	2	4
Samoa	7	3.285714	1.112697	1	4
Sao Tome and Principe	2	3.5	.7071068	3	4
Senegal	14	3	.877058	1	4
Serbia	9	3.222222	1.092906	1	4
Sierra Leone	5	3.2	.83666	2	4
Solomon Islands	4	3.75	.5	3	4
South Africa	1	3		3	3
South Sudan	2	3	0	3	3
Sri Lanka	16	3.25	.8563488	1	4
St. Lucia	2	3.5	.7071068	3	4
St. Vincent and Grenadines	1	4		4	4
Swaziland	2	3	0	3	3
Tajikistan	9	3.444444	1.013794	1	4
Tanzania	20	2.95	.6863327	2	4
Timor-Leste	6	3.5	.83666	2	4
Togo	6	3.166667	.7527727	2	4
Tonga	5	3.4	.5477226	3	4
Tunisia	7	3.142857	.8997354	2	4
Turkey	12	3.583333	.7929615	2	4
Tuvalu	1	4		4	4
Uganda	20	2.55	.9445132	1	4
Ukraine	6	3.666667	.5163978	3	4
Uruguay	5	3.6	.5477226	3	4
Uzbekistan	11	3.181818	.8738629	1	4
Vanuatu	2	3	1.414214	2	4
Vietnam	48	3.625	.5309566	2	4
Yemen	4	2.25	1.258306	1	4
Zambia	8	2.875	1.356203	1	4

Source: Own coding.

Table A.2: Summary Statistics

	Mean	Std. Dev.	Min	Max
Compliance score	3.280367	.8423543	1	4
State capacity	.2514543	.5888828	-1.667	1.55
TTL	4.081379	.5858504	1.687143	5.968615
Board	.2154316	.4112786	0	1
Safeguard category	2.006944	.7492274	1	6
GDP per capita (log)	7.593406	1.008442	5.424327	9.629243
Democracy	.4676114	.2240747	.087	.929
Property rights	.6218248	.1977725	.122	.923
US ideal point dist.	-2.998228	.49765	-4.263185	-.835578
Temp. UNSC	.0756303	.2645066	0	1
Civil war	.236822	.4252946	0	1
FDI	4.493641	6.979562	-4.84583	103.3374
Natural resources	7.707047	8.618377	0	56.9313
Commitments (log)	17.99747	1.209989	13.73863	22.12996

Figure A.1: Correlation Matrix



## Appendix B Additional Regression Tables

Table B.1: Compliance with World Bank Safeguard Policies 2007-2015  
(Non-Mundlak Ordered Logit Models with Country Random Intercepts)

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Compliance=1	-0.0240*** (0.0054)	-0.0276*** (0.0064)	-0.0307*** (0.0065)	-0.0317*** (0.0065)	-0.0262*** (0.0066)	-0.0184*** (0.0050)	-0.0201*** (0.0051)	0.0034 (0.0060)	-0.0051 (0.0065)	-0.0044 (0.0065)
Compliance=2	-0.0614*** (0.0127)	-0.0705*** (0.0135)	-0.0792*** (0.0154)	-0.0816*** (0.0146)	-0.0601*** (0.0114)	-0.0469*** (0.0110)	-0.0500*** (0.0109)	0.0081 (0.0141)	-0.0131 (0.0165)	-0.0113 (0.0164)
Compliance=3	-0.0617*** (0.0144)	-0.0657*** (0.0129)	-0.0664*** (0.0141)	-0.0684*** (0.0134)	-0.0458*** (0.0090)	-0.0368*** (0.0089)	-0.0381*** (0.0092)	0.0069 (0.0120)	-0.0102 (0.0128)	-0.0088 (0.0128)
Compliance=4	0.1472*** (0.0297)	0.1638*** (0.0291)	0.1763*** (0.0317)	0.1817*** (0.0296)	0.1320*** (0.0229)	0.1021*** (0.0226)	0.1082*** (0.0224)	-0.0184 (0.0320)	0.0284 (0.0357)	0.0245 (0.0356)
Observations	1268	1162	1112	1112	1148	1055	1063	1190	1055	1055

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Note: “base” refers to the minimal adjustment set to satisfy Pearl’s (2009) backdoor criterion;

“full” refers to the variables in Perković et al.’s (2018) canonical adjustment set;

“full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see Table 2)

Table B.2: Compliance with World Bank Safeguard Policies 2007-2015  
(Linear Model with Country Random Intercepts)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	State Capacity (base1)	State Capacity (base2)	State Capacity (full)	State Capacity (full lc)	TTL Quality (base)	TTL Quality (full)	TTL Quality (full lc)	Board (base)	Board (full)	Board (full lc)
State capacity (between)	0.1635*** (0.0317)	0.1718*** (0.0292)	0.1735*** (0.0348)	0.1744*** (0.0338)		0.1826*** (0.0364)	0.1791*** (0.0377)		0.1826*** (0.0364)	0.2012*** (0.0358)
State capacity (within)	0.0140 (0.1573)	-0.0131 (0.1757)	-0.0230 (0.1777)	0.0319 (0.1595)		0.0217 (0.1799)	0.0335 (0.1714)		0.0217 (0.1799)	-0.0407 (0.1742)
Civil war (between)	-0.0357 (0.0615)	-0.0357 (0.0591)	-0.0553 (0.0553)	-0.0559 (0.0571)		-0.0400 (0.0553)	-0.0361 (0.0635)		-0.0400 (0.0553)	-0.0360 (0.0590)
Civil war (within)	-0.1083** (0.0530)	-0.1047* (0.0553)	-0.1062** (0.0540)	-0.1208** (0.0512)		-0.1169** (0.0461)	-0.1171** (0.0453)		-0.1169** (0.0461)	-0.1180*** (0.0444)
FDI (between)	0.0059** (0.0025)	0.0071*** (0.0026)	0.0084*** (0.0027)	0.0080*** (0.0026)		0.0083*** (0.0026)	0.0053** (0.0022)		0.0083*** (0.0026)	0.0076*** (0.0025)
FDI (within)	0.0058* (0.0035)	0.0053 (0.0037)	0.0058* (0.0034)	0.0059* (0.0033)		0.0054 (0.0035)	0.0056* (0.0033)		0.0054 (0.0035)	0.0056 (0.0035)
Natural resources (between)	0.0001 (0.0020)		-0.0007 (0.0020)	-0.0006 (0.0019)		-0.0004 (0.0023)	0.0011 (0.0022)		-0.0004 (0.0023)	-0.0009 (0.0023)
Natural resources (within)	-0.0050 (0.0055)		0.0002 (0.0065)	-0.0017 (0.0054)		0.0035 (0.0063)	0.0032 (0.0061)		0.0035 (0.0063)	0.0055 (0.0064)
Property rights (between)	-0.0169 (0.1182)	0.1736 (0.1199)	0.2104* (0.1166)	0.1734 (0.1120)		0.1955* (0.1156)	-0.0288 (0.1153)		0.1955* (0.1156)	
Property rights (within)	-0.7274** (0.3333)	-0.4724 (0.3791)	-0.6209* (0.3618)	-0.8584*** (0.2860)		-0.7140** (0.3637)	-0.7287** (0.3500)		-0.7140** (0.3637)	
Democracy (between)		-0.2741** (0.1075)	-0.4537*** (0.1090)	-0.4442*** (0.1053)		-0.4123*** (0.1063)			-0.4123*** (0.1063)	-0.3120*** (0.0891)
Democracy (within)		-0.5064* (0.2691)	-0.4804* (0.2707)	-0.2768 (0.2473)		-0.5304* (0.2818)			-0.5304* (0.2818)	-0.5686** (0.2799)
US ideal pt. dist. (between)		-0.0141 (0.0510)	-0.0191 (0.0429)			-0.0281 (0.0402)		0.0699* (0.0412)	-0.0281 (0.0402)	-0.0118 (0.0387)
US ideal pt. dist. (within)		0.0448 (0.0789)	0.0518 (0.0850)			0.0953 (0.0758)		0.0340 (0.0731)	0.0953 (0.0758)	0.0879 (0.0733)
Safeguard category (between)			0.2870*** (0.0710)	0.2932*** (0.0714)		0.2476*** (0.0823)	0.1768* (0.0973)		0.2476*** (0.0823)	0.2496*** (0.0836)
Safeguard category (within)			0.1460*** (0.0352)	0.1470*** (0.0335)		0.1280*** (0.0390)	0.1322*** (0.0399)		0.1280*** (0.0390)	0.1223*** (0.0392)
Board (between)			0.0551 (0.0658)	0.0810 (0.0589)		0.0864 (0.0620)	0.0289 (0.0965)	0.0223 (0.0965)	0.0864 (0.0620)	0.0651 (0.0665)
Board (within)			-0.0391 (0.0481)	-0.0918* (0.0470)		-0.0127 (0.0556)	-0.0147 (0.0554)	-0.0303 (0.0498)	-0.0127 (0.0556)	-0.0057 (0.0529)
Temp. UNSC (between)			0.2458 (0.1721)	0.1249 (0.1542)		0.3039* (0.1681)	0.2263 (0.1881)	0.3002* (0.1648)	0.3039* (0.1681)	0.3017* (0.1721)
Temp. UNSC (within)			-0.0079 (0.0538)	-0.0129 (0.0568)		-0.0179 (0.0595)	-0.0128 (0.0618)	-0.0007 (0.0526)	-0.0179 (0.0595)	-0.0235 (0.0569)
TTL (between)					0.2219*** (0.0641)	0.0653 (0.0638)	0.1240* (0.0722)		0.0653 (0.0638)	0.0534 (0.0656)
TTL (within)					0.0909*** (0.0232)	0.0770*** (0.0250)	0.0776*** (0.0248)		0.0770*** (0.0250)	0.0776*** (0.0248)
Log commitment (between)					-0.0235 (0.0184)	-0.0406* (0.0238)	-0.0476* (0.0250)		-0.0406* (0.0238)	-0.0456* (0.0249)
Log commitment (within)					-0.0886*** (0.0187)	-0.0701*** (0.0168)	-0.0716*** (0.0167)		-0.0701*** (0.0168)	-0.0694*** (0.0167)
Constant	0.4449*** (0.0907)	0.4059** (0.2039)	-0.1253 (0.2193)	-0.0541 (0.1509)	-0.0016 (0.4274)	0.3490 (0.5495)	0.4151 (0.6070)	0.6706*** (0.1209)	0.3490 (0.5495)	0.6124 (0.5617)
Country intercept	-2.1570*** (0.1440)	-2.2874*** (0.2454)	-2.6476*** (0.4803)	-2.6181*** (0.4038)	-2.0208*** (0.1635)	-3.0585** (1.2363)	-2.3849*** (0.2028)	-1.9203*** (0.1186)	-3.0585** (1.2363)	-2.7831*** (0.6098)
Observations	1268	1162	1112	1217	1148	1055	1063	1190	1055	1055

Note: Country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Note: “base” refers to the minimal adjustment set to satisfy Pearl’s (2009) backdoor criterion;

“full” refers to the variables in Perković et al.’s (2018) canonical adjustment set;

“full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see Table 2)

Table B.3: Compliance with World Bank Safeguard Policies 2007-2015  
(Logit Models with Country Random Intercepts)

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
State capacity (between)	0.7345*** (0.1517)	0.7700*** (0.1389)	0.7990*** (0.1649)	0.7957*** (0.1608)		0.8572*** (0.1965)	0.8403*** (0.1881)		0.8572*** (0.1965)	0.9447*** (0.1873)
State capacity (within)	0.0424 (0.7362)	-0.0851 (0.8363)	-0.1684 (0.8685)	0.0827 (0.7688)		0.0923 (0.8825)	0.1344 (0.8372)		0.0923 (0.8825)	-0.1855 (0.8568)
Civil war (between)	-0.1616 (0.2769)	-0.1575 (0.2618)	-0.2545 (0.2467)	-0.2638 (0.2577)		-0.1865 (0.2533)	-0.1800 (0.3042)		-0.1865 (0.2533)	-0.1663 (0.2731)
Civil war (within)	-0.4885** (0.2346)	-0.4752* (0.2482)	-0.4791** (0.2364)	-0.5492** (0.2273)		-0.5541*** (0.2071)	-0.5506*** (0.2047)		-0.5541*** (0.2071)	-0.5580*** (0.1997)
FDI (between)	0.0276** (0.0120)	0.0324*** (0.0118)	0.0387*** (0.0125)	0.0370*** (0.0122)		0.0397*** (0.0133)	0.0268** (0.0122)		0.0397*** (0.0133)	0.0351*** (0.0134)
FDI (within)	0.0276 (0.0199)	0.0243 (0.0192)	0.0271 (0.0186)	0.0284 (0.0190)		0.0266 (0.0209)	0.0285 (0.0217)		0.0266 (0.0209)	0.0265 (0.0197)
Natural resources (between)	0.0007 (0.0091)		-0.0031 (0.0093)	-0.0034 (0.0092)		-0.0024 (0.0112)	0.0052 (0.0109)		-0.0024 (0.0112)	-0.0042 (0.0115)
Natural resources (within)	-0.0234 (0.0256)		-0.0003 (0.0302)	-0.0084 (0.0256)		0.0170 (0.0305)	0.0151 (0.0300)		0.0170 (0.0305)	0.0254 (0.0307)
Property rights (between)	-0.0690 (0.5282)	0.7770 (0.5393)	0.9847* (0.5398)	0.8044 (0.5231)		0.9879* (0.5584)	-0.1012 (0.5464)		0.9879* (0.5584)	
Property rights (within)	-3.2773** (1.5357)	-2.1220 (1.7073)	-2.9149* (1.6681)	-3.9979*** (1.3450)		-3.3308** (1.6776)	-3.4150** (1.6618)		-3.3308** (1.6776)	
Democracy (between)	-1.1934** (0.4974)	-2.0677*** (0.5895)	-2.0235*** (0.5390)	-2.0235*** (0.5390)		-1.9717** (0.8941)	-1.9717** (0.8941)		-1.9717** (0.8941)	-1.4177*** (0.4748)
Democracy (within)	-2.2774* (1.1925)	-2.1454* (1.1789)	-2.1454* (1.1789)	-1.2171 (1.0926)		-2.3617* (1.2216)	-2.3617* (1.2216)		-2.3617* (1.2216)	-2.6201** (1.2159)
US ideal pt. dist. (between)		-0.0707 (0.2275)	-0.0894 (0.1881)			-0.1357 (0.1964)		0.3183* (0.1854)	-0.1357 (0.1964)	-0.0574 (0.1755)
US ideal pt. dist. (within)		0.1952 (0.3606)	0.2163 (0.3927)			0.4270 (0.3567)		0.1497 (0.3234)	0.4270 (0.3567)	0.4002 (0.3464)
Safeguard category (between)			1.3221*** (0.3431)	1.3678*** (0.3508)		1.1734*** (0.3854)	0.8649* (0.4715)		1.1734*** (0.3854)	1.1844*** (0.4011)
Safeguard category (within)			0.6680*** (0.1646)	0.6751*** (0.1581)		0.5965*** (0.1892)	0.6246*** (0.1930)		0.5965*** (0.1892)	0.5748*** (0.1856)
Board (between)			0.2663 (0.3216)	0.3895 (0.2758)		0.4413 (0.4458)	0.1606 (0.4423)	0.0833 (0.4237)	0.4413 (0.4458)	0.3233 (0.3295)
Board (within)			-0.1669 (0.2087)	-0.4063* (0.2120)		-0.0607 (0.2472)	-0.0720 (0.2524)	-0.1292 (0.2142)	-0.0607 (0.2472)	-0.0258 (0.2359)
Temp. UNSC (between)			1.0752 (0.7912)	0.5552 (0.6773)		1.3562 (0.9475)	1.0217 (0.9383)	1.4088* (0.7929)	1.3562 (0.9475)	1.3779 (0.8640)
Temp. UNSC (within)			-0.0315 (0.2373)	-0.0539 (0.2496)		-0.0684 (0.2706)	-0.0483 (0.2820)	-0.0020 (0.2270)	-0.0684 (0.2706)	-0.0938 (0.2564)
TTL (between)					0.9925*** (0.2998)	0.3151 (0.3141)	0.5844* (0.3444)		0.3151 (0.3141)	0.2532 (0.3126)
TTL (within)					0.4148*** (0.1094)	0.3628*** (0.1216)	0.3694*** (0.1200)		0.3628*** (0.1216)	0.3682*** (0.1178)
Log commitment (between)					-0.1064 (0.0843)	-0.1922 (0.1250)	-0.2178* (0.1223)		-0.1922 (0.1250)	-0.2167* (0.1244)
Log commitment (within)					-0.3981*** (0.0853)	-0.3231*** (0.0779)	-0.3332*** (0.0771)		-0.3231*** (0.0779)	-0.3195*** (0.0766)
Constant	-0.2620 (0.4042)	-0.4660 (0.9238)	-2.9052*** (1.0200)	-2.5980*** (0.7268)	-2.2253 (1.9573)	-0.7799 (2.8777)	-0.6136 (2.8777)	0.7797 (0.5416)	-0.7799 (2.6820)	0.5130 (2.7098)
Country intercept	0.2593*** (0.0814)	0.1958* (0.1101)	0.0864 (0.1116)	0.0953 (0.0931)	0.3577*** (0.1349)	0.0224 (0.2208)	0.1766** (0.0819)	0.4177*** (0.1130)	0.0224 (0.2208)	0.0731 (0.1238)
Observations	1268	1162	1112	1217	1148	1055	1063	1190	1055	1055

Note: marginal effects with country-clustered robust standard errors.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table B.4: Compliance with World Bank Safeguard Policies 2007-2015  
(Cross-Sectional Mundlak Ordered Logit Models)

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Panel A: Between-Country Effects										
Compliance = 1	-0.0258*** (0.0061)	-0.0285*** (0.0064)	-0.0273*** (0.0071)	-0.0259*** (0.0064)	-0.0520*** (0.0163)	-0.0154 (0.0102)	-0.0337*** (0.0120)	-0.0189 (0.0175)	-0.0208* (0.0110)	-0.0185* (0.0111)
Compliance = 2	-0.0669*** (0.0145)	-0.0735*** (0.0130)	-0.0707*** (0.0182)	-0.0669*** (0.0169)	-0.1289*** (0.0327)	-0.0400 (0.0255)	-0.0863*** (0.0287)	-0.0483 (0.0439)	-0.0539** (0.0246)	-0.0482* (0.0252)
Compliance = 3	-0.0671*** (0.0166)	-0.0675*** (0.0112)	-0.0599*** (0.0152)	-0.0615*** (0.0155)	-0.1160*** (0.0316)	-0.0326 (0.0199)	-0.0707*** (0.0234)	-0.0466 (0.0445)	-0.0440** (0.0194)	-0.0391** (0.0194)
Compliance = 4	0.1598*** (0.0340)	0.1694*** (0.0265)	0.1579*** (0.0378)	0.1543*** (0.0365)	0.2970*** (0.0738)	0.0881 (0.0549)	0.1907*** (0.0612)	0.1138 (0.1051)	0.1187** (0.0539)	0.1059* (0.0549)
Panel B: Within-Country Effects										
Compliance = 1	-0.0092 (0.0226)	-0.0048 (0.0241)	-0.0026 (0.0235)	-0.0120 (0.0226)	-0.0212*** (0.0063)	-0.0189*** (0.0053)	-0.0191*** (0.0054)	0.0140 (0.0088)	0.0095 (0.0113)	0.0081 (0.0106)
Compliance = 2	-0.0238 (0.0583)	-0.0124 (0.0623)	-0.0067 (0.0608)	-0.0310 (0.0587)	-0.0525*** (0.0122)	-0.0490*** (0.0118)	-0.0490*** (0.0117)	0.0358 (0.0221)	0.0246 (0.0286)	0.0212 (0.0271)
Compliance = 3	-0.0239 (0.0584)	-0.0114 (0.0570)	-0.0057 (0.0515)	-0.0285 (0.0538)	-0.0472*** (0.0093)	-0.0399*** (0.0099)	-0.0401*** (0.0098)	0.0346 (0.0220)	0.0200 (0.0237)	0.0172 (0.0223)
Compliance = 4	0.0570 (0.1392)	0.0286 (0.1433)	0.0151 (0.1358)	0.0716 (0.1350)	0.1209*** (0.0247)	0.1078*** (0.0251)	0.1082*** (0.0247)	-0.0844 (0.0520)	-0.0541 (0.0634)	-0.0465 (0.0598)
Observations	1268	1162	1112	1217	1148	1055	1063	1190	1055	1055

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

“full” refers to the variables in [Perković et al.’s \(2018\)](#) canonical adjustment set;

“full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))

Table B.5: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit Models with Country and Year Random Intercepts)

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Panel A: Between-Country Effects										
Compliance = 1	-0.0248*** (0.0057)	-0.0287*** (0.0066)	-0.0290*** (0.0073)	-0.0275*** (0.0066)	-0.0501*** (0.0157)	-0.0147 (0.0110)	-0.0253* (0.0130)	-0.0061 (0.0172)	-0.0180 (0.0117)	-0.0148 (0.0118)
Compliance = 2	-0.0621*** (0.0134)	-0.0717*** (0.0137)	-0.0729*** (0.0177)	-0.0696*** (0.0161)	-0.1166*** (0.0309)	-0.0369 (0.0275)	-0.0623* (0.0320)	-0.0144 (0.0403)	-0.0451 (0.0277)	-0.0371 (0.0282)
Compliance = 3	-0.0612*** (0.0149)	-0.0659*** (0.0130)	-0.0608*** (0.0144)	-0.0636*** (0.0145)	-0.0964*** (0.0248)	-0.0293 (0.0212)	-0.0483* (0.0255)	-0.0128 (0.0364)	-0.0359 (0.0221)	-0.0292 (0.0221)
Compliance = 4	0.1480*** (0.0313)	0.1663*** (0.0294)	0.1626*** (0.0364)	0.1607*** (0.0346)	0.2631*** (0.0661)	0.0808 (0.0591)	0.1359** (0.0689)	0.0333 (0.0938)	0.0990 (0.0607)	0.0812 (0.0615)
Panel B: Within-Country Effects										
Compliance = 1	-0.0069 (0.0228)	-0.0020 (0.0238)	0.0001 (0.0237)	-0.0110 (0.0230)	-0.0224*** (0.0062)	-0.0190*** (0.0054)	-0.0197*** (0.0056)	0.0128 (0.0084)	0.0099 (0.0116)	0.0087 (0.0111)
Compliance = 2	-0.0173 (0.0570)	-0.0050 (0.0594)	0.0001 (0.0595)	-0.0278 (0.0582)	-0.0522*** (0.0116)	-0.0478*** (0.0119)	-0.0484*** (0.0119)	0.0300 (0.0195)	0.0249 (0.0285)	0.0219 (0.0272)
Compliance = 3	-0.0170 (0.0561)	-0.0046 (0.0544)	0.0001 (0.0496)	-0.0253 (0.0531)	-0.0431*** (0.0094)	-0.0380*** (0.0099)	-0.0375*** (0.0097)	0.0265 (0.0178)	0.0198 (0.0230)	0.0172 (0.0216)
Compliance = 4	0.0412 (0.1359)	0.0116 (0.1376)	-0.0003 (0.1329)	0.0641 (0.1342)	0.1176*** (0.0243)	0.1048*** (0.0252)	0.1056*** (0.0247)	-0.0693 (0.0451)	-0.0546 (0.0629)	-0.0478 (0.0597)
Observations	1268	1162	1112	1217	1148	1055	1063	1190	1055	1055

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ; year nested within country.

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

Note: “full” refers to the variables in [Perković et al.’s \(2018\)](#) canonical adjustment set;

Note: “full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))

Table B.6: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit Models with Country and Year Random Intercepts [Only IEG-Evaluated Projects])

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Panel A: Between-Country Effects										
Compliance = 1	-0.0261*** (0.0061)	-0.0289*** (0.0065)	-0.0280*** (0.0068)	-0.0275*** (0.0068)	-0.0488*** (0.0155)	-0.0144 (0.0108)	-0.0249* (0.0128)	-0.0076 (0.0176)	-0.0172 (0.0114)	-0.0143 (0.0116)
Compliance = 2	-0.0627*** (0.0139)	-0.0701*** (0.0132)	-0.0691*** (0.0168)	-0.0670*** (0.0166)	-0.1157*** (0.0309)	-0.0370 (0.0277)	-0.0624* (0.0322)	-0.0175 (0.0406)	-0.0442 (0.0277)	-0.0368 (0.0284)
Compliance = 3	-0.0556*** (0.0151)	-0.0626*** (0.0139)	-0.0558*** (0.0146)	-0.0543*** (0.0144)	-0.0974*** (0.0254)	-0.0300 (0.0219)	-0.0490* (0.0262)	-0.0151 (0.0359)	-0.0358 (0.0226)	-0.0295 (0.0228)
Compliance = 4	0.1445*** (0.0322)	0.1616*** (0.0295)	0.1530*** (0.0353)	0.1488*** (0.0350)	0.2619*** (0.0665)	0.0814 (0.0600)	0.1362* (0.0697)	0.0402 (0.0940)	0.0972 (0.0609)	0.0806 (0.0623)
Panel B: Within-Country Effects										
Compliance = 1	-0.0119 (0.0290)	-0.0077 (0.0288)	-0.0032 (0.0279)	-0.0080 (0.0277)	-0.0225*** (0.0062)	-0.0190*** (0.0054)	-0.0196*** (0.0056)	0.0067 (0.0088)	0.0095 (0.0114)	0.0083 (0.0107)
Compliance = 2	-0.0287 (0.0694)	-0.0187 (0.0697)	-0.0079 (0.0689)	-0.0194 (0.0675)	-0.0535*** (0.0114)	-0.0487*** (0.0117)	-0.0491*** (0.0118)	0.0154 (0.0201)	0.0245 (0.0285)	0.0214 (0.0269)
Compliance = 3	-0.0254 (0.0612)	-0.0167 (0.0618)	-0.0064 (0.0555)	-0.0157 (0.0545)	-0.0450*** (0.0094)	-0.0396*** (0.0098)	-0.0386*** (0.0097)	0.0132 (0.0177)	0.0199 (0.0235)	0.0172 (0.0219)
Compliance = 4	0.0660 (0.1595)	0.0430 (0.1603)	0.0175 (0.1523)	0.0430 (0.1497)	0.1210*** (0.0240)	0.1073*** (0.0249)	0.1074*** (0.0245)	-0.0353 (0.0464)	-0.0540 (0.0631)	-0.0470 (0.0594)
Observations	1116	1107	1057	1066	1148	1055	1063	1134	1055	1055

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ; year nested within country.

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

Note: “full” refers to the variables in [Perković et al.’s \(2018\)](#) canonical adjustment set;

Note: “full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))



Table B.7: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit with Country Random Intercepts [Only Projects Triggering Social & Resettlement Safeguards])

	(1) State Capacity (base1)	(2) State Capacity (base2)	(3) State Capacity (full)	(4) State Capacity (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full lc)	(7) Board (base)	(8) Board (full lc)
Compliance = 1	-0.0258*** (0.0065)	-0.0291*** (0.0072)	-0.0261*** (0.0084)	-0.0251*** (0.0077)	-0.0484*** (0.0163)	-0.0458*** (0.0159)	-0.0123 (0.0175)	-0.0242* (0.0129)
Compliance = 2	-0.0709*** (0.0160)	-0.0788*** (0.0163)	-0.0708*** (0.0215)	-0.0695*** (0.0198)	-0.1342*** (0.0375)	-0.1274*** (0.0381)	-0.0334 (0.0475)	-0.0667* (0.0345)
Compliance = 3	-0.0544*** (0.0166)	-0.0587*** (0.0153)	-0.0498*** (0.0154)	-0.0528*** (0.0157)	-0.0835*** (0.0259)	-0.0815*** (0.0273)	-0.0238 (0.0359)	-0.0439** (0.0224)
Compliance = 4	0.1511*** (0.0353)	0.1666*** (0.0340)	0.1467*** (0.0425)	0.1474*** (0.0405)	0.2661*** (0.0718)	0.2546*** (0.0749)	0.0695 (0.1005)	0.1348** (0.0680)
Panel B: Within-Country Effects								
Compliance = 1	-0.0306 (0.0280)	-0.0475 (0.0298)	-0.0443* (0.0268)	-0.0386 (0.0270)	-0.0241*** (0.0078)	-0.0215*** (0.0071)	0.0254** (0.0114)	0.0196 (0.0143)
Compliance = 2	-0.0840 (0.0725)	-0.1287* (0.0734)	-0.1201* (0.0674)	-0.1069 (0.0693)	-0.0667*** (0.0153)	-0.0600*** (0.0162)	0.0690** (0.0296)	0.0541 (0.0375)
Compliance = 3	-0.0645 (0.0565)	-0.0959* (0.0539)	-0.0844* (0.0465)	-0.0812 (0.0531)	-0.0415*** (0.0098)	-0.0384*** (0.0111)	0.0491** (0.0247)	0.0356 (0.0253)
Compliance = 4	0.1791 (0.1556)	0.2721* (0.1541)	0.2488* (0.1382)	0.2268 (0.1476)	0.1322*** (0.0284)	0.1199*** (0.0310)	-0.1435** (0.0631)	-0.1094 (0.0761)
Observations	976	888	863	950	865	820	907	816

Note: marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

Note: “full” specifications capturing [Perković et al.’s \(2018\)](#) canonical adjustment set excluded due to inability to calculate marginal effects.

Note: “full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))

Table B.8: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit Models with Country and Year Random Intercepts [With Government Effectiveness])

	(1) Govt. Eff. (base1)	(2) Govt. Eff. (base2)	(3) Govt. Eff. (full)	(4) Govt. Eff. (full lc)	(5) TTL Quality (base)	(6) TTL Quality (full)	(7) TTL Quality (full lc)	(8) Board (base)	(9) Board (full)	(10) Board (full lc)
Panel A: Between-Country Effects										
Compliance = 1	-0.0187*** (0.0067)	-0.0228*** (0.0071)	-0.0239*** (0.0077)	-0.0239*** (0.0070)	-0.0488*** (0.0155)	-0.0226** (0.0112)	-0.0242* (0.0126)	-0.0061 (0.0168)	-0.0233** (0.0112)	-0.0203* (0.0117)
Compliance = 2	-0.0473*** (0.0180)	-0.0575*** (0.0181)	-0.0609*** (0.0208)	-0.0611*** (0.0189)	-0.1157*** (0.0309)	-0.0578** (0.0277)	-0.0606** (0.0305)	-0.0145 (0.0402)	-0.0597** (0.0257)	-0.0519* (0.0271)
Compliance = 3	-0.0460** (0.0185)	-0.0516*** (0.0169)	-0.0506*** (0.0166)	-0.0560*** (0.0167)	-0.0974*** (0.0254)	-0.0459** (0.0212)	-0.0453** (0.0225)	-0.0131 (0.0371)	-0.0474** (0.0209)	-0.0406* (0.0212)
Compliance = 4	0.1120*** (0.0419)	0.1320*** (0.0402)	0.1353*** (0.0432)	0.1410*** (0.0407)	0.2619*** (0.0665)	0.1263** (0.0588)	0.1301** (0.0642)	0.0337 (0.0940)	0.1304** (0.0566)	0.1128* (0.0590)
Observations	1278	1168	1118	1227	1148	1061	1061	1190	1061	1061
Panel B: Within-Country Effects										
Compliance = 1	-0.0010 (0.0191)	-0.0057 (0.0211)	-0.0047 (0.0228)	-0.0033 (0.0203)	-0.0225*** (0.0062)	-0.0192*** (0.0054)	-0.0200*** (0.0056)	0.0121 (0.0079)	0.0088 (0.0115)	0.0077 (0.0109)
Compliance = 2	-0.0025 (0.0483)	-0.0144 (0.0537)	-0.0120 (0.0588)	-0.0084 (0.0524)	-0.0535*** (0.0114)	-0.0492*** (0.0118)	-0.0500*** (0.0119)	0.0289 (0.0189)	0.0226 (0.0288)	0.0196 (0.0272)
Compliance = 3	-0.0024 (0.0469)	-0.0129 (0.0481)	-0.0099 (0.0487)	-0.0077 (0.0479)	-0.0450*** (0.0094)	-0.0390*** (0.0094)	-0.0374*** (0.0093)	0.0260 (0.0179)	0.0180 (0.0230)	0.0154 (0.0213)
Compliance = 4	0.0059 (0.1143)	0.0330 (0.1227)	0.0266 (0.1303)	0.0193 (0.1206)	0.1210*** (0.0240)	0.1075*** (0.0246)	0.1074*** (0.0243)	-0.0670 (0.0441)	-0.0494 (0.0631)	-0.0427 (0.0592)
Observations	1278	1168	1118	1227	1148	1061	1061	1190	1061	1061

Marginal effects with country-clustered robust standard errors; \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ; year nested within country.

Note: “base” refers to the minimal adjustment set to satisfy [Pearl’s \(2009\)](#) backdoor criterion;

Note: “full” refers to the variables in [Perković et al.’s \(2018\)](#) canonical adjustment set;

Note: “full lc” refers to the canonical adjustment set, minus any variables excluded due to potential collinearity (see [Table 2](#))

Table B.9: Compliance with World Bank Safeguard Policies 2007-2015  
(Mundlak Ordered Logit Models with Country Random Intercepts)

	(1) US Ideal (base)	(2) US Ideal (base)	(3) US Ideal (base)	(4) Temp UNSC (base)	(5) Temp UNSC (full)	(6) Temp UNSC (full lc)
Panel A: Between-Country Effects						
Compliance = 1	-0.0129 (0.0087)	-0.0043 (0.0071)	-0.0093 (0.0073)	-0.0268 (0.0280)	-0.0499 (0.0324)	-0.0484 (0.0334)
Compliance = 2	-0.0317 (0.0206)	-0.0106 (0.0174)	-0.0227 (0.0175)	-0.0652 (0.0677)	-0.1265 (0.0777)	-0.1228 (0.0809)
Compliance = 3	-0.0269 (0.0173)	-0.0080 (0.0131)	-0.0171 (0.0131)	-0.0628 (0.0650)	-0.0993* (0.0602)	-0.0958 (0.0622)
Compliance = 4	0.0714 (0.0460)	0.0229 (0.0375)	0.0491 (0.0375)	0.1549 (0.1601)	0.2757 (0.1679)	0.2670 (0.1741)
Panel B: Within-Country Effects						
Compliance = 1	-0.0139 (0.0122)	-0.0185 (0.0146)	-0.0168 (0.0137)	0.0079 (0.0095)	0.0066 (0.0109)	0.0080 (0.0104)
Compliance = 2	-0.0342 (0.0296)	-0.0452 (0.0355)	-0.0410 (0.0332)	0.0191 (0.0228)	0.0168 (0.0268)	0.0202 (0.0255)
Compliance = 3	-0.0290 (0.0248)	-0.0340 (0.0267)	-0.0309 (0.0250)	0.0184 (0.0218)	0.0132 (0.0212)	0.0157 (0.0200)
Compliance = 4	0.0771 (0.0662)	0.0977 (0.0760)	0.0887 (0.0713)	-0.0454 (0.0539)	-0.0366 (0.0587)	-0.0439 (0.0558)
Observations	1168	1118	1118	1309	1055	1055

Note: marginal effects with country-clustered robust standard errors.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

US ideal base adjustment set: democracy

US ideal full adjustment set: civil conflict, democracy, natural resources, property rights, safeguard category, UNSC

US ideal full lc adjustment set: civil conflict, democracy, natural resources, safeguard category, UNSC

UNSC base adjustment set: civil conflict

UNSC full adjustment set: civil conflict, commitment, democracy, FDI, natural resources, property rights, safeguard category, state capacity, US ideal

UNSC full lc adjustment set: civil conflict, commitment, democracy, FDI, natural resources, safeguard category, state capacity, US ideal

## Appendix C Model Choice Diagnostics

Table C.1: Panel-level Summary of State Capacity Variable

	Mean	Std. Dev.	Min	Max	Observations
state capacity (overall)	0.251	0.589	−1.667	1.550	$N = 1,274$
<i>between</i>	—	0.651	−1.400	1.550	$n = 107$
<i>within</i>	—	0.085	−0.156	0.694	$\bar{T} = 11.91$

Note: the above reflects `xtsum` in Stata

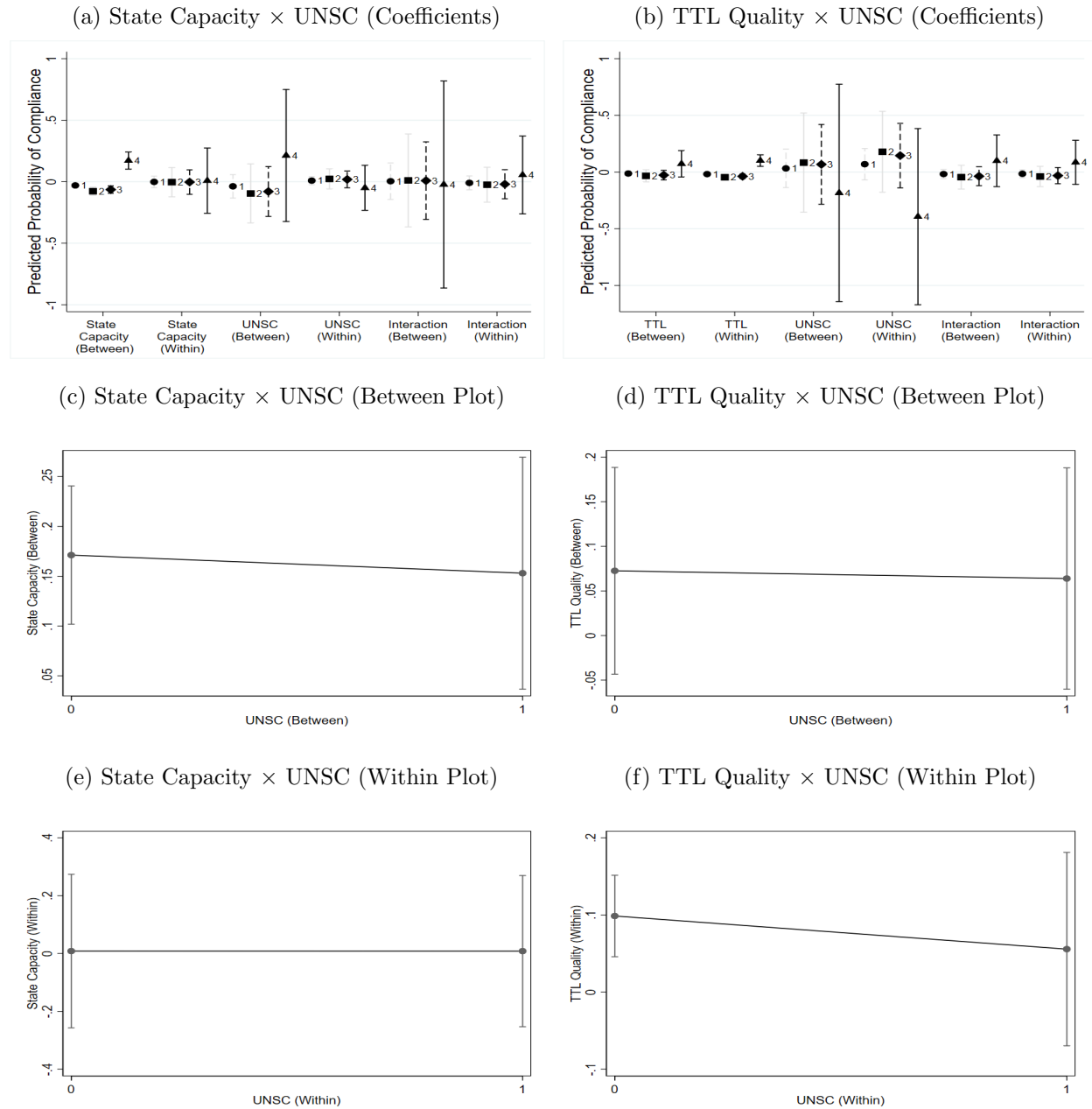
Table C.2: Panel Diagnostics and Random-Intercept Results

	Estimate	Interpretation
Intraclass correlation, $\rho = \sigma_u^2 / (\sigma_u^2 + \sigma_e^2)$	0.98	98 % of variance at country level
LR test vs. pooled OLS, $\chi^2(1)$	4 161.4***	Country dummies matter

Note: Linear regression model with no covariates, a country random intercept, and state capacity as the dependent variable.  $N = 1,274$  observations,  $n = 107$  countries. Variance components from the random-intercept model:  $\sigma_u^2 = 0.417$  (country intercept),  $\sigma_e^2 = 0.008$  (residual). \*\*\*  $p < 0.001$ .

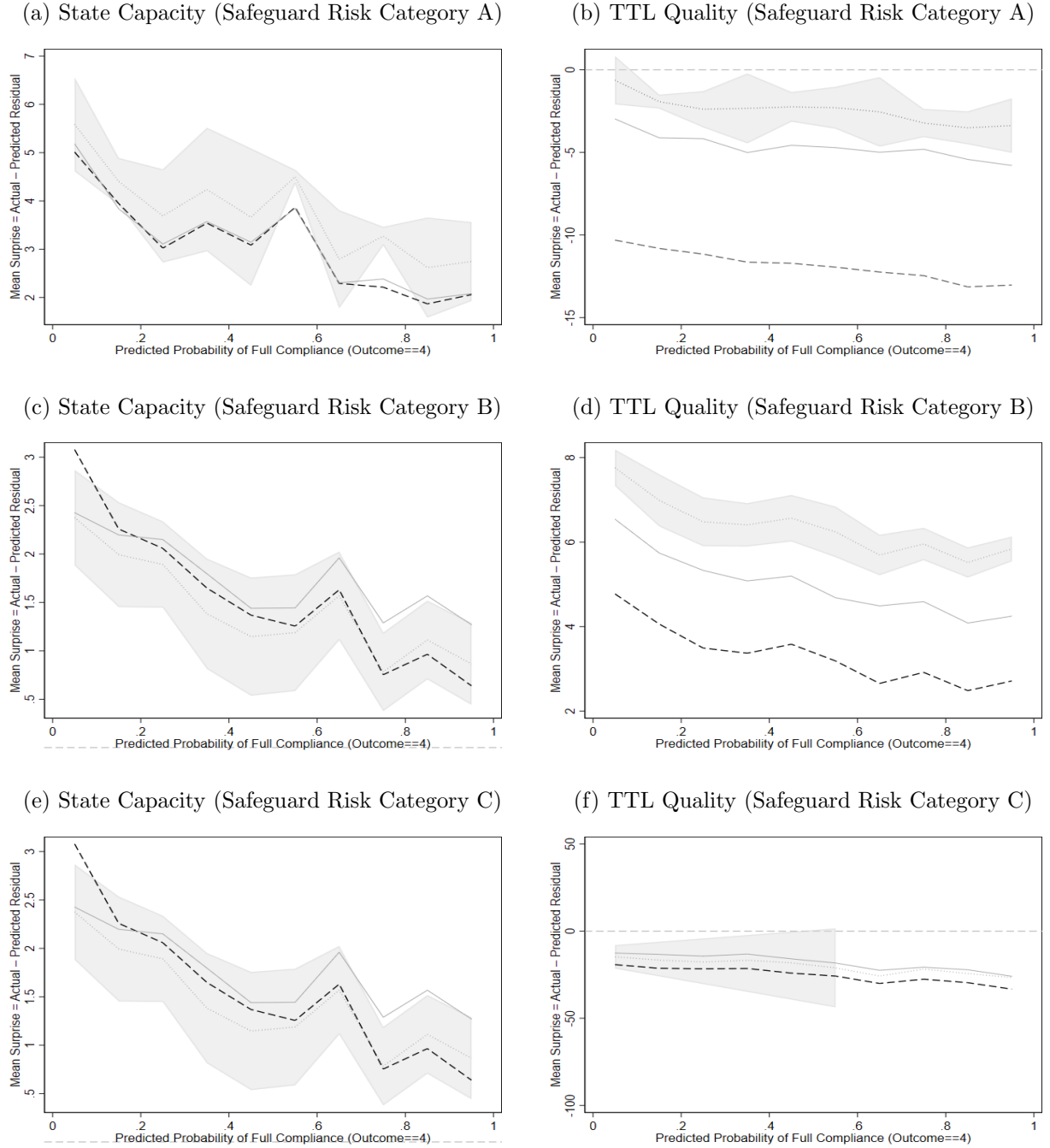
## Appendix D Additional Figures

Figure D.1: UNSC Moderation Analyses



Note: All coefficients correspond to marginal effects from multilevel ordered logit models with country random intercepts, full controls, and country-clustered robust standard errors. Plots are marginal effects plots for the between coefficients for full compliance (category 4). The DAG-derived adjustment set for the state capacity interactions includes: civil conflict, democracy, FDI, natural resources, property rights, safeguard category, US ideal point distance. The DAG-derived adjustment set for the TTL interactions adds commitments.

Figure D.2: Residual Decomposition by Safeguard Risk Category



Note: Note: Plots inspired by [Card and Dahl \(2011\)](#). Plots with mean surprise closer to zero indicate better regression fit. Dashed black lines = addition of between coefficients; solid gray lines = addition of within coefficients; dotted gray lines = baseline estimates without treatments. 95% confidence intervals correspond to baseline estimates, which reflect the adjustment sets from Table 2. Category-specific sample sizes follow Table 1. All plot contain 10 equally-spaced bins to measure predicted probabilities on the  $x$ -axis. See Figure 5 for the overall models.

## Appendix E    TTL Data Coding and Cleaning Details

To calculate the average TTL rating by project, it was necessary to use two sets of data: (i) the TTL name at each (mostly) bi-annual Implementation Status Report (ISR) for each project; and (ii) the Independent Evaluation Group (IEG) outcome rating of each project. The IEG outcome data are easily accessible online, whereas the TTL name at each ISR is only available from the transparency request that I made. Using both sets of data, I calculated the rolling weighted average TTL outcome rating for each day that the TTL is in the World Bank system. The daily rating is necessary because projects frequently take more than five years to implement, and TTLs often change jobs. Indeed, the World Bank uses a 3-5-7 staff rotation timeline for its staff.

After creating the daily dataset of circa 40 million observations, I merge the rolling weighted average TTL outcome score for each IEG-rated project up to each particular day with the ISR dataset. That merge allows us to pinpoint the average TTL rating at each ISR date for every project. Given that the average TTL outcome rating for each date represents a weighted rolling average, it only considers IEG ratings for closed projects up to each particular day. By extension, the rating does not improperly take into account IEG ratings for projects that close at a later time in the dataset.

Finally, it is necessary to clarify what the “weighted” part refers to in the rolling weighted average. On that score, the final average TTL rating score is weighted because, after completing the merge with the ISR dataset, the rating takes into account the number of ISRs that each TTL completed. To make this more concrete, take, for example, a project that is under implementation for five years. Given that ISRs take place approximately every six months, let us assume that the project has a total of 10 ISRs. If a TTL named Jim completed 4 of the ISRs and another TTL named Valerie completed 6 of the ISRs, the final TTL outcome rating for the project will reflect 4 day-specific ISR ratings for Jim as well as 6 day-specific ratings for Valerie. By extension, 40% of the weighting for the project-specific TTL rating will capture Jim’s average IEG outcome for all of his previous projects, whereas 60% of the rating will reflect Valerie’s average IEG outcome for all of her previous projects.

## Appendix F DAG Paths

In this section, I describe the decisions capturing underpinning each path in the DAG (see Figure 4):

- **State capacity:**

- *Property rights* affect state capacity because they give states legibility to collect taxes and exert control over a territory (Scott, 1998; Lee and Zhang, 2017; D’Arcy, Nistotskaya, and Olsson, 2024).
- *Natural resources* affect state capacity via fiscal substitution (Ross, 2015; Masi, Savoia, and Sen, 2024).
- *FDI* affects state capacity not only because it contributes to revenue and gross domestic product (GDP) by definition,<sup>36</sup> but also because investors often make demands of states to safeguard their investments, which require states to exert greater control over their territory.
- *Civil conflict* affects state capacity per Weber (1978), who famously suggested that strong states have a monopoly of violence across their territories.

- **Commitment**

- *State capacity* affects commitment levels because the World Bank allocates its money dedicated to lower-income countries using a performance-based allocation system (Morrison, 2013).

- **TTL quality**

- *Commitments* affect TTL quality, because the World Bank will not assign poor or inexperienced TTLs to projects with high commitment values.

- **Safeguard risk category**

- *Civil conflict* affects the safeguard risk category because it makes projects more difficult to access and, in turn, supervise.
- *Property rights* affect the safeguard risk category because they directly affect the World Bank and country’s ability to settle disputes.

- **Board**

- *US ideal point distance* affects the Board because, by convention, the World Bank president is always American, and US values affect how the Board is run
- *UNSC* membership affects the Board because countries use this position of power to affect international institutions in many ways (Vreeland and Dreher, 2014)

- **Democracy**

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<sup>36</sup>The equation is:  $GDP = Consumption + Investment + GovernmentExpenditures + Exports - Imports$



- *Natural resources* affect democracy because they allow rulers to consolidate power, particularly after the nationalization of many countries’ oil industries ([Andersen and Ross, 2014](#))

- **Property rights**

- *Democracy* affects property rights because it fosters the rule of law, by which all people receive fair treatment under the law, regardless of status, background, etc. With the rule of law, it is possible to enforce property rights.
- *Natural resources* affect property rights because natural resource discovery often happens in remote territory and necessitates cadasters and, in turn, property rights.

- **FDI**

- *Property rights* affect FDI because clear property rights allow investors to protect themselves against expropriation.
- *Natural resources* affect FDI, because they are very lucrative and often spur investment ([Menaldo, 2016](#)).
- *US ideal point distance* fosters FDI because countries that share US values generally are more favorable for operating and protecting business investments.

- **Civil conflict**

- *Natural resources* foment civil conflict, at least in Africa ([Denly et al., 2022](#))

- **US ideal point distance**

- *Democracy* affects the US ideal point distance because, until the presidencies of Donald Trump, whose time periods do not coincide with the present study, the US engaged in significant democracy promotion around the world ([Krasner, 2020](#)).

- **UNSC**

- Civil conflict affects temporary UN Security Council memberships because, as [Dreher et al. \(2014\)](#) show, there is a norm against countries receiving UNSC membership if they are undergoing civil conflict.

## Appendix G Safeguards Coding Examples

### G.1 Category 1: Full Non-Compliance

1. Uganda’s Third Phase of the Energy for Rural Transformation Program Project (P133312)
  - Project Development Objective: “increase rural access to electricity and reduce greenhouse gas emissions”
  - Compliance: In addition to the inadequate implementation capacity of the Rural Electrification Agency (REA), the project experienced significant delays due to

reporting issues related to environmental and social concerns (ICRR, pg. 15). For instance, nine work-related injuries and one case of gender-based violence were not thoroughly documented at the time of occurrence. There was also non-compliance on the implementation of both the Involuntary Resettlement and Forests safeguard policies. On account of the former, the ICRR cites that there was minimal supervision on behalf of the owner's engineers and the contractors (ICRR, pg. 16). Moreover, project-affected persons (PAPs) were not compensated when project activities were initiated. Similarly, "civil works were completed without paying compensations to the National Forests Authority (NFA) and the district local governments," failing to abide by the conditions of the Forests policy (ICRR, pg. 16). To address all outstanding issues that remained after the project closed, a Post Closure Action Plan (PCAP) was agreed upon by the World Bank and the Government. In summarizing the extent of non-compliance, the ICRR notes that the project failed to satisfy the requirements under the Environmental Assessment, Involuntary Resettlement, and Forests safeguard policies—three of the five policies that were triggered. The essence of following these environmental and social safeguards is to ensure that the project's implementation and outcome do not impact local communities and environments. Delays, work-related incidents, and lack of streamlined documentation and supervision are all indicators of an unsatisfactory extent of compliance.

## 2. Indonesia's Power Transmission Development Project (P117323)

- Project Development Objective: "to meet growing electricity demand, improve the reliability of electricity supply, strengthen the power transmission system, and support the preparation of hydropower projects."
- Compliance: The project experience various deficiencies in its implementing of the Environmental Assessment safeguard: performance was seldom reported and when it was, it lacked specificity; safety measures for equipment handling and installation needed to improve; and the Environmental and Social Impact Analysis (ESIA) was not only delayed but exhibited major gaps in relation to final works layout and mitigation measures regarding negative impacts. Despite the preparation and realization of appropriate documents—such as the Land Acquisition and Resettlement Action Plan (LARAP)—the project itself experienced "issues with contract management, prolonged internal processes and reviews, and slow decision making at PLN," resulting in an 18 month extension" (ICRR, pg. 4).

## G.2 Category 2: Moderate Non-Compliance

### 1. India's National Highways Interconnectivity Improvement Project (P121185)

- Project Development Objective: "improve the national highway network connectivity to less developed areas and low-income states and enhance the institutional capacity of the Ministry of Road Transport and Highways (MORTH) to better manage the highway network under the purview of MORTH."

- Compliance: Despite the absence of specific issues for several safeguard policies within the ICR, the Review cites incidents related to the Environmental Assessment from the Implementation Status and Results Reports (ISR). The ICR notes that the project was in compliance with this safeguard's requirements; however, the ISR identifies consistent inefficiencies that occurred prior to, during, and after the project's development. Significant shortcomings such as "road and work zone safety, drainage and waterway clearance, compliance with labor regulations, and protection works at bridges, culverts, and embankments" (ICRR, pg. 17) merit the last ISR's rating for overall compliance as 'moderately unsatisfactory.'

## 2. Haiti's Cultural Heritage Preservation and Tourism Sector Support Project (P144614)

- Project Development Objective: "first, to enhance the cultural heritage sites found in North Haiti for the benefit of tourists; second, project activities intend to improve "the living environment of residents living in North Haiti"; and third, to strengthen the Recipient's capacity to "respond promptly and effectively to an eligible emergency."
- Compliance: The Review cites various issues related to failing infrastructure as well as the project's insufficient funds to finance adequate mitigation measures—resulting in some activities being dropped all together (ICRR, pg. 14). In addition, the ICR notes challenges faced due to the lack of permanent safeguard specialists in Cap Haitien from 2014 to 2019 and proper equipment. On account of all planned works not being completed by the project's closure, such as renovations and redesigns near and around common tourist attractions, the ICR merits a moderately unsatisfactory rating of environmental and social safeguard performance. Despite mitigation measures being successfully implemented per a PCAP and an effective GRM, the consistent failure to adhere to all World Bank standards and the neglect of risks associated with social and environmental issues is evidence of a minimal compliance effort.

## G.3 Category 3: Moderate Compliance

### 1. Vietnam's Ho Chi Minh City Green Transport Development Project (P126507)

- Project Development Objective: "improve the performance and efficiency of public transport along a high priority corridor in Ho Chi Minh City."
- Compliance: Alongside the expected positive impacts, the ICRR dissects the potential negative socio-environmental effects associated with the restoration of existing road infrastructure. To address these possible issues, an Environmental Impact Assessment (EIA) was prepared by the client (ICRR, pg. 13). However, no construction took place throughout the project implementation; therefore, no mitigation measures were implemented. Compensation payments for affected lands were outlined in the Resettlement Policy Framework, yet at the time of project closing, there were several outstanding reimbursement cases (ICRR, pg. 13). Both a PCAP and a GRM were developed, and all complaints were resolved.

Although the project fulfilled its target objective, the four pending legal and compensation cases after the project's closure downgraded their compliance score.

## 2. Tajikistan's Agriculture Commercialization Project (P132652)

- Project Development Objective: "increase the commercialization of farm and agribusiness products" and to "support micro, small and medium enterprise (MSME) development in project areas"
- Compliance: On account of Environmental Assessment, the absence of important documents—environmental management plan, monitoring plan, implementation arrangements—in the beginning stages of project implementation was the main issue addressed during the project's mid-term review. However, the ICRR does contend that a substantial effort was made to abide by safeguard requirements, citing the lack of major noncompliance cases and a fruitful relationship between the Government of Tajikistan and the project itself. Minor suggestions to improve community engagement were considered, warranting a less-than-satisfactory assessment of compliance.

## G.4 Category 4: Full Compliance

### 1. Mexico's Social Protection System Project (P147212)

- Project Development Objective: "to enhance accessibility of PROSPERA beneficiaries to programs and develop instruments for an integrated social protection system."
- Compliance: An Indigenous Peoples Plan was developed and disclosed, crafted to outline an Indigenous Communication Plan with the aid of bilingual promoters. Due to a surplus of translators, the project's coverage expanded to 18 states instead of the original four. During this same period of augmentation, more languages were made available through the excess of bilingual promoters, increasing from four to 30 (ICRR, pg. 16). The Review contended that community involvement exceeded expectations and that compliance was satisfactory over the course of project implementation. The project surpassed the expectations related to its cause, certifying its satisfactory extent of safeguard compliance.

### 2. Bangladesh's Second Phase of the National Agriculture Technology Program Project (P149553)

- Project Development Objective: "to increase agricultural productivity of smallholder farms and improve smallholder farmers' access to markets in selected districts."
- Compliance: The ICRR contends that this program was not expected to have any negative social impact and very few small-scale environmental impacts. An Environmental Management Framework (EMF), a Pest Management Plan (PMP), a Social Assessment, and a Social Management Framework (SMF)—that included a Gender and Inclusion Framework (GIF)—were all developed and implemented

throughout the project's duration. The ICR notes that the works and activities designed for this program met the full extent of compliance on account of the social and environmental safeguards triggered (ICR, pg. 17). For instance, the Project Management Unit (PMU) actively participated in discussions on account of Pest Management, advocating for alternative technologies and nature-based solutions to combat infestation in crop fields—aligning with the provisions of the PMP. Regarding Indigenous Peoples, customs, gender, and diversification were recognized when seeking to extend intervention services (ICR, pg. 17). In addition, the ICR cites that after receiving 8,341 grievances through the implemented GRM, all cases were addressed and resolved by the time the project closed. The project's ability to engage with the affected community, avoid adverse environmental effects, and abide by the World Bank's safeguards requirements merits its full compliance rating.