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Environmental Protection and U.S. Foreign Policy & Decision-Making in Multilateral Development Banks

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ENVIRONMENTAL PROTECTION AND U.S. FOREIGN POLICY
& DECISION-MAKING IN MULTILATERAL
DEVELOPMENT BANKS

By

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Honors Thesis submitted in partial fulfillment

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Abstract

In recent decades, the promotion of policies that are environmentally friendly has become an important goal in U.S. foreign policy. One way that the United States has influence over protecting the environment is through the policies attached to projects funded by the multilateral development banks (MDBs). This gives the U.S. the ability to indirectly fund projects in developing countries. Using data provided by the United States Treasury, I examined U.S. voting decisions on projects from 2004 to 2011. These votes come from multiple development banks including the World Bank, the Inter-American Development Bank (IADB), Asian Development Bank (ADB), African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD). I examined how the United States has behaved on lending projects, and what this means for U.S. environmental protection and foreign policy. What I found was that in general, environmental factors do play a significant role in predicting how the United States votes in MDBs.

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I. Introduction

Environmental protection is undeniably a global responsibility. As the world grows while resources shrink, concern for the environment and climate change are highly influencing action on the international stage. In comparison to other issues, such as human rights offenses committed by oppressive regimes which can be considered internal matters of sovereign nations, environmental issues are not so easily contained. It is far more difficult to convince policy makers and leaders around the world that detrimental environmental practices committed internally within the borders of one country do not have external repercussions. After all, what good would it be for Germany to enact clean air laws if the winds being blown in from the north are highly polluted by countries with no such regulations? Or what point would the United States have in implementing laws to keep river waters clean if upstream Canada was throwing waste into the same river? There is a high level of international interdependence regarding environmental issues; what happens in one part of the world is bound to have an effect on the region and ultimately on the rest of the planet.

While the U.S. clamors to be a leader in environmental protection – as it tries to be a leader in virtually every other area – it cannot be ignored that in order to find solutions to global issues, a global approach must be taken that is inclusive in addressing the concerns of all players involved. Within multilateral organizations, however, not all governments have the same amount of influence. Even though there is inequity in influence, membership in multilateral organizations provides countries an opportunity to make decisions together. The particular types of multilateral organizations that were examined in this thesis are multilateral development banks (MDBs). Even though the

U.S. has a massive toolbox full of resources at its disposal to address environmental issues, and it can influence environmental protection through its policy on lending in the MDBs in a very different way from bilateral strategies. The banks included in this analysis were the World Bank, Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the Global Environment Facility (GEF), and the International Fund for Agricultural Development (IFAD). Within these seven major international financial organizations several lending windows were examined, including the four major lending windows of the World Bank.

MDBs offer the United States, as well as any other participating country, a shield protecting them from the harsh eye of public scrutiny if they happen to vote in favor of a project or country that is contradictory to what it might say “on the record” for the media’s ears. Does the United States put its money where its mouth is when it comes to making decisions in MDBs? Or does it act strategically when making decisions within the MDBs? Recently, changes to U.S. law required voting records of U.S. representatives to be published. Although the U.S. claims to be a strong supporter and leader in environmental protection, has it historically voted to support this statement in the MDBs? And if it does not, what factors might have influenced its voting behavior?

The main research question addressed in this study is to what extent is U.S. votes in MDBs influenced by a recipient country’s environmental performance or environmental factors in general? Even broader, what factors are influential in determining U.S. decisions in MDBs in general? Is the U.S. really willing to fund *any* loan to any country as long as it has positive environmental impacts? Or are there other

influences it takes into consideration? A leading analyst of international organizations claims that the World Bank is “a source of funds to be offered to US friends or denied to US enemies” (Parks and Tierney, 2004, p.4). This begs the question of whether the U.S. is more likely to support loans to its friends rather than to enemies even if the environmental impact is questionable.

The first section will be a literature review examining the effectiveness of multilateral aid, how effective multilateral development banks have been in terms of environmental projects, and U.S. foreign policy and the environment. The second section will go over the methodology used, what variables I will be examining, and what I expect to find. Section three will include the research and data interpretation of my findings. Section four will include an analysis of the data followed by sections five and six which will explain results and conclude this study and examine areas of further research, respectively.

II. Literature Review

Defining Multilateralism and Multilateral Development Banks

Throughout international relations (IR) literature, multilateralism has been defined in a number of different ways, although all definitions share a common thread. Keohane defines multilateralism as the coordination of national policies in groups of three or more states using ad hoc arrangements or institutions (Keohane, 1990). Ruggie goes one step further in defining multilateralism by adding that multilateral institutions operate under certain principles (Ruggie, 1992). Combining the two definitions, multilateralism can be defined as referring to the coordination of relations among three or more states in accordance with certain principles through the use of ad hoc arrangements

or institutions. Additionally, multilateralism is characterized by rules of state action for mutual long-term benefit of participating actors (Ruggie, 1992; Braaten, 2012). Two major defining factors of multilateral institutions are the participation and membership of three or more actors and common principles or goals between the actors that bind them together. Countries that seek membership in multilateral institutions often seek long-term gain from participation as well as strengthened relations between members. Although countries share common goals, there are no two countries that ever join a multilateral organization for the exact same reason (Sherk, 2008). Reasons for participation vary from country to country, and although differences abound in reasons for joining, participatory countries still share a commonality in progressing the mission and values of the multilateral organization that they choose to join.

States can participate in either bilateral or multilateral means when conducting international affairs. Bilateral relations are conducted between two participants only while multilateral relations are conducted by three or more participants. In a bilateral relationship, foreign aid or resources can be given directly from one country to another. Multilateral relationships utilize a middle man type of organization, to funnel the money and resources indirectly to specific countries. From there, members of the MDBs, working with staff members and the leadership of the MDBs, decide how that money is spent and where it goes. An example of this is using an organization such as the World Bank to provide loans and grants to certain countries. Using the World Bank and the United States as an example, the U.S. provides money to the World Bank as a participating member of the organization and as such, indirectly provides aid to countries

through projects funded by the World Bank rather than directly to that particular country bilaterally.

Literature suggests that there is a subset of politicians and economists that question the role of multilateral aid and institutions in contemporary society. Even today, bilateralism is a more dominant form of aid than multilateral (Sherk, 2008). Despite their relative historical success, the resiliency of multilateral organizations is being tested now more than ever (Sherk, 2008). According to Sherk, the most dominant modern issue with multilateral organizations is a lack of voice for developing countries (2008). The structure of influence in these organizations is highly weighed in favor of more powerful, developed countries. So it is no surprise that a country like the United States would choose to participate in a multilateral organization. And although bilateralism dominates as a form of relationship management, there are several reasons that an organization would choose a multilateral structure over a bilateral one. A neoliberal view of why a country would choose to partake in a multilateral institution is because they facilitate cooperation among members, thereby reducing costs for projects among members and providing them with a forum through which states can interact and use each other as resources (Axelrod and Keohane, 1985). By providing states with a medium of communication, it is expected that cooperation will increase.

Multilateral organizations allow states to come together and pursue common interests and initiatives. Through multilateral organizations, collective action is encouraged and states can address issues that they may not be capable of addressing as individuals. By pooling together their efforts and resources into one multilateral organization, certain global issues such as the environment or climate change can be

better addressed. While neoliberals believe that the creation of a multilateral organization such as regional development banks can be used to shape the international agenda and positions of power, a realist point of view would contend the opposite (Mearsheimer, 1994-95). Instead of multilateral organizations influencing states and increasing cooperation and global participation, a realist would argue that multilateral organizations are just a reflection of real power distributions in the world and that the more dominant and powerful states influence the multilateral organizations the most (Mearsheimer, 1994-95). It can also be argued, however, that the organizations are used to spread international norms and customs (Finnermore 1993). This could be particularly true for major multilateral development banks and their environmental oversight procedures. After one major multilateral development bank, the World Bank, began to seriously take a project's environmental impact into consideration and began conducting environmental analyses, many other organizations began to do the same.

Moving from multilateral organizations to multilateral development banks specifically, Sarah Babb defines multilateral development banks as “multilateral organizations, in the business of economic development, and behave primarily as banks” (2009, p.6). They are financed and controlled by many governments of the world and share the purpose of providing finances to third-world countries for economic development (Babb, 2009). Multilateral development banks are based on international agreements that establish the creation of such an institution to support the development objectives of those members who are in less-developed countries (Sherk, 1993). According to Sherk, the MDBs are responsible for closing the large success gap between major capital markets and finance development projects in the Third World (1993).

Additionally, they act as advisors to developing members and provide resources for them as well. Prior to the creation of MDBs, with the first being the World Bank in 1944, developing countries depended primarily on bilateral aid and private capital flows, although those proved to be inadequate to address the growing demands of developing countries, especially of the poorest governments (Sherk, 1993).

It is this type of multilateral organization that was examined in this study. The principal multilateral development institutions of today were established decades ago after the end of the Second World War with the strong support of the United States and the United Kingdom (Sherk, 2008). They were created to ensure the stability of an economic system that was capable of withstanding international trade and payment pressures. The creation of regional development banks, Inter-American Development Bank (IADB), Asian Development Bank (ADB), African Development Bank (AfDB), and the European Bank for Reconstruction and Development (EBRD), mixed with the initial multilateral institutions such as the World Bank are what make up the current international economic framework (Sherk, 2008). As stated previously, these five MDBs in addition to the GEF and the IFAD were considered in this analysis.

Although all of these MDBs are committed to international development, they all vary in mandates. For example, the majority of MDBs from the World Bank to the IADB are mandated to agree that decisions on projects will be made solely on economic considerations, while the EBRD has a clear political mandate, stating that it would support projects that promote democratization and an open market economy (Strand and Zappile, 2014). As stated previously, a defining factor of multilateral organizations is the achievement of some long-term goal, or common values of its members. In regional

MDBs, members are connected through the common goal of reaching economic success for their region or in advancing the mission of a particular mandate, such as the EBRD.

The U.S. and MDBs

Although there are general benefits in participating in multilateral organizations that can be applied to any country, the United States has particularly unique reasons that support participation in multilateral organizations. One significant examination of how successful the role of the United States has been in advancing its foreign policy agenda through multilateral development banks was conducted by the U.S. Treasury in 1982 (Sherk, 2008). The results of the study indicated that U.S. involvement in MDBs was a significant contributor to the country's success in addressing the goals of its foreign policy agenda such as advancing U.S. interest in humanitarianism as well as long-term political and strategic interests. Although the United States does gain from its involvement in multilateral development banks, there are many concerns with its position of power as a major stakeholder in several of the banks. It has recently been argued that the effectiveness of multilateral organizations have been compromised due to the pressure and control of prominent donors, particularly the United States (Fleck and Kilby, 2006). The U.S. is often accused of attempting to propose several changes to operations and policies in the MDBs for its own benefit rather than showing how these changes will actually aid in the development of the global community (Sherk, 2008). Others are afraid that U.S. power in these organizations will be diminished and ineffective because other members will begin to mistrust the U.S., hence rendering their position of power useless. Additionally, the United States has been viewed as having a "lone ranger" type of attitude in its role in the MDBs. Oftentimes the United States finds itself isolated in situations

because of its approach in decision-making and consensus-building in the banks (Sherk, 2008).

While the majority of literature suggests that the United States plays a critical and influential role in development banks, there is a growing sector in contemporary literature that suggests the power of the United States in multilateral institutions is fading (McKeown, 2009; Schoultz, 1982; Sherk, 2008). As developing member states find their voices in MDBs and take a stronger stance on issues, there is a growing dissatisfaction with the goals and operations of many of the banks (Sherk, 2008). Due to the strain that is starting to appear in these institutions due to tension between developing and developed member states, Sherk believes that it is unlikely that the U.S. will maintain as strong of a position of power over the banks (2008).

Even with the looming threat of decreased power, however, when compared to other donors the United States still holds significant power due to the banks' designs to be responsive to the needs of their donors as well its unique position in its willingness to abandon the development banks at any time (Lavelle, 2011; Babb, 2009). This means that in order to keep the U.S. on as a donor, banks must placate it in order to avoid conflict (Babb, 2009). Kilby found in 2013 that the United States influences both high-profile structural adjustment programs as well as day-to-day investment project disbursement decisions, and that a simple reallocation of voting shares is not enough to ensure that these banks are restructured to lessen U.S. influence. Because the World Bank and other development banks award large financial contributors with considerable power over their procedures and operations, literature on the U.S. role in multilateral development banks suggests that the U.S. wields a significant amount of influence in these banks (Babb,

2009; Sherk, 2008). The U.S. is the donor with the most control over the largest share of votes in the World Bank, as well as a significant vote holder in the other MDBs. In voting and negotiating loans and grants, the United States is the donor that has the most demands and complaints, and is considered the least compromising (Babb, 2009; Sherk, 2008).

All of the MDBs analyzed in this thesis have a system of weighted voting, hence giving the largest donor the most voting shares. This means that the U.S. holds considerable power in decision-making. Figure 1 illustrates U.S. voting share in five multilateral development banks.

Figure 1: U.S. Governance in MDBs (2006)¹

	G7 Voting Share (%)	U.S. Voting Share	Location of Headquarters	U.S. Largest Shareholder?	U.S. "Veto"?	U.S. Selects President?
World Bank	42.9	16.4	Washington	Yes	Yes	Yes
IADB	45.7	30.0	Washington	Yes	Yes	No
ADB	40.4	12.9	Manila	Yes (tied with Japan)	No	No
AfDB	27.5	6.5	Tunis	No (second after Nigeria)	No	No
EBRD	62.6	10.0	London	Yes	No	No

Figure 1 shows that in all of the MDBs except for the AfDB, G7 countries (the United States, France, Germany, the UK, Canada, Italy, and Japan) hold more than 40% of the voting share. In all of the MDBs except for the AfDB the U.S. holds at least 10% of the voting share and is the largest shareholder as well. Although this figure is from 2006, the power of the U.S. in MDBs has stayed overwhelmingly the same even now in

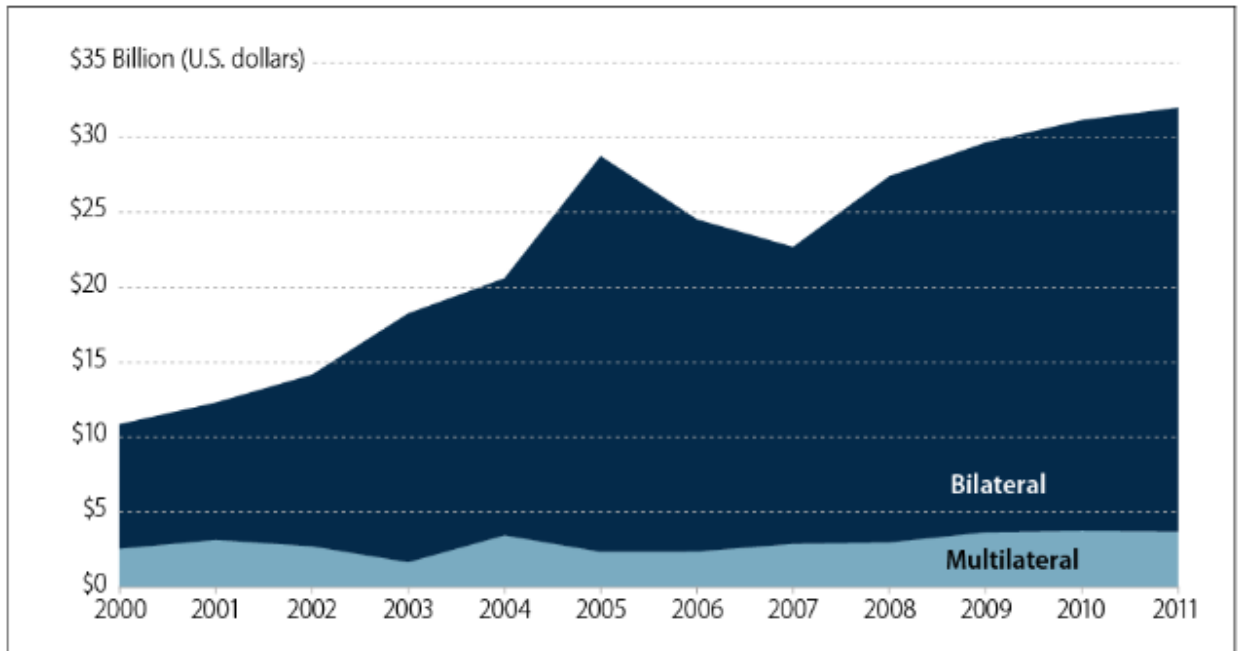
¹ Babb, 2009, p.25 – source: Annual Reports, World Bank, IADB, ADB, AfDB, EBRD

2014. According to the “Multilateral Development Banks: Overview and Issues for Congress” published in 2013, the U.S. voting share in the World Bank is 15.2% in the IBRD, 10.7% in the IDA, and 22.4% in the IFC (Nelson, 2013). Additionally, the numbers for the four other major development banks are: 6.6% (AfDB); 12.8% (ADB); 30.0% (IADB); and 10.2% (EBRD) (Nelson, 2013). Even with the worry of developing countries taking a stand against the U.S. and having growing influence in the MDBs, U.S. voting share has remained virtually untouched for almost eight years (Strand and Trevathan, 2015). As depicted by Figure 1, although the United States annually dedicates a significant amount more toward bilateral aid, it is still the largest shareholder in almost all MDBs and other multilateral organizations. In the larger spectrum of money dedicated to foreign aid, the amount the U.S. gives to participate in multilateral organizations is a small price to pay for the benefits of participating in MDBs.

A prevalent question that arises in IR literature regarding U.S. aid to other countries pertains bilateral versus multilateral aid. If the United States is going to support a particular nation-state through the World Bank or a regional development bank, why not funnel the money bilaterally rather than through a middle man? As stated previously bilateral aid is still the dominant form of foreign aid when compared to multilateralism. The U.S. tends to favor bilateral aid because it allows more control over where the money goes and how the money is spent. The U.S. exercises more flexibility to allocate funds to countries that are of strategic importance, but not facing the greatest development needs (Nelson, 2013). It also allows the U.S. a more personal tactic of building a clear relationship between it and the recipient country, garnering more goodwill from the recipient country toward the United States (Nelson, 2013). Figure 2 shows U.S. Bilateral

and Multilateral Official Development Assistance, 2000-Present in billions of dollars. Historically, bilateral aid has outspent multilateral aid by the billions of dollars. In 2011, bilateral U.S. trade was approximately \$25 billion more than U.S. multilateral aid.

**Figure 2: U.S. Bilateral and Multilateral Official Development Assistance, 2000-
Present in billions of dollars²**



A number of political scientists and economists have studied the benefits and rationale as to why a powerful country such as the United States would opt for multilateral rather than bilateral aid. Through MDBs, the U.S. has means to pursue and shape the current conception of U.S. interests (Babb, 2009). There is a significant amount of literature that refers to the United States as an “Activist Shareholder” in financial institutions (Park and Strand, 2015; Babb, 2009, 37). The U.S. uses the structure of the MDBs, which heavily weighs in favor of larger, more developed countries, to set an agenda for its own personal progress. Babb writes that the objectives for U.S.

² Rebecca Nelson, 2013: <http://fas.org/sgp/crs/row/R41170.pdf>

involvement in MDBs can be grouped into three categories: strategic, economic, and humanitarian (2009). The U.S. uses MDBs to make progress on its own international agenda. Additionally, other works have found that factors such as bilateral trade relations, recipient need, and regime type are robustly related to U.S. support for MDB loans, meaning that the U.S. has been found to use MDBs to show support to its allies and friends (Strand & Zappile, 2014). It not only does so for strategic relationship motives, but also to show that it supports certain normative values, such as humanitarian needs.

Rodrik writes that in addition to strategic interests, the United States should be interested in multilateral lending for two other reasons: information gathering and monitoring as well as conditionality (1995). Multilateral lending agencies employ thousands of analysts who closely follow economic developments and policies of developing countries. They prepare detailed country reports, cross-country analyses, and reports on specific economic sectors, among others which serve as important resources to member countries (Rodrik, 1995). Additionally, conditionality on loans and U.S. power to influence that conditionality make multilateralism attractive. The U.S. is able to add conditions to particular projects and manipulate policies within another country by withholding funding unless particular conditions are met first (Rodrik, 1995). The U.S. can do this without making it seem like a political agenda since multilateral lending institutions are less political (supposedly apolitical except for the in the case of the EBRD, who has an open, pro-democracy agenda) and are able to funnel money through this third party.

The involvement of the United States in MDBs faces harsh criticism. Although the United States has decided to partake in multilateral lending, historically there has

been reluctance on the part of the United States Congress to support MDBs. A major reason for American reluctance to fully support MDBs is the structure of its political system (Babb, 2009; Schoultz, 1982). U.S. foreign policy toward MDBs can be described as caught in the middle between different views of the executive and legislative branches of government (Strand and Zappile, 2014). The U.S. political system has a legislative branch that is reliant on constituent issues and approval by national parties. Therefore, the country's domestic agenda is often more important in priority rankings than foreign aid and international concerns. While it is up to the executive branch to put together policy agendas in regards to foreign aid, the legislative branch still has the capabilities to put a halt to any of these agendas such as the power to make laws and appropriate funds (Babb, 2009; Schoultz, 1982).

These powers give Congress huge influence over U.S. policies over MDBs. The U.S. Congress has attempted many times to influence the decisions of the Treasury on the grounds of financial oversight, and have attempted to dictate how U.S executive directors vote in the MDBs through legislation (Strand and Zappile, 2014). Many members of Congress argue that there is a lack of transparency in the MDBs and that the institutions are wasteful and riddled with corruption, while others question how effective these banks are in actually aiding developing questions, or if efforts are just being wasted (Strand and Zappile, 2014). In general, members of Congress have been hesitant to fully support U.S. participation in MDBs and really any type of collective action in an international organization. As such, the U.S. Congress has attempted to do what it can to control U.S. multilateral participation.

One example of this is the Harkin Amendment passed in 1976 alongside other acts passed in the 1970s which mandated that American executive directors voting in the MDBs vote against loans for projects in countries that violated the human rights of its citizens (Strand & Zappile, 2014). Another attempt to control U.S. action in MDBs and push for particular policies within them is the Pelosi Amendment. According to a Congressional Research Service (CRS) Report written by Jonathan Sanford and Susan R. Fletcher in 1998, the Pelosi Amendment, which was passed by the U.S. Congress in 1989, states the following:

[The Pelosi Amendment] requires U.S. Executive Directors at the World Bank and all the regional multilateral development banks (MDBs) to abstain or vote against any proposed action with significant environmental effects if it has not received an appropriate environmental assessment, or if the assessment has not been available to the Executive Directors and the public for 120 days before a vote.

The Pelosi Amendment does not mandate that U.S. Executives to MDBs vote against a project with detrimental environmental effects; only that the U.S. can only vote on an environmental item if it has undergone environmental assessment. Theoretically, even if a particular project was highly detrimental to the environment, the United States could still vote for the project as long as it went through legitimate environmental assessment through an MDB. The CRS Report evaluated the impact of the Pelosi Amendment since its enactment. According to the CRS Report passing of the Pelosi Amendment played a huge influence in why all MDBs have environmental oversight units today (Sanford and Fletcher, 1998).

In a more recent attempt to oversee the MDB voting process, Congress passed legislation in 2003 that required the Treasury Department to report to Congress how U.S. representatives voted in the MDBs (Strand & Zappile, 2014). More specifically, the

amendment to Section 581 of Title XV of the International Financial Institutions Act mandated that the U.S. Treasury publicize all no-votes and abstentions to MDB projects. Prior to the passing of this legislation, these voting decisions were not accessible to the public. Additionally, the new legislation requires U.S. Executive Directors to the MDBs to provide basic reasons for positions taken during voting (Braaten, 2012; Strand & Zappile, 2014). Although the amendment did not specifically mention the publication of yes-votes, in theory these items that were supported by the U.S. are publicized as well (Strand and Zappile, 2014).

It is because of this legislation that it is now possible to analyze U.S. positions taken in the MDBs. Due to the novelty of this information there is limited contemporary research in which these data have been incorporated. This has sparked interest in the U.S. role in multilateral development banks and its official positions concerning certain issues such as human rights or in this case, the environment. The next section specifically examines U.S. environmental aid and how it has historically performed.

Environmental Aid

U.S. Bilateral Environmental Aid

Since the 1980's, the United States has been a leader in bilateral environmental aid. It has expressed interests in a wide range of environmental issues, such as slowing down the destruction of the rainforests, species extinction, prevention of ocean dumping, protection of the ozone layer, among several other campaigns (Hicks et al., 2008). According to the PLAID dataset, between 1980 and 1999, bilateral donors committed \$61.9 billion in environmental foreign assistance out of \$735.2 billion of all aid given bilaterally (Hicks et al., 2008). The United States was first in the 1980s in terms of total

dollars in bilateral foreign aid to protect the environment. However, in the second half of the 1990s, the U.S. fell to third in total environmental aid, falling behind Japan and Germany. The table below displays U.S. environmental aid in real U.S. dollars in 2000:

Figure 3: U.S. environmental bilateral aid in U.S. dollars (2000)³

Rank	Donor	1980-1984	1985-1989	1990-1994	1995-1999	% Change
1	Japan	\$1,068,543,240	\$1,943,895,506	\$5,767,253,085	\$8,852,993,035	725.5%
2	Germany	\$1,407,349,821	\$2,268,802,983	\$3,970,845,601	\$6,708,761,445	376.7%
3	U.S.	\$1,865,238,929	\$1,953,915,168	\$3,144,500,663	\$4,465,172,287	139.4%
4	France	\$275,821,108	\$462,815,792	\$1,032,409,962	\$1,424,144,506	416.3%
5	UK	\$54,798,218	\$241,554,890	\$780,695,098	\$1,112,516,103	1930.2%

Although the United States is ranked third in terms of environmental aid in dollars, it falls to rank 7 when looking at the amount of environmental aid provided as a percentage of its total aid portfolio. From 1980 to 1984, the United States only gave 5.3 percent of its total foreign aid portfolio to environmental protection as opposed to Denmark which gave 11.2 percent. Denmark is used as a point of reference because of its ranking as number one in environmental aid in dollars. From 1985 to 1989, the United States gave 4.5 percent of its total aid portfolio in this category compared to Denmark which gave 12.8 percent. From 1990-1994 the U.S. gave 7.9 percent in comparison to Denmark which gave 19.8 percent, and finally from 1994-1999 the U.S. gave 11.2 percent of its total aid portfolio to environmental protection aid whereas Denmark led the way with 21.9 percent (Hicks et al., 2008).

The U.S. Agency for International Development (USAID) was launched in 1961 as a major instrument of the U.S. to influence developing country governments during the Cold War with non-military aid (Hicks et al., 2008). Here it is important to note that

³ (Hicks et al., 2008, 126)

USAID is an instrument of *bilateral* aid to poor countries for economic development; it is not considered a multilateral agency (Babb, 2009). Before the 1970s, USAID addressed very few environmental issues. After the U.S. Conference on the Human Environment in 1972, however, significant concern about environmental issues was triggered. After the Rio Earth Summit, USAID altered many of its environmental programs to include sectors such as urban pollution management and energy efficiency, moving beyond basic natural resource management (Hicks et al., 2008). By 1999, the U.S. was by far the world's largest funder in environmental projects. According to the USAID Foreign Assistance Fact Sheet for fiscal year 2012, the U.S. remains the world's largest bilateral donor. It obligates approximately \$48.4 billion; \$31.2 billion in economic assistance and \$17.2 billion in military assistance – to foreign aid (USAID, 2012).

Literature shows that the U.S.'s use of USAID as an instrument of environmental aid reflects the importance of national self-interest in U.S. foreign aid policy. It is clear that keeping the environment protected is in the best interest of the United States. Mismanagement of the environment and natural resources by developing countries is a threat to U.S. interests and security (Hicks et al., 2008). Additionally, it is shown that supporting environmentally friendly endeavors is also beneficial for U.S. commercial interests. As of 2008, the environmental goods industry was worth 300 billion dollars (Hicks et al., 2008). It would be more harmful to the U.S. to not invest in an industry that could benefit American business owners and markets greatly (Hicks et al., 2008). Industries that are geared toward protecting the environment are growing as world leaders realize that this is a priority. Implementing policies and providing aid to countries for projects that might use equipment from U.S. manufacturers would be beneficial to U.S.

businesses that are geared toward these industries. Of course some U.S. industries may not benefit from “green” development projects.

Multilateral Environmental Aid

There is debate in international relations literature as to how effective multilateral lending has been in improving the environment. There is no doubt that the governments, NGOs, and IOs of the world have reached a consensus in agreeing that funding environmentally friendly endeavors is essential. However, there is very little evidence to suggest that environment projects funded by donors have had a substantial impact on improving environmental outcomes in the developing world (Buntaine and Parks, 2013). According to Buntaine and Parks, evidence shows that externally funded environmentally-focused projects are less successful in general than traditional development projects (2013, p.66):

Previous research on environmentally focused projects has identified a number of factors that may contribute to successful outcomes, including the political commitment, institutional capacity, and governance quality of the recipient country; the severity of environmental pressures in the recipient country; donor-recipient contracting dynamics; project characteristics; and civic participation in the recipient country environment sector. Most of this research has involved case studies and small-n methods. To our knowledge, no one has taken advantage of the many standardized post-project evaluations produced by the World Bank’s Independent Evaluation Group to examine the determinants of successful implementation of environmentally focused projects.

There are scholars who question the legitimacy of the impact multilateral aid has in terms of benefits to both receiving and donor countries. Multilateral aid agencies have been described as “institutional Frankensteins” that essentially do as they please totally free from the control of sovereign nation-states, as well as intrusive and unaccountable among other negative sentiments (Nielson and Tierney, 2003, p.244; Hicks et al., 2008).

Despite such harsh criticisms, however, no one can deny the fact that multilateral aid has provided a significant amount of funding to environmental projects. From 1980 to 2000, multilateral agencies have provided developing countries with more than \$75 billion in environmental aid. In addition, five agencies were responsible for more than 90% of the funding: the World Bank, the Asian Development Bank, the Inter-American Development Bank, and the Global Environmental Facility (Hicks et al., 2008). The World Bank alone was responsible for anywhere from a third to half of all multilateral aid for environmental projects. Within the time span of 1980 to 2000, multilateral agencies made major increases in funding of environmental projects and together more than tripled their funding (Hicks et al., 2008). However, it is important to note that multilateral agencies still spent four times as much on projects that were likely to have negative effects on the environment from 1980-1999 (Hicks et al., 2008).

MDBs and Environmental Regulation

As concern for the environment increases among citizens of the world, governments, international organizations, and multilateral development banks have adjusted to reflect the growing demand for environmental protection and conservation (Gutner, 2002). The five major multilateral development banks surveyed in this paper have undergone major changes in environmental policy and allocation of funds for environmental loans over the years as concern for the environment grows. In a study that included 15 donors (including the WB, ASB, AfDB, EBRD, and the IADB) conducted by Hicks et al. (2008), it was found that environmental aid is a strongly concentrated sector with approximately 90 percent coming from the World Bank and Global Economic Facility, the Asian Development Bank, the Inter-American Development Bank, and the

European Union. This section will briefly outline what these banks currently do on behalf of environmental protection.

The World Bank: There is a growing body of literature on the World Bank's role in environmental policy and the environmental impact of projects it has approved in the past. The World Bank's interest in environmental issues increased as it began to measure a society's progress on social variables such as reduced poverty and improved standard of living and quality of life (Mikesell and Williams, 1992). As governments direct more attention to social objectives, issues of the environment also increase in importance since quality of life can be directly or indirectly impacted by environmental projects.

The World Bank created its Office of Environmental Affairs in 1973 and was the first multilateral development bank to appoint an environmental adviser (Mikesell and Williams, 1992). It has often been viewed as a leader among international organizations (IOs) in regards to matters of environmental protection (Park, 2010; Nielson and Tierney, 2003). Although it was a leader in terms of including an environmental staff and formal process to ensure the environmental standards of projects, its effectiveness has been questioned. Nielson and Tierney write that although there is a public perception that the World Bank is more sensitive to environmental issues than other organizations, its environmental staff lacks the budget or authority within the organization to monitor and enforce compliance with the organization's environmental guidelines (2003).

It is important to note that the World Bank is made up of several lending windows: the International Finance Corporation (IFC), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Bank for Reconstruction and Development (IBRD). Each lending window

serves a different purpose, for example the IFC finances private sector projects in the developing world and advises businesses and governments in developing countries in regards to the international financial system (The World Bank Group, 2013). The IDA provides long-term loans at zero interest to the poorest countries in the developing world and MIGA is mainly focused on providing investment insurance to promote foreign direct investments in developing countries. The most established lending window, the IBRD, “lends to middle-income and creditworthy low-income governments at low costs” (The World Bank Group, 2013). According to the World Bank’s Environmental Overview (2014) between the IBRD and IDA, \$31.8 billion was contributed between 2004-2013 to support investments in the environment and natural resource management. Of the \$31.8 billion, \$7.7 billion was contributed by the IDA.

Additionally, in 1991 the World Bank helped to create the Global Environment Facility (GEF) to promote environmentally sustainable development and provide funding to regional and local projects with global environmental benefits. Currently, the GEF is a global partnership among 182 countries, international institutions, MDBs, NGOs, and other organizations within the private sector. According to the World Bank, through its two major lending windows the IBRD and IDA, committed loans for \$31.8 billion, from which IDA’s contribution was \$7.7 billion, to support investment in environment and natural resource management from 2004 and 2013 (The World Bank, 2014). The World Bank’s largest investment in environmental projects is centered on climate change, but the institution reports that 15 percent of its environment and natural resource management commitment goes to “environmental policy and institutions for improving governance and strengthening environmental policy and natural resource management”

(The World Bank, 2014). While climate change is the largest environment and natural resource management area, 25 percent of funds go to water resources management and 21 percent generally goes to pollution management and environmental health projects.

The Inter-American Development Bank (IADB): The IADB was created out of a demand from Latin America to have a regional financial institution that South and Central American countries could turn to, despite U.S. opposition for several years on the basis that a regional bank was not necessary due to Latin America's participation in both the World Bank and the IMF (Tussie, 1995; Mikesell & Williams, 1992). Latin American countries felt as though institutions like the WB and IMF were more favorable and generous to European countries. Latin American countries faced unreasonable stipulations tied to loans and slow service (Mikesell & Williams, 1992). The United States has exercised significant power in the IADB, despite the fact that the organization's president has always been Latin American. Non-regional donors such as the United States and Canada hold 46 percent of the votes in the IADB. As in the case with other regional development banks, the IADB was late to the game in forming a legitimate policy to address environmental issues. It wasn't until 1979 that the Bank approved any kind of operational policy to oversee environmental activity (Mikesell & Williams, 1992). However, in recent years the Bank has shown tremendous improvement in terms of handling environmental and sustainability projects.

The IADB ensures that all of the projects financed through the Bank include "rigorous social and environmental safeguards and sustainability measures" (IADB, 2014). Additionally, the IADB is a partner of the GEF. According to the IADB-GEF portfolio (2014) as of November 2012, the current IDB's portfolio is comprised of 42

projects with the total amount of \$240.6 million in GEF grants. These projects range from dealing with issues of biodiversity (i.e. marine and coastal conservation, protected areas, and ecosystem management), issues of climate change (i.e., energy efficiency, renewable energies and carbon markets), issues of international waters, and projects with multiple focus points such as projects related to land degradation and watershed protection, among others (IADB, 2014).

The Asian Development Bank (ADB): As in the case with other regional development banks, the ADB was born out of a demand from Asian countries after World War II to have some kind of regional institution to help develop strong trade partnerships with large economics such as Japan (Mikesell & Williams, 1992). With the passing of the 1963 resolution by the United Nations known as the Economic and Social Commission for Asia and the Pacific, the ADB was created and operations began in 1966 (Kappagoda, 1995; Mikesell & Williams, 1992; Hicks et al., 2008). Three years after the IADB began recognizing the importance of some sort of policy to monitor environmental activities the ADB realized the importance of such issues and appointed an environmental specialist in 1981. However it would not be until several years later that an actual review system of environmental guidelines for projects was implemented (Mikesell & Williams, 1992). Despite its efforts, the ADB's Environmental Unit has often been criticized for being too small hence leading to its lack of effectiveness in implementing environmental considerations to all lending projects, and for not doing enough to combat climate change in general (Mikesell & Williams, 1992; Hicks et al., 2008).

Historically, the ADB has centered itself on agricultural projects and rural development, but has recently moved toward poverty reduction (Hicks et al., 2008). From

the 1980s to the 1990s, the Bank's funding for environmental projects tripled, going from \$2.56 billion to \$7.54 billion, however, the Bank has always provided more money to "dirty" projects over environmental ones (Hicks et al., 2008, 199). "Dirty" projects are those that concern industries that may have harmful effects on the environment such as mining and oil. As the issue of environmental protection and climate change popularizes on the contemporary political agenda, however, the ADB has paid more attention to projects concerning the environment. The most recent numbers the ADB provides on its website are from 2012. In this year, 53 projects totaling in more than \$6.2 billion were focused on environmental sustainability (Asian Development Bank, 2013). The number of environmental sustainability projects approved by the ADB in 2012 pushed up the proportion of these projects to 45% from 2010 to 2012, which exceeded the ADB's 3-year rolling average target of 25% from 2010 to 2012 (Asian Development Bank, 2013).

The African Development Bank (AfDB): What is unique about the AfDB is that it was established without the assistance of developed countries and was independently created by African governments (English and Mule, 1996; Mikesell & Williams, 1992; Mingst, 1990). At its inception, membership to the AfDB was open to only African countries. This, however, proved to be difficult to maintain due to its limitation on resources. Ultimately, the bank opened up its membership to non-regional members (Mikesell & Williams, 1992). According to the AfDB's Environmental and Social Assessment Procedure guide, the bank did not set up a set of environmental procedures until 2001. The (AfDB) joined the GEF in November 2003 as an Executing Agency, which allowed it direct access to GEF resources (African Development Bank, 2014).

According to the AfDB website (2014) the Bank's number of projects in climate change, biodiversity and land conservation, and international waters has increased over the past few years. Equally increasing is the demand for projects that protect the environment and promote sustainable development, which the AfDB recognizes and attempts to accommodate by increasing its number of environmental projects. The AfDB writes (2014) that through its partnership with the GEF, the Bank has become an important source of funding and technical expertise for countries in Africa with limited resources to finance such projects. Additionally, the AfDB has helped its regional members secure \$25 million of projects which were funded through resources contributed by GEF (African Development Bank, 2014).

The European Bank for Reconstruction and Development (EBRD): Having been established in 1990, the EBRD is the youngest of the regional development banks. The Bank's principle goal was "to advance market values in former Eastern Bloc countries (Strand, 2003, 115). With its headquarters in London, the EBRD is similar in structure to the other regional development banks; however, it is also unique for several reasons. Unlike the other MDBs, the EBRD is open and explicit in its concern with the advancement of a political agenda – that is attempting to influence former Communist countries with democratic values and ideals (Strand, 2003). Additionally, the EBRD differs from other MDBs in that non-regional members have strong influence in decision making, as well as in regard to how embedded it is in well-established European institutions such as the European Union (EU) (Strand, 2003).

Due to the Bank's youth, it was never thought to be *late* per say in terms of paying attention to environmental considerations of projects like the other MDBs. The

first version of an environmental policy and procedural document for the EBRD was published in 1992, only two years after the Bank was established (EBRD, 2011). According to the EBRD's 2012 Sustainability Report, the Bank's Environmental and Social Policy "requires that all projects are assessed, structured and monitored to ensure that they are environmentally and socially sustainable, respect the rights of affected workers and communities, and are designed" and operated in compliance with applicable regulatory requirements and international good practice (EBRD, 2012, 4). The Bank's Environmental and Social Policy was last updated in 2008. According to the document "The EBRD and the Global Environment Facility," since 2004 the EBRD has partnered with the GEF, a multilateral donor organization that promotes sustainable and environmentally friendly development (EBRD, 2011, 1). Through this partnership, the EBRD has been able to fund green projects such as providing an Environmental Credit Facility for water pollution reduction in Slovenia (€10 million grant) and creating markets for renewable power in Ukraine (US\$ 8.45 million) (EBRD, 2011, 1).

III. Data and Methods

Theoretical Framework

As indicated in the literature review, United States foreign policy is influenced by strategic interests such as assisting allies while inconveniencing enemies/ competitors, as well as normative interests such as humanitarianism and environmental protection. The

literature review shows that there has been considerable research in this area, but the question remains: what is the importance of achieving these goals while making decisions in the MDBs? Although officially the United States has, in recent years, identified environmental protection as a major priority, does its voting action in multilateral development banks echo these sentiments? Or does the United States go against its public statements on protecting the environment by funding countries with a poor environmental protection index and sustainability track record? Does it matter what type of project it is that the U.S. is funding, whether it is mining or oil (i.e. dirty environmental projects) or “clean” projects such as those regarding solar energy or water conservation?

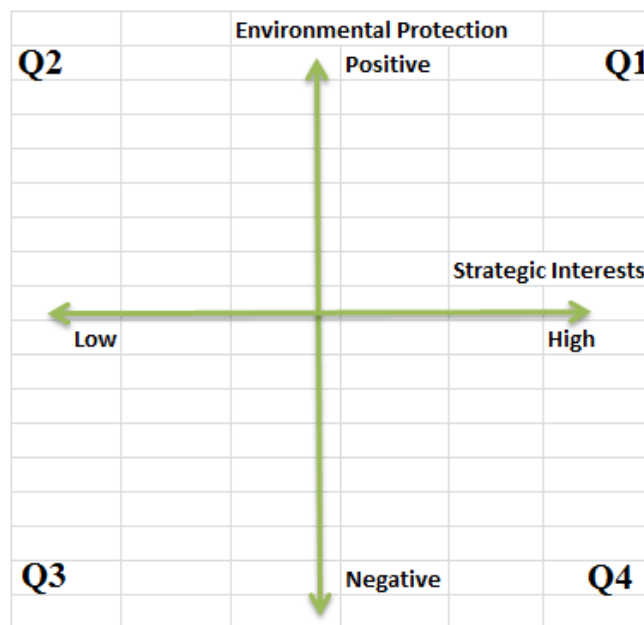
As Braaten (2012) points out, the line between strategic and normative interests is often blurred, especially when it comes to environmental protection. After all, it could be possible for the value of protecting the environment to also be economically strategic for the United States. It can be argued that both are so inextricably intertwined that they work together to advance each other. Joseph Nye argues that power can be used to create favorable policy outcomes and that sources of this power can be found in the values of a country (2004). This means that U.S. values such as environmentalism create a soft type of power that allows the U.S. to achieve its goals.

The theoretical framework Braaten uses was created as an explanation for U.S. asylum enforcement by Rosenblum and Salehyan (2004), which explained why the U.S. would choose to grant asylum to applicants from particular countries at certain times and for what reasons. It is noted that there is a stark difference between asylum granting and multilateral aid policy; however both reflect normative and strategic interests as their underlying factors. It is relevant to use this model because it will emphasize the relative

importance of normative and strategic interests in determining the position of environmental protection in U.S. foreign policy, as it did for Braaten (2014) and human rights in U.S. foreign policy.

Braaten (2014; 2012) uses a four-quadrant matrix that puts certain strategic interests against human rights; in this case, it will be against environmental protection. Using this framework, we can create an axis that places U.S. votes in the MDBs along two axes: environmental protection and strategic interests. Strategic interests are comprised of helping allies and promoting U.S. economic prosperity (Braaten, 2012). On the strategic axis the area to the right is given a positive value, meaning the country is strategically important to the U.S., and as such, the U.S. is most like to support proposals to that country. The negative end to the left suggests that the U.S. does not have any notable strategic interests invested in that country, and will be more likely to decline proposals to that country (see Figure 4).

Figure 4: Strategic versus Normative Motive Matrix



This model creates four quadrants in which countries that seek MDB funding can be placed, displayed in Figure 4. Countries in the upper right quadrant are of strategic importance to the United States and also have had a positive environmental protection performance. Countries that fall into the upper left quadrant are not strategically important to the United States, but have a record of good environmental protection policy. The countries that fall in the lower left quadrant are not strategically important to the U.S., nor do they perform well in protecting the environment. Lastly, countries that are placed in the lower right quadrant have poor environmental protection policy, but are still strategically important to the United States.

From this we can make many assumptions. First we can assume that the United States will most likely support funding for countries that are both strategically important as well as environmentally friendly. We can also assume that the United States will vote no on projects to countries that do not have a positive environmental record nor are they strategically important to U.S. interests. For countries that are not important to U.S. strategic interests but have a positive environmental protection policy, it cannot really be assumed how the U.S. might vote on proposals for these countries. Other factors, such as the size of the loan of type of project it will go to may play an important role in how the U.S. votes.

It is in the final quadrant where the results of how the U.S. votes most interesting. In this quadrant there are countries that have poor environmental protection policy but are strategically important to U.S. interests. As an advocate for greener policies, stopping climate change, and protecting the environment, it would be hypocritical for the U.S. to fund countries that may use the funds for projects or support a country that is not

considerate of the environment. However, it would be in the U.S.'s best interests strategically, whether it is economically or politically, to approve proposals from these countries due to their strategic significance to the country. From this theoretical framework, hypotheses can be derived and tested.

Hypotheses

Following Braaten's model and using the theoretical framework as a basis, two types of hypotheses can be derived: those that test normative claims such as environmental protection policy, human rights record, etc., and those that test strategic interests such as U.S. geostrategic interests, including economic relationships. The following are the hypotheses that were tested:

H1: The United States will be less likely to vote in favor of proposals by countries that have low environmental protection ratings in the MDBs

H2: The United States will be less likely to vote in favor of countries that have poor human rights records in the MDBs

H3: The United States will be more likely to vote in favor of countries that it has strong bilateral trade relationships with in the MDBs

H4: The United States will be less likely to vote for a "dirty" environmental project in general

H5: The United States will be less likely to support a proposal to a country that it does not share similarities with in U.N. voting behavior

H6: Finally, I hypothesize that the United States will be less likely to approve loans to countries in general during the Bush administration in comparison to the Obama administration.

“Dirty” environmental aid is considered to be financial assistance that goes to projects that support environmental projects that can be harmful to the environment such as mining and oil industries. This is in opposition to “green” or clean environmental aid which fund projects dealing with biodiversity, stopping climate change, protecting international waters, minimizing land degradation, protecting the ozone layer, etc.

Data Description

The loan review data used in this study is provided by the U.S. Treasury Department. The data set covers the years 2004 to 2011, and shows how U.S. Executive Directors voted on proposals in MDBs since January 2004. To proposals are overwhelmingly loans mixed with grants and non-financial requests. This data set contains 10,271 observations of U.S. votes in MDBs from 2004 to 2011 and deals with the five major MDBs, the World Bank, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, and the European Bank of Reconstruction and Development, as well as two multilateral organizations that are not considered MDBs, the Global Environment Facility, and the International Fund for Agricultural Development.

The data covers 149 different countries, excluding territories such as the Cook Islands, the West Bank and Gaza Strip, and the Canary Islands. From 2004-2006 Serbia and Montenegro were considered the same state (commonly known as the former Yugoslavia), but from 2007 onward they are considered separate in terms of votes in the MDBs (Braaten, 2012). Serbia and Montenegro were excluded from this study. Additionally, there is a “regional” category as well as the occasional “world” category,

which include votes on proposals that involved more than one country or region. These projects were excluded from this study.

The United States can vote one of three ways on a proposal: yes (indicating support), no (indicating disapproval), or abstention (indicating some conflict of interest or a lack of knowledge of a particular proposal in voting). When the United States opposes, abstains, or approves a proposal, it is supposed to assign that proposal with a reason code as to why executive directors in the MDBs voted the way they did. The full key to the vote codes can be found in Appendix A. Of the 68 reason codes given by the Department of the Treasury, three codes pertain to the environment. Reason codes #9 and #16 pertain to the Pelosi Amendment and issues in environmental reporting of the proposal. Reason code #62 describes proposals that have a significant impact that could be compromising to the environment, but that compromise has been or is in the process of mitigation. The explanations for these three codes are as follows:

Figure 5: Environmental Reason Codes⁴

Environmental reporting (P.L. 101-240, Sec. 521, as amended by P.L. 105-118, Sec.

560(b)(3) and by P.L. 108-447, Foreign Operations 2005, Sec. 793)

Other environmental reporting (e.g., Treasury policy votes not specified in #9 above).

Project could have significant environmental impacts, but such impacts have been mitigated. Development outcomes expected to be broadly positive.

The data display which reason code the United States cited for each item if a code was provided. Out of all the proposals, there are 289 proposals that cited environmental

⁴ United State Department of Treasury (2011)

codes (meaning they used 9, 16, 62 or a combination of any two or three). In addition, the word “Pelosi” was used to identify projects that had used an environmental code as well, referencing the Pelosi Amendment. Various projects did not provide a number code, but instead made reference to the Pelosi Amendment and inadequate environmental assessments. Proposals that referenced any of these codes were coded with a (1) while any other project was coded with a (0). Additionally, the data on MDBs displays whether or not *any* code was cited at all by the United States in a vote. Items without a code provided are given a (0) while items that cite any of the 68 reason codes at all are given a (1). Items that have either no code or cite any other code that is not 9, 16, and 62 are given the code 0 also.

The voting data are published by the Treasury Department on its website (2011). These original data includes the title of the project that was voted on, the amount of the loan, how the United States voted on each item, and a reason code for why the U.S. voted how it did (if one was provided). In the data set used for this analysis, 1,079 projects were under the ADB, 663 were under the AfDB, 1,279 were under the EBRD, 101 under the GEF, 2,005 were under the IADB, 128 were under the IFAD, and 5,002 were under the WB. There were 48 different lending windows within these banks represented in the projects requests, with 212 projects not specifying which window was used. There were 9,429 projects coded with 1, meaning that the U.S. voted “yes” on these projects, 221 projects coded with a -1 meaning that the U.S. voted “no” on the project, and 784 projects coded with 0 meaning that in those cases, the U.S. abstained.

Variables

The dependent variable is how the U.S. voted in the MDBs. “Yes” expresses U.S. approval of a project while “no” and “abstain” were collapsed together into a single category because both answers indicate U.S. lack of support for a project. The “yes” votes are coded as (1) while the no/ abstention votes are coded as (0). The size of the project, in U.S. dollars, may also impact U.S. support or opposition and is measured in real terms (*AMOUNT*), dummy variables are also defined for which of the two major American political parties had a president in office at the time of the proposal (*PARTY*) and projects directed to China (*CHINA*). Others who have worked with these data have often controlled for China in some way, whether it be through including it as a dummy variable or running a model without China’s projects (Strand and Zappile, 2013; Braaten, 2013). Strand and Zappile found that their trials indicated the possibility of unit effects due to China’s position as an outlier, and suggested a particular need to control for China (2013).

The following variables were also used to address strategic interests: real gross domestic product per capita ($(\ln)GDPPPOP$), trade relationships between the United States and recipient countries through the sum of imports and exports ($(\ln)TRADE$), and recipient countries voting similarities with the United States in the United Nations General Assembly (*UNVOTE*). GDP per capita data were provided by the World Bank Indicators Data from various years and trade data is provided by the IMF Direction of Trade Statistics, also from various years. According to Braaten, voting similarity in the UN General Assembly is commonly used to determine how close countries are politically (2013). I used the General Assembly Affinity Scores provided from a study by Strezhnev and Voeten conducted in 2013 for data on recipient countries GA voting similarity with

the United States. The computed voting similarity by using 3 category vote data (1 = “yes” or approval for an issue; 2 = abstain, 3 = “no” or disapproval for an issue) where an abstention is counted as half-agreement with a yes or no vote (Strezhnev and Voeten, 2013).⁵ To deal with large differences in scale amongst the countries in the dataset, trade, GDP, and other variables are transformed using a natural log function.

Normative values tested are a country’s human rights ratings as well as environmental performance. Human rights ranking is denoted by (*HuRIGHTS*). These data were collected from the Freedom House Index (various years), which breaks the measurement down into two indicators: political rights and civil liberties of a country. A thorough breakdown of this measurement is provided in the Variable Code Definitions, but a basic explanation is articulated in this section. Freedom House Index has a numerical rating for political rights based on a 1 to 7 scale (Freedom House Index). Underlying those ratings are more detailed assessments of country situations based on a 40-point scale. The political rights questions are grouped into three subcategories: Electoral Process, Political Pluralism and Participation, and Functioning of Government. Similarly, Freedom House Index has a numerical rating for civil liberties based on a 1 to 7 scale. Underlying those ratings are more detailed assessments of country situations based on a 60-point scale. The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief, Associational and Organizational Rights, Rule of Law, and Personal Autonomy and Individual Rights (Freedom House

⁵ It should be noted that the UN General Assembly Affinity Score are calculated using a differing method from how U.S. votes in MDBs are calculated in this thesis. The UN General Assembly Affinity Scores used divides “yes,” “no,” and “abstain” votes into three different categories of consideration. For this thesis, I combine “no” and “abstain” votes since both indicate disapproval, using two categories instead of three.

Index). The average was taken from these two indicators to create a country's human rights rating.

Environmental performance is measured by four different independent variables that were tested in different models. One variable seeks a macro-level explanation of U.S. voting decisions based on environmental performance and three seek a micro-level explanation of the dependent variable. The macro-level independent variable is Environmental Protection Index ranking (*ENV_INDEX*). The micro-level variables look at the data on the project level rather than country level and include: environmental reason code as assigned by the U.S. Department of the Treasury (*ENV_CODE*); dirty environmental projects (*DIRTY_PRO*); and environmental projects generally (*ALL_ENV_PRO*).

The first variable to be tested was the Environmental Performance Index of the countries available, which is a joint project between the Yale Center for Environmental Law & Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University, in collaboration with the World Economic Forum and support from the Samuel Family Foundation and the McCall MacBain Foundation (EPI, 2014). The EPI ranking is constructed through the calculation and aggregation of 20 indicators reflecting national-level environmental data which are then combined into nine issue categories, each of which fit under one of two overarching objectives (EPI, 2014). The different indicators, issue categories, and objectives are outlined in Figure 6:

Figure 6: Environmental Performance Index Indicators

Environmental Health

Water & Sanitation	Access to Drinking Water	Access to Sanitation		
Air Quality	Household Air Quality	Air Pollution Avg. Exp. T o PM2 5	Air Pollution PM2 5 Exceedance	
Health Impact	Child Mortality			
Ecosystem Vitality				
Climate & Energy	Trend in CO2 Emissions per KwH	Change of Trend in Carbon Intensity	Trend in Carbon Intensity	
Biodiversity & Habitat	Natural Biome Protection	Global Biome Protection	Marine Protected Areas	Critical Habitat Protection
Fisheries	Coastal Shelf Fishing Pressure	Fish Stocks		
Forests	Change in Forest Cover			
Agriculture	Agricultural Subsidies	Pesticide Regulation		
Water Resources	Wastewater Treatment			

(EPI, 2014)

According to the Yale Center for Environmental Law & Policy, the Water and Sanitation category measures two indicators: access to drinking water and access to sanitation. The data for this measurement were derived from the 2012 WHO/United Nations Children’s Fund (UNICEF) Joint Monitoring Programme for Water Supply and Sanitation (JMP) (EPI, 2014). The Air Quality issue category is characterized by three indicators: air pollution average exposure to PM2.5, PM2.5 exceedance, and household air quality (EPI, 2014). The data for these measurements were provided by Aaron van Donkelaar of Dalhousie University, which provided the PM2.5 data, and the World Health Organization, who provided the Household Air Quality data from its Energy Database, which provides estimates of the percentage of households using solid, liquid

fuels, gaseous fuels, and electricity (EPI, 2014). The Health Impacts category measures the probability of death between a child's first and fifth birthdays with data from the United Nations, Department of Economic and Social Affairs, Population Division: *World Population Prospects, the 2012 Revision* (EPI, 2014).

Moving into indicators that fall into the objective of ecosystem vitality, the Climate and Energy indicator analyzes actions and access to energy relative to a country's level of economic development. The data for these measurements are derived from the following:

Carbon dioxide (CO₂) emissions data come from the Climate Analysis Indicators Tool (CAIT) 2.0 database provided by the World Resources Institute. Data for the Access to Electricity indicator are from the Sustainable Energy for All Initiative, a joint effort by the World Bank and the International Energy Agency (IEA). The Trend in CO₂ Emissions per kWh of electricity generation indicator is developed from data provided by the IEA (EPI, 2014).

Although it is important to note that the YCELP admits that there is no global agreed-upon target for CO₂ reduction, and that these measurements are meant to measure a country's ability to reduce the intensity of carbon emissions over time (EPI, 2014).

Biodiversity and Habitat tracks the protection of terrestrial and marine areas as well as threatened or endangered species, and collects the data for all four indicators (natural and global biome protection, marine protected areas, and critical habitat protection) from the World Database on Protected Areas (WDPA) maintained by the United Nations Environment Programme (UNEP) World Conservation Monitoring Centre (WCMC) (EPI, 2014). According to the Yale Center for Environmental Law & Policy, "the Fish Stocks indicator measures the percentage of a country's total catch — within its exclusive economic zone — that is comprised of species listed as overexploited

or collapsed. The Coastal Shelf Fishing Pressure indicator assesses the total catch from trawling and dredging equipment divided by the total area of each country's exclusive economic zone" (2014). These data are compiled and analyzed by the Sea Around Us Project, University of British Columbia Fisheries Centre. Lastly, the "Forests" indicator measures the percent change in forest cover between 2000 and 2012 in areas with greater than 50 percent tree cover and the "Agriculture" indicator data are gathered from the World Bank database of Nominal Rate of Assistance that measures agricultural subsidies and pesticide regulation (EPI, 2014). Lastly, the "Water Resources" indicator tracks how well countries treat wastewater from households and industrial sources before releasing it back into the environment (EPI, 2014).

EPI data are only available every two years starting in 2006, resulting in missing data. Missing data are a common problem in social science research (Osborne, 2013). According to Osborne it is common for large data sets to be full of legitimately missing data especially if it's a government data set (2013). The YCELP explains that there are countries missing in the data because in order to be included in the EPI countries must have data for all of the indicators included in the Indicator Framework (EPI, 2014). The only exclusion to this is if an issue is considered irrelevant for that particular indicator. The website gives the example of a landlocked country that does not have a coastline and would therefore not have a viable fisheries industry to participate in the fishery indicator (EPI, 2014). Therefore, countries were excluded because of insufficient data. The EPI study is not performed annually because many of the indicators are not measured annually, especially for developing countries. As a result, the odd-numbered years are missing from this data set at random, because data was not left out on purpose; rather it

was just not applicable. To address this, the method of mean substitution was used to fill some of the missing data. For the odd numbered years, the average is taken of the year prior and the following year. For example, any EPI data for 2007 is calculated by finding the average of 2006 and 2008 EPI results. In order to lessen the potentially inaccurate results of means substitution, another test was run containing only the years and observations that were provided by the EPI itself.

The three other environmental variables are (*ENV_CODE*), (*DIRTY_PRO*), and (*ALL_ENV_PRO*). Environment reason codes are provided by the U.S. Department of the Treasury and indicate that the reason the U.S. voted a particular way on a project had environmental oversight concerns giving us the environmental reason codes that can be used to test *ENV_CODE*. The variable *ALL_ENV_PRO* is used to differentiate projects that are environmental in nature against other projects. There is no clear definition as to what constitutes an environmental project and what does not. All MDBs have some form of environmental assessment to safeguard a project's potential effect on the environment. For example, the World Bank and Asian Development Bank require all projects to go through an environmental assessment prior to bringing that project up to a vote.

To create a threshold to define environmental projects, I used the GEF definition of the types of environmental projects they fund, which is a pilot programme of the World Bank. It provides funding for the following six areas: biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants (GEF, 2013). Because the World Bank was by far the largest multilateral development bank taken into consideration in this study, its criteria used for dispersing funds in the GEF were used to distinguish environmental projects from non-environmental projects in

the datas. Those projects considered environmental contained any of the following key phrases: “conserv,” “biodiversity,” “water,” “climate,” “mining” and “oil.” Mining and oil were used to differentiate dirty environmental projects (*DIRTY_PRO*) to test H4.

The main research question addressed in this study is to what extent are U.S. votes in the MDBs conditioned on recipient countries respect to environmental performance? Even broader, what factors are influential in determining U.S. decisions in MDBs in general? For example: is the U.S. more likely to approve a loan to a country that it has better trade relations with, even if the project’s environmental impacts are questionable? There are many research questions that this data set can answer.

Methodology

Utilizing descriptive statistics, I summarized the project-level data to explore changes overtime. Next, I tested my hypotheses using logistic regression analysis (Logit). This was due to the level of measurement of my dependent variable. Limited and dichotomous dependent variables present problems in linear regression that use statistical inferences; therefore a logistic regression analysis was used. Logistic regression can transform non-linear relationships into linear relationships. This allows us to make valid statistical references (Braaten, 2012). In addition, using pooled time-series cross-sectional data often faces the issue of heteroskedasticity. Braaten defines heteroskedasticity as the “assumption that all the errors have the same variance, or all the errors are independent from one another” (Braaten, 2012, 75). To address heteroskedasticity robust standard errors were used for more conservative estimations. All models used to test my hypotheses included several control variables. Four models were run testing different key environmental independent variables. There will be one core formula with variables

was used for every model. The only differences between the models are the environmental performance-related independent variable.

The first Logit equation was:

$$USVOTE = CHINA + (\ln) GDPPOP + (\ln) TRADE + AMOUNT + UNVOTE + HuRIGHTS + PARTY + ENV_Code$$

The second Logit equation was:

$$USVOTE = CHINA + (\ln) GDPPOP + (\ln) TRADE + AMOUNT + UNVOTE + HuRIGHTS + PARTY + ALL_ENV_PRO$$

The third Logit equation was:

$$USVOTE = CHINA + (\ln) GDPPOP + (\ln) TRADE + AMOUNT + UNVOTE + HuRIGHTS + PARTY + DIRTY_PRO$$

Finally, the fourth Logit equation was:

$$USVOTE = CHINA + (\ln) GDPPOP + (\ln) TRADE + AMOUNT + UNVOTE + HuRIGHTS + PARTY + ENV_INDEX$$

IV. Results

Descriptive Statistics

Figure 7 displays the descriptive statistics for the independent variables used to test the dependent variable.

Figure 7: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
(ln) GDPPOP	9848	7.5	1.2	3.98	14.2
(ln) TRADE	9848	24.6	2.3	17.4	29.7
UNVOTE	10227	0.3	.01	0	.74
HuRIGHTS	10260	3.6	1.6	1	7
AMOUNT	9103	5695.4	12975.6	3.4	375000
PARTY	10270	.4	.5	0	1

CHINA	10270	5695.4	12975.6	0	1
ENV_CODE	10213	.1	.3	0	1
DIRTY_PRO	10270	.01	.5	0	1
ALL_ENV_PRO	10270	.06	.25	0	3
ENV_INDEX	7025	62.47647	12.27376	25.7	90.45362

Logit Estimation Results

The results of the Logit analyses are show in Figures 8-11. The first model used the core formula with the *ENV_CODE* variable.

Figure 8: Model 1 Results Testing Environment Code

Variable	Coefficient
<i>CHINA</i>	-2.363886 (0.000)
<i>(ln) GDPPOP</i>	-.3065003 (0.000)
<i>(ln) TRADE</i>	.0959398 (0.032)
<i>AMOUNT</i>	-6.94e-06 (0.032)
<i>UNVOTE</i>	-2.175015 (0.008)
<i>HuRIGHTS</i>	-.2332119 (0.000)
<i>PARTY</i>	.7980598 (0.000)
<i>ENV_CODE</i>	-2.73814 (0.000)
Number of obs = 9036	
Wald chi2(8) = 121.86	
Prob > chi2 = 0.0000	
Pseudo R2 = 0.1665	

In this model all variables are considered significant predictors of U.S. votes in MDBs at the $p < 0.05$ level. The model shows that if the vote was on a project for China, the odds of the U.S. voting yes decreased by 2.36. For every one-unit increase in *(ln) GDPPOP*, the odds of the U.S. voting yes decreased by .30 suggesting that the U.S. is

more likely to say no to more developed countries. This makes sense since development banks are supposed to assist countries that are still developing. For every one-unit increase in *(ln) TRADE* the odds the U.S. will vote yes increases by .09. For every one unit increase in UN Voting Similarity (using *agree3un*) the odds of the U.S. voting yes decreased by .23 For every one-unit increase in Human Rights rating (indicating worse human rights practices) the odds the U.S. would vote yes decreased by .23 If the project was introduced during the Obama Administration, the odds of it being approved increased by .79. Finally, for an increase in *ENV_CODE* (indicating that it was coded 1 showing that it was cited with an environmental reason code) the odds of the U.S. voting yes decreases by 2.73 (which is to be expected).

Figure 9: Model 2 Results Testing All Environmental Projects

Variable	Coefficient
<i>CHINA</i>	-2.407584 (0.000)
<i>(ln) GDPPOP</i>	-.2887743 (0.000)
<i>(ln) TRADE</i>	.0899862 (0.038)
<i>AMOUNT</i>	-.0000121 (0.000)
<i>UNVOTE</i>	-1.922317 (0.013)
<i>HuRIGHTS</i>	-.2355532 (0.000)
<i>PARTY</i>	.5466349 (0.001)
<i>ALL_ENV_PRO</i>	.0389307 (0.860)
Number of obs = 9036	
Wald chi2(8) = 163.66	
Prob > chi2 = 0.0000	
Pseudo R2 = 0.1090	

Figure 9 displays the results from Model 2. Here, all variables except for the *ALL_ENV_PRO* variable are considered significant predictors of U.S. votes in MDBs at the $p < 0.05$ level. For the variables that are part of the core formula, many of the results show similar relationships to the independent variable. Model 2 shows that if the vote was on a project for China, the odds of the U.S. voting yes decreases by 2.40. For every one-unit increase in $(\ln) GDPPOP$, the odds of the U.S. voting yes decreases by .28. For every one-unit increase in $(\ln) TRADE$ the odds the U.S. will vote yes increases by .089. For every one unit increase in UN Voting Similarity the odds of the U.S. voting yes decreases by 1.92. For every one-unit increase in *HuRIGHTS* the odds the U.S. would vote yes decreases by .23. If the project was introduced during the Obama Administration, the odds of it being approved increased by .54. Finally, the variable *ALL_ENV_PRO* was not a significant predictor for U.S. votes in the MDBs.

Figure 10: Model 3 Results Testing Dirty Environmental Projects

Variable	Coefficient
<i>CHINA</i>	-2.44276 (0.000)
$(\ln) GDPPOP$	-.2854641 (0.000)
$(\ln) TRADE$.0908831 (0.037)
<i>AMOUNT</i>	-.0000122 (0.000)
<i>UNVOTE</i>	-1.9331 (0.013)
<i>HuRIGHTS</i>	-.2306127 (0.000)
<i>PARTY</i>	.5409437 (0.001)
<i>DIRTY_PRO</i>	-1.735371 (0.000)
Number of obs = 9036	
Wald chi2(8) = 187.21	

Prob > chi2 = 0.0000	
Pseudo R2 = 0.1129	

Figure 10 displays the results from Model 3 which uses the core formula with the *DIRTY_PRO* as the main independent variable testing the importance of environmental protection. Again, all variables in Model 3 are considered significant predictors of U.S. votes in MDBs at the $p < 0.05$ level. The model shows that if the vote was on a project for China, the odds of the U.S. voting yes decreases by 2.44. For every one-unit increase in (\ln) *GDPPPOP*, the odds of the U.S. voting yes decreases by .28. For every one-unit increase in (\ln) *TRADE* the odds the U.S. will vote yes increases by .09. For every one unit increase in UN Voting Similarity the odds of the U.S. voting yes decreased by 1.9. For every one-unit increase in Human Rights rating the odds the U.S. would vote yes decreased by .23. If the project was introduced during the Obama Administration, the odds of it being approved increased by .54. Finally, for a one-unit increase in *DIRTY_PRO* (indicating that a project is more likely to go to an industry that is not environmentally friendly) the odds of the U.S. voting yes decreases by 1.73, which was not a result expected.

Figure 11: Model 4 Results Testing Environmental Performance of Recipient

Countries

Variable	Coefficient
<i>CHINA</i>	-1.464577 (0.000)
(\ln) <i>GDPPPOP</i>	-.1880622 (0.029)
(\ln) <i>TRADE</i>	-.0467791 (0.308)
<i>AMOUNT</i>	-.0000112 (0.000)
<i>UNVOTE</i>	-2.175015

<i>HuRIGHTS</i>	(0.008) -.2800342
<i>PARTY</i>	(0.000) .5905259
<i>ENV_INDEX</i>	(0.002) .0140469
	(0.080)
Number of obs = 6240	
Wald chi2(8) = 170.93	
Prob > chi2 = 0.0000	
Pseudo R2 = 0.1077	

Finally, Figure 11 displays the results from Model 4 which uses the core formula with the Environmental Performance Index rating as the main independent variable testing the importance of environmental protection. In this model, *CHINA*, (*ln*) *GDPPOP*, *AMOUNT*, *UNVOTE*, *HuRIGHTS*, and *PARTY* are all considered significant predictors in U.S. voting behavior in the MDBs at the $p < 0.05$ level. *ENV_INDEX* is significant at the $p < .01$ level while (*ln*) *TRADE* interestingly enough switched coefficient sign entirely, contradicting the previous three models. This make (*ln*) *TRADE* the most unstable variable of them all since the majority of the variables performed the same on all models. The model shows that if the vote was on a project for China, the odds of the U.S. voting yes decreases by 1.46. For every one-unit increase in (*ln*) *GDPPOP*, the odds of the U.S. voting yes decreases by .029. For every one unit increase in UN Voting Similarity the odds of the U.S. voting yes decreased by 2.1. For every one-unit increase in Human Rights rating the odds the U.S. would vote yes decreased by .28. If the project was introduced during the Obama Administration, the odds of it being approved increased by .59. Finally, for a one-unit increase in *ENV_INDEX*, noting that the higher

the rating on a 0-100 scale, the better a country's environmental performance, the odds of the U.S. voting yes increases by .014.

Interpretation

In conclusion, the hypothesis that environmental protection considerations influence U.S. votes in the MDBs yielded mixed support. It was shown that the U.S. is influenced on the project-level by how "dirty" a project is. The U.S. was found to show less support to projects that were classified as oil-related or mining projects, although classification of an environmental project in general did not have significant influence on U.S. voting behavior in the MDBs. The U.S. also gave consideration to environmental reason codes provided by the U.S. Department of the Treasury, proving that if a project failed to undergo environmental analysis or failed the analysis in any way, the U.S. is more likely to disapprove of funding for that project. On the macro level, overall environmental performance ratings of recipient countries were significant at the 95 percent level.

The human rights rating of a country was found to be significant across all models and performed in the direction that was expected. As human rights ranking worsened, the likelihood of the United States voting no on a project for that recipient country increased as well. The significance of strategic indicators was also mixed. GDP per capita came out significant with the same sign on the coefficient for all four models. As GDP per capita increased, the likelihood of the U.S. voting in favor of a recipient country decreased. This makes sense when considering the nature of development banks. They are meant to help countries that are still growing and have not reached a level of mature development. This could also tie in with the significance of China as a dummy variable. If a proposal was

Chinese, the likelihood that the U.S. would vote no or abstain increased. It has been argued that China should no longer receive aid from development banks because it is highly developed and can be considered a “rich” country. This is expected because the two countries are known to be major adversaries in almost all issue areas, especially at the UN on climate talks (Strand and Zappile, 2013; Ritter, 2014).

A recipient country’s bilateral trade relationship with the United States was an unstable variable. Although it came out as a significant predictor of U.S. voting in MDBs in the first three models, the last model switched the variable’s significance as well as the sign of the coefficient. The first three models supported the hypothesis that increased trade relationships meant the increased likelihood of the United States supporting a recipient country’s proposal. However, the last model showed *(ln) TRADE* as insignificant with a negative coefficient, suggesting that the as trade relationships between recipient countries and the U.S. increased, U.S. support decreased. This could be explained by the far small N-size of Model 4 as compared to the first 3 models. Because ENV_INDEX did not include years 2004 and 2005, thousands of variables were left out of the model and could have had an impact on the instability of *(ln) TRADE*.

UNVOTE was significant in all four models but did not perform as expected. The hypotheses stated that the U.S. would be more likely to vote for a project if it had similar UN voting in the General Assembly. This aligns with what Braaten found in his analysis of UN voting similarity in his research (2013). The results showed that as UN voting similarity between recipient countries and the United States increases, the odds that the U.S. will vote in favor of the project actually decreases. It is interesting to note the difference in who the U.S. votes with in different multilateral organizations. This

difference in UN voting similarities could suggest that the U.S. does not necessarily vote for a recipient state just because they have similar political ideologies within the United Nations. Voting is also a formal process and this could show that the U.S. does not want to show political bias in formal processes.

Finally, the *AMOUNT of the project and the PARTY* dummy variable came out significant in all four models with the same coefficient sign. It is expected that the odds of the U.S. voting in favor of a recipient country will decrease as the amount of the loan increases. *PARTY* results show that across the board, the odds of the U.S. voting for a project in general increased when President Obama was in session over former President Bush. This is to be expected since issues concerning the environmental and environmental protection tend to be viewed as liberal agenda items over conservative ones.

V. Conclusion

The Place of Environmental Protection and U.S. Foreign Policy

So where does this place environmental protection effort on the scale of U.S. foreign policy? The main findings suggest that environmentalism does have an important role on U.S. policy, although not a particularly prominent one. The study found that on a macro-level of analysis, environmental performance of a country does influence how the United States voted in the MDBs. When countries ranked better in environmental performance, the United States was more likely to vote yes for that country's proposal. On a micro-level of analysis looking at the project-level, environmentalism's significance is less clear. The U.S. was more likely to show less support to a project if it was tied to

mining or oil industries – two industries that are slowly disappearing as a shift toward greener practices is occurring. Reason code also was a significant predictor of U.S. voting behavior in the MDBs. If a project was given an environmental code proclaiming its lack of environmental consideration through proper evaluation, the U.S. was more likely to say no or abstain to that project. However, when looking at environmental projects as a whole, there did not seem to be a relationship between how the U.S. voted and if a project was environmental in scope. However, this could be interpreted positively to suggest that the U.S. does not simply vote yes to all projects that are environmental but actually look at the nature of that project and its implications.

An interesting conclusion can be drawn from the results of model 4. This model used the macro-level variable of a country's environmental performance rating as the main environment variable. In the first three models with project-level variables trade was significant. However, in the final model, when tested with the EPI rating, trade went from significant to very insignificant. What might this mean? This could suggest that when taken into consideration in the same model, the normative value measuring environmentalism is a more significant influence in U.S. voting behavior than the strategic interest of trade. In simpler terms, normative values played a more influential role in determining how the U.S. voted over strategic interests in this model. This shows that environmental protection, at least at the country level, does have influence over U.S. voting in MDBs. The U.S. does take a country's environmental performance into consideration. In sum, both normative values and strategic interests performed well.

Areas of Further Research

There are three major areas in which future academics may take this project for expansion. The first would be to expand on this current project by adding several variables. Although this experiment was modeled after Braaten's project, this particular study left out U.S. military aid to foreign countries as a variable (2012). This could be added as another variable to measure U.S. ally-ship or could be an indicator of other strategic interests that the U.S. might have. Other variables that could be interesting to add is level of development of a country, regime type by country and across time, or even to separate the countries by their top economic industries. All of these are variables that could test certain strategic interests that U.S. might have in voting a particular way in multilateral development banks.

Future academics could also analyze the influence of informal processes in U.S. decision-making and its implication on environmental protection and foreign policy in multilateral development banks. The research conducted for this thesis and the U.S. votes contained in the data set are all examples of formal processes and numbers that can be recorded and quantified. However, we know that the power of informal influence in U.S. decision-making is undeniable, and oftentimes it is difficult to mark a distinct difference between the two types of influences (Kilby, 2013). However, informal processes and relationship between member countries are more difficult to study.

Finally, a study can be conducted on recipient countries that have received multiple loans to assist the production of environmental projects. The improvement of environmental performance can be studied to see if the approval of such projects is actually contributing to the overall improvement of environmental performance of recipient countries. It would be interesting if someone actually studied the impact of these

loans to verify if they are strong influencers in the progress and environmental performance of developing countries.

Appendix

Item A: U.S. Department of the Treasury Reason Codes

Code	Reason
1	Economic and policy considerations
2	Surplus commodities (as defined under P.L. 109-102, Foreign Operations 2006, Sec. 514)
3	Communist dictatorships (P.L. 98-181, Sec. 804)
4	Surplus mineral production (P.L. 109-102, Foreign Operations 2006, Sec. 514)
5	Expropriation (P.L. 103-236, Sec. 527); The assistance does not support basic human needs.
6	Narcotics (P.L. 87-195, Sec. 490(a)(2) and 490A(a)(2), as amended by the Anti-Drug Abuse Acts of 1986 and 1988, by the International Narcotics Control Act of 1992, and by P.L. 103-447, Sec. 101 and further amended in P.L. 104-66, Sec. 1112(d))
7	Human rights (P.L. 95-118, Sec. 701, and amended by P.L. 101-240 Sec. 541(c), and P.L.102-511, Sec. 1008); The assistance supports basic human needs
8	Human rights (P.L. 95-118, Sec. 701, and amended by P.L. 101-240, Sec. 541(c), and P.L.102-511, Sec. 1008). The assistance does not support basic human needs.
9	Environmental reporting (P.L. 101-240, Sec. 521, as amended by P.L. 105-118, Sec.560(b)(3) and by P.L. 108-447, Foreign Operations 2005, Sec. 793)
10	International terrorism (P.L. 104-132, Sec. 327)
11	Chemical and biological weapons production (Executive Order 12735)
12	Harboring indictees for war crimes (P.L. 107-115, Sec. 581(b-d))
13	Policy towards Burma (P.L. 104-208, Sec. 570(a)(2))
14	Cambodia (P.L. 108-447, Foreign Operations 2005, Sec. 554(a)); The assistance does not support basic human needs.
15	Cambodia (P.L. 108-447, Foreign Operations 2005, Sec. 554(a)). The assistance supports basic human needs
16	Other environmental reporting (e.g., Treasury policy votes not specified in #9 above).
17	Nuclear material (P.L. 103-236, Sec. 823)
18	Palm oil, sugar, and citrus (P.L. 95-118, Sec. 901(a))
19	Serbia or Montenegro (P.L. 103-160, Defense Authorization, Sec. 1511(c) and P.L. 104-208, Sec. 540)
20	Failing to apprehend war criminal indictees (P.L. 109-102, Foreign Operations 2006, Sec.561(a)(1))
21	Worker rights, trade distortion, surplus capacity (P.L. 100-202, Sec. 406(1))

22	Female genital mutilation (P.L. 104-208, Sec. 579)
23	Sanctions for transfer or use of nuclear explosive devices (P.L. 103-236, Sec. 826(a) as amended by Sec. 102(b)(2)(E)); The assistance supports basic human needs
24	Sanctions for transfer or use of nuclear explosive devices (P.L. 103-236, Sec. 826(a) as amended by Sec. 102(b)(2)(E)); The assistance does not support basic human needs
25	Waiver of sanctions for transfer or use of nuclear explosive devices with respect to India and Pakistan (P.L. 106-79, Department of Defense Appropriations Act, 2000, Title IX, Sec.9001(a))
26	Expropriation (P.L. 103-236, Sec. 527); The assistance supports basic human needs
27	IMF bailouts of banks (P.L. 98-181, Sec. 807)
28	Religious persecution (P.L. 105-292, Title V, Sec. 402, 405(12) and 422); The assistance supports basic human needs
29	Religious persecution (P.L. 105-292, Title V, Sec. 402, 405(12) and 422); The assistance does not support basic human needs
30	Serbia-Montenegro (P.L. 105-277, Sec. 514(b))
31	Cuba (P.L. 104-114, Sec. 104)
32	Sanctions on use of chemical or biological weapons (P.L. 102-182, Sec. 307)
33	Chemical weapons sanctions on disclosure of confidential business information (P.L. 105-277, Division I, Sec. 103(e)(2)(A), Sec. 103(e)(2)(B)(iii) and Sec. 103(e)(3)(B)(v))
34	IMF Korea (P.L. 105-277, Sec. 602(a), (1998))
35	Transparency of budgets: audit of military expenditures (P.L. 104-208, Sec. 576 as amended by P.L. 105-118, Sec. 572); The assistance supports basic human needs
36	Transparency of budgets: audit of military expenditures (P.L. 104-208, Sec. 576 as amended by P.L. 105-118, Sec. 572); The assistance does not support basic human needs
37	Serbia (P.L. 106-113, Sec. 599(b)(1), (1999))
38	Serbia (P.L. 106-429, Sec. 594(b), (2000))
39	User fees (P.L. 109-102, Foreign Operations 2006, Sec. 562)
40	Trafficking in persons (P.L. 106-386, Sec. 110); The assistance supports one or more specified exceptions
41	Trafficking in persons (P.L. 106-386, Sec. 110); The assistance does not qualify under any specified exception
42	IMF programs and debt levels (P.L. 98-181, Sec. 806)
43	Failing to apprehend war criminal indictees (P.L. 109-102, Foreign Operations 2006, Sec.561(a)(1)); Exceptions or waiver authority applies
44	USA PATRIOT Act on deterring international terrorism (P.L. 107-56, Sec. 360)
45	Zimbabwe Democracy and Economic Recovery Act of 2001 (P.L. 107-99)
46	Zimbabwe, as governed by P.L. 109-102 (Foreign Operations 2006, Sec. 572)

47	Serbia, as governed by P.L. 109-102, Sec. 563 (Foreign Operations 2006). If Serbia is not certified.
48	Serbia, as governed by P.L. 109-102, Sec. 563 (Foreign Operations 2006). If Serbia is certified.
49	India IBRD Water and Sewage, as governed by P.L. 107-115, Foreign Operations FY2002, Title IV.
50	Tibet, as governed by P.L. 107-228, Foreign Relations Authorization Act, FY2003, Sec 616(b).
51	East Timor, as governed by P.L. 107-228, Foreign Relations Authorization Act, FY2003, Sec.633.
52	Sudan, as governed by P.L. 107-245, Sudan Peace Act section 6(b)(2) (2002).
53	Burma, as governed by Burmese Freedom and Democracy Act of 2003, P.L. 108-61.
54	Burma, as governed by P.L. 109-102, Foreign Operations 2006, Sec. 526(a).
55	Iraq, as governed by P.L. 108-11, Sec. 1503, as amended by P.L. 108-106, Sec. 2204.
56	Tibet, as governed by P.L. 109-102, Foreign Operations 2006, Sec. 575(a).
57	Commodities or minerals in surplus on world markets (P.L. 99-472 of the Export-Import Bank Act of 1986)
58	Copper exports, mines and mining (P.L. 99-88, Sec. 501)
59	Mining, smelting and refining (P.L. 99-88, Sec. 502, as amended by P.L. 102-285)
60	Commodities, products, or minerals for export (P.L. 100-202, Foreign Operations, FY1987, Title XIV, Sec. 1403(b) of the IFI Act, as amended by P.L. 106-36, Title I, Sec. 1002)
61	Comprehensive Peace in Sudan Act, 2004 (P.L. 108-497)
62	Project could have significant environmental impacts, but such impacts have been mitigated. Development outcomes expected to be broadly positive.
63	Sri Lanka, as governed by P.L. 111-117, Division F, Sec. 7089. The assistance supports basic human needs.
64	Sri Lanka, as governed by P.L. 111-117, Division F, Sec. 7089. The assistance does not support basic human needs.
65	Palestinian Authority, as governed by P.L.109-446, section 8. The assistance meets BHN and/or democracy support.
66	Palestinian Authority, as governed by P.L.109-446, section 8. The assistance does not meet BHN or democracy support.
67	Belarus, as governed by P.L.109-480, section 6(e). The assistance meets humanitarian needs.
68	Belarus, as governed by P.L.109-480, section 6(e). The assistance does not meet humanitarian needs.

Item B: Variable Code Definitions

Date – Day, month, and year the project was voted on

Year – (2004 – 2011) Year the project was voted on

Country – Name of the country that is requesting the loan/ grant

Population – Population of the country (adjusted for year). These data were collected from the World Bank Indicators, which bases total population on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin. The values shown are midyear estimates (World Bank, "Population, total").

USExport – U.S. exports is nominal U.S. dollars (millions). Data are taken from U.S. Department of Commerce, Bureau of the Census, Foreign Trade. Data are from the IMF Direction of Trade Statistics, various years.

USImport – U.S. imports in nominal U.S. dollars (millions). Data is taken from U.S. Department of Commerce, Bureau of the Census, Foreign Trade. Data are from the IMF Direction of Trade Statistics, various years.

Total Trade – Total trade is determined by finding the sum of both imports and exports in Columns E and F.

Gross Domestic Product (GDP) in U.S. \$ - The World Bank provides GDP at purchaser's prices, meaning it is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used.

Freedom House Index Political Rights (PR) – Freedom House Index has a numerical rating for political rights based on a 1 to 7 scale. Underlying those ratings are more detailed assessments of country situations based on a 40-point scale. A country or territory is awarded 0 to 4 points for each of 10 political rights indicators. The political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The political rights section also contains two additional discretionary questions. For additional discretionary question A, a score of 1 to 4 may be added, as applicable, while for discretionary question B, a score of 1 to 4 may be subtracted, as applicable (the worse the

situation, the more points may be subtracted). The highest score that can be awarded to the political rights checklist is 40 (or a total score of 4 for each of the 10 questions).

Freedom House Index Civil Liberties (CL) – Freedom House Index has a numerical rating for civil liberties based on a 1 to 7 scale. Underlying those ratings are more detailed assessments of country situations based on a 60-point scale. A country or territory is awarded 0 to 4 points for each of 15 civil liberties indicators. The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). The highest score that can be awarded to the civil liberties checklist is 60 (or a total score of 4 for each of the 15 questions).

Freedom House Index PR and CL Combined – A country or territory is assigned two ratings (7 to 1)—one for political rights and one for civil liberties—based on its total scores for the political rights and civil liberties questions. Each rating of 1 through 7, with 1 representing the greatest degree of freedom and 7 the smallest degree of freedom, corresponds to a specific range of total scores (see tables 1 and 2).

Free, Partly Free, Not Free Status – The average of a country’s or territory’s political rights and civil liberties ratings is called the Freedom Rating, and it is this figure that determines the status of Free (1.0 to 2.5), Partly Free (3.0 to 5.0), or Not Free (5.5 to 7.0) (see table 3).

Bank – This variable describes which bank the loan was requested through.

- ADB – Asian Development Bank
- WB – World Bank
- EBRD – European Bank of Reconstruction and Development
- IDB – Inter-American Development Bank
- GEF – Global Environment Facility
- AFDB – African Development Bank
- IFAD – International Fund for Agricultural Development

Lending Window – This variable describes which lending window of a particular development bank the loan was requested through.

- ADB – Asian Development Bank
- ADF – Asian Development Fund
- AFDB – African Development Bank
- AFDF – African Development Fund
- EBRD – European Bank of Reconstruction and Development
- FSO – Fund for Special Operations (IDB)
- GEF – Global Environment Facility (WB)
- IBRD – International Bank for Reconstruction and Development
- IBRD / IDA – International Bank for Reconstruction and Development / International Development Association

- IDA – International Development Association
- IFAD – International Fund for Agricultural Development
- IFC – International Finance Corporation
- IIC – Inter-American Investment Corporation
- IMD - International Institute for Management Development
- ITF – International Transport Forum
- Japan Fund
- JCF - Japanese Trust Fund for Consultancy Services
- JFPR – Japan Fund for Poverty Reduction
- JSF – Japanese Special Fund
- JTF – Japanese Trust Funds
- KPRF – Korean Poverty Reduction Fund
- Mexico Trust Fund
- MIF – Multilateral Investment Fund
- MIGA – Multilateral Investment Guarantee Agency
- OC – Ordinary Capital
- OC/SF – Ordinary Capital/ Special Fund
- OCR – Ordinary Capital Resources
- OCF/SF – Ordinary Capital Resources/ Special Fund
- ODA – Official Development Assistance
- PEF – Poverty and Environment Fund
- PRCF – Poverty Reduction Cooperation Fund
- Private Sector
- PSO – Private Sector Operations
- SEP – Social Entrepreneurship Program
- SF – Special Fund
- SRF – Special Relief Fund
- TF – Trust Fund
- WB – World Bank
- 212 do not specify a lending window
- The following could not be found: GOV, IDB, IRBD, JTFCS, RSDD, SFO, SFR, SP, UK

Project - title of project

Amount – dollar amount in nominal U.S. \$ millions

Doc # - Document number as recorded by US Treasury

Vote - Numeric code for U.S. position; 1 = support, 0 = abstain. -1 = oppose

U.S. Position - US position as reported by US Treasury

Y/N Code - whether the project was given a reason code = 1; no reason code = 0

Environment Code - project given environmental code = 1; no environmental code = 0

Party - dummy variable denoting change in party controlling executive branch; coded 0 for Bush and 1 for Obama (starting in 2009)

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