Voting for Green? U.S. Support for Environmental Projects in the Multilateral Development Banks.

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Abstract: This paper examines the drivers of American support for environmental projects in the Multilateral Development Banks (MDBs). We first describe how U.S. Executive Directors are guided by Congressional directives regarding environmental aspects of MDB projects. The paper then turns to statistical analysis of the strategic and normative drivers of U.S. positions on MDB projects. Our analysis finds mixed support for environmental factors driving U.S. votes. The U.S. is more inclined to vote against "dirty" projects (i.e. mining, coal, and oil) rather than specifically support "green" projects (i.e. projects related toward climate change or biodiversity). The overall environmental performance of a country had a minor influence on whether the U.S. would support proposals from that country, but the U.S. was much more likely to disapprove of a project if a project failed to undergo an environmental analysis or failed the analysis in any way.

Key words: Multilateral Development Banks; environment; development; U.S. foreign policy; U.S. Congress; voting

Introduction

When casting votes and advocating foreign policy preferences within international organizations, government representatives are expected to adhere to specific domestic policy demands. Most prior research has considered macro-foreign policy interests of states when examining voting behavior in international organizations. For instance, several studies have examined voting behavior within the UN General Assembly and the UN Security Council. Early work identified voting blocs in the UN while more recent research examined questions such as whether or not U.S. foreign aid is related to recipient support for U.S. policies in the UN (Dreher, Nunnenkamp, and Thiele 2008). Other scholars have demonstrated that elected members of the Security Council receive more assistance from the World Bank and the International Monetary Fund (IMF) as well as more American bilateral aid (Dreher and Sturm 2012; Dreher, Sturm and Vreeland 2009; Kuziemko and Werker 2006; Vreeland and Dreher 2014). Less attention has been paid to other international organizations although in the past few years there have been studies looking at the relationship between Japan's bilateral aid and voting in the International Whaling Commission (Strand and Tuman 2012; Miller and Dolšak 2007) and on American strategic behavior in the Multilateral Development Banks (MDBs) (Braaten 2014a; Strand and Zappile 2015) and International Financial Institutions (IFIs) (Lavelle 2011a). Understanding the motivationss of member state voting behavior in international organizations is an important factor in comprehending how these institutions operate.

Much like research on voting in international organization, research on the drivers of foreign environmental aid received scant attention until recently. Foreign aid to support the environment is a relatively recent phenomenon in international politics. Although environmental aid had existed during the Cold War, it was with the Rio Conference in 1992 that donor support

for projects that protected the environment began to be emphasized systematically by bilateral and multilateral providers of foreign assistance. Since then support for the environment has become a legitimate, but variable, driver in the distribution of foreign aid both bilaterally and multilaterally, and – at least up until the present[i] - is an important component of U.S. foreign aid policy (Corson 2010). This paper examines U.S. support for environmental aid distributed through MDBs. We examine the primary drivers of U.S. support for environmental projects in the MDBs by examining voting data on U.S. support for projects related to the environment. The MDBs are significant players in development financing and much of this has direct environmental impacts (Gallagher and Yuan 2017). MDBs also have an important role in climate financing with $27 billion committed for climate action in 2016 and $158 billion in total committed from 2011-2016 (Inter-American Development Bank et. al. 2016).

We find variable support for environmental concerns in U.S. MDB voting with the U.S. generally less supportive of MDB projects that fail to meet environmental reporting requirements and "dirty projects", those promoting oil, coal, and mining, but the U.S. is not more supportive of "green projects", such as those promoting conservation or biodiversity. This research sits within the areas of US foreign policy, foreign aid, environmental politics and how the U.S. pursues these policies in multilateral institutions such as the MDBs. Moreover, it provides insight into the role of the U.S. in global environmental governance especially through its influence in the MDBs. Before we turn to our data analysis, we first review the general drivers of both bilateral and multilateral environmental aid followed by a review of how U.S. voting decisions are made in the MDBs. Finally, we turn to our data and methods section and then our results. Our conclusion highlights areas of future research.

Why Give Environmental Aid?

U.S. foreign assistance, whether distributed bilaterally or through multilateral institutions, serves many purposes.[ii] Ostensibly its purpose is to provide relief to those who are economically distressed and/or to support economic development projects. However, as a large amount of research suggests, U.S. foreign aid also serves U.S. political, economic, and security interests. The literature on the drivers of U.S. bilateral foreign aid is vast but has concluded that the humanitarian or economic development side of aid must be contextualized in broader U.S. political, economic, and security interests. For example, Meernik et. al. (1998) argue that U.S. bilateral aid is driven by three factors: national security concerns, pro-market economic factors primarily driven by domestic business interests, and ideological factors such as promoting democracy, human rights, and economic development in the recipient country. Later work has focused on how promoting democracy and human rights is situated in the broader context of promoting U.S. national security and domestic economic interests with foreign aid (Apodaca and Stohl 1999; Lai 2003; Demirel-Pegg and Moskowitz 2009; Fariss 2010; Sandlin 2016). Fundamentally, U.S. foreign aid policy is driven by an interaction between normative and strategic concerns (Rosenblum and Salehyan 2004). This general idea is useful for testing the relative importance of environmental protection in U.S. multilateral aid policy since environmental protection is a more normative concern of the U.S. along with promoting human rights and democracy. Before we get to developing and testing our hypotheses on environmental protection and U.S. multilateral aid it is necessary to review specific work on the various types of environmental aid donor states support and their specific motivations for doing so.

Hicks et. al. (2008) identify a variety of types of environmental aid. Two general categories are whether aid is environmentally beneficial or environmentally harmful, (or neutral),

and whether the aid is directed at shoring up global environmental problems (e.g. climate change) or local environmental problems (e.g. sanitation). This second category is described as green aid and brown aid. In the U.S., foreign aid creates interesting coalitions of supporters. Foreign policy hawks, humanitarians, business interests, and farmers can all coalesce around supporting foreign aid for different reasons. Environmental aid also attracts specific groups of supporters and detractors (Lavelle 2011b). These various coalitions will have an assortment of reasons for supporting environmental aid.

Hicks et al (2008) test a number of hypotheses as to why donor countries give environmental aid. They find support for some of what they term "eco-functional" arguments that donor governments send environmental aid to where it will be most effective. Additionally, they find support for more traditional reasons motivating foreign aid such as national income of recipient state, population size, UN General Assembly voting affinity, and the colonial history between the donor and recipient state (Hicks et al 2008). The "eco-functional" argument has been given more credence with further research showing donor states modifying their environmental aid policies to make them more effective (Mori 2011). Tonami and Müller (2014) argue that Japanese and South Korean environmental aid is "autobiographical" in that its distribution is driven by their history as developing countries that became developed countries. In general, then support for environmental aid is driven by a desire in donor states to better the environment and a desire to enhance their strategic and economic interests as well as their specific historical legacies. And despite concerns the Chinese-led Asian Infrastructure Investment Bank (AIIB) will lend without regard to social and environmental standards, the AIIB has adopted procedures in line with global standards.

Hicks et. al. (2008) also examine why countries may delegate the distribution of environmental aid to multilateral organizations. They found that donor states tended to delegate to multilaterals more if those institutions had greater technical expertise, had been in existence for a long time, and were institutions in which the donor state could exercise a significant amount of control. Also looking at the distribution of multilateral environmental aid they found it is given to countries with lower levels of environmental need, larger populations, more effective governments, and significant stocks of natural capital.

For the U.S., Hicks et. al. (2008) acknowledge that giving bilateral environmental aid appears to be driven by national security interests and promotion of domestic economic interests. The U.S. tends to give a lot of "green" aid meant to support global environmental goods. Disruptions from climate change can have a negative effect on international stability, which is something the U.S. considers in its national security interests. Lewis (2003) in an earlier study also found that the U.S. tended to support green environmental projects over brown ones and found support for the usual array of political and economic determinants of foreign aid. Additional studies by Corson (2010) and Figaj (2010) find U.S. environmental aid is tilted toward green environmental goods such as supporting biodiversity in developing states. Corson (2010) also points out that the focus on environmental aid fluctuates with the Presidential administration, as well as the broader ideological environment, with a recent emphasis of relying on NGOs (as non-state actors) to deliver environmental aid. Research by the Congressional Research Service (CRS) reaffirms how the amount of environmental aid distributed by the U.S. can fluctuate over the years, stating:

> Programs managing natural resources and protecting the global environment fell from $504 million in FY2002 to $324 million in FY2008. Environmental programs received

> $733 million in FY2010, more than doubling in just two years. In FY2014, they were expected to receive about $820 million (Tarnoff and Lawson: 13).

As with U.S. foreign aid in general, U.S. bilateral environmental aid is distributed in the context of U.S. economic and security interests. The above discussion shows why the U.S. may support environmental projects in the MDBs, and environmental aid more generally. It does not, however, cover the process for how the U.S. formulates its votes in the MDBs and also how environmental legislation helps to shape those votes. The next section will explore these details.

Decision-Making in the MDBs

Voting in the MDBs is an understudied phenomenon. One of the main reasons for this is the lack of transparency in the MDB voting processes. Many of the votes cast in the Executive Boards of the MDBs are done on a consensus (i.e. absence of express objection) basis, or in other words, formal votes are rare since projects are generally approved, or not, through a consensus of the Board. The consensus process takes place, however, in "the shadow of the formal majority rule" (Lyne, Nielson, and Tierney 2009: 413). This means that a formal vote on a project will be required if a consensus is not reached. Since formal votes are rarely taken it is difficult to know which countries support a proposal and which do not. Records of formal votes are not entered into the public domain stifling the efforts of stakeholders and scholars alike. One place where we can crack open the black box of MDB voting is by looking at how the United States votes[iii]. Despite the rarity of formal voting in the MDBs the U.S. records and makes public its position on every proposal brought before Executive Boards of the MDBs. When we reference U.S. MDB votes in this paper it is these records that we are referring to. Since 2004 the U.S. Treasury Department has published the U.S. MDB voting records. In addition to publishing whether the

U.S. Executive Director (USED) in the MDBs supported, opposed, or abstained on a project, the Treasury Department also reports why the U.S. decided the way it did on a certain project, especially if the position was a "no" or an "abstention." We use "US vote" and "US position" interchangeably in this paper as the information provided by Treasury signals how the U.S. would vote if there was a call for a formal vote.

The determination of how the USED should vote on any project in the MDBs is done with the input of a variety of U.S. executive branch agencies all acting within the legislative constraints imposed by Congress. The U.S. Treasury Department is the lead executive branch agency charged with implementing MDB policy for the United States and USEDs report to the Treasury Department. The Treasury Department, however, is not the only agency with influence over MDB voting. The WGMA (Working Group on Multilateral Affairs) meets to discuss each U.S. vote in the MDBs. The WGMA has representatives from the Treasury Department, the State Department, the Commerce Department, the Department of Agriculture, and others.

When the executive branch agencies are formulating how the USED should vote they are working within legislative constraints set up by Congress. Milner and Tingley (2015) argue that U.S. economic aid, whether bilateral or multilateral, has strong distributional consequences domestically. Their argument is that economic aid given by the U.S. gives a boost to recipient countries which they then use to import capital intensive goods from the U.S. therefore parts of the U.S. which create those goods can benefit from U.S. economic aid. All of this is to say that with economic aid, as opposed to certain other foreign policy instruments, Congress has a strong interest in how it is distributed. Despite the lead role for the President in U.S. foreign policy when it comes to the distribution of economic aid Congress has the incentives and the space to

exert its influence into how foreign economic aid is distributed both bilaterally and multilaterally.

Focusing on multilateral aid specifically, there are three interrelated ways Congress can try to influence the MDBs through legislation: policy guidance, voting restrictions, and “power of the purse” (Bowles and Kormos 1995). For this article, we are focusing only on policy guidance and voting restrictions. Much of the previous research on this topic tends to focus on how Congress uses its "power of the purse" to leverage changes in Executive Branch policy toward the MDBs and in the MDBs themselves (Babb 2009, Lavelle 2011). Our study diverges from these works by focusing on policy guidance and voting restrictions without considering how Congress’s "power of the purse" might reinforce such legislated instructions. Policy guidance is just a general statement to encourage the USEDs to use their “voice and vote” to pursue specific policies in the MDBs, such as the promotion of sustainable development and the use of renewable energy resources. Voting restrictions require the USEDs to vote a certain way on a project (usually no or abstain). Generally, Congress is able to use its “power of the purse” in allocating replenishment funding for the MDBs as leverage to get the Treasury Department to follow its legislative mandates and policy guidance when making voting decisions in the MDBs (Daugirdas 2013). Additionally, as Babb (2009) has established the U.S. Congress has often used debates about capital increases to extract policy and governance changes to the MDBs.

For the time period under investigation here there are over 65 legislative mandates imposed by Congress that guide how the USEDs vote. Among the many policy objectives Congress has required the USEDs to pursue in the MDBs has been support for the environment. This includes various mandates to vote against projects that have potentially negative environmental impact. There are three specific pieces of legislation that require the USED to

vote against projects in the name of environmental protection. Two of the laws apply to very specific situations - Water and Sewage projects in India, and Mining, Smelting, and Refining projects. The third law is much broader and more often invoked: the Pelosi Amendment. The Pelosi Amendment refers to an amendment to the International Development and Finance Act introduced by Representative Nancy Pelosi (D – CA) in 1989. The amendment contains many broad policy guidelines requiring the Secretaries of Treasury and State as well as the Administrator for USAID to "vigorously promote mechanisms to strengthen the environmental performance of the banks" (22 USC Chapter 7 Sec. 262m-1). The amendment also requires the USEDs to not support any MDB project unless the environmental impact assessment (associated with projects that may have a serious impact on people and the environment) has been made public at least 120 days before the Executive Board's decision on the project. If the project in question does not meet the disclosure requirements of the Pelosi amendment then the USED is mandated to not support that proposal. Exceptions to the above include if disclosing the information would "jeopardize the confidential relationship between the borrower and the respective bank" (22 USC Chapter 7 Sec. 262m-7).

In addition to these specific voting restrictions, Congress has initiated a host of policy guidelines. As mentioned above policy guidance from Congress requires the USEDs to use their "voice and vote" to promote certain policies in the MDBs but does not require a specific vote therefore giving more leeway to the USEDs. Over the decades Congress (often because of pressure from NGOs and activists) has encouraged the USEDs to use their "voice and vote" to promote better environmental management at the MDBs and the promotion of environmentally beneficial projects (Daugirdas 2013). Additionally, of course, the Treasury Department has issued its own guidelines for USEDs on how to support environmental projects in the MDBs.

For example, under the Obama administration the Treasury Department made it a policy to vote no on any coal projects in MDBs (Schmidt 2013).

Based on its voting weight in the MDBs the U.S. cannot veto projects by itself and recent research shows that the vast majority of the projects the U.S. does not support end up being approved regardless (Strand and Zappile 2015). However, the signal sent by the U.S. in voting no or abstaining is a message that other countries take into account. In the IMF context, Stone (2011) has demonstrated that American formal and informal influence is often greater than its stated voting weight. Until recently, however, researchers have had to rely on indirect measures of American influence in the MDBs (Fleck and Kilby 2006). An indication of the importance of the U.S. in MDB policymaking is the fact the Pelosi amendment's 120-day reporting notice has become the *de facto* standard for the MDBs themselves.[iv] According to Sanford and Fletcher (1998: 6) the Pelosi Amendment has had "a major portion of its intended effect -- establishment of environmental assessment procedures in the major multilateral development banks" (see also Nelson 2015). The MDBs have made environmental assessment and disclosure of those assessments part of their standard procedures and much of the credit for those changes goes to pressure from the U.S.

Hypotheses

Prior work suggests that United States foreign aid policy is influenced by strategic interests such as assisting allies while inconveniencing enemies as well as normative interests such as humanitarianism and environmental protection. Although the United States has identified environmental protection as a priority in its foreign aid policy, does its voting behavior in multilateral development banks echo these sentiments? Or does the United States go against its

public statements on protecting the environment by funding projects for countries with a poor environmental protection index and sustainability track record? Does the type of project – whether it is mining, oil, or coal (i.e., dirty environmental projects) or "green" projects such as those promoting conservation – being decided upon matter when the U.S. signals a position?

With the general normative vs. strategic factors often examined in U.S. foreign aid addressed above we can make several conjectures about the role environmental protection plays in U.S. multilateral aid decisions. 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 expect the United States will vote against projects to countries that do not have a positive environmental record or are not strategically important to U.S. interests. For countries that are not important to U.S. strategic interests but have a positive environmental protection policy, we assume that the U.S. will vote in favor of proposals from these countries. However, other factors, such as the size of the loan and type of project may play a role in how the U.S. votes in these circumstances. Therefore, the following hypotheses are tested:

H1: The United States will be less likely to vote for projects that fail to meet environmental reporting standards.

H2: The United States will be less likely to vote for a "dirty" environmental project in general

H3: The United States will be more likely to vote for "green" environmental projects in general

H4: The United States will be less likely to vote in favor of proposals by countries that have low environmental protection ratings

Data Description

The loan data used in this study come from the U.S. Treasury Department (2012) and cover the years 2004 to 2011. The proposals are overwhelmingly loans mixed with grants and non-financial requests. This data set contains 10,270 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 (ADB), the African Development Bank (AfDB), the Inter-American Development Bank (IADB), and the European Bank of Reconstruction and Development (EBRD), as well as two related multilateral organizations, the Global Environment Facility (GEF), and the International Fund for Agricultural Development (IFAD). The data covers 149 different countries and we exclude territories such as the Cook Islands, the West Bank and Gaza Strip, as well as projects that involved more than one country.

In the data used for this analysis, 1,081 projects were under the ADB, 663 were under the AfDB, 1,284 were under the EBRD, 100 under the GEF, 2,011 were under the IADB, 128 were under the IFAD, and 5,003 were under the World Bank. There were 48 different lending windows within these banks represented in the project requests, with 212 projects not specifying which window was used. In the data provided by the U.S. Treasury, and under the time period investigated for this study, there were 9,208 projects in which the U.S. expressed support for the project. There were 221 projects for which the U.S. expressed disapproval of the project meaning that the U.S. voted "no" on the project, and, also there were 784 projects for which the U.S. abstained. Finally, for 57 cases there was no vote recorded- neither yes, no, nor abstain.

Variables

The dependent variable is how the U.S. voted (*Vote*) in the MDBs - no, abstain, or yes. "yes" expresses U.S. approval of a project and is coded 1, while "no" expresses disapproval for a project and is coded as -1. "abstain" generally indicates a lesser form of disapproval than an outright "no" (Nelson and Weiss 2014) and therefore is coded as 0. The following independent variables were used to address strategic interests: trade between the United States and recipient countries ((*ln*) *Trade*), amount of military aid ((*ln*) *Military Aid*) recipient countries receive from the U.S., and recipient countries voting similarities with the United States in the United Nations General Assembly (*UN Vote*). The trade variable is calculated in real terms as the sum of imports and exports, and the data is provided by the IMF Direction of Trade Statistics (2016). Military aid is in real terms and comes from the US Overseas Loans & Grants publication (otherwise known as the "Greenbook") produced by USAID (2017). Voting similarity in the UN General Assembly is commonly used to determine how close countries are politically. We use the General Assembly Voting Similarity Index provided by Bailey, Strezhnev, and Voeten (2017). The index is a continuous variable between 0 and 1 and computed by dividing the total number of votes where both states agree by the total number of joint votes. To deal with large differences in scale amongst the countries in the dataset the trade and military aid variables are transformed using a natural log function.

The normative values tested are a country's environmental performance as well as their human rights ratings. We include a variable for human rights to serve as a point of comparison for environmental protection as an additional normative value. The human rights (*Human Rights*) data were collected from the Freedom in the World survey conducted by Freedom House (2016). The human rights variable is the mean of two categories of rights measured by Freedom House: political rights and civil liberties. Both the political rights and civil liberties scales are comprised

of ratings between 1 and 7, with 7 representing no political rights or civil liberties in that country and 1 representing full political rights and civil liberties. Environmental performance is measured by five different independent variables that were tested in different models. Four of those variables seek a micro-level explanation of U.S. voting decisions based on the environmental characteristics of the projects voted on and one seeks macro-level explanation based on the overall environmental performance of a country. The micro-level variables look at the data on the project level rather than country level and include: environmental reason codes as assigned by the U.S. Department of the Treasury (*Environmental Code1* and *Environmental Code2*); green environmental projects (*Green Projects*); and dirty environmental projects (*Dirty Projects*).

The variables *Environmental Code1* and *Environmental Code2* are dichotomous variables constructed from the environmental reason codes provided by the U.S. Treasury Department. As referenced above there are three main environmental reason codes however only one of those codes was referenced during the time period under investigation in this study - the Pelosi Amendment. The Pelosi Amendment deals mainly with environmental reporting requirements and compels the USED to not support environmentally sensitive projects in which the environmental impact statement has not been made public 120 days before the Board will vote on the project. There are two codes associated with the Pelosi Amendment: one to indicate that the environmentally sensitive project *met* the reporting requirements, and one to indicate that the project *did not* meet the reporting requirements. The variable *Environmental Code1* is coded 1 if the code for *not meeting* the requirement is present and 0 if not. Additionally, there is another code called “other reporting requirements” this is an environmental reporting requirement that is in addition to the Pelosi Amendment. This code is also included in the *Environmental Code1*

variable and is coded as 1 if present and 0 if not. *Environmental Code2* is coded as 1 if the code for *meeting* the Pelosi reporting requirements is present and 0 for all other projects. These codes indicate that the U.S. had environmental oversight concerns when evaluating certain projects in the MDB and thus give us a basis for testing how environmental issues affect U.S. votes in the MDBs. In addition to the legislative mandates that guide U.S. votes in the MDBs there are also certain policy directives that Congress and various Presidential administrations have established that also guide U.S. voting behavior and many of these deal with environmental issues as referenced above.

To capture the effect of these policy directives two additional project level variables are included - *Green Projects* and *Dirty Projects*. To identify which projects fit under the categories of "green" and "dirty" we searched the project descriptions in the voting data published by the U.S. Treasury Department (2012). In addition to publishing how the U.S. votes on each proposal in the MDBs the Treasury data also contains a short description of the project in question. The variable *Green Projects* is a dichotomous variable and is coded 1 if the project under consideration is "green" and 0 if not. There is no clear definition as to what constitutes a "green" environmental project and what does not. All MDBs have some form of environmental assessment to safeguard a project's potential effect on the environment. To create a threshold to define "green" environmental projects, we use the GEF definition of the types of environmental projects it funds and we use the World Bank's criteria for dispersing funds in the GEF to distinguish "green" environmental projects. "Green" projects therefore are those projects considered which contained any of the following key phrases: "conservation," "biodiversity," "water," or "climate." With regards to the "water" category we excluded any projects that also contained the keywords "Dam" or "Hydro" since large hydroelectric projects and dam projects

often have negative environmental consequences associated with them. *Dirty Projects* is a variable that distinguishes "dirty" environmental projects from all other projects. If a project was considered "dirty" it was coded as 1 and all other projects were coded as 0. "Dirty" projects are those projects considered which contained either the phrase "mining", "coal", or "oil."

The macro-level independent variable is Environmental Protection Index (EPI) ranking (*Env. Perf. Index*). The EPI ranking ranges from 0-100 with higher scores representing better environmental performance. 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). EPI data are only available every two years starting in 2006, resulting in missing data. Missing data are a common problem in cross-national time series research. 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.

Various control variables are included in the models as well. Real gross domestic product per capita ((*ln) GDP/cap*), is used to control for the "demand" of projects. Overall, poorer countries will have a greater need for development projects than relatively wealthier countries. The GDP per capita data were provided by the World Bank Indicators Data (2016). The size of the project, in U.S. dollars, may also impact U.S. support or opposition and is measured in real terms ((ln) *Amount*). The project amount data comes from U.S. Treasury

Department (2012). To deal with the large range in values for GDP per capita and project amounts these variables are transformed using a natural log function. A dummy variable for which of the two major American political parties (*Party*) held the executive branch at the time of the proposal is also included as Democrats are more favorably inclined to support multilateral assistance (Milner and Tingley 2012). If the President was a Republican when the vote was cast a score of 0 is assigned. If the President was a Democrat when the vote was cast then a score of 1 is assigned. Finally, as we expect projects for China to be especially scrutinized we include a dummy variable identifying such projects (Strand and Zappile 2015; Braaten 2014a).

Methodology

We tested our hypotheses using multinomial logistic regression analysis. Multinomial logistic regression assumes no ordering in the dependent variable. Although there is an ordering in our dependent variable (no, abstain, yes) multinomial logistic regression is used instead of ordered logistic regression because the parallel regression assumptions are violated (Long 1997). In addition, using pooled time-series cross-sectional data often faces the issue of heteroskedasticity. To address heteroskedasticity robust standard errors were used for more conservative estimations. Our observations are at the project level – specifically country-year-project – thus we treat the data as cross-sectional and cluster standard errors on country-year. Finally, because not every country eligible for MDB projects seeks approval for the same number of projects each year the dataset is unbalanced. To account for the potential bias, it would be useful to employ fixed effects. However, since there is a lot of variation across countries but not across time the fixed effects model dropped too many observations to run. Not using fixed effects does not preclude our study from contributing meaningful inferences since as

Allison states, "If predictor variables vary greatly across individuals but have little variation over time for each individual then fixed effects estimates will be very imprecise" (2009: 3).

Results

The main research question addressed in this study is to what extent are U.S. votes in the MDBs conditioned on a loan recipient country's environmental performance? With that in mind, we ran five different models each testing a different environmental variable. The results of our models are displayed in Table 1. The first two models tested the influence of environmental legislative mandates on U.S. votes. Model 1 and 2 includes the environmental variables - *Environmental Code1* and *Environmental Code2*. *Environmental Code1* measures whether the U.S. felt the project *did not* meet the 120-day reporting requirements of the Pelosi Amendment and *Environmental Code2* measures whether the project *did* meet those requirements. *Environmental Code1* is significant and positive for both the no vs. yes category and the abstain vs. yes category. This means that the U.S. is more likely to vote no or abstain for those projects it feels does not meet the 120-day reporting requirements. The *Environmental Code2* variable is also significant for the no vs. yes category and the abstain vs. yes category. The signs for both are negative indicating the U.S. is less likely to vote no or abstain when a recipient country meets the 120-day reporting requirements mandated by the Pelosi Amendment. Moving to Model 3, the *Green Projects* variable is not statistically significant for either category. This indicates that the U.S. is not more inclined to vote for projects just because they are more environmentally friendly. In contrast, from Model 4 we can see that the U.S. is more inclined to vote against or abstain from voting for environmentally "dirty" projects. The *Dirty Projects* variable is positive and statistically significant for both the no v. yes category and abstain v. yes category. Finally,

Model 5 provides us a view of how the overall environmental performance of a country conditions U.S. votes. The no vs. yes category is not statistically significant but the abstain vs. yes category is significant at the .05 level. The sign for the abstain vs. yes category is negative which means as the EPI variable increase (meaning better environmental performance) the likelihood of an abstention relative to a yes vote decreases. One should be careful not to overstate this case because the size of the coefficient (-.019) is quite small.

(Insert Table 1. Here)

Overall the contention 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, coal, or mining projects, although classification of a "green" 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 received somewhat mixed support, as the U.S. was only slightly less likely to abstain from voting for a project if the recipient country had a higher environmental performance based on the EPI.

Turning to the strategic interest variables, there are some notable differences in how those variables performed across the various models. Most notable is that the trade variable was not significant in any of the five models. This is somewhat surprising since it indicates that the U.S. does not act more favorably to countries it has a higher volume of trade with. The military aid variable however is significant across all models except for the no vs. yes category in Model 1

and the no vs. yes category in Model 5. Also, the sign of the military aid coefficient is negative across all models with the exception of the no vs. yes category of Model 5. This shows that as the amount of U.S. military aid given to recipient states increases the likelihood of a no vote or abstention decreases relative to yes votes. Thus, we can see the U.S. acts more favorable to its military allies in the MDBs. The final strategic interest variable - UN Vote - is statistically significant across all five models for the no vs. yes category but not significant in any of the five models in the abstain vs. yes category. Also, the sign switches from positive in each of the models for the no vs. yes category to negative in each of the models (with the exception of Model 5) for the abstain vs. yes category. The positive sign for the no vs. yes category is not expected since it indicates that as UN General Assembly voting similarity between recipient countries and the U.S. increases the likelihood for no votes also increases relative to yes votes. 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.

Along with the environmental variables this study looked at the role human rights played as a normative goal that structures U.S. votes in the MDBs. The *Human Rights* variable is significant and in the hypothesized direction across all five models. Generally, we can conclude that as lack of respect for human rights increases the likelihood of no votes and abstentions also increases relative to yes votes. This is consistent with previous research that shows human rights, particularly civil and political rights, influence U.S. voting in the MDBs (Braaten 2017; Braaten 2014a; Braaten 2014b).

Most of the control variables perform as expected across the various models but with some interesting deviations. The variable for GDP per capita was significant across all models and categories (with the exception of the no vs. yes category of Model 5) and in the hypothesized direction. This shows that as the GDP per capita of recipient countries increases so does the likelihood of U.S. no votes and abstentions relative to yes votes. This fits with the overall purpose of the MDBs to provide development projects and suggests that the U.S. is less likely to disapprove of projects for the poorest countries despite their failures in other areas such as environmental protection or human rights. The amount of the project was also significant and the sign was in the posited direction in every category across all models (with the exception of the no vs. yes category in Model 1). Thus the U.S. is less likely to support projects the more expensive they get. The variable for the party of the President when the vote was cast (*Party*) was significant in six out of ten categories across the five models. The sign in all categories was negative which shows that when President Obama was in office (as opposed to President George W. Bush) the U.S. was more inclined to support projects in the MDBs. This is to be expected since Democrats tend to be more supportive of multilateral aid than Republicans. Finally, the control variable for China is significant and in the posited direction in every model but only for the abstain vs. yes categories. This indicates that if the proposal in question comes from China the likelihood of the U.S. abstaining from the vote increases relative to voting yes. However, the U.S. is no more likely to vote no on proposals from China than vote yes. The U.S. does oppose proposals from China in the MDBs (the World Bank and ADB specifically) but they do this mostly by abstaining rather than voting no.

To get a better picture of the effect the various strategic, normative, and control variables have on U.S. votes in the MDBs, Figures 1-5 present the average marginal effects (AME) for

each of the five models. Marginal effects calculate the change in probability of an outcome for a one-unit change in one independent variable while holding all other independent variables constant. AME computes the marginal effect for each observation and then computes the average of those effects. In essence, AME can be considered as the average size of the effect in the sample. The AMEs were calculated using the *mchange* command in Stata 14 (Long and Freese 2014).

Figure 1 contains the AMEs for Model 1 and it shows that *Environmental Code1*, *UN Vote*, and *China* have the largest average effect for all the variables in the model. *Environmental Code1* is especially large as it shows that on average when the legislative code indicating that a state has not met the 120-day environmental reporting requirements is present the probability of a U.S. yes vote decreases by .91 and the probability for a U.S. abstention increases by .90. Figure 2 provides the AMEs for Model 2 and again shows that *UN Vote* and *China* have the largest average marginal effects along with the *Environmental Code2* variable. The *Environmental Code2* AME shows that when the legislative code showing that a state *has* met the 120 environmental reporting requirements mandated by the Pelosi amendment on average the probability of the U.S. voting yes increases by .07 while the probability of a no vote decreases by .02 and the probability of an abstention decreases by .03. The Model 3 and 4 AMEs are shown in Figures 3 and 4 respectively. Both show that the environmental variables (*Green Projects* and *Dirty Projects*), *UN Vote*, and *China* have the largest average effects. The interesting difference is between the *Green Projects* and *Dirty Projects*. The AMEs for *Green Projects* are not statistically significant and are quite small compared to the AMEs for *Dirty Projects* which are statistically significant. The AME for *Dirty Projects* show that if the project in question is "dirty" (i.e. mining, oil, or coal project) on average the probability of the U.S. voting no

increases by .06, the probability of the U.S. abstaining increases by .18, and the probability of the U.S. voting yes decreases by .22. Finally, Figure 5 shows the AMEs for Model 5. In contrast to the other figures (with the exception of Figure 3) it does not show a large AME for the environmental variable. As with the other figures however, the *UN Vote* and *China* have the largest AMEs of the variables in the model.

(insert Figure 1. Here)

(insert Figure 2. Here)

(insert Figure 3. Here)

(insert Figure 4. Here)

(insert Figure 5. Here)

Conclusion

The main findings suggest that environmentalism plays a partial role in U.S. multilateral aid policy. Specifically, at the project-level, the U.S. is more likely to show lower levels of support to projects tied to mining, coal, or oil industries. 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 "green" projects, there did not seem to be a relationship between how the U.S. voted and if a project was pro-environmental in scope. This could be interpreted positively to suggest that the U.S. does not simply vote yes to all projects that are environmentally friendly but actually looks at the nature of that project and its implications. We found on a macro-level of analysis, environmental performance of a country does somewhat influence how the U.S. votes in the MDBs. When a recipient country ranks better in environmental performance, the United States is less likely to

abstain relative to voting yes for the proposal. Overall, this shows that to a limited degree environmental protection, at least at the country level, does have influence over U.S. voting in MDBs.

In the larger context of normative values vs. strategic interests one can finds mixed evidence as well. In terms of strategic interest, the U.S. consistently supports military allies in the MDB. However, there was no evidence that greater volume of trade with the U.S. increased support and, counter intuitively, the closer aligned to the U.S. in the UN General Assembly a country was the greater the likelihood the U.S. would vote no on proposals from those states relative to voting yes. In terms of normative values, as mentioned above there was mixed support for the role of environmentalism in determining U.S. votes but respect for human rights played a significant role in U.S. voting behavior with the U.S. less likely to support states that had a poor record on protecting civil and political rights. In sum, U.S. voting in the MDBs is driven by a combination of normative and strategic interests with specific issues such as whether the Democrats occupy the executive, the amount of the proposal, and whether the proposal is from China or not, further determining how the U.S. will vote.

Future work should analyze the influence of informal processes in U.S. decision-making and its implication on environmental protection and foreign policy in multilateral development banks. Evidence presented here indicates the United States primarily uses its voice and vote to counter projects deemed in violation of Congressional mandates as opposed to using its influence to advance projects framed around the promotion of environmentally friendly or green objectives. Further research is needed to determine if this is a part of a U.S. strategy or perhaps the result of ineffective feedback on the types of projects the U.S. wants the MDBs to implement. The research conducted for this paper 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 influence (Kilby 2013). However, informal processes and relationship between member countries are more difficult to study.

Notes

[i] The Trump Administration, in line with its anti-environment "energy dominance" foreign policy, recently revised U.S. policy to actively support the development of fossil fuel projects in the MDBs (See Edwards 2017).
[ii] By aid green aid we mean projects deemed to support environmental policy goals which include aid allocated by the U.S. and other donors as well as capital raised in private markets by the MDBs to fund development projects.
[iii] To our knowledge the U.S. is the only country to make its position on MDB projects public.
[iv] There are of course other sources of influence regarding environmental policies of MDBs, such as civil society actors (see Park 2010; 2007; 2005) and, more generally, subnational policy entrepreneurs can impact global environmental issues (see Urpelainen (2009)).

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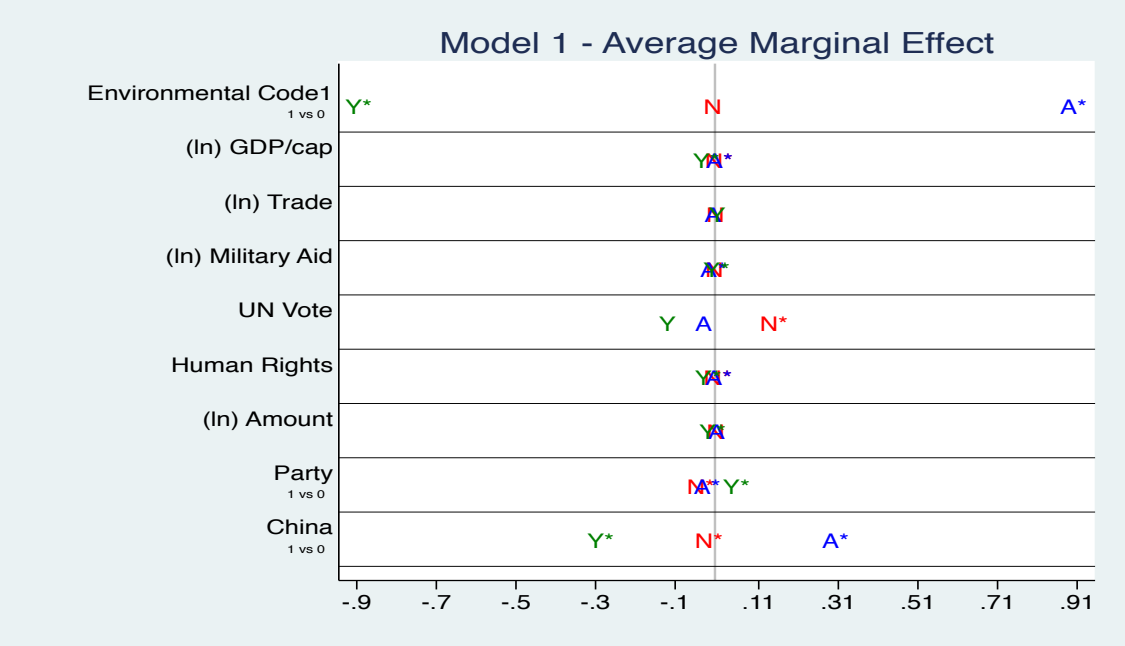
Table 1: Multinomial Logistic Estimates: Likelihood of U.S. "no" votes and abstentions in MDBs

	Model 1		Model 2		Model 3		Model 4		Model 5	
Variable	No v. Yes	Abstain v. Yes	No v. Yes	Abstain v. Yes	No v. Yes	Abstain v. Yes	No v. Yes	Abstain v. Yes	No v. Yes	Abstain v. Yes
Environmental Code1	3.65***	7.05***								
	(.953)	(.626)								
Environmental Code2			-14.26***	-.708*						
			(.299)	(.301)						
Green Projects					-.610	-.338				
					(.614)	(.296)				
Dirty Projects							1.62**	1.63***		
							(.598)	(.365)		
Env. Perf. Index									.020	-.019*
									(.019)	(.008)
(ln) GDP/cap	.569***	.256*	.576***	.233**	.578***	.230**	.569***	.227**	.294	.199*
	(.137)	(.106)	(.139)	(.087)	(.140)	(.087)	(.138)	(.087)	(.226)	(.089)
(ln) Trade	.027	-.100	.024	-.081	.024	-.078	.027	-.076	.063	.031
	(.088)	(.058)	(.089)	(.049)	(.089)	(.049)	(.089)	(.049)	(.116)	(.049)
(ln) Military Aid	-.064	-.059***	-.066*	-.060***	-.066*	-.062***	-.067*	-.062***	.032	-.049**
	(.033)	(.015)	(.033)	(.013)	(.033)	(.013)	(.033)	(.013)	(.040)	(.017)
UN Vote	8.39***	-.295	8.34***	-.446	8.37***	-.411	8.37***	-.381	5.20**	1.15
	(1.68)	(1.01)	(1.69)	(.814)	(1.69)	(.822)	(1.69)	(.820)	(1.88)	(.903)
Human Rights	.434***	.210***	.432***	.185***	.434***	.186***	.433***	.184***	.419***	.234***
	(.089)	(.056)	(.089)	(.048)	(.089)	(.048)	(.089)	(.048)	(.095)	(.058)
(ln) Amount	.124	.085*	.139*	.213***	.129*	.201***	.124*	.195***	.213**	.203***
	(.064)	(.043)	(.064)	(.039)	(.064)	(.039)	(.063)	(.039)	(.072)	(.047)
Party	-2.17***	-.438*	-2.13***	-.113	-2.15***	-.135	-2.14***	-.140	-1.21	-.463*
	(.498)	(.182)	(.501)	(.151)	(.500)	(.150)	(.496)	(.149)	(.650)	(.205)
China	-.898	2.45***	-.791	2.15***	-.912	2.05***	-.953	2.03***	-.820	1.37***
	(.863)	(.399)	(.880)	(.365)	(.881)	(.370)	(.867)	(.372)	(.904)	(.398)
Observations	9035		9035		9035		9035		6240	
Wald Chi2(18)	590.65		3751.99		504.86		501.11		370.64	
Prob > Chi2	.0000		.0000		.0000		.0000		.0000	
Pseudo R2	.2616		.1433		.1422		.1453		.1228	

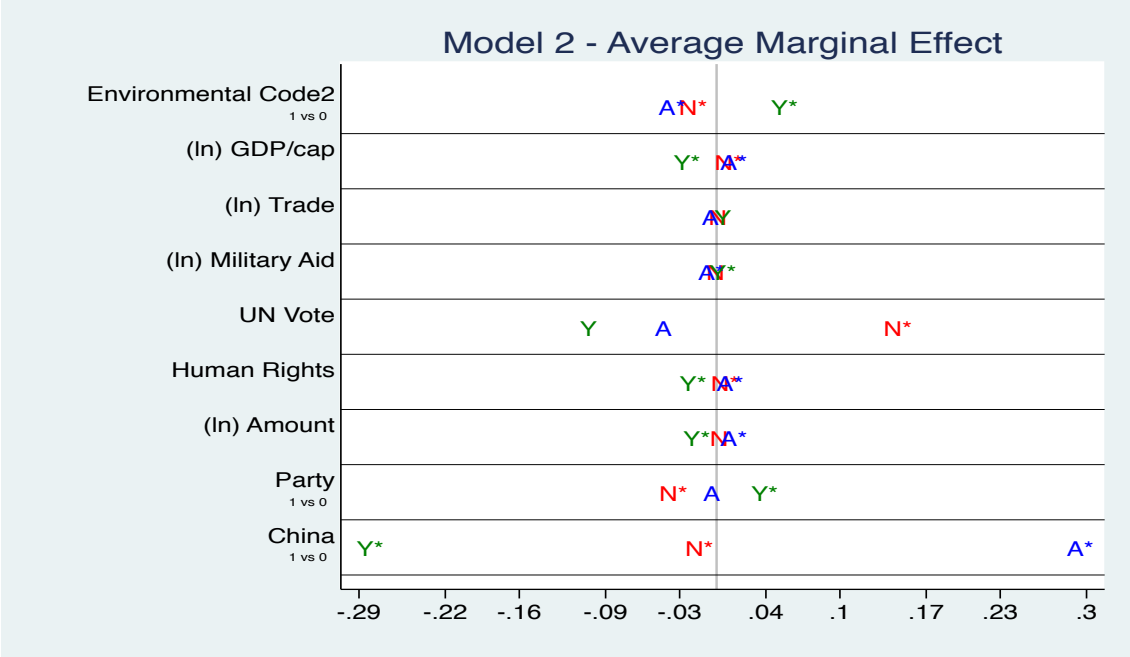
*p < .05, **p < .01, ***p <.001. Robust standard errors clustered around country years included in parentheses

Figure 1. Model 1 - Average Marginal Effect



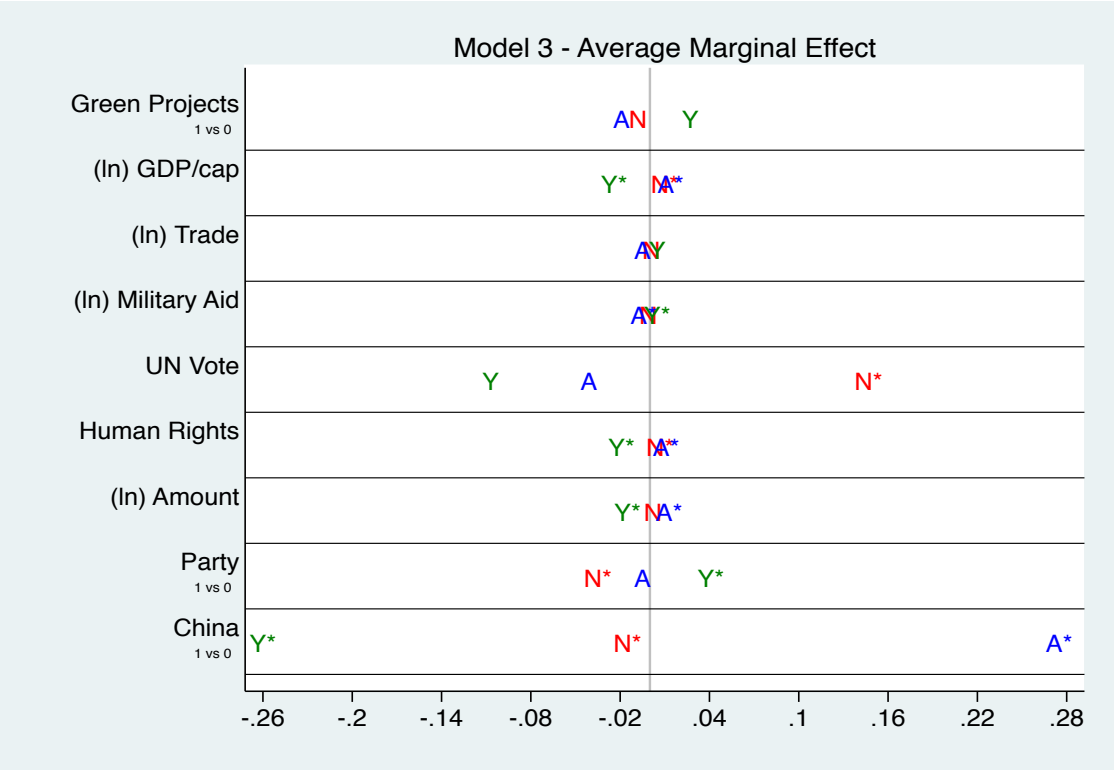
* p <.05

Figure 2. Model 2 - Average Marginal Effect



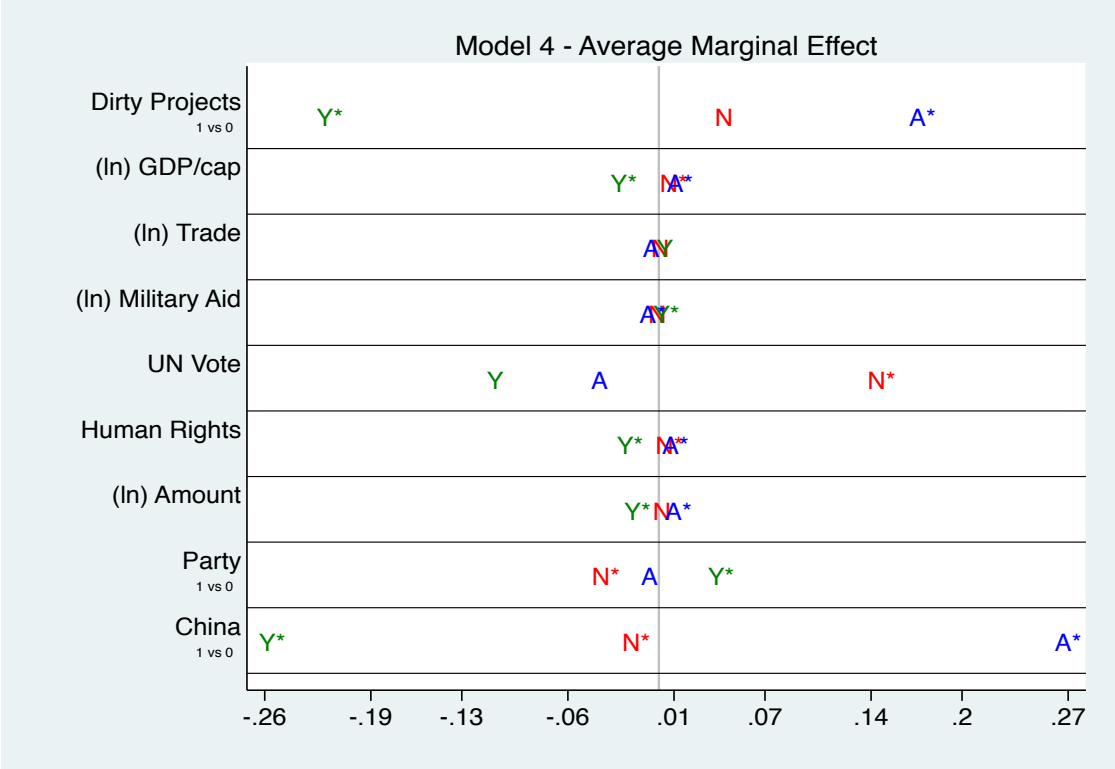
* p <.05

Figure 3. Model 3 - Average Marginal Effect



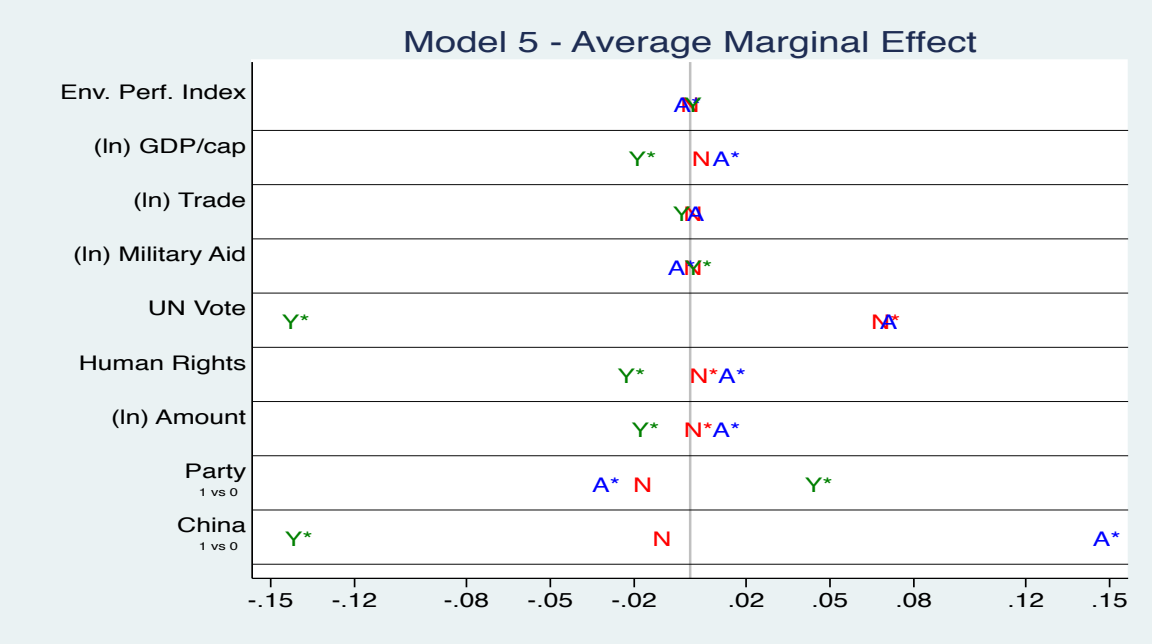
* p <.05

Figure 4. Model 4 - Average Marginal Effect



* p <.05

Figure 5. Model 5 - Average Marginal Effect



* p <.05

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