

**DEVELOPMENT ASSISTANCE AND THE ENVIRONMENT:
A QUESTION OF ACCOUNTABILITY**

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Submitted to the Department of
Urban Studies and Planning
in Partial Fulfillment of the
Requirements of the
Degree of

DOCTOR OF PHILOSOPHY

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

February 1985

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Submitted to the Department of Urban Studies and Planning
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ABSTRACT

An analysis was made of what determines the capacity of different types of development assistance agencies to assess and mitigate the environmental effects of their funding programs. The analysis concentrates on the influence of the political and financial structure of bilateral aid programs, multilateral development banks and UN specialized agencies on the incentives and constraints facing the agency staff. The key to understanding how this relationship affects environmental policy is the accountability system that prevails within each agency. The accountability system is the configuration of pressures and mechanisms by which various actors hold the agency accountable for compliance with different policy objectives relative to different elements of the agency's program.

Environmental assessment of development assistance activities is one of a set of policies that development assistance agencies have difficulty implementing because they modify rather than expand the output of the agency - and this conflicts with the underlying reward system within agencies. The extent to which it can be successfully implemented depends on how the political and financial structure of the agency shapes the incentives and constraints facing the staff via accountability system. This can either inhibit or encourage the review of environmental effects of projects and their modification, if appropriate.

The accountability system of bilateral agencies was found to be dominated by domestic political pressures and mechanisms for monitoring their output. Multilateral development banks are mainly accountable for their financial responsibilities and for ensuring creditworthiness. Owing to their political and financial structure, UN specialized agencies are relatively

autonomous to pursue activities designed to strengthen and enhance their programs. It is in this context that agencies' capacity to implement environmental assessment policies can be understood and influenced.

The analysis illustrates how development agencies respond to political, financial and developmental policy objectives and what opportunities exist for securing the implementation of specific policies in different types of agencies.

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PREFATORY NOTE

The research on which this dissertation is based would not have been possible without the cooperation and assistance of the many officials of development assistance agencies that I have interviewed in the past two years. I wish to thank them and I hope that they will forgive any factual errors that I have inadvertently made - the fault is mine. I also wish to acknowledge my debt to the International Institute for Environment and Development, in particular Brian Johnson, Richard Sandbrook and David Runnalls, for provoking my interest in the topic and giving me the opportunity to investigate the environmental policies and procedures of development assistance agencies. That happy association led to another, with the International Union for Conservation of Nature and Natural Resources, in particular the Conservation for Development Centre, directed by Mike Cockerell and Mark Halle; through them I was able to undertake further research that contributed to this dissertation.

Various members of the Department of Urban Studies and Planning at MIT have been exceptionally generous with advice and help. I am grateful to Martin Krieger and Aaron Fleisher for their continual concern. No Ph.D. candidate in the Department can survive without the help and humor of Jackie LeBlanc - whom I sincerely thank. Finally, I wish to thank my committee: Lisa Peattie, who first suggested I should consider coming to MIT; Eugene Skolnikoff, the Director of the Center for International Studies; and Larry Susskind, my advisor throughout my career at MIT. They have all been patient and very encouraging.

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CHAPTER 1

Introduction

The national and international organizations that provide funds to developing countries for economic development projects operate in two kinds of environments. One is the bio-physical environment of the project or program being funded - the watershed surrounding a dam, the tropical forest being cleared for agriculture or the coastal zone within which a harbor is built. The other is the political and institutional environment within which the organization performs its task of administering the flows of development assistance - the political actors that have influence over its policies and decisions, the institutions with which it has to cooperate and the various participants on whom the implementation of the projects depend.

This study is about how policies for protection of the physical environment fare within the different political and institutional environments in which these organizations operate. I shall call this latter environment the "task-environment" - a term used in organizational theory to refer to the relationships an organization has with external actors and processes in the course of performing

its task. However, the purpose of this study is not to test whether organizations have to take account of their task-environment, but to investigate how the political and financial structure of the organization equips it to change its output in relation to its task-environment.

The organizations I shall discuss are called development assistance agencies. They include national government agencies in wealthy countries whose job is to disburse funds directly to developing countries for projects or programs - this form of assistance is conventionally called bilateral assistance and the national agencies will be referred to in this study as bilateral agencies. They also include international agencies, to which a number of nations belong and which receive contributions or loan guarantees from wealthy countries and provide funds to poor countries in various forms. I shall be dealing with two main categories of international agency - multilateral development banks and United Nations organizations.

The policy issue in question is how can development assistance agencies ensure that their programs do not have harmful effects on the bio-physical environment. In one sense, this issue is particular to the relationships between different types of development project and the natural resource systems on which they depend and the

environment in which they are located. But, it is also an issue common to other policies that concern the "developmental objectives" of assistance programs. To put it simply, there are alternative frames for analyzing the efforts of development assistance agencies - political, financial or developmental - that have very different implications for policy making and organizational reform.

The political frame concerns the goals of governments and intergovernmental organizations in providing and allocating the assistance. The financial frame encompasses the overall flows of assistance and the terms on which it is lent or granted. The developmental frame focusses on the effects of the assistance on economic growth, income distribution, employment, health, nutrition, population, education, rural development, social organization, cultural values and the state of the environment - not necessarily in that order.

Policies that are designed to affect the developmental account, so to speak, often embody criteria for achieving good outcomes and suggest procedures or methods for ensuring that projects meet these criteria. The question I shall organize this study around is what determines the capacity of a development assistance agency to follow these procedures and meet these criteria effectively. The importance of this question is that it seems much easier

for an agency to adopt a policy intended to satisfy a specific developmental objective than to ensure that the program meets that objective. In the case of environmental protection, many agencies have declared themselves committed to assessing the environmental effects of their programs and taking steps to minimize damage, but very few have convincingly reformed their operations and performance as a result. The issue is, at this point, less one of the merits of the particular policy and more what structural and organizational features influence the implementation of developmental policies.

My initial approach to this question is to suggest that because development assistance agencies are political and financial bodies, one must look to their political and financial structure for an explanation of how policies are adopted and transmitted to the organization. Also, because development assistance agencies are large organizations, one must look to their organizational processes and behavior to explain how they implement the policies. It seems reasonable to expect that bureaucracies do not always implement policies quite as their political masters propose or their financial status requires. Some of the reasons for this are that the organization has to cope with its task-environment and make sure it gets its job done despite barriers and uncertainties.

However, I think the issue is more complex. The reason is that the way an organization copes with its task-environment is to a large extent determined by its political and financial structure. For, the structure defines many of the incentives and constraints facing the staff of the organization. The structure determines how policies are enforced or how the performance of the program is evaluated. The organization can try to influence its task-environment - including the mechanisms by which the political and financial structure exercises control over the operations of the organization - but mainly it is reacting to how its responsibilities and reward system are shaped from above in relation to the problems it faces in getting its task done.

Because I think that the fate of a policy such as environmental assessment depends on the interaction between the political and financial structure of the agency and the organizational incentives and constraints facing the staff, I have proposed an analytical "handle" with which to investigate this relationship. This is the "accountability system" by which the organization is held accountable to the political members, sources of funds, leadership and other participants for its performance. The nature of the accountability system - how strict it is, what criteria it focusses on, how far it can penetrate into the operations

of the agency and so on - determines the relationship of policy making with the operations of the agency.

So, my analysis will focus on the capacity of development assistance agencies to assess the environmental effects of their programs in terms of the accountability system prevailing in different types of agency - distinguishable by their political and financial structure. The question is what does the accountability system imply for a new policy objective and how can the accountability system be brought to bear on a particular policy objective.

I give an account in the next chapter of the development assistance system and the various theoretical perspectives that have contributed to my view of the importance of a conceptual linkage between the political and financial structure of the agencies and the organizational processes that embrace their day-to-day operations.

Then, I show in chapter 3 that development assistance agencies have become quite concerned with environmental issues. Over the past decade or so, they have adopted policies for the environmental review of their funding programs, have allocated some of their funds to projects designed to manage environmental problems and have provided

technical assistance and funds to the governments of developing countries to strengthen their environmental policies and institutions. I shall also point out that environmental lobbies and non-governmental organizations continue to criticize these agencies for not following these policies through and for still causing environmental problems through their regular funding programs.

This leads to a discussion in Chapter 4 of how to analyze the determinants of the response, or lack of it, of different types of agencies to environmental problems their projects may cause. At this point, I lay out my arguments for using the accountability system to organize the analysis.

The underlying question is whether the policy makers and advocates who are worried by environmental problems in developing countries are justified in focussing their attention on development assistance agencies and whether their efforts to elicit a more vigorous or effective response from the agencies are likely to succeed. Are these agencies able to deliver what is being demanded of them - taking into account their political and financial structure and the task-environment they face?

This question is not exclusive to environmental policies. It is equally relevant to other developmental

objectives that development assistance agencies are expected to achieve. Whether the issue is alleviating poverty, achieving better nutrition levels, promoting the interests of women in development or avoiding social or cultural disruption, development agencies can hardly make a case that such objectives are undesirable. However, when it comes to reforming their procedures and operations in order to satisfy these objectives, one needs to ask whether the reforms needed are compatible with the nature of the organization, its political and financial status and the dominant organizational incentives governing its day-to-day operations. Organizations do resist new policies, changed procedures and additional objectives. Sometimes, it is obvious why they resist, and steps can be taken to address the reasons directly; other times, it is not clear what accounts for poor implementation of new policies.

If the demands being made of development agencies are unreasonable or difficult to implement, it would benefit the advocates of new policies to understand why. If policy makers can discern the limited influence of development agencies over the implementation of their program or the incompatibility of certain objectives expected of them, then they should be able to advocate other measures designed to complement the actions of agencies or to avoid conflicts within their programs. If the agencies simply

cannot make much difference, then policy makers can look for ways of influencing the actors or activities that do make a difference.

If, on the other hand, the policies are reasonable and the agencies have the capacity to achieve the objectives in question, then policy advocates should know how to stimulate the response required and how to enforce the policy objectives most effectively. An understanding of the sources of resistance and the incentives facing agency staff are indispensable for furthering the interests the particular policies represent.

In order to distinguish policies that development assistance agencies are equipped to implement and to improve policy mechanisms and procedures accordingly, it is necessary to analyze what determines the capacity for development agencies to respond to the policies asked of them - what is the relationship between the sources of policy and the operations of the organization and what are the mechanisms by which the leaders and managers of the agency ensure the desired performance within the program?

Within the development assistance system, there are types of agency that have very different political and financial structure - bilateral agencies, multilateral development banks and UN specialized agencies. In chapters

5, 6 and 7, I have taken one case from each group and examined in detail the response of the agency in question to a policy for the environmental assessment of its funding program in relation to the accountability system that prevails within the agency. Because the political and financial structure of each agency is so different and produces quite distinct accountability systems, it is possible to make comparisons about how that structure determines the agency's environmental responsiveness.

From these comparisons, and from evidence from other cases that I have accumulated, I shall draw some general conclusions about the role of the accountability system in shaping the response of an agency to policy initiatives designed to improve the developmental effects of its program. Ultimately, the value of this analysis is that it allows a better understanding of why policies that seem reasonable and desirable are not always implemented effectively. It should provide the basis for judging strategies for improving the performance of development assistance agencies and offer some insight into how to influence them in relation to specific policy objectives.

CHAPTER 2

International Organization and Development Assistance

Introduction

This chapter and the next review the literature and historical experience relevant to the question of what determines the response of development assistance agencies to the environmental effects of their funding programs. In this chapter, I start by describing the development assistance agencies that are the subject of this study. Second, I discuss some of the perspectives on the goals and performance of international organizations, trying to extract insights that are relevant to development assistance agencies. Third, I address in more depth the question of how development assistance agencies satisfy the policy demands of the participating actors and satisfy their own organizational interests in relation to specific efforts to improve the outcomes of their programs. In the next chapter, I discuss the relationship of development assistance to the bio-physical environment.

At the outset, it must be said that not all international organizations are development assistance

agencies, and not all development assistance agencies are international organizations. Bilateral development assistance agencies are not, of course, intergovernmental organizations. However, they are engaged in activities that involve other states, both donors and recipients, and are key actors within the community of international organizations providing and administering the flow of development assistance to developing countries. Also, some of the literature on international organizations has little relevance to development assistance agencies and will not be considered here. On the other hand, some literature on how large organizations behave stems from an analysis of national organizations but is relevant to my investigation.

I am concerned with the question of why development assistance agencies do not always implement policies that appear to offer developmental benefits and have been adopted by the leadership and management of the agencies. It seems to me that there are two main themes worth exploring in the literature. One concerns the implications of the political nature of development assistance agencies on how they behave, what priorities they have and how they are controlled. The other focusses on the procedures, mechanisms and practices that are at work within the organizations and shape the day-to-day implementation of

their task. Both these themes should offer some ideas about how the output of the organizations compares with the desired policy outcomes. I also think it is necessary to integrate these themes in order to understand what determines the capacity of a development assistance agency to, in this case, carry out environmental assessments of its program.

Development Assistance Agencies

The context of this study is the apparatus for providing funds for "official development assistance" to poorer countries.¹ Essentially all such funds originate from the governments of wealthy governments - either Western members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and

1. The OECD defines "official development assistance" as grants or loans undertaken by the official sector, with promotion of economic development and welfare as main objectives, at concessional financial terms. OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1983 Review, Paris, Organization for Economic Cooperation and Development, 1983, p.176.

Development (OECD), Eastern block members of the Council for Mutual Economic Assistance (CMEA) or members of OPEC.² Almost all funds are eventually made available to the governments of poorer countries, or agencies and institutions responsible for economic development within those countries. However there are a variety of channels, institutions and mechanisms whereby funds are made available by donors, allocated to recipients and disbursed for programs or projects.

In my case studies, I shall examine development assistance agencies that represent the three main categories of development assistance provided by DAC members: namely 1) bilateral assistance provided directly from an agency of the donor government to recipient government or institution, and multilateral assistance, which is channeled via international agencies in two forms - 2) as contributions to multilateral development banks and the EEC, and 3) as contributions to the United Nations Development Programme (UNDP) and the specialized agencies of the UN system. Since my analysis hinges on the different political and financial structures that govern the policies, procedures and organizational dynamics affecting the provision of assistance in these three cases,

2. ibid., p.49-56.

I shall devote some space to discussing these categories of development assistance agencies.

In 1982, total net disbursements of official development assistance from DAC members was US\$27,853 millions, which amounted to 74% of official development assistance from all donors. Of DAC assistance, 66% was in the form of bilateral assistance, 25% in the form of concessional contributions to multilateral development banks and the EEC, and 8% to the UN system.³ Historically there has been a growth in the share of development assistance channeled through multilateral agencies, (from an average of 15.7% of DAC official development assistance during 1971-1973 to 25.3% in 1982. The share channeled through the UN system has remained fairly constant (a modest increase from 6.7% of DAC official development assistance in 1971-1973 to 8.1% in 1982) as the combined total of the budgets of the UNDP and specialized agencies have kept pace with overall assistance flows.⁴ However, in the last 2-3 years major donors have resisted this trend and placed more emphasis on bilateral assistance. The rate of expansion of contributions by DAC members to multilateral and UN organizations has slowed since the late

3. Figures calculated from ibid., p.179.

4. ibid., p.241.

1970's, except for European Community members' contributions to the European Development Fund (EDF) which have risen faster than multilateral official development assistance as a whole.⁵ There has been a reluctance to replenish the International Development Association (IDA), the concessional window of the World Bank Group and the funds contributed to UNDP have dropped off significantly in real terms.⁶

The DAC, in reporting the current stagnation in contributions to multilateral and UN organizations, considers the implications. Members face severe budgetary constraints but increasing demands from a growing number of international organizations.⁷ But there appears to be an attitude among some donors that multilateral organizations are less responsive to their preferences than they would wish, while UN organizations are inefficient and hard to influence.⁸ Nevertheless, the DAC asserts that members do not dispute the traditional grounds for supporting multilateral agencies - namely that the assistance is less

5. ibid., p.77.

6. ibid., pp.105-108 & pp.100-101.

7. ibid., p.98.

8. See for instance United States Treasury Department, U.S. Participation in the Multilateral Development Banks in the 1980's, Washington D.C., Government Printing Office, 1982.

TABLE 1

TOTAL FLOW OF RESOURCES FROM DAC COUNTRIES BY MAJOR CATEGORIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
a) \$ billion, net, current prices												
Official Development Assistance	6.9	7.6	9.2	9.1	11.6	13.8	14.0	15.7	20.0	22.8	27.3	25.6
Grants by private voluntary agencies	0.9	0.9	1.0	1.4	1.2	1.3	1.4	1.5	1.7	2.0	2.4	2.0
Non-concessional flows	8.1	8.9	10.0	11.9	9.7	29.7	30.6	34.3	48.9	50.6	45.7	60.4
Total flow of resources	15.9	17.4	20.2	22.4	22.5	44.8	46.0	51.5	70.6	75.4	75.4	88.0
b) \$ billion, 1981 prices and exchange rates												
Official Development Assistance	17.8	18.4	20.1	17.7	20.5	21.1	20.8	21.6	23.9	24.1	26.5	25.6
Grants by private voluntary agencies	2.3	2.2	2.2	2.7	2.1	2.0	2.1	2.1	2.0	2.1	2.3	2.0
Non-concessional flows	20.9	21.6	21.8	23.2	17.1	45.4	45.4	47.1	58.3	53.5	44.3	60.4
Total flow of resources	41.1	42.2	44.1	43.7	39.7	68.5	68.2	70.7	84.2	79.8	73.1	88.0
c) As per cent of GNP												
Official Development Assistance	0.34	0.34	0.36	0.29	0.34	0.36	0.33	0.33	0.35	0.35	0.38	0.35
Grants by private voluntary agencies	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03
Non-concessional flows	0.41	0.40	0.38	0.38	0.28	0.77	0.74	0.73	0.86	0.79	0.63	0.83
Total flow of resources	0.79	0.78	0.78	0.72	0.65	1.17	1.10	1.09	1.24	1.17	1.04	1.21

Source: OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, 1982.

TABLE 2

THE NET FLOW OF FINANCIAL RESOURCES FROM DAC COUNTRIES

Net disbursements

	\$ million					Percentages				
	1970	1975	1979	1980	1981	1970	1975	1979	1980	1981
I. Official Development Assistance	6 949	13 846	22 820	27 264	25 635	44	31	30	36	29
1. Bilateral grants and grant like flows	3 321	6 268	11 704	14 123	13 184	21	14	15	19	15
<i>of which</i> : Technical cooperation	1 524	2 922	4 685	5 477	5 249	10	7	6	7	6
2. Bilateral loans at concessional terms	2 351	3 530	4 628	3 985	5 099	15	8	6	5	6
3. Contribution to multilateral institutions	1 277	4 039	6 488	9 156	7 352	8	9	9	12	8
<i>of which to</i> : UN	371	1 197	1 699	2 170	2 228	2	3	2	3	2
EEC	158	673	1 216	1 575	1 561	1	2	2	2	2
IDA	582	1 316	1 996	3 101	2 434	4	3	3	4	3
Regional Development Banks	101	418	918	1 717	753	1	1	1	2	1
II. Other official flows	1 122	3 912	2 894	5 272	6 607	7	9	4	7	8
1. Bilateral	845	3 833	3 138	5 378	6 470	5	9	4	7	7
2. Multilateral	276	79	-244	-106	137	2	x	x	x	1
III. Private flows	7 018	25 706	47 690	40 430	53 780	44	57	63	54	61
1. Direct investment	3 690	10 344	12 745	9 769	14 639	23	23	17	13	17
2. Bilateral portfolio	697	9 291	23 450	17 702	24 712	4	21	31	23	28
3. Multilateral portfolio	474	2 553	2 087	1 469	3 836	3	5	3	2	4
4. Export credits	2 157	3 518	9 408	11 490	10 593	14	8	12	15	12
IV. Grants by private voluntary agencies	860	1 346	1 997	2 386	2 018	5	3	3	3	2
Total net flow	15 948	44 810	75 401	75 352	88 040	100	100	100	100	100
Total net flow in 1981 prices	41 103	68 517	79 789	73 086	88 040	-	-	-	-	-

Source: OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, 1982.

TABLE 3

COMPOSITION OF EXTERNAL FINANCIAL RECEIPTS OF DEVELOPING COUNTRIES
BY TYPE OF FLOW 1970-1981

<i>Net disbursements</i>	<i>Percentage shares in total receipts</i>											
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Official Development Assistance	42.5	44.2	43.1	38.6	45.5	36.9	33.8	31.9	32.7	35.8	38.0	(34.1)
a) DAC bilateral	29.8	29.9	26.4	22.0	22.8	18.3	16.3	15.8	15.8	18.6	18.8	17.6
b) OPEC bilateral	2.0	2.1	2.8	6.3	11.5	10.4	8.9	8.3	8.3	7.7	8.6	6.6
c) CMEA countries, bilateral	5.1	6.0	5.9	4.2	3.5	1.4	1.8	1.4	1.4	2.1	2.0	2.0
d) Other countries, bilateral .....	..	..	..	..	..	0.1	0.1	0.1	0.1	0.1	0.2	(0.2)
e) Multilateral agencies	5.6	6.3	6.0	6.1	7.8	7.1	6.6	7.2	7.2	7.3	8.4	(7.7)
of which: OPEC financed	-	-	-	-	0.3	0.3	0.7	1.2	1.2	0.3	0.3	0.4
Non-concessional flows	57.5	55.8	56.9	61.4	54.5	63.1	66.2	67.3	67.3	64.2	62.0	65.9
a) Multilateral agencies	3.6	4.3	4.3	4.0	5.1	4.7	4.6	3.7	3.7	4.9	5.3	(4.8)
of which: OPEC financed	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.3	0.2	..
b) Direct investment	19.4	15.6	18.1	14.7	5.2	21.2	14.8	14.2	14.2	15.7	10.8	(14.1)
c) Bank sector	15.8	15.6	20.6	30.1	27.6	22.0	25.8	27.5	27.5	23.0	20.6	(24.0)
d) Bond lending	1.6	1.4	2.2	1.8	0.8	0.8	2.1	3.2	3.2	1.3	3.4	(2.4)
e) Private export credits	11.0	12.8	6.2	3.6	6.6	8.1	12.4	12.3	12.3	11.1	12.7	(10.2)
f) Official export credits	3.1	3.4	3.2	3.7	2.4	2.2	2.4	2.6	2.6	2.0	2.6	(2.7)
g) DAC - other official	0.8	1.3	1.8	2.8	1.8	1.0	1.0	1.5	1.5	1.3	2.3	(1.9)
h) OPEC bilateral	1.1	0.9	-	0.4	2.5	2.8	2.8	1.2	1.2	(1.2)	(1.1)	(2.9)
i) CMEA countries	0.6	0.5	0.5	0.3	0.2	0.2	0.2	0.1	0.1	..	..	..
j) Other	0.5	-	-	-	-	0.1	0.2	1.0	1.0	3.7	(3.4)	(2.9)
Total receipts	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, 1982.

TABLE 4

ODA FROM DAC COUNTRIES TO MULTILATERAL AGENCIES 1981

Net disbursements *\$ million*

Countries	IBRD and affiliated institutions			IDB			Asian development bank			African development fund	EEC			UN agencies	Other	Total
	IBRD ^{a)}	IDA	Total	Ordinary capital	Special fund	Total	Ordinary capital	Special fund	Total		EDF	Other	Total			
Australia	-	0.1	0.1	-	-	-	8.6	28.4	37.0	-	-	-	-	48.3	16.7	102.0
Austria	-3.1	43.3	40.2	0.1	-	0.1	3.4	-	3.4	-	-	-	-	12.8	2.3	58.8
Belgium	2.0	51.6	53.6	-	-	-	0.6	3.8	4.4	6.1	38.3	53.8	92.1	47.3	2.1	205.7
Canada	3.5	146.9	150.4	5.9	16.2	22.1	7.6	47.3	54.9	25.0	-	-	-	154.8	35.3	442.5
Denmark	19.2	34.8	54.0	0.5	3.8	4.3	0.3	3.2	3.5	7.3	14.8	18.9	33.7	93.4	4.5	200.6
Finland	5.7	20.7	26.4	0.3	2.3	2.6	0.2	3.5	3.7	3.6	-	-	-	20.1	-	56.4
France	10.9	163.9	174.8	2.3	18.1	20.4	2.3	22.4	24.7	6.1	157.3	192.4	349.7	55.9	0.5	632.1
Germany	5.6	295.2	300.8	14.8	6.6	21.4	3.3	-	3.3	24.9	162.2	274.3	436.5	135.9	14.4	937.1
Italy	0.1	112.1	112.2	25.5	10.3	35.8	-	28.6	28.6	8.5	72.0	137.0	209.0	88.2	11.0	493.4
Japan	9.1	452.4	461.5	-6.3	-	-6.3	18.7	176.2	194.9	-	-	-	-	242.5	17.9	910.5
Netherlands	2.2	81.8	84.0	0.8	3.9	4.7	0.6	-	0.6	5.9	49.1	69.8	118.9	145.9	6.5	366.6
New Zealand	2.7	3.3	6.0	-	-	-	2.3	1.8	4.1	-	-	-	-	4.3	2.9	17.2
Norway	0.7	40.9	41.6	-	-	-	0.6	3.5	4.1	12.2	-	-	-	136.8	12.0	206.7
Sweden	-	90.8	90.8	-	-	-	0.2	6.0	6.2	14.2	-	-	-	198.6	7.4	317.3
Switzerland	-	-	-	0.3	3.7	4.0	1.2	5.1	6.3	13.7	-	-	-	41.2	8.6	73.8
United Kingdom	-	375.7	375.7	-1.0	-	-1.0	2.8	30.1	32.9	12.5	113.6	207.1	320.7	96.6	28.5	865.9
United States	44.0	520.0	564.0	-	-	-	25.0	3.0	28.0	42.0	-	-	-	705.9	126.0	1 465.9
Total DAC countries	102.6	2 433.5	2 536.1	43.2	64.9	108.1	77.7	362.9	440.6	182.0	607.3	953.3	1 560.6	2 228.5	296.7	7 352.5

a) Including IFC.

Source: OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, 1982.

TABLE 5

LOAN AND GRANT DISBURSEMENTS BY MULTILATERAL AGENCIES

Agencies		Concessional flows						Non-concessional flows						\$ million	
		1970	1976	1977	1978	1979	1980	1981	1970	1976	1977	1978	1979			1980	1981
IBRD ^a	net	-	16	39	76	107	107	88	508	1 724	1 833	2 104	2 846	3 166	3 603
	gross	-	16	39	76	107	107	88	810	2 279	2 501	2 900	3 786	4 310	5 015
IDA	net	163	1 310	1 132	1 007	1 278	1 543	1 918	-	-	-	-	-	-	-
	gross	163	1 326	1 158	1 038	1 303	1 584	1 963	-	-	-	-	-	-	-
IFC	net	-	-	-	-	-	-	-	68	193	98	58	108	295	510
	gross	-	-	-	-	-	-	-	77	252	174	169	244	465	645
IDB	net	224	282	299	332	335	326	438	84	285	388	375	447	567	643
	gross	245	362	392	433	461	468	..	150	398	552	560	613	813	..
of which:	grants	-	12	-	-	-	17	..	-	-	-	-	-	-	-
African D.B. and Fund ...	net	-	11	26	39	55	96	91	2	44	66	83	92	97	70
	gross	-	11	26	44	57	96	93	2	51	73	93	108	117	99
Asian D.B.	net	1	62	89	161	116	149	..	15	232	225	229	278	328	..
	gross	1	63	100	161	124	159	..	16	263	272	294	361	429	..
of which:	grants	-	-	8	-	-	8	..	-	-	-	-	-	-	-
Car. D.B.	net	-	14	12	20	25	43	..	-	6	11	*	7	13	..
	gross	210	501	549	805	1 124	1 013	1 440	11	58	49	78	162	257	241
EEC/EIB ^b	net	210	512	558	815	1 137	1 028	1 453	(11)	68	67	104	194	294	275
of which:	grants	174	396	473 ^c	729 ^c	848	900	..	-	-	-	-	-	-	-
IMF Trust Fund	net	-	-	175	864	680	1 636	434	-	-	-	-	-	-	-
IFAD	net	-	-	-	-	3	45	75	-	-	-	-	-	-	-
United Nations	grants	498	1 252	1 404	1 730	2 214	2 487	..	-	-	-	-	-	-	-
Arab OPEC Funds	net	-	419	1 107	973	265	294	415	-	-	20	157	219	128	265
of which:	grants	-	8	13	19	19	28	42	-	-	-	-	-	-	-
Total	net	1 096	3 867	4 832	6 007	6 202	7 759	(8 000)	688	2 542	2 690	3 084	4 159	4 849	..
	gross	1 117	3 975	5 090	6 147	6 375	7 936	..	1 066	3 469	3 953	4 277	5 700	6 583	..
of which:	grants	672	1 668	1 898	2 478	3 077	3 505	..	-	-	-	-	-	-	-

a) Excluding loans transferred to IFC.

b) Including funds channelled through other multilateral organisations.

c) Including STABEX.

Note: Loans unless otherwise stated. For abbreviations see page 173.

Source: OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, 1982.

governed by individual donors' political interests or tied to particular goods and services and that these agencies play an indispensable role as repositories of experience and fora for discussing the policy framework for assistance.⁹ Also, while UNDP contributions have dropped off, there has been an increase in contributions to other UN operational activities that provide resources to developing countries.¹⁰

The Political and Financial Structure of Development Assistance Agencies.

There are important differences in political and economic structure among the types of development assistance agencies that can help explain how different agencies respond to policy initiatives and what capacity they have for reviewing their assistance programs.

A. Bilateral Agencies.

9. OECD, op. cit., p.99.

10. ibid., p.101.

Almost all donor governments disburse the bulk of their foreign assistance through their bilateral agencies, directly to the governments or institutions of recipient countries.

Bilateral agencies are parts of national governmental machinery, disbursing funds provided by the government's treasury and following the political and economic objectives that the government holds as part of its foreign and domestic policies. For instance, assistance may be allocated in order to secure political alliances or trade relationships. Bilateral agencies also pursue developmental objectives in allocating and guiding the disbursement of the funds at their disposal. For instance, they may target their assistance to poor rural farmers or to meeting basic needs or raising nutrition levels. The agencies are subject to the directives and pressures of government, parliament and the electorate in carrying out their program. While a bilateral assistance program is usually administered by a single agency, the national policy for that program is normally the responsibility of several government departments.¹¹

The activities of the OECD, an international

11. White, John, The Politics of Foreign Aid, New York, St. Martins Press, 1974, p.46.

organization to which the Western developed countries belong, include the work of the DAC. The members have agreed to increase and improve the effectiveness of the flows of resources made available to developing countries. The purpose of the DAC is provide a mechanism for members to coordinate, monitor and discuss their bilateral aid programs in the light of this agreement. Thus members are loosely committed to temper their individual political and economic policies with the developmental objectives agreed among themselves concerning the quantity, terms, mechanisms and priorities of development assistance. The remainder of bilateral assistance is coordinated to some extent by the CMEA and OPEC, representing the Socialist and oil-exporting countries respectively.

Bilateral aid is a mix of concessionary loans and grants; much of it is tied to the purchase of the donors goods and services and channeled to countries which are of foreign policy, security or trading interest to the donor. Nevertheless, bilateral aid can also be allocated to much poorer countries than development bank loans and ear-marked for particular developmental objectives if the donor government chooses and the recipient government agrees.

Needless to say, the levels, destinations and objectives of national foreign assistance programs are

determined by donor government policy and the political, economic and developmental pressures facing a particular donor.¹² However, bilateral aid donors do coordinate to some extent both in general via the DAC and at the country level either informally or through coordinating mechanisms. Bilateral donors also often cooperate with multilateral agencies at a country level and provide co-financing for large projects.¹³

B. Multilateral Development Banks.

Multilateral development banks, including the World Bank Group (the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation), the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, the Caribbean Development Bank and Arab Bank for Economic Development in Africa, have global or

12. See, in the US case for instance, Congressional Budget Office, Assisting the Developing Countries: Foreign Aid and Trade Policies of the United States, Washington D.C., Government Printing Office, 1980; Hough, Richard, Economic Assistance and Security: Rethinking US Policy, Washington D.C., National Defense University Press, 1982.

13. See recent issues of OECD, Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee, (Annual Report by the Chairman of the Development Assistance Committee), Paris, Organization for Economic Cooperation and Development.

regional membership divided into donor and recipient members. There are other multilateral financing institutions such as the International Fund for Agricultural Development and various OPEC funds that are not discussed here.

Also, other multilateral organizations exist which do not conform exactly to the model of a development bank. The European Development Fund is discussed in this section, although it is really a European Community-wide bilateral program. The European Investment Bank is increasing its funding outside the European Community, but this is still a minor part of its lending program. The Organization of American States is a regional technical assistance agency, usually included among multilaterals.

UN organizations are, of course, multilateral but I treat them in a separate category, because of their distinct political and financial structure. Formally, the World Bank is affiliated to the UN system, but in practice it is politically and financially distinct, and does not share those features that I use to distinguish the UN organizations.

Within multilateral development banks, voting is weighted according to the capital contribution of the members. They have two-tier governing bodies; a Board of

Governors comprising the Finance ministers of members, which meets annually to review the broadest policy issues, and a Board of Executive Directors, permanently posted at the bank, who represent the members in approving disbursements and matters of policy and operations.

Most of the funds that the multilateral banks disburse are borrowed on the international capital markets on the strength of the capital contributions of the members, both paid in and callable. These funds are lent to borrowing governments or agents thereof at interest rates that are normally below those available from commercial banks. Most lending is for economically productive projects and programs in the public sector for which alternative sources of funds are unavailable. The multilaterals, in particular, the International Development Association of the World Bank Group, do also raise concessionary funds from their developed members, to provide soft-loans to poorer borrowers and less financially remunerative sectors.

The constitutional and financial policies of the multilateral banks are governed by the major donors, but they are, in theory, free from the political or economic pressures of individual members. The management and professional staff are able to take a more independent line than in bilateral or UN agencies on the financial,

operational and developmental policies they follow. The banks have instituted relatively rigorous feasibility and appraisal studies that need to be undertaken before loans are approved; they have considerable leverage over the design of projects and can attach conditions to loans. They also come to influence the economic policies of the borrowing governments on a wider, longer term basis than most bilateral and UN agencies. Traditionally, most lending by multilateral development banks was allocated to capital projects, such as transportation, power generation and industry, but over the past decade an increasing proportion of loans have been in the agricultural, urban, health and education sectors.¹⁴

The World Bank is preeminent among multilaterals in size, influence and experience. It also plays a more prominent role in researching, analyzing and forming economic development policy.¹⁵ The regional development banks, although they all stem from roughly the same model - smaller versions of the World Bank responsive to the specific economic and developmental conditions of the

14. See Mason, Edward and Robert Asher, The World Bank Since Bretton Woods, Washington D.C., The Brookings Institution, 1973, pp.62-86, 191-294 and White, op. cit., pp.54-58.

15. Ayres, Robert, Banking on the Poor: the World Bank and World Poverty, Cambridge, Mass., MIT Press, 1983, pp.17-50.

region - vary considerably in their response to the particular interests regional members, in the role of the main donors and the economic development policies that they promote.¹⁶

White and, more recently, Krasner note that the Inter-American Development Bank has been most regionally responsive and has substantial resources. The Asian Development Bank has enjoyed plentiful resources but has not adapted to the interests of regional members, while the African Development Bank has remained closely in tune with regional needs but has failed to acquire substantial resources. These differences are explained partly in terms of their history and the structural relationships of donors and recipients within the frame of the institution. For instance, the members established the Inter-American Development Bank in the hope of providing an alternative to the World Bank; the major donor, the United States, saw an opportunity to pursue more hegemonic, long-term objectives that allowed the regional members greater participation and influence in the bank than in the World Bank. The other two regional banks were established without such a clear objective, and with less conviction about the convergence

16. White, John, Regional Development Banks : the Asian, African and Inter-American Development Banks, New York, Praeger, 1972, pp.11-32, 189-199.

of interests between donors and recipients. In the Asian case, Japan came to dominate but pursued traditional short-term economic interests, and sought to replicate the operations of the World Bank in a way that suppressed any regional expression. In the African case, the Western donors were excluded from membership, thus severely restricting the availability of funds to respond to the regional needs.¹⁷

The total development assistance funds provided by OPEC countries peaked during mid-1970's, (29% of total official development assistance in 1975), and have declined markedly in recent years, (18% in 1982).¹⁸ However, most of this decline is accounted for by OPEC bilateral assistance. OPEC contributions both to their own and to other multilateral agencies has been more buoyant. OPEC/Arab multilateral institutions consist of the Arab Fund for Social and Economic Development, the Islamic Development Bank, the OPEC Fund and the Arab Bank for Economic Development in Africa.¹⁹ Much of the assistance has been targeted towards the poorer Arab or Islamic nations.

17. White, op. cit., pp.189-197; Krasner, Stephen, "Power Structures and Regional Development Banks", in International Organization, 35:2, Spring 1981, pp.303-305.

18. OECD, op. cit., p.87.

19. ibid., pp.89-91.

The European Development Fund (EDF) is the major instrument for the development assistance provided by the European Community, and is administered by the Directorate-General for Development, Commission of the European Communities. The European Investment Bank, the development bank of the European Community, only makes about 15% of its loans outside the Community, which amounted to about 480 million ECU's in 1983, (approximately US\$400 million).²⁰

The EDF is provided by member states separately from the Community budget and is distributed mostly in the form of grants to the African, Caribbean and Pacific (ACP) countries that are parties to the Lome Convention, under similar contractual agreements to Mediterranean countries and to "non-associated" states in Latin America and Asia. There is a strong bias towards ex-colonies of the Community members and an explicit policy of making the assistance conditional on trade agreements as set out in each successive Lome Convention.²¹

20. European Investment Bank, "Information", No. 37, Feb. 1984.

21. Stevens, Christopher, ed. EEC and the Third World : A Survey, Vols. 1 & 2, Overseas Development Institute/Institute for Development Studies, London, Holmes and Meier, 1981 & 1982, passim. Commission of the European Communities, "Memorandum on the Community's Development Policy", COM(82) 640 Final, Brussels, 5 October, 1982, pp.18-40.

There are several notable features of the European Community's development assistance. The Lome Convention, which is a 5-year agreement negotiated within the ACP-EEC Council of Ministers and Consultative Assembly, embodies the policies, protocols and procedures that will govern the disbursement of the funds, and it indicates a broad program of assistance for each ACP recipient. It also sets out explicitly the trade preferences and agreements that are contingent on the disbursement of the EDF. Once the Lome Convention is agreed, the ACP countries have considerable autonomy in selecting and requesting specific projects to be approved by the Commission. Indeed, their sovereign right to determine their own priorities is enshrined in the agreement.

The negotiation of Lome and other agreements governing the EDF are influenced by other parts of the Commission, particularly the Directorate-General for Foreign Policy, by the Council of Ministers of the European Community and to a limited extent by the European Parliament. However, since the EDF is not funded from the main Community budget but directly from members' multilateral contributions, there is more direct influence from the members' national ministry of foreign affairs or development cooperation than would otherwise be expected. The Commission appears to enjoy considerable autonomy from member governments in the

day-to-day operations of the EDF.

Ultimately, the EDF and its administration is a mixture of bilateral and multilateral assistance, bound by an unusual legal agreement between donors and recipients.²²

C. The UN System.

The UNDP raises funds from members of the United Nations by voluntary contributions. These funds are allocated for pre-investment studies and technical assistance and other forms of non-capital assistance, in the form of grants rather than loans. The UNDP appoints an executing agency to implement the project, such as the World Bank or one of the specialized UN organizations.

The UNDP is controlled by the UN General Assembly and the UN Economic and Social Council (ECOSOC). It has a decentralized structure, with Resident Representatives in developing countries enjoying considerable responsibility for negotiating country programs. In practice, the UNDP allows the recipient government much discretion about the content of country programs, exercising some review of overall development strategies and the economic and social

22. See Commission of the European Communities, op. cit., passim.

benefits expected from individual projects. Once the grant is agreed, the executing agency has most of the responsibility for technical content and implementation.

The main executing agencies such as FAO, Unesco, WHO and UNIDO are organizations with their own structure, membership, programs and constituencies. They are global in membership and have equal voting - in many cases, they are dominated by the more numerous developing country members, rather than the developed countries that provide most of the budget. However, the flow of UNDP and other extra-budgetary funds has enabled them to establish extensive field operations, and, since these funds are not directly controlled by these organizations' own members, they offer the organizations some degree of autonomy not available within the regular programs. In recent years, UNDP and other extra-budgetary funds have amounted to over 50% of the total funds available to specialized agencies.²³ However, since 1980 there has been a decline in the funds available to UNDP, and the growth in other extra-budgetary contributions to UN agencies has begun to

23. For instance, the extra-budgetary funds available to the FAO in during the 1982-1983 biennium were US\$515 million compared to the regular budget during the same period of US\$368 millions. FAO, "Review of the Field Programmes 1982-1983", Rome, 1983, statistical index, table 1.

24. OECD, op. cit., p.101.

tail off.²⁴

The DAC notes that the support of some donors for the UN system as a channel for development assistance funds is weak in the face of claims by other multilateral organizations.²⁵ It is less easy for donors to influence the UN system owing to the political structure and the widespread view of recipients that donors are diverting attention from the need for increased funding.²⁶ Thus funding support for the UNDP is diminishing and calls from donors for more efficient administration produce little response. What is important to note here is that the recipient countries, in the UN General Assembly and ECOSOC or the governing bodies of the UNDP and the specialized agencies have greater influence over formal decisions, if not over levels of funding, than in any other development assistance forum. Commonly, their position is to demand increased resources, reserve their right to define their own priorities for funding, to have full participation in the programs funded and to resist any conditions attached to funds by donors.²⁷

Cox and Jacobson, in their important study of how

25. ibid., pp.101-103.

26. ibid., p.103.

27. ibid., p.104.

decisions are made in international organizations, arrive at some relevant conclusions about the sources of influence in relation to certain kinds of decisions in UN specialized agencies as these agencies have become more concerned with development and more universal in membership. These conclusions are based on a comparative study of how decisions are taken in eight international organizations and what are the patterns of influence relevant to different types of decisions. First, the donor nations still exercise more influence than strict voting strength would suggest, even in organizations devoted to providing services to developing countries. Second, there has been a growing bureaucratization of decision-making with a corresponding decline in the influence of actors outside the organization. Thus the organization itself perceives a strong interest in its survival and growth. Next, the organizations concerned with development were those in which the participant subsystems - that is, delegates, secretariat staff, associated officials and experts - have achieved some autonomy from their task-environment including from the representatives of member states. The authors note that the influence of participant subsystems was highest in organizations whose output was of least salience to powerful member states. They suggest that in UN agencies that provide services and channel funds to developing countries there are two main factors to take

into account. One is that the donor members still have more influence relative to developing country members over the programs and operations than the number of their votes would suggest; but the second is that the secretariats and other internal subsystems have achieved considerable autonomy from the members as a whole.²⁸

Perspectives on International Organizations.

There are two dominant perspectives on international organizations involved in development assistance that are important to my analysis. One is that they are political organizations, governed by the member states and affected by complex webs of political relations among members, between members and the staff, between members, the staff and other participants and so on. The other is that they are large bureaucracies, the policies and tasks of which are set by members and management, and within which there are procedures and rules for decisions and action. The staffs of such large hierarchical organizations are aware

28. Cox, Robert and Harold Jacobson, The Anatomy of Influence : Decision Making in International Organization, New Haven, Yale University Press, 1973, pp.423-428.

that the organizations operate within a task-environment that may or may not facilitate their performance and consequently the staffs develop their own interests and priorities intended mainly to ensure the organizations' survival and growth. International organizations are no more "black boxes" than other large organizations, experiencing political and technical divisions and interactions within themselves that affect relationships with their members and their clients.

I am interested here in what affects the output of these organizations - or more particularly what determines the degree to which a special policy, such as environmental assessment, is promulgated and implemented once the members and leadership of an organization have decided to adopt it. There are different levels of analysis that contribute some degree of insight to this this question. What motivates nations to establish and join international organizations influences the goals they hope the organizations will pursue. How the members and other participants make decisions and exercise control over the organization's activities affects the pattern of influence among actors in relation to different activities. Whether members have effective control over the organization or whether the organization enjoys some autonomy affects how participants behave in relation to the operations of the

organization and especially the implementation of certain policy objectives. What other factors contribute to the "effectiveness" of organizations relative to the policies set by the members or the services they are asked to provide clearly pertains to how a policy is implemented. Finally, the organizational incentives and constraints that stem from the task-environment influence the decisions that staff members take and their judgements about what deserves to be vigorously implemented or not.

What follows is not a comprehensive review of the political and organizational theory of international organizations but a selection of perspectives that have some bearing on the approach that I am taking to the question of the environmental policies of development assistance agencies.

The Purpose of International Organizations

There are two main perspectives on why nations establish and join international organizations. One is that international organizations are "functional". The other is that international organizations are the instruments of politically and economically dominant states.

The functionalist perspective is that the creation of international organizations is hastened by the growing technological and economic interdependence of nations. Managing the technological developments and the economic system cannot be achieved without cooperation between states. Interests within states tend to recognize the advantages of cooperation and put pressure on governments to participate in international organizations despite the necessary constraints on the exercise of sovereignty that are implied. Ultimately this trend leads to greater political integration and economic welfare. Following this argument, functionalism has played the part not only of a theory but of a strategy of action and a normative test of the behavior of international organizations.²⁹

This perspective emphasizes the technical functions of international organizations and minimizes the political aspects of their behavior. It has influenced some of the approaches that I shall mention shortly which try to assess the influence of structural and organizational features of international organizations on how they perform. But, it tends to obscure the fact that international organizations

29. See Mittrany, David, A Working Peace System, Chicago, Quadrangle, 1966; Jacobson, Harold, Networks of Interdependence: International Organizations and the Global Political System, New York, Alfred Knopf, 2nd Edition, 1984.

are political bodies, however much their functions are believed to be technically defined.

The most starkly contrasting perspective to functionalism is that of the Marxist and "dependency" theorists who view the purpose of international organizations as an effort by Western powers to stifle revolution and the spread of Socialism throughout the world and to maintain the supremacy of the capitalist system by exploiting the third world. While I do not intend to explore this perspective in depth, it is worth noting the emphasis this perspective places on the political objectives of members or groups of members and how organizations have different structures of influence that affect the priorities of the governing bodies and the fate of policy objectives.³⁰

I shall not dwell on these approaches, but start with the assumption that the implementation of a policy within a development assistance agency is influenced both by the political structure and orientation of the agency and the functional role and responsibilities of the organization in relation to the interdependence of the member states. In other words, development assistance agencies are likely to

30. Jacobson, op. cit., pp.68-72; see also Caporaso, James, ed., "Dependence and Dependency in the Global System", International Organization, 32, Winter 1978.

be influenced by the political alignments and interests of donors and recipients depending on the political and financial basis for the assistance flows. Also, their capacity to address the developmental issues involved in managing these flows of resources depends in part on how the members define and delegate the necessary technical functions.

Both as political bodies and as technical agencies, international organizations have limited power, restricted functions and scarce resources compared to national governments. They are dependent on the member nations for their resources, or the authority to raise funds from international sources, and they are directed by their members on how they can allocate those resources — even though some have more independence and power than others. It is important to bear this in mind when considering what influences their capacity to implement certain policies or solve certain problems that are associated with their functions.³¹

Decision-Making in International Organizations

One of the most obvious factors that influences the

31. Jacobson, op. cit., pp. 77-81.

adoption and implementation of policies in development assistance agencies is how decisions are made and what is the basis of the patterns of influence over the activities of the organization.

Cox and Jacobson address the decision-making process across a range of international organizations, differentiating between different types of decisions, modes of decision making, and the roles of different actors in relation to their sources of influence. They conclude that decision making and action is influenced by the following features:

- the political membership: is the membership global, regional, limited to developed countries? What part of the national government is represented and how is its policy determined?
- the decision making bodies and process: how often does the governing body meet and what does it decide? Are there different levels of representation with different degrees of decision making responsibility? Are there permanent representatives to the organization and how much responsibility do they have? Is the voting system weighted or equal? If equal, do the rich countries find ways of retaining control or do developing countries exert more

influence? How much decision making is retained by the Secretariat?

- the budgeting process: how is the budget raised and which members are the main contributors? How much of the budget is independent of the members?
- the participation of different sets of actors: what is the participation of governments' representatives, the secretariat, the executive head, other international bureaucracies and outside groups or interests and what is their source of influence?
- the nature of the decisions: are the decisions symbolic, about boundaries, about the program, about rules, about operations? What is the interest and influence of different actors concerning these types of decisions?³²

What emerges from the analysis of decision-making is that the relative power of different member states is far from the only factor that determines whether international organizations make give priority to a certain policy or not. Many of the actors in decision-making processes can act independently of member states, such as secretariat heads, the staff, representatives of other international

32. Cox and Jacobson, op. cit., pp. 371-436.

organizations and individual participants. Also, weak or poor states, depending on the structure of the organization, can exercise more influence within than outside international organizations. Cox and Jacobson emphasize the distinction between actors who play a representational role and those who are participants. In organizations whose decisions have immediate consequences for the more powerful member states, the representative actors will play a more significant role in making those decisions. International organizations that provide development assistance, in the view of Jacobson and Kay, make decisions that have more remote consequences for the major member states and consequently the participant actors play a more important role in making those decisions. In other words, the secretariats and their associates or contractors have more influence in international development assistance agencies than in other kinds of international organization.³³

Autonomy and Effectiveness.

A number of observers of international organizations have been concerned with the question of how effectively they perform and to what extent they are controlled by their members. There is not necessarily a direct

33. ibid.

relationship between these two factors, but members sometimes complain that international organizations are not responsive to their needs or are immune to attempts to make them more effective. Of course, when some members think organizations are not responsive to their needs, other members may be very content with how the organizations are performing. Similarly, definitions of effectiveness are likely to depend on what different members demand from the organization. One can expect that, in the face of conflicting demands, the secretariats make choices about what deserves priority and how to increase their freedom of action.

In the case of development assistance agencies, one can imagine that donor and recipient members will have differing views about whether the organization is performing effectively or whether it is sufficiently responsive to the needs of members. Furthermore, the capacity of an agency to implement a particular policy objective is clearly affected by the autonomy of the agency in relation to the proponent of the policy. Also, the desired outcomes of the policy may or may not reinforce the view of the members about the agency's effectiveness. In other words, it is not only the relative political power of members that determines the response of the agency to a policy decision, just as there were other factors tha

influenced the decision itself. Indeed, the agency itself may have some capacity to define what is effective and what is not.

Skolnikoff proposes a set of criteria, some political and some organizational, by which governments judge whether an international organization is being effective, noting that the general attitude of governments is "characterized by a jealous guardianship of national prerogatives." The factors that determine a government's confidence in an international organization are:

- control: the ability of a government to veto proposed actions or ensure the fulfillment of their policies.
- influence: different from formal control, influence over an international organization can come from many sources, especially providing the budget, but also technical competence and other factors.
- secretariat quality and attitude: the technical and managerial competence of the secretariat, the competence and attitude of its executive head in relation to a government's policies, the independence and perceived efficiency of the secretariat greatly influence the confidence of governments.
- significance of issues: the more politically important

the issue, the more reluctant a government will be to surrender its influence. However, increased saliency of an issue also means increased visibility and public interest which may keep the bureaucracy on its toes.

- size and clarity of purpose: limited membership and close agreement about objectives encourages efficiency and confidence of the members. In large organizations, the clarity of purpose is very important in securing the confidence of members.
- benefits: the expectation of benefits by participating countries affects the confidence they have in the international organization.³⁴

Kay and Jacobson, in a study of the environmental protection activities of international organizations, also suggest a number of factors relevant to whether international programs are effective or not that include the structural elements governing membership and decision-making and the organizational aspects of the task and how the secretariat is equipped to perform it.³⁵

34. Skolnikoff, E. B., The International Imperatives of Technology, Institute of International Studies, University of California, Berkeley, 1972, pp.117-123.

35. Jacobson, H. K. and D.A. Kay, "The Environmental Protection Activities of International Organizations: An Appraisal and Some Suggestions," paper for American Political Science Association, Sept. 1979, pp.14-19, 47-52.

It is a complex issue to separate the influence of a number of variables on whether the members feel the international organization is effective or responsive to their needs. For the purpose of my analysis, it is sufficient to establish that the power and interests of different members within the governing bodies of development assistance agencies will certainly influence the priority given to policies intended to increase the effectiveness of the agencies' programs. But, one cannot ignore the degree of autonomy that the organization itself enjoys from its members and how the staff of the organization defines its own effectiveness and manages its task. If the organization has some autonomy, then my analysis must encompass the factors that govern the incentives facing the staff when asked to implement a certain policy.

Organization Theory and International Organization

Having started with a perspective that stems from what nations intend by establishing and participating in international organizations, I am concluding this section with a perspective of the organizational processes and dynamics that shape their output. Clearly, the organization is not simply an instrument of political

actors but a complex entity that has to manage itself and perform its task under conditions that derive both from its institutional surroundings and its own internal make-up. An organization, and its various components, embraces its own interests and system of incentives that govern how the individuals working within it give priority to certain objectives or make decisions about taking action.

J. D. Thompson wrote that "uncertainty appears as the fundamental problem for complex organizations, and coping with uncertainty, as the essence of the administrative process." The "task-environment" of an organization is uncertain because of the general condition of imperfect understanding of cause and effect relationships in the outside world and the specific lack of cooperation or even hostility of other elements of the task-environment. Thus the output of an organization is partly determined by the need to cope with this uncertainty and thereby ensure the survival and growth of the organization. Part of the response of an organization to its task-environment is to try to extend its boundaries to control uncertain sets of transactions. But, to the extent that this process is rarely complete, the organization must retain some decentralization of its components - allowing semi-autonomous subsystems. So, not only does the organization in part devote itself to pursuing goals that

stem from the uncertainty of the task-environment, not its stated goals, but it must endure the semi-autonomy of some of its components, further reducing its ability to achieve its original objectives.³⁶

Haas, in his investigation of functionalism and international organization, is probably the first analyst of international organization to make use of organizational theory and to focus attention on the internal dynamics of the organizations themselves. His main concern is to analyze the contribution of international organization to international integration and to propose the kind of organization, defined by functional analysis, that will maximize integration. His perspective of organizational theory starts from the likely contradiction between an organization's official goals, stemming from demands by governments and other international actors, and its own objectives of survival and expansion. What is functional for the organization may not be functional for international integration. Thus the objectives that an organization derives from the demands made of it yield to pressures from the task-environment. Haas goes further and explores the role of leadership in transforming the task-environment and thereby altering the relationship

36. Thompson, James, Organizations in Action, New York, McGraw Hill, 1967, pp.159-162.

between primary objectives and the task-environment so that the organization can contribute to international integration.³⁷

International organizations do not simply react to their task-environment but seek to transform it in order to achieve their goal and integrate the actors with whom they have to cooperate into their own system. Development assistance agencies do this to some extent by trying to persuade recipients to adopt policies that ensure a more congenial setting for implementing economic development projects or by trying to gain control over the process of identifying and preparing projects so that they conform to the specific policy preferences of the agency. This is bound to have an effect on how the agency reacts to policy demands from its members or leadership. Some writers have explicitly analyzed development assistance agencies through the lens of organizational theory, and I mention them below briefly before examining more thoroughly the policies and operations of these agencies in the next section.

Tendler, in her study of the United States Agency for International Development, amplifies this approach in explaining why aid donors appear to disappoint their

37. Haas, E.B., Beyond the Nation-State, Stanford, Stanford University Press, 1964, pp.86-119.

critics so regularly. She argues that the primary policy goals and the professional judgement of staff are often overridden by the organization's need to defend itself from an uncooperative and sometimes hostile task-environment and to cope with uncertainty. The organizational output owes more to these responses to its task-environment than to strategies for achieving developmental objectives - the equivalent of Haas's international integration. So, the organizational task-environment plays a central role in determining the content of development assistance programs, to a greater extent than policy directives, staff training, project analysis techniques and so on. To understand why the agency behaves as it does, one must investigate the organization's task, task-environment and organizational design.³⁸ She makes the case that certain aspects of AID's output, such as excessively large projects, emphasis on foreign exchange inputs, concern for export benefits, alienation by staff members from the host country surroundings, all of which could be perceived as "bad" development, were rational organizational responses to the task-environment. The organization is obliged to protect itself from the hostility of other organizations and to

38. Tendler, J., Inside Foreign Aid, Baltimore, Johns Hopkins University Press, 1975, p.2.

gain control over the uncertain task-environment in which it strives to implement its program.³⁹

Ascher, discussing the World Bank, also makes use of organizational theory in explaining why the staff of the Bank tend to resist demands made of it by the leadership to introduce new policy objectives. Coping with uncertainty again appears to be the key factor governing the actions of the professional staff. The level of uncertainty associated with development assistance programs generates divisions about how to operate that can deflect policy initiatives. The staff, because of its role in absorbing uncertainty, gains some autonomy that allows it to resist demands from leadership. Also, staff members are reluctant to accept changes in their operational procedures or the definition of their task that increases the uncertainty they face by adding elusive objectives that cannot be easily measured or implemented.⁴⁰

The Need for an Integrated Perspective

If one is to understand how development assistance

39. ibid., pp.102-103.

40. Ascher, William, "New Development Approaches and the Adaptability of International Agencies: the Case of the World Bank", International Organization, 37:3, 1983, p.417.

agencies respond to specific policy objectives, I would argue that one needs to integrate the notion of international organizations as being political bodies making decisions and adopting policies, according to certain principles and in pursuit of certain goals, with a notion of them as large organizations whose staff members try to reconcile the conflicts of policy demands and task-environment. It is not realistic to separate the political goals from the technical aspects of managing the task of the organization - often the technical indicators of the development assistance task are the political goals of some participants. In addition, the political perspective of development assistance has to encompass the limitations to the control of political actors over the organizations.

The Policies and Operations of Development Assistance Agencies.

The policies that govern the allocation and disbursement of development assistance stem firstly from the objectives of donor governments in relation to the expectations of recipient governments. Donor governments seek political

and economic advantages for their countries in addition to responding to the poorer countries' needs for funds and technical assistance on humanitarian and global economic grounds.

White discusses the relationship between the political, economic and humanitarian motives of donor governments, and argues that it is illegitimate to separate the self-interest of governments from the altruistic objectives of economic development. He proposes four reasons:

- donors have economic interests in providing assistance as well as political, while recipients see potential political benefits as well as economic ones.
- political factors may be equally significant as economic ones in determining how beneficial the assistance is.
- the economic and political components of assistance programs are invariably linked.
- there are other actors, with economic and political interests, in addition to the governments giving and receiving the assistance, whose actions and influence need to be taken into account.⁴¹

41. White, The Politics of Foreign Aid, p.7.

In response to the critics who argue that donors are deliberately causing harm to recipients through pursuing their own political and economic objectives, White says:

"It is certainly true that the rich countries' motives are mixed, and that foreign policy and export motives play their part. One would be amazed if it were otherwise. Unless one is to assume an exercise in international hypocrisy of unprecedented complexity, it is clear that developmental interests also play their part. The question, surely, is not whether the aid-givers motives are entirely pure, but whether in any given situation the combination of interests at work will promote trends which are advantageous or disadvantageous to those whom the critical observer would like to see benefited."⁴²

Not only do donor governments put forward complicated and sometimes conflicting justifications for assistance programs, but different parts of national governments emphasize different policy objectives, relating either to domestic or foreign interests.⁴³ These various policy objectives concern different aspects of development assistance programs such as overall volume, country allocation, sector allocation, trade or procurement

42. idem, p. 21.

43. See Congressional Budget Office, Assisting the Developing Countries: Foreign Aid and Trade Policies of the United States, Washington D.C., Government Printing Office, 1980, passim; White, op. cit., pp.34-45; Tendler, Judith, Inside Foreign Aid, Baltimore, Johns Hopkins University Press, 1975. pp.43-50.

conditions, procedures for review and approval and measures for control or evaluation.⁴⁴

The recipient governments share a desire for additional resources and a resistance to having to accept conditions - they prefer to establish their own priorities for assistance, to spend the funds as they like, to implement the projects in their own way and to avoid changing their financial, economic or social policies to suit the donor.

White discusses some of the recipient governments' policy concerns in seeking development assistance: their own foreign policies, concerning alignments with developed countries, trade interests, financial needs and development priorities. He also notes that some recipient governments have been more successful at obtaining assistance, either because of their political alignments, such as Vietnam in the late 1960's, or because of developmental policies that were favored by donors, such as Pakistan in the early 1960's. But it is clear that many recipients resent the dependence implicit in development assistance.⁴⁵

As in the case of donor governments, recipient

44. The United States Foreign Assistance Act, 22 U.S.C., explicitly sets out an array of policy objectives affecting most aspects of the U.S. foreign assistance programs.

45. White, op. cit., pp.78-82.

governments are made of institutions that have different roles and interests. Relationships within recipient governments become important as a source of influence on development assistance policies. Finance and planning ministries tend to play important roles in the processing and coordination of requests for assistance, while sectoral ministries play the lead role in the design and implementation of projects. Attitudes towards donors and assistance agencies can be very different depending on the perceived benefits of receiving assistance.⁴⁶

The task of a development assistance agency is, therefore, to negotiate ways of disbursing development assistance that are acceptable both to donor governments and recipients, and to manage this task on a continuing basis so that flows are maintained in the face of considerable uncertainty. This uncertainty results from changing donor government policies, changing recipient government policies and the practical difficulties of disbursing funds for activities that take place overseas, mainly administered by foreign nationals and usually hard to implement successfully.

White refers to the position of a development assistance agency between the donor government and the

46. ibid., pp.83-88.

recipient as the "administrator's dilemma". An agency has to protect the assistance program from critics and from the immediate interests of other agencies within the donor government. An agency's response to this dilemma can either be to adopt a technocratic approach to managing the program, independent of any policy debate, or to emphasize the priorities of recipients or by greater integration into an international framework for development assistance policy.⁴⁷ Tandler makes a similar point, arguing that the agency needs to follow strategies designed to ensure the survival of the agency in the face of conflicting demands and the uncertainty of its environment which may actually displace the original developmental goals.⁴⁸

White says:

"Thus the question of donors' objectives has changed out of all recognition. It is no longer a question about donor countries, but about donor agencies. It is no longer a question about these agencies' objectives, but about the circumstances that dictate their behavior. What sort of situations elicit an active response from aid agencies? What are the rules and constraints that govern these responses? What power do aid agencies have to determine the form of their own responses, and in what ways will they use this power?"⁴⁹

47. ibid., pp.50-54.

48. Tandler, op. cit., pp.38-45.

49. White, op. cit., p.44.

Thus, the agencies themselves, not being the sole source of development assistance policies, are responsible for fulfilling the policies of other actors. In so doing, they inevitably perceive bureaucratic interests of their own - to maintain or expand their own program, to defend themselves within their own task-environment and to manage the uncertainty they face. These interests may conflict with policy demands from other actors.

The other major source of development assistance policies comes from the academics and professionals who are concerned with applying the theories of development assistance and the practice of allocating, disbursing and implementing the programs. These actors, whose involvement as critics, pressure groups, contractors and staff of development agencies is of considerable importance to the agencies, are pursuing policies and objectives that are, in theory, independent of the direct political and economic interests of donor or recipient governments. However, they are able to influence the policies and practices of the donor governments, the agencies and the recipients and can thereby shape the various assistance programs to some extent. Indeed many of the staff of development assistance

agencies identify professionally and intellectually with this community more than with other bureaucrats.⁵⁰

Within this community, there has been extensive debate about the the underlying theories of development assistance that has had a major impact on assistance policies. The early emphasis on capital investment, especially industry and infrastructure, has over time given way to an emphasis on income redistribution, poverty alleviation and ensuring the basic needs of the poorest sectors of the population.⁵¹ More recently, there has been pressure on the agencies to allocate resources to special interests or sectors, whether it is women in development, population control, nutrition, human settlements, environmental protection, education or health.

White discusses the major economic and political

50. Ascher, William, "New Development Approaches and the Adaptability of International Agencies: the Case of the World Bank", International Organization, 37:3, 1983, pp426-428.

51. See, for example, Chenery, Hollis et al., Redistribution with Growth, London, Oxford University Press, 1974; Myrdal, Gunnar, Asian Drama, New York, The Twentieth Century Fund, 1968; McHale, John and Magda McHale, Basic Human Needs: A Framework for Action, New Brunswick, N.J., Transaction Books, 1978; Streeten, Paul, et al., First Things First: Meeting Basic Human Needs in the Developing Countries, New York, Oxford University Press, 1981; Mathieson, John, Basic Needs and the New Economic International Order, Washington D.C., Overseas Development Council, 1981; Brandt Commission, North-South: A Program for Survival, Cambridge, Mass., MIT Press, 1980.

theories of development and their influence on aid policy, noting that these theories have responded to the intent of the donor or recipient governments to influence the flows of resources.⁵² The academic and practitioner communities are interlocked, and some agencies such as the World Bank devote much effort to analyzing the issues and problems of development assistance and consequently generate new theories and modes of operation that influence the development assistance process overall. Adler provides an account of the World Bank's thinking, if not action, about economic development theory and practice.⁵³ Ayres discusses in detail the World Bank's role in reviewing development policy, with particular reference to the emergence of a theory of poverty alleviation.⁵⁴

To sum up, development assistance agencies are expected to follow policies set by their political masters - policies that are not always consistent. They are also urged to follow policies formulated by the academic and professional communities concerned with development. But

52. White op. cit., p.104-109.

53. Adler, J.H., "The World Bank's Concept of Development - An In-House Dogmengeschichte", in Bhagwati, J. and R. Eckaus, eds., Development and Planning, London, Allen and Unwin, 1972.

54. Ayres, Robert, Banking on the Poor: The World Bank and World Poverty, Cambridge, Mass., MIT Press, 1983, pp.22-41, 76-91.

the agencies tend to perceive their own interests in terms of their survival and the need to manage and expand their programs in the face of the expectations and priorities of recipients over which they have limited control and the considerable uncertainty of the task they are expected to perform. Those actors that set the policies of agencies rarely take into account the limited influence that agencies have over the identification and implementation of projects. Nor do they recognize the uncertainties inherent in economic development activities.⁵⁵

Hoben, in a paper explaining the organizational environment within the United States Agency for International Development and how it affects the anthropological analysis of rural development projects, reaches the following conclusions that are applicable to most development agencies:

- the external task-environment in which agencies operate generate internal organizational objectives that often conflict with official policies and professional judgement

55. See Grindle, Merilee, "Anticipating Failure: the Implementation of Rural Development Programs", Public Policy, 29:1, 1981, pp.51-74; Hirschman, Albert, Development Projects Observed, Washington D.C., Brookings Institution, 1967.

- the most enduring organizational objective is to manage the program - to obtain funds and obligate them to recipients
- additional project analysis will be undertaken only to the extent that it contributes to managing the program
- organizations are not unitary, and the incentives for following certain policy initiatives vary depending on the location of decision-makers within the organization
- central policy units have greater incentives to follow special policy initiatives than do operational units
- most decisions about projects are made on the basis of unpredictable opportunities and project analysis serves to package these decisions for approval
- changes in project design are regarded as costly and threatening to relations with recipients.⁵⁶

It is reasonable to expect that the influence of different sources of development assistance policies and the way these policies are implemented within the agencies will vary according to the political and financial

56. Hoben, Allen, "Agricultural Decision-Making in Foreign Assistance: An Anthropological Analysis", manuscript, 1980, pp.3-5.

structure of the agency.

Tendler, White and Hoben all treat bilateral agencies as their major cases and go on to generalize some of their conclusions to other development agencies. For instance, Tendler, in her study of AID, emphasizes that a bilateral agency is predominately affected by the policy interests of other agencies within the national government and the concern of politicians for the unpopularity of foreign assistance with the electorate.⁵⁷ Bilateral agencies are also more vulnerable to specific domestic economic interests or foreign policy relations than other development agencies. Changes in government, specific institutional arrangements, and the shifts in power of domestic interest groups can have dramatic effects on bilateral agencies. White, also, argues that bilaterals cannot protect themselves easily from conflicting policy demands and need to devote much of their resources to ensuring their survival.⁵⁸ Hoben, on the same theme, emphasizes the role of Congress in establishing and changing AID's mandate and amount of effort that the agency has to devote to demonstrating compliance each year.⁵⁹

57. Tendler, op. cit., p.38-53.

58. White, op. cit., pp.50-54.

59. Hoben, (op. cit.), pp.24-37.

Arnold reviews the relationships of European bilateral agencies with their government's policies and administration in the course of an analysis of their approach to basic needs.⁶⁰ They all share, to some extent, a vulnerability to their critics and the extreme uncertainty of the domestic and foreign task-environment in which they operate.

Multilateral development banks are distinctive on account of their wide membership, weighted voting and their need to obtain financial resources from capital markets and donor contributions. Weighted voting does give the major subscribers a majority and their combined influence over matters of bank financial policies and practice is very strong. But the capacity of an individual subscriber to impose its will is limited by the voting power of the other major subscribers and by the principles of multilateral assistance, which recipient members and other actors are likely to protect.⁶¹ White points out that multilaterals are, in principle, autonomous from national policy objectives, but that they lack effective political power. Thus their authority to gather resources and pursue

60. Arnold, Steven, Implementing Development Assistance: European Approaches to Basic Needs, Boulder, Westview Press, 1982.

61. White, op. cit., p.266.

economic development policies depends on maintaining their reputation as more efficient and professional agencies and being seen to avoid individual political goals. However, White points out that they have to compete for resources with other agencies, they experience similar incentives to extend and defend their programs and they are vulnerable to any criticisms of performance or misjudged development objectives. As a result, the World Bank, especially, and some regional development banks tend to adopt a technocratic mode of operation and foster the impression that they are financially and professionally infallible, at least, in comparison to other agencies.⁶²

Underlying the ideology of multilateral development bank lending, that of objective and professional practice, the banks subject to the constraints of the financial basis on which they operate. They have to be very conscious of their creditworthiness and the financial soundness of their activities. This reinforces the technocratic approach and generates a pronounced emphasis on objective economic criteria for their decisions and actions.⁶³

Even though multilaterals have more autonomy from

62. White, op. cit., pp. 54-56.

63. Mason and Asher, The World Bank Since Bretton Woods, 1973, pp. 247-254.

national political objectives, they do depend on their main donor members for financial support and consequently have to appeal to these contributors on the basis of the functions they perform. Once again, their technical competence and command of overall economic development issues is crucial.⁶⁴ This produces a curious dilemma. They need to be at the forefront of the analysis and response to current economic development problems but they are reluctant to take risks that might undermine their financial or professional reputation.

Ayres, in his study of the World Bank's poverty alleviation policy, asserts that there is a discrepancy between the Bank's contribution to development theory and its practice within its own lending program. The Bank's efforts to implement a poverty alleviation strategy were constrained by the reluctance of the staff to promote activities that are hard to implement and more uncertain than traditional sectors. The dominant preoccupation with

64. White, op. cit., pp.58-59.

hard economic criteria and financial soundness does not easily yield to the implementation of developmental objectives.⁶⁵ Crane and Finkle make very similar observations about the Bank's population program.⁶⁶

Ascher, in an article about the resistance of the Bank to new policy initiatives, points out that multilaterals do enjoy considerable autonomy from their members and that the staff have the capacity to resist policy initiatives that might undermine their capacity to manage uncertainty or to maintain technical control of their activities. In addition, the professional and intellectual standing of Bank staff allows them to resist policy initiatives more easily than in other types of agencies. He also notes that the pattern of resistance to change conforms to the ideology of strict economic criteria, technical certainty and managerial control. Staff asked to sacrifice this ideology for a new policy initiative will resist.⁶⁷

The United Nations and its specialized agencies are, of

65. Ayres, op. cit., pp.51-75.

66. Crane, B. and J. Finkle, "Organizational Impediments to Development Assistance: the World Bank's Population Program", World Politics, 33:4, 1981, pp.516-553.

67. Ascher, William, "New Development Approaches and the Adaptability of International Agencies: the Case of the World Bank", International Organization, 37:3, Summer 1983, pp.415-439.

course, much more than a system for providing development assistance. The UN system is a political forum and a system of providing political and technical services to members that also incorporates the UNDP and the agencies used by the UNDP to execute its projects. Because of the equal voting principle, the major donors have less chance to impose their priorities or policies on UN development assistance. Recipient governments, at the global level, can insist on their own priorities and the obligation of donors to provide more resources. They can also gain control of the country programming function of the UNDP and thereby influence the selection of projects for funding better than with other donors. But it is also the case that the Secretariats of the executing agencies enjoy considerable autonomy from the recipients of the assistance at an operational level.⁶⁸

The importance to UN agencies of extra-budgetary funds, from UNDP and other sources, has been mentioned earlier in this chapter. The Secretariats have a strong incentive to expand their development assistance programs, but are relatively independent in its execution. Although, the UN system agrees on broad development policy strategies and goals in the context of global conferences and action plans

68. White, op. cit., p. 63; Cox and Jacobson, op. cit., pp. 423-436.

or General Assembly resolutions, these goals rarely are transformed into specific objectives or operating principles. Programmatic goals are the basis for judging performance and secretariat staff have an incentive to meet targets and process disbursements. But the mechanisms for technical review or evaluation of UN development assistance projects are not strong and more stringent procedures are resisted by the majority of developing countries.⁶⁹

69. White, op. cit., p.62.

CHAPTER 3

Development Assistance and the Environment

Introduction

The previous chapter addressed the issue of how development assistance agencies function in relation to their political and organizational environment. This chapter discusses the relationship between development assistance and the physical and biological environment. The first part considers how the flows of development assistance affect environmental quality and environmental policy-making in developing countries. The second part reviews the response of development assistance agencies to the issues identified in the first part.

The Effects of Development Assistance on the Environment

Developing countries face a wider range of environmental problems than developed countries, but have less experience and money for dealing with them.

Industries and vehicles generate pollution, waste needs to be disposed of and physical development encroaches on unspoilt land in developing countries - but governments often place less value on solving these problems compared to other priorities or they lack the mechanisms for controlling the responsible actors. However, these problems are only a part of the critical environmental concerns facing developing countries. The need for economic development has a more extensive and fundamental relationship with the state of natural systems and renewable resources.

First, the need for economic development means that a greater part of the economy and the population is dependent on primary resources, either in terms of producing food and agricultural products for consumption or exporting raw or processed natural products. On the one hand, low levels of income and productivity force populations to put stress on the natural resource base - by bringing marginal land into cultivation or cutting down trees for firewood - without the possibility of ensuring the long-term productivity of natural systems. On the other hand, every effort to intensify production and increase the utilization of natural resources risks upsetting the ecological balance on which productivity depends. New farming systems dependent on chemical inputs, land clearance, harnessing of

hydro-power and more intense harvesting of forests can all be undermined by inadequate attention to the sustainable use of natural systems.

Planned economic development, much of which is funded by development assistance agencies, can influence the relationship between less developed economies and natural resources in several ways. First, these efforts often take the form of rural development projects aimed at increasing incomes and levels of production in areas where environmental stress is already evident. Unless, these projects specifically take account of the relationship between rural populations and the natural systems they are often forced to overuse, there is a risk of increasing the pressure on marginal lands, depleted sources of woodfuel and inadequate water supply. Second, development projects often explicitly modify or intensify the way natural systems are used - especially when introducing infrastructure such as irrigation or clearing land for cultivation or when intensifying farming systems with new seeds, fertilizers and pesticides. Unless these interventions take account of the ecological balance of natural systems, there is a risk that increased productivity cannot be sustained or that resources become exhausted and depleted. Third, development projects have the capacity in almost all cases to impose environmental

impacts on other development sectors or other resource users, whether in the form of pollution or interruption of natural processes or loss of access to productive resources. When these impacts occur, they impose costs on other actors or sectors. Often, those sustaining the impacts are the least able to benefit from the development that causes it and least able to correct the situation.

In any of these relationships, it seems clear that the benefits of economic development are diminished by inadequate environmental planning. In the first case, development projects risk reducing the productive resource base on which rural populations depend. In the second case, the investment itself is put at risk by the possibility of extensive loss of natural resource productivity - for instance, when forest is cleared for crops or livestock but cannot sustain intense use. In the third case, costs are imposed on other sectors or parts of the population that may be inequitable and irreversible.

In terms of achieving developmental benefits, I would argue that environmental planning pays off both in the short- and long-term. The issue that I shall be focussing on is what influences the response of development assistance agencies to the potential benefits of improved environmental planning. I have already discussed, in the previous chapter, how developmental objectives are not the

only target of development assistance agency policies and how the agencies themselves do not always behave in ways that maximize developmental benefits. What follows is a more detailed examination of the relationship of development assistance agencies and environmental policies.

1. Environmental Damage and Degradation.

Probably the first significant scientific assertion of the environmental damage caused by development projects was provided by the "Careless Technology" conference in 1968, sponsored by the Conservation Foundation and Washington University, St. Louis, held at Airlie House, Virginia, and the subsequent publication of the proceedings. The volume presented a large number of case studies of the effects of development projects on health and nutrition, of the environmental problems of irrigation and water development, the intensification of plant and animal productivity and of special problems of environmental degradation.¹

Barry Commoner, in his summary of the conference, says:

"The conference has recorded a long roster of

1. Farvar, M.T., and J.P. Milton, eds., The Careless Technology: Ecology and International Development, New York, Doubleday, Natural History Press, 1972.

ecological mistakes which have accompanied the introduction of new technological advances into underdeveloped countries. Some of the problems have been small, transitory and remediable... Other problems, however, such as the shoreline erosion caused by dam projects on the Nile, have been massive and essentially irreversible...

Are these difficulties, large or small, only the accidents of progress...? If so, little more need be said about them. For, given the enormous benefits that have accrued from the new power plants, irrigation systems and health programs, a further recitation of accidents would be graceless. On the other hand, if these widespread ecological mistakes are not the random accidents of progress, but rather the systematic consequences of some deep fault in our approach to technological development, the matter becomes more serious...

In my view, the ecological mistakes that have been reported in this conference reflect a grave and systematic fault in the overall approach which has thus far guided most international development programs. Although each new technology that is introduced into an underdeveloped country impinges on a complex natural system, we have generally failed to take into account the effects of this technological intrusion on the properties - indeed the very stability - of the system as a whole... In some cases, such ecological backlash has destroyed the effectiveness of the intended program itself."²

As one of the outcomes of this conference, the International Union for Conservation of Nature and Natural Resources (IUCN) and the Conservation Foundation, sponsored a book that examined more closely the impact of development projects on the environment, particularly on those

2. Commoner, Barry, "Summary of the Conference: On the Meaning of Ecological Failures in International Development", in Farvar and Milton, op. cit., pp. xxi-xxii.

ecosystems subject to heavy development pressure, and proposed ecological principles for avoiding such problems in the course of economic development.³

During the preparation of UN Conference on the Human Environment at Stockholm, the issue of environmental damage caused by development was a matter of some political debate. There was a special meeting on environment and development, convened at Founex in Switzerland, at which the serious concerns of the developing countries became evident. The poorer countries did not want environmental standards imposed on them by developed countries, fearing that such standards would hamper their economic development opportunities. Nor did they want their trade prospects further compromised by forcing up their production costs. However they did allow an important distinction between the pollution of affluence and the pollution of poverty. Provided the standards applied to the pollution of affluence should not be imposed on them, and provided the attention to the pollution of poverty should be funded additionally to existing development programs, then they recognized the environmental problems associated with development assistance. The meetings produced a rough

3. Dasmann, R., J.P. Milton and P.H. Freeman, Ecological Principles for Economic Development, London, John Wiley and Sons, 1973.

typology of environmental degradation and the categories of development activities that tended to cause environmental problems.⁴

Since the Stockholm Conference, there has been a continuous stream of literature about the environmental damage of economic development and the severe environmental degradation problems experienced by developing countries. The United Nations Environment Programme (UNEP) has published an annual State of the Environment Report. UNEP also has published an array of reports and guidelines in conjunction with other UN and international organizations on this subject. The IUCN, Unesco Man and the Biosphere Program, the International Institute for Environment and Development (IIED) via its Earthscan operation and the Worldwatch Institute have each published their own series of reports on the environmental problems of development. In addition books by Dworkin, Eckholm, Goudie, Myers, Brown, Ruddle and Manshard, the OECD and the National Research Council have repeated the message that economic

4. United Nations, "Report of a Panel of Experts Convened by the Secretary-General of the United Nations on the Human Environment", (The Founex Report), Annex I, U.N. Doc. A/CONF.48/10, 1971. See also Ward, Barbara and Rene Dubos, Only One Earth, New York, Norton, 1972; Lee, James, "Environmental Considerations in Development Finance" in David Kay and Eugene Skolnikoff, eds., World Eco-Crisis: International Organization in Response, Madison, University of Wisconsin Press, 1972, pp.171-182.

development causes direct environmental damages or fails to ensure the long-term productivity of natural systems.⁵

The problems most frequently cited are: desertification, soil erosion, deforestation, pollution from pesticides and fertilizers, salinity associated with irrigation, inadequate watershed protection, damage to coastal ecosystems, especially mangroves, exhaustion of tropical soils, loss of genetic resources and health risks, such as waterborne diseases.⁶

The extent of this literature and the continued reports of the depletion of natural resources and incidence of environmental impacts from economic development activities

5. Dworkin, D.M., ed., Environment and Development, Indianapolis, SCOPE Miscellaneous Publication, 1974; Eckholm, Eric, Down to Earth: Environment and Human Needs, New York, Norton, 1982; *idem*, Losing Ground, New York, Norton, 1976; *idem*, The Picture of Health, New York, Norton, 1977; Goudie, Andrew, The Human Impact, Cambridge, Mass., MIT Press, 1982; Myers, Norman, The Conversion of Tropical Moist Forests, Washington D.C., National Academy of Sciences, 1980; *idem*, The Sinking Ark, New York, Pergamon, 1979; Brown, Lester, Building a Sustainable Society, New York, Norton, 1981; Ruddle, Kenneth and Walther Manshard, Renewable Natural Resources and the Environment, Dublin, Tycooly International, 1981; OECD, Economic and Ecological Interdependence, Paris, Organization for Economic Cooperation and Development, 1982; National Research Council, Ecological Aspects of Development in the Humid Tropics, Washington D.C., National Academy Press, 1982.

6. Eckholm, *op. cit.*; Holdgate, Martin, Mohammed Kassas and Gilbert White, The World Environment 1972-1982, Dublin, Tycooly International, 1982.

prompts a question. How can development assistance agencies whose manifest purpose is to promote development that is sustainable and equitable continue to allocate large amounts of financial resources to projects that suffer from environmental problems and that cause environmental impacts? Development assistance agencies continue to finance land colonization schemes that are ecologically unsustainable, irrigation projects that become saline, hydroelectric projects that pose health risks and fail to prevent deforestation and soil erosion within their catchment area and agricultural schemes that require increasing amounts of fertilizer and pesticide from year to year. Such projects deplete the resource base for future development, impose costs and burdens on parts of the population and can undermine the financial and technical basis of the investment itself. This is the question that I am trying to answer throughout this study

It is not that the problem has gone unnoticed, either on the part of the environmental staff of development agencies or the environmental lobbies that put pressure on the agencies to strengthen their environmental policies. For the past decade, environmental staff members of some development assistance agencies have taken a specific interest in the state of the environment in developing countries, and have examined closely the types of

development projects that risk causing specific environmental damage or the sectors where environmental degradation is most serious. This has resulted in the publication of a considerable amount of material on the environmental problems of development assistance, guidelines for environmental planning or management and studies of particular sectors or ecological zones.⁷

However, the evidence on the contribution of actual projects to environmental damage and stress is less well documented. Development assistance agencies are reluctant to "name names" and possibly cause embarrassment to themselves or the recipient governments. Environmental organizations, including the Natural Resources Defense Council, IUCN, IIED, National Wildlife Federation and Environmental Policy Institute have tried to document specific examples. They have accumulated evidence about particular sectors, such as the exploitation of tropical forests, destruction of mangroves and environmental hazards of large dams - however this type of evidence tends to focus on the aggregate environmental damages of development in a particular area rather than attributing damage to specific projects. In 1983, environmental lobbies had the

7. See Horberry, John, Environmental Guidelines Survey: An Analysis of the Environmental Procedures and Guidelines Governing Development Aid, London, Joint Environmental Service of IIED and IUCN, 1983.

opportunity to testify to the United States Congress, House Banking Committee on the subject of the environmental effects of multilateral development bank lending. On this occasion, the environmental organizations marshalled their evidence on the impact of specific projects and set in motion a process for investigating this issue more systematically.⁸

But it is also difficult to identify the precise environmental effects of individual projects after their implementation. Much of the agencies' project evaluation work does not focus on environmental problems and what does is not easily available outside the agencies.

Environmental organizations have collected some evidence from agencies' own evaluations of projects that have had undesirable impacts. One result of the hearings mentioned above was that the U.S. Treasury Department requested the U.S. Executive Directors of multilateral development banks to respond to the testimony. Both the formal and informal response provided more data on the environmental effects on specific projects than had previously been available. For instance, several World Bank project evaluation reports

8. United States Congress. House. Subcommittee on International Development Institutions and Finance of the Committee on Banking, Finance and Urban Affairs, Environmental Impact of Multilateral Development Bank-Funded Projects. Hearings, 97-37, 98 Cong. 1st sess. Washington D.C., Government Printing Office, 1983.

that identified specific environmental impacts were released from the Bank; the World Bank and the Asian Development Bank formally described examples of projects with undesirable impacts in response to requests for further information.⁹ In Chapters 5, 6, & 7, I examine some of the evidence of environmental impacts from AID, World Bank and FAO projects in detail.

In my experience from talking to staff members of different development assistance agencies, most are aware of the overall problem of the relationship between economic development and the environment. They are also aware of specific cases where the activities of their funding agency have encountered environmental problems. Their views on whether the environmental policies of their agency are strong enough or adequately implemented vary considerably, depending in part on their role within the organization.

My concern is that despite policies for environmental planning and assessment, development assistance agencies

9. World Bank, "Memorandum on Bank Environmental Policy: Response to Statements of Environmental Organizations Sent by the U.S. Executive Director", Washington D.C., January 11th, 1984; Asian Development Bank, "Memo on U.S. Congressional Hearings on MDB Environmental Policy: Request for Additional Information", Manila, Infrastructure Department, 10 November, 1983; See also Hanson A., "Environmental Considerations in Foreign-Donor-Supported Projects: Some Experiences in Indonesia", Research Report 1, East-West Environment and Policy Institute, 1981.

continue to fund projects without adequate environmental analysis or mitigation. Later in this chapter, I shall discuss some of the efforts agencies have made and what environmental organizations have proposed to improve the situation. Finally, I shall try to link this material to the previous chapter to suggest a way to understand what determines the environmental response of development assistance agencies.

2. Environmental Policy, Planning and Management.

The other major aspect of the relationship between development assistance and the environment concerns the weakness of environmental policies and institutions for environmental planning and management in developing countries. Starting from the Stockholm Conference in 1972, UNEP and other international organizations have urged the development assistance organizations to examine and respond to the policy-making and institutional needs of developing countries. The Declaration on the Human Environment and the Action Plan, the main products of the Stockholm

Conference, both propose that development assistance agencies allocate resources to the efforts of nations to address their own environmental problems.¹⁰

There is a limited amount of literature on difficulties that developing countries face in establishing environmental policies and institutions. It is commonly assumed that governments neglect environmental problems in favor of immediate economic objectives, that there is little public support for environmental policies and that those who suffer from environmental damage have almost no political power. When environmental institutions are created, they have great difficulty in influencing powerful sectoral agencies and rarely have the authority to enforce legislation or regulations.¹¹

A study by the East-West Environment and Policy Institute cites a number of problems facing developing

10. See United Nations, "Report of the United Nations Conference on the Human Environment", U.N. Doc.A/CONF.48/14, 1972.

11. See Shane, Jeffrey, "Environmental Law in the Developing Countries of Southeast Asia", in Colin MacAndrews and Chia Lin Sien, eds., Developing Economies and the Environment: The Southeast Asian Experience, Singapore, McGraw-Hill Southeast Asia Series, 1979; Morell D., and H.J. Leonard, "Emergence of Environmental Concern in Developing Countries: A Political Perspective", Stanford Journal of International Law, June 1981; Leonard, H.J., Divesting Nature's Capital: The Political Economy of Environmental Abuse in the Third World, New York, Holmes and Meier, 1984.

countries in this context, including:

- Inadequate monitoring and enforcement of existing environmental protection laws and regulations
- the urgency of current income-producing activities at the expense of long-term protection of natural systems
- difficulties in controlling the environmental effects of private and public sector developments
- shortage of technical and administrative expertise
- widespread market failures
- minimal participation in environmental planning by the public or other government agencies.¹²

In contrast, Abel and Stocking blame Western policies, project appraisal methods and planning approaches for the difficulties developing countries face in addressing environmental damages. They assert that policies and project appraisal methods imported from the West reflect the preoccupation of planners with economic efficiency and technology and their "functionalist" view of society. As a result development projects fail to respond to local needs

12. Hufschmidt et al., Environment, Natural Systems and Development, Baltimore, Johns Hopkins University Press, 1983, pp.6-7.

and complex patterns of interests within society. Among the costs of this state of affairs is the environmental degradation that persists in developing countries.¹³

James, however, argues that the failure of decision-makers in developing countries to take account of environmental effects reflects both the distribution of political power in favor of those likely to benefit from environmental impacts and also the lack of interdisciplinary analysis necessary to encompass the complex interactions of natural systems.¹⁴

Several of the major development assistance agencies have contributed to the analysis of the problems of environmental policy in developing countries. For instance, the World Health Organization organized a symposium on "environmental quality planning and policy in developing countries" in 1977 which found similar explanations of weak environmental policy as those put

13. Abel, Nick and Michael Stocking, "The Experience of Underdeveloped Countries", in T. O'Riordan and W.R.D. Sewell, Project Appraisal and Policy Review, New York, John Wiley and Sons, 1981, pp.253-296.

14. James, Jeffrey, "Growth, Technology and the Environment in Less Developed Countries: A Survey", World Development, Vol. 6, p.949.

15. WHO, "Environmental Quality Planning and Policy in Developing Countries: Report on an Interregional Symposium", Geneva, World Health Organization, DIS/77.1, 1977.

forward by the East-West Environment and Policy
Institute.¹⁵ The United States Agency for International
Development (AID) prepared a report for Congress in 1979 on
"environmental and natural resource management in
developing countries" which concluded that:

"The governments of many developing nations
have begun to recognize the importance of these
issues, but the inability of indigenous
government institutions to manage resources and
protect environmental quality often precludes
effective action."¹⁶

The report discusses the prerequisites to an effective
institutional response to environmental problems:
government commitment to addressing the conflicts between
economic development and sustainable utilization of natural
resources; a government agency structure and administration
that can coordinate the actions of different sectoral
agencies and monitor and evaluate the effects on the
environment; linkage between the environmental focal point
and the planning and budgeting function so that
environmental considerations are taken into account;
environmental law to define and allow enforcement of
responsibilities for environmental protection; data about
the vulnerability of natural resources, implications of

16. United States. Agency for International Development,
"Environmental and Natural Resource Management in
Developing Countries: A Report to Congress", Washington
D.C., 1979, p. ix.

alternative uses and risks from pollution sources; appropriate training and environmental education for professionals and the public. It concludes that development assistance should provide resources and technical assistance for institution strengthening for environmental policy in developing countries.¹⁷

AID subsequently sponsored a study comprising four cases of the legal, regulatory and institutional aspects of environmental and natural resources management in developing countries. This study, carried out by IIED, indicated that the key variables governing the success of environmental policy are interdepartmental coordination, consensus about objectives and communication with the public. Too much fragmentation of governmental responsibilities, too little authority for environmental institutions and too few coordinating mechanisms all contributed to poor performance by environmental agencies. The report proposes environmental management strategies for both very poor countries and middle-income developing countries.¹⁸

17. ibid., pp7-24.

18. IIED, "Legal, Regulatory and Institutional Aspects of Environmental and Natural Resource Management in Developing Countries", (AID/NPS Natural Resources Project), Washington D.C., International Institute for Environment and Development, 1981, pp.141-186.

The Ministry of Development Cooperation of the Federal Republic of Germany recently sponsored an extensive survey of the experience of developing countries with formal environmental planning methods, in particular environmental impact assessment, in order to identify needs to which the development assistance community could respond.¹⁹ The conclusions of this report were that formal assessment methods were unlikely to be effective without the appropriate legislation, administrative authority and capacity to integrate the results into decision-making procedures. Development assistance agencies should provide resources for improving the institutional capacity of developing country governments rather than produce more methodological and technical guidance.

In my view, the overall goal of environmental protection and sustainable management of natural resources in developing countries cannot be achieved without national policy making and implementation capacity. There is clearly a role for development assistance agencies in supporting the growth of this capacity among their other program goals. In the context of this study, I do not think this objective poses any serious problem for

19. Horberry, John, "Status and Application of Environmental Impact Assessment for Development", Gland, Conservation for Development Centre, IUCN, 1984.

development assistance agencies to the extent that they have the latitude to allocate resources to institutional strengthening and technical assistance as a whole. What limits their response is the interest on the part of developing countries for this type of support.

The Institutional Response

The response of the development assistance agencies to the two sets of problems discussed above - namely the environmental impact of development projects and the need for better environmental policy-making and planning in developing countries - is highlighted by three events that, if they do not directly account for changes in the priorities and policies of these agencies, are symbolic of changes within the international machinery for development.

First, there was the Stockholm Conference, with its extensive preparatory efforts, and the establishment of UNEP following the Conference. This initiative widened the concern of international organizations for environmental problems to include the distinctive environmental problems of developing countries - the pollution of poverty. It

also asserted the responsibility of the UN system and development assistance organizations for providing additional resources to address the problems of environmental degradation and to support the efforts of developing countries to find their own solutions.²⁰

Second, the publication of the World Conservation Strategy by the IUCN in 1980 marked a convergence between the environmental organizations which had promoted the issue of environmental protection and resource conservation, first in the developed world and later globally, and the development community. Many environmental groups had regarded the development assistance agencies and their clients as the cause of the depletion and destruction of natural resources and wildlife. The World Conservation Strategy explicitly argued that the sustainable utilization of natural resources was essential for successful economic development and that economic development provided opportunities for better resource management and conservation. The IUCN, with financial support from UNEP and the World Wildlife Fund, and in cooperation with the FAO and Unesco, addressed

20. See Juda, Lawrence, "International Environmental Concern: Perspectives of and Implications for Developing States", in David Orr and Marvin Soroos, eds., The Global Predicament: Ecological Perspectives on World Order, Chapel Hill, N.C., University of North Carolina Press, 1979, pp.90-107.

the persistent conflict between conservation organizations, which supported environmental protection and natural resource conservation, and the development practitioners, whose priority was to promote economic development production, albeit with some attempt to avoid environmental damage. While the strategy is essentially a clarion call for "sustainable development", the IUCN has promoted its endorsement by international organizations, development assistance agencies and governments. Currently, the IUCN is promoting the implementation of National Conservation Strategies by governments in all parts of the world.²¹

Third, in 1980 the major multilateral development finding agencies, led by the World Bank, signed a "Declaration of Environmental Policies and Procedures Relating to Economic Development", under the auspices of UNEP.²² At the time of signing, only the World Bank, and to

21. IUCN, World Conservation Strategy, Gland, International Union for Conservation of Nature and Natural Resources, 1980; idem, "National Conservation Strategies: A Report to Development Assistance Agencies on Progress and Priorities in Planning for Sustainable Development", Gland, International Union for Conservation of Nature and Natural Resources, 1983.

22. UNEP, "Declaration of Environmental Policies and Procedures Relating to Economic Development", Nairobi, UNEP/WG.31/2, 1979.

a much lesser extent the Inter-American Development Bank, the Organization of American States and the UNDP, had any policy for the environmental review of their funding programs.²³ The Declaration formally committed the signatories to adopt or continue systematic review of development activities under consideration for finance to ensure environmental protection and sustainable development and to provide support for environmental management projects and for technical assistance designed to improve the indigenous capacity for environmental policy and planning.²⁴ UNEP also established a Committee of International Development Institutions on the Environment (CIDIE), composed of the environmental staff of the Declaration signatories who meet annually to review the implementation of the Declaration.²⁵ Within the bilateral community, the DAC, the committee of bilateral development assistance agencies of OECD members, in cooperation with the Environment Committee of OECD have discussed the

23. See Stein, Robert and Brian Johnson, Banking on the Biosphere? Environmental Practices and Procedures of Nine Multilateral Development Agencies, Lexington, Lexington Books, 1979.

24. UNEP, op. cit., pp.1-2.

25. UNEP, "First Session of the Committee of International Development Institutions on the Environment: Report of the Meeting", Nairobi, UNEP/WG.50/1, 1980.

possibility of a parallel commitment by members but have not taken such a step.²⁶

The specific responses of individual development assistance agencies are varied. Almost all agencies have an office or focal point for environmental affairs. Their activities are essentially of two sorts. First, the agencies formulate policy statements, introduce formal procedures and prepare appropriate methods and technical guidance for the environmental review of projects they intend to finance. Second, they expand or reorientate their funding programs to include environmental sector projects, technical assistance and institutional strengthening.²⁷

The first set of activities are preventative. The principle is that if the agency can ensure the examination of project proposals early enough, potential environmental problems can be predicted and the necessary modifications to project design and implementation can be secured. For

26. OECD, Development Cooperation: The Efforts and Policies of the Members of the Development Assistance Committee, 1982 Review, Paris, Organization for Economic Cooperation and Development, 1982, pp.101-109.

27. See Stein and Johnson, op. cit.; Johnson, Brian and Robert Blake, The Environment and Bilateral Development Aid, London and Washington D.C., International Institute for Environment and Development, 1980; Horberry, Environmental Guidelines Survey, pp.13-19.

this to happen, the environmental staff needs the authority or influence to intervene in the project cycle and bring about changes. They also need procedures and methods of analysis that allow them to predict environmental effects. Finally, they need technical information and guidelines relating to the environmental problems of different sectors or types of projects.²⁸

To integrate environmental analysis into the regular project cycle is not only technically demanding, requiring methods of predicting the effects of what is always an uncertain undertaking, but it is an activity that often complicates and sometimes delays the process of preparing and approving projects for funding. In organizations which place a premium on extending their programs and sustaining their volume of disbursements, it is likely that the staff responsible for managing the project cycle will resist additional layers of project analysis, particularly one

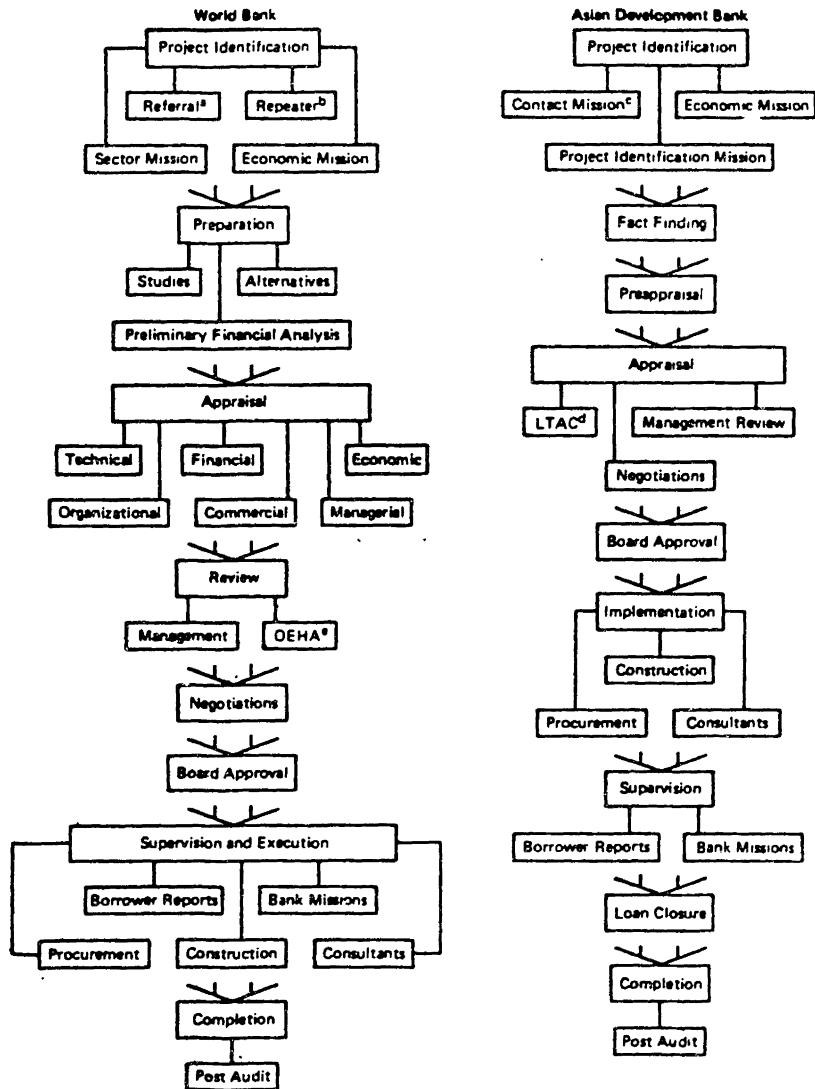
28. Rees, Colin, "Environmental Management in Relation to the Project Cycle", paper submitted to the Fourth Meeting of CIDIE, New York, 1983, UNEP/CIDIE/83.3. See also Horberry, John and Brian Johnson, "Recommendations on the Use of Procedures and Guidelines for Environmental Planning and Assessment within the European Development Fund", London, Joint Environmental Service of IIED and IUCN, 1983; Luke, Robert, "The Environmental Practices of the United Nations Development Programme: Critique and Recommendations", New York, United Nations Development Programme, 1980; FAO, "Report of the Ad-Hoc Sub-Group of the IDWG on Environment and Energy on Environmental Assessment of Field Projects", Rome, Food and Agriculture Organization of the United Nations, 1983.

that explicitly looks for the negative effects of projects.

In addition to institutional resistance to environmental analysis, often the project staff of development agencies consist mainly of economists, engineers and agronomists, who are not always professionally sympathetic to environmental issues. The economists' job usually consists of calculating the expected rate of return of a project, which is difficult enough without being required to take account of damages that cannot easily be quantified or economically evaluated. Engineers and agronomists tend to be trained to change the environment in order to increase production, and are not prone to consider the systemic interactions within and between natural systems.

The environmental staffs of development assistance agencies have certain strategies open to them in trying to influence the project cycle. First, they can try to gain access to the earliest stages in order to influence the identification and initial preparation of projects where resistance is likely to be less. Second, they can prepare checklists and analysis routines for project staff to follow and they can prepare guidelines for environmental planning and management that anticipate the most serious types of damage. Third, they can try to educate and

TABLE 6 THE PROJECT CYCLE



Sources: Adapted from Baum, Warren C., "The Project Cycle" in *Finance and Development* (Washington, IBRD, June 1970), and Asian Development Bank, "Questions and Answers" (Manila, AsDB, April 1977).

^aReferral projects are those brought forward by new borrowers interested in having bank assistance.

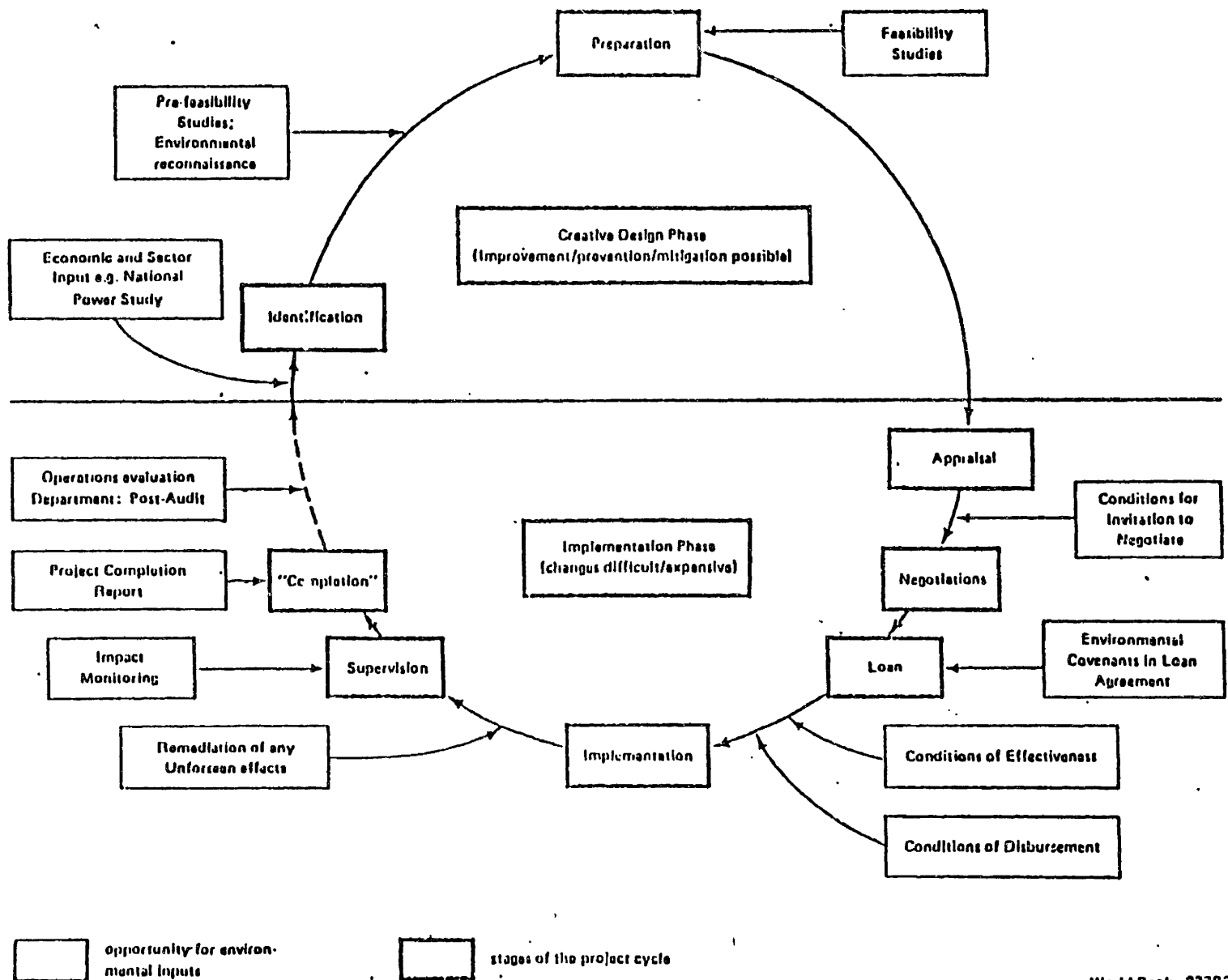
^bRepeater loans are given to a past borrower for subsequent stages of development of the same or a similar project.

^cContact missions are sent regularly to developing member countries for discussions with the authorities concerned.

^dLTAC is the Loan and Technical Assistance Coordinating Committee.

^eOEHA is the Office of Environmental and Health Affairs.

TABLE 7 THE WORLD BANK'S PROJECT CYCLE ENVIRONMENTAL ASPECTS



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Source: World Bank, "Environmental Requirements of the World Bank", Washington D.C., 1982.

TABLE 8 ENVIRONMENTAL INPUT INTO THE PROJECT CYCLE

<u>Project Stage*</u>	<u>Environmental Input</u>
1. <u>Identification</u>	
Selection by Bank and borrowers of projects that support national and sectoral development strategies and are feasible according to Bank standards. These projects are then incorporated into the lending program of the Bank for a particular Country.	Economic and sector work containing environmental analysis and natural resource assessments improve the mix of projects. Environmental reconnaissance mission by Bank or consultants scope work needed.
2. <u>Preparation</u>	
Borrowing country or agency examines technical, institutional, economic and financial aspects of proposed project. Bank provides guidance, and makes financial assistance available for preparation, or helps borrower obtain assistance from other sources. This takes typically one to two years.	Pre-feasibility and feasibility studies address all major environmental aspects and integrate them into project design. Bank assists with terms of reference (TOR's) and reviews reports in draft from the country of their consultants.
3. <u>Appraisal</u>	
Bank staff review comprehensively and systematically all aspects of the project. This may take three to five weeks in the field and covers four major aspects: technical, financial. An appraisal report is prepared on the return of Bank staff to headquarters and is reviewed extensively. This report serves as the basis for negotiations with the borrower.	Detailed design includes preventive measures for potentially adverse environmental impacts. OEA formally reviews appraisal report.
4. <u>Negotiations</u>	
This stage involves discussions with the borrower on the measures needed to ensure success for the project. The agreements reached are embodied in loan documents. The project is then presented to the Executive Directors of the Bank for approval. After approval the loan agreement is signed. The project then goes into its implementation stage.	Environmental agreements are reached during negotiations. The loan document may include covenants on environmental progress.
5. <u>Implementation and Supervision</u>	
The borrower is responsible for implementation of the project that has been agreed with the Bank. The Bank is responsible for supervising that implementation, through progress reports from the borrower and periodic field visits. A six-month review of Bank supervision experience on all projects underway continually improves policies and procedures.	Environmental measures are implemented during construction. Supervision ensures that such measures function adequately. Retrofitting or adjustment to environmental measures made when necessary.
6. <u>Evaluation</u>	
This is the last stage. It follows the final disbursement of Bank funds for the project. An independent department of the Bank, the Operations Evaluation Department, reviews the completion report (PCR) of the Bank's projects staff, and prepares its own audit of the project, often by reviewing materials at headquarters, and on-site where needed. This ex-post evaluation provides lessons of experience which are built into subsequent identification, preparation or appraisal work.	Environmental problems and mitigatory measures implemented are examined in this ex-post evaluation. The accuracy of pre-project problem identification and the efficacy of mitigatory measures are evaluated. The results serve as important "feedback" for future work.

Source: World Bank, "Environmental Requirements of the

sensitize project staff to environmental concerns, promoting such concepts as sustainable development, carrying capacity and the economic costs of environmental damage, so that policing the project cycle becomes less necessary.²⁹

It seems to me from the published material and from observation of the efforts of CIDIE and the DAC to coordinate the environmental policies of agencies that very few agencies have given their environmental staff the authority to enforce the integration of environmental analysis into the project cycle. Furthermore, development assistance agencies do not have complete control over the projects they finance, particularly during implementation. It also seems clear from talking to environmental officers in the agencies that the recipient governments resist requirements to perform environmental analysis prior to submitting project proposals or conditions governing their implementation. The difficulties of persuading recipient

29. See the annual progress reports of CIDIE members in UNEP, "Meeting of the Committee of International Development Institutions on the Environment: Summary Record", Nairobi, 1981, 1982, 1983. See also Inter-American Development Bank, "The Inter-American Development Bank and the Environment", Washington D.C., 1983; Joint Nordic Committee of Senior Officials for Development Assistance Questions, "Miljo och bistand: Ymparisto ja Kehitysapu", Stockholm, NU 1982:9; Kreditanstalt fur Wiederaufbau, "Guidelines for Environmental Impact Assessment of Projects Promoted under Financial Cooperation", Frankfurt, 1983.

governments to follow up on environmental planning efforts are very clear to agency environmental staff.

The second set of activities are likely to meet less resistance within development assistance agencies. Initiating new lending sectors, such as environmental management or pollution control, or finding new institutional clients for technical assistance activities, such as environmental agencies in recipient countries, can help to expand the agency's program without conflict with its operational principles and procedures.

Over the past few years development agencies have devoted increasing amounts of resources to funding environmental sector projects, such as pollution control, reforestation and forest management, soil conservation, erosion control, and conservation areas.³⁰ They have also provided funds and technical assistance to recipient

30. See, for instance, World Bank, "Wildland Management in World Bank Projects: A Policy Proposal", Office of Environmental And Scientific Affairs, Washington D.C., 1984, Annex I.

governments for strengthening environmental agencies, policy analysis, environmental profiles, training and information management.³¹ They have initiated environmental planning and management programs in developing countries and have assisted governments to address the environmental hazards and conflicts that have plagued the implementation of certain development programs.³² In fact, most development assistance agencies place more emphasis in their publications and reports on

31 Recently, the UNDP sponsored an "environmental sector review" for the Indonesian government - MKLH, "Environmental Sector Review", Indonesian State Ministry of Population and Environment, 1983. AID recently commissioned a review of its environmental profile program from IIED - Dickinson, Joshua, "The Country Environmental Profile Process and Product", Washington D.C., Agency for International Development, 1984. UNEP and other donors have supported the preparation of National Conservation Strategies by IUCN in a number of countries.

32. See progress reports of CIDIE members in UNEP, op cit.; also Stein and Johnson, op cit. and Johnson and Blake, op cit. review these activities for multilaterals and bilaterals. See Horberry, John, "International Organization and EIA in Developing Countries", Environmental Impact Assessment Review, forthcoming, for a review of efforts by development assistance agencies to support formal environmental planning in developing countries.

these activities than on the results of environmental analysis of their lending programs.³³

UNEP has recently initiated a program designed to process and improve the quality of requests from recipient governments for environmental projects or technical assistance and to stimulate the response of donors to such requests. This program, the "clearing house facility", has initially been financed by three bilateral donors but UNEP hopes that its scope will widen to include the development assistance community as a whole.³⁴

It seems to me that, provided a development assistance agency can allocate resources to institutional strengthening and technical assistance, it can channel those resources to environmental institutions and programs - when the recipient governments request such support. In

33. See World Bank, "Environmental Requirements of the World Bank", Washington D.C., Office of Environmental Affairs, 1982; Inter-American Development Bank, op. cit.; Rees, Colin, "Environmental Considerations in Asian Development Bank Operations", Manila, Asian Development Bank, 1982; McPherson, Peter, "Prepared Statement of the Administrator, Agency for International Development" in United States Congress. House. Subcommittee on Human Rights and International Organizations of the Committee on Foreign Affairs, Review of the Global Environment 10 Years after Stockholm Hearings, 97 Cong. 2nd Sess. Washington D.C., Government Printing Office, 1982.

34. UNEP, "Fourth Meeting of the Committee of International Development Institutions on the Environment. Summary Record," Nairobi, UNEP/CIDIE/83.8 (Final), 1983, pp.7-8.

fact, agencies sometimes take steps to stimulate that demand.

Critiques and Proposals.

Having suggested that development assistance agencies continue to fund projects that cause environmental problems, and that their policies for reviewing the environmental effects of their programs are inadequate, I shall discuss some of the studies that have been made of the environmental performance of agencies and the proposals for improvement.

IIED carried out reviews of the environmental policies and activities of both multilateral and bilateral development agencies during 1977-79.³⁵ Referring to multilaterals, the authors conclude that "the need for environmental protection is no longer subject to widespread debate, though there is still a good deal of practical resistance". The staffs of these agencies have a limited view of environmental issues, confined mainly to pollution control and wildlife conservation. Those who do accept the importance of environmental protection hesitate to assign

35. Stein and Johnson, op. cit. and Johnson and Blake, op. cit.

it sufficient priority to have a significant practical impact on their work.³⁶

"A wide gap remains between the increasingly alert concern of individuals and the official response of most institutions... The World Bank and the Inter-American Development Bank have developed greater environmental awareness than other development organizations studied. The Organization of American States has, in specific sectors, also demonstrated a keen awareness of environmental problems in its work. The U.N. Development Programme, though headquartered in New York, and the European Development Fund, headquartered in Brussels, experience a far greater diffusion of government control, while their decentralized organization appears to have diffused the influence of donor country environmental concern. The other institutions studied, which are headquartered in developing countries, appear to be equally or more remote from developed countries' environmental consciousness, even though developed countries are in most cases represented on their boards."³⁷

The authors highlighted four main deficiencies in the agencies' environmental practices: a lack of clear procedures for environmental assessment of their projects, a lack of technical criteria for assessing environmental impacts, a lack of integration of environmental analysis into formal project appraisal and a lack of environmental expertise among the staff.³⁸

The study of the environmental practices of six

36. Stein and Johnson, op cit., pp.6-7.

37. ibid., p.133.

38. ibid., p.135-136.

bilateral agencies also identified a general consensus about the significance of environmental problems in development assistance, but concluded that "this view has still made too little impact on the orientation and design of the projects or practical development policies of the agencies studied." The reaction of agency staffs to environmental policies has been to resist calls for environmental assessments or to claim that recipients are not sympathetic to any environmental planning inputs.³⁹

The study reports on the specific measures and activities of the six agencies and indicates that with the exception of the United States Agency for International Development the limited procedures and guidelines for screening, assessing or evaluating projects were ineffectual.⁴⁰ The authors advocate environmental focal points within the agencies, stricter procedures for environmental assessment, more environmentally sensitive sector policies and more assistance for environmental projects and institutional support.⁴¹

IIED and the more environmentally active of the agencies have advocated a package of measures to ensure the

39. Johnson and Blake, op. cit., pp.iii, 14-15.

40. ibid., pp.26-37.

41. ibid., pp.iv-v.

environmental quality of funding programs: stricter procedures for the review of project proposals, more comprehensive guidelines and criteria for environmental assessment, integration of environmental damages and benefits into economic appraisal of projects, integration of environmental factors into project evaluation and more effort to raise environmental sensitivity of agency staff.

Taking these suggestions in turn, there has been considerable pressure from various environmental groups to urge agencies to adopt firmer policies and establish stricter procedures. The Declaration, signed by the major multilaterals, appeared to respond to this issue but, observing the CIDIE meetings, it seems clear that multilateral agencies have made limited progress in achieving this objective. Bilaterals have no corresponding commitment and, with the exception of the US and to a lesser extent West Germany, national governments have not established binding procedures.

In the course of testimony to the House Banking Committee hearings, the Joint Environmental Service of IIED and IUCN recommended that agencies should give environmental offices more authority to intervene in the project cycle, should allocate more resources to environmental review of project proposals and should incorporate environmental planning into project preparation

rather than carry out reactive assessments.⁴² Other U.S. environmental organizations giving testimony advocated amendments to the legislation authorizing U.S. participation in multilateral development banks that instruct the U.S. Executive Directors to promote stronger environmental procedures and to oppose all projects that "clearly will result in unnecessary or unacceptable environmental destruction".⁴³ However, according to the Treasury staff members involved in these hearings and the investigations that surrounded them, it is unlikely that multilaterals can be pressured into binding procedures in this way.

The Joint Environmental Service of IIED and IUCN carried out a comprehensive study of the procedures and guidelines for environmental assessment among development agencies. It concluded that, with the exception of the US bilateral agency, environmental procedures tend to be weak and fail to ensure that projects are adequately screened and analyzed. As for environmental guidelines, the same report noted that their proliferation has little direct impact on the preparation of projects because the agencies

42. United States Congress, op. cit., p.213.

43. ibid. p.881-83.

do not require their use. Better guidelines or more carefully formulated criteria, the study concludes, will not improve the situation without measures to ensure that they are employed.⁴⁴ In the course of this study, it became obvious that many sectoral or project guidelines contained useful information about what environmental problems are associated with certain sectors, what questions to ask in assessing the environmental effects of a project and what are the criteria for adequate environmental protection in certain cases. The abundance of this information did not, however, ensure that environmental analysis was carried out.

The question of the economic evaluation of environmental effects directly concerns the project appraisal methods employed by agencies before they commit funds to projects. UNEP and the East-West Environment and Policy Institute in Hawaii have devoted considerable effort to formulating an acceptable methodology for incorporating environmental damages and benefits into economic cost-benefit analysis. They hope this will encourage the development agencies to include environmental factors into

44. Horberry, Environmental Guidelines Survey, pp. 1-13; idem, "Establishing Environmental Guidelines for Development Aid Projects: the Institutional Factor", Environmental Impact Assessment Review, 4:1, 1983, pp. 98-102.

their routine project appraisal. It seems clear from the publications on this topic that there are no theoretical objections nor any insurmountable practical impediments.⁴⁵

What is not clear is whether the agencies can be convinced that the expense and additional effort of economic evaluation will be justified in terms of better projects. I suggested in the last chapter that agencies tend to resist additional layers of analysis which will increase the burden and uncertainty of project appraisal.⁴⁶ The desire to "move money" is as great, if not greater, than the desire to capture the economic benefits of environmental planning - which are often long-term and non-monetary. My view is that only when environmental factors regularly threaten the short-term feasibility of an investment will economic analysis of environmental factors appeal to project staff as a useful tool for project preparation and decision-making.

There are no substantial technical barriers to

45. See Cooper, Charles, Economic Evaluation and the Environment, London, Hodder and Stoughton, 1981; Hufschmidt, M. J. et al., Environment, Natural Systems and Development: An Economic Valuation Guide, Baltimore, Johns Hopkins University Press, 1983.

46. Ascher, William, "New Development Approaches and the Adaptability of International Agencies: the Case of the World Bank", International Organization, 37:3, 1983, p. 428-430.

including environmental factors in project evaluation or to increasing environmental training activities. If these activities do not occur, it is because of low commitment from the members, leaders and management of the agencies and the organizational dynamics that are associated with the task and the context of administering development aid.

Even when development assistance agency staff members recognize the developmental benefits of environmental assessment and planning, they often point out that environmentally sound projects are neither easy to plan or implement. O'Riordan mentions these impediments to incorporating environmental management into development aid. First, good environmental management is not a clearly defined product, and consequently the overall consensus that environmental management is desirable is surpassed by the urgency of economic development needs except when environmental damages threaten the project investment. Second, environmental management projects are hard to prepare and implement - often their benefits are uncertain or hard to discern.⁴⁷

Two other problems limit the influence of those development practitioners that would like to see greater

47. O'Riordan, Timothy, "Problems Encountered when Linking Environmental Management to Development Aid", The Environmentalist, 1, 1981, pp.15-24.

concern for environmental effects. O'Riordan also points out that environmental offices in development assistance agencies occupy peripheral positions, lacking the authority or capacity to influence the project cycle effectively. Finally, recipient governments are not always sympathetic to environmental concerns in the case of specific projects, and if they resist there is little an agency can do beyond persuasion or cutting off their own programs.⁴⁸

Finally, some commentators, notably Sachs, believe that fine-tuning the development agencies is not likely to solve the persistent environmental problems in the developing world. They have argued that it is the theory of development that is at fault compounded by the structure of international economic relations. The concept of development needs to be redefined so that both the styles of development desired and the strategies for achieving them respect ecological, social and community processes. Sachs sees the dominant development strategies as unsustainable - they take no account of the loss of resources and seek only to maximize short-term growth by the application of technology. In contrast, he advocates the application of systems planning and greater participation in planning, decision-making and

48. ibid.

implementation by local populations. Extended cost-benefit analysis is, he argues, a contrived and consequently ineffective method for approaching environmental problems.⁴⁹ Consequently, UNEP and Sachs have proposed a different conceptual approach called "eco-development" of which the main principles are:

- in any region, development should aim at utilizing the available resources for the specific basic needs of the population without importing external styles of consumption
- development should above all contribute to human fulfillment
- natural resource utilization and management should respect the needs of future generations
- production should be organized to avoid wastes and negative impacts
- technological choices should reflect the natural resource situation of any region
- the institutional framework should emphasize

49. Sachs, Ignacy, "Environmental Quality Management and Development Planning: Some Suggestions for Action", in Environment and Development: the Founex Report, Paris, 1972.

horizontal authority and coordination of sectors and activities, the participation of the population in the realization of eco-development strategies and the protection of local resources from the plundering of the international markets.⁵⁰

Sachs' approach, although it does not offer the political or institutional pathways to achieving the state of environmentally sensitive economic development, reminds us that development assistance agencies are part of a wider political and economic framework. As such, it is legitimate to ask whether that framework is likely to bring about economic development that delivers benefits to these most in need and respects local ecological and socio-economic conditions. In other words, to what extent are the inadequacies of development assistance agency environmental policy and practice amenable to the kind of proposals discussed above? Is it in fact the case that because of the type of institutions they are - politically, financially and organizationally - development assistance agencies are unable to respond to potential environmental problems to an adequate extent?

My view is that Sachs' argument points us to the

50. Sachs, Ignacy, "Alternative Patterns of Development" in Dworkin, Environment and Development, pp.390-392.

sources of environmental problems caused or neglected by development assistance agencies. Nevertheless, the influence and actual operations of these agencies is considerable, and it would be unrealistic to dismiss the contribution they can and do make to environmental policy and planning in developing countries. What remains disturbing is their apparent inability to ensure effective environmental review of their own programs.

To recap, development assistance agencies recognize, for the most part, their responsibility to do what they can to ensure that their programs do not cause environmental problems and to support the efforts of recipient governments to solve their environmental problems. There seems little problem in responding to the latter responsibility provided the recipient governments request such support. But, there appears to be resistance to the environmental review and planning of their own programs even when policies to accomplish this are adopted. It does not seem that this resistance or poor performance results from inadequate methods or technical material. Nor is it the case that staff members are unaware of the problem. I think that it has more to do with the political and financial structure of the institutions and how that influences the implementation of what is a developmentally beneficial objective.

In chapter 2, I discussed the different sources of development assistance agency policy and the political or economic interests that influence the administration of these agencies. I also discussed the organizational features of these types of agency and how these features affected the implementation of various types of policy objectives. It was apparent that various developmental objectives are not adequately implemented despite the intent of the leadership. The reasons offered were a combination of the conflict between different policy goals and the organizational barriers to action. What I propose to do is look for an explanation for the capacity of development assistance agencies to assess the environmental effects of their programs in terms of their political and financial structure and how this is linked to the organizational features governing their internal operations. In the next chapter, I shall explain what the basis for such an analysis is and how I shall carry it out.

CHAPTER 4

Accountability and Development Assistance

Introduction

The theoretical perspectives, reviewed in Chapter 2, do not provide an adequate analytical framework for explaining what determines the capacity of a development assistance agency to review and mitigate, if necessary, the environmental impacts of its funding programme. In my view, what is needed is a conceptual linkage between the political and financial structure of the agency and the incentives and constraints facing the staff members inside the organization. The critiques and proposals about how development assistance agencies could improve their approach to environmental impacts, as I discussed in Chapter 3, tend to focus on technical issues, that I do not believe to be the main barrier to more effective environmental procedures, or they fail to target the particular structural and organizational features of the agency in question. I believe that a better conceptual linkage between the agency's structure and its operations would suggest pathways to reforming its environmental

policies and performance.

In this chapter, I want to propose an analytical concept - namely the accountability system within a development agency - that provides a linkage between the political and financial structure of the agency and the organizational constraints and incentives facing its staff. On the basis of this concept, I shall discuss how one can analyze what determines the capacity of development assistance agencies for environmental assessment. Also, I shall explain the structure and argumentation of the case studies that follow, in which I use the idea of an accountability system.

Development Assistance Agencies and their Policies

In Chapter 2, I reviewed various perspectives on why development assistance agencies fail to live up to the expectations of their political masters and their critics. These agencies, on the face of it, have to cope with the demands of the donors, the expectations of recipients and the great difficulty of their task. When their political masters or management decide to reorientate the agency's program or to replace or augment the objectives the agency

is expected to achieve, it seems that the results are often disappointing. Policies are resisted: the agencies pay lip-service to the principles and broad objectives, but the actual management and implementation of the program is not affected dramatically.¹ In addition, as large organizations, these agencies inevitably suffer from bureaucratic ills or internal conflicts that stifle or distort their operations.

There appear to be at least three ways of looking at this problem, each of which would suggest a different strategy for reform. The first concerns the commitment and determination of the political masters and leadership of agencies to policy goals. Individual donor governments or the main donors in an international agency do not muster sufficient political will or allocate sufficient resources to support policies for "better" development assistance. Efforts to protect the environment are suppressed by the dominant political and economic goals of donors. Although the agencies subscribe to certain developmental objectives,

1. In particular, I mentioned Ayres, Robert, Banking on the Poor: The World Bank and World Poverty, Cambridge, Mass., MIT Press, 1983; Tendler, J., Inside Foreign Aid, Baltimore, Johns Hopkins University Press, 1975; Ascher, William, "New Development Approaches and the Adaptability of International Agencies: the Case of the World Bank", International Organization, 37:3, 1983; Micklewait, Donald et al., New Directions in Development : A Study of U.S. AID, Boulder, Westview Press, 1979.

these objectives are not supported strongly enough to make any impact.² A strategy for solving the problem would, therefore, revolve around political pressure on the donors to commit the agency to the policy goal. The environmental lobbies testifying at the U.S. House Banking Hearings mentioned in the previous chapter are attempting to apply political pressure to the multilateral agencies, as they have in the past to the U.S. bilateral agency, as I describe in Chapter 5.

Second, policies do not succeed because the agency itself has other interests or constraints that override the policy mandates given to it by the leadership or management. The performance of the agency is a product of its relationship with its task-environment, including the various sources of policy, its clients, the nature of its operations and the other actors with which it must cooperate. The agency must above all manage and expand its program and protect itself from the uncertainty of its task-environment. Consequently, the pattern of incentives

2. Those critics of development agencies that believe they simply follow the narrow political interests of the donors represent this approach - see Bello, W., D. Kinley and E. Elinson, Development Debacle: the World Bank in the Philippines, San Francisco, Institute for Food and Development Policy, 1982; Hayter, Theresa, Aid as Imperialism, London, Penguin, 1971; Payer, Cheryl, The World Bank: A Critical Appraisal, New York, Monthly Review Press, 1982.

and constraints perceived by the staff dictate actions that may conflict with or are indifferent to the official policy objectives. If protecting the bio-physical environment increases the uncertainty facing staff responsible for managing the program, the staff will resist.³ Thus an appropriate strategy would focus on staff incentives and ensuring that implementing the policy objective can result in less uncertainty not more. A good example of this is the Environmental Planning and Management Program that AID funds and that the Joint Environmental Service of IIED and IUCN implements. The rationale for this mechanism is to remove bureaucratic and financial disincentives facing mission staff members who encounter an environmental problem in the course of preparing a project. Similarly many environmental guidelines are intended to overcome the informational and assessment uncertainties of incorporating environmental planning into project preparation.

The third approach concerns the relative power of different policy actors. The membership and leadership of the agencies, and the different components of donor governments or agency leadership, have different interests and degrees of influence. The fate of a policy initiative depends on the power of its proponent relative to other

3. Tandler, op cit., and Ascher, op cit., express this best.

actors who have different agendas. For instance, the opportunity for a domestic environmental agency in a donor country to influence a multilateral development bank directly is slight because the national finance ministry is the body represented on the board of governors. Within the agency, different units also have different sources of influence over policy and operational decisions and they have different objectives and prospects for reward. So, the likely results of a policy initiative depend on how powerful the responsible unit is and what incentives it faces. Clearly the central policy staff within an agency has different sources of authority and different incentives to the project staff. Among the clients, the recipient countries, there are different agencies and participants in the development assistance system which will have varying perspectives on a given policy objective. If the recipient government has no environmental policy or agency, then the donor agency will probably encounter a less sympathetic attitude to environmental assessment. Appropriate strategies, on the basis of this approach, would be to enhance the influence of the proponent of the policy in question, to support and ally with the responsible unit and to increase the capacity of the relevant agency in the recipient country. For instance, environmental lobbies, as I have mentioned, put pressure on Congress to insist on stricter environmental protection; environmental units in

agencies make alliances with environmental contractors or research institutes to enhance their influence within the agency, as in the case of multilateral development bank environmental staff members who leak examples of environmental damages to outside organizations; environmental offices also support environmental agencies within recipient countries to ensure a more sympathetic response to environmental protection measures - for instance, the World Bank environmental office has funded environmental units attached to power generation programs in Thailand and transmigration in Indonesia, as I describe in Chapter 6.

These three approaches broadly correspond to Graham Allison's three frames of reference for analyzing the outputs of foreign policy and international relations but which are equally helpful for any domain of public policy, national or international. His first frame, the "Rational Actor" model, explains events as "the more or less purposive acts of unified national governments". Governments are personified as rational actors who have specific goals and make choices. In this context, the rational actor is the donor government choosing to

implement a particular policy objective within its development assistance program.⁴

Allison offers two alternatives to the "Rational Actor" model. One is the "organizational process" model which highlights the fact that unitary government actors consist of different elements and decision-making processes. The outcomes of policy initiatives are not so much actions or choices taken by the government, but the regular and predictable output of organizational process. Following this model, an analysis should focus on the organizational processes particular to development assistance agencies to see how they influence the fate of policies.

The other of Allison's alternative models focuses on the politics of government. Policy outcomes are the results of bargaining games between different actors. Elements within donor governments, for instance, or members of international organizations bargain with each other over policy goals; the units of agencies bargain with each other and recipient government officials over policy emphases or project design. The result of a policy initiative would depend very much on how its proponents and opponents fitted into the political arena comprising the donor governments,

4. Allison, Graham, Essence of Decision : Explaining the Cuban Missile Crisis, Boston, Little Brown and Co., 1971, pp.2-7.

the agency, its units and its clients.

The literature reviewed in Chapter 2 and Allison, himself, suggest that there is value in each of these approaches, but that none of them alone is able to explain fully how development assistance agencies respond to specific policy initiatives. Governments and governing bodies do make choices about development assistance policies that shift the programs from one objective to another. When governments change, bilateral agencies do follow different policies. When the executive directors of a multilateral development bank decide to finance structural adjustment, the pattern of lending changes. However, governments can make conflicting or incompatible policy choices or experience resistance from the agency, and particular policy goals do not succeed.

Second, organizational process does explain a substantial degree of the resistance of agencies to policy initiatives and of the persistence of "bad" development practices. But the nature of these organizational processes, the pattern of incentives and constraints facing the agency staff, vary between and within different types of agencies. The political and financial structure of agencies tends to shape the organizational processes either purposively or indirectly. The political masters of an agency can choose to make certain project appraisal

procedures mandatory, AID's environmental assessment regulations, for example, or can attempt to adjust the incentive system, for instance, by instituting a project evaluation mechanism. The financial basis and circumstances of the agency significantly affects the pattern of incentives - either by creating an abundance of funds that need to be disbursed as fast as possible, which AID does when it commits huge sums to the Middle East or Central America or by having to meet the standards of creditworthiness of international capital markets, as the multilateral development banks do.

Third, the bureaucratic politics of donor governments, donor agencies and recipient governments influence the results of policy initiatives in numerous ways. The relative power of different departments within the donor government will influence the governments' administration of development assistance with respect to the political, economic and developmental objectives of the program. If there is a strong environmental agency, it may be able to negotiate for some response to environmental objectives with the foreign office and treasury. Similarly, within the agency, if the environmental office can accumulate support from environmental organizations or lobbies, it may enhance its capacity to influence programmatic or operational decisions. One of the most important

influences over the fate of policy initiatives stems from the response of the recipients. The fate of environmental policies within development assistance agencies clearly has much to do with the attitudes and priorities of recipients. However, even if the balance of bureaucratic politics could be shifted so that there was greater support for environmental protection, it is likely that the impact on the program would be shaped more by the influence of the political and financial structure of the agency on the organizational incentives and constraints facing any particular policy initiative.

To recap the thrust of this enquiry, I am trying to explain what determines the capacity of a development assistance agency to assess the environmental effects of its funding program and to mitigate or avoid likely environmental damages. For an agency to achieve this objective, it must incorporate environmental analysis into the project cycle and make it possible for the environmental staff to review and, where necessary, change project proposals and design. In addition, if the process is to succeed, the agency must ensure that the evaluation of projects takes account of environmental factors and feeds back the relevant information into the project cycle.

I have argued that it is reasonable to expect that the

staff members responsible for managing the funding program will resist such a policy initiative because it imposes an additional layer of analysis, reduces their control of the project cycle and requires data collection and analysis that is subject to considerable uncertainty. However, it is possible for such a policy to be taken on board and to be implemented, as the case of AID in Chapter 5 will show.

I am interested in what forms the linkage between the political and financial structure of the agency, which determines whether an environmental policy is accepted, and the pattern of incentives and constraints within the organization that governs its implementation. For it appears that most development assistance agencies can accept that such a policy is desirable, but that there is considerable variation in their capacity for implementation. But, I believe it is the political and financial structure of the agency that sets the broad dimensions of the organizational incentives and constraints, even though the organization does perceive interests and objectives of its own that are independent of the agencies political and financial processes. In other words, going back to Allison's models, I see the agency as a "rational actor" when it decides to take the policy on board, but the "organizational process" and "bureaucratic process" models suggest why implementation is difficult.

If this is so, then one needs to identify the mechanism by which the political and financial structure influences the organizational incentives and constraints and discover how this mechanism works in different circumstances. To be more specific, the political and financial structure, depending on the type of agency, consists of the governing bodies, (whether formally constituted in the case of a multilateral organization or resting in the responsibility within a national government for development assistance policy and administration), the agency's political relationships with other organizations and actors and the mechanisms for obtaining and disbursing its funds.

The linkage in question is that relating how political members of an agency, with the aid of a formal constitution or legislation, set the policies, procedures and budget for the management of the agency to administer. It also involves the way the management reserve certain decisions for themselves and require certain information and performance criteria from the agency. The main focus of the linkage between the governance of the agency and the operations of the agency tends to be the financial processes of the agency, whether it is Congress authorizing AID's budget or the Governors of the World Bank approving an increase in capital. The task of the agency is to disburse funds. Above all the political masters expect the

agency to give an account of financial flows. But the agency is expected to achieve other objectives through its funding activities - political, economic and developmental. To some degree the agency must give an account of these objectives.

How this linkage is organized, what factors are significant and what effect this process has on the behavior of the agency is, I believe, the key to understanding the influence of the political and financial structure of the agency on the organizational incentives and constraints governing policy initiatives. I call this linkage the "accountability system".

Accountability, Development Assistance and
Environmental Assessment.

Accountability in the context of public agencies means a liability on the part of the agency or departments of the agency "to reveal, to explain and to justify what one does;

how one discharges responsibilities, financial or other, whose several origins may be political, constitutional, hierarchical or contractual."⁵ The most common form of accountability is financial - an accountability often enforced by the existence of an independent auditor. There are also a large number of different devices by which different parties exercise accountability, varying from formal audit to manipulation of the mass media, from legislative oversight to informal lobbying.⁶

In the case of development assistance agencies, the leadership holds the agency accountable for financial matters, and because of the degree of independence often found in their operations, for compliance with formal policies, procedures and performance standards. Development assistance agencies often have considerable independence, either because their governance is shared by a number of governments or because what they do is subject to many factors that are hard to control except by their staff in the field. Consequently accountability mechanisms

5. Normanton, E.L., "Public Accountability and Audit: A Reconnaissance", in B.L.R. Smith and D.C. Hague, eds., The Dilemma of Accountability in Modern Government: Independence Versus Control, New York, St. Martin's Press, 1971, p. 311.

6. For a discussion of these issues, see Smith, B.L.R., "Accountability and Independence in the Contract State," in Smith and Hague, eds., op. cit., pp. 3-55.

become essential tools for managing the agency, and for measuring its performance, if not in terms of outcomes, which may be too hard to measure, then in terms of formal adherence to policies and procedures. The agencies are also held accountable for the political and economic objectives that the leadership wants to achieve. Since these agencies are supposed to promote economic development and address themselves to the inequities and persistent problems of development, they are held accountable for developmental objectives. The different variables for which the organization would be accountable might, in the case of a bilateral agency, include national foreign policy, trade advantages, balance-of-payments impact, humanitarian goals, income redistribution, allocation to the poorest countries or contribution to the private sector. In other words, to the extent that these agencies are expected to achieve a range of policy objectives, as I observed in Chapter 2, they are held accountable for multiple performance criteria.

The second feature of the accountability system operating within development assistance agencies that needs to be mentioned is that there are a number of different actors demanding some accountability. The government or governing body that sets policy and provides funds demands accountability so that it may keep control of the

activities of the organization. But the government or governing body is not usually unitary - it is composed of different branches or departments of government in the case of a bilateral agency or of different governmental members in the case of a multilateral agency. Furthermore there are other actors, whether domestic interest groups, other international organizations or members of the professional and academic development community, that try to hold the agencies accountable, according to their particular policy interests. For example, the different actors might, in the case of a multilateral development bank, include the subscribing members, the borrowing members, the management, the lenders and the development professionals all of whom have some power over the activities of the agency and can exact accountability for some aspect of its performance. To the extent that different actors can legitimately claim some influence over the policies of development assistance agencies, these actors try to hold the agency accountable for the implementation of these policies.

Third, the different actors trying to hold the agency accountable for different performance criteria constitute what one can call "channels" of accountability. These channels can be more or less strict - the agency will be more or less obliged to give an account of its performance and to improve it if appropriate. The strictness will vary

from total in the case of a government demanding that its aid agency does not allocate bilateral assistance to a particular country to negligible in the case of a developed country donor to a specialized UN agency attempting to hold the agency accountable for economic soundness of a particular project. These channels can also vary in the degree that they penetrate into the operations of the agency - the agency is more or less obliged to reveal the detail of its performance. Some actors can scrutinize deeper into an agency's operations and hold it accountable for what it finds. For instance, the creditors of a multilateral development bank will probably only hold the bank accountable for the creditworthiness of a borrowing government while a government auditor can demand an account of the precise project impacts from a bilateral assistance program.

The configuration of these different criteria, actors and channels of accountability within an agency forms the mechanism that links the political and financial structure of the agency with the incentives facing the members of the organization responsible for managing the regular funding activities. The accountability system, as I shall call it, shapes the task-environment facing the staff given the responsibility, but less often the resources and authority for implementing a new policy initiative. For example, an

agency may adopt a certain policy initiative, such as alleviating poverty, but the project staff members responsible may perceive that inserting an appropriate statement into each project appraisal report will satisfy the management. In other words, if they are not required to give an account of the performance of actual projects, they have little incentive to implement the policy initiative further. However, if the project staff know that the project evaluation staff will measure the performance of each project with respect to the particular policy objective and report the results to the leadership, then the incentive to implement the policy is greater.

In most development assistance agencies, the potential for injecting a new policy concern into the accountability system exists but is limited. The task of moving money, securing implementation and generating reliable future projects is very time consuming. In addition, each type of funding agency has a channel of accountability that has to be attended to simply to keep on operating; for example, multilateral banks have to maintain the confidence of the capital markets, bilaterals have to satisfy the political objectives of their governments and powerful constituencies, and UN agencies need to keep the political support of the majority of their members, namely the developing countries. The capacity of the leadership to

demand accountability for additional policy objectives is limited unless there is some clear convergence with a dominant incentive or policy.

In this study, I am looking at the role of the accountability system in determining the capacity of development assistance agencies to carry out environmental assessments of their programs and to mitigate or avoid potential damage. As we have seen in the previous chapter, development assistance agencies carry out a variety of environmental activities and I think it is important to understand that not all environmental activities are influenced by the accountability system in the same way.

It is important to clarify the difference between environmental assessment of projects being considered for funding and other environmental activities such as funding environmental sector and natural resource projects or providing technical assistance and funds for training, institution building and policy analysis. These latter activities need to meet certain criteria in order to qualify as the type of activities the agency can fund. In some cases, the economic benefits to be gained from a project will be the major criterion, in other cases the potential contribution of the project to rural incomes and food production and in others responding to recipient country priorities is the key consideration. Provided such

environmental activities do satisfy these criteria, then they have positive value to the agency as opportunities to move money and expand their programs. Environmental assessment, on the other hand, is normally viewed by the agency staff as an impediment to the program. Project officers are reluctant to accept additional layers of analysis. Having to satisfy additional criteria during project approval appears to them as a source of additional delays and costs in project design and implementation and a need for coordination with other sectors or disciplines. Of course, this is not only the case for environmental assessment, but applies to any requirement to analyze a proposed project to determine whether it will meet a certain policy criteria that may be in conflict with the dominant objective of the agency.

The capacity of an agency to introduce an effective environmental assessment of its program is, I am suggesting, influenced by the incentives facing the project officers of an agency and their perceptions of whether they will be held accountable - to whom, how strictly and to what depth of scrutiny? For instance, are the project staff members merely accountable for communicating with an environmental office, responsible for environmental affairs but lacking authority to influence the project cycle. Are they just responsible for demonstrating that environmental

factors are included in the project appraisal document? Are they accountable for compliance with an analytical procedure or adherence to certain guidelines? Or are they accountable for the environmental effects of project implementation?

The nature of the accountability system, surrounding environmental assessment, or other policy objectives, is itself a product of the political and financial structure of the agency. The members, contributors, constituents and management of the agency have preferences and interests that ultimately determine the factors they hold the agency accountable for, how strict they are about demanding accountability and how deeply this accountability penetrates the activities of the organization.

To give some perspective to this relationship, imagine a development assistance agency that was as responsive to the potential environmental effects of its funding activities as is conceivable. What political and financial structure would it be likely to have? First, the source of funds would need to believe that the pay-off, whether economic or political or developmental, would be invariably threatened by the failure to correct environmental damages. Second, the political membership of the agency, would need to be vulnerable to strong constituencies that deplored environmental damage. Third, the management of

the agency would need to be systematically judged by members, contributors and outside constituencies for the environmental quality of the project outcomes. It is my hypothesis that the responsiveness of a development assistance agency to the environmental effects of its funding activities will depend on the degree to which any or some of these conditions are met.

Analysis and Measurement

How one analyzes this relationship requires some attention to how measurable the key variables are. First, the political and financial structure of an agency is quite easy to discover. One needs to determine the precise identity of the political members. For instance, what part of national governments are represented in international organizations, or what part of the government directs the bilateral agency? Also the nature of the funds, whether they are borrowed, allocated by government or levied on members and whether they are granted, lent and on what terms or conditions is crucial.

Second, the accountability system that stems from the political and financial structure can be revealed by

examining the way the agency works in general. One can investigate the decision making procedures, regulations, guidelines and operational responsibilities that govern the activities of the organization and identify the channels of accountability that are embedded in these practices. There are also mechanisms and events by which certain actors hold the organizations accountable for particular criteria and corresponding reporting or evaluating procedures within the agency. How are funds allocated, how are disbursements reviewed and approved, how are projects evaluated if at all? What influence do the members, contributors and constituents have on this process?

The effect of the accountability system on the capacity of the organization to perform environmental assessment and to modify projects accordingly can be predicted from the analysis of the accountability system and by comparison with other policies that have been introduced. What is necessary here is to derive some pattern of how the incentives and responsibilities of project officers are shaped by the existing accountability system and the likelihood that a new policy initiative of this sort will be accepted or resisted. Obviously, it is not simply the theoretical capacity to perform environmental assessment but the practical experience of trying to implement such a policy that is influenced by the accountability system. In

cases where an environmental assessment policy has been introduced, it is possible to investigate the success with which it has been implemented and to compare it with other environmental activities that one might expect to be easier to implement and with other policies that also involve project review and modification.

The question of measurement is important here. There are gradations of environmental assessment ranging from the most superficial to the most comprehensive, which have different implications for measurement. At the most superficial level, the environmental office has advisory responsibility in relation to the work of the project staff. It offers some form of environmental determination on selected project proposals and tries to persuade project staff members to take steps to minimize potential problems. Measuring the implementation of this level of procedure will focus on how easy it is for the environmental office to gain access to the project cycle, how comprehensively it is able to review project proposals and how successful it is in persuading the project staff to modify project design when appropriate. Where there is a requirement for the project staff to incorporate a statement of environmental considerations in the project appraisal or to follow certain environmental guidelines, the issue of measurement involves both the actual

compliance with the requirement as well as the quality of compliance. For instance, it is possible to include a statement that a project will have no environmental effects in every project document without being required to justify that statement and without any mechanism for checking on its value. Where there is a requirement for a comprehensive assessment of project proposals and some capacity to influence project design as a consequence, the measurement of the implementation is more extensive and brings into question whether problems identified are taken care of and whether the process overall is successful at identifying problems and minimizing them. In practice, this is hard to measure without reliable data about the environmental conditions before and after the project - such data are rarely available.

In the cases that follow I have tried to follow an approach to measurement of the capacity of the agency to carry out environmental assessment and to the implementation of that capacity that is appropriate to the agency, its accountability system and its experience with environmental protection policies. The object is to investigate a more general relationship between the political and financial structure of development assistance agencies and their capacity to follow new policy initiatives.

However, it must be accepted that there are complications involved in measuring that capacity and actual experience of implementation. There is a shortage of reliable project evaluations. There are numerous factors influencing the effects of projects over which the agency has little control. It is not necessarily easy to attribute those project results that are known to certain design or implementation features.

Another complication in measuring the success of an agency's environmental assessment policy is that many effects may be invisible. The existence of the policy may encourage project proponents and designers to avoid likely environmental problems. Indeed, this is intended, but very hard to measure; who can tell what would have happened if the policy was not in place? It also is possible for a review policy that has limited success in changing project design and approval practices within its own agency to have indirect effects on other actors in other situations that lead to minimizing environmental damages. They may help to sensitize consultants, recipient government officials, other agencies and independent organizations so that their activities reinforce the same environmental policies.

What I am proposing to measure, as a factor of agency political and financial structure, is 1) the capacity of the agency to systematically assess projects and to propose

environmental mitigation measures, 2] where appropriate, the success of the environmental staff in securing cooperation from the project staff in fulfilling this assessment requirement, and 3] the approximate success of the environmental assessment process in influencing project design or mitigation. However, it is obvious that confidence about measuring these variables decreases markedly from 1] to 3].

It is important to stress that I am not measuring the overall contribution of the agencies to environmental planning and management in developing countries, as I am only looking at the assessment function. Nor am I trying to explain the environmental outcomes of development projects in terms of the political and financial structure of the agencies or any combination of factors. It is, as I have argued, not the outcomes but the agency's capacity to review and modify projects according to a specified policy objective that depends on the agency's structure and the resulting pattern of principles and incentives governing its operations.

The Case Studies

My argument applies to development assistance agencies in general, but obviously hinges on different elements of political and financial structure depending on the type of agency. There are three main types - bilateral aid agencies, multilateral development banks and UN specialized agencies implementing projects funded by UNDP and other sources. These types of agencies have very different political and financial characteristics, but also differ markedly among themselves in their policies and procedures for environmental assessment.

I will look at one case from each group - in fact, the example of each group that is most advanced in incorporating environmental assessment into its funding program - the United States Agency for International Development, the World Bank and the Food and Agriculture Organization of the United Nations. I make no attempt to argue that all members of each group, by sharing similar political and financial elements, should demonstrate the same level of commitment and achievement with respect to this particular policy issue. But I am suggesting that members of the same group, if they felt that similar issues were important or they were to bring the similar levels of commitment and resources to bear on the same task, would experience broadly similar constraints or opportunities stemming from their political and financial structure.

After the three case studies, I try to summarize the main points that each case suggests for its group of development agencies, and use examples and material about other members of the groups as supporting evidence. Then I combine these points about the groups of agencies into general conclusions about the relationship of political and financial structure with implementing a policy of this type. As I have already noted the issue of environmental assessment has many similarities with other policy concerns that require the screening and modification of project proposals.

The case studies set out to do the following. They describe the political and financial structure of the agency; they define the accountability system that follows from that structure and analyze its influence over the agency's capacity to respond to a policy initiative such as environmental assessment; they examine the experience of the agency in installing and implementing an environmental assessment policy; they test whether the experience can be explained in terms of the incentives and constraints that follow from the accountability system and the dependence of that accountability system on the political and financial structure of the agency.

There is inevitably some variation from this scheme. The agencies present somewhat different experiences with

environmental assessments policies which demands particular treatment and presentation. For instance, the World Bank has ostensibly operated a project screening process since 1970, but it is extremely hard to obtain data on its implementation or to get access to examples of projects influenced by it. The Bank maintains a public image that the reviews are comprehensive, successful and free of constraints, while privately conceding that there are limitations. AID has been legally mandated to perform environmental assessments since 1975 and is subject to Congressional and public scrutiny on its performance. Data on the assessment system and its actual application over a period of years exist and have formed the basis of adjustments designed to make it work better. The FAO, in implementing field projects, has a relatively weak project review process but is attempting to install an effective environmental assessment procedure whether the existing project system is tightened up or not, and consequently there are limited data on performance, but an explicit illustration of the constraints of the prevailing accountability system.

CHAPTER 5

Bilateral Aid Programs

Case Study : United States Agency for International Development¹

Introduction

"In April 1975, four United States environmental organizations sued AID for failure to prepare an environmental impact statement on its financing of pesticide sales abroad and to establish procedures under NEPA for systematic review of all AID projects and programs"²

"In carrying out programs under this chapter, the President shall take into consideration the environmental consequences of development

1. The United States Agency for International Development (AID) administers the U.S. government's development assistance, economic security assistance and Food for Peace programs. In this study, I shall be referring only to the development assistance program, unless I specify otherwise.

2. Blake, Robert O., et al., "Aiding the Environment: A Study of the Environmental Policies, Procedures and Performance of the United States Agency for International Development." Washington D.C., Natural Resources Defense Council, 1980, p.38.

actions." Foreign Assistance Act of 1961,
Section 118, amended 1978.³

International Development Cooperation Agency,
Agency for International Development,
"Environmental Procedures": "In accordance with
Sections 118(b) and 621 of the Foreign Assistance
Act of 1961, as amended, (the FAA) the following
general procedures shall be used by AID to ensure
that environmental factors and values are
integrated into the AID decision-making process.
These procedures also assign responsibility
within the Agency for assessing the environmental
effects of AID's actions. These procedures are
consistent with Executive Order 12114, issued
January 4th 1979, entitled Environmental Effects
Abroad of Major Federal Actions and the purposes
of the National Environmental Policy Act of 1970,
as amended (42 U.S.C. 4371 et seq.) (NEPA). They
are intended to implement the requirements of
NEPA as they effect (sic) the AID program."⁴

Like any bilateral development assistance agency, AID
is a creation and agent of its government. Unlike most
bilateral agencies, AID serves a government that passed
strong environmental protection legislation in the early
1970's. Not only did the U.S. government adopt a vigorous
domestic environmental protection policy, but it found
itself answerable to the courts and public interest groups
for the implementation of that policy. After AID was
challenged in the courts for failing to comply with the
National Environmental Policy Act (NEPA), it revised its
procedures, received forceful mandates from the President

3. 22 U.S.C. Sec 2151p.

4. 22 CFR Part 216, October 23, 1980.

and Congress and by 1978 was preparing the only enforceable and systematic environmental assessments of development projects in the development assistance community.

While any bilateral agency responds to the policies and laws of its government, AID's capacity to review and mitigate the potential environmental damages of its projects stems from the focus and strictness of its accountability to the various parts of government and some of its constituents. Bilateral agencies do not respond equally to all government policies nor do all their efforts to implement changes in their funding program have equal success. Minimizing environmental damages within an aid program is not an easy task, given the tendencies of bureaucracies to resist change, to avoid delays in moving money and to maintain smooth relationships with recipient governments. The story of AID's environmental assessment policy illustrates how a planning reform can overcome resistance and take hold in relation to the political and financial structure of the organization.

AID's environmental assessment procedure is the mechanism for achieving only one of the three goals in its policy for Environmental and Natural Resource Aspects of Development Assistance. The three goals are:

1. "To assist the less developed countries: [1] in

building the institutional and scientific capacity required for identifying, assessing and solving their critical environmental and natural resource problems; and [2] with establishing programs to address natural resource management problems.

2. To ensure the environmental soundness and long-term sustainability of AID assistance programs and projects.
3. To promote environmentally sound development projects funded by multilateral and bilateral development assistance organizations."⁵

The environmental assessment procedure is, however, the aspect of AID's environmental policy that came first, that is most formal and has the most effect on the regular funding program of the agency. AID's environmental staff tend to play down its significance, partly because they are aware that NEPA-style assessments are not the most effective tools for environmental planning and management of development projects, partly because they feel the overall sensitivity to environmental issues within the agency has improved so that assessments are often redundant

5. United States. Agency for International Development, "Environmental and Natural Resource Aspects of Development Assistance", Policy Determination, PD-6, Washington D.C., April 26, 1983, p.1.

and partly because they wish to emphasize both to domestic and host country audiences those aspects of their environmental policy that contribute to the program.⁶

Without the legally mandated requirement to conduct assessments, I suggest that other environmental activities would have met greater resistance within the agency and from its recipients. It is unlikely that the agency would have committed as many resources to environmental activities nor would recipients have cooperated had not the initial reform been mandatory. While it may be true that some AID missions do now integrate environmental planning on a routine basis and consequently do not need to carry out assessments, it is unlikely that this would be the case if the threat of the assessment requirement was not there.

To put it another way, had not the domestic environmental movement that backed NEPA been able to ensure compliance from AID, they would have had a far more difficult time persuading Congress to direct AID to address environmental degradation and natural resource management than they did. Once the Agency was forced to make the reforms necessary for environmental assessment procedures, promoting other environmental activities met little

6. Interview with Albert Printz Jr., Environmental Coordinator, AID, 1983.

resistance.

As I have discussed in chapter 4, this study examines how an agency's capacity to detect and correct environmental problems in its regular funding program depends on its political and financial structure. Thus, it is AID's assessment procedure, unique among development agencies, rather than other environmental activities on which I shall focus. First I shall describe the way that AID installed an environmental assessment procedure and how it evolved over time. Then I shall consider the accountability system of AID in relation to this and other planning reforms undertaken by the agency.

NEPA and Development Assistance

Soon after NEPA was enacted in 1970, AID, being a federal agency that was responsible for projects that might have environmental impacts, albeit overseas, adopted limited procedures for carrying out assessments of traditional engineering and industrial projects. In August 1970, Manual Circular 1221.2, entitled "Consideration of Environmental Aspects of U.S. Assisted Capital Projects" was issued, followed in September 1971 by Manual Circular

1214.1, "Procedures for Environmental Review of Capital Projects".⁷ AID's response to NEPA was overseen by a Committee on Environment and Development, established in May 1971.

In fact AID responded slowly and reluctantly to NEPA, like many federal agencies, believing that NEPA was domestic in intent and that the U.S. should not enforce such legislation beyond its own territory. However the Council on Environmental Quality (CEQ), fulfilling its task of securing the implementation of NEPA by federal agencies, turned its attention to AID in 1971 and even proposed amendments to the existing regulations that would extend NEPA to development assistance to the fullest extent possible in an effort to persuade AID to respond.⁸

At the same time, the Center for Law and Social Policy, a public interest lobbying organization began to apply pressure on AID to implement NEPA. This was consistent with the active support by lobbying groups for environmental legislation and their efforts to ensure that federal agencies responded to NEPA, if necessary by initiating

7. United States. Agency for International Development. "Environmental Procedures", 36 Fed. Reg. 22686.

8. Letter from Russell Train, chairman of CEQ to John Hannah, Administrator of AID, April 6, 1971.

legislation. During 1971 and 1972, there was also some Congressional interest in AID's response to NEPA. The Chairman of the Subcommittee on Fisheries and Wildlife Conservation of the House Committee on Merchant Marine and Fisheries requested information from AID on what steps had been taken in compliance with NEPA. AID submitted a package of materials in January 1972 that included the AID Manual Circulars, mentioned above, an environmental activities report, case studies of the environmental impact of development projects and details of the AID pesticide review panel.⁹

However, according to one of the Center for Law and Social Policy attorneys, AID was stalling and seemed unprepared to take any firm action, particularly in relation to one of the Center's main concerns, namely pesticide use.¹⁰ AID considered the possibility that it would be the subject of litigation but thought it less likely as time went on. The Center continued to apply pressure, especially on the subject of pesticides. In April 1973, the Center objected to AID's response on the

9. These materials were included in United States Congress. House. Subcommittee on Fisheries and Wildlife Conservation of the Committee on Merchant Marine and Fisheries, Administration of the National Environmental Policy Act, 1972. Hearings, 92nd Cong. 2nd Sess. 92-25, Washington D.C., Government Printing Office, 1972, pp.1687-1763.

10. Interview with Elton Greenberg, April 1984.

following grounds:

1. the environmental regulations only applied to capital projects, which were less significant in AID's program than before;
2. there had been no compliance with respect to financing commodities, such as pesticides, or technical assistance;
3. there was no public input into the internal review of pesticide use that was undertaken;
4. in the two years since the regulation were adopted there had not been a single EIS.¹¹

In 1974, the focus on AID's pesticide program intensified on the part of both the Center for Law and Social Policy and the CEQ. However, there was little response from AID. By 1975 the environmental organizations, concerned with the implementation of NEPA, came to the realization that AID would not comply voluntarily and decided to file a suit. According to one of the attorneys at the NRDC, which was among the plaintiffs, the environmental organizations had concluded that filing a

11. Letter from Richard Frank, Center for Law and Social Policy, to James Fowler, Executive Director, Committee on Environment and Development, AID, April 19, 1973.

suit would not inhibit any voluntary compliance since almost none was forthcoming and that AID's inertia stemmed from its view that there was no longer a threat of a suit.¹²

In mid 1975 a consortium of environmental organizations brought a suit against AID, citing the failure to prepare an EIS on the financing of pesticide sales overseas and the failure to establish procedures for systematic review of all AID projects and programs.¹³ By this time, 1975, the New Directions mandate was in effect and AID was preparing few of the traditional capital projects that the original procedures addressed.

Once the suit was filed, AID settled very easily. The agency was quite shocked to discover that litigation had in fact been initiated and proved willing to negotiate with the environmental lobbies and the CEQ. There was growing interest in Congress at the time in the quality of the development assistance programs and AID did not want to provide Congress with more reason to question its

12. Interview with Jacob Scheer, NRDC, April 1984.

13. Blake et al., op. cit., p.38. Pesticides had, of course, played an important role in focusing support behind NEPA.

14. Interview with Elton Greenberg, formerly of the Center for Law and Social Policy, April 1984.

operations.¹⁴

By August 1975, AID issued Environmental Policy Determination 63, but CEQ and the environmental organizations did not find it satisfactory. In December 1975, the parties agreed to a settlement. AID undertook to prepare new regulations for implementing the intent of NEPA, a programmatic Environmental Impact Statement on AID's pesticide program, interim pesticide regulations and eventually final pesticide regulations.¹⁵ These new environmental procedures were issued in June 1976.¹⁶ The settlement also prompted the Agency to issue an Environmental Policy Determination that undertook to "assist in developing the indigenous capabilities of developing countries" to assess and mitigate environmental effects of projects and to assess and mitigate the effects of proposed AID projects in conjunction with the host government.¹⁷

Some of the same environmental lobbies that had brought the suit against AID believed it was necessary to supplement the environmental regulations with a

15. Blake et al., op. cit., p.38.

16. 22 CFR Part 216. 1978.

17. United States. Agency for International Development, "Environmental Policy Determination", PD-63, 1975, p.1.

Congressional mandate for AID to promote and support environmental protection and natural resource management. One of the NRDC attorneys cites the case of a request by the Costa Rican government for assistance for its national park program which AID declined on the grounds that it had no authority to fund such activities.¹⁸ NRDC and other environmental organizations lobbied the House Foreign Affairs Committee and enlisted the support of Senator Pell and Congressman Solarz who played key roles in drawing up the 1977 amendments to the Foreign Assistance Act. These efforts met little resistance from AID or other interests and thus a specific mandate for environmental protection and natural resource management came about. The Foreign Assistance Act (FAA) amendments of 1977 contained a new section, Section 118, that called upon AID to:

"Furnish assistance...for developing and strengthening the capacity of less developed countries to protect and manage their environment and natural resources. Special efforts shall be made to maintain and where possible restore the land, vegetation, water, wildlife and other resources upon which depend economic growth and well-being, especially that of the poor."¹⁹

Soon after, in 1978, the Congress amended Section 102 of the FAA directing AID to include environment and natural

18. Interview with Jacob Scheer, NRDC, April 1984.

19. 22 U.S.C. Sec. 2151p.

20. 22 U.S.C. Sec. 2151-1

resources in the list of "critical problems" to address.²⁰
At the same time, it amended Section 118 of the same act to
legally oblige AID to consider the environmental impacts of
all its development assistance activities:

"In carrying out programs under this chapter,
the President shall take into consideration the
environmental consequences of development
actions."²¹

Finally, President Carter reaffirmed the
extra-territoriality of NEPA, (already fairly clear to AID)
in Executive Order 12114 in 1979.²²

Although the original suit had cited the failure to
adopt adequate environmental impact assessment procedures,
the 1975 policy determination, the Congressional mandates
in 1977 and 1978, and a subsequent 1978 policy
determination²³ all embraced a wider environmental and
natural resource management policy than simply
environmental assessment of projects. For instance, the
1978 amendments to Section 118 of the FAA also said:

In furtherance of the purpose of this
section, the President shall carry out studies to
identify the major environment and natural

21. 22 U.S.C. 2151p.

22. Executive Order 12114, "Environmental Effects Abroad of
Major Federal Actions", Jan. 4th, 1979, 44 F.R. 1957.

23. United States. Agency for International Development,
"AID Policy on Environment and Natural Resources," (May 15,
1978) in AID Handbook No. 1, Supplement A-38, 1978.

resource problems, and the institutional capabilities to solve those problems, which exist in developing countries. The results of these studies shall be reported to the Congress by March 1, 1979."²⁴

Congress also mandated AID to address the problems of deforestation and soil erosion within the part of its budget allocated to "Agriculture, Nutrition and Rural Development."²⁵ The 1978 policy statement lists new categories of assistance, AID expected to provide, "reforestation, watershed protection, wildlife protection, wildlife preservation, improvement in the physical environment, environmental education and institution strengthening." It also commits the Agency to training its own personnel, drawing upon the expertise of other federal agencies and cooperating with non-governmental organizations and other international donors.²⁶

The scope of the mandates and policy statements thus combines the codification of AID's responsibilities under NEPA with a more developmental mandate in line with the "New Directions" and basic needs orientation of the

24. 22 U.S.C. Sec. 2151p. See United States. Agency for International Development, Environmental and Natural Resource Management in Developing Countries : A Report to Congress, Volume I: Report, Washington D.C., 1979.

25. 22 U.S.C. 2151a.

26. United States. Agency for International Development, "AID Policy on Environment and Natural Resources", 1978, p.2.

development assistance program. Furthermore President Carter lent more weight to the responsibility of the U.S. for the environmental impacts overseas of any major federal actions, a statement designed to reaffirm the intent of NEPA towards the world wide environment but which reinforced the developmental mandate for environment and natural resources with which it coincided.²⁷

It is likely that AID policy makers found a mandate for including environment and natural resources in their functional sectors more palatable than the precise commitments to carry out assessments. Many AID staff members, especially in the field, probably felt that NEPA-style impact statements were not suited to AID's goals and operating style and would be hard to implement in developing countries.²⁸ Attention to severe environmental degradation and natural resource management problems in developing countries, however, converged with and was included in AID's main policy paper of that period.²⁹

27. Executive Order 12114, op. cit.

28. These views were expressed by AID Washington environmental staff and consultants hired by AID to carry out environmental assessments when interviewed in 1980 about the implementation of the assessment procedures up to that point.

29. United States. Agency for International Development, "A Strategy for a More Effective Bilateral Development Assistance Program: AID Policy Paper", Washington D.C., March 1978.

At first, the bulk of AID's effort was devoted to fulfilling the assessment requirements. AID's Environmental Coordinator estimates that, during the period 1976-1979, 90% of environmental staff effort was taken up with assessments, dropping to 60% during 1979-1981 and 20% since 1981.³⁰

Implementing the environmental assessment regulations required considerable reforms within AID. The Agency had to recruit staff members with the appropriate experience³¹; it had to identify eligible consulting firms and contractors from universities qualified to prepare assessments³²; AID appointed three Indefinite Quantity Contractors (IQC)

30. Printz, Albert, Presentation to Talloires Seminar, May 1984.

31. AID appointed an Environmental Coordinator, since 1978 located in the Bureau for Program and Policy Coordination, Environmental Officers for the regional bureaus and eventually an Environmental Protection Specialist in the Office of Science and Technology within the Development Support Bureau. Also each Mission was required to designate an Environmental Officer, in addition to other duties and usually without prior environmental knowledge and experience. See Blake et al., op cit, pp.184-193.

32. Title XII of the FAA requires AID to make use of land-grant colleges for appropriate services. 22 U.S.C. 2220a Sec.312 of Public Law 94-161. Other regulations apply to hiring minority and small firms for consulting services.

initially to carry out environmental services not all of which proved successful; in 1979, six IQC's were appointed with better prospects of success³³; in addition to the statutory restrictions, there was a shortage of U.S. consulting firms with both environmental assessment and overseas development experience³⁴; AID had to educate its regional bureaus and Missions about the regulations and prepare procedural and technical guidance.³⁵

The quality of the first generation of environmental assessments was not high and certainly not of much value in improving the preparation of the projects concerned. In the words of AID's Administrator, testifying to Congress in 1982:

"At first the assessments took on some of the characteristics of the early NEPA impact statements--separate documents prepared by a visiting team, performed often after the project planning was well under way, and highly duplicative of material presented elsewhere in

33. See Blake et al., op. cit., pp.214-215.

34. See Horberry, John and Brian Johnson, The Environmental Performance of Consulting Firms in Development Aid, International Institute for Environment and Development, London, 1981, pp.67-69.

35. The regulations were quite complex, involving an Initial Environmental Examination, a Threshold Decision, and the possibility of an Environmental Assessment or Environmental Impact Assessment to be integrated with the project review process and involving division of responsibility between mission and Washington staffs. See Blake et al., op. cit., pp.39-42.

the project documentation.³⁶

In a study of the environmental policies, procedures and performance of AID, carried out in 1978-1979 by the Natural Resources Defense Council as part of a six country comparative study of bilateral aid agencies by the International Institute for Environment and Development, the authors came to the following conclusions about the early environmental assessments:

- the programmatic EIS on AID's Pest Management Program resulted in significant changes in AID's operations. (This had been the main cause of the law suit in 1975.)
- Several other assessments had positive effects on the design of the projects.
- The procedures had increased the sensitivity of AID staff members to environmental problems, brought about environmental training and demonstrated the need for technical guidance.
- Initial implementation difficulties included : poor knowledge within the Agency about the procedural and

36. Peter McPherson, "Prepared Statement of the Administrator, Agency for International Development", in United States Congress. House. Subcommittee on Human Rights and International Organizations of the Committee on Foreign Affairs, Review of the Global Environment 10 Years after Stockholm Hearings, 97 Cong. 2nd sess. Washington D.C., Government Printing Office, 1982, p.34.

technical requirements; inexperienced contractors; inadequate review of assessments; IEE's were more procedural than substantive and provided an inadequate basis for judging the need for further assessment; resistance from the field staff; poor guidance from Washington to the field staff; excessive emphasis on the procedural requirements, leading to unnecessary length and poor focus on potential problems; inadequate integration with project design and insufficient attention to measures to alleviate specific site impacts; preparation too late to contribute to the Project Paper.³⁷

In 1983, I reviewed about twenty early Environmental Assessments to see whether they identified specific environmental problems and, if so, whether they recommended changes in project design. It was clear that most Environmental Assessments of that period were isolated from the project design process, did not present any analysis of alternative design features or implementation measures and contained much irrelevant, descriptive information. Nor was it clear from reading them what potential problem had provoked a judgement that an assessment was needed. Subsequent interviews with the current regional bureau

37. Blake et al., op. cit., pp. 43-53.

Environmental Officers confirmed the conclusion that few of the early assessments had influenced project design at all.³⁸ Many had simply concluded that no problems were likely, which may have been true; others were attached to Project Papers to satisfy the procedural requirement. This is not the place to argue whether the environmental consequences of the projects bore out the conclusions of the assessments. I do want to note that few assessments focussed on whatever potential problems had been initially identified and few were integrated with the project design process.

The recipient governments were indifferent to the environmental procedures as long as the studies did not consume their funds. Any resistance on their part could, however, be overcome by AID by arguing that U.S. law required the assessments before the funds could be released. Mission staff members, whether they approved of assessments or not, had no choice but to comply with the

38. This brief review of the early assessments and follow-up interviews with regional Environmental Officers had the purpose of collecting information on cases of project design being changed on the basis of Environmental Assessments. The staff interviewed were able to give examples of recent assessments that had significantly improved project design. See Horberry, John, Status and Application of Environmental Impact Assessment for Development, (Report to the Bundesministerium fur Wirtschaftliche Zusammenarbeit, Federal Republic of Germany), Gland, International Union for Conservation of Nature and Natural Resources, 1984, pp.49-50

procedures at least. The Washington staff members may not all have welcomed the new policy, but had mandatory regulations to back up the necessary reforms. Once several staff members were in place and had gained some experience, it was clearly in their interest to improve the implementation of the regulations. It was unlikely that NEPA would be repealed, and Congress supported AID's assistance for environment and natural resources.

The first steps toward improving the assessment procedures took the form of improved technical guidance, programmatic environmental assessments of a class of projects, and the preparation of design criteria for specific types of projects. Some efforts were made to increase the participation of recipient country officials as opportunities presented themselves. For instance, environmental consultants were placed in AID missions in Indonesia and the Philippines. Local organizations were encouraged to cooperate in carrying out assessments in these two countries. In India the mission identified and evaluated a number of consulting organizations for possible involvement in the preparation of assessments.³⁹

Finally, the Agency revised its formal procedures in

39. Blake et al., op. cit., pp. 53-57.

line with the revisions to the CEQ regulations for preparing EIS's under NEPA.⁴⁰ As the Administrator has put it:

"The revised procedures, which became final (on October 23, 1980) introduced some appropriate flexibility in the environmental evaluation process and reduced the potential for delays in processing. They eliminated from the requirement of environmental review, categories of projects with little or no likelihood of environmental impact. Conversely, the procedures identified types of projects which most likely result in significant adverse impact which will always need further environmental study. For these projects, the procedures established a process of working with the host country to define, at an early stage, the likely areas of significant adverse impact to be fully evaluated during subsequent stages of project preparation. The procedures also now recognize the appropriateness of using some common design criteria for activities with predictable impacts or requiring a straightforward environmental review and encourage the participation of local or host government expertise as a means of strengthening their capabilities in this area."⁴¹

In addition AID was able to improve the image of environmental assessments within the Agency and gain very valuable experience in two ways. One was the stream of capital projects in the Near-East region under the Economic Security Assistance program. Examples are the Maquarin Dam

40. 22 CFR Part 216; See also United States. Agency for International Development, "Memorandum for the executive staff, mission directors and environmental officers from Albert Printz, Jr., Environmental Affairs Coordinator on Revised Environmental Procedures and Project Design Criteria", January 22, 1981.

41. McPherson, op. cit., pp.35-36.

and Jordan Valley Irrigation System in Jordan and the Alexandria and Greater Cairo Wastewater System in Egypt. The scale and complexity of these assessments required hiring large experienced consulting firms and, although there have been difficulties, it has been possible to benefit from the experience. The AID staff members concerned have become better at ensuring that recipient agencies participate in scoping the assessment with the consultants, that the consultants focus on alternative design options and that the assessment results in an agreement between AID and the recipient to avoid or mitigate potential problems.⁴²

The most recent Environmental Assessment completed in 1982 of the Greater Cairo Wastewater System : West Bank included a serious comparison of alternative options and their economic, reliability, public health and institutional implications and proposes a mitigation plan to be negotiated with the recipient government.⁴³

The other source of experience and improved performance

42. Interview with Stephen Lintner, Near-East Bureau Environmental Officer, AID, 1983.

43. Interview with Stephen Lintner, Near-East Bureau Environmental Officer, AID, 1983; Interviews with staff of Arthur D Little, Inc, and Camp Dresser McKee, 1981: see Stanley Consultants, Environmental Assessment of Greater Cairo Wastewater System : West Bank, 1982.

was the practice of funding the Environmental Assessment of large multi-donor projects that AID was not otherwise involved with or was only funding a small part. The first case, that of Senegal River Basin Development scheme, a project jointly implemented by three governments, was an enormous and not particularly successful effort started in 1977. The intergovernmental development authority had little sympathy or capacity for solving the likely environmental problems and neither AID or the consulting firm had the necessary experience for such a difficult and complex task.⁴⁴ The Environmental Assessment of the Mahaweli development scheme in Sri Lanka was much more successful, judging by the adoption by the relevant Sri Lankan authorities of an environmental mitigation implementation plan resulting from the assessment. The assessment and plan of action were carefully integrated with the complex project planning and implementation

44. Interview with staff of Gannett, Fleming, Corrdry and Carpenter, Inc, 1981; interview with Jim Sherbourne and George Thompson, Environmental Officers, Africa Bureau, AID, 1983; see Gannett, Fleming, Corrdry and Carpenter, Inc, Assessment of Environmental Effects of Proposed Developments in the Senegal River Basin, 1981.

process and the effort was managed in close cooperation with the Sri Lankan authorities.⁴⁵

Since the new regulations of 1980, the environmental staff officers of AID, who have not been reluctant to admit the difficulties of the system in the past are pleased with the benefits that environmental assessments have delivered to the design and management of projects and the serious mistakes thus avoided. The environmental officers also report that in recent years, the effort of complying with the regulations has become more a positive contribution to project preparation. Missions understand the requirements better and have better guidelines to assist them in carrying out the various stages of the environmental procedures. There is greater emphasis on effects that will cause "significant" harm to the environment and engaging the host country officials in "scoping" the assessment. There is also a greater inclination on the part of mission staff to anticipate recurrent environmental problems in the early stages of project preparation in order to demonstrate at the stage of the Initial Environmental Examination that

45. Interviews with staff of Tippetts-Abbett-McCarthy-Stratton, 1981 and 1982; interviews with Mike Philley, Asian Bureau Environmental Officer, 1982 and 1983; see Tippetts-Abbett-McCarthy-Stratton, Environmental Assessment and Environmental Plan of Action: Accelerated Mahaweli Development Programme, 1981

an assessment is not needed.⁴⁶

AID supports other environmental activities, such as training, institution-building, the national environmental profiles program, implementation support (by means of the IIED/IUCN Joint Environmental Service Environmental Planning and Management Program), and direct funding for forestry, natural resource management, and environmental improvement. Looking at the whole picture, AID's current environmental activities bear the hallmark, not of an unwanted domestic legal requirement but an integrated developmental concern that addresses the resources and management strategies on which so many of the rural poor in developing countries depend.⁴⁷ The 1981 amendments to the FAA and AID's 1983 policy determination reflect this more balanced approach that includes a relatively well integrated assessment procedure but places more positive

46. Interviews with regional bureau Environmental Officers 1983; interviews with Asian Bureau Regional Mission Environmental Officer, Indonesia Mission and Environmental Officer, Philippines Mission, 1982; see also McPherson, op. cit., p.36-38. See United States Agency for International Development. "Environment Sector Strategy Paper", Washington D.C., December 1982, p.2 for a current statement of the environmental assessment process for Mission staff.

47. See McPherson, op. cit., pp.39-64, for a full account of AID's direct assistance for environment and natural resources. These have risen from \$13 millions in FY1978 to an estimated \$120 millions in FY1984; United States Agency for International Development, Congressional Presentation, Fiscal Year 1984, Main Volume, Washington D.C., 1983, p.234.

emphasis on directing some of the available development assistance resources to environmental and natural resource programs of relevance to the recipient governments.⁴⁸ The 1982 Environment Sector Strategy Paper says:

"The strategy to implement AID [environmental] policy has six components which should be viewed as a mutually reinforcing set of activities: environmental analysis, improving host country environmental policy, building human and institutional capabilities, technology and information transfer, environmental⁴⁹ research, and cooperation with other donors.

The current picture, in mid 1984, owes more to a developmental mandate than to NEPA - or so it appears. But, without NEPA, its supporters and their attention to AID, it is unlikely that the necessary reforms to the review process would have been accepted, or that the Congress would have developed the mandate, or that the necessary expertise would have been put in place, or that the missions would have appointed environmental officers however inexperienced and uninterested, or that many governments would have cooperated with AID in preparing projects that focussed on environmental and natural

48. 22 U.S.C. Sec 2151p; United States. Agency for International Development, Environmental and Natural Resource Aspects of Development Assistance, PD-6, April 26, 1983.

49. United States. Agency for International Development. "Environment Sector Strategy Paper", Washington D.C., December 1982, p.1.

resource issues.

The Political and Financial Structure of AID?

AID is a federal agency of the United States Government. It is responsible for most of the non-military bilateral assistance that the U.S. provides to other countries. Its Administrator reports to the Secretary of State on matters of policy and budget while retaining authority over day-to-day operations. As part of the federal administration, it is ultimately responsible to the President who appoints the Administrator and many of the senior officers and sets the broad policies for its operations.

Other federal agencies, particularly the State, Treasury and Commerce Departments play a role in defining AID's policies, influencing its decisions and requiring certain types of performance. The Office of Management and Budget oversees the disbursement of the funds on behalf of the administration and promotes the interests of cost-effectiveness and financial control.

The Congress appropriates the funds that AID spends. The appropriations request that the Congress requires AID to submit is extremely detailed and the appropriate

committees review some individual activities and even some projects before approving the funds. In a comparison of aid procedures of Development Assistance Committee members, the OECD reports that "the American Congress requires detailed breakdowns of aid activities and their estimated costs as part of the budgetary cycle, thereby authorizing AID to approve individual projects or activities."⁵⁰ The Congress oversees AID's activities closely and can summon its Administrator or other senior officials to testify in front of a number of Congressional Committees. The General Accounting Office monitors AID's disbursement program on behalf of the Congress.

Table 9. TOTAL U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT COMMITMENTS. U.S. \$ millions.

Fiscal Year:	1977	1978	1979	1980	1981	1982
	3181	4082	3848	4062	4209	4990

Source: United States. Agency for International Development, U.S. Overseas Loans and Grants and Assistance from International Organizations, Washington D.C., 1982.

 50. OECD, Compendium of Aid Procedures: A Review of Current Practices of Members of the Development Assistance Committee, Paris, Organization for Economic Cooperation and Development, 1981, p.22.

AID's budget consists of the development assistance account and the Economic Security Assistance program or Security Supporting Assistance as it was formerly known, which is spent to promote U.S. security interests in selected nations.

The main development assistance program of AID, about \$1350 million in FY 1984, comprises six functional areas: agriculture, rural development and nutrition; population planning; health; education and human resources; energy, private voluntary organizations and selected development activities; science and technology.⁵¹ The development assistance account includes several other items such as the Sahel Development Program, American Schools and Hospitals, International Disaster Assistance, operating expenses and U.S. contributions to multilateral organizations, amounting to about \$450 million.⁵² The Economic Security Assistance program, while comprised mainly of cash and commodity import support, does include some traditional capital

51. United States. Agency for International Development, Congressional Presentation, Fiscal Year 1984. Main Volume, Washington D.C., 1983, p.5.

52. ibid.

TABLE 10

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
 AGENCY FOR INTERNATIONAL DEVELOPMENT
 PROGRAM TRENDS: FY 1980-1983
 US\$ millions

	FY 1980 actual	FY 1981 actual	FY 1982 est.	FY 1983 est.
Functional Development Assistance:				
Agriculture, Rural Development and Nutrition.....	630.8	652.6	700.5	700.0
Population Planning.....	184.9	189.9	211.0	201.0
Health.....	129.9	143.3	133.7	114.1
Education and Human Resources Development.....	97.8	102.7	103.8	116.4
Energy, Private Voluntary Organizations and Selected Development Activities.....	119.8	112.9	138.1	156.7
Science and Technology.....	<u>----</u>	<u>11.9</u>	<u>10.0</u>	<u>10.0</u>
SUBTOTAL, Functional Accounts.....	1,163.4	1,213.3	1,297.1	1,298.2
(Grants, included above).....	(726.6)	(826.3)	(906.3)	(905.8)
(Loans, included above).....	(436.7)	(387.0)	(390.9)	(392.5)
Sahel Development Program.....	76.5	95.6	96.2	93.8
American Schools and Hospitals Abroad.....	25.0	20.0	20.0	7.5
International Disaster Assistance..	55.9	51.5	73.2	25.0
Miscellaneous Prior Year Accounts..	<u>----</u>	<u>2.1</u>	<u>1.8</u>	<u>----</u>
SUBTOTAL, Functional and Other.....	1,320.8	1,382.5	1,488.3	1,424.5
Operating Expenses.....	273.0	302.8	333.0	377.0
Foreign Service Retirement Fund....	<u>26.7</u>	<u>27.8</u>	<u>33.6</u>	<u>35.4</u>
TOTAL, AID DEVELOPMENT ASSISTANCE..	1,620.5	1,713.2	1,854.9	1,836.0
Economic Support Fund.....	<u>2,158.1</u>	<u>2,199.3</u>	<u>2,564.0</u>	<u>2,886.0</u>
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT.....	3,778.7	3,912.5	4,418.9	4,722.9

Source: United States Agency for International Development,
Congressional Presentation, Fiscal Year 1983, Main Volume,
 1982. These totals do not include contributions to
 multilateral organizations.

projects, particularly in the Middle East which are of relevance to this study because of their environmental implications.⁵³

The broad policy objectives that have shaped the development assistance program over the past decade are set out in the 1973 "New Directions" and 1978 "basic human needs" amendments to the Foreign Assistance Act, namely to reorient assistance towards alleviating poverty and inequitable income distribution and to meet the basic needs of the poor, with an emphasis on food production and rural development.⁵⁴ Additional amendments call attention to environment and natural resources, appropriate technology, women in development, energy and assisting the private sector.⁵⁵

The development assistance account is appropriated for

53. Between 1975 and 1979, 15% of the economic security assistance program was for project aid, according to AID figures quoted in Congressional Budget Office, Assisting the Developing Countries: Foreign Aid and Trade Policies of the United States, Washington D.C., Government Printing Office, 1980, p.20.

54. 22 U.S.C. Sec. 2151 (a) & (b); U.S.C. Congressional and Administrative News, 1973, pp.2806-2867 & 1978, pp.2354-2356, 2368-2370; see also Hough, Richard, Economic Assistance and Security: Rethinking U.S. Policy, Washington D.C., National Defense University Press, 1982, pp.59-64, for an elaboration of Basic Human Needs goals.

55. See 22 U.S.C. Secs. 2151p, 2151n, 2151k, 2151n, 2151q, 2151u.

the "functional" sectors listed above, and regional bureaus receive allocations to be distributed among the missions according to their submission of proposals. Following the "New Direction" and "basic human needs" amendments, most of the development assistance account goes to the poorest people in the poorest countries, and is made available at highly concessionary rates.⁵⁶

The organization is more decentralized than other development assistance agencies (with approximately 42% of its total staff based in overseas missions, compared to the next highest, the EEC, with 36% and France, 27%)⁵⁷ and missions enjoy considerable discretion. Since 1979 mission directors have the authority to approve projects having a total value of up to \$5 million over the life of the project.⁵⁸

56. 42% of AID's development assistance request for FY1984 was to be allotted to countries with per capita incomes under \$375 and 75.5% to countries with per capita incomes under \$795; United States. Agency for International Development, Congressional Presentation, Fiscal Year 1984 Main Volume, Washington, D.C., 1983, p.10. The grant element of total U.S. official development assistance was 93.4% in 1981; Development Assistance Committee, Development Cooperation: 1982 Review, OECD, Paris, 1982 p.222.

57. OECD, op. cit., p.32.

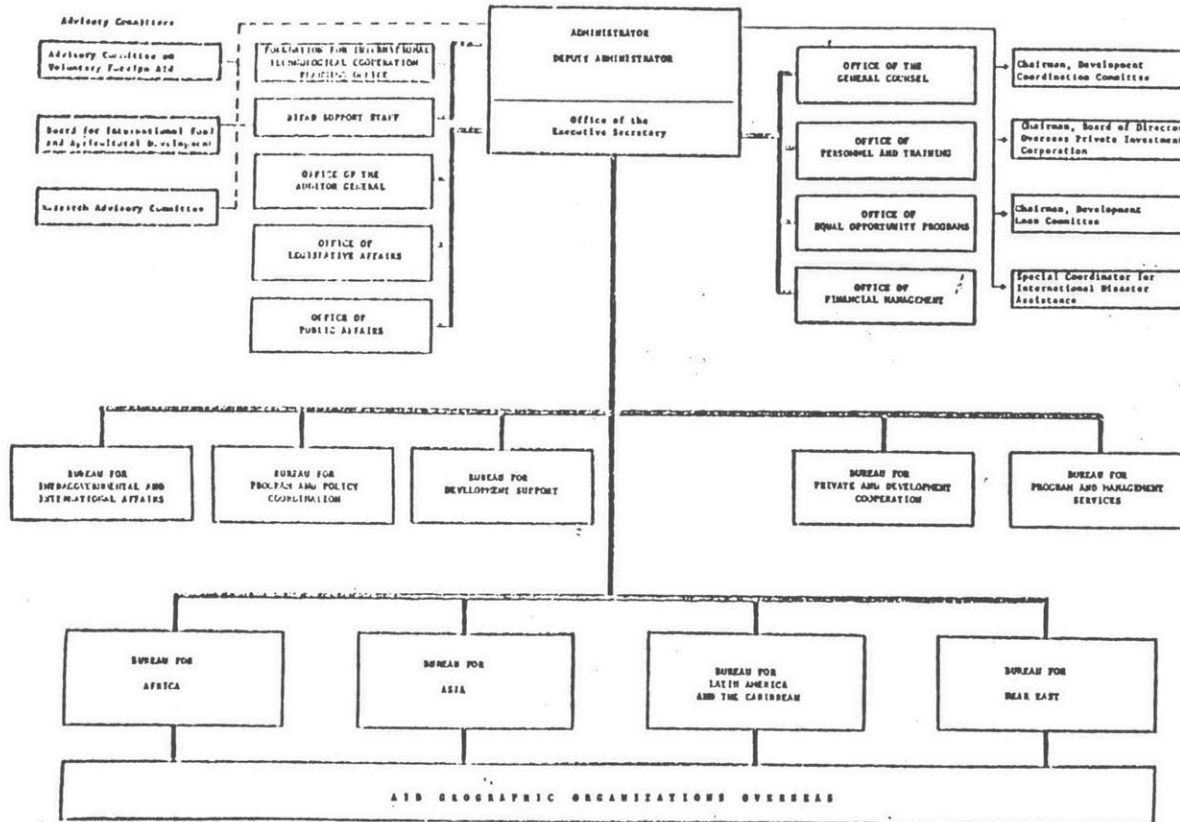
58. Mickelwait, Donald et al., New Directions in Development: A Study of U.S. AID, Boulder, Westview Press, 1979, p.xix.

The formal procedures for development, review and approval of projects govern the responsibilities of missions and headquarters for adequately preparing the project before approval. In brief, missions receive requests from recipient governments, (or identify projects jointly with the government, for instance, in the course of preparing the annual Country Development Strategy Statement). The mission then prepares a Project Identification Document for each of the projects it proposes to develop, and submits them to the regional bureau and policy bureau in Washington for review. When Project Identification Documents are approved, they are incorporated into the mission's contribution to AID's Annual Budget Submission, which is submitted to the Office of Management and Budget and ultimately to Congress for approval of funds. Meanwhile once the Project Identification Document is approved, the mission and regional bureau can start to prepare a Project Paper representing the full analysis and design of the project. Final approval of the Project Paper by Washington allows a Project Agreement to be drawn up between AID and the government. It usually takes at least 2 years from Project Identification Document to implementation, and sometimes considerably longer.

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original.

TABLE 11

Agency for International Development



AID's Accountability System.

The distinctive characteristic of the AID case is that the agency has adopted a mandatory environmental assessment requirement. I have described above how this came about as a result of domestic legislation and the efforts of environmental organizations to ensure AID's compliance. Given the focus of my analysis, the simple answer to the question of how the political and financial structure of AID determines its capacity to assess the environmental effects of its funding program must surely rest with the government's power to extract accountability from the agency via regulatory legislation and Congressional mandate. The issue is, however, more complex, and below I expand on the accountability system AID faces, how it affects the operations of the agency and (in the final section), how environmental assessment is influenced by this accountability system in comparison with other policy objectives.

Naturally enough, AID's accountability derives from its status as a government agency. Thus, at the most superficial level, AID is accountable to the Executive, Congress and the Judiciary for enhancing the political, economic and humanitarian interests of the United States by transferring development assistance to poor countries

according to its legislative mandate and relevant regulations. Obviously, the pattern and content of AID's accountability to the U.S government is more complicated. The various parts of the government seek different goals, by different mechanisms and with a different amount of consistency and influence.

An investigation of AID's accountability should reflect its mission and objectives. Although foreign assistance is not popular with the electorate, it is generally assumed that the Executive and Congress value foreign assistance as a means of enhancing global, strategic and economic security in the interests of the U.S., of fulfilling its economic and humanitarian responsibility to the poorest countries, of securing strategic and economic advantages in particular countries and regions, and of promoting U.S trade and commercial interests abroad.⁵⁹

Since my focus is on the development assistance program, the significance of specific political interests is small. The Economic Security Assistance program is specifically intended to serve U.S. security objectives by channelling assistance, mainly non-project funds, to

59. Hough, op. cit., pp.57-74; Congressional Budget Office, op. cit., pp.11-27.

60. Hough, op. cit., p.72.

countries of special importance to U.S. foreign policy.⁶⁰ The development assistance appropriation, on the other hand, is requested by sector, not country, and is distributed among a wide range of recipients.⁶¹ It also, pursuant to the FAA, must be allocated according to the need of the recipients and the commitment of the host government to addressing basic human needs.⁶² Financial and economic interests are also of little significance. Unlike some other bilateral agencies, there is little explicit effort to pursue specific trade advantages by targeting assistance to certain countries, even though most assistance is tied to the purchase of U S goods and services.⁶³ Also because most assistance is in the form of grants or soft loans, there is little emphasis on creditworthiness or ensuring an adequate economic or

61. idem, pp.31-37, 60; Congressional Budget Office, op. cit., pp.4-5, 15-21.

62. 22 U.S.C. Sec. 2151-1(b)

63. In 1981, 28.3% of grants and 35.6% of loans in the total U.S. foreign assistance budget were untied Development Assistance Committee, op. cit., p.192.

financial return. In fact, AID's development assistance mandate specifies the "needs" and "commitment" criteria for selecting recipients and projects.⁶⁴

The dominant mission for the development assistance program is to deliver developmental benefits as is indicated by the Foreign Assistance Act of 1961 and Congressional concern for the contribution of development assistance to alleviating poverty and correcting inequitable income distribution.⁶⁵ What one needs to ask is - to what extent is this reinforced or contradicted by the accountability system?

Before discussing in more detail how the government holds AID accountable, it is worth adding some perspective to this view of the goals of development assistance program. Development assistance's share of the budget has declined relative to Economic Security Assistance over the past decade, indicating that the Executive, with the approval of Congress, has preferred to allocate foreign

64. Hough, op. cit., p.63.

65. 22 U.S.C. Sec. 2151, 2151-1; U.S.C. Congressional and Administrative News, 1978, pp.2354-2356 & 2368-2370. See also, Hough, op. cit., p.60.

66. During 1970-1979, the Economic Security Assistance tripled and the development assistance program fell slightly in constant dollars, Congressional Budget Office, op. cit., pp.6-7.

assistance in support of non-developmental policies.⁶⁶ Nor is there much evidence of the Executive's direct concern for developmental impact. John Sewell of the Overseas Development Council reports that most developmental initiatives have come from Congress and been resisted by the administration.⁶⁷ The Executive's policies reflect the major foreign policy objectives of aid, certain domestic policies that should be adhered to, such as a focus on the private sector, and the administrative aspects of the program. Finally, Congress contains both supporters and opponents of development assistance. While some members have steered the legislation towards a more developmental focus, others have sniped at AID's budget and performance and tolerate it only when convinced of direct commercial and political gains to the U.S.⁶⁸

But, given that the main objective of the development assistance program is to achieve developmental benefits, how is AID held accountable and by whom? First, AID is accountable through its Administrator to the Executive and the Administration. The President has the authority to issue Executive Orders governing or affecting AID's

67. Sewell, John and the staff of the Overseas Development Council, The United States and World Development Agenda 1980, New York, Praeger, 1980, p.114.

68. Hough, op. cit., p.58.

operations and to demand accountability for their implementation. He also appoints the Administrator and other senior officials. The State Department, although it exercises most influence on the Economic Security Assistance program, takes some interest in how the development assistance budget is spent and may intervene if foreign policy is at stake. The Treasury and Commerce Departments exercise some influence over AID's operations and decisions in the interest of balance-of-payments and trade. The Agriculture Department has a special interest in food aid. Finally, the Office of Management and Budget oversees cost-effectiveness, program development and policy formation.

Thus, from the Executive and Administration side of the government, holding AID accountable mainly forces AID to serve the interests of the President and the other federal agencies.⁶⁹ Only Presidential Executive Orders and the responsibility of AID's Administrator to implement them could be construed as having the potential to enforce development assistance objectives. But, in practice, this channel is usually dictated by administrative and domestic interests not specifically aimed at the development

69. Tandler, Judith, Inside Foreign Aid, Baltimore, Johns Hopkins University Press, 1975, pp.43-47. Tandler illustrates how vulnerable AID is to its critics within the Administration.

assistance program.⁷⁰ However, such accountability has the potential to be both strict and penetrating.⁷¹ AID cannot ignore the demands of other federal agencies or the government watchdogs, and has to present information on the results of projects, for instance the effects on balance-of-payments or cost effectiveness.⁷² It must also comply with government regulations concerning the use of private voluntary organizations, small and disadvantaged contractors and land-grant universities (Title XII)

70. See U.S.C. Congressional and Administrative News, generally, for Executive Orders that pertain to the FAA. Most concern the administrative provisions for the foreign assistance program.

71. Tendler argues that AID's operations are significantly conditioned by the need to comply with demands and policies of other agencies, op. cit., pp. 47-50.

72. For instance, the General Accounting Office conducted a study of AID's cost-effectiveness and management recently; see United States Congress. House. Subcommittee on Legislation and National Security of the Committee on Government Operations. AID's Administration and Management Problems in Promoting Foreign Economic Assistance. Hearings, 97 Cong. 1st sess., Washington D.C., Government Printing Office, 1981, passim.

73. See 22 U.S.C. Sec 2151 for reference to the need for increased minority participation in foreign assistance activities, referring to Sec. 133 of PL95-88, and 22 U.S.C. Secs. 2351 and 2352 for promoting the private sector and small and minority business respectively; Title XII of the Foreign Assistance Act directs AID to make more extensive use of U.S. land-grant, sea-grant and other qualified colleges and universities to carry out foreign assistance programs, see United States. Agency for International Development, Congressional Presentation. Fiscal Year 1984. Main Volume, Washington D.C. 1983, pp. 206-209 for an account of the Title XII program.

services.⁷³

AID is also accountable to the Congress. The Congress plays an active role in setting the economic and developmental policies of AID and can demand some account of AID's performance via its committees. It also reviews AID's performance with respect to items of the Congressional mandate, such as human rights, the private sector, population programs, women in development and involvement of private voluntary organizations.⁷⁴ However, this is an uncoordinated and diffuse process. There are numerous committees that concern themselves with AID's performance in some way or other, each with a particular orientation or perspective. According to Sewell, 10 different Congressional committees and subcommittees

74. See recent House and Senate Appropriations Committee, Foreign Assistance and Related Programs Appropriations Hearings, passim. AID's Congressional Presentation accompanying its annual budget request addresses various programs that Congress is concerned about. See also special Congressional Hearings, for instance: United States Congress, House, Committee on the Budget, Task Force on International Trade and Finance, Export Financing Issues and Foreign Assistance Hearings, 98 Cong. 1st sess., Washington D.C., Government Printing Office, March 1983, United States Congress, Joint Economic Committee, Subcommittee on Trade, Productivity and Economic Growth, U.S. Foreign Aid and the Private Sector: Is Partnership Possible? Hearings, 97 Cong. 1st sess., Washington D.C., Government Printing Office, Oct. 1981; United States Congress, House, Committee on Foreign Affairs, Objectives of U.S. Foreign Assistance: Does Development Assistance Benefit the Poor? Hearings, 97 Cong. 2nd sess., Washington D.C., Government Printing Office, Aug. 1982.

examine the annual foreign aid legislation. Diffused power in this process allows individual members to promote special interests, such as restrictions on particular countries, specific trade issues and human rights concerns.⁷⁵ It is through this mechanism that lobbying groups make their formal presentations to Congress. It also the case that skillful and energetic lobbies can influence the subjects and content of special hearings in order to promote their particular interest.

The Congressional budget process, in contrast, is regular and predictable. AID has to submit a budget request that specifies the individual development activities to be funded, thus exposing itself to scrutiny on the basis of development policy, political and economic objectives and other concerns of Congress.⁷⁶ The significant feature of this process is its focus on early proposals for development activities not the results of project analysis or, even less likely, evaluations of project results. AID is thus held accountable for how project proposals conform to Congressional mandates in order to facilitate the approval of its budget. The budget

75. Sewell, op. cit., pp.114-115.

76. See United States Congress. House and Senate Appropriations Committee, Foreign Assistance and Related Programs Appropriations Hearings.

process has most influence over major policy compliance and sectoral emphasis, and only marginally affects actual project decisions at the mission level.⁷⁷

Congress, to recap, screens the budget proposals to ensure budgetary, political and developmental goals are represented and to approve the annual appropriations for each region. It also revises the legislation governing foreign assistance policy and goals. It demands accountability for any number of governmental and special interests from AID. Finally it provides a vehicle for lobbies and organizations to press their views and objectives.

AID, like any other government entity, is accountable to the judiciary regarding compliance with legislation and regulations governing the action of public agencies. Thus, governmental and private watchdogs or special interests are able to bring lawsuits against AID for failure to comply with a regulation or procedure, just as they can with any other government body. Clearly, AID has a statutory accountability to the judiciary in the event of such a suit. However, it is not easy to generalize about the effect this accountability may have on the developmental

77. Interview with Bob Berg, ex-AID Director of Office of Evaluation, April 1984.

performance of AID activities outside the context of a specific issue.

Finally, AID is accountable to the public - or more specifically both to lobbies and special interests and also the development community on which it depends for professional services, such as consulting firms, universities, and a wide range of research and private voluntary organizations who advise, monitor and influence AID on matters of developmental policy and performance, notably the Overseas Development Council. Clearly AID has no statutory accountability to these organizations, but they wield some influence over AID's developmental policies and performance. The capacity of outside organizations to hold AID accountable depends on whether they can "raise hell", whether they can bring about a mandate that corresponds to their special interest and whether they can mobilize follow-up support in Congress or within the OMB. Once AID has set up a unit to promote a specialized policy, then it is likely that the staff of such a unit will ally with these outside interests in order to further their concerns within the Congress and the agency.⁷⁸

78. For example, the Institute for Development Anthropology and Cultural Survival provide a useful resource, and act as contractors and supporters for the "social soundness" staff in AID.

Over the past decade, there has been a pronounced increase in the influence of special interests via Congress, including population control, health, food aid and nutrition, women in development, education and PVO's as well as the environment.

To sum up, AID is accountable to Congress and the Executive in both a positive way, meaning that AID must comply with its mandate, and also a defensive manner, responding to criticisms or pressures to comply with the policies of other government bodies. The government sets AID's mandate; it also enforces other relevant policies acting in ways that deflect AID from achieving its goals. Obviously this process is neither consistent or unitary and most accountability is exercised prior to the funding approval not on the basis of actual performance. The positive accountability is most strict with respect to the budgetary process, whereby Congress can scrutinize proposed development activities. But budgetary review is neither systematic or consistent. Defensive accountability tends to divert the energies of AID towards objectives that are not part of its developmental mandate, such as maximizing balance-of-payments benefits. Judicial accountability is less easy to characterize as it depends on the nature of the agency's statutory responsibility, and accountability to non-governmental organizations depends on the issue at

stake and the capacity of the organization to evaluate the performance of AID.

AID is most strictly accountable via the budget process, but this has little effect beyond the preparation of the proposals included in the budget request. The Congressional committee system has the most potential to scrutinize AID's developmental program, but I have argued that this source of accountability is the most diffuse and subject to special interests. The channel of accountability that actually penetrates to the results of projects, the oversight of the OMB and GAO, tends to produce a defensive reaction from AID - because the interests of the oversight bodies and the critics that prompt them have little sympathy for AID's mission.⁷⁹

Notably, there is almost no accountability for financial or economic performance of projects. Appropriations do not depend on demonstrating rates of return or economic benefits - indeed, the "need" and "commitment" criteria of AID's mandate encourage the allocation of funds to places and recipients in the direst economic straits. According to a study of the

79. Tendler, in her study of how AID behaves in response to its task-environment, argues that AID's critics within the government bring about a form of "goal displacement" within AID; Tendler, op. cit., p.48-50.

implementation of the "New Directions" mandate, commissioned by AID from a consulting firm (DAI), economic analysis, when performed, serves to facilitate approval of a project proposal by AID/Washington but has little bearing on the actual economic prospects of the project.⁸⁰ Tandler also argues that economic analysis of projects validates design decisions already made and improves the packaging of bureaucratic output⁸¹

Accountability, Organizational Response and
Environmental Planning

As described earlier, AID environmental procedures came about because of NEPA and its powerful supporters. Initially, AID failed to comply with NEPA to the satisfaction of the CEG and environmental organizations and in 1976, it was sued by several of these environmental organizations. From that point, AID was forced to prepare formal regulations for environmental assessment procedures and to allocate the responsibility for implementation

80. Mickelwait, op. cit., pp.210-211 and footnote 5, p.221.

81. Tandler, op. cit., p.95-96.

within the organization so that AID fulfilled the intent of NEPA as appropriate to its mission and unique operational features.

Within this analytic framework, the question of how AID's accountability system would promote or hinder the environmental assessment and mitigation of projects is somewhat after the fact. AID's environmental assessment procedures stemmed from domestic legislation to which it was held accountable by environmental groups and the judiciary. The Congressional mandate came later and was supported by the same environmental organizations who saw the assessment requirement as a bridgehead for strengthening the mandate. However, one can ask - what might have happened had environmental responsiveness been mandated by Congress in the absence of enforceable domestic legislation, with similar status to women in development or social soundness analysis, for instance? What influence would the accountability system have had?

First I shall consider what effect AID's accountability system has on organizational behavior within the Agency and consequently on its ability to implement the policies that the government demands of it. In particular, how do these observations of how the government holds AID accountable for fulfilling its mandate and conforming to other policies illuminate the incentives facing the staff of AID in the

Missions and Washington?

The pervasive organizational objectives of developing the program (thereby sustaining or expanding the agency) and ensuring the necessary disbursement levels are as true of AID as any other funding agency. So too is the uncertainty attached to the actual output of the organization. What is distinctive about AID is its degree of decentralization which is designed to ensure that there are sufficient AID staff in the field to manage the program despite high uncertainty. In combination with the other distinctive influence on AID's organizational behavior - its vulnerability to criticisms and the interests of other parts of the government - one can identify a two part relationship between the accountability system and organizational behavior. One part concerns the Washington staff and the need to satisfy Congress and other government agencies. The other concerns the mission staff responsible for developing the material for the program and achieving desired disbursement levels.

Both Tendler and the DAI study find that there is conflict between being accountable to Congress for the selection and packaging of project proposals and the task of managing and implementing effective projects in the field. Washington staff devote their energies to satisfying Congress, thereby withholding from the missions

the authority for making decisions about designing, reviewing and, most importantly, adjusting projects. Mission staff members face keen incentives to generate more projects and disbursements, but experience delays and obstructions in the project review process that they perceive to stem from Congressional requirements initiated by special interests and provide little benefits to the actual projects. Consequently their energies are diverted from project implementation to packaging proposals.⁸²

The implications of these observations for particular policy objectives are somewhat disheartening. Policies are translated into requirements for project selection and packaging by the Washington staff. These requirements are imposed on field staff members who realize that it is not the effect on project design and implementation that is significant but the assurance to Congress that the policy objective has been taken into account before funds are committed. Thus analysis of project impacts or certain design features play an advocacy role and are not seen by mission staff as functional for the execution of the project. Only rarely do policy objectives become positive influences on the design and implementation of projects; even more rarely do they provide opportunities to develop

82. See Mickelwait et al., op. cit., pp.209-222, 225-231; and Tendler, op. cit., pp.23-25, 47-50.

the funding program further - the acid test, in the eyes of AID staff, is "will it leverage program?"

To put it another way, Congress issues mandates for AID to fulfill, but AID's need to fend off criticism, satisfy numerous special interests both within and without the agency conflicts with the kind of organizational functions needed for the primary task. Many of the policies that AID is required to promote stem from domestic concerns, and, while they may be quite desirable in themselves, are enforced in ways counterproductive to the business of generating and implementing reliable development projects.⁸³ The DAI study, for instance, concludes that New Direction goals cannot be achieved without greater decentralization of review and approval of projects and without a shift of accountability from project proposals to project results.⁸⁴ Meanwhile, missions continue to be judged not by the results of projects but by the obligations of funds and the conformity of proposals to Congressional mandates.⁸⁵

83. Mickelwait et al. mention policies on social soundness, effects on women, environmental reviews, employment generation, nutritional consequences, income distribution and land tenure changes, op. cit., p.214.

84. ibid., p225-231.

85. ibid. p.216.

Of course, different policy objectives fare differently between the demands of Congress, the Administration and the public and the response of the organization as it wrestles with the uncertainties of its task-environment. In order to illustrate more clearly how environmental assessment has become more than just an unwanted, externally imposed requirement and has actually improved project design and "leveraged program", I shall offer some brief comparisons with two other policy objectives - women in development and social soundness analysis.⁸⁶

These two policy objectives are both similar to and different from environmental assessment in important ways. Women in development came about as a result of a strong outside lobby, as did environmental assessment, but has never taken the form of a required analysis of each project proposal. Social soundness analysis had its origins within AID, without a strong external lobby or active constituency, but takes the form of a formal analysis of project proposals like environmental assessment.

The AID women in development program, starting as a relatively symbolic response to a strong outside lobby has

86. Social soundness analysis is the term used by AID to describe socio-economic and cultural analysis.

87. Interview with Bob Berg, ex-AID Director of the Office of Evaluation, April 1984.

eventually reached the stage where it is "leveraging program".⁸⁷ Following the 1973 amendments to the FAA, AID set up a women-in-development office in 1974 in the Bureau of Policy and Program Coordination. The commitment to promote activities that integrate women into the national economies of developing countries and to allocate a proportion of AID's funds to women in development was restated in the 1978 amendments. Finally in 1982, AID produced a policy paper on women in development that maintains that the misunderstanding of gender differences in project planning leads to diminished returns on investment.⁸⁸

However, it has never become a routine aspect of project preparation and analysis. Having an active lobby in support of women in development has ensured that AID/Washington responds to the issue and exploits its potential for enhancing the program. But there has been little success at penetrating the practice of project preparation and implementation. The groups that support women in development have not been able to influence the day-to-day incentives facing the field staff.

Social soundness analysis was a component of the new

88. United States. Agency for International Development, Congressional Presentation, Fiscal Year 1984, Main Volume, Washington D.C., 1983, pp.200-205.

project analysis procedures developed internally in 1974 to fit the "New Directions" program with its emphasis on technical assistance rather than capital projects and on socio-economic criteria for success. Social soundness analysis was a response proposed by the Office of Evaluation to new requirements for information and planning suited to projects designed to alleviate rural poverty and assist small farmers. The AID staff that saw the need for analysis of the socio-economic organization, culture and attitudes of project beneficiaries enlisted anthropologists to prepare the procedures and methodology.⁸⁹

However, the natural constituency of such a procedure, the anthropology community, has always been ambivalent about alliances with government agencies and was still wary after some unfortunate relationships with AID during the Vietnam war. Thus no strong external lobby materialized to maintain support and tighten the accountability system at the crucial stage when project staff members were being asked to incorporate another unfamiliar layer of project analysis. Nor has any effective constituency been established in more recent years. Various organizations like Cultural Survival Inc. and the Anthropology Resources Center advocate better protection of the rights of tribal

89. ibid.

peoples affected by development projects. The Institute for Development Anthropology has responded to AID's need for contractors in this area. But, in the view of the projects director of Cultural Survival, the poor performance of social soundness analysis within AID is partly due to weak support from outside lobbies and resistance on the part of host governments. He cites the poor coupling of domestic organizations that lobby about native rights and social impact assessment with international development issues. In contrast, he thinks, the environmental organizations have made an effective transfer of lobbying clout from domestic issues to foreign assistance and have exacted accountability for the environmental procedures.⁹⁰

The comparison of environmental assessment with these two other policy objectives - similar in that all three embody a desirable outcome that projects can attain only if properly analyzed and corrected during project preparation - illustrates two important characteristics that enhanced the likely accountability for environmental assessment. One is that the procedures had external legitimacy and once the court case was settled there could be no real argument by mission staff against supplementing project

90. Interview with Ted MacDonald, Cultural Survival Inc, April 1984.

preparation. The other is that there was a well organized, experienced and successful lobbying community there to make sure that AID did not let the matter rest with pro forma regulations and perfunctory assessments. The environmental lobbies had both legitimacy and clout behind their efforts to hold AID accountable for environmental assessment.

In the light of the above, it is interesting to consider how environmental assessment might have fared in the absence of NEPA and the domestic lobby. I have argued that the Executive's main concern is securing the political and economic benefits of the foreign assistance program, while ensuring that important domestic policies are adhered to, and that the administration reinforces the compliance of AID to domestic interests and policies. From this, I would suggest that the Executive would not have demanded accountability for an environmental assessment mandate in the absence of NEPA and strong post-NEPA lobbying organizations. The Executive is concerned mainly with promoting foreign assistance in the face of budgetary priorities and divers political constraints from Congress, and the Administration sees AID as a spending agency that should conform to domestic policies despite its unique overseas mission.

Within Congress, the dominant concern is political and budgetary. The legislation sets a policy framework for the

development assistance framework that reflects both developmental objectives and domestic political and economic concerns from within and without Congress. AID is held accountable for the inclusion of major developmental objectives in appropriations requests, but less prominent developmental goals are only pursued from the diffuse and unpredictable basis of hearings, depending on the energy of a small number of members of Congress and lobbying groups. This process can occasionally lead to demanding some account from AID of how specialized developmental mandates have been implemented.

Without NEPA and its supporters, it is hard to imagine that overseas environmental impacts would have been very important. As already mentioned, the issue of the impact of development projects on tribal peoples is arguably as important, but has fared much worse within AID. The point is that once the legislation is in place, the accountability system gives the policy's supporters an opportunity to enforce it.

The Congressional system does allow outside groups to lobby directly for holding AID accountable to policy mandates. But, in the absence of strong, well organized lobbies pursuing environmental policy goals domestically, the pressure for environmental planning in foreign assistance would have barely existed.

Given that Congress and lobbying groups are able to hold AID accountable on this issue, it is likely that the accountability only penetrates as far as allocations of funds and project proposals. There is very little opportunity to probe the results of projects and present evidence to Congress that AID did or did not modify projects on the basis of projected environmental effects.

Within the organization itself, the dominant concerns for smoothing the passage of projects through the Congressional approval process illuminates the operational incentives facing both the Washington and mission staffs. Again, it is reasonable to assume that in the absence of a rigorous domestic environmental policy and lobbying power, environmental planning would share the same status as social soundness analysis and women in development. Although the mandates promoting these issues have created specialized offices and built alliances with outside organizations, the dominant concerns of generating projects and seeing them through the project review process has not created a strict accountability for the performance of these functions.

In addition, the absence of a rigorous economic appraisal provides no incentive for paying attention to the recognizable economic costs of environmental damages. Nor

does the weak project evaluation process increase the incentives of the agency staff to anticipate problems that would cause disapproval later in the project cycle.

My conclusions from projecting the fate of an environmental planning mandate in the absence of a rigorous domestic policy and lobbying community is that environmental considerations would certainly have played a part in project review. However, the accountability for performing such a review would have been shallow and would not have brought about a genuine reform of how missions identify and prepare project proposals, and would have had negligible effects on how projects are judged. AID/Washington staff members would only have enforced the mandate if they expected Congress to apply environmental criteria to the budgetary process.

In contrast to the environmental review of project proposals, environmental sector projects, technical assistance and institution building would have fared differently. Environmental and natural resource management projects fit well with the orientation of the development assistance program to rural development, health and basic human needs. The missions in their efforts to stimulate project proposals that match the criteria of the development assistance program might have found such projects desirable and seen advantages in developing their

"portfolio" of environmental and natural resource programs. The major constraints facing these activities are the low level of demand from recipient governments and the general lack of experience and knowledge about the sector on the part of the mission staff. As a result of AID's compliance with NEPA, mission staff members are now much more knowledgeable about environmental considerations, and have stimulated greater demand for assistance in this area from recipient governments.

To sum up, I have argued that NEPA and the strength of the domestic environmental lobby explain how AID undertook the systematic environmental assessment of proposed projects and significantly altered the incentives facing the mission staff in preparing projects for approval by Washington. Certainly, not all mission staff members have welcomed the additional procedures nor have all the results of assessments been of great value. But, as mentioned earlier, once the environmental officers were in place and the procedures well established, there has been less emphasis on procedure and more on positive natural resource management and environmental sector activities - a different issue in relation to the accountability system and staff incentives.

Indeed, there has been some convergence between the corrective orientation of assessments and the positive,

"program leveraging" nature of natural resource management activities. AID environmental staff cite a recent case which demonstrates how the environmental policy mechanisms are supposed to benefit project design and to promote sustainable natural resource utilization.⁹¹

The Peruvian government proposed an extensive highway and land colonization project (Pichis Palcazu) in the forested foothills of the Andes. The project enjoyed the personal favor of the president and a group of donor institutions were eager to participate. AID considered providing \$22 million for one of the components of the project - the Palcazu Valley. The government's emphasis was on building the highway, but AID, partly at the suggestion of environmental organizations, became concerned about the feasibility of the colonization and cultivation plans, for environmental reasons.

The environmental assessment was carried out between the Project Identification Document and the Project Paper, and became a central input into the preparation of the Project Paper. Using environmental and socio-economic analysis of the proposed project and comparing other

91. Interviews with James Hester, AID Latin American Bureau Environmental Officer, June 1983; Dennis McCaffrey, formerly AID Regional Environmental Management Specialist, Peru, April 1984.

colonization experiences in Peru, the consultants concluded that the project would not be sustainable and made a set of proposals about how the project could be redesigned. However, the Peruvian government would not accept serious modifications to its highway proposals, and AID consequently tried to adapt the colonization plans to ensure that the project would be ecologically sound, using the land suitability analysis carried out as part of the environmental assessment. The project has accordingly been renamed the Central Selva Resource Management Project.

There have since been long delays in executing the project which have undermined the support of the Peruvian government. Also the highway construction has fallen behind schedule which might make it necessary to modify colonization plans. However, according to AID's regional environmental specialist at the time, this is how the environmental assessment procedure should work. The government proposes a project, the assessment comes early enough to contribute to the Project Paper and is organized around testing the feasibility of the original proposal and suggesting alternative approaches that avoid the environmental difficulties that have become evident. Thus the final shape of the project is negotiated with the host government so that its interests and the environmental management priorities can be reconciled.

DEVELOPMENT ASSISTANCE AND THE ENVIRONMENT:
A QUESTION OF ACCOUNTABILITY

by

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Submitted to the Department of
Urban Studies and Planning
in Partial Fulfillment of the
Requirements of the
Degree of

DOCTOR OF PHILOSOPHY

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

February 1985

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CHAPTER 6

Multilateral Development Banks

Case Study : The World Bank.¹

Introduction

"The question is not whether there should be continued economic growth. There must be. Nor is the question whether the impact on the environment must be respected. It has to be. Nor - least of all - is it a question of whether these two considerations are interlocked. They are.

The solution of the dilemma revolves clearly not about whether, but about how."²

What is remarkable about McNamara's bold statement to

1. The World Bank Group comprises three institutions : the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the International Finance Corporation (IFC). The IBRD and IDA share the same administration but their sources of capital and lending policies are quite distinct. The IFC is financially and legally a separate entity but is subject to the same environmental procedures. Below the "World Bank" or the "Bank" shall refer to the IBRD and its lending program, unless I specifically mention the IDA credits (soft or concessionary loans). See World Bank Annual Report, 1983, p. 3, for a current description of the World Bank Group.

2. McNamara, R., "Speech to the UN Conference on the Human Environment", Stockholm, 1972.

the Stockholm conference in 1972 is not only that he was expressing an extremely modern view of the relation between economic development and environmental planning, and one that was not shared by many of the Bank's clients, but that the Bank had already established an Office of Environmental and Health Affairs in 1970. McNamara was referring to current practice not to honorable intentions for future reform. In 1970, McNamara had made a speech to the United Nations Economic and Social Council in which he announced that the Bank would henceforth determine the possible environmental consequences of development projects being considered for financing.³

In 1981, A. W. Clausen, McNamara's successor as president of the World Bank, gave a favorable review of the work of the Bank's environmental office and confirmed his support for a policy that he may not have found ideologically appealing. It was, however, a policy that the bank had publically asserted by signing the Declaration of Environmental Policies and Procedures Relating to

3. McNamara, R., "Address to United Nations Economic and Social Council", New York, 1970.

Economic Development in 1980 and was about to internally codify in the Operational Manual.⁴

"Our environmental experts have reviewed more than 2000 projects and programs in developing countries since 1970.

We've found that the cost of paying attention to environmental concerns has been much lower than many people expected when this procedure was first established. Nearly two-thirds of the projects reviewed have raised no serious health or environmental questions, and I'm pleased to say that it has been possible to incorporate adequate protective measures in all the projects we have financed in the past decade.

The cost of these environmental and health measures has proved not to place an unacceptable burden on our borrowing countries. And we've learned, as have many private corporations, that the cost tends to be lower the earlier that environmental problems are identified and handled."⁵

Despite the early commitment to environmental analysis of its lending program and the reaffirmation on the part of the new president, both official and private organizations with an interest in environmental aspects of development assistance have become increasingly critical of the performance of the World Bank. For instance, the executive

4. World Bank, "Progress Report (1982-1983)", in United Nations Environment Programme, Summary Record, 4th meeting of the Committee of International Development Institutions on the Environment (CIDIE), UNEP/CIDIE/83.8 (Final), Nairobi, 1983, p.43.

5. Clausen, A.W., "Sustainable Development: the Global Imperative", the Fairfield Osborn Memorial Lecture, reprinted in The Environmentalist, 1982, 2:23-28.

director of UNEP did not exclude the World Bank from his criticism of the multilateral development agencies delivered to the 4th meeting of the Committee of International Development Institutions on the Environment (CIDIE).⁶ He said, "Our view in UNEP is that the performance [in implementing the Declaration] - on all fronts - leaves much to be desired," and "The Declaration has been for the most part, a paper tiger. Your job is to give it teeth and claws."⁷ At a series of U.S. House of Representatives Banking Committee hearings on the environmental impact of multilateral development banks in June 1983, speakers representing the Environmental Policy Institute, National Wildlife Federation, the Sierra Club, the National Resources Defense Council, the World Wildlife Fund - U.S., the Friends of the Earth - U.S., the Izaak Walton League of America and the National Audubon Society strongly criticized the World Bank for funding projects

6. The CIDIE was established by UNEP as a mechanism for reviewing annually the efforts of the signatories of the Declaration to implement its principles.

7. Tolba, Mostafa, "Putting the Principles to Work : Statement to 4th meeting of the CIDIE", United Nations Environment Programme, op. cit., pp.32, 41.

8. United States Congress. House. Subcommittee on International Development Institutions and Finance of the Committee on Banking, Finance and Urban Affairs, Environmental Impact of Multilateral Development Bank-Funded Projects. Hearings, : 97-37. 98 Cong. 1 Sess. Washington, Government Printing Office, 1983, pp.35-119.

that caused significant environmental damages.⁸ The numerous World Bank projects cited include: the health impacts of the Volta and Kariba dams in Africa, deforestation from the Bayano dam in Panama, the impacts of the Transmigration program in Indonesia and land colonization in the Amazon basin, resettlement problems problems caused by dams in the Philippines and Thailand, various environmental problems caused by a dam in Colombia, a water transfer scheme in Peru, irrigation schemes in Pakistan and Sudan and a land colonization and cotton production project in Kenya.⁹

In a written statement to the same hearings, the Joint Environmental Service of the International Institute for Environment and Development and the International Union for Conservation of Nature and Natural Resources reported that a comparative survey of the environmental policies and procedures governing development aid had shown that "despite strong policy statements by both the previous and present World Bank presidents about environmental protection and sustainable development, at an operational level much of the preparation and implementation of bank

9. ibid.

10. Horberry, John, Statement of the Joint Environmental Service of IIED and IUCN in U.S. Congress, op. cit., 1983, p.33.

loans is free of routine environmental analysis."¹⁰ The research report on which that statement was based said "[the Office of Environmental Affairs] often has difficulty in overseeing the environmental analysis of all projects as well as promoting other environmental activities and responding to particular problems that occur." It concludes that much of the office's efforts are directed at attracting support from outside the Bank because it lacks the resources and authority to screen and modify project proposals.¹¹

In March 1984, testimony on behalf of various environmental organizations to the Senate Committee on Foreign Relations cited several cases including an agriculture and irrigation scheme in Madagascar and a land settlement scheme in Nepal, where the Bank's Operations Evaluation Department identified serious environmental impacts.¹²

11. Horberry, John, Environmental Guidelines Survey : An Analysis of Environmental Procedures and Guidelines Governing Development Aid, London, Joint Environmental Service of IIED and IUCN, 1983, p.65.

12. Bruce Rich, Testimony to U.S. Congress. Senate. Subcommittee on International Foreign Policy of the Committee on Foreign Relations, 7th U.S. Replenishment of the International Development Association, Hearings, Washington D.C., 1984.

Madagascar : Lake Aloatra . IDA credit. The OED 1980 project performance audit report (PPAR) of this irrigation and rice production project cites several factors contributing to the failure of the project, including inadequate analysis of the peat soils on which the project depended and failure to take account of longstanding erosion problems in the surrounding watershed that made the irrigation canals ineffective.¹³

Nepal : Nepal Settlement Project. IDA Credit. The PPAR of 1983 identifies serious deforestation and erosion problems in the project area that were gravely underestimated at the time of appraisal. The project made no attempt to protect areas prone to erosion and soil conservation measures were not introduced to compensate for removal of tree cover. As a result, the success of the project was seriously compromised and the project conflicted with the Nepalese government's forest conservation strategy.¹⁴

To many observers, the World Bank is the leading international development agency in the field of environmental planning and management. It certainly has more experience than other multilateral agencies; it advises less qualified agencies and distributes a wide range of literature to the development assistance community about environmental procedures and guidelines. To others, it is guilty of neglecting the real task of environmental planning, namely to prevent and mitigate the environmental

13. cited in World Bank, IDA in Retrospect: The First Two Decades of the International Development Association, Oxford, Oxford University Press, 1982.

14. World Bank, "Project Performance Audit Report. Nepal Settlement Project : Credit 505-NEP", Operations Evaluation Department, June 20, 1983.

damages of regular economic development programs, while putting up a smokescreen of environmental guidelines and publications.

What really is the case? My purpose here is to investigate the environmental performance of the World Bank while recognizing the institutional factors that govern its behavior. I shall analyze the efforts of the World Bank to implement environmental policies in the light of the kind of organization that it is.

Below I try to answer the following questions. How can we judge what the Bank could do in response to potential environmental damages, given its particular constitution, political and financial structure and the accountability system that governs its behavior? How can we tell whether the Bank has performed well in relation to its institutional characteristics - what does it claim itself, what do outside lobbies and watchdogs say, what empirical evidence is available? Are there opportunities for the Bank to improve its environmental performance?

There are certain aspects of the overall political and institutional environment in which the Bank operates that should be clearly stated before looking at the organization in detail. First, the IBRD is a bank - it has to borrow

money on the international capital markets and is given a credit rating like other institutional borrowers.¹⁵

Second, its clients are the governments of nations or agencies guaranteed by those governments¹⁶ with their own policies and priorities. Third, it rarely finances 100% of a project and often less than half of a total investment; in almost all loans the borrower is also an investor, and in an increasing number of loans, the Bank co-finances with other aid donors, export-credit banks or private investors.¹⁷ Fourth, while it has considerable leverage over the terms and conditions of the loan, and some influence over the economic development policies of the borrower,¹⁸ it has limited practical control over the implementation of projects for which loans have been

15. Mason, Edward and Robert Asher, The World Bank Since Bretton Woods, Washington D.C., The Brookings Institution, 1973, p.124.

16. International Bank for Reconstruction and Development, Articles of Agreement, Article III.

17. See World Bank Annual Report, 1983, pp.18,38,39 for current policies about co-financing and pp.104-125 for typical figures on World Bank contributions relative to total project costs.

18. Mason and Asher, op. cit., pp.420-434.

19. The various instruments available to the Bank for securing the implementation of a project, such as loan conditions, progress reports, project completion report and the audits of the Operations Evaluation Department do not challenge the principle that implementation is the responsibility of the borrower. See Baum, W., "The Project Cycle", in Finance and Development, 7 2:2-13.

made.¹⁹

The Political and Financial Structure of the
World Bank.

In 1983 the World Bank had 144 members, employed 5,587 staff, committed \$14,447 million in IBRD loans and IDA credits and the IBRD borrowed \$10,292 million.²⁰ It is the largest single aid donor and the largest borrower in the international bond market.²¹ Formally, it is a specialized agency of the United Nations; informally it has very strong ties to its largest contributor, the United States, and what has been traditionally its largest source of capital, Wall St.²² It has been criticized by some conservatives for being a global welfare agency and lending to socialist governments; to others it is an instrument for capitalist

20. World Bank Annual Report, 1983, pp.12, 19.

21. "A Bank for All Seasons : A Survey of the World Bank", The Economist, Sept. 4th, 1982, p.7.

22. Actually, since 1979, West Germany has overtaken the U.S. as the largest source of borrowings. In 1980, 33% of Bank debt was in U.S.\$, down from 49% in 1977. See Rotberg, Eugene, The World Bank: A Financial Appraisal, Washington D.C., the World Bank, 1978, pp.14-18.

imperialism and maintaining repressive regimes in the interests of multinationals and U.S. foreign policy.²³

My concern is to ask what does its financial and political structure mean for the way the Bank decides about lending money, the extent to which the leadership of the Bank requires accountability from its administration and for what aspects of its activities, and what effect this accountability system has on new policies designed to alter the outcomes of lending programs. The focus is on the lending program, which is not the only activity of the Bank. The Bank also carries out an extensive research program, publishes literature on development policy and its implementation and studies, evaluates and influences the macroeconomic policies of member countries.²⁴ But, borrowing and lending money are the prime activities.

The following rules are spelled out in the Bank's charter:

"It must lend only for productive purposes and must stimulate productive growth in the developing countries. It must pay due regard to

23. For a discussion of the differing evaluations of the Bank, see Ayres, R., Banking on the Poor: the World Bank and World Poverty, Cambridge, Mass., MIT Press, 1983, pp.11-16. See also Bello, W., D. Kinley and E. Elinson, Development Debacle: the World Bank in the Philippines, San Francisco, Institute for Food and Development Policy, 1982, pp.197-198.

24. *ibid.* pp.19-37.

the prospects of repayment. Each loan is made to a government or must be guaranteed by the government concerned. The use of loans cannot be restricted to purchases in any particular member country. And the IBRD's decisions to lend must be based on economic considerations."²⁵

The Bank's capital comes from subscriptions from member governments, of which 7.5% is paid-in and the remainder is callable and can only be used to meet the obligations of the Bank to holders of its securities.²⁶ Loanable funds are made up of paid-in capital subscriptions, earnings and borrowings, mainly long-term, on the basis of its callable capital. It is restricted to lending no more than its capital which is a very conservative ratio. So far the Bank has been able to borrow what it has needed on the international markets and lend at fixed, lower-than-commercial rates.²⁷ Since the 1950's, it has enjoyed the maximum credit ratings of the main investors' services.²⁸ The IDA obtains its funds directly from members and disburses them at concessionary terms for projects in countries with a per capita income below a

25. World Bank Annual Report, 1983, p.3.

26. These figures refer to the most recent capital subscription. Between 1959 and 1980, 10% was paid-in, and originally the amount was 20% - 2% in gold or dollars, and 18% in the member's currency. See Mason and Asher, op. cit., pp.105-124, and Ayres, op. cit., pp.58-60

27. The Economist, op. cit., p.26.

28. Mason and Asher, op. cit., p.132.

TABLE 12 THE WORLD BANK

The Record for Ten Years, 1974-83

	Fiscal year									
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
IBRD										
	US\$ millions									
Loan amounts ¹	3,218	4,320	4,977	5,759	6,098	6,989	7,644	8,809	10,330	11,136
Disbursements ²	1,533	1,995	2,470	2,636	2,787	3,602	4,363	5,063	6,326	6,817
Total income	929	1,157	1,330	1,617	1,947	2,425	2,800	2,999	3,372	4,232
Net income	216	275	220	209	238	407	588	610	598	752
Total reserves	1,772	1,902	1,916	2,026	2,245	2,498	2,893	2,859	3,124	3,134
Borrowings: total	1,853	3,510	3,811	4,721	3,636	5,085	5,173	5,069	8,521	10,292
Borrowings: net	990	2,483	2,530	3,258	2,171	3,235	2,382	2,347	5,692	7,349
Subscribed capital	30,431	30,821	30,861	30,869	33,045	37,429	39,959	36,614	43,165	52,089
	number									
Operations approved	105	122	141	161	137	142	144	140	150	136
Borrowing countries	49	51	51	54	46	44	48	50	43	43
Member countries	124	125	127	129	132	134	135	139	142	144
Professional staff (number)	1,752	1,883	2,066	2,203	2,290	2,382	2,474	2,552	2,689	2,821
IDA										
	US\$ millions									
Credit amounts	1,095	1,576	1,655	1,308	2,313	3,022	3,838	3,482	2,686	3,341
Disbursements	711	1,026	1,252	1,298	1,062	1,222	1,411	1,878	2,067	2,596
Usable resources, cumulative	7,433	11,608	11,514	11,789	18,062	19,661	20,773	22,331	25,311	27,967
	number									
Operations approved ³	69	68	73	67	99	105	103	106	97	107
Borrowing countries	41	39	39	36	42	43	40	40	42	44
Member countries	113	114	116	117	120	121	121	125	130	131

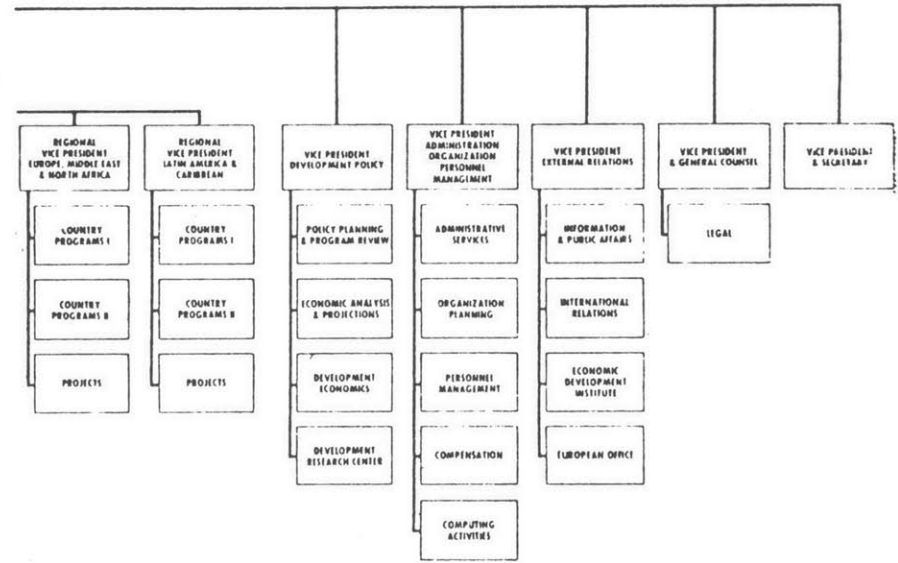
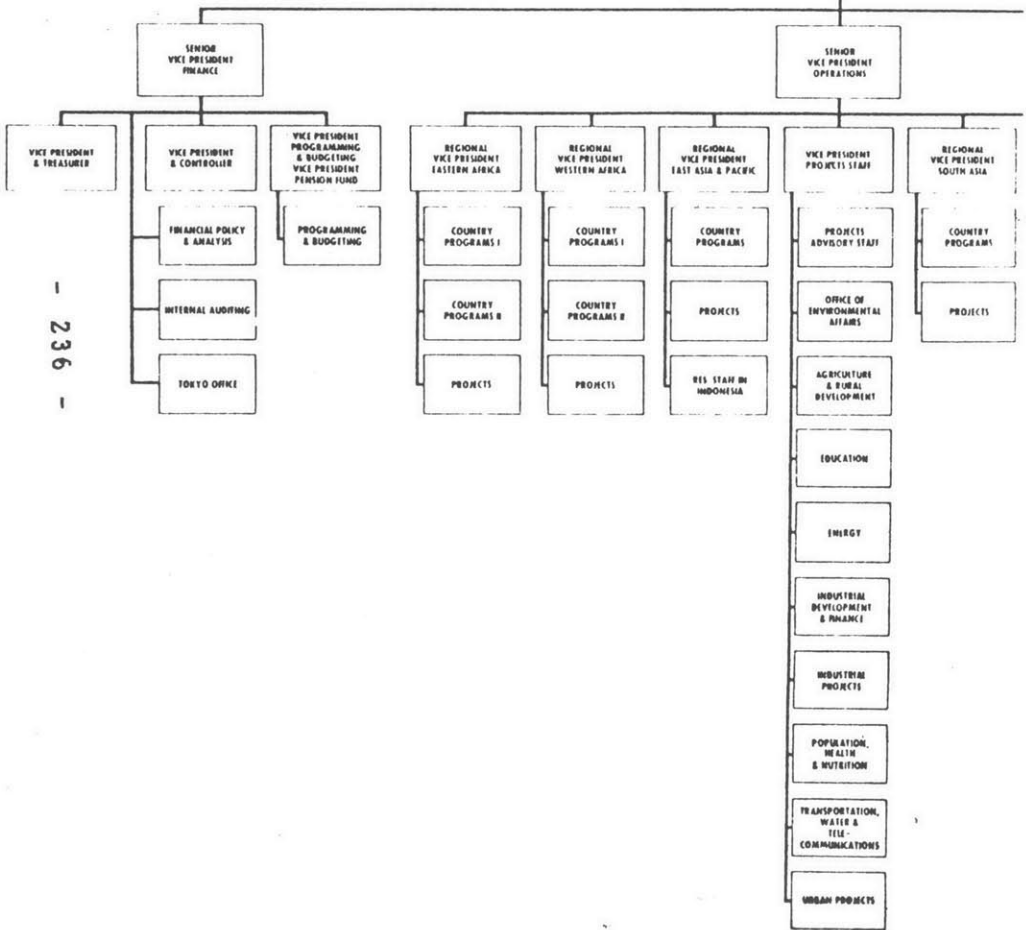
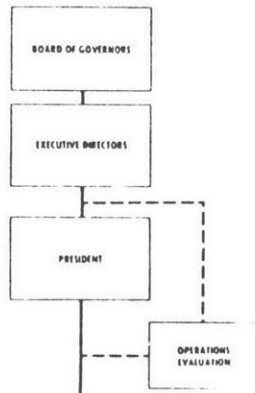
¹ Excludes loans to IFC of \$110 million in FY1974, \$50 million in FY1975, \$70 million in FY1976, \$20 million in FY1977, \$100 million in FY1981, \$390 million in FY1982, and \$145 million in FY1983. Includes amounts in FY1976 and FY1977 lent on Third Window terms

² Excludes disbursements on loans to IFC.

³ Joint IBRD/IDA operations are counted only once as IBRD operations.

Source: World Bank, Annual Report, Washington D.C., 1983

TABLE 13 THE WORLD BANK



specified level.

The voting structure is based upon capital subscriptions with the result that in 1983 the industrialized countries held 60% of the votes, with 19.58% in the hands of the United States.²⁹ The senior voting body, the Board of Governors, consisting of one governor and one alternate appointed by each member, meets once a year and decides on membership, capital increases and certain other reserved functions. The daily operations of the Bank are delegated to the Executive Directors, five of whom are appointed by the five main subscribers and fifteen are elected to represent groups of the remaining members. The Executive Directors are based full-time at the Bank's headquarters and approve every commitment of funds and major operational policy decisions. They fulfill two roles, that of representing the views of their governments to the management of the Bank and of communicating the views of the management and policy decisions to the Board of Governors and to their governments.³⁰ They rarely vote formally but operate on the basis of consensus, ratifying commitments for projects only after they have been fully prepared by the Bank staff.

29. World Bank Annual Report, 1983, p.184.

30. ibid., p.101.

The Bank's Accountability System.

I shall argue that the political and financial structure of the Bank determines its accountability system: manifest in the extent and focus of efforts by the Bank's leadership and membership to demand some measure of performance. To answer this, one must first conceive of the Bank as a "bank", a "political" organization and a "development agency", and try to understand what is inevitably a composite accountability system.

As a bank, accountability stems from the need to maintain the confidence of the international credit markets and takes the form of a consistent concern with the creditworthiness of the borrowing country and executing agency and the effect of the particular loan on that creditworthiness. This manifests itself in the evaluation of country macroeconomic performance by the Bank staff, leverage over borrowing governments' economic policy and executing agencies' financial practices and the appraisal of financial and economic return on projects.

As a political organization, an intergovernmental body that formally belongs to the UN family, accountability

stems from the foreign and economic policies of the members as exercised through the voting power and influence of their governors and Executive Directors. The government body responsible for multilateral participation, normally the finance ministry or treasury, tries to influence the geographical and sectoral distribution of lending and the Bank's leverage over borrowers' macroeconomic and trade policies.

As a development agency, accountability stems ultimately from the views and actions of the leadership, the policies of both lending and borrowing members, other international development agencies and lobbying groups. The management and staff of the Bank, once a developmental policy is adopted, monitor its implementation. From outside, research and lobbying organizations scrutinize its performance. These development policies are manifest in speeches, annual reports, sector policy papers, organizational changes and operational manual statements.

I shall consider the effect these strands of accountability have on the operation of the Bank and what mechanisms there are for enforcing such accountability.

Creditworthiness and financial reliability are probably the dominant organizing principles within the Bank's operations.³¹ The capital markets rate the Bank; the governing bodies and the management make decisions about borrowing policies, about liquidity, about exposure to currency fluctuations, and about lending policies, about gearing ratios and interest rate spreads; the directors and management ask about the prospects for repayment, about national financial policies, executing agency practices and the expected rates of return on loans; the organization evaluates policies, appraises projects and negotiates loan agreements to secure acceptable rates of return, ensure repayment and maintain creditworthiness.³²

The bulk of the material presented in the World Bank Annual Reports concerns the financial policies and activities of the Bank. Each Annual Report describes the matters that the Executive Directors consider during the fiscal year: in 1982, for instance, they were "currency swaps, per capita GNP and country classifications, external

31. IBRD Article of Agreement, III,4,v, states "In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower ... will be in a position to meet its obligations under the loan."

32. See Rotberg, Eugene, The World Bank: A Financial Appraisal, Washington, D.C., The World Bank, 1978, p.8, for a description of how the Bank determines creditworthiness.

relations, the U.S. Dollar-Swiss Franc-linked transaction, a review of IBRD income prospects and policies, IDA service charges, procurement issues, the budget process, structural adjustment in developing countries, borrowing and lending rate policies of the IBRD, topics for future World Development Reports, the Bank's poverty focus and personnel policies."³³

It seems clear that "banking" accountability is tight. If the Bank should perform poorly and threaten its creditworthiness, its ability to borrow would diminish, the major subscribers would worry about their liabilities, the borrowers would worry about their source of funds and the management would demand corrective action. So that this does not happen, the organization appraises all loans to make sure they are financially sound, to make sure they are technically sound and to demonstrate that they are economically productive. It also negotiates with a government or agency about financial practices that influence the ability to repay.³⁴ Not only that, the Bank closely watches the country creditworthiness of its borrowers and will urge corrective action if debt

33. World Bank Annual Report, 1982, p.95.

34. Mason and Asher, op. cit., p.229.

management, balance of payments or fiscal policies threaten the ability of the government to repay its loans to the Bank.³⁵

However, this strand of accountability is not as mechanical as it might appear. Creditworthiness has been maintained over time despite more efforts to address developmental problems within the lending program. The Bank does lend money for projects that have negative financial rates of return, (lending to sectors such as education and health are not revenue producing), where the executing agency is unlikely to raise the revenue needed for repayment directly from the project (most rural development and urban projects fall into this category) and which cannot unequivocally be regarded as economically productive (such as population control). In fact, it is not obvious that for individual loans the leadership of the Bank is able or feels the need to check on the appraisal calculations.³⁶ Also, the Bank has lent large amounts of

35. Mason and Asher, op. cit., pp.195-197 and Ch.13: "Leverage and Performance". See also U.S. Treasury Department, op. cit., pp.29-38, for a current evaluation of leverage.

36. Mason and Asher refer to the limited access of Executive Directors to individual loan decisions. op. cit. pp.90-91. The U.S. Treasury Department, op. cit., p.25, mentions only one IBRD loan on which the U.S. Executive Director abstained from 1979-1981 - a structural adjustment loan to Guyana - although influence is more likely outside the formal voting process.

money to countries with severe debt problems and "unsound" macroeconomic policies, and to agencies that have not proved competent or able to raise adequate revenue for repayments, even though it doubtless would have preferred otherwise. Nevertheless, there have been no defaults and officially no loans have been formally rescheduled. As the Treasurer of the Bank has written:

"The Bank has no actuarial basis for "reserves" simply because the Bank has never had to write-off a loan. That is not to say we will never have a "bad" loan. But borrowers have, in fact, seen fit to maintain impeccable financial relationships with the World Bank."³⁷

So what does banking accountability really amount to? The credit markets are highly sensitive to Bank financial policies - consequently the Bank maintains a very conservative gearing and increases capital subscriptions to guarantee its liabilities.³⁸ It is reasonable to expect that its credit rating would suffer if any of its clients went bankrupt or if many of its projects were failures. So the Bank tries to keep these risks at a minimum. On a day to day basis, this concern for creditworthiness translates into rigorous financial and economic appraisal of proposed

37. Rotberg, op. cit., p.11.

38. See "A Bank for All Seasons", The Economist, Sept.4th, 1982, p.17.

loans and efforts to meet the projected rates of return during execution.³⁹ The Bank's Treasurer describes the system as follows:

"Alternative solutions [to project design] are examined to achieve the most favorable results at lowest cost. It is the appraisal stage at which the project is formally presented to the Bank management for final decisions on its structure, technical features and operational issues. The Bank's policy on project formulation strives to obtain a cost-benefit relationship compatible with the efficient use of scarce resources and with prices reflecting real economic values."⁴⁰

The Bank's Treasurer also implies that the financial community's concern is really with Bank lending to specific countries rather than with projects.⁴¹

Because financial and economic appraisal of proposed projects is geared towards maintaining the overall creditworthiness of the Bank and the soundness of its lending programs, some observers have argued that rates of return are the "icing on the cake", (as van der Laar reports many Bank officials feel); in other words, the

39. See Mason and Asher, op. cit., pp.247-254.

40. Rotberg, op. cit., p.6.

41. ibid. p.8-9.

calculations are made after the project has been prepared and they play little role in the selection, design and approval of projects.⁴² This would suggest that efforts to incorporate additional factors, such as environmental values, into the calculations would be resisted; the task is made more complicated and does not enhance the "banking" performance that is so important to the project staff.

In addition, there is a financial cost to the Bank in extending or complicating the project preparation and appraisal process - delays in disbursements require Bank borrowings to be kept liquid for longer. This reduces the earnings of the Bank during any borrowing cycle.⁴³ Again the financial dynamics of the Bank tend to inhibit the routine consideration of factors that do not directly contribute to "banking" performance.

"Political" accountability is the second strand of the accountability system. The rationale for multilateral agencies is that they should be free of direct political influence from their members and this was explicit at the founding of the World Bank. Yet, some of the Bank's critics would argue that it is an instrument of U.S. foreign policy

42. van der Laar, Aart, The World Bank and the Poor, Boston, Martinus Nijhoff, 1980, p.221.

43. Interview with Bob Banque, Office of Multilateral Development Banks, U.S. Treasury Dept., April 1984.

and multinational corporations.⁴⁴ Clearly, the major subscribers hold the majority of the voting power; the Bank's headquarters are down the street from the Treasury, the State Department and the White House; the senior management are conscious of the "political" preferences of the capital markets. The management of the Bank seek to minimize political interference, but member governments with financial clout can press their policies on the Bank and expect some results. Ironically, as Bello et al. point out both conservative and liberal critics assert that the Bank serves U.S. interests in different ways.⁴⁵ The Reagan administration commissioned a report from the Treasury to see whether the multilateral development banks served U.S. interests adequately and, if not, how to secure greater compliance with U.S. policies.⁴⁶ The report concluded that the U.S. Executive Directors had been relatively successful at getting their views accepted and that the Reagan administration should not abandon the multilaterals, but try to increase its influence via its Executive Directors.⁴⁷

44. See Bello et al., op. cit., pp.32-34.

45. ibid. pp.3-4.

46. U.S. Treasury Department, U.S. Participation in the Multilateral Development Banks in the 1980's, Washington D.C., 1982.

47. ibid., p.65.

Since the Board of Governors only meets once a year, most of the job of securing political influence is delegated to the Executive Directors. Thus, the Board of Executive Directors is the instrument for securing political accountability, both at formal meetings where they vote on loans or policy changes and informal interactions with management and staff. In the case of the U.S., the Treasury Department instructs the U.S. Executive Director, taking account of the advice of the National Advisory Council on International Monetary and Financial Policies composed of the Secretaries of Treasury, State and Commerce, the chairman of the Federal Reserve Board, the president of the Ex-Im Bank and the Administrator of AID. Congress has in the past tried to legislate certain criteria that U.S. Executive Directors should follow in voting - for instance, the Gonzales amendment of 1972 that required U.S. Executive Directors to vote against loans to any country that had nationalized or expropriated property of U.S. citizens.⁴⁸

The Executive Directors have regular formal meetings, regular informal seminars and private consultation among themselves. In this way most policy issues are decided on

48. Payer, Cheryl, The World Bank: A Critical Appraisal, New York, Monthly Review Press, 1982, pp.40-41.

a consensus basis. Votes are only taken if the issue is divisive or if any particular Executive Director wishes to record dissent. In the case of loans, it is rare for Executive Directors to formally vote in opposition, but criticisms can be expressed to the staff responsible who attend the meeting in the hope of influencing future decisions.⁴⁹

Ayres argues that U.S. Executive Directors have limited power over management - rarely influencing the nature of appraised loans or credits or initiating policy changes.⁵⁰ In fact, according to Ayres, and Mason and Asher before him, management enjoys considerable autonomy from the political interests of their members, both lenders and borrowers; they raise their own capital; they protect themselves from outside scrutiny by asserting the confidentiality of their operations and negotiations with clients. The influence of even the strongest members tends to focus on broad financial policy issues, strategic lending criteria and geographical distribution of commitments.⁵¹

49. Interview with Bob Banque, Office of Multilateral Development Banks, U.S. Treasury Department, April 1984.

50. Ayres, op. cit., pp.66-67.

51. Ayres, op. cit., p.66, Mason and Asher, op. cit., pp.87-94.

As I mentioned, the U.S. is concerned about its degree of influence. For instance, in recent testimony to the Senate Appropriations Committee, the U.S. Secretary of the Treasury reported:

"Since taking office, the Administration has opposed 49 loans in the MDBs for economic or financial reasons. We are often asked whether the loans were defeated. Unfortunately, the practice of explicit opposition to formal loan proposals in the MDB boards is not firmly established.

Nonetheless, we believe we are being effective when we oppose loans for financial or economic reasons. We find that Directors representing other countries frequently support our substantive points, even if they do not cast a negative vote.

You can well imagine that a project officer, who may present one or two loans a year to the Board, finds the pointed criticism an embarrassing experience which he will seek to avoid in future projects. Senior bank management can also ill-afford to see one of its largest shareholders - joined by others - regularly criticizing its project proposals. I am convinced that a sound and consistent approach to loan analysis by the United States is having the desired effect: to strengthen the policy advice that the MDBs convey to their borrowers.⁵²

In theory, political accountability is tight for the major donors and weak for most borrowers. In practice, except for the U.S., it would be difficult for any of the major donors to secure its individual interests in a formal

52. U.S. Congress. Senate. Subcommittee on Foreign Relations. Committee on Appropriations. Statement of the Honorable Donald T. Regan, Secretary of the Treasury, Hearings, March 15, 1984, pp.2-3.

vote in opposition to other donors, (the Federal Republic of Germany, the second largest shareholder, only had 6.61% of the vote in 1983); also, big borrowers, as with any bank, can exercise some influence over Bank policies and operations.⁵³

Bank members tend to expect political accountability over matters of major foreign policy interests, such as the U.S. halting lending to Chile, Indo-China and Afghanistan; major sectoral policies such as initiating and then halting the World Bank energy affiliate; and the financial and operational policies of the Bank itself, such as a new interest rate formula, graduating high income borrowers, improving auditing and evaluation systems and containing administrative expenses, where these decisions have significance for the economic policies and contributions of donors.⁵⁴

In counterpoint to member's trying to exercise political influence over the Bank, the Bank sometimes needs to secure support from its most powerful members over major financial policies. For instance, during 1983 and early 1984 the Bank has been trying to obtain U.S. support for

53. See U.S. Treasury Department, op. cit., pp.58-65, for an evaluation of U.S. influence on the World Bank and other MDBs.

54. U.S. Treasury Department, op. cit., pp.60-61.

the IDA replenishment and IBRD selective capital replenishment. Reluctance on the part of the U.S. to agree can induce the Bank's management to be more sympathetic to minor political issues in the hope of attracting support for the major concerns.⁵⁵

Political accountability does not penetrate to the soundness of individual projects or the options for executing them. They rarely concern the substance of the lending program at all, but revolves around the sectoral and geographical distribution of the lending program. In this sense, I would argue that the depth of political accountability is not great.

Finally, there is some form of developmental accountability. The Bank's developmental policies stem from a variety of sources, including its leadership and staff, the community of development theorists and practitioners that serve it, other international development agencies with which the Bank deals and independent development organizations and pressure groups. The mechanisms through which these policies should be implemented are not hard to discern. In the first place, the preparation, appraisal and terms of loans should take

55. Interview with Bob Banque, Office of Multilateral Development Banks, U.S. Treasury Department, April 1984.

account of developmental objectives; second, the monitoring and supervision of implementation should include indicators of developmental objectives; and third, the independent Operations Evaluation Unit should provide information on performance. But as Ayres notes in relation to the Bank's anti-poverty policy, these mechanisms tend to focus on other issues. Loan agreement conditions deal with financial and implementation measures. Project supervision emphasizes meeting targets in the appraisal report, such as cost estimates, timing of disbursements and implementation delays. Similarly, the audit of completed projects compares the implementation with the appraisal report in terms of timing, costs and rates of return.⁵⁶ It is not that these mechanisms cannot enforce policy objectives, but that at the project level more practical implementation issues are of greater concern and easier to measure.

It seems clear that the process of ensuring developmental accountability is not very tight. The Executive Directors, being responsible to their government's treasury, do not appear to have much capacity to monitor and guide the Bank's developmental policy performance. The President and senior management can demand performance, but in practice are constrained by

56. Ayres, op cit., pp.44-46; van der Laar, op cit., p.4.

financial and political criteria; thus actual implementation of development policy at the project level is more conservative than major speeches and Bank publications would indicate.⁵⁷ The central project advisory staff, once given responsibility for a certain policy objective, has to overcome considerable resistance from sectoral departments and regional offices. The dominant instrument for appraising projects, financial and economic cost-benefit analysis, and the vehicle for securing implementation, the loan agreement, are organized around the task of maintaining creditworthiness and financial soundness, managing disbursements and minimizing uncertainty. In the case of anti-poverty projects without financial returns, the cost-benefit analysis is expanded to capture economic and social "returns".⁵⁸ For example, analysis of rural development projects takes account of income generation and increased output; analyzing poverty-orientated urban projects takes account of services provided to target populations, employment creation and cost-recovery potential.⁵⁹

While the Bank promotes and implements developmental

57. Mason and Asher, op. cit., pp.468-469; Ayres, op. cit., pp.21,22,30.

58. Ayres, op. cit., pp.62-63.

59. ibid., pp.99, 155, 163.

policies within its lending program, the basis for securing accountability for these policies is weak. It is rarely clear how to measure or correct developmental performance. The Bank's efforts to influence borrowers' policies are mainly concerned with macroeconomic, financial and implementation issues.⁶⁰ The operational context within the Bank is influenced by the need to expedite loans, maintain disbursements and secure implementation. Project appraisal seeks to demonstrate financial and economic returns, almost in spite of development objectives. Expanding cost-benefit analysis to show returns based on employment creation or improved income distribution involves greater effort, uncertainty and subjectivity.⁶¹

The mechanisms for holding the Bank accountable for developmental objectives do not penetrate to the substance of actual projects. The governing bodies and management are only interested in developmental objectives in aggregate - in particular, levels of funding for certain programs and aggregate indicators of performance. Occasionally, members will express some interest in developmental policy that is of concern within their own

60. Ayres, op. cit., pp.32-37. Ayres cites the Bank's mainly unsuccessful attempts to persuade the Philippines to improve industrial efficiency and to influence Tanzania's Basic Industrial Strategy.

61. van der Laar, op. cit., p.221.

domestic political context, but the potential for demanding accountability is limited. Other international organizations and the academic and professional community do promote developmental objectives, but the Bank's response and sometimes initiatives tend to be manifest in research or policy analysis output rather than project orientation. Furthermore, the specialized offices within the Bank responsible for certain policy objectives have limited influence over the project staff in regional offices who are responsible for project preparation and appraisal.

A look at the work of the Operations Evaluation Department (OED) should give some clues to what aspects of the lending program the Bank staff are held accountable for. The Annual Review of Project Performance Audit Results focusses on two categories of indicators. First the "effectiveness" of projects, meaning the actual economic or financial rate of return, or in the few cases where rates of return were not estimated during appraisal, a qualitative assessment of whether the project met its target. Depending on the nature of the project, effectiveness may also include impact on the intended beneficiaries and institutional strengthening. Secondly the "process efficiency" is measured. This includes the extent to which changes in project design were necessary

and the time and cost of project implementation.⁶²

The emphasis, not surprisingly, is on the economic and financial soundness of loans, and on the expeditious disbursement of funds. After all the Bank must maintain the creditworthiness of its lending program. It also must ensure that it expedites its lending program efficiently, reducing cost overruns, delays and the need to change direction mid-project. With these dominant principles in mind, it is not hard to see what project officers are rewarded for and what is their attitude to extending the appraisal process to capture additional costs or problems, or to complicating the design and implementation phases by incorporating additional planning considerations.

Van der Laar concludes that "...staff are strongly tempted to avoid anything that detracts from well-trodden paths; any deviant or more ambitious course of action introduces additional uncertainty and possibly delays in completion dates...The prevailing work-environment entails that any novel approaches come about not because of the organizational style adopted but in spite of it."⁶³

62. See World Bank, Eighth Annual Review of Project Performance Audit Results, Washington D.C., 1982, pp.6-18.

63. van der Laar, op. cit., p.232.

The Accountability System and
Environmental Responsiveness.

In this section, I shall discuss the influence of the Bank's political and financial structure, and the resulting accountability system, on its environmental responsiveness. It is worth making a distinction between the capacity to screen and modify traditional projects and the promotion of environmental sector or "new-style" loans that include major components designed to improve environmental conditions.

In the first case, the project appraisal system serves more to demonstrate that the loan will not jeopardize the creditworthiness of the borrower by providing a certain financial rate of return; it rarely serves to select the project option that has the most desirable results for the economy in the long term. It is quite hard, even in theory, to sensitize the appraisal to external or non-monetary effects and the regional officers do not welcome complications or delays imposed on their dual task of expediting the flow of loans and ensuring that they are "sound". They do not expect the capital markets to penalize them for overlooking developmental or environmental effects

that are external to the project's financial performance.

In the second case, because of the non-financial nature of the projects benefits, it is incumbent upon the regional staff to demonstrate the wider economic and social benefits so that their contribution to the overall economy can be estimated. Environmental sector investments, especially, in conjunction with rural development, urban improvement, health and education benefits can serve this purpose. These types of projects, as we have seen, are not inconsistent with the way financial accountability works.

In the case of the World Bank, the thrust of financial accountability is not sensitive to environmental effects and the penetration of that accountability does not reach individual project results. We might expect the financial management of the Bank to take notice if a country's economy or an agency's program was put a risk on account of a massive environmental disaster, (for instance, if the economic life of a hydroelectric dam was shortened on account of sedimentation and eutrophication, or the productivity of a land colonization program threatened by soil exhaustion and erosion), but the credit markets normally do not judge the ability to repay on the basis of environmental mismanagement.

The political structure of the Bank presents little

opportunity for members to impose their policies, although the U.S. and the other major subscribers have some influence. Attempts to enforce political accountability appear limited to foreign policy and economic or trade issues, and its penetration is shallow, affecting broad policies and the sectoral or geographical distribution of loans. Some of the major subscribers, particularly the U.S., have demonstrated their support for environmental assessment of development assistance in other fora and within their bilateral programmes. However, this has rarely been of concern to the national finance ministry.

In exceptional circumstances, domestic political action in a developed country could generate some concern on the part of the Executive Director. For instance, the U.S. Congress House Banking Committee held hearings in 1983 on the environmental impact of multilateral development bank projects, instigated, in part, by domestic environmental groups hoping to persuade the Congress to legislate greater environmental scrutiny by U.S. Executive Directors. Thus, the Treasury was obliged to demand an account of the environmental policies and performance of the Banks via the U.S. Executive Directors.⁶⁴ Indeed, the initial adoption of an environmental policy by the Bank was supported or

64. United States Congress, op. cit.

tolerated by the Executive Directors of the major subscribers.

Whatever, the domestic political concerns, the Treasury is likely to view its possible leverage over the Bank's operations in more financial, economic and foreign policy terms.⁶⁵ Environmental issues are not high on the priority list and are hard to see through to the project level.⁶⁶ Even Congressional hearings are not likely to change Bank operations radically, especially if it is relatively easy for the Bank to demonstrate to the Executive Directors that performance is satisfactory.

Finally, does developmental accountability create any incentive for environmental assessment? I have suggested that developmental accountability has the advantage of shifting the focus to the outcomes of projects, but that it is diffuse and weak. The project appraisal process, the project supervision and evaluation mechanisms do not really respond to developmental goals nor provide incentives to

65. U.S. Treasury Department, op. cit., pp.66-76.

66. Interview with Bob Banque, Office of Multilateral Development Banks, U.S. Treasury Department, 1983. Also, James Conrow, director of the Office of Multilateral Development Banks, testified to the House Banking Committee that his office was not set up to be knowledgeably involved in the issue of environmental impacts of multilateral development bank lending nor had any coordination with other more knowledgeable U.S. government agencies. See U.S. Congress, op. cit., p.25.

regional staff to demonstrate performance. The advisory staff faces bureaucratic obstacles in enforcing its developmental policy missions. The external intergovernmental and private organizations can demand accountability, but are easily handled or incorporated by the Bank into less critical areas such as conferences, research, publications and technical assistance. In the environmental field, this seems especially true, and much of the Bank's activities are designed to convince outside actors of the achievements in this area.

Studies of how the Bank has implemented other major developmental policy objectives have observed that what the Bank does changes more slowly than what the Bank says, and that initiatives tend to be implemented by gradual addition to traditional lending activities rather than substitution. For instance, an analysis of the Bank's population program concluded that the new program encountered resistance from project officers, raised questions about creditworthiness and was most easily accepted when population projects resembled traditional loans.⁶⁷ Particularly in relation to the Bank's much vaunted anti-poverty orientation, the Bank's traditional

67. Crane, B. and J. Finkle, "Organizational Impediments to Development Assistance : the World Bank's Population Program", World Politics, 33 :4, 1981, pp.516-553.

concern with creditworthiness, repayment and rates of return does not prevent rural development, urban improvement, health and population control projects, but dictates a very cautious style in the projects themselves, if not in research, sector policy papers and publications.⁶⁸

This conclusion would suggest that the developmental accountability system does not create strong incentives to address the environmental impacts of projects. Changing the design and adding to the costs of traditional projects is not feasible unless project staff perceive some convergence with achieving economic objectives or avoiding implementation difficulties. If the accountability system penalized project staff for neglecting the environmental effects of projects, then one would see more concern during project preparation.

In summary, the accountability system of the Bank does not favor environmental assessment, but it does not prevent environmental sector projects or, in some cases, environmental components of projects. Financial criteria, undoubtedly the most important, do allow some non-financial projects and would justify environmental management of

68. See Ayres, op. cit., passim; van der Laar, op. cit., passim.

projects where large investments depended on the sustainable management of natural resources. In cases where the domestic political concern for environmental effects of development assistance in member countries can penetrate the thinking of the Treasury, there is some chance of prodding the Executive Directors even though their influence over project design is limited. Developmental accountability, where environmental productivity should find most support, is diffuse and easily deflected away from actual project outcomes. The emphasis that the leadership of the Bank puts on developmental objectives does increase the incentives to demonstrate performance, but such incentives are inevitably blunted by financial, political and implementation factors.

The Environmental Response of the Bank.

Since 1970 when the Office of Environmental and Health Affairs, subsequently the Office of Environmental Affairs and now the Office of Environmental and Scientific Affairs, (referred to below as the OEA), was established as part of the Projects Advisory Staff, it has devoted its energies

and resources to a range of activities designed to improve the environmental productivity of development assistance.

- ensuring that Bank financed projects do not cause severe or irreversible deterioration, by influencing their preparation, screening project appraisal reports and recommending mitigation or corrective action
- developing and promoting environmental sector investments
- developing and promoting environmental technical assistance and institution-building
- improving the attention to environmental issues during the early stages of the project cycle
- improving the attention to environmental issues in sector policy papers and training
- preparing and distributing environmental planning and management guidelines and literature
- cooperating with international organizations, other donors and member governments in conferences, meetings and other public events.⁶⁹

69. The World Bank, "Environmental Requirements of the World Bank", OEA, mimeo, 1982, pp.2-11.

To evaluate these activities in a way appropriate for the current analysis, I shall emphasize the efforts to screen and evaluate proposed projects in order to avoid severe or irreversible environmental deterioration. This was the task highlighted by McNamara in his ECOSOC address in 1970, confirmed as Bank practice in 1972 at Stockholm, re-affirmed in various OEA publications and pronouncements, once again publically undertaken at the signing of the Declaration in 1980, and finally codified in the Operations Manual in 1984.⁷⁰

To be sure, this objective is the most difficult, but most representative of a commitment by a development agency to environmental protection. No more than three OEA staff members have attempted to screen a large stream of proposed loans and credits, from 174 in 1974 to 243 in 1983,⁷¹ in addition to all their other activities, travel and

70. McNamara, "Address to ECOSOC", 1970; idem, "Address to UN Conference on the Human Environment", 1972; Lee, J., "Environmental Considerations in Development Finance," in World Eco-Crisis, eds. David Kay and Eugene Skolnikoff, Madison, University of Wisconsin Press, 1972, pp.171-182; The World Bank, "Environment and Development", 1975 & 1979; idem, "Environmental Requirements", pp.3-4; the Declaration calls for "systematic examination of all development activities, including policies, programmes and projects, under consideration for financing to ensure that appropriate measures are proposed for [the protection and improvement of the environment]."; World Bank, in Summary Record, 1983, p.43.

71. World Bank Annual Report, p.12.

commitments. Their role is advisory, and in cases where they feel action is needed, they have to convince the regional staff, whose responsibility it is to ensure environmental protection, at a stage in the project cycle when change is, to put it mildly, inconvenient.

In theory, every project proposed for financing is reviewed by the OEA at the 'project brief' stage and during preparation. If the OEA staff anticipates any environmental problems it collaborates with the Bank regional or IFC project staff to determine appropriate action. In practice, some categories of loans, such as structural adjustment, can be ignored, while others, such as water supply and sewerage or urban sites and services routinely include standard environmental measures. In other cases, OEA and Regional staff members suggest the appraisal analysis or measures for consideration by the borrower before submitting the loan request.⁷²

The screening process, because of resource constraints, relies heavily on the experience of OEA staff and their familiarity with sectors of the Bank's lending program. The staff needs to recognize types of activities that

72. World Bank, "Memorandum on Bank Environmental Policy: Response to Statements of Environmental Organizations Sent by the U.S. Executive Director", Washington D.C., January 11th, 1984, pp.1-2.

invariably require attention, such as forest clearance, resettlement, land colonization and certain types of industrial projects. Once identified, the task becomes one of persuading the project staff and the borrower to assess the significance of the problem and take the necessary action to minimize it.

Finally, the regional staff is responsible for including a statement of the environmental implications of the loan in the appraisal document. If mitigatory measures have been agreed with the borrower, they are either included as a covenant in the loan agreement or in a separate memorandum of understanding.

Two factors influence this process more than others. One is the effect of environmental protection measures on the financial and economic feasibility of the project. The other is the attitude of the borrower toward modifications or other suggestions. In some cases the Bank provides financing for the studies and measures necessary for the environmental aspects of project preparation and execution.

In order to make this task easier, the OEA has emphasized the risks posed by environmental deterioration to the economic and technical viability of the projects and the economic costs of external damage and social

disruption. In the Operations Manual Statement, environmental protection or mitigation measures are explicitly linked to conditions for "loan effectiveness and disbursement".⁷³ In fact, almost every Bank publication about environmental review emphasizes that the process does not impose heavy costs on projects.⁷⁴ It has also attempted to sensitize regional staff members to these problems and convince them of the need to anticipate these problems before all the project decisions are made. To this effect, the OEA publishes policy papers or influences the preparation of sector policy papers by sectoral departments.⁷⁵

The other activities of the OEA contribute indirectly to this central task and also achieve other objectives.

73. World Bank, "Environmental Policies and Procedures of the World Bank", (public version of Operations Manual Statement), Office of Environmental and Scientific Affairs, Washington D.C., May 1, 1984.

74. For example, see idem, "Environment and Development", Washington D.C., 1975, pp.11-13; "Environment and Development", Washington D.C., 1979, pp.10-13; World Bank Annual Report, 1973, p.23; Clausen, op. cit., p.26; World Bank, "Environmental Requirements of the World Bank", 1982, p.3.

75. World Bank, "Environmental Considerations in the Industrial Development Sector", Washington D.C., 1978; "Environment, Public Health and Human Ecology : Considerations for Economic Development", 1984; "Tribal Peoples and Economic Development : Human Ecological Considerations", 1982; "Wildland Management in World Bank Projects", draft, 1984.

Since 1974 the Executive Directors have approved lending for environmental sector projects, mostly pollution control in urban areas. The Bank has also provided funds for wildland conservation, watershed protection and forest conservation components of rural development and infrastructure projects, for technical assistance, training and institution-building, often in conjunction with major loans or for agencies that have executed Bank loans.⁷⁶ Although the guidelines prepared by the OEA have no authority with respect to the responsibilities of regional staff, the OEA hopes that their existence increases the chances of appropriate environmental mitigation or protection measures, especially for industrial projects.

It is not easy to measure the success of the OEA in screening and correcting project proposals. How can one tell if a decision to approve or suggest change is right or not? If the OEA does a good job at indirect improvement of the project preparation, there should be fewer incidents of change being recommended. But if the OEA feels weak and overstretched in screening project proposals, it may reserve its efforts for the exceptional cases. Both situations would result in fewer changes.

76. See World Bank, "Environmental Requirements", pp.9-11, 20-22, 35-37.

What does the Bank claim itself? Clausen claims a perfect record over the course of reviewing 2000 projects. This is probably optimistic.⁷⁷ The OEA tends to gloss over this function when giving an account of its performance, but has published statistics on the results of screening of 1166 Bank/IDA and 176 IFC projects between 1972-1978 made up of the following categories: no problems apparent when reviewed (62.9%); problems handled by others prior to Bank Group involvement (1.6%); in-house disposition (27%); consultants and special studies required (8%).⁷⁸ Again, this break-down implies that all problems are detected and all actions are appropriate; it does not admit any circumstances of the OEA recommending action that is not accepted by the regional office or the borrower. Nevertheless, it does show that between 1972 and 1978 about 35% of Bank Group projects had discernible environmental problems during preparation or screening.

Although the World Bank does not allow scrutiny of its project files or readily admit to problems in the preparation or implementation of its projects, there are several sources of evidence on which to judge the effectiveness of the environmental screening process.

77. Clausen, "Sustainable Development", pp.25-26.

78. World Bank, "Environment and Development", 1979, p.10.

These are interviews with the OEA staff, OEA publications and miscellaneous Bank documents such as project completion reports and project performance audit reports that have become available and the assessments of watchdog or research organizations that have monitored the implementation of the Bank's environmental policies. In addition, the 1983 House Banking Committee hearings, already referred to, have provoked an investigation of the Bank's environmental performance by the U.S. Treasury Department and required the Bank to give an account of its policies, procedures and performance.

OEA staff members are not in a position to expose environmental impacts resulting from bank projects directly, but they admit they lack the resources to screen all proposed projects at a sufficiently early stage or in sufficient depth. They also emphasize that their role is advisory and that not all project officers are concerned about ensuring that environmental considerations are analyzed. Finally, they point out that borrowers are inclined to resist mitigation measures or environmental components in projects and do not always implement those that are agreed. Because of this, the Bank cannot in practice enforce environmental mitigation during implementation. In addition, the capacity of the Bank to

monitor environmental effects is limited by the frequency and scope of project monitoring and evaluation missions.⁷⁹

OEA staff members point out that ensuring adequate environmental analysis and protection progresses incrementally. Some sectors, such as industry, are easier to deal with than, for instance, agriculture, where the issues are less clear-cut and trade-offs more hazy. They feel that at least some appraisal reports do adequately address environmental issues, while others only pay lip service and still some do not include any environmental determination. In the Bank's official response to the U.S. Treasury Department's investigations following the House Banking Committee hearings, the alleged inadequacies of existing environmental procedures and measures are fully listed followed by a one sentence response: "The World Bank is working towards incorporating these procedures into its operations".⁸⁰ In response to a question about the Bank's environmental guidelines, the Bank asserts that: "Their systematic use and rigorous enforcement would be adequate

79. Tixhon, J., "The World Bank and the Industrial Environment", mimeo, pp.10-12.

80. World Bank, "Memorandum on Bank Environmental Policy : Response to Statements of Environmental Organizations Sent by the U.S. Executive Director", Washington D.C., January 11, 1984, p.4.

to ensure that most development projects would not incur serious environmental, health or socio-cultural consequences."⁸¹ But the Bank stops short of claiming that they are used or that environmental problems are avoided.

Where environmental screening does take place, several outcomes are possible. The environmental analysis and input into project preparation and negotiation may be inadequate to deal with the potential problems and environmental problems occur. The environmental input may be adequate but the agreements on mitigation measures may be too weak or there is insufficient resolve on the part of the borrower and the Bank to ensure implementation. Finally, the input may be adequate and the implementation of the environmental measures may be successful.

From outside the Bank, it is not always easy to distinguish these outcomes. OEA staff members, for instance, publicize environmental components of land development and agricultural projects but privately concede that many of these measures are inadequate to compensate for environmental problems even if adequately implemented. They suggest that official publications tend to emphasize the positive cases and that observers should read between the lines to gain an impression of what a small proportion

81. ibid., p.3.

of relevant projects those positive cases represent.

There are several documented cases, in addition to those mentioned at the beginning of the chapter, demonstrating that proposed projects do not always receive adequate environmental analysis and input.

Brazil : Alto Turi Land Settlement Project. IBRD Loan. The PPAR admits that the audit mission did not have environmental expertise available to it, but nevertheless cites extensive deforestation and soil erosion. "There is also no indication that much study was done under the project into the effects of land clearing and pasture development on run-off and soil erosion." "The failure of the environmental component is to a large extent also due to the fact that insignificant allowance was made for it at appraisal. While there were clearly established environmental objectives, they were not translated into actual components in the implementation plan, neither were they costed under the project; this should have been done.⁸² (The follow-up project, Maranhao Rural Development Project, Loan 2177-BR, has continued in the same vein. Despite some attention to forest conservation in the Staff Appraisal Report, a project supervisory mission in Sept. 1983 reported that the forest conservation component was not being implemented.⁸³)

Sri Lanka: Drainage and Land Reclamation

82. World Bank, "Project Performance Audit Report. Brazil Alto Turi Land Settlement Project. Loan 853-BR", Operations Evaluation Department, Dec. 29, 1982.

83. World Bank, "Staff Appraisal Report. Northeast Brazil, Maranhao Rural Development Project", Projects Department, Latin American and Caribbean Region Office, May 21, 1982; Draft Letter from World Bank to Secretary of Planning, State of Maranhao, Oct. 24, 1983.

Project. IDA Credit. The PPAR of 1979 concluded that this project interfered with natural cycles in the estuarine areas and "adversely affected the ecological balance". Significant losses to coastal fishing resulted. The report concludes that "it can be said that consideration should have been given to the project's negative effect on marine life".⁸⁴

Kenya : Bura Settlement Project. IBRD Loan 1449. Credit 782. An OEA staff member, included on the Bank mission charged with reviewing this extremely unsuccessful project, cites a series of environmental problems that have been added to the serious economic and managerial problems associated with this land settlement, irrigation and agriculture scheme. These environmental problems include:

- * threats to endangered species
- * deforestation because the fuelwood plantation was inadequate
- * impedance of wildlife migration
- * livestock losses from wildlife
- * pesticide impacts
- * increased malaria
- * loss of fisheries downstream

Other examples of projects with significant environmental input during preparation, but weak or non-existent implementation of the environmental components are:

Tanzania : Kidatu Hydroelectric Project - Second Stage. IBRD Loan 1306-T-TA. The project completion report of 1982 states that some of the agreed environmental measures were implemented but " no program of action has been undertaken by the regional authorities to prevent soil erosion and consequent siltation of the reservoir; no program has been worked out, so far, by regional

84. World Bank, "Project Performance Audit Report. Sri Lanka Drainage and Land Reclamation Project. Credit 168-CE", Operations Evaluation Department, Dec. 28, 1979.

authorities to arrange for adequate hygiene and health education so as to protect the people against the danger of Schistosomiasis around the lake; no action has been taken against the possible mspace of aquatic weeds such as water hyacinth."⁸⁵

Brazil : Northwest Region Development Program. Phase III. IBRD 4424-BR. According to OEA staff, this project which involves road building, forest clearance and jungle colonization was subject to environmental analysis. The OEA was able to persuade the Bank's regional office and the Borrower to incorporate some forest reserves, demarcation of tribal lands, improved site selection and sustainable land use at the time of the loan negotiation, these measures are not being implemented. Nevertheless the Bank is accelerating disbursements on this loan.

Panama : Bayano Hydroelectric Project. The Bank's reply to the U.S. Treasury Department investigations states: "Despite the assurances given to the Bank during the execution of the project, the Government of Panama has not yet taken steps to control deforestation of the Bayano basin, which at present is being carried out so that agricultural crops can be cultivated or timber exploited... The increased biomass flooded by the resevoir has impaired water quality".⁸⁶

An OEA report on wildlife management indicates that less than half of wildlife components included in project

85. World Bank, "Project Completion Report", Nov. 30, 1982, cited in "Memorandum on Bank Environmental Policy: Response to Statements of Environmental Organizations Sent by U.S. Executive Director", Washington D.C., January 11, 1984, Attachment I, p.1.

86. ibid., p.21.

87. World Bank, "Wildland Management in World Bank Projects : A Policy Proposal", Office of Environmental and Scientific Affairs, Washington D.C., 1984, Annex I, pp.1-21.

agreements were adequately implemented.⁸⁷

Other cases where OEA staff members are doubtful whether the environmental measures that have been agreed are adequate for the scale of the environmental problems being experienced are the Transmigration program in Indonesia and the Mahaweli Ganga scheme in Sri Lanka. The Bank has continued to support these programs in the hope of improving the environmental analysis and implementation in the face of very serious resource depletion, settlement and wildlife problems.

A case where the Bank was attempting to secure acceptable environmental mitigation measures when the project was dropped by the borrower in the face of mounting international outrage is the Nam Choam hydroelectric project in Thailand, whose reservoir was to fall within the Thung Yai Wildlife Sanctuary. However one of the OEA staff raised the question of whether the project with a strengthened environmental management component would not be better than the existing situation of "paper" parks and weak environmental management.⁸⁸

There are, on the other hand, numerous cases where the

88. Goodland, R., "Are Trade-offs Admissible?" Informal comments to the International Rivers Conference, American Institute of Architects, Washington D.C., March 31, 1984.

Bank's environmental screening and negotiating have been successful both in terms of the loan agreement and implementation. The wildlife management report cited above lists Bank projects with wildlife management components of which many cases are adequate to compensate for the undiluted effects of the project or the vulnerability of the investment to environmental degradation. Some of these cases are reported to be satisfactorily implemented, such as the Shire Valley Agricultural Development II, Kenya: Credit 303, Tourism Rehabilitation, Tanzania: Credit 860, Irrigation XV, Indonesia: Credit 995, Northern Agricultural Development, Thailand: Credit 929 and Amazonas Agricultural Development, Brazil: Loan 2163.⁸⁹

The Bank's submission to the U.S. Treasury Department mentions several successful cases including the Second Water Supply Project (Nakdong Barrage) in Korea:

The project was redesigned to take into account important environmental concerns pertaining to a bird habitat in the river estuary; and, through the development of institutional components, the borrower (ISWACO) is introducing measures that will provide long-lasting protection for these environmental values. Further, the project provided the first

89. World Bank, "Wildland Management in World Bank Projects", Annex I, pp.1-21.

opportunity for the Government's newly formed Office of Environment to influence the design and implementation of a major development project." 90

Another well documented case is the Carajas Iron Ore Project in Brazil. A report circulated by the OEA written by some of the environmental staff of the borrower, the Companhia Vale do Rio Doce (CVRD), describes the environmental studies undertaken in preparing the project and the environmental management measures included:

"Through its experience in the south of Brazil, CVRD had become sensitized to the ecological issues of mining projects and has developed expertise in environmental assessment and management practices. Study of the Carajas Iron Ore Project began as early as 1972 with the completion of more than twelve environmental and related studies, mostly by outside consultants under the supervision of CVRD staff responsible for environmental management.

In 1980, CVRD created an independent advisory group - GEAMAM - responsible for advising on all environmental aspects of Company activities and for preparation of an environmental management manual. At all project sites, CVRD created internal environmental commissions - CIMA's - which monitor and control the environmental aspects of project implementation and operation. Two internal environmental commissions were created at the mine and port sites of the Carajas Iron Ore Project, coordinated by ecologists, Field Environmental Officers, who divide responsibility for the environmental management of the railway.

The Environmental Management Program includes: analysis of environmental conditions; research, planning and establishment of management strategies; monitoring and control of

90. World Bank, "Memorandum on Bank Environmental Policy", P.24.

impacts; environmental education; monitoring and control of basic services; liason with environmental, governmental and financial agencies." 91

In the OEA publications and its submission to the U.S. Treasury, the OEA emphasizes the positive cases where some form of environmental component has been included in the project design. These components often take the form of a wildland conservation area, for example, to protect a watershed or prevent environmental degradation from a highway or land colonization scheme. However, OEA staff members privately admit that often these are low-cost concessions won by the OEA in return for the implementation of environmentally damaging projects. Frequently, the measures are not adequately implemented. 92

The Bank submission to the Treasury was able to deflect most of the criticism by environmental organizations of the Bank's environmental performance by concentrating on the inaccuracies in the testimony, without making a substantial case for the success of its environmental procedures for screening project proposals. During the course of the Treasury investigations, Treasury staff members have been

91. de Frietas, Maria de Lourdes Daavies, and Christine Smyrski-Shluger, "Brazil's Carajas Iron Ore Project - Environmental Aspects", Rio de Janeiro, Companhia Vale do Rio Doce, 1982, pp.1-2.

92. World Bank, "Wildland Management in World Bank Projects", Annex I, pp.1-21.

directing questions at the regional staff about the environmental implications of upcoming loans via the U.S. Executive Director's office. The experience has indicated, according to Treasury staff, how the quality and depth of the environmental analysis varies greatly from project to project.⁹³

The OEA also emphasizes its positive environmental sector work more than the day-to-day screening and modification of Bank projects. OEA publications describe environmental sector loans, such as urban pollution control projects, technical assistance and preparation of guidelines.⁹⁴ While these activities are extremely worthwhile, I suggest that they are less problematic than screening project proposals.

Environmental sector loans, such as pollution control, are easier to promote than corrections to traditional projects, especially in combination with urban improvements. Wildland conservation components do not add large costs to the main investment, but provide a

93. Interview with Bob Banque, Office of Multilateral Development Banks, U.S. Treasury Department, April 1984.

94. See especially, World Bank, "Progress Report 1981-1982", in Summary Record, UNEP/CIDIE/82.8 (Final), 1982, pp.27-34; idem, "Progress Report 1982-1983", in Summary Record, UNEP/CIDIE/83.8 (Final), 1983, pp.43-58; idem, "Environmental Requirements", 1982, passim.

compensation for the conflict between the investment objectives and possible resource degradation, which can even enhance the project appraisal, especially in watershed protection and land development schemes. Providing technical assistance, training or supporting the creation of an environmental unit within an executing agency, (for instance the Electricity Generating Authority of Thailand and the Transmigration Program in Indonesia), can overcome the problem of resistance on the part of the borrower to the costs and effort of complying with Bank requirements in situations of considerable domestic political significance, and allow the OEA to achieve its objectives without conflict with the regional offices.

The Bank gives extensive publicity to the guidelines that the OEA has prepared. However, those that refer to project preparation are only advisory and there is no evidence that they are used systematically by regional staff.⁹⁵ Indeed the Bank offers little to contradict the impression that there is resistance to the OEA's more direct involvement in project preparation.

The weight of this evidence supports the view that the effective screening and environmental management of the

95. Horberry, Environmental Guidelines Survey, 1983, pp.64-66.

regular Bank lending program is severely constrained by the pressures facing the project staff and the accountability system it faces. These conclusions confirm the views of previous observers of the environmental policies of the Bank, such as the International Institute for Environment and Development's (IIED) survey of nine multilateral development agencies, published in 1979 points out that the OEA "only has time to screen closely a small part of the total flow of loan projects". The pressures facing regional staff members to process loans, the authors note, makes it hard for them to give serious attention to much of the advisory material coming their way, including that from the OEA. Nor is the cost-benefit analysis procedure practiced in a way that improves the assessment and mitigation of environmental problems.⁹⁶

In his Ph.D. thesis about how the OEA adapts to its "task-environment" in trying to implement the Bank's environmental policy, Le Prestre examines the efforts to screen projects and minimize damages as well as its other activities. He concludes that economic factors predominate. The Bank, he argues, is primarily an

96. Stein, R. and B. Johnson, Banking on the Biosphere?, Lexington, Mass., Lexington Books, 1979, pp.11-23. The authors carried out extensive interviews with a wide range of Bank staff, reviewed project files and made a series of field visits.

investment agency:

"The environmental analysis starts with the assumption that the project... is needed. This leads to privileging the project and its immediate economic rationale over the environmental perspective. If mitigation efforts have not been successful, for example because they were too expensive, or undercut the rationale of the project, the Bank will nevertheless go ahead with the project, assuming the economic and development rationale for the project outweigh the environmental costs... [E]conomic or political motivations carry the greatest weight in its relation with its borrowers or creditors."⁹⁷

As mentioned at the beginning of this chapter, the environmental organizations giving evidence at the House Banking Committee hearings criticized the Bank, citing cases of hydroelectric projects, irrigation projects, land development schemes, colonization and cattle ranching in which the Bank participated despite inadequate environmental protection and management.⁹⁸ Following these hearings these organizations have continued to urge Congress to exercise more influence over this aspect of Bank lending via the U.S. Executive Director's office.⁹⁹

97. Le Prestre, P., The Ecology of the World Bank: Uncertainty Management and Environmental Policy, Ph.D. thesis, Indiana University, p.284.

98. United States Congress, op. cit., pp.35-119.

99. Interview with Bruce Rich, Natural Resources Defense Council, Washington D.C., April 1984.

Conclusions

What can one conclude from this evidence and how does it fit with the implications of the Bank's accountability system? The issue is how does the political and financial structure of the Bank affect its capacity to deal with the environmental effects of its lending program.

First, the Bank explicitly sets itself the task of screening projects and ensuring that they do not cause severe or irreversible deterioration to the environment. Thus, it believes it is possible to reconcile this objective with the financial, political and developmental functions of the institution.

However, the OEA finds it easier to tackle this problem indirectly than to intervene in the preparation and approval of traditional Bank investments. That is not to say that it does not try nor that it never succeeds, just that it finds this task more difficult. It seems clear that one reason for this is that the financial accountability of the Bank is the driving force behind project appraisal; the regional staff members realize that the reason for their calculations of rates of return is to demonstrate the likelihood of repayment and in the context

of non-financial projects the tangible economic benefits that the project is providing. This affects the attitude of the regional staff to environmental analysis and mitigation and consequently governs the strategies of the OEA.

Although the major subscribers to the Bank do support the environmental assessment of development assistance in their bilateral programmes, the political structure of the Bank does not permit this support to strengthen the concern for environmental performance by the governing bodies. Only in exceptional circumstances will an Executive Director demand some accountability for this activity. When this occurs, as it did following the House Banking Committee Hearings, the OEA feels that its mandate and authority are considerably enhanced. But, it is the view of the U.S. Treasury Department staff that the political influence of the environmental lobby on the current administration is limited, that Congressional pressure to pursue this issue with the Bank will not persist. Normally, the OEA is forced to create political alliances with organizations outside the Bank and to use the criticism of outside organizations as way of manufacturing some political accountability.

The developmental policies of the Bank are somewhat rhetorical. The Bank as it expands its lending program

cautiously adds soft lending to its traditional sectors, more readily when some tangible economic or health benefits are likely, while the research staff and publications authors contribute vigorously to the development debate. The Bank is constantly nervous about its standing with the financial markets but knows that it can support non-financial projects up to a point. The developmental rationale for environmental mitigation and natural resource protection is genuine but the Bank is only sensitive to environmental damages that affect the financial and technical feasibility of a project. The developmental concerns of the Bank thus make it more attractive to the OEA to promote environmental sector investments and technical assistance rather than correct, at some cost and delay, traditional investments.

There are, of course, other factors that contribute to the environmental performance of the Bank. The OEA's location within the bureaucracy, its response to an uncertain and unwelcoming task-environment, its alliances with outside organizations, its strategies to overcome resistance by borrowers and poor implementation capacity of executing agencies all help to explain the Bank's environmental activities. However, I suggest that the most dramatic way to alter this situation would be to engineer a financial structure that was sensitive to the long-term

benefits of environmental protection measures, a political structure that gave some role to the members' environmental agencies in instructing the Executive Directors and a system for measuring and correcting developmental performance more sensitively. The accountability system, as I have characterized it, would provide strong incentives to carry out environmental assessments if failure to include environmental protection measures when needed threatened to undermine the creditworthiness of the Bank. The Executive Directors would look for stricter enforcement of environmental policies if they were accountable to the national government's environmental agency in some way. Finally, if project evaluations examined the environmental impacts more closely and published the results, there would be more risk to the professional reputation of project staff from neglecting environmental impacts. Of course, it is not hard to see obstacles to these conditions coming about, and pervasive bureaucratic tendencies and the reluctance of borrowers to implement environmental measures would still pose problems. But the incentives within the organization could be significantly altered in favor of environmental assessment, if it were possible to accomplish these reforms.

CHAPTER 7

The United Nations System

Case Study : The Food and Agriculture Organization of the United Nations

Introduction

"In that almost all FAO field projects are concerned with increasing production and managing natural resources, almost all involve modifying or intensifying man's relationship with natural systems. In this sense, they are all of environmental concern. More particularly, as the pressure for more intense production methods and greater modification of natural systems increases, so do the risks of upsetting ecological balances, exhausting natural resources and disturbing natural systems in ways that damage human welfare, or impose costs on other development sectors.¹

In the late 1960's, the Food and Agriculture Organization of the United Nations (FAO) established an

1. FAO, "Report of the Ad Hoc Sub-Group of the IDWG on Environment and Energy on Environmental Assessment of Field Projects", Rome, November 1983, p.2.

Inter-Departmental Working Group (IDWG) on Natural Resources and the Human Environment within the Agriculture Department. Its task was to ensure that the FAO Regular and Field Programmes took account of natural resource management and conservation and to advise the Director General on natural resources and the environment. During the preparation for the UN Conference on the Human Environment, held in Stockholm in 1972, the mandate of the IDWG was strengthened, and a focal point for environmental activities was set up, called the Environment and Energy Programmes Coordinating Centre, (referred to below as the Environment Centre) located in the Agriculture Department. In 1984, this Environment Centre was made part of the Research and Technology Development Division, with FAO-wide responsibilities for administering environmental, energy and remote sensing activities.

The tasks of this Environment Centre are threefold. First, it collects and disseminates information, conducts policy analysis and provides technical literature and assistance for the benefit of member governments on environmental issues of relevance to food production, agriculture, forestry and fisheries. These include the rational management and conservation of natural resources in the course of agricultural production, the minimization of the environmental impact of agricultural production and

processing, the development and application of assessment and management methods suited to natural resource problems, such as soil conservation, waterborne diseases, forestry management, watershed protection, grassland monitoring and pesticide and fertilizer use.² Second, the Environment Centre executes and coordinates FAO activities funded by the United Nations Environment Programme (UNEP), such as the preparation of guidelines, assessment methods, technical documents, training courses and program development relating to specific environmental issues. For example, current UNEP/FAO joint projects include : human and environmental health - training courses on food contamination control and monitoring, with special reference to mycotoxins; pest management systems - Near East inter-country program for the development and application of integrated pest control in cotton growing; environmental management - operational guidelines for afforestation projects and large-scale agricultural mechanization.³ Third, the Environment Centre participates in and helps to coordinate UN system activities and consultations about environmental issues. For example, it

2. See FAO, "Natural Resources and the Human Environment for Food and Agriculture", FAO Environment Paper 1, Rome, 1980.

3. See FAO, "Office Memorandum : FAO/UNEP Projects Progress Report (October 1983 to March 1984)", Rome, May 1984.

cooperates with the World Health Organization and UNEP in the Joint WHO/FAO/UNEP Panel of Experts on Environmental Management for Vector Control. ⁴

Most of these activities fall within the Environment and Energy Sub-Programme of the Research and Technology Development Programme - part of the FAO Regular Programme. ⁵ However, the Environment Centre is also responsible for the environmental implications of the FAO Field Programme - projects and activities funded by the United Nations Development Programme (UNDP) and other donors and executed by the FAO on behalf of member governments. It is this area of work that is comparable with efforts by multilateral and bilateral donors to carry out environmental assessments of their funding programs. Thus, it is the Environment Centre's concern for the Field Programme that I shall analyze in the course of this case study.

While the FAO does not provide the funds for its Field Programme, with the exception of the Technical Cooperation Programme, (a special facility, funded from the regular

4. Panel of Experts on Environmental Management for Vector Control, "Report of the First Meeting, WHO, Geneva, 1981", Geneva, PEEM Secretariat, World Health Organization, 1981.

5. See FAO, "Programme of Work and Budget for 1984-1985", Rome, 1983, para. 2.1.4.5.

budget, for urgent short-term technical assistance missions on request from member governments), the fact that so many funds for agriculture, forestry and fisheries are channeled through the FAO for project preparation and execution gives FAO the major responsibility for technical review and approval for the stream of projects and activities. If there is to be any systematic assessment and mitigation of potential environmental impacts, then it has to take place at the time the projects are prepared by the FAO rather than when they are approved by the individual sources of funds.

Until recently the UNDP was the major source of funds for the FAO Field Programme, but its share has dropped to under 50% in 1983.⁶ The remainder is composed of Trust Funds, ("multi-bi" funds provided by bilateral donors, normally earmarked for particular types of activities or regions, or "unilateral funds" provided by the recipient government itself), and the Technical Cooperation Programme. None of these funding sources is likely to undertake environmental assessment of the projects to be executed by the FAO or to assume responsibility for the technical soundness of project preparation and execution.

6. FAO, "Review of Field Programmes 1982-83", Rome, 1983, p.3.

The UNDP has very limited capacity to assess the environmental implications of proposed technical assistance at the time of negotiating with the member government which projects should go forward for execution by one of the UN specialized agencies or the World Bank. First, much of the consideration of governments' proposals is the responsibility of the Resident Representatives in the country concerned who have neither the expertise to assess possible environmental impact or the capacity to exercise much leverage over the policies and proposals of governments. Second, although the UNDP has environmental guidelines in its operations manual, there is little evidence that they are implemented at all during the review of technical assistance proposals or that UNDP headquarters believes that it can persuade governments to correct environmental problems.⁷ In the case of the Trust Funds, the bilateral donors surrender most responsibility for technical analysis to the FAO, provided the funds go to the sector and/or region specified and with the unilateral funds the FAO obviously supplements whatever technical

7. See Stein, Robert and Brian Johnson, Banking on the Biosphere?, Lexington, Mass., Lexington Books, 1979, pp.44-50; Luke, Robert, "The Environmental Practices of the United Nations Development Programme: Critique and Recommendations", report for the UNDP, July 1980; Horberry, John, Environmental Guidelines Survey: An Analysis of the Environmental Procedures and Guidelines Governing Development Aid, London, Joint Environmental Service of IIED and IUCN, 1983, pp.71-72.

appraisal is provided by the member government. Finally, the Technical Cooperation Programme is fully the responsibility of the FAO.

Thus, anxious to increase the environmental sensitivity of the Field Programme, the IDWG began in 1977 to consider what steps should be taken within the FAO to avoid undesirable environmental impacts and to minimize conflicts over the sustainable use of natural resources. Since then, few significant changes have been made in how the Field Programme is appraised, executed and evaluated. Initially, the Environment Centre has encouraged the preparation by FAO technical divisions of guidelines on the environmental impact of several typical agricultural and forestry activities.⁸ It also has published a research report on "Environmental Impact Assessment and Agricultural Development".⁹

Later, in late 1983, the IDWG commissioned a consultant's report on possible procedures and technical guidance for environmental assessment of the Field

8. For example, FAO, "The Environmental Impact of Tsetse Control Operations", Animal Production and Health Paper No.7, Rome, 1980; FAO, "The Environmental Impact of Forestry", Conservation Guide No.7, Rome, 1982; FAO, "Effects of Intensive Fertilizer Use on the Human Environment", Soils Bulletin No.16, Rome, 1972.

9. FAO, "Environmental Impact Assessment and Agricultural Development", Environment Paper No.2, Rome, 1982.

Programme but has yet to take any action to implement the recommendations.¹⁰ These included: training sessions for FAO field representatives and the staff of the divisions responsible for implementing the Field Programme, more environmental content in the terms of reference for programming missions, specific procedures for screening incoming project requests and flagging them for special attention if they conform to a list of activities with potential environmental problems, clearance with the Environment Centre for the necessary coordination between technical divisions or environmental planning input if flagged and specific mechanisms for reporting on progress during implementation if environmental problems were considered likely.¹¹

The view of the IDWG and the Environment Centre is that it is not yet possible to reform the procedures for analyzing and executing the Field Programme to incorporate systematic environmental assessment, but that it may be feasible to isolate some categories of field projects that are most likely to cause environmental impacts, prepare appropriate guidelines for assessing the possible impacts

10. FAO, "Report of the Ad Hoc Sub-Group of the IDWG on Environment and Energy on Environment Assessment of Field Projects", Rome, 1983.

11. ibid., pp.7-9.

and persuade the relevant technical division to improve its review of such projects. But, for this to happen the Environment Centre believes the Development Department needs to install a more effective system for managing the incoming project requests and to exercise more authority over the technical divisions concerning the degree of coordination and consultation with specialized offices, such as the Environment Centre. There also needs to be a more comprehensive evaluation program that investigates the technical quality of projects more stringently. This is a problem that the Environment Centre does not at present feel confident to influence because it lacks the authority and resources to have much impact on the operations of the Development Department or to change the incentives facing the staff responsible for implementing the Field Programme.¹²

The aim of this case study is to examine the relationship between the political and financial structure of FAO, with particular attention to the Field Programme, and the accountability system surrounding the preparation and execution of field projects. This relationship, I suggest, reveals the incentives and constraints facing the

12. Interviews with Dr Mouttapa, head of the Environment and Energy Programmes Coordinating Centre, FAO, November 1983 and May 1984.

IDWG as they address the environmental impact of the FAO Field Programme. Unlike the previous two case studies, there is very little documentary material regarding the outcomes or impacts of field projects or about the operations of the FAO itself. Also, for the simple reason that no systematic environmental review procedure has been instituted, it is less clear how to judge the influence of the organization's accountability system on its capacity to review projects effectively.

Instead of project histories, this case depends on the effort by the IDWG to prepare and install an environmental review process. The IDWG has addressed the constraints facing such a policy initiative and has explicitly estimated its own capacity to extend or tighten the accountability of the FAO for the environmental quality of the Field Programme. The fact that the IDWG has not taken any action and remains pessimistic about the opportunity of reforming the Field Programme system is itself a measure of FAO's lack of assessment capacity. Thus the thrust of this case will be to examine how the political and financial structure of FAO shapes an accountability system that provides little incentive or opportunity to assess the environmental impact of the Field Programme.

There is very little literature and documentation on the FAO, its policies, operations and projects, either

outside or within the organization in comparison to the World Bank or USAID. Much of the supporting evidence for my arguments in this case originated in interviews with FAO staff members in almost every technical and operations division and in the Development Department. These interviews focussed on the constraints to environmental assessment and on possible opportunities for tightening the accountability of the FAO for the environmental effects of field projects.¹³

The Political and Financial Structure of the FAO

The FAO, a specialized agency of the United Nations, is charged by its member governments with addressing the following tasks: to raise the levels of nutrition and standards of living of their peoples, to improve the production and distribution of all food and agricultural products, and to improve the conditions of rural populations.¹⁴ It carries out these tasks in a variety of

13. In the text, I have limited the attribution of individual interviews to a minimum but in the majority of cases indicate the part of the organization from which the views are taken. It would be invidious and in some cases embarrassing for those kind enough to cooperate to be individually named for views that they would not officially put forward.

14. FAO, "FAO : What it is, How it Works", Rome, 1982.

ways - the collection, analysis and dissemination of information; advising governments on policy and planning; promoting consultations and cooperation among member countries; and providing technical advice and assistance.

The Regular Programme, whose budget is contributed by member governments in proportion to their GNP per head as determined by the UN General Assembly, amounted to US\$366.6 million for the 1982-1983 biennium.¹⁵ It is made up of General Policy and Direction, Technical and Economic Programmes (including Agriculture, Forestry and Fisheries), Development Support Programmes, the Technical Cooperation Programme and Support Services.

The Field Programme, funded by the UNDP, bilateral and unilateral Trust Funds, disbursed US\$278 million during 1982.¹⁶ There is an enormous variety in the scale, content and implementation mechanisms in the Field Programme. In early 1982, the FAO was operating 2430 field projects with a total value of US\$1300 million in 147 countries. About 800, or 33%, of these projects had allocations of over US\$500,000.¹⁷ The great majority of projects cost less than

15. FAO, "Programme of Work and Budget FOR 1984-1985", Rome, 1983, p.48.

16. FAO, "Review of Field Programmes 1982-83", Rome, 1983, p.3.

17. ibid., p.10.

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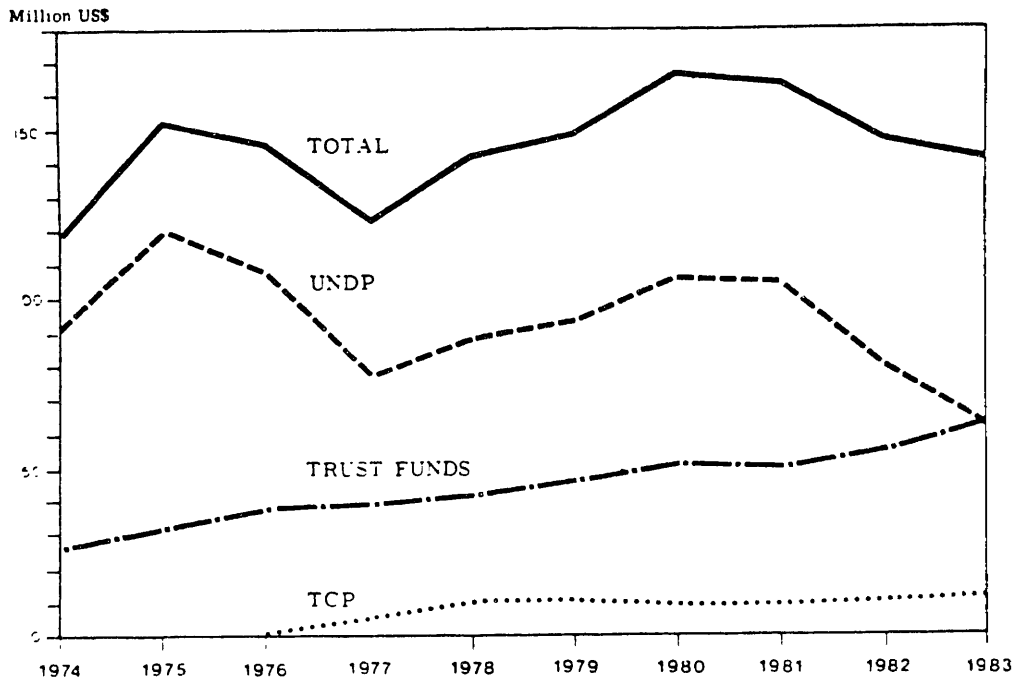
TABLE 14 ANNUAL EXPENDITURE ON FAO FIELD PROGRAMMES

FIELD PROGRAMMES	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
1. FAO/UNDP Programme	69.9	85.8	85.1	78.8	78.4	119.7	115.2	88.4	111.2	131.5	167.1	182.5	141.1	120.1
2. Trust Fund Technical Assistance														
FAO/Government Programme	1.5	2.7	3.3	5.3	6.3	11.2	17.9	18.9	20.8	24.0	32.6	38.9	44.4	
Associate Experts Schemes	3.3	3.6	4.8	5.9	7.4	9.7	9.4	9.4	10.2	12.2	14.5	14.6	13.0	
Near East Cooperative Programme	-	-	-	-	-	-	0.3	0.5	2.9	4.4	4.8	3.3	3.0	
Unilateral Trust Funds	1.0	0.9	0.8	1.1	3.6	3.5	4.6	5.8	7.7	8.9	10.9	13.8	24.5	
PFL Special Account	-	-	-	-	-	-	-	-	0.1	1.2	3.6	4.0	2.7	
Freedom from Hunger Campaign/AD	2.3	2.3	1.8	2.0	2.2	2.7	2.3	2.6	2.0	2.3	1.6	1.7	1.0	
UN Fund for Population Activities	-	0.2	0.5	0.9	1.3	1.9	1.7	2.3	2.3	3.7	3.5	2.3	1.9	
UN Environment Programme	-	-	-	-	0.2	0.6	1.5	2.1	2.1	1.3	1.3	0.8	0.9	
Other UN Organizations	1.5	1.0	0.7	0.3	0.4	0.4	0.5	0.7	0.6	1.0	1.7	2.6	3.1	
Special Relief Operations (OSRO)	-	-	-	3.6	9.6	14.3	6.3	3.7	6.8	2.1	14.7	30.4	15.5	
International Fertilizer Scheme (IFS)	-	-	-	-	1.3	53.8	31.4	13.5	6.8	9.1	3.3	2.2	3.8	
Miscellaneous Trust Funds	0.4	0.4	0.5	1.3	1.2	2.1	2.3	2.3	3.5	6.1	6.4	5.2	5.9	
Sub-total	10.0	11.1	12.4	20.4	33.5	100.2	78.2	61.8	65.8	76.3	98.9	120.1	119.7	135
TOTAL EXTRABUDGETARY FIELD PROGRAMMES	79.9	96.9	97.5	99.2	111.9	219.9	193.4	150.2	177.0	207.8	266.0	302.6	260.8	255
3. ICP	-	-	-	-	-	-	0.6	6.2	12.7	13.9	13.8	15.4	17.4	20
TOTAL FIELD PROGRAMMES	79.9	96.9	97.5	99.2	111.9	219.9	194.0	156.4	189.7	221.7	279.8	318.0	278.2	275
MISCELLANEOUS SUPPORT COSTS														
4. UNDP	8.9	9.6	10.9	10.5	12.3	16.9	16.2	12.4	15.4	18.2	22.6	25.0	19.8	
5. Trust Funds	1.2	1.3	1.7	1.8	2.4	3.7	4.4	4.7	5.4	6.6	8.0	9.1	9.9	
6. World Food Programme	1.0	1.1	1.4	1.7	2.0	2.4	3.3	3.1	4.4	4.8	6.2	5.9	6.5	
7. Contributions from Investment Banks/Funds	1.4	1.9	2.9	3.4	3.7	3.8	3.7	4.3	5.3	6.9	7.5	8.7	8.4	
TOTAL MISCELLANEOUS SUPPORT COSTS	12.5	13.9	16.9	17.4	20.4	26.8	27.6	24.5	30.5	36.5	44.3	48.7	44.6	
Grand-total	92.4	110.8	114.4	116.6	132.3	246.7	221.6	180.9	220.2	258.2	324.1	366.7	322.8	

Source: FAO, Review of Field Programmes 1982-1983
Rome, 1983.

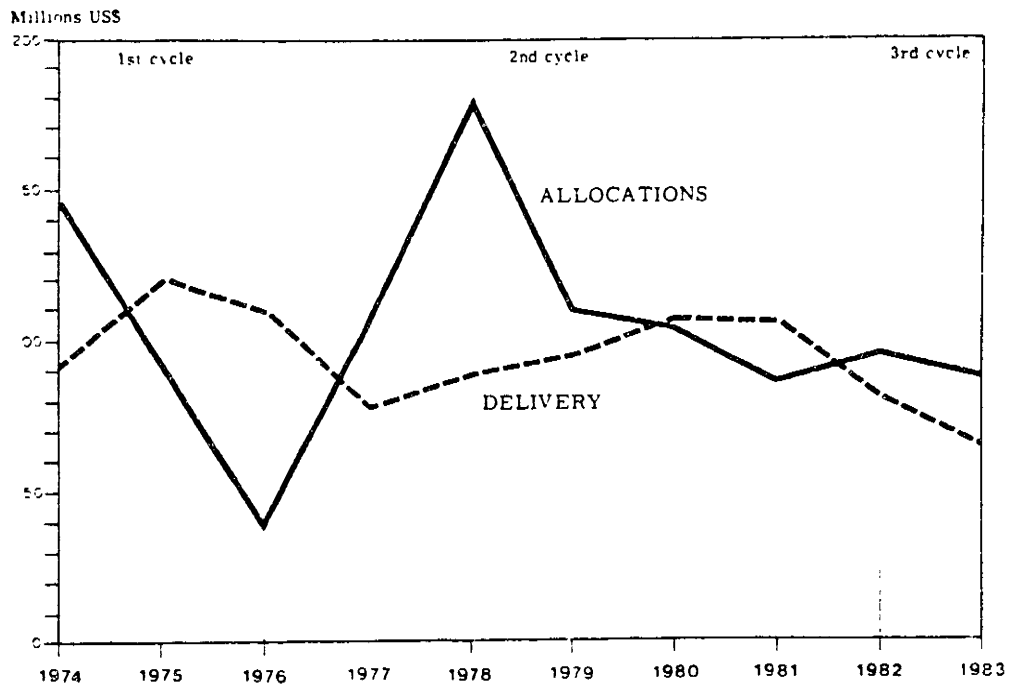
TABLE 15

- TRENDS IN THE REAL VOLUME OF FAO'S TECHNICAL COOPERATION 1/
(AT CONSTANT 1975 PRICES)



1/ Excludes development assistance under Trust Funds for the International Fertilizer Scheme (IFS) and the Office of Special Relief Operations (OSRO)

- UNDP ALLOCATIONS TO FAO AND FAO/UNDP DELIVERY 1974-1982
(AT CONSTANT 1975 PRICES)



Source: FAO, Review of Field Programmes 1982-1983
Rome, 1983.

TABLE 16

REGIONAL DISTRIBUTION OF FAO FIELD PROJECTS
(as of April 1983)

Region \ Programme	Funded from Extra-Budgetary Sources			TCP	TOTAL
	UNDP	TF	Sub-total		

(a) Number of Projects

Africa	369	302	671	322	993
Asia & Pacific	266	129	395	148	543
Latin America	116	83	199	240	439
Near East	122	97	219	99	318
Europe	41	8	49	17	66
Interregional & Global	9	61	70	-	70
TOTAL	923	680	1,603	826	2,429

Source: FAO, Review of Field Programmes 1982-1983
Rome, 1983.

TABLE 17

ESTIMATED EXTRA-BUDGETARY EXPENDITURES FOR FIELD PROJECT
DELIVERY, 1982-83 ^{1/}

<u>Programme</u>	<u>Amount</u> (US\$ million)	<u>Share</u> (%)
Natural Resources	82	16
Crops	151	29
Livestock	77	15
Research Support	3	1
Rural Development	63	12
Nutrition	4	1
Agricultural Policy Analysis	26	5
Forestry	53	10
Fisheries	57	11
	<u>516</u>	<u>100</u>

^{1/} Does not include TCP, project support costs and certain extra-budgetary expenditures not connected with field programmes.

Source: FAO, Review of Field Programmes 1982-1983
Rome, 1983.

US\$500,000 and consist of training, pilot projects, research programs, institutional strengthening or simply the provision of an expert in some technology to a government program. A survey of active field projects in Kenya, Brazil and Indonesia in May 1984 varied from a U.S.\$2.2 million UNDP project for establishing a land resources evaluation system for the Outer Islands of Indonesia to a U.S.\$11,000 grant from UNDP to developing a pilot soil and water conservation project. Some projects consist mainly of equipment or materials, others only involve the short visit of a consultant.¹⁸

The highest FAO governing body is the Conference, made up of delegates from all the member governments, with equal voting powers, which meets every two years to approve the Budget and Programme, to elect new members and periodically to elect a new Director-General. The Conference, in reviewing the Budget and Programme, discusses the Secretariat's view of the state of food and agriculture, debates issues or special topics put before it by the Secretariat, including on occasions aspects of the Field Programme, passes resolutions or lends support to new activities and policy initiatives proposed by the

18. See FAO, "Fisheries Department Field Projects", Rome, June 1983; "Forestry Department Project Catalogue", Rome, September 1983; "AGO Project Catalogue", Rome, Jan. 1984.

Secretariat, and occasionally urges the Secretariat to follow a particular policy direction. It also takes decisions on administrative and constitutional issues. Below the Conference is the Council, made up of 49 members, elected by the Conference for 3 year terms on a rotating basis, which meets at least once a year under an independent chairman. The Council appoints Committees on the Programme, Finance, Commodity Problems, Agriculture, Forestry and Fisheries which do much of the work of preparing the Programme and Budget in cooperation with the relevant divisions of the Secretariat. The Secretariat is headed by the Director-General who is elected by the Conference for a six-year term.¹⁹

The structure of the Secretariat reflects both the organization of the Regular Programme and the administration of the Field Programme. Following the Major Programmes of the Regular Programme, there are Departments for Economic and Social Policy, Agriculture, Fisheries and Forestry. Each of the Agriculture, Fisheries and Forestry Departments has an Operations Division with responsibility for executing the Field Programme. There is also a Development Department, which is responsible for overall

19. Phillips, Ralph, FAO : Its Origins, Formation and Evolution 1945-1981, Rome, Food and Agriculture Organization of the United Nations, 1981, pp.19-28.

administration of the Field Programme, as well as FAO Representatives, based in the member countries, and the Investment Centre, which assists member countries in identifying projects for financing by other donors. Finally, there are Departments for the Regional and Liason Offices, Administration and Finance and for General Affairs and Information.

As I have made clear above, my ultimate concern is with the operation of the Field Programme and what opportunity exists for environmental assessment. However I shall consider the policy making procedures and sources of accountability for both the Regular Programme and the Field Programme. It is the Regular Programme that has most influence over the incentives facing the technical staff, with the exception of those in the Operations divisions, and over which the member governments have most control. Also, it is the same technical staff which administers the Regular Programme as well as prepares and approves the technical aspects of field projects.

The Field Programme is often thought of within the organization as a routine activity - bread and butter for the organization. Although the funds are independent of the regular budget and many technical and most operations staff members hold the view that in disbursing them the FAO is simply acting as an agent of the recipient country, the

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organizational and policy context for its implementation and evaluation cannot truly be separated from the accountability system governing the Regular Programme.

Accountability or Autonomy?

The Regular Programme.

There are two alternative conceptions of the degree to which the FAO Regular Programme is accountable to its member governments. One is that is that the member governments direct and control the content of the Programme and the level of the Budget via the Conference, the Council, the major Committees and the permanent delegations. The Secretariat is thereby accountable to the members for the satisfaction of the Programme objectives and the allocation of the Budget; members can introduce new initiatives, require policy changes and review the performance of particular items of the programme on a continuing basis.

The other extreme is that for a variety of reasons the Secretariat is almost autonomous and experiences little demand for accountability from its members. The factors

that might explain this autonomy include:

- with universal membership and equal voting, political control of the organization is diffuse and unwieldy;
- the routine nature of budgetary assessment and the burden of contributions lying with a few wealthy nations results in the majority of members having little interest in controlling the budget strictly;
- the majority of funds available to the FAO are independent of the Regular Budget;
- the Secretariat can control the preparation and review of the Programme by the Committees, Council and Conference;
- the members cannot easily review the detail of the Programme but rely on the Secretariat to respond to general directions from the Conference and Council;
- the Secretariat can easily deflect close scrutiny of the Programme by members and can resist demands by members for stricter accountability;
- the general area of responsibility of the FAO is important to all but presents few clear-cut issues that are controversial;
- the technical activities of the FAO are hard to

evaluate, comprising mostly information management, consultation and policy analysis;

- the Secretariat can draw upon external sources of policy direction and Programme justification, such as UN conferences, action plans and resolutions.

It is likely that both these conceptions are too extreme. I shall consider how accountable the FAO is in practice by drawing on the records of recent Conferences and examples from staff members of how the Secretariat responds to the members.

It would seem reasonable to expect the members to be concerned about the Budget. Since the Secretariat is normally called upon to increase its activities from biennium to biennium, the Budget has risen accordingly. Once the Committee on Finance has deliberated on the appropriate Budget level and reported to the Council that the Budget is in line with the proposed Programme for the coming biennium, the Conference has little real opportunity to influence it. Over the past few years, the Conference has urged the Secretariat to contain administrative costs and reduce headquarters posts in favor of decentralized activities and to emphasize direct operations rather than consultations, meetings and publications.

Most of the budget is provided by a few wealthy

TABLE 19

THE FAO REGULAR BUDGET US\$ millions

BIENNIUM	1974-75	1976-77	1978-79	1980-81	1982-83	1984-85
APPROVED BUDGET	106.7	167.8	210.1	278.7	366.6	451.6
% INCREASE OVER LAST BIENNIUM	24	57	25	32	31	23

Source: FAO, Programme of Work and Budget, Rome, recent biennia.

TABLE 20

CONTRIBUTIONS OF MEMBER STATES TO FAO REGULAR BUDGET

% share of 1984 Assessment of member states contributing more than 1% of budget

AUSTRALIA	1.8	MEXICO	1.0
BELGIUM	1.5	NETHERLANDS	2.1
BRAZIL	1.7	SAUDI ARABIA	1.0
CANADA	3.7	SPAIN	2.3
CHINA	1.0	SWEDEN	1.6
FRANCE	7.9	SWITZERLAND	1.3
WEST GERMANY	10.3	UNITED KINGDOM	5.6
ITALY	4.5	UNITED STATES	25.2
JAPAN	12.4		

The remaining 15% is contributed by the other 139 members.

Source: FAO, "Contributions Due to the Budget and Amounts Due as Advances to the Working Capital Fund", W/R0109/c, Rome 1984.

nations, whose formal power to contain budget increases is limited by the voting structure. The majority of poorer nations have a continuing interest in increasing the amount of resources available to them from the organization. For instance in 1979, the Conference Report records that:

"the very great majority of members considered therefore that the budget level in relation to the needs of developing countries and FAO's capability in meeting those needs, should have been higher. The proposed level had been considered by the Director-General to provide the best balance between the various considerations involved and represented the absolute minimum required to implement the approved programme."²⁰

At the next Conference in 1981, the members were asked to support an increase of 30% in the budget for the biennium 1982-1983. The main donor nations objected, having failed to convince the Director-General to contain the increase. The Conference Report says:

"Some members, while generally supporting the objectives and most of the priorities of FAO and emphasizing the Organization's special place in the UN system, were unable to support the real level of increase proposed in the programme... They pointed out that in recent years, FAO's budget had been growing more rapidly than had their national budgets and economies. They considered that in the circumstances, it was reasonable that the whole UN system, including FAO, should undergo a period of budgetary consolidation....."

A few other members, while reserving their positions on the budget level, shared most of these views.

20. FAO, "Report of the Conference 1979", Rome, 1979, p.35.

The great majority, while recognizing and respecting the views of all Member Nations, strongly disagreed with the above arguments. . . . Some members expressed strong regret at what they considered the threatening attitude in this regard which had been adopted by two delegations. The great majority believed that, in the light of the Cancun meeting and with the challenges now facing FAO, they could only regard the proposed programme and budget as the minimum needed to enable FAO to play its rightful and essential part in the increased international cooperation to which the Melbourne and Cancun summits had referred."²¹

Not only did the donor nations, especially the United States, take the unusual step of directly opposing the budget increases, but there was at the time of the 1981 Conference a vigorous press campaign, organized by an American newspaper published in Rome, "The Daily American", accusing the FAO management of corruption, waste, and complete lack of accountability to the donor countries.²²

The Director-General still proposed a budget increase of 23% for 1984-1985, but in the most cautious language. In his introduction to the 1984-1985 Programme of Work and Budget, he says:

"I have deliberately chosen a very circumspect path in formulating my proposals for the next biennium. The cost of the real programme increase to the largest contributor would be US\$278,000 per annum: to the smallest

21. FAO, "Report of the Conference 1981", Rome, 1981, pp. 24-25.

22. "The FAO Dossier", The Daily American, Rome, 1981.

contributors US\$111 per annum.

...the adverse international economic situation and its symptoms and repercussions, make it incumbent on me to seek to limit any additional financial burden for Member Nations, both developing and developed.

The proposals for the Programme of Work and Budget 1984-1985 have thus been framed to respond to the highest priorities and felt needs of Member Nations and, at the same time, to limit a request for additional resources. The path chosen to accomplish these apparently contradictory objectives is by stringently cutting programmes of relatively low priority, reducing administrative and support costs and channelling the resources thus freed together with the minimum net additional resources to the technical and economic programmes of the Organization " ²³

The Director-General also mentioned that during the Council deliberations on the budget that "a number of Member Nations expressed the opinion that the budget level could have been kept down even further, while the vast majority regretted that it was not much higher." ²⁴

In the view of many staff members interviewed, the members can hold the FAO accountable to the budget level more easily than any other issue. However, it takes considerable energy and conflict for the donor members to exercise any influence over the budget levels. The Director-General enjoys the support of the majority of

23. FAO, "Programme of Work and Budget for 1984-1985", Rome, 1983, p.14

24. ibid., p.15.

developing members, who have little to lose from large increases, and it is unlikely that a major donor could ever withdraw support from an organization whose aim is to prevent hunger and increase levels of nutrition and agricultural production. (Still, the recent decision of the U.S. to withdraw from Unesco has probably raised the possibility in the minds of some governments.) The result of the strident objections to the increased budget in 1981, produced little more than a more careful approach and shifting of the increase to technical programs - which are easier to justify.

The members, one might expect, should also have some control over the shape and direction of the Programme. There have certainly been changes over the last few years that have been deliberated by the Council and the Conference, and which the Director-General has reported to members from biennium to biennium. It is reasonable to suppose that it would have been difficult to achieve these changes in the face of concerted opposition from the majority of members, but it is less easy to tell if the changes stem directly from the decisions of the members.

For instance, the Programme of Work and Budget for 1978-1979, presented to the Conference in 1977, recalls that the Conference in 1975 had unanimously adopted a resolution (16/75) "which had requested the

Director-General to review the programmes, structures and policies of the Organization in the light of the Conference's deliberations."

"Foremost among the concerns of the Conference had been the implementation of a New International Economic Order, the urgent and concrete requirements of all Member Nations, the pressing needs of developing countries, steps towards an appropriate decentralization of FAO and the use of national institutions."²⁵

The Director-General's proposals in response to this resolution included: "a much greater emphasis on investment, the establishment of a Technical Cooperation Programme, emphasis on decentralization at the country level, and the concurrent concentration on practical, short-term activities and reduction in meetings, documents and Headquarters posts."²⁶ The Director-General reported that these proposals had been endorsed by the Regional Conferences which are regional meetings of the national delegations before the main Conference, the Council and its Programme and Finance Committees whose job it is to prepare the Budget and Programme proposals for submission to the Conference. These issues were reviewed at the 1979 and 1981

25. FAO, "Report of the Conference 1977", Rome, 1977, p 17.

26. ibid, p.17.

Conferences and the efforts of the Secretariat to implement the appropriate measures were endorsed.²⁷

According to staff members, specific issues concerning the operations of the Organization such as increased decentralization or initiating an activity like the Technical Cooperation Programme tend to be proposed by the Secretariat in response to general feelings among the members that, for instance, the FAO was not channelling sufficient resources into concrete activities of benefit to developing members. Other issues raised by members tend to be very general and the Secretariat initiates specific Resolutions in response to the main concerns that are then introduced by individual members. Much of the discussion during the Conference, and the subject of many resolutions, is global in range and not specifically targeted towards the Programme. For instance, during the 1983 Conference, members discussed and adopted resolutions about: the critical situation of food and agriculture in Africa, world food security, revision and updating of the guidelines and targets for international agricultural adjustment, progress in implementation of the World Conference on Agrarian Reform and Rural Development. More specifically, the

27. FAO, " Report of the Conference 1979", Rome, 1979, p.33; FAO, "Report of the Conference 1981", Rome, 1981, p.23.

developing members adopted an International Undertaking on Plant Genetic Resources, (with the major donors reserving their positions).²⁸

The Secretariat, in consolidating the detailed proposed activities of the technical divisions into the Programme of Work and Budget for the coming biennium draws legitimacy for new or extended activities from previous Conference Resolutions, usually originating with the Secretariat, and from other major events within the UN system, such as the United Nations Conference on Science and Technology for Development, the World Food Conference, the World Conference on Agrarian Reform and Rural Development, the UN Conference on New and Renewable Sources of Energy and the World Conference on Fisheries Management and Development. Preparing for these Conferences usually has considerable influence over the specific programme within the FAO and they normally arrive at a proposed Action Plan, specifying responsible organizations within the UN system. The Secretariat reminds the members of the FAO's obligation to ensure the appropriate follow-up when presenting its

28. FAO, "Report of the Conference 1983", Rome, 1983, pp.10-50.

programme, which might entail a new Sub-Programme item, research, meetings and publications.²⁹

At a more detailed level, the Secretariat remains relatively autonomous from the members. According to staff in the Forestry Department, the Committee on Forestry, in particular the U.S. delegate, recently attempted to exact greater accountability from the Department by requesting an independent evaluation of the Forestry programme. But the Department stalled the Committee and simply hired a consultant to prepare a more explicit long-term strategy to present to the next Committee meeting. Also, it is possible for the Secretariat to ignore Conference resolutions that it has not originally sponsored. For example, according to Forestry Department staff, in 1975 several francophone West African governments sponsored a resolution concerning the conservation of wildlife. The resolution was not followed up by the appropriate technical division, which wanted to concentrate its efforts on increasing production, despite the opportunity to establish a Sub-Programme in response.

In general, the members only have the opportunity to

29. FAO, "Report of the World Conference on Agrarian Reform and Rural Development", Rome, 1979, pp.4-26; FAO, "Report of the Conference 1979", Rome, 1979, p.34; FAO, "Report of the Conference 1981", Rome, 1981, p.24; FAO, "Programme of Work and Budget 1984-1985", Rome, 1983, p.8.

propose very broad initiatives and can only review the performance of the Secretariat at a "macro" level. Much of the direction of the Programme stems from external events and directives or decisions from within the Secretariat about how to respond to particular issues or areas of responsibility. Once the Programme is formulated, it is the responsibility of the technical divisions to report to the Director-General on the detailed implementation. However, the divisions are essentially accountable only for spending their budget according to the items set out in the relevant Sub-Programmes.

In conclusion, the accountability of the Secretariat to its members for the Programme is loose. Owing to the political structure and the diffuse character of the Programme content, only the broad strategic issues are directly influenced by the members and even then the members tend to acquiesce to the specific proposals and actions of the Secretariat. The Secretariat tends to be more responsive at a strategic level to the UN system and its program of Conferences. In the absence of any tight accountability from the members, the technical staff members are sensitive to the reputation of the organization within the professional community, but are also motivated by the reward system prevailing within the organization. There is very little risk of their being held accountable

for the product of their section of the Programme, but they can be embarrassed by technical criticism from the development community and they need to ensure the survival and extension of their Sub-Programme in competition for scarce resources with other technical divisions.

The Field Programme.

Depending on their position in the organization, FAO staff members hold conflicting views about the accountability of the FAO for the quality of the Field Programme. The staff of the Operations Divisions, which is responsible for the implementation of field projects, emphasize that FAO is simply the servant of its member governments, executing projects requested by governments and funded by donors to the best of its technical ability. The responsibility for project identification, preparation and approval does not lie with the Operations Divisions.

Staff members in the technical divisions do not fully share this view. Since they are responsible for reviewing the proposed projects and providing whatever further technical input is necessary before indicating their technical approval to the funding source, they tend to feel that, if FAO does not hold itself accountable for the preparation of field projects, no other party will. At

least at the level of individual staff members and particular technical divisions, it is their reputation that can be damaged by not trying to ensure technical quality.

The staff of the Field Programme Development Division, (DDF), in the Development Department, is responsible for managing the process of receiving, responding to and executing requests for field projects. Thus, it is concerned about the quality of the Field Programme, but quick to point out the constraints facing them within the FAO and the absence of any tight accountability system from outside.

The incentives and constraints facing FAO staff members in delivering the Field Programme do appear to be influenced by the political and financial structure of the FAO, but not in a particularly coherent or forceful manner. Indeed the impression given by many FAO staff is that the external accountability for the Field Programme is neutral or inconsistent. What remains is something of a struggle between professional concerns and organizational interests, as I shall explain below. I shall consider these different influences on the accountability of FAO for the Field Programme in turn.

The charter of the FAO states that one of the functions of the organization is "to furnish such technical

assistance as governments may request".³⁰ The members expect that the organization remains prepared and competent for this function and that it does its utmost to ensure that funds are available for the projects from appropriate donors. The members, while not contributing directly to the funds, except for the Technical Cooperation Programme, expect the Secretariat to promote and administer the Field Programme for their benefit.

The Secretariat submits a Review of the Field Programme to the Conference every biennium. This review and the subsequent discussion of the Field Programme in the Conference address the following issues. First, the quantity of official development assistance allocated to agriculture is of concern to the members. The Secretariat keeps track of these trends and seeks to serve the interests of its members in the international community. In 1981, the Secretariat prepared a report for the members on Development Assistance for Food Production and Rural Development in response to a Conference resolution in 1979.³¹

30. FAO, "Basic Texts of the Food and Agriculture Organization of the United Nations", Vols. I and II, Rome, 1980 edition, p.2.

31. FAO, "Report of the Conference 1981," Rome, 1981, p.45.

Second, the Secretariat reports to the members on the level of resources allocated by UNDP and other major donors for execution by FAO. Recently, the declining share of agriculture in UNDP allocations and the consequent reduced role of FAO as an executing agency for UNDP has worried not only the members but also the Secretariat which needs the financial support provided by these funds.³² The Secretariat has been able to report that these reductions are partially offset by other sources of funds. However, the declining total of Field Programme expenditure in real terms, is worrying for both the members and the organization. Thus the Secretariat tends to emphasize to the members the efforts it is making to tap other sources of funds, but that any necessary reductions of the levels of field activities and staff are not entirely within its control.

Third, the Secretariat reports to the members on the composition and distribution of the Field Programme. Here the Secretariat is careful to balance the broad policy objectives concerning the priorities for field activities that stem from such sources as the World Conference on Agrarian Reform and World Development or in response to current urgencies, such as the shortage of food in Africa,

32. *ibid.*, pp.45-46; FAO, "Review of the Field Programmes 1982-1983", Rome, 1983, pp.3-6.

with the priorities of recipient governments and commitments of donors.³³ In addition, the Secretariat reports on specific components of the Field Programme such as the Investment Centre, technical support for the World Food Programme and support for Technical Cooperation among Developing Countries.

Finally, the Secretariat reports to the members the results of its evaluation of the implementation of the Field Programme. This consists of direct evaluation at the country level by FAO Representatives and more detailed evaluation at the Headquarters level of the results of FAO Evaluation Service reports. The FAO Representatives are asked to judge projects according to the following criteria: clarity of objectives, project design, government involvement, output, transfer of skills and follow-up prospects. The coverage of countries and projects is quite extensive. The evaluation missions are more selective and more detailed, and tend to concentrate on large-scale, multi-disciplinary projects and often those that have encountered difficulties. They cover a comparable set of factors.³⁴ These reviews provide quite a detailed picture

33. FAO, "Report of the Conference 1981", Rome, p.47; idem, "Review of Field Programmes 1982-1983", Rome, p.10-16.

34. See FAO, "Review of Field Programmes 1982-1983", Rome, 1983, pp.23-41.

of some of the difficulties encountered in the Field Programme which is duly transmitted to the members, with the understanding that many of the factors governing the performance of field projects are beyond the control of the FAO, and indeed some are the responsibility of the recipient governments. For instance, the 1982-1983 Review of Field Programmes reports that project objectives are sometimes more ambitious than available resources, local institutional capacity and socio-economic constraints would justify. In other cases, insufficient time was allowed for achieving the objectives or institutional mechanisms necessary for implementation were ignored. Implementation problems included poor support from governments, delays in staff recruitment and the provision of equipment. The Review also concludes that the poor ratings of project output are highly correlated with poor ratings of project design.³⁵

In particular, the Secretariat points out that project design is sometimes at fault, and there is a case for greater scrutiny of new proposals prior to implementation and more rigorous procedures for project preparation missions. For instance, the FAO Representatives rated project design as poor (rather than good or satisfactory)

35. ibid., p.33-37.

in 12% of projects reviewed in the biennium 1978-1979 and 9% in biennia 1980-1981 and 1982-1983. Just under half of the projects examined by the evaluation missions in 1982-1983 suffered from one or more defects in project design.³⁶ Also, inadequate government support is found to pose serious difficulties. Finally, there are operational problems, some within FAO's control and some not.³⁷

The response of many members to this kind of analysis is indifference. While some of the donor members favor stricter review and evaluation of the Field Programme, even suggesting that there should be an external evaluation process, many developing members are opposed to tighter control or evaluation of UNDP projects on the grounds that the responsibility for project preparation, design and implementation should rest with them to a greater extent than many donors and the Secretariat would prefer.³⁸ The recipient members prefer to have greater independence in how they spend their allocations of UNDP funds, and tend to regard the executing agency merely as a source of technical input. Furthermore, many governments are sensitive to the implications in the evaluation reports that lack of

36. ibid., pp.25, 34.

37. ibid., pp.39-41.

38. FAO, "Report of the Conference 1981", Rome, p.47.

government support and poor government administration are the cause of many of the problems. The Secretariat has noted that the technical quality of the Trust Fund and Technical Cooperation Programme, where the FAO is more closely involved in the early stages of project identification and preparation is higher.³⁹

The suggestion that the accountability of the FAO for the quality of the Field Programme varies according to the sources of funds was confirmed by interviews with FAO staff members. In the case of UNDP, the recipient governments enjoy greater independence for identifying and preparing projects than in the case of other funding agencies, and consequently the FAO has less control over the quality of the proposal before it arrives at FAO, and meets greater resistance on the part of recipient governments to significant modifications or closer scrutiny. In the case of Trust Funds, depending on which donor is concerned, there is much greater potential for the donor to exercise control over the technical quality of the projects and to ensure the satisfaction of certain policy objectives. The Technical Cooperation Programme is wholly within the control of the FAO, and while the FAO is obliged to respond quickly to the specific requests of members, it does have

39. ibid., p. 47.

more opportunity to ensure adequate technical preparation. In practically all cases, there is no financial accountability in the sense of the donors expecting any measurable return on the funds.

In short, most FAO members expect the Secretariat to promote the Field Programme and to ensure that sufficient resources are channeled to food production and agriculture. Most recipient member governments prefer that they choose the projects and decide how they are implemented to as great a degree as possible, and traditionally this has been most acceptable with respect to UNDP funds. Donor members are more in favor of greater scrutiny of project proposals and more objective evaluation. The organization itself, as will be discussed below, has some interest in better project design and implementation, but faces more resistance to this concern from its members than support and little external cooperation from the major source of its funds, the UNDP.

In the absence of a strict accountability for the quality of the Field Programme from the majority of members and from the major funding source, the incentives and constraints facing FAO staff members in executing field projects owe much to the content and administration of the Field Programme as I shall describe below. In addition, the FAO staff feels some measure of a responsibility for

the quality of the Field Programme to the professional community in spite of some of constraints on improvement and the resistance of members to interference.

I have already argued that the political mechanisms for governing the Regular Programme have partial influence over the Field Programme. The donors have little direct leverage over the FAO's administration of UNDP or Technical Cooperation Programme, being in the minority and having no direct financial leverage via the biennial Regular Budget. The recipient members, however, expect the FAO to deliver the Field Programme and not to impose conditions on its disbursement. According to the operations staff, they feel they have a right to receive field projects.

The substantive content and policy orientation of the Regular Programme also influences the Field Programme. Since field projects are prepared and technically approved by the same staff that administer the Regular Programme, it is likely that priorities, activities and policy orientations will seep from one to the other, despite the limited influence that FAO has over the identification of field projects. Interviews with technical staff members suggest that through missions and consultations with officials from member countries, the staff can extend an emphasis on, for example, better control of pesticide use from regular activities to the content of field projects,

particularly in projects that consist of training or pilot schemes.

Many technical staff members express some frustration over their limited influence over the technical content and preparation of projects. Both from a professional standpoint and to avoid the possible damage to their reputation that a poor project might bring, they are concerned about getting access to projects early enough and steering them towards sound design and execution. This, I would argue, represents a form of self-imposed accountability. It corresponds, of course, to the technical orientation of the particular staff members - which can be uneven and in some cases conflicting. It changes with the trends within the Regular Programme and with changes in staffing. However, it is perhaps the most coherent source of accountability for the technical quality of the Field Programme.

This professional concern for the Field Programme is blunted and often neutralized by a variety of organizational factors that influence the administration of the Field Programme. First, there is very limited procedural control from DDF. According to interviews with DDF staff, the responsibilities of DDF, which receives and responds to incoming requests for field projects from members, are limited to allocating responsibility to a

technical division to conduct a technical review and provide whatever input is needed before technical approval can be granted. There are only the most general and largely ineffectual guidelines governing this process, which are primarily aimed at programming missions.⁴⁰ These guidelines contain a very brief note on the importance of environmental protection, amongst several other policy objectives in a section called "orientation and focus".⁴¹ Effectively, all DDF can do is to urge the lead technical division to cooperate with other technical divisions in cases where there is an obvious need for inter-disciplinary analysis or inter-sectoral coordination. This it does by means of the memo that allocates a project to a particular lead division and by copying the memo to the other relevant divisions.⁴²

There are a number of reasons why DDF's role is so limited and why project appraisal and approval is so unsystematic. One is the variety of funding sources which each have their own different, if inadequate, procedures

40. FAO, "Guidelines for Developing Technical Cooperation Activities", Rome, 1980.

41. ibid., pp.8-10.

42. Interviews with DDF staff indicated that DDF is concerned about this state of affairs and is in the process of improving the procedures for project appraisal. At present, even the procedural requirements are not always enforced.

for identification and early preparation of project proposals. Also, for this reason and because of the variable quality of government agencies in recipient countries, proposals arrive at FAO in very different states of preparation and requiring very different treatment by the technical staff. There is, in addition, an enormous variety of types of field project ranging from large, multi-disciplinary development schemes to small inputs to institutions or programs in the form of a consultant or some equipment.⁴³

The second organizational factor of importance is the specialized, input-orientated structure of the Secretariat. Following the organization of the Regular Programme, the technical divisions are very specialized and focussed on individual inputs or elements of agricultural production, such as fertilizers, mechanization, crop storage, marketing. Consequently, there is little tradition of the inter-disciplinary and inter-sectoral approach that is more appropriate to the formulation and appraisal of field projects.

Thirdly, the technical and operations divisions are grouped into three departments - agriculture, forestry and

43. See FAO, "Report of the Ad Hoc Sub-Group on Environment and Energy on Environmental Assessment of Field Projects", Rome, 1983, pp.4-5.

fisheries. The financial benefits to the departments of handling the Field Programme are a disincentive to cooperation and coordination between sectors which is often detrimental to the technical quality of the projects. Departments are reluctant to hand over projects to other departments or cooperate with other departments because they lose the overhead revenue or have to undertake more work with less revenue. In addition, the concern of the operations divisions for efficient and expeditious preparation and execution of projects makes them less tolerant of extensive review and redesign of projects. They also resist the inclusion of multiple objectives in project design preferring the most direct and manageable input as a response to any request.

Finally, the variety and complexity of the Field Programme and the limited control over the implementation context places a premium in the course of reviewing the progress of projects and evaluating their performance on logistical and managerial factors, not on project performance. The various project reporting and monitoring procedures, and the routine evaluations carried out by the operations division staff and FAO Representatives do little to tighten up any technical accountability or to feed back lessons about project design and approval that can be built into future projects. In the life of a field project, the

closer it moves towards the recipient government - that is during the implementation and operation phase, the less control the FAO has over the quality or impact of the project.

To sum up, the FAO is barely accountable to members or external agencies for the quality of field projects, mostly because the developing members expect the FAO to respond to project proposals with the minimum of interference and because the funding sources exercise only very limited influence over the identification and preparation of projects. There is some self-imposed accountability that stems from the professional concerns of the technical staff and the policy orientations of the Regular Programme. However this self-imposed accountability is largely blunted by the nature of the Field Programme itself and the organizational factors that govern the incentives and constraints facing staff members.

Accountability and Environmental Assessment

Within the Regular Programme, there is no systematic resistance to the policy of environmental protection and natural resource management, even if not all of the activities of the FAO are compatible with such a policy and

its implementation. In other words, the Regular Programme can easily accommodate both environmental protection activities and environmentally damaging inputs such as pesticides, intensive fertilizer use and forest industries.

The charter of the FAO states that one of the functions of the organization is to "promote and, where appropriate, recommend national and international action with respect to . . . the conservation of natural resources and the adoption of improved methods of agricultural production".⁴⁴

Within the Regular Programme, there is a Natural Resources Sub-Programme of the Agriculture Programme - whose objective is "to manage natural resources for the sustained improvement of agricultural production while simultaneously protecting the environment".⁴⁵ In the 1984-1985 Programme, the Agriculture Programme is introduced with the following qualification: "Increased food production must not be achieved at the expense of damage to the land and water resource base on which it

44. FAO, "Basic Texts of the Food and Agricultural Organization of the United Nations", Rome, 1980 edition, p.2.

45. FAO, "Review of the Regular Programme 1980-1981", Rome, 1981, p.2.

46. FAO, "Programme of Work and Budget 1984-1985", Rome 1983, p.73.

depends".⁴⁶ There are also Sub-Programmes within the Forestry and Fisheries Major Programmes relating to "Forest Resources and the Environment" and "Marine Resources and Environment".⁴⁷

Staff members report that member governments are increasingly concerned with resource management issues and accordingly such issues are reflected in the Programme and the contributions to Conference discussions from the appropriate technical divisions. For instance, in 1981 there was a strong emphasis on the environmental problems within the forestry sector, such as the need to control deforestation and secure supplies of fuelwood, maintaining an ecological balance and avoiding soil erosion.⁴⁸

The influence of the United Nations system provides additional support for environmental activities within the Regular Programme. UNEP, in particular, funds and coordinates much of the environmental activities within FAO. "During 1982-3 FAO's environmental activities included 25 projects to which UNEP contributed US\$4 million. These activities strengthened FAO's work in areas such as : management of grazing lands, soil conservation,

47. FAO, "Programme of Work and Budget 1984-1985", Rome, 1983, pp.51-52.

48. FAO, "Report of the Conference 1981", Rome, 1981, pp.7-11.

desertification, integrated pest control, forestry and wildlife assessment and management, animal and plant genetic resources, aquatic pollution, marine mammals, biological nitrogen fixation, food contamination and guidelines for environmental assessment."⁴⁹

However much of the FAO's environmental sensitivity stems from the orientation of some of its staff members - just as much of its environmentally damaging activities do. It is reasonable to expect staff of the soil resources management and conservation service to be sensitive to soil erosion problems and the need to control agricultural activities that cause erosion. So, too, the marine resources service and the forest and wildlands conservation branch are likely to be concerned about environmental protection. However, the staff of the plant protection service, the fertilizer and plant nutrition service, the agricultural engineering service or the forest industries division are equally likely to favor environmentally hazardous interventions traditionally used to increase agricultural output.

In the absence of a coherent and tight accountability system surrounding the Regular Programme, it seems clear

49. FAO, "Review of the Regular Programme 1982-1983", Rome, 1983, p.14.

that environmental activities do not meet significant resistance and are a useful contribution to the Programme. The more consistent concern from some members to justify extending the Programme in this direction and the more funds coming from UNEP to support such activities, the healthier the environmental activities are. There appears to be no systematic resistance from the members and there certainly is firm support from some parts of the Secretariat.

Within the Field Programme, one is dealing with a somewhat different accountability system and a policy issue with different operational implications. Although the generally positive attitude to environmental activities spills over from the Regular Programme to a limited extent, the members are more resistant to the policy objectives governing the shape of the field projects they receive. Furthermore, it is a far more difficult proposition to conduct environmental assessments of field projects than to prepare guidelines or organize meetings.

The initiative for environmental assessment of the Field Programme emerged from the IDWG on Environment and Energy, and owes its support to the reasonable health of environmental activities within the Regular Programme. However, the resistance to its implementation stems from the accountability system surrounding the Field Programme.

First, the recipients of field projects are resistant to efforts by the executing agency to influence the identification, preparation and implementation of projects. In the agriculture, fisheries and forest sectors, the orientation of the relevant government agencies tends to be very input-orientated with limited concern for impacts and interactions. Second, the main funding agency, the UNDP, and some of the bilaterals have only the slightest sensitivity to environmental problems and lack the clout or interest to tighten the accountability for this issue within their funding operations. Third, while the organization attempts to hold itself accountable for the quality of the field programme, often to protect its reputation in the face of problems beyond its direct control, the monitoring and evaluation of projects offer little opportunity for increasing the incentive for environmental assessment.

In other words, if technical staff are accountable to any degree for the environmental effects of the Field Programme, it is not because recipients nor donors exact such accountability, but because of their own professional and organizational interests.

Barriers to Environmental Assessment

The IDWG has investigated the possibility of introducing an environmental assessment procedure for the Field Programme. This has not been achieved. I shall conclude this case by discussing some of the barriers to environmental assessment and suggesting what would need to change for these barriers to be reduced.

The first major reason stems from FAO's relation to the funding process and project cycle. FAO has limited involvement in the identification and conceptual design of projects or in the initial discussions with funding sources. For this reason and because of the variety of funding sources and levels of recipient technical ability, the projects arrive at FAO in very different conditions. They are also very varied in scope, content and mechanism, some of which would be amenable to an assessment procedure but many would not because of limited size or scope. The IDWG report cites two related limitations to environmental assessment procedures that stem from the external context within which FAO operates:

- "The extent to which FAO is involved in the early stages of project identification and formulation is variable and ad hoc.

- FAO has limited influence on the orientation and priorities of member governments, the objectives and procedures of donors and the dynamics of the implementation context." 50

The next set of reasons are organizational. Essentially, it has not proved possible to tighten the project preparation and approval procedures so that environmental problems can at least be flagged and in certain cases fully investigated. The division of technical responsibility within FAO does not favor inter-sectoral coordination which in the view of the Environment Office staff is the most serious cause of environmental impacts within the Field Programme. The importance of the financial benefits to the lead technical division and operating division from the Field Programme also encourages a single discipline approach. The IDWG report puts it as follows:

- "FAO's mandate and Regular Programme requires specialized, input-orientated structure that has necessitated special coordination mechanisms, such as IDWG's, in order to manage the Field Programme.

50. FAO, "Report of the Ad Hoc Sub-Group of the IDWG on Environment and Energy on Environmental Assessment of Field Projects", Rome, 1983, p.5.

- In a climate of limited financial resources, there is some tendency for departments and divisions to compete for projects and place a premium on their own specialized orientation.
- The logistics and resource limits of project execution sometimes makes it difficult to include multiple objectives and adaptive mechanisms during the implementation phase.
- The variety and special characteristics of field projects, especially in relation to different donors, sometimes result in incomplete fulfillment of existing appraisal and formulation procedures.
- As in most development assistance agencies, it is difficult to provide real incentives for technical and operations staff to respond to complex issues such as environmental impacts."⁵¹

Finally, some of the barriers to environmental assessment stem from the professional and technical orientation of FAO staff, just as other staff provide most of the support. Within some divisions, the technical emphasis is very input-orientated and performance is measured only in terms of increasing production without

51. ibid., p.5.

concern for more systemic interactions. Some staff members, who work in divisions responsible for resource management and conservation, refer to others as "choppers and sprayers", intent solely on, for instance, wiping out tsetse flies at the expense of killing or removing vast areas of vegetation. Similar complaints are voiced by the more environmentally orientated staff members about the FAO Representatives in the member countries who are, apparently, coopted into the thinking and programming of the national agriculture ministry, whose technical orientation is likely to be oriented towards intensification and increased production regardless of sustainability or inter-sectoral coordination. For these reasons, some staff suggest, the technical input to field projects tends to be less "state-of-the-art" than can be found in the Regular Programme - there is more pressure on short-term production gains and on specific targets.

For this situation to change, I suggest that there would need to be a significant realignment of the accountability system surrounding the Field Programme. Any of the following would help. First, the donor members and a significant number of recipient members would have to insist on greater accountability for the technical quality and performance of Field Projects in conjunction with a similar initiative within the UNDP and sources of Trust

Funds. Once the other main political actors and sources of funds reinforced FAO's own concern with technical quality, it should not prove so hard to tighten and enforce the project cycle with respect to technical issues such as environmental protection which are already embedded in the Regular Programme. Second, the recipient countries would have to shift their priorities in requesting field projects. If countries requested more natural resource management and sectoral management projects that had as their central objective the sustainable utilization of resources and protection of degraded environments, the technical framework for administering the Field Programme would be more compatible with the assessment of input orientated projects to determine if they are likely to cause environmental damages. Third, UNEP would have to channel more of its already scarce funds to activities that enhanced the role of the Environment Office within the organization and provided more opportunities to initiate the environmental planning of field projects. In the absence of a more positive accountability framework, the professional concern of the FAO staff is not likely to sustain an environmental assessment procedure such as has been considered by the IDWG.

CHAPTER 8

The Response of Development Assistance Agencies to Environmental Problems

Conclusions

Introduction

In the preceding case studies, I have considered the influence of the political and financial structure of development assistance agencies on their capacity to install and implement a procedure for assessing the environmental effects of their funding programs. In so doing, I have focussed on how the political and financial structure shapes the accountability system that the staff of an agency faces - which creates much of the incentives and constraints governing the agency's operations.

In this chapter, I shall summarize the main conclusions from each case, showing how the dominant structural features of each agency determine the agency's capacity to respond to a policy initiative that requires the review and modification, when appropriate, of its regular funding program. Next, I shall look briefly at some of the other

development assistance agencies that fall into the main categories represented by the cases. I shall ask whether the conclusions reached are supported by what is known about these other examples. At that point, I shall propose a general explanation, hinging on their accountability system, of how development assistance agencies respond to new policy initiatives of this kind. Finally, I shall complement my conclusions about how the accountability system shapes the response of the organization to environmental assessment policy with a discussion of what latitude these organizations actually have to pursue this kind of policy objective.

Conclusions from the Cases

The cases of AID, the World Bank and the FAO are representative of bilateral development assistance agencies, multilateral development banks and UN specialized agencies respectively. The political and financial structure of these types of development agencies is quite different from each other and consequently each produces an accountability system that influences the organizational incentives and constraints in different ways.

In the first case, I described how AID is unique among development assistance agencies in having a mandatory environmental assessment procedure that, since its introduction after 1975, has evolved into a well-integrated environmental planning system. The aspect of AID's political structure that distinguishes it most from the other cases is that, like any bilateral agency, it is part of national governmental machinery. The government, in the form of the relevant branches and departments, sets the policies of AID and tries to ensure that these policies are followed. In so doing, the government, like other democratic governments, is responsive to the electorate and public interests, both through formal mechanisms and informally.

The most distinctive financial feature of AID is that its budget comes from the national government and must be approved by the Congress before it is committed. Also the funds are disbursed mainly as grants or concessionary loans which do not have to meet specified rates of return.

Broadly, the implications of the political structure is that AID's accountability system is dominated by national policy objectives, including political, economic and developmental objectives, that the agency must respond to the priorities, often domestic, of various government departments and that it is answerable to the Congress,

through which various pressure groups can lobby and influence policy, and, finally, is legally responsible for adherence to regulations or procedures that apply to federal agencies. The financial structure focusses the accountability system on the budgeting process, and therefore on the submission of assistance programs for approval. There is little incentive for strict appraisal or evaluation of the ultimate financial or economic performance of projects.

Within the agency, much of the work of headquarters staff is concerned with responding to the Congressional mandate and ensuring that the funds are disbursed. In so doing, they require mission staff to follow policy guidelines and procedures when preparing budget requests to demonstrate adherence to the mandate. To the mission staff, however, the most important incentive is to extend and disburse the program with minimum uncertainty and maximum cooperation from the recipient government. Thus the effect of the policy guidelines and procedures barely extends beyond the submission of project proposals for budget approval.

In order to make AID responsive to a certain policy issue, first the Congress has to be persuaded either by the Administration or public lobbying groups to mandate AID to behave in a certain way; second, the Congress must follow

up in the course of the budgeting process and third, the agency must convert the Congressional concern into a change in priorities, procedures or program. The accountability system does not always ensure the third step - many aspects of AID's Congressional mandate do not penetrate far beyond the budgeting process.

In the case of environmental assessment, Congress was persuaded to pass legislation, namely NEPA, that required federal agencies to prepare environmental assessments of their actions. Although AID, like other federal agencies, did not comply immediately and resisted the efforts of the CEQ and environmental lobbies to persuade it to respond, the agency was finally sued in the Courts and quickly agreed to a settlement that included installing mandatory environmental assessment procedures. Subsequently, environmental lobbies secured a Congressional mandate specific to the environmental aspects of AID's program and have continued to press for its implementation.

What is unusual about this sequence of events is that the environmental policy initiative, once the courts insisted on it, changed the responsibilities of the staff. Its legal status substantively altered the accountability system forcing the staff to include environmental analysis in the project preparation process. Thus the incentives and constraints facing both Washington and mission staff

members were immediately affected, even if at first the environmental assessments had little effect on project design and implementation. Once the accountability system had been abruptly expanded in this way, it was much easier for environmental lobbies and the environmental staff hired to carry out the procedures to broaden the mandate and to activate the mechanisms for ensuring that the policy did more than simply add to the project documentation. In this way, the assessment requirement eventually came to improve the environmental planning and implementation of projects.

To sum up, domestic legislation and the efforts of domestic lobbies were able to affect the legal and policy framework for AID's program. AID is accountable to national government bodies and processes, mainly for policy objectives that are most easily satisfied within the budgeting process and for legal or procedural obligations that follow from its status as a federal agency.

The second case, the World Bank, revolved around the financial more than the political structure of multilateral development banks. I argued that the Bank has above all to maintain its financial status in its borrowing from the international capital markets and lending to recipient governments. Its political structure gives greatest formal authority to those nations providing the capital of the Bank, but this authority is in practice concentrated on the

financial operations of the Bank and is partly neutralized over political issues by the ideology of multilateral development funding - namely that the political interests of individual donors should not govern lending policies.

The accountability system of the Bank, reflecting the need to maintain the creditworthiness of the Bank in the eyes of the capital markets, requires that the operations of the Bank meet two dominant criteria. One is that the governments borrowing from the Bank are creditworthy with respect to Bank loans and the other is that the Bank maintains its reputation for financially sound procedures and high professional standards. Provided the Bank continues its near-perfect repayment record and its staff demonstrates more rigorous financial and economic scrutiny than other types of development assistance agency, it will enjoy the approval of donor members and the capital markets and exercise its considerable influence within the development assistance system.

The Bank can and does pursue political and developmental objectives. Some of these stem from the donors, others from the academic and professional development community and others from the Bank's management itself. The accountability system, so well focussed on financial and economic soundness, does not favor the implementation of political or developmental objectives

except those designed to improve the financial policies of recipients. Directors cannot easily impose their particular political objectives, and when they do the decisions affected tend to be very particular, such as discontinuing lending to a particular country. Since the directors have little direct influence over the day-to-day Bank operations, they have limited opportunity to exact accountability from the organization over its technical decisions. The management does promote new developmental policies, often in response to changes in strategy recommended by the intellectual and professional development community. But, the accountability system does little to overcome the resistance of the project staff to policy objectives that conflict with reliable and efficient economic analysis and management nor does it reduce the staff's independence, provided the financial and economic objectives of the lending program are satisfied.

When the Bank took environmental protection policy on board, it seemed to be seriously committed to assessing proposed projects for their potential environmental effects and requiring measures for avoiding or mitigating environmental damages. However, this policy has never been as comprehensive or as effective as the Bank has claimed. The main reason is that the project staff which is responsible for maintaining the financial and economic

soundness of the lending program is also responsible for implementing the somewhat weakly defined environmental policy. From its perspective, environmental assessment and mitigation do not contribute to the main task except when the financial soundness of the investment is directly threatened by environmental problems - and even then it may prove too difficult to negotiate and secure implementation of mitigation measures from the borrower. Consequently, the environmental staff has to do its best with limited resources and authority to influence the project cycle and persuade the project staff to respond to potential environmental problems.

The accountability system is of little help to the environmental office. The project staff feels most accountable for financial criteria. Thus it gives less priority to policy objectives which appear to it to involve more complex and unreliable analysis, to reduce the estimated rate of return, and to impose costs in the form of modifications of implementation plans. Even though the Bank seems concerned about environmental policy and indeed is considered a leader in the field, the accountability system impedes the systematic assessment and modification of project proposals. As a result, the Bank's environmental office devotes more attention to promoting environmental sector loans, providing environmental

technical assistance, preparing guidelines and other public relations materials than trying assess the environmental effects of the program.

Finally, the FAO, an example of a UN specialized agency, proved to have a weak accountability system, compensated for in part by the professional interests of the staff within a fairly autonomous secretariat. This accountability system, I argued, was responsible for the organizational barriers facing the current effort to install a system of environmental assessment within the Field Programme.

The FAO, like many UN specialized agencies, lacks coherent and positive political direction, especially in relation to the Field Programme. In the first place, the donor governments are in a minority and can only hold the organization accountable at the risk of political conflict and then only about the level of the budget or very broad aspects of the program. The recipient governments who are a majority are not in favor of stricter accountability, especially with respect to the Field Programme, on the grounds that UN agencies should respond to the priorities of its members and not impose conditions or set performance criteria for judging the suitability of a project

The financial structure of the FAO reinforces this

feature. First, the Regular Budget is assessed through an agreed formula that does not allow individual members to control their contribution easily. It takes political courage and considerable agreement among donors to exert any influence over the level of budget increases each biennium - the recipient members favor increased resources and the Secretariat is continually extending the programme either autonomously or at the behest of members and of other international organizations. Second, the scale of extra-budgetary funds for technical assistance, from the UNDP and Trust Funds, increases the autonomy of the Secretariat overall. In the case of the Field Programme, the funds come from the UNDP and other donors directly and therefore the Secretariat is accountable to FAO members only for maintaining the overall flows and delivery. There is little sign that the individual donors or the UNDP attempt to tighten the accountability of the FAO in executing the Field Programme. As a result, the view prevails that recipient governments should receive the resources without conditions.

In the absence of firm political or financial accountability, the Secretariat generates something of its own technical accountability system, responding to the decisions and priorities set by the UN system and to its own professional interests and reputation. This, however,

is often neutralized by the organizational incentives and constraints that are common to many organizations of this type but which are largely unchecked owing to the absence of an accountability system. Within the FAO, the very specialized, input-orientated organizational structure and the competition between sectors for the financial benefits of administering the Field Programme make it very difficult to coordinate the appraisal and execution of field projects or to ensure a more systematic project cycle.

The current attempt to develop an environmental assessment system for the Field Programme has made little progress. The absence of strong accountability to the donors for the technical quality of field projects, the insistence by recipients on their priorities and the weak system within FAO for coordinating and managing the Field Programme makes environmental assessment almost impossible without the the initiative of the technical division responsible for a particular project. This sometimes happens and sometimes not depending on the technical or professional orientation of the division concerned.

While there are no policy barriers to the inclusion of environmental activities into the Programme, there is little incentive that can be attributed to the political and financial structure of the agency either. When it comes to the Field Programme, the absence of any

accountability system that might enforce environmental assessment makes it almost impossible to overcome the prevailing organizational incentives and constraints.

Other Development Assistance Agencies

In chapter 4, I suggested that one would find broadly similar relationships between the political and financial structure of agencies belonging to the same main groups and their capacity to carry out environmental assessment. In this section I shall look briefly at some of the relevant cases.

All bilateral agencies, of course, share the political and financial structure that I described for AID in that they are parts of national governmental machinery and are funded from the national treasury. The mechanisms for setting and enforcing policy and approving the disbursement of funds may vary from donor to donor, which in turn may generate a slightly different accountability system. But, what is important is that the capacity for environmental assessment must in the first place stem from the national policy making arena and secondly if it is to be implemented must be positively enforced by the accountability of the

agency to the government and other political actors.

Among the bilateral agencies that have espoused environmental policies in recent years, the Federal Republic of Germany presents the most appropriate test of the conclusions provided by the AID case. This is because it has proposed an environmental assessment procedure, at least for its capital aid program. The German public, at the elections in 1983, voted several members of the "Greens", the radical environmental party, into the Bundestag. The Ministry of Development Cooperation (Bundesministerium für Wirtschaftliche Zusammenarbeit - BMZ) had already been under some pressure from environmental groups to demonstrate that the German assistance program was responsive to environmental issues and had urged the agencies responsible for project loans and technical assistance to take steps to avoid environmental damage.¹ After the election, this pressure was stepped up. The BMZ established a special department responsible for environmental assessment of financial and technical cooperation and has set out a system of classifying proposed projects according to their environmental impact that both the development bank (the Kreditanstalt für Wiederaufbau - KfW) and the technical

1. Interview with Herr Knipschild, environmental officer, BMZ, 1982.

assistance agency (Gesellschaft für Technische Zusammenarbeit - GTZ) must follow.²

The response to this policy has differed according to the financial status of the agencies.³ The KfW had adopted environmental guidelines as early as 1972 and from 1975 had been supposed to conform to a non-mandatory Cabinet resolution : "principles for assessing the environmental impact of federal actions".⁴ The KfW does require that the potential environmental effects be included in the project appraisal.

This has been implemented, to some extent, because the accountability system within the KfW is very strict. Being a development bank it has relatively strict project appraisal procedures and must ensure the financial and technical soundness of its operation to the satisfaction of the government. The KfW must get the project appraisal checked with the BMZ. It is also audited by an independent

2. Interview with Herr Voelzke, environmental officer, BMZ, 1983. Kreditanstalt für Wiederaufbau, "Guidelines for Environmental Impact Assessment of Projects Promoted under Financial Cooperation", Frankfurt, 1983.

3. Hartje, Volkmar, "Umwelt - und Ressourcenschutz in der Bilateralen Entwicklungshilfe der Bundesrepublik Deutschland", Berlin, International Institute for Environment and Society, 1980.

4. Johnson, Brian and Robert Blake, Bilateral Aid and the Environment, London, International Institute and the Environment, 1980, pp.9-10.

agency, both on financial and technical grounds. Finally, the BMZ carries out ex-post evaluations of projects at its discretion and has carried out special studies of whether the environmental protection measures have been implemented in the course of KfW projects.⁵ The new guidelines specify the responsibility of the KfW to report any potential environmental impacts to the BMZ during the project cycle.

The response of the GTZ, however, is somewhat different. Being a technical assistance agency, it lacks the formal project appraisal procedures and tight accountability of the KfW. Its perception of its environmental responsibilities does not concern the environmental impact of projects so much as the promotion of environmentally sustainable production systems or approaches to natural resource management. Until the BMZ tightened its environmental policies, the GTZ employed no formal environmental procedures. Subsequently it has started to develop environmentally sound models for resource use and rural development to serve as a guide to its technical assistance activities. Technically the GTZ is subject to the new BMZ guidelines, but in practice they are unlikely to be implemented strictly because the operations of the GTZ are not governed by the same sort of

5. Interview with Prof. Roske, senior environmental advisor to the Board of Directors, KfW, 1982.

accountability system. That is not to say that the BMZ cannot enforce its policy objectives with respect to the GTZ, but the mechanisms for holding the GTZ accountable do not affect the preparation and implementation of projects in the same manner as with the KfW.⁶

The case of the Federal Republic of Germany is interesting because the existence of strong domestic pressure, initially from outside the parliament and finally from within it, has produced different results within the various development assistance agencies, depending on the financial basis of their operations and the accompanying accountability system. The BMZ whose job is to coordinate and set policy for the operating agencies has to demonstrate that it is responding to the need for better environmental policies. The IIED report on bilateral aid and the environment indicates that the capacity of the German aid system to shift direction in response to top level policy pronouncements is higher than in any country examined, except the U.S. It also says that the German agencies are more closely watched by the Bundestag than other agencies are scrutinized by their parliaments, except

6. Interviews with Herren von Bismark, Erbel, Kotchi, Oswianowski, GTZ, 1982; Interview with Herr Pfuhl, consultant to GTZ, 1984.

7. Johnson and Blake, op. cit., p.10.

the U.S.⁷ It has established a section responsible for environmental policy and issued guidelines for the agencies to follow. In addition it has undertaken other environmental activities including providing funds to UNEP for the "clearing house" facility and an international conference on "Environmental Impact Assessment for Development".

The KfW, already subject to strict accountability for the financial and technical quality of its lending program, is both easier for the BMZ to hold accountable for environmental effects and also is better geared to undertake some form of environmental assessment as part of its existing appraisal system. The GTZ, without the same financial and technical accountability, is harder for the BMZ to influence, although there is little doubt that the GTZ must respond in some way. There is no formal appraisal procedure that would help make an environmental assessment process acceptable to the organization.

Other bilateral agencies that have espoused environmental policies in recent years, such as the Netherlands and Sweden, have more in common with the GTZ than with the KfW. In both these countries there have been strong domestic environmental lobbies and governments that are responsive or vulnerable to these lobbies, notwithstanding changes in governments in both these

countries in 1982. Consequently there has been pressure on the development assistance agencies to demonstrate a greater sensitivity to the environmental aspects of their programs.

Only a small proportion of the assistance programs of both these countries consist of capital projects that are amenable to formal environmental assessment. Much of their funds are allocated to multilateral organizations and to technical assistance for what are sometimes described as non-traditional sectors. Consequently their response to environmental problems has consisted of allocating resources to such sectors as forest and soil conservation in the form of pilot projects, training, research and institutional support.⁸ The Dutch Directorate General for International Cooperation has established a Sector Management Unit responsible for technical review of projects, including environmental aspects. The Swedish International Development Authority has a special budget line for environmental technical assistance, research and institutional support in addition to the funds allocated to environmental sector projects or environmental components of other projects. In both cases, the nature of their assistance program - constitutionally and in terms of

8. Johnson and Blake, op. cit., pp.10-13.

content - does not favor the adoption of formal environmental assessment.⁹

Multilateral development banks, (the Asian, Inter-American, African and Carribean Development Banks, the European Investment Bank and Arab Bank for the Economic Development of Africa) all share the important political and financial features that limited the capacity of the World Bank, in my analysis, to carry out environmental assessment. They all have to borrow the funds they disburse and therefore have to take care to maintain the confidence of the capital markets and their reputation for sound financial and technical operations. Their political structure varies slightly but the weight of voting power in each lies with the main contributors - although, in the case of the African Development Bank, the main contributors do not include Western donors. If anything the regional development banks enjoy less latitude for following developmental policies since they are smaller, possibly less reliable in the eyes of the capital markets and less

9. Interviews with Mr Hartevelde, Secretary to the Dutch Directorate-General for International Cooperation's Advisory Commission on Ecology and Development, Amsterdam, 1982; Mr van Vught, Sector Management Unit, Dutch Directorate-General for International Cooperation, The Hague, 1982; Mr Per Wrammner, chairman of the Working Group on Environment and Development, Joint Nordic Committee of Senior Officials for Development Assistance Questions, Stockholm, 1982..

eminent as a source of development policies and practice. Also, being somewhat more politically responsive to the interests of regional members, they tend to have less leverage over the borrower's policies than does the World Bank. Consequently, the accountability system governing their operations can tolerate less deviation from strict financial analysis and allows fewer delays or complications in the disbursement schedule.

The Asian Development Bank established an environmental unit in 1981 with three objectives: the systematic environmental review of Bank projects, environmental institution building in recipient countries and education and training of the Bank's operations staff. According to the head of this unit, there is more resistance within the Bank to the environmental review function than to proposing environmental sector projects or to undertaking training exercises. He cites the difficulties of persuading the project staff to cooperate in addressing possible environmental issues at different stages in the project cycle given that the management's main concern is to keep increasing the level of disbursements. The routine assessment of projects would make it harder for project staff members to achieve the operational goals for which they are held personally accountable.

The head of the environmental unit has described

various tactics designed to increase his chances of carrying out a systematic environmental review function. First, he tries privately to win the support of Executive Directors from the main donor countries. In the light of my analysis of the World Bank, this could be interpreted as an effort to tighten the accountability to the leadership for implementing the environmental policies. Second, he has organized training programs for the project staff designed to demonstrate how environmental analysis can be integrated with conventional economic appraisal and how the environmental aspects of projects can significantly affect their economic rates of return. Again, this appears to address the source of resistance to environmental review by demonstrating a convergence of institutional objectives and a compatibility of method. Finally, he is trying to have greater involvement in technical assistance activities prior to project preparation, fact-finding and programming missions and in evaluation activities. More environmental analysis at both ends of the project cycle should reduce the potential conflict between environmental review and project appraisal and loan agreement. The accountability

system is most unfavorable to environmental review at the point where there is most urgency to process and approve the project.¹⁰

The Inter-American Development Bank has never established an environmental unit but claims that the economic and technical appraisal of projects takes environmental effects into consideration as a matter of course. Its position is that it is the responsibility of the borrower, with the assistance and, if necessary, prompting of the Bank, to ensure that projects will not have undesirable environmental impacts. The Bank itself devotes more effort to promoting environmental sector projects and technical assistance for environmental protection and resource management.¹¹

Various environmental groups have asserted that the Inter-American Development Bank has failed to ensure that

10. Interviews with Colin Rees, head of Environmental Unit, Asian Development Bank, 1983 and 1984; Rees, Colin and Sermpol Ratasuk, "Report on Review of the Bank's Environmental Operations", Asian Development Bank, Manila, 1982; Asian Development Bank, "Response to Statements Submitted by Environmental Groups to the U.S. Congressional Committee on MDB Environmental Policy", Manila, 1983.

11. Inter-American Development Bank, "The Inter-American Development Bank and the Environment", Washington D.C., 1983, pp.1-9.

all projects are subject to environmental review and claim that many projects cause environmental damages.¹² What is relevant here is that, despite a specific commitment to establish an environmental review procedure - the Declaration of Environmental Policies and Procedures Relating to Economic Development - the Inter-American Development Bank has not taken the necessary steps. Obviously, this omission does not prove that the political and financial structure of the Bank creates an accountability system opposed to such a procedure, but certainly neither the Inter-American Development Bank, nor the Caribbean and African Development Bank, neither of which have fulfilled their commitment under the Declaration, contradict this conclusion.

The European Commission, which administers the European Development Fund (EDF), is not a multilateral development bank, but it has signed the same Declaration committing it to the systematic environmental review of projects that it funds. Furthermore, in 1983 it commissioned a consultants' report on how to establish procedures for environmental assessment. This report identified several aspects of the political and financial structure governing the administration of the EDF that presented barriers to

12. Interview with Bruce Rich, Natural Resources Defense Council, Washington D.C., 1983.

environmental assessment. Since the report was submitted, the Commission has taken no steps to implement an environmental assessment procedure - its only environmental activities consist of disbursing a budget line, independent of the EDF, for environmental technical assistance and institution-building.

The report on environmental assessment identified the following features of the EDF that might influence the Commission's capacity to implement such a procedure. First, the constitutional and legal framework governing the main part of the EDF, namely the Lome convention, is a negotiated agreement between the EEC contributors and the recipient states that in effect protects the sovereignty of the recipients over much of project identification and implementation.

Second, the political framework surrounding the administration of the EDF does not ensure very strict accountability to the EEC member's development assistance agencies or the domestic interests that support developmental goals. Bilateral agencies have low priority within the member governments in seeking accountability from the Commission via the Council of Ministers. Most political accountability is focussed on trade, foreign policy and agricultural production. In addition, European Parliament members and their constituents have limited

influence over the actions of the Commission.

Third, the Directorate-General for Development, which is the department of the Commission that is responsible for the EDF, is relatively autonomous, on a day-to-day basis, from the Commission leadership or Community-wide policies proposed by other Directorates-General. It has so far taken little notice of the third European Community policy and action plan on the environment which specifically addresses the need to integrate environmental procedures into the administration of the EDF.¹³ Even the articles of the Lome II convention that prescribe environmental review have little effect on the preparation and approval of projects. The assistance agencies of Community members do review project appraisal decisions, via the EDF Committee, but any influence they seek is limited by the equal sovereignty of EDF recipients that is enshrined in the Lome convention.

Also, there is a lack of financial accountability - the EDF is allocated mainly in the form of grants in return for trade and foreign policy advantages negotiated prior to each Lome convention period. There is little incentive for the Commission to secure any significant return on individual disbursements. The pressure within the Commission

13. Official Journal of the European Communities, C46, Vol. 26, 17 February 1983, p.1.

is to disburse the funds as quickly as possible and to overcome the barriers to effective implementation in recipient countries. The leadership and management of the Commission want to know that the disbursement schedule is on target, not how effective the projects are at achieving economic or developmental objectives.

The consultants' report did make recommendations about the specific measures that the the Commission could take to tighten up the environmental analysis of projects and to prepare the ground for an environmental review system. However, the Commission has taken no steps to implement even the most preliminary step, that of appointing an environmental officer who would have the responsibility of establishing some environmental procedures. I would argue that the accountability system created by the political and financial structure governing the EDF is most unfavorable to any improvement in this situation.¹⁴

Within the UN system, no other specialized agencies have proposed any form of environmental review process comparable to that under consideration by the FAO. I would speculate that the broad accountability system governing

14. Horberry, John and Brian Johnson, "Environmental Guidelines Survey: Recommendations on the Use of Procedures and Guidelines for Environmental Planning and Assessment within the European Development Fund", London, Joint Environmental Service of IIED and IUCN, 1983.

the regular budget in organizations such as WHO, Unesco or UNIDO are similar to that in the FAO. In all these organizations, there are environmental programs, and WHO, especially, promotes training and institution-building for environmental impact assessment in developing countries. However, there is little incentive, and possibly little need in most cases, to review their operational or field activities for environmental effects. They face the same situation when it comes to implementing UNDP projects as that described for FAO and would face the same organizational barriers to any strict project appraisal system - barriers that stem from similar political and financial structures.¹⁵

The Determinants of Environmental Assessment Capacity

On the basis of the case studies and the supporting evidence from other examples of development assistance agencies making some effort to review the environmental effects of their funding programs, I shall summarize the relationship between the political and financial structure

15. Interviews with Dr Dieterich, Director, Environmental Health Division, WHO, 1984; Mr Batisse, Assistant Director-General for Natural Resources and Environmental Science, Unesco, 1982; Mr Carmichael, Environmental Officer, UNIDO, 1983.

of these agencies and their capacity for implementing a procedure for environmental assessment.

The policies of development assistance agencies are established in part by the political membership of the organization, meaning in the case of bilateral agencies that configuration of legislature, executive departments and other governmental bodies that share a responsibility for foreign assistance or have the capacity to bend it to their interests; and meaning in the case of international organizations the configuration of national representatives to governing bodies, permanent representatives to the organizations and other intergovernmental bodies that can influence its operations. The policies of these organizations are also shaped by the financial basis of their programs in that the source of their funds, the mechanisms for allocating and disbursing them, the terms under which they are disbursed and the conditions attached to them significantly influence what objectives the organization can or cannot pursue.

It is also the case that development assistance agencies are to some degree obliged to follow policies that respond to the collective interests of recipients or to the strategies formulated by the professional and academic development community. These policies are sometimes pressed on the organizations through political channels and

sometimes through their own staff or contractors.

How the organizations respond to these policies depends both on the mechanisms that exist for holding the organizations accountable to the demands that stem from the political and financial structure and on the independent objectives that the staff pursues in order to cope with its task-environment. An important part of this task-environment consists of the priorities and capacities of the recipients.

The focus of my analysis has been on the accountability system that determines how the staff members in different parts of the organization respond to the policies that stem from its political and financial structure. The accountability system links the policy demands to the dominant interests perceived by those working within the organization. These interests have much to do with coping with its task-environment. In other words, without an accountability system, the staff of the organization would be free to pursue its own interests without reference to specific policy objectives. On the other hand, if the accountability system is too rigid, the staff members have difficulty succeeding in relation to their task-environment. The accountability systems of different organizations are focussed on different criteria, controlled by different actors, are more or less strict and

more or less penetrating. The particular configuration of an accountability system is a major determinant of the capacity of the staff of an organization to respond to policies that require reform of its operating procedures or decision criteria. The accountability system creates a pattern of incentives and constraints governing the organization's efforts to cope with its task-environment that influences its response to the implementation of any particular policy objective.

Development assistance agencies have been urged to adopt procedures for the systematic environmental review of their funding programs - not a policy one would expect to be functional for coping with their task-environment. The accountability systems of these agencies have ensured that most agencies have agreed to adopt this policy. But the same accountability systems create the pattern of incentives and constraints within the organizations that determine whether or how the policy shall be implemented.

I have argued that in the case of bilateral agencies, the accountability system provides the potential for effective environmental assessment. The government can make a certain policy or procedure mandatory if it thinks fit or domestic pressure is very strong. However, other aspects of the accountability system, such as the weak evaluation of economic and technical impact, or the need to

satisfy domestic political or economic interests tend to constrain the implementation of environmental assessment. AID demonstrates that a bilateral agency has the capacity to make a policy mandatory, but also illustrates how there needs to be a mechanism for ensuring that the staff is accountable for performance if the policy is to be effectively implemented. The accountability system, in fact, cannot easily alter the strong organizational interests that have developed within AID's decentralized structure for managing and expanding the program. In other words, only if the failure to systematically assess the environmental effects of its program should threaten the legal or statutory responsibilities of the agency, and there are effective mechanisms for auditing or scrutinizing its performance, will such a policy change the way that the staff goes about ensuring its own survival and development.

The financial requirements of multilateral development banks dominate their accountability system. Owing to their political and developmental status, they are supposed to achieve "good" development without being influenced by individual political interests. This makes it hard for multilaterals to deny policies that are designed to achieve more sustainable or equitable development projects. But, in practice, their financial status presents a barrier to

implementation. The World Bank adopts more developmental policies than other multilaterals but my case showed how difficult it is to secure implementation within the World Bank. The accountability system places a premium on maintaining creditworthiness and a reputation for sound financial operations. The project officers are likely to resist any policies that make it harder to satisfy that criterion or increase the uncertainty of their calculations - and they enjoy the autonomy to resist unwelcome additions to their task. There are few cases where the systematic assessment of the environmental effects of project loans increases the creditworthiness of the recipient or the organizations reputation for financial soundness.

The particular political structure of UN agencies creates a weak accountability system with respect to any individual policy objective. Donors have limited influence over the broad program objectives and the budget level. Recipients resist attempts to establish criteria for allocating resources or measuring the performance of operations. The financial basis of the UN agencies increases the autonomy of the agencies from their political membership and makes it harder to pursue a policy objective within the field operations. A lack of accountability gives the organization the freedom to pursue its own objectives in relation to its own task-environment. The

systematic assessment of the environmental effects of its operations is unlikely to serve the organizational interests of a UN agency significantly.

The Latitude for Environmental Assessment

It would seem from the material presented above that environmental assessment is not a policy one would expect to have much success. But having arrived at this conclusion, I think it is worth asking how do development assistance agencies find the latitude in their operations to pursue environmental policies? How is a bilateral agency able to achieve some level of environmental review despite its accountability for national political and economic objectives and the generally unsympathetic attitude of recipient governments? How does a multilateral development bank maintain its credibility as a financial institution and still require some attention to the consequences of its loans for environmental quality and resource conservation? How does a UN agency satisfy its own programmatic and bureaucratic objectives at the same time as promoting sound environmental planning of its field operations? By understanding the source of the agencies' latitude for environmental assessment, one can target efforts to achieve policy reforms accordingly.

The answers to these questions have all been suggested in the course of the cases, but I shall summarize the main points. To the extent that the governments of donor countries are sensitive to environmental lobbies, whether domestically or internationally focussed, they can be persuaded to issue some form of mandate for environmental policy to the donor agency. To the extent that supporters of such environmental policies can activate mechanisms for holding the agencies accountable for compliance with this policy or can direct the attention of auditors or watchdogs to this issue, the agency can be persuaded to implement the policy. Beyond the domestic political process, bilateral agencies are part of the international development assistance system. The Development Assistance Committee (DAC) of the OECD provides a forum that reviews and criticizes the performance of bilateral agencies purely on the basis of developmental criteria. The DAC has in recent years tried to persuade bilateral agencies to strengthen and coordinate their policies on environmental review. It hopes that the agencies will jointly recognize the developmental benefits to be gained, but it has had little success in overcoming the priority of national foreign and economic policy interests.

Multilateral development banks can deviate from strict financial criteria to the extent that their reputation for

financial performance is not affected. Indeed there is often considerable pressure on them to respond to developmental policies and support sectors that are not financially sound. This they can do, to some extent, because their governmental borrowers are committed to pay back their loans regardless of the actual return on that investment. Similarly the capital markets are more interested in the overall creditworthiness of borrowing governments than that of the individual projects. However the financial structure makes it easier to allocate of loans to non-financial sectors than to satisfy developmental objectives which involve uncertain analysis or reduce the projected rate of return. Here the latitude for environmental assessment depends on whether the project staff perceives a risk either to the financial performance of the loan or to its professional reputation from failing to take into account the environmental effects.

Among multilateral development banks, there is a joint commitment to environmental policies in the shape of the Declaration on Environmental Policies and Procedures relating to Economic Development. The environmental staffs of the signatories to the Declaration form the Committee of International Development Institutions on the Environment. Thus the environmental staffs, however reluctantly, are bound into a mechanism for reviewing the implementation of

their commitments. In a sense, the multilaterals are hostage to their joint responsibilities to promote sound economic development free of individual political interests. They cannot publically put their financial interests above the developmental objectives they have come to be held accountable for. Indeed part of their authority and influence stems from the perception of their role as sources of better development strategies and practice. Whether the management or the project staff like the consequences, they do have the latitude to ensure that the kind of development they finance does more than produce an acceptable rate of return.

UN agencies can pursue developmental objectives partly because that is the nature of the service they are set up to provide to their members and partly because the secretariats are more responsive to development strategies formulated by other international organization or the professional interests of their staff than to the political interests of their members. Thus attention to developmental objectives serves the programmatic interests of the organization. Promoting environmental policies can provide an opportunity for the organization to enhance its program and can satisfy the interests of some of its technical staff. This is less true for their field operations than the regular programs, but there is no

definite barrier to environmental review provided the recipients of field projects demonstrate some demand. The latitude exists but there is little incentive without the demand.

Within the UN system, UNEP plays a role in stimulating a greater sensitivity on the part of the individual agencies to environmental issues. It allocates funds to environmentally orientated activities to be carried out by other agencies and to promote coordination among agencies in addressing environmental problems. This strengthens the position of environmental units within the agencies, provides them with extra-budgetary funds and offers a source of policy commitment that can be used to influence the agency's program. Thus UNEP can increase the latitude for environmental activities, although with more effect on programs than field operations.

The fate of a developmental policy such as environmental assessment within a development assistance agency does, of course, depend on the support the political leadership and management of that agency - on the grounds that the policy will improve the developmental output of the agency. But the political leadership of an agency is often pre-occupied with the political and financial objectives of the agency's activities, and obvious developmental benefits are sometimes not enough to grab

their attention and persuade them to steer the agency in the appropriate direction. But they are sensitive to some degree to political pressure and to energetic lobbying. In this way the leadership can be persuaded to adopt a policy designed to improve the output of the agency.

But a developmental policy initiative also depends on the reform of decision-making and operating procedures within the organization - for instance in the form of environmental assessment procedures - and the likelihood of the staff members implementing these reforms effectively. But it is clear that organizations have interests of their own and some degree of autonomy to pursue these interests. The latest reform in their procedures or responsibilities may or may not match the interests perceived by the staff members. Thus, in order to promote a particular policy, one also must try to increase the incentives of the staff to implement it - for instance by providing guidelines - and try to monitor the results.

I have argued that the political control of the agency, and hence its policy priorities, is connected with the incentives within the organization for implementing a particular policy by the accountability system. Accountability is the key to how to make sure a policy is carried out as effectively as the political and financial structure of the agency will allow. It is also the key to

understanding what limitations are common to different types of agency. Reforming these agencies and promoting certain policies should focus on the opportunities for activating the accountability system around a policy initiative or targeting changes at the incentives and constraints that the staff faces in responding to policy demands.

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