The Accountability of Development Assistance Agencies: The Case of Environmental Policy

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INTRODUCTION

During recent years, various organizations have attempted to improve the environmental soundness of the programs funded by development assistance agencies. In 1975, several environmental organizations filed suit against the United States Agency for International Development (AID) for its failure to comply with the National Environmental Policy Act.1 In 1983 and 1984, environmental organizations testified in support of a recommendation that the United States Treasury Department report to Congress annually on the environmental performance of multilateral development banks.2 Over the past few years, the United Nations Environment Programme (UNEP) has channeled funds through the environmental office of the Food and Agriculture Organization (FAO) in the hope of influencing the environmental planning of the FAO Field Programme.3 In each of these cases, environmental organizations sought to make a development assistance agency more accountable by

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influencing it through the most appropriate channel given the agency's political and financial structure.

International development assistance agencies are expected to satisfy a variety of policy goals set by an array of different actors. The agencies are accountable to donor and recipient governments, to sources of funding, and to professional or private interests involved in the planning and execution of development assistance programs. In carrying out their mandates, the agencies are, of course, unable to achieve every objective or satisfy all of the interested actors.

Therefore, those who attempt to persuade these agencies to improve their performance in relation to a particular goal must examine the way in which the agencies' priorities are determined. This Article suggests that the accountability of international development agencies to their members, clients, sources of funds, and to national or international interest groups, determines the way in which these organizations respond to the array of policy issues associated with economic development programs. Thus, the capacity of a development assistance agency to assess the environmental effects of its funding programs depends on how it is held accountable for its performance in general.

The basic premise of this Article is that an agency’s accountability system shapes the incentives and penalties facing the staff members responsible for the implementation of environmental and other development policies. Moreover, the accountability system is itself a product, to a large extent, of the political and financial structure of the organization. Therefore, the opportunities for improving environmental policies or eliminating the barriers to their implementation depend upon the dominant political and financial characteristics of the particular type of development assistance agency.

Section I of this Article introduces the political and financial structures of development assistance agencies. The dilemma facing these agencies and the policy problem perceived by those interested in their performance is that the agencies’ political and financial structures impose complex and often conflicting policy demands. Ultimately, bureaucratic interests and incentives govern the response of staff members.

Section II describes the response of development assistance agencies to environmental problems. In recent years, various groups have urged development assistance agencies to take account of environmental impacts resulting from their funding programs. The agencies' responses have varied, and, in general, have been neither comprehensive nor systematic. Research institutes and interest groups have criticized their per-

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4. Most agencies have advisors on environmental policy, sociological issues, women in development, nutrition, and land reform, as well as the major sectors such as agriculture, forestry, industry, transportation, energy, and education.
formance and proposed improved procedures and methods for the agencies to implement. This Article explains, however, that the barriers to implementation of environmental policies are political and institutional, rather than technical or procedural.

Section III discusses the way in which the agencies are held accountable for implementing the policies that their political members and management adopt. Although accountability is complicated by various factors, such as the multiple roles of the agencies, their international members and participants, and the uncertain nature of their programs, official and unofficial mechanisms exist by which an agency’s political members, funding sources, and other observers appraise its performance. Thus the staff members responsible for managing the funding program make choices about policy implementation at an operational level based on how they expect to be held accountable by the organization’s management, political members, and external actors. There is a pattern to how the staff members identify the policy objectives for which they are accountable and those that they will not be penalized for neglecting. A relatively simple model of the accountability system of development assistance agencies demonstrates the linkage between the political and financial structure of different types of organizations and the capacity of the staff to satisfy a policy objective such as environmental assessment.

Section IV tests the model of the accountability system by examining the efforts of three development assistance agencies to implement environmental assessment policies. The United States Agency for International Development, the World Bank, and the Food and Agriculture Organization of the United Nations represent different categories of development assistance agencies: bilateral agencies, multilateral development banks, and United Nations organizations. The purpose of these cases is to show how the different political and financial structures of these agencies generate particular accountability systems which in turn shape the incentives and disincentives governing the implementation of environmental assessment policies.

Finally, Section V discusses the implications of the accountability system model for reforming development assistance policy and for ensuring more vigorous implementation of environmental policies.

I

DEVELOPMENT ASSISTANCE AGENCIES AND THEIR POLICIES

A. Development Assistance Agencies Described

The cases described in this Article represent the three main institutional channels for official development assistance5 provided by Western

5. The Organisation for Economic Co-operation and Development (OECD) defines “official development assistance” as grants or loans undertaken by the official sector, with promo-
governments, namely: (1) bilateral assistance provided directly from an agency of the donor government to a recipient government or institution; (2) multilateral assistance channeled through multilateral development banks; and (3) multilateral assistance channeled through the United Nations Development Programme (UNDP) and the specialized agencies of the United Nations system. Important differences in political and economic structure among the types of development assistance agencies help explain how different agencies respond to policy initiatives and their capacity for assessing the environmental effects of their assistance programs.

1. **Bilateral Agencies**

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 and they administer their programs in accordance with their country's foreign, economic, and developmental policies. The agencies may allocate assistance to secure political alliances, national security interests, or trade advantages. Bilateral agencies also pursue developmental objectives in allocating and guiding the disbursement of the funds at their disposal; they may target their assistance, for example, to help poor rural farmers, to meet basic needs, or to raise nutrition levels. The agencies are subject to the directives and pressures of the executive, the legislature, and the electorate in carrying out their programs. While a single agency usually administers the bilateral assistance program, the national policy for that program is normally the responsibility of several government departments.

Bilateral aid is a mix of concessionary loans and grants. The aid often requires the recipient country to purchase the donor's goods and

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10. A concessionary loan is one on terms more favorable than market rates, i.e., with a rate of interest lower than the market rate, with a longer maturity period, or with a grace period before repayment of capital.
services, and aid is frequently channeled to countries that are of foreign policy, security, or trading interest to the donor. Despite these constraints, bilateral aid can be allocated to much poorer countries than can development bank loans, because bilateral agencies, unlike multilateral development banks, need not constantly concern themselves with borrowing nations' ability to repay. Moreover, bilateral aid is not entirely governed by political and economic considerations; it can be earmarked for particular developmental objectives if the donor government chooses and the recipient government agrees.

2. Multilateral Development Banks

Multilateral development banks, including the World Bank Group (which consists of the International Bank for Reconstruction and Development, the International Development Association, and the International Finance Corporation), have global or regional membership divided into donor and recipient members; voting is weighted according to the capital contributions of the members. The banks typically have two-tier governing bodies. At the World Bank, the finance ministers of member countries serve on the Board of Governors, which meets annually to review the bank's broadest policy issues. The Board of Executive Directors is permanently posted at the bank; the Executive Directors 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. The multilateral banks lend these funds to borrowing governments or their agents 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, particularly the International Development Association of the World Bank Group, also raise concessionary funds from their developed members to provide soft loans (i.e., reduced-rate or no-interest loans) to poorer borrowers and to less financially remunerative development sectors.

The major donors collectively govern the constitutional and finan-

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11. Other multilateral financing institutions, such as the International Fund for Agricultural Development, the European Development Fund, the European Development Bank and various Organization of Petroleum Exporting Countries (OPEC) funds, are not discussed here. United Nations organizations are, of course, multilateral but are treated as a separate category because of their distinct political and financial structure.


13. Id. at 3.

cial policies of the multilateral banks, but the banks are, in theory, free from the political or economic pressures of individual members.15 The management and professional staff can take a more independent approach on the financial, operational and developmental policies they follow than can staff in bilateral or United Nations agencies.16 The banks have instituted relatively rigorous feasibility and appraisal studies that are conditions to loan approval; they also exercise considerable leverage over the design of projects and can attach conditions to loans.17 The banks also influence the economic policies of the borrowing governments on a wider, longer-term basis than do most bilateral and U.N. agencies.18 Traditionally, multilateral development banks have allocated most loans to capital projects, such as transportation, power generation, and industry, but over the past decade an increasing proportion of loans have been in the sectors of agriculture, urban development, health, and education.19

The World Bank is preeminent among multilaterals in size, influence, and experience. It also plays the most prominent role in researching, analyzing, and forming economic development policy.20 Although all the regional development banks stem from roughly the same model—i.e. they are smaller versions of the World Bank, designed for the specific economic and developmental conditions of the particular region—they vary considerably in their response to the particular interests of regional members, in the role of the main donors, and in the economic development policies that they promote.21

3. The United Nations System

The Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the World Health Organization (WHO), and the United Nations Industrial Development Organization (UNIDO) are the principal agencies responsible for executing United Nations development assistance programs. Each organization has its own structure, membership, programs, and constituencies. The executing agencies have global membership and equal voting, and raise their budgets directly from their members in proportion to the members' wealth. Due to the equal voting

19. See id. at 1-16; B. HÖRN, supra note 15, at 29-41.
structure, the more numerous developing country members exercise as much control as, if not more than, the developed countries that provide most of the budget.

The specialized executing agencies receive extra-budgetary funds from the United Nations Development Programme (UNDP). The UNDP raises funds from members of the United Nations by voluntary contributions and allocates these funds, on concessionary terms, for pre-investment studies, technical assistance, and other forms of non-capital assistance. The UNDP has a decentralized structure, with Resident Representatives in developing countries who enjoy considerable responsibility for negotiating country programs. In practice, the UNDP allows recipient governments much discretion about the content of country programs, but exercises some review of overall development strategies and the economic and social benefits expected from individual projects. Once the UNDP negotiates a grant, it appoints an executing agency, such as the World Bank or one of the specialized U.N. organizations, to implement the project. The executing agency then has most of the responsibility for the technical content and implementation of the project.22

The UNDP and other extra-budgetary funds that U.N. specialized agencies administer enable them to establish extensive field operations. These funds are not directly controlled by the executing agencies' own members; therefore, they offer the organizations some degree of autonomy not available within the regular budget programs.23 In recent years, the UNDP and other extra-budgetary funds have amounted to over fifty percent of the total funds available to specialized agencies.24 Since 1980, though, the funds available to UNDP have declined, and the growth in other extra-budgetary contributions to U.N. agencies has diminished.25

B. The Effect of Political and Financial Structure on the Behavior of Development Assistance Agencies

Development assistance agencies are political organizations; they are composed of member states or are controlled by national governments. They are also financial organizations in that they raise and disburse funds. They are also, of course, development organizations in that they pursue economic development programs and projects in developing

24. The extra-budgetary funds available to the FAO during the 1982-83 biennium were $515 million (U.S. dollars) compared to the regular budget during the same period of $368 million. U.N. FOOD & AGRIC. ORG., REVIEW OF FIELD PROGRAMMES 1982-83 statistical appendix, table 1 (1983).
countries. These overlapping roles mean that development assistance agencies face complex policy demands.

These overlapping roles are the root of both the dilemma faced by development assistance agencies and the criticisms leveled at them by different actors. Member governments make foreign, economic, and trade policy demands through the political channels that govern the operations of the agency. The funding mechanisms impose financial or operational responsibilities on the agency. The moral, humanitarian, or developmental imperatives of assistance agencies are typically championed by academics, professionals, and organizations with an interest in development. Each actor in this process has a different conception of the desirable policy outcomes and a different strategy for pushing the agency in a particular direction. Indeed, each actor has a different understanding of the objectives for which these agencies should be held accountable, and of the means by which they can be held accountable.26

In addition to external demands, internal institutional interests also constrain the behavior of development assistance agencies. The agencies are large bureaucracies whose survival and well-being depend on their ability to deliver and expand their funding programs—to "move money," as it is sometimes put—and to maintain control over their programs. They encounter competition and hostility from other institutions, whether international or national, and must constantly cope with the great uncertainty attached to their tasks. In other words, they find themselves operating in response to what organizational theorists call the "task environment." The task environment consists of the relationships an organization has with external actors and processes in the course of performing its task.27

The incentives facing the agency staff in managing a program are significantly constrained by the agency's task environment. If policy demands conflict with organizational interests, it is reasonable to expect that the staff will resist those demands.28 The fate of competing policy objectives will depend to some degree on how they fit with the dominant organizational interests. In other words, if an agency's product departs from the policies it is manifestly pursuing, the agency's organizational interests may explain this divergence.29

If the objectives of member governments, sources of funds, and development interests persistently conflict with the agency's organizational interests, there will likely be some attempt to reform the agency. But

26. See, e.g., CONGRESSIONAL BUDGET OFFICE, supra note 7; J. TENDLER, INSIDE FOREIGN AID 43-50 (1975); J. WHITE, supra note 9, at 34-45, 50-54.
29. J. TENDLER, supra note 26, at 2, 102-03.
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reformers rarely take into account the limited influence that agencies have over their task environment, particularly in the identification and implementation of projects. Nor do they sufficiently recognize the uncertainties inherent in economic development activities.\(^{30}\)

The influence of different policymakers and the way policies are implemented within the agencies vary according to the political and financial structure of the agency. For instance, a bilateral agency is predominantly affected by the interests of other agencies within the national government and by the concern of politicians that foreign assistance is unpopular with the electorate.\(^{31}\) Bilateral agencies are also more vulnerable to pressures from specific domestic economic interests or fluctuations in foreign policy relations than are other development agencies. Changes in government, adjustments in specific institutional arrangements, and the shifts in power of domestic interest groups can have dramatic effects on bilateral agencies. Bilaterals cannot protect themselves easily from conflicting policy demands and need to devote much of their resources to ensuring their own institutional survival.\(^{32}\)

Multilateral development banks are distinguished from bilaterals by their wide membership, weighted voting system, and their need to obtain financial resources from capital markets and donor contributions. First, weighted voting gives the major subscribers a majority of votes and makes their combined influence over matters of bank financial policies and practice particularly strong. The capacity of an individual subscriber to impose its will is limited, though, by the voting power of the other major subscribers and by the commonly accepted principles of neutrality in multilateral assistance, which recipient members and other actors are likely to protect.\(^{33}\) Second, multilateral development banks are constrained by the financial basis on which they operate. They have to remain extremely conscious of their creditworthiness and the financial soundness of their activities. This need encourages a technocratic approach and a pronounced emphasis on objective economic criteria for the banks' decisions and actions.\(^{34}\) Third, as multilaterals, the banks' legitimacy stems from their reputation for efficiency, competence, and superior experience on development issues. This factor reinforces an emphasis on technocratic methods,\(^{35}\) and produces a curious dilemma. The multilateral banks must be at the forefront of the analysis and re-


\(^{31}\) J. Tendler, supra note 26, at 38-53.

\(^{32}\) J. White, supra note 9, at 50-54.

\(^{33}\) Id. at 266.


\(^{35}\) J. White, supra note 9, at 58-59.
sponse to current economic development problems, but they are inherently reluctant to take risks that might undermine their financial or professional reputations.

The World Bank's efforts to become more actively involved in poverty alleviation illustrate the difficulties multilaterals face in implementing new policies. The Bank's plans were hampered by the reluctance of the staff to promote activities that were difficult to implement and whose results were more uncertain than those of traditional programs. The Bank's population control efforts, which made loans for national fertility reduction programs, have suffered from similar constraints. The staff, preoccupied with hard economic criteria and financial soundness, does not easily adopt the analysis of less quantifiable developmental objectives. The staffs can resist pressures to undertake such analysis because multilaterals enjoy considerable autonomy from their members.

The United Nations and its specialized agencies are, of course, much more than a system for providing development assistance. The U.N. system is a political forum and a system of providing political and technical services to members; it also incorporates the UNDP and the agencies used by the UNDP to execute its projects. In the United Nations, the major donors have less opportunity to impose their development assistance priorities or policies than do those who contribute to multilaterals. Recipient governments, as a group, 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 more than they can with bilateral donors and multilateral development banks. But, at an operational level, the Secretariats of the executing agencies do enjoy considerable autonomy from the recipients of assistance.

Extra-budgetary funds, from the UNDP and other sources, are very important to U.N. executing agencies, as discussed above. The Secretariats have a strong incentive to obtain extra-budgetary funds to expand their development assistance programs, but they remain relatively independent of the funding sources in executing those programs. Although the U.N. system identifies broad development policy strategies and goals at global conferences, through action plans, or in General Assembly resolutions, it rarely transforms these goals into specific objectives or operating principles. Programmatic goals are the U.N.'s basis for judging an

36. See R. Ayres, supra note 18, at 51-75.
38. See R. Ayres, supra note 18, at 51-64, 67-75.
39. See Ascher, supra note 16.
40. The Secretariats are the executive bodies responsible for administering the agencies' programs. See infra text accompanying notes 153-55.
41. J. White, supra note 9, at 63.
agency's performance; therefore, the Secretariat staff has an incentive to meet targets and process disbursements. The U.N. does not, however, provide strong mechanisms for technical review or evaluation of U.N. development assistance projects, and the majority of developing countries resists more stringent procedures.42 An agency's political and financial structure creates a complex set of constraints upon its behavior; these constraints can have serious impacts upon the agency's environmental performance.

II

DEVELOPMENT ASSISTANCE AGENCIES AND THE ENVIRONMENT

Individual development assistance agencies respond differently to the need for environmental policies and procedures. Almost all agencies have established an office or focal point for environmental affairs and have adopted some form of environmental policy.43 In addition, the major multilateral agencies have signed a Declaration of Environmental Policies and Procedures Relating to Economic Development and established a Committee of International Development Institutions on the Environment (CIDIE).44 The agencies' efforts to develop environmental policies involve two sets of activities. One is the systematic environmental assessment of projects the agencies intend to finance. The other is the allocation of funds for environmental sector projects, technical assistance, and institutional strengthening.45

A. Systematic Environmental Assessment of Projects

The systematic assessment of environmental impacts is a preventative activity. The principle behind this effort is that, if the agency can ensure the examination of project proposals early enough, potential envi-

42. Id. at 62.
44. UNEP, DECLARATION OF ENVIRONMENTAL POLICIES AND PROCEDURES RELATING TO ECONOMIC DEVELOPMENT, UNEP/WG.31/2 (1979).
ronmental problems can be predicted, and design and implementation of the project can be more readily modified. For this to happen, the agency must give its environmental staff the authority to intervene in the project cycle and to require changes. The environmental staff in such agencies should: (1) introduce procedures and methods of analysis that allow it to predict environmental effects; and (2) give the rest of the staff technical information and guidelines relating to the environmental problems of different sectors or types of projects.46

The integration of environmental analysis into the regular project cycle is a technically demanding process, requiring methods of predicting the effects of what is always an uncertain undertaking.47 It is also an activity that often complicates and sometimes delays the process of preparing and approving projects for funding. In organizations that 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 an additional layer of project analysis, particularly one that explicitly looks for the negative effects of projects.48

Often, the project staff of development agencies consist mainly of economists, engineers, and agronomists—professionals who are not always sympathetic to environmental issues. The economist must estimate the expected rate of return of a project, which is difficult enough without being required to take account of environmental damages, which cannot easily be quantified or economically evaluated. Engineers and agronomists typically are trained to change environmental conditions to increase production, and are not prone to consider the systemic interactions within and between natural systems.

Furthermore, development assistance agencies often do not have complete control over the projects they finance, particularly during implementation. According to environmental officers in the agencies, recipient governments resist requirements to perform environmental analysis prior to submitting project proposals or to accept conditions governing project implementation, and are reluctant to follow up on environmental planning efforts.49

The environmental staffs of development assistance agencies may try


to influence the project cycle in various ways. First, they can try to gain access at the earliest stages in order to influence the identification and initial preparation of projects at the time when resistance is likely to be the least. Second, they can prepare checklists and analysis routines for project staff to follow (making it easier for staff to actually perform environmental analysis), 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 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 entire project cycle becomes less necessary.

B. Allocation of Funds for Environmental Sector Projects

Efforts to allocate funds for environmental projects are likely to meet less resistance within development assistance agencies than are attempts to intervene in the evaluation of projects in traditional sectors. 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 an agency's program without impinging on its operational principles and procedures.

Over the past few years, development agencies have devoted increasing resources to funding environmental sector projects, such as pollution control, reforestation and forest management, soil conservation, erosion control, and conservation areas. They have also provided funds and technical assistance to recipient governments for strengthening environmental agencies, policy analysis, environmental profiles, staff training, and information management. The agencies have initiated environ-
mental planning and management programs in developing countries and have helped governments address the environmental hazards and conflicts that have plagued the implementation of certain development programs.55

C. Effectiveness of Agencies' Efforts To Assess and Mitigate Environmental Effects

In recent years, numerous studies have examined the environmental performance of international development agencies. The conclusion that emerges from these studies is that the major multilateral and bilateral agencies have become aware of the need to incorporate environmental protection into development assistance, but have not been particularly successful in assessing and mitigating the environmental effects of their funding programs. The International Institute for Environment and Development (IIED), a policy research institute, reviewed the environmental policies and activities of multilateral and bilateral development agencies during 1977-79.56 Referring to multilaterals, the authors of the IIED study concluded that "the need for environmental protection is no longer subject to widespread debate, though there is still a good deal of practical resistance."57 The staffs of the 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 it sufficient priority for it to have a significant practical impact on their work.58 The authors highlighted four main deficiencies in the agencies' environmental practices: the lack of clear procedures for environmental assessment of their projects, the absence of technical criteria for assessing environmental impacts, the failure to integrate environmental analysis into formal project appraisal, and insuffi-

55. See J. Horberry, International Organization and EIA in Developing Countries (manuscript to be published in ENVTL. IMPACT ASSESSMENT REV.) for a review of efforts by development assistance agencies to support formal environmental planning in developing countries.
58. Id. The authors went on to state:
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 a greater environmental awareness and sophistication than other development agencies 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.

Id. at 133.
cient environmental expertise among the staff.\textsuperscript{59}

The IIED study of the environmental practices of six 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."\textsuperscript{60} 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 advice.\textsuperscript{61} The study discusses the specific measures and activities of the six agencies and indicates that, with the exception of AID, the limited procedures and guidelines for screening, assessing, or evaluating projects have proven ineffectual.\textsuperscript{62}

To ensure the systematic environmental assessment of projects, the authors of these studies advocate establishing environmental offices or personnel within the agencies where they do not already exist, stricter procedures for environmental assessment, more comprehensive guidelines and criteria for the environmental planning of projects, and the integration of environmental damages and benefits into the economic appraisal of projects. More generally, they recommend environmental training for agency staff, more environmentally sensitive policies, and more direct assistance for environmental projects and support for environmental planning institutions.\textsuperscript{63}

At the United States congressional hearings in 1983 and 1984 on the environmental impact of multilateral development bank projects, the Joint Environmental Service of the IIED and the International Union for Conservation of Nature and Natural Resources (IUCN) recommended that agencies give environmental offices more authority to intervene in the project cycle, allocate more resources to environmental review of project proposals, and incorporate environmental planning into project preparation rather than make reactive assessments.\textsuperscript{64} United States environmental organizations advocated stricter instructions from the Treasury Department to the United States Executive Directors to pro-

\begin{footnotes}
\textsuperscript{59} Id. at 135-36.
\textsuperscript{60} B. JOHNSON & R. BLAKE, supra note 43, at iii.
\textsuperscript{61} Id. at 14-15.
\textsuperscript{62} Id. at 26-37.
\textsuperscript{63} Id. at iv-v. Various environmental groups have exerted considerable pressure on agencies to adopt firmer policies and establish stricter procedures. The Declaration, supra note 44, signed by the major multilaterals, appeared to respond to this issue but, from the evidence gathered at the annual CIDIE meetings, it appears that multilateral agencies have made limited progress in achieving this objective. Bilaterals have no corresponding commitment and, with the exception of the United States and to a lesser extent West Germany, national governments have not established binding procedures. OECD 1982 \textit{Review}, supra note 6, at 104-07; \textit{see} Kreditanstalt für Wiederaufbau, supra note 43.
\textsuperscript{64} 1983 \textit{Hearings}, supra note 2, at 213; 1984 \textit{Hearings}, supra note 2, at 92-110.
\end{footnotes}
mote stronger environmental procedures and to oppose all projects that "clearly will result in unnecessary or unacceptable environmental destruction."

The 1984 hearings confirmed that there was some support from the Treasury Department for more vigorous environmental procedures on the part of the multilaterals.

In 1983, the Joint Environmental Service of the IIED and the IUCN conducted a comprehensive study of specific environmental procedures and guidelines. The study concluded that, except in U.S. AID, environmental procedures tended to be weak and failed to ensure that projects were adequately screened and analyzed. The same report noted that the proliferation of environmental guidelines had not directly affected the preparation of projects because the agencies did not require that the guidelines be used. Better guidelines or more carefully formulated criteria, the study concluded, would not improve the situation without measures to ensure that they were employed. In the course of the study, it became obvious that many sectoral or project guidelines contained useful information about the environmental problems associated with certain sectors, the proper questions to ask in assessing the environmental effects of a project, and the best criteria for ensuring adequate environmental protection in certain cases. The abundance of this information did not, however, ensure that environmental analysis was carried out.

The 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 development agencies to include environmental factors in their routine project appraisal. There appear to be no theoretical objections nor any insurmountable practical impediments to using such analysis, but it is unclear whether the agencies can be convinced that the expense and additional effort of economic evaluation will result in better projects. As

65. 1983 Hearings, supra note 2, at 83.
68. Id. at 2; J. Horberry, Establishing Environmental Guidelines for Development Aid Projects: The Institutional Factor, 4 ENVTL. IMPACT ASSESSMENT REV. 1, 98-102 (1983).
69. 1 ENVIRONMENTAL DECISION-MAKING (Y. Ahmad ed. 1983); see C. Pearson & M. Hufschmidt, Incorporating the Environment in Development Planning: A Report of Work at the East-West Environment and Policy Institute (1983). The East-West Center, of which the East-West Environment and Policy Institute is a part, is a national educational institution established by Congress in 1960 to promote better relations and understanding between the United States and the nations of Asia and the Pacific through cooperative study, training, and research.
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mentioned above, agencies tend to resist additional layers of analysis that increase the burden and uncertainty of project appraisal.\footnote{71}{Ascher, supra note 16, at 428-30.} 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. Only when environmental factors regularly threaten the short-term feasibility of an investment does economic analysis of environmental factors seem to appeal to project staff as a useful tool for project preparation and decisionmaking.

No substantial technical barriers prevent agencies from including environmental factors in project evaluation or from increasing environmental training activities. If environmental assessment is not implemented, the failure is attributable to low commitment from the members, leaders, and management of the agencies, as well as to the organizational dynamics associated with the task. The next Section of this Article suggests a conceptual tool for understanding why an agency might not implement a policy objective to the satisfaction of its political masters and its diverse clientele.

III
ACCOUNTABILITY

Development assistance agencies often face conflicting demands, both external and internal, when they attempt to implement a new policy, and as a result, the agencies frequently fail to achieve their new goals. The agencies are expected to respond to the concerns of donors, meet the expectations of recipients, and overcome the hurdles peculiar to their task environments. Consequently, they tend to pay lip service to the general objectives of new policies without dramatically changing the actual management of their programs.\footnote{72}{Id. at 430; see J. Tendler, supra note 26; D. Mckelwatt, C. Sweet & E. Morris, New Directions in Development: A Study of U.S. AID 226-27 (1979) [hereinafter cited as D. Mckelwatt].} In addition, as large organizations, these agencies inevitably suffer from bureaucratic ills and internal conflicts that stifle or distort their operations.

A. Three Approaches toAnalyzing Accountability

Prominent organizational theorist Graham Allison offers three methods of analyzing the foreign policy output of national governments.\footnote{73}{G. Allison, Essence of Decision: Explaining the Cuban Missile Crisis (1971).} These methods of analysis suggest three similar ways of approaching the workings of development assistance agencies. The first method treats the agency as a unitary, rational decisionmaker and analyzes its leaders' commitment to, and determination of, policy goals. The
second model studies the agency as an organization and examines the importance the agency places on environmental policies in relation to its other interests. The third method considers the relative power of different policy actors to implement environmental policies. Each of these modes of analysis suggests a different strategy for improving the effectiveness of environmental policies in development assistance agencies.

First, policies may fail when donors do not muster sufficient political will or allocate sufficient resources to support policies for "better" development assistance. Dominant political and economic goals of donors often suppress efforts to protect the environment. A strategy for solving this problem would strive to place political pressure on donors to commit the agency to a particular policy goal. For example, environmental lobbies testifying at House Banking Committee hearings are trying to apply political pressure to the multilateral agencies, as they have done in the past to U.S. AID.

Second, policies can fail when an 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 its policy, its clients, the nature of its operations, and the other actors with which it must cooperate. Above all, the agency must manage and expand its program and protect itself from the uncertainty of its task environment. If environmental assessment increases the uncertainty faced by the staff responsible for managing the program, the staff will resist. Thus, an appropriate strategy would focus on influencing staff incentives and ensuring that implementation of the policy objective results in less, not more, uncertainty for the staff.

Third, policies fail when their proponents are weak compared to other 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. For example, the opportunity for a domestic environmental agency in a donor country to influence...
ence a multilateral development bank directly is slight because the national finance ministry, rather than the domestic environmental agency, is the body represented on the bank's board of governors. Furthermore, the domestic agency itself may not even have developed a policy; its ability to do so depends on the relative power of different units within the agency and the influences on them. The central policy staff within a bilateral or multilateral agency also has different sources of authority and receives different incentives from the project staff.

The achievement of a given policy objective will also depend on the support for the policy within the recipient country. Different agencies and participants in the development assistance system of the recipient country will have varying perspectives on agency policies. If the recipient government has no environmental policy or agency, then the donor agency will probably encounter an unsympathetic attitude toward environmental assessment. An effective strategy would be to enhance the influence of the proponent of the policy in question within the government of the recipient country, to support and to ally with the responsible unit, and to increase the power of the relevant agency in the recipient country. For instance, environmental lobbies exert pressure on the United States Congress to insist that stricter environmental protection measures be implemented in international development projects; environmental units in agencies make alliances with environmental contractors or research institutes to enhance their influence within the agency (for example, multilateral development bank environmental staff members sometimes leak examples of environmental damages to outside organizations); environmental offices support environmental agencies within recipient countries to ensure a more sympathetic response to environmental protection measures (for example, the World Bank environmental office has funded environmental units attached to power generation programs in Thailand and transmigration projects in Indonesia). 78

Each of these approaches is valuable, but the actual responses of development assistance agencies to specific policy initiatives are more complex. First, while it is worthwhile to pressure agencies to allocate sufficient resources to a particular environmental goal, governments and governing bodies ultimately choose the policies an agency will adopt. They may make choices about development assistance policies that shift the programs from one objective to another. When governments change, bilateral agencies follow different policies. When the executive directors of a multilateral development bank decide to finance structural adjustment (in which aid is conditioned on the recipient country's agreement to achieve stated goals), the pattern of lending changes.

Second, organizational process does explain much of agency resistance to policy initiatives and the persistence of "bad" development practices. The nature of these organizational processes and the pattern of incentives and constraints facing the agency staff, vary, however, between and within different types of agencies, according to their different political and financial structures. The political masters of an agency can choose to make such procedures mandatory, such as AID's environmental assessment regulations, or they can attempt to adjust the incentive system, for example, by instituting a project evaluation mechanism. The financial basis and circumstances of the agency significantly affect the pattern of incentives—either by creating an abundance of funds that need to be disbursed as quickly as possible (which occurs when AID commits huge sums to the Middle East or Central America), or by requiring agencies to meet the standards of creditworthiness of international capital markets (as occurs in the multilateral development banks).

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 government's 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 donor government's 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 is the response of the recipients. Even if the balance of bureaucratic politics could be shifted so that there was greater support for environmental protection, the impact on the program would still likely be shaped more by the influence of the political and financial structure of the agency on the organizational incentives and the constraints facing any particular policy initiative than by recipient preferences.

By integrating the different explanations for the failure of agencies to implement environmental or other developmental policies, a more comprehensive understanding of the problem is obtained. While the political and financial structure of an agency determines whether an environmental policy is accepted, the patterns of incentives and constraints within the organization govern implementation of the policy. Most development assistance agencies accept that an environmental policy is desirable, but their capacity for implementing such policy varies considerably. Furthermore, the political and financial structure of the agency helps to shape the organizational incentives and constraints. This
is true even though the agency perceives interests and objectives of its own, independent of its political and financial constraints.

B. The Accountability Model

If the organizational dynamics of an agency are shaped, in part at least, by the political and financial structure of the agency, it should be possible to describe how this process works in general and to discern differences between agencies with different political and financial structures. Therefore, one needs a conceptual model of how the organization responds systematically to the political and financial imperatives governing it. This model, which will be referred to as the "accountability system," explains how governance and funding are linked to the incentives that shape the programs of an assistance agency. In other words, the organization must account to some degree for its performance, both to its political members and its funding sources.

Accountability in the context of public agencies means an obligation 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." The most common form of accountability is financial—an accountability often enforced by the existence of an independent auditor. There are a large number of different devices by which different parties exercise accountability, varying from formal audits to manipulation of the mass media, from legislative oversight to informal lobbying.

In the case of development assistance agencies, the leadership holds the agency accountable for financial matters and for compliance with formal policies, procedures, and performance standards. Development assistance agencies often have considerable independence, however, 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. The different variables for which an organization such as a bilateral agency might be accountable include national foreign policy, trade advantages, balance-of-payments impact, humanitarian goals, income redistribution, allocation to the poorest countries, and contribution to the private sector. In other words, to the extent that these agencies are expected to achieve a range of policy objectives, they are held accountable for multiple performance criteria. Consequently, accountability mechanisms become essential tools for


80. For a discussion of these devices, see B. Smith, Accountability and Independence in the Contract State, in id. at 3-55.
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.

Not only are development assistance agencies held accountable for multiple performance criteria, but they are also frequently accountable to a variety of actors. The government or governing body that sets policy and provides funds demands accountability to help it control the activities of the organization. But the government or governing body is not usually unitary: in the case of a bilateral agency, it is composed of different branches or departments of the government, and, in the case of a multilateral agency, it consists of members from different countries. Furthermore, other actors, such as domestic interest groups, other international organizations, and members of the professional and academic development community, try to hold the agencies accountable for activities affecting 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. Each of these actors wields some power over the activities of the agency, and each can exact accountability for some aspect of the agency’s performance.

The different actors trying to hold the agency accountable for different performance criteria constitute what can be called “channels” of accountability. These channels may require the agency to give an account of its performance and to improve it if appropriate. The constraints imposed by the channels will vary from strict, in the case of a government demanding that its aid agency not allocate bilateral assistance to a particular country, to negligible, in the case of a developed country donor to a specialized U.N. agency attempting to hold the agency accountable for the economic soundness of a particular project. The channels of accountability can also vary in the degree to which they penetrate the operations of the agency. Some actors thoroughly scrutinize an agency’s operations and hold the agency accountable for all of its actions. For instance, a government auditor may demand an account of the precise project impacts from a bilateral assistance program. On the other hand, the creditors of a multilateral development bank will probably only hold the bank accountable for the creditworthiness of a borrowing government.

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. For example, an agency may adopt a certain policy initiative, such as the alleviation of poverty, but the responsible project staff members may perceive that merely inserting an appropriate state-
ment into each project appraisal report will satisfy the management. In other words, if the staff is not required to give an account of the performance of actual projects, it has little incentive to implement the policy initiative further. On the other hand, if the project staff knows that the performance of each project will be measured with respect to the particular policy objective, 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 it 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 to which it must attend simply to continue 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 U.N. 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.

Within this frame of analysis, it is important to clarify the difference between environmental assessment of projects being considered for funding and other environmental activities such as environmental sector and natural resources projects or technical assistance and funds for training, institution building, and policy analysis. The latter class of activities needs to meet certain criteria 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 is the key consideration, and, in others, responding to recipient country priorities is most important. Provided such environmental activities do satisfy these criteria, the agency will value them 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 a program. Project officers resist additional burdens on project design and implementation and the required coordination with other sectors and disciplines.81

The next Section examines the manner in which three development assistance agencies with different structures have approached the environmental assessment of their funding programs. The accountability model is used to explain the responses of these agencies to pressures to consider the environmental implications of their lending policies.

81. Of course, this is the case not only for environmental assessment, but also for any requirement to analyze a proposed project to determine whether it will meet a certain policy criterion that may be in conflict with the dominant objective of the agency.
THE CASE STUDIES

A. United States Agency for International Development

The Agency for International Development (AID) is the United States bilateral development assistance agency, responsible for almost all non-military assistance. It is also a United States federal agency and consequently is subject to domestic legislation governing the activities of the federal government. Thus, soon after the National Environmental Policy Act (NEPA) was enacted in 1970, AID adopted limited procedures for carrying out assessments of traditional engineering and industrial projects.3

AID responded slowly and reluctantly to NEPA, as did many federal agencies, believing that NEPA was domestic in intent and that the United States should not enforce such legislation beyond its own territory. In 1971, the Council on Environmental Quality (CEQ), pursuing its task of securing the implementation of NEPA by federal agencies, turned its attention to AID and proposed amendments to AID's existing regulations that would extend NEPA to development assistance to the fullest possible extent.4 At the same time, the Center for Law and Social Policy, a public interest lobbying organization, began to pressure AID to implement NEPA. During 1971 and 1972, there was also some congressional interest in AID's response to NEPA.5

Despite these developments, AID seemed unprepared to take any firm action, particularly in relation to pesticide use, which was one of the main concerns of the Center for Law and Social Policy.6 By 1975, environmental organizations that had lobbied for the implementation of NEPA realized that AID would not voluntarily comply with the Act. Thus, a consortium of these organizations sued AID, citing the Agency's

84. Letter from Russell Train, Chair of CEQ, to John Hannah, Administrator of U.S. AID (Apr. 6, 1971).
85. The Subcommittee on Fisheries and Wildlife Conservation of the House Committee on Merchant Marine and Fisheries requested information from AID on what steps it had taken to comply with NEPA. AID submitted a package of materials in January 1972 that included the AID Manual Circulars, supra note 83, an environmental activities report, case studies of the environmental impact of development projects, and details of the AID pesticide review panel. These materials are included in Administration of the National Environmental Policy Act: Hearings Before the Subcomm. on Fisheries and Wildlife Conservation of the House Comm. on Merchant Marine and Fisheries, 92d Cong., 2d Sess. 1687-763 (1972).
DEVELOPMENT ASSISTANCE AGENCIES

failure to prepare an environmental impact statement on the financing of pesticide sales overseas and its failure to establish procedures for systematic review of all AID projects and programs.87

Once the suit was filed, AID settled very quickly. The Agency was shocked to discover that litigation had in fact been initiated and proved willing to negotiate with the environmental lobbies and the Council on Environmental Quality (CEQ). AID undertook to prepare new regulations for implementing NEPA, a programmatic Environmental Impact Statement on AID's pesticide programs, interim pesticide regulations, and, eventually, final pesticide regulations.88 The Agency issued these new environmental procedures in June 1976.89 The settlement also prompted the Agency to issue an Environmental Policy Determination committing AID to assess and mitigate environmental effects of proposed AID projects in conjunction with host governments, as well as to “assist in developing the indigenous capacity of developing countries” to assess and mitigate the effects of projects.90

The quality of the first generation of environmental assessments of AID projects was not high and the assessments were of little value in improving the preparation of the projects concerned.91 The recipient governments were indifferent to the environmental procedures as long as the studies did not consume their AID funds. AID could overcome the resistance of the recipients, however, by arguing that United States law required the assessments before the funds could be released. AID mission staff members, whether they approved of assessments or not, had no choice but to comply with the procedures. The Washington, D.C. staff members may not all have welcomed the new policy, but they faced mandatory regulations to implement the necessary reforms.

Once several staff members for the environmental assessment program gained 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 requiring AID's assistance for protecting environmental and natural resources. The first steps toward upgrading the assessment procedures were improved technical guidance, programmatic environmental assessments of a class of projects, and the

87. R. BLAKE, supra note 1, at 38.
88. Id.
91. AID's Administrator, Peter McPherson, testified 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 the project documentation.” Review of the Global Environment 10 Years after Stockholm: Hearings Before the Subcomm. on Human Rights and International Organizations of the House Comm. on Foreign Affairs, 97th Cong., 2d Sess. 34 (1982) (statement of Peter McPherson, AID Administrator) [hereinafter cited as McPherson].
preparation of design criteria for specific types of projects. In 1981, the Agency revised its formal procedures in line with the revisions to the CEQ regulations for preparing environmental impact statements under NEPA. Since these new regulations took effect, the environmental officers of AID (who in the past had not been reluctant to admit the difficulties of the system) have expressed their satisfaction with the benefits that environmental assessments have brought to the design and management of projects.

Continued pressure from environmental lobbyists has also resulted in the amendment of the Foreign Assistance Act (FAA). In addition to requiring environmental assessment, the amendments to the FAA have incorporated a planning component. Thus, the environmental concerns of the FAA are broader than those of NEPA.

Many AID staff members, especially in the field, found that NEPA-style impact statements were not suited to AID's goals and operating style and would be hard to implement in developing countries. Atten-

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94. FAA amendments of 1977 contained a new provision, section 118, that authorized the President 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.


95. The 1978 amendments to section 118 of the FAA also provided:

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


96. These views were expressed by AID Washington environmental staff and consultants when they were interviewed in 1980 about the implementation of the assessment procedures up to that point.
tion to severe environmental degradation and natural resource manage-
ment problems in developing countries was consistent, however, with
AID's objectives and was, in fact, included in AID's main policy paper of
1978.97 Despite the fact that the FAA enlarged the scope of AID's envi-
ronmental mandate, AID's activities did not suddenly change. Initially,
the bulk of AID's effort was devoted to fulfilling the assessment require-
ments rather than to pursuing environmental planning activities. AID's
Environmental Coordinator estimates that during the 1976-79 period,
ninety percent of environmental staff effort was taken up with assess-
ments, dropping to sixty percent between 1979 and 1981, and twenty
percent since 1981.98

The 1981 amendments to the FAA and AID's 1983 policy state-
ment reflect a more balanced approach to environmental issues than had
previously existed. The new approach includes a relatively well-inte-
grated assessment procedure but places more positive emphasis on di-
recting development assistance resources to environmental and natural
resource programs.99 AID's 1982 Environment Sector Strategy Paper
states: "The strategy to implement AID [environmental] policy has six
components which should be viewed as a mutually reinforcing set of ac-
tivities: environmental analysis, improving host country environmental
policy, building human and institutional capabilities, technology and in-
formation transfer, environmental research, and cooperation with other
donors."100

AID's strategy and the programs through which it has been imple-
mented result more from a development mandate than from the require-
ments of NEPA. Without NEPA, its supporters, and their attention to
AID, however, it is unlikely that the Agency would have accepted the
crucial reforms to the review process, developed the necessary expertise,
appointed environmental officers (however inexperienced and uninter-
ested), or that many governments would have cooperated with AID in
preparing projects that focused on environmental and natural resource
issues.

1. AID's Accountability System

AID's accountability system derives directly from its status as a
government agency. Thus, at the most superficial level, AID is account-
able to the Executive, Congress, and the Judiciary for enhancing the

97. U.S. AID, A Strategy for a More Effective Bilateral Development Assistance Pro-
98. A. Printz, Environmental Coordinator, U.S. AID, Presentation to Talloires Seminar
of Development Assistance, PD-6 (Apr. 26, 1983).
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 United States government is more complicated. The various branches of the government seek different goals, by different mechanisms, and with different degrees of consistency and influence.

First, AID is accountable through its Administrator to the Executive Branch. The President of the United States has the authority to issue Executive Orders governing or affecting AID's operations and to demand accountability for their implementation. This channel has the potential for strict accountability and could be used to enforce environmental priorities in development policies, but, in practice, it is usually dominated by administrative and domestic interests that are not aimed at serving the development assistance program.\textsuperscript{101} Federal agencies also wield some influence over the policies and operations of AID.\textsuperscript{102} AID cannot ignore the demands of these federal agencies or the Office of Management and Budget (OMB). AID is often required to present information on the results of projects, for instance, the effects on balance-of-payments or the cost effectiveness of the projects.

AID is also accountable to the United States Congress. Congress plays an active role in setting the economic and developmental policies of AID and can demand some account of AID's performance through congressional committees that oversee the Agency's operations, the Congressional Budget Office, and the General Accounting Office. Congress also reviews AID's performance with respect to items of the Agency's congressional mandate, such as human rights, the private sector, population programs, women in development, and the involvement of private voluntary organizations.\textsuperscript{103} Congressional oversight is, however, an uncoordinated and diffuse process. The House and Senate Appropriations Committees and numerous other congressional committees concern themselves with AID's performance in some way or other, bringing to

\begin{footnotesize}
\begin{enumerate}
\item For instance, a review of recent Executive Orders that pertain to the FAA indicated that most such orders concern the administrative provisions for the foreign assistance program.
\item J. TENDLER, supra note 26, at 43-50. Tendler illustrates how vulnerable AID is to its critics within the Administration. She argues that AID's operations are significantly affected by the need to comply with demands and policies of other agencies.
\end{enumerate}
\end{footnotesize}
the evaluation their own particular orientations or perspectives.\footnote{104} Through this mechanism, lobbying groups influence the subject and content of special hearings, either by making formal presentations to Congress or through informal contact with members.

The congressional budget process, in contrast to Congress's general oversight function, is regular and predictable. AID must annually submit a budget request that specifies the individual development activities to be funded, thus exposing itself to scrutiny based on development policy, political and economic objectives, and other concerns of Congress.\footnote{105} The significant feature of the budget process is its early focus on proposals for development activities as opposed to the results of project analysis or evaluations of project results. To facilitate approval of its budget, AID must demonstrate that its project proposals conform to congressional mandates. The budget process has the most influence over major policy compliance and sectoral emphasis; it only marginally affects actual project decisions at the mission level.\footnote{106}

Finally, AID is accountable to the public. More specifically, lobbies and special interest groups, as well as the development community on which AID depends for professional services (such as consulting firms, universities, and a wide range of research and private voluntary organizations, which advise, monitor, and influence AID on matters of developmental policy and performance), hold the agency accountable. These organizations have no statutory authority over AID, but they do wield some influence over AID’s developmental policies and performance, partly because AID often relies on them as contractors, for consultation services.\footnote{107} The capacity of outside organizations to hold AID accountable depends on whether they can “raise hell” or mobilize follow-up support in Congress or within the OMB. Once AID has set up a unit to promote a specialized policy, it is likely that the unit’s staff will ally with these outside interests in order to further their concerns within both Congress and AID. Over the past decade, there has been a pronounced increase in the ability of special interests to influence Congress on issues such as population control, health, food aid and nutrition, women in de-

\footnote{104} According to John Sewell, ten different congressional committees and subcommittees annually examine 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. \textit{J. Sewell, The United States and World Development Agenda 1980} 114-15 (1980).

\footnote{105} AID annually submits a Congressional Presentation to support its budget request, and numerous aspects of AID’s program are periodically examined in House and Senate Appropriations Committee hearings on Foreign Assistance and Related Programs Appropriations.

\footnote{106} Interview with Bob Berg, former Director of Office of Evaluation, AID (Apr. 1984).

\footnote{107} For example, the Institute for Development Anthropology and Cultural Survival provides a useful resource, and acts as contractor and supporter for the “social soundness” staff in AID.
development, education, private voluntary organizations, and the environment.

In summary, AID is accountable to Congress and the Executive in both an affirmative manner, meaning that AID must comply with their mandates, as well as a defensive manner, which requires AID to respond to criticisms or pressures to comply with the policies of other government bodies. Obviously this process is neither consistent nor unitary. Furthermore, most accountability is exercised prior to the receipt of funding approval rather than after actual performance has occurred and been evaluated. Affirmative accountability is most strict with respect to the budgetary process, which Congress can use to scrutinize proposed development activities. Yet budgetary review is not a predictable process, and has little effect beyond the proposal stage for projects. 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. Accountability to non-governmental organizations depends on the issue at stake and the capacity of the organization to evaluate the performance of AID.

Notably, there is almost no accountability for the 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 most dire economic straits. According to a study of the implementation of the "New Directions" mandate, economic analysis, when performed, serves to facilitate approval of a project proposal by AID's Washington, D.C. office but has little bearing on the actual economic prospects of the project.108

2. Accountability and Environmental Planning

The question of how AID's accountability system would promote or hinder the environmental assessment and mitigation of projects is somewhat after the fact, because AID has adopted a mandatory environmental assessment procedure. AID's environmental assessment procedures stemmed from domestic legislation to which it was held accountable by environmental groups and the judiciary. Yet one may still learn by examining the influence that AID's accountability system would have had if environmental responsiveness had simply been mandated by Congress without legislation requiring the use of assessment procedures.

AID faces a conflict between being accountable to Congress for the selection and packaging of project proposals and actually managing and

108. D. MICKELWAIT, supra note 72, at 211. Tendler also argues that economic analysis of projects validates design decisions already made and improves the packaging of bureaucratic output. J. TENDLER, supra note 26, at 95-96.
implementing effective projects in the field. The staff in AID's Washington, D.C. office devotes its energies to satisfying Congress, and typically withholds from the missions in the recipient countries the authority to make decisions about designing, reviewing, and, most importantly, adjusting projects. Mission staff members face strong incentives to generate more projects and disbursements, but they experience delays and obstructions in the project review process that they believe stem from congressional requirements initiated by special interests. Once mandates are translated into requirements for project selection and packaging by the Washington staff, these requirements are imposed on mission staff members. The mission staff realizes that the effect on project design and implementation is not the significant issue; the important point is that Congress receive assurances that its policy objective has been taken into account before funds are committed. Thus, analysis of project impacts or certain design features plays an advocacy role rather than a role designed to facilitate project execution. Only rarely do policy objectives become positive influences on the design and implementation of projects. Even more rarely do they provide opportunities to develop the funding program further.

Accountability for environmental assessment differs from other types of accountability in two ways. First, the environmental assessment procedures have external legitimacy. Once the 1975 suit against AID was settled, AID's mission staff could not credibly argue against supplementing project preparation. In addition, a well-organized, experienced, and successful lobbying community has ensured that AID does not limit assessment to pro forma regulations and perfunctory evaluations.

One can surmise that, in the absence of NEPA, the domestic lobby, and the subsequent court case, AID would not have to be accountable for environmental assessment. Neither the Executive nor Congress alone would have pressured AID to be accountable for environmental assessment. The Executive's main concern is securing the political and economic benefits of the foreign assistance program, while ensuring adherence to important domestic policies; within Congress, the dominant concerns are political and budgetary. While the Foreign Assistance Act (FAA) sets a policy framework for the development assistance program that reflects both developmental objectives and domestic political and economic concerns, AID is only held accountable for the inclusion of major developmental objectives in appropriations requests. Less prominent developmental goals are pursued only through the diffuse and unpredictable process of congressional hearings, the impact of which depends on the energy of a few members of Congress and a collection of

lobbying groups. This process can occasionally lead to a demand that AID account for how its specialized developmental mandates have been implemented. Yet even when Congress and lobbying groups are able to hold AID accountable on a development issue, 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. Without the judicial force behind NEPA and the wave of lobbying power deployed to ensure compliance by federal agencies, it is hard to imagine that overseas environmental impact would be as prominent a concern as it is now.

AID’s considerable concern with smoothing the passage of projects through Congress illuminates the operational incentives facing the agency’s Washington, D.C. and mission staffs. Again, in the absence of a rigorous domestic environmental policy and lobbying power, environmental planning would share the same low-priority status as other developmental mandates, such as social soundness analysis and women in development.\textsuperscript{110} 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.

In summary, without NEPA and its powerful proponents, environmental considerations would still have played a part in project review, but the accountability for performing environmental reviews would not have brought about a genuine reform in the manner in which missions identify, prepare, and approve project proposals. The Washington, D.C. staff of AID would have enforced the mandate only if they expected Congress to apply environmental criteria to the critical budgetary process.

On the other hand, had NEPA never existed or been applied to AID, environmental sector projects, technical assistance, and institution building would have fared differently from environmental assessment. Environmental and natural resource management projects fit well with the orientation of the development assistance program to rural development, health, and basic human needs. In their efforts to stimulate project proposals that matched the criteria of the development assistance program, the missions might have found such projects desirable and seen advantages in developing their “portfolio” of environmental and natural

\textsuperscript{110}. Although some agencies have tried to promote these issues by creating specialized offices and forging alliances with outside organizations, the dominant concerns of generating projects and seeing them through the project review process have not created a strict accountability for the performance of these functions. Interview with Bob Berg, supra note 106; U.S. AID, Congressional Presentation for Fiscal Year 1984, Main Volume 200-05 (1983); interview with Ted MacDonald, Cultural Survival Inc. (1984).
resource programs even had NEPA not existed. The major constraints facing these activities would have been the low level of demand from recipient governments and the general lack of experience and knowledge about the environmental sector on the part of the mission staff. As a result of AID's compliance with NEPA, however, mission staff members are now much more knowledgeable about environmental considerations. These considerations have also stimulated greater demand for assistance in this area from recipient governments.

NEPA and the strength of the domestic environmental lobby explain why 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. The mission staff members have not all wholeheartedly welcomed the additional procedures, nor have all the results of assessments been of great value. But once the environmental officers were in place and the procedures well established, AID was able to refocus on the more important task of positive natural resource management and environmental sector projects.

B. The World Bank

In 1972, the President of the World Bank, Robert McNamara, addressed the United Nations Stockholm Conference on the Human Environment:

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.112

McNamara's statement is remarkable not only because he was expressing a very modern view of the relation between economic development and environmental planning (one not shared by many of the Bank's clients), but also because 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,

111. The World Bank Group is comprised of three institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC). The IBRD and the 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. Hereinafter, "World Bank" or "Bank" refers to the IBRD and its lending program, unless the IDA credits (soft or concessionary loans) are specifically mentioned. See The World Bank, Annual Report 3 (1983), for a current description of the World Bank Group.

he had made a speech to the United Nations Economic and Social Coun-
cil in which he announced that the Bank would thenceforth determine
the possible environmental consequences of development projects being
considered for financing. Yet since this early commitment, both official
and private organizations with an interest in environmental aspects
of development assistance have become increasingly critical of the perform-
ance of the World Bank in achieving the objectives set out by
McNamara.114

To many observers, the World Bank is the leading international de-
velopment agency in the field of environmental planning and manage-
ment. The Bank 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 other observers, the Bank is guilty of neglecting the
real task of environmental planning, namely preventing and mitigating
the environmental damages of regular economic development programs,
while putting up a smokescreen of environmental guidelines and publica-
tions.

1. The Structure and Accountability of the World Bank

The World Bank is the largest single aid donor and the largest bor-
rrower in the international bond market.115 Some conservatives criticize
the Bank for being a global welfare agency and lending to socialist gov-
ernments; others chastise it for being an instrument of capitalist imperial-
ism and for maintaining repressive regimes in the interests of
multinational corporations and United States foreign policy.116

The Bank's accountability can best be understood in terms of its
three roles as a bank, a political organization, and a development agency.
As a bank, accountability stems from the need to maintain the confidence
of the international credit markets. This takes the form of a consistent
concern with the creditworthiness of the borrowing country and executing
agency as well as with the effect of the particular loan on that
creditworthiness.

114. For instance, the executive director of UNEP did not exclude the World Bank from
his criticism of the multilateral development agencies, delivered to the fourth meeting of the
Committee of International Development Institutions on the Environment (CIDIE). M.
Tolba, Putting the Principles to Work: Statement to Fourth Meeting of the Committee of Inter-
national Development Institutions for the Environment, in SUMMARY RECORD OF THE
FOURTH MEETING OF THE COMMITTEE OF INTERNATIONAL DEVELOPMENT INSTITUTIONS
ON THE ENVIRONMENT UNEP/CIDIE/83.8 (Final) 31-41 (1983). See also the testimony of
various environmental organizations in 1983 Hearings, supra note 2, at 35-119.
at 7.
116. W. Bello, D. Kinley & E. Elinson, supra note 74, at 197-98. For a discussion of
the differing evaluations of the Bank, see R. Ayres, supra note 18, at 11-16.
If the Bank should perform poorly and threaten its creditworthiness, its ability to borrow would diminish, the major subscribers (i.e., the industrialized countries) would worry about their liabilities, the borrowers would be concerned about their source of funds, and the management would demand corrective action.\textsuperscript{117} To prevent this collapse in confidence, the organization appraises all loans to make sure they are financially sound, technically solid, and economically productive. The Bank negotiates with borrowing governments or agencies about any of their financial practices that might influence their ability to repay.\textsuperscript{118} The Bank also closely watches the creditworthiness of its borrowing countries and will urge corrective action if debt management, balance of payments, or fiscal policies threaten the ability of a government to repay its loans.\textsuperscript{119}

While creditworthiness and financial reliability are probably the dominant organizing principles of the Bank's operations,\textsuperscript{120} this strand of accountability is not as mechanical as it might appear. The Bank does lend money for projects that have negative financial rates of return (for example, education and health projects are not revenue producing), and when 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). It also lends money for projects, such as population control, whose economic consequences are unclear. Not only does the Bank intentionally lend for financially unremunerative projects, but its leaders may not be able or willing to check the appraisal calculations for its individual loans.\textsuperscript{121} The Bank has in the past lent large amounts to countries with severe debt problems and "unsound" macroeconomic policies, as well as to agencies that have not proved able to raise adequate revenue for repayments. Nevertheless, because governments cover their agencies' shortfalls, there have been no defaults and officially no loans have been rescheduled.\textsuperscript{122}

\begin{footnotesize}
\begin{itemize}
\item[118.] E. MASON & R. ASHER, supra note 34, at 229.
\item[120.] See Articles of Agreement of the International Bank for Reconstruction and Development, opened for signature Dec. 27, 1945, 60 Stat. 1440 (1946), T.I.A.S. No. 1503, 2 U.N.T.S. 134, amended Dec. 16, 1965, 16 U.S.T. 1942, T.I.A.S. No. 5929, art. III, § 4(v) [hereinafter cited as IBRD Articles of Agreement], which states that: "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."
\item[121.] Mason and Asher discuss the limited access of Executive Directors to individual loan decisions. E. MASON & R. ASHER, supra note 34, at 90-91. The U.S. TREASURY DEP'T, supra note 119, at 25, mentions only one IBRD loan on which the United States Executive Director abstained between 1979 and 1981—a structural adjustment loan to Guyana—but influence by individual donors is more likely to be exerted outside the formal voting process.
\item[122.] As the Treasurer of the Bank wrote: "The Bank has no actuarial basis for 'reserves'
Political accountability is the second strand of the accountability system. As a political organization, specifically an intergovernmental body that formally belongs to the U.N. 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. In 1983, the industrialized countries held sixty percent of the votes, with almost twenty percent in the hands of the United States.\footnote{123} Thus, while the rationale for multilateral agencies is that they are free of direct political influence from their members (and this goal was explicit at the founding of the World Bank),\footnote{124} some critics argue that the Bank is an instrument of United States foreign policy and of multinational corporations.\footnote{125} Not only does the United States hold almost one-fifth of the votes, but the Bank’s headquarters are down the street from the United States Treasury, the State Department, and the White House.\footnote{126} In addition, the Bank’s senior management is conscious of the “political” preferences of the capital markets. A United States Department of Treasury report concluded that the United States Executive Directors had been relatively successful at getting their views accepted,\footnote{127} and suggested that the Reagan administration not abandon the multilaterals, but try to increase its influence through its Executive Directors.\footnote{128}

On the other hand, some argue that the United States does not control the Bank. Robert Ayres suggests that Executive Directors have limited power over management, rarely influencing the nature of appraised loans or credits or initiating policy changes.\footnote{129} Rather, where decisions affect the economic policies and contributions of donors, bank members tend to expect political accountability over matters of major foreign policy interest (such as the United States’ decision to halt loans to Chile, Indochina, 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 instituting a new interest rate formula, graduating high income borrowers, improving auditing and evaluation systems, and containing administrative expenses).\footnote{130} Political accountability does not penetrate to the soundness of individual projects or the options for executing them.

\footnote{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.” E. ROTBERG, supra note 117, at 11.}
\footnote{123. THE WORLD BANK, supra note 111, at 182-84.}
\footnote{124. IBRD Articles of Agreement, supra note 120, art. III, § 5(a); art. V, § 5(c).}
\footnote{125. W. BELLO, D. KINLEY & E. ELINsoN, supra note 74, at 32-34.}
\footnote{126. Ironically, as the Bello study points out, both conservative and liberal critics assert that the Bank serves United States interests, but in different ways. Id. at 3-4.}
\footnote{127. U.S. TREASURY DEP’T, supra note 119.}
\footnote{128. Id.}
\footnote{129. R. AYRES, supra note 18, at 66-67.}
\footnote{130. U.S. TREASURY DEP’T, supra note 119, at 60-61.}
Finally, there is some form of developmental accountability. As a development agency, the Bank is accountable to the leadership, lobbying groups, and academics, as well as the lending and borrowing members, other international development agencies, and development professionals. If the Bank were accountable to these actors only as a development institution, not as a financial or political institution, the mechanisms through which development policies should be undertaken would not be difficult to discern or implement. In the first place, the preparation, appraisal, and terms of loans should take account of developmental objectives; second, the monitoring and supervision of implementation should include the measurement of indicators of developmental objectives; and third, the independent Operations Evaluation Unit should provide information on performance. Yet as Ayres notes, at least in relation to the Bank’s anti-poverty policy, these mechanisms tend to focus on issues other than developmental policy.\(^{131}\) 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.\(^{132}\) These mechanisms can enforce policy objectives, but at the project level, more practical implementation issues are of greater concern to staff members and are easier to measure.

While the Bank promotes and implements developmental policies within its lending program, the basis for securing accountability for these policies is weak. The Bank’s efforts to influence borrowers’ policies are mainly concerned with macroeconomic, financial, and implementation issues.\(^{133}\) The need to expedite loans, maintain disbursements, and secure implementation fosters the emphasis on these issues. 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 would involve greater effort, uncertainty, and subjectivity.\(^{134}\)

An examination of the work of the Bank’s Operations Evaluation Department (OED) provides some clues to the aspects of the lending program for which the Bank staff is actually held accountable. The Annual Review of Project Performance Audit Results focuses on two criteria.\(^{135}\) First, the “effectiveness” of projects, meaning the actual economic

\(^{131}\) R. Ayres, supra note 18, at 32-37.
\(^{133}\) R. Ayres, supra note 18, at 32-37.
\(^{134}\) A. Van de Laar, supra note 132, at 221.
\(^{135}\) See The World Bank, Eighth Annual Review of Project Performance Audit Results (1982).
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), is measured. Depending on the nature of the project, effectiveness analysis may also examine the impact on the intended beneficiaries and on institutional strengthening. Second, the "process efficiency" is measured in terms of the time and cost of project implementation, as well as the extent to which changes in product design were necessary. The emphasis, not surprisingly, is on the economic and financial soundness of loans, and on the expeditious disbursement of funds. The Bank's emphasis on financial and political accountability undermines its ability to focus on developmental policy.

2. The Accountability System and Environmental Responsiveness

In general, the Bank is not financially accountable for environmental effects or individual project results. One might expect the financial management of the Bank to take notice if a country's economy or a borrowing agency's program was put at risk because of a massive environmental disaster. The credit markets, however, 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 United States and the other major subscribers do exert some influence. Attempts to enforce political accountability seem limited to foreign policy and economic or trade issues, and their penetration is shallow, affecting only broad policies and the sectoral or geographical distribution of loans. Some of the major subscribers, particularly the United States, have demonstrated their support for environmental assessment of development assistance in other fora and within their bilateral programs. Rarely, however, has this been of concern to the national finance ministries, which exert the most influence on the subscribers' policy positions within the Bank.

In exceptional circumstances, domestic political action in a developed country may generate some concern on the part of that country's Executive Director. For instance, the United States Congress House Banking Committee held hearings in 1983 and 1984, instigated in part by domestic environmental groups hoping to persuade the Congress to mandate greater environmental scrutiny by United States Executive Directors. Thus, the Treasury was obliged to demand an account of the environmental policies and performance of the Banks via the United States Executive Directors.

136. See id. at 6-10.
137. Id. at 10-15.
138. Id. at 16-18.
139. See 1983 Hearings, supra note 2; 1984 Hearings, supra note 2.
140. Letter from Mimi Feller, Acting Assistant Secretary (Legislative Affairs), to the Hon-
In theory, developmental accountability has the advantage of shifting the focus to the outcomes of projects, but, in practice, it is a diffuse and weak process. The project appraisal process and the project supervision and evaluation mechanisms do not genuinely respond to developmental goals or provide incentives for regional staff to demonstrate performance. The project advisory staff faces bureaucratic obstacles in enforcing its developmental policy missions. The external intergovernmental and private organizations can demand accountability, but their objections are easily side-tracked or incorporated by the Bank into less critical areas such as conferences, research, publications, and technical assistance. This seems especially true in the environmental field, and many of the Bank’s activities are designed to convince outside actors of its environmental achievements.  

Studies of the ways in which the Bank has implemented other major developmental policy objectives indicate that the Bank’s actions do not change as rapidly as do its proclamations. Initiatives tend to be implemented by gradual addition to traditional lending activities rather than by substitution. The Bank’s population program, for instance, encountered resistance from project officers and raised questions about creditworthiness, but was most easily accepted when population projects resembled traditional loans.

In short, 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 are not feasible unless project staff perceive some convergence with achieving economic objectives or avoiding implementation difficulties. If, however, the accountability system penalized project staff for neglecting the environmental effects of projects, then one would see more concern during project preparation.

The Bank has, of course, attempted to assess the environmental effects of its lending program. Yet no more than three Office of Environmental Affairs (OEA) staff members have been assigned to screen a large stream of proposed loans and credits (from 174 proposals in 1974 to 243 in 1983) in addition to all their other activities and commitments.
Their role is also purely advisory. In cases where they feel action is needed, the OEA members have to convince the regional staff, responsible for ensuring environmental protection, to make changes at a stage in the project cycle when such action is, to put it mildly, inconvenient.

Ultimately, the regional staff is responsible for including a statement of the environmental implications of the loan in the appraisal document. If the Bank and the borrower have agreed on mitigation measures, these are included either as a covenant in the loan agreement or in a separate memorandum of understanding. Two factors particularly influence this process. 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.

It is not easy to measure the success of the OEA in screening and correcting project proposals. A.W. Clausen, the current President of the World Bank, claims that the Bank has identified and corrected any environmental problems occurring in the 2000 projects it has reviewed.\(^{144}\) This is probably optimistic. The OEA tends to gloss over its review function when giving an account of its performance. It has, nonetheless, published statistics on the results of screening 1166 Bank/International Development Association and 176 International Finance Corporation projects between 1972 and 1978. From the statistical data, the OEA concluded that 62.9% of the Bank's projects had no problems apparent when reviewed; 27% had problems disposed of in-house; 8% required consultants and special studies; and 1.6% had problems handled by others prior to Bank involvement.\(^{145}\) This analysis implies that all problems are detected and all actions are appropriate; it does not acknowledge any examples when the OEA recommended action that was not accepted by the regional office or the borrower. Nevertheless, the statistics do show that between 1972 and 1978, 36.6% of Bank Group projects had discernible environmental problems during preparation or screening.

OEA staff members are not in a position to publicize environmental impacts resulting directly from Bank projects. 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 even those to which they have agreed.\(^{146}\) For this reason, the Bank cannot enforce environmental miti-

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gation 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.\textsuperscript{147}

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. The environmental input may be adequate, but the agreements on mitigation measures may be too weak, or there may be 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,\textsuperscript{148} but privately concede that many of these measures are inadequate to compensate for environmental problems even if adequately implemented.\textsuperscript{149} They suggest that official publications tend to emphasize the positive cases and that observers need to read between the lines to learn that those positive cases represent only a small proportion of the relevant projects.\textsuperscript{150}

The weight of the evidence provided by recent studies of the environmental performance of the Bank, testimony from environmental groups at congressional hearings, and the scrutiny of the United States Treasury Department all suggest that routine environmental assessment and mitigation of projects funded by the Bank faces persistent and significant obstacles.\textsuperscript{151} The Bank is not effectively held accountable for the environmental effects of its lending program.

\textbf{C. The Food and Agriculture Organization of the United Nations}

\textbf{I. Political and Financial Structure}

The Food and Agriculture Organization (FAO), a specialized agency of the United Nations, is charged by its member governments with the following tasks: to raise the levels of nutrition and standards of living of their peoples, to improve the production and distribution of all

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\textsuperscript{147} J. Tixhon, The World Bank and the Industrial Environment 10-12 (mimeo).
\textsuperscript{149} Interviews with Office of Environmental Affairs staff members (1983 & 1984).
\textsuperscript{150} \textit{Id.}
food and agricultural products, and to improve the conditions of rural populations.\textsuperscript{152} It carries out these tasks in a variety of ways: by collecting, analyzing, and disseminating information; by advising governments on policy and planning; by promoting consultations and cooperation among member countries; and by providing technical advice and assistance to member countries.

The highest FAO governing body is the Conference, made up of delegates from all the member governments, each with equal voting powers. The Conference meets every two years to approve the FAO's budget and program, to elect new members, and periodically to elect a new Director-General.\textsuperscript{153} Below the Conference is the Council, made up of forty-nine members elected by the Conference for three-year terms on a rotating basis. The Council meets at least once a year under an independent chairperson.\textsuperscript{154} The executive body responsible for administering the FAO program, the Secretariat, is headed by the Director-General who is elected by the Conference for a six-year term.\textsuperscript{155}

The FAO administers two programs—the Regular Programme and the Field Programme. A major difference between the two programs is that they receive funds from different sources. The Regular Programme is funded directly by the FAO member governments. The Field Programme is funded primarily by outside funds from the United Nations Development Programme (UNDP) and Trust Funds.\textsuperscript{156} The Field Programme also receives some internal funds from the FAO's Technical Cooperation Programme.\textsuperscript{157}

Despite the fact that the FAO is not a major funding source for its Field Programme, the FAO still exercises major responsibility for technical review and project approval because most of the funds for the field projects are channeled through the FAO during project preparation and execution. The FAO is in a good position, therefore, to provide system-
atic assessment and mitigation of potential environmental impacts of the Field Programme. In fact, the FAO is in a better position to undertake environmental assessment of the Field Programme than are the major funding sources. The UNDP has very limited capacity to assess the environmental implications of proposed technical assistance when it negotiates with a member government. Much of the consideration of governments' proposals is the responsibility of the UNDP's Resident Representatives in the country concerned; the Representatives have neither the expertise to assess possible environmental impacts nor the capacity to exercise much leverage over the policies and proposals of governments.\textsuperscript{158} In addition, although the UNDP publishes environmental guidelines in its operations manual, there is little evidence that the guidelines 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.\textsuperscript{159}

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 or regions specified. With the unilateral funds, the FAO supplements whatever technical appraisal is provided by the member government. Finally, the Technical Cooperation Programme is fully the responsibility of the FAO. For all of these reasons, the FAO is in a better position to assess and mitigate the environmental impacts of the programs it administers than are the parties that provide the funding for those programs.

In the late 1960's, the FAO established an 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 United Nations Conference on the Human Environment, held in Stockholm in 1972, a subsection of the IDWG was established—the Environment and Energy Programmes Coordinating Centre (the Environment Centre)—to direct and oversee the environmental activities of the Regular Programme and the Field Programme. 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.

Despite the interest in improving the environmental sensitivity of the Field Programme, the IDWG has made few significant changes in how the Programme is appraised, executed, and evaluated. In 1977, the

\textsuperscript{158} R. STEIN \& B. JOHNSON, supra note 43, at 45.

\textsuperscript{159} Id. at 45-46, 48-49.
IDWG began 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. The Environment Centre encouraged FAO technical divisions to prepare guidelines on the environmental impact of several typical agricultural and forestry activities. It also published a research report, *Environmental Impact Assessment and Agricultural Development*. In late 1983, the IDWG commissioned a consultant's report on possible procedures and technical guidance for environmental assessment of the Field Programme, but it has yet to take any action to implement the report's recommendations.

The responsibilities of the Environment Centre vis-à-vis the Field Programme resemble efforts by multilateral and bilateral donors to require environmental assessments of their funding programs. The Field Programme is thus an appropriate focus of analysis. In analyzing the operation of the Field Programme and what opportunity exists for environmental assessment it is important, however, to examine the policymaking procedures and sources of accountability for the Regular Programme as well as the Field Programme. The Regular Programme has a significant influence over the incentives facing most of the technical staff. Member governments also have the most control over the Regular Programme. Further, the technical staff that administers the Regular Programme also prepares and approves the technical aspects of Field Programme projects. Thus, any assessment of the Field Programme must include an analysis of the Regular Programme.

2. Accountability or Autonomy?

a. The Regular Programme

In principle, the FAO should be accountable to its members for both the budget and the direction of the Regular Programme. In reality, however, the FAO is accountable for neither aspect of the Programme. The following example illustrates FAO's lack of accountability to donor members for the Programme budget. In 1981, the FAO members were asked to support an increase of thirty percent in the budget for the biennium 1982-83. The major donor nations, including the United States, objected to the increase. At the same time, an American newspaper


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published in Rome, The Daily American, conducted a vigorous campaign accusing the FAO management of corruption, waste, and complete lack of accountability to the donor countries. Despite this sentiment concerning budget increases, the Director-General, relying on support from the developing nations, proposed a budget increase of twenty-two percent for 1984-85, but in more cautious language. Hence, the strident objections to the increased budget in 1981 only caused the FAO to adopt a more careful approach and to shift the increase to technical programs, which are easier to justify.

As for the direction of the Regular Programme, staff members state that specific issues concerning the operations of the FAO tend to be proposed by the Secretariat in response to general feelings among the members. For instance, the Secretariat proposed the establishment of the Technical Cooperation Programme in response to concern by members that the FAO was not channeling sufficient resources into concrete activities of benefit to developing members. Much of the discussion during the meetings of the Conference, and the subjects of many resolutions, are global in range and not specifically targeted towards the Programme. The Secretariat, in detailing proposed activities for the coming biennium, often draws support for new or extended activities from Conference Resolutions, many originating within the Secretariat, and from other major events within the U.N. system. Thus, the accountability of the Secretariat to its members for the direction of the Programme is loose. Owing to the political structure and the diffuse character of the Programme, the members directly influence only the broad strategic issues, and even then

166. Id.
168. These events include the U.N. Conference on Science and Technology for Development, the World Food Conference, the World Conference on Agrarian Reform and Rural Development, the U.N. Conference on New and Renewable Sources of Energy, and the World Conference on Fisheries Management and Development. Preparation for these conferences usually has considerable influence over the specific program within the FAO and the staff normally arrives at a proposed Action Plan, specifying responsible organizations within the U.N. system. The Secretariat reminds the members of the FAO's obligation to ensure the appropriate follow-up when presenting its program, which might entail a new Sub-Programme item, research, meetings, and publications. See FAO, Report of the World Conference on Agrarian Reform and Rural Development 4-26 (1979); FAO, Report of the Conference 1979 34 (1979); FAO, Report of the Conference 1981 24 (1981); FAO, Programme of Work and Budget 1984-1985 8 (1983).
the members tend to acquiesce in the specific proposals and actions of the Secretariat.

b. The Field Programme

The charter of the FAO states that one of the functions of the organization is “to furnish such technical assistance as governments may request.” The members expect the organization to be prepared and competent for this function and to do its utmost to ensure that funds are available for the field projects from appropriate donors. In addition, the members, while not contributing directly to the Programme’s funds (except for the Technical Cooperation Programme), expect the Secretariat to promote and administer the Field Programme for their benefit.

Despite this common concern with the scale and distribution of the Field Programme, the member governments hold differing views on the evaluation of Programme implementation. 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 countries oppose tighter control or evaluation of UNDP projects on the ground that the responsibility for project preparation, design, and implementation should rest with the recipient government. Thus, most recipient member governments prefer to choose the projects and to decide how they are implemented to as great a degree as possible.

Recipient governments enjoy greater independence in identifying and preparing projects funded by the UNDP than they do in projects funded by other agencies. Consequently, the FAO has less control than do other agencies over the quality of the proposal before it arrives at FAO, and it encounters greater resistance from recipient governments to significant modifications or close scrutiny. In the case of Trust Funds, depending on which donor is involved, 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 FAO has the greatest opportunity to ensure adequate technical preparation in projects funded by the Technical Cooperation Programme, because that Programme is wholly within the control of the FAO.

In the absence of strict accountability for the quality of the Field Programme to the majority of members and to the major funding source (the UNDP), the incentives and constraints facing FAO staff members stem from their technical orientation and the procedures for administering the Field Programme. In addition, many technical staff members feel

171. See id.
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responsible for the quality of the Field Programme for professional reasons; they want to avoid the possible damage to their reputations that might result from an unsuccessful project. This professional concern represents a form of self-imposed accountability.

This concern, however, is undermined and often neutralized by a variety of organizational factors that influence the administration of the Field Programme. First, the Field Programme division of the Development Department (DDF) exercises very limited procedural control over the different technical divisions. In practice, DDF simply urges the lead technical division to cooperate with other technical divisions in cases where there is an obvious need for interdisciplinary analysis or intersectoral coordination.

Second, the specialized, input-oriented structure of the Secretariat does not provide an interdisciplinary and intersectoral approach, which would be most appropriate to the formulation and appraisal of field projects. Third, the technical and operations divisions are grouped into three departments: agriculture, forestry, and fisheries. The financial benefits to the departments of exclusively handling the Field Programme are a disincentive to cooperation and coordination among sectors. This lack of cooperation often harms the technical quality of the projects. In addition, the operations divisions’ concern for efficient and expeditious preparation and execution of projects makes them less tolerant of multiple objectives or integrated review.

Finally, the variety and complexity of the Field Programme and the limited control exerted over project implementation places a premium 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 improve technical accountability or the feedback mechanism by which information concerning project design and approval is incorporated into future projects.

In sum, the FAO is barely accountable to members or external agen-

172. DDF receives and responds to incoming requests for field projects from members. According to DDF staff, its responsibilities 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. Only the most general and largely ineffectual guidelines, primarily aimed at programming missions, govern this process. See FAO, GUIDELINES FOR DEVELOPING TECHNICAL COOPERATION ACTIVITIES (1980). These guidelines contain a very brief note on the importance of environmental protection, among several other policy objectives, in a section called “orientation and focus.” Id. at 8-10.

173. Interviews with DDF staff indicate that DDF is concerned about the current state of affairs and is improving the procedures for project appraisal. At present, even the procedural requirements are not always enforced.

174. Following the organization of the Regular Programme, the technical divisions are very specialized and focused on individual inputs or elements of agricultural production, such as fertilizers, mechanization, crop storage, and marketing.
cies for the quality of field projects, mainly because the developing countries expect the FAO to respond to project proposals with a minimum of interference, and because the funding sources exercise very limited influence over the identification and preparation of projects. Some self-imposed accountability stems from the professional concerns of the technical staff and the policy orientations of the Regular Programme. This self-imposed accountability is largely blunted, though, by the nature of the Field Programme itself and by the organizational factors that govern the incentives and constraints facing staff members.

3. Accountability and Environmental Assessment

The FAO's Regular Programme does not appear to create barriers to an environmental assessment policy, but structural, organizational, and technical impediments to such a policy are present within the Field Programme. One impediment is the FAO's limited involvement in the identification and conceptual design of field projects and in the initial discussions with funding sources. A second impediment is that the division of technical responsibility within the FAO does not favor intersectoral coordination; in the view of the Environment Centre staff, this is the most serious cause of environmental impacts within the Field Programme. The importance to the lead technical division and operating division of financial benefits received from the Field Programme also encourages a single discipline approach.

A final impediment is the professional and technical orientation of the FAO staff. Within some divisions, the technical emphasis is very input-oriented, and performance is measured only in terms of increasing production without concern for more systemic interactions. Indeed, some staff members who work in divisions responsible for resource man-

175. The IDWG report cites two related limitations to environmental assessment procedures that stem from the external context within which FAO operates:
   a) The extent to which FAO is involved in the early stages of project identification and formulation is variable and ad hoc. b) 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.


176. The IDWG report states that:
   a) FAO's mandate and regular programme require a specialized, input-orientated structure that has necessitated special coordination mechanisms, such as IDWG's, in order to manage the Field Programme. b) 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. c) The logistics and resource limits of project execution sometimes makes it difficult to include multiple objectives and adaptive mechanisms during the implementation phase. d) 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. e) 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.

Id.
agement and conservation refer to others as "choppers and sprayers," who are intent solely on wiping out tsetse flies at the expense of removing vast areas of vegetation, for example. Environmentally oriented staff members voice similar complaints about the FAO Representatives in the member countries who are often co-opted into supporting the views of the national agriculture ministries with which they work. The technical orientation of most ministries is toward intensification and increased production regardless of sustainability or intersectoral coordination. For these reasons, some staff suggest that the technical input to field projects tends to be less state of the art than can be found in the Regular Programme. In the Field Programme, there is more pressure on short-term production gains and on specific targets.

Thus, the financial and political structure of the FAO shapes an accountability system that allows little opportunity for external actors to hold the organization accountable for any specific development objective. The relations of the FAO to other international organizations and the professional orientations and experience of its staff members are more important determinants of the priority given to environmental assessment and planning than are the views of external actors.

V
ANALYSIS OF OTHER ACCOUNTABILITY SYSTEMS:
A COMPARISON

A. AID and the West German Foreign Assistance Program

The case studies discussed in this Article reveal common features that help explain the accountability systems of other development assistance agencies. The case study of AID illustrates that a bilateral agency is accountable through the national political processes and institutions to those parts of the government that have an interest in foreign assistance. The effective integration of environmental planning into AID's program followed the somewhat abrupt alteration of the accountability system brought about by NEPA and its supporters. Once the formal accountability of AID was modified in this way, lobby groups and Congress were able to ensure that AID did not ignore environmental planning.

The West German foreign assistance program offers an interesting comparison to the programs of AID. As with AID, the oversight agency in West Germany, the Ministry of Development Cooperation (Bundesministerium für Wirtschaftliche Zusammenarbeit (BMZ)), faces a very strong domestic environmental lobby—the Green Party. This party has undoubtedly influenced the recent decision by the BMZ to require a form of environmental assessment of the West German bilateral
development program. The BMZ is also similar to AID in that it is highly accountable to its legislature, the West German Parliament.

The BMZ oversees the administration of the foreign assistance program by several different agencies, including a development bank (the Kreditanstalt für Wiederaufbau (KFW)) and a technical assistance agency (Gesellschaft für Zusammenarbeit (GTZ)). The variations in the response of these agencies to the same policy requirement (environmental assessment) illustrate how the accountability system reflects the differences in their finances and governance. In keeping with its status as a bank, the accountability system in the KFW is very strict. It must have its project appraisal checked by the BMZ; it undergoes an audit, on both financial and technical grounds, by an independent agency; finally, the BMZ may evaluate, at its discretion, the KFW's projects. In one instance, the BMZ investigated the implementation of environmental measures in a series of projects. As a result of this strict accountability system, the KFW has responded more formally to the BMZ's environmental assessment policy. For some time, it has had specific guidelines for industrial and infrastructure projects.

The GTZ, on the other hand, lacks the formal appraisal procedures of the KFW, and is less strictly accountable both financially and developmentally. Until recently, it had no formal procedures for assessing environmental effects, preferring to promote environmentally sound pilot projects or technical assistance inputs. Even now, it is lagging behind the KFW in responding to BMZ environmental policies.

B. The World Bank and the Asian Development Bank

The case study of the World Bank illustrates how the prevailing financial accountability system of a multilateral development bank is tempered by both political and developmental issues. Strict financial accountability presents a significant barrier to environmental assessment because such assessment involves additional project analysis and affects the economic appraisal of investments on the basis of uncertain data. The staff members responsible for the lending program can thus resist policy demands that conflict with the dominant financial and operational

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177. Interview with Herr Voelzke, environmental officer, BMZ, in Bonn (1983); see Kreditanstalt für Wiederaufbau, supra note 43.
179. V. Hartje, Umwelt- und Ressourcenschutz in der Bilateralen Entwicklungshilfe der Bundesrepublik Deutschland (International Institute for Environment and Society, 1980).
180. Interview with Professor Roske, senior environmental adviser to the Board of Directors, KFW, in Frankfurt (1982).
imperatives without much danger of being called to account for their decisions. On the other hand, the case study illustrates that a bank can be accountable for more than its financial performance when the political processes in influential member countries allow.

The environmental performance of the Asian Development Bank confirms this conclusion. The Asian Development Bank has a financial and political structure similar to that of the World Bank, except that its structure provides even less latitude for implementing developmental objectives that conflict with financial and economic criteria. This more conservative structure has meant even less progress towards environmental assessment policies than in the World Bank. Indeed, the Asian Development Bank did not establish an environmental office until 1981, and that office has very limited authority to intervene in the project cycle and influence the design and preparation of projects. The head of the environmental unit has reported resistance to incorporating environmental analysis early in the project cycle due to the considerable pressure placed on lending program staff members to meet disbursement targets and maximize estimated economic rates of return. 184

C. The FAO Compared with WHO, UNESCO, and UNIDO

Finally, the case study of the FAO shows how the financial and political structure of a United Nations specialized organization leads to the absence of clear accountability, especially for the developmental effects of field projects. This lack of accountability has created organizational barriers that have hampered the efforts of the FAO's environmental office to develop a system of environmental assessment. Any attention to environmental issues stems from the stimulus and funds provided from within the U.N. system by the UNEP and from the technical orientation of many of the staff members responsible for the administration of the Field Programme. But the main source of funds for the Field Programme, the UNDP, and the majority of members of the FAO do not have much interest in better appraisal or evaluation of the projects. The concern of the staff members does influence the performance of the Field Programme, but this concern did not arise in response to an accountability system.

Although no other U.N. specialized organization has an environmental review process comparable to that under consideration within the FAO, the broad accountability systems governing the regular budgets of organizations such as the World Health Organization (WHO), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and the United Nations Industrial Development Organiza-

tion (UNIDO) are similar to the accountability system of the FAO. Each of these organizations has established environmental programs. WHO, in particular, promotes training and institution-building for environmental impact assessment in developing countries.\textsuperscript{185} Little incentive exists, however, to review operational or field activities for environmental effects. With respect to the implementation of the UNDP projects, the other specialized organizations face the same situation as the FAO, and they would face the same organizational barriers to any strict project appraisal system—barriers that stem from similar political and financial structures.

CONCLUSION

The preceding case studies illustrate how a development assistance agency's accountability system affects its ability to implement a certain type of development policy. The accountability system determines the degree of influence the political and financial structure of the agency exerts upon the incentives and constraints of the staff members administering the program. An agency does not respond mechanically to the policy demands made of it; nor is an agency free to pursue its own objectives and protect its own interests. In the case of policy demands that require an additional layer of analysis or impose further criteria that the program must satisfy, an agency will implement some policies more vigorously than others.

Given the specific characteristics and accountability systems of the different development assistance agencies analyzed in this Article, in each case some latitude for environmental assessment exists, often despite the dominant thrust of the accountability system. There is, therefore, the opportunity for policy reform. Understanding the relationship of the accountability system to the implementation of certain policy objectives is an essential prerequisite for bringing about such reform.

The analysis indicates that governments of donor countries that are responsive to domestic environmental lobbies can be persuaded to issue some form of mandate for environmental policy to their bilateral agencies. Consequently, lobby groups need to activate accountability mechanisms to ensure compliance from a bilateral agency.

With multilateral banks, the official channel of accountability via the member governments' Executive Directors can be used to affect environmental performance under certain circumstances. Multilaterals are also vulnerable to any publicity that calls into question their financial and technical judgment.

Particularly in the case of the World Bank, accountability for devel-

\textsuperscript{185} Interview with Dr. Dieterich, Director, Environmental Health Division, WHO, in Feldafeng, W. Ger. (1984).
opmental performance can be enhanced by the weight of opinion among the academic and professional community involved in the Bank's large research program. But overall, the Bank responds most directly to anything affecting the financial performance of its borrowers and the overall soundness of its lending program.

The U.N. specialized organizations can be influenced and held accountable most effectively from within the U.N. system—either by the UNDP as the source of much of the funds for the Field Programme, or, for instance, by the UNEP as the source of the funds needed to expand the environmental program of the organizations. In addition, the current financial crisis within the U.N. system and the reluctance of major donors to provide funds without some accountability might provide new opportunities to influence the environmental performance of these organizations.