IOs as Norms Platforms: The World Bank's Influence on Environmental Lending at the Islamic Development Bank[1]

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Paper submitted for the 3rd Annual Conference on the

Political Economy of International Organizations

January 28, 2010

Abstract

In this paper we explore the proposition that changes in international organization (IO) behavior might derive from the IO's interactions with other IOs. Norm diffusion across IOs may take place via socialization by the norm entrepreneur—which, in early stages, may rely on material incentives or may occur as the norm adopter emulates the norm initiator. We also address non-IO sources of norms: member states and non-governmental organizations (NGOs). We extend theories of norm diffusion by applying them to interactions between international organizations. We test the hypotheses that derive from this approach using a statistical analysis of Islamic Development Bank (IDB) environmental lending. The IDB provides an ideal setting to evaluate our hypotheses: the originators of most global norms, the advanced industrial democracies, do not have voting shares on the Islamic bank's executive board. This allows us to focus on the

1.We thank Jacob Allen, Sarah Bermeo, Clark Gibson, Robert Hicks, Thad Kousser, Joshua Loud, Daniel Maliniak, Karen Mingst, Shanda Nelson, Richard Nielson, Jon Pevehouse,Douglas Stinnett, Michael Tierney, James Vreeland, Langche Zeng, the William and Mary and BYU Project-Level Aid Research Groups, the participants of Duke University's Seminar on Global Governance and Democracy and many others who provided helpful comments and critiques on earlier drafts of this paper. Research support was provided by NSF grant SES-0454384 and grants from the William and Flora Hewlett Foundation and the Bill and Melinda Gates Foundation.

effects of global norms diffused by IOs where the industrial democracies are the most powerful members from the effects of the preferences of IO's member states, who jointly form the collective principal of the IDB. We find evidence for socialization to IOs through non-material and non-delegated mechanisms. Specifically, international organizations can be socialized through common institutional memberships as well through example of normatively powerful organizations.

From 1980 to 2000, the Islamic Development Bank (IDB) increased its environmental lending from nearly $2.5 million dollars to $261 million. The IDB also altered its policies—it began required environmental impact assessments and discussed the role of the environment in its lending as early as a 1994 strategic plan. During this same period, the World Bank was under pressure from non-governmental organizations (NGOs) working through its member countries to "green" its lending; World Bank environmental lending increased from $1.3 to $1.9 billion. Unlike the World Bank, no transnational activist network (TAN) mobilized against the IDB. While the IDB's member states became increasingly interested in enacting environmental policies, their environmental policies remain more diverse in the year 2000 as they were in 1980. Lacking either the membership of industrial states that could delegate changes in environmental lending or a normative campaign directed at IDB environmental practice, such a significant shift in IDB environmental lending remains a puzzle.

Like accounts of the spread of a development norm from the World Bank to the International Labor Organization, the Organization for Economic Cooperation and Development's Development Assistance Committee and the United Nations Development Programme (Finnemore 1996a) or the spread of a security community norm from the Organization for Security and Cooperation to the North American Treaty Organization, the Western European Union, the European Union and the Council of Europe (Adler 1998), changes in IDB environmental policy and practice suggest a process of norm diffusion not from NGO to international organizations (IOs; Park 2005) or from IOs to states, but from IOs to IOs.

International organizations have both means and motive for attempting to alter other IOs' behavior. We specify three mechanisms through which norm diffusion from one IO to another can occur, which we broadly classify as active or passive socialization. First, IOs might actively

attempt to socialize other IOs using material mechanisms. Second, IOs might seek use discursive or persuasive mechanisms in an attempt to induce socialization. Third, IOs might attempt to increase their legitimacy by emulating the practice of other, normatively powerful IOs. Alternatively, NGOs diffuse norms to IOs and that member states diffuse them via delegation.

Environmental lending at multilateral development banks (MDBs) represents a clearly measurable behavioral implication of a prominent norm in international relations. We test our arguments in the context of Islamic Development Bank environmental lending. Using a database of over 1,000 IDB projects we test our arguments about IOs and norm diffusion. We find that IOs can socialize other IOs in using non-materialist mechanisms and through mechanisms that do not involve delegation. Specifically, international organizations can be socialized through common institutional memberships as well through example of normatively powerful organizations.

Sustainable Development at the IDB

From 1980 to 2000, both IDB environmental policy and practice shifted. Despite the fact that IDB annual reports infrequently mention the environment during this period, other IDB publications indicate that environmental impact evaluations became part of the project cycle (IDB 2002a, 12) and claims to prefer environment-friendly projects that include mitigations against environmental hazards (IDB 2002b, 37). Additionally, a planning exercise in the early nineties indicates that the IDB considers deforestation, water management and pollution, desertification, salinization, soil erosion, waste disposal, and urban pollution as the most important environmental problems facing member countries and commits to support member

countries' environmental programs by supporting environmentally friendly projects (IDB 1994, 8).

The IDB has also increased both the number of environmental projects (Figure 1) and the dollars lent for those projects (Figure 2) between 1980 and 2000. Although NGO action and academic research has demonstrated that claims by large institutions like the World Bank should not be taken at face value, increases in environmental lending suggest that the IDB has been making efforts to match word and deed.

[Figures 1 & 2 about here.]

Explaining Environmental Lending at the IDB

Explanations for the greening of MDBs turn on the role of powerful donor states and transnational activist networks. In the World Bank case, it seems clear that an environmental TAN spurred action in the U.S. Congress to sanction the World Bank. U.S. censure played an instrumental part in providing the pressure necessary for the World Bank to introduce stronger environmental policies and increase environmental lending. Delegation-oriented accounts (Connolly 1996, Gutner 2002, Nielson & Tierney 2003, Hicks et al. 2008) emphasize the role of powerful donor states and formal decision-making mechanisms. Constructivist ones, on the other hand, (Keck and Sikkink 1997, Park 2005) favor TANs. While not ignoring the possibility that formal decision-making mechanisms might matter (which could exemplify leverage or information politics), they tend to also analyze alternate strategies that focus more on social mechanisms including argumentation, persuasion, and discursive enmeshment (Keck and Sikkink 1997; Risse, Ropp and Sikkink 1999).

Principal-agent theory (Pollack 1997, 2002; Nielson and Tierney 2003, 2005; Hawkins et al. 2006) explores the possibility of divergent principal (state) and agent (IO) interests, where

change occurs as principal interests shift concurrently and control mechanisms prevent agency slack (Nielson and Tierney 2003, 2005). The principal's authority to renegotiate the agent's contract gives it a potentially powerful means of calling the agent to account. Problems of hidden information and hidden action make this task difficult. Other actors must find ways to push their demands for IO change through states (Nielson and Tierney 2003). Principals may use their discretion to open IOs to other potential sources of change (Park 2005).

On the other hand, the social techniques that constructivists analyze might allow NGOs to pressure IOs into adopting norms that they might not otherwise accept. These techniques might be especially effective against "vulnerable" IOs. Vulnerabilities include uncertainty about identity or interest (Risse 2000), a target's desire to be a part of a normative international community or desire for legitimacy, and the nature of conflicting norms (Risse, Ropp, and Sikkink 1999).

Although both TANs and powerful donors appear necessary (at least in the World Bank case), neither account satisfactorily explains the change at the IDB. Further, delegation accounts suggest that the domestic political environment—including voters' and other political actors' views about the environment should matter (Connolly 1996). Without strong domestic actors and some favorable sentiment, no amount of framing or political pressure would be able to induce powerful donors to push a TAN's agenda.

IDB member states lack reputations as especially pro-environment states. Still, our measure of environmental preferences shows that many of these states have adopted increasingly environmental policies. This should tell the story, but we remain skeptical: although the average preference for environmental policy has increased, its variation has also increased (see figures 3 and 4). Since delegation to these organizations requires collective action, an increase in

preference heterogeneity should create a strong status-quo bias at the IDB (see Nielson and Tierney 2003).

[Figures 3 and 4 about here.]

On the other hand, little evidence exists to suggest that publics in IDB donor states favor environmental action, nor that an environmental TAN could successfully encourage donor governments to adopt its agenda. In either case, to our knowledge, no environmental TAN has undertaken a campaign targeting the IDB.

We argue, contrary to these theories, that interactions between IOs provide alternate mechanisms that explain the increase in environmental lending at the IDB. A few studies have begun to explore the proposition that IOs might influence other IOs by ignoring formal decision making mechanisms (which Nielson and Tierney (2003) argue should isolate third parties from influencing the IO) and using mechanisms that take advantage of resource dependencies (Kapur 2002, Gould 2003, Mingst 1987). Similarly, the mechanisms identified (and preferred) by constructivists in norm diffusion from IOs to states—socialization and role-playing (Checkel 2005)—might also matter in IO-IO relationships.

IO-IO influence and Norm Diffusion

We characterize the IDB's shift towards sustainable development as the result of a process of norm diffusion. Most analyses in international relations consider states and NGOs as possible vectors for norm diffusion (indeed, as motivating forces of IO change in general), ignoring the role of other IOs. We argue that other international organizations—what we refer to as "targeting IOs"—may attempt to change policy at "target IOs" just as states and NGOs do. We rely not only on standard constructivist definitions of norms, but also use rational-choice

sociology's definitions to argue that socialization includes both material and social mechanisms. Additionally, we frame socialization as either "active", in which a targeting IO makes clear efforts to alter the target IOs policies, or "passive", in which targeting IOs exemplify particular practices and target IOs then adopt those practices.

IOs often work in issue areas that are densely packed by IOs with similar mandates. Even in an area with few similar IOs, issue linkages are such that the actions of a regional development bank may negatively affect the work of the World Health Organization in a given country. As the number of IOs in an issue area increase, or as the links across issue areas increase (such as development and health, in the above example), IO actions produce externalities that may affect the mandate of other IOs. This occurs particularly as norms infuse the mandates of some IOs, but have not yet diffused to others. In these cases, IOs will work to alter the practices, if not the policies of other IOs.

In IR, the standard definitions of norms are the constructivist ones. International norms are "shared expectations about appropriate behavior held by a community of actors" (Finnemore 1996a, 22-23), they isolate "single standards of behavior" (Finnemore and Sikkink 1998, 981) or create "collective expectations for the proper behavior of actors with a given identity" (Katzenstein 1996, 5). Although behavioral change does not follow naturally from the adoption of norms in international relations, efforts to diffuse norms represent attempts to change behavior, not just motivations (Kelley 2005, 428). The multilateral development campaign described earlier represents an effort by members of a transnational activist network (TAN) to persuade certain actors (the World Bank) should conform to behavioral standards advocated by that TAN.

The literature on norms and norm diffusion is dominated by constructivists who frequently refer to the fact that their arguments are drawn from or supplemented by sociological approaches to the study of norms (Finnemore 1996a, 1996b, Barnett and Finnemore 1999, Barnett and Finnemore 1999, Barnett and Coleman 2005). The study of norms in international relations often revolves around the idea of internalization or socialization as a necessary final stage or norm diffusion (Risse and Sikkink 1996, Keck and Sikkink, 1998, Finnemore and Sikkink 1998, Checkel 2005). But these definitions of norms neglect alternative, sociological rationalist approaches (Coleman 1990, Horne 2001).

By defining norms as they do, constructivists privilege internalization as a final stage of diffusion. Behavioral change is inherent to the causal role of norms in international relations. For constructivists, exploring causes of norms and norm diffusion is not as much about a behavioral shift as it is about the motivations for such a shift (Kelley 2005, 428). Socialization or internalization of a norm occurs when actors switch from a logic of consequences to a logic of appropriateness (Checkel 2005, 804). This switch occurs independently of material incentives or sanctions. Internalization occurs when norms become adopted as elements of an actor's identity (type I internalization) or when an actor becomes persuaded of their inherent goodness (type II internalization) (Checkel 2005; See also Coleman 1990). This, in particular, correlates with the definitions that emphasize the "appropriateness" of a norm, as well as its status as shared. When internalization becomes privileged, earlier, potentially materially-driven diffusion processes get shunted to the side. Others (Finnemore and Sikkink 1998, Wendt 1999) remind us, however, that rationalism may drive the early stages of diffusion.

For rationalists in sociology, a norm exists when "the socially defined right to control [an] action is held not by the actor but by others" (Coleman 1990, 243). In other words, a norm

exists when there is a consensus about appropriate behavior and individuals may be sanctioned for acting inappropriately (Coleman 1990, 265; Hechter and Opp 2001, xiii; Horne 2001, 9). In particular, norms arise when some actor's behavior affects another, creating externalities. The beneficiaries of those actions will act to reward or sanction behavior that benefits or harms them (Coleman 1990, 247; Horne 2001). Even where norms have already been internalized by a relatively small number of actors, imposing costs on others acts to spread the norm. Norm diffusion is a process driven by behavioral changes, not by motivation.

Because this definition emphasizes behavior rather than motive, it allows us to frame our discussion of IO-driven norm diffusion in terms of both material and social mechanisms and consider norm diffusion as primarily a process of behavioral change. As a result, targeting IOs can attempt to use these mechanisms in active or passive efforts to alter behavior at target IOs.

Active socialization via material mechanisms

Targeting IOs using active socialization will take advantage of resource dependencies to strengthen their bargaining position vis-à-vis their targets. Norm diffusion can occur through "instrumental adaptation and strategic bargaining," where governments who have adopted given norms use material goods and power to persuade other governments or international organizations to follow suit (Goodliffe et al. 2005). IOs, like states, often have access to significant material goods and power and case use these diffuse norms. MDBs—especially the World Bank and the larger regional development banks—represent the kind of international organizations most likely to have access to the material power necessary to influence other institutions. In particular, the World Bank's non-concessional arm, the International Bank for Reconstruction and Development (IBRD), uses member state capital subscriptions to underwrite bond issues that provide the bulk of that institution's funding (World Bank 2000, 7). The non-

concessional arms of the regional development banks operate in a similar fashion. Not only do MDBs likely have the resources to influence other MDBs, but there are several standard mechanisms through which MDBs might use their resources to influence each other.

International organizations often cooperate on various tasks, and in the case of the international financial institutions (IFIs), often seek co-financing arrangements, ostensibly so that smaller organizations can bolster their funds (Meenai 1989, Mingst 1987), while the larger ones providing the funds can train them or influence policy indirectly (Mingst 1987). For example, co-financing arrangements allow third parties—creditor states, private financial institutions, and multilateral development banks—to influence IMF conditionality (Gould 2002, 2003). I expect similar mechanisms to provide a backdoor to influencing IOs (see also Kapur 2002). Our first hypothesis, then, is that *targeting IOs that use material mechanisms (like co-financing) to influence target IOs will alter target IO policy in ways favorable to the targeting IO (H1).*

Active socialization via social mechanisms

Social mechanisms and socialization can also induce behavioral change. Targeting IOs will find opportunities to argue with and attempt to persuade target IOs that they should change their behavior. IOs teach states new norms (Finnemore 1993, 1996a), use shaming, persuasion and praise to attempt to induce states to adopt new norms (Kelley 2005). Further, NGOs use similar strategies (Keck and Sikkink 1998) to influence IOs. There is little reason to suspect that IOs cannot turn these tools to other IOs. For example, in addition to protests and efforts to use powerful member states, members of the TAN that targeted World Bank environmental practice provided information on how harmful projects like Polonoroeste were and were since included in World Bank decision-making processes. NGOs targeted the World Bank and gained a foothold from which they could provide additional pressure on the World Bank. Indeed, frequent,

sustained, intensive interactions with norm entrepreneurs can make the adoption of a new norm more likely (Checkel 2005). We expect that *targeting IOs that use regular contact with target IOs will alter target IO policy in ways favorable to the targeting IO (H2).*

Passive socialization via example and emulation

Emulation may also play an important role in norm diffusion by targeting IOs. We call this "passive" socialization as IO decision-makers alter their behavior to conform with a particular norm, then rely on their authority or legitimacy to provide the impetus for others to adopt the norm underlying that behavior. To the extent that targeting IOs expect target IOs to change their behavior as a result of their example, targeting IOs must assume that their targets will benefit from emulating their behavior. Target IO policy makers also look to others when seeking legitimacy. This process may be strategically rational or entirely ritualistic (Finnemore and Sikkink 1998). In the former case, states (and so do, we argue, IOs) seek legitimacy, and adopt behaviors that correspond to legitimated norms, in spite of the possibility that these behaviors have no functional role (Finnemore 1996a, Simmons et al 2007). Similar to the use of framing to spread norms (Keck and Sikkink 1998), organizations create categories that define identities, structures and tasks (March and Olsen 1998, 964; Meyer et al 1997, 163; Finnemore 1996b). Experts and organizations "theorize" by defining categories in terms of legitimacy. Organizations then place themselves within these categories for the sake of that legitimacy (Strang and Meyer 1993, 494). In doing so, they adopt structures and tasks that are appropriate to the category they have chosen. The result of this process, "institutional isomorphism"—the end result of organizations adopting similar structures and tasks—is often distinguished from materially-driven diffusion by noting that the newly isomorphic organization takes on tasks and structures that exist independent of an objective "need" (Finnemore 1996a, Simmons et al 2007).

In addition, the moral or expert authority of some IOs relative to others provides legitimization to that IO's behavior, increasing the attractiveness of adopting those behaviors by other IOs (Barnett and Finnemore 2004). As a result, we expect *target IOs to emulate targeting IO behavior (H3)*.

Just as IOs can influence states and NGOs influence IOs, we expect targeting IOs to be able to influence IO targets to produce policies that will favor the target. Where targeting IOs have adopted particular norms, targeting IOs will attempt to diffuse them via socialization: either active socialization, which includes both material and social mechanisms, or via passive socialization, in which targeting IOs model good behavior and target IOs emulate that behavior. Efforts by member states or NGOs to diffuse norms will be secondary to IO-IO interactions. We illustrate these mechanisms in the case of IDB shifts in environmental lending.

IO Driven Norm Diffusion: The World Bank and IDB

We test our arguments using the puzzle we identified earlier. First, we argue that the IDB's shift toward environmental lending represents a case of norm diffusion, as adoption of behaviors consistent with the sustainable development norm fit both constructivist and rational-choice sociology definitions of norms. Next, we explain why the IDB case allows an important test of our arguments against state or NGO based ones. Then we discuss and operationalize our dependent, independent and control variables.

The multilateral development campaign described earlier represents an effort by members of a transnational activist network to persuade certain the World Bank to conform to environmental behavioral standards. As such, the policies that the TAN wanted the World Bank to implement were standards of appropriate behavior—that development efforts should not do

egregious damage to the environment, at the very least—that were shared by members of a community—the TAN that campaigned against the World Bank.

Just as the sustainable development norm fits the standard definition of norms, it also fits the sociological rationalist's definition. First, the idea of a "socially defined" right to control parallels that of the shared standards of the constructivist definition. Next, others have a right to sanction an individual for failing to meet that standard, especially where an externality is involved. The sustainable development norm easily extends from the externalities that arise from development efforts.

The IDB's shift toward environmental lending provides an important case for testing arguments about the role of international organizations in norm diffusion. It controls for the influence of Western, industrialized donor states whose governments (or citizens) might be sympathetic to arguments that development efforts should not destroy the natural environment. Not only are most of the IDB's governments authoritarian, breaking links between electoral accountability and environmental protection, but the environmental preferences of the IDB's members themselves differ from those of other institutions, like the World Bank. Table one lists the current membership of the IDB[2].

[Table 1 about here]

Measuring Environmental Lending

The IDB's shift toward environmental lending suggests its adoption of a norm that favors sustainable development. We analyze our arguments using quantitative techniques on multiple measures of environmental lending. First, we code IDB projects to assess their probable

[2] See appendix A for further information on the IDB and its creation.

environmental impact. We do this for over 1000 IDB project loans from 1980-2000. We code this measure in ordinal terms: projects can be environmental strictly defined—those with the strongest positive impact on the environment, environmental broadly defined, neutral—projects with no significant environmental impacts, dirty broadly defined, and dirty strictly defined—projects with the largest negative impacts on the environment. This coding is based strictly on the effects of a given project on the environment and not on its developmental effects or necessity. It may be that a project categorized as DSD will be necessary for a country's development efforts, while ESD projects may only be marginally related to those efforts. Additionally, by incorporating environmentally beneficial components, especially where they relate directly to ameliorating the negative environmental effects of a project, a project might receive the "greener" coding.[3]

Second, we collapse this measure from five points to three and calculate the total amount of green—environmental strictly and broadly defined, neutral and dirty—dirty strictly and broadly defined lending to each IDB recipient in each year. As a result, we use both project- and country-level analyses; where appropriate, we indicate alternative operationalizations necessary for such a method. This approach gives us multiple measures of the effects of our independent variables on environmental lending, which helps us approximate their true effects.

[3] The PLAID codebook, which includes coding rules for the environmental impact rating, can be found at www.wm.edu/irtheoryandpractice/plaid/codebook.php.

The World Bank-IDB Relationship: Independent Variables

The World Bank might affect IDB lending patterns in several ways. The World Bank can co-finance IDB projects; it can include the IDB in donor harmonization efforts, conferences, and discussions about what development banks should be doing; and finally, the IDB may look to the World Bank as an exemplar of good development practice and adjust its lending accordingly. These pathways broadly correspond to different causal mechanisms described above. Co-financing suggests material pressure, donor coordination and harmonization brings to mind socialization strategies aimed at persuasion and discussion, and the World Bank as example of "best practices" evokes emulation.

Active, material socialization: Co-financing

As the new IDB began its work, it had limited capital. Leveraging these funds through co-financed projects with the other MDBs, the IDB was able to produce more projects than it would have otherwise. This practice continues, and the IDB holds that it is an important channel for maintaining relationships with other MDBs (IDB 2005, 17). IDB historian Meenai recognized the IDB's loss of independence that co-financing brings, especially in terms of project appraisal, and he recommended it be re-examined (Meenai 1989, 117). The resulting dependence creates an avenue for other institutions to influence the IDB. Figure 4 charts WB-IDB co-financing.

[Figure 4 about here.]

The number of projects co-financed by the World Bank has declined over time (see figure 5). Either the World Bank has largely gotten out of the business of co-financing IDB projects or the IDB no longer seeks World Bank co-financing. Additionally, World Bank-co-financed projects tend to be dirty, especially earlier in the 1980s. It would appear that the World Bank

does not use co-financing as a mechanism to encourage greener lending, except perhaps by reducing its own involvement in such projects.

[Figure 5 about here.]

Another possibility exists with co-financing, which goes both to the possibility of socialization and also to the opportunity for direct remediation: the World Bank may co-finance loans that are particularly threatening to the environment. Since every World Bank project must undergo an extensive environmental-impact assessment, the World Bank may offer partnership on the project explicitly because it can use its co-financer status to leverage greater environmental amelioration for that particular project. As World Bank staff work directly with IDB staff on the environmentally threatening project, they can inculcate new norms and practices of environmental assessment and amelioration. If this alternative hypothesis is correct, the sign on the regression coefficient should be negative, not positive. Co-financing should be correlated with environmentally damaging projects. Unfortunately, we have no means for teasing out which of these arguments should be correct, although they both suggest World Bank involvement in IDB environmental lending.

The IDB's commitment to Islamic strictures regarding finance provides an important limitation to this mechanism. The World Bank, especially the International Bank for Reconstruction and Development (IBRD), raises funds on international capital markets using interest. The IDB's interpretation of Islamic law forbids mixing non-interest-based money with interest-based money, so the IDB restricts projects co-financed through traditional, joint co-financing mechanisms to infrastructure projects. When the World Bank co-finances other projects with the IDB, it does so through parallel financing, which segregates IDB and World Bank funds, using them for independent portions of a project. IDB annual reports contain data on

joint co-financing data, but not parallel financing. Thus, projects reported as co-financed undercount actual World Bank co-financing. [4]

We code World Bank co-financed projects as "1"[5]. Because we orient our dataset around projects, the co-financing dummy only tests if co-financing *on that project* made *that project* more environmental. We do not test the effects of co-financing at the country-year level.

Active, social socialization: Development Committee Membership

Participation in high-level fora and similar meetings might be valuable for encouraging IDB management and Executive Directors to adopt new norms. For whatever reason, IDB participation in multilateral finance issues remains marginal. Since 1983, The IDB has been an observer, alongside multiple other international development agencies, of the joint World Bank-IMF Development Committee. The Development Committee consists of delegates appointed by executive directors (ED)—or groups of executive directors, in the case of the countries lacking sufficient vote shares to have their own ED—who meet to discuss important development issues (Development Committee 1984, 3). The committee only began discussing the environment in 1988 (Kivanc 1995, 45). Participation on the Development Committee should only have an effect once it has begun considering environmental issues.

The IDB participated in the 2005 Paris Declaration on aid effectiveness and the 2003 Rome High Level Forum on Harmonization (High Level Forum 2003, 2005). Although it participated in the 2002 meetings of the Monterrey International Conference on Financing for

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[4] Additionally, IDB annual reports inconsistently included data on the amount co-financed by the World Bank.

[5] These data were collected and coded as part of the Project-Level Aid Database, funded by the National Science Foundation grant SES-0454384.

Development in 2002 it has not been involved with the follow-up roundtables to Monterrey. The IDB is not a member of the Evaluation Cooperation Group, an association formed in 1996 to improve "collaboration and harmonization work among the evaluation units of the multilateral development banks." The IDB seems to be increasing its recent participation in such events, but aside from observer status in the Development Committee, a lack of engagement indicates limited interactions with the other MDBs.

We focus on the IDB's membership on the Development Committee, coding it as an annual dummy variable. To capture the effects of the Committee's consideration of the environment, we interact it with the environmental policy index (EPI) of the World Bank. We describe the EPI below.

Passive socialization: Lagged World Bank Environmental Lending

The World Bank is widely seen as the premier development institution. This position grants it various forms of authority, which allow its pronouncements and practice to be influential without any direct interaction between the World Bank and the Islamic Development Bank (Finnemore 1996a, Barnett and Finnemore 2004). As the World Bank has increased its environmental lending and commitment to sustainable development, the Islamic Development Bank, to the extent that it considers itself a development institution like the World Bank and therefore has adopted an MDB "identity," may simply follow the World Bank's lead.

We operationalize World Bank environmental lending as the total of World Bank dollars lent that rate ESD or EBD (environmental strictly or broadly defined) for a given year. We also use a three-year moving average of World Bank environmental lending to a given recipient country as an alternative. We include both in the final models, since doing so provides a more nuanced indication of the relationship between the World Bank and Islamic Development Bank.

Control Variables

We compare the possibility that the World Bank influences the IDB, directly or indirectly, with the possibility that NGOs and the IDB's own member states provide the impetus for an increase in environmental lending at the IDB. In the case of NGOs, although NGOs campaigns against World Bank environmental lending practices appear to have altered World Bank policy and practice, the IDB receives as little attention from Western/Northern NGOs and as environmental movements in these countries. To our knowledge, a 2007 report on the role of the international financial institutions in the Middle East and North Africa is the first mention of the IDB among Western NGOs (Bank Information Center 2007).

We take the total number of international environmental NGOs in a year as a proxy for NGO influence on the IDB. We coded these data from the *World Directory of Environmental Organizations Online*. Most references included a year in which an NGO was founded. If not, we performed online searches for the organization, taking the year of its first publication as the year of its establishment. We excluded organizations whose main purpose was not environmental, which often included scientific organizations with committees on the environment or organizations like the International Studies Association, whose main purpose is not environmental, but also includes a section on the environment. We excluded issues like noise control but included organizations relating to water issues. Of 350 organizations that we coded, we could not find any information online for fifteen of them. This measure will bias our results in favor of the NGO hypothesis, since it certainly includes some NGOs that are now defunct. Additionally, we recognize that a global count of NGOs makes for a particularly rough proxy of the role that NGOs might play in diffusing norms to the IDB. Even with regional or

country level variation, such a measure would imperfectly capture the ability of NGOs to influence the IDB's policy-making process. Thus we take these results with a grain of salt.

Additionally, as the IDB's member states' preferences shift, these should translate into policy changes in the IDB. To measure IDB member state preferences, we use an algorithm that creates a weighted average of the EPI values for the minimum connected winning coalition in a given year. We use member country's vote shares as weights (See Appendix B for more information on the algorithm). The EPI is a revealed preference index of variables that national policy effects, ranging from atmospheric sulfur dioxide concentration to dissolved oxygen levels in freshwater to number of reporting commitments kept as part of the Convention on International Trade in Endangered Species. It was originally used in Nielson and Tierney (2003). See Appendix C for more information on the EPI.

We include several additional control variables. These include per capita GDP, population, a country's EPI and a measure of democracy. Each of these provides confounding factors that, if excluded, could bias our estimates. We include GDP per capita (in 1995 dollars) because the need for environmental projects should increase with per-capita wealth. The greater relative wealth often engenders higher education, health, social welfare outcomes and environmental awareness. Using a different logic, as country size increases, the probability that a country will receive an environmental loan—or any loan, for that matter—likely also increases. MDBs do business with larger countries more frequently than with smaller ones, and larger country size should result in higher probabilities for environmental loans. We expect, however, that as a country's per capita GDP increases, it will increase at a slower rate as it approaches a point at which countries receive no foreign aid. We also expect that as levels of democracy increase, environmental loans will increase, as voters express a preference for them. This is also

in keeping with research that, in general suggests that democracies take better care of the environment (Frankel 2005; Li and Reuveny 2006; and Neumayer 2002)

To account for objective environmental need in IDB member countries we include a country's EPI. The EPI aggregates many measures such as sanitation coverage, deforestation, endangered mammals, sulfur dioxide emissions, coal use per land area, organic water pollution, and potable water, among other measures. Each of these indicates a level of objective need for environmental lending.[6]

Finally, in our project-level models, we include the size of the project. Although this should have no causal effect on the environmental quality of a loan, larger projects (especially concrete intensive ones, such as dams) should be less likely to be environmentally beneficial. We include this measure to provide additional variance at the project level and thus more curvature to the likelihood function. This in turn, should help these models converge.

We attempted to include data to control for the level of secondary school enrollments, as environmental awareness ought to increase with education. Unfortunately, good data for IDB member countries are not available; poor data coverage seriously reduces the number of available observations, so we exclude it. Table 2 presents summary statistics for the dependent, primary independent and control variables used in the models.

[Table 2a&b about here]

[6] It has also been suggested that we include oil exports and rates of desertification. We do not include oil exports because our model attempts to explain the environmental quality of IDB loans and not factors that might influence the allocation of loans or World Bank co-financing. We do not include desertification simply because we have had difficulty finding good data.

Methods and Results

We test our hypotheses using a dataset of over 1000 IDB project loans. We use our ordinal coding of the environmental impact of IDB projects to create values for the total volume of green, neutral and dirty loans a country receives each year (in US dollars). This dual approach requires econometric models designed for each type of data. For the ordinal variable, we use both ordinal and multinomial logit specifications to analyze the effect of our dependent variables on the probability that a project will have a positive environmental impact. For the country-year variables, we use regression models appropriate to time-series—cross-sectional (TSCS) data. First, we provide an overview of techniques common to both models. We proceed by discussing issues unique to each specification and present results from each approach in turn.

Irrespective of the statistical model, we cluster standard errors by recipient country, as we expect that project loans will be independent across countries, but not within countries. Additionally, we use recipient country fixed effects to account for correlation between our independent variables (especially those at the country level) and the errors in each model (Wilson and Butler 2007, King 2001)[7]. We lag all of our independent and control variables

[7] Fixed effects in ordinal and categorical models can lead to bias through what is known as the incidental parameters problem. Estimates of "common parameters"—those that are common to all observations in the model—can be biased in the presence of "incidental parameters"—those that can increase with the observations. In the case of country fixed effects, adding another country adds another parameter (Cameron and Trivedi 2009, 781). However, the structure of our data, in which we may have multiple observations for several countries in a given year suggests that the incidental parameters problem may not bias our estimators. Increasing the number of projects in a given country-year increases the data available to estimate that country's fixed effect (We thank Langche Zeng for pointing this out).

(except co-financing and total project amount, in the project-level models) by two years. This allows us to account for the effect of the IDB's project cycle, which, like other MDBs, lasts about two years, from start to finish (Nielson and Tierney 2003, 2005, IDB 2002a). In each model, we deal with issues associated with time using techniques appropriate for that model. We discuss these points when we discuss the relevant econometric models.

Our initial dataset of IDB projects (prior to casewise deletion) contains over 1,000 loans. Casewise deletion and missing data induced by lags reduces our dataset to a maximum of 818 projects and a minimum of 722. In the country-year dataset, we began with over 800 country-years, which was reduced to a maximum of 535 and a minimum of 439.

Project Level Modeling and Results

In spite of the ordinal nature of our project-level data, we use multinomial logit models. Comparisons of ordered logit models with multinomial logit models suggest that our models fail to satisfy the parallel regression assumption[8]. Further, we collapse our five-point environmental impact measure to create more clearly distinct categories in our data, which helps ensure that our models satisfy the independence of irrelevant alternatives assumption[9].

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[8] An ordered logit model compares a series of binary regressions across categories of the dependent variable. In doing so, the model assumes that the coefficients across these models, or the slopes of the lines in each model, are equal or parallel. Violations of this assumption can bias outcomes (Long 1997). The Brant test can provide evidence that this assumption is not satisfied here. Although we cannot estimate a Brant test using these data (due to inconsistency between the ordinal and multinomial models, as reported by Stata) we can compare the coefficients that an ordinal model estimates with those from a multinomial model.

[9] The core assumption of the multinomial logit model is the independence of irrelevant alternatives (IIA). In essence, the addition of another category should not alter initial parameter estimates. Although this can be tested

Rather than use splines to estimate temporal dependence in our data (Beck, Katz and Tucker 1998), we follow Carter and Signorino (2009) and use polynomials of time. Although our project-level data is not in a time-series-cross-sectional format nor is it binary, the mathematical similarity to survival analysis and the underlying binary analysis that both ordinal and multinomial models employ supports this approach. Unfortunately this approach (which is not ameliorated by using temporal splines) introduces collinearity with several of our measures: our NGO counter increases with time, as does the EPI, while our measure of the number of projects co-financed by the World Bank in a year decreases. All of this introduces significant levels of collinearity to the model generally.

We begin with the ordinal logit results, proceed to the multinomial logit results and then analyze the country-level data. Table 3 presents both these results. A positive sign on the ordered logit models indicates that an increase in a particular variable increases the probability that the outcome will be in a higher category while a negatively signed coefficient indicates that an increase in a variable decreases the probability of being in a higher category. In the multinomial logit models we estimate, the first category (indicating a dirty project) is omitted. As a result, model 2 compares the probability of a project being dirty to a project being neutral and model 3 compares the probability of a project being dirty to a project being green. A positively signed coefficient in model 2 indicates that an increase in that variable increases the

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using either a Hausman or Small-Hsiao test, Long (1997) argues that strongly distinct categories should be sufficient, even where these tests indicate a violation of IIA. By collapsing the original five point measure (which violated IIA) to a three-point measure, we create a measure with distinct categories that also fails to provide evidence that IIA is violated.

probability that a project is neutral rather than dirty. Likewise, a positively signed coefficient in model 3 indicates that an increase in that variable increases the probability that a project is green rather than dirty.

[Table 3 about here.]

We present here a fixed effect model that includes only the core independent variables and a pooled model with these and the controls[10]. The coefficients were of similar size as in the fixed effect ordered logit model without controls (model 1) and the full pooled ordered logit (model 2). First, only co-financing, and the development committee variables (World Bank EPI, IDB on Development Committee and their interaction) are individually significant at at least a .01 level. Co-financed projects are more likely to be dirty, while an increase in the World Bank's EPI and the IDB's membership on the Development Committee are both associated with higher project environmental impacts. These effects are jointly significant at the .001 level and a cursory analysis suggests that when taken together they have a positive effect on a project's environmental impact. The pattern in total World Bank environmental lending and the moving average of environmental lending for a recipient provides some unexpected nuance: an increase in total World Bank spending increases the level of a project's environmental impact, while an increase within the last three years to a particular recipient decreases it. Although only one of these variables has a significant effect here, we test the joint significance of these variables throughout, as they tell an interesting story: the IDB follows overall World Bank environmental lending but does not use its own lending to complement the World Bank's work. This pattern holds throughout our models and suggests that the World Bank's environmental lending

[10] We also estimate a fixed effect model with controls, but the model does not generate standard errors.

influences IDB lending in a complementary way. We also test the joint significance of the time variables, but here we find them to be insignificant.

Although coefficients differ for the dirty versus neutral (multinomial equation 2; models 3, 5, and 7) and the dirty versus green (equation 3; models 4, 6, and 8), these models confirm some of the patterns in the ordinal logit models. Cofinancing drops out of these models, likely as a result of high collinearity. In models 4, 6, and 8, an increase in the number of environmental NGOs makes a project significantly less likely to green than dirty; we find this result puzzling. On the other hand, in models 6 and 8, the previously mentioned World Bank lending pattern holds and is significant, individually and jointly, although this is not the case in model 4. In the dirty versus neutral models (3, 5, and 7), the development committee variables are associated with an increase in neutral environmental impacts; these effects are jointly significant with the interaction term at at least the .01 level in all models but 8. Membership on the Development Committee has its strongest effect in increasing the likelihood that a project will be green rather than dirty, although it has an effect in increasing the likelihood that a project will be neutral rather than dirty as well. Alternatively, World Bank lending patterns have their strongest effects in increasing the probability that a project is green rather than dirty. These variables seem to have little effect on the probability that a project is neutral rather than dirty. We are surprised by the failure of IDB EPI, as this or similar measures are consistently significant in similar approaches to aid allocation (Nielson and Tierney 2003, 2005, Lyne Nielson and Tierney 2006).

Country-Level Modeling and Results

Next, we examine the effects of the World Bank-IDB interaction using our country-year dataset. As mentioned previously, we use fixed effects estimation to account for unit heterogeneity at the recipient country level. Otherwise, these models are much more

straightforward than the multinomial logit models presented above[11]. We test the effects of our independent variables on changes in the amount of green, neutral or dirty dollars an IDB member receives.

We include models with only the controls as well as full models. Models 9 and 10 compare these for dirty dollars, 11 and 12 for neutral dollars, and 13 and 14 for green dollars. First, notice that with few exceptions—the effect of total World Bank environmental dollars and the EPI—these variables have very little effect on neutral dollars. Cofinancing is associated with larger volumes of dirty lending and smaller volumes of green lending at at least .01 significance levels. This replicates the results from the ordinal logit models in table 4. Here, environmental NGOs have no effect, although the signs are still in the opposite direction from what one would expect. Total World Bank environmental lending increases the amount of green IDB lending but has no effect otherwise. The signs are inconsistent in the other models, however: in one of the dirty models, total World Bank environmental lending is positive, in another, it is negative. The same inconsistency appears in the dirty dollars models with respect to a recipient's World Bank environmental lending. This variable is only significant in one of the green dollar models, although the signs are correct here and significant at at least the .05 level, providing reinforcing evidence for the effect of World Bank lending generally, as well as for the more nuanced story we told above. IDB EPI is insignificant again here, although the signs move as we expect them to. Finally, the IDB's membership in the Development Committee has a negative effect on the the amount of dirty lending to a country; these variables are significant at at least the .1 level and

[11] We currently (and mistakenly) use polynomials of time to address issues of temporality in these models. We plan to re-estimate them following Beck and Katz (1995) and Wilson and Butler (2007).

jointly significant at the .same level in one of the green dollar models. Although they are also significant individually in the full green dollar model (at the .1 level), they are not jointly significant here.

[Table 4 about here.]

We also consider possible collinearity between our measure of NGOs and the polynomials of time. Using our country-year models we compare models in which we alternately exclude the NGO variable and the polynomials of time. Leaving out NGO has almost no effect on size, sign or significance. On the other hand, excluding polynomials of time generally dampens effects, but inconsistently: in only one case are substantive and statistical effects both different: the effect of WB environmental spending is much smaller (an order magnitude, from 3 to .78 and no longer significant). We conclude that this collinearity is not inducing bias in our models.

Discussion

We analyzed these models with the intent of evaluating our hypotheses about World Bank-IDB interaction on the environment. Few of our effects make consistently strong showings across the different models we use. We began our analyses with five hypotheses about the relationship between the World Bank and the IDB.

First, we argued that World Bank co-financing increases the environmental quality of projects as well as the overall volume of green lending and reducing the volume of dirty lending. We hoped to capture the effects of material incentives and resource constraints in the World Bank-IDB relationship. This was one of the few consistent results we had, but results were consistently significant and counter to our hypotheses. On one hand, the data clearly show a decline in World Bank co-financing of IDB projects over time, but when the Bank co-financed

IDB projects, they were frequently dirty. Although the World Bank claims that their involvement provides a floor for environmental quality in these projects, we have no evidence that this is definitively the case. We may also miss the actual effects of World Bank co-financing since our data only capture joint co-financing rather than parallel co-financing, which the IDB has reason to favor. As a result, we have no evidence that the World Bank uses material incentives such as co-financing to encourage other institutions to adopt similar policies. Data on secondment as well as parallel financing might help us better see if material factors matter at all here.

Second, we argued that the IDB's membership on the Development Committee provided it with opportunities to hear arguments about the importance of environmental lending and be socialized to an environmental norm. We did find evidence that membership on the Development Committee corresponds with a reduction in the probability that a project will be dirty as well as a reduction in the number of dollars provided for dirty projects. We did this while controlling for temporal dependence, which suggests that these results tell us something about the World Bank-IDB relationship. Specifically, they suggest that some form of socialization occurs as a result of the IDB's membership on the Development Committee, although it is unclear if World Bank representatives actively proselytize or cajole IDB representatives, or if the effect is more indirect. Interviews with IDB representatives to these meetings could help us understand which is occurring.

Next, the World Bank-IDB relationship might be an indirect one, in which the IDB emulates the World Bank in its environmental practices. Although the evidence does not overwhelm, it seems that the IDB emulates the World Bank by increasing the quality of environmental lending and the number of dollars allocated to green projects. At the same time,

the IDB appears to make good use of World Bank environmental funding to its members by decreasing the quality of projects that go to the recipients of recent World Bank funding. This suggests that IDB pursues breadth over depth in its environmental lending. It appears to take advantage of World Bank environmental loans to provide environmental lending to other member states.

As mentioned above, we were surprised to see that delegation appears to play little role in IDB environmental lending in spite of findings along these lines in other institutions. Increases in collective environmental preferences at the IDB had no influence on environmental lending. Preference heterogeneity may stand in the way of successful collective delegation (Nielson and Tierney 2003, Lyne, Nielson and Tierney 2006). The IDB appears to act without clear signals from its principals. Analysis of variation in collective preferences might provide evidence for claims about the role of IO behavior in the face of an inability to direct an agent.

Finally, increases in the numbers of environmental NGOs should also increase the probability that projects will be beneficial to the environment and that environmental lending increase. However, we found little evidence that this was the case. Were there was evidence, it pointed in the opposite direction. We have little intuition for why this might be the case. We thought this may have been a result of collinearity between our measure of NGOs and our polynomials of time, but results do not change when we exclude these measures (at least in the country-years dataset in which we investigated this relationship). This measure may simply be too blunt to effectively describe a pattern. Even capturing regional variation could have important implications for these effects, as environmental NGOs may have stagnated in IDB member countries.

Our results suggest that the core explanations for the IDB's increasing environmental funding lie in socialization and emulation, rather than material incentives, resource constraints or delegation. We have avoided a stark "rationalism versus constructivism" framing here, believing that these mechanisms might all coexist. These results suggest that constructivist explanations of international relations and organizations provide a better explanation of the relationship between the World Bank and the IDB in the environmental arena.

Conclusions

We find no support for the propositions that delegation from IDB member countries or that NGOs explain shifts in environmental lending at the IDB. The IDB internalizes environmental norms for development lending through common membership with a World Bank that is increasingly interested in environmentally sustainable development and chooses to emulate World Bank environmental lending. IDB environmental lending increases in response to World Bank environmental lending and it does so in a way that ensures that more of its members get environmental lending.

These findings suggest that IO-IO interactions can be an important mechanism for policy change. Although the theoretical frameworks we use to develop our arguments are not novel, we test them on a novel approach to how IOs change. Additionally, they suggest that when IOs influence others, the main mechanisms may not be material mechanisms but social.

Finally, our efforts belong to a burgeoning effort to use quantitative methods to test constructivist arguments alongside rationalist ones (Buthe et al. 2009, Chwieroth 2007, Kelley

2005). So far, our results are unique in that they provide quantitative evidence to buttress qualitative arguments about norm diffusion.

APPENDIX A:

A BRIEF HISTORY OF THE IDB

Before proceeding, we provide a brief overview of the IDB. In 1973, leaders from a group of Islamic states met, with the blessing of the Organization of the Islamic Conference, to discuss the possibility of establishing a development institution for Islamic states. Once they agreed that this institution should be founded on Islamic principles, Saudi Arabia put its full weight behind the project (Meenai 1989).

While the new IDB sent missions to multilateral development banks to understand how such institutions work, the preparatory committee wrestled with how to create an institution that would conform to Islamic economic law, especially the prohibition against interest (Meenai 1989, 15). Any loans the bank offered would be interest free, although minimal service fees would be attached. Further, they decided that technical assistance, equity participation, and trade financing would be the Bank's major modes of operation. Loans would not be preferred and would have to be kept in equal ratio with equity operations (IDB 1975, Meenai 1989).

The IDB was formally established in October 20, 1975 and became operational only a year later, with a loan of US $3.78 million and an equity participation project of US $5.03 million (IDB 1976). Last year financed approximately US $3.1 billion for development projects in the Islamic world. By comparison, the World Bank averaged $20 billion per year from 1980 to 2000 (and allocated $24.7 billion in 2008), and the Asian and Inter-American Development Banks lent roughly half that total. The IDB's members include all but one of the Organization of the Islamic Conference's members from Niger to Indonesia. Unlike most MDBs, the IDB serves Muslims in non-member states as well as its member governments. The IDB has even funded

several projects in the United States (IDB 1982). In its more than twenty-five years, the IDB's main challenges have been devising means of raising capital and funding development projects consistent with Islamic law (IDB 1976, Meenai 1989). The IDB has not undergone the kinds of institutional reforms that the World Bank and other MDBs have.

APPENDIX B:

MINIMUM CONNECTED WINNING COALITION ALGORITHM

For each bank year we arrayed all countries from highest to lowest on the EPI. We then summed all possible values of the voting shares of countries adjoining one another, creating a matrix of all possible coalitions.

For all of the coalitions where the sum of voting shares was greater than .50, we computed the consequence to the potential coalition of each extreme partner's defection. if the defection of a partner on one of the ends of the potential coalition would cause the coalition's collapse (vote shares fell below .50), we counted this as an instance where the defecting country would prove "pivotal". We summed all such instances and then gave each country a "pivotalness" score based on the proportion of all instances where the given country proved pivotal to a potential coalition. In general this mean that countries proved more pivotal where they had large vote shares and/or here their policy index scores were near the center of the index. We then weighted all countries' scores by the pivotalness share. Finally, we summed the products of all the countries' EPI values multiplied by their pivotalness share to produce the collective principal's environmental preferences for each bank year.

APPENDIX C:

THE ENVIRONMENTAL POLICY INDEX

From environmental policy outcomes Nielson and Tierney (2003) imputed comparative environmental policy preferences. This approach has the advantage of not presuming that public opinion is translated directly into government preferences. Instead, a country's environmental interest is derived from observed outcomes after all relevant interest organizations and political institutions have filtered environmental demands.

For these reasons we use the environmental policy index (EPI) constructed by Nielson and Tierney (2003, 2005). In constructing the index they gathered 1996 data for 122 countries on 22 distinct measures of environmental policy outcomes, ranging from atmospheric sulfur dioxide concentration to dissolved oxygen levels in freshwater to number of reporting commitments kept as part of the Convention on International Trade in Endangered Species. Data on these variables were gathered from World Development Indicators (2000) and World Resources Institute, various years.

They standardize the measures, aggregating them into 17 indicators (air pollution, water pollution, biodiversity, etc), and then averaging them to generate the EPI. They then use this 1996 index as a baseline from which they calculate a pooled time series for all countries with voting shares in MDBs from 1980-1999 (the largest set was 179 countries in the IBRD for 1999), allowing index scores to vary over time. The EPI is a comparative measure of environmental sustainability, not an absolute measure. The higher a country's score on our index, the more sustainable are its environmental outcomes compared to the 179 countries in the index in 1996. Hence, this offers a relative measure of environmentalism, which varies over time. These index

scores were weighted according to countries' voting shares, and then summed for each year for each MDB, creating an overall environmental voting score for each bank year.

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Table 1: IDB Member Countries

Afghanistan	Guinea Bissau	Palestine
Albania	Indonesia	Qatar
Algeria	Iran	Saudi Arabia
Azerbaijan	Iraq	Senegal
Bahrain	Jordan	Sierra Leone
Bangladesh	Kazakhstan	Somalia
Benin	Kuwait	Sudan
Brunei Darussalam	Kyrgyz Republic	Suriname
Burkina Faso	Lebanon	Syria
Cameroon	Libya	Tajikistan
Chad	Malaysia	Togo
Comoros	Maldives	Tunisia
Côte d'Ivoire	Mali	Turkey
Djibouti	Mauritania	Turkmenistan
Egypt	Morocco	Uganda
Gabon	Mozambique	United Arab Emirates
Gambia	Niger	Uzbekistan
Guinea	Oman	Yemen
	Pakistan	

Table 2a: Summary Statistics, Country-Level Data

Variable	Mean	St. Dev	Min	Max
Dirty Dollars*	$4,800	$9,900	$0	$80,700
Neutral Dollars*	$2,100	$7,100	$0	$103,900
Green Dollars*	$900	$4,500	$0	$75,500
NGOs	237.5	62.92	148	329
Total World Bank Environmental Lending*	$1,880,000	$839,900	$791,100,500	$4,198,500
Recipient's World Bank Environmental Lending*	$13,100	$38,300	$0	$367,500
IDB EPI	0.42	0.067	0.29	0.49
World Bank (IBRD) EPI	0.58	0.05	0.5	0.65
IDB on Dev. Comm.	0.85	0.35	0	1
WB EPI*Dev. Comm.	0.50	0.21	0	0.65
Polity	-4.46	5.336	-10	9
Recipient EPI	0.29	0.21	0.007	0.87
Population*	20,700	36,800	229,400	200,900
Per capita GDP	$5,100	$6,600	$400	$46,100

N = 692 (by listwise deletion); *In thousands.

Table 2b: Summary Statistics, Project-Level Data

Variable	Mean	St. Dev.	Min.	Max
Enviro. Impact	1.49	0.66	1	3
NGOs	242.7	63.82	148	329
Total World Bank Environmental Lending*	$1,900,000	$826,934	$791,100	$4,198,481
Recipient's World Bank Environmental Lending*	$25,233	$56,686	$0	$367,500
IDB EPI	0.42	0.067	0.29	0.49
World Bank (IBRD) EPI	0.58	0.051	0.50	0.65
IDB on Dev. Comm.	0.85	0.36	0	1
WB EPI*Dev. Comm.	0.50	0.22	0	0.65
Polity	-2.78	5.51	-10	9
Recipient EPI	0.25	0.17	0.007	0.634
Population*	34,346	46,616	340	200,867
Per capita GDP	$2,794	$1,887	$443	$9,491
Project Amount*	$14.53	$1.79	$0	$17.67

N = 722 (by listwise deletion); * In thousands

Table 3: Effect of World Bank on IDB Project Environmental Impact

Logit:	Ordered		Multinomial					
Comparison:			Dirty vs. Neutral	Dirty vs. Green	Dirty vs. Neutral	Dirty vs. Green	Dirty vs. Neutral	Dirty vs. Green
Model:	1	2	3	4	5	6	7	8
WB cofinancer	-1.09*	-0.98+	-0.77	-35.1***	-0.55	-30.3***	-0.65	-45.3
	0.54	0.56	0.66	0.45	0.64	0.45	0.74	.
NGOs	-0.033	-0.041	-0.019	-0.12*	-0.037	-0.10*	-0.034	-0.14*
	0.032	0.033	0.036	0.061	0.037	0.051	0.039	0.061
Total World Bank Environmental Lending*	0.45	0.76*	0.37	0.91	0.57	1.42+	0.56	1.53+
	0.32	0.37	0.4	0.74	0.45	0.74	0.46	0.89
Recipient's World Bank Environmental Lending**	-0.0068	-0.0085	0.00009	-0.024	0.0094	-0.044***	0.0036	-0.048**
	0.008	0.0068	0.0089	0.018	0.0098	0.012	0.0092	0.015
IDB EPI	-0.073	1.82	-4.25	9.65	-1.56	12.6	-2.02	12.6
	5.23	5.59	7.18	9.03	7.64	8.27	7.98	9.46
World Bank (IBRD) EPI	92.2+	101.8*	119.7*	43.3	124.1*	78	132.3*	104.3
	47.8	50.4	47.8	84.3	51.9	85.7	53.3	90.6
IDB on Dev. Comm.	44.3+	48.0+	58.7*	12	61.5*	27.8	65.8*	40.6
	25	26.6	25.3	42.8	27.3	43.8	27.8	45.7
WB EPI*Dev. Comm.	-89.3+	-96.5+	-116.8*	-30.8	-122.7*	-60.2	-130.9*	-85.8
	48.8	52	49.3	83.9	53.2	85.7	54.1	90
Polity		0.0084			0.03	-0.037	-0.016	0.1
		0.018			0.025	0.026	0.034	0.068
EPI		0.36			-0.088	0.76	0.15	2.02
		0.76			0.91	1.44	2.44	4.68
Population*		-0.058+			-0.052	-0.1	0.11	-10.3**
		0.032			0.063	0.1	2.48	3.97
Per capita GDP*		0.11			0.27	-0.072	0.81	-1.18
		0.2			0.24	0.39	0.71	1.98
Project Amount		-0.049			-0.13*	0.06	-0.092	0.053
		0.056			0.061	0.11	0.07	0.11
Constant			-67.2*	-29.1	-69.8*	-59.1	-82.3	112.3
			26.5	45.4	28	46.7	64.9	.
Cut 1	53.1*	62.4*						
	25.3	26.7						
Cut 2	55.2*	64.5*						
	25.4	26.8						
Fixed Effects	Yes	No	Yes		No		Yes	
Log Likelihood	-683.1	-609.2	-636.3			-591.7		-538.8
N	818	722	818		722		722	
BIC	1453.4	1336.9	1467		1400.6		1261.9	
Time	0.20	0.10	0.67	0.088	0.21	0.14	0.29	0.046
Dev. Com.	0.0061	0.0051	0.63	0.15	0.22	0.0002	0.39	0.00016
World Bank Dollars	0.21	0.072	0.0067	0.022	0.0072	0.085	0.0093	0.078

* Indicates logged variables; all variables but Cofinancing lagged two years; standard errors clustered by country

+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

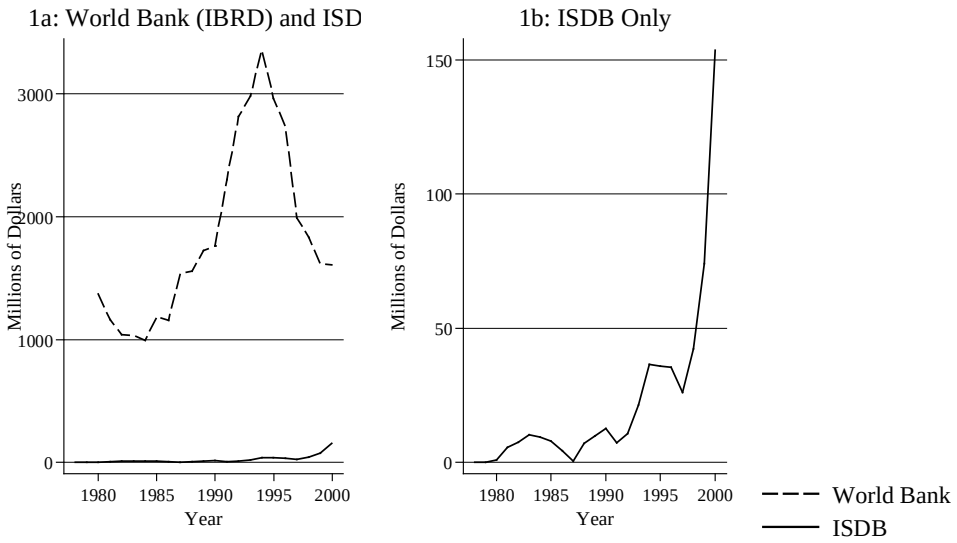
Table 4: Effect of World Bank on IDB Enviromental Lending, Country Models

	Dirty Dollars*		Neutral Dollars*		Green Dollars*	
	9	10	11	12	13	14
Cofinancing	12.2***	11.9***	1	0.26	-1.92**	-2.25**
	2.84	2.96	2.77	2.38	0.59	0.68
NGOs	-0.0046	0.046	-0.0057	-0.22	-0.1	-0.088
	0.19	0.21	0.18	0.19	0.12	0.13
Total World Bank Environmental Lending*	0.78	-0.0079	3.35	4.48*	2.90*	3.76*
	2.88	3.73	2.08	2.21	1.13	1.41
Recipient's World Bank Environmental Lending*	-0.0013	0.0065	0.029	0.058	-0.049	-0.11**
	0.12	0.13	0.053	0.059	0.054	0.039
IDB EPI	-4.42	-27.5	-5.08	-13.5	16.1	16.6
	41.9	52	41.3	48.2	20.6	22.4
World Bank (IBRD) EPI	-696.9*	-792.6+	396.2	467.5	-31.4	20.3
	336.4	418.8	260.1	305.7	147.4	181.6
IDB on Dev. Comm.	-324.1+	-380.1+	198.4	235.5	-16	2.99
	172.3	215.5	138.7	162.8	75.7	92.5
WB EPI*Dev. Comm.	643.9+	756.4+	-396	-471	24.4	-11.3
	334.7	421	272.7	320	148.2	182.2
T	-1.61	-4.17	1.51	0.84	1.82	1.56
	4.08	5.11	2.53	2.74	1.85	2.11
t2	1.53	3.42	-1.87	0.78	-1.18	-1.14
	4.41	5.47	3.23	3.64	2.7	3.06
t3	-0.38	-0.98	0.74	0.056	0.48	0.46
	1.26	1.53	0.92	1.03	0.78	0.89
Polity		-0.3		-0.17		0.085
		0.35		0.21		0.069
EPI		-23.1		-23.6+		7.49
		28.5		12.3		8.63
Population*		23.9		16.7		-7.26
		19.3		11.2		4.91
Per capita GDP*		0.99		6.86		-0.99
		5.8		5.19		2.23
Constant	360.4+	53.2	-263.9+	-599.6*	-35.7	39.9
	183.6	349.8	144.7	244.3	78	120.2
R-squared	0.08	0.1	0.095	0.14	0.067	0.078
N	535	439	535	439	535	439
Time	0.98	0.73	0.3	0.12	0.11	0.4
Dev. Comm.	0.065	0.12	0.26	0.18	0.24	0.44
World Bank Dollars	0.96	1	0.27	0.089	0.035	0.0011

Logged dependent variables, with country fixed effects. * Indicates logged variables; all variables but co-financing lagged two years; standard errors clustered by country

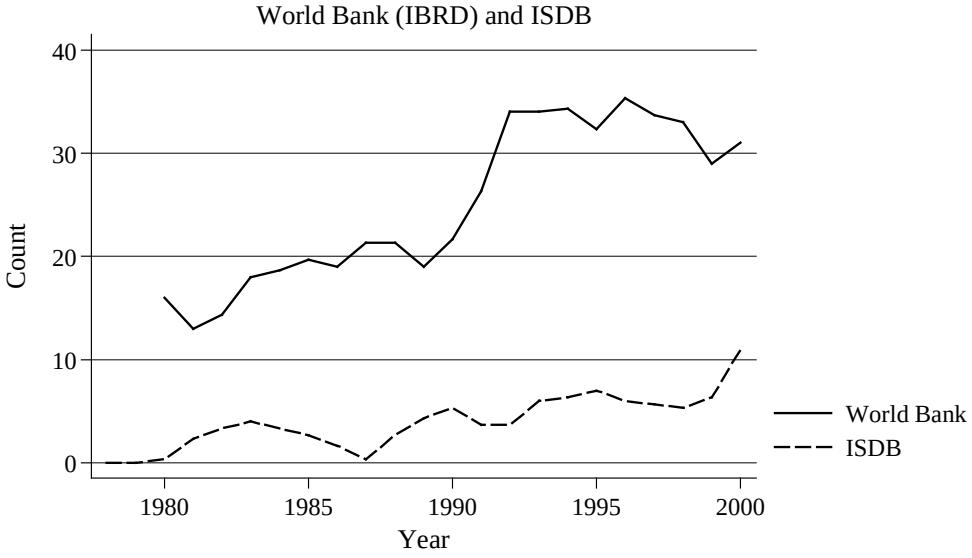
+ p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Figure 1: Environmental Dollars Spent



Three year moving averages

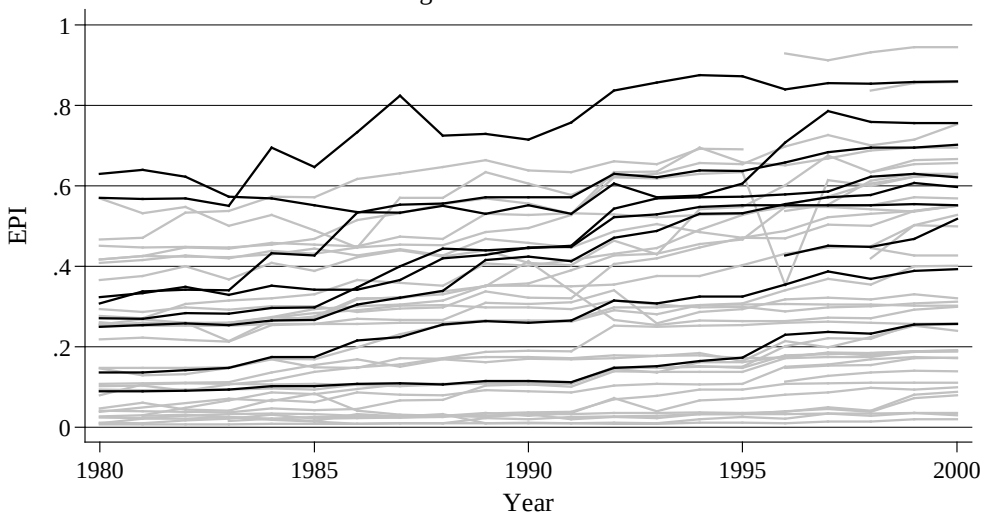
Figure 2: Count of Environmental Loans



Three year moving averages

Figure 3: Environmental Preferences

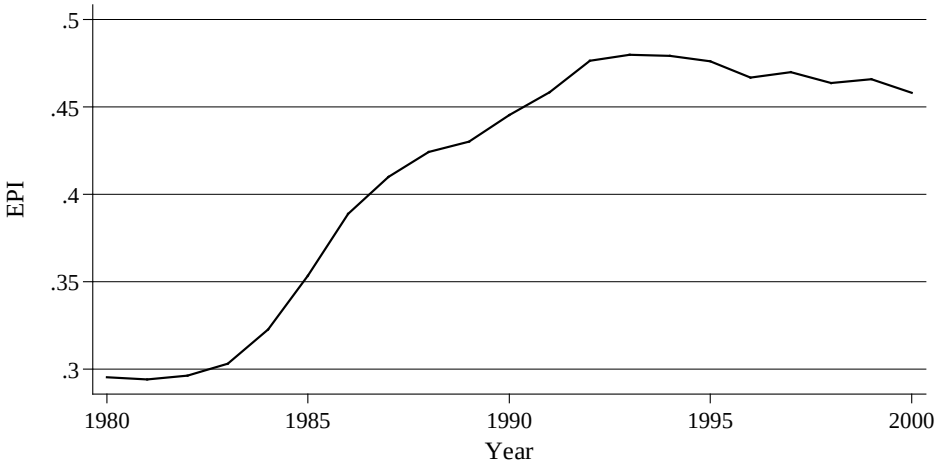
Among ISDB Member Countries



Donors with voteshares greater than 4% in black.

Figure 4: Environmental Preferences

Overall IDB



3 year moving average of voteshare-weighted EPI among minimum connected winning coalitions.

Figure 6: Number of Cofinanced Projects per Year