

The Political Economy of International Finance Corporation Lending

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Abstract:

The bulk of International Finance Corporation (IFC) lending benefits companies from rich countries, and projects in countries with middle income. Large conglomerates such as Lidl or Mövenpick have been among its direct beneficiaries. This contrasts to some extent with the IFC's official mandate, which is to finance poverty-reducing projects for which private capital is not available on reasonable terms. We investigate the drivers of this mismatch. According to our theory, the governments of industrialized countries where borrowing companies are based form coalitions with governments of middle-income countries where the projects are implemented. We therefore expect preferential treatment to be most pronounced when the representatives of both the recipient's and the company's countries are best able to collude in exerting their influence. We argue that this will be the case when both countries' governments are represented among the IFC's Board of Executive Directors, and when they have extraordinary clout with major IFC shareholders. Using data for more than 3,000 IFC projects over the 1995-2015 period we show that the (joint) influence of these countries helps them to receive a disproportional share of IFC funding.

Keywords: international finance, international bureaucracies, political economy

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1. Introduction

Consider the International Finance Corporation's (IFC) multi-million credit to Ghana approved in 2010. The credit was intended to facilitate the renovation of a five-star Mövenpick Hotel in Accra, the country's capital. According to the IFC's "summary of proposed investment," the project company is a fully owned subsidiary of Kingdom Hotels Investments, a global player with operations in 18 countries, and owned by a Saudi Arabian prince.¹ As the IFC points out, the project's development impact consists of adding important business infrastructure, creating new jobs, and providing demand for local food and non-food supplies. According to the IFC, the project has been a "great success," obtaining most revenue per room in all Accra.² Despite the ongoing global financial crisis at the start of the project it is hard to imagine that private capital would not have been available to finance the project, or that other, more obviously developmentally oriented projects, could not have been more worthy of support.

One might expect projects such as the five-star luxury hotel to be an exception in the IFC's portfolio. However, two thirds of the IFC's investments go to companies from the world's richest countries, while only one fifth goes to companies of the poorest countries (Ellmers et al. 2010). What is more, the bulk of the IFC's investments go to projects implemented in middle-income countries, rather than poorer ones (Ellmers et al. 2010). With the majority of projects, obvious developmental benefits are hard to find.³ It is implausible to assume (at least for the authors of this paper) that international companies investing in middle-income countries like Brazil and Romania cannot easily access private capital markets. Overall, it seems that the typical IFC investment finances a project in a middle-income country, of dubious developmental impact, and executed by a large conglomerate from an industrialized country that would have enjoyed easy access to private capital.

Still, as the IFC's guidelines explain, its official mandate is to finance poverty-reducing projects for which "sufficient private capital is not otherwise available on reasonable terms" (e.g., IFC 2004: 4). The IFC is part of the World Bank Group, which features the ending of extreme poverty and promotion of shared prosperity as its key mandate. This mandate is explicitly shared by the IFC.⁴

¹ See <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/DocsByUNIDForPrint/D8FCCDDFAFCFB6FF852577E5005E6194?opendocument> (last accessed December 12, 2016).

² See <http://www.ifc.org/wps/wcm/connect/0a5122004c23a313bf56bfd8bd2c3114/The+Movenpick+Ambassador+Hotel,+Ghana.pdf?MOD=AJPERES> (last accessed December 12, 2016).

³ That is, unless one is willing to view every project that has a positive contribution to GDP, does not substantially hurt the environment, and creates some jobs as developmental. In 2016, of the US\$ 19 billion in long-term investments, less than one third went to countries eligible for concessional aid from the International Development Association – the so-called IDA countries (IFC 2016). More than half of the IFC's investments go to ten middle-income countries – the BRICs alone receive about one third (Ellmers et al. 2010). According to the World Bank Group's Independent Evaluation Group (IEG, 2007), 43 percent of the IFC's projects that were evaluated during the 2000-2005 period did not receive high development ratings.

⁴ See, e.g., http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/solutions/solutions (last accessed December 12, 2016).

The apparent contrast between the IFC's official mandate and observed reality presents an interesting and important puzzle. Over the last decade or so, the IFC became a major player in development lending, with a 2016 portfolio of new commitments amounting to almost US\$ 19 billion. Understanding the drivers of IFC lending is thus of vital importance. In this paper – as we outline in some detail in Section 2 – we argue that the governments of industrialized country companies receiving IFC money form coalitions with governments of middle-income countries where the bulk of investments are executed. Both types of governments can influence IFC lending in various ways. We therefore expect preferential treatment when such countries hold positions of power. Preferential treatments should be most pronounced when the representatives of both the recipient's and the company's countries are best able to collude in exerting their influence. We argue that this will be the case when both countries' governments are represented among the IFC's Board of Directors⁵ – the body that makes the final decision about loan approval – and at times these countries are members of the United Nations Security Council (UNSC), where they have extraordinary clout with major IFC shareholders who control the Board.

As we outline in Section 3, we have collected data for more than 3,000 IFC projects over the 1995-2015 period. We test whether the (joint) influence of countries receiving the projects and countries hosting the companies that implement them helps these countries to garner a disproportionate share of IFC funding. To evaluate our hypothesis, we rely on two proxies for shareholder influence in international organizations widely used in the related literature. Kaja and Werker (2010), Morrison (2013), and Malan (2016) have shown that country representation on the Executive Boards of international organizations substantially increases the size of the loans that countries receive from these organizations. What is more, a large number of papers have shown that those countries with influence over an international organization's major shareholders receive more of the organization's loans at more favorable terms (Thacker 1999, Kuziemko and Werker 2006, Dreher and Jensen 2007, Dreher et al. 2009a, 2009b, Vreeland and Dreher 2014). We follow this literature and investigate whether the IFC extends larger loans at times when the recipient government and the government of the country whose company executes the project (i) are members of the IFC's Board of Directors or (ii) are represented as members of the United Nations Security Council (UNSC), which is of paramount importance to major IFC shareholders.

We extend the literature in three dimensions. One, we are the first to investigate the importance of political influences for IFC lending. Two, in addition to investigating the political importance of borrowing countries we also focus on the importance of countries that represent the

⁵ Throughout the paper we use "representation" rather than "direct representation" when we refer to countries that nominate an Executive Director. Of course, the Board member for a group is supposed to represent all countries in the group.

interests of their private companies, which has received little attention in the international financial institutions literature. And finally, we speak to the recent policy debate on leveraging private funding for development (as for example highlighted in the 2015 Addis Ababa Action Agenda). To the extent that the allocation of funding is shaped by political interests rather than need or expected rates of return, an allocation of private funds that gives politicians or international bureaucrats some weight might be less effective in promoting development than commonly thought, just as political considerations in allocating official aid make the aid less effective in raising growth (Dreher et al. 2017).

Our results – presented in Section 4 – show that the representation of a country and in particular its project partners on the IFC’s Board of Directors or on the UNSC significantly and substantially increases IFC loan size. We find additional effects in cases where both countries hold one of these powerful positions, resulting in more IFC projects and larger loans. Given that these significant effects disappear in the years after countries’ joint representation, these estimates seem to represent the causal effect of membership rather than some permanent omitted characteristics shared by these countries. This is most true regarding the two-year spells of temporary membership on the UNSC, which has been shown to be rather idiosyncratic, and not determined by variables that also affect the lending behavior of international organizations (Dreher et al. 2014, Vreeland and Dreher 2014).

Section 5 concludes the paper. We argue that the commercial incentives of the political coalitions involved work contrary to the IFC’s goal of poverty reduction and economic development. Given the voting power of the current system’s beneficiaries in the IFC, however, reforming the IFC so that it truly fosters development will be all but impossible.

2. The Argument

The IFC is the private sector arm of the World Bank Group.⁶ It has 184 member countries who provide the organization’s capital of US\$ 2.56 billion. The paid-in capital in turn determines the members’ voting weight.⁷ In the fiscal year 2016, about one third of the World Bank Group’s commitments were through the IFC, amounting to US\$ 19 billion committed to 344 projects in 78 recipient countries. Within the World Bank Group, the IFC is becoming an increasingly important institution.⁸ Its current President sees the future of the Group as a broker between private lenders and developing countries,

⁶ The Group’s original institution is the International Bank for Reconstruction and Development (IBRD). The Group also features the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The IBRD and the IDA are jointly known as the World Bank.

⁷ More specifically, each share of the IFC’s capital stock comes with one vote. In addition, 5.55 percent of the total votes are shared as basic votes by all members equally.

⁸ Commitments have been as low as US\$ 4 billion in 2000 only, which might explain why the IFC has received little attention in the academic literature so far.

which would substantially strengthen the role of the IFC.⁹ According to Ellmers et al. (2010: 8) “private sector finance may even become the new core business of the Bank.”

The IFC’s highest decision making body – the Board of Governors – has delegated the institution’s day-to-day business to the Board of Directors, which consists of the World Bank President and 25 representatives of the IFC’s member countries. The six countries with the largest shares in the World Bank Group each appoint one Director;¹⁰ the remaining Directors are elected by groups of countries¹¹ and have the final say over all the votes of the group they represent. This gives some countries substantially more power over the IFC’s decisions than others. For example, the United States – by far the IFC’s largest shareholder – is in charge of almost 21 percent of the votes, Japan is in command of six percent, while no other country has a vote share exceeding five percent.¹² The smallest vote share is 0.03 percent – held by Afghanistan, Belize, Benin, and Botswana, among others. Though formal voting over lending decisions is rare, and proposals are typically not voted down, decisions require a majority of the Directors and at least half of the total votes of the Board. It is thus well-known to IFC staff preparing the loans which countries are expected to receive favorable treatment and which loans, if proposed, would likely be rejected. We expect staff to make use of this knowledge when preparing a loan. Consequently, loans that favor countries whose interests are represented on the Board are more likely to be put forward. What we have in mind here is thus a combination of formal and informal influence in the IFC’s decision-making. Formal power derives from the voting weight of a country. The importance of informal channels for international organizations’ decision-making has been pointed out by Stone (2011, 2013) and Koremenos (2013), among others. As Lang and Presbitero (2017) explain, preemptive obedience by World Bank bureaucrats can give rise to political biases even in the absence of any direct major power intervention.

Our argument rests on two pillars. First, we expect governments of countries where IFC projects are typically implemented and those of countries whose companies are interested in applying for IFC funding to hold some sway over the IFC. This is either because they are influential in the IFC themselves or because they have powerful allies who support their interests. Second, we argue that the private companies applying for IFC loans exert pressure on these governments. We outline our expectations regarding these two channels of influence in turn.¹³

⁹ See President Jim Yong Kim’s lecture “Rethinking Development Finance” on 11 April 2017 at the London School of Economics, <http://www.lse.ac.uk/website-archive/newsAndMedia/videoAndAudio/channels/publicLecturesAndEvents/player.aspx?id=3802>.

¹⁰ That is, France, Japan, United Kingdom, Germany, United States, and China.

¹¹ The exception is Saudi Arabia whose vote share is high enough to “elect” its own Director. The Director nominated by Russia represents the votes of only one additional country, Syria.

¹² The World Bank Group provides details at <https://data.worldbank.org/data-catalog/gsdw-avpz> (last accessed September 7, 2017).

¹³ We do not explore other potentially important explanations for the IFC’s lending pattern, such as the institutional pressures for the IFC to grow and to generate funds for other branches of the World Bank Group.

The influence of international organizations' major shareholders on the organizations' policies has been investigated before. Among others, international organizations grant their major shareholders and their shareholders' political allies more and larger loans at more generous terms and with shorter preparation times, better growth and inflation forecasts and policy surveillance reports, and better risk ratings in the Debt Sustainability Framework of the World Bank and the International Monetary Fund (IMF).¹⁴ These types of political influences have received particular attention for the IMF, the International Development Association (IDA), and the International Bank for Reconstruction and Development (IBRD). We expect the same mechanisms to hold for the IFC. The governing structure of the IFC is very much in analogy to that of the IMF, and the other World Bank Group institutions. In fact, its Board of Directors is identical to those of the IDA and the IBRD.¹⁵ To the extent that the other institutions of the World Bank Group are receptive to shareholder influence, there is little reason to expect this influence to be absent from IFC lending.

Countries represented on the IFC's Board of Directors have direct control over the loans approved by the IFC. We thus expect the countries that are represented there to receive more favorable treatment. As Kaja and Werker (2010) point out, the boardroom culture created by frequent meetings within the same group of decision-makers leads to the Directors engaging in logrolling behavior. The Board is thus likely to support loans that are in the interest of a specific director, who in turn supports loans in the interest of other members of the Board. Indeed, the results of Kaja and Werker (2010) show that countries represented on the Board receive substantially more loans from the IBRD compared to what these same countries receive at other times, including the years directly before joining the Board and after leaving the Board. Until the World Bank's Country Policy and Institutional Assessment (CPIA) gained substantial weight in the decision of which countries receive IDA support in recent years, the same was true for the IDA (Morrison 2013).¹⁶ Given the similarity between these organizations and the IFC we expect that countries represented on the IFC's Board of Directors as well as their allies will receive larger IFC loans at times they request them.

Previous research has indeed shown that countries of importance to the World Bank's major shareholders receive more and larger loans from the IDA and the IBRD. A widely used proxy for political importance is membership on the UNSC. This follows the seminal work by Kuziemko and Werker (2006) who show that temporary UNSC members receive a surge in foreign aid from the United States during the two years of their membership. The United States apparently cares a great deal about the UNSC,¹⁷

¹⁴ See Aldenhoff (2007), Kuziemko and Werker (2006), Dreher et al. (2008), Kaja and Werker (2010), Fratzscher and Reynaud (2011), Vreeland and Dreher (2014), Dippel (2015), Kilby (2011, 2013, 2015), Kersting and Kilby (2016), Lang and Presbitero (2017). For a broader overview of the political economy of international organizations see Dreher and Lang (2016).

¹⁵ This is even though some members of the IBRD are not members of the IDA or IFC.

¹⁶ See Malan (2016) for similar results on the IMF.

¹⁷ Also see Lai and Lefler (2016).

and the same holds for other important shareholders of the World Bank (Vreeland and Dreher 2014). With respect to the World Bank, Dreher et al. (2009b) find that temporary members receive substantially more IBRD and IDA projects during their time on the UNSC.¹⁸ They attribute this to the interests of the major shareholders in doling out favors to countries of importance to them and the resulting shareholders' pressure on the Bank for more favorable terms. Given that the major shareholders of the World Bank care about whether or not a country is a member of the UNSC, we expect them to be attentive to these countries' interests at the IFC as well.

The second pillar in our theory – the influence of private companies on international organizations' lending behavior – is key in deriving our hypotheses, as it is these companies that apply for IFC loans. The motives of private companies have received much less attention than the direct interests of governments. Notable exceptions are Broz and Hawes (2006), Malik and Stone (2016) and McLean (2017).

Broz and Hawes (2006) focus on banks. They show that countries with larger exposure to U.S. banks are more likely to receive IMF programs and larger loans. They attribute this to the banks' influence over U.S. politicians and the politicians' power over the IMF. McLean (2017) investigates contract allocation in the IDA and the IBRD. As she explains (2017: 257): "donor governments pay significant attention to the inflow of contracts funded by multilateral aid to their economies due to domestic political and economic considerations."¹⁹ Malik and Stone (2016) point out that large multinational companies are important political actors, with some influence over both their home country and the country where they invest. They show that IDA and IBRD projects involving multinational U.S. companies receive larger disbursements and better evaluations relative to their performance, compared to other companies. Malik and Stone investigate political influences at the disbursement – rather than the commitment – level. They consequently attribute their result to lobbying with World Bank employees who are in charge of disbursing funds and evaluating projects.

Malik and Stone describe a number of channels by which private companies can influence the World Bank's decisions. Among them is lobbying with the local congressional office, which then passes on the company's request to the country's authorities in charge of the World Bank – the Treasury in case of the United States. A Treasury representative could then pass on the request to the United States representative on the Bank's Board of Directors, in charge of approving loans, or to the director of a specific department preparing the loan.²⁰ For everyone involved complying is easier than ignoring

¹⁸ Kersting and Kilby (2017) show that UNSC membership is an important determinant of the Bank's supplemental loans.

¹⁹ Broz and Hawes (2006) and Broz (2008, 2011) show that this holds true for U.S.-policies on international organizations as well. They show that U.S. commercial banks hold some sway over how U.S. congress legislates the IMF.

²⁰ Parížek (2017) shows that powerful states are over-represented among the staff of international organizations' secretariats, which facilitates the exercise of power over them. Also see Novosad and Werker (2018).

the request. As Malik and Stone (2016: 8) put it “Lobbying is effective because the chain of delegation ensures that there is no one holding the door shut.” As they explain (p. 8), the congressional office routinely forwards requests like these, because compliance comes at almost no cost, while non-compliance might easily become costly in the future. The Treasury to some extent depends on congressional votes to pass appropriations bills, while costs to put pressure on the World Bank are hardly significant.²¹

Overall, our argument is thus an indirect one. Private companies have a clear interest in receiving the IFC’s loans. This is because, even though the interest rates on loans are comparable to market rates, IFC loans are subsidized. The IFC raises its funds in the international debt markets. Due to its high paid-in capital it has a AAA rating and can borrow at prime conditions. The IFC does not pay dividends to its shareholders and is exempt from corporation taxes. These subsidies are to some extent passed on to borrowers, in the form of longer maturing loans or longer grace periods compared to market conditions (Te Welde and Warner 2007). As Te Welde and Warner (2007) point out, technical assistance – underpriced compared to market conditions – is a key subsidy in support of IFC projects. What is more, complementary private money might be more easily available for projects with IFC support, for example because private creditors rely on the IFC’s screening of projects or expect preferential political treatment for these projects in the recipient country.²²

Private companies lobby their national government which, in turn, either holds some influence at the IFC itself, or uses its political influence with other governments that are powerful in the IFC (for example because they hold positions on the UNSC). We expect companies to lobby the government of the country where the projects are implemented as well. Large multinational corporations can have substantial influence on low- and middle-income governments (e.g., Jensen 2008). These governments arguably have an interest in promoting business in their country, in particular if it comes at little cost to them. Using their seat on the IFC Board or their clout with important shareholders of the IFC, we expect recipient country governments to give in to companies’ demands, and extend their influence at times they have some.

In summary, we expect country representation on the UNSC and the IFC’s Board to result in larger loans to companies from that country. We also expect that the larger the number of actors interested in a certain Board decision, the easier it will be to build an effective coalition in the Board that favors this outcome. The effect of these countries’ presence on projects in their shared interest could easily be larger than the sum of their individual influences. We therefore investigate the joint

²¹ Oatley and Yackee (2004) argue that commercial banks’ influence in part runs through domestic interest groups within the United States. U.S. policymakers are receptive to U.S. commercial bank pressure to use their privileged access to IMF decision-making to represent the banks’ interests in the Fund.

²² This might work across similar lines as the IMF’s “seal of approval” – the catalyzing impact attributed to IMF programs with respect to private capital flows (e.g., Biglaiser and DeRouen, 2010).

influence of the government in the country receiving the project and the government of the company implementing it as well. We expect that loan size will be maximal during times of joint representation. This should hold most with respect to the low- or middle-income countries receiving the project, which are arguably less well politically connected compared to rich country governments and will find it more difficult to muster effective support from the IFC's shareholders at times they do not form such coalitions.

3. Data and Method

Our key dependent variable is new IFC loan amounts committed. These data are available from the World Bank Group's website.²³ Crucially, we require data on the country of investment ("recipient country") and on the country of the project company ("sponsor"). While the former can easily be extracted from the World Bank Database, the latter had to be hand-coded for each individual project based on the information about the project company's headquarters given on the website.²⁴ For example, the project sheet for the Mövenpick project in Ghana given in the introduction details that the project company is KHI Ghana Limited, which is a fully owned subsidiary of Kingdom Hotels Investments, owned by Prince Walid of Saudi Arabia. We therefore coded Ghana as the country receiving the project and Saudi Arabia as the sponsor.

Appendix A shows the shares of projects and loan volumes committed to the 30 largest sponsor and recipient countries. As can be seen, the highest percentage of loan volumes has been committed to companies from the United States with 7.8 percent of overall commitments and 4.8 percent of all projects over our sample period. In addition to the United States, the ten sponsor countries receiving the bulk of IFC funding are Brazil, India, Turkey, China, Russia, France, Mexico, the United Kingdom, and Indonesia. Overall, companies from these ten countries received almost half (49 percent) of the total investment volume in our sample period.²⁵ The largest recipient country is India, with a share of 8.5% of total IFC commitments over the sample period. Just nine countries received more than half of the IFC's loan commitments.

Our variables of interest are membership on the IFC's Board of Directors and membership on the UNSC. We code a binary indicator showing whether or not a country was represented on the IFC's Board of Directors relying on information from the World Bank's Annual Reports for our sample years.

²³ See [http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/\\$\\$Search?openform](http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/$$Search?openform) (last accessed April 29, 2017).

²⁴ As an interesting extension, future research might consider coding the individual shareholders of multinational companies as well.

²⁵ Note that a substantial number of projects in a specific host country are implemented by a company from the same country (69 percent of the loans; 67 percent of the projects). However, in 27 percent of the observations with such projects at least one additional project is implemented by a company from another country.

We updated data on temporary membership on the UNSC from Dreher et al. (2009a) and added the five permanent members – United States, China, Russia, United Kingdom, and France.²⁶

Our first set of regressions focus on the benefits to the recipient country.²⁷ They are consequently at the recipient-year level:

$$y_{it} = \beta_1 Member_{it} + \beta_2 Partner Member_{it} + \beta_3 Member_{it} * Partner Member_{it} + \beta_4 \#Partners_{it} + \beta_5 GDPpc_{it-1} + \beta_6 Population_{it-1} + \gamma_i + \tau_t + \varepsilon_{it}, \quad (1)$$

where y_{it} are (logged) IFC loan amounts committed to recipient country i in year t , in constant 2010 US\$.²⁸ $Member_{it}$ represents positions of power that country i holds in a year t – either resulting from membership on the UNSC or from membership on the Board of the IFC.²⁹ $Partner Member_{it}$ tests whether a country's IFC loans turn out larger at times where it receives greater support from other influential governments. More precisely, it measures the share of a country's project partners that are represented on the Bank's Board or hold positions as members of the UNSC. A country is coded as partner when it sponsors at least one project in a specific recipient country in a given year. While we include projects where the sponsor and recipient countries are identical in most regressions, we do not code recipients to be their own partners (i.e., the share variable is zero for countries that only receive projects which are implemented by companies from the same country). The interaction between $Member_{it}$ and $Partner Member_{it}$ tests the effect of their joint presence over and in addition to them being present themselves.

In most regressions, we also control for the total number of a country's project partners ($\#Partners_{it}$). We thus test whether countries that are equal in terms of the overall number of their partners receive larger loans when these partners are more influential. This is an important variable to control for in our setting. At any point in time, a country's influence in the IFC is likely to increase with the number of its project partners – whether or not these partners are represented on the Board. This influence arguably gives them easier access to loans. At the same time, the number of partners is highly correlated with the share of partners in positions of influence.³⁰ Controlling for the number of project

²⁶ The previous literature excludes the permanent members given that they are multicollinear with country fixed effects included in most studies. Given that we focus on interactions between members with positions on the UNSC these permanent members add variation even in the presence of country fixed effects.

²⁷ We exclude high-income economies from the set of recipient countries, as they are not eligible for IFC financing. However, there are some exceptions of high-income countries receiving projects anyway. We keep the high-income countries with at least one project approved in our recipient sample. This makes a total number of 155 potential recipient countries, of which we lose two in the regressions below, due to missing data for our control variables.

²⁸ We added one dollar to all values before taking the logarithm to avoid losing zero observations.

²⁹ In what follows, we refer to positions on the UNSC or the IFC Board as positions of power, or influence.

³⁰ Most obviously, a country with more partners has a higher probability that the share of its partners holding positions of influence exceeds zero in any year.

partners is thus essential for our identification strategy, as we would otherwise not be able to separate the influence of the share of partners in positions of influence from that of the number of partners itself. We also include an interaction between a country's influence and the influence of its total number of partners to test whether their joint influence gives them larger sway, above the sum of their individual powers. We include this interaction for the same reason we include the number of project partners per se: At any time a country enters positions of influence it is likely to be more successful in achieving its goals with a larger number of project partners, independent of whether these partners hold extraordinary positions of influence at the same point in time.

We control for (lagged and logged constant 2010 US\$) GDP per capita of the recipient country as well as its (lagged and logged) population. All regressions include dummies for each recipient country (γ_i) and year (τ_t); finally, ε_{it} represents the error term. The inclusion of country fixed effects is of particular importance. Members of the UNSC and the IFC's Board of Directors systematically differ from non-members, on average (Vreeland and Dreher 2014). We therefore compare the amount of loans a country receives at the time it holds extraordinary power compared to what the same country receives from the IFC at other times. This does not fully rule out endogeneity of IFC Board membership, where countries tend to hold positions for protracted periods of time, and thus might be different in other respects compared to the same country at other times. With regards to UNSC membership however the inclusion of country-fixed effects makes it unlikely that omitted variables bias our estimates. While larger and more developed countries enter the UNSC more frequently than others, these variables do not predict the timing of temporary membership (Dreher et al. 2014). Temporary membership on the UNSC is limited to two years, with no immediate re-election possible. Given that most countries announce their intention to compete for a seat on the UNSC many years in advance, and 80% of the elections are uncontested, it is unlikely that a country receives higher IFC loans for exactly the two years of membership for any reason unrelated to membership itself (Dreher et al. 2014, Mikulaschek 2017). This is even more true for the share of a country's project partners that hold a seat on the UNSC at any particular point in time.

To further increase confidence that membership on the UNSC and the Board of Directors are not driven by time-varying country-specific variables that are correlated with the amount of IFC loans, we also estimate specifications that exclude the interaction between recipient and sponsor influence (thus reducing complexity), but instead include leads and lags of our membership variables. Countries might become more important over time. As a consequence, they receive larger IFC loans while, at the same time, they might be more likely to enter the UNSC or the Board of the IFC's Directors. A more important country might have more important partners, so that the share of a country's project partners on the UNSC and the Board might increase as well. To test whether time-varying country-specific events bias our estimates we rely on the following specification:

$$y_{it} = \sum_h \beta_{I,h} Member_{ih} + \sum_h \beta_{P,h} Partner Member_{ih} + \beta_1 \#Partners_{it} + \beta_2 Member_{it} * \#Partners_{it} + \beta_3 GDPpc_{it-1} + \beta_4 Population_{it-1} + \gamma_i + \tau_t + \varepsilon_{it}, \quad (2)$$

with h indicating the years $t-2$ to $t+2$. Any trend in country-specific time-varying variables that affects the probability that a country or its project partners enter positions of influence should be reflected in the years before or after a country holds such a position. It is often known years in advance who will run for election and, as in the bulk of cases election is uncontested, who will eventually be elected. For example, European countries announce their decision to run for election between five and fifteen years ahead of the actual election (Mikulaschek 2017). For these countries it is, more often than not, known at least five years in advance – when no other country decided to run – who will be on the UNSC in future (Mikulaschek 2017).

The logic of diffuse reciprocity discussed in Vreeland and Dreher (2014) for the IMF and the World Bank leads us to expect significant increases in loans in the years immediately prior to membership. Countries in positions of power are not necessarily bribed or rewarded for any particular vote they cast in line with the interests of powerful allies on the UNSC (or the IFC Board). Instead, these allies hold them in their debt by supporting their requests as soon as it becomes known that these countries will hold positions of power, relying on these countries' goodwill when casting votes in decisions to come (also see Thorvaldsdottir 2015, Mikulaschek 2017). Given that in many cases it is well known which country will be on the UNSC or hold a seat on the IFC's Board in one or two years, it might well be that loans increase in the immediate years before a country enters the UNSC or the Board. We take this as an advantage rather than a disadvantage of our estimation strategy. While the timing of UNSC membership is idiosyncratic,³¹ the consequences of membership might not be, and might potentially be correlated with IFC loan size. As one example, joint membership in international fora might lead to enhanced opportunities for cooperation between countries, so that more IFC projects result from such cooperation at the time of membership. Given the manifold possibilities of interaction between countries outside these fora, we consider this unlikely.³² In any case, the effects of cooperation can hardly explain an increase in IFC loans *prior to entering* the IFC Board or the UNSC.

³¹ We are not aware of studies that investigate the determinants of membership on the IFC's Board across countries. For a study of Switzerland's election to the Boards of the IMF and the World Bank – and thus, implicitly, of the IFC – see Vreeland (2011).

³² To the extent that shared positions on the Board and the UNSC improve information about IFC projects, we would expect countries with previous experience there to receive more projects compared to those without. Membership should then become less important as determinant of IFC projects over time, given the easier spread of information via modern technology and due to the increase in IFC activity over time. We find no evidence for this.

Some projects agreed on during a country's time on the UNSC or Board might also formally be committed only in the following years, so that larger loans occur in the first or second year following the end of a country's term in these positions of influence. However, the significance of longer lags would threaten the plausibility of our identification strategy.

In a second step we change perspectives, focusing on sponsor- rather than recipient-countries.³³ We repeat the regressions shown in specifications (1) and (2), explaining (logged) loan commitments to sponsor country j :

$$y_{jt} = \beta_1 Member_{jt} + \beta_2 Partner Member_{jt} + \beta_3 Member_{jt} * Partner Member_{jt} + \beta_4 \#Partners_{jt} + \beta_5 GDPpc_{jt-1} + \beta_6 Population_{jt-1} + \gamma_j + \tau_t + \varepsilon_{jt}. \quad (3)$$

While the regression is similar to those discussed above, note that $Partner Member_{jt}$ now reflects the membership of countries receiving the IFC's loans, rather than other sponsor countries. We also test an event-time specification, in analogy to that discussed above.

Our third set of regressions investigates the interaction among recipient- and sponsor-power in more detail. We aim to test potential mechanisms behind the expected increase in IFC loans at times where countries enjoy (joint) political power. While focusing on the country-year level is crucial to test whether and to what extent temporarily influential countries benefit from their positions overall, regressions at the recipient-sponsor-year level can help shedding light on the mechanisms driving such increases. Specifically, we test whether countries on the UNSC or the Board of Directors receive a larger number of projects or larger projects, on average, when they operate in tandem with countries that also hold positions of influence. We therefore proceed at the dyadic level and estimate:

$$y_{ijt} = \beta_1 Member_{it} * Member_{jt} + \sum_k \beta_k Control_{kijt-1} + \gamma_{it} + \delta_{jt} + \tau_{ij} + \varepsilon_{ijt}, \quad (4)$$

with y_{ijt} representing one of our dependent variables (number of projects or (logged) average project volumes committed) involving projects to recipient country i and a company from sponsor country j in year t . $Member_{it}$ reflects the recipient country's influence at the IFC in year t , either indicated by membership on its Board of Directors or on the UNSC. $Member_{jt}$ measures the influence of the sponsor country. The levels of these variables are captured by fixed effects for recipient-years (γ_{it}) and sponsor-years (δ_{jt}). Our variable of interest is the interaction between the two, $Member_{it} * Member_{jt}$, which measures the joint influence of the recipient country and the sponsor country.

³³ We include all 184 IFC member countries as potential sponsor countries (of investing companies), but exclude two of them from our regressions due to missing data on the control variables. 163 of these countries actually are "sponsor countries" in our sample period.

We include a number of control variables that vary at the recipient-sponsor-year level. Our most conservative regressions also include dyadic sponsor-recipient-fixed effects (τ_{ij}). At the dyad-year level, we control for whether, in year $t-1$, the recipient and sponsor country shared a common currency. We include the (lagged and logged) amount of foreign aid from the sponsor to the recipient country, the (lagged and logged) recipient country's imports from the sponsor, and a binary variable indicating whether both countries were part of the same trade agreement in the previous year.³⁴

We also estimate less conservative regressions, excluding dyad-fixed effects. These regressions in addition include a binary variable indicating that for a specific project the sponsor is identical to the recipient. We control for whether the sponsor and recipient share a border ("Neighbors"), a common official language or minority language, ethnicity, colonizer, or legal origin. We include a variable indicating a colonial relationship between the two (after 1945) and control for the population-weighted distance between them as well as their time difference, and for whether one of the two countries is a current or former hegemon of the other ("Recipient Hegemon" and "Sponsor Hegemon").³⁵ Finally, ε_{ijt} is the error term.

4. Results

Table 1 shows the results for specification (1), at the recipient-country-year level. Columns 1-4 start with simple regressions that exclude the number of partners and the two interactions. While these regressions ignore the potential bias arising from countries with more partners also having a higher share of partners in positions of influence, they are appealing due to their comparably straightforward interpretation. According to the results, IFC loan size increases significantly with the share of a country's partners on the IFC's Board (column 1) or the UNSC (column 2), while there is no significant effect of a country's membership itself (though the coefficient in column 1 is only marginally insignificant).³⁶ Columns 3 and 4 exclude loans that are executed by a country's "own" companies. The results are similar, though the coefficients for the share of a country's partners in positions of influence increase substantially.

³⁴ The indicators for a common currency and a joint regional trade agreement are taken from Head et al. (2010), data on gross aid disbursements from the OECD (2017), and data on imports from the sponsor to the recipient from the IMF (2016). All monetary values are logged constant 2010 US\$. See Appendix B for details. Note that the number of countries is slightly lower compared to the monadic regressions, due to missing data for control variables.

³⁵ Appendix B shows the definitions and sources for all variables, while Appendix C provides descriptive statistics. One might also think of controlling for recipient and sponsor country voting power at the IFC, their (log) real per capita GDP and (log) population size. These variables however are captured by the set of fixed effects we include.

³⁶ Results are similar when we control for a country's number of partners, though the coefficients of a country's share of partners in positions of influence are half in size, as could be expected. Results are also similar in regressions with a binary dependent variable that indicates the presence of at least one project, as well as in regressions explaining the amount of loans conditional on receiving at least one project (i.e., in the first and second stage of a two-step model).

Columns 5 and 6 report the full specification (1). The results show that loan size increases with the number of partners a country has projects with and its (logged) per capita GDP, at least at the five-percent level of significance, but not with its population. Column 5 again focuses on the IFC's Board of Directors; column 6 shows the results for membership on the UNSC. As can be seen, the interactions between a country's own positions of influence and the share of influential partners are positive and sizable. While the coefficient is marginally insignificant for IFC Board membership, it is significant at the ten-percent level for UNSC membership.³⁷ In both regressions, holding a seat, the share of partners holding a seat, and the interaction between the two is jointly significant at the one-percent level. The coefficients of column 6 imply that an increase in the share of a country's partners that hold a seat on the UNSC by ten percentage points increases loan size by 35 percent at times the recipient country is represented on the UNSC itself, compared to an increase of 15 percent at times it is not (the average loan in the sample being US\$ 27.4 million). According to column 5, the corresponding increases resulting from partner country representation on the IFC's Board are 40 percent and 23 percent.

Surprisingly, according to the coefficients of both column 5 and column 6, loan size decreases with the total number of partners at times a country holds a position of influence, at the one-percent level of significance. The coefficients imply that membership on the UNSC or the Board of Directors only benefits those 17 percent of our sample countries that enter these positions of power while they exclusively receive projects they themselves sponsor (i.e., the company implementing the project is from the same country). Given that this holds true for the economically and politically more powerful countries in our sample, our results seem to indicate that more powerful countries benefit from entering positions of power, while less powerful countries lose out.³⁸ Potentially, these results can be explained with the possibility of weaker countries receiving substantial increases in loans from another

³⁷ The extent to which countries vote the same as major shareholders of international organizations in the United Nations General Assembly (UNGA) is another widely used proxy for political influence (e.g., Humphrey and Michaelowa 2013). There is evidence that the United States government cares about UNGA voting and uses its foreign aid and power over international organizations to influence how countries vote. Andersen et al. (2006) show that countries voting more frequently in line with the United States receive substantially larger loans from the IDA. Kersting and Kilby (2016) provide evidence that World Bank disbursements accelerate during the run up to a competitive election if the recipient country government voted in line with the U.S. in the UNGA but decelerate if that government voted against the United States. Given that voting in the UNGA could be determined by omitted variables that also affect IFC lending we do not use it here. Note however that the average voting coincidence of a country's project partners in line with the United States (the major shareholder of the IFC) is significant at the one-percent level when it is included in the regressions of columns 5 and 6 instead of membership on the UNSC and the IFC's Board. A country's own voting pattern as well as an interaction between the two is not significant at conventional levels.

³⁸ When we split the sample according to a country's vote share in the IFC's Board we indeed find a significant and positive effect of membership on the IFC's Board and the share of partners on the Board (but not the interaction between the two) for countries with a vote share above the median. Focusing on those below, the impact of a Board seat turns negative and marginally insignificant, while the share of partners on the Board and the interaction between the two are significantly positive. We have also run similar regressions for the UNSC using a country's share of senior positions in the United Nations Secretariat to proxy for countries' influence in the United Nations (Novosad and Werker 2018). We find however no significant interaction between the share of senior positions and UNSC membership.

part of the World Bank Group, the International Bank for Reconstruction and Development (Dreher et al. 2009b, Kaja and Werker 2010).³⁹

In columns 7 and 8 we exclude the interaction between a country's influence and those of their partners. Column 7 focuses on the IFC's Board. The results show that loan size increases with the share of a country's partners that hold a seat at the Board, at the one-percent level of significance. The coefficient indicates that a one percentage point increase in the share of a country's partners that hold a seat on the Board of Directors increases loan size by 2.4 percent (the average share of a country's partners on the Board being 0.1 and the average loan size US\$ 27.4 million). At the five-percent level, the point estimate indicates that a seat at the Board increases loan size by more than 280 percent (as long as a Board member only receives projects that are implemented by its own companies).⁴⁰ Again, the effect of membership on the Board on loan size decreases with the total number of a country's partners. A seat on the Board can increase loan size when the number of partners is zero or one, depending on the share of partners that also hold a position on the Board. For example, a seat amounts to an increase in loan size of almost 90 percent for a recipient country with one partner that also holds a seat on the Board. The effect turns negative when the number of partners exceeds one (which holds for less than one percent of the recipient-years in our sample).

Column 8 shows that members of the UNSC do not receive larger loans (though the coefficient is positive, the t-value indicates that it is not precisely estimated). The results also show that a larger share of a country's project partners on the UNSC increase loan size at the one-percent level of significance. According to the estimate, a one percentage point increase in the share of a country's partners that hold a seat on the Board of Directors increases loan size by 1.68 percent.

Overall, we conclude that positions of power matter. We find robust evidence that the share of a country's partners holding positions of influence increases loan size. We find weaker evidence that a country's own position of power increases loans; the same holds for the interaction between recipient and sponsor power.

Table 2 investigates the timing of membership (specification (2) above). Neither IFC Board membership nor UNSC membership are unanticipated.⁴¹ We therefore test whether substantial changes in influence begin to occur in the years before a country enters a board or council position. As a placebo test, we also investigate loan size after membership has ended. When structural changes make a country more likely to enter influential positions in international fora and this influence is correlated with the number of IFC projects implemented in one country and executed by companies

³⁹ We intend to investigate the nexus between IFC and IBRD financing for countries holding positions of power in future work.

⁴⁰ For comparison, note that Kaja and Werker (2010) show that a seat at the Board increases IBRD loans by roughly 300 percent.

⁴¹ See Dreher et al. (2014), Vreeland and Dreher (2014), and Lai and Lefler (2017) for evidence on UNSC elections.

from another, it is unlikely that this change disappears at the time the country leaves its board or council position. To the extent that loans increase at times a country holds positions of influence but not thereafter and UNSC membership is uncorrelated with variables that typically determine lending by international organizations (as shown in Dreher et al. 2014), the increase during membership is arguably the consequence of membership itself, rather than those of structural changes more broadly. We follow Kuziemko and Werker (2006) and Kaja and Werker (2010) and include binary indicators for the two years before and after a country assumes membership on the UNSC and the IFC Board.

Column 1 shows that neither membership on the IFC's Board nor the share of project partners on the Board affects the size of previous or future loans, at conventional levels of significance. Compared to column 5 of Table 1 – excluding the leads and lags – results for our variables of interest are basically unchanged. Column 2 shows similar results for the UNSC. Note however that loan size increases with the share of project partners on the UNSC in t , and both in the year before and the year after a country's temporary membership. Given that most members announce their intention to run for election to the UNSC years in advance and the election takes place in September of the year before tenure begins, we are not surprised by the significance of the share of a country's partners on the UNSC on loan sizes in the election year. In fact, the logic of diffuse reciprocity outlined in Vreeland and Dreher (2014) for the IMF and the World Bank makes us expect the effect of political importance to be visible as soon as the election to the UNSC becomes likely (or even, in September, certain). To the extent that formal commitments are given with some delay, political power in one year could also explain increases in loans in the year after holding the position of influence. Note that loan size is unaffected two years before and two years after membership. The coefficients associated with the share of a country's partners on the UNSC increases from two years before to one year before; is largest in the year of membership, and then declines. Overall, this pattern is in line with our expectations.

Column 3 separates the first from the second year of membership on the UNSC.⁴² Results are basically unchanged. Note however that we observe the increase in loans resulting from a higher share of a country's partners being on the UNSC during the first year of membership, a result that is again in line with the logic of diffuse reciprocity. In column 4 we add an additional lag, given that a skeptical reader might remain unconvinced by previous specifications, showing the second year of the share of a country's partners on the UNSC to be just marginally insignificant, and positive in sign. As can be seen, the coefficient of the third lag is completely insignificant, and its introduction does not change any of the results. We thus conclude that the timing of effects is overall in line with our hypotheses.

⁴² We do not run this regression for the IFC's Board, given that tenure is not limited to a fixed number of years (among the non-permanent members the average number of years on the Board is 4.6 with a maximum of 21 years).

We next turn to the sponsor- rather than recipient-country (specification (3) above). Columns 1 and 2 of Table 3 show the full specifications. We then subsequently exclude the interaction between the sponsor country's position on the IFC or the UNSC with the share of its partners holding these positions (columns 3 and 4) and the number of the country's partners and its interaction with the share of partners in positions of influence (columns 5 and 6).

The results are overall similar to those at the recipient level. There is a strong and highly significant effect of the number of a sponsor-country's partners on the IFC Board and the UNSC on the volume of IFC lending the country receives. A country's presence on the Board also results in larger loans (at the one percent level), while the interaction between the country's own presence and those of a larger number of partners is again only marginally significant. A country's own presence on the UNSC and its interaction with the number of partners on the UNSC do not affect loan size, at conventional levels of significance. According to column 3, a one percentage point increase in the share of a country's partners that hold a seat on the Board of Directors increases loan size by 4.12 percent for countries that only receive projects that are implemented by its own companies, while a seat on the Board is rewarded with an increase of 267 percent. A one percentage point increase in the share of a country's partners on the UNSC increases IFC loans by 4.16 percent (column 4).

Columns 7 and 8 show that the increase in loans starts two years before membership, and holds in the first year a country's partners have left their positions of influence. There is no significant effect in the second year after the end of membership. Again, this pattern is broadly in line with our expectations.

Table 4 investigates the interaction between recipient and sponsor countries in more detail, focusing on potential mechanisms behind the (marginally significant) results in Tables 1 and 3. We test whether the increase in loan size resulting from joint positions of power can be explained by an increase in the number of projects or larger mean loan sizes between countries holding joint positions of influence. We therefore turn to the dyadic recipient-sponsor-year level (specification 4 above).

We focus on the presence of a recipient and sponsor country on the UNSC or the Board of Directors at the same point in time, netting out as much variation as possible. Controlled for dyad-specific fixed effects, recipient-year and sponsor-year fixed effects, and the variables varying at the recipient-sponsor-year level, we do not find a significant effect of joint sponsor- and recipient-country presence on either the Board of the IFC or the UNSC on the number of new IFC projects (columns 1 and 2).

Columns 3 and 4 exclude the dyad-fixed effects (and include the additional control variables that do not vary at the recipient-sponsor-level). At the one-percent level, the number of projects increases between countries in years they both hold a seat at the IFC's Board of Directors (column 3). According to column 4, the same holds in years the recipient and sponsor countries share membership

on the UNSC. The coefficients show that these effects are of moderate size. In years of joint membership on the Board (UNSC), 0.07 (0.11) additional projects are initiated between the two countries, according to our estimates.⁴³

Columns 5-8 replicate the regressions focusing on (log) mean loan size rather than the number of projects, with similar results. With the inclusion of the dyad-fixed effects, coefficients are not significant at conventional levels (columns 5 and 6). When we exclude them, we find that the average loan between two countries with joint membership on the Board (UNSC) is 32 percent (58 percent) larger compared to loans for countries without joint representation.

Overall, these results are in line with our hypotheses. The strictest specifications including dyad-fixed effects do not allow us to identify significant effects. This might potentially be because countries that share positions of power are different from those that do not at any point in time. Given that at least for the UNSC the timing of a country holding power – let alone the timing of two countries holding power at the same time – is random (Dreher et al. 2014, Mikulaschek 2017) we consider this unlikely. However, in order to increase the readers' confidence that dyad-specific, time varying factors that might be correlated with the number and mean size of IFC loans and joint membership on the Board do not bias our results, we further investigate these findings in Table 5.

Column 1 of Table 5 again focuses on the timing of IFC Board membership. Specifically, we include binary indicator variables for the four years before and the four years after joint membership on the Board. When IFC-supported countries are different at any point in time we would expect these leads and lags to be significant as well. To the extent that the coefficients shown in Table 4 represent the causal effect of joint membership, we expect the deeper lags to be insignificant. Increases directly before assuming positions of power could be attributed to diffuse reciprocity; increases directly after to delays between a company's application of a project and the actual commitment.⁴⁴

The results show significant coefficients for the years of membership as well as the year directly before and after leaving the Board. We interpret the insignificance of the deeper leads and lags as evidence in support of our hypothesis.

Column 2 turns to the UNSC. Rather than focusing on the full sample, we restrict our regressions to countries from the African continent. This is because the African seats on the UNSC follow a pattern closest to rotation, so that the timing of membership is most plausibly exogenous

⁴³ We also estimated these regressions with sponsor- and recipient-country fixed effects and year fixed effects instead, including $Member_{it}$ and $Member_{jt}$ rather than their interaction. Both coefficients are completely insignificant for UNSC membership and sponsors being IFC Board members. IFC Board membership of recipient countries is marginally significant with the expected positive coefficient.

⁴⁴ The IFC's project cycle includes seven stages prior to commitment: business development, early review, appraisal, investment review, negotiations, public notification, and Board review and approval. See http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/solutions/ifc-project-cycle (accessed July 10, 2017).

(Dreher et al. 2014, Vreeland and Dreher 2014).⁴⁵ Our results are similar to those for the full sample shown in column 4 of Table 4. Given the exogenous timing of UNSC membership of any specific country in Africa, the joint membership of any two countries is exogenous as well.

Column 3 adds the leads and lags, in analogy to those of column 1.⁴⁶ The results turn out to be similar to those of column 1. Joint membership on the UNSC increases the number of projects, at the five-percent level of significance. The same holds for the year of election to the UNSC, and the first and second year after UNSC membership (at the ten-percent level). However, the number of projects increases four years prior to membership as well, which might be due to the logic of diffuse reciprocity, omitted variables that we fail to control for, or random chance. Columns 4-6 replicate the regressions for (log) mean IFC loan size. Results are similar, though project size increases in the third year prior to membership as well.

Overall, our dyadic results are in line with the hypothesis that recipient and sponsor countries can exploit positions of joint influence to their benefit. At times they share a seat on the IFC's Board or the UNSC they receive more and larger projects. This increase occurs in the years prior to joining these organizations, but fades out afterwards. This pattern does not fit a potential alternative explanation for our main results, according to which the countries that are represented on the Board of the IFC or the UNSC might increase collaboration between themselves more broadly. If collaboration is the prime explanation, we would expect a different pattern: the number of IFC projects would only increase at the time of membership and would be likely to continue thereafter. We find this not to be the case. To the contrary, the patterns shown by the data are well in line with the logic of diffuse reciprocity: As soon as it is known that countries will assume positions of influence in future, influential countries hold them in their debt by granting favors they would not receive at other times. Importantly, such favors could be granted years ahead of actual membership on the UNSC or the IFC's Board of Directors. On average, we find a pattern that fits such a mechanism in the two years preceding membership.

5. Conclusions

Two thirds of the IFC's investments go to companies from the world's richest countries, while only one fifth go to companies of the poorest ones (Ellmers et al. 2010). What is more, the bulk of the IFC's investments benefits projects implemented in middle-income countries, rather than poorer ones (Ellmers et al. 2010). The majority of its projects do not serve obvious development goals.

⁴⁵ Note that Africa has three seats on the UNSC. There are 114 country-year observations of joint membership in our sample. Aid disbursements are excluded in this regression as no aid is disbursed from African sponsors to African recipient countries.

⁴⁶ We also estimated this regression for the full sample. While the interaction between recipient and sponsor membership on the UNSC is significant at the one-percent level, the regressions excluding dyad-fixed effects do not seem to sufficiently control for omitted variables, so that leads and lags turn out to be significant as well.

In this paper, we argued that coalitions between middle-income countries receiving the bulk of the IFC's projects and countries representing the companies that receive the loans influence IFC decisions in their favor. Our results based on more than 3,000 IFC projects over the 1995-2015 period show that during the years that countries are jointly represented at the IFC Board or the UNSC they indeed attract significantly more and larger IFC projects. Recipient and sponsor countries receive larger overall lending as well, at times they and – most robustly – a larger share of their project partners are in positions of influence. These results are in line with the pattern of IFC lending at large.⁴⁷

IFC lending distorts markets in two ways. First, the IFC competes with alternative types of financing. Due to exemptions on dividends and corporation tax, it can offer better deals compared to private competitors. Coming back to the Mövenpick example from the introduction, we find it hard to believe that no private lender would have been willing to finance the project, even with the ongoing financial crisis. Second, IFC-funded investors receive an unfair advantage over their competitors. The subsidized loan to Mövenpick, for example, gives it an edge over other hotels in Accra, who have access to capital on inferior terms.

Additionally, the IFC's lending is unlikely to result in the most efficient allocation of funds to achieve its mandate of "ending of extreme poverty." According to the results in Dreher et al. (2017) political motives in granting foreign aid reduce the effectiveness of the aid in promoting economic growth. To the extent that IFC lending is driven by the interests of powerful companies rather than the interests of the poor, we expect these loans to be less successful in reducing poverty.⁴⁸

Our results also speak to the policy debate on leveraging private funding for development. The 2015 Addis Ababa Action Agenda and Germany's recent "Compact with Africa" are just two of the recent examples for development initiatives highlighting the need to combine private and official efforts in financing sustainable development. The World Bank's President envisions the Bank to become a broker that leverages private capital rather than mainly providing its own funds.⁴⁹ To the extent that the allocation of these funds can be shaped by the politically powerful, they might instead be captured to finance projects that benefit powerful middle-income countries and the companies that implement the projects. The additional funds might then be ineffective in achieving development

⁴⁷ Note that we do not claim to explain the IFC's lending pattern in total. Like other international bureaucracies, IFC management and staff face incentives to expand their mandate if they can (Vaubel et al. 2007). What is more, the IFC's profits generate funds for other branches of the World Bank Group. IFC staff thus has incentives to increase the volume of lending whenever there is demand for their loans. Loans to companies from richer countries are typically larger and repayment is more secure, arguably resulting in larger loans to richer countries.

⁴⁸We would like to test this proposition making use of the World Bank's Independent Evaluation Group data. Unlike for the IBRD and IDA these data are however not available to the public at the project level. Preliminary tests with country-level data show no significant effect of lagged membership on the Board or UNSC on the share of projects with a positive evaluation. Interestingly, there is some evidence that evaluations improve with countries' contemporaneous positions of power, however. The benefits of these positions could thus extend to the project evaluation stage as well.

⁴⁹ Again see the reference given in footnote 9.

goals, just as political considerations in allocating official aid make the aid less effective in raising growth.

Fundamental reforms would be required. However, the interests represented by the IFC's major shareholders hardly focus on poverty reduction. The voting power of the world's poorest countries, where companies' access to private capital is scarcest, is minuscule. So is the political influence of companies that implement projects with mainly developmental aims in mind compared to largely commercially oriented multinational conglomerates. We therefore expect that – given the incentives of the political coalitions involved and these countries' voting power in the IFC – reforming the IFC will be all but impossible. Those who would gain from a more development-oriented policy are politically weak.

The limited influence of emerging powers in the IFC and the reluctance of major shareholders to agree to substantial reforms have contributed to China initiating the Asian Infrastructure Investment Bank (AIIB), which also has a mandate to lend to the private sector. Its governing structure is however similar to the IFC's, with mainly rich countries being represented on its Board of Directors. Investigating the influence of private companies and coalitions between countries representing the investor and those receiving the investment projects funded by other international organizations is an important question that we leave to future research.

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Table 1: IFC Loans to Recipient Countries, 1995-2015, OLS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC
IFCEB/UNSC	0.714	-0.339	0.364	0.581	1.260**	0.544	1.342**	0.626
	(1.60)	(0.61)	(0.68)	(1.33)	(2.28)	(0.86)	(2.57)	(1.01)
IFCEB/UNSC partner (share)	7.459***	7.224***	12.675***	11.881***	2.044***	1.406**	2.364***	1.665***
	(14.55)	(11.95)	(30.71)	(20.02)	(4.08)	(2.45)	(4.71)	(3.26)
Member*Share of partners					1.356	1.591*		
					(1.07)	(1.66)		
Member*Number of partners					-3.459***	-3.814***	-3.074***	-3.547***
					(4.64)	(5.68)	(4.03)	(5.11)
Number of partners					5.232***	5.690***	5.087***	5.623***
					(9.16)	(10.96)	(9.35)	(11.03)
GDP p.c. (log, t-1)	2.771**	2.396**	0.576	-0.136	2.688**	2.600**	2.672**	2.586**
	(2.36)	(2.11)	(1.05)	(0.25)	(2.39)	(2.33)	(2.38)	(2.32)
Population (log, t-1)	0.883	1.448	0.090	1.012	1.050	1.388	1.036	1.375
	(0.42)	(0.70)	(0.08)	(0.78)	(0.54)	(0.72)	(0.53)	(0.71)
Own loans included?	Yes	Yes	No	No	Yes	Yes	Yes	Yes
Number of observations	3,145	3,145	3,145	3,145	3,145	3,145	3,145	3,145
Number of recipient countries	153	153	153	153	153	153	153	153
R-squared (within)	0.13	0.08	0.35	0.20	0.18	0.18	0.18	0.18

Notes: Robust t-values (clustered at the recipient-level) in parentheses. All regressions include country fixed effects. *** p<0.01, ** p<0.05, * p<0.1

Table 2: IFC Loans to Recipient Countries, Event-Time Specification, 1995-2015, OLS

	(1)	(2)	(3)	(4)
	IFCEB	UNSC	UNSC	UNSC
IFCEB/UNSC (t-2)	0.826 (0.93)	-0.258 (0.36)	-0.266 (0.37)	-0.627 (0.85)
IFCEB/UNSC (t-1)	0.790 (0.99)	0.067 (0.10)	0.050 (0.07)	0.099 (0.13)
IFCEB/UNSC (t)	1.395* (1.97)	0.750 (1.22)		0.802 (1.27)
UNSC first year (t)			1.335 (1.62)	
UNSC second year (t)			0.112 (0.14)	
IFCEB/UNSC (t+1)	0.282 (0.28)	0.340 (0.47)	0.338 (0.47)	0.370 (0.47)
IFCEB/UNSC (t+2)	-0.675 (0.50)	0.100 (0.11)	0.086 (0.10)	-0.347 (0.38)
UNSC (t+3)				1.202 (1.52)
IFCEB/UNSC partner (share, t-2)	-0.436 (0.64)	0.428 (0.56)	0.393 (0.51)	0.572 (0.72)
IFCEB/UNSC partner (share, t-1)	0.869 (1.24)	1.436** (2.30)	1.424** (2.27)	1.253* (1.92)
IFCEB/UNSC partner (share, t)	2.390*** (3.31)	2.301*** (3.77)		2.260*** (3.41)
UNSC partner first year (share, t)			2.583** (2.42)	
UNSC partner second year (share, t)			-0.451 (0.43)	
IFCEB/UNSC partner (share, t+1)	0.325 (0.44)	1.533** (2.19)	1.534** (2.21)	1.333* (1.75)
IFCEB/UNSC partner (share, t+2)	-0.065 (0.09)	1.425 (1.53)	1.371 (1.47)	1.546 (1.54)
UNSC partner (share, t+3)				0.214 (0.25)
Number of partners (t-3)				0.206 (0.75)
Number of partners (t-2)	0.501* (1.78)	0.231 (0.82)	0.240 (0.85)	0.170 (0.61)
Number of partners (t-1)	1.108*** (3.71)	0.983*** (3.41)	0.988*** (3.44)	1.025*** (3.23)
Number of partners (t)	5.077*** (9.26)	5.517*** (11.58)	5.552*** (11.48)	5.516*** (11.95)
Number of partners (t+1)	-0.017 (0.07)	0.037 (0.16)	0.024 (0.11)	0.084 (0.35)
Number of partners (t+2)	0.206 (0.78)	-0.050 (0.19)	-0.053 (0.20)	-0.086 (0.33)
Number of partners (t+3)				-0.043 (0.16)
IFCEB/UNSC * Number of partners (t)	-3.341*** (4.19)	-3.666*** (5.42)	-3.570*** (4.88)	-3.875*** (5.51)
GDP p.c. (log, t-1)	2.259** (2.00)	2.056* (1.85)	2.056* (1.85)	2.174* (1.90)
Population (log, t-1)	0.081 (0.04)	0.341 (0.16)	0.333 (0.16)	-0.667 (0.30)
Number of observations	2,843	2,843	2,843	2,554
Number of recipient countries	153	153	153	153
R-squared (within)	0.19	0.19	0.19	0.18

Notes: Robust t-values (clustered at the recipient-level) in parentheses. All regressions include country fixed effects. *** p<0.01, ** p<0.05, * p<0.1

Table 3: IFC Loans to Sponsor Countries, 1995-2015, OLS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC
IFCEB/UNSC (t-2)							1.451*	1.153*
							(1.80)	(1.73)
IFCEB/UNSC (t-1)							1.467	0.425
							(1.65)	(0.57)
IFCEB/UNSC (t)	1.242***	0.235	1.299***	0.228	0.797*	-0.539	2.119***	0.492
	(2.61)	(0.43)	(2.70)	(0.41)	(1.80)	(1.05)	(2.82)	(0.78)
IFCEB/UNSC (t+1)							0.787	0.417
							(0.86)	(0.51)
IFCEB/UNSC (t+2)							-0.768	0.688
							(0.71)	(0.93)
IFCEB/UNSC partner (share, t-2)							3.130***	3.589***
							(3.43)	(4.31)
IFCEB/UNSC partner (share, t-1)							1.876*	1.161
							(1.92)	(1.15)
IFCEB/UNSC partner (share)	2.736**	4.196***	4.037***	4.073***	8.720***	8.075***	5.525***	5.250***
	(2.46)	(4.81)	(5.73)	(5.89)	(11.19)	(8.84)	(7.02)	(6.64)
IFCEB/UNSC partner (share, t+1)							1.824**	2.333**
							(1.98)	(2.37)
IFCEB/UNSC partner (share, t+2)							0.996	0.801
							(0.82)	(0.71)
Member*Share of partners	2.518*	-0.488						
	(1.89)	(0.30)						
Number of partners (t-2)							-0.231	-0.308
							(0.88)	(1.29)
Number of partners (t-1)							-0.150	-0.260
							(0.71)	(1.40)
Number of partners (t)	7.447***	5.297***	7.181***	5.311***			7.172***	5.366***
	(5.68)	(4.88)	(5.79)	(4.98)			(6.04)	(5.15)
Number of partners (t+1)							0.243	0.325
							(1.01)	(1.34)
Number of partners (t+2)							-0.132	-0.130
							(0.45)	(0.50)
Member*Number of partners (t)	-4.702***	-2.974**	-4.367***	-3.010**			-4.302***	-2.965**
	(3.17)	(2.26)	(3.10)	(2.41)			(3.11)	(2.43)

GDP p.c. (log, t-1)	3.039*** (2.64)	3.156*** (2.68)	3.045*** (2.64)	3.159*** (2.68)	3.427*** (2.70)	3.556*** (2.77)	2.284** (2.06)	2.401** (2.10)
Population (log, t-1)	2.077 (0.99)	1.871 (0.86)	2.117 (1.01)	1.871 (0.86)	2.768 (1.16)	2.652 (1.10)	0.217 (0.10)	-0.053 (0.02)
Number of observations	3,746	3,746	3,746	3,746	3,746	3,746	3,386	3,386
Number of sponsor countries	182	182	182	182	182	182	182	182
R-squared (within)	0.153	0.141	0.153	0.141	0.08	0.07	0.161	0.148

Notes: Robust t-values (clustered at the sponsor-level) in parentheses. All regressions include country fixed effects. *** p<0.01, ** p<0.05, * p<0.

Table 4: IFC Projects and Mean Investments at the Sponsor-Recipient-Dyad, 1995-2015, OLS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Projects				Mean investment (log)			
	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC	IFCEB	UNSC
Sponsor and recipient on IFCEB/UNSC	0.001 (0.42)	0.011 (1.06)	0.069*** (2.80)	0.114** (2.56)	0.026 (1.18)	0.025 (0.60)	0.280*** (4.77)	0.460*** (4.06)
Aid disbursements (log, t-1)	0.000** (2.32)	0.000** (2.29)	0.000 (0.35)	0.000 (0.54)	0.004*** (3.75)	0.004*** (3.75)	0.004*** (5.53)	0.005*** (5.68)
Imports from sponsor (log, t-1)	-0.000** (2.23)	-0.000** (2.23)	-0.002*** (3.56)	-0.002*** (3.55)	-0.001*** (3.10)	-0.001*** (3.12)	-0.006*** (5.82)	-0.006*** (5.83)
Regional trade agreement (t-1)	-0.001 (0.87)	-0.001 (0.87)	0.005* (1.85)	0.005* (1.87)	-0.017 (0.95)	-0.017 (0.94)	0.023** (2.26)	0.024** (2.31)
Common currency (t-1)	0.002* (1.75)	0.002 (1.26)	0.005** (2.00)	0.006** (2.12)	0.014 (1.24)	0.011 (1.02)	0.006 (0.42)	0.008 (0.60)
Recipient and sponsor identical			0.621*** (6.63)	0.618*** (6.63)			4.460*** (12.36)	4.451*** (12.36)
Neighbours			0.002 (0.79)	0.002 (1.07)			0.052*** (2.84)	0.054*** (2.98)
Common language			0.007*** (3.71)	0.007*** (3.71)			0.040*** (3.76)	0.039*** (3.74)
Common ethnicity			-0.001 (0.33)	-0.001 (0.34)			0.003 (0.26)	0.003 (0.25)
Common colonizer			0.005* (1.84)	0.005* (1.88)			0.035*** (3.51)	0.035*** (3.53)
Colonial relation			0.004 (0.28)	0.005 (0.42)			-0.011 (0.12)	-0.005 (0.06)
Common legal origin			-0.001 (0.91)	-0.001 (0.85)			-0.014*** (3.28)	-0.014*** (3.22)
Distance			-0.000 (0.42)	-0.000 (0.34)			-0.000*** (2.69)	-0.000*** (2.63)
Time difference			-0.001	-0.001			0.002	0.002

			(1.02)	(1.08)			(0.76)	(0.69)
Recipient hegemon			-0.017	-0.019			0.002	-0.005
			(0.96)	(1.05)			(0.01)	(0.04)
Sponsor hegemon			0.005	0.004			0.165**	0.159**
			(0.58)	(0.39)			(2.32)	(2.21)
Number of observations	570,706	570,706	570,664	570,664	570,706	570,706	570,664	570,664
Number of sponsor countries	180	180	180	180	180	180	180	180
Number of recipient countries	151	151	151	151	151	151	151	151
Dyad-fixed effects	yes	yes	no	no	yes	yes	no	no
R-squared (within)	0.00	0.00	0.14	0.14	0.00	0.00	0.18	0.18

Notes: Robust t-values (clustered at the dyad-level) in parentheses. All regressions include sponsor-year and recipient-year fixed effects. *** p<0.01, ** p<0.05, * p<0.1

Table 5: IFC Projects and Mean Investment at the Sponsor-Recipient-Dyad, Event-Time-Specification, 1995-2015, OLS

	(1)	(2)	(3)	(4)	(5)	(6)
	IFCEB	Projects UNSC (exogenous)	UNSC (exogenous)	IFCEB	Mean investment (log) UNSC (exogenous)	UNSC (exogenous)
Sponsor and recipient on IFCEB/UNSC	0.069*** (2.80)	0.107** (2.52)	0.119** (2.56)	0.280*** (4.75)	0.817** (2.24)	0.911** (2.34)
Recipient and sponsor identical	0.614*** (6.60)	0.306*** (5.33)	0.268*** (5.79)	4.423*** (12.44)	2.978*** (6.80)	2.687*** (6.89)
Aid disbursements (log, t-1)	0.000 (0.29)			0.004*** (5.46)		
Imports from sponsor (log, t-1)	-0.002*** (3.54)	-0.002*** (3.31)	-0.002*** (3.46)	-0.006*** (5.84)	-0.015*** (3.55)	-0.015*** (3.70)
Regional trade agreement (t-1)	0.005* (1.81)	-0.003 (0.74)	-0.001 (0.29)	0.023** (2.23)	-0.025 (0.68)	-0.011 (0.32)
Common currency (t-1)	0.005** (1.98)	0.010 (1.56)	0.011* (1.75)	0.006 (0.41)	0.049 (1.04)	0.063 (1.35)
Neighbours	0.002 (0.80)	0.010** (2.50)	0.010** (2.52)	0.052*** (2.84)	0.092*** (2.75)	0.092*** (2.75)
Common language	0.007*** (3.73)	0.002 (0.41)	0.002 (0.50)	0.040*** (3.77)	0.003 (0.07)	0.005 (0.15)
Common ethnicity	-0.000 (0.29)	-0.007 (1.42)	-0.006 (1.35)	0.003 (0.29)	-0.055 (1.34)	-0.050 (1.28)
Common colonizer	0.004* (1.84)	0.002 (0.33)	0.001 (0.15)	0.035*** (3.53)	0.038 (0.88)	0.030 (0.75)
Colonial relation	0.003 (0.28)	-0.039 (1.03)	-0.036 (1.01)	-0.012 (0.13)	-0.218 (0.69)	-0.193 (0.65)
Common legal origin	-0.001 (1.00)	0.007 (1.57)	0.006 (1.59)	-0.015*** (3.36)	0.044 (1.43)	0.043 (1.42)
Distance	-0.000 (0.41)	-0.000 (1.14)	-0.000 (0.94)	-0.000*** (2.68)	-0.000 (1.46)	-0.000 (1.33)

Time difference	-0.001 (1.05)	0.001 (0.47)	0.001 (0.36)	0.002 (0.72)	0.016 (0.64)	0.013 (0.55)
Recipient hegemon	-0.017 (0.96)	-0.008 (0.56)	-0.010 (0.74)	0.001 (0.01)	-0.111 (0.84)	-0.129 (0.98)
Sponsor hegemon	0.005 (0.60)	-0.002 (0.16)	-0.005 (0.31)	0.166** (2.32)	-0.010 (0.07)	-0.027 (0.19)
Sponsor and recipient on IFCEB/UNSC (t-1)	0.118** (1.99)		0.201** (2.27)	0.471** (2.51)		1.643** (2.24)
Sponsor and recipient on IFCEB/UNSC (t-2)	0.094 (1.32)		0.144 (1.49)	0.462* (1.76)		1.335 (1.61)
Sponsor and recipient on IFCEB/UNSC (t-3)	0.021 (0.35)		0.275 (1.62)	0.222 (0.75)		2.020** (2.10)
Sponsor and recipient on IFCEB/UNSC (t-4)	-0.054 (1.05)		0.305** (2.22)	0.013 (0.04)		2.627** (2.45)
Sponsor and recipient on IFCEB/UNSC (t+1)	0.134* (1.83)		0.177* (1.79)	0.613*** (2.64)		1.508* (1.90)
Sponsor and recipient on IFCEB/UNSC (t+2)	0.067 (0.72)		0.253* (1.71)	0.308 (0.96)		1.367* (1.85)
Sponsor and recipient on IFCEB/UNSC (t+3)	0.046 (0.73)		0.143 (1.35)	0.082 (0.29)		1.014 (1.43)
Sponsor and recipient on IFCEB/UNSC (t+4)	0.077 (0.86)		-0.015 (0.25)	0.697 (1.25)		-0.184 (0.35)
Number of observations	570,664	58,989	58,989	570,664	58,989	58,989
Number of sponsor countries	180	53	53	180	53	53
Number of recipient countries	151	53	53	151	53	53
Dyad-fixed effects	no	no	no	no	no	no
R-squared (within)	0.150	0.188	0.203	0.190	0.220	0.231

Notes: Robust t-values (clustered at the dyad-level) in parentheses. All regressions include sponsor-year and recipient-year fixed effects. *** p<0.01, ** p<0.05, * p<0.1

Appendix

Appendix A: Loan Commitments and Projects Over Sponsor and Recipient Countries, 1995-2015

Sponsor country	Share in total investments	Share in total projects	Recipient country	Share in total investments	Share in total projects
United States	7.80	4.78	India	8.50	7.88
Brazil	6.97	4.69	Brazil	8.17	5.04
India	6.76	7.08	Russia	7.28	5.83
Turkey	6.38	5.12	Turkey	6.76	4.76
China	5.40	4.75	China	6.68	6.02
Russia	3.81	3.60	Mexico	4.76	3.53
France	3.47	2.08	Indonesia	3.35	2.36
Mexico	3.08	2.86	Argentina	2.77	2.49
United Kingdom	2.93	1.99	Colombia	2.66	1.80
Indonesia	2.75	2.17	Philippines	2.55	1.73
Argentina	2.25	2.05	Ukraine	2.16	1.89
Colombia	2.20	1.65	Egypt	2.01	1.95
Philippines	1.87	1.37	Peru	1.97	1.70
South Africa	1.70	1.77	Nigeria	1.76	2.17
Germany	1.68	2.05	Romania	1.51	1.42
Nigeria	1.50	1.96	South Africa	1.45	1.80
Chile	1.48	0.96	Thailand	1.44	0.72
Ukraine	1.39	1.21	Pakistan	1.36	1.48
Netherlands	1.33	0.87	Chile	1.33	0.85
Peru	1.26	1.46	Ghana	1.26	1.17
Pakistan	1.09	1.18	Kazakhstan	1.11	0.91
Italy	1.08	0.62	Kenya	1.10	1.70
Thailand	1.08	0.59	Bangladesh	1.02	1.04
Austria	1.05	0.65	Jordan	0.99	1.26
Singapore	1.04	0.71	Korea, Rep.	0.91	0.54
Romania	1.02	0.93	Vietnam	0.84	1.17
Kenya	1.01	1.55	Croatia	0.81	0.66
Lebanon	0.94	1.06	Bulgaria	0.79	0.82
Egypt	0.88	1.15	Morocco	0.76	0.60
Switzerland	0.88	0.78	Panama	0.76	0.54

Notes: 30 largest recipient and sponsor countries in terms of their share in total IFC commitments.

Appendix B: Definitions and Sources

Variable	Description	Data Source
Total investment (log)	Log of total IFC investments approved by the IFC Executive Board per country or country-pair (constant 2010 US\$)	Own calculations based on IFC (2017)
Mean investment (log)	Log of mean IFC investments per project approved by the IFC Executive Board per country or country-pair (constant 2010 US\$)	Own calculations based on IFC (2017)
Projects	Number of IFC projects approved per country or country-pair	Own calculations based on IFC (2017)
IFCEB	1 for IFC Executive Board (IFCEB) membership	Own construction based on World Bank Annual Reports 1995-2015
UNSC	1 for UNSC membership	Dreher et al. (2009a)
IFCEB partner (share)	Share of a country's project partners that are represented on the IFC Executive Board (IFCEB)	Own calculations based on IFC (2017)
UNSC partner (share)	Share of a country's project partners that hold positions as members of the UNSC	Own calculations based on IFC (2017)
Number of partners	Total number of a country's IFC project partner countries	Own calculations based on IFC (2017)
Recipient and sponsor identical	1 if the approved IFC project is sponsored and received by the same country	Own calculations based on IFC (2017)
Aid disbursements (log)	Log of total gross ODA disbursements (constant 2010 US\$).	OECD (2017), Table DAC2a
Colonial relation	1 for pairs in colonial relationship post 1945	Head et al. (2010)
Common colonizer	1 for common colonizer post 1945	Head et al. (2010)
Common currency	1 for common currency	Head et al. (2010)
Common ethnicity	1 if a language is spoken by at least 9 percent of the population in both countries	Head et al. (2010)
Common language	1 for common official primary language	Head et al. (2010)
Common legal origin	1 for common legal origin	Head et al. (2010)
Distance	Weighted distance (population-weight, km)	Head et al. (2010)
GDP p.c. (log)	Log of GDP per capita (constant 2010 US\$)	WDI (World Bank 2016)
Imports from sponsor (log)	Log of value of imports from sponsor to recipient country, defined as goods, cost, insurance, freight (CIF) (constant 2010 US\$)	IMF (2016)
Neighbours	1 for contiguity	Head et al. (2010)
Population (log)	Log of population	WDI (World Bank 2016)
Recipient hegemon	Recipient is current or former hegemon of sponsor	Head et al. (2010)
Regional trade agreement	1 for joint regional trade agreement in force	Head et al. (2010)
Sponsor hegemon	Sponsor is current or former hegemon of recipient	Head et al. (2010)
Time difference	Number of hours difference between sponsor and recipient country	Head et al. (2010)

Appendix C: Descriptive Statistics

Variables Tables 1 and 2	Mean	Sd	Min	Max
Total investment (log)	6.49	8.32	0	20.71
IFCEB	0.10	0.30	0	1
IFCEB partner (share)	0.10	0.29	0	1
UNSC	0.07	0.25	0	1
UNSC partner (share)	0.05	0.22	0	1
Number of partners	0.19	0.53	0	6
GDP p.c. (log)	7.88	1.22	4.75	11.10
Population (log)	15.60	2.07	9.76	21.04

Variables Table 3	Mean	Sd	Min	Max
Total investment (log)	6.05	8.22	0	21.59
IFCEB	0.16	0.36	0	1
IFCEB partner (share)	0.03	0.15	0	1
UNSC	0.08	0.27	0	1
UNSC partner (share)	0.02	0.13	0	1
Number of partners	0.16	0.59	0	8
GDP p.c. (log)	8.31	1.51	4.75	11.62
Population (log)	15.63	2.01	9.76	21.04

Variables Table 4	Mean	Sd	Min	Max
Projects	0.004	0.13	0	22
Mean investment (log)	0.04	0.84	0	19.56
IFCEB Sponsor	0.16	0.36	0	1
IFCEB Recipient	0.10	0.30	0	1
UNSC Sponsor	0.08	0.27	0	1
UNSC Recipient	0.07	0.25	0	1
Recipient and sponsor identical	0.01	0.07	0	1
Aid disbursements (log)	1.51	4.44	0	23.24
Imports from sponsor (log)	7.60	7.91	0	26.83
Neighbours	0.02	0.15	0	1
Common official language	0.17	0.37	0	1
Common ethnology	0.15	0.36	0	1
Common colonizer	0.12	0.32	0	1
Colonial relation	0.00	0.07	0	1
Distance	7946.36	4503.73	0	19650.13
Time difference	4.60	3.38	0	12
Recipient hegemon	0.00	0.04	0	1
Sponsor hegemon	0.01	0.08	0	1
Regional trade agreement	0.06	0.23	0	1
Common legal origin	0.33	0.47	0	1
Common currency	0.01	0.12	0	1

Variables Table 5	Mean	Sd	Min	Max
Projects	0.01	0.12	0	7
Mean investment (log)	0.07	1.06	0	18.86
UNSC Sponsor	0.05	0.23	0	1
UNSC Recipient	0.05	0.23	0	1
Recipient and sponsor identical	0.02	0.14	0	1
Imports from sponsor (log)	5.85	6.95	0	22.26
Neighbours	0.09	0.29	0	1
Common official language	0.45	0.50	0	1
Common ethnology	0.33	0.47	0	1
Common colonizer	0.27	0.45	0	1
Colonial relation	0.00	0.03	0	1
Distance	3587.52	1945.68	0	9772.06
Time difference	1.36	1.05	0	5
Recipient hegemon	0.00	0.03	0	1
Sponsor hegemon	0.00	0.03	0	1
Regional trade agreement	0.16	0.36	0	1
Common legal origin	0.55	0.50	0	1
Common currency	0.09	0.28	0	1