Private Politics in World Bank Lending*

Rabia Malik
rabia.malik@rochester.edu
University of Rochester

Randall W. Stone
randall.stone@rochester.edu
University of Rochester

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Abstract

Studies of the informal politics of World Bank lending have proliferated, but have been constrained by the lack of detailed project-level data. In contrast to IMF lending, World Bank lending has more diverse objectives and metrics for success; the participating countries have a wider range of motivations; and principals have more complex interests. This is reflected in an institutional design that is more permeable to non-state actors. This paper uses new data that are more comprehensive and more detailed than were previously available. We have coded all Implementation Completion and Results (ICR) reports for IDA and IBRD projects from 1994 through 2013 for project evaluations, sectoral composition, objectives, and implementation. These data allow us to ask new questions and to investigate informality throughout the project cycle, from project design through evaluation and loan disbursement. We find evidence that Fortune 500 multinational corporations headquartered in the United States exert informal influence over project evaluation and the enforcement of conditionality (loan disbursement). In contrast, we find no evidence of patterns of informal influence at the project level consistent with the kind of geopolitical motives that have been found in studies of the IMF (e.g. Stone 2011) as well as in studies of the Bank that have focused on lending decisions. We find no significant effects of informal influence measured in terms of UNGA voting, UNSC temporary membership, or WB Executive Board membership. In addition, we find that only MNCs headquartered in the United States exert influence, which suggests that the influence of private actors depends on access to policy networks that allow privileged informal influence to the leading state in the international system.

1 Introduction

Facing each other across 17th Street in Washington, DC, the World Bank and the International Monetary Fund have pursued functionally distinct but overlapping agendas, have sometimes clashed, and have often been perceived to compete for clients and resources. Although they share a common membership and formal governance structure, their informal governance procedures, internal norms and organizational cultures are strikingly different. An insider once compared a World Bank Mission to an academic department, and an IMF Mission to an infantry platoon. The IMF is among the most secretive of international organizations, maintaining four distinct levels of classification for confidential documents and punishing breaches of confidentiality assiduously. In contrast, the World Bank seems almost like a polite debating society. Both organizations have become much more transparent in recent years, and both have created semi-independent evaluation agencies that have published critical reports about their respective policies, but the opening has gone further in the Bank. In particular, World Bank policies have become much more permeable to the influence of transnational actors, including multinational firms. This paper argues that the different modes of informal governance in the Fund and the Bank lead to different patterns of influence over the implementation of conditionality.

The access of transnational actors to intergovernmental organizations has expanded rapidly in recent decades and is coming to redefine the paradigm of international governance (Risse-Kappen 1995, Tallberg et al. 2013). Indeed, determining the permeability of decision making in IGOs is coming to be recognized as one of the critical choices that states make when they delegate authority to them (Hawkins et al. 2006). This shift in the terms of informal governance admits two possible interpretations. Tallberg et al. (2013) argue that the functional demand to allow participation by non-state actors in order to improve implementation and monitoring drives the variation across a wide range of IGOs in formal provisions for access. This could plausibly account for differences between the World Bank and the IMF, since the workload of the Bank is more detailed, requiring it to monitor micro-economic structural reform and build institutional capacity in a wide range of contexts. The Bank recognized long ago that implementing many of these tasks required the participation of non-state agents, and monitoring implementation required the activities of still more. Alternatively, variations in informal governance may be driven by state interests and power (Stone 2011). Individual IMF decisions can rescue or topple member governments, so powerful members have strong incentives to maintain close control over decision making; in contrast, while aggregate Bank lending is substantial, the implementation of most Bank projects involves much lower stakes, so the cost of devolving control over implementation to private agents is lower. On the other hand, allowing private-sector influence over the implementation of Bank projects satisfies influential domestic interest groups. To the extent that the pattern of that influence reflects the interests of U.S.-based actors, it provides evidence of the strength of the U.S. policy network in the Bank.

The functional demand and interest-based hypotheses both predict that multinational corporations (MNCs) will have influence over World Bank lending, but the two perspectives expect influence to have different consequences. From the functional demand perspective, MNCs are valuable partners for the World Bank because the firms that engage in FDI have technology, organizational skills and intellectual property that give them high productivity. Their presence should provide permissive conditions that foster better outcomes, and should directly improve the performance of World Bank projects if they are actively involved. In some cases, the presence of foreign investors may even be a necessary condition for success: projects that improve infrastructure or increase productivity may encourage these firms to expand their investments, which might be counted as a sign of success. In this view, MNCs are allies in economic development: they should promote project performance, and they should not collude with government or lobby on behalf of governments that fail to perform, because they have interests aligned with those of the Bank. From the interest-group perspective, on the other hand, MNCs may invest in particular countries in order to obtain rents, either because of market imperfections or because they anticipate that entry will give them the leverage to obtain rents through political activity. In this case, they may not be allies of the World Bank. This perspective would not expect MNCs to improve project performance, but would expect them to collude with government on project evaluation and lobby for disbursements of financing that may improve their own bottom lines.

New project-level data that are more comprehensive and more detailed than were previously available allow us to investigate the politics of project evaluation and implementation. We have coded all Implementation Completion and Results (ICR) reports for IDA and IBRD projects from 1994 through 2013 for project evaluations, sectoral composition, objectives, and implementation. We find no evidence that foreign investment improves the performance of Bank projects. However, we do find evidence that investments by International Fortune 500 multinational corporations headquartered in the United States are associated with increases in evaluation bias for Bank projects —the difference between official Bank evaluations and an index of the underlying data on which such evaluations are based —and with increases in disbursement ratios for loans conditional on evaluations and performance. We interpret this as evidence of collusion with governments to influence evaluation and lobbying for disbursements that are not justified by project performance. This interpretation is corroborated by further tests using an alternative measure that more precisely defines MNC motives: World Bank records of project contractors, which are available for a subset of projects beginning in 2000.

In contrast, we find no evidence of patterns of informal influence at the project level consistent with the kind of geopolitical motives that have been found in studies of the IMF (e.g.

Stone 2011) as well as in studies of the Bank that have focused on lending decisions, rather than on implementation. We find no effects of informal influence measured in terms of UNGA voting, UNSC temporary membership, US aid, US trade, or WB Executive Board membership. However, we find that only investments by MNCs headquartered in the United States are associated with distortions of project evaluations and loan disbursements, which suggests that the influence of private actors depends on access to policy networks that allow the leading state in the international system to exert privileged informal influence.

2 Opening up the Bank and the Fund

Why would a common set of members design two international organizations with overlapping competencies and common formal features but with drastically different informal governance procedures? Intergovernmental organizations are designed by states in order to pursue particular purposes, and institutional design —both its formal and its informal dimensions —reflects the variety of those purposes and the degrees to which the participation constraints of the relevant states are binding in particular issue areas (Stone 2011, 2013).

The IMF is permeable to the concerns of one particular class of private actors, international money-center banks. When asked whether a telephone call from Goldman Sachs or a U.S. Congressman receives higher priority, Fund officials reply that the bankers are more important. When the Fund designs a rescue package for a heavily indebted country that relies on private sector involvement (PSI), the banks that are called upon to provide supplemental financing to roll-over maturing debt and reschedule interest and principal payments have substantial influence over the nature of the conditions the borrower is asked to accept (Gould 2003, 2006). Banks are an essential constituency because their decisions can determine the success or failure of IMF operations in sensitive cases, and they are valuable interlocutors because they enjoy access to privileged information. A less direct indicator of bank influence is that the exposure of the banking sector in the leading IMF shareholders to a country's debt is associated with weakened conditionality and increased loan size (Copelovitch 2010, Stone 2011.) This influence, however, operates through the agency of the leading shareholding states, and this is a theme that permeates the literature on transnational influence over IGOs: the most effective lever of influence for private actors is through lobbying powerful member states.

Like the Fund, the World Bank began its existence as an agency that was closed to nongovernmental actors, and its Articles of Agreement explicitly forbade Bank staff to engage with actors other than the representatives of member governments. However, the Bank has become considerably more permeable over time, and is now accessible to a much wider spectrum of private actors than the IMF. Since the early 1990s, the Bank has actively encouraged the participation of NGOs and INGOs in the design, implementation, evaluation and monitoring of projects. This practice followed the recognition that promoting effective micro-level change in a wide range of contexts and across a broad range of substantive issues demanded high-quality local knowledge, which could only be provided by local partners. At the same time, the Bank was representative of a wide range of international organizations that began to open up their deliberations to private actors after the end of the Cold War (Tallberg et al. 2013). This development was favored by the fragmented organizational structure of the Bank, which affords numerous access points, and by the comparatively open nature of Bank deliberations. Furthermore, this was a development that was deliberately encouraged by the Bank's state principals as a way of making the Bank more responsive to their own concerns. The general opening of the Bank has provided opportunities for firms to express their interests. In many cases, they enjoy special access because multinational corporations are the implementing agencies commissioned to carry out World Bank projects.

The Bank has been the target of several effective campaigns by NGOs to reform its policies (Keck and Sikkink 1998, O'Brien et al 2000). Successive campaigns have led to changes in the Bank's Operational Manual covering involuntary resettlement (1980), indigenous peoples (1982), poverty reduction (1993) and gender issues (1994) (Clegg 110). Environmental interest groups publicized the World Bank's failure to implement its environmental mandate in the 1980s, and successfully lobbied for far-reaching changes in the Bank‘s policies for monitoring the environmental impact of its projects and of internal promotion policies to reinforce them. In this case, the turning point appears to have been the successful effort to lobby the U.S. government, which in turn used its position on the Executive Board and its informal influence with the management of the Bank to promote reform (Nielson and Tierney 2003). Similarly, the Bank has gradually shifted the composition of its lending projects to reflect the changing preferences of its principals. One of the most dramatic shifts has been the rise of social lending, which reflects the social democratic domestic policy orientations of most developed-country shareholders and a reorientation of those countries' development aid priorities towards broad human development objectives. In this case, U.S. preferences do not appear to have driven developments, which instead reflect the shifting preferences of Board members weighted by their formal vote shares (Nielson and Tierney 2006.) In each case, however, the mechanism of influence for societal actors appeared to flow through national governments.

The World Bank has two major lending agencies, the International Bank for Reconstruction and Development (IBRD) and the International Development Agency (IDA), and this institutional complexity provides a window into informal influence at the Bank. Unlike the revolving capital of the IBRD, the concessional lending and grant making activities of the IDA are not designed to be self-sustaining, and are replenished through contributions that are the subject of multilateral negotiations every three years. The tenth IDA replenishment (1992-95) was the target of an unprecedented surge of activism on the part of NGOs and business groups, with lobbyists weighing in for and against full replenishment and making a wide range of reform proposals. The result in the early 1990s was a curtailment of IDA funding, which substantially constrained Bank activities and provided an impetus to internal reform, apparently including the establishment of the Independent Evaluation Group. The mechanism by which this outcome was reached, however, underlined the key role played by shareholder states. The critics of replenishment prevailed over their opponents because they were influential within the United States, the leading World Bank shareholder, which was able to exercise decisive influence by refusing to agree to full replenishment (Pallas 2013). In 1993 an effective campaign of NGO lobbying of the US government led the IDA replenishment to be linked explicitly to creation of a new Inspection Panel, which was empowered to hear complaints from private actors whose interests were damaged when the Bank failed to follow its procedures for consulting stakeholders (Weaver 2008, 52, Clegg 2013, 111).

Restraining IDA replenishment in the early 1990s accorded with other U.S. objectives for World Bank reform. Treasury was interested in tying IDA funding more explicitly to the evidence for results, and used the leverage afforded by replenishment to push through a reform that conditioned IDA funding on the World Bank's Country Policy and Institutional Assessment (CPIA) scores. These scores, which until recently were confidential, were used by Bank staff to keep track of the country-by-country record of average implementation of Bank projects, and were created by an intensive and very expensive inter-departmental review process. The CPIA scores include a measure of governance compiled by the Bank, and this measure is associated with increased lending through the IDA, but not through the IBRD (Winters 2010). Until this reform, Executive Directors had been able to use informal influence to divert IDA resources to their own countries, and formalizing the distribution criteria closed this loophole (Morrison 2013). In contrast, IBRD lending procedures were not affected by the reforms to the IDA that took place during the tenth replenishment, and are not formally tied to CPIA scores. Governments that appoint Executive Directors continue to be able to divert IBRD resources to their own countries (Kaja and Werker 2010, Morrison 2013).

2.1 Hypotheses

Little is currently known about the degree of business influence over the implementation and evaluation of Bank projects, so this paper explores new territory. These final stages of the Bank funding cycle are the most promising areas of Bank activity for identifying such effects, however. Whereas the politics of project approval have high stakes for recipient countries and for the Bank's principals, because the aggregate amount of funds committed in Bank projects is large —the World Bank is the largest source of official development financing —the implementation of most individual projects has much lower stakes for member states. The reduced stakes at the end of the project cycle open up room for private political activity to exert influence. Meanwhile, individual firms have only weak interests in the aggregate amounts of funding committed to particular countries, but their interests may be powerfully engaged in the disbursement of funds related to particular projects from which they expect to benefit. Consequently, the incentives to lobby and collude with recipient governments are maximized in the project-by-project process of evaluation and disbursement.

IMF lending does not provide opportunities for a similar differentiation between the politics of lending and the politics of implementation. The IMF typically has only one program active in a particular country, so there are no small-scale, differentiated projects that could be of lesser concern to country authorities than the program as a whole. Similarly, while IMF conditions cover a wide range of economic activities, disbursements are not disaggregated in a way that would create incentives for firms to lobby on narrow grounds. The quantitative evidence about the Fund indicates that a similar pattern obtains across all stages of the IMF project cycle, including lending decisions, the design of conditionality, and the enforcement of conditionality: countries important to the leading shareholders, and particularly to the United States, obtain larger loans with less stringent conditions and are subject to less rigorous enforcement. In short, geopolitics prevails throughout the project cycle. Several studies link IMF lending to UN voting patterns (Thacker 1999, Oatley and Yackee, 2004; Barro and Lee, 2005, Andersen, Harr, and Tarp 2006). Others find effects of the exposure of U.S. banks to particular borrowing countries on lending (Broz and Hawes 2006, Copelovitch 2010, Stone 2011). The design of conditionality is likewise affected by a range of variables that capture U.S. geopolitical interests, including UN voting patterns, alliance portfolios, foreign aid, foreign trade and U.S. bank exposure (Stone 2008, 2011, Dreher and Vaubel 2008). Finally, the implementation and enforcement of conditionality depends on the same measures of U.S. geopolitical interests (Stone 2002, 2004, 2011).

Table 1: Theoretical Expectations

	Lending	Evaluation/ Implementation
IMF	Geopolitics	Geopolitics
World Bank	Geopolitics	Private Politics

Consistent with this expectation, the politics of project approval in the Bank appear to be very similar to those in the Fund. Kilby (2013) shows that how a member country votes on UN General Assembly resolutions that have been identified by the U.S. State Department as important to U.S. interests influences access to World Bank loans. Similarly, Dreher, Sturm and Vreeland (2009) find that temporary membership in the UN Security Council increases access to World Bank loans. This parallels the finding of Kuziemko and Werker (2006) that U.S. foreign aid temporarily increases when a country becomes a member of the Security Council, and returns to its prior level when the country's term ends.

The logic of our argument implies that the most favorable conditions for private politics arise in the Bank, rather than in the Fund, and in project evaluation and implementation, rather than in project approval or design. In contrast to loan approval, the scope for broad foreign policy concerns to influence the process of evaluation and implementation of World Bank projects should be limited. Indeed, our empirical results find no significant evidence of such influences.

3 Data

3.1 World Bank ICR Report Data

The unit of analysis used throughout the paper is 'World Bank project', and all project-related information has been coded for this study from the World Bank's 'Implementation Completion and Results' (ICR) reports, which can be accessed via the Bank's website. Once a project closes, the World Bank and project-recipient government both document the results achieved, lessons learned, problems faced in implementation of the project, and the knowledge gained from carrying it out. A World Bank operations team then compiles this information in the form of an ICR report which describes and evaluates final project outcomes by comparing them with the original project goals. The length of the reports varies in the range of twenty to two-hundred pages, and the level of detail depends on factors such as how many sectors were involved in the project and how many specific objectives the project stated. These reports represent an extraordinarily rich depository of information about the diversity of projects that the Bank supports, their specific objectives, and the Bank's assessment of the implementation of these objectives. Several recent studies have made use of meta-data drawn from these reports by the Bank, including official project evaluations, but this study breaks new ground by creating an independent asessment of the underlying performance data, which allows us to draw conclusions about the Bank's evaluation procedures.[1]

A team of research assistants analyzed these reports and systematically recorded specific information from each of them. A total of 4206 projects have been coded, starting with the earliest ICR report that the World Bank's website provides, dated October 1994, and ending in September 2013. Project approval years in our dataset range from 1981 to 2011. Some of these

[1] Denizer, Kaufmann and Kraay 2011.

projects cannot be used in our empirical analysis because their recipients are entire regions, e.g., West Africa or Latin America, for which the country-level control variables we use cannot be available. Similarly, the Bank also invests in many development projects in territories for which data are not available in standard datasets, such as West Bank and Gaza or Kosovo. Hence, the number of observations in most results presented here is lower than the number of reports coded.

The project-level variables coded for this study were taken directly from the reports, including the year of approval for the project, project commitment and disbursement amounts, sectors to which some portion of the project was given, the World Bank's evaluation of its own performance on the project and the borrowing government's performance, whether the International Bank of Reconstruction and Development (IBRD) and/or International Development Association (IDA) provided funds for the project, and whether the project closed as scheduled, earlier, or later. Details of the scale and summaries of each variable used in the paper can be found in Table 2. The data include many more variables, some of which we have used for exploratory data analysis, and others which could be used in future research to study diverse questions regarding World Bank lending, e.g., the sectoral breakdown of World Bank projects.

Because we are interested in studying evaluation bias, we used these reports to construct an objective measure of project performance based on the specific objectives and goals that each project was intended to achieve. For each project, each individual objective was read and evaluated in terms of what the original condition was before the project began, what the desired goal was, and what percentage of the goal was achieved by the end of the project. Based on this information, each objective within the project was assigned a discrete value from 0 to 4, where 0 represents no progress (or deterioration) and 4 indicates that the objective was completely achieved (or over-achieved, which occurred in some cases).[2] In some cases, evaluating an objective was straightforward. For instance, one goal in an education-related project may be to "increase Primary School Enrollment in Calcutta (India) from 25% to 30%," with the outcome stating that it was increased to 29%, leading to a 'performance rating' of 3. In other cases, quantitative metrics of objective completion were unavailable, such as when the stated goal was to "spread awareness of the importance of the polio vaccination in rural Punjab (Pakistan)." For such cases, the discussion of the achieved outcome was read carefully to determine success. "Marginal progress made," for instance, would be coded as 1 in this case, whereas "significant change in awareness" would be coded as 3. The arithmetic mean of these objective-level ratings is our overall project-level variable, *Performance*.

An important limitation of the data, which will be a concern for all subsequent work that

[2] 1 indicates that up to 1/3 of the objective was achieved; 2 that between 1/3 and 2/3 of the objective was fulfilled; 3 that more than 2/3 of the goal was accomplished but less than 100%.

uses World Bank evaluations, is that the World Bank does not maintain consistent evaluation procedures over time. The Bank seeks to continuously improve its procedures and responds to the demands of its principals in real time. As a result, the objectives of lending programs change, the relative weights assigned to them shift, and the information collected to assess project implementation changes. This means that the most recent reports are more informative than the older ones. Fortunately, even the older reports are sufficiently rich that careful reading makes it possible to compile comparable codings for our variables, but different levels of detail lead to unavoidable heterogeneity in our measure of performance. We identify four distinct formats of ICR reports, and all of our analyses use fixed effects to control for these regimes.

The earliest ICR reports that are available through the World Bank provide a performance summary by ranking each project across a standard set of 12 factors. Examples of these factors include “financial objectives,” “macro policies” and “private sector development.” For each of these factors, where relevant, the project is marked on a four-point scale which was used to code the Performance variable, which is based on the average performance of a project across all of its indicators. Therefore, although this format makes coding the performance of each indicator straightforward, the number of categories is not indicative of how many goals each project actually had, and there is not much information that is specific to the project because the same factors are recorded for each project. This type of report is what we call “Report Type 1” in our data, and there are a total of 1378 (of 4206) such reports in the dataset, most of which appear between 1994 and 1999.

Starting in 1998, most ICR reports include a section on the various ‘components’ of the project, such that the number of components usually ranges from 1 to 5, and very rarely are there more than 10 components discussed for a single project. These components are included in paragraph form and, although they are still somewhat general (e.g., “Public Expenditure Management and Public Administration,” “Public Enterprise Reform” and “Public Finance” are the three components from one project), these project components provide more detail that is specific to the project being considered than is available in a Type 1 report. This second wave of reports is coded as Report Type 2 (387 such reports) and, in most cases, the paragraphs discussing each component end with a one-sentence rating, indicating whether the component’s performance was unsatisfactory, mildly satisfactory, fully satisfactory, et cetera. These ratings are used as a guideline for measuring each objective’s performance for our purposes.

Not long after these World Bank reports started listed individual components, a more project-specific summary of objectives was introduced, starting roughly in 1999. In this case, coded as ‘Report Type 3’ in our data, the report lists objectives, projections and outcomes in bullet-point form in a table titled Key Performance Indicators. Thus, compared to the preceding report types, objectives are stated more specifically. For instance, a project from Ghana related to the management of coastal wetlands has 6 such indicators listed, one of which is that "Wildlife club activities are carried out and reach communities in rural areas ...." The projection for this indicator mentions that membership is expected to reach 600 across targeted areas, and the outcome column states that wildlife club memberships reached 700 members, indicating that the objective had been fully achieved. In some cases determining how fully an objective was met is less straightforward because goals and outcomes were not quantified, so close reading and judgment was required. There are almost 850 such reports in our dataset, with the number of objectives usually ranging from 1 to 10, as was the case in Report Type 2. The level of detailed information contained in these reports is substantially greater than in the previous type.

Finally, beginning in 2007, ICR reports consistently state project objectives and outcomes in a much clearer format than before. These are still provided in table form, and are called "Primary Development Objective (PDO) Indicators." Each indicator is stated in sentence form, followed by columns providing the "baseline value," "original target" (followed by any official revisions to the target), and "actual value achieved." Although quite similar to its predecessor format (Type 3), these reports (coded as Report Type 4) are more complete, providing clear evaluation data for each objective. Therefore, this type of reports contains the most detailed information about the goals of each project and provides clear ways of evaluating the performance along each objective. There are 1603 reports of this form in our dataset, and the number of objectives usually ranges between 1 and 10 here as well, with the maximum number being 54.

Thus, the pattern over time is that the ICR reports have evolved to provide more specific information about each project's goals and have made evaluation of these goals increasingly unambiguous.[3] Although the information gathered is comparable, there are mean shifts associated with the changes in report formats, so fixed effects for the report types are used in all the regressions presented in the paper to account for variation arising from the different reporting procedures. In addition, we use the average level of performance across objectives in our analysis, which reduces dependence on report formats.

In contrast to the complexity of measuring performance, *Evaluation* is taken directly from the ICR Reports and is the evaluation team's summary rating of the project's performance.

[3] It should be noted, however, that despite this general trend in report format over time, there is considerable overlap of report formats in our dataset, particularly between Types 1, 2 and 3. The reason for this is that, in some cases, no information is given under the "Key Indicators Matrix," for instance, or the "Components" cannot be evaluated from the information that is provided. The approach taken in all such cases is that more recent report types take precedence over older formats, such that, for each ICR, the coders would start by looking for information that was found in Report Type 4. If that was not provided, they would move on to Type 3, and so on. This approach was taken in order to ensure that the data contained the best possible summary of objectives for each project, based on availability.

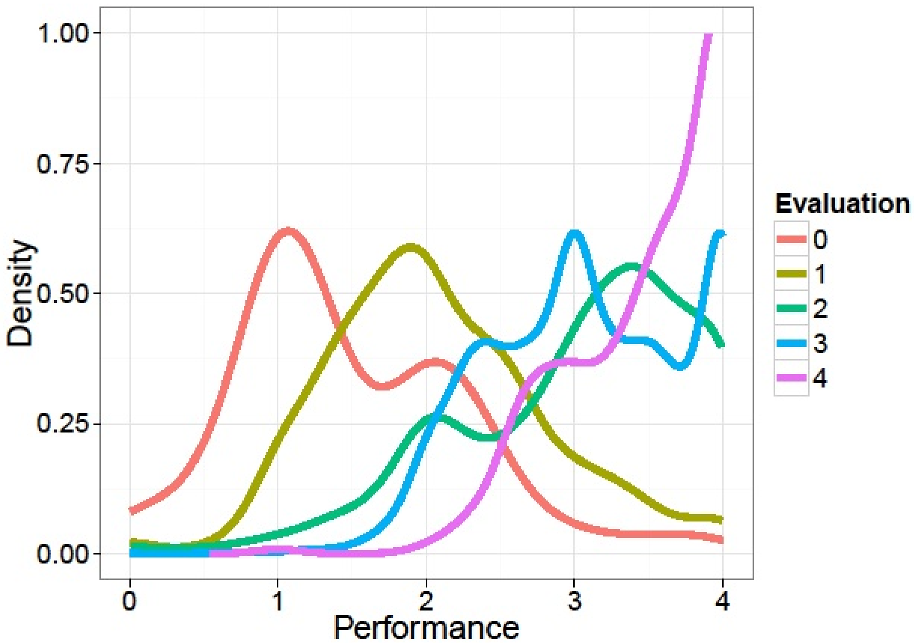

Figure 1: Performance & Evaluation

This variable is marked in the reports as one of 6 categories, which are converted to a 1 to 6 ordinal scale.[4] We construct the variable *Evaluation Bias* as the difference between the World Bank's evaluation of the project and the Performance variable calculated from the project's actual objectives, after rescaling Evaluation to make the two measures comparable.[5] As Table 2 indicates, the average evaluation bias is negative and close to zero, which indicates that our scales are comparable and our coding of performance is not excessively conservative.[6] Figure 1, which shows the relationship between these two variables by plotting the density of the rescaled values of *Evaluation* for each level of *Performance* in the data, suggests that comparing the two variables is reasonable.

[4]The 6 categories and their numerical ranking are as follows: Highly Satisfactory (6), Satisfactory (5), Moderately Satisfactory (4), Moderately Unsatisfactory (3), Unsatisfactory (2), Highly Unsatisfactory (1).

[5]In order to meaningfully translate the World Bank's Evaluation variable to a 0 to 4 scale, for comparison purposes, the following correspondence was used: Highly Satisfactory was coded as 4, Satisfactory as 3, Moderately Satisfactory & Moderately Unsatisfactory as 2, Unsatisfactory as 1 and Highly Unsatisfactory as 0. This rescaling makes the Performance and Evaluation variables comparable in terms of their scales and content. Then, $Evaluation\ Bias = World\ Bank\ Evaluation - Project\ Performance$.

[6]There are 4083 projects for which it was possible to code both Evaluation and Performance. In 1137 cases evaluation bias is positive (indicating that the World Bank Evaluation is higher than our index of the underlying data measuring objective performance), in 2479 the bias is negative (the Bank's Evaluation is lower than our index) and in 467 the bias is zero (the Bank's Evaluation and our performance index take the same value.

3.2 Variables

Table 2 provides the name, range, mean, median, and standard deviation for all variables included in the empirical section.[7] Variables are primarily of two types: project-level, as discussed above, and country-level. Country-level variables were coded for both the year that the project was started and the year in which the project closed. Since the results discussed in the paper currently all use variables from 'project end' years, the table reports summary statistics accordingly.

Table 2: Descriptive Statistics

Variable	Median	Mean	St. Dev.	Min	Max
Polity$_{t-1}$	6	3.166	5.877	−10	10
log (Population$_{t-1}$)	16.9	17.038	1.967	10.701	21.024
log (GDP per capita$_{t-1}$)	7.97	7.951	0.959	5.276	10.273
Control of Corruption	2.33	2.415	0.811	0.000	5.000
US Fortune 500	0.047	0.444	0.860	0	4.261
Report Type 4	0	0.381	0.486	0	1
Report Type 3	0	0.199	0.399	0	1
Report Type 2	0	0.092	0.289	0	1
Report Type 1	0	0.328	0.469	0	1
IBRD	0	0.326	0.469	0	1
IDA	1	0.528	0.500	0	1
Approval Year	1999	1999	4.960	1981	2012
Closing Year	2004	2003	5.431	1,990	2,015
# active projects	15	23.178	24.392	1	122
Project Size per capita (in $)	1.99	5.407	11.689	0.004	193.688
Project Size Total (in million $)	32.75	77.68	138.53	0.499	2525
Disbursement Proportion	0.993	0.895	0.188	0	1
Evaluation	5	4	1.140	1	6
Performance	3	3.018	0.807	0	4
Evaluation Bias	−0.43	−0.408	0.865	−3.750	3.000
MNC Contractor	0	0.107	0.309	0	1

The independent variables that are of primary interest to this project relate to multinational corporation (MNC) interests, measured in two distinct ways. The first is a country-level variable that measures U.S. foreign direct investment by Fortune 500 firms. We are theoretically interested in strategic investments by major multinational firms rather than in flows of FDI, per se,

[7]Due to different data availability and year coverage for the independent variables of primary interest, the results discussed in subsequent sections vary somewhat in terms of the subset of World Bank projects included in each regression, as we discuss below. Consequently, Table 2 provides descriptive statistics for the universe of World Bank projects we have coded, while Tables 11 and 12 in Appendix A provide similar tables for the two relevant subsets.

and we are interested in the national origins of these firms. These interests make other publicly available data sources inappropriate for our purposes. Instead, we relied on data on mergers and acquisitions activity from SDC Platinum, which we merged with data from the Fortune 500 International list, expanded to include all firms that fell into the top 500 during any year in the last two decades. Because of extensive missing values for the value of transactions, we use a count of transactions to construct our index. The resulting variable measures the percentage of total U.S. Fortune 500 foreign investment transactions that is represented by each country in the dataset in each year, and a five-year moving average of this variable has been used in the regressions. The highest percentage of US Fortune 500 investment represented by a country in the dataset is 4.26%, associated with India. We use the same data to generate similar variables for Fortune 500 investment from Germany, Japan, France and the United Kingdom, and we compare the effects.

A second variable, which captures large firms' strategic interest in particular World Bank projects, relies on the World Bank's Contract Awards Database. *MNC Contractor* is a project-level dummy variable indicating whether a US-owned Fortune 500 firm was directly involved in a World Bank project. The World Bank provides information on contracts that were signed after July 1, 2000 by listing the name, country and contract amount for each supplier associated with each project.[8] A total of 2387 unique projects are included in this dataset, of which 1796 projects also have ICR reports available. Using the dataset that was constructed from SDC Platinum and the Fortune 500 International list, we matched all World Bank contractors that were either US-owned Fortune 500 firms, or were acquired by, or merged with, those firms. Thus, for any project which had such a contractor, *MNC Contractor* takes on a value of 1 to indicate that a large MNC had a direct interest in the project. In the sample of projects used for the final regressions presented in this paper, about 13% have at least one such MNC involved. There are only a handful of projects where more than one US-owned Fortune 500 firm is involved as a contractor, with no more than three different firms for a single project.[9]

This second variable is a more direct measure of investors' strategic interest in World Bank projects because it requires their involvement as contractors. Consequently, it allows us to draw stronger conclusions about the motivations of the firms involved. However, this specificity also limits the range of mechanisms by which foreign investors can exert influence to the direct pecuniary interest of project contractors. Fortune 500 firms that invest in developing countries may develop vested interests in World Bank projects for a wide range of reasons that do not involve performing contract work. Thus, the two alternative measures of MNC interest are

[8] The World Bank's Contract Awards data can be accessed here: http://go.worldbank.org/GM7GBOVGS0.

[9] Fortune 500 firms from other countries may similarly influence World Bank projects. We plan to extend the MNC Contractor variable to include MNCs owned by other countries in the future; it was not possible to do so for the current version given time constraints.

complementary. In addition, the data coverage of the two variables differ.

4 Empirical Analysis

All models presented in this section are Ordinary Least Squares regressions and use World Bank projects as the unit of analysis. There are two types of dependent variables we discuss here, first pertaining to project performance and evaluation and then related to disbursement amounts.

4.1 Evaluation and Performance

U.S. interest in a country may negatively affect project performance by reducing incentives to perform project objectives in order to receive additional tranches of loans. Alternatively, investments by U.S. multinationals may improve performance, if these firms function as the Bank's allies in promoting development. They may also retard performance, if these firms function as interest groups that are interested in colluding with government to obtain rents and prevent effective monitoring by the Bank. In addition, performance may be affected by country-level factors such as administrative capacity (proxied by GDP per capita) and the level of corruption. It may also depend on the relative importance of the project, which we measure in two ways: the size of the project per capita and the total number of projects a country has active in a year. Table 3 presents results from regressions using two different dependent variables, performance and evaluation bias.

Model 1 uses Performance as the dependent variable, which is an index of how fully each project's objectives were achieved. Unsurprisingly, the World Bank's evaluation of the project is positively and significantly associated with this measure of project performance. Since this is a post-treatment variable, we replicated the results without controlling for evaluations, and the other results were consistent in this specification. GDP per capita is positively associated with performance, as expected. Surprisingly, the levels of control of corruption (ICRG) and democracy (Polity) in the country do not seem to be significantly related to performance.

Our main quantity of interest is the effect of US Fortune 500, the five-year moving average of the count of mergers and acquisitions by major U.S. multinationals in the recipient country. The coefficient is insignificant and in any case negative, providing no evidence to support the hypothesis that the presence of foreign investors promotes the implementation of World Bank projects. This result is consistent for a variety of specifications, including those that do not control for project evaluations and those that use country fixed effects. This negative result clarifies the interpretation of the results that follow about evaluation bias. A number

Table 3: Performance and Evaluation

	Performance	Eval. Bias		
	Model 1	**Model 2a**	**Model 2b**	**Model 2c**
	No FE	No FE	No FE	Country FE
Evaluation	0.343***			
	(0.013)			
Performance		−0.467***		−0.485***
		(0.021)		(0.022)
US Fortune 500	−0.013	0.048**	0.042*	0.038
	(0.021)	(0.022)	(0.025)	(0.058)
Polity_{t-1}	−0.002	−0.002	−0.0003	−0.002
	(0.003)	(0.003)	(0.003)	(0.008)
Control of Corruption	−0.002	0.056**	0.041	0.021
	(0.021)	(0.022)	(0.025)	(0.032)
$\text{Log(GDP per capita)}_{t-1}$	0.080***	0.027	−0.032	−0.111
	(0.019)	(0.021)	(0.023)	(0.189)
# active projects	0.002**	0.001	−0.0005	−0.001
	(0.001)	(0.001)	(0.001)	(0.002)
Project Size per capita	0.001	0.004	0.002	0.002
	(0.002)	(0.002)	(0.003)	(0.003)
IBRD	−0.047	−0.099***	−0.041	−0.094**
	(0.036)	(0.038)	(0.043)	(0.041)
Report Year	−0.013*	0.012	0.015*	0.007
	(0.007)	(0.008)	(0.009)	(0.010)
Report Type 4	0.819***	−0.536***	−0.901***	−0.516***
	(0.059)	(0.065)	(0.071)	(0.069)
Report Type 3	0.651***	−0.317***	−0.629***	−0.309***
	(0.039)	(0.044)	(0.046)	(0.045)
Report Type 2	0.376***	−0.205***	−0.382***	−0.216***
	(0.046)	(0.050)	(0.055)	(0.051)
N	1918	1918	1918	1918
Adj. R-squared	0.379	0.329	0.156	0.432

***p < .01; **p < .05; *p < .1

of other specifications tested for effects of measures of U.S. interests on project performance—they might undermine performance, for example, if they reduced the credibility of monitoring and enforcement—and found no such effects.[10] [11] The number of active projects in a country has a positive and significant association with performance, but the coefficient is small, so the evidence for a reputation effect to incentivize performance is weak.

Evaluation Bias, which measures the difference between the Evaluation and Performance variables, is the dependent variable in all specifications of Model 2. The main quantity of interest is again the effect of US Fortune 500, which has a positive and significant coefficient: evaluation bias is highest in countries with substantial foreign investments by MNCs. This rejects a key expectation of the view that international firms help to monitor the performance of Bank projects. To the contrary, this is consistent with the interpretation that multinational firms collude with government to frustrate World Bank monitoring of projects. The results of Model 1 help to clarify the interpretation of this result, because they indicate that the level of U.S. investment does not affect objective project performance—thus, it cannot be the case that the evaluation gap rises, for example, because performance falls. Rather, the effect of investment is to increase evaluation bias by boosting the World Bank's evaluation of the project conditional on objective performance. Furthermore, this result holds when we control for performance, and in fact becomes stronger.

Evaluation bias declines as performance increases. This may indicate that the incentive to manipulate evaluations declines when performance is strong, or it may be related to the fact that the extent of possible bias decreases as performance improves, because both scales are capped at a maximum value of 4. The polity score and project size per capita remain insignificant in these models, as are GDP and number of active projects. However, IBRD and Corruption Control (ICRG) show significant results for at least one specification in Model 2. All country level variables lose significance in Model 2c once country fixed effects are taken into account, which is not surprising because most of these variables do not change substantially over time, and we have a short time series.

It is possible to probe further into the motivations of MNCs to intervene in the implementation of World Bank projects by examining the pattern of MNC involvement as World Bank contractors. The regressions that follow use a restricted sample, because data on contractors on

[10] US interest measured using US bilateral aid and using the similarity of voting profiles between the US and project-recipient governments in the United Nations General Assembly (both using all votes and using only important votes) is also insignificant for this dependent variable. These other ways of conceptualizing US interest are discussed in more detail in the subsequent section.

[11] Dropping Evaluation from Model 1 (based on the argument that this variable is post-treatment and, therefore, might be the reason that US Fortune 500 appears to not be associated with Performance) does not change the significance of US Fortune 500.

Table 4: Performance and Evaluation

	Performance	**Eval. Bias**		
	Model 3	**Model 4a**	**Model 4b**	**Model 4c**
	No FE	No FE	No FE	Country FE
Evaluation	0.402***			
	(0.018)			
Performance		−0.522***		−0.547***
		(0.023)		(0.024)
MNC Contractor	−0.094	0.106*	0.131**	0.096*
	(0.058)	(0.055)	(0.066)	(0.057)
Polity_{t-1}	−0.002	−0.002	−0.00002	0.024*
	(0.003)	(0.003)	(0.004)	(0.014)
Control of Corruption	0.015	0.019	−0.002	−0.022
	(0.029)	(0.028)	(0.033)	(0.042)
$\text{Log(GDP per capita)}_{t-1}$	0.077***	0.042*	−0.031	0.513**
	(0.025)	(0.024)	(0.029)	(0.219)
$\text{Log(Population)}_{t-1}$	−0.002	0.038***	0.023*	0.841
	(0.012)	(0.012)	(0.014)	(0.622)
Project Size per capita	−0.007	0.014***	0.013**	0.011**
	(0.005)	(0.005)	(0.005)	(0.005)
IBRD	−0.087*	−0.076*	0.017	−0.011
	(0.048)	(0.046)	(0.054)	(0.052)
Closing Year	0.013	−0.035***	−0.032***	−0.069***
	(0.010)	(0.010)	(0.012)	(0.017)
Report Type 4	0.777***	−0.449***	−0.844***	−0.474***
	(0.072)	(0.071)	(0.082)	(0.074)
Report Type 3	0.698***	−0.374***	−0.723***	−0.374***
	(0.058)	(0.058)	(0.067)	(0.060)
Report Type 2	0.409***	−0.270***	−0.458***	−0.266***
	(0.068)	(0.066)	(0.078)	(0.067)
N	1282	1282	1282	1282
Adj. R-squared	0.378	0.446	0.215	0.596

***p < .01; **p < .05; *p < .1

World Bank projects are available only beginning in 2000. The expectation is a positive association between evaluation bias and the presence of a US-owned Fortune 500 firm as a project contractor, because contractors have an incentive to influence the evaluation of their projects.

Models 3 and 4 in Table 4 indicate strong support for this mechanism. The specifications for these models are similar to those used for the previous set of results. Although the data coverage and the definition of the key independent variable are different, the results are encouragingly similar. As before, having an MNC involved in a particular project does not objectively increase the project's performance (Model 3), whereas the coefficient is positive and significant for all specifications of Model 4, where the dependent variable measures evaluation bias. The size of the coefficient changes slightly, depending on the specification, but the result also holds when controlling for country fixed effects, indicating that it is not the case that the results are driven by a spurious correlation with time-invariant factors that vary at the country level.

The coefficient on *MNC Contractor* is not large, but it is substantively meaningful when compared with other relevant independent variables. Consider the coefficient on *Polity* in Model 4c, which has a standard deviation of approximately 6. If a country's score were to jump by six points, a dramatic political transformation that did not actually occur during the lifetime of any of our projects, the total effect on the dependent variable would be 0.14. Using an MNC as a contractor on the project instead has two-thirds of that effect.

4.2 Disbursement

The most obvious incentive for firms to engage in private politics surrounding the implementation of World Bank projects is to secure payment for their services from recipient governments. On the other hand, controlling disbursements is the Bank's primary tool to incentivize compliance, so undermining this incentive scheme has far-reaching consequences. This turns attention to disbursements. The expectation is that US Fortune 500 investment will increase disbursement, while controlling for project performance. Controlling for performance allows us to interpret positive effects as disbursements that were not justified by the implementation of program conditions or accomplishment of project objectives. Furthermore, we expect this effect to be strongest in the case of important projects because they are most likely to be of interest to MNCs, so the specifications include an interaction term between US Fortune 500 and project size per capita, and this interaction effect is expected to be positive.[12]

[12] The FDI data do not allow us to link firms to interest in particular projects, but interacting our quantity of interest with project size per capita allows us to weight less heavily projects that are small or that occur in large countries, and are therefore less likely to affect the average foreign investor. The purpose of some projects underwent major changes in mid-course, which sometimes also led to significant increases in disbursement without a revision in the official commitment amount. Consequently, the disbursement proportion is sometimes artificially

Table 5 presents results of two models of disbursement, with and without country fixed effects. The main results are consistent, except that the country-level control variables lose significance once fixed effects are included. As expected, project performance is significantly associated with higher disbursement rates.

Investment by U.S. multinational firms has an effect that is robustly significant and substantively strong. The model without fixed effects demonstrates the strongest effects, because a substantial amount of the variation in multinational investment is cross-sectional variation among countries. In that model, the effect of the presence of multinational firms that is one standard-deviation above the mean on a project of average size is to increase disbursement by 7.3%.[13] In other words, the effect of a level of investment equal to the bottom of the top third of the distribution on disbursement is equivalent to more than 90% of the effect of increasing performance by a standard deviation. To put this in terms of the evaluation scale, the effect is three-quarters as strong as moving an evaluation from "Unsatisfactory" to "Moderately Satisfactory."

These results continue to be significant when country-level fixed effects are included in the model, although they are weaker because these estimates rely only on over-time variation within countries. US Fortune 500 is not significant in the table as a base term in the equation with fixed effects, but that reflects the effect of multinational investment on projects that approach $0 per capita. Therefore, to analyze the effect of US investment, Figure 2 plots the composite coefficient for US Fortune 500 along with its 95% confidence interval, taking into account the interaction with project size.

The x-axis plots most of the range for project size (per capita) contained in the data. Only 42 observations are larger than $50 per capita, so the axis has been limited to that value to focus on the region where most of the projects actually lie. The dotted lines, representing the 95% confidence interval, indicate that US investment is significantly associated with the disbursement rate for projects larger than approximately $5.15 per capita. This is below the mean project size, and more than a quarter of the projects in the dataset are larger (see Table 2 for more details). All else equal, a one unit (i.e., one percent) increase in US investment for a $15 per capita project is associated with an 8% increase in disbursement. These substantive effects are weaker than those reported above—in the model without fixed effects, U.S. Fortune 500 has

very high, with a maximum of 1113 (for a variable with 0 to 1 scale, if disbursement does not exceed commitment). To avoid the risk of such outliers skewing the results, all cases where disbursement percentage is greater than 1 have been rescaled to equal 1. Retaining the outliers at their original values yields results stronger than those presented.

[13] The coefficient is equal to the base term, .029, plus the interaction term (.005) multiplied by the average project size (5.3). This sum is multiplied by the mean plus one standard deviation of US Fortune 500, or 1.3.

Table 5: Project Disbursement

	Disbursement proportion	
	Model 5a	**Model 5b**
	No FE	Country FE
Performance	0.101***	0.101***
	(0.007)	(0.007)
Eval. Bias	0.083***	0.081***
	(0.006)	(0.007)
US Fortune 500	0.029***	0.012
	(0.007)	(0.016)
Project Size per capita	−0.001	−0.001
	(0.001)	(0.001)
US Fortune*ProjSize	0.005***	0.005**
	(0.002)	(0.002)
Polity_{t-1}	−0.001	0.002
	(0.001)	(0.002)
Control of Corruption	0.001	0.013
	(0.006)	(0.009)
$\text{Log(GDP per capita)}_{t-1}$	−0.031***	0.006
	(0.006)	(0.056)
$\text{Log(Population)}_{t-1}$	−0.037***	0.074
	(0.005)	(0.129)
# active projects	0.001***	0.001
	(0.0003)	(0.001)
IBRD	−0.011	−0.003
	(0.011)	(0.012)
Report Year	0.005**	0.001
	(0.002)	(0.004)
Report Type 4	0.065***	0.058***
	(0.019)	(0.020)
Report Type 3	−0.019	−0.017
	(0.013)	(0.013)
Report Type 2	−0.020	−0.015
	(0.014)	(0.015)
N	1775	1775
Adj. R-squared	0.191	0.959

***p < .01; **p < .05; *p < .1

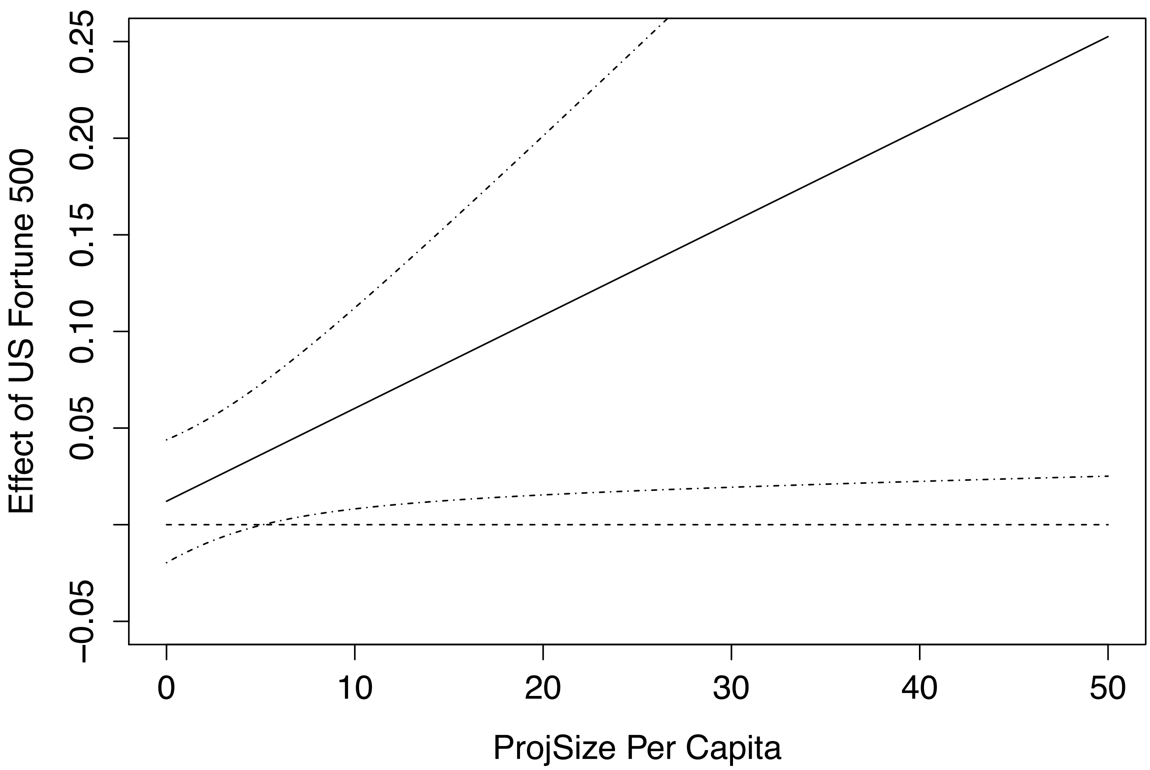

Figure 2: Marginal Effect of US Fortune 500 on Disbursement

an effect of similar size for projects one-third as large—because they ignore covariation across countries. However, the fact that the effect of investment is statistically significant and substantively meaningful even in a specification that controls for country effects is important because it rules out a number of interpretations of our results. It cannot be the case, for example, that effects that we attribute to investment are really caused by fixed country-specific characteristics that happen to be correlated with investment, such as variations in size, climate, resource endowments, colonial histories or geography. In order for confounds to affect our analysis, it is necessary that they vary over time in a way that is correlated with the over-time variation in investment within countries. This is possible, of course, but it is a much more complicated hypothesis.

The predicted effects of the model are somewhat abstract, so it may be useful to consider how its predictions relate to a substantive example drawn from the data.[14] The 'Yacyretá Hydroelectric Project II' was active in Argentina from 1992 to 2000 and had a total project commitment of $300 million. The Yacyretá Dam is a joint venture between Argentina and Paraguay negotiated in 1973, according to which the project was to be fully financed by Argentina. Both the World Bank and the Inter-American Development Bank (IADB) provided funds for parts of the project at various points in time. This particular World Bank project was launched in 1992, and its focus was constructing the dam and financing programs for infrastructure relocation, population resettlement and environmental impact mitigation. The World Bank evaluated the project's outcome as "Unsatisfactory," yet the financing for the project was fully disbursed.

Yacyretá means "land of the Moon" in Guaraní, a description that referred to an island that was flooded to fill the basin that feeds the turbines.[15] The project was shadowed by ecological and human-rights protests from the outset. The original construction plan called for a height of 83 meters above sea level, but construction was stopped at 76 meters to avoid displacing an additional 80,000 inhabitants. As a result, the facility achieved only 60 percent of the originally planned generating capacity of 3200 MW. The project was plagued by cost overruns and allegations of corruption, and was called by former Argentine President Carlos Menem a "monument of corruption." Officials of the Entidad Binacional Yacyretá, which administers the facility, have been convicted of embezzlement and insider trading, and the EBY has been charged with viola-

[14]The examples discussed here and in subsequent sections are not meant to be representative of the sample; we use quantitative analysis to draw inferences about general trends, and illustrative cases to explore the plausibility of our interpretations of those trends. Indeed, these cases were chosen because they were likely to exhibit the mechanism that we hypothesize to explain the broader pattern. In this section, the example from Argentina is informative because US Fortune 500 investment and project size per capita were substantial at the time that the project was being implemented. Thus, this case's discussion should not be treated as an independent test of the argument we advance, but as an illustration of the mechanisms proposed in earlier sections of the paper.

[15]The Guaraní were the indigenous people whose repression in the 1750s was depicted in the 1986 film *The Mission,* starring De Niro and Irons.

tions of human rights by the Inter-American Court of Human Rights. The ICR report indicates that project evaluation was unsatisfactory because the components of the project pertaining to providing efficient supply of energy and ameliorating the project's environmental and social impacts were not accomplished. The only component that was fully achieved was the increase in private capital participation in EBY. Furthermore, the report states that the net present value and economic rate of return calculated at the project's closing were lower than had been expected, which contributed to the unsatisfactory evaluation.

Particularly interesting for the purposes of this paper is that the dam's conception, planning, design and construction were managed by MWH Global, which is a US Fortune 500 corporation. MWH involvement is not discussed in the ICR report itself (and the project predates the available data from the Contract Awards Database), but the company's website provides a summary of the Yacyretá Hydroelectric Project that outlines its role. This appears to be a case where a project's performance did not justify the project's high rate of disbursement, but a prominent U.S. multinational corporation had a stake in the funds being fully disbursed. Our estimates attribute 11.6% of the disbursement for this project to the influence of U.S. multinational investment.

As with evaluation bias, it is possible to refine our hypothesis about the effect of MNC influence on the disbursement of World Bank loans by turning to data on contractors. Estimating the effect of having an affiliate of a US Fortune 500 firm serve as a contractor on a specific project identifies more precisely a motivation for firms to exert influence. Table 6 presents results from models that replace US Fortune 500 with MNC Contractor. No interaction term with project size is included because a proxy for firm interest is unnecessary once we restrict our attention to firms that are directly involved as contractors. Although MNC Contractor is available for only a subset of the data, the results are similar in terms of their substantive and statistical significance, and this is particularly true of the coefficient of interest.

MNC Contractor is significantly associated with higher disbursement rates, even when we control for the underlying data on project performance. In addition, we find that a unit of evaluation bias has approximately 80% of the effect of a unit of actual project performance, and our previous results indicated that MNC Contractor was associated with evaluation bias, so these results underestimate the effect of MNC influence on disbursement.[16] The coefficient is virtually unchanged when controlling for country fixed effects, which rules out a number of explanations for our results based on spurious correlations and omitted variables.[17] Substantively, holding

[16] Running Model 6b without *Evaluation Bias* increases the coefficient on *MNC Contractor* to 0.03 and makes it significant at the 5% level.

[17] We also ran the models with year fixed effects as well as with both country and year fixed effects; the significance and substantive effects of the variables of interest do not change in any meaningful way.

Table 6: Project Disbursement

	Disbursement proportion	
	Model 6a	**Model 6b**
	No FE	Country FE
Performance	0.081***	0.077***
	(0.007)	(0.008)
Eval. Bias	0.065***	0.060***
	(0.008)	(0.008)
MNC Contractor	0.030**	0.026*
	(0.015)	(0.015)
Project Size per capita	0.001	−0.0003
	(0.001)	(0.001)
Polity_{t-1}	−0.001	0.004
	(0.001)	(0.004)
Control of Corruption	0.012	0.012
	(0.008)	(0.011)
$\text{Log(GDP per capita)}_{t-1}$	−0.025***	0.001
	(0.007)	(0.061)
$\text{Log(Population)}_{t-1}$	−0.010***	−0.048
	(0.003)	(0.178)
IBRD	−0.013	−0.009
	(0.013)	(0.014)
Report Year	0.016***	0.015***
	(0.003)	(0.005)
Report Type 4	0.028	0.017
	(0.020)	(0.021)
Report Type 3	0.019	0.011
	(0.016)	(0.017)
Report Type 2	0.002	0.001
	(0.019)	(0.019)
N	1168	1168
Adj. R-squared	0.182	0.969

***p < .01; **p < .05; *p < .1

everything else constant, having an MNC involved as a contractor on a project is associated with a 3% increase in the disbursement rate. While that may not seem very high, that is almost half the substantive effect of increasing project performance by one standard deviation (0.8 units on our four-point performance scale). To put this in context, the average project achieves at least two-thirds of each individual objective, so in order to increase performance by 0.8 from that baseline the project managers would need to fully implement 80% of the objectives. In that context, it appears that the substantive impact of having a US-owned Fortune 500 contractor involved with a project is quite large.

The Contractors Database makes it possible to identify US-owned Global Fortune 500 firms that were directly involved in projects. One such example comes from the Kerala State Transport Project, a $336 million project active from 2002 to 2010. Kerala is a south-western coastal state in India with over 4,000 kilometers of state highway, and the objective of the project was to improve the quality of these highways. Approximately 30,000 families had to be relocated and rehabilitated as part of this project. Consequently, the project faced multiple delays, and the closing date was extended 4 times due to slow performance by contractors and delays in compensating the affected families. The mid-term review for the project termed it "Unsatisfactory" because of these delays in implementation and relocation, and even after it was completed, the project received an evaluation of 2 (on a 4 point scale), indicating that the problems had not been overcome by the end. Despite such ratings, the project budget was fully disbursed. The US multinational General Electric has an affiliate that is an engineering firm which had the largest contract on this project, worth almost $20 million. It is impossible to determine whether the U.S.-owned firm's interest influenced the outcome, but the project's performance clearly did not justify the high disbursement rate.

Table 7: MWH Contracts

projID	Country	Title	Approval	Closing	Commitment	Disb.%	Evaluation	MWH Contract
P004030	Cambodia	Road Rehabilitation	1999	2006	32.3	107%	2	1.3
P042927	Vietnam	Mekong Transport and Flood Protection	2000	2011	87.9	100%	2	0.3
P043933	China	Sichuan Urban Environment	1999	2007	102.0	44%	2	4.1
P051859	China	Liao River Basin	2001	2008	100.0	92%	3	2.3
P056424	China	Tongbai Pumped Storage	1999	2007	197.5	100%	3	0.2
P057602	Yemen	Urban Water Supply and Sanitation	2002	2010	84.7	104%	2	8.9
P057933	China	Tai Basin Urban Environment	2004	2010	57.5	100%	2	0.9
P060221	Brazil	Fortaleza Metropolitan Transport	2001	2010	22.4	155%	2	2.0
P065973	Laos	Agricultural Development	2001	2008	13.1	123%	2	3.5
P066955	China	Zhejiang Urban Environment	2004	2011	133.0	100%	3	3.8
P068858	Bulgaria	Wetlands Restoration & Pollution Reduction	2002	2008	7.5	100%	3	0.8
P074042	Lebanon	Ba'albeck Water and Wastewater	2002	2012	43.5	101%	1	0.6
P075730	China	Hunan Urban Development	2004	2012	172.0	100%	2	2.5

Note: *Commitment* and *MWH Contract* are in million USD.

It is also instructive to further investigate MWH Global in its role as a contractor on World Bank projects. There are thirteen such projects in our dataset beginning in 2000, as summarized in Table 7.[18] MWH served as a general contractor, with a share of the contract for each project ranging from $300,000 to $8.9 million, on a portfolio of projects totaling $1.05 billion. Eleven of these thirteen projects were fully disbursed or expanded, for an average disbursement rate of 102%. However, the evaluation of these projects was unimpressive, averaging an unsatisfactory 2.23 (on a 4 point scale). Even the project with the worst performance, a water treatment project in Lebanon that received the worst possible evaluation, was fully disbursed. MWH earned a total of $31 million in contracting fees from the World Bank for supervising this series of unsuccessful projects.

The fact that we find similar results using different samples and different measures of MNC interest is reassuring. Indeed, the low correlation between *US Fortune 500* and *MNC Contractor* (r= 0.10) reflects the fact that the two variables measure different concepts—the presence of major US multinational firms in a particular country, as opposed to the involvement of such a firm as a contractor on a particular World Bank project—so it is unsurprising that they are virtually unrelated. Nevertheless, the results suggest that each captures an important dimension of MNC influence over the World Bank.

4.3 Discrimination among lending instruments

Having established a relationship between the presence of US investment and both increased disbursement of Bank projects and higher evaluation bias, we now delve deeper into these findings by questioning whether these effects are conditional on the institutional form of the lender. We posit that the mechanism that links MNC interests to disbursements and evaluations is informal influence, and the effectiveness of such lobbying activity ought to depend on the institutional context. As we argued above, the IDA has been more strongly affected than the IBRD by efforts to reform lending to reward past performance. Consequently, we expect IDA disbursements to be less responsive to MNC interests than IBRD disbursements (Winters 2010, Morrison 2013). On the other hand, the greater emphasis placed on evaluation results in the IDA increases the incentive for MNCs to lobby for more favorable evaluations, so we expect IDA project evaluations to be more responsive than IBRD project evaluations to MNC interests.

We split the sample into IDA and IBRD projects in order to investigate these hypotheses.[19]

[18] Since the World Bank's Contract Awards Database only covers a subset of the projects for which ICR reports are available, the Yacyretá project does not feature in this subset of the data.

[19] Some projects receive financing from both agencies. These blended projects, of which there are 150 in our dataset, are excluded in order to provide a clean test for the mechanisms being suggested here, but including them does not affect the results. Similarly, the 700 or so projects where neither the IDA nor the IBRD is involved are also excluded; these projects are either funded by the Global Environment Facility (GEF) or are part of the Bank's Special Trust Fund for West Bank & Gaza, for which money comes directly from donor countries rather

Table 8 below summarizes the main results of interest. Each row summarizes the estimates for the quantity of interest from a separate regression. The results for *MNC Contractor* have the same specifications as Models 6a and 4a, respectively, whereas those for *US Fortune 500* are the same as Models 5a and 3a, respectively. The results for the control variables are omitted to save space; they are substantially the same as those reported earlier.[20]

Table 8: Investment & Lending Instruments

	IDA	IBRD
Disbursement	MNC Contractor: 0.01 (0.02)	MNC Contractor: 0.04** (0.02)
	US Fortune 500: 0.01 (0.01)	US Fortune 500: 0.03*** (0.01)
Evaluation Bias	MNC Contractor: 0.16* (0.09)	MNC Contractor: 0.07 (0.07)
	US Fortune 500: 0.04 (0.04)	US Fortune 500: 0.04 (0.03)

***p < .01; **p < .05; *p < .1

Note: Standard Errors reported in parentheses. No fixed effects.

As Table 8 indicates, both *MNC Contractor* and *US Fortune 500* are positively and significantly associated with disbursement in IBRD projects, but the estimated effects are much weaker and insignificant in IDA projects. On the other hand, having a U.S.-owned Fortune 500 firm as a contractor on a specific IDA project has a significant effect on increasing evaluation bias for the project, and the coefficient is larger than it was in the pooled analysis reported above; the effects are weaker and insignificant in IBRD projects. These results fit our expectations: the IDA is less responsive to MNC interests than the IBRD, presumably because its procedures tie disbursement more rigidly to performance. By the same token, however, IDA projects provide stronger incentives for MNCs to exert influence to secure better evaluations.

A striking illustration of evaluation bias in IDA projects with U.S. multinational contractors is the Irrigation Sector Project in Nepal from 1997 to 2004. The project was intended to increase productivity and sustainability of irrigation systems in various districts by installing tubewells and hydrometric structures and establishing meteorology stations. The results were far from satisfactory. The ICR report evaluated the project's sustainability as "unlikely." The project scores a 2 on our *Performance* variable, which summarizes the evaluation team's point-by-point ratings of the degree to which project objectives had been implemented. Nevertheless, the overall rating of the project in this report is "Satisfactory," which indicates high *Evaluation Bias*. One of the contractors on this $103 million project was Caterpillar, Inc., which is

than from the World Bank's two main lending instruments.

[20]The interaction of *US Fortune 500* and *Project Size per capita* is excluded in this set of results, but the results shown here hold for the entire range of *Project Size per capita* when the interaction term is included.

a U.S. Global Fortune 500 firm, and is one of the leading manufacturers of construction and industrial equipment. Caterpillar was a supplier of mechanical equipment for this project. The inference of evaluation bias is corroborated in this case by the Project Performance Assessment Report (PPAR) written by the World Bank Independent Evaluation Group (IEG). The IEG audits about 25% of World Bank projects in order to “ensure the integrity of the Bank’s self-evaluation process and to verify that the Bank is producing the expected results...” (Preamble, Project Performance Assessment Report No. 4438). For this project, the IEG found the outcome of the project to be “Moderately Unsatisfactory,” which is two rankings below the ICR assessment. The report characterizes both the Bank’s and Borrower’s performances as moderately unsatisfactory. The project’s closing was delayed several times because its objectives had not been met in a timely fashion, project design was flawed, and the Bank should have given more attention to monitoring and evaluation (p. xi, PPAR No.4438). In short, the IEG agrees with our conclusion that this IDA project, in which a major U.S. multinational played a key role, was an example of extreme evaluation bias.

5 Discrimination among Alternative Theories

We conduct two additional series of tests in order to further narrow the possible interpretations of our findings. First, we seek to distinguish the mechanism of private politics from the mechanism of geopolitics. It could be the case that the presence of U.S. multinationals does not indicate their influence over World Bank policies per se; rather, U.S. FDI could represent a proxy for broader U.S. interests in recipient countries, and it might be these interests rather than those of business that are finding expression in World Bank lending (Krasner 1978, Gilpin 1975). If this is the case, other measures of U.S. geopolitical interests that have been found in the literature to explain IMF lending behavior should have similar effects in the case of the Bank, and similar effects to those we have found of the presence of multinationals. Second, we seek to pin down the mechanism of influence by asking whether access to U.S. policymakers is a necessary condition for the effect to obtain. It could be the case that the presence of U.S. multinationals influences Bank behavior for other reasons besides overt political behavior. For example, the Bank could shape its policies in order to encourage multinational investments. If this is the case, investments by firms based in other advanced industrialized countries should have effects similar to those of investments by U.S. firms. In contrast, if only U.S. firms exert influence over Bank policy, this suggests a political interpretation, because only U.S. firms have access to the U.S. policy network in the Bank.

5.1 Geopolitical Interests

Table 9 presents the estimated effects on disbursements of five measures of U.S. geopolitical interest, first on all World Bank projects, and then broken down into IDA and IBRD projects.[21] The five geopolitical variables are added to Model 5a one at a time in place of US Fortune 500.[22] These models do not include country fixed effects. Since most of the variation in the geopolitical variables is cross-sectional, models without fixed effects represent a tougher test of our hypothesis of no effect. The results are substantially similar with country fixed effects, with one exception noted below. Control variable estimates are repressed to save space, but are not meaningfully different from those presented above.

Table 9: Disbursement - Geopolitical Interests & Lending Instruments

Variables	Pooled	IDA	IBRD
US Aid$_{t-1}$ (in billion USD)	-0.01(0.08)	0.09 (0.13)	-0.006 (0.11)
All UN Votes$_{t-1}$	0.02 (0.02)	-0.01 (0.04)	0.00 (0.03)
Important UN Votes$_{t-1}$	0.001 (0.01)	-0.01 (0.02)	0.01 (0.02)
UNSC Membership	0.01 (0.01)	0.03 (0.07)	0.018 (0.014)
Executive Director	0.01 (0.01)	-0.001 (0.02)	0.01 (0.02)

$^{***}p < .01$; $^{**}p < .05$; $^{*}p < .1$

Note: Standard Errors in parentheses. No fixed effects.

The *Executive Director* dummy variable indicates whether the project-recipient country held a seat on the World Bank's Executive Board of Directors during the project implementation period. Previous literature on the World Bank has found that Executive Directors are able to secure more loans from the IBRD for their countries, so we might expect this influence to apply to increased disbursements as well (Kaja and Werker 2010, Morrison 2013). However, we do not find evidence for such an effect in our data.

The other four variables are specific measures of U.S. geopolitical interest in the project recipient. We consider whether countries that receive higher levels of U.S. aid (lagged) are also more likely to receive larger disbursement percentages on their projects from the Bank. This does not appear to be the case. Next, we measure U.S. interest in terms of the (lagged) UN Vot-

[21] We present only results for disbursements, because the literature contains findings about the effect of geopolitics on World Bank and IMF lending, but not on evaluation bias. We replicated these equations using evaluation bias as the dependent variable, however, and found substantially similar results. The only significant coefficient was for all UN votes in IBRD projects, with a coefficient of 0.22 (0.11).

[22] The interaction term with project size is dropped for simplicity of presentation. Including interaction terms between the geopolitical variables and project size per capita and calculating the composite effects does not change the interpretation of these results.

ing affinity S-score between the United States and each project-recipient country. *Important UN Votes* calculates the S-score based only on those votes that the U.S. State Department has identified in its annual report to the U.S. Congress to be important to U.S. foreign policy, whereas *All UN Votes* includes all votes in the United Nations General Assembly. Again, we do not find that voting patterns in the UNGA, whether on all votes or just the important ones, affect the disbursement proportion of World Bank projects.[23] This is in contrast to Kilby (2009, 2013), which find substantial effects of similarity in important votes on World Bank lending volumes. Lastly, Dreher, Sturm and Vreeland (2009a, 2009b) and Vreeland and Dreher (2014) have found effects of temporary membership on the United Nations Security Council on loan commitments from both the World Bank and the IMF. We find no similar effect for loan disbursements. None of these findings should be taken to contradict the rather impressive accumulation of empirical papers that demonstrate geopolitical influences in World Bank lending; instead, they should be taken to qualify those findings in a significant respect. Unlike in the IMF, where decisions at all stages of the lending cycle are fraught with high politics, geopolitics appears to influence World Bank lending only at the project approval stage. The complex and detailed business of implementing and evaluating a wide range of heterogeneous projects remains political, but the interests that are of primary importance there are those of firms rather than of states.

Together, the consistently negative results in this section reinforce our interpretation that it is not geopolitical interests that are, in fact, driving the earlier results. Nor is it the case that investment by U.S. multinational corporations is simply a proxy for broad U.S. strategic interests. In models that include US Fortune 500 together with the measures of geopolitical interests, investment by U.S. multinationals continues to have robust effects, while the geopolitical variables are insignificant.[24] Rather, it appears that something peculiar to the presence of major U.S. multinational firms exerts influence over the process of World Bank lending.

5.2 Other Investors

Next we consider the possibility that the presence of U.S. multinational firms is generically equivalent to the presence of similar firms from other countries. Table 10 presents results from

[23]The variable for all UN votes has a marginally significant association of 0.07 (0.04) with disbursements in the pooled regression with fixed effects. The fixed effects estimator relies on over-time variation within countries, so this is similar to Thacker‘s (1999) finding that movements in UNGA voting closer to the U.S. position, but not levels, were associated with IMF lending. We do not emphasize this result because it is only marginally significant.

[24]In an alternative specification of Model 5b that controls for the four U.S. geopolitical variables, *US Fortune 500* is significant at the 5% level. In a specification that additionally controls for Executive Director, significance drops, but *US Fortune 500* is still significant at the 10% level for projects bigger than about $8 per capita. The magnitude of the effect increases in that specification, however, and the reduced significance is driven by an increase in the standard errors. This makes us confident that the significant results excluding Executive Director are not driven by omitted variable bias.

the same specifications as before, but substituting measures of investments by Fortune 500 companies from four other countries: the United Kingdom (UK), Germany, France and Japan. None of these alternative measures of multinational presence is significantly related to disbursement. The only statistically significant term among the investment variables is the interaction term between Japan Fortune 500 and Project Size per capita (Model 13d). However, plotting the interaction term against the relevant range of project sizes shows that the slope is negative and is insignificant for projects larger than a few dollars per capita. These results do not support the interpretation that U.S. multinationals are generically similar to those from other countries. Rather, it appears that the mechanism that relates the presence of U.S. multinationals to World Bank lending has to be something that is specific to U.S. firms. This narrows the interpretation of our findings considerably. Only U.S. firms have access to the uniquely powerful policy network controlled by the U.S. government, and it is difficult to explain why U.S. firms should uniquely enjoy access to World Bank officials if this is not because U.S. firms exert influence by first influencing arms of the U.S. government. The one exception to the pattern of U.S. exceptionalism is that UK Fortune 500 investment, like US Fortune 500, is associated with the level of Evaluation Bias, as indicated by Model 14a in Table 10. This is not, however, reflected in an effect of the UK investment portfolio on disbursement rates.

We conclude from this exercise that the range of interpretations that we can put on our results has considerably narrowed. Measures of U.S. interests other than multinational investments do not seem to explain patterns of World Bank lending, so the effect of multinational presence is unlikely to be a proxy for geopolitical interests. Rather, it represents the effects of private politics that firms pursue on their own behalf. Further, the investments of other countries do not have comparable effects. This seems to rule out non-political interpretations. Otherwise, if not for the fact that they enjoy privileged access to the U.S. policy network, why should U.S. firms enjoy privileged access to the Bank? The results support the interpretation that major multinational firms collude with government in the developing world to circumvent the monitoring of World Bank project performance and lobby on behalf of loan disbursements that are unjustifiable in terms of the achievement of project objectives.

Table 10: Other Major Investors

	Disbursement percentage			
	Model 13a	**Model 13b**	**Model 13c**	**Model 13d**
UK Fortune 500	−0.007			
	(0.014)			
Germany Fortune 500		0.004		
		(0.016)		
France Fortune 500			0.020	
			(0.013)	
Japan Fortune 500				−0.030
				(0.020)
Project Size per capita	−0.0004	0.001	−0.0003	−0.0003
	(0.001)	(0.001)	(0.001)	(0.001)
UK Fortune 500*Projsize	0.004			
	(0.003)			
Germany Fortune 500*Projsize		−0.002		
		(0.002)		
France Fortune 500*Projsize			0.002	
			(0.001)	
Japan Fortune 500*Projsize				0.010***
				(0.004)
N	1775	1775	1775	1775
Adj. R-squared	0.958	0.958	0.959	0.959
	Evaluation Bias			
	Model 14a	**Model 14b**	**Model 14c**	**Model 14d**
UK Fortune 500	0.053**			
	(0.026)			
Germany Fortune 500		0.031		
		(0.026)		
France Fortune 500			0.024	
			(0.029)	
Japan Fortune 500				0.043
				(0.035)
N	1918	1918	1918	1918
Adj. R-squared	0.156	0.155	0.155	0.155

***p < .01; **p < .05; *p < .1
Models 13a to 13d have the same specification as Model 5c.
Models 14a to 14d have the same specification as Model 2c.

6 Conclusions

The World Bank is different in important respects from its sister institution, the IMF, which subjects the implementation of World Bank projects to a different pattern of informal governance. The World Bank has heeded calls to open up to the influence of international society to a much greater degree than the Fund, and this has made its decisions vulnerable to the influence of multinational corporations. We provide evidence that countries that receive direct investments from U.S. Fortune 500 companies exhibit greater degrees of evaluation bias at the project level and receive disbursements of greater proportions of committed funds conditional on evaluations and project performance. In addition, we find the same patterns using a more specific measure of firm motivations, the participation of their affiliates in particular Bank projects as contractors. In other words, investment by major U.S. multinationals is associated with collusion to bias the evaluation of World Bank programs and with lobbying to make disbursements that are not justified by project outcomes. In contrast, we find no evidence that the participation or presence of multinationals has any influence on the most objective measures of project outcomes. MNCs do not appear to be systematically allied with the Bank in promoting development, but they appear to interfere with its evaluation and enforcement efforts.

We find little evidence of geopolitical influences on project evaluation or disbursement. We tested for a wide range of hypotheses drawn from the literature, seeking any evidence of effects of proxies for U.S. interests that have been shown to affect IMF lending, conditionality, or enforcement of conditionality, or World Bank lending. We found scant evidence to support these hypotheses in the case of the evaluation and disbursement phase of World Bank projects. We attribute this striking difference from the findings of previous studies to the special features of World Bank projects, which, while very important in the aggregate, tend to be small scale in particular cases. These individual projects are not highly important in terms of international politics, but they may be highly salient to particular firms.

These findings should not be interpreted to mean, however, that U.S. informal influence is not considerable in the patterns that we see. We find effects on project evaluation and disbursement for investments by U.S. multinationals, and little evidence of effects for investments by multinationals from other countries. This suggests that the uniquely powerful informal policy network of the United States plays a critical role in facilitating the influence of U.S. multinationals. This is consistent with the pattern of influence enjoyed by international civil society actors in the World Bank generally: U.S. NGOs have tremendous advantages over similar organizations based in other countries. Furthermore, when it is possible to show that such groups exert influence, it is usually because they have successfully lobbied the U.S. government—the executive branch, the legislative branch, or both—and Treasury has deployed its policy network to translate their political demands into informal influence. In short, the United States is not a unitary actor, and U.S. firms are able to capitalize on the informal influence that the United States enjoys by virtue of its position in international policy networks.

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A Additional Tables

Table 11: Descriptive Statistics (a)

Variable	Median	Mean	St. Dev.	Min	Max
Polity$_{t-1}$	6	4.003	5.609	-7	10
log (Population$_{t-1}$)	17.3	17.52	1.828	13.506	21.009
log (GDP per capita$_{t-1}$)	8.10	8.136	0.884	5.974	10.058
Control of Corruption	2.00	2.289	0.773	0.000	5.000
US Fortune 500	0.066	0.550	0.940	0.000	4.261
Report Type 4	0	0.300	0.458	0	1
Report Type 3	0	0.270	0.444	0	1
Report Type 2	0	0.150	0.358	0	1
Report Type 1	0	0.280	0.449	0	1
IBRD	0	0.358	0.480	0	1
IDA	0	0.432	0.496	0	1
Approval Year	1997	1,997	4.083	1987	2010
Closing Year	2004	2004	3.461	1995	2011
# active projects	18	26.601	24.745	1	122
Project Size per capita (in $)	1.537	3.638	6.760	0.004	124.73
Disbursement Proportion	0.965	0.868	0.203	0	1
Evaluation	5	4.525	1.122	1	6
Performance	3.11	3.043	0.805	0.000	4.000
Evaluation Bias	-0.358	-0.358	0.829	-3.750	3.000

Note: The variables presented in this table are used in Models 1, 2, 5, 7-14.

Table 12: Descriptive Statistics (b)

Statistic	Median	Mean	St. Dev.	Min	Max
Polity$_{t-1}$	6	3.812	5.723	-7	10
log (Population$_{t-1}$)	17.3	17.552	1.914	13.525	21.019
log (GDP per capita$_{t-1}$)	8.21	8.200	0.868	6.004	10.058
Control of Corruption	2	2.160	0.644	0.500	5.000
Report Type 4	0	0.497	0.500	0	1
Report Type 3	0	0.198	0.398	0	1
Report Type 2	0	0.117	0.322	0	1
Report Type 1	0	0.188	0.391	0	1
IBRD	0	0.394	0.489	0	1
IDA	0	0.447	0.497	0	1
Approval Year	1999	1998	3.408	1989	2008
Closing Year	2006	2005	3.101	1998	2013
Project Size per capita (in $)	1.258	2.914	4.691	0.004	57.832
Disbursement Proportion	0.982	0.892	0.182	0.010	1.000
Evaluation	5	4.428	1.058	1	6
Performance	3.2	3.089	0.827	0.000	4.000
Evaluation Bias	-0.571	-0.491	0.832	-3.750	3.000
MNC Contractor	0	0.116	0.321	0	1

Note: The variables presented in this table are used in Models 3, 4 and 6.