

Private Politics in World Bank Lending

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How is the Bank not like the Fund?

- Lending is politicized in both
- Stakes are lower in World Bank project implementation
 - IMF programs cover entire countries
 - World Bank projects are smaller (mean of \$78 million, median of \$33 million) with more diverse project objectives
- MNCs have concentrated interests in Bank projects

IMF versus the World Bank

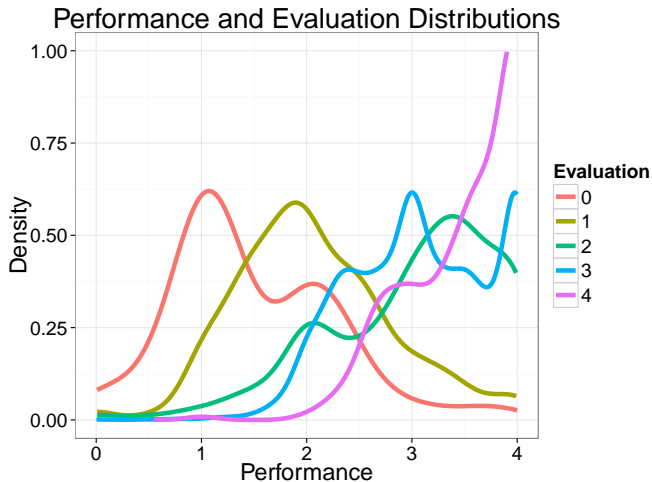
Table 1 : Theoretical Expectations

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

World Bank Projects

- World Bank's Implementation Completion and Results (ICR) reports
- 4206 projects
- October 1994 to December 2013
- Conditionality, sectors, commitments
- Disbursements
- Evaluations
- Performance index

Dependent Variable: Evaluation Bias



Measuring private political interests

- *US Fortune 500:*
 - Mergers & Acquisitions activity from SDC Platinum
 - Calculate 5 year moving average of US Fortune 500 foreign investment transactions represented by each country in the dataset
- *MNC Contractor:*
 - World Bank Contract Awards Database
 - Matches US-owned Fortune 500 firms & affiliates to projects

US Fortune 500

Table 2 : 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*** (0.021)		-0.485*** (0.022)
US Fortune 500	-0.013 (0.021)	0.048 ** (0.022)	0.042* (0.025)	0.038 (0.058)

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

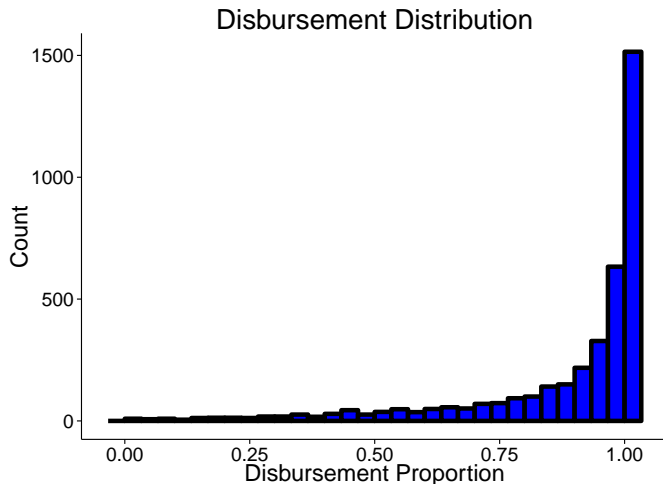
MNC Contractor

Table 3 : 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*** (0.023)		-0.547*** (0.024)
MNC Contractor	-0.094 (0.058)	0.106* (0.055)	0.131** (0.066)	0.096* (0.057)

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

Dependent Variable: Disbursement Proportion



US Fortune 500 & Disbursement

Table 4 : Project Disbursement

	Disbursement proportion	
	Model 5a	Model 5b
	No FE	Country FE
Performance	0.101*** (0.007)	0.101*** (0.007)
Eval. Bias	0.083*** (0.006)	0.081*** (0.007)
US Fortune 500	0.029*** (0.007)	0.012 (0.016)
Project Size per capita	-0.001 (0.001)	-0.001 (0.001)
US Fortune*ProjSize	0.005*** (0.002)	0.005** (0.002)

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

Interaction Effect

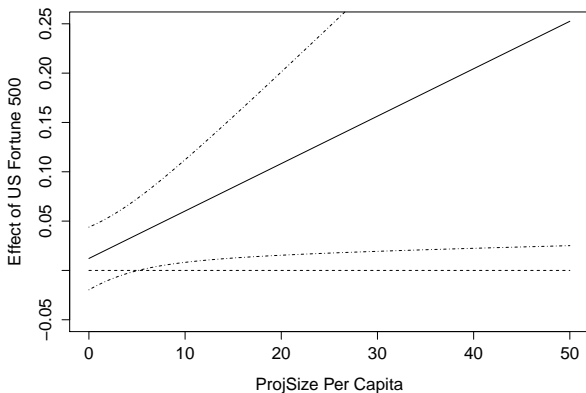


Figure 3 : Marginal Effect of US Fortune 500 on Disbursement

MNC Contractor & Disbursement

Table 5 : Project Disbursement

	Disbursement proportion	
	Model 6a	Model 6b
	No FE	Country FE
Performance	0.081*** (0.007)	0.077*** (0.008)
Eval. Bias	0.065 *** (0.008)	0.060*** (0.008)
MNC Contractor	0.030 ** (0.015)	0.026 * (0.015)

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

Yacyretá Hydroelectric Project

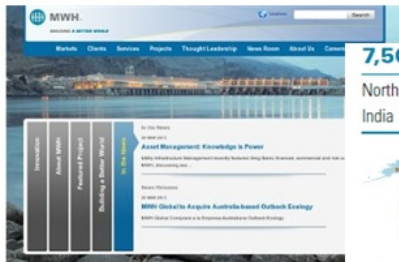


Yacyretá Hydroelectric Project II (1992-2000)

- \$300 million commitment; \$6 billion project
- Evaluation: Unsatisfactory
- Reached only 60% of planned capacity
- Former Argentine President Carlos Menem called it a “monument to corruption”
- Evidence of embezzlement and insider trading
- Charged with violations by the Inter-American Court of Human Rights
- 100% disbursement

Dam construction & design managed by: MWH Global

Figure 5 : MWH Global



7,500 Employees in 35 Countries

North America • South America • Europe • Middle East
India • Australia • New Zealand • Asia



MWH

MWH Global as World Bank Contractor

- 13 projects in our dataset
- Contract share ranging from \$300,000 to \$8.9 million
- Average evaluation: 2.23 (data mean = 2.61)
- Average disbursement rate: 102% (data mean = 89%); 11 projects fully disbursed
- MWH earned \$31 million for supervising \$1.05 billion in unsuccessful projects

IDA vs IBRD

Table 6 : Investment & Lending Instruments

	IDA	IBRD
Disb.	Contractor: 0.01 (0.02)	Contractor: 0.04** (0.02)
	Fortune 500: 0.01 (0.01)	Fortune 500: 0.03*** (0.01)
Eval. Bias	Contractor: 0.16* (0.09)	Contractor: 0.07 (0.07)
	Fortune 500: 0.04 (0.04)	Fortune 500: 0.04 (0.03)

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

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

Geopolitics

Table 7 : Disbursement - Geopolitical Interests & Lending Instruments

Variables	Pooled	IDA	IBRD
US Aid _{t-1}	-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.

Alternative Interpretations

- Country-level confounders?
 - Robust to fixed effects
- Is investment a proxy for US interest?
 - Geopolitical indicators insignificant
- Non-political interpretations?
 - No similar effect for German, Japanese, British or French Fortune 500 investment

Conclusion

- Informal influence depends on institutional design
- Private actors can appropriate US influence networks
- MNCs without access to the US network are not influential

Questions and Comments

Thank you
Questions and comments welcome