Bilateral versus Multilateral: Picking Policy Instruments

Erasmus Kersting and Christopher Kilby

Villanova University

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Abstract: This paper investigates whether U.S. presidential administrations exert more influence over international financial institutions when the U.S. government is divided. We find evidence of this for several dimensions of U.S. influence in the World Bank, a pattern consistent with the U.S. administration substituting multilateral aid for bilateral aid when its control over the latter is hampered by an uncooperative legislature. This provides a much richer picture of when and why the U.S. exerts influence in multilateral settings and an alternate explanation to persistent questions about the role of international organizations in the international political economy.

1. Introduction

Over the last ten years, a sizeable empirical literature on foreign aid has established that the U.S. uses both bilateral aid and influence in international financial institutions (IFIs) to pursue its foreign policy objectives. The parallels between bilateral and multilateral aid in serving U.S. interests are particularly clear regarding non-permanent United Nations Security Council (UNSC) membership (Kuziemko & Werker 2006; Dreher *et al.* 2009A,B) and political aid cycles (Faye & Niehaus 2012; Kersting & Kilby 2014).

But what factors influence the U.S. choice between bilateral and multilateral aid? Following Milner and Tingley (2015), we explore the role of U.S. domestic politics and investigate whether the choice between bilateral and multilateral aid depends on the U.S. administration's relations with Congress. When relations are particularly contentious, we expect that bilateral aid will be less available as a foreign policy tool and so the U.S. administration will increase pressure on international organizations to deliver resources in support of U.S. administration goals. We test the hypothesis that the exercise of U.S. influence in IFIs is greater during periods of divided U.S. government through large N analysis using measures of division in the U.S. government, IFI outcome variables (principally commitments, disbursements, and project ratings), and borrowing countries' geopolitical importance to the U.S.

The evidence largely supports the hypothesis that U.S. influence on IFIs is greater during periods of divided U.S. government. A pattern of electioneering supporting U.S.-friendly incumbents via faster disbursement of World Bank loans in the run-up to borrowing country elections (Kersting and Kilby 2014) is driven largely by those years with a divided U.S. government. Evidence of selective enforcement of World Bank loan conditionality in favor of U.S. friends (Kilby 2009) is also driven by years with a divided U.S. government and not by those

occasions where the President can work with a Congress of his own party. The pattern repeats in the analysis of U.S. informal influence over World Bank lending more broadly (Kilby 2013). We also observe a bias in project ratings by the World Bank's Independent Evaluation Group (IEG) in favor of countries holding non-permanent seats in the UNSC (Kilby and Michaelowa 2015) but only for those years with a divided U.S. government. This repeated pattern suggests that the exercise of influence in IFIs—when IFI activities are a substitute for bilateral aid—is a function of domestic politics.

The next section of this paper reviews some of the existing literature on the domestic politics and geopolitics of bilateral and multilateral aid. It concludes with a review of the papers on U.S. influence over the World Bank on which we draw for our empirical analysis. Section 3 lays out our research methodology, essentially a replication study approach that adds the dimension of divided government. Section 4 presents our estimation results and Section 5 concludes.

2. Literature Review

Two parallel literatures have developed, one exploring how U.S. bilateral aid promotes U.S. national interests, another how lending by IFIs promotes U.S. national interests. In some cases, the parallels are very direct. For example, Kuziemko and Werker (2006) demonstrate that U.S. bilateral aid to developing countries increases dramatically when these countries serve as non-permanent members of the UNSC—and decreases just as dramatically when their UNSC terms end. Dreher et al. (2009A) likewise document a jump in the number of World Bank loans approved for countries serving as non-permanent UNSC members that subsides when the country's term ends. Dreher et al. (2009B) finds similar pattern at the IMF, with higher IMF program participation rates while countries hold a non-permanent UNSC seat. Another example

is the parallel between Faye and Niehaus (2012) on the one hand and Kersting and Kilby (2014) and Hlavac (2013) on the other. Faye and Niehaus find a pre-election increase in bilateral aid to incumbent governments that are friendly with the donor and a pre-election decrease in bilateral aid to incumbent governments that are not friendly with the donor. Kersting and Kilby find the same pre-election pattern for World Bank investment loan disbursements. Hlavac documents a similar pattern for UNICEF. In short, there is ample evidence that the U.S. uses its influence in IFIs to pursue some of the same foreign policy objectives that it pursues via bilateral aid.

This paper sits at the intersection of these two literatures, examining how U.S. decision-makers determine which instrument to select—bilateral aid or multilateral aid—to pursue foreign policy goals like those identified above (currying favor with non-permanent UNSC members and keeping U.S.-friendly governments in power). We build on Milner and Tingley (2015) who present an empirical analysis of how U.S. presidents pick between foreign policy instruments (policy substitution). Their core argument is that the use of some instruments is more constrained than others based on relations between the administration and Congress and on the level of distributional consequences. The result may be a suboptimal policy mix where domestic politics rather than foreign policy goals drive the choice of policy instrument. Our topic—the choice between bilateral and multilateral aid—is an interesting example of this same phenomenon not explored by Milner and Tingley.

Caddel (2012) studies the interaction between Congress and the president that precedes the determination of both the type (political, development, humanitarian, or security) and the destination of U.S. foreign assistance. He finds that Congress is primarily concerned with the domestic impact on particular districts and industries, leading members of Congress to have strong preferences regarding the type of aid and the specific programs that get funded (e.g. food aid

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provided by U.S. farmers). In contrast, the president is mostly concerned with security and thus redirects aid towards countries of strategic importance. Caddel reports data showing that especially funds for *political* aid requested by the president tend to be re-directed by Congress, which supports our hypothesis that alternative channels, such as influencing World Bank loans, are more attractive when the bargaining power of the administration is relatively low.

The U.S. Treasury Department, a branch of the administration, coordinates U.S. engagement with the World Bank. Although Congress does exert influence over the World Bank via the power of the purse—especially during triennial replenishments of the International Development Association (IDA) and, less frequently, when the International Bank for Reconstruction and Development (IBRD) requires a capital increase—Congress has little real control over day-to-day World Bank decisions such as loan commitments and disbursements. One example of this is the ineffectiveness of certain congressional mandates at influencing outcomes. In some areas—such as approval of projects to produce commodities (e.g., palm oil and steel) that compete against U.S. producers—Congress requires the U.S. World Bank Executive Director (ED) to vote "No" and, since 2003, Congress has required Treasury to report U.S. ED votes to verify compliance. However, the U.S. vote share in the World Bank (at around 16%) is not large enough to veto projects. Drawing on the above database, Strand and Zappile (2015:225) find that "items not supported by the U.S. [ED's vote] are routinely approved."

This is part of a larger pattern. Gwin (1997) argues that exerting U.S. influence in the World Bank requires instead working behind the scenes (pressuring World Bank management, making deals with other shareholders, etc.), something the U.S. administration can do much more effectively than the U.S. Congress. In addition, because such influence flows through informal channels, the Congress cannot readily observe administration actions. Thus, at least in the short

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run, the U.S. administration can use multilateral loans as an instrument of foreign policy without consent from Congress. Strand and Zappile (2015) find some support for this in U.S. ED voting records for the IBRD that suggest U.S. bilateral aid and U.S. support for multilateral lending are substitutes.

Our paper draws directly on four previous empirical studies on the political economy of the World Bank. The first paper (chronologically) is Kilby (2009) which explores the political economy of World Bank conditionality. This paper examines disbursements for countries with active World Bank adjustment loans (Structural Adjustment Loans (SALs) and Development Policy Lending operations (DPLs)), including inflation and devaluation as proxies for macroeconomic performance and hence compliance with conditionality. The analysis finds that when these countries are "US friends" (i.e., have made concessions to the U.S. on UN General Assembly (UNGA) votes designated as important by the U.S. State Department) loan disbursement depends less on macroeconomic performance than when countries are not "US friends." This pattern suggests selective enforcement based on a country's relationship with the U.S. Thus, the paper provides an alternate explanation for the failure of conditionality.

Kilby (2013) examines U.S. informal influence in the World Bank. Looking at overall lending, disbursement is faster (i.e., more likely and larger) when countries have good relations with the U.S. as measured by concessions in UNGA voting or U.S. bilateral aid flows. The key equations control for prior loan commitments and thus reflect only post-loan approval decisions. Since the donor country executive directors have no formal role in such decisions, these results reflect U.S. informal influence in the World Bank.

Kersting and Kilby (2014) also explore the speed of World Bank loan disbursement but in the context of competitive executive elections in the borrowing countries. Using newly available

monthly data on disbursements, this paper finds faster investment project loan disbursement in the run up to a competitive executive election as compared to other times. However, this pattern only holds for incumbent governments that are aligned with the U.S. in UNGA voting. For incumbent governments that vote against the U.S. in the UNGA, investment project loan disbursement is slower in the run up to a competitive executive election as compared to other times. This pattern is consistent with U.S. influence over World Bank lending that helps keep allies in office and opponents out of office.

Finally, Kilby and Michaelowa (2015) explore the political economy of project ratings by the World Bank's Independent Evaluation Group (IEG). World Bank Operations rates each completed project; IEG re-examines and re-rates 25% of these projects. Controlling for the initial rating, Kilby and Michaelowa find that IEG ratings are higher for projects when the borrowing country is a non-permanent member of the UNSC at the time of the IEG rating. Given the Kuziemko and Werker (2006) study linking U.S. bilateral aid to non-permanent UNSC membership, this bias in IEG rating might be the result of U.S. pressure.

3. Research Design

The U.S. administration's choice between bilateral aid and multilateral aid as a tool to achieve a given foreign policy objective should depend on the relative cost of these two options. Ceteris paribus, when an uncooperative Congress makes bilateral aid difficult to use ("expensive"), the administration should more often select the multilateral route. One factor impacting the administration's ability to use bilateral aid is division within the U.S. government since the president will have a harder time winning the consent of a divided or oppositional Congress. We

thus expect to find more evidence of U.S. influence over World Bank lending decisions during divided U.S. governments than otherwise.[1]

To investigate this, we revisit previous studies of U.S. influence in IFIs (for the moment limited to the World Bank). Where possible, we take a very simple approach, partitioning the data into observations where the U.S. government was divided and observations where it was not (i.e., the administration and both chambers of Congress were all controlled by the same party). For these studies, we re-estimate the preferred specification separately on both samples. Based on the arguments above, we expect stronger U.S. interest effects (i.e., larger point estimates, higher levels of statistical significance) when the U.S. government is divided. As compared to using a pooled sample and a specification that interacts a divided U.S. government dummy with the key explanatory variables, splitting the sample avoids the complexities of interpreting triple interaction terms.

However, in some settings the data structure does not allow a simple division along these lines. For example, some data reflect averages over time so that the measure of divided U.S. government is no longer a binary variable but rather a continuous variable, ranging between zero and one. This is the case for Kersting and Kilby (2014). For this paper, we create a new divided U.S. government dummy, equal to 1 if the average of the old variable is above the sample median and then proceed as before.

For simplicity, the studies we re-examine are ones where: 1) we were authors or co-authors; 2) the geopolitical indicator is not U.S. bilateral aid (to avoid endogeneity concerns); 3) timing is clear so that the divided U.S. government can be defined appropriately; and 4) the study examines the World Bank. Following these criteria, we re-examine the studies outlined in the literature

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[1] We lag U.S. government status (divided v. un-divided) by one year to allow for delays in implementation.

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review above: Kilby (2009, 2013), Michaelowa and Kilby (2015), and Kersting and Kilby (2014). We do not re-examine Kilby (2013) or Kilby (2015) on World Bank project preparation since the duration of preparation is not known (so that defining the divided U.S. government variable is difficult). Later extensions could include papers by other authors, either on the World Bank (e.g., Dreher et al. 2009A) or on other international organizations (e.g., the IMF (Dreher et al. 2009B), UNICEF (Hlavac 2013)).

4. Results

The discussion below focuses on the key political economy variables (results for which are highlighted in the tables); for a complete discussion of aggregate results including variable definitions, descriptive statistics, coefficient estimates for control variables, and robustness, see the original studies. Here, we focus exclusively on the role of periods of divided U.S. government in the exercise of influence. Throughout the analysis below, we lag divided government by one year to allow time for influence to translate into action.

The Political Economy of World Bank Conditionality

Table 1 presents results for the political economy of World Bank conditionality, building on Kilby (2009). Column 1 replicates results from the preferred specification in that paper (Table 3, Column 3). The unit of observation is the country-year. The sample covers countries with active World Bank structural adjustment loans or development policy loans and runs from 1984 to 2005. The dependent variable is the log of annual disbursements in constant 2005 USD. The specification controls for the size of the loan portfolio from which disbursements come (*World Bank commitments*) and the calendar year to allow for trends and includes country fixed effects. Reported *t*-statistics are based on country-clustered standard errors.

The specification includes two widely available macroeconomic indicators to gauge compliance with typical structural adjustment conditions. *Inflation* is the annual increase in consumer prices; lower values should be closely correlated with the conservative fiscal and monetary policy typically set out in adjustment loan conditionality. Because inflation responds to policy changes (that the World Bank can observe) only with a lag, the contemporaneous value of *Inflation* is included. *% Δ exchange rate* is based on the official exchange rate (local currency units per dollar) so that positive values capture devaluation of the local currency that was a frequent policy condition in adjustment lending. Exchange rate changes happen exceedingly quickly so *% Δ exchange rate* enters with a one year lag on the assumption that it could drive disbursements over the subsequent year.

The geopolitical variable, *US friend*, captures concessions to the U.S. in UNGA voting and can best be understood in the context of a vote buying model. Following Andersen et al. (2006), the variable is constructed by looking at the difference between how a country votes on measures designated as important by the U.S. State Department and how it votes on all other measures (which Andersen et al. can be taken as the country's ideal point in the UNGA voting space). On each set of votes Kilby (2009) calculates the degree of alignment with U.S. voting then takes the difference between these alignments (important minus other), defining this difference as *diffUS*. Positive values of *diffUS* indicate concessions to the U.S. position on votes the U.S. cared about. For ease of interpretation in this setting (i.e., interaction terms), the analysis uses a dichotomous version of this variable, *US friend* which equals to 1 if *diffUS*>0 (concessions were made). *US friend* is lagged one year because UNGA votes occur toward the end of the year so that we would expect their impact in the following year. The specification includes interaction terms between

US friend and both *Inflation* and *% Δ exchange rate* to allow for selective enforcement of conditionality.

[Table 1 here]

Column 1 replicates the results from Column 3 of Table 3 in Kilby (2009), identifying a pattern consistent with selective enforcement of conditionality. Higher inflation is associated with lower disbursement for countries that are not U.S. friends but there is no apparent relationship between inflation and disbursement for U.S. friends. Likewise, devaluation is linked to higher disbursement but only for countries that are not U.S. friends. In short, there is evidence of macroeconomic conditionality for countries that have not made voting concessions to the U.S. but there is no evidence of such conditionality for countries that have.

Column 2 limits the sample to years when the U.S. government was divided (again, lagged by one year to allow time for influence to turn into action). The results for the key macroeconomic variables and interaction terms are largely unchanged except for a slight increase in the magnitude of point estimates and *t*-statistics. We still see statistically significant effects consistent with enforcement of conditionality for non-U.S. friends and no evidence of conditionality enforcement for U.S. friends. These results are in sharp contrast to those in Column 3 where all these coefficient estimates change sign and cease to be statistically distinguishable from zero. The sample size for Column 3 is substantially smaller (223) so loss of significance might not be that telling but the change in point estimates is. The evidence strongly indicates that the U.S. influence identified in the overall sample is driven by years with divided U.S. government.

Informal Influence in the World Bank

Tables 2 and 3 present results for informal U.S. influence in the World Bank, building on Kilby (2013). That paper explores the link between U.S. geopolitical interests and World Bank

disbursements conditional on prior loan commitments. Because the World Bank's Executive Board involvement in project-level allocation decisions ends at project approval, any U.S. influence over subsequent loan disbursement decisions (whether to disburse and, if so, how much) would have to be through informal channels. The paper presents a two part model, first estimating a selection equation (positive disbursement versus zero disbursement) and then a conditional allocation equation (the disbursement amount for cases with positive disbursements).

Table 2, Column 1 replicates results from the preferred selection equation from that paper (Table 2, Column 2). The unit of observation is the country-year. The sample covers all country-years with active World Bank projects (i.e., years where the country has investment project loans and program loans that have been approved but have not yet closed and are thus eligible for disbursement of funds) between 1984 and 2007. In the selection equation, the dependent variable is dichotomous, equaling one if the country received any World Bank disbursements from its active projects that year. The specification controls for the size, age, and composition of the country's active loan portfolio as well as population, income, degree of democratization, and conflict. The specification also includes regional and year dummies. Estimation is via probit with reported *z*-statistics based on country-clustered standard errors.

[Table 2 here]

The variable used to capture U.S. geopolitical interests in this analysis is *diffUS*, the difference between alignment on U.S. important UNGA votes and on other votes defined above (again lagged by one year because UNGA votes happen late in the year). Column 1 shows that, using the full sample, countries are more likely to receive disbursements when they make concessions to the U.S. on important UNGA votes. Column 2 limits the sample to years when the U.S. government was divided (again, lagged by one year). The coefficient estimate for *diffUS*

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increases slightly as does its z-statistic. Conversely, the coefficient estimate in Column 3 (for the sub-sample when the U.S. government was not divided) shrinks by an order of magnitude and is far from significant. Again, the smaller sample size for Column 3 might account for the reduced significance but the dramatic drop in the point estimate clearly shows that overall the results are driven almost exclusively by years in which the U.S. government was divided.

Table 3 turns to the disbursement allocation equation for the sample with positive disbursements. The dependent variable is the log of disbursements in millions of USD. Otherwise the specification mirrors that of the selection equation except that it includes country fixed effects rather than regional dummies (since estimation is now by least squares so that the incidental parameters problem disappears). Column 1 replicates Table 3, Column 2 in Kilby (2013). As in the selection equation, *diffUS* enters with a positive, significant coefficient estimate, indicating that when countries make concessions to the U.S. on important UNGA votes they receive larger disbursement from the World Bank, ceteris paribus. Thus, when countries make concessions to the U.S., they are both more likely to receive World Bank disbursements and, if they do, receive larger disbursements.

Column 2 again limits the sample to years where the U.S. government was divided (lagged one year). Limiting the sample this way increases the coefficient slightly and it remains statistically significant. Column 3 presents estimates based on the remaining observations. Again, the coefficient estimate for the non-divided government years is smaller (though the effect is not as dramatic as with the previous table) and not statistically significant. In short, we again have evidence that the exercise of U.S. influence over World Bank lending is more pronounced during years with a divided U.S. government.

The political economy of IEG ratings

Table 4 presents results exploring the political economy of IEG project ratings. Column 1 replicates results from the preferred specification in Kilby and Michaelowa (2015) (Table 1, Column 3). The unit of observation is the project. The sample covers completed IBRD and IDA projects audited by the World Bank's Independent Evaluation Group between 1979 and 2012, 1500 projects from 120 different countries. The dependent variable is the project outcome rating reported in IEG's Project Performance Assessment Report (PPAR). The PPAR rating is on a 6-point scale, ranging from 1 (highly unsatisfactory) to 6 (high satisfactory). The specification includes a set of dummy variables to control for the initial rating done by the Team Task Leader in charge of supervising the project's implementation. That rating, part of the Implementation Completion Report (ICR), should account for factors that influence project performance up through the end of implementation. The key political economy variable is a dummy reflecting non-permanent membership on the UNSC at the time IEG PPAR rating (*UNSC@PPAR*). Non-permanent UNSC membership is well suited to capturing rapidly changing geopolitical importance because UN rules require countries to rotate off the council after a single 2 year term. The specification also includes dummies reflecting non-permanent membership on the UNSC at the time of the initial ICR rating (*UNSC@ICR*) and at project approval (*UNSC@approval*). If the geopolitical story is correct, UNSC membership in these earlier periods should have no link to IEG's updating of project ratings.

[Table 4 here]

Column 1 uses the full sample and replicates the results from Column 1 of Table 1 in Kilby and Michaelowa (2015). The positive and significant coefficient estimate on *UNSC@PPAR* is consistent with updated ratings biased in favor of countries that temporarily hold a geopolitically

important position. The insignificance of *UNSC@ICR* and *UNSC@approval* are consistent with this story, providing something of a placebo test. As before, Column 2 limits the sample to years where the U.S. government was divided (thereby reducing the availability of bilateral tools available to the administration.[2] The estimated coefficient on *UNSC@PPAR* increases somewhat in magnitude and remains statistically significant while the estimated coefficients for *UNSC@ICR* and *UNSC@approval* remain insignificant. In contrast, the coefficient estimate for *UNSC@PPAR* for years where the U.S. government was not divided (Column 3) is much smaller and far from statistically significant. Again, the evidence suggests that the geopolitical effects uncovered in Kilby and Michaelowa are driven almost entirely by years where the U.S. government was divided.

Global electioneering and World Bank lending

The final part of our analysis follows the disbursement speed section in Kersting and Kilby (2014). In our original work we show that governments more aligned with the U.S. in terms of voting in the UNGA tend to see disbursements of their existing investment loans from the World Bank accelerate in the run-up to an election. In contrast, governments less aligned with the U.S. experience a deceleration of loan disbursements before an election. The specification we estimate here is identical to our previous work and given by

$$\# \; months_{ijls} = \beta_1 UN \; Alignment_j + \beta_2 CEE_j + \beta_3 X_i + \beta_4 Z_j + \gamma_j + \gamma_l + \gamma_s + \varepsilon_{ijls}$$

The speed of disbursement of project *i* in country *j* is measured by the number of months it takes until a project has disbursed at least 25% of its total committed amount (equivalent to measuring speed by recording how many seconds a car takes to cover a quarter mile in drag racing).

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[2] "Year" is defined as the year the PPAR rating was released (lagged by 1 as before) so that it matches with the timing of the *UNSC@PPAR* variable.

The project-specific vector *X* now includes the average of a measure of U.S. political dividedness across the months that it takes project *i* to reach 25% disbursement: the higher that value, the larger the overlap between the relevant time interval of the project with periods when the U.S. government was divided. The vector *Z* represents country-level controls, and the specification also includes dummies for loan type and sector board codes to control for unobservable differences among the various internal World Bank loan products and divisions.[3]

We consider two different underlying measures of dividedness. First, we again use the simple binary measure *Divided*, which in this application becomes continuous due to the averaging over the relevant months. *Divided* takes the value of zero if the presidency and both chambers of Congress are controlled by the same party, and one otherwise.[4] Second, we construct an alternative measure that reflects the monthly frequency with which keywords related to political dividedness appear in national U.S. newspaper articles.[5] Figure 1 displays the two measures. The newspaper count data are depicted both at the monthly frequency as well as the yearly aggregates.

[Figure 1 here]

As in the previous sections of this paper, we split the data into two subsamples that correspond to observations from times of high or low internal division in the U.S. political system, respectively. First, we use *Divided* and split the data at the sample median of 0.79. Table 5 presents the estimation results for the full sample (column 1) and the two subsamples (columns 2 and 3).

[Table 5 here]

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[3] See Kersting and Kilby (2014) for more details.
[4] We follow Table 1 on page 7 in Hughes and Carlson (2015) for all Congresses up until the 111th. For the 112th, 113th and 114th Congress we extended the data ourselves.
[5] This analysis was conducted using the Lexis-Nexis database. The search was limited to the New York Times and the Washington Post and had the following command line: HLEAD(((president or government) and (congress! or house) w/10 (stalemate or paralyzed or dysfunction! or polariz! or veto or filibuster))

Note that accounting for U.S. internal politics changes the results regarding the political economy of World Bank loan disbursements. Our previous result—that alignment with the U.S. in the UNGA influences the effect of an upcoming election on loan disbursement speed—appears to be strongly related to the state of internal U.S. politics during the months until the project reaches 25% disbursement: the larger the overlap with times of dividedness, the stronger the effect. This is consistent with earlier results and can be interpreted as tentative evidence supporting our conjecture: because the administration faces more resistance when attempting to use the usual foreign policy channels to reward geo-political allies (e.g., bilateral aid), it instead makes use of informal influence in multilateral institutions such as the World Bank.

More specifically, our estimation shows a relatively weak election effect but a pronounced direct effect of geopolitical alignment during times when the U.S. government is unified. In contrast, during times when the U.S. government is divided the election effect is considerably stronger and the direct alignment effect much weaker.[6]

Next, we use our alternative measure of dividedness, the data obtained from frequency analysis. The same pattern emerges. Table 6, which follows the same specification as Table 5 with the exception of the variable that was used to split the sample, shows the results.

[Table 6 here]

Column 2 of Table 6 suggests a very strong election effect during contentious times for the U.S. administration, suggesting that the channeling of funds for electioneering purposes can be achieved via different channels, and informal influence in the World Bank is used for these

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[6] The latter result—that, during periods when the U.S. government is not divided, UN voting alignment has a larger, statistically significant effect when the borrowing government is not facing re-election (Tables 5 & 6, Column 3)— runs counter to our other findings. This and the main result (which does fit with other findings) are robust to how we draw the line between divided and undivided U.S. government. We suspect there is a more complex story to uncover and plan to investigate this more fully (e.g., whether it depends on the type of alignment, important votes vs. other votes or varies over time).

purposes only if the costs of alternative channels have increased due to strained relations with Congress.

5. Conclusion

In recent years, a range of empirical studies have uncovered evidence that powerful donor countries—especially the United States—exert influence over international financial institution decision-making and resource flows. In some settings, there is evidence that donors use bilateral aid and multilateral loans to achieve the same objectives (e.g., Kuziemko and Werker 2006 and Dreher et al. 2009A; Faye and Niehaus 2012 and Kersting and Kilby 2014). However, since donor countries do have bilateral means to accomplish these same ends, it remains an open question why and when they choose instead to use influence over multilateral institutions.

Looking at the U.S., we argue that "why" and "when" are actually the same question. When the presidential administration is less able to secure the cooperation of Congress needed for bilateral action—that is, when the U.S. government is divided—the president can work around Congress by exerting its influence in multilateral organizations to accomplish the same ends. If this is the case, empirical evidence of U.S. influence in multilateral organizations should be stronger during years of divided U.S. government.

We explore this insight by re-examining the empirical findings of four previous studies that found evidence of U.S. influence in the World Bank, ranging from enforcement of conditional to speed of loan disbursement to electioneering to project ratings. In all these studies, we find a similar pattern, namely statistically and quantitatively stronger results in years with a politically divided U.S. government.

This pattern is interesting for a number of reasons. First, it re-enforces the interpretation of previous empirical patterns as evidence of U.S. influence over World Bank operations and

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decision-making. Second, it suggests a similar approach for studying the influence of powerful countries in other international organizations, looking beyond the World Bank and, using other measures of executive power, beyond the United States. Third, it provides a tentative explanation for when and why governments opt for bilateral methods or instead exercising influence in a multilateral organization. Finally, the utility of international organizations as an added tool in the arsenal of the country's executive might provide alternate answers to questions about the role of multilateral organizations in the global political economy.

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Table 1: The Political Economy of World Bank Conditionality

	(1)	(2)	(3)
World Bank commitments	0.985***	0.994***	0.938***
	(9.95)	(8.64)	(5.92)
US friend$_{t-1}$	0.0199	0.00177	-0.106
	(0.30)	(0.03)	(-0.39)
Inflation	-0.716***	-0.805***	2.769
	(-2.83)	(-3.35)	(0.89)
$\times$ *US friend$_{t-1}$*	0.707***	0.794***	-2.442
	(2.83)	(3.35)	(-0.81)
% Δ exchange rate$_{t-1}$	0.131***	0.158***	-0.306
	(6.26)	(6.97)	(-0.85)
$\times$ *US friend$_{t-1}$*	-0.133***	-0.162***	0.324
	(-5.78)	(-6.66)	(0.92)
Year	0.00202	-0.00551	0.0359***
	(0.48)	(-1.09)	(3.57)
Observations	1098	875	223

t-statistics in parentheses based on country-clustered standard errors. All specifications include country fixed effects.
* p<0.1, ** p<0.05, *** p<0.01

Notes:
(1) Full sample (Table 3, Column 3 in Kilby (2009))
(2) Divided government in U.S.
(3) Undivided government in U.S.

Table 2: Informal Influence on World Bank Disbursement Selection

	(1)	(2)	(3)
ln Original Commitments	0.491**	0.414**	0.644**
	(6.70)	(5.30)	(5.69)
Age	0.692**	0.610**	0.911**
	(5.00)	(3.68)	(3.20)
Age²	-0.0815**	-0.0714**	-0.110**
	(-5.13)	(-3.91)	(-3.43)
SAL count	0.146	0.143	0.175
	(1.64)	(1.36)	(1.38)
Project count	-0.00888	0.0106	-0.0368**
	(-1.16)	(0.59)	(-2.93)
TA count	0.314**	0.389**	0.269*
	(3.29)	(3.47)	(1.95)
Blend	0.263	0.193	0.242
	(1.37)	(0.65)	(0.62)
ln Population	-0.291**	-0.286**	-0.313**
	(-3.64)	(-3.70)	(-2.69)
ln GDP per capita	-0.262**	-0.285**	-0.172
	(-2.13)	(-2.08)	(-0.85)
Freedom House	0.101	0.129	0.0650
	(0.83)	(0.95)	(0.32)
Polity	-0.0428	-0.0372	-0.0618
	(-1.40)	(-1.07)	(-1.17)
War	-0.0959	-0.0411	-0.490
	(-0.36)	(-0.14)	(-1.01)
diffUS	1.802**	2.252**	0.174
	(2.93)	(3.45)	(0.17)
Observations	2826	2067	719

z-statistics in parentheses based on country-clustered standard errors. All specifications include unreported year and region dummies.
* p<.1, ** p<.05

Notes: Probit estimation; dependent variable equals one if country received positive disbursements in the given year.
(1) Full sample (Table 2, Column 2 in Kilby (2013))
(2) Divided government in U.S.
(3) Undivided government in U.S.

Table 3: Informal Influence on World Bank Disbursement Allocation

	(1)	(2)	(3)
ln Original Commitments	0.970**	0.901**	1.156**
	(26.46)	(21.76)	(10.71)
Age	0.0461	0.128*	-0.372*
	(0.76)	(1.93)	(-1.93)
Age²	-0.0115*	-0.0207**	0.0398*
	(-1.67)	(-2.78)	(1.77)
SAL count	0.0254**	0.0286**	0.0101
	(2.37)	(2.34)	(0.37)
Project count	-0.00430	-0.00400	-0.0116
	(-1.30)	(-1.08)	(-1.12)
TA count	-0.00948	0.00212	-0.0264
	(-0.82)	(0.14)	(-1.14)
Blend	0.0286	0.0303	0.0271
	(0.44)	(0.42)	(0.15)
ln Population	0.147	-0.238	0.438
	(0.58)	(-0.77)	(0.64)
ln GDP per capita	-0.104	-0.192	0.0144
	(-0.98)	(-1.55)	(0.04)
Freedom House	0.0788**	0.0610*	0.163*
	(2.69)	(1.89)	(1.81)
Polity	-0.0188**	-0.0218**	-0.0203
	(-2.63)	(-2.74)	(-0.98)
War	-0.122	-0.202**	0.244
	(-1.53)	(-2.36)	(1.00)
diffUS	0.483**	0.511**	0.257
	(3.06)	(3.01)	(0.53)
Observations	2616	1946	670

t-statistics in parentheses based on country-clustered standard errors. All specifications include country fixed effects and year dummies.

Notes: Dependent variable is log of disbursements in millions of USD. Sample limited to cases with positive disbursements.
(1) Full sample (Table 3, Column 2 in Kilby (2013))
(2) Divided government in U.S.
(3) Undivided government in U.S.

Table 4: The Political Economy of IEG ratings

	(1)	(2)	(3)
ICR2 (*Unsatisfactory*)	0.464	0.0594	0.898**
	(1.01)	(0.07)	(3.21)
ICR3 (*Moderately Unsatisfactory*)	1.137*	1.033	1.208***
	(2.41)	(1.22)	(3.93)
ICR4 (*Moderately Satisfactory*)	2.034***	1.733*	2.280***
	(4.44)	(2.07)	(8.14)
ICR5 (*Satisfactory*)	2.575***	2.221**	2.898***
	(5.72)	(2.68)	(11.56)
ICR6 (*Highly Satisfactory*)	3.533***	3.107***	3.998***
	(7.82)	(3.74)	(13.43)
UNSC@PPAR	0.223***	0.294**	0.0632
	(3.53)	(3.25)	(0.53)
UNSC@ICR	-0.0602	0.0394	-0.121
	(-0.60)	(0.33)	(-0.96)
UNSC@approval	-0.0454	-0.0956	0.0830
	(-0.84)	(-1.21)	(0.86)
Observations	1500	961	539

t-statistics in parentheses based on country-clustered standard errors.

Notes: Dependent variable is IEG project rating on a 1 (Very Unsatisfactory) to 6 (Very Satisfactory) scale.
(1) Full sample (Table 1, Column 3 in Kilby and Michaelowa (2015))
(2) Divided government in U.S.
(3) Undivided government in U.S.

Table 5: Global Electioneering and World Bank Lending (using *Divided*)

	(1)	(2)	(3)
UN Alignment	-23.06***	-11.10	-39.26***
	(-3.02)	(-1.22)	(-6.52)
CEE	16.92**	20.82*	5.631
	(2.28)	(1.93)	(0.87)
CEE × UN Alignment	-44.40***	-44.55**	-27.44*
	(-3.16)	(-2.29)	(-1.80)
Approval Period	-0.254***	-0.322***	-0.326***
	(-7.25)	(-8.18)	(-7.62)
IDA	-0.193	-1.247	2.192
	(-0.13)	(-0.45)	(0.79)
Project Size	-1.228**	-1.082*	-1.841***
	(-2.18)	(-1.71)	(-3.39)
Inflation	-13.99***	-9.980	-23.65***
	(-2.74)	(-1.57)	(-2.94)
GDP	21.29***	22.91***	39.52***
	(4.16)	(3.61)	(5.14)
Population	62.28***	92.08***	34.20**
	(4.79)	(6.57)	(2.05)
Countries	126	121	122
Observations	5115	2566	2549

t-statistics in parentheses based on country-clustered standard errors. All specifications include country fixed effects as well as loan type and lending instrument dummies.

* $p<0.1$, ** $p<.05$, *** $<.01$

(1) Full sample (Table 2, Column 2 in Kersting and Kilby (2014))

(2) Divided government in U.S.

(3) Undivided government in U.S.

Table 6: Global Electioneering and World Bank Lending (using *Count*)

	(1)	(2)	(3)
UN Alignment	-23.06***	2.036	-35.56***
	(-3.02)	(0.25)	(-4.04)
CEE	16.92**	42.00***	5.379
	(2.28)	(3.08)	(0.67)
CEE × UN Alignment	-44.40***	-80.23***	-33.42*
	(-3.16)	(-3.28)	(-1.82)
Approval Period	-0.254***	-0.301***	-0.357***
	(-7.25)	(-5.96)	(-7.99)
IDA	-0.193	-1.544	0.296
	(-0.13)	(-0.94)	(-0.15)
Project Size	-1.228**	-0.850	-1.045*
	(-2.18)	(-1.16)	(-1.90)
Inflation	-13.99***	-2.328	-35.64***
	(-2.74)	(-0.41)	(-3.89)
GDP	21.29***	20.82***	42.80***
	(4.16)	(2.66)	(-5.38)
Population	62.28***	85.56***	74.12***
	(4.79)	(4.84)	(-4.13)
Countries	126	122	120
Observations	5115	2558	2557

t-statistics in parentheses based on country-clustered standard errors. All specifications include country fixed effects as well as loan type and lending instrument dummies.
* p<0.1, ** p<.05, ***<.01
(1) Full sample (Table 2, Column 2 in Kersting and Kilby (2014))
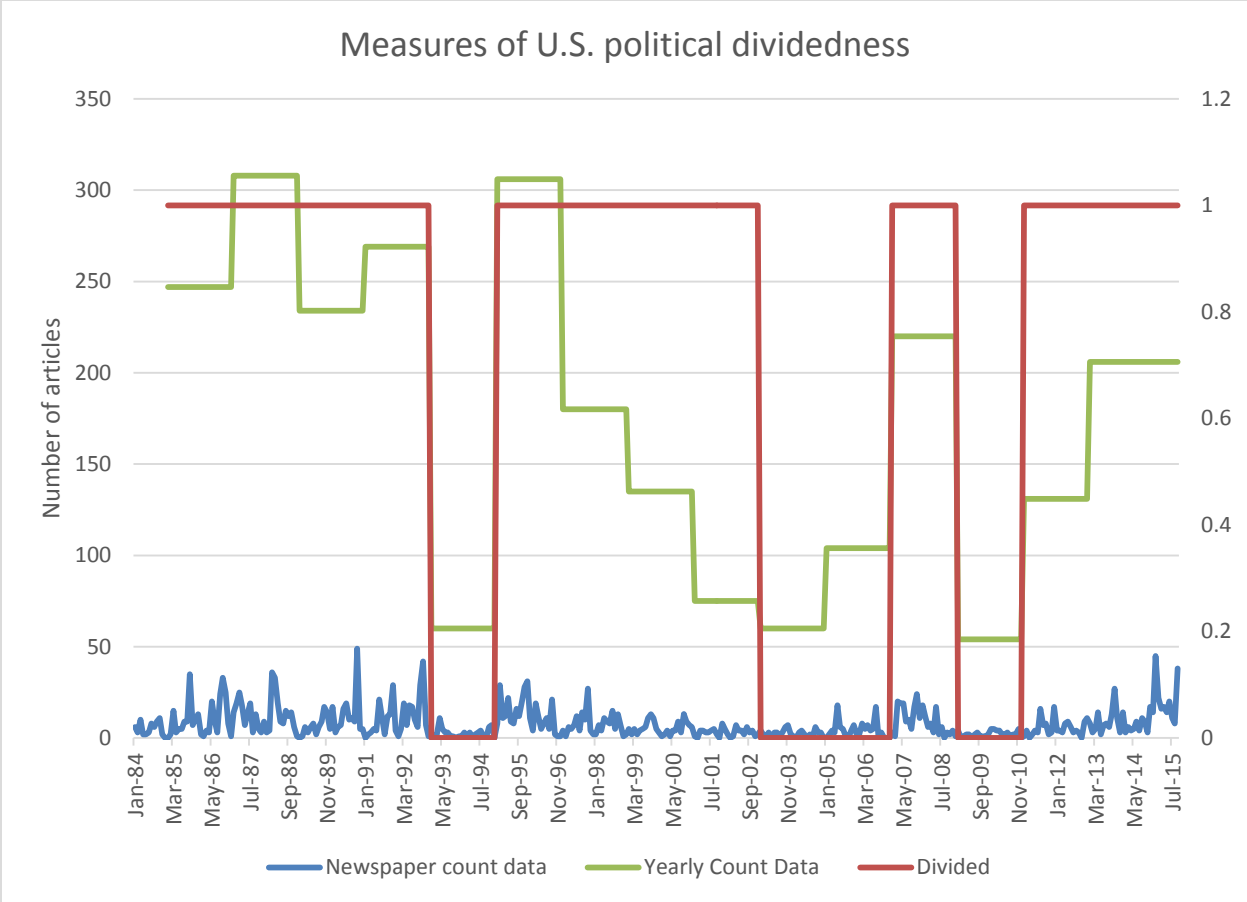(2) Divided government in U.S.
(3) Undivided government in U.S.

Figure 1. Measures of U.S. political dividedness