

The Politics of Compliance in World Bank Funding

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Executive Summary

While international development is generally in the mutual interests of the World Bank Group, developing states, and the donor states to the World Bank, politics can diverge the interests of these three actors. Each of the actors have their own preferences for funding and development outcomes. The World Bank prefers to fund states that adopt specific policies or implement particular development projects. The developing states prefer to maintain access to development funds, though they do not always prefer to comply with funding agreements. The major donor states, most especially the United States, prefers that funds be disbursed to their political allies. In this dissertation, I find that despite these different preferences, each of the actors find something to gain from cooperation.

In Article I, I provide a formal model to theorize that the World Bank is able to induce compliance in recipient states which are otherwise not willing to comply with the terms of a funding agreement. The tools available to the Bank are to offer more attractive agreements in the future contingent on compliance with current funds, and reduce future funding offers if the recipient state does not comply. The results suggest that the World Bank can productively influence the policies of developing states despite short-term shirking of funding conditions by recipient states.

In Article II, I test the implications of the formal model in Article I regarding the funding decisions of the World Bank. Using project data from the World Bank and project evaluation data from the Independent Evaluation Group (IEG), I test a hypothesis regarding the World Bank's decision of whether or not to provide funding to developing states. The statistical results support the formal theory for World Bank funding decisions.

Article III extends the formal theory to political considerations of donors to the Bank and provides a statistical test of the implications of the theory. The US is the largest donor to the World Bank, is the only state that wields veto power in funding decisions, and is far more involved in the daily affairs of the Bank than any other state. This means that the US has the capacity to singlehandedly guide funding decisions. But this does not mean that the US simply approves of funds to states in which it has political ties. Rather, it presents an opportunity for the US to reward political allies while it also places pressure on the US to maintain the support of other donor states and the World Bank. The result is that the US must be sensitive to whether or not their political allies are compliant with funding agreements. A statistical model provides empirical evidence for this assertion.

This dissertation is organized by the three article format. The dissertation proposal contains working drafts of each of the three articles. Each article begins with an abstract and concludes with remarks for possible additions to the paper. The rest of the dissertation proposal is organized as follows. The first section establishes the research questions to be answered. The following three sections are the working drafts of the three articles. After the three articles, alternative article ideas are provided. The last section contains a timetable for the dissertation project.