

Strategic Evaluations: World Bank's Responses to the Founding of China's AIIB

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March 3, 2025

ISA 2025

The Whole Talk on One Slide

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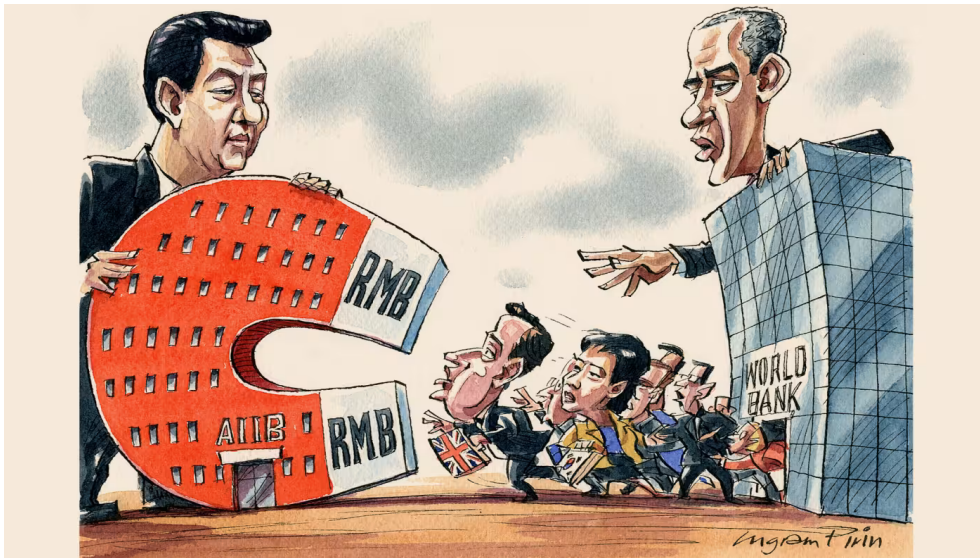
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 - Evaluations as a subtle tool: Incentivize continued engagement without direct concessions.

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 - Evaluations as a subtle tool: Incentivize continued engagement without direct concessions.
- Evaluations are not just technical—they serve as **strategic responses** in institutional competition.





AIIB Founders





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2023 IO





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This Paper



2023 IO



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(Dellmuth & Walter 2024, Walter 2021, Jurado, Léon & Walter 2022, Walter & Plotke-Scherly 2024)

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- + Maintain cooperative gains.

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How to Respond to Non-Cooperation?

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Non-accommodation is costly; Accommodation may invite further challenges.

The World Bank's Accommodation Dilemma

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- + Retains key borrowers within the World Bank system.

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- + Retains key borrowers within the World Bank system.
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- + Reinforces institutional authority, discourages future defections.

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- + Reinforces institutional authority, discourages future defections.
- – Further loses key borrowers toward the AIIB, reducing WB influence.

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Punish AIIB founders and lose them, or accommodate and lose credibility?

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 - Undermines the World Bank's credibility and leadership.

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Evaluations offer quiet accommodation—without major institutional costs.

World Bank Project Evaluations

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- **Self-Evaluation:**
 - Implementation Completion and Results Report (ICR)
- **Independent Validation (IEG):**
 - ICR Review (ICRR): Desk-based validation.
 - Project Performance Assessment Report (PPAR): Field-based evaluation.

World Bank Project Evaluations

- **Two-Stage Evaluation Process:**
- **Self-Evaluation:**
 - Implementation Completion and Results Report (ICR)
- **Independent Validation (IEG):**
 - ICR Review (ICRR): Desk-based validation.
 - Project Performance Assessment Report (PPAR): Field-based evaluation.
- **IEG More Likely to Downgrade:**
 - ~ 30% of projects are **downgraded**.
 - ~ 3% receive an **upgrade**.

Hypotheses

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- *Hypothesis 1:* AIIB founders are **more likely** to receive **higher ICR ratings** for World Bank projects evaluated **after 2016**.
- *Hypothesis 2:* AIIB founders are **less likely** to receive **rating downgrades** from the IEG for World Bank projects validated **after 2016**.

Operationalization

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- ICR & IEG Evaluation
 - **Binary:** = 1 if \in {Highly Satisfactory, Satisfactory, Moderately Satisfactory}
 - **Scale:** from Highly Satisfactory (=6) to Highly Unsatisfactory (=1)

Operationalization

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 - **Binary:** = 1 if $\in \{\text{Highly Satisfactory, Satisfactory, Moderately Satisfactory}\}$
 - **Scale:** from Highly Satisfactory (=6) to Highly Unsatisfactory (=1)
- IEG Downgrade
 - **Binary:**
 - ★ = 1 if $\text{ICR} = 1 \Rightarrow \text{IEG} = 0$
 - ★ = -1 if from $\text{ICR} = 0 \Rightarrow \text{IEG} = 1$
 - ★ = 0 if no change
 - **Scale:** Numerical difference of ICR - IEG rating

AIIB Founders ~ ↑ ICR Evaluation

	ICR Evaluation (Binary)			ICR Evaluation (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	0.001 (0.019)	0.026 (0.018)	0.020 (0.027)	0.026 (0.033)	0.127*** (0.038)	0.123** (0.057)
Project-Level Controls		✓	✓		✓	✓
Country-Level Controls			✓			✓
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Approval Year Fixed Effects	✓	✓	✓	✓	✓	✓
Sector Fixed Effects	✓	✓	✓	✓	✓	✓
Countries	138	138	105	138	138	105
Count: AIIB Founder	26	26	24	26	26	24
Observations	3,156	3,156	2,793	3,156	3,156	2,793
Adjusted R ²	0.051	0.061	0.066	0.089	0.112	0.122

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

AIIB Founders ~ ↑ IEG Validation | ICR Rating

	IEG Evaluation (Binary)			IEG Evaluation (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	0.045* (0.024)	0.041 (0.025)	0.043* (0.026)	0.115** (0.045)	0.088** (0.040)	0.113** (0.052)
ICR Evaluation (binary)	0.824*** (0.017)	0.831*** (0.015)	0.832*** (0.017)			
ICR Evaluation (scale)				0.841*** (0.016)	0.849*** (0.016)	0.853*** (0.016)
Project-Level Controls		✓	✓		✓	✓
Country-Level Controls			✓			✓
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Approval Year Fixed Effects	✓	✓	✓	✓	✓	✓
Sector Fixed Effects	✓	✓	✓	✓	✓	✓
Countries	137	137	103	137	137	103
Count: AIIB Founder	25	25	23	25	25	23
Observations	2,961	2,961	2,618	2,961	2,961	2,618
Adjusted R ²	0.528	0.532	0.533	0.665	0.670	0.678

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

AIIB Founders ~ ↓ IEG Downgrade

	IEG Downgrade (Binary)			IEG Downgrade (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	-0.044*	-0.038	-0.041*	-0.085**	-0.064*	-0.078*
	(0.024)	(0.024)	(0.024)	(0.034)	(0.034)	(0.040)
Project-Level Controls		✓	✓		✓	✓
Country-Level Controls			✓			✓
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Approval Year Fixed Effects	✓	✓	✓	✓	✓	✓
Sector Fixed Effects	✓	✓	✓	✓	✓	✓
Countries	137	137	103	137	137	103
Count: AIIB Founder	25	25	23	25	25	23
Observations	2,961	2,961	2,618	2,961	2,961	2,618
Adjusted R ²	0.039	0.052	0.041	0.046	0.065	0.070

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

Discussion & Steps

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- We show AIIB founders receive higher ICR & IEG evaluations for projects evaluated after 2016.

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- Higher evaluation as World Bank's accommodation strategy.

Discussion & Steps

- We show AIIB founders receive higher ICR & IEG evaluations for projects evaluated after 2016.
- Higher evaluation as World Bank's accommodation strategy.
- Further work on clarifying incentives of different actors.

Thank you!

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Lower-level FEs: ICR Evaluation

	ICR Evaluation (Binary)			ICR Evaluation (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AllB Founder x Post-2016	0.026 (0.030)	0.046** (0.021)	-0.004 (0.032)	0.132* (0.071)	0.154* (0.086)	0.136 (0.157)
Project-Level Controls	✓	✓	✓	✓	✓	✓
Country-Level Controls	✓	✓		✓	✓	
Country Fixed Effects	✓			✓		
Approval Year Fixed Effects		✓			✓	
Sector Fixed Effects			✓			✓
Sector-Approval-Year Fixed Effects	✓			✓		
Country-Sector Fixed Effects		✓			✓	
Country-Approval-Year Fixed Effects			✓			✓
Observations	2,793	2,793	3,117	2,793	2,793	3,117
Adjusted R ²	0.060	0.115	0.146	0.124	0.181	0.168

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

Lower-level FEs: IEG Validation

	IEG Evaluation (Binary)			IEG Evaluation (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	0.047* (0.027)	0.024 (0.031)	0.082** (0.032)	0.115** (0.059)	0.096** (0.048)	0.209*** (0.079)
ICR Evaluation (binary)	0.831*** (0.018)	0.825*** (0.029)	0.822*** (0.028)			
ICR Evaluation (scale)				0.851*** (0.015)	0.847*** (0.023)	0.830*** (0.021)
Project-Level Controls	✓	✓	✓	✓	✓	✓
Country-Level Controls	✓	✓		✓	✓	
Country Fixed Effects	✓			✓		
Approval Year Fixed Effects		✓			✓	
Sector Fixed Effects			✓			✓
Sector-Approval-Year Fixed Effects	✓			✓		
Country-Sector Fixed Effects		✓			✓	
Country-Approval-Year Fixed Effects			✓			✓
Observations	2,618	2,618	2,927	2,618	2,618	2,927
Adjusted R ²	0.541	0.540	0.556	0.679	0.687	0.663

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

Lower-level FEs: IEG Downgrade

	IEG Downgrade (Binary)			IEG Downgrade (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	-0.044*	-0.016	-0.080***	-0.098*	-0.074	-0.189**
	(0.024)	(0.032)	(0.030)	(0.055)	(0.048)	(0.080)
Project-Level Controls	✓	✓	✓	✓	✓	✓
Country-Level Controls	✓	✓		✓	✓	
Country Fixed Effects	✓			✓		
Approval Year Fixed Effects		✓			✓	
Sector Fixed Effects			✓			✓
Sector-Approval-Year Fixed Effects	✓			✓		
Country-Sector Fixed Effects		✓			✓	
Country-Approval-Year Fixed Effects			✓			✓
Observations	2,618	2,618	2,927	2,618	2,618	2,927
Adjusted R ²	0.057	0.054	0.099	0.068	0.091	0.033

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Post-2016 ICR: IEG Validation

	IEG Evaluation (Binary)			IEG Evaluation (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	0.040 (0.031)	0.070* (0.042)	0.069* (0.039)	0.158*** (0.042)	0.206*** (0.047)	0.216*** (0.049)
Post-2016 ICR	0.064*** (0.017)	0.053** (0.023)	0.057** (0.027)	0.178*** (0.023)	0.132*** (0.047)	0.126** (0.051)
AIIB Founder x Post-2016 x Post-2016 ICR	-0.031 (0.042)	-0.059 (0.053)	-0.061 (0.055)	-0.163*** (0.050)	-0.207*** (0.050)	-0.199** (0.077)
ICR Evaluation (binary)	0.827*** (0.017)	0.831*** (0.016)	0.832*** (0.017)			
ICR Evaluation (scale)				0.844*** (0.016)	0.849*** (0.016)	0.853*** (0.015)
Project-Level Controls		✓	✓		✓	✓
Country-Level Controls			✓			✓
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Approval Year Fixed Effects	✓	✓	✓	✓	✓	✓
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Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.

Post-2016 ICR: AIIB Founders and IEG Downgrade

	IEG Downgrade (Binary)			IEG Downgrade (Scale)		
	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder x Post-2016	-0.037 (0.031)	-0.070 (0.045)	-0.069* (0.040)	-0.084** (0.036)	-0.137*** (0.044)	-0.140*** (0.043)
Post-2016 ICR	-0.076*** (0.019)	-0.057** (0.022)	-0.061** (0.027)	-0.178*** (0.022)	-0.143*** (0.033)	-0.152*** (0.039)
AIIB Founder x Post-2016 x Post-2016 ICR	0.035 (0.044)	0.065 (0.056)	0.066 (0.058)	0.103** (0.044)	0.150*** (0.036)	0.152*** (0.056)
Project-Level Controls		✓	✓		✓	✓
Country-Level Controls			✓			✓
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Approval Year Fixed Effects	✓	✓	✓	✓	✓	✓
Countries	137	137	103	137	137	103
Count: AIIB Founder	25	25	23	25	25	23
Observations	2,961	2,961	2,618	2,961	2,961	2,618
Adjusted R ²	0.043	0.053	0.043	0.057	0.070	0.075

Notes: * * * $p < 0.01$, * * $p < 0.05$, * $p < 0.1$.