

How do geopolitical interests affect financial markets reaction to international institution projects?

Hugo Oriola

Jamel Saadaoui

2025-3 Document de Travail/ Working Paper



EconomiX - UMR 7235 Bâtiment Maurice Allais
Université Paris Nanterre 200, Avenue de la République
92001 Nanterre Cedex

Site Web : economix.fr
Contact : secreteriat@economix.fr
Twitter : @EconomixU



How do geopolitical interests affect financial markets reaction to international institution projects?*

Hugo Oriola^a, Jamel Saadaoui^b

^a*Université Paris Nanterre, EconomiX, CNRS, France*

^b*University of Paris 8, IEE, LED, France*

Abstract

This research investigates the intricate dynamics between the catalytic and inhibitory effects of projects financed by international institutions and geopolitical interests. Thanks to the construction of a monthly dataset, we first examine the impact of the approval of a project financed by one out of five international institutions on the global macroeconomic situation on non-permanent members of the United Nations Security Council (UNSC). In particular, we study the potential catalytic effect or inhibitory effect of the International Monetary Fund, the World Bank, the Asian Development Bank, the European Investment Bank, and the Asian Infrastructure Investment Bank. We underline the existence of a catalytic effect and an inhibitory effect in non-permanent members of the UNSC that can significantly impact national macroeconomic situations in a positive or negative way. Second, we contribute to the literature by emphasizing the importance of the country's geopolitical preferences in the existence and nature of the catalytic effect. We measure these geopolitical preferences through the distance between one country's ideal point in the United Nations General Assembly and the ideal points of UNSC permanent members session after session.

Keywords: International institutions, United Nations, Geopolitical preferences, Catalytic effect, Inhibitory effect

JEL: D78, F30, F42

*Corresponding author: Jamel Saadaoui.

The authors grateful to Arye L. Hillman, Jan-Egbert Sturm, Marco Magnani, Matteo Grigoletto, Pierre Lesuisse and Cécile Bastidon for their invaluable help with the data and insightful remarks. The authors are also grateful to the presenters and discussants of the following conferences: the 40th International Symposium on Money, Banking, and Finance organized by the University of Orleans; the 72nd Congress of the French Economic Association (AFSE) organized by the University of Bordeaux, the Silvaplana Workshop in Pontresina.

Email addresses: horiola@parisnanterre.fr (Hugo Oriola), jamelsaadaoui@gmail.com (Jamel Saadaoui)

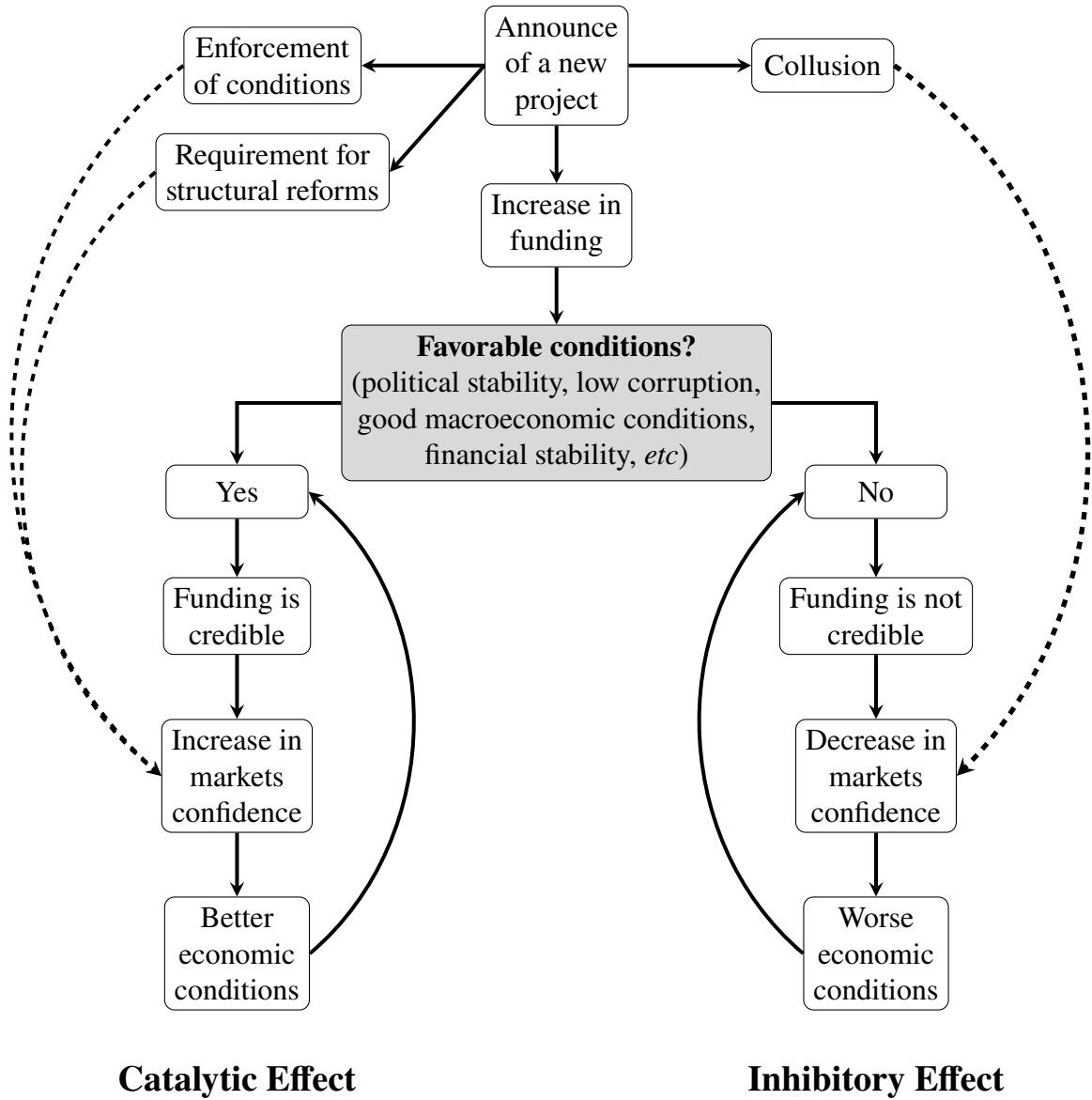
1. Introduction

When a country receives funding from international institutions, the reaction of financial markets is crucial to determining the final effect of these funds, especially for emerging economies. One possibility is that these economies will receive capital inflows if markets are convinced that these funds will help countries modernize their economies by undertaking structural reforms aimed at improving productivity and resilience. In this case, financial variables such as exchange rates, stock market indexes, and bond yields will undergo favorable evolutions. That is the essence of the catalytic that we will study in our investigation. By creating a favorable environment, financial markets can act as a boost for emerging economies that have obtained funds from international institutions. Many factors may affect this catalytic effect. For example, the catalytic effect may disappear (or even be reversed) if markets are not convinced that these funds will be used to finance projects and reforms that will improve productivity and resilience. In contrast to the catalytic effect, we refer to this opposing dynamic as the inhibitory effect. In this context, a new project financed by an international institution could potentially worsen the country's economic situation. For example, international markets may anticipate that a project funded by international institutions, under a corrupt government, would not yield benefits for the country's economy. As a result, under the hypothesis of an inhibitory effect, such a project could lead to a negative impact on the economy due to negative market expectations. [Figure 1](#) provides a simple representation of the catalytic and inhibitory effects of projects funded by international institutions.

In our analysis of the catalytic and inhibitory effects, two important dimensions will matter. First, the nature of the institution is important. For the International Monetary Fund (IMF), funding will generally be accompanied by requirements to implement structural reforms aimed at improving the resilience and performance of the economy. Therefore, these programs are not only designed to reassure the financial market in the short term. For other institutions like the World Bank (WB), the European Investment Bank (EIB), the Asian Development Bank (ADB), or even the newly created Asian Infrastructure Investment Bank (AIIB), funds are more directly assigned to a specific project related to development or infrastructure needs. By definition, these projects, if successful, will help improve the growth potential of the economy in the future. In this sense, these funding can produce a catalytic effect as financial markets incorporate expectations of better growth prospects.

The second dimension that will matter in our study is the geopolitical proximity of these institutions to the US or, specifically, the most influential country within the institution studied. For example, it is probable that the catalytic effect of IMF or WB financing is weakened (or reversed) if the geopolitical distance with the US decreases, leading to the appearance of an inhibitory effect. Indeed, if financial markets are convinced that a country obtained funds due to geopolitical proximity with the US, the catalytic effect will be offset or even worse reversed because of the lack of credibility in the implementation of sound reforms or on the relevance of projects for future growth prospects. In the case of the IMF and the influence of the US, that is the question investigated by [Andresen and Sturm \(2023\)](#) while studying United Nations Security Council (UNSC) non-permanent members. They took as a prime example of this inhibitory effect the IMF programs approved in 2013 for Pakistan and in 1998 for Brazil. These examples and the evidence they provide support the idea that geopolitical interest may turn the catalytic effect into an inhibitory effect. In our investigation, we investigate this questioning further by exploring how geopolitical interests matter for the impact of projects financed by international institutions.

Figure 1: Illustration of the Catalytic and Inhibitory Effects of International Institutions



Exploring different international institutions offers some heterogeneity in our dataset, as the IMF and the WB can be subject to some political interference from the US. In the cases of EIB, ADB, or even AIIB, the potential influence of the US may be more limited. Consequently, we will use the distance to the ideal points relative to the US, China, and Russia to explore what kind of geopolitical interest is susceptible to causing a catalytic or inhibitory effect (Bailey et al., 2017). For example, one may conjecture that geopolitical proximity to China or Russia is likely to have a different effect than proximity to the US for the IMF's or the WB's funding. More generally, an interaction between

the type of international institution (IMF, WB, EIB, ADB, AIIB), the type of geopolitical interest (ideal point distance to the US, the UK, France, China, and Russia) and UNSC non-permanent membership may reveal interesting patterns on the intricate dynamics between the catalytic effect of projects financed by international institutions and geopolitical interests. Additionally, we also consider the impact of the geopolitical proximity with France and the UK, even though these countries geopolitical position are strongly correlated with the US position.

To do so, we perform estimates comparable to the ones of [Andresen and Sturm \(2023\)](#), with a particular focus on geopolitical proximity with particular UNSC members in the United Nations General Assembly (UNGA). We perform our estimates on a monthly database composed of more than 170 countries during the period February 1993-August 2023. We underline that the political distance with permanent UNSC members is a significant determinant of the catalytic and inhibitory effects of international institutions. When we do not consider our distance variables, we do not detect any significant catalytic nor inhibitory effect. However, when introduced, geopolitical proximity with permanent UNSC members represents a significant determinant of catalytic and inhibitory effects among non-permanent members.

The paper is organized as follows. Section 2 reviews the literature on the catalytic and inhibitory effects of international institutions, with a particular focus on the IMF, the most extensively studied institution. Section 3 describes the variables and the construction of the dataset. Section 4 presents summary statistics. Section 5 outlines our testable assumptions, and econometric specifications. Section 6 presents the main results. Section 7 provides robustness checks and additional analyses. Finally, Section 8 concludes.

2. Literature Review

Although international financial institutions have pledged to support the recovery from the COVID-19 crisis, actual payments of financial commitments have been slow to materialize ([Stubbs et al., 2021b](#)). In this context, the debate about the catalytic and inhibitory effects of these institutions on the economies they aim to assist, and the impact of allocated funds on economic development has resurfaced ([Kentikelenis et al., 2016](#)).

A project funded by international institutions can improve or worsen global economic conditions by affecting international market confidence ([Mody and Saravia, 2006](#)).¹ In the case of the IMF, its involvement often acts as a financial catalyst, mobilizing additional resources by offering reassurance to investors ([Marchesi and Thomas, 2001](#)). Studies suggest that the presence of the IMF in a program increases market confidence, encouraging other donors to contribute. IMF programs frequently require structural reforms in recipient countries. This conditionality can catalyze economic reforms, helping to attract foreign investment and stimulate growth. In addition, IMF loans typically aim to restore macroeconomic stability through fiscal and monetary discipline, which has been shown to boost investor confidence, thus creating a catalytic effect for financial stability ([Barro and Lee, 2005](#)). Furthermore, participation of the IMF can trigger coordinated responses from the international community, with joint actions that help restore investor confidence and stabilize global financial markets ([Stone, 2008](#)).

The IMF's involvement signals to financial markets that a country is committed to serious economic reforms and restoring financial stability. This assurance can encourage other lenders,

¹Refer to [Figure 1](#) for more information on the theoretical background of these two opposite effects.

such as international financial institutions and private investors, to participate. Engaging with the IMF can enhance investor confidence, as markets are often more willing to extend additional financing when the IMF is involved, reducing the perceived risk of the country's economic situation. Furthermore, IMF engagement can have a leveraging effect: the funds it provides can attract other investors and financial partners, amplifying the initial impact of the resources allocated. This leverage is especially crucial for countries facing substantial financing needs during a crisis ([Gehring and Lang, 2020](#)). Finally, commitment to an IMF program can signal to foreign investors that a country is serious about economic stabilization, thereby encouraging Foreign Direct Investment (FDI). This is supported by [Díaz-Cassou et al. \(2006\)](#), who show that IMF programs increase FDI without necessarily stimulating short-term cross-border bank lending.

The catalytic effect of IMF programs is often related to the size of the programs ([Krahnke, 2023](#)). However, once programs exceed a certain size, they may begin to crowd out private investors, reducing the positive impact on economic growth. Furthermore, some IMF programs that focus on reducing public spending and implementing labor market reforms have been associated with increased inequality ([Lang, 2021](#)). This effect occurs because austerity measures and structural adjustments can disproportionately affect lower-income populations. Furthermore, [Chapman et al. \(2017\)](#) also highlight that the effectiveness of IMF programs can be ambiguous, largely depending on the credibility and perceived commitment to the conditions set by the IMF. If conditions are not considered credible or are poorly implemented, the intended catalytic effects may be undermined, and the program may inadvertently contribute to economic instability or diminished investor confidence, turning into an inhibitory effect.

As presented in [Figure 1](#), the inhibitory effect represents the opposite of the catalytic effect. In this context, a new project funded by an international institution can potentially worsen global economic conditions by undermining the confidence of the international market. In the case of the IMF, its involvement may sometimes signal underlying economic instability or government corruption issues, causing investors to question the long-term viability of the country's economic reforms. When a country enters an IMF program, particularly under weak institutional conditions or political uncertainty, markets may interpret this as a sign of deeper economic trouble, thus reducing investor confidence and discouraging foreign investment ([Dreher, 2006](#)). Conditionality attached to IMF programs, while intended to promote fiscal and monetary discipline, can sometimes exacerbate social unrest, political instability, or poverty, further deterring investment ([Vreeland, 2003](#); [Stubbs et al., 2021a](#)). In certain cases, the austerity measures required by IMF programs can inhibit domestic demand, worsen economic performance, and contribute to economic stagnation ([Rickard and Caraway, 2019](#)). Moreover, rather than coordinating a positive international response, the participation of the IMF could cause other lenders and investors to hesitate, as they may perceive an increased risk due to the stringent conditions imposed, which could lead to capital flight and exacerbating financial instability ([Bird, 2001](#)).

Although economic arguments prevail ([Sturm et al., 2005](#)), both economic and political dimensions are crucial in the signing of IMF programs ([Dreher et al., 2015](#)). This 'alignment' with funding providers has become increasingly significant, reflecting the political interests of their main members ([Thacker, 1999](#)). For instance, [Oatley and Yackee \(2004\)](#) highlight connections between pre-lendable fund volumes and indebtedness to American banks, illustrating the geopolitical influence on political assistance. These dynamics extend to various international organizations [Dreher et al. \(2022\)](#), although the impact of geopolitical and multilateral considerations varies ([Kaya et al., 2021](#)).

In a more specific context, [Kilby \(2006\)](#) examine how poorer and democratic countries are less likely to receive ADB funds compared to those with significant Japanese trade partnerships. This contrasts with the WB's emphasis on democratic governance, while the ADB's focus appears more geopolitically driven. [Kilby \(2011\)](#) further analyze the role of informal channels in explaining the Japanese influence within the ADB, highlighting the complexity of geopolitical factors in international finance.

Since its inception in January 2016, the AIIB has aimed to improve project efficiency as a complementary institution to existing bodies ([Callaghan and Hubbard, 2016](#)). Recently, [Tien et al. \(2019\)](#) argue that the AIIB should maintain a non-interventionist stance in the internal affairs of recipient countries. This approach contrasts with China's broader development finance strategy, which [Dreher et al. \(2018\)](#) show is driven by economic interests rather than strict conditionality. The study of China's aid allocation reflects the ongoing debate on the balance between economic benefits and political considerations ([Dreher and Fuchs, 2015](#); [Dreher et al., 2019](#); [Gelpert et al., 2023](#); [Dreher et al., 2021](#)).

In discussing the IMF conditionality, [Dreher et al. \(2015\)](#) builds on earlier works ([Dreher et al., 2009b,a](#)) to reveal how primary stakeholders of the IMF engage in less stringent conditionality negotiations in exchange for political leverage. The critique of conditionality highlights the intersection of political and economic factors, suggesting that political considerations often outweigh economic frameworks ([Kentikelenis et al., 2016](#)). This critique extends to issues of national sovereignty ([Babb and Carruthers, 2008](#); [Przeworski and Vreeland, 2000](#)), poverty and inequality ([Garuda, 2000](#); [Oberdabernig, 2013](#)), and health outcomes ([Kentikelenis et al., 2011, 2014](#); [Stubbs et al., 2017](#)). Despite ongoing debates on its effectiveness ([Dreher, 2009](#)), the role of conditionality remains a topic of contention.

To consider the intrusive nature of conditionality, the literature often uses the number of conditions associated with a program as a proxy. Although this measure is considered the best available, it has limitations similar to those associated with the types of conditions ([Dreher and Jensen, 2007](#); [Dreher et al., 2009a, 2015](#)).

Finally, the interplay of geopolitical interactions and conditionality extends beyond the IMF. [Clark and Dolan \(2021\)](#) illustrates similar dynamics within the WB, while [Clark \(2021\)](#) explore cooperation and competition between international organizations. This includes co-financing and information sharing between institutions like the WB and AIIB, as well as positioning between entities such as the Eurasian Development Bank and the Eurasian Fund for Stabilization and Development.

3. Data

Our analysis utilizes a monthly dataset of 171 countries over 355 periods, resulting in a total of 49 222 observations.² The study period spans from February 1993 to August 2022, corresponding to UNGA sessions 47 through 78.

²It should be noted that the number of observations depends on the explained variable used in our estimates. Specifically, when *Treasury Bills* is the dependent variable, we have 22 033 observations (87 countries); when using *Stock Prices*, there are 16 676 observations (64 countries); and for *dExchange_Rate*, we have 49 222 observations (171 countries). For further details, see [Table 1](#).

Before describing the variables that make up our dataset, it is crucial to justify why we use monthly data, as it is not common practice in much of the literature related to these issues. First, we can use monthly data due to the extensive data collection effort of [Andresen and Sturm \(2023\)](#) on UNSC membership, which enabled the possibility of studying these questions monthly. Second, the use of monthly data allows us to precisely examine the effect of the approval of a new project in a country, while mitigating potential effects linked to other phases of project implementation. In other words, we study short-term reactions of financial markets; therefore, monthly data are more adequate as advanced by [Kersting and Kilby \(2024\)](#). Finally, using monthly data significantly increases the number of observations, enhancing the precision and external validity of our estimates.

A related issue is that the use of monthly data could introduce bias into our estimates, as our measures of geopolitical distance are computed UNGA session by UNGA session, that is on ‘quasi-yearly’ basis.³ However, our distance measures are calculated using ideal points computed by [Bailey et al. \(2017\)](#) for every UNGA session. In reality, it is highly unlikely that the geopolitical proximity between two countries changes drastically at the start of each new UNGA session. Instead, such proximity is likely to gradually evolve following the evolution of long-term structural variables such as trade ([Hafner-Burton et al., 2009](#); [Lupu and Traag, 2013](#)) and political ideology ([Voeten, 2021](#)). To account for these incremental modifications of geopolitical alignments, we applied a moving average over the preceding 12 months, which allows us to capture these gradual changes in geopolitical distance while minimizing biases related to the discrete nature of session changes.

3.1. UNSC Membership

UNSC is composed of 15 members; 5 permanent and 10 non-permanent elected members. The Permanent members – China, France, Russia, the United Kingdom, and the United States – have remained unchanged since the UNSC’s first meeting on January 17, 1946. Since August 1965, non-permanent members are elected for two-year terms. Each elected country is drawn from one of the five regional groups within the UNGA.⁴ Every year, half of these non-permanent members are replaced according to a fixed electoral agenda.⁵ To be elected as a non-permanent member of the UNSC, a country has to obtain at least the two-thirds of all votes cast by UNGA members for that seat. If no country in a regional group meets this threshold, a new round of voting is initiated. Additionally, a nation is ineligible to apply for immediate reelection as a non-permanent member.⁶

In line with [Andresen and Sturm \(2023\)](#), we focus specifically on non-permanent UNSC members, as these countries are more likely to experience catalytic or inhibitory effects. Temporary membership offers financial advantages and less stringent conditions from international institutions

³We use the term ‘quasi-yearly’ because each UNGA session begins and ends in September. In other words, there are always two sessions within a given year: one ending in September and another beginning shortly thereafter. For more details on this issue and how we addressed it, see [Table A.1](#).

⁴Specifically, the distribution of non-permanent members in the UNSC is always as follows: 5 African and Asian states, 2 Latin American states, 2 Western European and other states and 1 Eastern European state. A complete list of current members of each group is available in [Table A.2](#) available in the Appendix.

⁵In even-numbered years, 2 African countries, 1 Asian country, 1 East European country and 1 Latin American or Caribbean country are elected. In odd-numbered years, 2 West European countries, 1 African country, 1 Asian country, and 1 Latin American or Caribbean country are elected.

⁶For more information on the electoral process of UN Security Council non-permanent members, see Rules 142, 143 and 144 described in the Rules of Procedure of the UNGA (pp. 39-40). The document is available here: <https://www.un.org/en/ga/about/ropga/>.

(Kuziemko and Werker, 2006; Dreher et al., 2009b), as well as a noticeable increase in funded projects (Berlin et al., 2023). Furthermore, as highlighted by Vreeland and Dreher (2014), even smaller states can exert significant geopolitical influence during their tenure.

Data on UNSC membership are provided by Andresen and Sturm (2023). As their dataset extend only up to 2019, we computed UNSC membership for 2020, 2021 and 2022. We present countries added as UNSC non-permanent members in Table A.3 available in the Appendix. Following the approach of Andresen and Sturm (2023), we consider a newly elected non-permanent member of the Security Council as a member for two and a half years. This is because a new member’s political influence begins before formal membership. For example, if a country is elected as a non-permanent member in June 2010, variable *UNSC* will be equal to 1 from June 2010 to December 2012. This choice is motivated by the fact that the political role of a newly elected country in the UNSC begins before its election. A nation has to campaign for its election as a UNSC member (Dreher et al., 2014). For example, as described by Gaili s (2024), a country like Latvia is planning to compete for UNSC membership in 2025; however, its candidacy process began in 2011.

We present in Figure 2 the 95 countries that have been non-permanent members of the UNSC within our database. Figure 2 also presents the distribution of this temporary membership throughout our study period. In the figure, blue areas represent available observations, white areas indicate missing observations, and black areas highlight the countries that are non-permanent UNSC members. For example, Albania and Algeria have been members only once, while countries like Brazil and Japan have been members five times. It is important to note that the distribution on UNSC non-permanent membership is unequal, with some countries holding membership more frequently than others. This uneven representation presents a challenge, as countries with more frequent membership of the UNSC often display weaker catalytic or inhibitory effects of international institutions. In countries with already favorable economic conditions, it is more difficult to detect the impact of external funding.

3.2. UNGA Ideological Distance

To analyze political preferences among countries in the United Nations General Assembly (UNGA), we use data from Bailey et al. (2017) using a spatial approach to quantify dissensions in voting patterns.⁷ A spatial approach is more appropriate as it helps counter many criticisms attributed to traditional computations. This method accounts for changes in the electoral agenda and assigns varying weights to different votes (Poole, 2005).⁸

To study differences in political preferences of each UNGA member, we use Bailey et al.’s (2017) variable *IdealPointDistance*. It represents the dynamic distance between the ideal points of two countries computed for every UNGA session. More precisely, we study the distance between one country’s ideal point and the ideal points of three permanent members of the UNSC that is, China, Russia, and the United States). These distances represent our variable *Dist_China*, *Dist_Russia*, and *Dist_US* depending on the permanent member considered. These three variables can be interpreted as follows: greater distances reflect more divergent political positions within the UNGA. As a robustness check, we also study the geopolitical distance between all countries and the two

⁷Bailey et al. (2017) compute ideal points centered on zero with a standard deviation equal to 1. Consequently, their ideal points are constrained between around -2.45 and around 3.19.

⁸On this point, see Figure 1 (p. 434) in Bailey et al. (2017) for an example of how a change in the electoral agenda can bias traditional measures.

additional permanent members of the UNGA (France and the United Kingdom) through variables *Dist_France* and *Dist_UK*.

Figure 2: Distribution of UNSC non-permanent membership

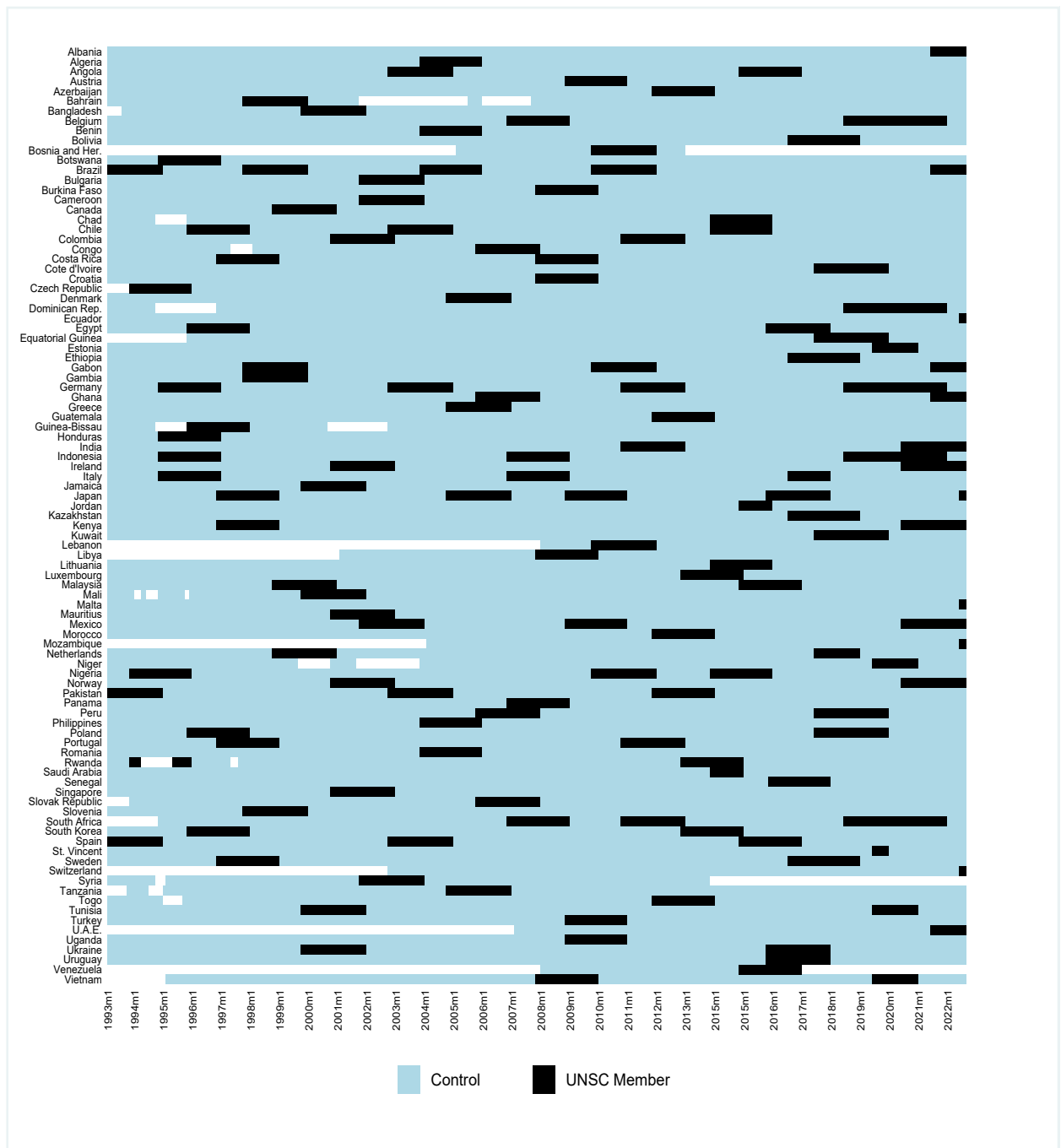
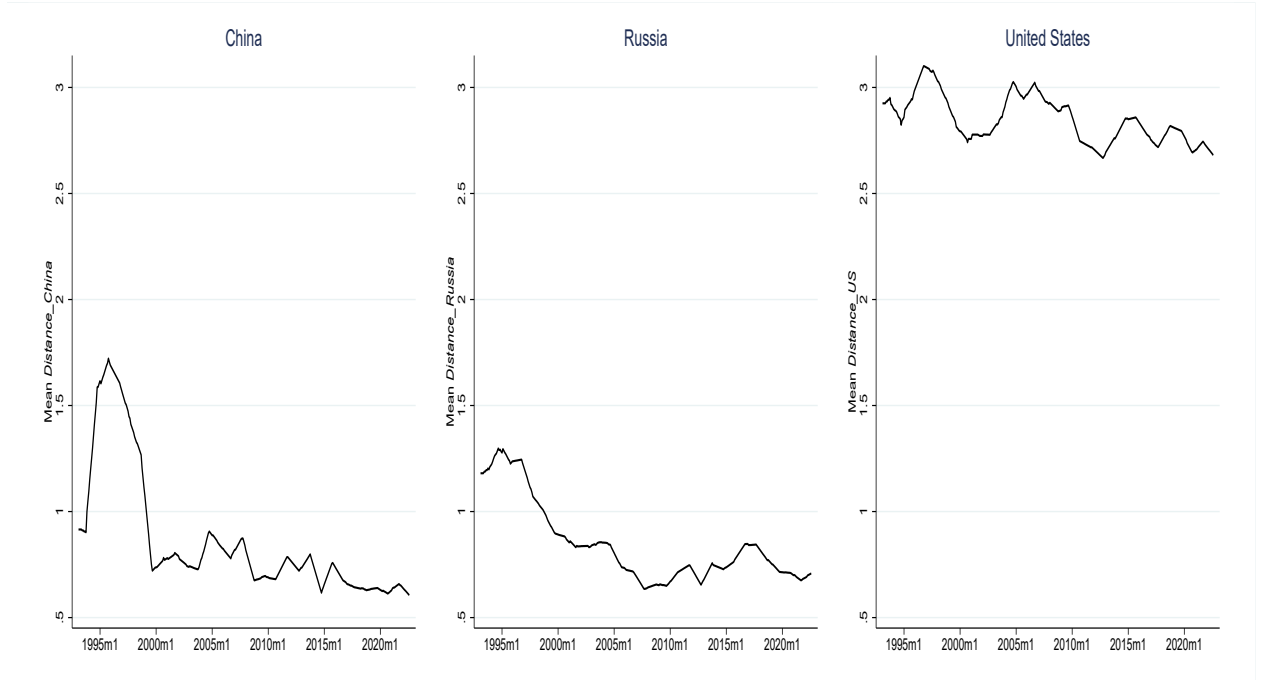


Figure 3: Mean monthly ideological distance with China, Russia, and the United States



Ideological distances are computed session by session. Then, we synchronize the values of our distance variables with the beginning dates of each UNGA session.⁹ Table A.1 presents each session on the 1993-2023 period and their beginning month within our dataset.

We present in Figure 3 the mean values of *Dist_China*, *Dist_Russia* and *Dist_US* month after month.¹⁰ On average, we can observe that the mean ideological distances with China and Russia are significantly lower than the mean ideological distances with the United States in the overall period. More precisely, after 2000, the averages of *Dist_China* and *Dist_Russia* are always lower than 1 while the mean of *Dist_US* is higher than 2.6. This result is relatively counter-intuitive, as prior research suggests that countries benefit from aligning their votes with the United States, particularly in the form of increased IMF lending (Oatley and Yackee, 2004; Dreher and Jensen, 2007). However, UNGA voting behavior is likely to change (Mattes et al., 2015) and as described by Voeten (2004, 2013), the United States tend to be increasingly isolated on a significant number of international policy issues. This relative isolation is reinforced by the constitution of new cohesive country groups like Pacific Asia countries (Ferdinand, 2014) or the European Union (Gunes and Ozkaleli, 2023).

Although voting patterns in the UNGA provide valuable insights into a country's political preferences, such an approach has notable limitations when it comes to capturing the full scope of geopolitics. Geopolitical dynamics are highly complex and multidimensional, encompassing factors

⁹More precisely, we consider that a session that begins after September 15 begins in October. In contrast, a session that begins before September 15 is considered to be beginning in September

¹⁰Same information is provided for France and the United Kingdom in Figure A.1 available in the Appendix.

that extend far beyond temporary UNSC votes or UNGA alignments. Votes cast in the UNGA are often influenced by momentary political objectives, strategic alliances, or even domestic pressures, which may not fully reflect a country's broader geopolitical interests. For example, a nation might align its vote with a major power like the United States on certain human rights issues to maintain favorable economic relations or military aid while simultaneously forging closer trade partnerships with China. As highlighted by (Seong et al., 2024), key geopolitical elements, such as bilateral trade agreements and security issues, are often invisible in UNGA voting. These factors can drive policy decisions that appear contradictory when viewed through the narrow lens of individual votes. A clear example of this divergence emerged during Donald Trump's presidency, where US foreign policy shifts resulted in greater diplomatic isolation from traditional western allies. As highlighted by Mosler and Potrafke (2020), these tensions reflect how UNGA voting patterns may not fully capture the nuances of changing alliances. However, such discrepancies are not uniform and often depend on specific issues or the countries involved.

Case Study: Greece in the 65th UNGA session. The ideological alignment between two nations is accompanied by the opposite effect with other countries. For instance, Figure 4 underlines that Greece has diverged from the voting preferences of the United States, the United Kingdom and France during the 65th UNGA session (September 2010-September 2011)¹¹. Concomitantly, Greece has moved closer to the voting positions of China and Russia. This temporary change in Greece's voting patterns can be attributed to several factors: (i) escalating tensions between Greece and the European Union over the Greek economic crisis in May 2010, (ii) ongoing debates concerning the Balkans, particularly regarding the naming dispute over the former Yugoslav Republic of Macedonia, and (iii) the increased Greco-Turkish tensions concerning Cyprus, which played a central role in the 65th UNGA debates¹². Thus, as illustrated in Figure 4, the ideological distance between two countries in the UNGA can fluctuate from one session to another, reflecting changes in both domestic and international contexts. Moreover, this distance is influenced by structural factors such as a country's UNGA regional group or its level of democracy, further underscoring the limitations of using voting patterns as a straightforward measure of geopolitical alignment.

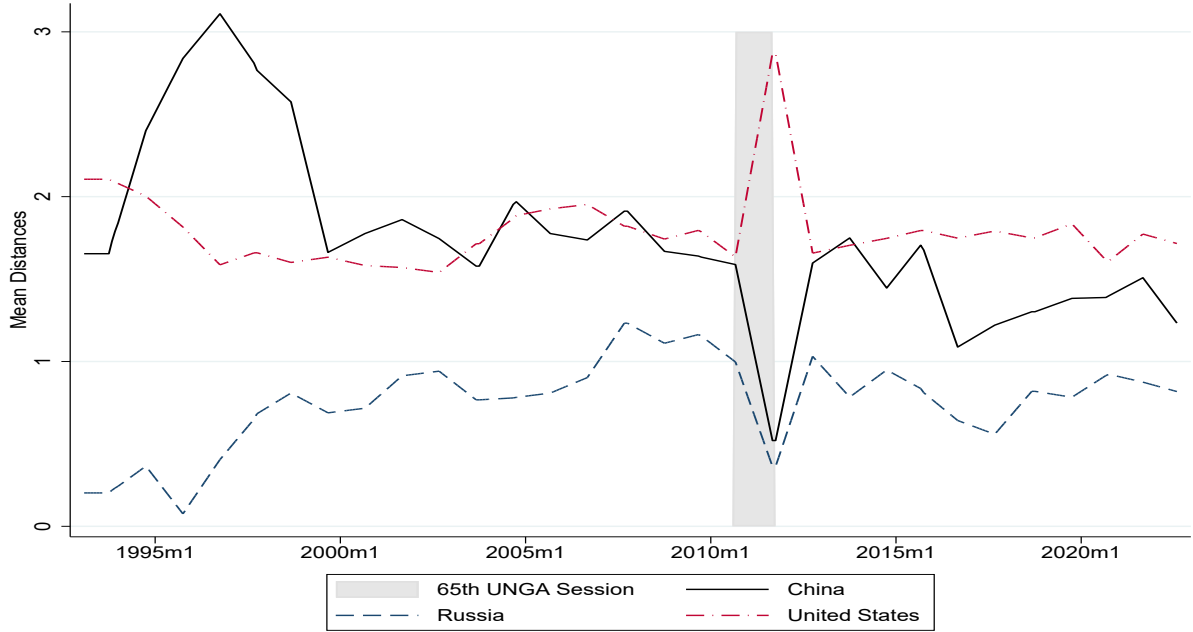
3.3. Projects Implemented by International Institutions

To study the impact of international political preferences on the potential catalytic effect of international institutions, we need to assess their degree of commitment in every country. To do so, we follow the approach of Andresen and Sturm (2023) and consider projects financed in countries by four different institutions on a monthly basis. More precisely, we study the approval of an institution program or project provided by the IMF, the WB, the ADB, the EIB and the AIIB. Following Andresen and Sturm (2023), we compute five dummy variables (*IMFnew*, *WBnew*, *ADBnew*, *EIBnew* and *AIIBnew*) taking the value 1 if a given institution has approved at least 1 program or project in country "*i*" in month "*m*". We consider the approval date of the project rather than the implementation date, as the potential catalytic or inhibitory effect is more relevant at the

¹¹For the sake of readability, Figure 4 is not presenting the variation of the ideological distance between Greece and the United Kingdom. Indeed, *Dist_France* is evolving in the same proportions as *Dist_UK* in the Greek case.

¹²For more information on the first point, the reader may refer to the work analysis of the Greek situation done by Stavrakakis and Katsambekis (2014). On the second, and third points, the reader may refer to the statement delivered by Mr. Dimitris Droutsas, former Greek Minister for Foreign Affairs in the UNGA on 28 September, 2010. A summary of this statement is available here: <https://www.un.org/en/ga/65/meetings/generaldebate>.

Figure 4: Ideological distance of Greece with several UNSC permanent members

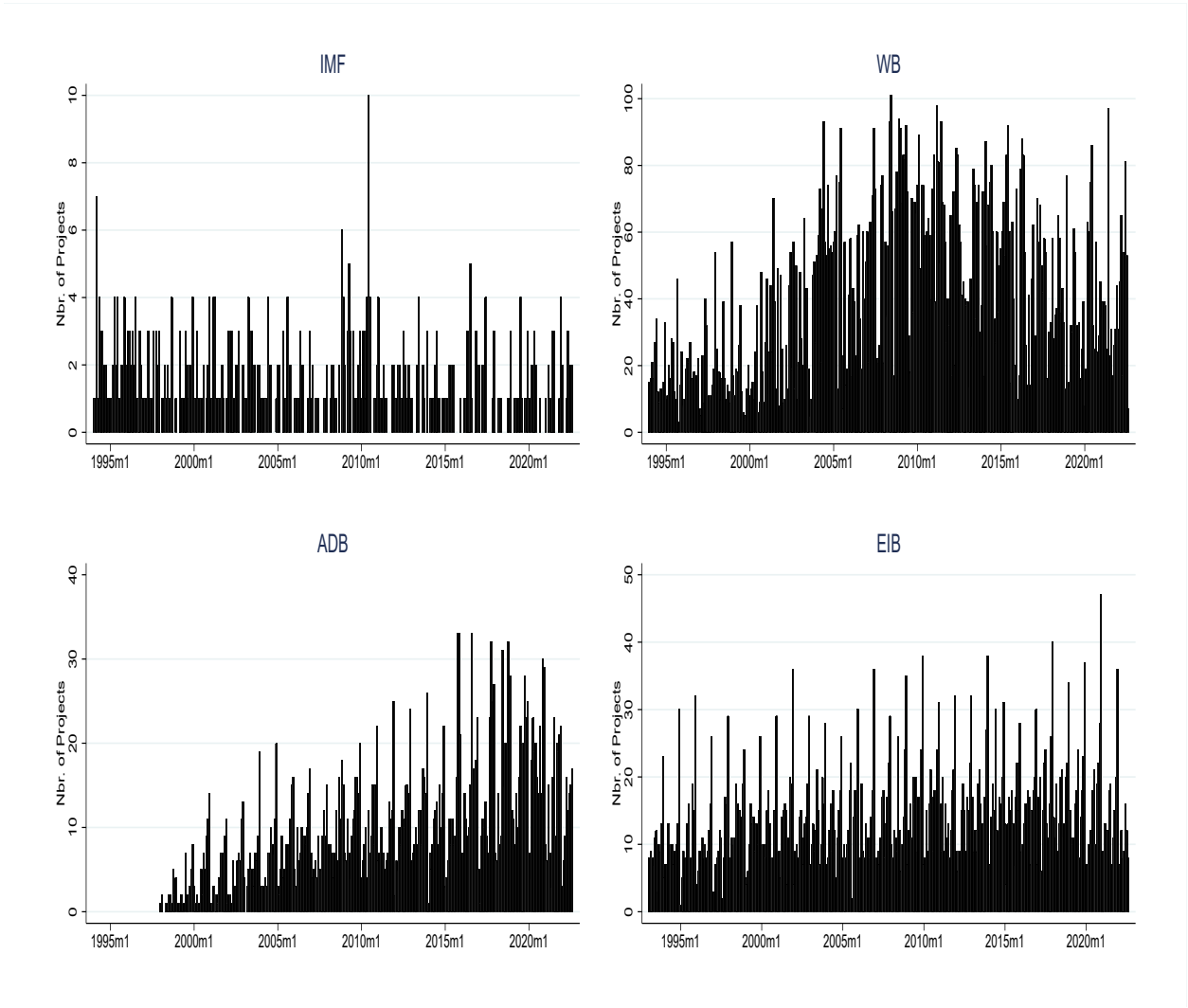


time of project announcement. Indeed, the approval of a project can significantly impact market expectations and exhibit a catalytic or inhibitory effect, as illustrated in Figure 1. To ensure that the countries in our study are engaged in geopolitics, we introduce interaction terms between project dummies and dummies for UNSC non-permanent membership into our estimates. This results in the variables $IMF_{new} \times UNSC$, $WB_{new} \times UNSC$, $ADB_{new} \times UNSC$, $EIB_{new} \times UNSC$, and $AIIB_{new} \times UNSC$.

Figure 5 displays the distribution of the number of projects financed by the IMF, the WB, the ADB and the EIB.¹³ Figure 5 reveals that the WB finances the highest number of monthly projects followed by the EIB, the ADB and then the IMF. The latter is financing a maximum of 8 projects by month with a mean value below 2. Then, as described earlier, the study of these four institutions seems pertinent to be able to understand the link between the implementation of projects financed by international institutions and national macroeconomic situations. Moreover, while the IMF and the EIB maintain a relatively stable number of financed projects, the WB and the ADB exhibit an inverted ‘U-shaped’ pattern. This could suggest a period of increased funding activity around key economic events. For instance, the WB’s peak around 2008-2009 may reflect efforts to respond to the global financial crisis, while the ADB’s surge around 2016-2017 indicates growing infrastructure investments in Asia during this period. This fluctuation underscores the importance of assessing not just the presence of international institutions but also the timing of their interventions when examining their potential catalytic or inhibitory impact on national macroeconomic conditions.

¹³A comparable representation is available for the AIIB in Figure A.2 available in the Appendix.

Figure 5: Number of projects implemented by each institution per month



These international institutions play a unique role in the landscape of international funding. Unlike bilateral lenders, the IMF, the WB and, to a lesser extent, the ADB and the EIB, are multilateral agencies that are theoretically free from control by a single ‘dominant’ country. As argued by Rodrik (1995), this structure should ideally mitigate the degree of politicization in projects funded by these institutions. However, this claim remains contested, as several studies have highlighted that countries aligning their votes with the US in the UNGA often receive more favorable terms from the IMF (Dreher et al., 2015). This pattern is also observable with the WB (Clark and Dolan, 2021), and to varying degrees with our four main institutions. In the case of the ADB, Japan is often referred to as a dominant country, while the leadership in the EIB is disputed between France and Germany since the United Kingdom left the European Union. In this context, AIIB stands out as a unique case, clearly identified as a Chinese institution and directly related to the Belt and Road Initiative promoted by the Chinese government (Rahman, 2022).

3.3.1. International Monetary Fund (IMF)

The construction of *IMFnew* is based on the work of Andresen and Sturm (2023), who computed this variable through 2019. To extend *IMFnew* for the years 2020, 2021 and 2022, we utilized the Monitoring of Fund Arrangements (MONA) database provided by the IMF.¹⁴ Specifically, we incorporated 40 new projects to the *IMFnew* variable, consistent with the methodology used by Andresen and Sturm (2023).

The approval of new projects financed by the IMF typically follows a comprehensive review of the borrowing country’s domestic economic situation and often involves stricter conditions. As noted in Eichengreen and Woods (2016), the IMF finances fewer projects compared to other international institutions, and these projects come with more binding conditions. Consequently, IMF funding may be more likely to generate a catalytic effect, as the institution’s interventions carry significant credibility (see Figure 1). However, this high conditionality can force countries that wish to retain their policy space to seek financing through different institutions (Kentikelenis et al., 2016). This dynamic underscores the relevance of our research question and the need to examine the catalytic and inhibitory effects of alternative funding sources for a substantial number of countries.

3.3.2. World Bank (WB)

WBnew is computed using data on project approval directly provided by the WB.¹⁵ We consider every project approved by the WB in 1 or more countries. It represents 9 357 projects in the period February 1993-August 2022.¹⁶ Among the projects approved by the WB, 463 projects are not implemented in one country, but in a region. As the WB does not provide an official definition of these regions, a complete list of countries included in each region is presented in Table A.4. In practical terms, we consider these regional projects as approved in every country included in the regional group defined in Table A.4.

¹⁴For more information on the MONA database, see <https://www.imf.org/external/np/pdr/mona/index.aspx>.

¹⁵A complete list of projects implemented by the WB with their characteristics is available here: <https://projects.worldbank.org/en/projects-operations/>.

¹⁶We do not consider 99 available projects implemented by the WB in the studied period. One of these projects is labeled as “Multi-Regional” with no further information. The other 98 projects are labeled as “World”. Their inclusion could be problematic, as it would represent a value of *WBnew* equals to 1 for every country 98 times out of our 360 periods ($\approx 27.22\%$ of the total time).

3.3.3. Asian Development Bank (ADB)

Data on ADB-approved projects comes from the ADB Sovereign Projects dataset.¹⁷ We focus on sovereign projects, which the ADB defines as: “Sovereign operations includ[ing] loans, grants, and technical assistance to the governments of developing countries that are members of ADB.”¹⁸ Although the ADB exists since 1966, the dataset only provides information on projects approved after December 1997. To our knowledge, the ADB website does not offer details on sovereign projects implemented before this year.

From December 1997 to August 2022, the ADB has approved a total of 6 320 sovereign projects in its member countries.¹⁹ Among these, 1 343 are classified as regional projects implemented in more than one country. Unfortunately, information on the specific countries where these regional projects are implemented is lacking for 1 038 of them. Consequently, we compute *ADBnew* equals to 1 for the 305 regional projects where the information is available. Conversely, we cannot include the 1 038 projects with unclear location data in our dataset.

3.3.4. European Investment Bank (EIB)

The EIB provides information on projects it has approved dating back to 1959, classified by signature date.²⁰ During our study period, the EIB financed 5 436 projects. However, the available information is incomplete. In particular, 501 regional projects are not precisely located and are therefore excluded from our dataset.²¹

3.3.5. Asian Infrastructure Investment Bank (AIIB)

Finally, we compute a dummy variable that takes the value 1 when the AIIB has approved a project. This international institution has been operational since 2016 and has steadily gained importance in international project financing. In particular, since 2018, AIIB has held the status of Permanent Observer in UNGA deliberations. Additionally, as highlighted by Zaccaria (2023), the investments needed after the outbreak of the COVID-19 pandemic have further enhanced the institution’s reputation. However, since the AIIB has only financed the project since 2016, *AIIBnew* is introduced into our estimates only when we use the first difference of the exchange rate as the explained variable. Unfortunately, other explained variables do not allow us to consider *AIIBnew* due to the limited time span (2016-2022).

The construction of *AIIBnew* is comparable to the construction of *ADBnew*. Like the ADB, the AIIB provides information on approved sovereign projects. From June 2016 to August 2023, the AIIB has financed 130 sovereign projects, all without classification issues.²² Given this specific period, we present the distribution of *AIIBnew* separately from our other dummy variables in Figure A.2 available in the Appendix.

¹⁷Data is available here: <https://data.adb.org/dataset/adb-sovereign-projects>.

¹⁸For further details, see <https://www.adb.org/who-we-are/access-information/projects-glossary>.

¹⁹A complete list of ADB members is available in Table A.5.

²⁰See: <https://www.eib.org/en/projects/loans>.

²¹These 501 dropped projects are distributed as follows: 384 as “Regional”; 45 as “EU Countries”; 42 as “ACP States”; 5 as “OCT” and 25 as “Mediterranean Countries”. Due to the ambiguity of these labels, we have opted not to include these projects.

²²For more information, a complete list of projects financed by the AIIB is available here:

https://www.aiib.org/en/projects/list/index.html?financing_type=Sovereign.

3.4. Financial Data

To replicate the results obtained by [Andresen and Sturm \(2023\)](#), we use financial variables to study the impact of project approval on national financial markets. Finding appropriate financial data is challenging in our study as: (i) we require a monthly basis; (ii) we study a significant number of developing countries; and (iii) we need to include countries from every regional group in the UNGA to avoid selection bias. To maximize the size of the database and facilitate comparison with [Andresen and Sturm's \(2023\)](#) work, we use the same dependent variables. In addition, we introduce only one financial variable as an explanatory variable, the Consumer Price Index (CPI). Data on the CPI are provided on a monthly basis by the International Financial Statistics (IFS) database from the IMF. We selected the CPI as an index to maximize the number of observations, expecting the inflation rate to be positively correlated to our dependent variables.

3.4.1. Short-term Interest Rate on Treasury Bills

Following [Andresen and Sturm \(2023\)](#), we use the interest rate on 3-month treasury bills to measure the impact of UNSC non-permanent membership on national financial markets. We compute variable *Treasury Bill* in the same way, using data provided by the IFS provided by the IMF. To mitigate potential outliers that could bias our results, we winsorized *Treasury Bill*. Specifically, this winorization concerns the 1st and 99th percentiles of the variable.

3.4.2. Stock Prices

As discussed by [Andresen and Sturm \(2023\)](#), a decrease in investor confidence would lead to stock sales, thereby diminishing mean stock prices. This effect is particularly prominent in emerging economies, where financial market volatility is significantly higher.

We examine a potential catalytic or inhibitory effect on stock prices using the Morgan Stanley Capital International (MSCI) monthly stock price growth. This represents our variable *Stock Prices*, expressed in local currency. Like every dependent variable used in this study, the variable *Stock Prices* is winsorized (1st and 99th percentiles).

3.4.3. Exchange Rate

As noted by [Andresen and Sturm \(2023\)](#), it is likely that the exchange rate against the US dollar reacts quickly and significantly to changes in investors expectations. Therefore, if an institution has a catalytic or an inhibitory effect on an economy, it is probable that exchange rates would be affected. In line with [Andresen and Sturm \(2023\)](#), we exclude countries with a fixed exchange rate regime from our interpretations. We considered as fixed exchange rate regimes countries on *de jure* basis using the Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) database provided by the IMF.

In practical terms, we express the exchange rates as US dollars per domestic currency. This means that an increase in *Exchange Rate* indicates an appreciation of the domestic currency against the US dollar, while a decrease corresponds to a depreciation. To ensure the stationarity of *Exchange Rate* in our estimates, we introduce this variable as its first difference within the model (*dExchange Rate*). Again, we winsorized this variable at the 1st and 99th percentiles.

4. Summary Statistics

One can argue that our interest variables ($IMF_{new} \times UNSC$, $WB_{new} \times UNSC$, $ADB_{new} \times UNSC$, $EIB_{new} \times UNSC$ and $AIIB_{new} \times UNSC$) are equal to 0 on the vast majority of our sample. For

instance, [Andresen and Sturm \(2023\)](#) report only 14 observations in which an UNSC non-permanent member benefits from the implementation of a project funded by the IMF (see Table 1, p. 318). Similarly, we have 24 observations where $IMF_{new} \times UNSC$ equals 1. However, including the four additional institutions allows us to obtain more treated observations on our interest variables. For example, in the case of the WB, we have 1 007 observations where $WB_{new} \times UNSC$ equals 1. The exact number of observations in which our interest variables are equal to 1 in [Table A.6](#) available in the Appendix.

Our dataset covers 171 countries on the period February 1993-August 2023 on a monthly basis (355 months) for a total of 49 222 observations. This database represents the total number of countries and periods used for our estimates on *dExchange Rate*. However, our two alternative dependent variables are not available at the same scale. For *Treasury Bills*, we study 87 countries during 355 months (22 033 observations). In the case of *Stock Prices*, our estimates cover 64 countries on the period February 1993-December 2019 (323 months), representing 16 676 observations.

[Table 1](#) presents summary statistics for our main variables. We present summary statistics for the largest sample available for each variable. These confirm that the United States is a country whose votes within the UNGA are divisive. *Dist_US* is characterized by a higher maximum value, a lower minimum value, and a higher standard deviation than other distance measures. By contrast, *Dist_China* and *Dist_Russia*, the countries have a more consensual profile among UNSC permanent members. This is not surprising in the case of China, as international diplomacy plays a decisive role for the country ([Bazys and Dukalkis, 2017](#)). A similar observation applies to Russia on this period. Finally, France and the United Kingdom have more moderate profiles. As mentioned above, international institutions are characterized by very different profiles in terms of project financing. For example, the WB finances significantly more projects than other institutions, followed by the EIB, the ADB, the IMF, and the AIIB.

In [Table 2](#), we split our sample between non-permanent UNSC members and the rest of the observations. We observe that the mean of *Treasury Bills*, IMF_{new} and all distance measures, except the one concerning China, are significantly higher when the country is a non-permanent UNSC member. Conversely, WB_{new} , EIB_{new} , $AIIB_{new}$ and *Dist_China* are significantly lower in non-permanent members of the UNSC. From these observations, we can draw three conclusions. First, on average, a non-permanent UNSC member experiences a depreciation of its money against the US dollar, in line with the findings of [Andresen and Sturm \(2023\)](#). Second, on average, the IMF tends to accept more projects in non-permanent UNSC members while the WB, the EIB and the AIIB tend to accept fewer projects in non-permanent UNSC members. Third, non-permanent members are ideologically closer to China when elected and tend to vote more in line with this country in the UNGA. The result is the opposite for all other permanent members, highlighting the geopolitical importance for China ([Bazys and Dukalkis, 2017](#)).

Finally, [Table A.7](#) available in the Appendix displays correlation coefficients for all our variables. As highlighted in [Andresen and Sturm \(2023\)](#), our estimates could be biased by potential endogeneity issues. Upon examining the correlation table, we observe that none of our variables is characterized by correlation coefficients greater than 0.33 in the case of *Treasury Bills*, *Stock Prices*, *dExchange Rate* and *CPI*. However, very high correlations (> 0.9) are observable between distance measures, which is not problematic as these variables are never introduced together in the estimates.

Table 1: Summary statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Treasury Bills	8.154	8.347	-0.07	47.29	22 033
Stock Prices	0.71	6.899	-19.936	23.727	16 676
dExchange Rate	-0.276	2.103	-10.088	5.353	49 222
IMFnew	0.009	0.093	0	1	49 222
WBnew	0.269	0.444	0	1	49 222
EIBnew	0.091	0.288	0	1	49 222
ADBnew	0.063	0.243	0	1	47 401
AIIBnew	0.008	0.091	0	1	10 874
CPI	0.651	3.208	-45.799	250	49 222
UNSC	0.067	0.25	0	1	49 222
IMFnew $\times$ UNSC	0	0.02	0	1	49 222
WBnew $\times$ UNSC	0.019	0.138	0	1	49 222
ADBnew $\times$ UNSC	0.004	0.062	0	1	47 401
EIBnew $\times$ UNSC	0.011	0.104	0	1	49 222
AIIBnew $\times$ UNSC	0.002	0.043	0	1	10 874
Dist_China	0.793	0.74	0	4.696	49 222
Dist_Russia	0.782	0.468	0	3.191	49 222
Dist_US	2.819	0.851	0	5.136	49 222
Dist_France	1.652	0.784	0	4.136	49 222
Dist_UK	1.837	0.802	0	4.504	49 222

Treasury Bills, Stock Prices and dExchange Rate are winsorized (1st and 99th percentiles).

Countries considered as having a *de jure* floating exchange rate regime as defined by the AREAER database are dropped when we consider *dExchange Rate*.

Table 2: Summary statistics in subsamples

Variable	Mean	Std. Dev.	Min.	Max.	N	Mean	Std. Dev.	Min.	Max.	N	Mean Diff.
UNSC = 0						UNSC = 1					
Treasury Bills	8.18	8.449	-0.07	47.29	20 622	7.772	6.674	-0.07	47.29	1 411	0.408**
Stock Prices	0.690	6.881	-19.936	23.727	14 889	0.874	7.045	-19.936	23.727	1 787	-0.183
dExchange Rate	-0.279	2.093	-10.088	5.353	45 938	-0.229	2.234	-10.088	5.353	3 284	-0.050
CPI	0.648	3.23	-45.799	250	45 938	0.693	2.872	-5.726	47.43	3 284	-0.045
IMFnew	0.009	0.094	0	1	45 938	0.006	0.078	0	1	3 284	0.003*
WBnew	0.268	0.443	0	1	45 938	0.29	0.454	0	1	3 284	-0.023***
ADBnew	0.064	0.245	0	1	43 111	0.058	0.233	0	1	3 139	0.007
EIBnew	0.086	0.281	0	1	45 938	0.163	0.37	0	1	3 284	-0.077***
AIIBnew	0.007	0.084	0	1	10 009	0.023	0.15	0	1	865	-0.016***
Dist_US	2.823	0.854	0	5.136	45 938	2.765	0.8	1.379	4.425	3 284	0.059***
Dist_UK	1.842	0.801	0	4.504	45 938	1.762	0.804	0.376	3.433	3 284	0.081***
Dist_France	1.658	0.783	0	4.136	45 938	1.569	0.803	0.175	3.306	3 284	0.089***
Dist_China	0.791	0.744	0	4.696	45 938	0.818	0.684	0.004	3.216	3 284	-0.027**
Dist_Russia	0.784	0.474	0	3.191	45 938	0.758	0.379	0.01	1.886	3 284	0.026***

UNSC is a dummy equal to 1 when a country is elected as a non-permanent member of the UNSC and 0 otherwise.

Significance tests on the mean differences were performed following [Welch \(1947\)](#).

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

5. Testable Hypothesis and Econometric Specification

In this section, we outline the four hypotheses, three of which have corollaries, leading our paper to formulate seven total hypotheses (1.a, 1.b, 2, 3.a, 3.b, 4.a, and 4.b). These hypotheses underpin our empirical analysis. Next, we describe the methodological framework developed to test their validity rigorously within the context of our estimates. Specifically, we elaborate on the use of geopolitical distance as a key variable to explore the intricate interactions between international institutions' funding, financial markets' reaction, and geopolitical interests. Finally, we present our econometric specification and discuss its relevance.

5.1. Testable Hypothesis

The first hypothesis that we will test is the catalytic or inhibitory effect of funding from international institutions. As noted by [Andresen and Sturm \(2023\)](#), these effects, along with the effect of being a non-permanent UNSC member, are designated as first-round effects. In our empirical investigation, this first hypothesis implies that the dummy for receiving international public funding will have a positive effect on the macroeconomic variables under investigation. The announcement of funding will increase the attractiveness of the assets of the country that receive international public funding. This implies an appreciation in bilateral exchange rates (positive sign), an increase in stock prices (positive sign), and a reduction in bond yields (negative sign).

Hypothesis 1.a: Catalytic Effect. The dummy variable for international public funding will have positive signs for exchange rates and stock prices and a negative sign for bond yields, which means that domestic assets are more attractive. That is the *catalytic effect* of international financial markets.

Hypothesis 1.b: Inhibitory Effect. The dummy variable for international public funding will have negative signs for exchange rates and stock prices and a positive sign for bond yields, which means that domestic assets are less attractive. That is the *inhibitory effect* of international financial markets.

The second testable hypothesis relates to the UNSC dummy. We are still dealing with the first-round effects, as designated by [Andresen and Sturm \(2023\)](#). The UNSC temporary dummy should not have significant effects on macroeconomic variables *per se*.

Hypothesis 2: UNSC Effect. The dummy variable for international public funding will have a non-significant impact on exchange rates, stock prices, and bond yields, meaning that the attractiveness of domestic assets for private investors is not directly affected by the UNSC temporary membership.

We now explore the interaction between the dummy variables for international public funding and the temporary UNSC membership. Here, the election as a temporary member of the UNSC membership may mitigate the catalytic effect coming from international financial markets. Being a temporary UNSC member may signal geopolitical interest. This interest might raise questions about the future impact of the funding.

Hypothesis 3.a: UNSC Catalytic Effect. The interaction between dummy variables for international public funding and temporary membership at the UNSC will have positive signs for exchange rates and stock prices and a negative sign for bond yields, meaning that domestic assets are more attractive, compared to a country with no geopolitical interest.

Hypothesis 3.b: UNSC Inhibitory Effect. The interaction between dummy variables for international public funding and temporary membership at the UNSC will have negative signs for exchange rates and stock prices and a positive sign for bond yields, meaning that domestic assets are less attractive, compared to a country with no geopolitical interest. This reflects the ‘weakened’ catalytic effect as explored in [Andresen and Sturm \(2023\)](#).

Finally, our last testable assumption allows us to answer our research question and provide some guidance to policymakers, and novelty in the literature. We will test how geopolitical interests affect the catalytic effect of international financial markets using the geopolitical ideal point distance in the UNGA votes [Bailey et al. \(2017\)](#) for each of the five permanent members of the UNSC. Countries with closer geopolitical ties (that is, a lower ideal point distance) with the most influential country in the funding institution will experience a greater reduction in the catalytic effect. However, countries with looser geopolitical ties (that is, a higher ideal point distance) with the most influential country in the funding institution will not experience a reduction in the catalytic effect.

Hypothesis 4.a: Geopolitical Catalytic Effect. If the country has loose geopolitical ties (that is, a higher ideal point distance) with the most influential country in the funding institution, the interaction between dummy variables for international public funding and temporary membership at the UNSC will have positive signs for exchange rates and stock prices and a negative sign for bond yields, meaning that domestic assets are more attractive, compared to a country close geopolitical ties with the most influential country in the funding institution. This reflects the *catalytic effect* of international financial markets, controlled for geopolitical proximity.

Hypothesis 4.b: Geopolitical Inhibitory Effect. If the country has close geopolitical ties (that is, lower ideal point distance) with the most influential country in the funding institution, the interaction between dummy variables for international public funding and temporary membership at the UNSC will have negative signs for exchange rates and stock prices and a positive sign for bond yields, meaning that domestic assets are less attractive, compared to a country with loose geopolitical ties with the most influential country in the funding institution. That is the *inhibitory effect* of international financial markets, due to geopolitical proximity.

Hypotheses 1.a, 1.b, 2 and 3.b are directly tested in the work of [Andresen and Sturm \(2023\)](#), while hypothesis 3.a represents the corollary of hypothesis 3.b, *i.e.* the ‘weakened’ catalytic effect. However, hypotheses 4.a and 4.b provide a new original contribution to the literature on subtle interactions between the funding of international institutions, the reaction of financial markets, and geopolitical interests.

5.2. Econometric Specification

First, we reproduce the estimates presented by [Andresen and Sturm \(2023\)](#) considering projects financed by the IMF and four additional institutions (the WB, the ADB, the EIB, and the AIIB). We then use a linear OLS estimator, with clustered standard errors by country, to estimate the following econometric specification:

$$Y_{i,m} = \beta_1 \text{INSTnew}_{i,m}^J + \beta_2 \text{UNSC}_{i,m} + \beta_3 \text{INSTnew}_{i,m}^J \times \text{UNSC}_{i,m} + \beta_4 \text{CPI}_{i,m} + \beta_5 \delta_i + \beta_6 \delta_m + \beta_7 \delta_i \times \delta_y + \varepsilon_{i,m} \quad (1)$$

where $Y_{i,m}$ is one of our dependent variables (*Treasury Bills*, *Stock Prices* and *dExchange Rate*); $INSTnew_{i,m}^J$ a dummy taking the value 1 if institution J approved a project in country i in month m ; $UNSC$ a dummy taking the value 1 if a country is a non-permanent member of the UNSC; $INSTnew_{i,m}^J \times UNSC$ the interaction term between $INSTnew_{i,m}^J$ and $UNSC$; CPI represents the consumer price index; δ_i denotes country fixed-effects; δ_y denotes month fixed-effects; $\delta_i \times \delta_y$ denotes country-year fixed-effects and $\varepsilon_{i,m}$ represents the error term.

In addition to replicating [Andresen and Sturm's \(2023\)](#) estimates with additional institutions, we further estimate [Equation 1](#) with a triple interaction term $INSTnew_{i,m}^J \times UNSC_{i,m} \times Distance_{i,m}^K$ with K representing one of the five permanent UNSC members. Specifically, for clarity reasons, we present the results of these estimates for China, Russia, and the United States in Section 6, while the results for France and the United Kingdom are provided in Section 7.

Finally, we estimate [Equation 1](#) by splitting our sample into subsamples representing the 50% closest countries and the 50% farther countries from the permanent members of the UNSC according to our distance measures. Once again, the results for China, Russia, and the United States are presented in Section 6 while the estimates for France and the United Kingdom are discussed in Section 7.

6. Main Results

In this section, we discuss the results of our main estimates. First, we replicate the results obtained by [Andresen and Sturm \(2023\)](#) with the IMF and then, with our four additional institutions. This allows us to discuss the validity of hypothesis 1.a, 1.b, 2, 3.a and 3.b and compare our results to the replicated study. Second, we introduce the triple interaction term with our distance measures presented in the previous section to study Hypotheses 4.a and 4.b, assessing the relevance of the hypothesized geopolitical catalytic and inhibitory effects. Finally, we ensure the robustness of these mechanisms by splitting our sample according to the 50% exogenous threshold on our distance measures.

6.1. Replication Results

We present estimations of our main model performed with a linear OLS estimator for the IMF in [Table 3](#). Specifically, we replicate the estimations of [Andresen and Sturm \(2023\)](#) when they study the catalytic effect of IMF-financed projects on *Treasury Bills*, *Stock Prices*, and *Exchange Rate*.

Before discussing the validity of our hypotheses, we emphasize the consistencies between our replication and the estimates of [Andresen and Sturm \(2023\)](#). In the case of *CPI*, we observe the expected positive sign when our dependent variables are *Treasury Bills* and *Stock Prices*. Moreover, for these two explained variables, *CPI* displays comparable coefficients, except for the ADB in [Table 4](#) and [Table 5](#). In contrast, we observe that an increase in the inflation rate tends to depreciate domestic exchange rates significantly. Finally, the R-squared values that we report are roughly comparable to those displayed in the replicated paper. These consistencies are observable in [Table 3](#) to [Table 6](#).

6.1.1. IMF

Our findings in [Table 3](#) reveal contrasts with [Andresen and Sturm \(2023\)](#). In particular, the approval of a new IMF-financed project (*IMFnew*) has a significant and positive effect on both *Stock Prices* and *Exchange Rate*, confirming the presence of a catalytic effect of IMF projects (*Hypothesis 1.a*).

Consistent with [Andresen and Sturm \(2023\)](#), we find no significant effect of membership to UNSC alone on any of the dependent variables, supporting our *Hypothesis 2*. This reinforces the idea that UNSC membership does not independently influence market outcomes in the context of IMF-financed projects. Furthermore, our results for *Hypothesis 3.a* and *3.b* indicate no significant catalytic or inhibitory effects tied to UNSC non-permanent membership, aligning closely with the replicated paper.

Table 3: [Andresen and Sturm \(2023\)](#) results reproduction

	<i>Treasury Bills</i>		<i>Stock Prices</i>		<i>dExchange Rate</i>	
UNSC	0.207 (0.364)	0.207 (0.364)	-0.152 (0.440)	-0.149 (0.439)	0.053 (0.120)	0.054 (0.120)
IMFnew	0.023 (0.193)	0.016 (0.201)	1.148 (0.848)	1.571* (0.861)	0.183* (0.106)	0.198* (0.109)
IMFnew × UNSC		0.161 (0.698)		-3.313 (2.331)		-0.319 (0.555)
CPI	0.045** (0.022)	0.045** (0.022)	0.251*** (0.086)	0.251*** (0.086)	-0.055*** (0.019)	-0.055*** (0.019)
Constant	8.118*** (0.025)	8.118*** (0.025)	0.613*** (0.061)	0.612*** (0.061)	-0.245*** (0.015)	-0.245*** (0.015)
Nbr. observations	22 010	22 010	16 676	16 676	49 221	49 221
Nbr. countries	87	87	64	64	171	171
Nbr. year	30	30	27	27	30	30
Nbr. month	355	355	311	311	355	355
R2	0.960	0.960	0.395	0.395	0.401	0.401

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills*, *Stock Prices* *dExchange Rate* are winsorized (1st and 99th percentiles).

Estimations using *dExchange Rate* exclude countries with a *de jure* fixed exchange rate regime.

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

6.1.2. Additional Institutions

In [Table 4](#) and [Table 5](#), we extend the analysis by using *Treasury Bills* and *Stock Prices* as dependent variables for other international institutions, including the WB, the ADB, and the EIB. [Table 6](#) presents the results for *dExchange Rate* with the inclusion of AIIB. Due to data limitations, we were unable to include the AIIB in the previous tables.

Across [Table 4](#) and [Table 5](#), none of our interest variables appear to be significant, suggesting that *Hypothesis 1.a*, *1.b*, *3.a* and *3.b* are not validated in the context of these institutions. This implies that financing from the WB, the ADB and the EIB does not have a measurable impact – either catalytic or inhibitory – on domestic financial markets, as measured by *Treasury Bills* or *Stock*

Table 4: Main results - *Treasury Bills*

	WB		ADB		EIB	
UNSC	0.208 (0.364)	0.230 (0.368)	-0.128 (0.235)	-0.141 (0.237)	0.207 (0.363)	0.178 (0.364)
WBnew	-0.057 (0.042)	-0.052 (0.043)				
WBnew × UNSC		-0.076 (0.081)				
ADBnew			-0.083 (0.062)	-0.097 (0.064)		
ADBnew × UNSC				0.371 (0.388)		
EIBnew					-0.004 (0.045)	-0.016 (0.049)
EIBnew × UNSC						0.132 (0.128)
CPI	0.045** (0.022)	0.045** (0.022)	0.013 (0.024)	0.013 (0.024)	0.045** (0.022)	0.045** (0.022)
Constant	8.133*** (0.029)	8.132*** (0.030)	7.229*** (0.018)	7.230*** (0.019)	8.118*** (0.026)	8.120*** (0.026)
Nbr. observations	22 010	22 010	19 259	19 259	22 010	22 010
Nbr. countries	87	87	87	87	87	87
Nbr. year	30	30	25	25	30	30
Nbr. month	355	355	296	296	355	355
R2	0.960	0.960	0.956	0.956	0.960	0.960

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

Prices. Additionally, *Hypothesis 2* is validated, meaning that UNSC non-permanent membership is not impacting our variables directly.

However, [Table 6](#) reveals an interesting finding supporting the inhibitory effect (*Hypothesis 1.b*). Specifically, a new project financed by the WB significantly depreciates the domestic exchange rate against the US dollar. This suggests that WB financing can sometimes lack credibility in some countries, leading to market reactions that undermine the domestic currency (see [Figure 1](#)). This novel insight suggests that the inhibitory effect, often under-explored in prior research, may play a crucial role in explaining how certain institutions projects approval influence global markets.

At this point, we provide evidence for both a direct catalytic effect in the case of the IMF and a direct inhibitory effect in the case of the WB, partially validating *Hypothesis 1.a* and *1.b*. For the IMF, our findings are partially consistent with [Andresen and Sturm \(2023\)](#), although we do not find evidence that membership of the UNSC plays a significant role in the effect. Our results suggest that IMF funding is related to positive outcomes, such as stock prices and currency appreciation, while WB funding may be associated with less favorable outcomes, including currency depreciation.

Table 5: Main results - *Stock Prices*

	WB		ADB		EIB	
UNSC	-0.163 (0.441)	-0.052 (0.449)	-0.154 (0.482)	-0.124 (0.485)	-0.164 (0.443)	-0.148 (0.453)
WBnew	-0.144 (0.216)	-0.082 (0.213)				
WBnew $\times$ UNSC		-0.543 (0.333)				
ADBnew			0.100 (0.346)	0.133 (0.411)		
ADBnew $\times$ UNSC				-0.266 (0.911)		
EIBnew					-0.138 (0.144)	-0.133 (0.151)
EIBnew $\times$ UNSC						-0.049 (0.365)
CPI	0.253*** (0.086)	0.252*** (0.086)	0.226 (0.147)	0.226 (0.147)	0.252*** (0.086)	0.252*** (0.086)
Constant	0.649*** (0.076)	0.638*** (0.076)	0.484*** (0.068)	0.480*** (0.069)	0.649*** (0.073)	0.647*** (0.074)
Nbr. observations	16 676	16 676	16 676	16 676	16 676	16 676
Nbr. countries	64	64	64	64	64	64
Nbr. year	27	27	22	22	27	27
Nbr. month	323	323	264	264	323	323
R2	0.395	0.395	0.392	0.392	0.395	0.395

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Stock Prices* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

As our next step, we extend the analysis to account for geopolitical factors by introducing national geopolitical preferences measures by distance in ideal point UNGA votes. We hypothesize that geopolitical alignment could interfere with the catalytic and inhibitory effects of international institutions, as developed through our *Hypothesis 4.a* and *4.b*. These mechanisms, we argue, are likely influenced by international politics, further shaping the effects of project approvals on domestic financial markets.

6.2. Ideological Distance

As discussed in Section 3.2, we hypothesize that international institutions treat countries differently based on their political alignment in the UNGA. Previous studies suggest, for example, that countries aligning with the United States in UNGA votes face fewer conditions on IMF projects, reflecting geopolitical influence ([Oatley and Yackee, 2004](#); [Dreher and Jensen, 2007](#)). Consequently, countries politically aligned with the US are more likely to experience a stronger catalytic effect from the IMF. However, we have already demonstrated that this effect is not likely to be observed

Table 6: Main results - *dExchange Rate*

	WB		ADB		EIB		AIIB	
UNSC	0.051 (0.120)	0.048 (0.119)	0.072 (0.118)	0.087 (0.120)	0.050 (0.120)	0.046 (0.123)	0.311 (0.197)	0.295 (0.197)
WBnew	-0.058*** (0.020)	-0.059*** (0.020)						
WBnew × UNSC		0.013 (0.090)						
ADBnew			-0.027 (0.040)	-0.017 (0.041)				
ADBnew × UNSC				-0.193 (0.172)				
EIBnew					0.043 (0.035)	0.041 (0.035)		
EIBnew × UNSC						0.020 (0.074)		
AIIBnew							0.110 (0.226)	-0.033 (0.135)
AIIBnew × UNSC								0.905 (0.943)
CPI	-0.055*** (0.019)	-0.055*** (0.019)	-0.092*** (0.024)	-0.092*** (0.024)	-0.055*** (0.019)	-0.055*** (0.019)	-0.150*** (0.033)	-0.150*** (0.033)
Constant	-0.228*** (0.016)	-0.227*** (0.016)	-0.182*** (0.015)	-0.183*** (0.015)	-0.247*** (0.015)	-0.247*** (0.015)	-0.170*** (0.023)	-0.169*** (0.023)
Nbr. observations	49 221	49 221	46 249	46 249	49 221	49 221	10 873	10 873
Nbr. countries	171	171	171	171	171	171	166	166
Nbr. year	30	30	25	25	30	30	6	6
Nbr. month	355	355	296	296	355	355	68	68
R2	0.401	0.401	0.387	0.387	0.401	0.401	0.393	0.393

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *dExchange Rate* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

in the case of the WB, underlining that the mechanisms at stake might be less straightforward. For other permanent UNSC members, we posit that alignment with China may influence the outcomes of ADB and AIIB projects, while we do not risk hypothesizing a sign of this relationship in the case of Russia.

In this section, we incorporate the ideological distance in the UNGA, measured as the distance of the ideal points between a given country and one of the permanent UNSC members ([Bailey et al., 2017](#)). These distance variables are denoted *Dist_Country*, with *Country* representing one of the three permanent members of the UNSC studied (that is China, Russia, and the United States). A higher value of *Dist_Country* signifies greater political divergence from the respective UNSC member.

To investigate how geopolitical alignment moderates the catalytic and inhibitory effects of international institutions, we first introduce our distance variables as triple-interaction terms. Specifically, we include the interaction term *INSTnew* × *UNSC* × *Dist_Country* described above. This allows us to analyze how political alignment with UNSC permanent members influences the effect of project approval on domestic financial outcomes.

Second, we conduct a subsample analysis by dividing the data into two groups: one composed of the 50 percent of countries that are ideologically closest to a permanent UNSC member and another consisting of the 50 percent of countries that are most distant in terms of political alignment. This approach enables us to test whether geopolitical alignment differentially affects the impact of project financing on financial outcomes.

6.2.1. Interaction Terms

In Table 7, we present the results of our estimates incorporating the triple interaction for China, Russia, and the United States. For clarity, we only present the coefficients of the triple interaction terms and the three variables involved in the interactions. The significance of any triple-interaction term is interpreted as evidence of a catalytic or inhibitory effect, contingent on bilateral alignment in international geopolitical issues. For instance, if the triple interaction term for the US and the IMF is negative when studying *dExchange Rate*, we interpret this as indicating that, on average, a non-permanent UNSC member in which an IMF-financed project is approved experiences a greater appreciation of its domestic currency against the US dollar if its votes are not aligned with the US in the UNGA²³.

First, we address *Hypotheses 1.a* and *1.b*, which explores the existence of a direct catalytic or inhibitory effect based on the significance of our project approval dummies. As in Table 4, we confirm the existence of a catalytic effect for IMF-financed project approvals (*Hypothesis 1.a*). This result holds for *dExchange Rate*, even after accounting for the distance measure and the triple interaction term. However, when considering *Stock Prices*, we observe that the catalytic effect of the IMF is confirmed with the inclusion of *Dist_Russia* and *Dist_US* but not with the inclusion of *Dist_China*. In accordance with the results shown in Table 6, we confirm the existence of an inhibitory effect of the approval of WB-financed projects on the exchange rate with the US dollar. Specifically, the approval of a WB projects leads to a depreciation of the domestic currency, consistent with *Hypothesis 1.b*. Additionally, the introduction of our distance measures uncovers an intriguing new result: when *Dist_China* is included, a small catalytic effect of ADB-financed project approval on *Treasury Bills* emerges, leading to a reduction in bond yields for the recipient country.

Second, except for the United States and the AIIB, UNSC non-permanent membership is not significant, in line with *Hypothesis 2*. Notably, non-permanent UNSC membership appears to lead to an appreciation of the domestic currency against the US dollar, when controlling for geopolitical distance with the US. This is particularly interesting because the AIIB estimates are based on a different period (January 2017-August 2023), suggesting that the impact of UNSC membership on *dExchange Rate* may vary depending on the time frame analyzed. It appears plausible that UNSC plays a different role depending on the geopolitical context during the period under consideration.

Third, our distance measures themselves are significant in some estimates. Specifically, an increase in *Dist_China* leads to an appreciation of the domestic currency against the US dollar, similar to a catalytic effect. In contrast, a closer alignment with the US (a lower value of *Dist_US*) results in an appreciation of the domestic currency against the US dollar. In the case of Russia, the significant coefficients for *Dist_Russia* emerge only when using *Stock Prices*, the results showing that a closer alignment with Russia is associated with higher *Stock Prices*.

²³Here, the interpretation is straightforward, as we have an interaction between two binary variables and a continuous one. With three continuous variables, a triple interaction term is more difficult to interpret.

Table 7: Ideological distance interaction terms

Treasury Bills					Stock Prices				dExchange Rate				
	IMF	WB	ADB	EIB	IMF	WB	ADB	EIB	IMF	WB	ADB	EIB	AiB
China													
UNSC	0.209 (0.365)	0.195 (0.349)	-0.131 (0.239)	0.174 (0.361)	-0.177 (0.439)	-0.060 (0.442)	-0.226 (0.485)	-0.172 (0.463)	0.055 (0.119)	0.048 (0.120)	0.085 (0.119)	0.053 (0.123)	0.277 (0.195)
Dist_China	0.177 (0.559)	0.174 (0.561)	0.269 (0.594)	0.181 (0.561)	-1.485 (1.239)	-1.491 (1.234)	-1.811 (1.404)	-1.502 (1.234)	0.759*** (0.188)	0.752*** (0.188)	0.638*** (0.181)	0.757*** (0.188)	-0.594 (0.410)
INSTnew	0.002 (0.197)	-0.060 (0.042)	-0.108* (0.063)	-0.016 (0.048)	1.473 (0.890)	-0.082 (0.212)	0.060 (0.400)	-0.135 (0.149)	0.210** (0.106)	-0.059*** (0.020)	-0.022 (0.041)	0.044 (0.035)	-0.096 (0.142)
INSTnew × UNSC × Dist_China	0.816 (0.787)	0.110 (0.184)	2.285** (0.905)	0.118 (0.077)	-3.420 (2.224)	-0.905** (0.355)	1.227 (1.489)	-0.033 (0.220)	-0.762 (0.586)	0.046 (0.117)	-0.432 (0.401)	-0.002 (0.061)	3.157** (1.453)
Russia													
UNSC	0.213 (0.364)	0.238 (0.365)	-0.145 (0.237)	0.178 (0.361)	-0.161 (0.437)	-0.156 (0.442)	-0.165 (0.488)	-0.129 (0.456)	0.056 (0.119)	0.036 (0.123)	0.082 (0.119)	0.049 (0.124)	0.284 (0.202)
Dist_Russia	0.524 (0.466)	0.526 (0.465)	0.304 (0.521)	0.524 (0.466)	-1.384* (0.693)	-1.398** (0.693)	-2.642*** (0.844)	-1.396*** (0.693)	0.176 (0.203)	0.184 (0.203)	0.239 (0.189)	0.173 (0.203)	-2.004*** (0.552)
INSTnew	-0.010 (0.198)	-0.052 (0.042)	-0.101 (0.064)	-0.021 (0.049)	1.415* (0.783)	-0.129 (0.215)	0.077 (0.415)	-0.120 (0.156)	0.230** (0.106)	-0.063*** (0.020)	-0.019 (0.041)	0.042 (0.036)	-0.085 (0.140)
INSTnew × UNSC × Dist_Russia	1.436* (0.792)	-0.127 (0.112)	0.632 (0.580)	0.228 (0.164)	-2.497 (1.675)	-0.130 (0.295)	-0.018 (1.005)	-0.170 (0.399)	-1.915** (0.842)	0.088 (0.124)	-0.168 (0.162)	0.006 (0.075)	2.123*** (0.278)
United States													
UNSC	0.203 (0.364)	0.227 (0.370)	-0.147 (0.237)	0.170 (0.360)	-0.149 (0.440)	-0.082 (0.451)	-0.142 (0.487)	-0.188 (0.452)	0.057 (0.120)	0.054 (0.120)	0.089 (0.120)	0.048 (0.123)	0.356* (0.202)
Dist_US	0.915 (0.637)	0.915 (0.638)	0.426 (0.573)	0.915 (0.638)	-0.076 (1.285)	-0.067 (1.274)	0.363 (1.650)	-0.069 (1.274)	-0.698*** (0.220)	-0.691*** (0.220)	-0.496** (0.232)	-0.696*** (0.220)	-1.691*** (0.588)
INSTnew	0.007 (0.199)	-0.052 (0.043)	-0.100 (0.064)	-0.020 (0.048)	1.564* (0.837)	-0.099 (0.212)	0.117 (0.415)	-0.148 (0.149)	0.203* (0.108)	-0.058*** (0.020)	-0.017 (0.041)	0.040 (0.035)	0.115 (0.225)
INSTnew × UNSC × Dist_US	0.093 (0.250)	-0.026 (0.025)	0.129 (0.123)	0.068 (0.050)	-1.030 (0.710)	-0.129 (0.110)	-0.034 (0.259)	0.042 (0.166)	-0.130 (0.212)	0.000 (0.029)	-0.056 (0.047)	0.012 (0.030)	-0.105*** (0.038)

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills*, *Stock Prices* and *dExchange Rate* are winsorized (1st and 99th percentiles).

INSTnew represents the dummy taking the value 1 when one of the four institutions is financing a project in a country. Then it respectively represents *IMFnew*, *WBnew*, *ADBnew* and *EIBnew* depending on the estimation. *INSTnew* × *UNSC* × *US* represents the interaction term between *INSTnew*, *UNSC* and *Dist_US*. Similarly, we present the same coefficients in the case of the United Kingdom and France.

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in Equation 1.

We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.

Then we turn to the coefficients displayed for triple-interaction terms in relation to *Hypotheses 4.a* and *4.b*, which address the existence of catalytic or inhibitory effect directly dependent on geopolitical alignment. First, in the case of China, we observe an inhibitory effect on *Treasury Bills* when considering ADB-financed projects (2.285). Specifically, the farther a non-permanent UNSC member is from China's voting in the UNGA, the greater the inhibitory effect of an ADB-financed project on the country's treasury bill yield. At the same time, a similar effect is found when studying *Stock Prices* and considering WB-financed projects: the approval of a WB-financed project increases national *Stock Prices* when a non-permanent UNSC member aligns with China's voting in the UNGA. Second, in the case of Russia, when considering the IMF, we observe a significant positive effect on treasury bill yields (1.415) and a strong negative effect on *dExchange Rate* (-1.915). Third, political alignment with China and Russia is marked by a positive sign of the triple interaction term. The adoption of an AIIB-financed project leads to an appreciation of the domestic currency in non-permanent UNSC members whose votes in the UNGA are more distant to Chinese and Russian positions. This effect is likely due to the increased probability that such funding is approved based on political collusion between China/Russia and the recipient country. It leads the financial markets to doubt the credibility of such financing if the recipient country is geopolitically too close to China and Russia.

Finally, for the United States, the only notable geopolitical catalytic or inhibitory effect is found with AIIB-financed projects. This effect contrasts with the one observed for China and Russia and is significantly smaller: -0.105 for the US, compared to 3.157 for China and 2.123 for Russia. In practical terms, the approval of an AIIB-financed project in a non-permanent UNSC member leads to an appreciation of the country's currency, which the effect amplified if the country's political views are closer to those of the US in the UNGA.

In complement to our findings in Section 6.1, we discover that the catalytic and inhibitory effects of project approvals by international institutions are more pronounced when accounting for countries' geopolitical alignments. To further investigate this, in Section 6.2.2, we provide estimates on subsamples composed of the half of the observations closest to each permanent UNSC member and the half that are the farthest from them.

6.2.2. Ideological Distance Thresholds

In this section, we utilize our distance variables (*Dist_China*, *Dist_Russia*, and *Dist_US*) to divide our sample into two groups. For each distance measure, we estimate our main model on the 50% of countries closest to, and the 50% of countries farthest from, each respective permanent member. We adopt this *ad hoc* threshold for clarity and to maximize the number of observations in each subsample. The results are presented in [Table 8](#) for China, [Table 9](#) for Russia, and [Table 10](#) for the United States. It is important to emphasize that while China and Russia show similar geopolitical catalytic and inhibitory effects regarding international institutional financing, they do not represent a cohesive "bloc" in international institutions ([Chen and Yin, 2020](#)). There are important distinctions between the two countries.

Each table is divided into two parts: the first presents results with *Treasury Bills* and *Stock Prices* as the dependent variables, and the second shows results with *dExchange Rate* as the dependent variable.

China. [Table 8](#) shows that catalytic and inhibitory effects vary significantly depending on the recipient countries' political alignment with China. As stated by *Hypotheses 1.a* and *1.b*, the 50%

of countries least aligned with China experience a significant catalytic effect in *Treasury Bills* when considering ADB-financed projects. In contrast, the effect for countries most aligned with China is insignificant, suggesting that ADB projects approval are only effective in politically distant countries, where they may be considered less influenced by China's geopolitical agenda. Moreover, EIB-financed projects lead to a negative sign in *Stock Prices* for the 50% of countries most aligned with China, while ADB-financed projects benefit countries least aligned with China. This may be due to concerns over political or economic conditionality tied to EIB financing.²⁴

In the second part of [Table 8](#), countries closer to China benefit from the IMF-financed project, reflected by a positive coefficient for *dExchange Rate*. In contrast, countries farther from China experience inhibitory effects from WB-financed projects and an opposite catalytic effect in the case of AIIB-financed projects. This divergence suggests that WB funding may be perceived as politically charged or less credible in countries distant from China, while AIIB funding is perceived more positively. Interestingly, this result for the WB is in opposition to the results presented in [Table 6](#) on the overall sample.

In summary, with regard to direct effects (*Hypotheses 1.a* and *1.b*), countries closer to China in the UNGA gain from IMF projects (positive sign in *dExchange Rate*), but are negatively impacted by EIB projects (negative sign in *Stock Prices*). In contrast, countries farther from China in the UNGA are positively affected by the IMF (positive sign in *Stock Prices*), ADB (negative sign in *Treasury Bills* and positive sign in *Stock Prices*), and AIIB projects (positive sign in *dExchange Rate*). However, these countries are negatively affected by WB projects (negative sign in *dExchange Rate*), highlighting how geopolitical alignment shapes the effectiveness of different international financing.

When considering *Hypothesis 2*, AIIB results show that UNSC membership significantly increases *dExchange Rate*, implying that temporary UNSC membership enhances investor confidence. The non-validation of *Hypothesis 2* in this case may reflect the different geopolitical environment in the period January 2017-August 2023, especially given the role of AIIB in the post-pandemic recovery in a significant number of countries ([Zaccaria, 2023](#)).

According to *Hypotheses 4.a* and *4.b* – geopolitical catalytic or inhibitory effects – countries aligned with China benefit from EIB projects if they are non-permanent UNSC members, as the positive sign in *Stock Prices* effect outweighs the inhibitory impact of *EIBnew*, suggesting that UNSC membership mitigates negative market reactions. However, AIIB financing leads to domestic currency depreciation against the US dollar, reflecting potential market concerns over political motivations, probably as these findings are part of the Belt and Road Initiative ([Rahman, 2022](#)). By contrast, countries farther from China's ideal point experience a greater appreciation of their currency in the same situation (1.614 versus -0.804), indicating that AIIB financing is perceived as more credible or politically neutral in these countries.

A particularly surprising result, due to its magnitude, is observed among countries ideologically opposed to China that are also non-permanent UNSC members. When these countries receive additional funding from the IMF, they experience a substantial negative sign in *Stock Prices*, with an average value of -9.708. This indicates that IMF-financed projects can be perceived as politically risky or economically destabilizing in these contexts, leading to strong negative market reactions. A similar effect, though smaller, is observed for Russia (-5.687, see [Table 9](#)).

²⁴Given that the interaction term *ADB X UNSC* could not be estimated, we remain cautious in interpreting this result.

Finally, for countries located far from China’s ideal point, $ADB_{new} \times UNSC$ is characterized by a positive and significant coefficient when considering *dExchange Rate*. However, in countries aligned with the US, ADB financing negatively impacts *dExchange Rate* (-0.320, see Table 10), further highlighting how geopolitical alignment influences institution funding impact.

Russia. We present our estimates for Russia in Table 9. In terms of direct catalytic or inhibitory effects (*Hypotheses 1.a* and *1.b*), Russia’s results largely mirror China’s. Specifically, countries far from Russia in the UNGA experience catalytic effects of IMF projects (positive sign in *Stock Prices*), ADB projects (negative sign in *Treasury Bills*) and AIIB projects (positive sign in *dExchange Rate*). In contrast, WB financing leads to an inhibitory effect (negative sign in *dExchange Rate*) in these countries. However, unlike China, 50% of countries closer to Russia in the UNGA show no direct catalytic or inhibitory effects, highlighting a notable absence of direct influence.

This proximity between China and Russia in terms of catalytic and inhibitory effects is not surprising. As mentioned earlier, these patterns were anticipated, given that both countries often share common geopolitical preferences even though they do not represent a unified ‘bloc’ (Chen and Yin, 2020). The absence of direct effects for countries closer to Russia suggests that Russia’s geopolitical leverage may not translate into financial market reactions as strongly as China’s, potentially due to differences in economic influence or strategic global engagement.

Moreover, unlike China, *hypothesis 2* is fully validated for Russia. The variable *UNSC* remains insignificant, suggesting that temporary UNSC membership does not affect financial outcomes when distance to Russia is considered.

Geopolitical catalytic and inhibitory effects are also evident in Russia. In line with *Hypotheses 4.a* and *4.b*, we observe a geopolitical inhibitory effect for countries more distant from Russia in the case of IMF projects. The interaction term $IMF_{new} \times UNSC$ is positively signed for *Treasury Bills* and negatively signed for *Stock Prices* and *dExchange Rate*, indicating coherence in financial market responses to IMF projects approvals.

Interestingly, the WB results for Russia are puzzling. We observe a geopolitical catalytic effect for countries closer to Russia in terms of *Treasury Bills*, while the opposite effect appears for *Stock Prices*. For countries far from Russia, there is a geopolitical catalytic effect on *dExchange Rate* for WB projects. This suggests that geopolitical alignment influences the credibility of WB financing differently, depending on proximity to Russia, with stock markets potentially reacting negatively to WB projects due to perceived geopolitical risks or strategic considerations.

Finally, similar to China, countries geopolitically distant from Russia experience a strong geopolitical catalytic effect when AIIB-financed projects are approved. This suggests that AIIB’s perception as a neutral or strategically valuable institution extends to regions distant from both China and Russia. The concentration of these effects around IMF and WB projects – both institutions based in the US – reflects the broader geopolitical tensions between Russia and the US. These findings may be explained by the offensive-realist relationship between the two nations, which fuels conflict and distrust in their financial strategies (Sushentsov and Wohlforth, 2020).

Table 8: Ideological distance thresholds - China

Treasury Bills										Stock Prices									
Dist_Chi < 50%					Dist_Chi > 50%					Dist_Chi < 50%					Dist_Chi > 50%				
	IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB
UNSC	-0.169 (0.389)	-0.137 (0.415)	-0.178 (0.377)	-0.171 (0.387)		0.740 (0.526)	0.722 (0.516)	0.055 (0.210)	0.687 (0.530)		0.479 (0.513)	0.673 (0.526)	0.455 (0.557)	0.300 (0.518)		-0.638 (0.642)	-0.581 (0.628)	-0.484 (0.740)	-0.487 (0.657)
IMFnew	-0.043 (0.242)					0.052 (0.298)					0.886 (0.939)				2.839** (1.079)				
IMFnew × UNSC	-0.109 (0.397)					0.221 (1.003)					-1.852 (2.241)				-9.708* (4.794)				
WBnew		-0.030 (0.042)					-0.080 (0.090)					-0.173 (0.221)					0.257 (0.576)		
WBnew × UNSC		-0.089 (0.101)					0.101 (0.134)					-0.591 (0.369)					-1.634 (0.996)		
ADBnew			-0.025 (0.079)					-0.232*** (0.087)					0.177 (0.399)					2.488*** (0.424)	
ADBnew × UNSC			-0.288 (0.178)					1.065 (0.807)					-0.206 (0.756)					0.000 (.)	
EIBnew				-0.107 (0.140)					0.024 (0.059)					-0.908*** (0.322)					0.045 (0.153)
EIBnew × UNSC				0.056 (0.223)					0.133 (0.180)					1.555** (0.630)					-0.336 (0.402)
CPI	-0.012 (0.033)	-0.012 (0.033)	0.009 (0.031)	-0.012 (0.033)		0.113*** (0.041)	0.112*** (0.041)	0.040* (0.021)	0.113*** (0.041)		0.373*** (0.126)	0.373*** (0.126)	0.393 (0.248)	0.374*** (0.126)		-0.027 (0.077)	-0.027 (0.077)	0.097 (0.109)	-0.025 (0.078)
Constant	7.923*** (0.029)	7.935*** (0.033)	7.706*** (0.030)	7.926*** (0.030)		8.297*** (0.043)	8.311*** (0.046)	6.729*** (0.018)	8.295*** (0.042)		0.497*** (0.088)	0.567*** (0.131)	0.424*** (0.122)	0.562*** (0.090)		0.727*** (0.069)	0.723*** (0.073)	0.455*** (0.077)	0.718*** (0.105)
Nbr. observations	10987	10987	9607	10987		10970	10970	9606	10970		8332	8332	7234	8332		8333	8333	7233	8333
Nbr. countries	63	63	62	63		82	82	84	82		50	50	44	50		37	37	34	37
Nbr. year	30	30	25	30		30	30	25	30		27	27	22	27		27	27	22	27
Nbr. month	355	355	296	355		355	355	296	355		323	323	264	323		323	323	264	323
R2	0.958	0.958	0.957	0.958		0.965	0.965	0.961	0.965		0.359	0.359	0.347	0.360		0.527	0.527	0.534	0.526

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *Treasury Bills* and *Stock Prices* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects.

Table 8: Ideological distance thresholds - China (continued)

dExchange Rate	Dist_Chi < 50%					Dist_Chi > 50%				
	IMF	WB	ADB	EIB	AIIB	IMF	WB	ADB	EIB	AIIB
UNSC	0.006 (0.187)	-0.011 (0.190)	0.064 (0.198)	-0.006 (0.186)	0.029 (0.196)	0.095 (0.175)	0.095 (0.176)	0.135 (0.170)	0.105 (0.188)	0.465* (0.272)
IMFnew	0.292** (0.142)					0.067 (0.163)				
IMFnew × UNSC	-0.282 (0.490)					-0.259 (0.883)				
WBnew		-0.002 (0.027)					-0.105*** (0.038)			
WBnew × UNSC		0.034 (0.102)					0.001 (0.183)			
ADBnew			-0.049 (0.051)					0.052 (0.092)		
ADBnew × UNSC			-0.322 (0.201)					0.339** (0.141)		
EIBnew				0.013 (0.079)					0.035 (0.035)	
EIBnew × UNSC				0.121 (0.160)					-0.033 (0.085)	
AIIBnew					-0.032 (0.139)					0.366** (0.185)
AIIBnew × UNSC					-0.804*** (0.140)					1.614*** (0.299)
CPI	-0.069** (0.028)	-0.069** (0.028)	-0.062** (0.029)	-0.069** (0.028)	-0.160*** (0.052)	-0.050*** (0.019)	-0.050*** (0.019)	-0.114*** (0.039)	-0.050*** (0.019)	-0.138*** (0.043)
Constant	-0.257*** (0.020)	-0.254*** (0.022)	-0.244*** (0.020)	-0.255*** (0.019)	-0.181*** (0.027)	-0.228*** (0.019)	-0.210*** (0.021)	-0.127*** (0.024)	-0.233*** (0.021)	-0.159*** (0.035)
Nbr. observations	24 579	24 579	23 089	24 579	5 427	24 552	24 552	23 065	24 552	5 421
Nbr. countries	137	137	136	137	108	123	123	122	123	103
Nbr. year	30	30	25	30	6	30	30	25	30	6
Nbr. month	355	355	296	355	68	355	355	296	355	68
R2	0.356	0.356	0.344	0.356	0.340	0.490	0.490	0.479	0.490	0.481

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *dExchange_Rate* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in Equation 1.

Table 9: Ideological distance thresholds - Russia

Treasury Bills					Stock Prices														
Dist_Rus < 50%					Dist_Rus > 50%					Dist_Rus < 50%					Dist_Rus > 50%				
	IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB
UNSC	0.205 (0.294)	0.265 (0.317)	0.167 (0.297)	0.214 (0.296)		0.537 (0.682)	0.525 (0.650)	-0.300 (0.221)	0.455 (0.663)		0.443 (0.559)	0.644 (0.573)	0.760 (0.610)	0.377 (0.544)		-1.241* (0.722)	-1.316* (0.727)	-1.607* (0.810)	-1.286 (0.774)
IMFnew	0.077 (0.255)					0.027 (0.253)					1.215 (0.732)					2.662* (1.591)			
IMFnew × UNSC	-0.822 (0.790)					1.929** (0.867)					-1.320 (3.345)					-5.687** (2.314)			
WBnew		0.021 (0.038)					-0.128 (0.083)					-0.227 (0.298)					0.120 (0.284)		
WBnew × UNSC		-0.173* (0.090)					0.049 (0.258)					-0.885* (0.491)					0.238 (0.520)		
ADBnew			-0.016 (0.076)					-0.148* (0.088)					0.181 (0.400)					-0.101 (0.815)	
ADBnew × UNSC			0.332 (0.443)					0.478 (0.726)					-1.037 (0.649)					0.836 (1.606)	
EIBnew				0.071 (0.112)					-0.016 (0.061)					-0.045 (0.199)					-0.170 (0.205)
EIBnew × UNSC				-0.079 (0.188)					0.260 (0.235)					0.297 (0.535)					0.005 (0.473)
CPI	0.007 (0.031)	0.007 (0.031)	0.010 (0.028)	0.007 (0.031)		0.092** (0.040)	0.093** (0.040)	0.028 (0.028)	0.093** (0.040)		0.046 (0.084)	0.046 (0.084)	0.090 (0.096)	0.047 (0.084)		0.366*** (0.099)	0.368*** (0.099)	0.410** (0.188)	0.368*** (0.099)
Constant	7.997*** (0.030)	7.990*** (0.034)	7.497*** (0.028)	7.993*** (0.032)		8.226*** (0.038)	8.253*** (0.041)	6.943*** (0.020)	8.230*** (0.040)		0.877*** (0.083)	0.942*** (0.121)	0.653*** (0.097)	0.892*** (0.091)		0.396*** (0.076)	0.388*** (0.093)	0.321*** (0.082)	0.453*** (0.094)
N	10992	10992	9609	10992		10972	10972	9615	10972		8316	8316	7220	8316		8324	8324	7221	8324
Nbr. countries	79	79	77	79		82	82	83	82		56	56	55	56		57	57	55	57
Nbr. year	30	30	25	30		30	30	25	30		27	27	22	27		27	27	22	27
Nbr. month	355	355	296	355		355	355	296	355		323	323	264	323		323	323	264	323
R2	0.960	0.960	0.953	0.960		0.964	0.964	0.965	0.964		0.401	0.402	0.399	0.401		0.442	0.441	0.442	0.441

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *Treasury Bills* and *Stock Prices* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects.

Table 9: Ideological distance thresholds - Russia (continued)

dExchange Rate	Dist_Rus < 50%					Dist_Rus > 50%				
	IMF	WB	ADB	EIB	AIIB	IMF	WB	ADB	EIB	AIIB
UNSC	-0.024 (0.192)	0.010 (0.181)	0.019 (0.203)	-0.042 (0.192)	0.451 (0.377)	0.150 (0.125)	0.099 (0.135)	0.078 (0.129)	0.158 (0.137)	0.202 (0.229)
IMFnew	0.141 (0.131)					0.252 (0.182)				
IMFnew × UNSC	0.492 (0.468)					-2.564** (1.089)				
WBnew		-0.031 (0.029)					-0.118*** (0.032)			
WBnew × UNSC		-0.093 (0.118)					0.240* (0.141)			
ADBnew			0.005 (0.055)					-0.041 (0.061)		
ADBnew × UNSC			-0.334 (0.324)					0.102 (0.120)		
EIBnew				0.033 (0.069)					0.026 (0.038)	
EIBnew × UNSC				0.140 (0.152)					-0.036 (0.090)	
AIIBnew					-0.197 (0.143)					0.346* (0.181)
AIIBnew × UNSC					-0.233 (0.150)					2.080*** (0.195)
CPI	-0.075*** (0.023)	-0.075*** (0.023)	-0.168*** (0.032)	-0.075*** (0.023)	-0.178*** (0.057)	-0.040** (0.017)	-0.040** (0.017)	-0.054*** (0.019)	-0.040** (0.017)	-0.109*** (0.035)
Constant	-0.256*** (0.019)	-0.243*** (0.022)	-0.189*** (0.021)	-0.255*** (0.019)	-0.228*** (0.040)	-0.234*** (0.015)	-0.208*** (0.015)	-0.153*** (0.014)	-0.236*** (0.016)	-0.128*** (0.027)
Nbr. observations	24 565	24 565	23 085	24 565	5 423	24 565	24 565	23 082	24 565	5 429
Nbr. countries	153	153	153	153	109	160	160	160	160	116
Nbr. year	30	30	25	30	6	30	30	25	30	6
Nbr. month	355	355	296	355	68	355	355	296	355	68
R2	0.371	0.371	0.360	0.371	0.349	0.482	0.482	0.470	0.481	0.472

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *dExchange_Rate* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

United States. Looking at the results in [Table 10](#), we find further evidence that geopolitical proximity induced differences in direct catalytic and inhibitory effects. In line with *Hypotheses 1.a* and *1.b*, we observe that countries closer to the US benefit from the approval of a project financed by the IMF (positive sign in *Stock Prices*) and the ADB (positive sign in *Stock Prices*)²⁵.

Countries geopolitically more distant from the USA in the UNGA experience positive effects from ADB project approvals (negative coefficient for *Treasury Bills*) but negative effects from projects financed by the EIB (negative sign in *Stock Prices*) and the WB (negative sign in *dExchange Rate*). This suggests that proximity to the US influences how markets perceive funding from these institutions, particularly regarding the credibility and geopolitical alignment of WB and EIB financing.

Regarding *Hypothesis 2*, like with China, our estimations for AIIB invalidate the neutrality of UNSC non-permanent membership. Interestingly, this occurs for countries close to the US, whereas for China, it was observed for countries far from China. This result may be explained by the fact that countries voting in line with the US tend to vote against Chinese positions in the UNGA, reflecting the strong negative correlation between *Dist_China* and *Dist_US* (see [Table A.7](#) in the Appendix).²⁶ These links between the US and China in terms of catalytic and inhibitory effects and UNSC membership highlight the broader geopolitical dynamics at play. In both cases, proximity to major powers like the US or China influences market perceptions, though the underlying political motivations and responses differ between these superpowers.

Finally, when considering geopolitical catalytic and inhibitory effects in line with *hypothesis 4.a* and *4.b*, we observe that countries closer to the US position experience a decrease in *Stock Prices* when receiving funding from the IMF or the WB. This negative market reaction may be due to the high probability of political collusion when non-permanent UNSC members receive funding from US-led institutions while voting in accordance with the US.

For countries more distant from the US, we find a significant increase in both *Treasury Bills* and *Stock Prices* when a new EIB program is approved. This is puzzling, as it represents both a geopolitical inhibitory and a catalytic effect. One potential explanation is market uncertainty driven by contradictory geopolitical pressures, while EIB financing may bring economic benefits, it could also signal political alignment with growing European interests ([Gunes and Ozkaleli, 2023](#)), complicating investor responses. In particular, the geopolitical catalytic effect observable in the case of EIB offsets the direct inhibitory effect observed for *EIBnew*. Additionally, these countries experience a depreciation of their domestic currency against the US dollar when receiving ADB financing, and a strong appreciation when receiving an AIIB financing.

7. Additional Results: France and the United Kingdom

Despite a strong correlation between *Dist_US*, *Dist_France* and *Dist_UK* (see [Table A.7](#) in the Appendix), the geopolitical dynamics between the US on the one hand and France and the United Kingdom on the other differ in substantial ways. Although these countries may share some geopolitical alignment, particularly within international institutions such as the UNGA, their distinct historical and political contexts shape their relationships with the broader global community.

²⁵As with China, we lack an estimated coefficient for $ADB \times UNSC$ when using *Stock Prices* as the dependent variable. Therefore, we must be cautious in interpreting this result.

²⁶For an example of this negative correlation, refer to our case study on Greece presented in [Figure 4](#).

Table 10: Ideological distance thresholds - United States

Treasury Bills					Stock Prices														
Dist_US < 50%					Dist_US > 50%					Dist_US < 50%					Dist_US > 50%				
	IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB		IMF	WB	ADB	EIB
UNSC	0.194 (0.187)	0.224 (0.197)	0.190 (0.189)	0.229 (0.199)		0.420 (0.595)	0.452 (0.598)	-0.300 (0.368)	0.363 (0.570)		-0.328 (0.651)	-0.275 (0.637)	-0.218 (0.754)	-0.095 (0.685)		0.356 (0.510)	0.515 (0.527)	0.491 (0.499)	0.200 (0.509)
IMFnew	-0.030 (0.303)					-0.060 (0.194)					2.359* (1.275)					1.075 (0.973)			
IMFnew × UNSC	-0.693 (0.851)					1.413 (0.989)					-2.835* (1.409)					-2.921 (2.139)			
WBnew		-0.068 (0.043)					-0.061 (0.062)					0.418 (0.483)					-0.131 (0.220)		
WBnew × UNSC		-0.165 (0.149)					-0.074 (0.135)					-1.506* (0.829)					-0.525 (0.386)		
ADBnew			-0.015 (0.075)					-0.178* (0.097)					1.773*** (0.307)					0.186 (0.413)	
ADBnew × UNSC			0.025 (0.167)					0.482 (0.424)					0.000 (.)					-0.214 (0.763)	
EIBnew				0.034 (0.054)					-0.103 (0.111)					0.036 (0.152)					-0.946*** (0.349)
EIBnew × UNSC				-0.101 (0.140)					0.707* (0.404)					-0.427 (0.354)					1.832*** (0.689)
CPI	0.004 (0.029)	0.004 (0.029)	-0.026 (0.039)	0.005 (0.029)		0.056* (0.032)	0.056* (0.032)	0.036 (0.026)	0.056* (0.032)		-0.143 (0.130)	-0.132 (0.128)	-0.109 (0.108)	-0.128 (0.129)		0.280*** (0.097)	0.280*** (0.097)	0.270 (0.187)	0.279*** (0.097)
Constant	7.050*** (0.019)	7.062*** (0.022)	6.236*** (0.022)	7.042*** (0.023)		9.192*** (0.037)	9.213*** (0.044)	8.220*** (0.027)	9.195*** (0.036)		0.631*** (0.071)	0.620*** (0.073)	0.442*** (0.075)	0.619*** (0.104)		0.627*** (0.085)	0.684*** (0.127)	0.501*** (0.097)	0.683*** (0.088)
Nbr. observations	10992	10992	9610	10992		10981	10981	9616	10981		8336	8336	7233	8336		8337	8337	7235	8337
Nbr. countries	71	71	71	71		63	63	63	63		32	32	31	32		40	40	39	40
Nbr. year	30	30	25	30		30	30	25	30		27	27	22	27		27	27	22	27
Nbr. month	355	355	296	355		355	355	296	355		323	323	264	323		323	323	264	323
R2	0.969	0.969	0.963	0.969		0.953	0.953	0.952	0.953		0.542	0.542	0.548	0.542		0.360	0.360	0.347	0.361

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills* and *Stock Prices* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects and country-year fixed effects as described in Equation 1.

Table 10: Ideological distance thresholds - United States (continued)

dExchange Rate	Dist_US < 50%					Dist_US > 50%				
	IMF	WB	ADB	EIB	AIIB	IMF	WB	ADB	EIB	AIIB
UNSC	0.015 (0.183)	0.036 (0.176)	0.035 (0.185)	0.003 (0.199)	0.516* (0.286)	0.113 (0.119)	0.066 (0.130)	0.132 (0.123)	0.102 (0.118)	-0.058 (0.196)
IMFnew	0.184 (0.153)					0.220 (0.171)				
IMFnew × UNSC	0.287 (0.638)					-0.918 (0.895)				
WBnew		-0.044 (0.034)					-0.045* (0.026)			
WBnew × UNSC		-0.130 (0.132)					0.110 (0.099)			
ADBnew			-0.011 (0.087)					-0.017 (0.056)		
ADBnew × UNSC			0.322 (0.695)					-0.320* (0.188)		
EIBnew				0.042 (0.037)					0.011 (0.078)	
EIBnew × UNSC				0.023 (0.090)					0.078 (0.186)	
AIIBnew					-0.455* (0.258)					0.147 (0.146)
AIIBnew × UNSC					-0.046 (0.252)					2.512*** (0.176)
CPI	-0.081*** (0.025)	-0.081*** (0.025)	-0.211*** (0.035)	-0.081*** (0.025)	-0.203*** (0.064)	-0.058*** (0.021)	-0.058*** (0.021)	-0.056*** (0.020)	-0.058*** (0.021)	-0.134*** (0.039)
Constant	-0.174*** (0.017)	-0.164*** (0.019)	-0.089*** (0.019)	-0.178*** (0.019)	-0.119*** (0.035)	-0.300*** (0.017)	-0.282*** (0.019)	-0.249*** (0.015)	-0.298*** (0.017)	-0.204*** (0.029)
Nbr. observations	24 567	24 567	23 089	24 567	5 432	24 588	24 588	23 104	24 588	5 433
Nbr. countries	138	138	138	138	109	120	120	119	120	102
Nbr. year	30	30	25	30	6	30	30	25	30	6
Nbr. month	355	355	296	355	68	355	355	296	355	68
R2	0.490	0.490	0.488	0.490	0.457	0.362	0.362	0.335	0.362	0.387

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *dExchange_Rate* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

Specifically, the colonial past of France and the United Kingdom has fostered unique geopolitical ties with their former colonies, which influences their participation in international diplomacy and economic relations (Barro and Tenreyro, 2006; Lee and Shin, 2010). Moreover, the growing role of the European Union as a significant geopolitical actor recently (Gunes and Ozkaleli, 2023), alongside political events such as Brexit in 2020, has likely reshaped both France and the UK's positions within the global geopolitical landscape. These factors suggest that, despite some overlapping interests with the US, France, and the UK navigate international finance and geopolitics with distinct priorities that reflect their historical legacies and current political dynamics.

Like in Section 6, we present our results on France and the UK in two subsections. The first subsection presents our estimates with the triple interaction term as in Table 7. The second subsection displays our estimates on subsamples composed of the 50% countries closer (farther) to France and the UK's ideal position in the UNGA like in Table 8, Table 9 and Table 10.

7.1. Interaction Terms

In Table 11, we present our estimations with the triple interaction terms for France and the UK. As noted earlier, the results resemble those for the US in Table 7, but with two important exceptions.

First, unlike the US, both *Dist_France* and *Dist_UK* are significant and positive when considering *Treasury Bills* as the dependent variable. This means that countries closer to France or the UK in the UNGA experience lower bond yields, which positively affects their domestic economies. This suggests that geopolitical proximity to France and the UK may enhance market confidence, particularly in the bond markets, potentially due to France and the UK's historical relationships with their past colonies and their continued influence in global finance. This contrasts with the US, where proximity to the UNGA does not exhibit the same effect on bond yields.

Second, unlike the US, France, and the UK do not exhibit a significant and negative coefficient for $INST_{new} \times UNSC \times Distance$. This absence reinforces the idea that proximity to the US or China plays a more decisive role in shaping the catalytic and inhibitory effects of the AIIB. The US and China, as dominant global powers, may exert more explicit political and economic pressures on recipient countries, particularly when considering a Chinese-led institution directly used by the Chinese government as part of its geopolitical strategy.

7.2. Ideological Distance Thresholds

Table 12 and Table 13 present estimates that split our sample using our distance variables for France and the UK. As stated above, the results align with those in Table 12, which studies the US. This is an expected outcome, as the average correlation between distance variables for these three countries is above 0.95 (see Table A.7 in the Appendix).

Unfortunately, we encounter the same issue in these estimates as in Table 8 and Table 10, where the coefficient for $ADB_{new} \times UNSC$ is not estimated. Again, we must be cautious in our interpretation of these estimates.

Regarding *Hypotheses 1.a* and *1.b*, direct catalytic and inhibitory effects are comparable to the one of the US presented in Table 10. The only two differences are that when studying *Treasury Bills* for the countries far from France and the UK, we do not find the catalytic effect observed for the US. However, since this catalytic effect was only significant at 10% level and considering the previously mentioned rivalry between the US and China, this is not a puzzling result. However, this lack of catalytic effect for France and the UK raises questions about why proximity to these countries does not yield the same bond market confidence as proximity to the US. The second

Table 11: Ideological distance interaction terms - France and United Kingdom

Treasury Bills				Stock Prices				dExchange Rate					
	IMF	WB	ADB	EIB	IMF	WB	ADB	EIB	IMF	WB	ADB	EIB	AIB
United Kingdom													
UNSC	0.202 (0.364)	0.227 (0.370)	-0.150 (0.238)	0.169 (0.358)	-0.149 (0.440)	-0.097 (0.452)	-0.143 (0.488)	-0.212 (0.450)	0.057 (0.120)	0.053 (0.120)	0.088 (0.120)	0.052 (0.122)	0.294 (0.200)
Dist_UK	1.210* (0.609)	1.209* (0.610)	0.712 (0.552)	1.209* (0.610)	-0.089 (1.181)	-0.079 (1.170)	0.146 (1.488)	-0.088 (1.170)	-0.708*** (0.217)	-0.701*** (0.217)	-0.516** (0.231)	-0.705*** (0.217)	-1.765*** (0.579)
INSTnew	0.003 (0.198)	-0.052 (0.043)	-0.100 (0.064)	-0.021 (0.048)	1.528* (0.820)	-0.106 (0.212)	0.114 (0.415)	-0.161 (0.146)	0.206* (0.107)	-0.058*** (0.020)	-0.017 (0.041)	0.042 (0.035)	-0.063 (0.134)
INSTnew × UNSC × Dist_UK	0.182 (0.391)	-0.038 (0.036)	0.188 (0.185)	0.119 (0.077)	-1.347 (0.984)	-0.159 (0.159)	-0.042 (0.372)	0.168 (0.247)	-0.246 (0.337)	0.003 (0.044)	-0.076 (0.068)	0.002 (0.047)	0.513 (0.359)
France													
UNSC	0.201 (0.364)	0.227 (0.371)	-0.149 (0.237)	0.171 (0.358)	-0.147 (0.440)	-0.102 (0.453)	-0.145 (0.488)	-0.203 (0.447)	0.057 (0.120)	0.053 (0.120)	0.088 (0.120)	0.052 (0.122)	0.292 (0.200)
Dist_France	1.224* (0.628)	1.224* (0.630)	0.580 (0.550)	1.223* (0.629)	-0.397 (1.192)	-0.377 (1.184)	-0.066 (1.506)	-0.395 (1.181)	-0.739*** (0.217)	-0.732*** (0.217)	-0.549** (0.228)	-0.737*** (0.217)	-1.738*** (0.589)
INSTnew	0.002 (0.198)	-0.051 (0.043)	-0.100 (0.064)	-0.020 (0.048)	1.533* (0.819)	-0.110 (0.212)	0.109 (0.416)	-0.159 (0.146)	0.207* (0.107)	-0.058*** (0.020)	-0.017 (0.041)	0.042 (0.035)	-0.068 (0.135)
INSTnew × UNSC × Dist_France	0.197 (0.429)	-0.045 (0.038)	0.207 (0.203)	0.131 (0.085)	-1.523 (1.068)	-0.157 (0.175)	-0.031 (0.397)	0.185 (0.283)	-0.273 (0.376)	0.002 (0.048)	-0.081 (0.072)	0.005 (0.053)	0.588 (0.374)

Significance levels are: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills*, *Stock Prices dExchange Rate* are winsorized (1st and 99th percentiles).

INSTnew represents the dummy taking the value 1 when one of the four institutions is financing a project in a country. Then it respectively represents *IMFnew*, *WBnew*, *ADBnew* and *EIBnew* depending on the estimation. *INSTnew* × *UNSC* × *US* represents the interaction term between *INSTnew*, *UNSC* and *Dist_US*. Similarly, we present the same coefficients in the case of the United Kingdom and France.

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in Equation 1.

We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.

difference is that the inhibitory effect found when considering *dExchange Rate* and the WB is not found for France and the UK, in contrast to the US. This difference suggests that the political dynamics surrounding WB financing may differ significantly based on the historical context and current geopolitical relationships, potentially leading to a lesser perception of political collusion risk. Moreover, it is highly probable that the risk of collusion is considered as more important by financial markets when WB project approval is directly in relation with *Dist_US* as the WB headquarters are located in the US.

Regarding *Hypothesis 2*, we encounter the same issue as in [Table 10](#), where countries near the US were characterized by a significant coefficient for the variable *UNSC* when studying the AIIB. The explanation previously found for the US applies to both France and the UK without major concerns. This finding emphasizes that the geopolitical factors influencing AIIB financing may be more nuanced for France and the UK due to their historical ties.

Finally, concerning *Hypotheses 4.a* and *4.b*, countries in the 50% closest to France, the UK, and the US experience a negative effect of *IMFnew* and *WBnew* on *Stock Prices* when they are non-permanent UNSC members. However, two main differences arise when considering France and the UK.

First, the coefficient of $IMFnew \times UNSC$, which is higher for the UK (-3.515) compared to France (-3.092) and the US (-2.835). For the 50% farthest from France, the UK, and the US, the results are comparable, and we observe a positive effect of $EIBnew \times UNSC$ on both *Treasury Bills* (around 0.7) and *Stock Prices* (around 1.8). Additionally, for France, the UK, and the US, new financing from the AIIB appreciates the domestic currency by around 2.5 percentage points in non-permanent UNSC members that oppose them in the UNGA. This finding is significant, as it contrasts with the mixed results for the other institutions and highlights a complex interaction where the AIIB appears to bolster currency values despite potential geopolitical tensions.

Second, when studying *dExchange Rate* for ADB-financed projects, in the case of the US, we observe that the 50% farthest countries face a negative impact of additional ADB financing when they are UNSC members (see [Table 10](#)). For France and the UK, this negative coefficient is significant at the 5% level for the UK and at the 1 percent level for France for the nearest 50%. A potential explanation for this difference lies in the fact that both France and the UK have past colonies in Asia, the primary sphere of influence of the ADB, suggesting that their historical relationships may shape current financial interactions²⁷.

8. Conclusion

In conclusion, our research investigates the existence of catalytic effects of additional financing granted by five international institutions for a monthly panel data set of more than 100 countries observed over the past 30 years. The catalytic and inhibitory effects of these projects transit through the reactions of financial markets. Financial variables, such as the exchange rate and the stock prices, improve if actors in the financial markets are sufficiently convinced that these projects will modernize economies and enhance productivity. This underscores the critical role of market perceptions in determining the success of projects approved by international institutions. In this

²⁷On this point, refer to [Barro and Teneyro \(2006\)](#) or [Lee and Shin \(2010\)](#) among others. Again, as mentioned earlier, these results must be interpreted with caution due to the impossibility to estimate $ADBnew \times UNSC$ in some specifications.

Table 12: Ideological distance thresholds - United Kingdom

Treasury Bills											
	Dist_UK < 50%						Dist_UK > 50%				
	IMF	WB	ADB	EIB	IMF	WB	IMF	WB	ADB	EIB	IMF
UNSC	0.270 (0.228)	0.291 (0.235)	0.247 (0.231)	0.303 (0.238)	0.312 (0.624)	0.349 (0.621)	-0.425 (0.371)	0.245 (0.599)	-0.317 (0.646)	-0.331 (0.733)	-0.099 (0.674)
IMFnew	-0.023 (0.309)				0.045 (0.201)						
IMFnew × UNSC	-0.671 (0.826)				1.347 (0.996)						
WBnew		-0.033 (0.034)				-0.074 (0.072)					
WBnew × UNSC		-0.089 (0.115)				-0.100 (0.139)					
ADBnew			-0.126 (0.098)				-0.138 (0.086)				
ADBnew × UNSC			0.006 (0.138)				0.552 (0.525)				
EIBnew				0.027 (0.052)			-0.122 (0.115)				
EIBnew × UNSC				-0.099 (0.139)			0.734** (0.357)				
CPI	0.015 (0.029)	0.015 (0.028)	-0.000 (0.028)	0.015 (0.028)	0.066** (0.033)	0.066** (0.032)	0.010 (0.022)	0.066** (0.032)	-0.133 (0.135)	-0.122 (0.132)	-0.117 (0.131)
Constant	6.910*** (0.020)	6.916*** (0.021)	6.213*** (0.020)	6.904*** (0.025)	9.316*** (0.039)	9.342*** (0.049)	8.237*** (0.026)	9.322*** (0.039)	0.619*** (0.072)	0.621*** (0.076)	0.604*** (0.107)
Nbr. observations	10974	10974	9597	10974	10996	10996	9618	10996	8336	8336	8336
Nbr. countries	71	71	71	71	63	63	63	63	32	31	32
Nbr. year	30	30	25	30	30	30	25	30	27	22	27
Nbr. month	355	355	296	355	355	355	296	355	323	264	323
R2	0.966	0.966	0.961	0.966	0.957	0.957	0.955	0.957	0.540	0.539	0.539

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills* and *Stock Prices* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

Table 12: Ideological distance thresholds - United Kingdom (continued)

dExchange Rate	Dist_UK < 50%					Dist_UK > 50%				
	IMF	WB	ADB	EIB	AIIB	IMF	WB	ADB	EIB	AIIB
UNSC	0.089 (0.178)	0.105 (0.172)	0.136 (0.182)	0.082 (0.194)	0.522* (0.281)	0.066 (0.119)	0.025 (0.129)	0.050 (0.122)	0.054 (0.120)	-0.041 (0.185)
IMFnew	0.070 (0.146)					0.283* (0.163)				
IMFnew × UNSC	0.424 (0.558)					-1.550 (1.030)				
WBnew		-0.042 (0.034)					-0.046* (0.025)			
WBnew × UNSC		-0.094 (0.125)					0.089 (0.104)			
ADBnew			0.018 (0.076)					-0.038 (0.054)		
ADBnew × UNSC			-0.359** (0.155)					-0.212 (0.205)		
EIBnew				0.053 (0.039)					-0.027 (0.081)	
EIBnew × UNSC				0.013 (0.085)					0.060 (0.161)	
AIIBnew					-0.398*** (0.149)					0.168 (0.150)
AIIBnew × UNSC					-0.116 (0.153)					2.527*** (0.185)
CPI	-0.078*** (0.024)	-0.078*** (0.024)	-0.207*** (0.033)	-0.078*** (0.024)	-0.196*** (0.064)	-0.039** (0.017)	-0.039** (0.017)	-0.057*** (0.021)	-0.039** (0.017)	-0.135*** (0.038)
Constant	-0.153*** (0.016)	-0.144*** (0.018)	-0.075*** (0.018)	-0.160*** (0.018)	-0.154*** (0.035)	-0.340*** (0.015)	-0.322*** (0.016)	-0.266*** (0.015)	-0.337*** (0.015)	-0.174*** (0.028)
Nbr. observations	24 576	24 576	23 092	24 576	5 426	24 576	24 576	23 093	24 576	5 432
Nbr. countries	138	138	138	138	109	120	120	119	120	102
Nbr. year	30	30	25	30	6	30	30	25	30	6
Nbr. month	355	355	296	355	68	355	355	296	355	68
R2	0.485	0.485	0.484	0.485	0.455	0.363	0.363	0.336	0.363	0.384

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *dExchange_Rate* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in Equation 1.

Table 13: Ideological distance thresholds - France

	Stock Prices											
	Dist_Fee < 50%						Dist_Fee > 50%					
	IMF	WB	ADB	EIB	IMF	WB	IMF	WB	ADB	EIB	IMF	WB
UNSC	0.172 (0.199)	0.178 (0.202)	0.177 (0.210)	0.185 (0.203)	0.436 (0.629)	0.480 (0.637)	0.373 (0.603)	-0.391 (0.635)	-0.318 (0.619)	-0.293 (0.714)	0.371 (0.500)	0.537 (0.510)
IMFnew	-0.015 (0.319)				0.131 (0.205)			2.359* (1.184)			1.090 (0.999)	
IMFnew × UNSC	-0.703 (0.844)				1.238 (0.996)			-3.092** (1.304)			-2.943 (2.158)	
WBnew		-0.035 (0.036)				-0.071 (0.070)		0.356 (0.515)				-0.167 (0.219)
WBnew × UNSC		-0.029 (0.099)				-0.110 (0.121)		-1.911*** (0.675)				-0.524 (0.388)
ADBnew			-0.049 (0.071)				-0.144 (0.092)			1.758*** (0.318)		0.150 (0.414)
ADBnew × UNSC			0.107 (0.168)				0.413 (0.436)			0.000 (.)		-0.238 (0.757)
EIBnew				0.024 (0.051)			-0.137 (0.109)				0.057 (0.145)	
EIBnew × UNSC				-0.040 (0.126)			0.728* (0.396)				-0.362 (0.357)	
CPI	-0.002 (0.028)	-0.002 (0.028)	-0.018 (0.030)	-0.002 (0.028)	0.065* (0.033)	0.065* (0.033)	0.065* (0.033)	-0.093 (0.105)	-0.084 (0.102)	-0.079 (0.106)	0.284*** (0.098)	0.283*** (0.188)
Constant	6.926*** (0.017)	6.933*** (0.019)	6.197*** (0.018)	6.922*** (0.021)	9.300*** (0.040)	9.326*** (0.049)	8.245*** (0.029)	0.661*** (0.073)	0.651*** (0.075)	0.464*** (0.078)	0.600*** (0.081)	0.668*** (0.123)
Nbr. observations	10985	10985	9603	10985	10990	10990	10990	8337	8337	7236	8337	8337
Nbr. countries	72	72	72	72	63	63	63	32	32	31	32	39
Nbr. year	30	30	25	30	30	30	25	27	27	22	27	27
Nbr. month	355	355	296	355	355	355	296	323	323	264	323	323
R2	0.969	0.969	0.963	0.969	0.955	0.955	0.954	0.532	0.532	0.539	0.531	0.361

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.

Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.

Values of *Treasury Bills* and *Stock Prices* are winsorized (1st and 99th percentiles).

Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in [Equation 1](#).

Table 13: Ideological distance thresholds - France (continued)

dExchange Rate	Dist_Fee < 50%					Dist_Fee > 50%				
	IMF	WB	ADB	EIB	AIIB	IMF	WB	ADB	EIB	AIIB
UNSC	0.092 (0.176)	0.098 (0.173)	0.153 (0.178)	0.078 (0.192)	0.525* (0.270)	0.043 (0.130)	0.015 (0.139)	0.037 (0.130)	0.033 (0.129)	-0.059 (0.196)
IMFnew	0.089 (0.144)					0.323* (0.165)				
IMFnew × UNSC	0.321 (0.598)					-1.151 (0.989)				
WBnew		-0.050 (0.036)					-0.034 (0.025)			
WBnew × UNSC		-0.035 (0.124)					0.055 (0.107)			
ADBnew			0.026 (0.082)					-0.025 (0.053)		
ADBnew × UNSC			-0.346*** (0.131)					-0.237 (0.204)		
EIBnew				0.046 (0.038)					-0.000 (0.080)	
EIBnew × UNSC				0.034 (0.083)					0.038 (0.156)	
AIIBnew					-0.314** (0.156)					0.215 (0.142)
AIIBnew × UNSC					-0.190 (0.162)					2.491*** (0.178)
CPI	-0.082*** (0.025)	-0.082*** (0.025)	-0.212*** (0.036)	-0.082*** (0.025)	-0.204*** (0.065)	-0.059*** (0.022)	-0.059*** (0.022)	-0.056*** (0.021)	-0.059*** (0.022)	-0.134*** (0.039)
Constant	-0.165*** (0.017)	-0.154*** (0.018)	-0.085*** (0.019)	-0.170*** (0.018)	-0.146*** (0.035)	-0.310*** (0.018)	-0.295*** (0.019)	-0.258*** (0.016)	-0.307*** (0.018)	-0.178*** (0.029)
Nbr. observations	24 578	24 578	23 086	24 578	5 427	24 586	24 586	23 105	24 586	5 433
Nbr. countries	137	137	136	137	108	123	123	122	123	103
Nbr. year	30	30	25	30	6	30	30	25	30	6
Nbr. month	355	355	296	355	68	355	355	296	355	68
R2	0.488	0.488	0.486	0.488	0.451	0.363	0.363	0.337	0.362	0.385

Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01.
Estimations are performed with a classic OLS linear estimator with clustered standard errors by country.
Values of *dExchange_Rate* are winsorized (1st and 99th percentiles).
Each estimation is characterized by country fixed-effects, month fixed-effects and country-year fixed effects as described in Equation 1.

favorable scenario, the total effect of the project is magnified by the reaction of the financial markets. However, the catalytic effect can be reversed by several factors, leading to the appearance of an inhibitory effect. Among these factors, geopolitical interests and proximity to major global powers, such as UNSC permanent members, are particularly influential.

Our results highlight the presence of heterogeneity in the reaction of financial markets to projects from international financial institutions. The response appears less favorable for new IMF, WB, and EIB projects. This finding suggests that these institutions may face greater scrutiny or skepticism from financial markets, necessitating a deeper exploration of their credibility and effectiveness. Geopolitical interests seem to enhance the catalytic effect, especially concerning stock prices and exchange rates. In particular, we find that a greater geopolitical distance from China or Russia produces an appreciation of national currencies against the US dollar when interacted with a temporary UNSC membership. These effects are even more pronounced for exchange rates and stock prices when we employ *ad hoc* thresholds for geopolitical distance from the US but also for France and the United Kingdom.

These insights reveal that geopolitical dynamics significantly shape the effectiveness of international financing, emphasizing the need for a nuanced understanding of how these relationships impact financial outcomes. However, more research is necessary to fully understand the implications of international geopolitics on the catalytic and inhibitory effects of international institution financing. For example, as studied by [Morse and Coggins \(2024\)](#), the absence at the UNGA can be interpreted as a political position on international topics and should be further examined for its potential impact on both catalytic and inhibitory effects. Furthermore, the evolving tensions between members of the North Atlantic Treaty Organization and Russia following the Ukraine conflict ([Goldgeier and Shiffrinson, 2023](#)), along with the increasing autonomy of the EU in international politics ([Riddervold and Rosén, 2018](#); [Gunes and Ozkaleli, 2023](#)), could significantly alter future catalytic and inhibitory effects.

References

- Andresen, L.L., Sturm, J., 2023. Do geopolitical interests affect how financial markets react to IMF programs? *Review of International Political Economy* 31. doi:[10.1080/09692290.2023.2200963](https://doi.org/10.1080/09692290.2023.2200963).
- Babb, S.L., Carruthers, B.G., 2008. Conditionality: Forms, function, and history. *Annual Review of Law and Social Science* 4, 13–29. doi:[10.1146/annurev.lawsocsci.4.110707.172254](https://doi.org/10.1146/annurev.lawsocsci.4.110707.172254).
- Bailey, M.A., Strezhnev, A., Voeten, E., 2017. Estimating dynamic state preferences from United Nations voting data. *Journal of Conflict Resolution* 61, 430–456. doi:[10.1177/0022002715595700](https://doi.org/10.1177/0022002715595700).
- Barro, R., Lee, J.W., 2005. IMF programs: Who is chosen and what are the effects? *Journal of Monetary Economics* 52, 1245–1269. doi:[10.1016/j.jmoneco.2005.04.003](https://doi.org/10.1016/j.jmoneco.2005.04.003).
- Barro, R., Tenreyro, S., 2006. Economic effects of currency unions. *Economic Inquiry* 45, 1–23. doi:[10.1111/j.1465-7295.2006.00001.x](https://doi.org/10.1111/j.1465-7295.2006.00001.x).
- Bazys, S., Dukalkis, A., 2017. Canary in the coal mine? China, the UNGA, and the changing world order. *Review of International Studies* 43, 742–764. doi:[10.1017/S0260210517000067](https://doi.org/10.1017/S0260210517000067).
- Berlin, M.P., Desai, R.M., Olofsgård, A., 2023. Trading favors? UN Security Council membership and subnational favoritism in aid recipients. *The Review of International Organizations* 18, 237–258. doi:[10.1007/s11558-022-09467-z](https://doi.org/10.1007/s11558-022-09467-z).

- Bird, G., 2001. IMF programs: Do they work? Can they be made to work better? *World Development* 29, 1849–1865. doi:[10.1016/S0305-750X\(01\)00077-8](https://doi.org/10.1016/S0305-750X(01)00077-8).
- Callaghan, M., Hubbard, P., 2016. The Asian Infrastructure Investment Bank: Multilateralism on the silk road. *China Economic Journal* 9, 116–139. doi:[10.1080/17538963.2016.1162970](https://doi.org/10.1080/17538963.2016.1162970).
- Chapman, T., Fang, S., Li, X., Stone, R.W., 2017. Mixed signals: IMF lending and capital markets. *British Journal of Political Science* 47, 329–349. doi:[10.1017/S0007123415000216](https://doi.org/10.1017/S0007123415000216).
- Chen, Z., Yin, H., 2020. China and Russia in r2p debates at the UN Security Council. *International Affairs* 96, 787–805. doi:[10.1093/ia/iiz229](https://doi.org/10.1093/ia/iiz229).
- Clark, R., 2021. Pool or duel? Cooperation and competition among international organizations. *International Organization* 75, 1133–1153. doi:[10.1017/S0020818321000229](https://doi.org/10.1017/S0020818321000229).
- Clark, R., Dolan, L.R., 2021. Pleasing the principal: US influence in World Bank policymaking. *American Journal of Political Science* 65, 36–51. doi:[10.1111/ajps.12531](https://doi.org/10.1111/ajps.12531).
- Díaz-Cassou, J., García-Herrero, A., Molina, L., 2006. What kind of capital flows does the IMF catalyze and when? Banco de Espana Research Paper No. WP-0617 doi:[10.2139/ssrn.922263](https://doi.org/10.2139/ssrn.922263).
- Dreher, A., 2006. IMF and economic growth: The effects of programs, loans, and compliance with conditionality. *World Development* 34, 769–788. doi:[10.1016/j.worlddev.2005.11.002](https://doi.org/10.1016/j.worlddev.2005.11.002).
- Dreher, A., 2009. IMF conditionality: Theory and evidence. *Public choice* 141, 233–267. doi:[10.1007/s11127-009-9486-z](https://doi.org/10.1007/s11127-009-9486-z).
- Dreher, A., Fuchs, A., 2015. Rogue aid? an empirical analysis of China's aid allocation. *Canadian Journal of Economics/Revue canadienne d'économie* 48, 988–1023. doi:[10.1111/caje.12166](https://doi.org/10.1111/caje.12166).
- Dreher, A., Fuchs, A., Hodler, R., Parks, B.C., Raschky, P.A., Tierney, M.J., 2019. African leaders and the geography of China's foreign assistance. *Journal of Development Economics* 140, 44–71. doi:[10.1016/j.jdeveco.2019.04.003](https://doi.org/10.1016/j.jdeveco.2019.04.003).
- Dreher, A., Fuchs, A., Parks, B., Strange, A., Tierney, M.J., 2021. Aid, China, and growth: Evidence from a new global development finance dataset. *American Economic Journal: Economic Policy* 13, 135–174. doi:[10.1257/pol.20180631](https://doi.org/10.1257/pol.20180631).
- Dreher, A., Fuchs, A., Parks, B., Strange, A., Tierney, M.J., 2022. Banking on Beijing: The aims and impacts of China's overseas development program. Cambridge University Press. doi:[10.1017/9781108564496](https://doi.org/10.1017/9781108564496).
- Dreher, A., Fuchs, A., Parks, B., Strange, A.M., Tierney, M.J., 2018. Apples and dragon fruits: The determinants of aid and other forms of state financing from China to Africa. *International Studies Quarterly* 62, 182–194. doi:[10.1093/isq/sqx052](https://doi.org/10.1093/isq/sqx052).
- Dreher, A., Gould, M., Rablen, M., 2014. The determinants of election to the United Nations Security Council. *Public Choice* 158, 51–83. doi:[10.1007/s11127-013-0096-4](https://doi.org/10.1007/s11127-013-0096-4).
- Dreher, A., Jensen, N., 2007. Independent actor or agent? an empirical analysis of the impact of U.S. interests on international monetary fund conditions. *Journal of Law and Economics* 50, 105–124. doi:[10.1086/508311](https://doi.org/10.1086/508311).

- Dreher, A., Sturm, J., Vreeland, J.R., 2015. Politics and IMF conditionality. *Journal of Conflict Resolution* 59, 120–148. doi:[10.1177/0022002713499723](https://doi.org/10.1177/0022002713499723).
- Dreher, A., Sturm, J.E., Vreeland, J.R., 2009a. Development aid and international politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics* 88, 1–18. doi:[10.1016/j.jdeveco.2008.02.003](https://doi.org/10.1016/j.jdeveco.2008.02.003).
- Dreher, A., Sturm, J.E., Vreeland, J.R., 2009b. Global horse trading: IMF loans for votes in the United Nations Security Council. *European Economic Review* 53, 742–757. doi:[10.1016/j.euroecorev.2009.03.002](https://doi.org/10.1016/j.euroecorev.2009.03.002).
- Eichengreen, B., Woods, N., 2016. The IMF's unmet challenges. *Journal of Economic Perspectives* 30, 29–52. doi:[10.1257/jep.30.1.29](https://doi.org/10.1257/jep.30.1.29).
- Ferdinand, P., 2014. Foreign policy convergence in Pacific Asia: The evidence from voting in the UN General Assembly. *British Journal of Politics and International Relations* 16, 662–679. doi:[10.1111/1467-856X.12019](https://doi.org/10.1111/1467-856X.12019).
- Gailišs, E., 2024. Small powers as non-permanent members of the United Nations Security Council: A case study of the Baltic States. *Security and Defence Quarterly* 45, 33–54. doi:[10.35467/sdq/172983](https://doi.org/10.35467/sdq/172983).
- Garuda, G., 2000. The distributional effects of IMF programs: A cross-country analysis. *World Development* 28, 1031–1051. doi:[10.1016/S0305-750X\(00\)00002-4](https://doi.org/10.1016/S0305-750X(00)00002-4).
- Gehring, K., Lang, V., 2020. Stigma or cushion? IMF programs and sovereign creditworthiness. *Journal of Development Economics* 146, 102507. doi:[10.1016/j.jdeveco.2020.102507](https://doi.org/10.1016/j.jdeveco.2020.102507).
- Gelpern, A., Horn, S., Morris, S., Parks, B., Trebesch, C., 2023. How China lends: A rare look into 100 debt contracts with foreign governments. *Economic Policy* 38, 345–416. doi:[10.1093/epolic/eiac054](https://doi.org/10.1093/epolic/eiac054).
- Goldgeier, J., Shiffrinson, J.R.I., 2023. Evaluating NATO Enlargement. Palgrave Macmillan Cham. doi:[10.1007/978-3-031-23364-7](https://doi.org/10.1007/978-3-031-23364-7).
- Gunes, A., Ozkaleli, F.M., 2023. An intertemporal statistical analyses to ideal point estimates: EU cohesion at the UNGA revisited. *Comparative European Politics* 21, 333–355. doi:[10.1057/s41295-022-00318-0](https://doi.org/10.1057/s41295-022-00318-0).
- Hafner-Burton, E.M., Kahler, M., Montgomery, A.H., 2009. Network analysis for international relations. *International Organization* 63, 559–592. doi:[10.1017/S0020818309090195](https://doi.org/10.1017/S0020818309090195).
- Kaya, A., Kilby, C., Kay, J., 2021. Asian Infrastructure Investment Bank as an instrument for Chinese influence? Supplementary versus remedial multilateralism. *World Development* 145, 105531. doi:[10.1016/j.worlddev.2021.105531](https://doi.org/10.1016/j.worlddev.2021.105531).
- Kentikelenis, A., Karanikolos, M., Papanicolas, I., Basu, S., McKee, M., Stuckler, D., 2011. Health effects of financial crisis: Omens of a Greek tragedy. *The Lancet* 378, 1457–1458. doi:[10.1016/S0140-6736\(11\)61556-0](https://doi.org/10.1016/S0140-6736(11)61556-0).
- Kentikelenis, A., Karanikolos, M., Reeves, A., McKee, M., Stuckler, D., 2014. Greece's health crisis: From austerity to denialism. *The Lancet* 383, 748–753. doi:[10.1016/S0140-6736\(13\)62291-6](https://doi.org/10.1016/S0140-6736(13)62291-6).
- Kentikelenis, A.E., Stubbs, T.H., King, L.P., 2016. IMF conditionality and development policy space, 1985–2014. *Review of International Political Economy* 23, 543–582. doi:[10.1080/09692290.2016.1174953](https://doi.org/10.1080/09692290.2016.1174953).

- Kersting, E., Kilby, C., 2024. How do stock markets in emerging economies respond to World Bank loan approvals? *Emerging Markets Review* 63, 101207. doi:[10.1016/j.ememar.2024.101207](https://doi.org/10.1016/j.ememar.2024.101207).
- Kilby, C., 2006. Donor influence in multilateral development banks: The case of the Asian Development Bank. *The Review of International Organizations* 1, 173–195. doi:[10.1007/s11558-006-8343-9](https://doi.org/10.1007/s11558-006-8343-9).
- Kilby, C., 2011. Informal influence in the Asian Development Bank. *The Review of International Organizations* 6, 223–257. doi:[10.1007/s11558-011-9110-0](https://doi.org/10.1007/s11558-011-9110-0).
- Krahnke, T., 2023. Doing more with less: The catalytic function of IMF lending and the role of program size. *Journal of International Money and Finance* 135, 102856. doi:[10.1016/j.jimonfin.2023.102856](https://doi.org/10.1016/j.jimonfin.2023.102856).
- Kuziemko, I., Werker, E., 2006. How much is a seat on the Security Council worth? Foreign aid and bribery at the United Nations. *Journal of political economy* 114, 905–930. doi:[10.1086/507155](https://doi.org/10.1086/507155).
- Lang, V., 2021. The economics of the democratic deficit: The effect of IMF programs on inequality. *The Review of International Organizations* 16, 599–623. doi:[10.1007/s11558-020-09405-x](https://doi.org/10.1007/s11558-020-09405-x).
- Lee, J., Shin, K., 2010. Exchange rate regimes and economic linkages. *International Economic Journal* 24, 1–23. doi:[10.1080/10168731003589741](https://doi.org/10.1080/10168731003589741).
- Lupu, Y., Traag, V.A., 2013. Trading communities, the networked structure of international relations, and the kantian peace. *Journal of Conflict Resolution* 57, 1011–1042. doi:[10.1177/0022002712453708](https://doi.org/10.1177/0022002712453708).
- Marchesi, S., Thomas, J.P., 2001. IMF conditionality as a screening device. *The Economic Journal* 109, 111–125. doi:[10.1111/1468-0297.00420](https://doi.org/10.1111/1468-0297.00420).
- Mattes, M., Leeds, B.A., Carroll, R., 2015. Leadership turnover and foreign policy change: Societal interests, domestic institutions, and voting in the United Nations. *International Studies Quarterly* 59, 280–290. doi:[10.1111/isqu.12175](https://doi.org/10.1111/isqu.12175).
- Mody, A., Saravia, D., 2006. Catalysing private capital flows: Do IMF programmes work as a commitment devices? *The Economic Journal* 116, 843–867. doi:[10.1111/j.1468-0297.2006.01114.x](https://doi.org/10.1111/j.1468-0297.2006.01114.x).
- Morse, J.C., Coggins, B., 2024. Your silence speaks volumes: Weak states and strategic absence in the UN General Assembly. *Review of International Organizations* forthcoming. doi:[10.1007/s11558-024-09538-3](https://doi.org/10.1007/s11558-024-09538-3).
- Mosler, M., Potrafke, N., 2020. International political alignment during the Trump presidency: Voting at the UN General Assembly. *International Interactions* 46, 481–497. doi:[10.1080/03050629.2020.1719405](https://doi.org/10.1080/03050629.2020.1719405).
- Oatley, T., Yackee, J., 2004. American interests and IMF lending. *International Politics* 41, 415–429. doi:[10.1057/palgrave.ip.8800085](https://doi.org/10.1057/palgrave.ip.8800085).
- Oberdabernig, D.A., 2013. Revisiting the effects of IMF programs on poverty and inequality. *World Development* 46, 113–142. doi:[10.1016/j.worlddev.2013.01.033](https://doi.org/10.1016/j.worlddev.2013.01.033).
- Poole, K.T., 2005. *Spatial Models of Parliamentary Voting*. Cambridge University Press. doi:[10.1017/CBO9780511614644](https://doi.org/10.1017/CBO9780511614644).
- Przeworski, A., Vreeland, J.R., 2000. The effect of IMF programs on economic growth. *Journal of development Economics* 62, 385–421. doi:[10.1016/S0304-3878\(00\)00090-0](https://doi.org/10.1016/S0304-3878(00)00090-0).

- Rahman, Z.U., 2022. A comprehensive overview of China's belt and road initiative and its implications for the region and beyond. *Journal of Public Affairs* 22, e2298. doi:[10.1002/pa.2298](https://doi.org/10.1002/pa.2298).
- Rickard, S.J., Caraway, T.L., 2019. International demands for austerity: Examining the impact of the IMF on the public sector. *The Review of International Organizations* 14, 35–57. doi:[10.1007/s11558-017-9295-y](https://doi.org/10.1007/s11558-017-9295-y).
- Riddervold, M., Rosén, G., 2018. Unified in response to rising powers? China, Russia and EU-US relations. *Journal of European Integration* 40, 555–570. doi:[10.1080/07036337.2018.1488838](https://doi.org/10.1080/07036337.2018.1488838).
- Rodrik, D., 1995. Why is there multilateral lending? NBER Working Paper doi:[10.3386/w5160](https://doi.org/10.3386/w5160).
- Seong, J., White, O., Birsham, M., Woetzel, L., Lamanna, C., Condon, J., Devesa, T., 2024. Geopolitics and the geometry of global trade. Technical Report. Mc Kinsey.
- Stavrakakis, Y., Katsambekis, G., 2014. Left-wing populism in the European periphery: the case of SYRIZA. *Journal of Political Ideologies* 19, 119–142. doi:[10.1080/13569317.2014.909266](https://doi.org/10.1080/13569317.2014.909266).
- Stone, R.W., 2008. The scope of IMF conditionality. *International Organization* 62, 119–142. doi:[10.1017/S0020818308080211](https://doi.org/10.1017/S0020818308080211).
- Stubbs, T., Kentikelenis, A., Ray, R., Gallagher, K.P., 2021a. Poverty, inequality, and the International Monetary Fund: How austerity hurts the poor and widens inequality. *Journal of Globalization and Development* 13, 61–89. doi:[10.1515/jgd-2021-0018](https://doi.org/10.1515/jgd-2021-0018).
- Stubbs, T., Kentikelenis, A., Stuckler, D., McKee, M., King, L., 2017. The impact of IMF conditionality on government health expenditure: A cross-national analysis of 16 West African nations. *Social Science & Medicine* 174, 220–227. doi:[10.1016/j.socscimed.2016.12.016](https://doi.org/10.1016/j.socscimed.2016.12.016).
- Stubbs, T., Kring, W., Laskaridis, C., Kentikelenis, A., Gallagher, K., 2021b. Whatever it takes? The global financial safety net, COVID-19, and developing countries. *World Development* 137, 105171. doi:[10.1016/j.worlddev.2020.105171](https://doi.org/10.1016/j.worlddev.2020.105171).
- Sturm, J.E., Berger, H., De Haan, J., 2005. Which variables explain decisions on IMF credit? An extreme bounds analysis. *Economics & Politics* 17, 177–213. doi:[10.1111/j.1468-0343.2005.00151.x](https://doi.org/10.1111/j.1468-0343.2005.00151.x).
- Sushentsov, A.A., Wohlforth, W.C., 2020. The tragedy of US-Russian Relations: NATO centrality and the revisionists' spiral. *International Politics* 57, 427–450. doi:[10.1057/s41311-020-00229-5](https://doi.org/10.1057/s41311-020-00229-5).
- Thacker, S.C., 1999. The high politics of IMF lending. *World politics* 52, 38–75. doi:[10.1017/S0043887100020025](https://doi.org/10.1017/S0043887100020025).
- Tien, N.H., Do, P.C., Phong, V.T., Van Thuong, P., Van Dung, H., 2019. AIIB as a challenger for IMF and WB. *American International Journal of Business Management* 2, 62–68.
- Voeten, E., 2004. Resisting the lonely superpower: Responses of states in the United Nations to U.S. dominance. *Journal of Politics* 66, 729–754. doi:[10.1111/j.1468-2508.2004.00274.x](https://doi.org/10.1111/j.1468-2508.2004.00274.x).
- Voeten, E., 2013. Data and analyses of voting in the United Nations General Assembly, in: Reinalda, B. (Ed.), *Routledge Handbook of International Organization*. Routledge, London. chapter 4, pp. 54–66. doi:[10.4324/9780203405345](https://doi.org/10.4324/9780203405345).
- Voeten, E., 2021. *Ideology and International Institutions*. Princeton University Press. doi:[10.1515/9780691207339](https://doi.org/10.1515/9780691207339).

- Vreeland, J.R., 2003. The IMF and Economic Development. Cambridge University Press. doi:[10.1017/CBO9780511615726](https://doi.org/10.1017/CBO9780511615726).
- Vreeland, J.R., Dreher, A., 2014. The political economy of the United Nations Security Council: Money and influence. Cambridge University Press. doi:[10.1017/CBO9781139027755](https://doi.org/10.1017/CBO9781139027755).
- Welch, B.L., 1947. The generalization of 'students's' problem when several different population variances are involved. *Biometrika* 34, 28–35. doi:[10.2307/2332510](https://doi.org/10.2307/2332510).
- Zaccaria, G., 2023. Using COVID-19 as opportunity: The role of the AIIB's leadership in its strategic adaptation to the pandemic. *The Pacific Review* 37, 419–444. doi:[10.1080/09512748.2023.2178486](https://doi.org/10.1080/09512748.2023.2178486).

Appendix A. Appendix

Figure A.1: Mean monthly ideological distance with France, the United Kingdom and the United States

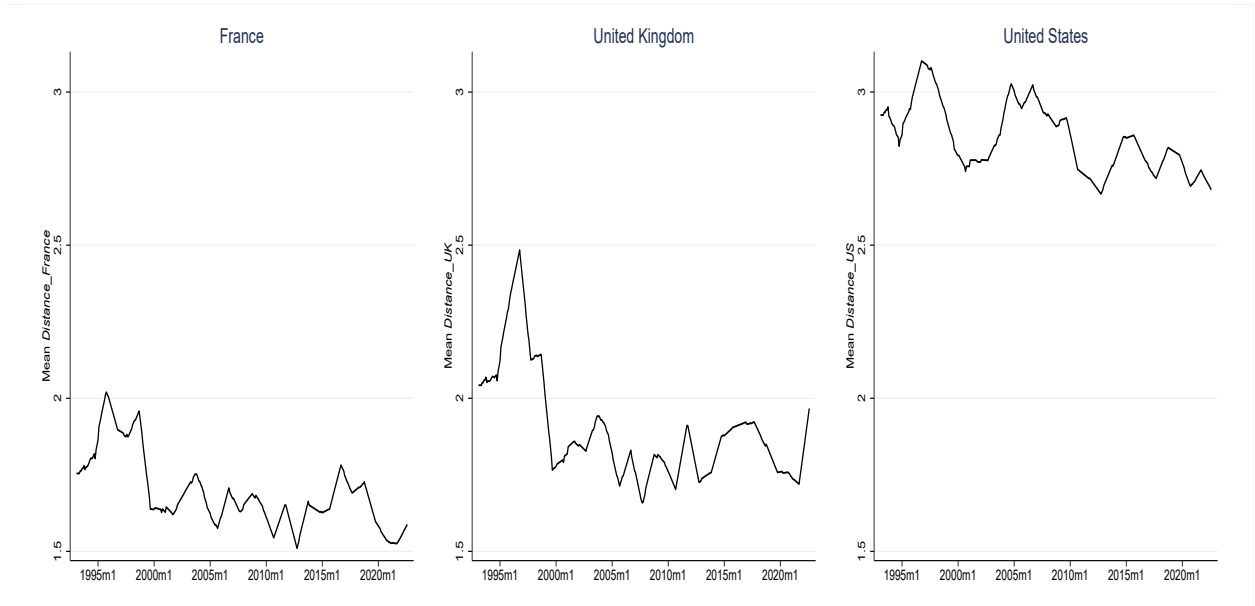


Figure A.2: Number of projects implemented by the AIIB per month

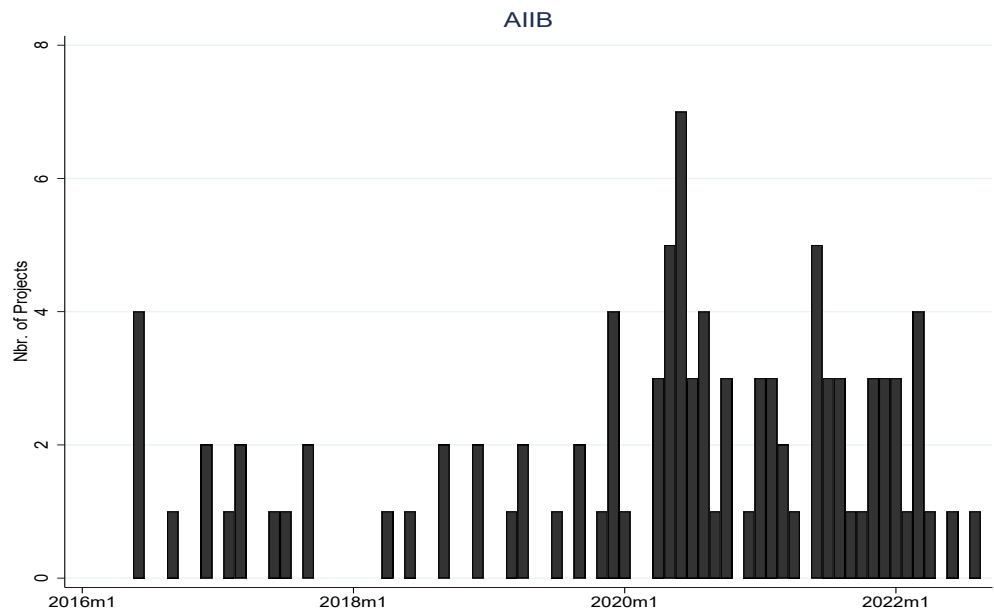


Table A.1: United Nation General Assembly Sessions (1993-2023)

UNGA session	President	President nationality	Begin date	End date	Begin month
78	M. Dennis Francis	Trinidad and Tobago	09/05/2023	/	9
77	M. Csaba Kőrösi	Hungary	09/13/2022	09/05/2023	9
76	Mr. Abdulla Shahid	Maldives	09/14/2021	09/13/2022	9
75	Mr. Volkan Bozkir	Türkiye	09/15/2020	09/14/2021	9
74	Mr. Tijjani Muhammad-Bande	Nigeria	09/17/2019	09/15/2020	10
73	Ms. María Fernanda Espinosa Garcés	Ecuador	09/18/2018	09/16/2019	10
72	Mr. Miroslav Lajčák	Slovakia	09/12/2017	09/17/2018	9
71	Mr. Peter Thomson	Fiji	09/13/2016	09/11/2017	9
70	Mr. Mogens Lykketoft	Denmark	09/15/2015	09/13/2016	9
69	Mr. Sam Kutesa	Uganda	09/16/2014	09/14/2015	10
68	Mr. John W. Ashe	Antigua and Barbuda	09/17/2013	09/15/2014	10
67	Mr. Vuk Jeremić	Serbia	09/18/2012	09/16/2013	10
66	Mr. Nassir Abdulaziz Al-Nasser	Qatar	09/16/2011	09/17/2012	10
65	Mr. Joseph Deiss	Switzerland	09/14/2010	09/12/2011	9
64	Dr. Ali Abdussalam Treki	Libya †	09/15/2009	09/14/2010	9
63	Mr. Miguel d'Escoto Brockmann	Nicaragua	09/16/2008	09/14/2009	10
62	Mr. Srgjan Kerim	North Macedonia ‡	09/18/2007	09/15/2008	10
61	Ms. Sheikha Haya Rashed Al Khalifa	Bahrain	09/12/2006	09/17/2007	9
60	Mr. Jan Eliasson	Sweden	09/13/2005	09/11/2006	9
59	Mr. Jean Ping	Gabon	09/14/2004	09/13/2005	9
58	Mr. Julian Robert Hunte	Saint Lucia	09/16/2003	09/13/2004	10
57	Mr. Jan Kavan	Czech Republic	09/10/2002	09/15/2003	9
56	Dr. Han Seung-soo	Republic of Korea	09/12/2001	09/09/2002	9
55	Mr. Harri Holkeri	Finland	09/05/2000	09/10/2001	9
54	Dr. Theo-Ben Gurirab	Namibia	09/14/1999	09/05/2000	9
53	Mr. Didier Opertti	Uruguay	09/09/1998	09/13/1999	9
52	Mr. Hennadiy Udovenko	Ukraine	09/16/1997	09/08/1998	10
51	Mr. Razali Ismail	Malaysia	09/17/1996	09/15/1997	10
50	Mr. Diogo Pinto de Freitas do Amaral	Portugal	09/19/1995	09/17/1996	10
49	Mr. Amara Essy	Ivory Coast	09/20/1994	09/18/1995	10
48	Mr. Rudy Insanally	Guyana	09/21/1993	09/19/1994	10
47	Mr. Stoyan Ganev	Bulgaria	09/15/1992	09/20/1993	9

Source: UNGA Resolutions Tables available [here](#).

† Formerly Libyan Arab *Jamahiriya*.

‡ Formerly Yugoslav Republic of Macedonia.

Table A.2: Members of Each Regional Group in the United Nation Security Council Elections

UN Regional Group	Current members
Group of African States (54 members)	Algeria ; Angola; Benin; Botswana; Burkina Faso; Burundi; Cape Verde; Cameroon; Central African Republic; Chad; Comoros ; Democratic Republic of the Congo; Djibouti ; Egypt ; Equatorial Guinea; Eritrea; Ethiopia; Eswatini; Gabon; Gambia; Ghana; Guinea; Guinea-Bissau; Ivory Coast; Kenya; Lesotho; Liberia; Libya ; Madagascar; Malawi; Mali; Mauritania ; Mauritius; Morocco ; Mozambique; Namibia; Niger; Nigeria; Republic of the Congo; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Sierra Leone; Somalia ; South Africa; South Sudan; Sudan ; Togo; Tunisia ; Uganda; United Republic of Tanzania; Zambia; Zimbabwe
Group of Asia and the Pacific Small Island Developing States (53 members)	Afghanistan; Bahrain ; Bangladesh; Bhutan; Brunei ; Cambodia; China; Cyprus; Democratic People's Republic of Korea; Fiji; India; Indonesia; Iran; Iraq ; Japan; Jordan ; Kazakhstan; Kuwait ; Kyrgyz Republic; Lao People's Democratic Republic; Lebanon ; Malaysia; Maldives; Marshall Islands; Micronesia; Mongolia; Myanmar; Nauru; Nepal; Oman ; Pakistan; Palau; State of Palestine; Papua New Guinea; Philippines; Qatar ; Republic of Korea; Samoa; Saudi Arabia ; Singapore; Solomon Islands; Sri Lanka; Syrian Arab Republic; Tajikistan; Thailand; Timor-Leste; Tonga; Türkiye; Turkmenistan; Tuvalu; United Arab Emirates ; Uzbekistan; Vanuatu; Vietnam; Yemen
Group of Latin America and Caribbean States (33 members)	Antigua and Barbuda; Argentina; Bahamas; Barbados; Belize; Bolivia; Brazil; Chile; Colombia; Costa Rica; Cuba; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; St. Lucia; St. Kitts and Nevis; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay; Venezuela
Group of Western European and Other States (28 members)	Andorra; Australia; Austria; Belgium; Canada; Denmark; Finland; France; Germany; Greece; Iceland; Ireland; Israel; Italy; Liechtenstein; Luxembourg; Malta; Monaco; Netherlands; New Zealand; Norway; Portugal; San Marino; Spain; Sweden; Switzerland; Türkiye; United Kingdom
Group of Eastern European States (23 members)	Albania; Armenia; Azerbaijan; Belarus; Bosnia and Herzegovina; Bulgaria; Croatia; Czech Republic; Estonia; Georgia; Hungary; Latvia; Lithuania; Moldova; Montenegro; North Macedonia; Poland; Romania; Russia; Serbia; Slovakia; Slovenia; Ukraine

Countries in bold letters are members of the League of Arab States. Syria is suspended from the League of Arab States since 2011. Israël was not included in any regional group before 2000. Kiribati is not part of any group despite its affiliation with the UN. The State of Palestine has an observer role in the Group of Asia and the Pacific Small Island Developing States. Türkiye is part of two different regional groups (*i.e.* group Western European and Other States and group of Asia and the Pacific Small Island Developing States). United States is not part of any group but act as an observer country in the Group of Western and Other States.

Table A.3: United Nations Security Council Membership for 2020, 2021 and 2022

Year	Former members	New Members
2020	Belgium; Dominican Republic; Estonia; Germany; Indonesia; Niger; South Africa; St. Vincent and the Grenadines; Tunisia; Vietnam	India; Ireland; Kenya; Mexico; Norway
2021	Belgium; Dominican Republic; Germany; India; Indonesia; Ireland; Kenya; Mexico; Norway; South Africa	Albania; Brazil; Gabon; Ghana; United Arab Emirates
2022	Albania; Brazil; Gabon; Ghana; India; Ireland; Kenya; Mexico; Norway; United Arab Emirates	Ecuador; Japan; Malta; Mozambique; Switzerland

Each year, half of the non-permanent members of the UN Security Council is replaced. These newly elected countries are presented for 2020, 2021 and 2021 in the “*New members*” column. As these replacements usually take place in June, newly elected countries are considered as members of the UN Security Council from June of the election to December of the end of term year.

Table A.4: Countries Involved in Regional World Bank Projects

Region	Nbr. of projects	Countries
Africa	92	Algeria; Angola; Benin; Botswana; Burkina Faso; Burundi; Cabo Verde; Cameroon; Central African Republic; Chad; Comoros; Democratic Republic of the Congo; Djibouti; Egypt; Equatorial Guinea; Eritrea; Eswatini; Ethiopia; Gabon; Gambia; Ghana; Guinea; Guinea-Bissau; Ivory Coast; Kenya; Lesotho; Liberia; Libya; Madagascar; Malawi; Mali; Mauritania; Mauritius; Morocco; Mozambique; Namibia; Niger; Nigeria; Republic of the Congo; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Sierra Leone; Somalia; South Africa; South Sudan; Sudan; Tanzania; Togo; Tunisia; Uganda; Zambia; Zimbabwe
American Samoa	1	United States
Andean Countries	3	Bolivia; Colombia; Ecuador; Peru; Venezuela
Aral Sea	2	Afghanistan; Kazakhstan; Kyrgyz Republic; Turkmenistan; Uzbekistan
Asia	4	Afghanistan; Armenia; Azerbaijan; Bahrain ; Bangladesh; Bhutan; Brunei ; Cambodia; China; Georgia; India; Indonesia; Iran; Iraq; Israel ; Japan ; Jordan; Kazakhstan; Kuwait ; Kyrgyz Republic; Lao People's Democratic Republic; Lebanon; Macau ; Malaysia; Maldives; Mongolia; Myanmar; Nepal; North Korea ; Oman ; Pakistan; Philippines; Qatar ; Saudi Arabia ; Singapore ; South Korea; Sri Lanka; Syria; Taiwan ; Tajikistan; Thailand; Timor-Leste; Türkiye; Turkmenistan; United Arab Emirates ; Uzbekistan; Vietnam; Yemen
Caribbean	22	Antigua and Barbuda, Bahamas, Barbados, Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago
Caucasus	2	Armenia; Azerbaijan; Georgia; Russia
Central Africa	4	Angola; Burundi; Cameroon; Central African Republic; Chad; Democratic Republic of the Congo; Equatorial Guinea; Gabon; Republic of the Congo; São Tomé and Príncipe
Central America	11	Belize; Costa Rica; El Salvador; Guatemala; Honduras; Nicaragua; Panama
Central Asia	18	Kazakhstan; Kyrgyz Republic; Tajikistan; Turkmenistan; Uzbekistan
East Asia and Pacific	12	Cambodia; China; Fiji; Indonesia; Kiribati; Lao People's Democratic Republic; Malaysia; Marshall Islands; Micronesia; Mongolia; Myanmar; Nauru ; Palau; Papua New Guinea; Philippines; Samoa; Singapore ; Solomon Islands; South Korea; Thailand; Timor-Leste; Tonga; Tuvalu; Vanuatu; Vietnam
Eastern and Southern Africa	65	Angola; Botswana; Burundi; Comoros; Democratic Republic of the Congo; Eritrea; Eswatini; Ethiopia; Kenya; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Rwanda; Seychelles; São Tomé and Príncipe; Somalia; South Africa; South Sudan; Sudan; Tanzania; Uganda; Zambia; Zimbabwe
Europe and Central Asia	18	Albania; Armenia; Azerbaijan; Belarus; Bosnia and Herzegovina; Bulgaria; Croatia; Czech Republic; Estonia; Georgia; Hungary; Kazakhstan; Kosovo ; Kyrgyz Republic; Latvia; Lithuania; Moldova; Montenegro; North Macedonia; Poland; Romania; Russia; Serbia; Slovakia; Slovenia; Tajikistan; Türkiye; Turkmenistan; Ukraine; Uzbekistan
Latin America	20	Argentina; Belize; Bolivia; Brazil; Chile; Colombia; Cuba ; Costa Rica; Dominican Republic; Ecuador; El Salvador; Guatemala; Guyana; Haiti; Honduras; Mexico; Nicaragua; Panama; Paraguay; Peru; Suriname; Uruguay; Venezuela
Mekong	2	Cambodia; Lao People's Democratic Republic; Myanmar; Thailand; Vietnam
Mercosur	1	Argentina; Brazil; Paraguay; Uruguay
Middle East and North Africa	14	Algeria; Bahrain ; Djibouti; Egypt; Iran; Iraq; Jordan; Kuwait ; Lebanon; Libya; Morocco; Oman ; Qatar ; Saudi Arabia ; State of Palestine; Syria; Tunisia; United Arab Emirates ; Yemen
Organization of Eastern Caribbean States	19	Antigua and Barbuda; Dominica; Grenada; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines
Pacific Islands	15	Fiji; Kiribati; Marshall Islands; Micronesia; Nauru ; Palau; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu
Red Sea and Gulf of Aden	1	Djibouti; Egypt; Eritrea; Jordan; Saudi Arabia ; Somalia; Sudan; Yemen
<i>Sint Maarten</i>	7	Netherlands
South Asia	13	Afghanistan; Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka
Southern Africa	10	Angola; Botswana; Democratic Republic of the Congo; Eswatini; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Seychelles; South Africa; Tanzania; Zambia; Zimbabwe
Western Balkans	11	Albania; Bosnia and Herzegovina; Kosovo ; Montenegro; North Macedonia; Serbia
Western and Central Africa	96	Benin; Burkina Faso; Cameroon; Cape Verde; Central African Republic; Chad; Equatorial Guinea; Gabon; Gambia; Ghana; Guinea; Guinea-Bissau; Ivory Coast; Liberia; Mali; Mauritania; Niger; Nigeria; Republic of the Congo; Senegal; Sierra Leone; Togo

Countries in bold letters are countries in which no other project were implemented by the World Bank. However, we considered that projects implements in these regions concerns (at least partly) these countries. Consequently, we decided to code variable *WBnew* as 1 for these countries when a project is implemented in the refereed regions. As a reminder, 99 projects implemented by the World Bank are not considered within our dataset. More precisely, 1 project labelled as “Multi-Regional” and 98 projects labelled as “World” are dropped. In the vast majority of World Bank regions, we obtained information on countries included here: <https://www.worldbank.org/en/where-we-work>.

Table A.5: Members of the Asian Development Bank

Regional Members	Non-regional Members
Afghanistan; Armenia; Australia; Azerbaijan; Bangladesh; Bhutan; Brunei; Cambodia; China; Cook Islands; Micronesia; Fiji; Georgia; Hong Kong; India; Indonesia; Japan; Kazakhstan; Kiribati; Kyrgyz Republic; Lao People's Democratic Republic; Malaysia; Maldives; Marshall Islands Mongolia; Myanmar; Nauru; Nepal; New Zealand; Niue; Pakistan; Palau; Papua New Guinea; Philippines; South Korea; Samoa; Singapore; Solomon Islands; Sri Lanka; Taipei; Tajikistan; Thailand; Timor-Leste; Tonga; Turkmenistan; Tuvalu; Uzbekistan; Vanuatu; Viet Nam	Austria; Belgium; Canada; Denmark; Finland; France; Germany; Ireland; Italy; Luxembourg; Netherlands; Norway; Portugal; Spain; Sweden; Switzerland; Türkiye; United Kingdom; United States

Source: <https://www.adb.org/who-we-are/about#members>

Table A.6: Distribution of our interest variables

Country	UNSC	IMFnew×UNSC	WBnew×UNSC	ADBnew×UNSC	EIBnew×UNSC	AIIBnew×UNSC
Albania	15	/	4	/	1	/
Algeria	26	/	16	/	3	/
Angola	53	/	36	/	1	/
Austria	26	/	/	/	15	/
Azerbaijan	26	/	8	6	1	/
Bahrain	27	/	/	/	/	/
Bangladesh	27	/	7	11	1	/
Belgium	69	/	/	/	38	/
Benin	26	1	17	/	/	/
Bolivia	30	/	5	/	2	/
Bosnia and Herz.	27	/	6	/	6	/
Botswana	26	/	1	/	2	/
Brazil	118	1	69	/	14	/
Bulgaria	27	1	5	/	6	/
Burkina Faso	26	/	21	/	1	/
Cameroon	27	/	10	/	4	/
Canada	27	/	/	/	/	/
Chad	26	1	15	/	/	/
Chile	79	/	11	/	1	/
Colombia	54	1	21	/	/	/
Congo	27	/	11	/	1	/
Costa Rica	52	1	12	/	/	/
Cote d'Ivoire	31	/	20	/	/	/
Croatia	26	/	5	/	5	/
Czech Republic	26	/	1	/	3	/
Denmark	27	/	/	/	7	/
Dominican Rep.	43	/	11	/	3	/
Ecuador	3	/	2	/	/	/
Egypt	53	2	15	/	16	/
Equatorial Guinea	31	1	12	/	/	/
Estonia	19	/	/	/	5	/
Ethiopia	30	/	20	/	4	/
Gabon	69	1	24	/	/	/
Gambia	27	/	5	/	/	/
Germany	123	/	/	/	106	/
Ghana	42	/	22	/	2	/
Greece	27	/	/	/	6	/
Guatemala	26	/	2	/	/	/
Guinea-Bissau	26	/	3	/	1	/
Honduras	26	/	5	/	/	/
India	54	/	29	44	2	14
Indonesia	95	/	54	44	1	6
Ireland	54	/	/	/	19	/
Italy	70	/	/	/	62	/
Jamaica	27	/	3	/	2	/
Japan	109	/	2	/	/	/
Jordan	14	/	3	/	1	/
Kazakhstan	30	/	8	20	2	/
Kenya	53	1	24	/	5	/
Kuwait	31	/	/	/	/	/
Lebanon	27	/	6	/	2	/
Libya	26	/	16	/	/	/
Lithuania	26	/	4	/	4	/
Luxembourg	26	/	/	/	4	/
Malaysia	53	/	2	4	/	/
Mali	27	/	10	/	1	/
Malta	3	/	/	/	/	/

Table A.6: Distribution of our interest variables (continued)

Country	UNSC	IMFnew×UNSC	WBnew×UNSC	ADBnew×UNSC	EIBnew×UNSC	AiIBnew×UNSC
Mauritius	27	/	10	/	4	/
Mexico	80	3	32	/	2	/
Morocco	26	1	18	/	9	/
Mozambique	3	/	3	/	/	/
Netherlands	46	/	3	/	18	/
Niger	19	/	6	/	3	/
Nigeria	79	/	40	/	3	/
Norway	54	/	/	/	2	/
Pakistan	76	3	32	20	3	/
Panama	26	/	12	/	1	/
Peru	58	1	15	/	3	/
Philippines	26	/	13	8	2	/
Poland	57	/	9	/	35	/
Portugal	53	1	/	/	22	/
Romania	26	1	7	/	6	/
Rwanda	39	1	19	/	/	/
Saint Vincent	7	/	2	/	/	/
Saudi Arabia	14	/	/	/	/	/
Senegal	26	/	18	/	5	/
Singapore	27	/	1	/	/	/
Slovak Rep.	27	/	2	/	7	/
Slovenia	27	/	1	/	6	/
South Africa	96	/	55	/	14	/
South Korea	52	1	3	/	/	/
Spain	76	/	/	/	62	/
Sweden	56	/	/	/	23	/
Switzerland	3	/	/	/	/	/
Syria	27	/	2	/	3	/
Tanzania	27	/	16	/	/	/
Togo	26	/	12	/	/	/
Tunisia	46	/	12	/	9	/
Turkey	26	/	12	/	/	/
Uganda	26	1	20	/	2	/
Ukraine	54	/	16	/	6	/
U.A.E.	15	/	2	/	/	/
Uruguay	27	/	6	/	/	/
Venezuela	26	/	2	/	/	/
Vietnam	45	/	23	24	2	/
Total	3 672	24	1 007	181	612	20

Table A.7: Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Treasury.	1														
(2) Stock.	0.0256*	1													
(3) dExch.	-0.1464*	0.1177*	1												
(4) IMFnew	0.0476*	0.0144*	-0.0033*	1											
(5) WBnew	0.1290*	0.0171*	-0.0212*	0.0408*	1										
(6) ADBnew	-0.0352*	-0.0074*	0.0021	-0.0054*	0.0576*	1									
(7) EIBnew	-0.0924*	-0.0342*	0.0352*	-0.0079*	-0.0974*	-0.0567*	1								
(8) AIIBnew	-0.0031	0.0059*	0.0042*	-0.0042*	0.0284*	0.1173*	-0.0078*	1							
(9) UNSC	-0.0156*	0.0105*	0.0060*	-0.0077*	0.0128*	-0.0055*	0.0667*	0.0246*	1						
(10) CPI	0.3348*	0.1137*	-0.2135*	0.0098*	0.0015	-0.0165*	-0.0363*	-0.0032*	0.0035*	1					
(11) <i>Dist_US</i>	0.2167*	0.0217*	-0.0470*	0.0089*	0.2416*	0.1240*	-0.3272*	0.0158*	-0.0172*	0.0543*	1				
(12) <i>Dist_UK</i>	0.2345*	0.0186*	-0.0631*	0.0092*	0.2292*	0.1229*	-0.3551*	0.0176*	-0.0251*	0.0651*	0.9588*	1			
(13) Dist.Fce	0.2100*	0.0178*	-0.0530*	0.0069*	0.2302*	0.1248*	-0.3563*	0.0164*	-0.0284*	0.0571*	0.9498*	0.9932*	1		
(14) Dist.Ch	-0.0694*	-0.0055*	0.0221*	-0.0092*	-0.2718*	-0.1525*	0.3052*	-0.0281*	0.0091*	0.0107*	-0.8227*	-0.7568*	-0.7510*	1	
(15) Dist.Ru	0.0270*	-0.0204*	-0.0198*	-0.0252*	-0.1262*	-0.0456*	0.1147*	-0.0139*	-0.0138*	0.0402*	0.0142*	0.1427*	0.1632*	0.3028*	1

* denotes a significance at 5%.

These correlation coefficients are calculated on the 20 393 observations for which the variable *dExchange Rate* is available.