Not Two Worlds: China's Multilateralism and the Strategic Allocation of AIIB Projects

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January 9, 2026

Abstract

To what extent do rising powers use new international organizations (IOs) to challenge established institutions? While past scholarship shows that the World Bank has strategically responded to the rise of the China-led Asian Infrastructure Investment Bank (AIIB), we know less about whether the AIIB is equally strategic in its project allocation. Using information on all 354 AIIB projects and novel data on project team leaders, we find that the AIIB is more likely to allocate projects and assign experienced bureaucrats to countries that have previously received World Bank financing. Additional analyses suggest that this pattern reflects the AIIB's strategic focus on targeting the World Bank's existing clients. On the contrary, we find no evidence for demand-side explanation, nor that the China-led institution would target "safe" borrowers for information or risk-management purposes. These findings suggest that China uses new IOs to expand its influence among states at the center of the U.S.-led global order.

Word count: 8,587

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1 Introduction

On the 2nd of June, 2020, the global communications director of the China-led Asian Infrastructure Investment Bank (AIIB) Bob Pickard resigned his post publicly. He criticized the Bank, saying that members of the Chinese communist party operated “like an invisible government inside the bank.”[1] The accusations were met with strong denials from Beijing as well as the AIIB.[2] Past research has found evidence of the U.S. using its influence in international economic institutions for political gain.[3] China, a rising power, has however highlighted that it seeks to promote South-South cooperation in development finance, supplementing assistance to countries often overlooked by the established Western financial institutions.

From its inception in 2016, the AIIB has indeed invested more than $61 billion in over 350 infrastructure projects in 38 economies, ranging from Indonesia, Kazakhstan to Brazil and Egypt (Figure 1). Despite the American pressure not to join the AIIB, many U.S. allies — including most Western European and South Asian countries— became members of the AIIB, granting the institution global legitimacy. With 110 members from every continent, the AIIB is perceived as a potential rival to the World Bank (WB), an institution that funds similar projects and over which the U.S. exerts substantial influence.[4] Although prior studies have focused on how traditional donors react to the rise of China and the AIIB,[5] there are few analyses of AIIB lending to date, including how the AIIB navigates the existing institutional environment where American influence is pervasive.

[1] “UK Treasury staff worked at Chinese bank accused of communist links”, 2024.

[2] The Chinese embassy in Canada fiercely denied the accusations, saying Mr Pickard’s claims were “outright lies with an attempt to seek sensationalization.” (“Remarks of the Spokesperson of the Embassy of the People’s Republic of China in Canada”, 2025) The AIIB itself conducted an internal review, which “found no evidence of undue or improper influence in the decisions taken... or in other aspects of the operation of the Bank” and highlighted that “AIIB’s Articles of Agreement contain clauses designed to prevent political considerations in the Bank’s decision-making processes.” (AIIB Management Review report, p. iv II.4)

[3] Clark and Dolan, 2021; Dreher et al., 2009; Kilby, 2006.

[4] Clark and Dolan, 2021; Kaya et al., 2021; Qian et al., 2023; Zeitz, 2021.

[5] Qian et al., 2023; Zeitz, 2021.

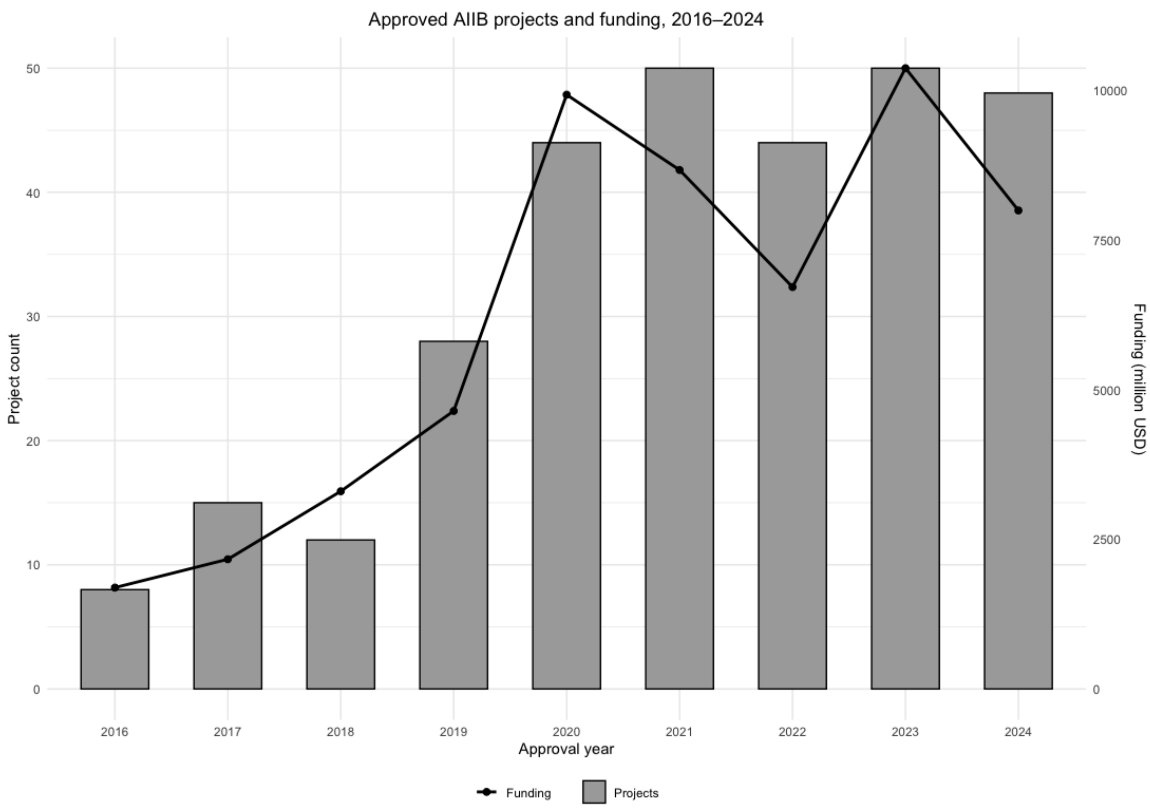

Figure 1: Approved AIIB projects and funding, 2016-2024. Source: Asian Infrastructural Investment Bank (2025). The data will be updated for projects approved in 2025.

We argue that rising powers can leverage their newly created IOs strategically to challenge the *institutions* where the hegemon yields its power. This strategy of competitive multilateralism can not only help challenge established international order and institutional status quo,[6] but also compete for global influence with important states. Past work has proposed that China may want to compensate its weak bilateral ties through IOs via remedial multilateralism.[7] However, strengthening bilateral ties may not be the priority goal for China's IOs as it can be done through other tools such as bilateral financing and diplomacy. A more important goal for China's new IOs could be to leverage its IOs to entice powerful countries close to the U.S.-led institutions and thereby expanding its global influence. Thus, the AIIB has strong incentives to finance countries that have previously benefited from WB financing and those that hold decision-making power in the WB. In other words, the emergence of the Chinese-led IOs creates *overlapping* beneficiary constituencies rather than a clean divide between U.S. and China blocs.

To test the arguments, we examine all AIIB-approved projects so far. For each project, we code the recipient country, financing amount, and the educational and professional backgrounds of the AIIB project managers. We analyze which country-level characteristics are associated with a higher likelihood of receiving an AIIB project as well as being assigned with experienced project managers in a given year.

Importantly, we leverage an institutional design feature of the World Bank, which rotates its Executive Board directors. We test whether World Bank members with more decision-making power are prioritized in AIIB project allocation, suggesting that the competing IO is more likely to approve financing for states at the center of the established development institutions. This test also addresses a powerful alternative explanation, whereby the demand for development finance from certain states is creating the overlapping constituents between the WB and the AIIB, rather than strategic allocation by the competing institution.

[6] Morse and Keohane, 2014.
[7] Kaya et al., 2021.

Across both panel regression analyses and an instrumental variable approach, our results show that countries receiving more WB financing and holding WB board memberships are significantly more likely to obtain AIIB projects and to be assigned project managers with prior professional experience in Western international organizations. Furthermore, we do not find support for the alternative demand-side explanation, nor that the AIIB would copy WB lending for informational emulation purposes. Contrary to existing findings that countries economically distant to China receive more projects under remedial multilateralism,[8] we find that country's bilateral relations with China do not affect AIIB lending decisions when its relations with the U.S. and the WB are taken into account. The Chinese-led IO is specifically targeting countries that are important clients and decision-makers of the Western institution.

This study makes three contributions to the literatures of IOs, development financing, and global power dynamics. First, it demonstrates that rising powers use multilateralism and IOs in ways that differ from the hegemon. Four decades worth of scholarship on international institutions have generated valuable insights into how powerful states – especially the U.S. – design and leverage major IOs to reward its allies. With the rise of China and regional powers such as Russia and Saudi Arabia, scholars have shown growing interest in whether (and how) revisionist powers leverage institutionalized multilateralism.[9] This study advances that literature by demonstrating not only that the AIIB allocates resources strategically, but also how it does so. Just as traditional donors react to the emergence of the AIIB,[10] the AIIB likewise conditions its lending on countries' existing relations with the traditional donors. Specifically, the AIIB targets states that are closely integrated into WB lending networks and influential actors within the bank. For a rising power seeking to expand its alliance networks, building legitimacy and cultivating support for its global leadership may matter more than rewarding existing allies. This strategic overlap may

[8] Kaya et al., 2021.
[9] Carnegie, 2024; Davis, 2023; Kaya and Woo, 2022; Kaya et al., 2021.
[10] Qian et al., 2023; Zeitz, 2021.

undermine the existing hegemon's ability to lock-in loyalty.

Second, this study contributes to the development financing literature by providing an original dataset on the AIIB lending details, including project managers' professional and educational backgrounds. Prior studies have examined either a small number of observations,[11] or China's lending on Africa,[12] making it difficult to analyze trends over time across regions. By providing a larger sample with a global coverage, we attempt to discover more generalizable dynamics around China's use of its development financing institution. Moreover, growing literature emphasizes the influence of individuals in IOs with a focus on western financial IOs.[13] Our original data on AIIB project leaders provides new insights on the type of individuals that work in China-led IOs and how the IO strategically assigns their human resources. To our knowledge, the dataset is the most extensive data on AIIB lending and AIIB project leaders.

Finally, we contribute to the study of how rising powers expand their power and legitimacy via IOs. Legitimacy is vital for actors that seek to challenge a dominant international order and its institutions through competitive regime creation.[14] For rising powers, endorsement and participation by a range of states in their new IOs help foster the IOs' legitimacy by boosting perceptions of normative backing. The positive impact on expanding global influence and legitimacy is stronger if endorsements come from states at the core of the dominant order. This suggests that rising power will target the exact group of states that the hegemon has provided benefits to. Consequently, the behavior of new IOs by rising powers appears consistent with that of existing institutions, creating *competitive overlap* rather than fragmentation.

[11] Kaya and Woo, 2022; Kaya et al., 2021.
[12] Dreher et al., 2018; Humphrey and Michaelowa, 2019.
[13] Clark and Dolan, 2021; Clark and Zucker, 2024; Clark et al., 2025.
[14] Morse and Keohane, 2014.

2 Competition in multilateral lending

The emergence of China as a new global creditor in development finance has affected the practices of the so-called "traditional lenders" – developed countries and their multilateral institutions that have dominated development financing until the turn of the century.[15] Established institutions respond strategically, especially when China competes directly with traditional lenders in areas such as infrastructure. After the AIIB began operations, the WB temporarily reduced lending to its founding members, as an expression of disappointment and punishment for joining a rival institution.[16] The WB has also emulated China by expanding its own infrastructure lending to preserve its share of the global development finance regime.[17] Together, these patterns suggest that the WB and the AIIB compete for policy influence and institutional relevance in recipient countries.[18]

Yet, much less attention has been paid to whether Chinese-led institutions themselves act strategically, and if so, in what ways. Although China emphasizes South-South cooperation and "win-win" rhetoric in development aid,[19] and challenges the established wisdom that financial aid has to be accompanied with policy reforms to be effective, Chinese development finance has been criticized of commercial opportunism: seeking access to natural resources and exclusive opportunities for Chinese firms at the expense of developmental priorities or required reforms by traditional donors.[20] This paper addresses a gap by examining whether AIIB financing serves political as well as commercial goals. It situates the AIIB within the framework of competitive regime creation through which states challenge established institutions and the powers that benefit from the status quo by creating international

[15] Zeitz, 2024.

[16] Qian et al., 2023.

[17] Zeitz, 2021.

[18] Some have found little impact on the bargaining power on such traditional lenders from allegedly increased competition (Humphrey and Michaelowa, 2019). Despite the emergence of Chinese lending as an alternative, the role of traditional development aid continues to be important for the governments in Africa (Swedlund, 2017).

[19] Brazys and Vadlamannati, 2021.

[20] Bräutigam, 2011; Brazys and Vadlamannati, 2021.

organizations with overlapping mandates and constituents.[21]

Long-standing findings indicate that the U.S. engages in "global horse trading" by promoting easier access to IMF loans,[22] Asian Development Bank funds,[23] and WB lending,[24] to reward diplomatic partners and to extract foreign policy benefits. Although early studies found little evidence that Chinese aid would be any more politically motivated than Western aid,[25] improved data quality on Chinese aid flows has enabled further investigation of such hypotheses. Once Chinese overseas development assistance (ODA) is separated from more commercially-oriented capital flows, foreign policy considerations explain Chinese ODA just as they have been found to explain US aid.[26] A recent study also confirms that China is using development finance to gain influence in regional international organizations.[27] China is therefore unlikely immune to opportunities to leverage its economic power for political gain.

Even if political considerations are likely at play, there are possible differences in how the U.S. and China use IOs. As a rising power, China needs to gather supporters and boost legitimacy for its multilateral initiatives. Rather than rewarding allies and important partners, China tries to attract (new) supporters for its economic orbit, especially among states vulnerable to economic instability and social unrest.[28] Callahan (2016) shows how China employs new institution (AIIB), along with new ideas and policies, to weave countries into a Sino-centric network of economic, political, and cultural relations to promote China's vision of global governance. While the U.S. as the hegemon can use existing institutions to reward its allies and reap political benefits, China – a challenger – therefore, may rather use IOs to *expand* its supporters: early studies of the AIIB's first three years of operations

[21] Morse and Keohane, 2014.
[22] Dreher et al., 2009.
[23] Kilby, 2006.
[24] Andersen et al., 2006; Clark and Dolan, 2021.
[25] Dreher and Fuchs, 2015.
[26] Dreher et al., 2018.
[27] Chen, 2025.
[28] Broz et al., 2020; Kaya et al., 2021.

suggest that countries lacking close economic ties to China were more likely to receive AIIB financing,[29] and states politically distant from China a priori received more generous AIIB quota shares.[30] These findings indicate that China uses the AIIB to extend its network of supporters, encroaching upon the established hegemon's domain of influence.

3 AIIB funding as a strategic tool

We start by examining the AIIB project allocation process and the approved funding to date. Then, we theorize how China as a rising power can yield its influence on AIIB lending to poach key countries in the sphere of influence of the WB.

3.1 Who receives AIIB funding?

Between 2016 and 2024, the AIIB has steadily increased its allocated financing (Figure 1). Because of its regional focus, the AIIB is the most active in East and South Asia. Projects are also increasingly approved in Central Asia, Eastern Europe, North Africa, and Latin America, making it a truly global development bank (Figure 2). Notably, India has received the largest amount of AIIB funding both in terms of the number of projects and the amount of financing, while the third largest recipient is Türkiye (Figure 3). Both India and Türkiye have long been considered U.S. allies, providing suggestive evidence that countries closest to China do not receive the most AIIB projects. China is itself receiving a lot of financing, suggesting it is successfully using the Bank for cost-sharing in its ambitious domestic development projects.

Not all AIIB project funding is allocated to governments. The so-called non-sovereign financing projects provide financing to private enterprises or state-owned enterprises that are not guaranteed by a member state. For example, the project on SUSI Asia Energy

[29] Kaya et al., 2021.
[30] Kaya and Woo, 2022.

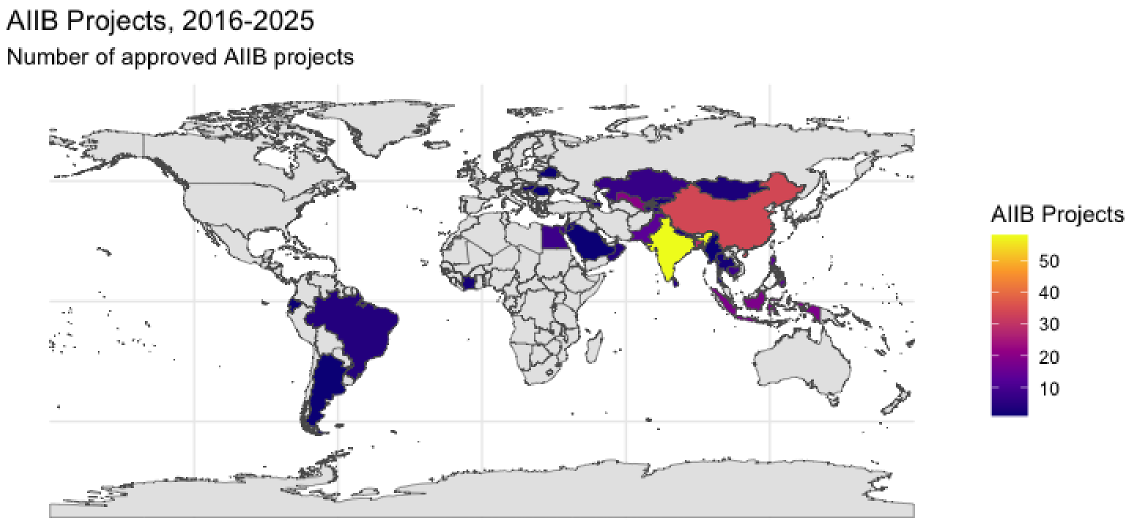

Figure 2: The geographical spread of AIIB projects, 2016-2025

Transition Fund allocated $100 million to the private equity fund to mobilize private capital investments into the energy sectors in 2019 without a member state guarantor (AIIB, n.d.). The non-sovereign financing projects constitute a proportion of projects recorded as "multicountry" in Figure 3.

The AIIB's lending process reveals considerable scope for informal screening and influence. It involves four steps: first, clients (member governments, their agencies, or private sector actors) propose a project idea, which the AIIB evaluates. Only projects that meet initial criteria proceed to further discussion. Second, the prospective borrower submits documentation pertaining to the proposed project. At this stage, the AIIB may dispatch its

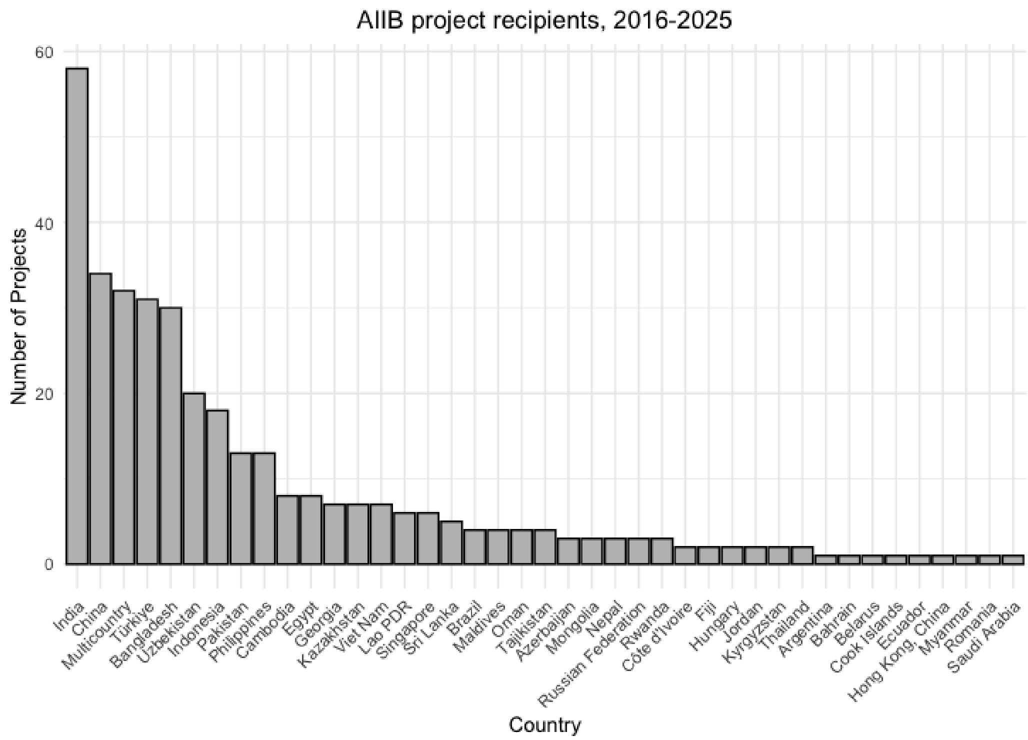

Figure 3: AIIB Project recipients, 2016-2025

team for a site visit to further assess needs and potential impacts. Third, if the proposed project passes the staff checks after successful review of the initial document, AIIB staff collaborates with the borrower to design a full project document outlining objectives, components, financing plan, implementation arrangements, risks, and covenants. This results in a draft loan agreement for internal reviews. Finally, AIIB staff submits the loan agreement to its Board of Directors for approval, after which the loan becomes effective (Figure 4).

Staff discretion and political intervention are most likely in the first two stages of project assessment. The AIIB Board has never declined a proposal, and all approvals to date have been unanimous. Projects therefore undergo extensive internal screening and due diligence before reaching the Board. Withdrawals typically occur before Board review. For example, the proposed Amaravati capital city project in India was withdrawn before reaching the Board. The project was initially structured as a co-financed operation between the WB ($300 million) and the AIIB ($200 million), and when the Indian government withdrew its request for WB financing, the AIIB withdrew from the project as well. Likewise, following Russia's invasion of Ukraine in 2022, a policy decision placed all project proposals in Russia and Belarus on hold, which was a notable move for an institution in which Russia, a founding member, holds about 6% of voting shares. This episode shows that political discretion exists prior to Board approval and further implies that AIIB decisions can respond to geopolitical context, not just economic or technical considerations. Moreover, despite being a China-led institution, the AIIB prioritized reputational and legitimacy concerns within the global financial community over political alignment with Moscow.

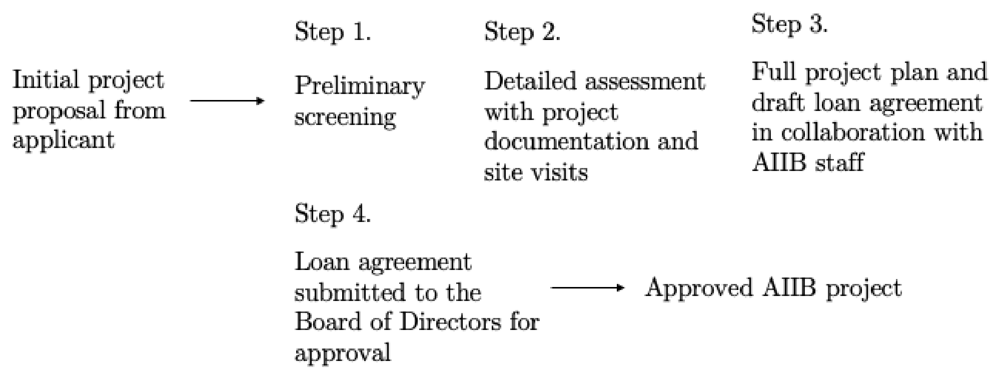

Figure 4: Process of AIIB project approvals

The AIIB employs a professional secretariat that, although based in Beijing, comprises staff from a range of nationalities and backgrounds. The key bureaucrats tasked with implementation are the project leaders, who like WB project leaders, get sent to borrower countries to manage and supervise projects. A project may have more than one leader: 234 of 354 projects (66%) have a single leader, while the rest (34%) have two to five leaders. Project leaders come from a diverse set of countries, with Indians constituting the largest group, followed by Chinese, Spanish, and South Korean nationals. Among the 354 AIIB projects in our sample, 21% have at least one Indian project leader, 15% include at least one Chinese leader, and 9% and 8% have at least one Korean and Spanish leader, respectively.[31]

[31] A breakdown of project leaders by nationality is shown in Appendix Figure 8.

Although bureaucrats can exercise some discretion in project implementation, their allocation can be a strategic, institution-level decision. For example, more important clients may be assigned more experienced project team leaders to bolster competence perceptions and ensure higher chances of project success.[32] Figure 5 shows the breakdown of AIIB project leaders by prior experience in western international organizations, indicating that a majority of them have prior experience in western international organizations, most notably the WB.

Figure 5: AIIB project team leaders with western IO experience

3.2 Targeting influential World Bank clients

As a rising power, China has incentives to leverage its power as the main shareholder of the AIIB for expanding its global influence. Rising powers can attempt to provide financial benefits to states that are more economically dependent on the dominant power and its

[32]Clark et al., 2025.

international institutions. Because being closely associated to a rising, rival power is more costly for these distant states than those that are already aligned with them, the rising power needs to provide bigger incentives, including generous voting shares.[33] Providing generous development financing, which will boost economic growth at least in short-term, is an attractive strategy to expand a supporter group.[34]

Moreover, providing development financing can provide a powerful tool to decrease the influence of the established lenders. Borrower countries can absorb only a finite amount of development financing and have limited capacity to carry out negotiations with multiple different lenders simultaneously.[35] Thus, when the AIIB gives loans to a country, the alternative financing reduces traditional donors' influence on the host country. In turn, this helps the rising power achieve the goal of expanding its influence and supportive networks.

For a rising power, relative gains considerations are more important than absolute gains.[36] Considering the finite number of valuable state-allies in the international system, winning over the hegemon's allies is seen as more valuable for a rising power than courting neutral states. Beijing's steadily improving relations with India are case in point. When the U.S. President Trump imposed 50% sanctions on India on August 27, 2025, the relationship between the world's two largest democracies became more strained than it has been for two decades, during which Washington has carefully built its relationship with the emerging economy.[37] The main beneficiary of the diplomatic drift is China, who has through its development financing and diplomatic efforts made itself an attractive alternative partner. China quickly criticized the U.S. actions as "unfair, unreasonable,"[38] and resumed supply of critical commodities such as fertilizers, rare earth magnets, and tunnel boring machines to India with a Chinese Foreign Minister Wang Yi's visit to New Delhi.

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[33] Kaya et al., 2021.
[34] Dreher et al., 2021.
[35] Zeitz, 2021, 2024.
[36] Armijo and Echeverri-Gent, 2014.
[37] Vats, 2025.
[38] *The Times of India.* September 9, 2025. "'the US has long benefited from free trade: Chinese envoy slams 50% tariffs on India, calls them 'unfair, unreasonable."'

Countries with strong ties to established financing institutions such as the WB are more costly for China to persuade of the benefits of its institutional initiatives, raising the question of why pursuing such a strategy would be optimal. China, however, can gain legitimacy by channeling multilateral development finance to countries that already receive WB funding. Accusations of political bias in development aid undermine the legitimacy of both the donor and the institution, reducing public support for their projects more broadly. Thus, a less conspicuous way for a rising power to expand its influence is to poach key clients of established institutions rather than reward its existing allies.

Finally, forming new alliances is especially valuable for China when these partners hold influence within existing institutions. The formal or informal institutional power of allies within the WB helps China shape policy and decision-making within the organization, potentially alleviating its long-standing grievances over limited influence in established financial institutions.[39]

There may also be alternative explanations for the emergence of overlapping recipients of funding from the two multilateral institutions. The first alternative explanation concerns the demand-side explanation for development finance. The same countries that seek infrastructural financing from the WB may simply be in need for financing their development projects, and be accustomed to pitching effective project proposals to development institutions. Just like states with prior experiences in international institutions are more likely to use them again,[40] the same countries that successfully secure WB funding may also be more likely to seek and successfully obtain similar financing from the AIIB.

Second, even if the supply-side explanation and motivations of the AIIB are at play, practical benefits rather than political motivations could drive the AIIB to emulate the WB in its lending decisions. WB projects have already undergone extensive due diligence. Thus, by following WB lending, the AIIB gets to target credible borrowers with high lev-

[39] Breslin, 2010; Callahan, 2016; Vestergaard and Wade, 2013.
[40] Davis and Bermeo, 2009.

els of project feasibility. Emulating WB decisions may therefore offer informational and operational advantages, allowing the AIIB to reduce risk without necessarily pursuing political goals. Moreover, by piggybacking on WB financing decisions, the AIIB can signal technocratic credibility: because the WB is widely regarded as a professional lender with decades of experience in development finance, its project choices carry a reputational halo. When the AIIB channels resources to the same countries already prioritized by the WB, it can present its lending not as politically motivated but as consistent with established international standards of sound judgment.

In sum, the AIIB's project allocation may reflect distinct logics. A strategic political logic implies that the AIIB seeks to expand China's influence and legitimacy by targeting key clients of the World Bank and other established lenders, particularly influential members within those institutions. In contrast, a pragmatic informational logic suggests that the AIIB emulates WB lending patterns to manage risk and enhance its credibility as a competent multilateral lender. The demand-side explanation further suggests that it is the borrowers and their need for finance that is driving the association. These mechanisms generate distinct observable implications, which we evaluate empirically in the next section.

4 Empirical strategy

We construct a new dataset of 326 AIIB projects approved between the first project in June 2016 and May 2025.[41] First, we analyze the allocation of AIIB programs using ordinary least square (OLS) regressions and two-stage-least-square (2SLS) regressions with instrumental variables, examining each in turn to confirm that the AIIB projects target past recipients of WB financing. Second, we turn to mechanism tests by leveraging datasets on WB executive board membership and AIIB project leaders' professional backgrounds among others.

[41] See the AIIB Project list at https://www.aiib.org/en/projects/list/index.html.

4.1 Panel data analysis of AIIB funding

To estimate the likelihood of receiving an AIIB project, we create a relevant population by including all AIIB member states while excluding high-income countries and China. Our sample is an unbalanced panel, as countries joined the AIIB at different times and thus enter the dataset at varying points. The resulting dataset includes 62 countries and a total of 508 observations.

The dependent variable is a binary variable, *Any AIIB project*, which takes 1 if a country received any AIIB projects in a given year, and 0 otherwise.[42] For explanatory variables, we operationalize a country's relations with the existing institution by measuring the WB's financial commitments to the country in the previous year. Figure 6 shows the scatterplot between WB financing and AIIB financing, suggesting a positive correlation.

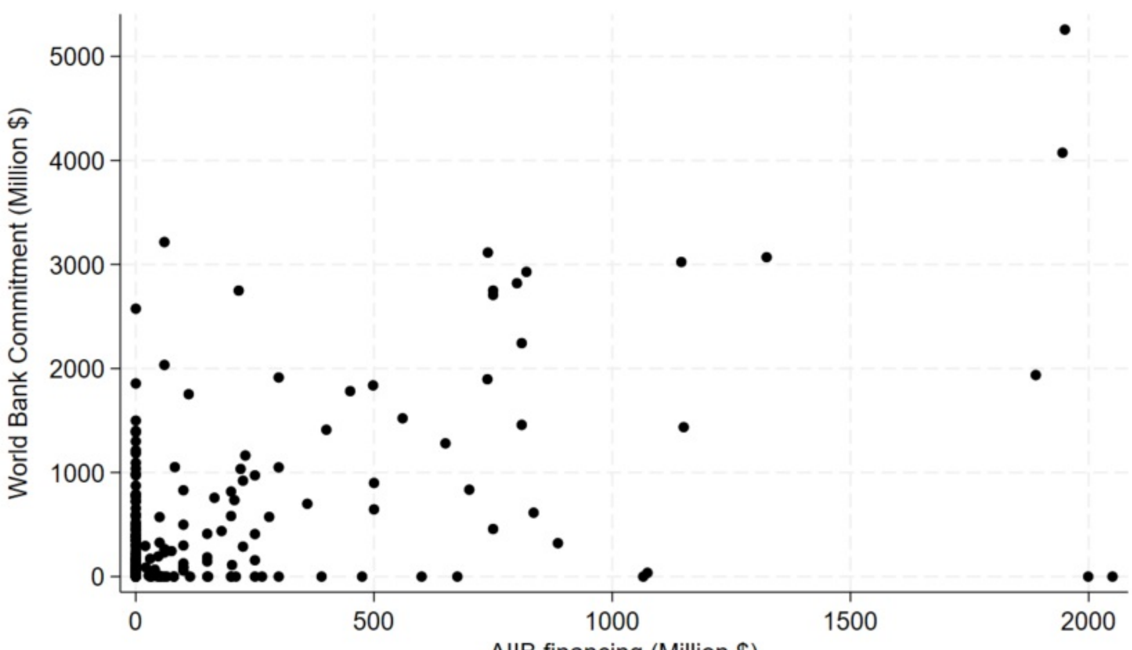

Figure 6: AIIB and World Bank Financing

Our argument further suggests that a country's relationship with the WB is more con-

[42]We also operationalize the dependent variable by counting the number of AIIB projects and the total AIIB financing in a given year. The results are substantively the same.

sequential than its bilateral ties with China. We include a country's voting alignment with China at the UN General Assembly and its trade volume with China (% GDP) in the previous year to account for such bilateral relations. We also include whether a country is a member of Belt and Road Initiative (BRI). Given that BRI members have explicitly sided along with China in global order,[43] our theoretical framework expects that the AIIB does not have strong incentives to provide more projects to them.

We control for the economic and political variables that could confound the relationship between key variables. First, we control for a country's bilateral relations with the U.S. As the WB is under American leadership and influence, a country's bilateral relations with the U.S. may affect both the WB and AIIB lending decisions.[44] To measure a country's diplomatic proximity to the U.S., we include its voting alignment with the U.S. at the UN General Assembly,[45] and the (log) U.S. foreign aid received. While UNGA voting alignment indicates how supportive it is toward the U.S., the amount of U.S. foreign aid measures how important the country is from the perspective of the U.S. We also add a country's trade volume with the U.S. (% GDP) to measure its economic dependence toward the U.S. Second, we add *(log) GDP* and *GDP growth rates* to account for the possibility that countries may have different ties with international institutions depending on their economic development stages. Third, we control for a country's *level of democracy* by adding V-Dem index because the WB and AIIB may change their lending behavior based on regime type. Lastly, countries with good governance and high quality institutions may have advantages in securing financing from foreign actors in general such that they may be more likely to receive projects from both the AIIB and the WB.[46] To account for this, we add *GDP per capita* with the idea that more developed (and thus more capable) recipients receive more loans from foreign actors.[47] All controls and explanatory variables are lagged

[43] Broz et al., 2020.
[44] Clark and Dolan, 2021.
[45] Bailey et al., 2017.
[46] Winters, 2010.
[47] As an alternative measure of governance quality, we use *quality of governance* from the Inter-

by one year to account for reverse causality.

We add a binary indicator for India as the AIIB has disproportionately provided large projects to India (see Figure 3). Additionally, we control for founding members of the AIIB.[48]

4.1.1 Results

Table 1 presents the results from probit models. Model 1 examines the effects of WB financing without any controls, while model 2 adds controls for economic and political factors and bilateral ties with the U.S. Model 3 replaces the U.S. bilateral factors with China's bilateral factors. Model 4 combines factors from both the U.S. and China as well as other controls.

Overall, we find strong and consistent evidence in support of our expectations. Countries receiving larger WB financing are more likely to receive AIIB projects in the following year. This result remains robust across different model specifications. The coefficients for U.S. foreign aid, voting dissimilarity with the U.S. and trade with the U.S. are, however, weak, suggesting that the AIIB prioritizes American *institution's* beneficiaries over those with strong bilateral ties with the U.S.

None of the measures of China's bilateral relations – voting dissimilarity with China at the UNGA, trade volume with China and BRI membership – are associated with AIIB projects (Models 3 and 4). These results highlight that the AIIB does not privilege China's economic or political allies. Moreover, these results challenge the remedial multilateralism framework by highlighting that the AIIB does *not* compensate a country's weak bilateral ties with China.

Other economic and political controls generally show expected signs. The AIIB is more

national Country Risk Guide dataset. The sample size greatly reduces due to missingness in *quality of governance* data, but the main findings remain robust. We also impute missing values for *quality of governance*, run the analysis on the full sample, and the findings remain the same.

[48] Qian et al., 2023.

Table 1: WB financing and AIIB projects

	(1)	(2)	(3)	(4)
(log) WB financing	0.0367***	0.0519***	0.0585***	0.0500***
	(0.00704)	(0.0127)	(0.0119)	(0.0127)
Voting dissimilarity (US)		-0.0992		-0.0490
		(0.182)		(0.193)
(log) US foreign aid		0.115		0.120
		(0.0732)		(0.0751)
(log) Trade with US (% GDP)		0.653		0.777
		(1.608)		(1.988)
Voting dissimilarity (China)			0.146	0.155
			(0.219)	(0.233)
(log) Trade with China (% GDP)			0.0793	-0.203
			(0.857)	(1.087)
BRI membership			0.312	0.324
			(0.236)	(0.237)
GDP growth rate		0.00852	0.00722	0.00635
		(0.0194)	(0.0195)	(0.0196)
(log) GDP		0.0714	0.119*	0.0698
		(0.0663)	(0.0619)	(0.0702)
(log) GDP per capita		0.258*	0.114	0.257
		(0.154)	(0.108)	(0.157)
Level of democracy		-0.457	-0.292	-0.443
		(0.513)	(0.488)	(0.527)
India		0.977	1.087*	1.298*
		(0.644)	(0.657)	(0.687)
Founding members		0.985***	1.006***	1.006***
		(0.232)	(0.237)	(0.244)
_cons	-1.072***	-6.145***	-6.471***	-6.591***
	(0.111)	(1.708)	(1.493)	(1.800)
N	424	353	350	350

Note: Standard errors in parenthesis. All explanatory variables except India and Founding members are lagged by one year. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

likely to approve projects in larger economies, likely to strengthen its influence over key players in the global economy. Countries with higher GDP per capita are also more likely to receive AIIB projects, suggesting that states with stronger institutions and bureaucratic capacity attract more lending. Once GDP and GDP per capita are controlled, the level of democracy has no significant effect, consistent with the AIIB's stated principles of non-interference and respect for sovereignty. Finally, founding member states, especially India, are much more likely to receive AIIB projects than non-founding members.

We conduct a series of robustness checks to increase confidence in our results. First, we use alternative measures of AIIB and WB lending. We replace the binary dependent variable with either (i) the total number of AIIB projects or (ii) (log) total AIIB financing a country receives in a given year (see Models 1–2 in Table 3 in the Appendix). Additionally, we measure WB engagement using the total number of WB projects instead of total financing (Model 3 in Table 3). Across different specifications, the main results remain strong and substantively the same.

We also test whether our results might be driven by the WB following AIIB lending rather than the reverse. We regress WB lending on lagged AIIB lending and find no evidence that AIIB allocations predict subsequent WB lending. In contrast, when we regress AIIB lending on lagged WB lending, we find that WB loans from one, two, or three years prior continue to significantly predict AIIB lending. These results increase confidence that the observed relationship is driven by the AIIB's response to WB activities, rather than the reverse. Finally, we include a binary indicator of Covid pandemic years (2020-2022) and confirm that our results remain robust.

4.2 Two-stage-least-square models

Given the strong evidence of correlation between lagged WB financing and AIIB projects, this section attempts to tease out the causal effect by using two-stage-least-square (2SLS) models with an instrumental variable. The 2SLS approach consists of two stages: first, we instrument WB financing with an instrumental variable, and in the second stage, we regress AIIB financing on the instrumented WB financing.

We propose the following compound instrument variable: *(log) a country's cumulative average of WB financing at year t X WB liquidity.* The instrument variable mirrors a widely used approach in the literature that examines the effects of foreign aid and International Monetary Fund (IMF) programs.[49] We calculate a (log) country's cumulative average of WB financing between 2000 and year *t*. We interact it with the WB's % of target liquidity level for a given year. Consequently, the compound instrumental variable changes by country and by year.

Causal inference using the instrumental variable relies on the assumption that, conditional on the controls, the interaction between *(log) a country's cumulative average of WB financing at t* and *WB liquidity* only affects AIIB financing through the provision of WB financing. We suggest that the instrument variable is valid in this study for two reasons. First, the compound instrumental variable is a good predictor of WB financing. Prior studies find that the WB rewards well-governed countries with increased lending.[50] When such structural factors shape WB lending, it is reasonable to expect that countries receiving substantial WB financing in one period will continue to do so in subsequent periods. Moreover, the WB follows an institutional liquidity guideline to ensure it maintains enough liquidity to cover lending obligations for 12 months. The International Bank for Reconstruction and Development targets liquidity levels between 80% and 150% of obligations. Thus, when the Bank faces tight liquidity, its financing is likely to decrease. Just like the IMF prioritizes its frequent clients when it has tight liquidity,[51] we expect a country's past records of WB financing and Bank's liquidity jointly affects the Bank's financing for a member state.

In a second reason of validity, the compound instrument is likely to satisfy the exclusion

[49]Lang, 2021; Nunn and Qian, 2014; Shim, 2022.
[50]Winters, 2010.
[51]Lang, 2021.

criterion, although it cannot be empirically tested. The WB liquidity target is reviewed and determined by the Board of Executive Directors as part of the financial sustainability framework. It is highly unlikely that the WB's past institutional decision affects the AIIB's current financing for an individual country. Moreover, the key feature of this approach is that only the isolated interaction effect is used as a source of exogenous variation. Both stages control for constituent terms of the interacted instrumental variable. Thus, even if there was endogeneity between WB liquidity and AIIB financing, the exclusion restriction would only be violated if the variables causing this endogeneity are affecting AIIB financing differently depending on past WB financing. As our goal is to tease out the causal effect of WB financing, we include only the controls that could theoretically confound the relations between WB financing and AIIB financing in our 2SLS models.

4.2.1 Results

Table 2 presents the results from both stages and confirms that WB financing has strong causal effects on AIIB financing. The first stage results (model 1) reassure that the instrument variable achieves high statistical significance with F-statistics of 47, well above 10 – a common threshold for detecting weak instruments. The second stage results (model 2) demonstrate that one unit increase in (log) WB financing leads to a 11% higher probability of receiving an AIIB project, and the effect is statistically significant at the 1% level. Controls mostly show the expected results: relatively more developed economies and states with high growth rates are associated with higher probability of attracting AIIB projects, suggesting that the AIIB takes into account borrower credibility and project feasibility. Once WB loans are instrumented, level of democracy is negatively linked to AIIB projects. Altogether, the result provides strong evidence that the AIIB is strategically responding to WB lending.

Table 2: 2SLS results on the effects of WB financing

	(1) First stage DV: (log) WB financing	(2) Second stage DV: AIIB project (binary)
(log) WB financing		0.105***
		(0.0122)
(log) cum. avg of WB financing	24.20***	0.0306*
	(3.272)	(0.0184)
WB liquidity	0.0987***	-0.00884***
	(0.0238)	(0.00342)
(log) cum. avg of WB financing X WB liquidity	-21.30***	
	(2.923)	
GDP growth rate	0.108	0.0338*
	(0.108)	(0.0186)
(log) GDP	-1.121***	-0.00251
	(0.350)	(0.0538)
(log) GDP per capita	-2.246***	0.540***
	(0.603)	(0.118)
Voting dissimilarity (US)	0.869	-0.232
	(0.945)	(0.162)
(log) Trade with US (% GDP)	-7.467	2.306
	(8.430)	(1.490)
Level of democracy	3.962	-1.290***
	(2.838)	(0.432)
Founding member state	1.884*	0.642***
	(1.029)	(0.243)
_cons	82.67***	-5.074***
	(11.54)	(1.479)
N	345	345

Note: All explanatory variables are lagged by one year. Standard errors in parentheses. *p<0.1, **p<0.05, ***p<0.01.

4.3 Mechanism tests

How could we explain why the AIIB follows WB financing? We have reviewed three plausible mechanisms: (i) the AIIB strategically poaches WB clients for political purposes; (ii) it is the borrowers that are seeking financing from both institutions simultaneously; or (iii) the AIIB mimics the WB's lending behavior for informational and practical reasons. Although it is difficult to identify an institution's genuine motivations, each mechanism generates distinctive observable implications that allow us to explore these possibilities empirically. This section presents several tests designed to distinguish between the mechanisms and provides suggestive evidence that aligns more closely with the client-poaching interpretation than with the informational or demand-side explanations.

First, if the AIIB follows WB lending to expand its influence in development finance, the AIIB should be more likely to lend to countries that serve important roles at the WB because having leverage on these countries could help steer WB decisions in favor of China or the AIIB. In contrast, if the AIIB follows WB lending for informational purposes, a country's role within the WB should not affect AIIB lending, controlling for the Bank's lending to the country. Furthermore, if the demand-side explanation is at play, we also would not expect these countries to become any more likely to seek or secure AIIB financing just because they become more powerful within the WB.

To test this expectation, we leverage the Executive Board directorship at the WB, which is in charge of the Bank's routine operations and handles key day-to-day decisions, including lending.[52] With 5 permanent directors from advanced economies,[53] 20 directors from middle- and low-income countries serve two-year terms. Directors are typically elected to represent a bloc of countries, with each country casting all of its votes for one candidate. Additional election rules by the Board of Governors ensure geographic diversity. Although

[52]Kaja and Werker, 2010.

[53]The five permanent Executive Director positions are held by the Bank's largest shareholders: the U.S., Japan, China, the U.K., and Germany.

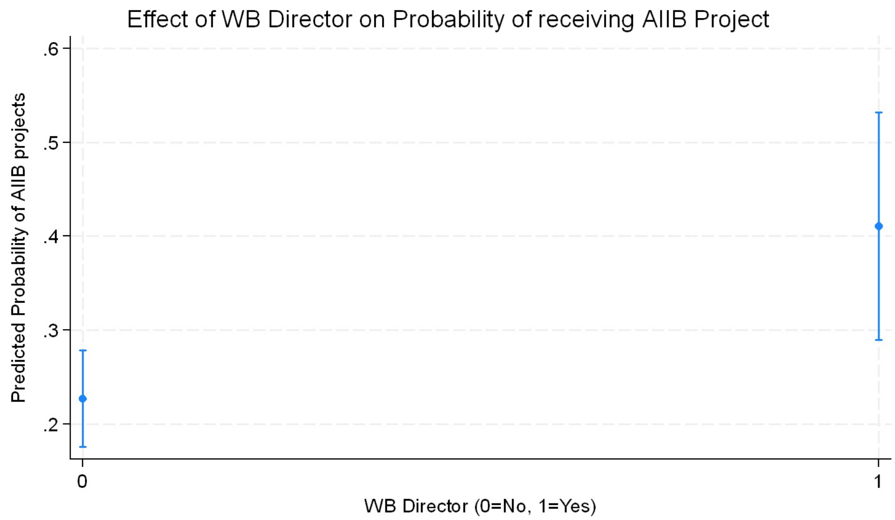

Figure 7: The effect of WB executive board directorship on receiving AIIB projects

few written accounts describe how board positions operate internally, conversations with former directors indicate that each seat functions differently, including in how directors are selected and how rotation occurs, and most groups work around preset rules.[54] We therefore treat changes in board directorship as a semi-random shock that alters a country's "importance" within the Bank but that is not related to a country's current financing needs. Prior research shows that developing countries holding a board seat receive more WB financing than those that do not,[55] so we control for WB financing in our analysis.

Analyzing the effects of WB board membership, we find that countries are significantly more likely to receive AIIB financing when they hold a seat at the WB board, even after controlling for the country's political and economic characteristics including WB financing (See Figure 7). We also find a significant interaction between WB financing and WB Executive Director seats, indicating that the AIIB's tendency to fund WB clients is stronger when those countries hold influence within the WB (See models 1 and 2 in Table 4).

Moreover, if the AIIB follows WB lending to poach clients, it should have incentives

[54] Cited in Kaja and Werker, 2010. See Section "Decisionmaking at the World Bank" in Kaja and Werker, 2010 for detailed discussion.

[55] Kaja and Werker, 2010.

to assign its more experienced project leaders to WB client countries in order to signal to these important partners that it is as capable as the WB. In contrast, if the AIIB follows WB lending primarily for informational reasons, we would not expect strategic allocation of its project leaders. To test these expectations, we systematically coded the professional backgrounds of all AIIB project leaders using their publicly available LinkedIn profiles. As some AIIB projects have more than a single leader, our sample of 354 projects include 396 individual leaders. We classified a project leader as experienced if they previously worked at western international organizations – most commonly, the WB – and coded the total number of western experienced leaders for a given country-year. Former WB staff are particularly well positioned to win over WB's own clients because they understand the strengths and constraints of WB projects, know a borrower's developmental priorities and needs, and carry professional credibility. Consistent with the client-poaching logic, we find that the AIIB is more likely to assign experienced team leaders to countries with higher levels of WB financing (See Table 5).

One potential alternative explanation for team leader allocation is that the association reflects staff members' cultural or linguistic backgrounds: bureaucrats familiar with Western contexts may be both more likely to have worked in Western IOs and to be posted to countries in Western blocs. If this were the case, we would expect a similar association between Western education or general professional experience and assignment to WB client countries.[56] However, we find no such relationship – only prior work experience in Western *IOs* is strongly associated with assignment to WB clients. Moreover, the AIIB is also less likely to send these western IO-experienced leaders to its founding member states, suggesting that the AIIB is strategically assigning its staff with western IO backgrounds.

In addition, the poaching mechanism further implies that the AIIB follows the WB lending to gain influence over borrowing *governments* rather than seeking 'safe' investment

[56] 88% of the project leaders have previously worked at western organizations, including private companies, and 90% of them earned a bachelor's degree or higher in Europe or North America.

targets or respond to greater demands. This yields an additional expectation: the AIIB should follow WB lending only when the AIIB lends to governments, but not when it lends to private entities. Consistent with the expectations, we find that prior WB lending predicts subsequent AIIB financing only in the case of sovereign (or sub-national) borrowers. In contrast, prior WB lending to a country does not have an effect on the AIIB's non-sovereign projects (See models 3 and 4 in Table 4).

Finally, because all AIIB projects focus on infrastructure, only the WB's infrastructure projects should provide relevant information if the AIIB follows the WB for risk management or informational purposes. However, if the AIIB seeks to capture WB clients, it would not discriminate between infrastructure and non-infrastructure projects; instead, it would inject money to countries receiving huge WB lending regardless of WB project types. Using disaggregated data on WB projects, we find that the AIIB follows *both* infrastructure and non-infrastructure loans from the WB, yielding support for the client-poaching mechanism (See models 1 and 2 in Table 6).

Taken together, these results provide suggestive evidence that the AIIB's lending patterns are shaped less by demands or informational concerns and more by strategic considerations. Rather than merely responding to greater demands or emulating the WB to learn from its expertise, the AIIB appears to align its lending to cultivate influence among key WB clients and signal its credibility as a peer institution.

5 Conclusion

In this paper, we have examined all AIIB projects to date. We find that the past recipients of WB lending and countries holding a rotating Executive Board membership in the Western IO receive more AIIB financing. Moreover, the AIIB tends to assigned experienced project leaders for those states that benefit from WB financing, suggesting strategic project and human resource allocation. Although the new multilateral development bank could simply respond to greater demands or emulate WB's past lending decisions to choose less risky projects, our findings are more in line with a politically motivated allocation logic: China as the rising power seeks to use its IOs to poach important client states of the Western IOs to expand its share of global development finance regime.

The AIIB is quickly increasing its prominence as a serious alternative to infrastructural lending at a time when the U.S. and its allies are re-assessing their priorities regarding international aid and multilateral cooperation in development finance. China as a rising economic power is well positioned to exploit the shift toward national policy priorities in the West. Given the continued urgency for growth and sustainable infrastructural development in much of the world, the AIIB has set the ambitious target of doubling its annual financing to reach $17 billion in 2030.[57] Our findings imply that such expansion of the AIIB could shaken the existing order of development finance.

The rise of the AIIB and other China-led IOs have raised concerns of fragmentation of global governance into rival blocs, dominated by the two largest economies in their regional and diplomatic spheres of influence. This "two worlds" narrative implies the fragmentation of international cooperation in development finance, as competing lenders may undercut each others' policy priorities and tools, such as loan conditionalities. However, our findings suggest that the AIIB has rather reinforced existing lending patterns at least in its first decade, suggesting that the two multilateral development banks are effectively competing for the same desirable clients. Rather than distributing financing to overlooked borrowers or expanding global coverage of aid as claimed by "south-south cooperation" rhetoric, the AIIB continues to provide privileged treatment to recipients already prioritized by dominant institutions. Chinese multilateral lending therefore resembles Western institutions in seeking both development and political benefits – not two worlds in future development finance.

[57] "AIIB Unveils Updated Growth-Focused Strategy to Tackle Global Challenges", 2025.

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Appendix A Appendix

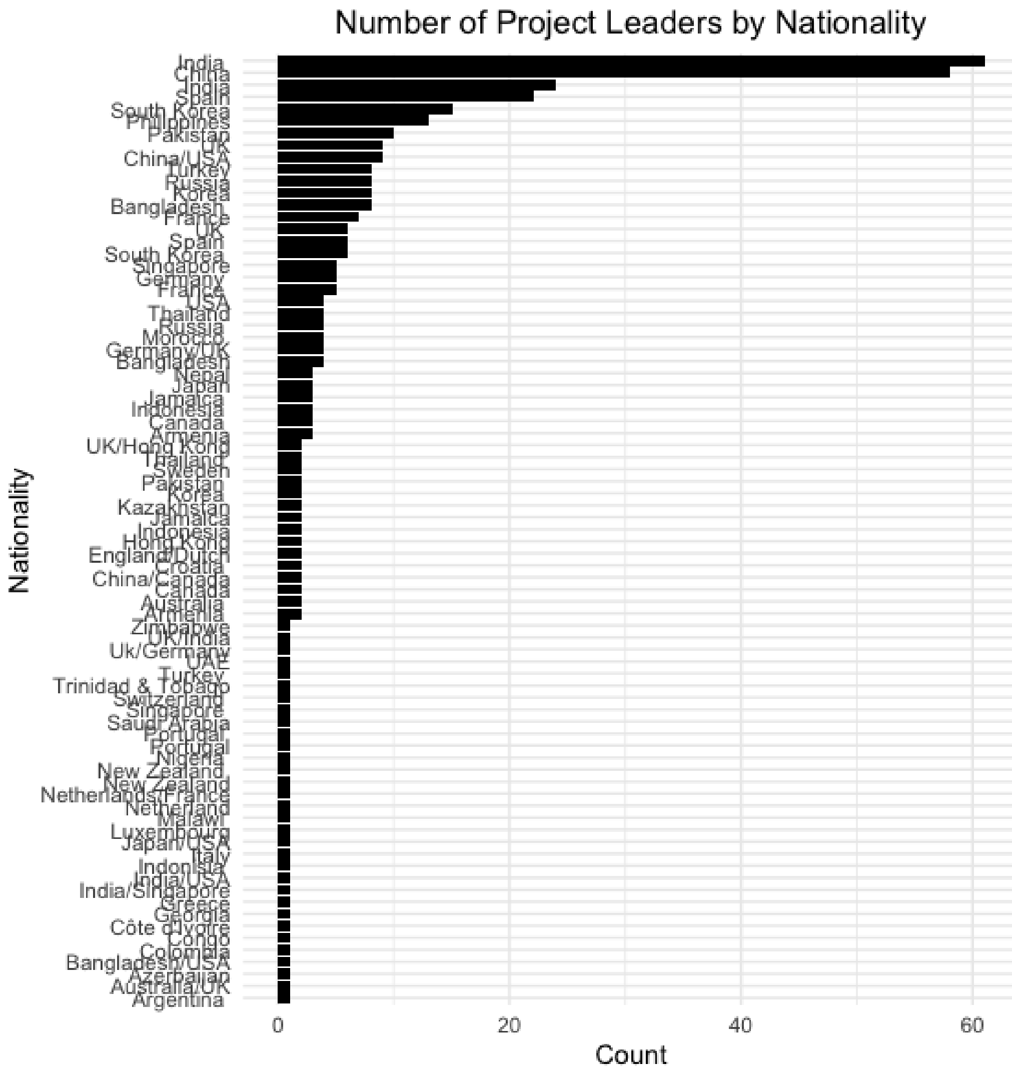

Figure 8: AIIB project team leaders by nationality, 2016-2025

For "nationality", we considered the country where the individual spent most of their childhood and early adulthood in. For instance if someone was ethnically Indian but they had spent their whole life in the U.K. then we consider their nationality U.K. We deduce this through multiple ways: 1) We look at what languages they have listed as 'native or bilingual proficiency' 2) Where their primary education was completed (if listed, if not then their early college education, 3) Where there earlier work experience was, and 4) Name origin.

Sometimes, all of these information would be conflicting in which case we narrow it down to two nationalities and code them side by side, e.g 'China/US.'

Table 3: Robustness checks for main results

	(1) Total project (count)	(2) (log) Total financing (amount)	(3) AIIB project (binary)
(log) World Bank financing	0.0505**	0.0480**	
	(0.0206)	(0.0207)	
Number of WB projects			0.00136***
			(0.000505)
Voting dissimilarity (U.S.)	-0.0459	-0.000286	0.282
	(0.232)	(0.314)	(0.234)
(log) US foreign aid	0.315***	0.432***	0.358***
	(0.108)	(0.116)	(0.0837)
(log) Trade with US (% GDP)	-7.491**	-9.697***	-5.758**
	(3.004)	(3.561)	(2.404)
Voting dissimilarity (China)	0.309	0.631*	0.399
	(0.320)	(0.382)	(0.284)
(log) Trade with China (% GDP)	2.607	1.390	2.031*
	(1.592)	(1.721)	(1.163)
BRI membership	0.486	0.586	0.355
	(0.372)	(0.394)	(0.285)
N	264	264	264

Note: All of the controls are included. All explanatory variables are lagged by one year. Standard errors in parentheses. *p<0.1, **p<0.05, ***p<0.01.

Table 4: Mechanism tests: WB directorship and sovereign vs. nonsovereign projects

	(1) AIIB project	(2) AIIB project	(3) Sovereign AIIB project	(4) Nonsovereign AIIB project
(log) WB financing	0.0505***	0.0289**	0.0540***	0.0268
	(0.0133)	(0.0140)	(0.0149)	(0.0195)
WB Board director	0.676***	-0.513		
	(0.256)	(0.453)		
(log) WB financing X WB board director		0.0829***		
		(0.0241)		
Voting dissimilarity (US)	0.0254	-0.132	-0.147	0.157
	(0.199)	(0.209)	(0.207)	(0.245)
(log) US foreign aid	0.140*	0.0861	0.123	0.132
	(0.0767)	(0.0808)	(0.0825)	(0.112)
(log) Trade with US (%GDP)	1.428	1.564	-3.383	1.146
	(2.057)	(2.040)	(2.248)	(3.253)
Voting dissimilarity (China)	0.274	0.161	0.0992	0.403
	(0.243)	(0.244)	(0.259)	(0.305)
(log) Trade with China (%GDP)	-0.143	0.398	0.129	-0.916
	(1.115)	(1.113)	(1.163)	(2.109)
BRI membership	0.301	0.179	0.369	0.229
	(0.244)	(0.255)	(0.273)	(0.316)
GDP growth rate	0.0164	0.00956	0.00651	0.0512
	(0.0208)	(0.0206)	(0.0225)	(0.0350)
(log) GDP	-0.0770	-0.0374	0.0954	0.110
	(0.0903)	(0.0914)	(0.0784)	(0.0932)
Level of democracy	-0.641	-0.925	-0.851	-0.700
	(0.541)	(0.563)	(0.572)	(0.755)
(log) GDP per capita	0.358**	0.221	0.145	0.531**
	(0.166)	(0.172)	(0.174)	(0.220)
_cons	-4.495**	-3.176	-6.188***	-10.35***
	(2.028)	(2.061)	(1.888)	(3.050)
N	350	350	350	242

Note: Covid, India, and founding members fixed effects are included. All explanatory variables are lagged by one year. Standard errors in parentheses. *p<0.1, **p<0.05, ***p<0.01.

Table 5: Mechanism tests: Where does the AIIB send experienced project team leaders?

	(1) Experienced Team leaders (1 or 0)	
	Coef	S.E.
(log) WB financing	0.0821**	(0.0389)
Voting dissimilarity (US)	-0.00838	(0.345)
(log) US foreign aid	-0.0846	(0.193)
Voting dissimilarity (China)	0.247	(0.458)
(log) Trade with China (%GDP)	-0.241	(2.109)
BRI membership	0.666	(0.554)
GDP growth rate	0.0101	(0.0436)
(log) GDP	-0.0911	(0.160)
(log) Trade with US (%GDP)	-6.907*	(3.806)
Level of democracy	-1.237	(1.091)
(log) GDP per capita	0.330	(0.384)
Covid years	-0.139	(0.346)
India	1.729**	(0.865)
Founding members	-2.151**	(1.010)
_cons	0.304	(3.378)
N	97	

Note: All explanatory variables except India, Covid years, and Founding members are lagged by one year. Standard errors in parentheses. *p<0.1, **p<0.05, ***p<0.01.

Table 6: Mechanism tests: Does the AIIB follow only infrastructure WB lending?

DV: AIIB project	(1)	(2)
(log) WB infrastructure project financing	0.154***	
	(0.0483)	
(log) WB non-infrastructure project financing		0.113***
		(0.0397)
Voting dissimilarity (US)	0.0116	0.0149
	(0.191)	(0.189)
(log) US foreign aid	0.205***	0.184***
	(0.0707)	(0.0710)
Voting dissimilarity (China)	0.336	0.314
	(0.227)	(0.225)
(log) Trade with China (%GDP)	-0.117	-0.0352
	(1.081)	(1.098)
BRI membership	0.322	0.367
	(0.236)	(0.239)
GDP growth rate	-0.000534	0.00563
	(0.0158)	(0.0156)
(log) GDP	0.0188	0.0350
	(0.0675)	(0.0663)
(log) Trade with US (%GDP)	-0.245	-0.396
	(1.974)	(1.990)
Level of democracy	-0.273	-0.276
	(0.521)	(0.523)
(log) GDP per capita	0.300*	0.271*
	(0.160)	(0.157)
_cons	-6.132***	-6.311***
	(1.735)	(1.743)
N	358	358

Note: All explanatory variables except India, Covid years, and Founding members are lagged by one year. Standard errors in parentheses. *p<0.1, **p<0.05, ***p<0.01.