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Geopolitical Alignment and the Catalytic Effects of International Financial Institution Lending

CAMA Working Paper 69/2026
August 2026

Hugo Oriola
EconomiX, Paris Nanterre University & CNRS

Jamel Saadaoui
University of Paris 8
Centre for Applied Macroeconomic Analysis, ANU

Abstract

International organization loans are often expected to reassure investors, yet market responses to projects and loans vary sharply across recipient countries. We argue that loan approvals function as noisy signals of policy credibility, and that geopolitical alignment with major powers shapes how financial markets interpret these signals—through channels whose sign depends jointly on the institutional basis of the lender's credibility and on which power the recipient is aligned with. Using a monthly dataset covering more than 100 countries, we examine how loan approvals by the Asian Development Bank (ADB) and the International Monetary Fund (IMF) affect financial conditions in non-permanent members of the UN Security Council. We find weaker, only marginally robust evidence that alignment with the US is associated with more favorable currency reactions to IMF lending, tentatively consistent with a shareholder-credibility channel; alignment with Russia is associated with less favorable currency reactions, consistent with a leniency channel, although this result is also only marginally robust to cluster-robust inference. We do not find a comparable effect for alignment with China. For the ADB, whose credibility rests less on conditionality than on continuity of financing, alignment with China or Russia is instead associated with more favorable currency reactions, consistent with a backstop channel. Stock prices and Treasury bill yields display markedly weaker and less consistent conditioning effects.

Keywords

international organizations, United Nations, geopolitical preferences, catalytic effect, Asian Development Bank, International Monetary Fund

JEL Classification

D78, F30, F42

Address for correspondence:

(E) cama.admin@anu.edu.au

ISSN 2206-0332

Geopolitical Alignment and the Catalytic Effects of International Financial Institution Lending*

Hugo Oriola[a], Jamel Saadaoui[b,c]

[a] *EconomiX, Université Paris Nanterre, CNRS, France*

[b] *IEE, LED, Université Paris VIII Vincennes-Saint-Denis, France*

[c] *Australian National University, Centre for Applied Macroeconomic Analysis (CAMA), Australia.*

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International organization loans are often expected to reassure investors, yet market responses to projects and loans vary sharply across recipient countries. We argue that loan approvals function as noisy signals of policy credibility, and that geopolitical alignment with major powers shapes how financial markets interpret these signals—through channels whose sign depends jointly on the institutional basis of the lender's credibility and on which power the recipient is aligned with. Using a monthly dataset covering more than 100 countries, we examine how loan approvals by the Asian Development Bank (ADB) and the International Monetary Fund (IMF) affect financial conditions in non-permanent members of the UN Security Council. We find weaker, only marginally robust evidence that alignment with the US is associated with more favorable currency reactions to IMF lending, tentatively consistent with a *shareholder-credibility* channel; alignment with Russia is associated with less favorable currency reactions, consistent with a *leniency channel*, although this result is also only marginally robust to cluster-robust inference. We do not find a comparable effect for alignment with China. For the ADB, whose credibility rests less on conditionality than on continuity of financing, alignment with China or Russia is instead associated with more favorable currency reactions, consistent with a *backstop channel*. Stock prices and Treasury bill yields display markedly weaker and less consistent conditioning effects.

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*Corresponding author: Jamel Saadaoui.

The authors are grateful to three anonymous referees, Arye L. Hillman, Jan-Egbert Sturm, Marco Magnani, Matteo Grigoletto, Pierre Lesuisse, Cécile Bastidon and Antonia López-Villavicencio 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; and the 2024 Silvaplana Workshop in Pontresina. This work is funded by the *Alliance Paris-Lumières*, founded by the University Paris VIII, the University Paris Nanterre, and the CNRS.

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

1. Introduction

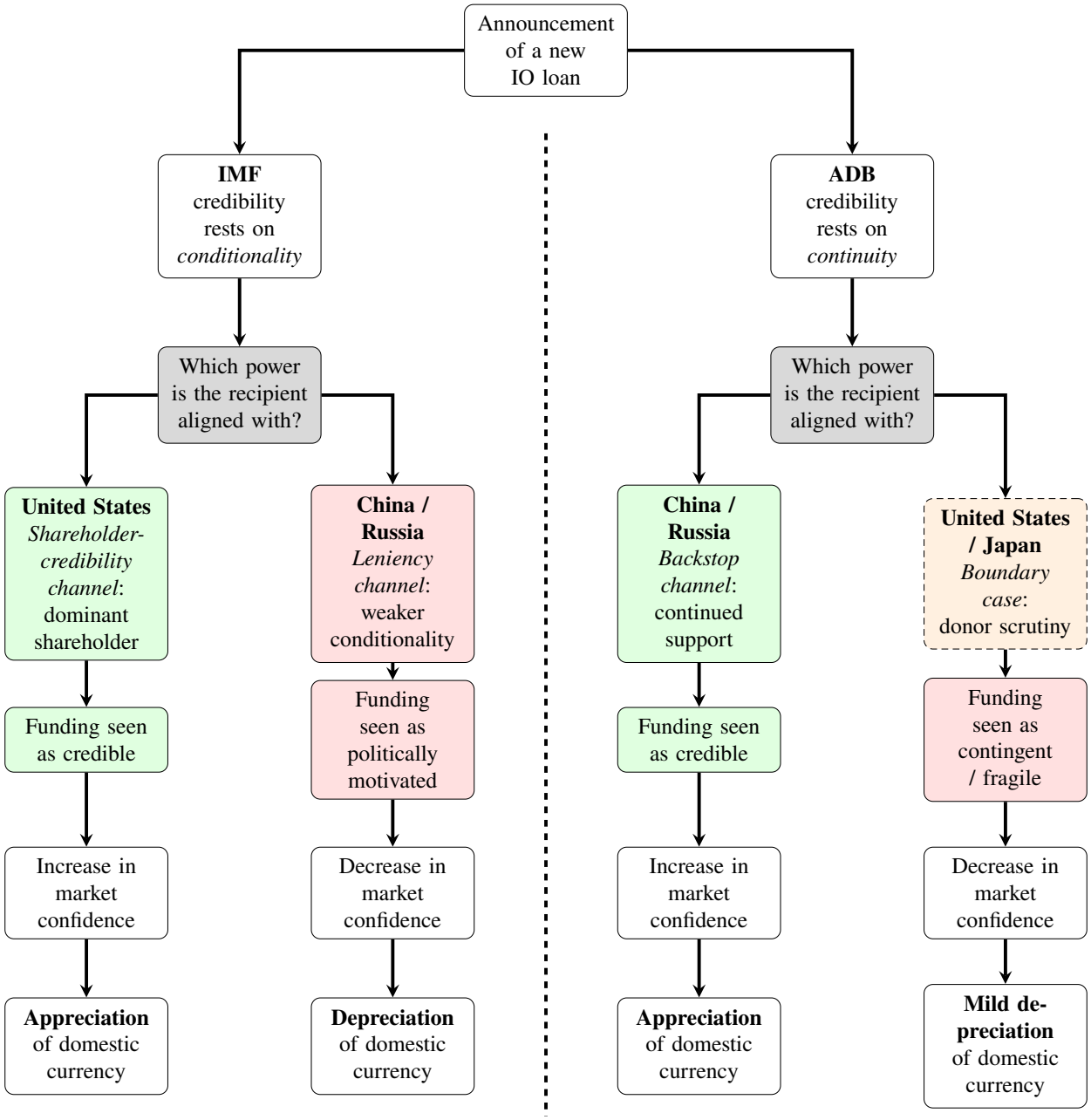
International organizations such as the International Monetary Fund (IMF) and regional development banks such as the Asian Development Bank (ADB) play a central role in stabilizing economies facing financial or balance-of-payments pressures. Beyond providing liquidity directly, these interventions are meant to restore investor confidence and catalyze private capital. Yet similar lending programs can trigger markedly different market reactions across countries: some coincide with capital inflows and improved conditions, others with heightened volatility or currency depreciation. Argentina's 2018 IMF agreement illustrates this ambiguity—initial optimism gave way to renewed financial stress once doubts about policy commitment resurfaced (IMF, 2021). This heterogeneity raises a basic question: under what conditions do loans from international organizations succeed in catalyzing positive market responses?

We argue that a loan approval is an inherently noisy signal. It informs investors about a country's macroeconomic situation and the reform commitment expected of it, but not about whether that commitment will be honored, nor about how strictly it will be enforced. In an environment of imperfect information, any additional indicator that helps investors interpret this primary signal acquires informational value on its own. We propose that a recipient country's geopolitical alignment with major powers is one such indicator—not because alignment changes economic fundamentals, but because it changes how the markets read the credibility of a given loan approval.

Critically, we depart from treating geopolitical alignment as a single, uniform channel. We distinguish three distinct mechanisms through which alignment can condition the market's interpretation of a loan: a *shareholder-credibility* channel, through which alignment with an institution's own dominant shareholder(s) signals stronger expected enforcement and follow-through; a *leniency* channel through which alignment with powers outside the lender's own governance structure signals weaker expected conditionality and a more politically motivated program; and a *backstop* channel, through which alignment with any major power signals a lower probability of financing disruption for institutions whose credibility rests on continuity rather than conditionality. Because the IMF's signaling power rests primarily on conditionality enforcement by a governance structure in which the US is the dominant shareholder, we expect the shareholder-credibility channel to operate through alignment with the US, and the leniency channel to operate through alignment with China or Russia. Because the ADB's credibility rests comparatively more on continuity of financing, we expect the backstop channel to operate through alignment with China or Russia regardless of the ADB's own Japan/US-centered shareholder structure. Figure 1 provides a stylized representation of this mechanism, showing how the institutional basis of a lender's credibility, combined with the specific power a recipient is aligned with, determines which of the three channels is activated and the resulting sign of market response.

Our results are consistent with this power- and institution-specific framework. For IMF lending, we find suggestive but statistically fragile evidence that closer alignment with the US is associated with currency appreciation, and more robust—though still only marginally significant—evidence that closer alignment with Russia is associated with currency depreciation; we find no comparable effect for alignment with China. For ADB lending, closer alignment with China or Russia is associated with currency appreciation. Treasury bill yields and stock prices show comparatively weak and less consistent conditioning effects, indicating that exchange rate markets are the primary channel through which this geopolitical information is priced.

Figure 1: Institutional channel, geopolitical power, and the catalytic effect of international organization lending



Note: This figure illustrates how the catalytic effect of a loan approval depends jointly on the institutional basis of the lender's credibility and on which major power the recipient is aligned with. For the IMF, whose signaling power rests primarily on conditionality enforcement within a governance structure in which the United States is the dominant shareholder, alignment with the US operates through a *shareholder-credibility channel* (*H1a*): closer alignment signals stronger expected enforcement, reinforcing credibility and generating currency appreciation. Alignment with China or Russia instead operates through a *leniency channel* (*H1b*): closer alignment signals weaker expected conditionality enforcement, diluting credibility and generating currency depreciation. For the ADB, whose credibility rests less on conditionality and more on the continuity of the financing relationship, alignment with China or Russia operates through a *backstop channel* (*H1c*): closer alignment signals a lower probability of financing disruption, reinforcing credibility and generating currency appreciation, without implying that the ADB is itself institutionally aligned with either power. The rightmost column reports a boundary case discussed in subsection 6.6: because the United States is, alongside Japan, among the ADB's own dominant shareholders, alignment with the US among important votes is instead associated with mild currency depreciation, consistent with a distinct donor-scrutiny mechanism rather than with *H1c*. Financial market outcomes are reported here for exchange rates only, as this is the asset class for which the conditioning effect of alignment is strongest and most consistently identified in our estimates (see Section 5); Treasury bill yields and stock prices display comparatively weak and inconsistent responses to this mechanism.

The paper contributes to the literature in three main ways. First, it offers a comparative analysis of catalytic effects across two institutions with different governance structures and lending philosophies, moving beyond the IMF-centered focus of the existing literature. Second, it develops and tests a power- and institution-specific theory of how geopolitical alignment conditions market interpretation of multilateral lending, rather than treating alignment as a uniform moderator. Third, it exploits the quasi-exogenous timing of non-permanent UNSC membership to isolate periods of heightened geopolitical salience, and shows—through a series of robustness checks based on trade exposure, vote importance, and an alternative alignment measure—that the conditioning effect is not a proxy for bilateral trade dependence.

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature and develops our theoretical framework. Section 3 describes the data. Section 4 presents summary statistics and the empirical strategy. Section 5 discusses the main results. Section 6 reports robustness checks. Section 7 concludes.

2. Literature Review

Financial markets are highly sensitive to new information and often serve as early indicators of investors' confidence in a country's economic prospects (Faust et al., 2007; Bond et al., 2012). When international organizations such as the ADB and the IMF provide financial support, markets may respond immediately to the announcement, reflecting expectations about the program's credibility and potential impact (Andresen and Sturm, 2024; Oriola and Saadaoui, 2025). These reactions are observed across stock prices, exchange rates, bond spreads, and Treasury bill yields.

The catalytic effect occurs when international lending not only provides direct funding but also mobilizes additional private investments and financial resources, amplifying the benefits of official support (Marchesi and Thomas, 2001; Barro and Lee, 2005; Díaz-Cassou et al., 2006). Market confidence can rise if investors interpret the loan as a credible commitment to reforms and macroeconomic stability, leading to currency appreciation, declining yields, and higher equity prices. However, the catalytic effect is not guaranteed. If lending is perceived as politically motivated, or if the recipient country is seen as unlikely to implement effective reforms, markets may respond negatively, potentially reversing the intended stabilizing effect (Oriola and Saadaoui, 2025).

Recent empirical evidence supports the existence of catalytic effects of IMF loans. For example, IMF arrangements have been shown to attract foreign direct investment, particularly in sectors with low external financing dependence and in low- and lower-middle-income countries (Bomprezzi et al., 2025; Donnat, 2025). Similarly, IMF lending catalyzes official development assistance, especially from multilateral donors, although the effect diminishes when countries fail to meet conditionality requirements (Schiavone and Maurin, 2023; He et al., 2024). Moreover, investors react more favorably to programs implemented by politically credible governments, highlighting the interaction between domestic politics and financial market responses (Shim, 2022). Finally, evidence suggests that IMF actions beyond lending, such as the release of Article IV Public Information Notices, also influence market behavior. Optimistic surveillance statements are associated with reduced sovereign bond spreads, higher debt insurance, and increased reserves, particularly in countries aligned with major IMF shareholders (Aguilar-Pérez, 2025).

This last finding is a useful entry point into our argument: it shows that alignment with an institution's own shareholders already conditions how markets read that institution's signals, in a setting that has nothing to do with loan approval as such.

2.1. Institutional Credibility: Conditionality versus Continuity

International lending programs differ in their objectives, design, and conditionality, which can influence their effectiveness and the resulting market reactions. IMF loans primarily target macroeconomic stabilization, addressing balance of payments deficits, fiscal imbalances, and exchange rate pressures (Dreher, 2009). They are typically short- to medium-term interventions, accompanied by broad conditionality aimed at fiscal and monetary discipline. These features often generate immediate and pronounced market responses, as investors closely monitor the attached reform requirements (Chapman et al., 2017).

In contrast, ADB lending focuses on long-term development objectives, including infrastructure investment, poverty reduction, and regional economic integration (Lamberte, 2005; Madhur et al., 2009). While the ADB has gradually introduced stricter conditionality, these are generally project-specific and less prescriptive than IMF loans, emphasizing governance and institutional reforms rather than broad macroeconomic adjustments. ADB loans also tend to offer longer maturities and more favorable repayment terms, making them attractive for countries seeking development finance without stringent macroeconomic constraints.

Crucially, this contrast in lending philosophy implies a contrast in what sustains each institution's credibility as a signal. The IMF's leverage over recipient countries rests on the enforcement of conditionality by a governance structure in which its largest shareholders hold effective control over Executive Board decisions (Dreher, 2009; Copelovitch, 2010; Eichengreen and Woods, 2016). This is consistent with the broader principal-agent framework developed for international organizations, in which member states retain oversight tools—staff selection, monitoring, procedural checks, and the threat of withholding funds—that allow dominant principals to discipline an international organization's behavior when it drifts from their interests (Hawkins et al., 2009). Nielson and Tierney (2003) provide a direct illustration of this logic at the World Bank, showing that the credible threat of withheld US funding was sufficient to bring the Bank's lending practices back in line with the preferences of its dominant shareholder.

The ADB, by contrast, relies comparatively less on the threat of withholding disbursement for non-compliance and more on the continuity of an ongoing financing relationship with recipient governments (Lamberte, 2005; Kilby, 2006, 2011; Madhur et al., 2009). This distinction between conditionality-based credibility and continuity-based credibility is the institutional foundation of the *shareholder-credibility* and *backstop* channels formalized in subsection 2.4: the same indicator of geopolitical alignment can convey different information about a program's prospects depending on which of these two credibility bases the lender in question rests upon.

The impact of both institutions' programs is further shaped by the quality of institutions within recipient countries. Weak governance, corruption, and limited enforcement capacity can undermine program effectiveness, reducing both the credibility of reforms and the catalytic potential of international lending (Hodler and Raschky, 2014; Bird and Rowlands, 2017), whereas countries with stronger institutions are better positioned to implement reforms successfully, reinforcing investor confidence. Program size and timing also matter: excessively large loans can crowd out private

investment, while interventions introduced early in a crisis or during periods of relative stability tend to produce stronger and more predictable effects (Dreher and Vaubel, 2004; Krahnke, 2023). More broadly, recent work shows that IMF conditionality carries costs beyond the immediate program: fiscal and debt-related conditions can reduce states' readiness to address climate change (Ko and Lee, 2025), and some programs can trigger social unrest in the short term (Ko et al., 2025)—a reminder that conditionality-based credibility, for all its informational value to markets, is not a costless institutional design choice for recipient governments.

2.2. Conditionality, Shareholders, and Selective Enforcement

Conditionality attached to international loans is intended to promote sound fiscal and monetary management, but it also carries significant political and social implications. IMF and, to a lesser extent, ADB projects may require austerity measures, structural reforms, or governance improvements that can affect domestic demand, inequality, and social stability (Rickard and Caraway, 2019; Lang, 2021; Stubbs et al., 2021). These measures can generate resistance from domestic constituencies, weaken the political standing of governments, and occasionally lead to policy reversals, highlighting the interplay between economic objectives and political feasibility (Li et al., 2015; Chapman et al., 2017).

Beyond these domestic political costs, a substantial body of evidence shows that conditionality itself is not applied uniformly across borrowers. Major stakeholders in international organizations often negotiate the content or enforcement of conditions to advance political or economic interests (Dreher et al., 2009, 2015; Kentikelenis et al., 2016), such that politically aligned recipients may face more lenient requirements or larger loans (Thacker, 1999; Oatley and Yackee, 2004; Bueno de Mesquita and Smith, 2010; Dreher et al., 2018a). Political connections also influence the timing and outcomes of negotiations: countries with strong ties to major IMF shareholders can secure loans more rapidly and on more favorable terms, even when they hold a comparatively weak bargaining position (Copelovitch, 2010; Ferry and Zeitz, 2024). This dynamic is not confined to the IMF: Japan's strategic priorities historically shaped ADB lending, with countries closely aligned with Tokyo enjoying preferential access, and more generally donor priorities condition lending decisions across institutions with overlapping agendas (Kilby, 2006, 2011; Kaya et al., 2021).

This body of evidence carries two, seemingly opposite, implications for how markets should read a recipient's geopolitical alignment once a loan has already been approved. On one hand, since the US is, by a wide margin, the IMF's most influential shareholder (Dreher, 2009; Eichengreen and Woods, 2016), alignment with the US could signal that a program benefits from closer oversight and stronger enforcement incentives from the actor best positioned to ensure follow-through. On the other hand, alignment with a power that sits outside this governance structure—China or Russia—is, by the same logic, more likely to be read as a marker of diplomatic rather than economic motivation, diluting the expected rigor of conditionality. The literature reviewed above documents the lending-decision side of this story—how alignment shapes approval, size, and terms. Our contribution is to test whether financial markets price this same distinction *ex post*, in the market reaction that follows an approval that has already been made public.

2.3. The Rise of Alternative Patrons and the Backstop Logic

A separate strand of the literature complicates any expectation that alignment with China or Russia should carry only a negative, leniency-type connotation for market participants. Prior studies show

that a country's alignment with major stakeholders in organizations such as the ADB or IMF affects both the likelihood of receiving financial assistance and the terms attached to it (Thacker, 1999; Oatley and Yackee, 2004; Bueno de Mesquita and Smith, 2010), but the direction of this effect is not institution-invariant, because institutions differ in who their relevant "dominant" patron is and in what that patron is expected to provide.

The emergence of China as a major actor in multilateral development finance is central here. Initially excluded from ADB lending decisions on account of US opposition, China has since become an influential voting member within the Bank while also sponsoring a rival institution, the Asian Infrastructure Investment Bank (AIIB), whose lending model emphasizes continuity of financing and economic and strategic partnership over prescriptive governance reforms (Chin, 2016; Dreher et al., 2018b; Tien et al., 2019). For a lender such as the ADB, whose own credibility already rests comparatively more on continuity than on conditionality, a recipient's alignment with China or Russia need not be read as a marker of weaker enforcement, since enforcement was never the primary axis of ADB credibility to begin with. Instead, such alignment can be read by markets as an indicator of access to additional, non-Western sources of financial backing—lowering the perceived probability that a program will be disrupted for reasons unrelated to the recipient's own economic performance.

This backstop logic does not imply that the ADB is itself institutionally aligned with China or Russia: Japan and the US remain the Bank's largest shareholders, and its presidency has traditionally been held by Japanese nationals (Kilby, 2006, 2011). Rather, it implies that the relevant "outside option" a market participant weighs when pricing an ADB loan differs from the one relevant for an IMF loan, precisely because the two institutions differ in what underwrites their credibility as lenders in the first place. This asymmetry—the same alignment variable pointing in opposite directions depending on the lender's own institutional foundations—is the central empirical claim this paper sets out to test, and it is formalized as three distinct channels in the next subsection.

2.4. Theoretical Framework and Hypotheses

Financial markets cannot directly observe either the quality of the economic policies implemented by a recipient country or the true degree of conditionality negotiated with a lending institution. A loan approval is therefore an inherently noisy signal about the country's macroeconomic situation and reform commitments. In an environment of imperfect information, any additional indicator that helps investors interpret this primary signal acquires informational value on its own. Following the signaling framework of Marchesi and Thomas (2001), a loan approval functions as a noisy signal that investors use to update their beliefs about the recipient country's future policy trajectory: because investors cannot directly observe governments' commitment to reform, the approval decision conveys information about the likelihood that appropriate policies will be implemented, and the catalytic effect therefore arises only insofar as the loan announcement is interpreted as a credible commitment device.

We argue that a recipient country's geopolitical alignment with major powers is one such additional indicator. It depends jointly on which power the alignment is measured against and on the institutional basis of the lender's own credibility. If investors anticipate the political distortions documented in subsection 2.2—selective enforcement, shareholder-driven leniency, faster and more favorable treatment of politically connected borrowers—geopolitical alignment becomes a second,

simultaneously observed signal that shapes how they interpret the information already contained in the loan approval itself. Rather than treating alignment as a fixed institutional characteristic of the lender, investors use it to infer whether a given loan is more likely to reflect economic fundamentals or geopolitical considerations.

This theoretical framework carries a further testable implication concerning the time-path of the catalytic effect. Because the proposed mechanism relies on investors incorporating available information into their expectations, the market response to a loan approval should not be preceded by systematic movements in financial variables. A gradual build-up of the effect over the months following approval, without a change in sign, remains compatible with our framework: it could reflect the fact that the full geopolitical and economic content of a program is not entirely priced in at the moment of announcement, but is progressively incorporated as additional information about the terms and implementation of the loan becomes available. What would be harder to reconcile with the signaling mechanism developed above is a significant reaction prior to approval, or a sign reversal materializing several months after approval with no corresponding change in the underlying information set. This prediction motivates the dynamic event-study analysis presented in subsection 6.1.

This mechanism finds broader support in the literature on geopolitical risk in international finance, which documents that geopolitical risk more generally affects investment, employment, and financial market outcomes (Caldara and Iacoviello, 2022). While this literature focuses on aggregate and event-driven geopolitical risk rather than bilateral alignment between specific countries, it establishes that investors incorporate geopolitical information into asset pricing decisions more broadly, making it plausible *a priori* that country-specific alignment measures——such as those employed here——would similarly shape market interpretation of politically salient events such as international loan approvals.

Building directly on subsection 2.1 to subsection 2.3, we distinguish three mechanisms through which this conditioning effect may operate.

The shareholder-credibility channel. For an institution whose credibility rests on the enforcement capacity of its dominant shareholder, alignment between the recipient and that dominant shareholder signals stronger expected follow-through: the shareholder has both the incentive and the influence to ensure the program is implemented as designed. This channel predicts a positive catalytic effect—greater alignment reinforces investor confidence and generates currency appreciation.

The leniency channel. Alignment with a power that is not the institution's own dominant shareholder can instead be read by markets as a signal that the recipient's political priorities lie outside the lender's core governance structure, diluting expectations of strict enforcement or suggesting a program shaped more by diplomatic considerations than macroeconomic need (Dreher et al., 2009, 2015; Kilby, 2006, 2011). This channel predicts a negative, reversed-catalytic effect—greater alignment with such a power is associated with currency depreciation.

The backstop channel. For an institution whose credibility rests less on conditionality enforcement and more on the continuity of the financing relationship, alignment with any major power—including one outside the institution's own shareholder structure—can signal a lower probability of financing disruption and broader access to external backing, independent of that power's formal role in the

institution's governance (Chin, 2016; Kaya et al., 2021). This channel predicts a positive catalytic effect through a different mechanism than shareholder credibility: reduced vulnerability rather than stronger enforcement.

Mapping these channels onto our two institutions yields distinct empirical predictions. The IMF derives much of its credibility from conditionality enforcement within a governance structure in which the US is the dominant shareholder (Dreher et al., 2009; Eichengreen and Woods, 2016). Accordingly, we expect the *shareholder-credibility* channel to operate through alignment with the US, while the *leniency* channel should operate through alignment with China or Russia, whose geopolitical interests lie outside the IMF's core governance structure. Because the ADB is a project-based development lender whose credibility rests comparatively less on macro-conditionality and more on continuity of financing (Lamberte, 2005; Madhur et al., 2009), we expect the *backstop* channel to dominate: alignment with China or Russia should reassure investors by lowering the perceived probability of financing disruption, even though neither country occupies the institutional position that the US holds within the IMF—an interpretation consistent with, but distinct from, the AIIB's emergence as a China-led alternative to the existing Japan- and US-influenced development finance architecture (Chin, 2016).

A natural benchmark would be to expect geopolitical alignment to exert a homogeneous effect across multilateral lenders. Under this view, alignment would simply proxy for a country's general geopolitical position, implying that it should either uniformly strengthen or uniformly weaken the catalytic effect of loan approvals regardless of the lending institution. We reject this prediction because it overlooks the institutional foundations of lender credibility documented in subsection 2.1 to subsection 2.3: the informational content of geopolitical alignment depends on how investors expect a particular institution to behave. Consequently, the same alignment can reinforce credibility in one institutional setting while undermining it in another.

This framework yields one general hypothesis on institutional heterogeneity, together with three institution-specific sub-hypotheses.

Hypothesis 1 (H1) – Institutional heterogeneity. The marginal effect of alignment with a power outside the lender's own governance structure (China or Russia) on the catalytic effect of a loan approval is negative for IMF lending and positive for ADB lending.

Hypothesis 1.a (H1.a) – Shareholder-credibility channel. For IMF lending, closer alignment with the US is associated with a positive catalytic effect (*i.e.*, currency appreciation).

Hypothesis 1.b (H1.b) – Leniency channel. For IMF lending, closer alignment with China or Russia is associated with a negative catalytic effect (*i.e.*, currency depreciation).

Hypothesis 1.c (H1.c) – Backstop channel. For ADB lending, closer alignment with China or Russia is associated with a positive catalytic effect (*i.e.*, currency appreciation), operating through reduced expected financing disruption rather than through stronger conditionality enforcement.

One boundary case deserves explicit discussion. Because the US is, alongside Japan, one of the ADB's principal shareholders, alignment with the US does not cleanly proxy for alignment with a major power outside the institution's governance structure (see subsection 6.6). We therefore

interpret this case as a boundary condition on *H1.c* rather than as evidence against the proposed mechanism.

Our second hypothesis concerns heterogeneity across financial assets. Because exchange rates respond immediately to expectations about external conditions and capital flows, they should react more strongly to the informational content of loan announcements than other financial variables (Faust et al., 2007). Equity prices additionally reflect firm-level expectations, while short-term Treasury bill yields tend to adjust more gradually to political information.

Hypothesis 2 (H2) – Asset-class heterogeneity. The conditioning effect of geopolitical alignment on the catalytic effect of loan approvals is strongest and most consistently identified for exchange rates, and weaker for equity prices and short-term interest rates.

Finally, because these mechanisms operate through investors' expectations about future institutional behavior, their importance should increase when the geopolitical content of the underlying alignment measure becomes more salient. Alignment based on UNGA votes identified by the US State Department as geopolitically important should therefore contain more information than alignment measures using the full universe of UNGA votes.

Hypothesis 3 (H3) – Salience. The conditioning effect identified in *H1* and *H1.a–H1.c* should be stronger when geopolitical alignment is measured using UNGA votes classified as important by the US State Department than when measured using the complete set of UNGA votes.

3. Data

The analysis relies on a monthly dataset of 119 countries over 322 months, yielding a total of 31 804 observations.[1] The study period extends from February 1993 to December 2019, corresponding to UNGA sessions 47 through 75.

Although the use of monthly data is uncommon in studies of international lending and financial markets, it is warranted in this context. The availability of detailed UNSC membership data (Andresen and Sturm, 2024) permits analysis at a monthly frequency, capturing changes in membership and program approvals with high temporal resolution.

Monthly data further allow identification of short-term market reactions to program approvals, reducing potential confounding from subsequent phases of program implementation (Kersting and Kilby, 2024). Moreover, the increased number of observations improves the precision of the estimates and enhances the external validity of the findings.

A potential concern with monthly data is that measures of geopolitical alignment, computed on a United Nations General Assembly (UNGA) session basis, are inherently quasi-yearly[2] Alignment measures are based on ideal points computed by Fjelstul et al. (2025) for each vote. To account for

[1]The number of observations varies depending on the dependent variable. For *Treasury Bills*, there are 13 225 observations (58 countries); for *Stock Prices*, 13 570 observations (56 countries) and for *dExchange_Rate*, 31 804 observations (119 countries). See Table 2 for details.

[2]Each UNGA session begins and ends in September; thus, two sessions occur within a calendar year. See Table A1 for details.

these incremental changes, we apply a 12-month moving average to the alignment measures. This approach captures gradual shifts in geopolitical distance while mitigating biases due to the discrete nature of session transitions. This way, substantial changes in a country's geopolitical proximity to others are unlikely; instead, alignments evolve gradually with underlying structural factors such as trade relations (Hafner-Burton et al., 2009; Lupu and Traag, 2013) and political ideology (Voeten, 2021).

3.1. UNSC Membership

The UNSC comprises 15 members: five permanent and ten non-permanent. The five permanent members—China, France, Russia, the U.K., and the US—have remained unchanged since the UNSC's inaugural meeting on January 17, 1946. Non-permanent members are elected for two-year terms, with elections held annually for half of the seats. Seats are allocated across five regional groups: Africa, Asia, Latin America and the Caribbean, Western Europe and Others, and Eastern Europe[3]. A non-permanent seat requires a two-thirds majority of votes within the UNGA. Countries that have just completed a term are ineligible for immediate reelection.

Following Andresen and Sturm (2024), we define non-permanent membership as lasting two and a half years to account for the political role of campaigning and post-term influence[4]. Non-permanent members are of particular interest because temporary membership confers financial advantages and less stringent conditions from international organizations, and often coincides with increased program activity (Kuziemko and Werker, 2006; Dreher et al., 2009; Berlin et al., 2023). Even smaller states can exert notable geopolitical influence during their tenure (Vreeland and Dreher, 2014).

Figure 2 presents the 84 countries that have held non-permanent UNSC membership in our dataset, as well as the distribution of memberships over the study period. Some countries such as Algeria and Angola served only once, whereas others, like Brazil and Japan, were members four times. This uneven distribution of non-permanent membership introduces heterogeneity in potential catalytic effects, as countries with frequent memberships often exhibit weaker measurable effects of external financing.

3.2. UNGA Ideological Alignment

To capture political preferences among UNGA member states, we use the ideal point estimates provided by Fjelstul et al. (2025), which extend the spatial voting approach developed by Bailey et al. (2017). This methodology addresses key limitations of traditional measures by accounting for shifts in the electoral agenda and weighting votes differently based on their importance (Poole, 2005). Notably, Fjelstul et al. (2025) include both pre-resolution decisions and votes on failed resolutions, enabling a more nuanced assessment of alignment with key global powers.

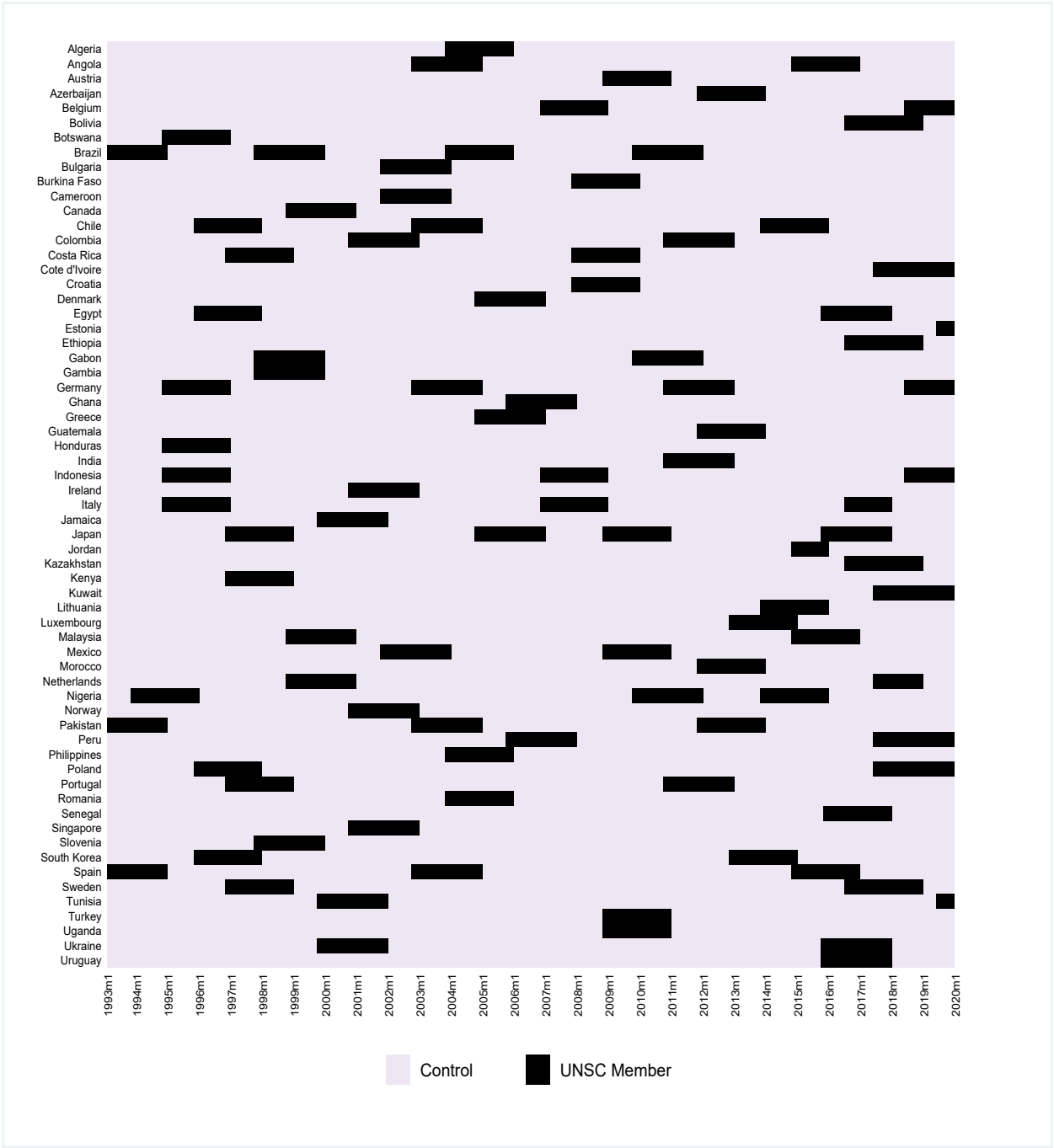
For each country, we compute dynamic alignment measures relative to three permanent UNSC members—China, Russia and the US—for every UNGA vote.[5] These measures, denoted $ALIGN^{CH}$, $ALIGN^{RU}$, and $ALIGN^{US}$, capture the degree of ideological alignment in voting

[3]For detailed distribution and list of members, see Table A2.

[4]For example, a country elected in June 2010 is considered a member from June 2010 to December 2012.

[5]In computing geopolitical alignment with permanent UNSC members, France and the United Kingdom were excluded due to their UNGA voting patterns being highly correlated with those of the US. For similar reasons, Japan

Figure 2: Distribution of UNSC non-permanent membership in our dataset



Note: For readability, only countries with complete observations between February 1993 and December 2019 are shown. Eighteen additional non-permanent UNSC members were included in the sample but are not depicted: Bangladesh, Bosnia and Herzegovina, Chad, Republic of the Congo, Czech Republic, Dominican Republic, Equatorial Guinea, Guinea-Bissau, Libya, Mali, Niger, Rwanda, Slovak Republic, South Africa, Syria, Tanzania, Venezuela, and Vietnam.

behavior, with larger values reflecting closer alignment (0 =complete opposition, 1 = perfect alignment). To account for gradual shifts in geopolitical preferences, we apply a 12-month moving average to all alignment measures. This approach mitigates potential bias and reduces anticipatory effects from strategic voting.

The regional rotation rules and the two-thirds majority requirement that govern non-permanent UNSC elections have been used in the literature as a source of variation in geopolitical salience that approximates quasi-random assignment (Dreher, 2006). This approximation should not be overstated, however. As Dreher et al. (2009) show, countries anticipating imminent election to a non-permanent seat may already engage in strategic bargaining or "horse-trading", attempting to exchange future votes for additional financial support from international organizations — behavior that is itself a form of anticipatory selection rather than pure randomness. We therefore do not treat UNSC election timing as an as-if random treatment in the sense of a natural experiment. Instead, our identification relies on two complementary features of the empirical design: the use of monthly data, which allows us to isolate the market response to a loan approval within a short window around the announcement rather than over the full duration of a country's UNSC tenure, and the dynamic local-projection analysis presented in subsection 6.1, which directly tests for the absence of anticipatory movements in financial markets in the months preceding approval. Any residual endogeneity arising from strategic anticipation of UNSC membership would be expected to generate pre-trends in this dynamic analysis, which we do not find.

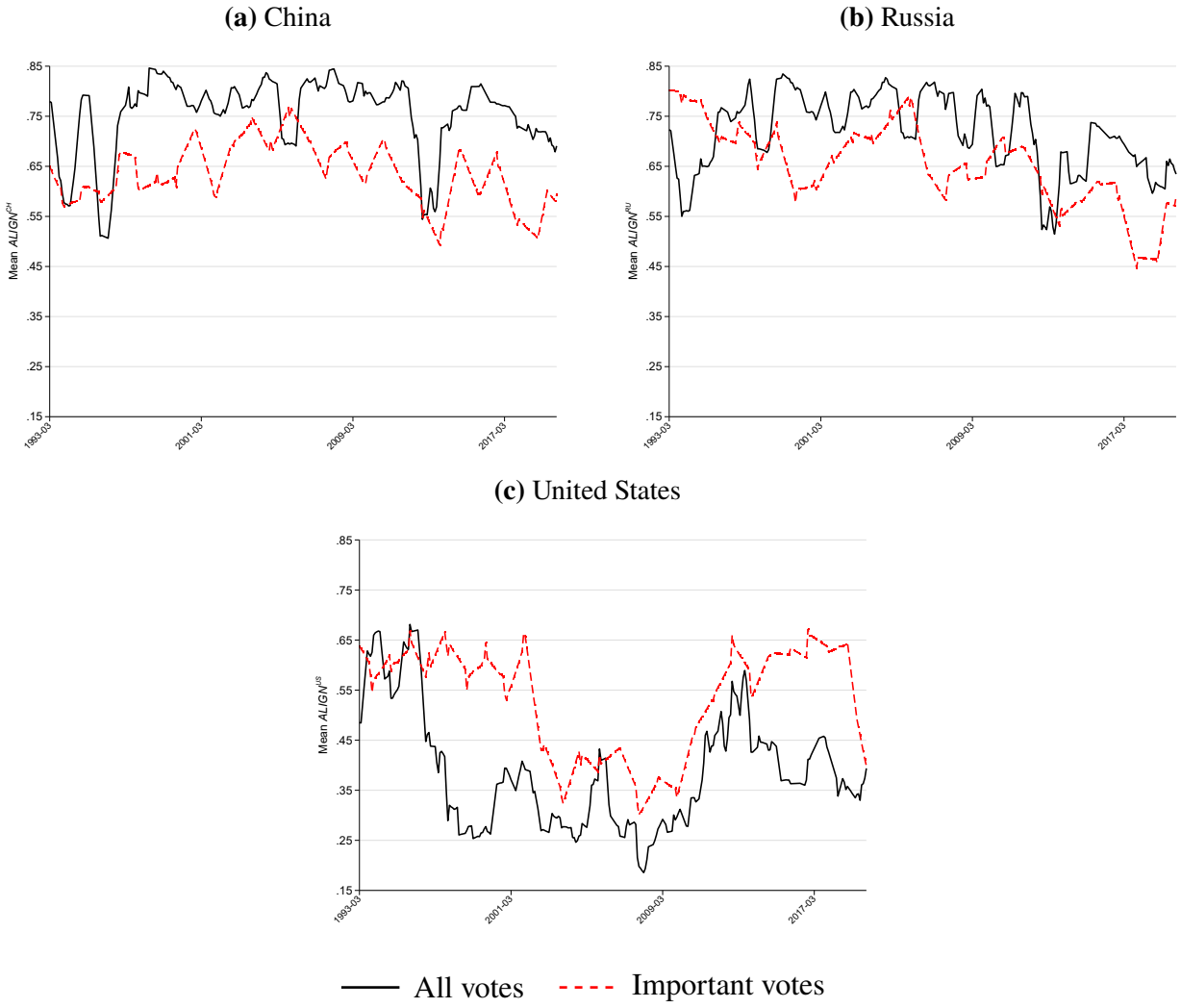
Figure 3 shows the distribution of alignment measures for all votes (dashed black lines) versus important votes only (solid red lines). For important votes, countries tend to be more aligned with the US and less aligned with China and Russia. This indicates that strategic issues amplify the observed geopolitical alignment. This design directly tests *H3*: if the geopolitical conditioning effect documented in subsection 5.2 reflects investors pricing the political stakes of alignment, this effect should be more pronounced when alignment is measured using strategically salient votes. On average, countries exhibit closer alignment with China and Russia than with the US throughout the period, where $ALIGN^{CH}$ and $ALIGN^{RU}$ ranging from 0.6 to 0.8 and $ALIGN^{US}$ below 0.6. Decreases in $ALIGN^{US}$ are often accompanied by increases in $ALIGN^{CH}$ and $ALIGN^{RU}$, suggesting that China and Russia may serve as alternatives to the Western bloc in shaping geopolitical alignment.

While UNGA votes provide valuable insights into political preferences, they capture only a subset of broader geopolitical dynamics. Votes may be influenced by short-term strategic considerations, issue-specific alliances, or domestic pressures, which do not fully reflect long-term foreign policy objectives (Seong et al., 2024). For instance, a country may align with the US on resolutions to secure economic aid, while simultaneously strengthening trade ties with non-aligned partners. Such divergences are evident in periods like Donald Trump's first mandate, during which US foreign policy shifts led to increased diplomatic isolation from traditional allies (Mosler and Potrafke, 2020).

To address potential confounding, we include twelve monthly institutional controls from the International Country Risk Guide (ICRG) dataset (subsection 3.4). These capture political, economic, and

was excluded from the analysis of geopolitical distance, despite its significance within the ADB. These exclusions ensure that the alignment variables capture independent variation in ideological distance from each major country.

Figure 3: Mean monthly ideological alignment with China, Russia, and the US – Fjelstul et al. (2025)



Note: The alignment measures provided by Fjelstul et al. (2025) are interpreted as follows: a value of 0 indicates complete opposition to a permanent UNSC member, while a value of 1 represents perfect alignment. Consequently, on average, countries in our sample exhibit greater voting alignment with China and Russia than with the US. Important votes are identified as important by the US State Department in its annual report to Congress as detailed by Fjelstul et al. (2025).

financial risk factors that may influence both voting behavior and market reactions. Combined with backward-looking moving averages of alignment measures, these controls strengthen the causal identification of the effects of political alignment on the catalytic impact of international loans (Oriola and Saadaoui, 2025).

Finally, we also construct alternative raw distance measures $DIST^{CH}$, $DIST^{RU}$, and $DIST^{US}$ following Bailey et al. (2017). Unlike the scaled indices, these raw measures assign higher values to greater divergence and lower values to closer alignment, providing robustness for our empirical specifications. The distribution of these distance measures is presented in Figure B1 in Appendix Appendix B.

3.3. Programs Implemented by International Organizations

To examine the potential catalytic effect of international organizations, we focus on the engagement of two major multilateral institutions, ADB projects and IMF loans. These institutions differ in their governance, geopolitical influence, and lending practices, making them suitable for assessing how political alignment and program approval affect financial market responses. Following Andresen and Sturm (2024), we focus on sovereign programs approved by these organizations, using the approval date rather than the implementation date to capture the short-term announcement effects that are most relevant for investor behavior[6].

We construct two dummy variables, *ADBnew* and *IMFnew*, which take the value 1 in month m for country i if the ADB approves at least one new project (or *IMFnew* if the IMF approves at least one new loan). By focusing on program approval, we aim to capture the catalytic effect, which is hypothesized to materialize primarily at the time of public announcement, when market expectations are most sensitive to policy credibility and institutional involvement. To account for the potential amplification of this effect through political influence, we interact these variables with a dummy for non-permanent UNSC membership, generating $ADBnew \times UNSC$ and $IMFnew \times UNSC$.

3.3.1. Asian Development Bank Projects

In contrast, ADB projects prioritize long-term development objectives, including infrastructure investment, poverty reduction, and regional integration (Lamberte, 2005; Madhur et al., 2009). While conditionality has increased over time, it remains largely project-specific and less prescriptive than IMF projects. ADB loans tend to have longer maturities and more favorable terms, which may appeal to countries seeking development finance without stringent macroeconomic constraints. Our dataset covers 5 650 sovereign projects approved between December 1997 and December 2019, with 1 156 regional projects spanning multiple countries. We retain 207 regional projects where location data are available and exclude 753 projects due to missing geographical information.

Data on ADB-approved projects are sourced from the ADB Sovereign projects dataset.[7] We focus exclusively 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*".[8]

3.3.2. International Monetary Fund Loans

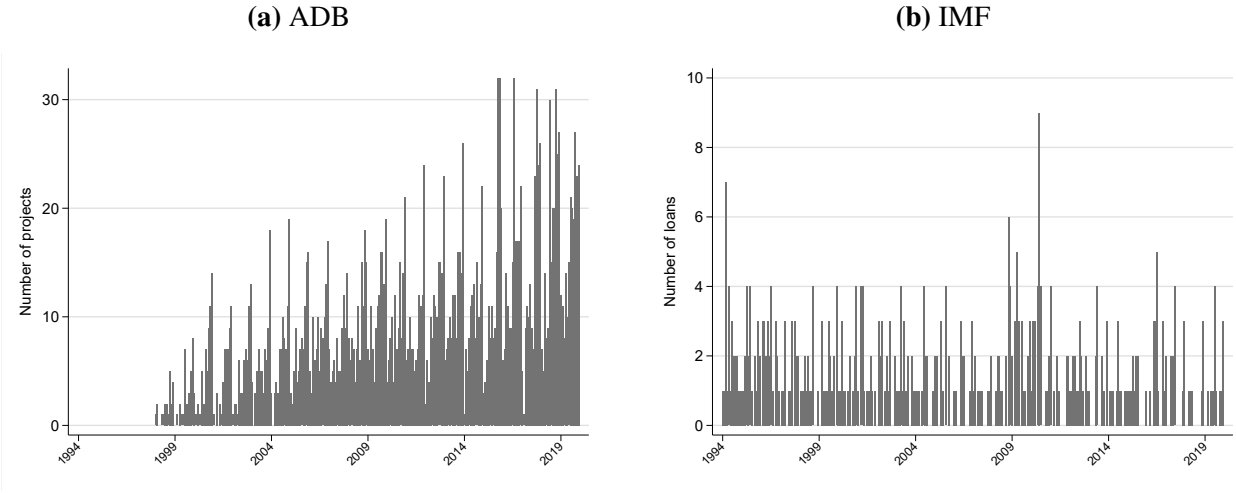
IMF loans typically aim at macroeconomic stabilization, including fiscal, monetary, and balance-of-payments adjustments (Dreher, 2009). Program approvals follow a thorough review of a country's economic conditions and are often accompanied by broad and binding conditionality (Eichengreen and Woods, 2016). The stringent nature of these requirements increases the signaling value of IMF involvement, making it more likely to generate a catalytic effect by enhancing investor confidence and mobilizing additional financing. At the same time, the high conditionality may induce some countries to seek alternative funding sources to maintain policy autonomy (Kentikelenis et al.,

[6] Although the Asian Infrastructure Investment Bank is dominated by China, its activity only begins in 2017, yielding too few observations for meaningful analysis.

[7] Data are available here: https://data.adb.org/dataset/adb-sovereign-programs.

[8] For further details, see https://www.adb.org/who-we-are/access-information/programs-glossary.

Figure 4: Number of ADB projects and IMF loans approved per month



2016), highlighting the trade-off between credibility and flexibility that motivates our empirical investigation.

To compute *IMFnew*, we utilized the Monitoring of Fund Arrangements (MONA) database provided by the IMF.[9]

Figure 4 presents the monthly distribution of ADB and IMF loan approvals. While IMF funds relatively few loans per month, often fewer than two on average, the ADB finances a higher volume of interventions, peaking in 2016-2017, consistent with a surge in Asian infrastructure investment.

3.4. Institutional Controls

To account for institutional heterogeneity across countries, we incorporate twelve monthly controls from the ICRG dataset, provided by the PRS Group in line with Oriola and Saadaoui (2025). These institutional controls are particularly well-suited for capturing short-term fluctuations that may affect both economic and political outcomes. As noted by Rodrik et al. (2004), institutional quality is a key determinant of cross-country differences in economic development. Accordingly, the dimensions captured by the ICRG indices—such as political stability, corruption, and internal conflict—are likely to influence financial market perceptions when an international organization announces a new program. Because investors are sensitive to such institutional risks, these factors can affect both market confidence and the terms of financing. Incorporating these controls is therefore essential for understanding how institutional stability interacts with the catalytic potential of international loans. When combined with our backward-looking measures of geopolitical alignment, the ICRG controls strengthen causal inference by isolating the effect of political and institutional context on financial market responses to program approvals.

These indices capture dimensions such as government stability (*Govstab*), socioeconomic conditions (*Socioeco*), investment profile (*Invprofile*), internal conflicts (*Intconf*), external conflicts (*Extconf*), corruption (*Corruption*), military in politics (*Milpol*), religious tensions (*Reltensions*), law and order

[9]For more information on the MONA database, see https://www.imf.org/external/np/pdr/mona/index.aspx.

(*Laworder*), ethnic tensions (*Ethnictens*), democratic accountability (*Demoacc*) and bureaucracy quality (*Bureau*). Each index is scaled to ensure interpretability, with higher values reflecting lower risk[10]. Institutional quality shapes financial market responses by influencing perceptions of policy credibility and enforcement capacity, thereby interacting with the catalytic potential of international program approvals.

3.5. Financial Data

To assess the impact of international program approvals on national financial markets, we compile monthly financial indicators for all countries in our sample. Selecting appropriate data is challenging, as our analysis requires (i) a monthly frequency, (ii) coverage of a large set of developing countries, and (iii) inclusion of all UNGA regional groups to avoid selection bias. To maintain comparability with Andresen and Sturm (2024), we rely on the same primary financial outcomes, supplemented with the Consumer Price Index (CPI), sourced from the IMF's International Financial Statistics (IFS). CPI serves as a proxy for inflation and helps capture its potential influence on market expectations.

3.5.1. Short-term Interest Rate on Treasury Bills

We use the three-month Treasury bill rate as a measure of short-term interest rates (*Treasury Bills*) to evaluate financial market responses to program approvals. Following Andresen and Sturm (2024), we winsorize the variable at the 1st and 99th percentiles to mitigate the influence of extreme values. Increases in Treasury bill rates indicate rising risk perceptions, whereas declines signal enhanced investor confidence potentially reflecting a catalytic effect of international organizations or the perceived credibility associated with UNSC membership.

3.5.2. Stock Prices

To capture the equity market dimension, we examine the Morgan Stanley Capital International (MSCI) monthly stock prices index expressed in local currency (*Stock Prices*). Declines in stock prices reflect reduced investor confidence, while increases suggest positive market reactions. Winsorization at the 1st and 99th percentiles ensures robustness against extreme fluctuations, which are common in emerging markets.

3.5.3. Exchange Rate

Exchange rates are expressed as domestic currency per US dollar, so that an increase in exchange rates denotes a depreciation and a decrease denotes an appreciation of the domestic currency. We exclude countries with *de jure* fixed exchange rate regimes, as identified in the IMF's Annual Report on Exchange Arrangement and Exchange Restrictions (AREAER). To ensure stationarity, we analyze the first difference of the exchange rate (*dExRate*) and apply winsorization at the 1st and 99th percentiles.

[10]The first five indexes range from 12 to 0, where 12 indicates a very low level of risk and 0 indicates a very high level of risk. The subsequent six indexes range from 6 to 0, following the same interpretation. Finally, *Bureau* ranges from 4 to 0. For more details on index construction, see the ICRG methodology: https://www.prsgroup.com/wp-content/uploads/2012/11/icrgmethodology.pdf.

Table 1: Distribution of our interest variables

Country	UNSC	IMFnew×UNSC	ADBnew×UNSC
Azerbaijan	26	/	6
Bangladesh	27	/	11
Brazil	102	1	/
Bulgaria	27	1	/
Colombia	54	1	/
Costa Rica	52	1	/
Egypt	53	2	/
India	27	/	22
Indonesia	71	/	25
Kazakhstan	30	/	20
Malaysia	53	/	4
Mexico	53	2	/
Morocco	26	1	/
Pakistan	75	3	20
Peru	58	1	/
Philippines	26	/	8
Portugal	53	1	/
Romania	26	1	/
Uganda	26	1	/
Vietnam	33	/	19
Total	2 999	16	135

Note: This table reports the distribution of our key variables of interest. *UNSC* indicates the total number of months a country served as a non-permanent member of the UN Security Council during the sample period. *ADBnew×UNSC* and *IMFnew×UNSC* report the number of months in which a country simultaneously held non-permanent UNSC membership and received a new loan approval from the ADB or IMF, respectively. We do not have to present the information for our triple interaction term as our political-alignment data contain no missing values over the period 1993-2019. A slash (/) denotes a value of 0. Total counts reflect the sum across the sample period.

4. Summary Statistics and Econometric Specification

One could argue that our interest variables (*IMFnew* × *UNSC* and *ADBnew* × *UNSC*) are equal to 0 for the vast majority of the observations in our sample. For instance, Andresen and Sturm (2024) report only 14 observations in which a non-permanent member of the UNSC benefits from a program funded by the IMF (see Table 1, p. 318). Similarly, in our dataset, *IMFnew* × *UNSC* equals 1 in just 21 observations across 12 countries. For the ADB, we observe *ADBnew* × *UNSC* equals 1 in 135 instances across 9 different Asian countries. The complete distribution of observations where our interest variables equal 1 is provided in Table 1.

Our dataset spans 119 countries over the period from February 1993 to December 2019, with monthly observations (322 months) totaling 31 804 data points. This database corresponds to the full sample used for estimating *dExRate* in the context of IMF loans. However, our two alternative dependent variables are not available at the same scale. For *Treasury Bills*, we focus on 58 countries, amounting to 13 225 observations. In the case of *Stock Prices*, we cover 56 countries across the same period, totaling 13 570 observations. It is important to note that when studying the ADB, the available dataset is smaller, as ADB loan data begins only in January 1998. This represents 29 639 observations for *dExRate*, 12 025 for *Treasury Bills*, and 12 851 for *Stock Prices*, covering the same set of countries.

4.1. Summary Statistics

In this section, we first present some summary statistics and then we discuss our main econometric specification.

Table 2 presents summary statistics for our key variables, covering financial market outcomes, institutional quality, and geopolitical alignment. Our full sample includes 119 countries over February 1993-December 2019, yielding 31 804 monthly observations for exchange rates. Data coverage is smaller for *Treasury Bills* (13 225 observations) and *Stock Prices* (13 570 observations), and for ADB loans, which start in 1998 (29 639, 12 025 and 12 851 observations, respectively).

A key observation is the low frequency of our main treatment variables. Only 21 IMF loans coincide with non-permanent UNSC membership across 17 countries, while 135 ADB projects overlap with UNSC membership across 9 Asian countries (see Table 1). This rarity underscores the importance of including institutional and geopolitical controls to isolate the causal effect of loans on financial markets.

Regarding geopolitical alignment, the data reveal that the US is a more polarizing actor in the UNGA than China or Russia. The dispersion of $ALIGN^{US}$ and $DIST^{US}$ is considerably higher than for $ALIGN^{CH}$, $DIST^{CH}$, $ALIGN^{RU}$ and $DIST^{RU}$, indicating that voting alignment with the US varies widely across countries, while alignment with China and Russia is relatively stable. This pattern highlights the strategic role of alignment with major powers, justifying the inclusion of alignment measures in our triple interaction specifications.

Institutional quality, as captured by ICRG indicators, exhibits substantial heterogeneity across countries. Measures such as government stability, corruption, and bureaucratic quality vary widely, suggesting that countries receiving international funding differ systematically in their institutional frameworks. This variation is crucial for understanding how financial markets interpret ADB and IMF interventions, particularly for politically sensitive non-permanent UNSC members.

Finally, splitting the sample by UNSC membership (Table 3) reveals several patterns. Non-permanent members face significantly lower Treasury bill rates, consistent with expectations that temporary UNSC membership may enhance perceptions of financial stability. IMF loans are less frequent for these members, reinforcing the notion that IMF lending may be influenced by geopolitical considerations, whereas ADB projects show no significant difference. Ideological alignment measures indicate that UNSC membership is associated with higher alignment with the US and lower alignment with China and Russia, suggesting strategic shifts in voting behavior during membership.

Overall, these summary statistics highlight the intertwined roles of geopolitical positioning and institutional quality in shaping financial market responses to international lending, motivating our subsequent econometric analysis.

4.2. Econometric Specification

We examine how financial markets respond to ADB and IMF loan approvals and whether these reactions depend on a country's temporary membership in the UNSC and its geopolitical alignment with major powers. Our empirical strategy builds on Andresen and Sturm (2024) and extends their framework along two dimensions: the inclusion of ADB projects and the explicit incorporation of institutional quality and geopolitical distance in line with Oriola and Saadaoui (2025).

Table 2: Summary Statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Treasury Bills	9.007	8.807	-0.07	47.29	13 225
Stock Prices	0.676	6.802	-19.936	23.727	13 570
dExRate	-0.276	2.195	-10.088	5.353	31 804
CPI	0.602	2.291	-45.799	242.353	31 804
UNSC	0.083	0.276	0	1	31 804
IMFnew	0.009	0.095	0	1	31 804
ADBnew	0.051	0.22	0	1	29 639
Exports^{CH}	5.624	10.152	0	96.865	12 845
Exports^{US}	11.04	15.926	0	90.121	12 845
Alignment measures					
- Fjelstul et al. (2025):					
(0 represents complete opposition, 1 represents perfect alignment)					
All votes					
ALIGN^{CH}	0.775	0.143	0.085	1	31 804
ALIGN^{RU}	0.733	0.138	0.114	1	31 804
ALIGN^{US}	0.361	0.169	0.018	0.978	31 804
Important votes					
$\text{ALIGN}^{\text{CH}}_{\text{imp.}}$	0.639	0.179	0.042	1	31 804
$\text{ALIGN}^{\text{RU}}_{\text{imp.}}$	0.647	0.137	0.167	1	31 804
$\text{ALIGN}^{\text{US}}_{\text{imp.}}$	0.525	0.215	0	1	31 804
- Bailey et al. (2017)					
(0 represents perfect alignment, higher values indicate lesser alignment)					
DIST^{CH}	0.889	0.743	0	4.033	31 804
DIST^{RU}	0.827	0.479	0	3.186	31 804
DIST^{US}	2.774	0.89	0.118	5.114	31 804
ICRG controls					
(*a greater value means a better institutional quality*)					
Govstab	8.055	1.688	2	12	31 804
Socioeco	5.634	2.39	0	11	31 804
Invprofile	8.315	2.136	0	12	31 804
Intconf	9.205	1.73	0	12	31 804
Extconf	10.033	1.362	1	12	31 804
Corruption	2.744	1.193	0	6	31 804
Milpol	3.882	1.73	0	6	31 804
Reltensions	4.618	1.329	0	6	31 804
Laworder	3.732	1.295	1	6	31 804
Ethnictens	3.977	1.248	0	6	31 804
Demoacc	4.155	1.543	0	6	31 804
Bureau	2.198	1.096	0	4	31 804

Note: *Treasury Bills* denote monthly short-term interest rates (in percent). *Stock Prices* correspond to monthly percentage changes in national stock market indices. *dExRate* represents monthly percentage changes in the nominal exchange rate (domestic currency per USD). All financial variables are winsorized at the 1st and 99th percentiles. Countries classified as having a *de jure* floating exchange rate regime in the IMF AREAER are excluded from the *dExRate* sample. Alignment measures are computed from UNGA voting data and expressed as twelve-month backward-looking moving averages. ICRG indicators measure institutional quality, with higher values indicating better institutional outcomes.

Table 3: 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	9.124	8.94	-0.07	47.29	12 144	7.691	7.005	-0.07	47.29	1 081	1.434***
Stock Prices	0.654	6.773	-19.936	23.727	12 048	0.857	7.025	-19.936	23.727	1 522	-0.204
dExRate	-0.279	2.187	-10.088	5.353	29 171	-0.233	2.288	-10.088	5.353	2 633	-0.046
CPI	0.589	2.198	-45.799	242.353	29 171	0.754	3.139	-5.726	47.43	2 633	-0.165***
IMFnew	0.009	0.097	0	1	29 171	0.005	0.07	0	1	2 633	0.005***
ADBnew	0.051	0.22	0	1	27 142	0.054	0.226	0	1	2 497	-0.003
ALIGN^{CH}	0.774	0.144	0.085	1	29 171	0.797	0.124	0.318	0.992	2 633	-0.023***
ALIGN^{RU}	0.732	0.139	0.114	1	29 171	0.753	0.123	0.262	0.969	2 633	-0.024***
ALIGN^{US}	0.362	0.17	0.018	0.978	29 171	0.344	0.154	0.035	0.871	2 633	0.018***

Note: *UNSC* is a dummy equal to one when a country serves as a non-permanent member of the United Nations Security Council and zero otherwise. Reported values correspond to sample means. Mean differences are computed as UNSC = 0 minus UNSC = 1. Statistical significance of mean differences is assessed using Welch's unequal-variance t-test (Welch, 1947). Sample sizes vary across variables due to data availability. Significance levels are: * p < 0.10; ** p < 0.05; *** p < 0.01.

We estimate monthly panel regressions using ordinary least squares with standard errors clustered at the country level. Monthly data allow us to focus on short-term market reactions to loan approvals, thereby reducing concerns related to longer-term political bargaining or reverse causality. Our baseline specification is given by:

$$\begin{aligned} \mathrm{Y}_{i,m} &= \beta_0 + \beta_1 \mathrm{INST}^{\mathrm{P}}_{i,m} + \beta_2 \mathrm{UNSC}_{i,m} + \beta_3 \mathrm{INST}^{\mathrm{P}}_{i,m} \times \mathrm{UNSC}_{i,m} + \beta_4 \mathrm{CPI}_{i,m} \\ &\quad + \sum_{L=1}^{12} \beta_{5,L} \mathrm{ICRG}^{\mathrm{L}}_{i,m} + \delta_i + \delta_m + \delta_i \times \delta_{\mathrm{y}} + \varepsilon_{i,m} \end{aligned} \tag{1}$$

where $Y_{i,m}$ denotes one of our financial market outcomes—*Treasury Bills*, *Stock Prices* and *dExRate*—for country i in month m. $INST^{P}_{i,m}$ is a dummy equal to 1 if institution P ($P = ADB, IMF$) approves a new program, and $UNSC$ indicates non-permanent UNSC membership. The interaction term captures whether loan approvals generate differential market responses during UNSC tenure. CPI inflation and twelve ICRG institutional indicators control for macroeconomic conditions and short-term institutional dynamics. δ_i, δ_m and $\delta_i \times \delta_y$ denote country, month and country-year fixed effects that absorb time-invariant heterogeneity, global shocks, and slow-moving national trends.

To assess whether the catalytic effect of international lending depends on geopolitical alignment, we extend the baseline model by introducing a triple interaction between loan approvals, UNSC membership, and ideological distance from permanent UNSC members:

$$
\begin{aligned}
\mathrm{Y}_{i,m} \quad = \quad & \beta_0 + \beta_1 \mathrm{DIST}^{\mathrm{K}} + \beta_2 \mathrm{INST}^{\mathrm{P}}_{i,m} + \beta_3 \mathrm{UNSC}_{i,m} + \beta_4 (\mathrm{DIST}^{\mathrm{K}} \times \mathrm{INST}^{\mathrm{P}}_{i,m}) \\
& + \beta_5 (\mathrm{DIST}^{\mathrm{K}} \times \mathrm{UNSC}_{i,m}) + \beta_6 (\mathrm{INST}^{\mathrm{P}}_{i,m} \times \mathrm{UNSC}_{i,m}) \\
& + \beta_7 (\mathrm{DIST}^{\mathrm{K}}_{i,m} \times \mathrm{INST}^{\mathrm{P}}_{i,m} \times \mathrm{UNSC}_{i,m}) + \beta_8 \mathrm{CPI}_{i,m} + \sum_{L=1}^{12} \beta_{9,L} \mathrm{ICRG}^{\mathrm{L}}_{i,m} \\
& + \delta_i + \delta_m + \delta_i \times \delta_{\mathrm{y}} + \varepsilon_{i,m} \qquad (2)
\end{aligned}
$$

where $\mathrm{DIST}^{\mathrm{K}}$ denotes the geopolitical measure between country i and permanent member K (K = CH, RU, US) in month m. In the baseline specifications, this measure is $ALIGN^K$, for which higher values indicate closer alignment. The measures are expressed as twelve-month backward-looking moving averages, mitigating concerns that countries adjust their voting behavior in anticipation of UNSC elections or loan negotiations.

The coefficient β_7 on the triple interaction captures how the marginal effect of geopolitical alignment varies jointly with loan approval and non-permanent UNSC membership. More generally, the marginal effect of the geopolitical measure implied by Equation 2 is

$$
\frac{\partial E[Y_{i,m}]}{\partial \mathrm{DIST}^K_{i,m}} = \beta_1 + \beta_4 \mathrm{INST}^P_{i,m} + \beta_5 \mathrm{UNSC}_{i,m} + \beta_7 \left(\mathrm{INST}^P_{i,m} \times \mathrm{UNSC}_{i,m} \right).
$$

We evaluate this marginal effect in the joint state in which a new loan is approved and the recipient is a non-permanent UNSC member, so that $\mathrm{INST}^P_{i,m} = 1$ and $\mathrm{UNSC}_{i,m} = 1$. The resulting conditional alignment effect is therefore

$$
\left. \frac{\partial E[Y_{i,m}]}{\partial \mathrm{DIST}^K_{i,m}} \right|_{\mathrm{INST}^P=1,\, \mathrm{UNSC}=1} = \beta_1 + \beta_4 + \beta_5 + \beta_7.
$$

This is the linear combination reported in Section 5 and in the appendix tables. It is interpreted jointly with all constituent lower-order terms rather than from β_7 alone.

Finally, we complement the baseline analysis by splitting the sample into countries that are geopolitically closer to, or farther from each permanent UNSC member. This approach allows us to assess whether geopolitical proximity systematically conditions the catalytic—or potential reverse—effect of international organization lending.

4.3. Timing and Pre-trends

A central concern with the baseline specifications in Equation 1 and Equation 2 is that loan approvals are not randomly assigned: they are typically preceded by deteriorating macroeconomic conditions, policy negotiations, and shifting market expectations about the need for external financing. Country, month, and country-year fixed effects absorb time-invariant heterogeneity and common shocks, but they do not, by themselves, rule out the possibility that the estimated market reactions reflect

anticipatory pricing of the conditions that led to the loan, rather than a response to the loan approval itself.

To address this concern, we complement the baseline panel specification with a dynamic event-study design based on local projections (Jorda, 2005). For each outcome Y and each horizon $h \in \{-6, \ldots, -1, 0, 1, \ldots, 6\}$, we estimate:

$$Y_{i,m+h} = \alpha_h + \varphi_h INST^P_{i,m} + \gamma_h X_{i,m} + \delta_i + \delta_m + \delta_i \times \delta_y + \varepsilon_{i,m+h} \tag{3}$$

where $INST^P_{i,m}$ denotes loan approval by institution P ($P = ADB, IMF$) in month m, $X_{i,m}$ collects the CPI and ICRG institutional controls from the baseline specification, and $Y_{i,m+h}$ is the financial outcome measured h months before ($h < 0$) or after ($h \geq 0$) the approval month. The coefficient of interest, φ_h, traces out the marginal effect of a loan approval on financial market outcomes at each point in event time, holding fixed the same set of controls and fixed effects as in Equation 1. Equation 3 is estimated separately for each horizon h, using the full estimation sample described in subsection 3.4, and standard errors are clustered at the country level throughout.

This design provides two distinct pieces of evidence. First, the pre-approval coefficients $(\varphi_{-6}, \ldots, \varphi_{-1})$ constitute a direct test of anticipatory market behavior: if financial markets were pricing in the deteriorating conditions that precede loan approval, rather than reacting to the approval itself, we would expect to observe significant movements in Y in the months leading up to m. We report both the individual pre-period coefficients and a joint test of the null hypothesis $H_0 : \varphi_{-6} = \cdots = \varphi_{-1} = 0$. Failure to reject this null is a necessary, though not sufficient, condition for interpreting the post-approval coefficients as reflecting the causal impact of the loan announcement rather than reverse causality or confounding by pre-existing macroeconomic trends.

Second, the post-approval coefficients $(\varphi_0, \varphi_1, \ldots, \varphi_6)$ allow us to characterize the dynamic path of the catalytic effect, rather than restricting attention to the contemporaneous response captured by the baseline specification. This is informative in its own right: a catalytic effect that builds gradually over several months following approval is consistent with markets learning about program implementation, whereas an effect concentrated entirely at $h = 0$ is more consistent with a pure announcement effect.

Given the limited number of treated observations for the triple-interaction specifications discussed in subsection 5.2—particularly for $IMFnew \times UNSC$ (16 observations across 12 countries, see Table 2)—estimating Equation 3 separately within each geopolitical alignment sub-sample would yield prohibitively wide confidence intervals at each horizon. We therefore implement the event-study design on the full sample, using $INST^P_{i,m}$ without interaction with $UNSC$ or geopolitical distance, as a validation of the timing assumption underlying the baseline specification as a whole. Results are presented in Figure 8. We view this exercise as a necessary complement, rather than a substitute, for the fixed-effects estimates reported in Section 5: it establishes that the timing of the estimated market response is consistent with a causal interpretation, while the triple-interaction specifications remain the appropriate tool for testing the geopolitical conditioning hypotheses (*H1–H3*) developed in subsection 2.4

5. Main Results

This section presents the findings of our main estimates. We first replicate the results of Andresen and Sturm (2024) using ADB and IMF loans, providing a baseline for comparison in subsection 5.1. We then extend the analysis by incorporating geopolitical alignment measures through triple interaction terms in subsection 5.2. Finally, we assess the robustness by splitting the sample according to an exogenous 50% threshold derived from these alignment measures in subsection 5.4.

For clarity, we note that our two alignment measures are defined in opposite directions: the measure by Fjelstul et al. (2025) ranges from 0 (complete opposition) to 1 (perfect alignment), whereas the measure by Bailey et al. (2017) assigns 0 to perfect alignment, with higher values indicating weaker alignment. This higher alignment with a permanent UNSC member increases Fjelstul et al.'s (2025) measure but decreases Bailey et al.'s (2017), explaining sign differences in the results.

5.1. Replication Results

We begin by estimating our main model using a linear OLS approach. Results for IMF loans are shown in Table 4, and for ADB loans in Table 5. This replicates the analysis of Andresen and Sturm (2024), who examine the catalytic effect of IMF financing on *Treasury Bills*, *Stock Prices*, and *dExRate*. Following Oriola and Saadaoui (2025), we include twelve institutional quality controls to enhance model specification.[11]

To aid interpretation, we highlight the significant ICRG controls and their coefficient signs for each dependent variable. For *Treasury Bills*, significant controls are *Govstab* (negative), *Intconf* (negative), *Ethnictens* (positive), and *Demoacc* (positive). For *Stock Prices*, *Socioeco* (negative), *Invprofile* (negative), and *Laworder* (positive) are significant. Finally, for *dExRate*, *Reltensions* (negative) and *Laworder* (positive) are significant. None of these coefficients contradict theoretical expectations, supporting the robustness of our specification.

Our replication largely aligns with Andresen and Sturm (2024). *CPI* positively affects *Treasury Bills* and *Stock Prices*, with coefficients similar to the original study. Unlike the original, we find that rising inflation significantly depreciates domestic currency against the US Dollar. R-squared values are broadly comparable (Table 4 and Table 5), reinforcing the reliability of our estimates.

Table 4 shows that IMF loan approvals (*IMFnew*) have positive but statistically insignificant effects on all three dependent variables. Similarly, UNSC non-permanent membership alone does not significantly affect any outcome, suggesting it does not independently shape market responses to IMF lending.

For ADB financing (Table 5), none of the key variables of interest are significant, and UNSC non-permanent membership again shows no direct impact. Inflation remains significant only for *dExRate*, confirming that rising inflation drives currency depreciation.

Overall, we find limited evidence of a catalytic effect for either IMF or ADB loans, consistent with Andresen and Sturm (2024), except for *Treasury Bills* under IMF loans. Non-permanent UNSC membership does not independently influence domestic financial markets in our replication.

[11] For brevity, coefficients for these controls are omitted; full results are available upon request.

Table 4: Main results - IMF

	Treasury Bills		*Stock Prices*		*dExRate*	
UNSC	0.175	0.174	-0.130	-0.129	-0.044	-0.044
	(0.283)	(0.283)	(0.455)	(0.455)	(0.126)	(0.126)
IMFnew	0.080	0.041	0.967	1.098	0.083	0.097
	(0.271)	(0.283)	(0.660)	(0.772)	(0.151)	(0.155)
IMFnew × UNSC		0.839		-1.276		-0.318
		(0.698)		(2.157)		(0.845)
CPI	0.049*	0.049*	0.184***	0.184***	-0.087***	-0.087***
	(0.029)	(0.029)	(0.065)	(0.065)	(0.025)	(0.025)
Constant	8.243**	8.253**	2.210	2.209	-0.911	-0.910
	(3.663)	(3.665)	(5.752)	(5.750)	(0.880)	(0.880)
Nbr. observations	13 208	13 208	13 570	13 570	31 795	31 795
Nbr. countries	58	58	56	56	119	119
Nbr. year	27	27	27	27	27	27
Nbr. month	322	322	322	322	322	322
R2	0.960	0.960	0.395	0.395	0.401	0.401
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels: * p < 0.10; ** p < 0.05; *** p < 0.01. This table reports OLS estimates of the impact of IMF loan approvals on domestic financial markets. The dependent variables are *Treasury Bills* (short-term interest rates), *Stock Prices* (national equity indices), and *dExRate* (first difference of the nominal exchange rate against the USD). *IMFnew* is a dummy equal to one in the month an IMF loan is approved, and *UNSC* indicates non-permanent membership in the UN Security Council. *CPI* represents consumer price index. All specifications include country, month, and country-year fixed effects, as well as twelve institutional controls from the ICRG dataset (not reported). Standard errors are clustered at the country level. Financial variables are winsorized at the 1st and 99th percentiles. Countries classified as having a *de jure* fixed exchange rate regime are excluded from exchange rate estimations. For more information, see Equation 1.

5.2. Geopolitical Distance - Triple Interaction

This section examines whether financial markets condition their response to international organization lending on a borrower's geopolitical alignment with major powers. While the existing literature emphasizes the critical role of multilateral lending through policy conditionality and macroeconomic stabilization, it increasingly recognizes that loan approvals also convey political information. In a geopolitical environment characterized by strategic competition, international financial assistance may therefore signal not only economic support but also political backing, with potentially heterogeneous implications for market perceptions and risk pricing.

International organizations do not operate in a geopolitical vacuum. Prior research shows that lending decisions—especially those of the IMF—are influenced by geopolitical considerations and the strategic alignment with major shareholders (Oatley and Yackee, 2004; Oriola and Saadaoui, 2025). Consequently, the announcement of a new loan may be interpreted by financial markets as a signal of both economic adjustment and geopolitical positioning. As financial markets are forward-looking, they may react differently to identical lending decisions depending on whether the recipient country is perceived as politically aligned with key permanent UNSC members.

Table 5: Main results - ADB

	Treasury Bills		*Stock Prices*		*dExRate*	
UNSC	-0.325	-0.337	-0.147	-0.132	-0.009	0.008
	(0.227)	(0.228)	(0.450)	(0.448)	(0.124)	(0.125)
ADBnew	0.060	0.040	-0.076	-0.059	-0.071	-0.052
	(0.067)	(0.078)	(0.350)	(0.405)	(0.053)	(0.058)
ADBnew × UNSC		0.272		-0.133		-0.201
		(0.404)		(0.893)		(0.203)
CPI	-0.004	-0.004	0.062	0.062	-0.111***	-0.111***
	(0.034)	(0.034)	(0.086)	(0.086)	(0.039)	(0.039)
Constant	8.344*	8.353*	8.437	8.430	-1.015	-1.011
	(4.216)	(4.216)	(5.745)	(5.758)	(1.310)	(1.310)
Nbr. observations	12 012	12 012	12 854	12 854	29 632	29 632
Nbr. countries	58	58	56	56	119	119
Nbr. year	22	22	22	22	22	22
Nbr. month	264	264	264	264	264	264
R2	0.955	0.955	0.405	0.405	0.405	0.405
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels: * p < 0.10; ** p < 0.05; *** p < 0.01.Equation 1. This table reports OLS estimates of the impact of ADB project approvals on domestic financial markets. The dependent variables are *Treasury Bills* (short-term interest rates), *Stock Prices* (national equity indices), and *dExRate* (first difference of the nominal exchange rate against the USD). *ADBnew* is a dummy equal to one in the month an ADB project is approved, and *UNSC* indicates non-permanent membership in the UN Security Council. *CPI* represents consumer price index. All specifications include country, month, and country-year fixed effects, as well as twelve institutional controls from the ICRG dataset (not reported). Standard errors are clustered at the country level. Financial variables are winsorized at the 1st and 99th percentiles. Countries classified as having a *de jure* fixed exchange rate regime are excluded from exchange rate estimations. For more information, see Equation 1.

Building on the theoretical framework developed in subsection 2.4, we test whether the sign of the geopolitical conditioning effect differs systematically between the IMF and the ADB, as predicted by Hypothesis *H1*. Under the leniency channel, alignment is expected to weaken the catalytic effect of IMF lending, as investors anticipate diluted conditionality enforcement. Under the backstop channel, alignment is expected to strengthen the catalytic effect of ADB lending, as investors anticipate a lower probability of financing disruption. We further test whether this conditioning effect is concentrated in exchange rate markets (*H2*) and amplified during geopolitically salient episodes (*H3*, tested in subsection 6.5).

Building on the baseline results, which show limited average financial market reactions to loan approvals, this subsection asks whether the credibility and informational content of international lending depend on geopolitical alignment. Rather than assuming a homogeneous catalytic effect, we explicitly allow market responses to vary with a country's political distance from China, Russia and the US. By doing so, we examine whether financial markets interpret international loan approvals primarily as signals of economic stabilization or as geopolitically conditioned interventions, and how this interpretation differs across asset classes.

To test these mechanisms, we interact ADB and IMF loan approvals with non-permanent UNSC membership and geopolitical alignment with China, Russia, and the US. The full set of constituent terms is reported in Appendix Table B1. Following the marginal-effect expressions above, the quantity of interest is the marginal effect of geopolitical alignment conditional on both loan approval and UNSC membership. This is the existing linear combination $\beta_1 + \beta_4 + \beta_5 + \beta_7$. Table 7 reports this conditional alignment effect, while the marginal-effect figures trace it over the support of each alignment measure. We therefore interpret the constituent coefficients jointly rather than in isolation. Table 6 summarizes the predicted signs and their economic interpretation.

The results presented in Table 7 reveal that exchange rates are the primary financial channel through which geopolitical conditioning operates, whereas Treasury bill yields and stock prices display comparatively weak and inconsistent responses.

For alignment with China, the conditional alignment effect associated with ADB loans is negative and statistically significant for exchange rates (*dExRate*). This implies that, among non-permanent UNSC members, countries that are politically closer to China experience a currency appreciation following ADB loan approvals. Financial markets appear to interpret ADB lending in this geopolitical context as a stabilizing signal, consistent with the view that alignment enhances expectations of sustained external support or smoother program implementation. This asymmetry—a null effect for IMF lending and a significant appreciation effect for ADB lending—is consistent with *H1*: the absence of an IMF effect suggests that the leniency channel does not operate uniformly across all forms of alignment, while the ADB result is consistent with the backstop channel.

Results for Russia display a more contrasted pattern. As in the Chinese case, ADB loans are associated with a negative and statistically significant conditional alignment effect for exchange rates, indicating currency appreciation against the US dollar for Russia-aligned non-permanent UNSC members. IMF loans, however, generate a positive and significant conditional alignment effect, corresponding to a currency depreciation. This divergence suggests that IMF lending to Russia-aligned countries is interpreted less favorably by financial markets, potentially reflecting concerns about political frictions, sanctions exposure, or doubts regarding the sustainability and autonomy of IMF-supported adjustment programs in this geopolitical context. Taken together with the Chinese case, this opposite-sign pattern between IMF and ADB lending is consistent with *H1.a–H1.c*.

Turning to alignment with the US, the estimates point to a distinct configuration. The only significant conditional alignment effect emerges for IMF loans and exchange rates, where the effect is negative and statistically significant. This indicates that IMF loan approvals to US-aligned non-permanent UNSC members are associated with currency appreciation, consistent with financial markets perceiving such programs as more credible or better aligned with dominant shareholder preferences. We note, however, that this conditional alignment effect is significant only at the 10% level; as subsection 6.2 and subsection 6.3 show, it is also the least robust of our three institution-specific channels to the exclusion of individual countries and to wild cluster bootstrap inference. No comparable effects are observed for ADB lending or for other financial indicators. The concentration of this effect in exchange rate markets, alongside the null results for Treasury bills and stock prices reported below, is consistent with Hypothesis *H2*.

Table 6: Interpretation of the Conditional Alignment Effect

Dependent variable	Institution / channel	Predicted sign under H1	Economic interpretation
dExRate	IMF *leniency channel*	$\beta_1 + \beta_4 + \beta_5 + \beta_7 > 0$	Currency **depreciation** as alignment with K increases. Closer alignment signals weaker expected conditionality enforcement, diluting IMF loan credibility and generating a reversed catalytic effect.
	ADB *backstop channel*	$\beta_1 + \beta_4 + \beta_5 + \beta_7 < 0$	Currency **appreciation** as alignment with K increases. Closer alignment signals continuity of external support, reinforcing ADB project credibility and generating a positive catalytic effect.
Treasury Bills & *Stock Prices*	IMF *leniency channel*	TB: > 0 SP: > 0	Higher yields / lower equity valuations as alignment increases would be consistent with the leniency channel, but effects are weak and inconsistent in the continuous specification (Table B1); significant reactions emerge only in the split-sample analysis for countries geopolitically distant from major powers (subsection 5.4).
	ADB *backstop channel*	TB: < 0 SP: < 0	Lower yields / higher equity valuations as alignment increases would be consistent with the backstop channel, but effects are weak and inconsistent throughout (Table B1), reinforcing the view that exchange rates are the primary transmission channel (*H2*).

Note: The coefficients associated with the triple interaction ($INST^P \times UNSC \times ALIGN^K$) are interpreted jointly with their constituent lower-order terms. For each outcome and institution, the reported linear combination $\beta_1 + \beta_4 + \beta_5 + \beta_7$ is the marginal effect of geopolitical alignment when loan approval and non-permanent UNSC membership both equal one, as derived above. The *Predicted sign under H1* column reports the sign consistent with the institutional channel developed in Section 2.4: for the IMF, whose credibility rests primarily on conditionality enforcement, closer alignment is expected to weaken the catalytic effect (*leniency channel*); for the ADB, whose credibility rests less on conditionality and more on continuity of financing, closer alignment is expected to strengthen the catalytic effect (*backstop channel*). For *dExRate*, a positive (negative) value implies depreciation (appreciation) of the domestic currency against the USD. For *Treasury Bills* (TB), a positive (negative) value indicates an increase (decrease) in short-term borrowing costs. For *Stock Prices* (SP), a positive (negative) value corresponds to a decrease (increase) in equity valuations. Higher values of $ALIGN^K$ indicate closer alignment with permanent UNSC member K (0 = complete opposition, 1 = perfect alignment). Empirical support is discussed in subsection 5.2, subsection 5.4, and Section 6; full coefficient estimates are reported in Table B1.

Across all three geopolitical alignments, Treasury bill yields and stock prices exhibit limited sensitivity to the triple interaction structure. This suggests that short-term interest rates and equity markets either incorporate geopolitical considerations more gradually or rely on alternative infor-

Table 7: Marginal effect of geopolitical alignment conditional on loan approval and non-permanent UNSC membership ($\beta_1 + \beta_4 + \beta_5 + \beta_7$, Equation 2)

Alignment	Institution	*Treasury Bills*	*Stock Prices*	*dExRate*
China	ADB	-0.866 (2.168)	0.035 (4.164)	-1.983** (0.927)
	IMF	2.408 (6.506)	19.342 (16.428)	6.765 (5.952)
Russia	ADB	-0.505 (2.413)	-2.809 (6.446)	-2.689** (1.199)
	IMF	3.778 (5.601)	9.686 (22.185)	8.460** (3.849)
US	ADB	-1.735 (2.079)	-4.135 (3.172)	0.376 (1.491)
	IMF	-0.512 (5.295)	-12.856 (17.774)	-8.164* (4.848)

Note: Significance levels: * p < 0.10; ** p < 0.05; *** p < 0.01. This table reports the existing linear combination $\beta_1 + \beta_4 + \beta_5 + \beta_7$ from Equation 2. It is the marginal effect of geopolitical alignment when the loan-approval indicator and non-permanent UNSC membership both equal one. Standard errors, clustered at the country level, are reported in parentheses. *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles; countries with a *de jure* fixed exchange rate regime are excluded from the *dExRate* estimations. Full coefficient estimates for all terms in the triple interaction—including $ALIGN^K$ (K = China, Russia, US), $INST^P$ (P = ADB, IMF), $UNSC$, and their pairwise interactions—are reported in Appendix Table B1. This table summarizes the evidence for *H1.a–H1.c* discussed in subsection 5.2.

mation channels. Exchange rates, by contrast, react sharply to the political information embedded in lending decisions, reinforcing the view that currency markets are particularly responsive to shifts in external credibility and geopolitical backing (Oriola and Saadaoui, 2025).

5.3. Geopolitical Distance - Marginal Effects

While the linear combinations reported in Table 7 provide scalar summaries of the conditional alignment effect, they do not show how this effect varies across the support of geopolitical alignment. We therefore plot the marginal effect of alignment on Treasury bill yields, stock prices, and exchange rates while holding loan approval and non-permanent UNSC membership equal to one.

Specifically, we use the triple interaction between program approval (*ADBnew* or *IMFnew*), UNSC membership (*UNSC*), and alignment with China, Russia, or the US ($ALIGN^{CH}$, $ALIGN^{RU}$, or $ALIGN^{US}$). The figures trace the conditional alignment effect defined above across values from 0 to 1. Figure 5, Figure 6, and Figure 7 report the results for China, Russia, and the US, respectively; the top row corresponds to ADB projects and the bottom row to IMF loans.

Across all three figures, Treasury bill yields display the least differentiated response to geopolitical alignment. The estimated marginal effect is mildly upward-sloping for both institutions and all three alignment measures, moving from negative territory at low alignment toward values close to, or mildly above, zero at high alignment; the associated confidence bands remain wide throughout and generally continue to include zero over most of the alignment range. This is consistent with the view that sovereign borrowing costs are not the primary channel through which geopolitical alignment shapes market reactions to loan approval (*H2*).

Stock prices show a broadly similar pattern of limited differentiation, although with somewhat more instability in sign. For ADB projects, the marginal effect on stock prices is close to flat and centered near zero for China, and only mildly downward-sloping for Russia and the US, with confidence bands that comfortably include zero throughout. For IMF loans, the point estimate is more clearly downward-sloping—moving from markedly negative values at low alignment toward zero as alignment increases—for China and the US, while for Russia it moves in the opposite direction. In all cases, however, the bands are wide enough that these patterns should be read as suggestive rather than precisely estimated, echoing the weak and inconsistent conditioning identified for this asset class in Table 7.

Exchange rates offer the clearest illustration of the mechanisms proposed in subsection 2.4. For ADB projects, the marginal effect on *dExRate* is markedly downward-sloping for both China and Russia: it starts near or slightly above zero at low alignment and becomes negative—*i.e.*, associated with currency appreciation—as alignment increases, with confidence bands that narrow and move below zero at the higher end of the range. This pattern is directly consistent with the backstop channel (*H1c*). For alignment with the US, by contrast, the ADB marginal effect on *dExRate* remains close to flat and centered near zero across nearly the entire range, with substantially wider bands at high alignment—consistent with the boundary case discussed in subsection 6.6, where the US's own status as an ADB shareholder complicates a clean backstop interpretation.

For IMF loans, the pattern is closer to a mirror image. Alignment with the US is associated with a clearly downward-sloping marginal effect on *dExRate*, moving from small positive values at low alignment to markedly negative values as alignment approaches its upper range, consistent with the shareholder-credibility channel (*H1a*). Alignment with Russia shows the opposite slope over the lower and middle part of the distribution—moving from negative to positive as alignment increases, consistent in direction with the leniency channel (*H1b*)—but at the highest levels of alignment the line flattens and its confidence band widens substantially, so we do not recover the sharp, precisely estimated depreciation implied by the linear combination in Table 7. Alignment with China shows a qualitatively similar upward-sloping pattern for IMF lending, but the confidence bands remain wide over the entire range, and we do not interpret this case as independent support for *H1b*.

Taken together, the marginal-effects analysis reinforces two conclusions already suggested by Table 7. First, the conditioning effect of geopolitical alignment is concentrated in exchange rate markets, while Treasury bill yields and stock prices remain comparatively unresponsive across the full alignment range (*H2*). Second, within exchange rates, the ADB-China and ADB-Russia backstop patterns are the most clearly and consistently identified, with confidence bands that narrow appreciably at high alignment; the IMF-US shareholder-credibility pattern is directionally consistent but less sharply estimated, and the IMF-Russia leniency pattern is visible only over part of the alignment range. This graded pattern of support foreshadows the differentiated robustness results documented in subsection 6.2 and subsection 6.3.

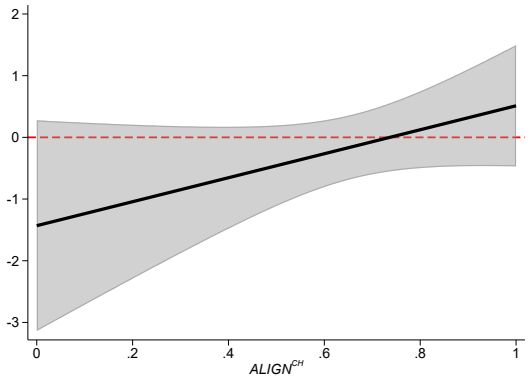
5.4. Geopolitical Distance - Thresholds

This subsection complements the continuous marginal effects analysis by adopting a split-sample approach based on geopolitical alignment. Motivated by the results in subsection 5.2, which show that financial market responses tend to emerge only over specific ranges of geopolitical distance, we divide our sample into two groups: countries below and above the median level of alignment with

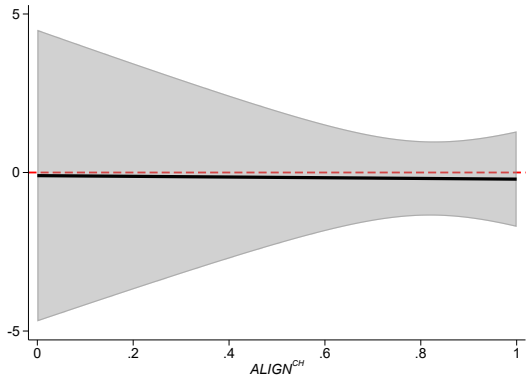
Figure 5: Effects of ADB and IMF loans across $ALIGN^{CH}$ (with $ADBnew/IMFnew = 1$ & $UNSC = 1$)

ADBnew

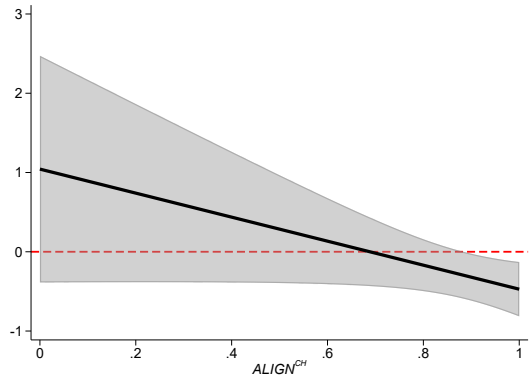
(a) *Treasury bills*



(b) *Stock prices*

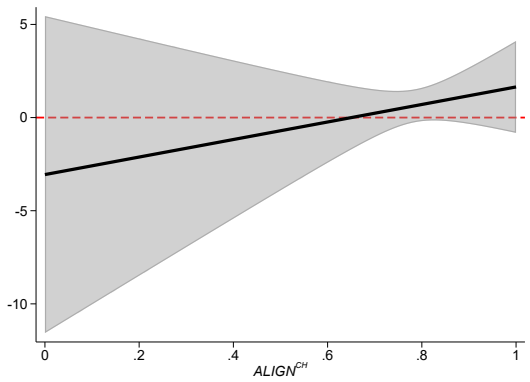


(c) *dExRate*

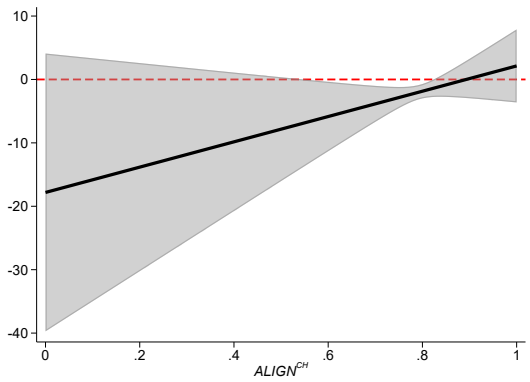


IMFnew

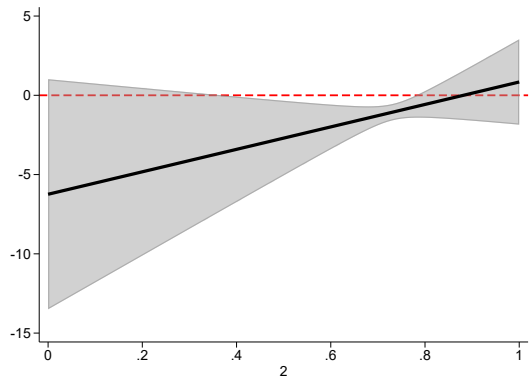
(d) *Treasury bills*



(e) *Stock prices*



(f) *dExRate*

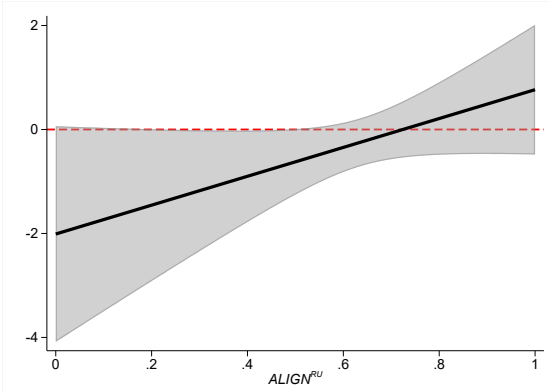


Note: This figure plots the marginal effect of geopolitical alignment with China ($ALIGN^{CH}$) on *Treasury Bills*, *Stock Prices*, and *dExRate*, holding the ADB approval indicator (top row) or IMF approval indicator (bottom row) equal to one and holding $UNSC = 1$. Estimates are derived from the triple-interaction specification of Equation 2, using the same set of country, month, and country-year fixed effects, *CPI*, and *ICRG* institutional controls as in the baseline specification; standard errors are clustered at the country level. The dark shaded area denotes the 90% confidence interval. The horizontal dashed red line marks a null effect. Higher values of $ALIGN^{CH}$ indicate closer alignment with China (0 = complete opposition, 1 = perfect alignment). This figure complements the linear combinations reported in Table 7.

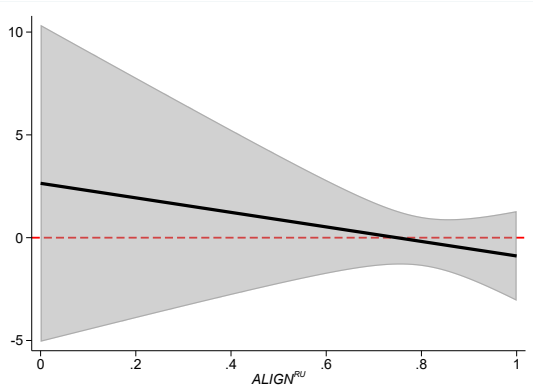
Figure 6: Effects of ADB and IMF loans across $ALIGN^{RU}$ (with $ADBnew/IMFnew = 1$ & $UNSC = 1$)

ADBnew

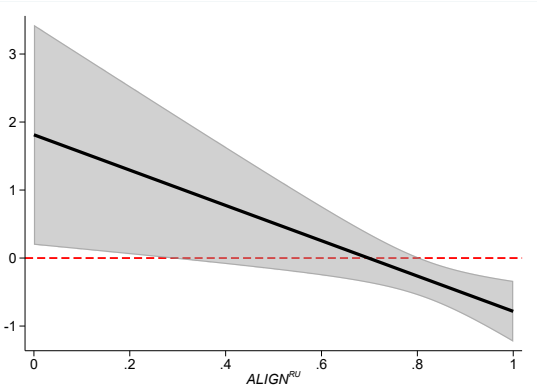
(a) *Treasury bills*



(b) *Stock prices*

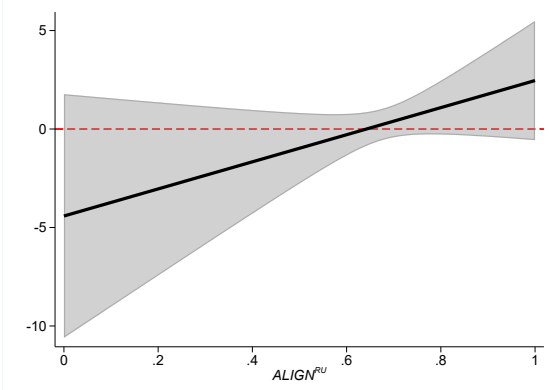


(c) *dExRate*

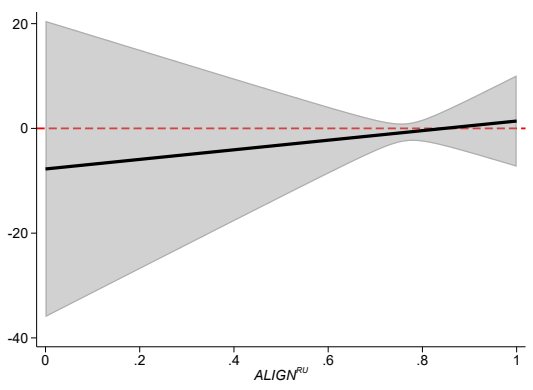


IMFnew

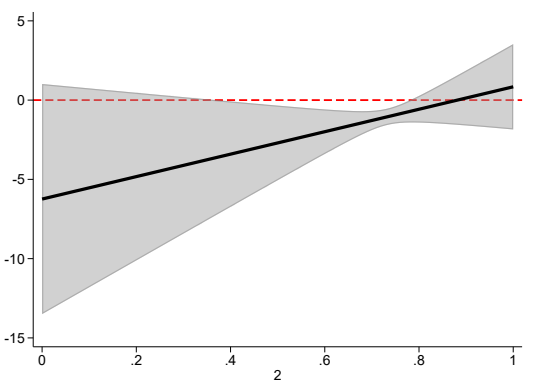
(d) *Treasury bills*



(e) *Stock prices*



(f) *dExRate*

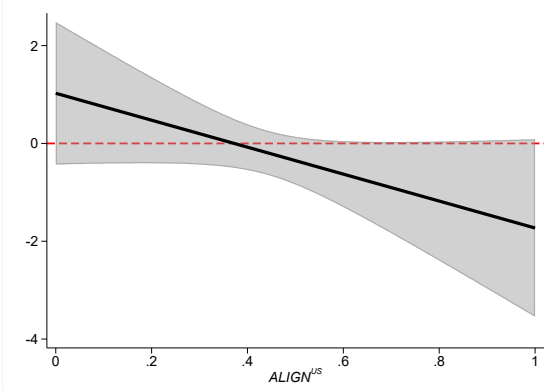


Note: This figure plots the marginal effect of geopolitical alignment with Russia ($ALIGN^{RU}$) on *Treasury Bills*, *Stock Prices*, and *dExRate*, holding the ADB approval indicator (top row) or IMF approval indicator (bottom row) equal to one and holding $UNSC = 1$. Estimates are derived from the triple-interaction specification of Equation 2, using the same set of country, month, and country-year fixed effects, *CPI*, and *ICRG* institutional controls as in the baseline specification; standard errors are clustered at the country level. The dark shaded area denotes the 90% confidence interval. The horizontal dashed red line marks a null effect. Higher values of $ALIGN^{RU}$ indicate closer alignment with Russia (0 = complete opposition, 1 = perfect alignment). This figure complements the linear combinations reported in Table 7.

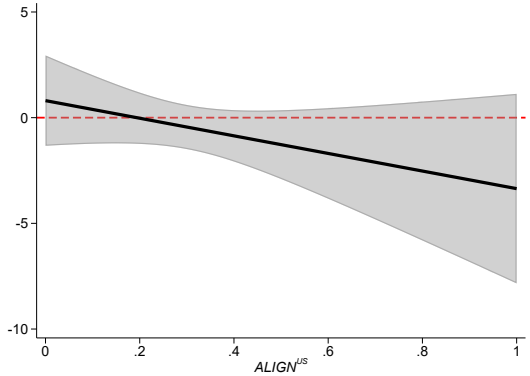
Figure 7: Effects of ADB and IMF loans across $ALIGN^{US}$ (with $ADBnew/IMFnew = 1$ & $UNSC = 1$)

ADBnew

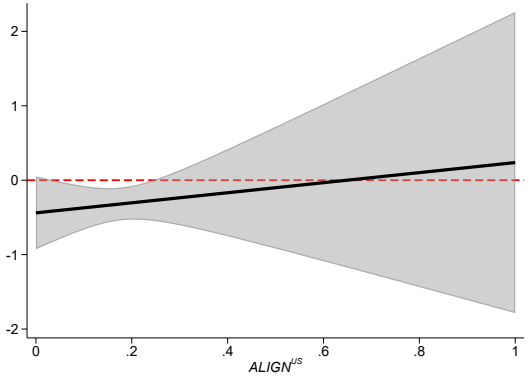
(a) *Treasury bills*



(b) *Stock prices*

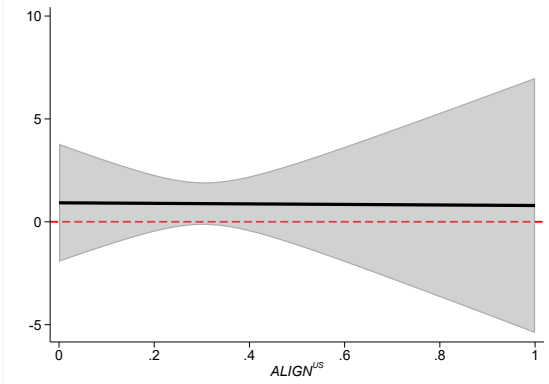


(c) *dExRate*

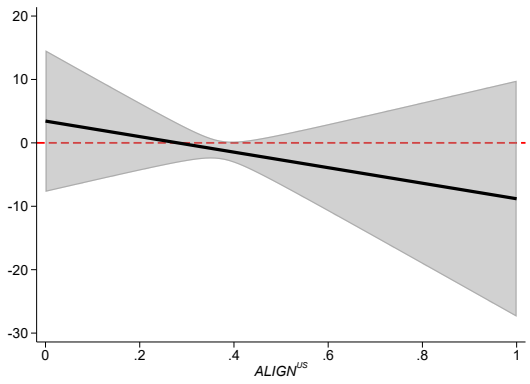


IMFnew

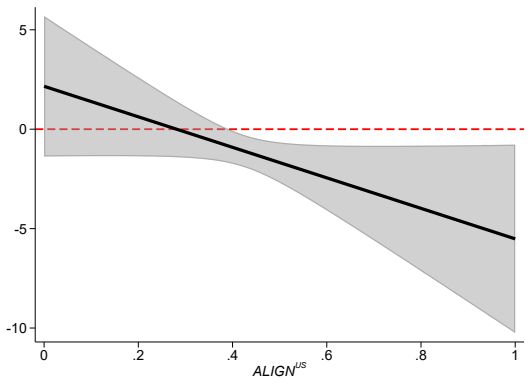
(d) *Treasury bills*



(e) *Stock prices*



(f) *dExRate*



Note: This figure plots the marginal effect of geopolitical alignment with the US ($ALIGN^{US}$) on *Treasury Bills*, *Stock Prices*, and *dExRate*, holding the ADB approval indicator (top row) or IMF approval indicator (bottom row) equal to one and holding $UNSC = 1$. Estimates are derived from the triple-interaction specification of Equation 2, using the same set of country, month, and country-year fixed effects, *CPI*, and *ICRG* institutional controls as in the baseline specification; standard errors are clustered at the country level. The dark shaded area denotes the 90% confidence interval. The horizontal dashed red line marks a null effect. Higher values of $ALIGN^{US}$ indicate closer alignment with the US (0 = complete opposition, 1 = perfect alignment). This figure complements the linear combinations reported in Table 7.

China, Russia and the US. This threshold-based design allows us to assess whether the catalytic effect of international lending materializes primarily among countries that are relatively closer to, or relatively more distant from, each major power.

For each alignment measure ($ALIGN^{CH}$, $ALIGN^{RU}$, and $ALIGN^{US}$), we estimate Equation 1 for the two sub-samples and report the results in Table B2 for China, Table B3 for Russia, and Table B4 for the US. Each table is organized into three panels corresponding to *Treasury Bills*, *Stock Prices*, and *dExRate*. This structure facilitates a direct comparison across asset classes and lending institutions, while preserving consistency with the triple-interaction framework developed above.

Results for alignment with China are reported in Table B2. Consistent with the marginal effects analysis, we find that the catalytic effects of international lending are concentrated in specific geopolitical sub-samples and are most clearly reflected in exchange rate dynamics.

For countries that are relatively closer to China, ADB loan approvals to non-permanent UNSC members are associated with a significant appreciation of their domestic currency. This finding aligns closely with the negative linear combinations identified in Table B1 and the marginal effect curves in Figure 5 (see Appendix). Financial markets appear to interpret ADB lending to China-aligned countries as a stabilizing signal, possibly reflecting expectations of continued external support or smoother policy coordination within a China-centered regional financial architecture.

By contrast, no comparable exchange rate effect emerges among countries that are less aligned with China. Instead, the most salient result in this sub-sample concerns stock markets: IMF loan approvals are associated with a large and significant decline in stock prices (-10.728, significant at 1% level). This pattern suggests that, in countries geopolitically distant from China, IMF intervention is interpreted as a signal of economic stress rather than reassurance. In the absence of strong alternative financial channels not linked to the US—*i.e.*, linked to China or Russia—IMF loans may heighten investor concerns about macroeconomic fragility, policy conditionality, or growth prospects.

Taken together, these findings reinforce the interpretation that China's relevance for financial markets operates primarily through the ADB and is most visible in currency markets, while IMF-lending to non-China aligned countries tends to trigger adverse equity market responses.

Estimates for alignment with Russia are presented in Table B3. Overall, the results closely mirror those obtained for China, particularly with respect to IMF lending and stock market reactions.

Among countries that are relatively distant from Russia, IMF loan approvals are associated with a sharp (-7.107) and significant at 1% level decline in stock prices. Although the magnitude of this effect is smaller than in the Chinese case (-10.728), the qualitative pattern is remarkably similar. Financial markets appear to interpret IMF intervention in countries that are not aligned with Russia as a signal of heightened economic vulnerability, consistent with the idea that IMF loans are perceived as last-resort instruments when alternative geopolitical or financial backing is limited.

Exchange rate responses are weaker but broadly consistent with this interpretation. We observe modest depreciation effects following IMF loan approvals in the less Russia-aligned sub-sample, reinforcing the view that currency markets remain sensitive to geopolitical context when assessing the credibility of IMF-supported adjustment programs. We note that this stock price effect operates through recipients' distance from Russia rather than through alignment with a dominant power, and

is therefore better understood as a distinct "isolation" channel—whereby the absence of alternative geopolitical backing amplifies the perceived risk of IMF conditionality—rather than as a direct test of the leniency channel underlying *H1*.

In contrast to China, we do not find robust evidence that ADB lending generates differential effects across Russia-aligned and non-Russia aligned countries. This absence of heterogeneity is informative in itself and supports the argument that Russia's influence within the ADB is substantially more limited than China's. As a result, ADB loan approvals do not appear to convey distinct geopolitical signals when conditioning on alignment with Russia.

Results for alignment with the US are reported in Table B4. The most pronounced effects again concern IMF lending and exchange rate dynamics.

Among countries that are more closely aligned with the US, IMF loan approvals are associated with a significant appreciation of the domestic currency, alongside weaker evidence of positive responses in Treasury bill yields and a decline in stock prices. This pattern is consistent with the negative marginal effects identified for *dExRate* in Table B1 and with the marginal effects illustrated in Figure 7 (see Appendix). Rather than reflecting a uniformly reassuring signal, IMF lending appears to convey mixed information to financial markets: while currency markets react favorably, equity markets respond negatively, suggesting concerns about the real economic or distributive consequences of IMF-supported programs.

Importantly, we do not observe comparable financial market responses among countries that are less aligned with the US, nor do we find significant effects associated with ADB lending in either subsample. This asymmetry is consistent with institutional differences between the two organizations. Whereas the IMF is commonly perceived as operating within a US-centered governance structure, ADB lending decisions are directly connected to US geopolitical influence, particularly outside the Asian region.

Taken together, the split-sample results reinforce the central insight of the marginal effect analysis: the catalytic effect of international lending is conditional rather than universal. Financial markets do not react uniformly to loan approvals but respond selectively, depending on both the borrower's geopolitical alignment and the institutional identity of the lender.

Across all three major powers, exchange rate emerges as the most responsive asset class, indicating that currency markets are especially sensitive to the geopolitical information embedded in international lending decisions. By contrast, Treasury bill yields and stock prices react only in specific settings, most notably following IMF loan approvals in geopolitically salient contexts.

These findings highlight that international financial assistance functions simultaneously as an economic instrument and a political signal. The credibility and market relevance of this signal depend not on a systematic change in direction, but on whether geopolitical alignment activates market responses. In this respect, the split-sample results offer a transparent and policy-relevant complement to the continuous interaction framework, confirming that geopolitical alignment shapes the salience—rather than the sign—of the catalytic effect of international lending. This pattern is broadly consistent with *H2*, with the exception of the sharp stock price decline observed for IMF lending in samples geopolitically distant from China and Russia. We interpret this exception with caution, given the smaller number of treated observations underlying each sub-sample split

Table 8: Marginal effect of a loan approval on non-permanent UNSC members, by geopolitical alignment (split-sample thresholds)

Alignment	Institution	*Treasury Bills*		*Stock Prices*		*dExRate*	
		50% farthest	50% closest	50% farthest	50% closest	50% farthest	50% closest
China	ADB	0.338	0.344	-4.575	0.351	0.086	-0.307*
		(0.249)	(0.416)	(3.930)	(0.780)	(0.511)	(0.174)
	IMF	0.318	1.214	-10.728***	0.309	-0.135	-0.091
		(0.584)	(0.973)	(1.416)	(2.304)	(0.580)	(1.073)
Russia	ADB	0.229	0.428	-3.902	-0.185	-0.292	-0.221
		(0.193)	(0.364)	(2.958)	(1.009)	(0.420)	(0.246)
	IMF	-0.158	1.295	-7.109***	0.276	-1.009*	-0.005
		(0.656)	(1.009)	(1.487)	(2.596)	(0.581)	(1.023)
US	ADB	0.451	0.013	0.345	-3.683	-0.213	-0.092
		(0.531)	(0.202)	(0.709)	(2.574)	(0.189)	(0.866)
	IMF	0.887	0.910**	-0.165	-5.844*	0.043	-0.846***
		(0.804)	(0.407)	(2.530)	(2.951)	(1.102)	(0.287)

Note: Significance levels: * p < 0.10; ** p < 0.05; *** p < 0.01. This table reports the coefficient on $INST^P \times UNSC$ (P =ADB, IMF) from Equation 1, estimated separately within each half of the sample split at the median level of alignment with the indicated permanent UNSC member. "50% closest" corresponds to $ALIGN^K > 50\%$, *i.e.* the sub-sample of countries whose UNGA voting record is most closely aligned with K; "50% farthest" corresponds to $ALIGN^K < 50\%$. Standard errors, clustered at the country level, are reported in parentheses. *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles; countries with a *de jure* fixed exchange rate regime are excluded from the *dExRate* estimations. Full coefficient estimates underlying each cell, together with the full set of controls and fixed effects, are reported in Appendix Table B2 (China), Table B3 (Russia), and Table B4 (US). This table summarizes the split-sample robustness evidence discussed in subsection 5.4.

(Table 2), and return to it when discussing the robustness of the asset-class heterogeneity result in subsection 6.6.

6. Robustness Checks

First, we assess the validity of our estimates using several complementary procedures: a dynamic event-study design based on local projections, which tests for the absence of pre-trends and characterizes the timing of the estimated effect (subsection 6.1); a leave-one-country-out sensitivity analysis, which verifies that our main triple-interaction results are not driven by any single treated country (subsection 6.2); and wild cluster bootstrap inference, which accounts for the small number of clusters underlying the triple-interaction estimates (subsection 6.3). Second, we re-estimate our triple-interaction model (see Equation 2 and Table B1) focusing exclusively on UNGA votes identified as important by the US State Department in Table C2. Third, we use an alternative measure of geopolitical alignment from Bailey et al. (2017), which differs from our primary measure by excluding pre-resolution and failed votes and assessing alignment at the session level rather than continuously in Table C3. These checks allow us to evaluate whether the catalytic effects of international lending are sensitive to trade dependencies, the type of vote considered or to the specific measure of geopolitical alignment employed.

6.1. Local Projections and Timing Assumption

To assess the plausibility of the timing assumption underlying our baseline specification, we estimate the dynamic event-study model described in Equation 4 for both *ADBnew* and *IMFnew*, using the full estimation sample and without interacting loan approval with UNSC membership or geopolitical alignment. Results for all dependent variables are presented in Figure 8.

For both institutions, the pre-approval coefficients ($h = -6$ to $h = -1$) remain close to zero throughout, and the associated confidence intervals include zero at nearly every horizon. This pattern is consistent with the absence of systematic anticipatory movements in the exchange rate prior to loan approval, supporting the identifying assumption that the timing of ADB and IMF loan approvals is not driven by contemporaneous financial market dynamics that would independently generate the estimated post-approval response.

Following approval, both series display a gradual increase over the subsequent months, with the estimated effect moving away from zero progressively rather than jumping discontinuously at $h = 0$. This pattern is consistent with a market response that builds as additional information about loan implementation becomes available, rather than being fully impounded at the moment of announcement, and does not contradict the signaling mechanism developed in subsection 2.4, which requires the absence of a reversal in sign rather than immediate full adjustment. By $h = 6$, the estimated effect for both institutions moves back toward zero, suggesting that the identified response is concentrated within a roughly six-month window around loan approval rather than reflecting a permanent shift in exchange rate dynamics.

We interpret this exercise as a validation of the timing structure underlying the baseline panel specification (Equation 1) as a whole, rather than as a replication of the triple-interaction results reported in Table B1: given the limited number of treated observations for $IMFnew \times UNSC$ (16 observations across 17 countries, see Table 2), estimating the fully interacted specification separately at each horizon would yield prohibitively wide confidence intervals. The dynamic pattern

documented here is therefore complementary to, rather than a substitute for, the triple-interaction estimates that remain the appropriate tool for testing Hypotheses *H1*—*H3*.

6.2. Leave-one-country-out sensitivity

Given the small number of treated observations underlying our main results—16 months of *IMFnew* × *UNSC* across 12 countries, and 135 months of *ADBnew* × *UNSC* across 9 countries (Table 2)—a natural concern is that any single country's alignment or loan history could be driving the significant coefficients reported in Table 7. To address this directly, we re-estimate each of the six main specifications underlying Table 7, excluding one treated country at a time, and recover the same linear combination ($\beta_1 + \beta_4 + \beta_5 + \beta_7$, see Equation 2 and Table 6) reported in the baseline. Figure 9 plots the resulting estimates, with 90% confidence intervals based on country-clustered standard errors, alongside the full sample baseline (dashed line).

The two channels with the strongest baseline support are also the most robust to this exercise. For the backstop channel (*H1c*), the marginal effect of ADB lending remains negative for every excluded country, for both alignment with China (Figure 9a) and alignment with Russia (Figure 9c); the point estimate never approaches zero and the sign never reverses. Azerbaijan is the single most influential country in both specifications—excluding it produces the most negative estimate in each panel—but the direction and approximate magnitude of the effect are preserved regardless of which country is dropped. The leniency channel for Russia-aligned IMF borrowers (*H1b*, Figure 9d) displays the same pattern: the coefficient remains positive (depreciation) across all exclusions, with no country reversing its sign.

The shareholder-credibility channel (*H1a*, Figure 9f) is directionally robust—the coefficient remains negative (appreciation) for every excluded country—but the confidence intervals widen noticeably and approach zero when Mexico, Costa Rica, or Bulgaria are excluded. This sensitivity is consistent with the fact that this coefficient was only significant at the 10% level in the full sample (Table 7), rather than indicating a fragile or spurious result; we note it explicitly here rather than let a reader infer it only from the width of the baseline confidence interval.

Finally, the two specifications that were not statistically significant in the baseline — IMF lending interacted with alignment with China (Figure 9b) and ADB lending interacted with alignment with the US (Figure 9e)—remain null throughout: no single country's exclusion produces a confidence interval that excludes zero. This is itself informative, as it rules out the possibility that a genuine effect is being masked by one or two offsetting observations in these two cases.

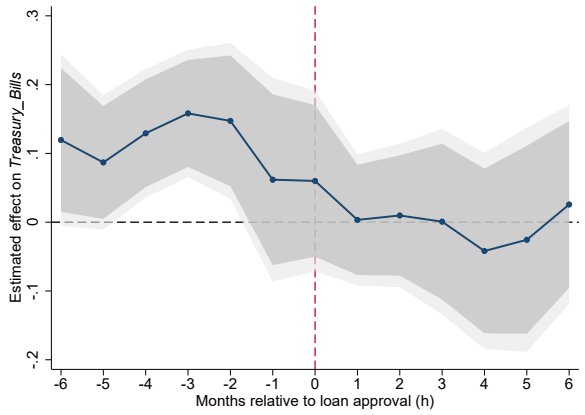
Taken together, these results indicate that the backstop channel (*H1c*) and the leniency channel for Russia (*H1b*) are the most robust findings in the paper, that the shareholder-credibility channel (*H1a*) is directionally consistent but statistically more fragile—as its baseline significance level already suggested—and that the two null results are genuine rather than an artifact of sample composition.

6.3. Wild Cluster Bootstrap Inference

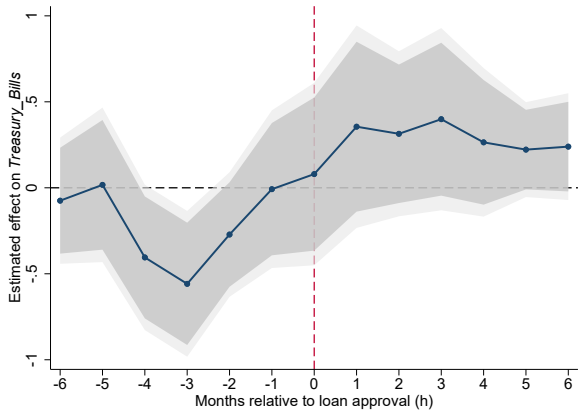
The triple-interaction specifications underlying Table 7 rely on a small number of countries for identification of the interaction terms of interest: only 9 countries contribute to identifying *ADB*×*UNSC* effects and 17 to *IMF*×*UNSC* effects (Table 2). With so few clusters relevant to the tested hypothesis, conventional cluster-robust standard errors can understate true sampling uncertainty. We therefore complement the baseline inference with a wild cluster bootstrap-t test for the conditional alignment

Figure 8: Local projections effect of *ADBnew* and *IMFnew* on our explained variables

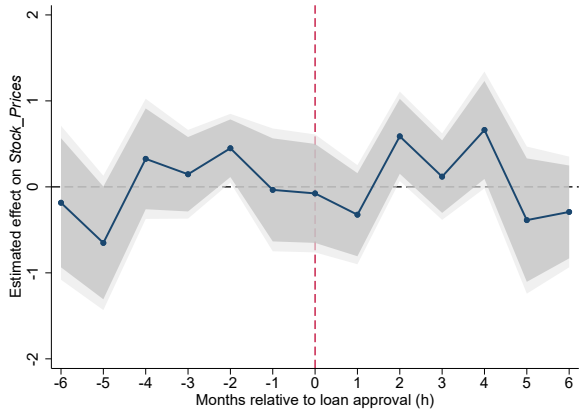
(a) *Treasury bills & ADBnew*



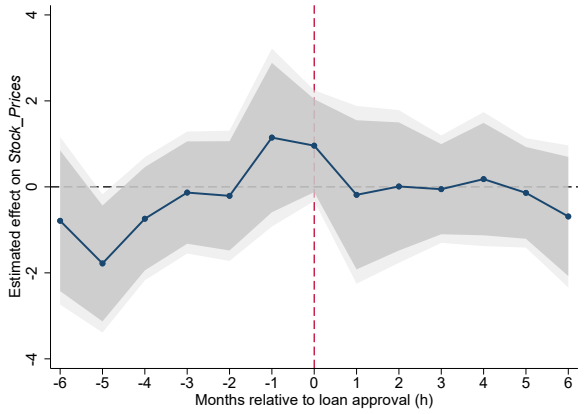
(b) *Treasury bills & IMFnew*



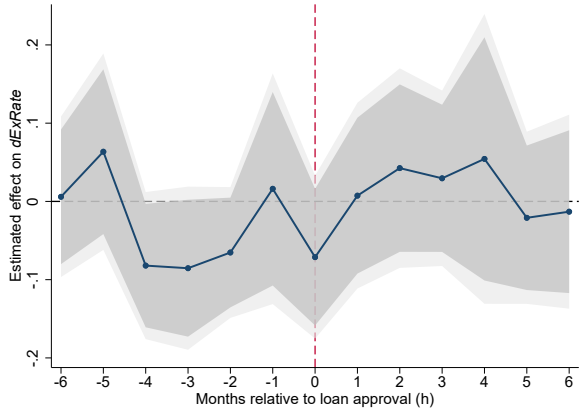
(c) *Stock Prices & ADBnew*



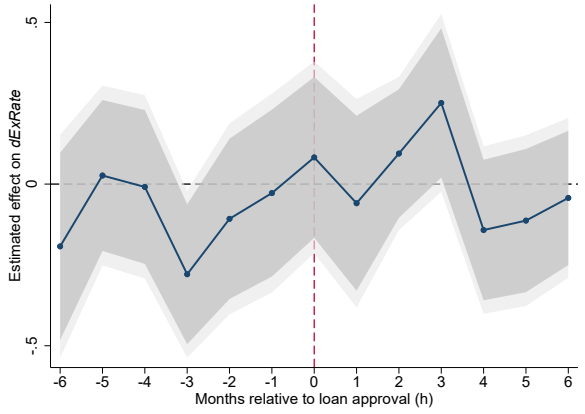
(d) *Stock Prices & IMFnew*



(e) *dExRate & ADBnew*

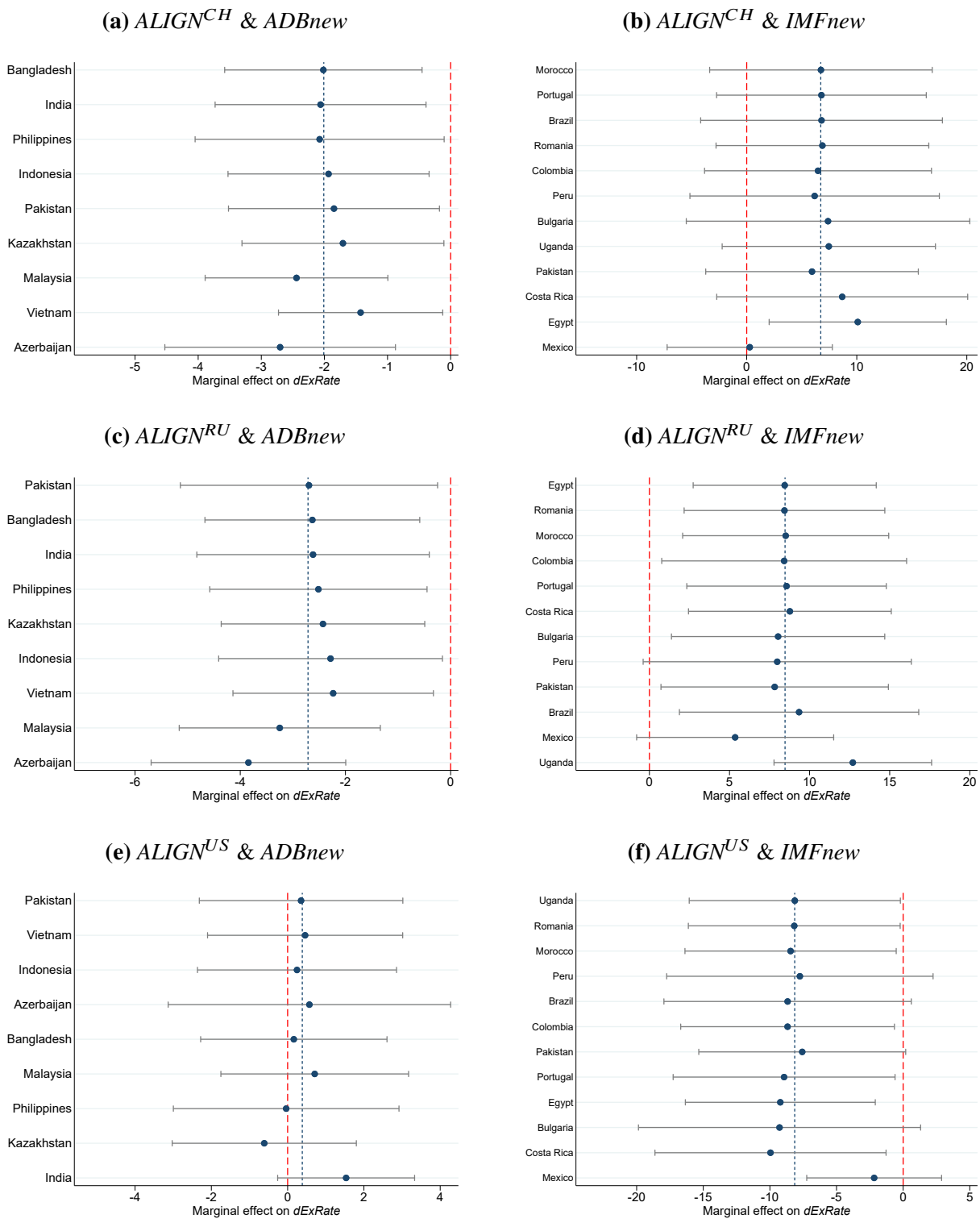


(f) *dExRate & IMFnew*



Note: This figure plots the estimated coefficient φ_h from Equation 4, tracing the marginal effect of ADB and IMF loan approvals on *Treasury Bills*, *Stock Prices* and *dExRate* at each horizon $h \in \{-6, \ldots, -1, 0, 1, \ldots, 6\}$, measured in months relative to the approval month ($h = 0$). Estimates are obtained on the full sample described in section 3, using the same set of country, month, and country-year fixed effects, *CPI*, and ICRG institutional controls as in the baseline specification (Equation 1); standard errors are clustered at the country level. The dark shaded area denotes the 95% confidence interval and the light shaded area the 90% confidence interval. The vertical dashed red line marks the month of loan approval. This specification does not interact loan approval with UNSC membership or geopolitical alignment; it is intended as a validation of the timing assumption underlying the baseline panel specification as a whole, and is distinct from the triple-interaction estimates reported in Table B1.

Figure 9: Leave-One-Out Estimates of the Effects of Alignment on *dExRate*



Note: Leave-one-out estimates of the marginal effect of alignment with China ($ALIGN^{CH}$), Russia ($ALIGN^{RU}$), and the United States ($ALIGN^{US}$) on exchange rate differentials (*dExRate*). Each point corresponds to an estimate obtained after excluding the indicated country; bars denote 90% confidence intervals based on country-clustered standard errors. Countries are ranked by the absolute difference between the leave-one-out and baseline estimates. The dashed line reports the baseline estimate from the full sample. All regressions include country, month, and country-year fixed effects as well as the baseline set of controls (see Equation 2).

effect, $\beta_1 + \beta_4 + \beta_5 + \beta_7$ (see Equation 2), under both the standard Rademacher weight distribution (Liu, 1988; Mammen, 1993) and the Webb six-point distribution (Webb, 2023) recommended for settings with few clusters. Table 9 reports the results for *dExRate*, the outcome for which *H1a–H1c* are supported in the baseline estimates.

The backstop channel (*H1c*) is the most robust of our results to this check. For both China- and Russia-aligned countries, the marginal effect of ADB lending remains negative and statistically significant at conventional levels under both weighting schemes, with bootstrap p-values only modestly larger than their classical counterparts (0.037 and 0.029 for China; 0.049 and 0.047 for Russia)—consistent with a small, expected loss of precision from accounting for the limited number of clusters, rather than with a fragile result.

The leniency channel for Russia-aligned IMF borrowers (*H1b*) is directionally confirmed but sits closer to the margin: the bootstrap p-value remains below 0.05 under Webb weights (0.044) but rises just above this threshold under Rademacher weights (0.053), against a classical p-value of 0.030. We read this as evidence that the effect is real but should be described as marginally rather than comfortably significant once we account for the small number of treated clusters.

The shareholder-credibility channel (*H1a*) is the one result meaningfully weakened by this check. The marginal effect of IMF lending for US-aligned countries, significant at the 10% level in the classical specification, is no longer significant under either wild bootstrap scheme. This is consistent with the pattern already documented in the leave-one-country-out exercise (subsection 6.2, Figure 9f), where the confidence interval for this specification widened noticeably and approached zero upon excluding several individual countries. Taken together, the two exercises point in the same direction: *H1a* is directionally consistent with the theoretical prediction—the point estimate remains negative throughout—but is the least statistically robust of our three institution-specific hypotheses once the small number of underlying clusters is properly accounted for. We report this transparently rather than let the baseline 10% significance level overstate the strength of this particular channel.

Finally, the two specifications that are not significant in the baseline—IMF lending interacted with alignment with China, and ADB lending interacted with alignment with the US—remain clearly non-significant under both bootstrap schemes, reinforcing that these are genuine null results rather than artifacts of the asymptotic approximation.

6.4. Trade Dependence and Protectionist Retaliation

To examine whether the catalytic effects identified above reflect trade-based vulnerability rather than geopolitical alignment, we augment our baseline specification by incorporating bilateral export exposure to both China and the US.[12] Specifically, we include the share of total exports directed toward each country using data from the UN Commodity Trade Statistics Database (COMTRADE), captured by the variables $Exports^{CH}$ and $Exports^{US}$. We further interact export exposure with institutional engagement (ADB or IMF), allowing trade dependence to condition the financial impact of international lending. The estimated specification is given by Equation 4.

[12] We decided not to introduce Russia here as the country is less affected by the issues of trade dependence and protectionist exposure.

Table 9: Wild cluster bootstrap inference for the conditional alignment effect on *dExRate* ($\beta_1 + \beta_4 + \beta_5 + \beta_7$)

Alignment	Institution	Coefficient	Classical p	Wild bootstrap p (Rademacher)	Wild bootstrap p (Webb)
China	ADB	-2.010	0.033	0.037	0.029
	IMF	6.727	0.261	0.420	0.414
Russia	ADB	-2.712	0.026	0.049	0.047
	IMF	8.468	0.030	0.053	0.044
US	ADB	0.384	0.797	0.793	0.802
	IMF	-8.138	0.096	0.217	0.204

Note: This table reports wild cluster bootstrap-t inference for the conditional alignment effect when loan approval and non-permanent UNSC membership equal one ($\beta_1+\beta_4+\beta_5+\beta_7$ in Equation 2) on *dExRate*, complementing the cluster-robust asymptotic inference reported in Table 7. This check is motivated by the small number of countries contributing to identification of the triple interaction: 9 countries for *ADB×UNSC* and 17 for *IMF×UNSC* (Table 2), a setting in which conventional cluster-robust inference can be anti-conservative. We report wild bootstrap-t p-values based on 5 000 replications, clustered at the country level, under both Rademacher (Liu, 1988; Mammen, 1993), and Webb (2023) six-point weight distributions; the latter is recommended when the number of clusters relevant to the tested hypothesis is small. ADB specifications use the ADB estimation sample (1998–2019); IMF specifications use the full sample (1993–2019), consistent with Table 7.

$$
\begin{aligned}
\mathrm{Y}_{i,m} \;=\; & \beta_0 + \beta_1 \mathrm{DIST}^{\mathrm{K}} + \beta_2 \mathrm{INST}^{\mathrm{P}}_{i,m} + \beta_3 \mathrm{UNSC}_{i,m} + \beta_4 (\mathrm{DIST}^{\mathrm{K}} \times \mathrm{INST}^{\mathrm{P}}_{i,m}) \\
& + \beta_5 (\mathrm{DIST}^{\mathrm{K}} \times \mathrm{UNSC}_{i,m}) + \beta_6 (\mathrm{INST}^{\mathrm{P}}_{i,m} \times \mathrm{UNSC}_{i,m}) \\
& + \beta_7 (\mathrm{DIST}^{\mathrm{K}}_{i,m} \times \mathrm{INST}^{\mathrm{P}}_{i,m} \times \mathrm{UNSC}_{i,m}) + \beta_8 \mathrm{CPI}_{i,m} + \sum_{L=1}^{12} \beta_{9,L} \mathrm{ICRG}^{\mathrm{L}}_{i,m} \\
& + \beta_{10} \mathrm{EXPORTS}^{\mathrm{K}}_{i,m} + \beta_{11} (\mathrm{EXPORTS}^{\mathrm{K}}_{i,m} \times \mathrm{INST}^{\mathrm{P}}_{i,m}) + \delta_i + \delta_m + \delta_i \times \delta_{\mathrm{y}} + \varepsilon_{i,m} \qquad (4)
\end{aligned}
$$

Importantly, we refrain from introducing four-way interactions to preserve interpretability and avoid over-parametrization. This framework enables us to test whether financial markets react differently to ADB or IMF loans in countries more exposed to potential protectionist pressure or trade-related retaliation from China or the US. For transparency, Table C1 reports the linear combination $\beta_1 + \beta_4 + \beta_5 + \beta_7$ capturing the conditional alignment effect, as well as the joint effect of export exposure and its interaction with our project dummies ($\beta_{10} + \beta_{11}$).

Across specifications, the inclusion of export exposure does not materially alter the core triple-interaction results linking geopolitical distance, institutional engagement, and UNSC membership. This indicates that the catalytic channel operates independently from simple trade dependence. In other words, financial markets do not appear to price multilateral lending primarily through a trade-vulnerability lens.

For China, export dependence does not exert a systematic or robust effect across asset classes. In sovereign bond markets, export exposure to China is positive and significant when interacted with

ADBnew. This suggests that stronger trade ties with China amplify adverse bond market reactions following ADB lending, consistent with our geopolitical alignment mechanism: in countries more geopolitically aligned with China, ADB financing may be interpreted as motivated by non-economic parameters generating market uncertainty.

By contrast, equity markets and exchange rates against the US dollar show no consistent sensitivity to Chinese trade exposure. The interaction between exports to China and institutional engagement remains weak and unstable across specifications. Overall, the evidence indicates that the financial effects associated with ADB or IMF engagement are not mechanically driven by trade dependence on China. Rather, the significant triple-interaction terms documented earlier point to a geopolitical alignment mechanism.

The evidence is somewhat stronger for US trade exposure, particularly in foreign exchange markets. Countries more dependent on exports to the United States experience statistically significant exchange rate appreciation. Rather than reflecting vulnerability, this pattern is consistent with a credibility or anchoring mechanism linked to dollar-centric trade and financial dominance. Greater export integration with the United States may strengthen external balance expectations, improve perceived access to hard-currency earnings, and reduce currency risk premia.

However, export exposure to the US does not systematically alter the catalytic impact of ADB or IMF financing on sovereign bond yields. The interaction between exports to the US and institutional engagement is generally insignificant, and the core geopolitical triple interaction remains robust. The introduction of export ratios does, however, sharpen the catalytic patterns observed in certain specifications—most notably for ADB lending in exchange rate regressions and IMF lending in equity markets. The sign of the linear combination $\beta_1 + \beta_4 + \beta_5 + \beta_7$ confirms that financial markets react negatively to IMF lending in countries geopolitically aligned with the US, while reacting positively when such countries receive ADB financing. These results align with Hypothesis *H1* and the mechanism illustrated in Figure 1.

Taken together, these findings indicate that while trade dependence can generate measurable financial reactions—particularly in currency markets—its quantitative contribution remains limited. The catalytic effects of international lending are not primarily driven by exposure to protectionist retaliation or bilateral trade flows with China and the US. Instead, geopolitical alignment remains the dominant channel through which financial markets interpret ADB and IMF engagement. Trade exposure plays a secondary and asset-specific role, whereas strategic positioning shapes the broader market response. The one exception—a significant interaction between ADB exports to China and bond market reactions—concerns *Treasury Bills* rather than exchange rates, and should therefore be interpreted as a secondary, trade-specific channel rather than as evidence against *H2*, which concerns the primary geopolitical alignment mechanism.

6.5. Important Votes

The data from Fjelstul et al. (2025) allow us to distinguish between routine UNGA votes and those deemed 'important' by the US State Department. Focusing on these high-stakes votes provides a clearer view of how strategic geopolitical considerations shape financial market responses.

Focusing on important votes in Table C2, we find that non-permanent UNSC members receiving ADB loans experience stronger currency depreciation as alignment with China increases (-2.855)

compared to all votes (-1.983 in Table B1). This suggests that high-stakes votes amplify market sensitivity to geopolitical alignment. Conversely, ADB loans to countries closely aligned with the US are associated with a mild currency depreciation (2.259) and lower Treasury bill yields (-7.779). This pattern suggests that while financing is perceived as credible in terms of borrowing costs, the currency market may still register a negative reaction, possibly reflecting concerns over political motives or the perceived strategic influence of ADB lending in US-aligned countries.

Notably, IMF loans do not exhibit significant effects when focusing only on important votes. This may reflect the IMF's broader, globally standardized lending practices, which are less sensitive to a country's short-term geopolitical positioning on high-stakes UNGA votes. In other words, while ADB lending appears highly conditional on political congruence with major powers in strategically significant contexts, IMF interventions are interpreted by markets more in terms of economic fundamentals than immediate geopolitical alignment.

Moreover, no systematic effects emerge for Russia. This may reflect the more persistent and less issue-specific nature of Russia-US tensions in the UNGA, compared to the episodic, high-stakes conflict between China and the US, which are more pronounced in votes classified as important. In contrast, Russia-US opposition may be more consistent across a broader spectrum of votes, making its impact on financial markets less distinct. This could explain why ADB loan recipient countries show stronger reactions to China-related geopolitical alignment, as important votes highlight and amplify the geopolitical divide between China and the US.

One result requires qualification. Among important votes, ADB loans to countries closely aligned with the US are associated with a mild currency depreciation rather than the appreciation predicted by the backstop channel. Because the United States is, alongside Japan, among the ADB's largest shareholders, alignment with the US may be interpreted differently by markets than alignment with China or Russia: rather than signaling continuity of support from a geopolitically distinct patron, it may instead proxy for the recipient's exposure to Washington-driven scrutiny of the institution's lending practices. We view this result as a boundary case of *H1* rather than as evidence against it, and return to this distinction in the conclusion.

Overall, these results underscore that geopolitical alignment is still salient in shaping financial market reactions to international organization lending when considering only strategically significant votes. Markets appear to interpret ADB financing through the lens of political congruence with major powers, with China-US dynamics playing the most prominent role. Taken together, the amplification of the ADB-China effect under important votes (-2.855 compared to -1.983 for the full sample, Table C2) provides support for *H3*, while the absence of a comparable amplification for IMF lending or for Russia-related alignment suggests that this salience effect is itself institution- and power-specific rather than universal.

6.6. Alternative Alignment Measure

To further assess the robustness of our results, we re-estimate the main model using an alternative measure of geopolitical alignment developed by Bailey et al. (2017). This measure differs from Fjelstul et al. (2025) in several respects. First, it is uncapped, allowing distance from the US to exceed three for instance. Second, its interpretation is reversed: higher values indicate lower alignment with the respective permanent UNSC member. Consequently, to validate our primary findings, we expect effects in the opposite direction. Third, unlike the continuous monthly tracking

in Fjelstul et al. (2025), the Bailey et al. (2017) measure is computed at the UNGA session level. We synchronize these values with the start and end months of each session and use 12-month moving averages to smooth session-level changes and ensure comparability with the primary alignment measure[13]. The distribution of this alternative measure is available in Figure B1 in Appendix B.

Estimates with this alternative measure are presented in Table C3. Several patterns remain consistent with our main results when considering linear combinations ($\beta_1 + \beta_4 + \beta_5 + \beta_7$). In particular, alignment with Russia continues to influence exchange rate movements: IMF loans are associated with currency depreciation, whereas ADB loans lead to appreciation. This confirms that investors interpret Russia-aligned countries as facing greater financial stability under ADB lending, while IMF support signals greater financial constraints. The session-based nature of the measure suggests that alignment with Russia reflects overall geopolitical positioning, whereas alignment with China or the US is more sensitive to high-profile votes or votes missing in Bailey et al.'s (2017) measure—*i.e.*, pre-resolution and failed votes. This pattern is consistent with *H1.a–H1.c* under an alternative alignment measure, reinforcing that the opposite-sign conditioning effect between IMF and ADB lending is not an artifact of the specific alignment measure employed.

New insights also emerge that are more consistent with the marginal-effects estimates. Both ADB and IMF lending retain a broadly positive and significant effect on Treasury bill yields, indicating that markets generally perceive interventions as increasing fiscal pressures. Moreover, ADB loans significantly affect stock prices when considering alignment with the US, suggesting that investors may perceive ADB financing as politically inconsistent for countries expected to rely more on Western-led institutions. With the exception of Russia, exchange rate effects observed with Fjelstul et al.'s (2025) measure do not persist under the alternative measure, while Treasury bill yields become more consistently significant for both institutions. This pattern qualifies, rather than contradicts, *H2*: it suggests that the dominance of exchange rate markets over other asset classes is more clearly identified when alignment is measured continuously from all UNGA votes, capturing short-term shifts in political positioning, than when alignment is measured at the coarser session level of Bailey et al. (2017). We view the Fjelstul et al. (2025) measure as our preferred specification precisely because its higher temporal resolution is better suited to identifying the announcement-driven market reactions that motivate our monthly panel design (section 3), and treat the alternative measure as informative about the robustness of the direction of the geopolitical channel (*H1*) rather than its asset-class concentration (*H2*).

Overall, these results reinforce the robustness of our main conclusions: geopolitical alignment remains an important determinant of financial market responses to international organization lending. At the same time, the choice of alignment measures shapes which effects are most visible, distinguishing between short-term, vote-specific signals as measured by Fjelstul et al. (2025) and longer-term geopolitical trends as measured by Bailey et al. (2017).

7. Conclusion

This study examines the catalytic effects of loans from two international organizations—the ADB and the IMF—using a monthly panel of more than 100 countries from February 1993 to December

[13] Further details on the beginning and ending months of each UNGA session are available in Table A1 in Appendix.

2019. Our results are consistent with the idea that these effects operate primarily through exchange rate markets, and that their direction depends jointly on the institutional basis of the lender's credibility and on the specific major power a recipient is aligned with—not on geopolitical alignment as a single, undifferentiated channel. Moreover, consistent with Andresen and Sturm (2024) and Oriola and Saadaoui (2025), we show that catalytic effects are conditional rather than uniform, and that geopolitical alignment with UNSC permanent members constitutes an important moderating factor.

For IMF lending, our results offer some support for a shareholder-credibility channel operating through alignment with the United States (*H1a*) and a leniency channel operating through alignment with Russia (*H1b*), though both results are only marginally robust to accounting for the small number of underlying clusters, and we find no comparable evidence for alignment with China. For ADB lending, whose credibility rests less on conditionality and more on continuity of financing, our results are consistent with a backstop channel (*H1c*): closer alignment with China or Russia is associated with currency appreciation. Treasury bill yields and stock prices display comparatively weak and less consistent responses, consistent with exchange rates being the primary channel through which this geopolitical information is priced (*H2*). Consistent with *H3*, this conditioning effect is more pronounced during non-permanent UNSC membership and, for the ADB-China relationship specifically, when alignment is measured using geopolitically important UNGA votes.

One result requires explicit qualification rather than being folded into the general pattern: among important votes, ADB loans to countries closely aligned with the US are associated with mild currency depreciation rather than the appreciation predicted by the backstop channel. Because the US is, alongside Japan, among the ADB's own dominant shareholders, we interpret this as a boundary case in which alignment with the US may proxy for exposure to Washington-driven scrutiny of ADB lending rather than for the "outside-option" signal that drives the backstop channel elsewhere. We view this as informative about the scope conditions of *H1c* rather than as evidence against it.

These results are corroborated by a battery of robustness checks. A dynamic event-study analysis confirms the absence of pre-approval trends and shows the effect building gradually over the months following approval, consistent with a causal interpretation. Leave-one-country-out and wild cluster bootstrap exercises further show that the backstop channel (*H1c*) and the leniency channel for Russia (*H1b*) are robust to the exclusion of any single country and to inference accounting for the small number of clusters, while the shareholder-credibility channel (*H1a*) is directionally consistent but statistically more fragile. These findings are also robust to controlling for bilateral trade exposure, to restricting attention to geopolitically important votes, and to using an alternative, session-level alignment measure.

These findings suggest that policymakers and financial institutions should account not only for economic fundamentals but also for the specific geopolitical relationships that shape how markets interpret international lending. Because our three-channel framework predicts opposite signs for what would otherwise be labeled a single "alignment" variable, future work on the political economy of multilateral lending should be cautious about pooling alignment with different powers, or alignment with an institution's own shareholders versus outside powers, into a single interaction term. Future research could extend this analysis by examining the financial implications of strategic absences from UNGA votes (Morse and Coggins, 2024), or by revisiting these channels consid-

ering evolving geopolitical realities, including the escalation of NATO-Russia tensions following the Ukraine conflict (Goldgeier and Shifrinson, 2023) and the growing strategic autonomy of the European Union (Riddervold and Rosén, 2018; Gunes and Ozkaleli, 2023).

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A. Additional information

Table A1: United Nations General Assembly Sessions (1993–2020)

UNGA session	President	President nationality	Begin date	End date	Begin month
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 A2: Members of Each Regional Group in the United Nations 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

Note: 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 acts as an observer country in the Group of Western and Other States.

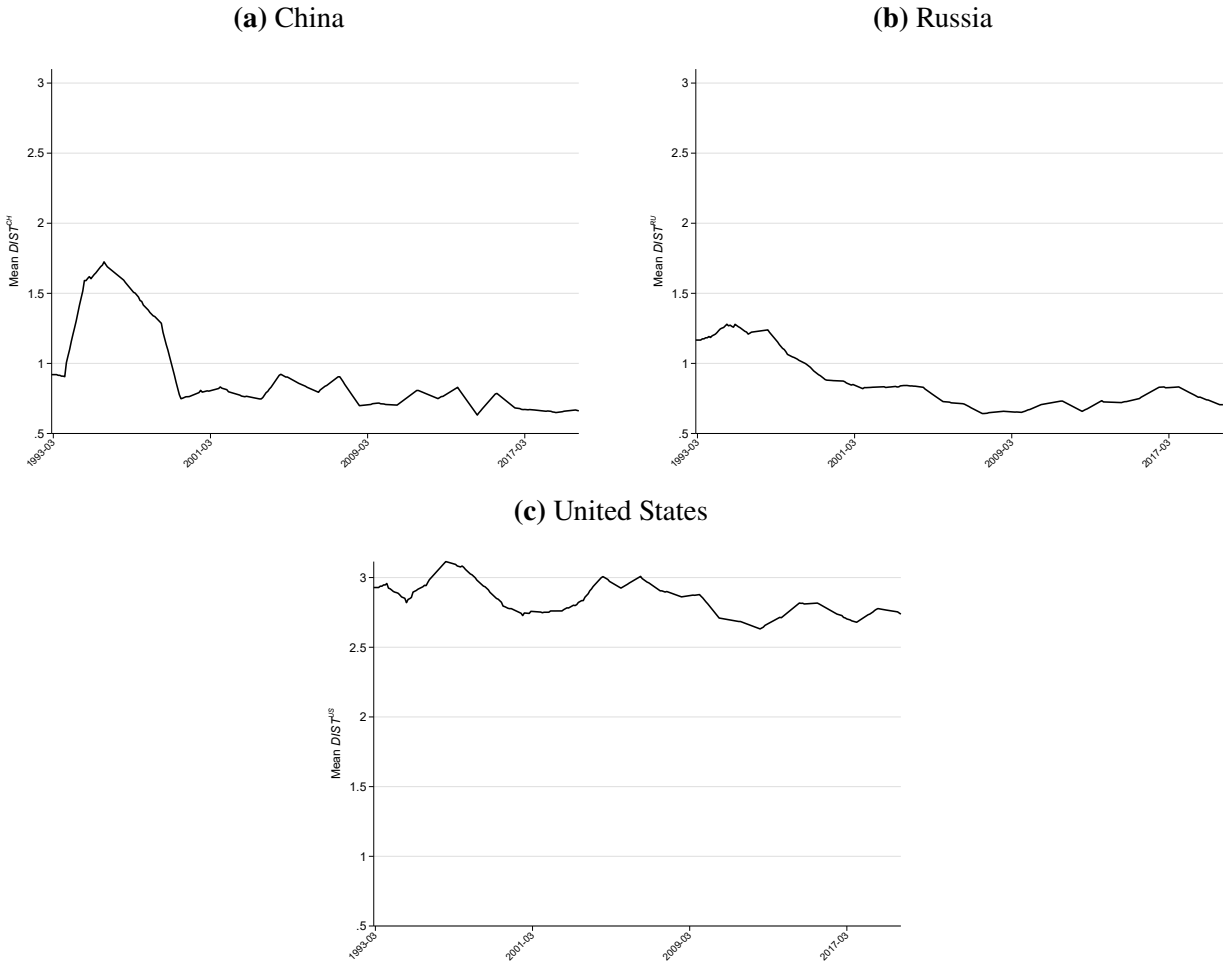
Table A3: Members of the Asian Development Bank

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

B. Additional Tables and Figures

Figure B1: Mean monthly ideological distance with China, Russia, and the US – Bailey et al. (2017)



Note: Bailey et al. (2017) measure is computed at the UNGA session level. We synchronize these values with the start and end months of each session and use 12-month moving averages to smooth session-level changes and ensure comparability with the primary alignment measure. Consequently, the greater the distance measure, the greater the divergence in votes.

Table B1: Ideological distance interaction terms

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
China						
$ALIGN^{CH}$	-0.239	-0.069	0.163	-0.142	-0.774***	-0.767***
	(0.917)	(0.944)	(1.445)	(1.432)	(0.272)	(0.279)
INST	0.747	1.174	4.634	-2.510	-0.731	-0.722
	(1.587)	(0.728)	(4.974)	(1.851)	(0.743)	(0.682)
UNSC	1.858*	2.448	0.445	-0.454	-0.412	-0.112
	(1.063)	(1.598)	(2.028)	(1.971)	(0.513)	(0.504)
$ALIGN^{CH} \times$ INST	-0.914	-1.305	-4.486	2.734	1.060	0.766
	(1.892)	(0.781)	(6.234)	(1.855)	(0.954)	(0.765)
$ALIGN^{CH} \times$ UNSC	-2.042*	-3.317*	-0.723	0.415	0.462	0.162
	(1.215)	(1.778)	(2.499)	(2.477)	(0.598)	(0.631)
INST $\times$ UNSC	-3.794	-3.006**	-22.414	2.521	-5.506	1.651
	(5.255)	(1.163)	(14.918)	(1.937)	(4.401)	(1.137)
$ALIGN^{CH} \times$ INST	5.604	3.826**	24.387	-2.973	6.017	-2.144*
$\times$ UNSC	(6.636)	(1.555)	(19.109)	(2.635)	(5.990)	(1.249)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	2.408	-0.866	19.342	0.0345	6.765	-1.983**
	(6.506)	(2.168)	(16.428)	(4.164)	(5.952)	(0.927)
Russia						
$ALIGN^{RU}$	1.218	0.976	1.813	0.686	0.423	0.292
	(1.165)	(1.006)	(1.746)	(1.751)	(0.336)	(0.331)
INST	0.242	1.141*	6.417	-0.368	-0.304	-0.117
	(2.029)	(0.620)	(3.915)	(2.535)	(0.692)	(0.647)
UNSC	3.544**	2.901*	0.790	-0.087	0.309	0.295
	(1.377)	(1.461)	(1.520)	(1.524)	(0.422)	(0.433)
$ALIGN^{RU} \times$ INST	-0.277	-1.389*	-7.167	0.385	0.547	0.082
	(2.610)	(0.758)	(5.104)	(2.877)	(0.979)	(0.785)
$ALIGN^{RU} \times$ UNSC	-4.337**	-4.106**	-1.225	-0.053	-0.470	-0.372
	(1.637)	(1.799)	(2.029)	(2.061)	(0.574)	(0.605)
INST $\times$ UNSC	-4.672	-2.942***	-14.124	2.943	-6.716**	1.936
	(3.633)	(1.061)	(18.132)	(3.939)	(3.038)	(1.353)
$ALIGN^{RU} \times$ INST	7.175	4.014**	16.265	-3.828	7.960**	-2.690
$\times$ UNSC	(5.346)	(1.719)	(23.965)	(5.072)	(3.957)	(1.636)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	3.778	-0.505	9.686	-2.809	8.460**	-2.689**
	(5.601)	(2.413)	(22.185)	(6.446)	(3.849)	(1.199)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

This table continues on next page.

Table B1: Ideological distance interaction terms (continued)

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
United States						
$ALIGN^{US}$	-2.040	-0.704	-0.599	-0.051	0.043	0.050
	(1.273)	(0.786)	(1.399)	(1.350)	(0.322)	(0.326)
INST	0.293	-0.242	1.204	-0.640	0.286	-0.053
	(0.483)	(0.157)	(2.417)	(0.460)	(0.412)	(0.221)
UNSC	-0.345	-0.904*	-0.105	-0.173	0.137	0.083
	(0.461)	(0.491)	(0.902)	(1.074)	(0.201)	(0.232)
$ALIGN^{US} \times$ INST	-0.684	1.096	-0.283	2.367*	-0.550	0.006
	(1.459)	(0.665)	(6.875)	(1.371)	(1.020)	(0.841)
$ALIGN^{US} \times$ UNSC	1.600	1.890	-0.059	0.016	-0.536	-0.219
	(1.286)	(1.726)	(2.076)	(2.520)	(0.484)	(0.489)
INST $\times$ UNSC	0.615	1.380	2.210	1.428	1.872	-0.347
	(1.747)	(0.957)	(7.638)	(1.354)	(2.157)	(0.432)
$ALIGN^{US} \times$ INST	0.612	-4.017*	-11.916	-6.466*	-7.122	0.539
$\times$ UNSC	(5.230)	(2.133)	(19.667)	(3.801)	(5.001)	(1.803)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	-0.512	-1.735	-12.856	-4.135	-8.164*	0.376
	(5.295)	(2.079)	(17.774)	(3.172)	(4.848)	(1.491)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^{K}$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. *INST* represents the dummy equal to 1 if the ADB finances a project (*ADBnew*) or the IMF approves a loan (*IMFnew*). The term $\beta_1 + \beta_4 + \beta_5 + \beta_7$ is the conditional alignment effect when loan approval and UNSC membership equal one, as defined above. For more information, see Equation 2. We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.

Table B2: Ideological distance thresholds - China

	Treasury Bills				Stock Prices				dExRate			
	50% farthest		50% closest		50% farthest		50% closest		50% farthest		50% closest	
	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB
UNSC	1.107**	0.441	-0.125	-0.584*	-0.871	-0.710	0.119	0.044	-0.246	-0.218	0.179	0.243
	(0.426)	(0.370)	(0.401)	(0.303)	(0.792)	(0.881)	(0.538)	(0.561)	(0.171)	(0.162)	(0.164)	(0.176)
IMFnew	-0.046		-0.014		1.645		0.129		-0.074		0.127	
	(0.718)		(0.253)		(1.317)		(0.959)		(0.206)		(0.185)	
IMFnew × UNSC	0.318		1.214		-10.728***		0.309		-0.135		-0.091	
	(0.584)		(0.973)		(1.416)		(2.304)		(0.580)		(1.073)	
ADBnew		-0.082		0.040		-0.223		0.053		-0.205		-0.008
		(0.220)		(0.080)		(1.704)		(0.393)		(0.319)		(0.052)
ADBnew × UNSC		0.338		0.344		-4.575		0.351		0.086		-0.307*
		(0.249)		(0.416)		(3.930)		(0.780)		(0.511)		(0.174)
CPI	-0.006	-0.102***	0.073***	0.061**	-0.004	-0.184*	0.125	0.111	-0.082***	-0.155***	-0.080**	-0.081**
	(0.030)	(0.036)	(0.025)	(0.027)	(0.073)	(0.102)	(0.154)	(0.158)	(0.022)	(0.030)	(0.038)	(0.041)
Constant	-5.452	0.410	15.035***	16.442***	-2.363	-2.746	1.856	7.868	-0.129	-0.207	-0.041	-0.120
	(9.209)	(8.431)	(3.568)	(4.356)	(9.244)	(8.269)	(5.406)	(5.755)	(1.878)	(2.521)	(1.054)	(1.364)
Nbr. observations	5 507	4 749	7 631	7 207	6 177	5 699	7 318	7 093	13 140	11 775	18 533	17 753
Nbr. countries	56	57	56	57	55	55	55	55	117	118	117	118
Nbr. year	27	22	27	22	27	22	27	22	27	22	27	22
Nbr. month	322	301	264	264	299	301	243	364	322	312	264	264
R2	0.971	0.972	0.957	0.951	0.493	0.483	0.433	0.423	0.557	0.567	0.398	0.395
ICRG controls	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^{K}$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. $ALIGN^{CH} < 50\%$ represents the 50% of countries whose UNGA voting patterns are more distant from China, while $ALIGN^{CH} > 50\%$ corresponds to the 50% of countries whose voting patterns are most closely aligned with China. For more information, see Equation 1.

Table B3: Ideological distance thresholds - Russia

	Treasury Bills				Stock Prices				dExRate			
	50% farthest		50% closest		50% farthest		50% closest		50% farthest		50% closest	
	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB
UNSC	0.541	0.264	-0.117	-0.648**	-0.811	-0.881	0.416	0.405	-0.237	-0.249	-0.000	0.070
	(0.440)	(0.438)	(0.326)	(0.272)	(0.783)	(0.831)	(0.555)	(0.535)	(0.154)	(0.160)	(0.166)	(0.177)
IMFnew	0.197		0.153		1.973		0.160		0.160		0.029	
	(0.568)		(0.246)		(1.265)		(1.077)		(0.228)		(0.190)	
IMFnew × UNSC	-0.158		1.295		-7.109***		0.276		-1.009*		-0.005	
	(0.656)		(1.009)		(1.487)		(2.596)		(0.581)		(1.023)	
ADBnew		0.010		-0.025		-0.549		0.206		-0.144		-0.033
		(0.162)		(0.069)		(0.855)		(0.357)		(0.214)		(0.077)
ADBnew × UNSC		0.229		0.428		-3.902		-0.185		-0.292		-0.221
		(0.193)		(0.364)		(2.958)		(1.009)		(0.420)		(0.246)
CPI	0.047	-0.052	0.046	0.009	0.209***	0.049	0.192*	0.152	-0.161***	-0.137***	-0.063***	-0.094**
	(0.037)	(0.040)	(0.029)	(0.023)	(0.075)	(0.160)	(0.099)	(0.102)	(0.031)	(0.037)	(0.018)	(0.046)
Constant	-4.467	-8.367	12.737***	8.040*	-5.091	-30.405*	5.110	8.608	0.893	-1.389	-0.865	-1.673
	(7.380)	(10.436)	(4.193)	(4.204)	(11.395)	(15.440)	(6.498)	(6.066)	(1.822)	(2.759)	(1.159)	(1.458)
Nbr. observations	5 281	4 700	7 875	7 264	5 396	5 216	8 103	7 577	12 779	11 677	18 932	17 880
Nbr. countries	57	57	57	57	54	55	54	55	117	118	117	118
Nbr. year	27	22	27	22	27	22	27	22	27	22	27	22
Nbr. month	322	314	264	264	257	314	226	264	322	320	264	264
R2	0.968	0.969	0.963	0.957	0.491	0.465	0.429	0.428	0.498	0.499	0.428	0.428
ICRG controls	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^K$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. $ALIGN^{RU} < 50\%$ represents the 50% of countries whose UNGA voting patterns are more distant from Russia, while $ALIGN^{RU} > 50\%$ corresponds to the 50% of countries whose voting patterns are most closely aligned with Russia. For more information, see Equation 1.

Table B4: Ideological distance thresholds - United States

	Treasury Bills				Stock Prices				dExRate			
	50% farthest		50% closest		50% farthest		50% closest		50% farthest		50% closest	
	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB	IMF	ADB
UNSC	-0.099	-0.518	1.182**	0.159	-0.341	-0.466	-0.220	-0.297	0.073	0.109	-0.259	-0.194
	(0.403)	(0.313)	(0.463)	(0.317)	(0.555)	(0.539)	(0.779)	(0.869)	(0.164)	(0.173)	(0.184)	(0.179)
IMFnew	0.003		-0.158		0.676		1.109		0.007		0.212	
	(0.250)		(0.461)		(0.804)		(1.456)		(0.206)		(0.192)	
IMFnew × UNSC	0.887		0.910**		-0.165		-5.844*		0.043		-0.846***	
	(0.804)		(0.407)		(2.530)		(2.951)		(1.102)		(0.287)	
ADBnew		0.025		0.023		-0.047		0.603		-0.045		-0.244
		(0.083)		(0.198)		(0.391)		(1.347)		(0.059)		(0.329)
ADBnew × UNSC		0.451		0.013		0.345		-3.683		-0.213		-0.092
		(0.531)		(0.202)		(0.709)		(2.574)		(0.189)		(0.866)
CPI	0.021	0.019	0.088	-0.031	0.123	0.124	0.193***	-0.165*	-0.096**	-0.093**	-0.071***	-0.138***
	(0.034)	(0.034)	(0.054)	(0.026)	(0.115)	(0.117)	(0.067)	(0.091)	(0.041)	(0.042)	(0.026)	(0.040)
Constant	12.133***	11.456**	1.266	10.465**	3.327	6.522	-3.927	1.639	0.676	0.107	-2.320	-3.658*
	(4.261)	(5.317)	(7.600)	(4.954)	(6.296)	(6.810)	(7.760)	(10.762)	(1.256)	(1.582)	(1.858)	(2.112)
Nbr. observations	7 951	7 723	5 190	4 237	7 109	7 014	6 374	5 758	19 044	18 641	12 616	10 864
Nbr. countries	57	57	57	57	55	56	55	56	118	117	118	116
Nbr. year	27	22	27	22	27	22	27	22	27	22	27	22
Nbr. month	293	322	264	264	282	293	264	237	306	322	264	264
R2	0.952	0.949	0.970	0.975	0.432	0.425	0.473	0.464	0.403	0.399	0.539	0.572
ICRG controls	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^K$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. $ALIGN^{US} < 50\%$ represents the 50% of countries whose UNGA voting patterns are more distant from the US, while $ALIGN^{US} > 50\%$ corresponds to the 50% of countries whose voting patterns are most closely aligned with the US. For more information, see Equation 1.

C. Robustness Checks

Table C1: Trade dependence and protectionism exposure to China and the US

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
			China			
$ALIGN^{CH}$	1.891*	1.914**	-0.119	-0.359	-0.620	-0.631
	(0.951)	(0.917)	(2.167)	(2.166)	(0.451)	(0.450)
INST	1.378	1.149*	8.450**	-7.414**	-0.380	-0.049
	(2.259)	(0.683)	(3.301)	(3.262)	(1.419)	(0.506)
UNSC	4.078	3.915	0.377	0.491	0.510	0.563
	(2.538)	(2.536)	(1.948)	(2.108)	(0.639)	(0.652)
$ALIGN^{CH} \times$ INST	-1.576	-1.798**	-11.084**	6.330*	0.708	0.318
	(2.754)	(0.833)	(4.777)	(3.262)	(1.880)	(0.576)
$ALIGN^{CH} \times$ UNSC	-5.528*	-5.325*	0.076	-0.046	-0.678	-0.751
	(3.118)	(3.126)	(2.607)	(2.885)	(0.863)	(0.884)
INST $\times$ UNSC	-8.747	-2.232	-31.785**	-0.212	1.945	-0.910
	(6.555)	(1.904)	(14.114)	(7.962)	(15.135)	(1.747)
$ALIGN^{CH} \times$ INST	12.365	2.552	37.735**	-0.333	-4.461	1.066
$\times$ UNSC	(8.405)	(2.278)	(17.823)	(9.812)	(19.790)	(2.016)
$Exports^{CH}$	-0.008	-0.009	0.009	-0.004	-0.002	-0.002
	(0.010)	(0.010)	(0.045)	(0.039)	(0.005)	(0.005)
$Exports^{CH} \times$ INST	0.010	0.017***	0.005	0.155	0.007	-0.008
	(0.008)	(0.005)	(0.273)	(0.093)	(0.024)	(0.005)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	7.153	-2.658	26.601	5.592	-5.050	0.002
	(8.364)	(3.948)	(17.272)	(7.718)	(19.813)	(1.690)
$\beta_{10} + \beta_{11}$	0.002	0.008	0.014	0.150	0.005	-0.010
	(0.012)	(0.011)	(0.276)	(0.106)	(0.024)	(0.006)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

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Table C1: Trade dependence and protectionism exposure to China and the US (continued)

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
			United States			
INST	0.768*	-0.136	-0.753	-0.235	0.173	0.102
	(0.385)	(0.096)	(2.044)	(0.428)	(0.680)	(0.090)
UNSC	-1.090*	-1.055*	-0.040	0.101	-0.221	-0.231
	(0.613)	(0.611)	(1.080)	(1.091)	(0.386)	(0.384)
$ALIGN^{US}$	-2.703**	-2.725**	-0.422	-0.434	-0.868*	-0.868*
	(1.138)	(1.140)	(1.922)	(1.929)	(0.487)	(0.490)
INST × UNSC	2.804	-0.448*	8.940	-0.516	-1.903	0.046
	(3.643)	(0.248)	(5.586)	(0.850)	(5.832)	(0.339)
$ALIGN^{US}$ × UNSC	1.938	1.918	1.137	0.914	0.530	0.549
	(1.450)	(1.450)	(2.242)	(2.258)	(0.742)	(0.741)
$ALIGN^{US}$ × INST	-1.272	0.345	4.108	2.413	-0.361	0.044
	(1.727)	(1.470)	(3.562)	(2.848)	(1.482)	(0.691)
$ALIGN^{US}$ × INST	-5.400	4.202	-28.858*	-4.975	0.332	-4.922*
× UNSC	(10.069)	(2.794)	(15.442)	(3.760)	(14.127)	(2.953)
$Exports^{US}$	-0.002	-0.002	0.033	0.034	-0.013**	-0.013**
	(0.009)	(0.009)	(0.035)	(0.034)	(0.006)	(0.006)
$Exports^{US}$× INST	0.000	0.004	-0.024	-0.020	0.011	0.011
	(0.008)	(0.009)	(0.018)	(0.015)	(0.011)	(0.010)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	-7.438	3.740	-24.035*	-2.082	-0.367	-5.198*
	(9.707)	(3.336)	(14.107)	(3.890)	(14.283)	(3.058)
$\beta_{10} + \beta_{11}$	-0.002	0.001	0.009	0.014	-0.002	-0.002
	(0.011)	(0.012)	(0.040)	(0.040)	(0.013)	(0.012)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^{K}$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. *INST* represents the dummy equal to 1 if the ADB finances a project (*ADBnew*) or the IMF approves a loan (*IMFnew*). $Exports^{CH}$ and $Exports^{US}$ represent the percentages of total exports directed to China and the US, respectively. The term $\beta_1 + \beta_4 + \beta_5 + \beta_7$ is the conditional alignment effect when loan approval and UNSC membership equal one, as defined above. For more information, see Equation 2. The term $\beta_{10} + \beta_{11}$ reports the corresponding combined export-exposure effect. For more information, see Equation 2. We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.

Table C2: Ideological distance interaction terms with important votes

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
China						
$ALIGN^{CH}_{imp.}$	-0.285	0.931	2.007	2.372	-1.017***	-0.738**
	(2.235)	(2.216)	(1.814)	(1.798)	(0.359)	(0.361)
INST	0.105	-0.770	1.063	1.783	-0.724	0.280
	(1.230)	(0.658)	(3.786)	(1.572)	(0.817)	(0.337)
UNSC	0.652	-0.313	-1.026	-1.245	-0.215	-0.092
	(1.146)	(0.861)	(1.378)	(1.404)	(0.340)	(0.340)
$ALIGN^{CH}_{imp.} \times$ INST	-0.095	1.027	0.029	-2.269	1.259	-0.416
	(1.688)	(0.870)	(5.651)	(1.828)	(1.224)	(0.401)
$ALIGN^{CH}_{imp.} \times$ UNSC	-0.705	-0.040	1.495	1.880	0.273	0.152
	(1.577)	(1.296)	(2.092)	(2.118)	(0.482)	(0.501)
INST $\times$ UNSC	1.141	0.440	5.781	-2.111	2.924	1.353
	(2.594)	(2.108)	(6.551)	(6.186)	(3.314)	(1.216)
$ALIGN^{CH}_{imp.} \times$ INST	-0.480	-0.304	-11.305	2.288	-5.278	-1.853
$\times$ UNSC	(4.155)	(2.786)	(9.515)	(7.359)	(5.306)	(1.485)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	-1.565	1.614	-7.774	4.271	-4.762	-2.855**
	(4.731)	(3.459)	(8.239)	(6.728)	(5.039)	(1.412)
Russia						
$ALIGN^{RU}_{imp.}$	1.520	2.485	0.057	0.350	-0.134	-0.114
	(1.623)	(1.701)	(1.449)	(1.570)	(0.327)	(0.341)
INST	-1.116	0.460	2.822	0.028	0.699	0.221
	(1.250)	(0.530)	(2.994)	(2.819)	(0.745)	(0.296)
UNSC	-0.668	0.160	0.813	0.706	-0.089	-0.251
	(1.100)	(0.902)	(1.154)	(1.316)	(0.358)	(0.362)
$ALIGN^{RU}_{imp.} \times$ INST	1.752	-0.600	-2.687	-0.123	-0.913	-0.387
	(1.643)	(0.751)	(4.591)	(4.034)	(1.090)	(0.412)
$ALIGN^{RU}_{imp.} \times$ UNSC	1.209	-0.734	-1.464	-1.346	0.073	0.404
	(1.794)	(1.323)	(1.545)	(1.845)	(0.600)	(0.616)
INST $\times$ UNSC	-2.056	-0.902	-6.062	1.075	-0.345	0.203
	(4.554)	(2.173)	(12.446)	(3.807)	(4.006)	(1.349)
$ALIGN^{RU}_{imp.} \times$ INST	4.557	1.604	7.275	-1.608	0.027	-0.570
$\times$ UNSC	(7.751)	(3.266)	(19.551)	(5.480)	(5.613)	(1.786)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	9.038	2.755	3.181	-2.726	-0.947	-0.668
	(7.828)	(3.977)	(18.938)	(3.558)	(5.439)	(1.807)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

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Table C2: Ideological distance interaction terms with important votes (continued)

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
United States						
$ALIGN^{US}_{imp.}$	-4.219**	-3.517**	0.249	0.036	1.493***	1.322***
	(1.855)	(1.660)	(1.589)	(1.603)	(0.444)	(0.452)
INST	0.164	0.090	1.368	-0.470	0.264	-0.308*
	(0.591)	(0.148)	(2.935)	(0.946)	(0.457)	(0.179)
UNSC	-0.503	-0.432	-0.590	-0.578	0.193	0.245
	(0.652)	(0.552)	(1.045)	(1.062)	(0.292)	(0.291)
$ALIGN^{US}_{imp.} \times$ INST	-0.258	-0.147	-0.469	1.121	-0.329	0.697
	(1.224)	(0.347)	(5.236)	(2.000)	(0.809)	(0.485)
$ALIGN^{US}_{imp.} \times$ UNSC	1.341	0.271	0.782	0.780	-0.434	-0.440
	(1.410)	(0.929)	(1.648)	(1.741)	(0.468)	(0.452)
INST $\times$ UNSC	-0.909	1.318*	-6.791*	1.147	-0.502	-0.380
	(0.898)	(0.737)	(4.036)	(1.620)	(2.081)	(0.359)
$ALIGN^{US}_{imp.} \times$ INST	4.274**	-4.386*	10.958	-4.420	0.374	0.680
$\times$ UNSC	(2.117)	(2.474)	(8.888)	(2.996)	(2.859)	(1.127)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	1.139	-7.779**	11.520	-2.484	1.104	2.259*
	(3.295)	(3.040)	(7.434)	(2.376)	(2.619)	(1.170)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the primary $ALIGN^K$ measure, higher values indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. *INST* represents the dummy equal to 1 if the ADB finances a project (*ADBnew*) or the IMF approves a loan (*IMFnew*). The term $\beta_1 + \beta_4 + \beta_5 + \beta_7$ is the conditional alignment effect when loan approval and UNSC membership equal one, as defined above. For more information, see Equation 2. We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.

Table C3: Ideological distance interaction terms with Bailey et al.'s (2017) distance

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
China						
$DIST^{CH}$	1.552*	1.930**	-2.029	-2.039	0.561**	0.302
	(0.921)	(0.924)	(1.800)	(1.829)	(0.252)	(0.271)
INST	-0.026	0.052	0.872	-0.461	0.192	-0.031
	(0.397)	(0.127)	(1.151)	(0.322)	(0.240)	(0.115)
UNSC	-0.512	-0.704	0.327	0.331	-0.149	-0.189
	(0.427)	(0.474)	(0.774)	(0.762)	(0.186)	(0.171)
$DIST^{CH} \times$ INST	0.118	-0.027	0.284	1.480	-0.128	-0.068
	(0.372)	(0.385)	(1.311)	(1.076)	(0.319)	(0.308)
$DIST^{CH} \times$ UNSC	0.797*	0.558	-0.423	-0.452	0.119	0.232
	(0.435)	(0.382)	(0.550)	(0.618)	(0.183)	(0.160)
INST $\times$ UNSC	-0.151	-0.755***	-2.095	-1.536	0.414	-0.246
	(0.554)	(0.240)	(2.479)	(1.045)	(1.170)	(0.333)
$DIST^{CH} \times$ INST	1.414**	3.848***	1.281	3.758*	-0.900	0.219
$\times$ UNSC	(0.679)	(1.092)	(2.928)	(2.237)	(0.723)	(0.648)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	3.881***	3.309***	-0.887	2.747	-0.347	0.686
	(1.243)	(1.187)	(3.181)	(2.877)	(0.733)	(0.671)
Russia						
$DIST^{RU}$	1.285	0.712	1.628	1.624	1.192***	1.329***
	(0.906)	(0.958)	(1.181)	(1.335)	(0.316)	(0.292)
INST	0.381	0.090	0.025	1.284	-0.304	-0.009
	(0.429)	(0.171)	(0.920)	(0.796)	(0.310)	(0.144)
UNSC	-0.267	-0.692	1.318	1.733	-0.663*	-0.584
	(0.543)	(0.611)	(1.174)	(1.242)	(0.343)	(0.383)
$DIST^{RU} \times$ INST	-0.423	-0.064	1.447	-1.698*	0.559	-0.042
	(0.447)	(0.176)	(1.119)	(1.006)	(0.412)	(0.165)
$DIST^{RU} \times$ UNSC	0.603	0.502	-1.889	-2.466	0.773**	0.754*
	(0.884)	(0.709)	(1.348)	(1.517)	(0.336)	(0.402)
INST $\times$ UNSC	-1.022	-1.133	-0.421	-4.544*	2.687***	-0.171
	(0.859)	(1.402)	(3.006)	(2.556)	(0.947)	(0.536)
$DIST^{RU} \times$ INST	2.858***	1.781	-1.084	5.291*	-5.236***	-0.044
$\times$ UNSC	(0.911)	(2.107)	(2.712)	(2.880)	(1.208)	(0.457)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	4.324***	2.912	0.102	2.750	-2.712**	1.997***
	(1.221)	(2.210)	(2.531)	(2.196)	(1.202)	(0.574)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-Year FE	✓	✓	✓	✓	✓	✓

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Table C3: Ideological distance interaction terms with Bailey et al.'s (2017) distance (continued)

	Treasury Bills		*Stock Prices*		*dExRate*	
	IMF	**ADB**	**IMF**	**ADB**	**IMF**	**ADB**
United States						
$DIST^{US}$	1.505	0.543	2.266	2.961	-0.303	0.144
	(1.259)	(1.066)	(2.639)	(2.988)	(0.317)	(0.318)
INST	-0.105	0.101	1.892	4.735*	-0.950	0.253
	(1.193)	(0.671)	(3.050)	(2.683)	(0.961)	(0.558)
UNSC	0.046	-0.117	-0.016	0.263	-0.285	-0.136
	(0.843)	(0.648)	(1.292)	(1.439)	(0.366)	(0.323)
$DIST^{US} \times$ INST	0.047	-0.018	-0.287	-1.422*	0.357	-0.091
	(0.381)	(0.194)	(1.011)	(0.806)	(0.317)	(0.163)
$DIST^{US} \times$ UNSC	0.045	-0.078	-0.047	-0.174	0.087	0.052
	(0.361)	(0.246)	(0.486)	(0.544)	(0.114)	(0.104)
INST $\times$ UNSC	-0.688	-7.063**	-2.051	-15.390***	3.036	-0.304
	(3.445)	(3.085)	(4.700)	(4.269)	(3.458)	(1.968)
$DIST^{US} \times$ INST	0.505	2.148**	0.281	4.401***	-1.183	0.030
$\times$ UNSC	(1.159)	(0.934)	(1.568)	(1.189)	(1.288)	(0.530)
$\beta_1 + \beta_4 + \beta_5 + \beta_7$	2.102	2.594*	2.213	5.767*	-1.042	0.135
	(1.546)	(1.510)	(2.865)	(2.952)	(1.246)	(0.583)
ICRG controls	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓
Month FE	✓	✓	✓	✓	✓	✓
Country-Year FE	✓	✓	✓	✓	✓	✓

Note: Significance levels are: * p < 0.10 ; ** p < 0.05 ; *** p < 0.01. Estimations are performed using a standard OLS linear estimator with clustered standard errors at the country level. For the alternative distance measure, values closer to 0 indicate closer alignment. Values of *Treasury Bills*, *Stock Prices*, and *dExRate* are winsorized at the 1st and 99th percentiles. Every estimation excludes countries with a *de jure* fixed exchange rate regime. *INST* represents the dummy equal to 1 if the ADB finances a project (*ADBnew*) or the IMF approves a loan (*IMFnew*). The term $\beta_1 + \beta_4 + \beta_5 + \beta_7$ is the conditional alignment effect when loan approval and UNSC membership equal one, as defined above. For more information, see Equation 2. We do not display every statistic and coefficient in this table for clarity reasons. Complete estimations are available upon request.