Electoral Incentives and the Choice of Infrastructure Development Aid*

Alicia R. Chen†

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Abstract

I develop a theory of sovereign borrowing for infrastructure development based on the survival incentives of political leaders in the Global South. Comparing Western and Chinese development aid, I argue that while Chinese finance involve higher fiscal costs, they offer short-term electoral benefits due to China's ability to complete projects within one electoral cycle. Since debt repayment is delayed, short-sighted leaders prioritize the short-term gains from speedy infrastructure delivery over long-term repayment costs. I test this theory by documenting two distinct electoral cycles related to the announcement and completion of Chinese-financed projects and benchmarking results to World Bank projects. The results suggest that incumbents secure Chinese loans early in their term to ensure project completion in time for re-election. I further illustrate the theoretical mechanism with a case study of Indonesia's high-speed rail. This work contributes to the literature on demand-side explanations for how borrowing governments choose between different development finance options.

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†Ph.D. Candidate in Political Science, Stanford University, aliciarc@stanford.edu

1 Introduction

Developing countries frequently borrow from foreign creditors to finance government activities. This is especially true for domestic infrastructure projects, which can require substantial capital investments that public budgets of low- and middle-income economies cannot meet. China's rise as a major development finance provider is often seen as filling this financing gap. Since the turn of the century, China has injected an estimated $1.34 trillion in infrastructure finance under its "Belt and Road Initiative" (BRI), and governments across the Global South have actively sought out Chinese finance to fund domestic development initiatives.

The choice to borrow extensively from China is highly puzzling. Compared to domestic sources of finance, such as taxation, borrowing is fiscally more costly in the long run, as creditors expect repayment with interest. Thus, governments seeking external finance to fund infrastructure development should aim to minimize the additional fiscal burden by choosing the cheapest loans available to them. What is puzzling, however, is that Chinese finance is one of the most expensive source of infrastructure financing available to these countries. Indeed, a defining feature of China's official development finance is that it is significantly less concessional than traditional options from multilateral development banks (MDBs) or traditional bilateral donors that developing countries have access to (Dreher et al., 2018).

To illustrate this, Table 1 compares the average terms of Chinese finance with those from the World Bank and OECD donors. Between 2000 and 2021, Chinese loans carried an average interest rate nearly double that of the Bank and Western donors (4% vs. 1-2%), with less favorable repayment terms. The average grant element of a Chinese loan is also substantially lower than alternative sources. Across its entire lending portfolio, the total amount of grant funding—the portion that borrowers do not need to repay—is only 15%, compared to 26% with the Bank and upwards of 70% with OECD countries. Given the choice, borrowing governments should avoid Chinese loans to minimize long-term debt servicing costs. Surveys of elites across the developing world indicate that loan concessionality is one of the most important predictors of loan preferences (Blair, Custer and Roessler, 2024). Despite this, developing countries often choose to borrow from China even when more favorable terms are available from traditional lenders. This raises the question: Why would developing countries be attracted to costlier Chinese loans? What benefits do borrowing governments receive that make these costs justifiable?

In this project, I develop a theory of sovereign borrowing for infrastructure development based on the survival incentives of political leaders in the Global South, drawing on classic theories of pork barrel politics. I argue that while Chinese loans carry higher fiscal costs, they provide short-term electoral benefits for recipient country leaders. Compared to alternative options, Chinese-financed projects are uniquely able to be completed

Table 1: Average Financing Terms by Lender, 2000–2021

	China	World Bank	OECD
Interest Rate (%)	4	1.9	1
Maturity (years)	13.3	19.4	24.3
Grace Period (years)	4.3	7.0	-
Grant Element (%)	9.3	29.1	52.3
Portfolio Concessionality (%)	15	36.2	71.9

Notes: OECD values calculated using ODA flows, 2015–2021, since members do not disclose their OOF pricing. Pricing for World Bank and OECD loans estimated using methodology from Morris et al. (2020). Portfolio concessionality captures the overall generosity of a lender and includes both grant funding as well as the grant elements of concessional and non-concessional loans. *Data*: AidData, World Bank, OECD's "Monitoring the Implementation of the Grant Equivalent system" annual reports.

quickly, and crucially, within one electoral cycle. This speed advantage allows incumbents in debtor countries to leverage completed projects to support their re-election campaigns. Since debt repayment is delayed, short-sighted leaders prioritize the short-term gains from speedy infrastructure delivery over long-term repayment costs. Thus, the relative time horizons of recipient governments predict variations in the choice between Chinese and other options.

I provide quantitative and qualitative evidence for my theory. In the larger project, I test the implications at both the cross-national and sub-national levels, though this paper only contains the state-level analyses. The main observable implication of my theory is that there should be an electoral cycle to countries' choice to borrow from China, akin to canonical political budget cycles. Using data on Chinese projects, I show that there are two distinct cycles to the announcement and completion of Chinese-financed projects. The expected number of completed Chinese infrastructure projects increases during the re-election year and the year prior, while the announcement of these projects is more likely to occur at the beginning of an incumbent's presidential term. In other words, incumbents take on new Chinese loans early in their term to ensure projects are completed in time for re-election. This relationship only holds for elections where there is an incumbent candidate running for re-election and for infrastructure projects that are visible to voters. Moreover, I find no such electoral cycle in the announcement and completion of World Bank projects, which take much longer to implement, regardless of project visibility and incumbency status.

In addition, I illustrate the theoretical mechanism through the case of Indonesia's high-speed rail, a project that China and Japan competed to finance and build through a high-profile tender in September 2015. Despite Japan offering a concessional loan, the Indonesian government selected the Chinese proposal, which carried a higher interest rate. Primary and secondary sources suggest that the speed with which China could implement

the project played an important role in Indonesian President Jokowi's decision to choose China. China committed to delivering the project within three years of being awarded the bid, with a projected inauguration date of early 2019, just months before Jokowi's re-election in April of that year. On the other hand, Japan's projected inauguration date was 10 years out in 2025, which would be a year after the conclusion of Jokowi's second and final term in office if he were to win re-election.

I focus on the choice to borrow from China because the cost, scale, and policy salience of Chinese development finance make it a unique source of infrastructure financing globally. However, the broader theoretical takeaway–that different sources of lending carry their own advantages and disadvantages for borrowing government–fits within an emerging body of work that studies how borrowing governments choose from a menu of financing options (Humphrey and Michaelowa, 2013; Bunte, 2019; Mosley and Rosendorff, 2023; Cormier, 2023*b*). By connecting this choice to the survival incentives of political leaders, this project underscores the importance of *demand*-side factors for sovereign borrowing, which have been largely neglected by earlier studies focused on supply-side considerations (Copelovitch, 2010; Milner and Tingley, 2010; Vreeland and Dreher, 2014; Bermeo, 2017).

Further, this project contributes to a large body of academic and policy research on Chinese official development finance. Scholars have extensively studied the motivations and practices of Chinese finance (Brautigam, 2009; Dreher et al., 2018; Horn, Reinhart and Trebesch, 2021), how it impacts other development actors (Zeitz, 2021; Humphrey and Michaelowa, 2019; Hernandez, 2017; Swedlund, 2017; Cormier and Manger, 2022), and its effects in recipient countries (Blair and Roessler, 2021; Brazys, Elkink and Kelly, 2017; Dreher et al., 2021; Wellner et al., 2024; Gehring, Kaplan and Wong, 2022). However, few have asked why recipient governments borrow from China at all, if Chinese finance can lead to negative outcomes that can provoke public backlash. The fact that China is predominantly a lender rather than a donor makes this choice even more puzzling. This paper provides evidence for one type of political benefit obtained by taking on Chinese loans and offers a theoretical explanation for why this benefit outweighs known fiscal and political costs.

Finally, the findings of this project have implications for both the literature on aid effectiveness and for practitioners in the development community (Stone, 2004; Bearce and Tirone, 2010; Briggs, 2021; Clark and Dolan, 2021). While scholars have often focused on how politics can distort effective aid and public goods delivery, this study suggest that aspects of China's lending model may better align politician incentives with development outcomes compared to alternative options. This has implications not only for the comparative effects of different lending models but also for how development financiers will compete in an increasingly competitive environment. As alternative financing from the U.S. and G7 becomes more available through competing initiatives, understanding the political calculus of borrowing governments will be crucial for assessing the success of

these policies. Whether Western donors and MDBs can adapt to address the concerns of borrowing governments and how China will evolve as a development financier are also key issues for policymakers in both developed and developing countries. These are critical questions that will shape the global aid market in the coming years.

2 Literature Review

A large body of literature exists on the determinants of foreign aid and sovereign lending, though most theories explain official credit allocation through supply-side considerations. Scholars emphasize a mix of economic and political goals that bilateral and multilateral lenders—and, relatedly, donors—pursue when deciding where and how to lend money (Alesina and Dollar, 2000; Dreher, Sturm and Vreeland, 2009; Copelovitch, 2010; Milner and Tingley, 2010; Bermeo, 2017). Consequently, patterns of sovereign borrowing are primarily determined by the strategic interests of creditors rather than the preferences of borrowing governments.

However, as official finance options proliferate over time, borrowing governments are increasingly able to shop around and negotiate for the best deals available to them (Clark, 2022; Humphrey and Michaelowa, 2019). Recognizing this, scholars have begun to explore demand-side explanations for how countries choose their preferred creditors (Humphrey and Michaelowa, 2019; Bunte, 2019; Zeitz, 2022; Cormier, 2023*b*; Mosley and Rosendorff, 2023). This emerging body of work examines how differences in the attributes of loans from various creditors provide distinct benefits and costs, to which borrowing governments are responsive.

Both supply- and demand-side explanations have been proposed for why developing countries borrow from China. On the supply side, a common argument is that Chinese creditors may simply be more willing to lend to these countries, filling a gap left by Western financiers who have stopped funding risky infrastructure projects. In this view, developing countries borrow from China not because they necessarily want to, but because they have no alternative options. However, while Western lenders may be more inclined to finance social sector projects, the sectors that Chinese creditors prioritize, such as infrastructure, have meaningful competition among lenders. For example, data on infrastructure financing in Africa show that financing sources are well distributed among public, Chinese, and non-Chinese options.[1] Moreover, even if lenders have different appetites for various types of projects, these differences do not predetermine countries' borrowing portfolios since increases in external financing in one sector can free up domes-

[1]In 2020, Chinese financing accounted for only 8% of total infrastructure financing in Africa, with the remainder coming from national budgets (41.2%), MDBs (20.5%), other bilateral countries (6.9%), and the private sector (23.5%) See Infrastructure Consortium for Africa (ICA), *Infrastructure Financing Trends in Africa 2019–2020 Report,* https://www.icafrica.org.

tic resources for other sectors (Bunte, 2019). The possibility of such reallocation makes the choice of more expensive Chinese loans all the more puzzling.

On the demand side, borrowing choices may be driven by differences in the conditions attached to Chinese and Western loans, which create different winners and losers across domestic interest and elite groups (Bunte, 2019; Cormier, 2023*a*). However, surveys of elites and government officials across the Global South find that, all else being equal, borrowing governments are indifferent to the inclusion of social, economic, or governance conditions (Blair, Custer and Roessler, 2024). Additionally, it is unclear whether there are meaningful differences in the conditions of Chinese and Western loans specifically for infrastructure projects. While there is considerable discussion about stringent good governance conditions attached to loans from traditional lenders, these conditions are generally associated with policy-based lending instruments such as structural adjustment loans from the World Bank and IMF. For instance, existing studies on World Bank conditionality focus on the Bank's "Development Policy Financing" program, which provides general budget support contingent on economic reforms (Hernandez, 2017; Cormier and Manger, 2022). In contrast, infrastructure financing are a form of "Investment Project Financing," which makes up 80% of World Bank lending and is rarely associated with policy conditions. In fact, the World Bank "generally discourages the use of conditionality in investment lending."[2] Therefore, while these arguments might explain a government's preference for infrastructure financing over structural adjustment programs, they do not explain why a government would choose a Chinese loan for a specific project over more fiscally competitive options when available.

Borrowing government preferences for fiscal transparency might also explain the choice to borrow from China, whose lending practices are more opaque than those of traditional creditors (Cormier, 2023*a*). However, survey evidence indicates that elites actually prefer projects with transparent terms, and this preference holds in both corrupt and autocratic countries, as well as among high-level government officials (Blair, Custer and Roessler, 2024). Furthermore, while Chinese loans are frequently criticized for their lack of transparency, other lenders are not particularly transparent either. Development assistance programs from emerging lenders like China, India, and South Africa are relatively non-transparent since, as non-members of the OECD, they are not subject to OECD reporting criteria. But even OECD's disclosure rules for member states are limited, requiring only the reporting of annual commitment and disbursement values. Like Chinese lending, the terms of bilateral loans are rarely made public, and Paris Club lenders also include non-disclosure provisions in their sovereign loan contracts (Gelpern et al., 2023; Mosley and Rosendorff, 2023). Because there is no uniform public disclosure standard for bilateral creditors, much is unknown about the terms, conditions, and disbursements of loans from

[2] https://documents1.worldbank.org/curated/en/228751468134390047/pdf/428690WP0Condi10Box327331B01PUBLIC1.pdf

all bilateral official lenders to developing countries (IMF, 2018). Additionally, bilateral donors from the West do not disclose export credits to the OECD, despite these credits accounting for a significant portion of their official finance (Bunte, 2019). In contrast, existing datasets on Chinese development finance extensively cover export credits, reflecting China's preference for commercial lending.

Moreover, the perception of Chinese lending as more opaque adds to the puzzle. Chinese lending has faced routine criticism from both international and local audiences, with concerns about corruption and debt sustainability fueling skepticism towards China's development finance. Opposition leaders in debtor countries often use anti-China rhetoric to differentiate themselves from the ruling party during electoral campaigns, and domestic publics frequently criticize their leaders' dealings with China when the process lacks transparency. The potential for public backlash suggests that there must be benefits that make Chinese finance attractive despite these costs.

3 The Theory

In this project, I develop an explanation for debtor countries' choice to borrow from China for infrastructure development, rooted in the survival incentives of governing elites. I start with the basic assumption that political leaders are office-seeking and pursue policies that maximize their chances of re-election. Seminal works in political science and economics have theorized how these electoral incentives shape the economic policies of incumbents, including the choice to invest in public goods. I argue that the source of project finance plays a crucial role in incumbents' ability to deliver on pork-barrel projects, which in turn shapes patterns of sovereign borrowing internationally. Specifically, I contend that China's ability to complete infrastructure projects within one electoral cycle creates an electoral incentive for incumbents to borrow from China despite the higher fiscal costs.

3.1 China's Speed Advantage

Though delays in construction projects can occur for various reasons, one critical factor affecting project implementation and delivery is the source of financing. A project's financing structure determines which actors are involved and how cash flow is managed, which can contribute to or help prevent project delays. For instance, nationally funded projects may require extensive bargaining between domestic political actors or across bureaucratic agencies with differing interests (Williams, 2017). Financing managed by the public sector can also be particularly vulnerable to corruption in developing countries. In contrast, external financing, particularly from entities with more rigorous oversight and reporting requirements, can help ensure effective use of funds and timely project completion (Milner, Nielson and Findley, 2016; Findley et al., 2017).

Table 2: Average Project Timelines (in Years)

	China (All)	China (Infrastructure)	World Bank (All)
Commitment to Start	0.5	0.8	0.6
Delay	-0.7	-0.9	0.0
Start to Complete	0.8	2.7	5.5
Delay	-0.8	-0.9	0.1
Total	1.2	3.2	6.1

Data: AidData, World Bank

Among external financiers, Chinese-financed infrastructure projects have a distinct advantage in terms of speed. As shown in Table 2, the average Chinese infrastructure project finishes in roughly 2-3 years after commitment, just short of the average electoral cycle in the world. In contrast, projects financed by MDBs take anywhere from 5–10 years to complete, with World Bank projects averaging at roughly 6 years (Malik et al., 2021).[3] Additionally, while negotiations for Chinese development finance are often quickly concluded, the approval process for lending from development banks can take several years (Humphrey and Michaelowa, 2013). The negative sign on start and completion delays for Chinese projects in Table 2 further suggests that they generally start and finish ahead of schedule. In comparison, Lewis-Faupel et al. (2016) finds that about 50% of World Bank projects exceed their timelines, taking 30% longer to complete than initially scheduled. Thus, Chinese-financed projects are consistently able to finish quickly, and on average, ahead of schedule.

Characteristics of Chinese lending practices at both the project preparation and implementation stages contribute to China's speed advantage. During the preparation stage, government officials and aid practitioners in developing countries have often described Chinese finance as "easier" to obtain because fewer feasibility studies are required for loan approval.[4] In contrast, the pre-approval stages for projects financed by traditional lenders can take years due to bureaucratic delays and extensive impact assessment requirements before loan review.[5] Interviews with staff from both lender and recipient

[3]Note that these are underestimates of the timelines of projects financed by MDBs since they only cover the time from loan approval to final disbursement and do not include the time required to finish construction after the last disbursement.

[4]However, this is changing: Beijing has recently introduced more stringent provisions in financing agreements to mitigate project risks, responding to issues and criticisms faced by BRI projects over the past decade. Despite these changes, Parks et al. (2023) finds that the new requirements have not significantly reduced the time taken for Chinese projects to complete, suggesting other systemic factors contribute to China's speed advantage.

[5]A natural question is whether China trades off quality for speed. Interviews with Chinese firms indicate that their projects abroad must meet either domestic standards in China or those in recipient countries, depending on which are more stringent. While standards in China and the Global South may be lower than those in developed countries, Chinese firms can still deliver projects that meet more stringent requirements. For instance, Farrell (2016) finds no significant difference in the quality of World Bank projects from 2000-2013 between those implemented by Chinese firms and those by firms from

governments reveal that these processes can be cumbersome and time intensive due to complex design rules and safeguards. As one USAID staffer noted, "Each of the feasibility studies can take one to two years, and sometimes there are multiples studies depending on the project."[6] Past research indicates that speed is a crucial factor influencing borrowing governments' preferences for loan options (Blair, Custer and Roessler, 2024; Humphrey and Michaelowa, 2013). As former Senegalese President Macky Sall remarked, "What makes China much more interesting to deal with is that a contract that would take 5 years to discuss, negotiate, and sign with the World Bank takes 3 months when dealing with Chinese authorities" (quoted in Landry, 2024).

Interviews suggest that these requirements are partially driven by public pressure and donor interests. As one official from Japan's aid agency explained, "We used to move quickly too, but now we have to conduct extensive studies due to controversies and criticism we received in the past domestically and from Western countries. We spend a long time assessing the impact before we can decide [whether to fund a project] because we don't want to get criticized."[7] In sectors like energy, feasibility studies can be particularly time-consuming due to stringent requirements designed to address scrutiny from environmental groups and NGOs. [8] More stringent standards can also serve the commercial interests of donor countries. As one official explained, "The design requirements concluded from these studies dictate which firms are eligible to participate in the project. There is often a push for safeguards [that exceed national legal requirements]...and only Western firms qualify because their technology meets Western regulations."[9]

During the project implementation stage, China's loan disbursement procedures also contribute to its ability to complete projects quickly. Chinese lenders use a "circular lending" practice, where financing is directly distributed to the Chinese firms contracted to work on projects, rather than being deposited into the accounts of host governments (Brautigam, 2009). Although this practice is often criticized by Western policymakers, interviews with bureaucrats in developing countries suggest that it effectively mitigates the risk of elite capture of aid. Ministry officials have repeatedly noted that payment delays to contractors are among the most common causes of stalled construction projects and, in cases of corruption, can leave projects entirely unfunded. China's disbursement practices, however, alleviate this issue. As one officer remarked, "With the Chinese you don't really have this problem. The money doesn't come to us. Once we approve the next loan disbursement, [Chinese banks] will give the money to the contractor directly."[10] In

OECD countries.

[6]Interview with representative from USAID, Jakarta, Indonesia, 1 August 2024.

[7]Interview with loan officer at JICA, Nairobi, Kenya, 31 October 2023.

[8]Interview with loan officer at JICA, Nairobi, Kenya, 31 October 2023. Past research has also documented how safeguards at MDBs like the World Bank were introduced under pressure from activist groups (Humphrey and Michaelowa, 2013).

[9]Interview with government and JICA consultant, Jakarta, Indonesia, 3 August 2024.

[10]Interview with program manager at Zambia's Ministry of Housing and Infrastructure Development,

contrast, traditional aid delivery methods, where funds are disbursed directly to recipient governments, can easily result in aid leakage. For instance, Hintson (2024) documents how a World Bank project in Uganda to build schools and clinics was marred by corruption with local politicians embezzling funds.

China's speed advantage is well-known in debtor countries and has been cited as a source of its competitiveness despite the higher price tag. As a Tanzanian official noted about a major gas pipeline project, "the Chinese are a bit more expensive, but they are a lot easier and a lot faster for this kind of project" (quoted in Humphrey and Michaelowa, 2019). Western competitors recognize this as well: In May 2024, the European commissioner for international partnerships admitted in an interview with the Financial Times that, 'It's true that [the EU] might not be the fastest partner," citing how complex bureaucracy and the environmental and social conditions attached to EU financing has made it difficult for Europe to successfully compete with BRI with their new initiatives.[11] This highlights that speed is a crucial consideration for borrowing governments when evaluating loan options, aligning with past research which shows that speed and price are highly salient factors in borrowing preferences and decisions in the Global South (Humphrey and Michaelowa, 2013; Blair, Custer and Roessler, 2024).

3.2 Speed and Electoral Incentives

I argue that speed provides significant electoral benefits for incumbent leaders when it comes to infrastructure development. Electoral politics often incentivize politicians to invest in public goods, particularly large and visible projects like infrastructure (Robinson and Torvik, 2005; Mani and Mukand, 2007; Harding and Stasavage, 2014). Recent literature provides evidence that the effective delivery of these goods can result in meaningful electoral gains for incumbent leaders (Keefer and Khemani, 2005; Thachil, 2011; Harding, 2015; Marx, 2018; Johannessen, 2019; Briggs, 2012; Weghorst and Lindberg, 2013). Commitment to infrastructure development is thus a widely pursued electoral strategy for politicians in the developing world.

Although leaders in developing countries often campaign on promises to develop infrastructure, they face a credibility problem since many projects face delays or stall indefinitely. Indeed, Holland (2024) finds that only 50% of infrastructure projects in Latin America are completed under the same president. In Nigeria, Rasul and Rogger (2018) reports that roughly one-third of projects are never started. Project delays are also prevalent: In Bangladesh, Rasul, Rogger and Litvine (2016) estimates that over 20% of projects run overtime, and this figure rises to well over three-quarters in India and Indonesia (Lewis-Faupel et al., 2016). Estimates of project noncompletion in various

Lusaka, Zambia, 7 October 2023.

[11] https://www.ft.com/content/690e65c5-ee93-4a21-b4c7-12110ae48984

African and Asian contexts range from 30-60% (Rasul and Rogger, 2018; Williams, 2017; Rasul, Rogger and Litvine, 2016; Lewis-Faupel et al., 2016), highlighting the severity of this credibility issue.

Unfinished projects not only signal an incumbent's failure to deliver on campaign promises but also result in significant economic losses that can damage their popularity. For example, in Ghana, Williams (2017) estimates that project noncompletion leads to about 20% in wasted government expenditures, with voters voicing dissatisfaction over abandoned projects. Additionally, in various developing country contexts, noncompletion can be perceived by citizens as indicative of corruption. Voters recognize that self-interested politicians can exploit citizens' poor information environments about policies to pursue their own agendas or appropriate rents, with corruption risks being particularly evident in the construction sector due to its large public procurement components (Holland, 2024; Hintson, 2024; Lehne, Shapiro and Eynde, 2018). Furthermore, once a project has started, there are strong incentives to complete it swiftly to avoid conflicts related to land acquisition and resettlement (Toth, 2024) and to minimize disruptions caused to nearby residents.

Because of this credibility problem, I argue that project completion sends a stronger signal of a politician's ability and commitment to development than project announcement. Indeed, Marx (2018) shows that it is the completion of visible infrastructure projects that generates significant electoral benefits for incumbents, and this motivates them to expedite project completion before elections. Relatedly, Wellner et al. (2024) find that it is completion of Chinese-built infrastructure projects, not announcement, that produce the positive effect on public opinion that existing "hearts and minds" theories predict. Even if politicians had minimal input into a project, past work shows that they spend effort claiming credit for positive outcomes (Cruz and Schneider, 2017). To maximize the electoral gains from their investments in infrastructure development, political leaders should therefore want to finish projects quickly. Indeed, one reason cited by ministry officials for why speed is important for borrowing decisions is because of the political importance of certain projects (Humphrey and Michaelowa, 2013).

Some scholars argue that claiming credit for completed projects can be a risky electoral strategy because the timing of project completion is uncertain *ex ante*; thus, politicians might prefer trading infrastructure contracts for campaign finance (Samuels, 2002). However, the issue is not that completed projects are undesirable, but rather that relying on credit claiming can be unreliable since project completion is rarely guaranteed due to implementation challenges common in construction projects. Yet, it is precisely because delays and noncompletion are common that project completion sends a stronger signal of an incumbent's ability than project announcement *if* it can be achieved. As one interviewee noted, "No politician wants to start a project only to have the next guy take

credit for it."[12] Thus, the *relative* certainty of timely project delivery associated with Chinese-financed projects within one electoral cycle enhances the electoral incentive for incumbents to borrow from China. Additionally, since debt repayment is delayed to future periods, electorally motivated leaders are likely to prioritize the short-term electoral gains from speedy infrastructure delivery over the long-term repayment costs.

4 Research Design

The ideal test for this theory would involve data on competing funding options for infrastructure projects. Unfortunately, available data typically only capture the selected financing option, as borrowing governments and external financiers often discuss interest informally, and there are rarely records of all available options let alone their terms and conditions. Instead, in this paper, I test the state-level observable implications of electoral incentives on broad patterns in sovereign borrowing from China. To further validate the theory, I illustrate the theoretical mechanism through the case of Indonesia's high-speed rail (HSR) project in Section 6, a project which faced notable competition between China and Japan. Due to the significant attention and coverage this competition received, substantial information about their respective proposals has been made public, addressing a major data limitation of observational studies.

At the cross-national level, the main observable implication of the theory is that there should be an electoral cycle in countries' choices to borrow from China. This is akin to canonical political budget cycles (PBCs), where incumbent politicians opportunistically manipulate economic policy before an election to increase their popularity with voters.[13] However, unlike other policy areas where expenditure spending can quickly impact output, infrastructure development takes much longer. Given voter myopia, incumbents will aim to complete projects in the months leading up to re-election to maximize electoral gains. Since the average Chinese project takes roughly three years to complete after commitment (see Table 2), incumbents will need to secure new Chinese loans at the start of their term to ensure timely project completion. In other words, the announcement of Chinese-financed projects is likely to peak at the beginning of an incumbent's term, while project completions are more likely to coincide with election years.

Further, the relationship between the electoral cycle and project announcement and completion is expected to hold only for loans that finance visible, infrastructure projects. Donors often provide loans or grants for programs like commodity assistance (e.g., mask donations) or trade financing, which are not easily observed by voters and thus unlikely to yield direct electoral returns. My theory posits that only infrastructure loans from China will exhibit an electoral cycle, as these projects are visible and thus serve as a

[12] Interview with loan officer at USAID, Jakarta, Indonesia, 1 August 2024.
[13] See Dubois (2016) for a review.

signal of incumbent capability. Past research highlights that project visibility is crucial for electoral accountability and influences resource allocation decisions (Robinson and Torvik, 2005; Harding and Stasavage, 2014; Johannessen, 2019; Marx, 2018; Mani and Mukand, 2007). If a PBC is found for non-infrastructure loans from China, it would suggest other motivations for governments' borrowing decisions beyond the electoral incentives tied to infrastructure development.

4.1 Data

I test for the existence of a PBC in Chinese project announcement and completion through a cross-national analysis. Data on elections come from Version 6 of the National Elections across Democracy and Autocracy (NELDA) dataset, which provides election-level information for electoral events worldwide from 1945 to 2020 (Hyde and Marinov, 2012). This dataset includes 385 executive election years across 92 countries between 2000 and 2020. When restricting to elections where an incumbent ran for re-election, these numbers drop to 84 countries and 222 election years.

Data on Chinese projects come from AidData's Global Chinese Development Finance Dataset, Version 3.0, which captures all publicly identified Chinese loans and grants committed from 2000 to 2021 (Dreher et al., 2022). The dataset includes 17,957 projects across 146 countries announced during this period, with completion years ranging from 2000 to 2023.[14] Given the scope of this study, I restrict the analysis to investment loans only, excluding debt-related activities (e.g., debt restructuring), technical assistance programs (e.g., scholarships/training), and general budget support. Projects spanning multiple countries and Chinese contributions to international organizations are also excluded. This results in a sample of 8,357 projects across the 92 countries that have held elections at least once during 2000–2020. Of these, 2,961 projects (35%) are identified by AidData as infrastructure projects involving physical construction activities.[15]

I benchmark the results to World Bank projects to investigate whether China's speed advantage is indeed the mechanism driving borrowing governments' sovereign debt decisions. For this analysis, I use the World Bank Projects & Operations database and restrict the analysis to 2000–2020 for comparability with the coverage of AidData and NELDA.[16] I similarly exclude dropped and pipeline projects, debt activities and, critically, structural adjustment loans (e.g. development policy loans). For World Bank projects, I treat the loan approval date as the commitment date and the closing date as the completion date, acknowledging that these are not directly comparable to start

[14] This number excludes suspended, cancelled, or umbrella projects that AidData does not recommend including in aggregated analyses.

[15] According to AidData's codebook, this includes projects that involve "(1) building a new physical structure, (2) rehabilitating or adding onto an existing physical structure, and/or (3) maintaining an existing physical structure."

[16] https://projects.worldbank.org/en/projects-operations/projects-home

and completion dates for Chinese projects collected by AidData. Since the World Bank database does not indicate whether a project involves physical construction, I categorize projects into visible and non-visible sectors based on the criteria established by Marx (2018). Visible sectors include education, health, water, transportation, and electricity, while non-visible sectors encompass agriculture, finance, industry/trade, public administration, and information/communications. In total, the World Bank's two lending arms–IDA and IBRD–financed 7,303 projects across 156 countries. Of these, 4,946 (68%) were lent to the 92 countries with elections recorded in the NELDA dataset. Given the long implementation times associated with World Bank projects, I do not expect there to be an electoral cycle to either the announcement or completion of World Bank projects.

4.2 Estimation

The main outcome variables are the number of Chinese-financed projects announced or completed in a given year for each country. Following the classic literature on PBCs, I use election year dummies and include indicator variables for up to four years preceding the election to capture the full electoral cycle. Since the outcome variables are censored, I estimate the following distributed lag model using the Poisson pseudo-maximum likelihood estimator:

$$Count_{it} = \exp(\sum_{l=0}^{4} \gamma_l Election_{it}^{-l} + \mathbf{X'_{it}}\beta + \delta_i + \tau_t) \tag{1}$$

where $Election_{it}^{0} = 1$ if country i had an election in year t and $Election_{it}^{-l} = 1$ if the next election is l years from t. The coefficient γ_1 therefore captures the effect of upcoming elections during the year prior to the next election $t-1$. The main coefficients of interest are γ_0, representing the effect during the election year, and γ_4, representing the effect four years out from the next election. These coefficients capture whether projects are disproportionately more likely to be announced or completed at the start or end of a presidential term. The theory predicts that γ_0 (γ_4) will be positive and significant for Chinese project completion (announcement). Incentives for both project announcement and completion are expected to be weakest in the middle of the election cycle.

Since election years vary at the country-year level, I cannot include country-year fixed effects in the above model. I instead include a vector of covariates $\mathbf{X}_{it}$ that may influence the outcome variables year on year. First, I control for the logged dollar value of announced or completed projects to ensure that estimated effects are driven by the electoral cycle rather than differences in project scale and complexity. I also include logged GDP per capita and GDP growth to account for countries' levels of development, as wealthier countries may have more resources for projects and less need for external finance. Additionally, I control for logged financial flows from the World Bank to ac-

count for the largest alternative source of official external finance China competes with on investment projects. Country covariate data come from the World Bank's World Development Indicators. Finally, all models include country fixed effects (δ_i) and year fixed effects (τ_t) to account for unobserved country- and year-level characteristics that affect domestic policy decisions. The inclusion of these fixed effects also absorbs supply-side determinants of Chinese development finance, such as the degree of industrial oversupply or foreign exchange surpluses (Dreher et al., 2021). Standard errors are clustered at the country-year level.

5 Results

5.1 Descriptive Patterns

I start by descriptively checking whether there exists an electoral cycle to the announcement and completion of Chinese and World Bank projects. To do this, I calculate the number of projects announced or completed to each country in the years or months leading up to an incumbent's re-election. These values are demeaned within country for comparability both across countries as well as lenders.

Figure 1a shows the project announcement cycle by plotting the average number of committed projects by China and the World Bank in the years leading up to an incumbent's re-election. The figure shows that there is a spike in the number of Chinese projects announced roughly 2-3 years before a re-election year, which aligns with the average time taken for Chinese infrastructure projects to be completed (see Table 2). The figure also shows how the World Bank approves more projects the year prior to re-election, consistent with the contracting cycle documented in Holland (2024). However, the increase is small in magnitude compared to the electoral cycle effect of Chinese project announcements.

Theoretically, incumbents who wish to credit claim for infrastructure development have incentives to complete projects right before elections, given voter myopia. To test for this, Figure 1b plots the electoral cycle of project completion at a monthly-level in the four years leading up to re-election. World Bank projects do not follow an electoral cycle, though there exists annual cycles that are likely driven by the Bank's fiscal year cycle. However, there is a visible electoral cycle to Chinese project completion. Few projects are completed in the first two years of an incumbent's time in office, and projects begin to complete in the last two years, peaking at around 6 months prior to re-election.

Moreover, when comparing actual completion with the planned completion date at the time of project announcement (Figure 2), an interesting pattern emerges: not only do incumbents accelerate the completion of Chinese projects towards the end of the electoral cycle, but they may also delay completion so that more projects can be inaugurated in the

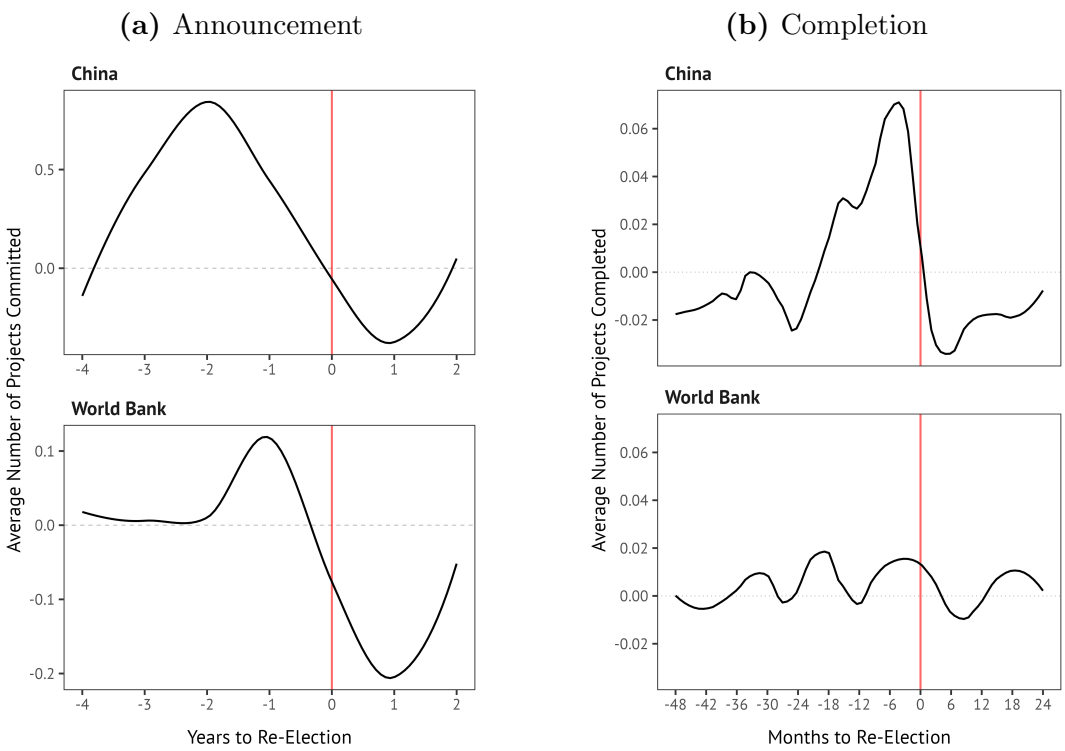


Figure 1: Electoral cycle for announcement and completion of Chinese and World Bank projects, 2000–2020. Sample restricted to election cycles where an incumbent is running for re-election. Y axis plots the average number of projects demeaned within country.

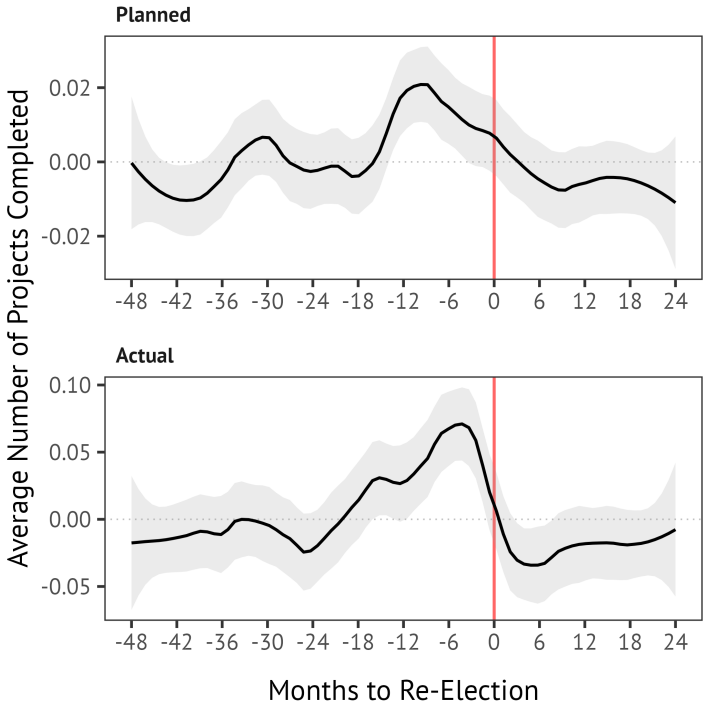
months of re-election to maximize the electoral gains. This is consistent with qualitative evidence on how presidents exert effort to finish these projects right before their re-elections. For instance, Wang (2022) documents how President Kenyatta personally visited construction sites once a quarter to ensure that the Mombasa-Nairobi railway would be completed by June 2017, 18 months ahead of schedule, just in time for his re-election in August of that year.

5.2 Main Results

I now turn to the main results from equation 1 estimated using a Poisson model. Figure 3 plots the estimated effect of upcoming elections on the number of Chinese projects completed in each of the four years leading up to an election year, conditioned by whether an incumbent candidate is running for re-election. Panel (a) shows estimates for infrastructure projects and Panel (b) shows corresponding effects for non-infrastructure projects. The full statistical results are shown in Table A1.

Consistent with my theory, Chinese infrastructure projects are more likely to be completed during election years but only when the election features an incumbent candidate. The expected number of completed projects is increasing for each additional year closer

Figure 2: Planned vs. Actual Completion of Chinese Projects



to re-election, whereas for election cycles without an incumbent candidate, upcoming elections are associated with a downward trending effect. In column (6) of Table A1, the estimates suggest that during election cycles when there is no incumbent candidate, upcoming elections reduce the number of expected infrastructure projects completed by anywhere from 15% (four years out the election) to 55% (during election year). This is consistent with qualitative evidence about how infrastructure projects can stall under outgoing politicians who do not face re-election constraints (Wang, 2022). On the other hand, the effect of being in an election year is statistically different when the incumbent is running compared to when the incumbent is not running, changing by a factor of $exp(0.95) = 2.59$, or 159%. In other words, the electoral cycle to project completion is restricted to election cycles when an incumbent is running for re-election. The difference is also statistically significant during the year prior to re-election, consistent with results from Marx (2018). For non-infrastructure Chinese projects that are unlikely to generate electoral rewards even if completed, upcoming elections do not incentivize leaders to accelerate project completion.

Turning to project announcement, estimates from Table A2 suggests that the expected number of infrastructure projects announced increase four years out from an incumbent's re-election but the effect is only weakly significant at the 0.1 level across the full 2000–2020 sample. One reason why this may be the case is that we may expect there to be a learning process as China develops its reputation for speed. Indeed, in the early 2000's, China was not only a new development finance provider, but Chinese construction firms

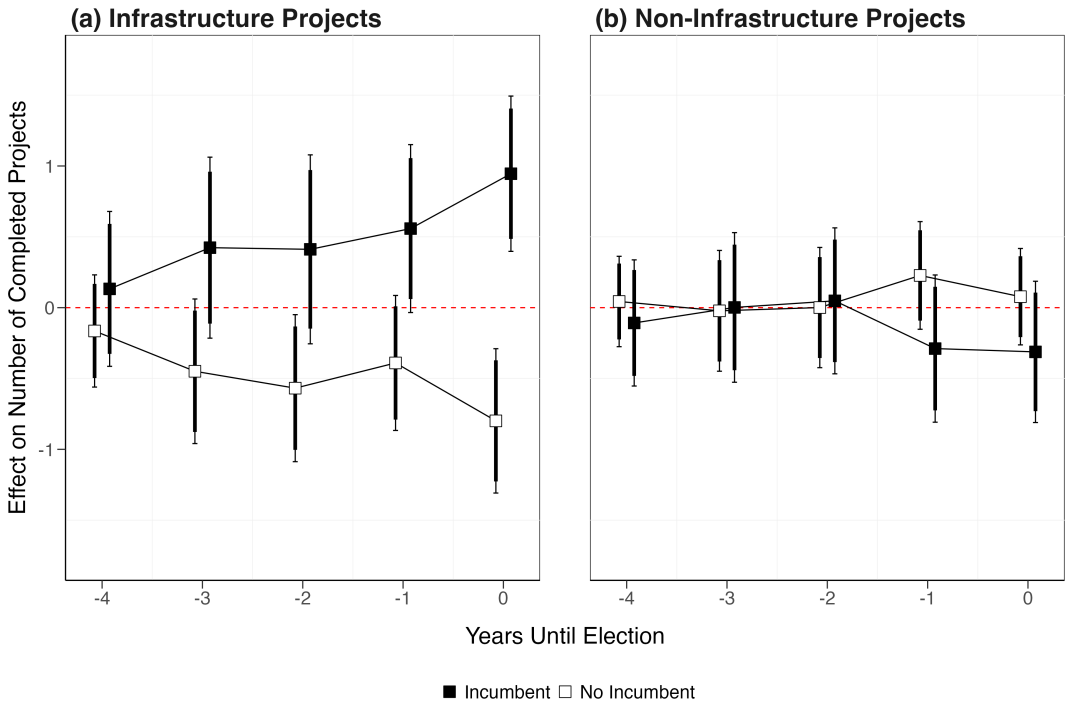


Figure 3: Poisson PML coefficient estimates on number of completed Chinese projects, 2000–2020. Error bars are 95% confidence intervals and bolded bars are 90% confidence intervals based on country-year clustered standard errors. Corresponding results in Table A1.

had participated in few projects abroad. To test for this, I plot the coefficient estimates of election year lags during a re-election cycle in Figure 4, where I trim the data by different start years in 5 year increments. The first panel covers the entire 2000–2020 period and the rightmost panel covers 2010–2020. The results show that there is a learning process over time. The expected number of infrastructure projects announced increases at the start of a re-election cycle, and this magnitude of the effect increases over time as China builds its reputation for speed.

It is reasonable to assume that Chinese contractors have built up their reputation by the end of November 2013, when President Xi announces the Belt and Road Initiative and accelerates the push for state financing of overseas construction projects. For instance, Zhang (2021) documents how Chinese construction firms captured half of Africa's contracting market by 2014, compared to less than 10% ten years earlier, and have begun to win contracts for projects financed by MDBs. I therefore investigate the relationship between the electoral cycle and Chinese project announcement during the BRI period from 2014–2020 in Figure 5. This figure shows the expected relationship based on my theory, as the expected number of announced projects that involve infrastructure increases at the start of an incumbent's term in office in preparation for re-election. There is no electoral cycle to non-infrastructure projects financed by China.

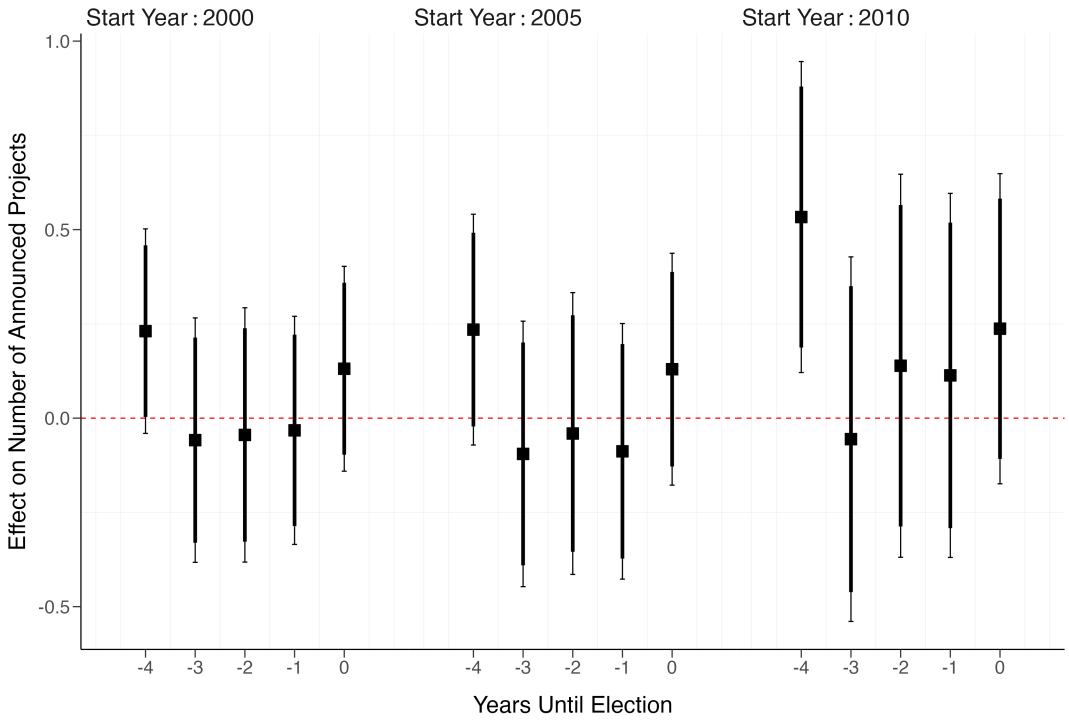


Figure 4: Poisson PML coefficient estimates on number of announced Chinese infrastructure projects across different subsamples. First panel covers 2000–2020, second panel covers 2005-2020, and third panel covers 2010-2020. Error bars are 95% confidence intervals and bolded bars are 90% confidence intervals based on country-year clustered standard errors.

Combined, these results suggest that there is an electoral cycle to Chinese project announcement and completion. Consistent with my theory, this effect holds only when an incumbent is running for re-election and for infrastructure projects that are visible and thus are plausibly likely to sway voters. The expected number of infrastructure projects completed increase during re-election year and the year prior, but the announcement of infrastructure projects is more likely to take place in the beginning of the re-election cycle, since infrastructure can take multiple years to build. No electoral cycle exists for non-infrastructure projects. These results suggest that the choice to take on Chinese loans is driven by the electoral incentives that incumbent leaders face.

5.3 Placebo Test: World Bank Projects

To ensure that China's speed advantage is indeed the mechanism driving borrowing governments' decisions to borrow from China for infrastructure projects, I compare the above results to World Bank projects. The World Bank is known to be especially slow even compared to other multilateral development agencies (Humphrey and Michaelowa, 2013). Given the long implementation times associated with World Bank projects, I do not expect there to be an electoral cycle to either the announcement or completion of

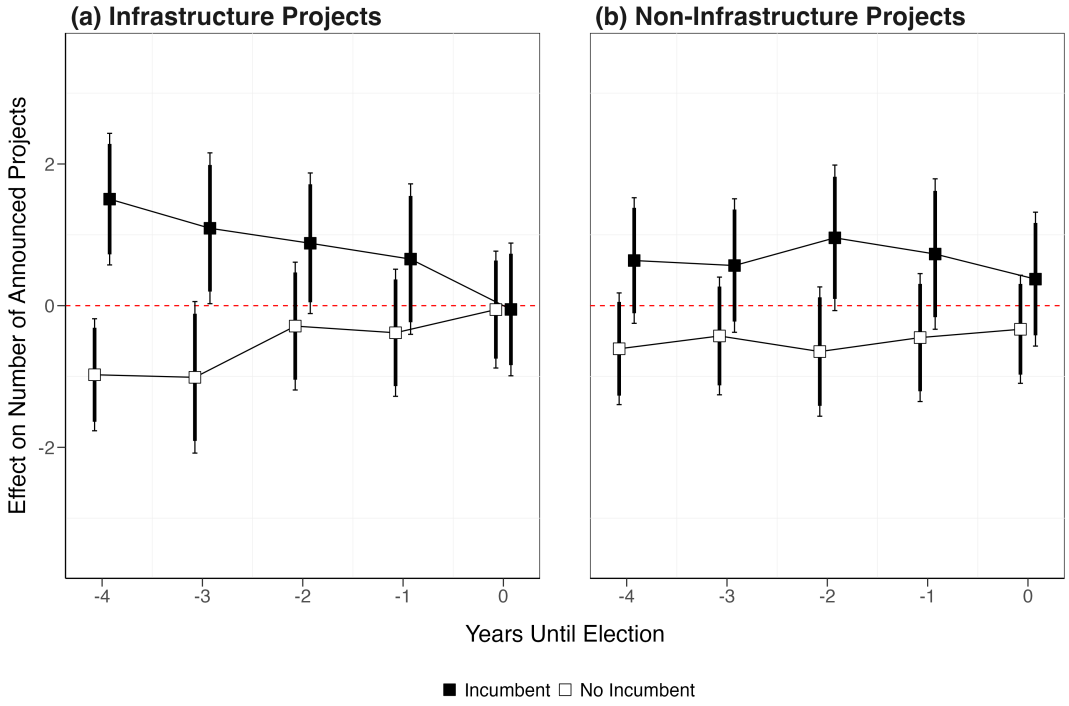
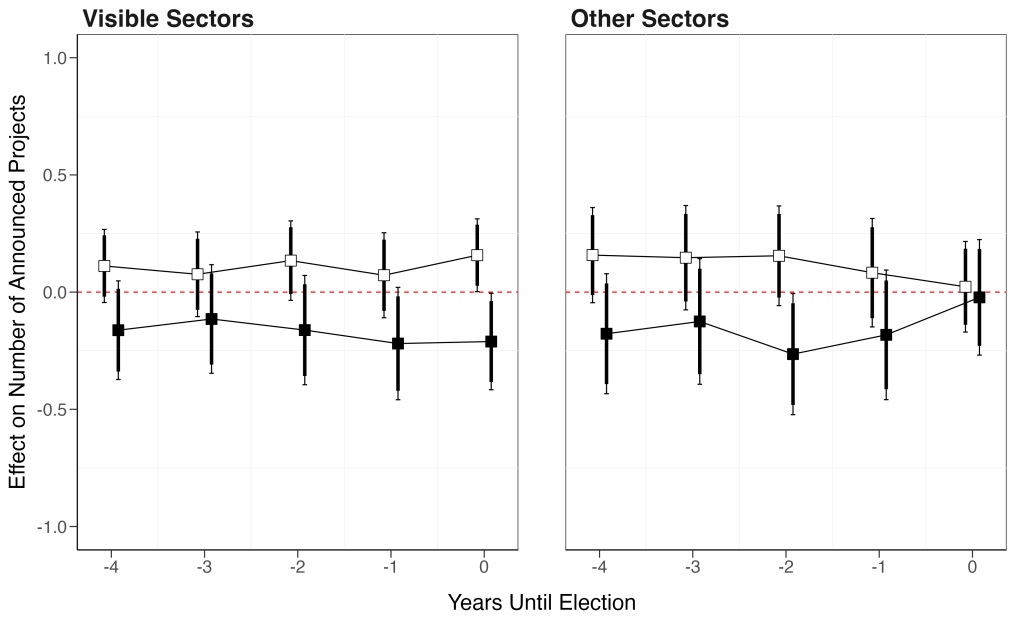


Figure 5: Poisson PML coefficient estimates on number of announced Chinese projects during BRI period, 2014–2020. Error bars are 95% confidence intervals and bolded bars are 90% confidence intervals based on country-year clustered standard errors. Corresponding results in Table A3.

(a) Project Announcement Cycle



(b) Project Completion Cycle

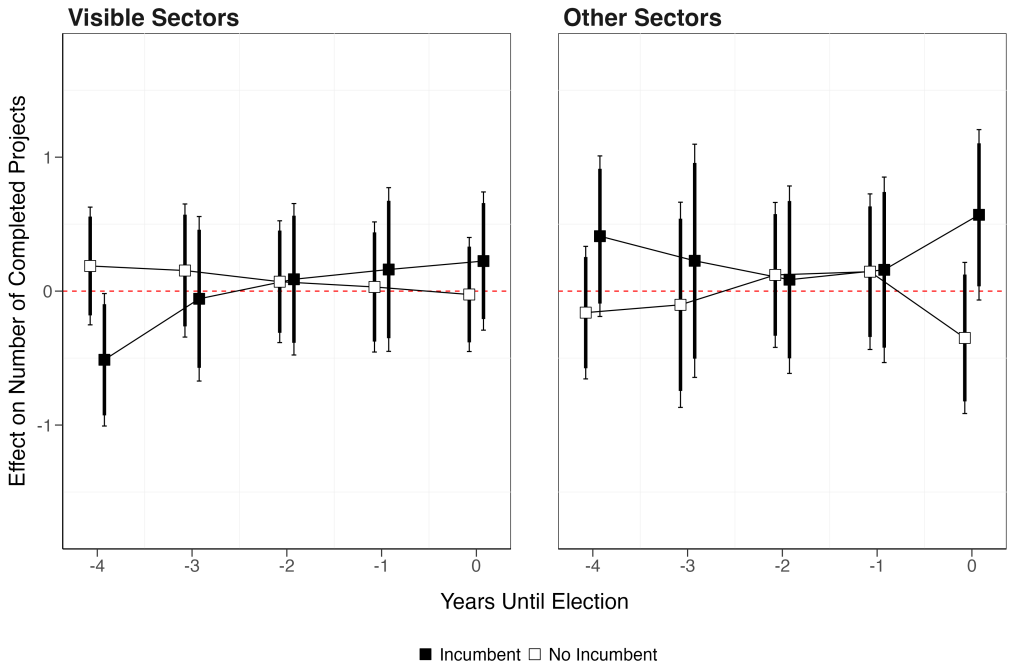


Figure 6: Poisson PML estimates on number of completed and announced World Bank projects, 2000–2020. Error bars are 95% confidence intervals and bolded bars are 90% confidence intervals based on country-year clustered standard errors. Visible sectors include education, health, water, transportation, and electricity sectors.

World Bank projects. Figure 6 plots the coefficient estimates of election year lags on World Bank project announcement and completion in visible and non-visible sectors, as defined in Marx (2018). There are no differences in electoral incentives for either announcement or completion regardless of project visibility or whether an upcoming election features an incumbent candidate.

6 Case Study: Indonesia's High-Speed Rail

In the previous section, I demonstrated that there exists an electoral cycle to the announcement and completion of Chinese infrastructure projects when an incumbent president is seeking re-election. In this section, I provide further evidence of the theoretical mechanism through a case study of Indonesia's high-speed rail (HSR). I show how China's speed advantage influenced Indonesian President Jokowi's decision to choose the Chinese proposal over the Japanese option, despite China's less favorable financial terms.

Indonesia and the HSR project is a good test case for my theory for several reasons. First, there was open competition between China and Japan over who would finance and build Southeast Asia's first bullet train, addressing concerns about the comparability of loans from different lenders in observational studies. This competition was significant and widely covered in the media, with public awareness of the terms of each proposal. Thus, differences in transparency do not account for Indonesia's decision to choose China. Finally, Indonesia is a hard test for my theory from a historical perspective. Unlike in other regions, China is not the dominant development financier in Indonesia. For countries with few options beyond Chinese loans, it may make sense to continue to borrow from China than choose a new option. However, Japan has historically been, and continues to be, the primary external financier of infrastructure projects in Indonesia. Interviews with government officials and representatives from bilateral and multilateral aid agencies confirm that while China's influence is growing, it remains a minor player compared to Japan. The fact that Japan is typically Indonesia's preferred partner for infrastructure finance makes the decision to select China's proposal especially significant.

Moreover, the HSR project was initially proposed by Japan, which made Jokowi's choice both controversial and puzzling. Japan had long wanted to export its Shinkansen bullet train technology and had spent invested millions in feasibility studies since 2008, and thus was widely seen as the leading contender to do this project.[17] Given Japan's extensive preparatory work, selecting the Japanese proposal would have seemed logical. Instead, in March 2015, after a state visit to Tokyo, President Jokowi immediately visits China and asks Beijing to submit an alternative proposal. During this visit, Jokowi and

[17]Interviews revealed that while conducting feasibility studies does not guarantee the project legally, there was an informal understanding that Japan would be awarded the contract. This explains Tokyo's strong reaction when Indonesia chose to go with China instead.

Xi signed a framework agreement in which China expressed interest in the project.[18] Following this, Jokowi's Minister of State-Owned Enterprises invited China Railway (CREC) to conduct a feasibility study that could be used to request financing from China Development Bank (CDB). According to an interviewee familiar with the matter, the first phase of the Chinese study was completed in just 3-4 months, with a proposal ready by the end of the summer.[19]

Between July and September 2015, the Indonesian government hired Boston Consulting Group (BCG) and McKinsey as independent evaluators for the competing proposals.[20] During this period, Japan and China engaged in a price war to make their offers more competitive. Japan reduced the portion of the debt requiring a sovereign guarantee by 50%, violating OECD regulations on aid and export credits (Malik et al., 2021; Liao and Katada, 2021). In contrast, China agreed to a business-to-business (B2B) model that waived the sovereign guarantee entirely and offered competitive rates by its standards. CDB, the designated Chinese creditor, agreed to a loan with a 2-3.5% interest rate, a 10-year grace period, and a 40-year maturity. These terms were highly subsidized compared to CDB's typical loans, which average a 5.3% interest rate, a 1.2-year grace period, and an 11.5-year maturity (Malik et al., 2021). Indeed, the largest tranche of the loan to Indonesia carried a 2% interest rate, similar to that of China's concessional lending programs from China Eximbank. However, even with these favorable terms, China's interest rate was still higher than Japan's 0.1% offer, which would have been financed by JICA, Japan's *aid* agency. In October, Jokowi selected China's proposal despite the higher interest rate.

Table 3 outlines the terms of the final proposals submitted by China and Japan. While CDB's interest rate was less favorable than JICA's, two features of China's loan package are often cited as factors that impacted Jokowi's choice to go with China. The first is the lower total project cost, estimated at USD $5.5 billion, compared to Japan's $6.2 billion, meaning that the project would be cheaper if financed and built by China. However, this difference is misleading, as JICA's estimate included $483 million in additional management and consulting costs, whereas China's did not seeing as it would be done in-house.[21] The actual construction, procurement, and land acquisition costs of Japan's HSR was $5.7 billion, similar to China's. Indeed, many interviewees noted that China's project plans were nearly identical to JICA's, naturally leading to similar cost estimates.

[18]Memoranda of Understanding (MoUs) are common outputs during high-level state visits. For instance, Jokowi also signed an MoU with Abe at the end of his visit to Tokyo the week prior. However, financial pledges in MoUs, especially for specific projects, are not always realized. Interviews with representatives from Chinese firms suggest that MoUs are best interpreted as directives to initiate a study to evaluate a project's viability.

[19]Interview, Jakarta, Indonesia, 6 August 2024. The complete study took over six months, according to this interviewee, but the primary figures for the proposal were finalized by August.

[20]Interview, Jakarta, Indonesia, 6 August 2024. https://setkab.go.id/en/government-will-holds-a-beauty-contest-to-build-the-fast-train-of-jakarta-bandung/

[21]JICA Feasibility Study for Jakarta-Bandung High-Speed Railway Project

Table 3: China vs. Japan Proposals for Indonesia's HSR

	China (CDB)	Japan (JICA)
Loan Terms		
Project Cost[a]	$5.5b	$6.2b
Interest Rate	2-3.5%	0.1%
Grace Period	10	10
Maturity	40	40
Modality	B2B	G2G (PPP)
Proposed Timeline		
Start	2016	2020
Completed	2018	2024
Operational	2019	2025

Sources: KCIC, JICA.
[a]Japan's $6.2 billion proposed project cost includes $4.8 billion in construction and procurement costs, $913 million in land acquisition costs and $483 million in additional management and consulting services. China's cost estimate includes construction/procurement and land acquisition.

Thus, the decision to borrow from China cannot be attributed to a cheaper railway.

China's proposal was also competitive in terms of minimizing public liability for the Indonesian central government, since China agreed to a B2B model that would not require a sovereign guarantee. This was the official reasoning given by Jokowi, who emphasized that the state budget should be reserved for other strategic infrastructure projects in remote areas outside of Java.[22] In this framework, CDB would extend the loan to a project company comprising a joint venture between a consortium of Indonesian state-owned enterprises (SOEs) and Chinese firms.[23] Japan, however, was unwilling to finance a B2B scheme because concessional aid cannot be given to Japanese companies but must be provided on an inter-governmental basis with government guarantee.[24] The Jokowi administration argued that the B2B model would allow the debt to be classified as private, ensuring that the state funds for not be used for the project.

Though this was the official justification Jokowi gave, there are reasons to doubt it. For one, there is substantial debate about whether debt to SOEs count as sovereign debt since the government is their ultimate shareholder.[25] For instance, in the case of Zambia's debt restructuring, the IMF asked the Zambian government to resubmit its debt statistics to include SOE debt as part of public debt. This suggests that the central government would likely be liable for repaying the debt if the project company defaulted

[22]https://setkab.go.id/soal-kereta-cepat-jakarta-bandung-presiden-jokowi-tugaskan-sofyan-djalil-temui-pm-jepang/

[23]The project developer is PT Kereta Cepat Indonesia China (KCIC), a 60–40 joint venture between a consortium of Indonesian and Chinese SOEs. The project contractor is also a joint consortium made up of a subset of these firms.

[24]https://setkab.go.id/jepang-pastikan-tidak-berpartisipasi-pada-proyek-kereta-cepat-jakarta-bandung/

[25]See Horn, Reinhart and Trebesch (2021) for a discussion of the debates surrounding this.

on the loan. In addition, in October 2021, Jokowi signed a decree authorizing the use of state funds to cover the cost overrun on the HSR, which faced delays due to land disputes and COVID, overriding his earlier pledge that barred the use of government funds for it.[26] This paved the way for the government to inject capital into the project directly a month later.[27] Similarly, when Indonesia requested a supplementary loan from CDB to help cover the excess cost in 2023, CDB insisted on a government guarantee which Jakarta agreed to.[28] In response to criticism about this new 2021 decree, the President's office justified, "What's wrong with using the state budget for a national strategic project so that it can be completed on schedule?"[29]

I argue that a key but underappreciated difference between the Chinese and Japanese proposals that help account for Jokowi's choice to go with China is that projected timelines towards HSR inauguration. China's project was scheduled to begin construction in 2016, be completed in 2018, and operational in early 2019,[30] just in time for Jokowi's re-election in April of that year. In contrast, Japan's proposed HSR would only become operational ten years after the signing of the loan, which would have put the expected operational year at 2025. In other words, Japan projected to inaugurate the project a year after the conclusion of Jokowi's second and final term in office, *if* he were to win re-election first in 2019.[31] This timeline aligns with the time it took for JICA to finance and build Jakarta's Mass Rapid Transit (MRT): the loan agreement was signed in 2006, construction began in 2012, and the MRT began operations in 2019–13 years later. Indeed, interviews with JICA staff suggest that the Indonesian government's decision to select China was at least in part driven by its dissatisfaction with the slow progress of Japan's infrastructure initiatives in the past, including the MRT which began construction during Jokowi's tenure as the Jakarta governor.[32] In fact, when China submitted its proposal in August 2015, the President's cabinet emphasized the speed advantage of China's offer in its press release, with the Chinese representative explaining how their offer was competitive because China would "guarantee that [the project] can be completed in three years, groundbreaking at the end of August 2015 and completion at the end of 2018."[33]

Once Indonesia decided on the Chinese proposal, Jokowi also put in an impressive amount of effort to expedite the implementation of the project. Within a week, he

[26] https://peraturan.bpk.go.id/Details/180082/perpres-no-93-tahun-2021

[27] https://www.rfa.org/english/news/china/indonesia-railway-02142022152252.html

[28] https://peraturan.bpk.go.id/Details/269161/pmk-no-89-tahun-2023

[29] https://www.rfa.org/english/news/china/coffers-10122021161923.html

[30] KCIC, *KERETA CEPAT JAKARTA BANDUNG*, February 2016.

[31] Some news reports noted that Japan's HSR was scheduled to be completed in 2021, two years after Jokowi's re-election. However, JICA's feasibility study that was submitted for their proposal notes an inauguration date of 10-11 years after the signing of the loan contract.

[32] https://www.iseas.edu.sg/wp-content/uploads/pdfs/ISEAS_Perspective_2016_16.pdf

[33] https://setkab.go.id/ajukan-proposal-ke-presiden-jokowi-rrt-jamin-kereta-cepat-jakarta-bandung-5-tahun-sudah-untung/

established the project company and signs a presidential decree calling for the acceleration of HSR implementation.[34] In January 2016, he also establishes a new class of "National Strategic Projects" (PSN) that enjoy fast-tracked implementation benefits through the bureaucratic process with regards to construction permits and licensing, with some legally required to be processed within a day. Local legislative councils are required to change their provincial spatial plans if needed to make sure projects are realized. Designation of projects as PSNs is handled by the Coordinating Ministry for Economic Affairs, who responds directly to the president. As expected, the HSR was included in the first list of PSN projects in January 2016.

Granted, the project ended up being delayed due to land disputes and pandemic-related delays that were beyond China's control. However, there are notable features about the ways in which the project was inaugurated that highlight the electoral incentives behind Whoosh. Although the HSR had already been completed by the end of 2022, Jokowi continued testing for several months before launching the project publicly on October 2, 2023. Whoosh commenced operations on October 17, 2023. Coincidentally, just a day earlier on October 16, Indonesia's court clears the path for his eldest son, Gibran, to run for office despite being under the legal minimum age requirement. Less than a week later, the presidential front-runner in the 2024 Indonesian elections, Prabowo, picks Gibran to be his vice-presidential candidate. The inclusion of Gibran, widely viewed as likely to continue his father's infrastructure focus, on the ballot led to a sharp increase in favorability towards Prabowo, who had lost in 2014 and 2019 to Jokowi. Prabowo-Gibran ultimately won the 2024 general elections, capturing 59% of the popular vote.

7 Conclusion

In this paper, I investigate why governments of developing countries actively seek out Chinese loans even though Chinese finance is much more expensive than development aid from traditional donors and MDBs. I argue that China's speed advantage allows it to complete projects quickly, often within one electoral cycle, and this creates electoral incentives for incumbent leaders who can use completed projects for re-election. I test this theory by documenting two distinct electoral cycles to the announcement and completion of Chinese-financed projects. The results show that the expected number of completed Chinese infrastructure projects increases during the re-election year and the year prior, while the announcement of these projects is more likely to occur at the beginning of an incumbent's presidential term. In other words, incumbents take on new Chinese loans early in their term to ensure projects are completed in time for re-election. Importantly,

[34] https://setkab.go.id/presiden-tunjuk-wika-pimpin-konsorsium-bumn-tangani-kereta-api-cepat-jakarta-bandung/; https://peraturan.bpk.go.id/Details/41856/perpres-no-107-tahun-2015

my main statistical findings are driven by infrastructure projects that are visible to voters and are limited to elections where an incumbent candidate is running for re-election, further supporting my theory. No such cycle exists for World Bank projects, which are known to take much longer to implement. The case of Indonesian President's decision to go with China over Japan to construct the country's high-speed rail provides further support for the theoretical mechanism that it is the speed with which Chinese projects can be implemented that drive borrowing decisions.

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