Trading Favors?
UN Security Council Membership and Regional Favoritism in Aid Receiving Countries*

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February, 2020

Abstract

We test the hypothesis that aid recipient governments are given greater discretion in distributing aid geographically for personal benefits during periods when they are non-permanent members of the United Nations Security Council (UNSC). More specifically, we analyze whether World Bank projects are targeted to regions in which the head of state was born or regions with a large fraction of co-ethnics of the leader. We find that all regions on average receive more aid projects during UNSC years, confirming previous results. We find less evidence for beneficial treatment of leaders' birth regions, in particular when focusing on variation within regions over time. We find no evidence of preferential treatment of co-ethnic regions in this respect, if anything the opposite, in particular in democracies and countries outside of Africa. Most importantly, we find no consistent differential impact of birth region or co-ethnicity during the years of UNSC membership, with the possible exception of co-ethnicity in non-African countries. World Bank aid thus seems to be affected by UNSC membership primarily in terms of number of projects rather than in terms of discretion over the regional allocation.

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*Preliminary draft prepared for the PEIO 2020 conference. The statements made herein are solely the responsibility of the authors, and all errors and omissions are the authors' own.

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1 Introduction

Two stylized facts regarding the politics of aid are, by now, well-known. First, aid from certain donor governments tends to be strategic, namely, it conforms to commercial, political, historical, and cultural affinities between donors and recipients. This strategic use of foreign aid for political purposes has been most widely documented for bilateral aid rather than multilateral aid (e.g., Alesina and Dollar, 2000; Maizels and Nissanke, 1984). Yet, even where aid is channeled through multilateral organizations, donors can determine allocation—by threatening to withhold contributions or by forming intra-organizational coalitions (Mavrotas and Villanger, 2006; Schneider and Tobin, 2013). Second, aid recipients are also politically motivated. Recent evidence indicates that foreign aid allocation is affected by recipients' electoral cycles, and that recipient governments use disbursed funds to increase their chances of reelection (Faye and Niehaus, 2012; Jablonski, 2014). Others find that, more generally, leaders benefit through their ability to target assistance to (and withhold funds from) particular regions (e.g., Dreher et al., 2019; Bommer et al., 2018; Öhler and Nunnenkamp, 2014; Francken et al., 2012; Briggs, 2014).[1]

If these statements are correct, they suggest a relatively unexplored interaction between aid demand and supply, and a type of "two-level" game whereby aid-receiving governments simultaneously negotiate with bilateral and multilateral partners for specific types of commitments, while at the same time bargaining with domestic groups to determine the sub-national geographic distribution of disbursed aid.

[1]This is by no means limited to aid from traditional donors. Chinese aid, in particular, appears susceptible to political "capture" by recipient-country leaders (Dreher et al., 2019).

In this paper we revisit the evidence of strategic aid allocation at these two levels, and suggest a new hypothesis stating that, at times of particular strategic importance, aid receiving governments are more likely to allocate projects sub-nationally in a way that maximizes personal benefits. The hypothesis rests on the logic that, as donors can gain loyalty through generous aid giving, benefits to the recipient government depend not only on the amount received but also on the discretion they are granted with regards to where to spend the resources. This general argument is in line with that of Dreher et al. (2009a) who find that, when countries are temporary members of the United Nations Security Council (UNSC), not only they are more likely to participate in IMF programs, but these programs also come with a smaller number of conditions, i.e. fewer strings attached. Similarly, Dreher et al. (2009b) find that the internal quality thresholds for World Bank projects in countries serving on the UNSC are lower than for other countries.

To capture the geographic allocation of aid spending within receiving countries we rely on geo-coded data on aid project placements. These data are still limited, and due to such limitations we are restricted to focus on aid allocation from one donor only, the World Bank. It should thus be stressed that these results do not in any way represent the universe of foreign aid, and that the literature suggests that donors differ substantially in terms of the role of political or strategic motives in their aid policies. As discussed more in the coming section, multilateral donors such as the World Bank are in fact generally considered to be less likely to be affected by such considerations.

To identify strategic importance, we take advantage of the rotation of temporary members of the United Nations Security Council (UNSC). Membership in the UNSC offers a unique opportunity for less powerful countries to play a part in global geopolitics, and

coalition formation is essential for the supreme powers to get support for their foreign policy priorities (Vreeland and Dreher, 2014). A previous literature has found that membership is associated with more foreign aid from both bilateral and multilateral donors (e.g. Kuziemko and Werker, 2006; Dreher et al., 2009a). Of particular relevance for this paper, Dreher et al. (2009b) find that UNSC temporary membership leads to an increase in the number of committed World Bank projects at the country level.

To identify personal benefits of aid receiving governments, we rely on two different measures capturing potential favoritism in the geographical allocation of aid projects. The first such indicator is sub-national aid allocation in favor of the political leader's home region. Such home region bias in aid placement has previously been found in for instance Öhler and Nunnenkamp (2014) and Dreher et al. (2019). The other indicator is targeting of regions with many co-ethnics of the political leader. A couple of papers focusing on Kenya have found evidence of such favoritism in terms of aid project placements (Briggs, 2014; Jablonski, 2014).

In order to test our main hypothesis, we bring together these two literatures and analyze whether regional favoritism becomes particularly salient during years when an aid receiving country is a non-permanent member of the UNSC. Ours is the first paper to test whether this regional bias becomes stronger when the loyalty of the aid receiving government has particular significance. This matters as it has been shown that when aid is distorted for political reasons, the overall contribution to poverty alleviation and inclusive economic growth falls. First, the allocation of aid matters for aid effectiveness, both across countries and across regions within countries (e.g., Burnside and Dollar, 2000; Alesina and Dollar, 2000; Dreher et al., 2018). Not only needs but also the institutional

capacity to channel aid effectively differs, so misallocation of aid can substantially reduce its effectiveness. Secondly, as pointed out by Dreher et al. (2018), since donors with strategic motives care less about how aid is used, conditionality weakens. With weaker conditionality, the risks of misallocation and inefficiency within the recipient grow, and selection of partner countries based on aid effectiveness becomes less relevant. Consistent with this argument they find that the effect of aid on growth is significantly lower during time periods in which a country is a member of the UNSC. The analysis in this paper gives us an opportunity to test if part of the explanation behind this finding is that weaker conditionality leads to more biased allocation within the aid receiving country.

Through this analysis, we aim to make three principal contributions. First, we offer an update on previous findings in the literature on the impact of UNSC membership on the number of aid projects with a more recent and larger data set. Second, from a methodological perspective, our hypothesis is the first to combine the insights from a, mainly, cross-national literature focusing on political motivations of donors, with analyses of political motivations by recipients in terms of sub-national aid allocation. This gives us the opportunity to test whether recipient country governments are granted more leeway in their allocation of aid projects in times when the loyalties of these governments are particularly important for major donors. Third, the literature correlating sub-national aid flows with the connectedness of particular regions has been struggling with cleanly identifying this as favoritism, given that it is difficult to control for all confounding variables related to sub-national need, aid transaction costs, and absorptive capacity that may motivate aid allocation to certain regions. The most relevant of these variables would primarily vary across regions rather than within regions over time, though, and there is no reason

to believe that within-region variation in such factors should co-vary systematically with UNSC membership. Exploiting this time series variation thus helps with identifying the existence of favoritism more cleanly. In other words, showing that the leaders' birthplaces receive more aid is still compatible with the explanation that these places need more aid, or have larger potential to benefit from it. But if certain regions systematically receive even more aid in years of UNSC membership, then a benevolent interpretation becomes more far fetched.

Consistent with the literature at the country level, we find that the typical sub-national region in an aid recipient country is more likely to receive a World Bank project during years in which the country is a UNSC member. This is true for the complete time period, and the pattern in the more recent time period is not different, suggesting that the results of Dreher et al. (2009b) hold up also today. This is true also in both democracies and autocracies, and using country or regional fixed effects. Looking at dollar commitments rather than the number of projects, there is no significant difference in the full sample, but there is a rather large and statistically strong effect of UNSC membership in the sub-sample of African countries. Data on commitments need to be interpreted with some care, though, as they are measured with more noise.

Using country fixed effects as in the previous literature we at first find that the birth regions of leaders on average get more projects in our full sample. This result is less robust, though, and holds only in autocracies and not in the sub-sample of African countries. Furthermore, using regional fixed effects the coefficient becomes insignificant and even changes sign. This is not due to lack of variation in the data, there is a fair amount of leader turnover within countries over time. The fact that the results weaken so

clearly when focusing on the time variation within regions casts some further doubt on the interpretation in Öhler and Nunnenkamp (2014) that World Bank projects to the leader's birth region reflect personal favoritism. On the other hand it is in line with Dreher et al. (2019) who find no bias towards the leader's birth region for World Bank projects (though they do find evidence of that for Chinese aid) and attribute this to a relatively stringent set of project appraisal procedures that reduces the risk of political capture.

Looking at co-ethnicity, results point even more strongly in the opposite direction. There is no evidence suggesting that aid projects are more likely to go to regions with more co-ethnics in any group of countries, and in particular in democracies and outside of Africa the results rather suggest the opposite. It is possible that co-ethnic regions benefit from preferential treatment from governments in other ways, as suggested in e.g. Burgess et al. (2015), Frank and Rainer (2012) and Kramon and Posner (2016), and that World Bank projects are targeted to other regions to partly compensate for that. Also looking at commitments, less money is going to co-ethnic regions and this is primarily driven by the sub-sample of non-African countries.

Turning to our main hypotheses, we find very little evidence suggesting a differential regional allocation of World Bank projects to either birth regions of the leader or co-ethnic regions in years of UNSC membership. Using the most robust specification with regional fixed effects, we find for the sub-sample of non-African countries that co-ethnic regions get significantly more projects during UNSC membership years than what these same regions receive in other years. As these regions are significantly less likely to receive World Bank projects in non-membership years, though, the positive effect only makes up (partly) for

that deficit. For all other specifications, interactions are insignificant, and in particular for birth regions estimated coefficients are small.

The paper is organized as follows. In Section 2 we discuss shortly the literature on strategic aid from both donors' and recipients' perspective. In Section 3 we present the data and the empirical specification, and our results are presented and discussed in Section 4. We conclude in Section 5.

2 The Politics of Foreign Aid

There exists by now a very large literature in the social sciences on official development aid. This literature can largely be divided into one branch focusing on the impact and effectiveness of foreign aid, and another branch on its allocation and the underlying motivations. This paper is positioned within the second branch, and more specifically focuses on the quantitative analysis of how political and strategic interests affect the decisions on where to allocate aid. To structure this further, we review first the literature on political motivation from the donors' side, including a closer look at contributions analyzing aid and UNSC membership. We then turn to political motivation on the recipients' side and the literature using within-country variation in aid project placement. As the allocation of aid also can affect its impact, we also briefly touch on a small number of papers making a connection between political considerations and the effectiveness of foreign aid.

2.1 Donors' Perspective

The empirical analysis of the underlying motives behind aid allocation has primarily focused on the traditional bilateral donors, i.e., members of the OECD Development Assistance Committee (DAC). Official Development Assistance (ODA) or Country Programmable Aid (CPA) are typically used to measure development aid. ODA is by definition designed to promote the economic development and welfare of developing countries. Yet, there is ample evidence that bilateral aid also serves as a broader foreign policy instrument to further the strategic and commercial interests of donors, although the relative importance of such interests varies across donors and over time.

The main line of research exploits cross-country variation among aid recipients in areas such as income and poverty, economic and political institutions and policies (as proxies of capacity to put aid to good use), commercial interests (primarily bilateral trade and investment flows) and different proxies for political and strategic importance (e.g. Dudley and Montmarquette, 1976; Alesina and Dollar, 2000). The underlying logic is that if donors only care about the welfare of the partner country, then only measures of need and institutional capacity should matter for aid allocation.[2] Empirical results reveal, however, that commercial and political interests affect cross-national aid allocation as much as country need and institutional quality for many major bilateral donors (e.g. Alesina and Dollar, 2000; Frot et al., 2014; Maizels and Nissanke, 1984).[3] Beyond allocation, the

[2]A related literature has suggested that the impact of aid on economic growth is conditional on the quality of macroeconomic policies and the strength of political institutions (Burnside and Dollar, 2000; Svensson, 1999). The robustness of these results has been questioned, though (e.g., Easterly et al., 2004).

[3]To capture political importance, a variety of indicators have been used. Former colonial status and regional connections have been shown to carry strong weight for some donors such as France, United Kingdom, Portugal, Belgium, Japan and the United States (e.g., Dudley and Montmarquette, 1976; Alesina and Dollar, 2000). Other papers have used the value of arms transfers as a proxy for donors political and

literature has also identified time periods in which global strategic alliances in general, or particular partner countries, have become more politically salient. The substantial reduction in aggregate ODA in the 1990s, for example, has been attributed to the end of the Cold War (Boschini and Olofsgård, 2007), while the Global War on Terror led to a tripling in US foreign aid along with a reduced emphasis on recipient need (Fleck and Kilby, 2010).

For bilateral aid, donor-country political interests can be clearly delineated through direct influence over aid appropriations. This is much less obvious in multilateral institutions such as the World Bank where governments with different political agendas claim ownership and where decisions over aid allocation is the outcome of (explicit or implicit) bargaining (Dreher et al., 2018). Numerous papers argue that donor-country political interests are less consequential for multilateral aid (e.g., Maizels and Nissanke, 1984; Milner and Tingley, 2013). Channeling aid through multilateral institutions can even be seen as a commitment device to avoid idiosyncratic individual donor preferences and improve aid effectiveness (Dreher et al., 2018).

Yet, national interests can influence multilateral aid in indirect ways. In addition to influencing conditionality, strategically-minded donors may have other tools by which they can affect multilateral aid flows to particular recipients. Mavrotas and Villanger (2006) show how smaller donors with different foreign policy goals from more influential donors, may reduce their aid contributions to multilateral organizations when faced with strategic

security interest (Maizels and Nissanke, 1984; Hess, 1989; Schraeder et al., 1998), while Alesina and Dollar (2000) use voting patterns in the general assembly of the United Nations. Finally, Frot et al. (2014) use nuclear status and distance to western Europe for the special case of aid to Eastern Europe and the former Soviet Union in the transition period 1990-2010.

behavior. Schneider and Tobin (2013) argue that coalition-building takes place within the governing boards in order to bias multilateral agency policies towards desired countries, policies, or programs.

Additionally, several papers have noted that UNSC membership increases multilateral assistance to member countries. Kuziemko and Werker (2006) find that UN aid increased by 8 percent when a country became a temporary member on the council. This effect seemed driven by UNICEF, an organization largely controlled by the United States.[4] They also found that the effect increased during years when particularly important diplomatic events took place, which they interpret as suggesting a vote buying mechanism rather than just an effect of increased access to major powers.[5] Dreher et al. (2009a) find a robust positive correlation between temporary UNSC membership and participation in IMF programs. Interestingly they also find that programs come with a smaller number of conditions, i.e. fewer strings attached. This suggests that beyond amounts of aid, loyalty can also be influenced by the conditions under which aid is given. The authors allude to the power of the United States, and provide the example of UNSC support for military action against Iraq.[6]

[4]This result is also consistent with their second main result, that bilateral US aid increases with as much as 59 percent in response to UNSC temporary membership.

[5]Note that an alternative to vote buying would be punishment in the form of withholding aid from a disloyal temporary member, as apparently happened to Yemen in 1991 when they refused to endorse the council's authorization of use of force against Iraq (Kuziemko and Werker, 2006). In this case UNSC membership could be correlated with less foreign aid, not more.

[6]As Dreher, Sturm and Vreeland note: "During its time as a Security Council member, Zimbabwe voted on several resolutions regarding Iraq that the United States cared a great deal about, including some resolutions that did not receive support from other developing countries. When Zimbabwe failed to support just one resolution against Iraq, however, the country was threatened by the IMF with new policy conditions to receive continued installments of the loan (Pilger, 2002). Zimbabwe subsequently supported 11 Security Council resolutions against Iraq. The United States apparently used its influence at the IMF to change voting at the Security Council" (2009b, p. 742).

Of particular relevance for this paper, political influence has also been documented in World Bank lending. Andersen et al. (2006) study credits provided by the concessional window of the World Bank, the International Development Association (IDA), during 1993-2000. Their key political variable is the similarity in voting patterns between the partner country and the United States in the United Nations General Assembly, on what the State Department defines as key votes. Using panel data, accounting for sample selection bias and controlling for a host of confounding variables they find a positive and significant impact of UN voting similarity. Dreher et al. (2009b) use temporary membership on the UNSC to indicate strategic importance, and analyze what it means for World Bank aid disbursements. They find that membership leads to an increase in the number of committed World Bank projects. On the other hand, they find no significant impact on the size of World Bank loans. As mentioned in the Introduction, there is also evidence of lower quality thresholds for World Bank projects in countries serving on the UNSC.[7]

In this context, it is interesting to think about the newer bilateral donors that have scaled up operations in recent years. The Chinese, for example, have been known to abide by a non-interference rule, providing what amounts to conditionality-free, but openly and explicitly tied, aid—tied, in particular, to resource use contracts. Unfortunately, there is virtually no overlap between Chinese aid disbursement and UNSC temporary membership.[8]

[7]For more details on the work of the UNSC and the trade of aid for political support please see Vreeland and Dreher (2014).

[8]Only 14 countries among those who have at some point been UNSC members received some Chinese aid during our observation period, however the years coincide in only one case, Vietnam 2009. In the cases of Gabon and Pakistan, Chinese aid stopped the year the country joined the UNSC. All other cases are much earlier membership tenures, before we have documentation on Chinese foreign aid.

Therefore we cannot in a meaningful way analyze Chinese aid quantitatively in this context at this time.

2.2 Recipients' Perspectives

A recent literature has documented how domestic motivations of recipient governments influence the distribution of aid within a country. This literature uses new geo-referenced information on aid project placement, hosted by the research lab AidData. This literature has primarily focused on two indicators of political bias: the political leaders' birth region and ethnic affiliation.

Öhler and Nunnenkamp (2014) look at the distribution of aid projects from the World Bank and the African Development Bank (ADB) in 27 countries, focusing on sub-national variation. There appears to be strong evidence of bias in ADB aid, in this case the number of projects located in the leaders' birth regions tends to be greater than those located in other regions. For World Bank projects, they also find a significant difference when they look at the full sample, but not when limiting themselves to African countries. Dreher et al. (2019), looking at Chinese and World Bank aid in Africa, find that leaders' birth regions receive larger amounts of Chinese aid, but no significantly different disbursements from the World Bank. Finally, Bommer et al. (2018) look at humanitarian aid from the Office of US Foreign Disaster Assistance (OFDA) in response to natural disasters. They find that larger amounts of aid are distributed when natural disasters affect the birth region of the countries' leaders.

A second indicator relates to regional populations' co-ethnicity with the leader, on the assumption that if the provision of public goods and services to fellow co-ethnics was an important tool in political campaigning (e.g. Wantchekon, 2003), the allocation of aid projects should be influenced by the distribution of ethnic groups across sub-national regions. Studying Kenya in the first half of the 1990s, Briggs (2014) finds that project aid (and local funds) were disproportionately directed to the Rift Valley and the Western province, the homeland of president Moi's ethnic base.[9] This holds true for bilateral aid and aid from the African Development Bank, but less so for the World Bank/IDA. Also focusing on Kenya but over the time period 1992 to 2010, Jablonski (2014) finds that the allocation of both World Bank and ADB projects has favored co-partisan and co-ethnic voters consistently. Finally, Dreher et al. (2019) find similar, but less robust, results for co-ethnicity as they observe with regards to birth region for Chinese aid but not for World Bank aid.

Looking beyond aid to public policy more generally, the evidence for the co-ethnicity factor is though more mixed. For example, Moser (2008) divides the ethnic groups of Madagascar into swing, supporting or opposing, with respect to the two presidential candidates in the 2001 elections, and examines the district allocation of public projects. He finds some evidence of both swing voter targeting, in accordance with public choice theory, and ethnic patronage, depending on the type of projects. Kasara (2007) shows that African leaders tax their co-ethnics more heavily. This result is also interpreted in the spirit of swing-voter

[9]Burgess et al. (2015) show evidence of ethnic favoritism in public investments in roads in Kenya over a longer time period, in particular in times of weaker democratic checks and balances. It is interesting to note that Briggs (2014) covers the late period of what Burgess et al. (2015) define as Moi's autocratic phase and the early period of what they define as his democratic phase. Later in the democratic phase road construction is less biased by ethnic favoritism, so its possible to speculate that this may also have been the case for aid investments.

targeting: the politician does not need to favor core supporters who would vote for her anyway, and can even extract surplus from them via taxation to instead benefit groups that would not support her without a quid pro quo.

3 Data and Methods

Our data consist of 134 aid-recipient countries that have received official development assistance at some point since 1995 across Africa, Asia, Latin America, and Eastern Europe. Within these 134 countries we observe 2,043 sub-national provinces, states, governorates, and other sub-national administrative units.

3.1 Geo-Referenced Aid Projects

Our foreign aid data contains information on the location of aid projects as well as the total amount committed and disbursed in US dollars to these projects. Project longitude and latitude were obtained from the AidData project at the College of William and Mary. Specifically, we use the data set on the distribution of World Bank aid, version 1.4.2 covering the years 1995-2014, as this is the only donor for which there is a sufficiently complete dataset on project placement to make our analysis meaningful (AidData, 2017).[10] We use the information on project location to aggregate the data to the administrative level 1 (ADM1).

[10]We also collected data on the spatial distribution of Chinese aid from Bluhm et al. (2018). This Chinese data, version 1.1.1., details the location of Chinese government-financed development aid projects between 2000 - 2014. The number of projects listed here is far smaller than that of World Bank projects, and in particular the number of Chinese aid projects going to temporary members of the UNSC was too small for any meaningful analysis.

A complicating factor is that some projects span across more than one sub-national unit, and we have no information on how the resources within a project are allocated across these regions. When analyzing total committed spending, the best we can do is to average the total sum across each region involved, but this introduces some noise in our data.

3.2 UN Security Council Membership

Information on each country's UN Security Council membership is provided by Dreher et al. (2009b). That data simply indicates whether a country is a temporary, non-veto holding member of the UN Security Council in a given year. The data set is continuously updated and contains information for the years 1951-2019.

3.3 Heads of State

The Archigos data (Goemans et al., 2009) has information on the head of state of each country. The latest version 4.1. contains information on the effective leader (i.e. the person actually exercising power) at each point in time for 188 countries between 1888 to 2015. From these data we obtain the names of the relevant leaders and the period during which they were in power. These data were then combined with additional information on the leaders of each country from a variety of sources. From Dreher et al. (2015) we extracted information on the ethnicity and birth place of 117 African leaders that ruled between 2000 and 2012. Additionally, we have information on a variety of leaders around the world that has been collected by Fearon, Kasara, and Laitin (2007). For all remaining leaders we compiled information on ethnicity, birth place, and party membership from a number

of other sources that provide leaders' biographies, including *Encyclopedia Britannica* and Wikipedia. Wherever the credibility of such information was unclear, we conducted an additional Google search to confirm the information through additional sources such as newspaper articles, government reports and academic papers.

3.4 Sub-National Ethnicity

We have also collected information on each region's relationship to the country's leader based on ethnic composition.[11] The information on the geographic distribution of ethnic groups across countries was collected in three steps from three different sources. First, we collected survey information from the Demographic and Health Surveys (DHS) (2004-2017). The DHS provide over 300 surveys for 90 countries. Second, we aggregated administrative data provided by the countries themselves that can be found on the web site of the Integrated Public Use Microdata Series (IPUMS). IPUMS data consist of a representative sample of the census that we aggregate to determine each ethnicity's population share by region. The collection spans 443 censuses and survey data sets from 98 countries. Third, we match the information provided by the Geographic Referencing of Ethnic Groups project of the ETH Zurich with the administrative boundaries of our countries (Weidmann et al., 2010).

[11]We are also collecting data on election results to analyze whether leaders prioritize swing regions or regions where they have strong bases of electoral support beyond ethnicity. We use the Constituency-Level Election Archive (CLEA) that has been collected by a group of researchers from the University of Michigan (Kollman et al., 2019). The CLEA data set contains lower-chamber election results from approximately 1900 elections in 168 countries. These data are provided on a constituency level, so we plan to aggregate them to match the ADM1 level of our aid data.

Thereby we manage to create three different indicators of the geographic distribution of ethnic groups in our countries of interest. Based on these data we create two variables; a dummy variable for region-years where the dominant group belongs to the same ethnicity as the political incumbent (Co-ethnic region), and a continuous measure of the share of the regional population that belongs to the same ethnicity as the political leader (Co-ethnic share). Through this process we have regional coverage of 40 countries, 21 of which are in Africa.

3.5 Regime Type

Finally, to differentiate between the impact in democracies versus autocracies, we collected data on the strength of democracy from the Polity data set (Polity IV Project, 2019). The data set has information on 167 countries and covers the years 1800 to 2017. We define democracies by a Polity index higher than 6, which is the median value in our sample.

3.6 Empirical Specification

To explore our question, we rely on two sets of empirical models. For the first set, targeting primarily what we refer to as *linear effects*, the regression equations are specified as follows:

$$A_{ijt} = \beta UNSC_{it} + \gamma_t + \delta_i + [\xi_{ij}] + \epsilon_{ijt} \tag{1}$$

$$A_{ijt} = \beta' ConnectReg_{ijt} + \gamma'_t + \delta'_i + [\xi'_{ij}] + \epsilon'_{ijt} \tag{2}$$

The dependent variable A_{ijt} captures either i) the number of World Bank projects started in region j of country i in year t; or ii) the USD commitments to projects implemented in region j of country i in year t. $UNSC_{it}$ is an indicator for country i being a temporary member of the UNSC in year t; $ConnectReg_{ijt}$ is an indicator for region j of country i being connected to the country's ruler, and more specifically: (a) a dummy for the ruler's birth place; (b) a dummy for regions where majority of the population are the leader's co-ethnics; or (c) the continuous share of a region's population which is co-ethnic to the leader. Standard errors are cluster-robust at the country level.

Dreher et al. (2009b) show that country characteristics that predict World Bank projects are generally not correlated with predictors of temporary UNSC membership. Nevertheless, all regressions include country (δ) and year (γ) fixed effects to account for time invariant country specific variables that may matter for the likelihood of receiving World Bank projects as well as yearly variation in total accessible resources for project spending or needs. More generally, as discussed in for instance (Kuziemko and Werker, 2006), a threat to identification of a causal impact of UNSC membership is if temporary membership is caused by for instance an increased recognition of a country's international influence (which may also feed into more aid). Similarly, if membership leads to an increased awareness of country needs, membership may cause more aid flows without this reflecting the notion of trading favors. In both cases the increase in aid should not be a temporary effect, though, associated with only the two years of membership. We therefore also conduct a placebo test where we create rolling two year indicators for all time intervals in our data set to contrast the time period of UNSC membership to all other possible two year combinations, including the years following membership.

Regional-level shocks due to, *inter alia*, deaths from conflict, natural disasters, or climatic shocks may also correlate with the allocation of aid disbursements within countries, including World Bank projects. To deal with this we also include regional fixed effects in our more rigorous specifications, i.e. we rely on variation within regions over time in our data.[12] An identifying assumption in the model, though, is that the timing and regional location of these shocks are not systematically correlated to the timing of UNSC membership. We think such a correlation is highly unlikely, so we do not include additional controls in our specifications.

In the second set of models we investigate *interaction effects* between regional connectedness and membership in the UNSC. We estimate:

$$A_{ijt} = \alpha UNSC_{it} + \mu ConnectReg_{ijt} + \nu UNSC * ConnectReg_{ijt} + \gamma_t''' + \delta_i''' + [\xi_{ij}'''] + \upsilon_{ijt} \quad (3)$$

This model captures the main new hypothesis of the paper, that the regional allocation of World Bank projects look differently in years of temporary UNSC membership relative to other years.

For both sets of models, we also investigate a few potential heterogenous patterns, partly based on findings in the previous literature. On the assumption that democratic leaders are less likely to hold large amounts of discretionary authority, given the presence of other veto-holders (legislatures, courts, regulatory agencies, sub-national governments,

[12] As we show in Figures 2 and 3 in the Appendix, due to leader turnover most countries change the birth region of their leader between once in every 7 or once in every 4 years, while the ethnicity of the leader changes less than once in every 10 years. This implies that the co-ethnic region indicator changes at least once in most countries over our twenty years period, and the birth region indicator more than that. Therefore, there is enough variation in our $ConnectReg_{ijt}$ indicators to include region fixed effects.

etc.), the patronage motive for sub-national distribution of aid resources should be stronger in autocracies compared to democracies. If so, in the context of democracies we would presumably observe to a lower extent allocations of aid that reward the head of state. Furthermore, some studies have identified unique patterns of aid allocation in African countries compared to other countries. Öhler and Nunnenkamp (2014) do for instance only find a significant impact of leaders' birth region in their full sample, not when restricting attention to African countries, and Dreher et al. (2019) find no impact of birth region on World Bank projects (although they do for Chinese aid projects) in their sample of African countries. Based on these premises, we look separately at the subsets of democracies as compared to autocracies, and at African countries as compared to the rest of the sample.

As appropriate to the nature of our dependent variables, and also standard in the literature, we estimate Poisson models with Pseudo Maximum Likelihood methods (PPML). It is also relatively standard to present Negative Binomial together with Poisson models in order to relax the assumption on variation imposed by the latter (sometimes referred to as the issue of *overdispersion*). However, the Negative Binomial model has been shown not to be the best option in a fixed-effects panel setting[13], and it is valid only under more restrictive distributional assumptions. In contrast, the Fixed Effects Poisson estimator has been shown to be valid under very general conditions, and consistent beyond the case of count-type models, including binary, nonnegative continuous or discrete response variables (Wooldridge, 1999). This is therefore our preferred specification as it also makes it possible to use the same model for both the number of projects and total disbursements.

[13] Allison and Waterman (2002); Guimaraes (2008); Greene et al. (2007)

4 Results

Before a more rigorous empirical analysis, some basic unconditional differences in our key outcome variables can provide some preliminary insights. Between 1995 and 2014, 55 of the 134 countries in our sample sat as temporary members of the UNSC. Only 12 countries were on the security council twice or more during that time, with an average tenure of 2.5 years and maximum of 8. The mean number of World Bank projects to these countries during their tenure is 10.3 but the median is 0. Below in Table 1 we provide some basic unconditional differences across groups of observations when it comes to World Bank projects. Note that in these raw unconditional differences, countries and regions get significantly more aid projects during the years of temporary UNSC membership. Birth regions on average also get more aid projects than non-birth regions, but the difference is very small. There is a more substantial difference between co-ethnic regions and non co-ethnic regions on average, but it goes in favor of non co-ethnic regions. Finally, birth regions and co-ethnic regions receive more aid projects during years of UNSC membership than in other years, but this is even more so for other regions.

Starting with a focus on the number of World Bank projects allocated to each region, Table 2 reports the linear effect of our variables of interest in terms of incidence rate ratios (IRR) from PPML estimations. For each focus variable we present first results from a specification with country fixed effects and then with regional fixed effects. Looking first at Columns 1 and 2, the interpretation is as follows: during a UNSC year, the number of projects to the average region increases by a factor of roughly 1.4, or by 40%. This increase is larger in autocracies than democracies, and larger outside Africa than in African coun-

Table 1: Average number of projects in different samples

Average number of projects	All countries and regions	UNSC members (at any time)			
		All years	non-UNSC years	UNSC years	Diff.
Country/Year	4.2	6.4	5.8	10.3	4.50***
N	2,680	1,100	962	138	
Region/Year	0.28	0.32	0.29	0.50	0.21***
N	40,080	21,560	18,993	2,807	
Birth regions	0.29	0.30	0.28	0.42	0.13**
N	1,892	927	836	122	
non Birth regions	0.28	0.32	0.29	0.51	0.21***
N	36,538	20,633	18,157	2,685	
Diff.	0.01	-0.02	-0.01	-0.09	
Coethnic regions	0.29	0.26	0.25	0.38	0.13***
N	4,278	2,663	2,373	335	
non Coethnic regions	0.37	0.40	0.37	0.64	0.27***
N	5,576	4,409	3,801	628	
Diff.	-0.08***	-0.14***	-0.11***	-0.25***	

Notes: The table reports the average number of World Bank financed aid projects implemented in our sample of 134 countries over the period 1995-2014. The last column and last row report differences between averages in the sub samples along with conventional significance levels (** $p < 0.05$; *** $p < 0.01$).

tries, although these differences are not statistically significant ($DiffPval$ in the table). Results are also very similar irrespective of whether country or regional fixed effects are used.

Given the central role of UNSC membership being considered exogenous for us to argue any causal impact, and a transitory effect to argue a trade of favors, we subject our UNSC estimate to a placebo test in Figure 1. We report the coefficient and 95% confidence intervals from running the same regression but where the UNSC indicator switches on one to five years prior, or following, actual UNSC country membership. The number of projects to the average region is never affected significantly except in year 0, i.e. during the actual UNSC membership years.

Looking at birth regions of leaders, using country fixed effects (Column 3), results suggest more projects on average, although this effect, smaller and close to 10%, seems to be driven by autocracies and countries outside of Africa. Introducing regional fixed effects (Column 4), though, not only leads to much less precise estimates, but estimated coefficients also become smaller than one, suggesting a negative impact. Though generally not statistically significant, these results shed some doubt on the results of Öhler and Nunnenkamp (2014) and are more in line with the results in Dreher et al. (2019).

In columns 5-8 we turn to measures of co-ethnicity. Note that this reduces our sample substantially, by some 75 percent. We find that regions whose population is co-ethnic with the ruler, both measured as a majority dummy and as a continuous share, receive fewer projects on average. This is true in the full sample using both country and regional fixed effects and in all sub-samples, though it's particularly evident in democracies and outside of Africa (though differences between sub-samples are again not statistically significant). Given previous evidence of public policies favoring co-ethnic regions as discussed in Section 2, this may be somewhat surprising. It is possible that World Bank projects partly deliberately make up for such bias by targeting regions neglected through other means. The fact that these results are largely similar also when including regional fixed effects would in that case suggest that political transitions, even when crossing ethnic lines, tend to preserve political authority among relatively favored groups or regions.

In Table 3 we introduce the interaction term with our different measures of connected regions in the full sample. The model specification includes regional fixed effects. Note that estimates of the linear effects are very similar to those in Table 2, i.e. the addition of the interaction effects makes basically no difference to the estimates of the linear effects.

Table 2: Number of projects - linear effects

	UNSC		Birth Region		Coethnic Region		Coethnic Share	
	b/p	b/p	b/p	b/p	b/p	b/p	b/p	b/p
Full Sample								
	1.398	1.404	1.109	0.894	0.812	0.745	0.699	0.653
	0.000	0.000	0.024	0.127	0.014	0.000	0.001	0.000
Groups	128	1963	117	1895	40	540	38	516
N	40080	40080	38424	38415	9854	9609	9277	9073
Democracies								
	1.432	1.447	1.048	0.834	0.816	0.577	0.682	0.534
	0.002	0.000	0.474	0.066	0.064	0.000	0.001	0.001
Groups	75	1161	65	1103	22	324	20	293
N	20110	19824	18849	18549	4544	4308	4150	3959
Autocracies								
	1.479	1.470	1.129	0.901	0.941	0.931	0.875	0.819
	0.014	0.000	0.064	0.304	0.550	0.306	0.380	0.047
DiffP-val	0.148	0.148	0.259	0.259	0.423	0.423	0.509	0.509
Groups	78	1002	78	1002	26	313	26	302
N	17466	16289	17285	16108	5023	4828	4874	4679
Africa								
	1.345	1.347	1.054	0.845	0.879	0.922	0.780	0.890
	0.114	0.000	0.460	0.153	0.221	0.461	0.052	0.635
Groups	47	572	46	562	21	227	21	233
N	11800	11800	11594	11594	4760	4760	4675	4670
OutsideAfrica								
	1.480	1.490	1.146	0.921	0.754	0.643	0.620	0.542
	0.000	0.000	0.024	0.361	0.005	0.000	0.000	0.000
DiffP-val	0.290	0.290	0.344	0.344	0.200	0.200	0.152	0.152
Groups	81	1399	71	1341	19	313	17	283
N	28280	28280	26830	26821	5094	4849	4602	4403
Country FE	*Yes*		*Yes*		*Yes*		*Yes*	
Region FE		*Yes*		*Yes*		*Yes*		*Yes*

The table reports Incidence Rate Ratios from FE Poisson regressions. The dependent variable is the number of World Bank projects started in each region and year. All regressions include year fixed. effects. Standard errors are cluster-robust at the country level. P-values under the coefficients. DiffP-values refer to the differences between the two panels above.

More importantly, looking at the last row of results, none of the interaction effects are statistically significant. For co-ethnic share the estimated coefficient is quite large and close to significant at the 10 percent level, but since the linear effects are small, this suggests at best that maybe some compensation takes place towards regions with a larger share of co-ethnics during UNSC years, but not enough to fully compensate for the bias in the opposite direction in normal years.

Table 3: Number of projects - Interaction effects

	(1) Birth Region b/p	(2) Coethnic Region b/p	(3) Coethnic Share b/p
UNSC	1.413	1.475	1.399
	0.000	0.000	0.000
BirthRegion	0.910		
	0.183		
CoethnicRegion		0.754	
		0.000	
CoethnicShare			0.666
			0.000
UNSCInteraction	0.880	1.064	1.293
	0.471	0.558	0.113
Regions	1895	540	516
N	38415	9609	9073

The table reports Incidence Rate Ratios from FE Poisson regressions.
The dependent variable is the number of World Bank projects started
in each region and year. All regressions include region and year fixed effects.
Standard errors are cluster-robust at the country level.
p-values under the coefficients.

Table 4 reproduces Table 3 splitting the sample into sub-samples of democracies versus autocracies, and Africa versus non-Africa. For one sub-sample, countries outside of Africa, the interaction effect on both measures of co-ethnicity is positive and statistically significant. The estimated linear coefficient is substantially less than one, so again this

Table 4: Number of projects - Interactions heterogeneity

	Birth Region b/p	Co-ethnic Region b/p	Co-ethnic Share b/p	Birth Region b/p	Co-ethnic Region b/p	Co-ethnic Share b/p
Democracies				**Autocracies**		
UNSC	1.465	1.765	1.803	1.473	0.924	0.920
	0.000	0.000	0.000	0.000	0.387	0.427
BirthRegion	0.850			0.903		
	0.092			0.334		
CoethnicRegion		0.540			0.926	
		0.000			0.299	
CoethnicShare			0.474			0.802
			0.001			0.030
UNSCInteraction	0.877	1.202	1.429	0.976	1.006	1.176
	0.569	0.325	0.234	0.916	0.968	0.509
DiffP-val				0.271	0.331	0.430
Regions	1103	324	293	1002	313	302
N	18549	4308	3959	16108	4828	4679
Africa				**Outside Africa**		
UNSC	1.346	0.957	0.861	1.508	1.694	1.592
	0.000	0.623	0.179	0.000	0.000	0.000
BirthRegion	0.841			0.956		
	0.147			0.596		
CoethnicRegion		0.976			0.653	
		0.838			0.000	
CoethnicShare			0.940			0.556
			0.799			0.000
UNSCInteraction	1.058	0.659	0.480	0.798	1.351	1.649
	0.806	0.070	0.154	0.298	0.055	0.022
DiffP-val				0.168	0.191	0.318
F-testPval	0.000	0.000	0.000	0.000	0.000	0.000
Regions	562	227	233	1341	313	283
N	11594	4760	4670	26821	4849	4403

The table reports Incidence Rate Ratios from FE Poisson regressions. The dependent variable is the number of World Bank projects started in each region and year. All regressions include region and year fixed effects. Standard errors are cluster-robust at the country level. P-values under the coefficients.
P-values at the bottom of columns (4) to (6) refer to the differences from columns (1) to (3).

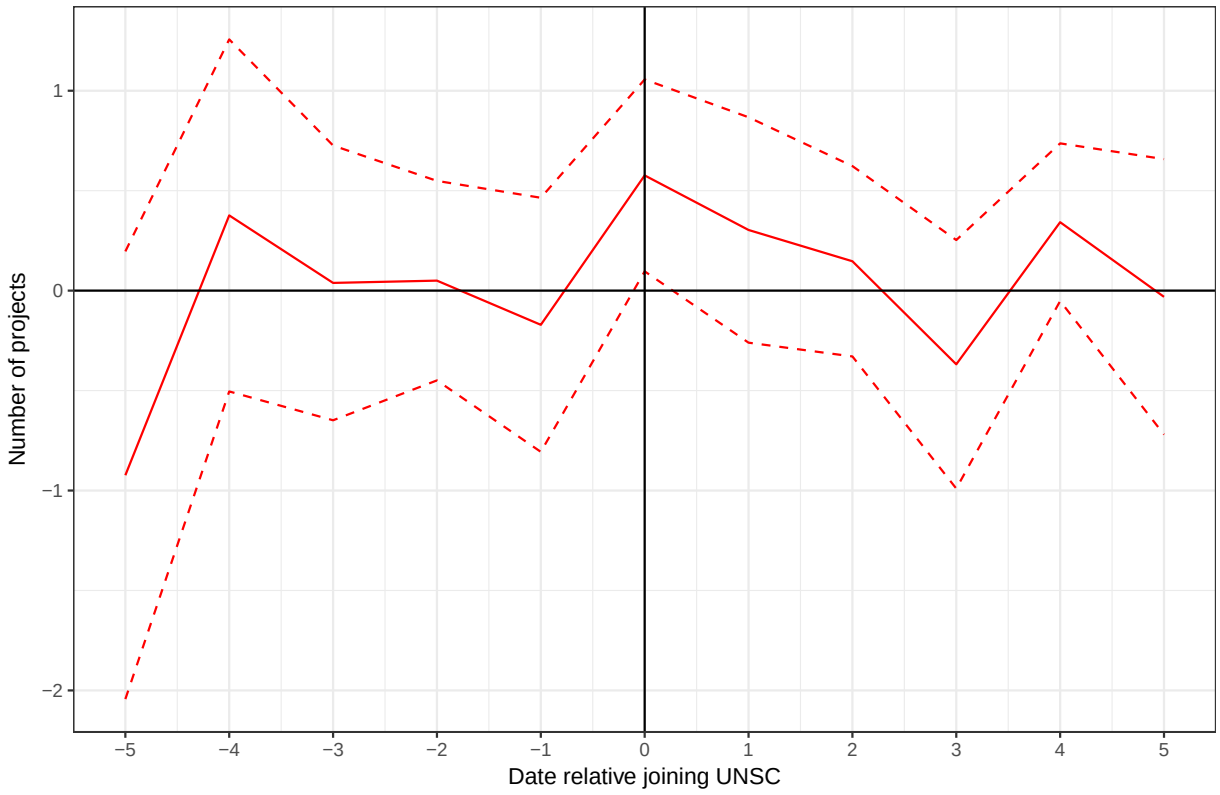

Figure 1: Impact of UNSC membership on number of projects, placebo

can at most suggest that beneficial treatment during UNSC years somewhat compensate for a bias against co-ethnic regions in the placement of World Bank aid projects in normal years. For other interaction terms, we find no consistent evidence in favor of any differential treatment of connected regions during UNSC years.

We now turn to analyze the impact on aid commitments. Commitments are measured at the project level, where projects may span more than one region. We do not observe the allocation of spending within the project across regions, but we make the assumption that resources are evenly distributed across the regions involved. This for sure introduces noise in our data, but we have no reason a priori to believe that resources are unevenly allocated in any systematic way towards certain regions, so this is the best we

can do. Still, these results need to be interpreted with more care. Our observations are thus measuring by year and region the amounts disbursed to new projects in that region averaged over all regions included in respective projects.

Results on commitments are presented in Tables 5 to 7 along a similar structure as that when looking at the number of aid projects. Similarly to Dreher et al. (2009b) we find in general much weaker impact from temporary UNSC membership on aid commitments relative to the impact on the number of aid projects, the exception being the sub-sample of African countries where the estimated impact is of a similar size to that for number of aid projects. Dreher et al. (2018) argue that commitments adjust more slowly to strategic or political preferences, and thus it is often easier to spread aid flows across a larger number of smaller projects. Birth region initially enters positive and significant but once regional fixed effects are introduced the coefficient turns negative, though insignificant. This again questions the interpretation that potential bias in favor of leaders' birth regions in the cross-regional allocation of aid cleanly reflects political favoritism. A similar result holds for co-ethnicity, in particular in the sub-set of democratic countries, where an initially positive impact flips when regional effects are introduced. Finally, looking at interaction effects we find a surprising negative interaction between the UNSC years dummy and birth region of the leader, a result that seems to be driven by the non-African sub-sample. This would suggest that, outside of Africa, aid commitments to birth regions are lower during UNSC membership years than in other years.

To summarize, our analysis offers a nuanced perspective on the politics of aid allocation when analyzing World Bank aid projects: (i) we find that recipients receive more World Bank projects (but not necessarily larger overall commitments) when they are temporary

Table 5: Commitments - linear effects

	(1) UNSC b/p	(2) Birth Region b/p	(3) Coethnic Region b/p	(4) Coethnic Share b/p
Full Sample				
	0.924	1.515	1.480	1.158
	0.542	0.001	0.167	0.523
Countries	128	117	40	38
N	40080	38424	9854	9277
Democracies				
	0.788	1.545	1.951	1.376
	0.328	0.059	0.001	0.079
Countries	75	65	22	20
N	20110	18849	4544	4150
Autocracies				
	1.189	1.442	1.049	1.095
	0.305	0.016	0.582	0.648
DiffP-val	0.0557	0.738	0.00820	0.183
Countries	78	78	26	26
N	17466	17285	5023	4874
Africa				
	1.472	1.107	0.985	0.915
	0.029	0.388	0.884	0.700
Countries	47	46	21	21
N	11800	11594	4760	4675
Outside Africa				
	0.878	1.705	1.662	1.158
	0.462	0.001	0.120	0.625
DiffP-val	0.834	0.838	0.143	0.0449
Countries	81	71	19	17
N	28280	26830	5094	4602

The table reports Incidence Rate Ratios from FE Poisson regressions. The dependent variable is equal shares of USD commitments to projects started in each region and year. All regressions include country and year fixed effects. Standard errors are cluster-robust at the country level. P-values under the coefficients.
DiffP-values refer to the differences between the two panels above.

Table 6: Commitments - Interaction effects

	(1) Birth Region b/p	(2) Co-ethnic Region b/p	(3) Co-ethnic Share b/p
UNSC	0.958	1.215	1.169
	0.576	0.174	0.346
BirthRegion	0.796		
	0.121		
CoethnicRegion		0.830	
		0.107	
CoethnicShare			0.692
			0.038
UNSCInteraction	0.536	0.931	0.839
	0.020	0.827	0.746
Regions	1895	540	516
N	38415	9609	9073

The table reports Incidence Rate Ratios from FE Poisson regressions. The dependent variable is USD commitments to projects started in each region and year. All regressions include region and year fixed effects. Standard errors are cluster-robust at the country level. P-values under the coefficients.

members of the UNSC, confirming previous results with updated data, and suggesting that foreign assistance is affected by donor strategic interests; (ii) we find that the sub-national allocation of World Bank projects within countries does not seem to be shaped by favoritism towards certain regions, for co-ethic regions if anything the opposite; and (iii) that sub-regional allocation doesn't seem to be different in times of UNSC membership, with the possible exception of co-ethnic regions outside of Africa.

Table 7: Commitments - Interactions heterogeneity

	Birth Region b/p	Co-ethnic Region b/p	Co-ethnic Share b/p	Birth Region b/p	Co-ethnic Region b/p	Co-ethnic Share b/p
Democracies				**Autocracies**		
UNSC	0.815	0.952	0.968	1.218	1.250	1.338
	0.087	0.807	0.885	0.058	0.407	0.397
BirthRegion	0.624			1.312		
	0.061			0.347		
CoethnicRegion		0.417			1.064	
		0.002			0.638	
CoethnicShare			0.389			0.954
			0.023			0.813
UNSCInteraction	0.556	1.149	1.013	0.550	0.644	0.678
	0.052	0.745	0.987	0.211	0.182	0.417
DiffP-val				0.598	0.115	0.474
F-testPval	0.000	0.000	0.000	0.000	0.000	0.000
Regions	1103	324	293	1002	313	302
N	18549	4308	3959	16108	4828	4679
Africa				**Outside Africa**		
UNSC	1.467	1.139	1.232	0.915	1.016	1.046
	0.012	0.636	0.594	0.335	0.919	0.801
BirthRegion	0.903			0.788		
	0.641			0.215		
CoethnicRegion		1.052			0.578	
		0.767			0.000	
CoethnicShare			0.964			0.500
			0.905			0.000
UNSCInteraction	1.171	0.453	0.120	0.478	1.218	1.092
	0.640	0.086	0.155	0.004	0.581	0.882
DiffP-val				0.0512	0.00000669	0.0457
F-testPval	0.000	0.000	0.000	0.000	0.000	0.000
Regions	562	227	233	1341	313	283
N	11594	4760	4670	26821	4849	4403

The table reports Incidence Rate Ratios from FE Poisson regressions. The dependent variable is equal shares of USD commitments to projects started in each region and year. All regressions include region and year fixed effects. Standard errors cluster-robust at the country level. P-values under coefficients. P-values at the bottom of columns (4) to (6) refer to the differences from columns (1) to (3).

5 Conclusion

The Sustainable Development Goals stake out an ambitious agenda of global development to 2030. To make progress towards these goals, substantial investments in low and middle income countries are needed. These investments need to come from many sources, including from domestic resource mobilization, private foreign investment, and official development assistance. It is not merely the size of the flows that will matter, but also the extent to which they can effectively alleviate constraints preventing countries from reaching their goals. This is particularly true for foreign aid that needs to fill some of the widest gaps between required and available funding in the poorest and most fragile settings. Where official foreign aid is captured, or used for domestic patronage, its ability to contribute to the economic development and welfare of recipients will be limited.

A substantial body of evidence demonstrates strong geo-strategic and domestic political motives in the allocation and distribution of foreign aid, which has regularly been used to serve the commercial and political interests of both donor and recipient country governments, with a detrimental effect on its effectiveness. We combine insights on political considerations of both donors and recipients to test whether recipient country governments have greater discretion in allocating project funding for domestic political benefits during times when they are particularly strategically important to major donors. To that purpose we make use of temporary membership in the United Nations Security Council (UNSC) and the sub-national allocation of World Bank aid projects.

Looking first at average effects we confirm previous findings in the literature (with more and updated data) that countries and regions in general receive more World Bank

projects when they are temporary members of the UNSC. Looking at birth regions, results are less robust. Initial analysis suggests that leader's birth regions get more World Bank projects, in particular outside of Africa and in autocracies. Once regional fixed effects are included, though, results are no longer significant, casting some doubt into the interpretation that earlier findings reflect favoritism. Birth regions may simply receive more projects because they tend to have bigger needs. Finally, looking at co-ethnicity, we find no evidence of favoritism in World Bank project placement, if anything the opposite. As previous research has found evidence of ethic favoritism in public goods and service provision generally and health and educational outcomes, it is possible that World Bank projects partially compensate for such bias.

Turning to our main hypothesis, we find no consistent evidence suggesting a differential regional pattern in the allocation of World Bank projects in favor of leader's birth regions or co-ethnic regions during years of temporary UNSC membership. The only exception is that in recipient countries outside of Africa we find some tentative evidence suggesting a small correction during UNSC years of a bias against co-ethnic regions in other years.

Future analysis could potentially take this further. As noted in the literature review, bilateral aid is often found to be more influenced by political considerations than multilateral aid, and previous research has shown more robust evidence for regional mis-allocation of Chinese aid. With more and better data on aid project placement from donors other than the World Bank, a deeper analysis of the strategic use of aid, from both the donor and the recipient side, can be undertaken.

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Appendix

A Leader turnover

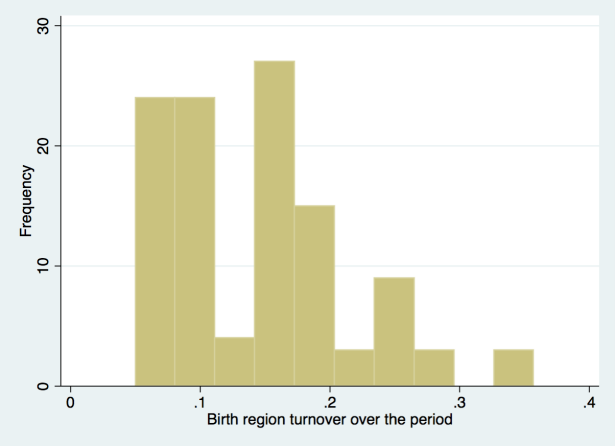

Figure 2: Share of years with a change in birth region

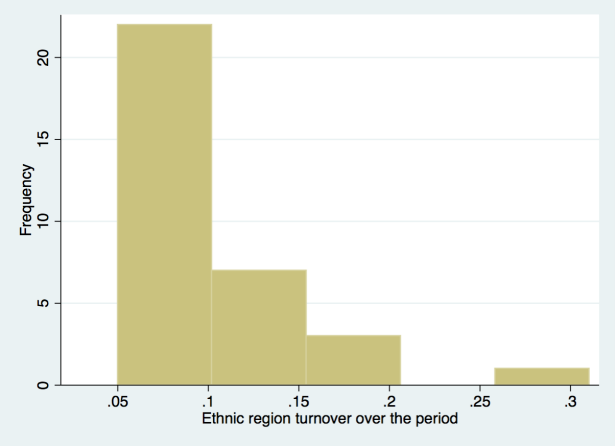

Figure 3: Share of years with a change in coethnic region