Elections, Electoral Competition and the Political Foreign Aid Cycle

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Abstract:

Using foreign aid data from the OECD and election data from the World Bank Database on Political Institutions, this paper looks at the effect of elections on overall bilateral aid commitments from the OECD Development Assistance Committee to developing countries. I find that controlling for political competitiveness and incumbency, election years are associated with drops in aid commitments. Incumbents facing political competition during non-election years get more aid commitments than those who do not face such competition. Incumbents receive more aid than non-incumbents during elections, but when elections are politically competitive commitments are lower. This is consistent with the model of foreign aid with conditional aid in Alam (2009) where governments want to substitute away from conditional foreign aid during election years when policy objectives of donor and recipient are not aligned. Moreover, I find that multilateral aid commitments do not exhibit such cycles around election years.

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1. Introduction

Nordhaus (1975) first put forward the idea of political business cycles, where officials choose expansionary fiscal or monetary policies to boost the probability of their getting elected to office rather than choosing policies optimal for public investment decisions. Since then studies have demonstrated that increased fiscal deficits exist both in developed and developing countries,[1] and that the composition of public spending shifts from public investment goods to current consumption goods when elections are competitive[2].

How developing country governments finance increased deficits during election years is unclear, but foreign aid may be a source as many developing countries supplement their central government budget with foreign aid. In fact, the ratio of foreign aid to central government expenditure ranged from 0.33 per cent in Thailand to as much as 95 per cent in Uganda in 2006[3]. Thus governments should want to increase the amount of foreign aid they receive during elections. However, if donors constrain how recipient governments spend aid by attaching conditionality, aid may no longer be a source of financing budget deficits. For instance, foreign aid can be earmarked for public investment projects whereas election year spending by the government to win votes requires spending on current and visible consumption such as direct subsidies. The recipient may in that case substitute away from conditional foreign aid and seek alternate sources of finance such as increased government debt or political contributions from

[1] See Schuknecht (2000) and Shi and Svensson (2000).

[2] See Block (2002).

[3] World Bank World Development Indicators online.

business groups (Alam 2009), and foreign aid flows should decrease. Moreover, the incentive to substitute away from foreign aid should increase when elections are more competitive, as spending on current consumption is more crucial then. As such, we should expect to see foreign aid cycles around election times when there is some conditionality attached to foreign aid.

This paper tries to establish whether we do observe foreign aid cycles during election years. Using a country-level panel dataset of elections from World Bank's Database on Political Institutions 2006, and combined bilateral aid commitments from the OECD's Development Assistance Committee (DAC) for 1975-2006, I examine whether election years are associated with lower foreign aid commitments from the DAC. I also look at the effect of political competitiveness and incumbency on foreign aid commitments. In addition, I use OECD data on multilateral aid to see whether multilateral flows exhibit the same pattern as bilateral flows during elections. Although I do not observe conditionality in the data, my results are consistent with the hypothesis that governments substitute away from foreign aid when elections are competitive.

I find that incumbency and the political competitiveness of a government system both heavily influence foreign aid flows during election years. However, I do not observe aid conditionality and whether it is the donor or the recipient who initiates an increase or decrease in aid flows. During election years, foreign aid commitments are lower for non-incumbents when the political process is not competititive. There is some evidence that aid commitments increase when elections are competitive. This is consistent with the idea that donors reward stronger democracies, and also with the idea that stronger competition during elections may cause parties to seek foreign aid financing

to advance their policy platforms. In this case, foreign aid would have to be unconditional, or fungible, or the policy conditionality of the donor has to be aligned with the party's policy platform.

In uncompetitive political systems, incumbents receive lower aid commitments than non-incumbents during non-election years. However, an incumbent in a politically competitive system receives more aid commitments. Again this is consistent with both the donor and recipient side motivations discussed above. Donors want to reward a healthier political process, and in non-competitive systems the government need not worry about signalling its policy platform to its constitutents.

In non-competitive systems, incumbents facing elections receive higher commitments than either non-incumbents during election years or incumbents during non-election years. Interestingly, incumbents facing politically competitve elections actually receive lower aid commitments. Political competition in this case is asspciated with *lower* bilateral foreign aid commitments. This seems to be at odds with donor-driven incentives that would tend to reward stronger democracies instead of punishing them. However, the result is consistent with the theoretical prediction of model of foreign aid in Alam (2009) where a recipient government facing compeitive elections and receiving conditional aid substitutes away from the conditional aid when its optimal policy platform differs from that of the donor. It may still be the case that the donor witholds aid, but this could be a realisation of the donor-recipient aid negotiations process where the recipient indicates that it will not give priority to the donors' development projects around the election year.

The findings discussed above are even stronger when I look at countries with presidential systems as opposed to looking at both presidential and parliamentary systems. By looking at presidential systems only I try to address the issue that the incidence or timing of elections may be endogenous with foreign aid. This is more likely to be the case in parliamentary sytems rather than presidential systems, where bilateral aid and its associated influences may be instrumental in creating countries with parliamentary systems mirroring those of the donor countries.

Finally, I find that multilateral aid commitments from development institutions do not exhibit such cycles around elections. Incumbency, political competitiveness and election events do not have any effects on foreign aid flows. This may reflect several issues. First, the determinants of bilateral aid and multilateral aid can be different as indicated by previous findings[4]. Next, the composition of conditional and unconditional aid may differ between the two types of aid even if the determinants are not that different. If multilateral aid comprises mostly of unconditional aid, then we shouldn't observe a systematic drop in foreign aid during politically competitive election years.

This paper is related to several different strands of literature. First, it relates to the literature on political budget cycles that predict electorally timed changes in fiscal policies, such as the works of Nordhaus (1975), Rogoff (1990), Schuknecht (2000), Shi and Svensson (2000) and Block (2002). My paper looks at the role of foreign aid in

[4] See, for instance, Maizels and Nissanke (1984) who find that multilateral aid but not bilateral fits a model where donor aims to finance shortfalls in domestic resources, but the reverse is true for a model that serves only donors interests in political/security investments and trade. See also Mugo and Ward (1997) who find that only bilateral aid flows are associated with contemporaneous and future improvements in monetary policy and business environment.

financing election year spending, and identifies conditions under which foreign aid increases or decreases during election years.

Next, my paper contributes to the aid literature explaining the determinants of foreign aid flows. Some examples are Maizels and Nissanke (1984), Alesina and Dollar (2000), Kuziemko and Werker (2006). This paper shows that elections, incumbency and political competitiveness all play a role in determining aid commitments. Finally, it relates to the broader research imperative in foreign aid that tries to explain the effectiveness of foreign aid by looking at the relationship between aid and growth. Some examples are Burnside and Dollar (2000, 2004) and Easterly (2003, 2007).

The remainder of the paper is organized as follows. Section 2 discusses the related literature on foreign aid and political budget cycles. In Section 3 I describe the data and my estimation strategy. I present the estimation results showing the effects of elections on bilateral and multilateral in Section 4. Finally, Section 5 offers concluding remarks. All figures and tables are included at the end of the paper.

2. Related Literature

2.1 Political Budget Cycles: Theory and Evidence

Nordhaus (1975) pioneered the work on political *business* cycle where he recognized that government officials faced with making optimal policy decisions may be constrained in the short run by political realities. His model analyzed the choice between inflation and unemployment in a democratic system where voters have preferences over these policies, and predicted that politicians would choose to inflate prior to elections.

In contrast, Rogoff and Sibert (1988) and Rogoff (1990) develop rational opportunistic models of political *budget* cycles that explain distortionary fiscal policy during elections. Rogoff (1990) predicts that the fiscal deficit increases prior to elections and the composition of spending shifts from public investment goods to visible, current consumption. Higher expenditure on current consumption goods is an equilibrium signal of the incumbent's effectiveness as a politician in the model.

For a more detailed discussion of the literature on political budget cycles I refer you to Schuknecht (2000), who also provides empirical evidence that political budget cycles do in fact exist. Schuknecht (2000) finds that the main instruments for the larger fiscal deficits is increased public spending rather than lower taxes. On the other hand, Shi and Svensson (2002) finds that expansionary fiscal policies involve both increased spending and lower revenues around elections. They also show that while political budget cycles exist for both developed and developing countries, they are larger in developing countries. Furthermore, these electoral effects are particularly more pronounced in countries with weak institutional constraints on the incumbents rent-seeking behavior.

Block (2002) empirically investigates whether there is indeed a change in the composition of spending during election years. He shows that election year public expenditure shifts towards more visible, current consumption and away from public investment goods.

Chile, Cerda and Vergara (2008) shed light on the effectiveness of increased current consumption spending during election years. Using county level data over three

election periods in Chile, they demonstrate an incumbent receives more votes in counties where a larger percentage of people receive subsidies.

The studies above establish the existence of political budget cycles, i.e., the fact that governments change their policy around election times to maximize their probability of winning elections. Another important fact that emerges is that they are strategic in terms of the nature of the spending, i.e., they shift to more salient forms of spending that give immediate gratification.

2.2 The Political Economy of Foreign Aid

Boone (1996) revived the literature on foreign aid with the finding that foreign aid was associated with increased government size in recipient countries and that it was used to finance consumption rather than investment. He found no effects on income per capita or other social indicators that aid is supposed to improve. In contrast, Burnside and Dollar (2000, 2004) found that aid was effective in good policy environments. This sparked a huge debate on the effectiveness of foreign aid, drawing heavy criticism from Easterly (2003) and Easterly, Levine and Roodman (2003).

Total Official Development Assistance commitments increased from almost US$ 60 billion to about US$ 123 billion in constant 2007 dollars during the 1975 – 2007 period, as shown in Figure 1. It also indicates that bilateral aid commitments are roughly three times as much as multilateral aid commitments. Figure 2 shows the breakdown of bilateral aid commitments from the DAC by country or group of countries. The United States contributes about 25% of total DAC commitments, and France and Germany together contribute about the same amount. About 80% of the total DAC commitments

come from 10 of the 23 DAC members: the United States, the United Kingdom, France, Germany, Denmark, Finland, the Netherlands, Norway, Sweden and Japan. Table 1 contains the full list of the DAC members and their date of membership.

Although the purpose of foreign aid is mainly to promote growth in developing countries, donor aid agencies tend to exhibit a poor track record of poverty-targeting as Easterly (2007) and Alesina and Dollar (1998) point out. The latter also find that key determinants of bilateral foreign aid are political and strategic considerations, including past colonial ties (especially for France), strategeic interests in the Middle East for the United States, and whether recipients vote in the donors' interests in the United Nations. However, countries that democratize do receive more foreign aid. A more recent study by Kuziemko and Werker (2006) finds that a country's US aid and UN aid both increase significantly when it holds a rotating seat on the UN Security Council, and this effect increases during years in which key diplomatic events occur, i.e., when voting for UN resolutions are more likely. Rajan and Subramanian (2008) find that at least a third of the variation in donor aid allocation can be explained by colonial ties, language and the degree of influence a donor can hope to have over the recipient, measured by size of the donor population relative to the recipient population.

There is a prolific body of empirical work examining donor countries' political motivations for giving foreign aid, but not many looking at the recipient country's incentives. In Alam (2009) I use a probabilistic voting model with political connections and foreign aid to show that an incumbent facing competitive elections substitutes away from conditional foreign aid and towards business contributions when the donor asks the recipient to adopt policies that cost election votes. While the current paper cannot test

this hypothesis directly as I do not observe foreign aid conditionality in the data, it attepts to characterize the nature of foreign aid flows during election years.

3. Data and Specifications

3.1 Data sources

I construct a country-level panel dataset limited to developing or emerging market countries and countries in transition. It contains flows of bilateral Official Development Assistance (ODA) from the Development Assistance Committee (DAC), recorded by the OECD. I use the measure of total aid commitments, comprised of both grant and loans. Thus for each recipient country in a given year, I observe the pooled bilateral ODA from the 23 DAC members. All the election variables are from the World Bank Database of Political Institutions (2006)[5] created by Beck, et. al. (2000). Even though aid data from the OECD is available from 1960, the availability of elections data restricts my dataset to the 1975-2006 period. The remaining control variables are taken directly from or constructed from the World Bank World Development Indicators (WDI) online, except for infant mortality rates which are taken from CME.

The dataset consists of 103 aid recipient countries. Each unit of observation is a recipient country-year pair. Since I don't have observations for all the coutries for the entire 1975-2006 period, the dataset is comprised of unbalanced panels. This happens because countries gained independence or transitioned from a closed communist rule during the timeline of the dataset. For instance Belize gained independence in 1982 and

[5] Henceforth, DPI (2006)

Albania emerged from communist rule in 1991. The USSR broke up in 1991 giving rise to multiple independent states including the Kyrgyz Republic and Tajikistan. The panels have a minimum of 6 and a maximum of 32 observations.

Table 2 lists all the countries included in the dataset and Table 2A shows the subset of countries under the presidential system.

3.2 Specification and Variable Descriptions

A pooled OLS estimation to look at the association between election variables and foreign aid will not be very informative, as omitted variables at the country level affecting aid flows will produce biased results. Thus my estimation equation includes country fixed effects. I include year dummies to capture a time specific event that may influence aid flows, such as a global economic downturn that could decrease the level of foreign aid donors can dispense. A time trend is used to control for a rising or falling propensity in the level of foreign aid over the years.

$$\begin{aligned}\lg(Aidpc_t) = {} & \alpha + \beta_1 \lg(Aidpc_{t-1}) + \beta_2 \lg(Aidpc_{t-2}) + \delta_1 ELEC_{it} + \delta_2 PCOMP_{it} \\ & + \delta_3 PCOMP_{it} * ELEC_{it} + \delta_4 INC_{it} + \delta_5 INC_{it} * PCOMP_{it} + \delta_6 INC_{it} * ELEC_{it} \\ & + \delta_7 INC_{it} * ELEC_{it} * PCOMP_{it} \\ & + \gamma_1 X_{t-1} + \gamma_2 (Trade/GDP)_t + \gamma_3 OIL_t + \gamma_4 Year_t + \mu_i + \eta_t + \varepsilon_{it} \qquad (1)\end{aligned}$$

where X_{t-1} is a set of lagged controls, μ_i indicates country fixed effects, and η_t is the year dummy variable that captures time effects. Table 3 lists the variables used in the regressions along with their data sources. I also discuss the variables below.

Dependent and Lagged Dependent Variables

Aidpc: All aid measures from the OECD database were converted to log of per capita aid in constant 2000 dollars. I look at total aid commitments, which is the sum of loans and grants committed to a country. I look at commitments rather than disbursements as I want to capture how foreign aid allocation may change in anticipation of elections. In the estimations to follow, the aid variable is set to either bilateral aid commitments from the 23 DAC members or to total multilateral aid commitments from multinational development insititutions.

I use the first and second lags of the aid variable as explanatory variables since aid is usually persistent. Past aid flows are a good predictor of current aid flows, and so this relationship should be positive. The presence of lagged dependent variables on the right hand side introduces bias in both OLS and a straightforward Fixed Effects estimation, and these are therefore not suitable for estimating the model specified by equation (1). I will discuss the estimation strategy in further detail in the next subsection.

Election Variables

ELEC: This is one of the variables of interest. It is a dummy such that

$$ELEC = \begin{Bmatrix} 1, & if \text{ t } is\ election\ year \\ 0, & otherwise \end{Bmatrix}.$$

I include both legislative and executive elections and the full sample contains elections in both presidential and parliamentary systems. As Table 4 shows, elections occur a total of 568 times in the dataset, 374 of which occur in the 1991-2006 period. The majority of

the elections occur in the second time period owing mainly to (i) the formation of new countries and (ii) the transition of past communist countries into democratic regimes. In particular, the breaking up of the former Soviet Union and the transition from communist to capitalist regimes in Eastern Europe account for most of this increase.

To the extent that the occurrence of elections may be endogenous, I follow Block (2002) and also look at the effect of elections in just presidential systems. He argues that elections in presidential systems are more arbitrary and likely to be exogenous. Foreign aid may directly or indirectly be more likely to be instrumental in shaping parliamentary systems and putting pressure on those governments to hold elections.

The coefficient on *ELEC* captures the effect of elections when the party in power that year is a non-incumbent and when the political system is not competitive. Incumbency, political competitiveness and their interactions will be discussed below.

In the case of unconditional aid, we should not expect to see any difference in aid flows. If aid is conditional, and donor and recipient policies are aligned, we should observe either no change or an increase in foreign aid commitments. If on the other hand policy objectives are not aligned, commitments should decrease. However, according to Block (2002), governments shift spending from public investment goods (preferred by donors) to current consumption when elections are competitive, which isn't the case here. Any decrease in aid is therefore more likely to be donor-driven in this case.

PCOMP: Based on the original measure of political competitiveness in 46 African countries by Ferree and Singh (1999), the DPI (2006) provides two measures of political competitiveness: the Legislative Index of Electoral Competitiveness (LIEC) and the

Executive Index of Electoral Competitiveness (EIEC). A country gets a score on a scale of 1 to 7 for each measure, as described below:

1	No legislature
2	Unelected legislature
3	Elected, one candidate
4	One party, multiple candidates
5	Multiple parties are legal but only one won seats
6	Multiple parties won seats, but largest party won > 75%
7	Largest party got less than 75% of seats

Thus a higher score indicates a greater degree of political competitiveness. For instance, regimes with competitively elected prime ministers get a score of 6 or 7 (Beck, et. al., 2000 and Keefer, 2007). In accordance with Block (2002) I use the EIEC and LIEC measures to construct a binary measure of political competitiveness given by:

$$PCOMP = \begin{Bmatrix} 1, & if\ EIEC \geq 6\ or\ LIEC \geq 6 \\ 0, & otherwise \end{Bmatrix}.$$

The coefficient on *PCOMP* measures the effect of political competitiveness of a non-incumbent during non-election years. Some donors from the DAC have claimed, at least in the last decade or so, that they reward democratic regimes. If this is true, we should expect a positive relationship between political competitiveness and aid flows.

INC: This is also a dummy variable such that

$$INC = \left\{ \begin{array}{l} 1, \ \textit{if executive member in year t was also in office in year t - 1} \\ 0, \ \textit{otherwise} \end{array} \right\}.$$

The coefficient on *INC* measures the effect of incumbency during non-election years in regimes that are politically non-competitive. Incumbents are likely to receive more aid if donors consider them a "known entity" with whom they can trust their aid money. Thus strong donor-recipient relationships should generate more aid for a country. On the other hand, if donors punish regimes with little or no competition, then they might give less aid to an incumbent who may be entrenched. Thus the overall sign for this coefficient is ex-ante ambiguous.

Interactions: The following interactions look at effects of incumbency and political competitiveness on foreign aid commitments during election years, as well as the effect of political competitiveness on incumbency during non-election years. The benchmark scenario is a non-incumbent who is in a non-competitive system and who is not facing elections.

*PCOMP*ELEC* – This coefficient meausres the effect of politically competitive elections when the executive is not an incumbent.

*INC*PCOMP* – The coefficient on this interaction looks at the effect of incumbency in a poltically competitive regime during non-election years.

*INC*ELEC* – Here the interaction coefficient shows the effect of an incumbent facing elections that are not politically competitive.

*INC*PCOMP*ELEC* – Finally, this coefficient looks at the effect of foreign aid flows when an incumbent is facing politically competitive elections. Block (2002) shows that governments run even larger deficits and spending is skewed more towards current consumption during more competitive election years. Thus if aid is conditional and policy objectives of donor and recipient differ during election years, aid should drop even more during competitive elections.

Controls Variables

Although aid should be targeted to the poorest, studies show that the key determinants of aid are mainly political factors (Alesina and Dollar, 2000; Easterly 2003; Easterly 2007). Nonetheless, I include as controls the lagged measures of log of per capita GDP, log of population and infant mortality. I add contemporaneous and lagged trade share of GDP to capture donor selectivity for trade openness, although donors have been known to forgo selectivity as well (Easterly 2003, 2007; Burnside and Dollar, 2004). Current period trade openness will raise endogeneity issues as current aid commitments can generate the present period trade regime. Lagged measures of trade openness and per capita are also not strictly exogenous as past measures are likely to be correlated with future realisations of aid. I address these issuses when I discuss my empirical strategy.

Finally I try to proxy for political motivations by incuding an oil exporter dummy, which takes on a value of 1 if a country's oil exports consists of more than 10% of total GDP, and 0 otherwise.

Summary statistics on the variables and details can be found in Table 5. I estimate the impact of elections on foreign aid commitments in the full sample, in the case of presidential systems, and in the two time periods, 1975-1990 and 1991-2006.

3.3 Estimation Strategy

The observations form a dynamic panel dataset with lagged dependent and other variables introducing endogeneity. For instance, suppose there is a negative shock in 1990 not captured by any of the explanatory variables. This will get transmitted to the aid observation for 1990, and will also bring down the aid figure for 1991. Thus in a pooled OLS regression more explanatory power gets attributed to the lagged dependent variable than is actually the case. A simple fixed effects regression will also generate biased estimates as the differenced lag term and errors become negatively correlated.

In addition to the dynamic panel bias, endogeneity between current aid and trade openness is also a problem. In addition, lagged log of GDP per capita and lagged trade openness are predetermined but not strictly exogenous since past values of these lags can predict future values of aid. However good instruments for lagged aid, trade openness, lagged trade openness and lagged GDP that are not correlated with aid are not readily available and difficult to find.

I use the Arellano-Bond (1991) GMM difference method of estimating dynamic panel models to address the problems discussed above. In the difference estimator, lagged levels of the endogenous variables are used as instruments for the transformed (differenced) estimation equation. A detailed treatment on using the Arellano-Bond (1991) GMM difference estimation technique can be found in Bond (2002) and Roodman

(2006). This method requires a small number of time periods relative to the number of observations, and it allows for serial correlation of errors within a panel but not in individuals across panels.

I also report the OLS and FE estimation results for comparison and to ensure that the coefficient on the lagged dependent variable estimated by difference GMM lies in a reasonable range.

4. Results

Table 7 reports the results with of the impact of elections and political competitiveness on foreign aid. Columns (1) and (2) report the OLS and FE estimates. The coefficient on the lagged dependent variable provides an upper and lower bound for a reasonable estimate for the Arellano and Bond (1991) difference GMM estimates. Column (3) shows the GMM estimate for the entire sample spanning 1975-2006, whereas Columns (4) and (5) show the results for the 1975-1990 and 1991-2006 periods. The effect of elections is negative and significant at the 1% level throughout except for the 1975-1990 period, where it is significant at the 10% level. This may be because there are more countries (panels) in the latter time period as well as a higher incidence of elections. It may also reflect a fundamental change in the process that donor countries use to allocate aid or the conditions under which recipients choose to receive it, or both. A shift from the structural adjustment loans paradigm for lending to policy conditionality in the 1990's is an example of a change in the donor's lending process. Incumbency has a negative effect on foreign ODA commitments, but an incumbent facing a political

competitive legislature receives more commitments. In the full sample, on average the occurrence of elections lowers total aid commitments by 0.7%. Countries where elections occur within a politically competitive process receive more aid on average, but this result is significant only in the 1991-2006 period where aid commitments increase by about 0.6%. This is consistent with literature that finds donors reward democratisation (Alesina and Dollar, 2000). Incumbents receive significantly less aid during non-election years when the political system isn't competitive. In the presence of political competition however, aid to a government with an incumbent leader increases significantly by 0.3%. An incumbent facing or having undergone elections in a non-competitive system receives even higher aid commitments. But when the elections are politically competitive, the incumbent receives less aid. This is significant in the entire 1975-2006 sample, where aid commitments fall by 0.6%, and in the 1991-2006 sample, where commitments fall by 0.84%. Although I do not observe conditionality in the data, this result is consistent with the theoretical predictions in Alam (2009) where an incumbent facing closely contested elections substitutes away from conditional foreign aid.

In contrast, Table 7A shows that commitments of multilateral aid does not display any of the election year effects as bilateral aid. This is not surprising as determinants of bilateral and multilateral aid are likely to be different, and bilateral aid is known to be more politically driven. The coefficient on log of GDP per capita has a positive sign, which seems to indicate that higher income countries receive more multilateral aid.

While this result seems counterintuitive, donor agencies are known to perform poorly when it comes to poverty targeting[6].

In Table 8 I report the results for countries with presidenital systems. The WB DPI (2006) has a variable SYSTEM that gives countries a rank of 0, 1 or 2 depending on how the chief executive is elected, whether the chief executive is a prime minister or not, and the level of veto power a president has when the country also has a prime minister. Countries where presidents are elected directly or by an electoral college (whose only function is to elect the president) score a 0 while countries where the legistlature elects the prime minister score a 2[7]. Using this scale I have two different thresholds to designate presidential systems:

SYS1: A country is Presidential if SYSTEM = 0 or SYSTEM = 1

SYS2: A country is Presidential if SYSTEM = 0.

Columns (1) and (2) are estimates for SYS1 and the stricter set of SYS2 respectively for the entire period 1975-2006. The results from before all hold in both cases. Columns (3) and (4) are estimates for SYS1 and SYS2 for the 1991-2006 period. The signs on all the coefficients of interest remain the same, but INC and the interaction INC*PCOMP lose significance.

Once again, multilateral aid does not show any election year effects in presidential systems, as is evident from Table 8A.

[6] See Easterly (2007).

[7] Details about the scores can be found in Keefer (2007).

5. Conclusion

I find that election years are associated with distorted bilateral foreign aid flows from the DAC, and that incumbency and competitiveness of the political process modulate this effect. Non-incumbents in non-competitive systems receive lower foreign aid commitments during election years. In politically competitive systems, incumbents also receive lower commitments during election years. The latter result is consistent with Alam (2009) that predicts the recipient country incumbent government can be politically motivated to substitute away from conditional foreign aid when faced with competitive elections. This could be because governments want to substitute spending from capital investment to current consumption to win votes during election years, and much of foreign aid can be for capital investment projects (Block 2002). Multilateral aid from multinational development institutions does not exhibit such election year fluctuations, indicating that bilateral donors may be more senstitive to political regimes.

I used bilateral data from all 23 DAC members listed in the OECD database. The drawback with this approach is that I don't observe or control for differing donor-specific behaviour towards aid allocation[8]. Disaggregating data by donor also allows one to control for other aid determinants such as colonial links. Examining election year effects on donor-recipient bilateral foreign aid flows is my on-going project that I expect to complete in the immediate future. In the mean time, the findings in this paper contribute to the understanding foreign aid flows and to the broader research on explaining foreign aid effectiveness, or rahter, the lack of it.

[8] See, for instance, Alesina and Dollar (2000) and Easterly (2007) for examples in ways donors differ in how they allocate according to political motivations and strategic considerations.

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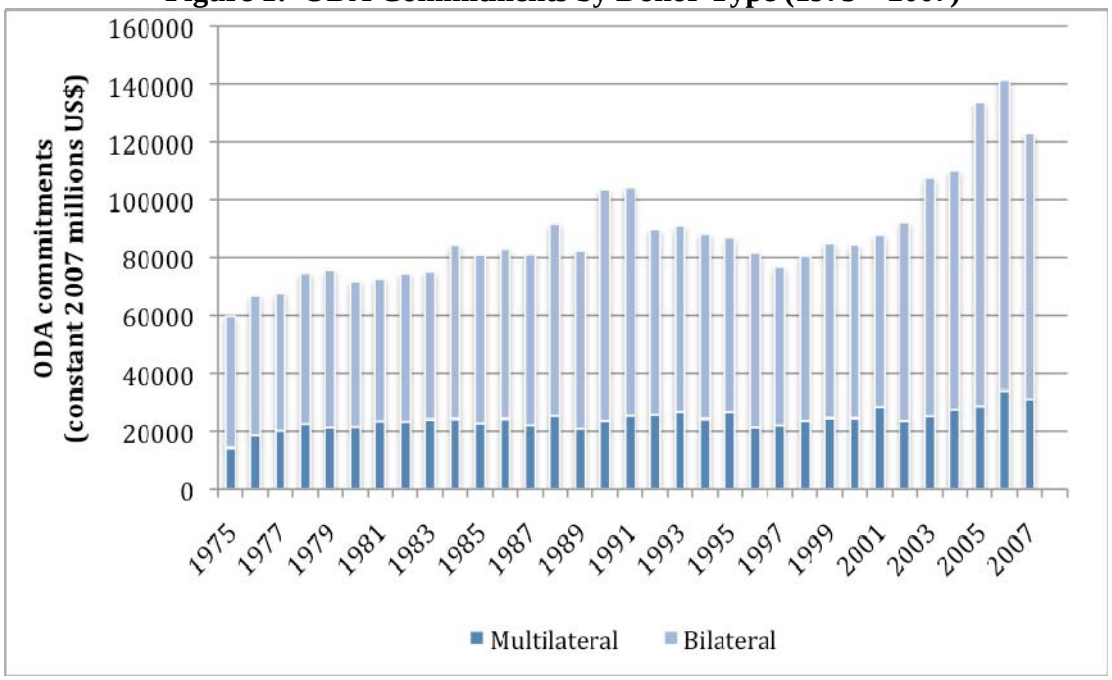
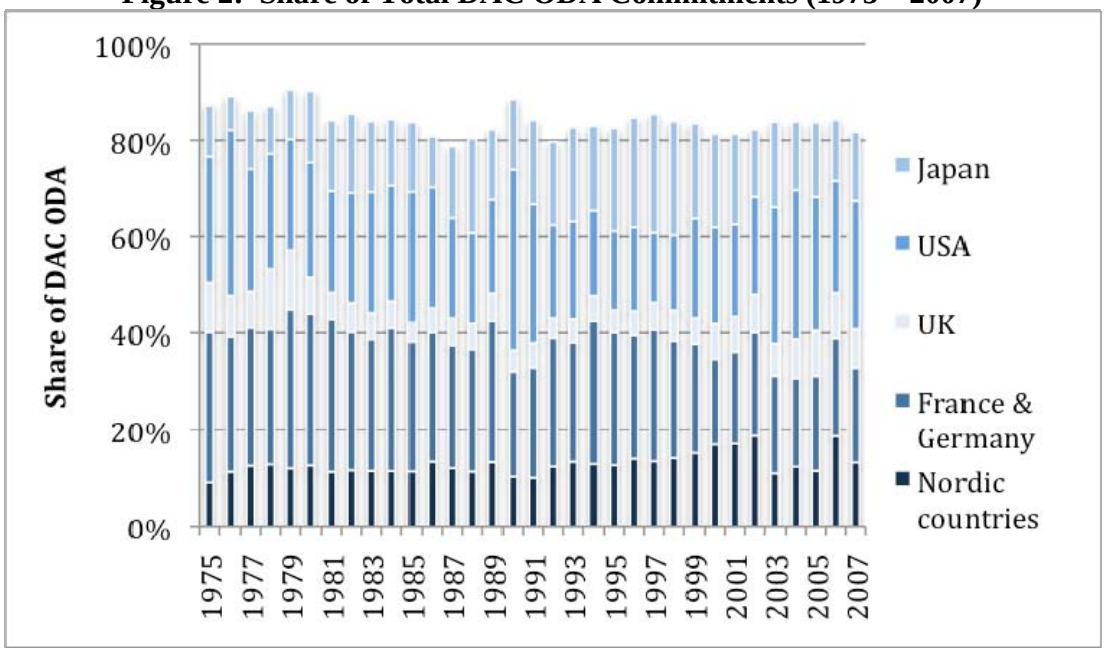
Figure 1: ODA Commitments by Donor Type (1975 – 2007)



Source: OECD

Figure 2: Share of Total DAC ODA Commitments (1975 – 2007)



Source: OECD

Table 1: List of 24* DAC Members and Date of Membership

DAC Member	Date of Membership
Australia	Member since 1966
Austria	Member since 1965
Belgium	Member since 1961
Canada	Member since 1961
Denmark	Member since 1963
Finland	Member since 1975
France	Member since 1961
Germany	Member since 1961
Greece	Member since 1999
Ireland	Member since 1985
Italy	Member since 1961
Japan	Member since 1961
South Korea	Member as of January 1, 2010
Luxembourg	Member since 1992
Netherlands	Member since 1961
New Zealand	Member since 1973
Norway	Member since 1962
Portugal	Joined the DAC in 1961, withdrew in 1974, and rejoined in 1991
Spain	Member since 1991
Sweden	Member since 1965
Switzerland	Member since 1968
United Kingdom	Member since 1961
United States	Member since 1961
Commission of the European Communities	Member since 1961

* Note that South Korea will become a member in January 2010

Table 2: List of Countries*

Country	1975-2006	1975-1990	1991-2006	Country	1975-2006	1975-1990	1991-2006
Albania	Yes	No	Yes	Laos	Yes	Yes	Yes
Angola	Yes	Yes	Yes	Lesotho	Yes	Yes	Yes
Argentina	Yes	Yes	Yes	Liberia	Yes	Yes	Yes
Armenia	Yes	No	Yes	FYR Macedonia	Yes	No	Yes
Azerbaijan	Yes	No	Yes	Madagascar	Yes	Yes	Yes
Bahamas	Yes	Yes	Yes	Malawi	Yes	Yes	Yes
Bangladesh	Yes	Yes	Yes	Malaysia	Yes	Yes	Yes
Belize	Yes	Yes	Yes	Maldives	Yes	No	Yes
Benin	Yes	Yes	Yes	Mali	Yes	Yes	Yes
Bolivia	Yes	Yes	Yes	Mauritania	Yes	Yes	Yes
Botswana	Yes	Yes	Yes	Mauritius	Yes	Yes	Yes
Brazil	Yes	Yes	Yes	Mexico	Yes	Yes	Yes
Burkina Faso	Yes	Yes	Yes	Moldova	Yes	No	Yes
Burundi	Yes	Yes	Yes	Mongolia	Yes	Yes	Yes
Cambodia	Yes	No	Yes	Mozambique	Yes	Yes	Yes
Cameroon	Yes	Yes	Yes	Namibia	Yes	No	Yes
Cape Verde	Yes	Yes	Yes	Nepal	Yes	Yes	Yes
Central African Rep.	Yes	Yes	Yes	Nicaragua	Yes	Yes	Yes
Chad	Yes	Yes	Yes	Niger	Yes	Yes	Yes
Chile	Yes	Yes	Yes	Nigeria	Yes	Yes	Yes
Colombia	Yes	Yes	Yes	Pakistan	Yes	Yes	Yes
Comoros	Yes	Yes	Yes	Panama	Yes	Yes	Yes
Dem. Rep. of Congo	Yes	Yes	Yes	Papau New Guinea	Yes	Yes	Yes
Republic of Congo	Yes	Yes	Yes	Paraguay	Yes	No	Yes
Costa Rica	Yes	Yes	Yes	Peru	Yes	Yes	Yes
Croatia	Yes	No	Yes	Philippines	Yes	Yes	Yes
Cyprus	Yes	Yes	Yes	Rwanda	Yes	Yes	Yes
Côte d'Ivoire	Yes	Yes	Yes	Samoa	Yes	No	Yes
Dominican Republic	Yes	Yes	Yes	Senegal	Yes	Yes	Yes
Ecuador	Yes	Yes	Yes	Sierra Leone	Yes	Yes	Yes
El Salvador	Yes	Yes	Yes	Slovenia	Yes	No	Yes
Equatorial Guinea	Yes	Yes	Yes	Solomon Islands	Yes	Yes	Yes
Eritrea	Yes	No	Yes	South Africa	Yes	No	Yes
Ethiopia	Yes	Yes	Yes	South Korea	Yes	Yes	Yes
Fiji	Yes	Yes	Yes	Sri Lanka	Yes	Yes	Yes
Gabon	Yes	Yes	Yes	St. Lucia	Yes	Yes	Yes
Gambia	Yes	Yes	Yes	Sudan	Yes	Yes	Yes
Georgia	Yes	No	Yes	Suriname	Yes	Yes	Yes
Ghana	Yes	Yes	Yes	Tajikistan	Yes	No	Yes
Grenada	Yes	No	Yes	Tanzania	Yes	No	Yes
Guatemala	Yes	Yes	Yes	Thailand	Yes	Yes	Yes
Guinea	Yes	Yes	Yes	Togo	Yes	Yes	Yes
Guinea-Bissau	Yes	Yes	Yes	Trinidad & Tobago	Yes	Yes	Yes
Guyana	Yes	Yes	Yes	Turkey	Yes	Yes	Yes
Haiti	Yes	Yes	Yes	Uganda	Yes	Yes	Yes
Hondurus	Yes	Yes	Yes	Uruguay	Yes	Yes	Yes
India	Yes	Yes	Yes	Uzbekistan	Yes	No	Yes
Indonesia	Yes	Yes	Yes	Vanuatu	Yes	Yes	Yes
Jamaica	Yes	Yes	Yes	Venezuela	Yes	Yes	Yes
Kazakhstan	Yes	No	Yes	Vietnam	Yes	Yes	Yes
Kenya	Yes	Yes	Yes	Zambia	Yes	Yes	Yes
Kyrgyz Republic	Yes	No	Yes				

* There are 103 countries for the 1991-2006 and 1975-2006 periods, and 82 countries for the 1975-1990 period.

Table 2A: List of Countries with Presidential System

Country	SYS1		SYS2		Country	SYS1		SYS2	
	1975-2006	1991-2006	1975-2006	1991-2006		1975-2006	1991-2006	1975-2006	1991-2006
Albania	Yes	Yes	No	No	Kenya	Yes	Yes	Yes	Yes
Angola	Yes	Yes	Yes	Yes	South Korea	Yes	Yes	Yes	Yes
Argentina	Yes	Yes	Yes	Yes	Kyrgyz Republic	Yes	Yes	Yes	Yes
Armenia	Yes	Yes	Yes	Yes	Laos	Yes	Yes	No	No
Azerbaijan	Yes	Yes	Yes	Yes	Lesotho	Yes	Yes	Yes	Yes
Bangladesh	Yes	No	Yes	No	Liberia	Yes	Yes	No	No
Benin	Yes	Yes	Yes	Yes	Madagascar	Yes	Yes	Yes	Yes
Bolivia	Yes	Yes	Yes	Yes	Malawi	Yes	Yes	Yes	Yes
Brazil	Yes	Yes	Yes	Yes	Maldives	Yes	Yes	Yes	Yes
Burkina Faso	Yes	Yes	Yes	Yes	Mali	Yes	Yes	Yes	Yes
Burundi	Yes	Yes	Yes	Yes	Mauritania	Yes	Yes	Yes	Yes
Cameroon	Yes	Yes	Yes	Yes	Mexico	Yes	Yes	Yes	Yes
Cape Verde	Yes	Yes	Yes	Yes	Moldova	Yes	Yes	Yes	Yes
Central African Rep.	Yes	Yes	Yes	Yes	Mongolia	Yes	Yes	Yes	Yes
Chad	Yes	Yes	Yes	Yes	Mozambique	Yes	Yes	Yes	Yes
Chile	Yes	Yes	Yes	Yes	Namibia	Yes	Yes	Yes	Yes
Colombia	Yes	Yes	Yes	Yes	Nepal	Yes	Yes	Yes	Yes
Comoros	Yes	Yes	Yes	Yes	Nicaragua	Yes	Yes	Yes	Yes
Dem. Rep. of Congo	Yes	Yes	Yes	Yes	Niger	Yes	Yes	Yes	Yes
Republic of Congo	Yes	Yes	Yes	Yes	Nigeria	Yes	Yes	Yes	Yes
Costa Rica	Yes	Yes	Yes	Yes	Pakistan	Yes	Yes	Yes	Yes
Croatia	Yes	Yes	Yes	Yes	Panama	Yes	Yes	Yes	Yes
Cyprus	Yes	Yes	Yes	Yes	Paraguay	Yes	Yes	Yes	Yes
Côte d'Ivoire	Yes	Yes	Yes	Yes	Peru	Yes	Yes	Yes	Yes
Dominican Republic	Yes	Yes	Yes	Yes	Philippines	Yes	Yes	Yes	Yes
Ecuador	Yes	Yes	Yes	Yes	Rwanda	Yes	Yes	Yes	Yes
El Salvador	Yes	Yes	Yes	Yes	Senegal	Yes	Yes	Yes	Yes
Equatorial Guinea	Yes	Yes	Yes	Yes	Sierra Leone	Yes	Yes	Yes	Yes
Eritrea	Yes	Yes	No	No	South Africa	Yes	Yes	No	No
Ethiopia	Yes	Yes	Yes	Yes	Sri Lanka	Yes	Yes	Yes	Yes
Gabon	Yes	Yes	Yes	Yes	Sudan	Yes	Yes	Yes	Yes
Gambia	Yes	Yes	Yes	Yes	Suriname	Yes	No	Yes	No
Georgia	Yes	Yes	Yes	Yes	Tajikistan	Yes	Yes	Yes	Yes
Ghana	Yes	Yes	Yes	Yes	Tanzania	Yes	Yes	Yes	Yes
Guatemala	Yes	Yes	Yes	Yes	Togo	Yes	Yes	Yes	Yes
Guinea	Yes	Yes	Yes	Yes	Uganda	Yes	Yes	Yes	Yes
Guinea-Bissau	Yes	Yes	Yes	Yes	Uruguay	Yes	Yes	Yes	Yes
Guyana	Yes	Yes	No	No	Uzbekistan	Yes	Yes	Yes	Yes
Haiti	Yes	Yes	Yes	Yes	Venezuela	Yes	Yes	Yes	Yes
Hondurus	Yes	Yes	Yes	Yes	Vietnam	Yes	Yes	No	No
Indonesia	Yes	Yes	No	No	Zambia	Yes	Yes	Yes	Yes
Kazakhstan	Yes	Yes	Yes	Yes					

Table 3: List of Variables and Data Sources

Variable Name	Variable Description	Source
lg(Aidpc) and lags	Log of per capita total bilateral aid commitments from DAC members in constant 2000 US$, and its first and second lags	OECD.Stat
ELEC	Dummy to indicate election year	WB DPI (2006)
PCOMP	Dummy to indicate political competitiveness, constructed from measures of executive and legislative competitiveness	WB DPI (2006)
INC	Dummy to indicate incumbent executive	WB DPI (2006)
SYS1	Dummy to indicate country operates under presidential system – lax definition; constructed from SYSTEM score	WB DPI (2006)
SYS2	Dummy to indicate country operates under presidential system – strict definition ; constructed from SYSTEM score	WB DPI (2006)
lg(rgpc)	Lagged real GDP per capita in constant 2000 US$	WB WDI online
lg(Pop)	Lagged log of country population	WB WDI online
Infmort	Lagged infant mortality rate	CME Info by Inter-Agency Group for Child Mortality Estimation (IGME) www.childmortality.org
Trgdp and lag	Trade share of GDP (%) and its first lag	WB WDI online
OIL	Dummy to indicate a significant oil exporter. Set to 1 if GDP share of oil exports exceeds 10%.	WB WDI online

Table 4: Incidence of Elections

ELEC	**1975-1990**	**1991-2006**	**1975-2006**
0	715	1,083	1798
1	194	374	568
Total	909	1,457	2,366

Table 5: Data, Means, and Variances

Variable	Mean	St. Dev.
Bilateral aid		
Aid, 2000 millions US$	418.46	626.71
Aid per capita, 2000 US$	37.60	53.20
lg(Aidpc, 2000 US$)	-11.05	1.38
Multilateral aid		
Aid, 2000 millions US$	132.3	202.84
Aid per capita, 2000 US$	13.6	23.5
lg(Aidpc, 2000 US$)	-10.29	3.82
ELEC	0.24	0.43
PCOMP	0.72	0.45
PCOMP*ELEC	0.18	0.38
INC	0.87	0.33
INC*PCOMP	0.62	0.49
INC*ELEC	0.22	0.42
INC*PCOMP*ELEC	0.17	0.37
lg(Rgpc)	8.19	3.85
Infmort	103.85	72.02
Trgdp	71.12	38.43
OIL	0.11	0.31
N = 2366		

Table 6: Correlation Matrix

	BLA† lg (Aidpc)	MLA† lg (Aidpc)	ELEC	PCOMP	INC	lg(Rgpc)	Infmort	Trgdp	OIL
BL - lg (Aidpc)	1								
ML - lg (Aidpc)	0.0584	1							
ELEC	0.0077	-0.0403	1						
PCOMP	0.0068	-0.2618	0.0319	1					
INC	0.0122	0.0285	0.0967	-0.0867	1				
lg(Rgpc)	-0.2301	0.8402	-0.0098	-0.1117	0.0016	1			
Infmort	0.0356	0.2481	-0.0690	-0.4932	0.0487	-0.0509	1		
Trgdp	0.3016	-0.1277	-0.0114	0.1622	0.0398	-0.1608	-0.3159	1	
OIL	-0.2515	-0.1118	0.0030	0.0168	0.0223	0.0365	-0.0726	0.1499	1

N=2361*

† BLA = Bilateral aid from DAC members; MLA = Multilateral aid from multinational development instititutions.

* The number of observations is less than 2366 since there are some missing values for multilateral aid. The correlations for the remaining variables in all 2366 observations don't vary much from that shown here.

Table 7: Effect of Elections & Political Competitiveness on Aid

Dependent variable is Log of per capita total aid commitments

VARIABLES	(1) OLS 1975-2006	(2) FE 1975-2006	(3) diff GMM† 1975-2006 8 lags	(4) diff GMM† 1975-1990 8 lags	(5) diff GMM† 1991-2006 8 lags
$lg(Aidpc)_{t-1}$	0.5572***	0.3984***	0.6564***	0.5309**	0.2087
	(0.0250)	(0.0306)	(0.1751)	(0.2322)	(0.1649)
$lg(Aidpc)_{t-2}$	0.3199***	0.1997***	0.0775	0.2549*	0.0995
	(0.0260)	(0.0273)	(0.0840)	(0.1537)	(0.0779)
$ELEC_t$	-0.3515***	-0.3215**	-0.7032***	-0.2703*	-0.7374***
	(0.1316)	(0.1344)	(0.2119)	(0.1416)	(0.2109)
$PCOMP_t$	-0.0537	0.0293	-0.1969	-0.2685	-0.0712
	(0.0941)	(0.0879)	(0.1366)	(0.1878)	(0.1964)
$PCOMP_t$ *$ELEC_t$	0.2319	0.2075	0.5106*	-0.1103	0.5974**
	(0.1685)	(0.1678)	(0.2623)	(0.3038)	(0.2344)
INC_t	-0.1068	-0.1064	-0.2415**	-0.0928	-0.3069*
	(0.0858)	(0.0793)	(0.0984)	(0.0972)	(0.1776)
INC_t *$PCOMP_t$	0.1399	0.1453	0.3163***	0.2817	0.3301*
	(0.0955)	(0.0893)	(0.1161)	(0.1895)	(0.1914)
INC_t *$ELEC_t$	0.5176***	0.4683***	0.8067***	0.2287*	0.9821***
	(0.1393)	(0.1411)	(0.2294)	(0.1368)	(0.2362)
INC_t *$ELEC_t$ *$PCOMP_t$	-0.4158**	-0.3606**	-0.6052**	0.1419	-0.8381***
	(0.1773)	(0.1760)	(0.2782)	(0.3334)	(0.2612)
$lg(Rgpc)_{t-1}$	-0.0096***	-0.0142***	-0.0101	-0.0031	-0.0352*
	(0.0030)	(0.0048)	(0.0074)	(0.0278)	(0.0210)
$lg(Pop)_{t-1}$	-0.0494***	-0.2983	0.8591	-0.2986	-0.6505
	(0.0112)	(0.2160)	(0.7628)	(1.4358)	(0.7531)
$Infmort_{t-1}$	0.0002	-0.0016**	-0.0008	-0.0020	-0.0094***
	(0.0002)	(0.0008)	(0.0027)	(0.0071)	(0.0033)
$Trgdp_t$	0.0029**	0.0030**	-0.0003	-0.0282	0.0021
	(0.0013)	(0.0012)	(0.0080)	(0.0290)	(0.0052)
$Trgdp_{t-1}$	-0.0030**	-0.0019	0.0068	0.0087	0.0097*
	(0.0013)	(0.0012)	(0.0078)	(0.0140)	(0.0051)
OIL_t	-0.0948**	0.0814	-0.2430	6.0578	-0.4730
	(0.0477)	(0.0898)	(1.5140)	(4.1425)	(1.0894)
$Year_t$	0.0012	-0.0042	-0.0283	0.0185	-0.0445**
	(0.0031)	(0.0057)	(0.0176)	(0.0471)	(0.0189)
Constant	-2.8963	8.8016			
	(6.1781)	(9.2286)			
Observations	2474	2474	2366	909	1457
Number of recid		103	103	82	103
R-squared	0.858	0.419			
Hansen over-id test	e(hansenp)	e(hansenp)	0.966	0.862	0.554
AR(2)(test for serial correlation)	e(ar2p)	e(ar2p)	0.208	0.609	0.669

†Endogenous variables used as instruments:
- Lag of dependent variable
- Lag of trade openness
- Lag of GDP per capita

Robust standard errors in parentheses (*** p<0.01, ** p<0.05, * p<0.10)
Year dummies not shown

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Table 7A: Effect of Elections & Political Competitiveness on Multilateral Aid

Dependent variable is Log of per capita total aid commitments

VARIABLES	(1) OLS	(2) FE	(3) diff GMM† 1975-2006 8 lags	(4) diff GMM† 1975-1990 8 lags	(5) diff GMM† 1991-2006 8 lags
$lg(Aidpc)_{t-1}$	0.5749***	0.3736***	-0.2761	0.9163**	-0.0561
	(0.0293)	(0.0298)	(0.2302)	(0.4051)	(0.2260)
$lg(Aidpc)_{t-2}$	0.2595***	0.1427***	0.2606**	0.0775	0.3125***
	(0.0299)	(0.0291)	(0.1049)	(0.1401)	(0.0707)
$ELEC_t$	0.1822	0.2068	-0.0739	-0.2075	-0.1410
	(0.1317)	(0.1692)	(0.2445)	(0.3777)	(0.3501)
$PCOMP_t$	0.2025	0.2746**	-0.0810	0.2935	0.0908
	(0.1307)	(0.1320)	(0.1998)	(0.2681)	(0.2717)
$PCOMP_t * ELEC_t$	-0.2550	-0.3604	0.1040	-0.7032	0.1643
	(0.2462)	(0.2475)	(0.3640)	(0.6044)	(0.4120)
INC_t	0.1926*	0.1592	0.0230	0.2682	-0.0706
	(0.1143)	(0.1154)	(0.1334)	(0.2247)	(0.1853)
$INC_t * PCOMP_t$	-0.2331*	-0.1862	0.1206	-0.6833*	0.0925
	(0.1350)	(0.1347)	(0.2091)	(0.3601)	(0.2202)
$INC_t * ELEC_t$	-0.1391	-0.1642	-0.0156	0.1238	0.1919
	(0.1535)	(0.1861)	(0.2393)	(0.3664)	(0.3492)
$INC_t * ELEC_t * PCOMP_t$	0.1248	0.2383	-0.1128	0.8150	-0.2858
	(0.2638)	(0.2639)	(0.3664)	(0.6310)	(0.4037)
$lg(Rgpc)_{t-1}$	0.0932***	0.4332***	1.0207***	0.1929	0.4877**
	(0.0139)	(0.0285)	(0.2295)	(0.4308)	(0.2349)
$lg(Pop)_{t-1}$	-0.1155***	-0.0315	-1.6694	2.2194	-3.8268**
	(0.0147)	(0.3092)	(1.7106)	(3.4953)	(1.5949)
$Infmort_{t-1}$	0.0023***	0.0004	-0.0120	0.0005	-0.0159*
	(0.0004)	(0.0013)	(0.0077)	(0.0095)	(0.0090)
$Trgdp_t$	0.0013	0.0005	-0.0224	0.0087	-0.0109
	(0.0020)	(0.0021)	(0.0197)	(0.0378)	(0.0077)
$Trgdp_{t-1}$	-0.0014	-0.0016	0.0278*	-0.0021	-0.0028
	(0.0021)	(0.0021)	(0.0143)	(0.0140)	(0.0086)
OIL_t	-0.1552**	0.0777	7.6748**	-0.3362	1.6795
	(0.0676)	(0.1228)	(3.8564)	(2.7084)	(2.6011)
$Year_t$	-0.0030	-0.0170*	-0.0332	-0.0413	0.0036
	(0.0048)	(0.0087)	(0.0490)	(0.0861)	(0.0445)
Constant	4.9017	25.5490*			
	(9.6536)	(14.0624)			
Observations	2458	2458	2345	908	1437
R-squared	0.950	0.927			
Hansen over-id test	e(hansenp)	e(hansenp)	0.511	0.354	0.540
AR(2)(test for serial correlation)	e(ar2p)	e(ar2p)	0.134	0.191	0.0409
Number of recid		103	103	82	103

†Endogenous variables used as instruments:
Lag of dependent variable
Lag of trade openness
Lag of GDP per capita

Robust standard errors in parentheses (*** p<0.01, ** p<0.05, * p<0.10)

Year dummies not shown

Table 8: Effect of Elections & Political Competitiveness on Aid
Presidential System
Dependent variable is Log of per capita total aid commitments

VARIABLES	(1) diff GMM† SYS1 1975-2006 8 lags	(2) diff GMM† SYS2 1975-2006 8 lags	(3) diff GMM† SYS1 1991-2006 8 lags	(4) diff GMM† SYS2 1991-2006 8 lags
$lg(Aidpc)_{t-1}$	0.5822***	0.6092***	0.3296*	0.2368
	(0.1707)	(0.2028)	(0.1821)	(0.2083)
$lg(Aidpc)_{t-2}$	0.1445	0.1021	0.1158	0.0466
	(0.1057)	(0.1244)	(0.1013)	(0.1011)
$ELEC_t$	-0.6937***	-0.7390***	-0.8806***	-0.8879**
	(0.2268)	(0.2630)	(0.2871)	(0.3619)
$PCOMP_t$	-0.1663	-0.1877	-0.1006	-0.1101
	(0.1343)	(0.1554)	(0.2252)	(0.2188)
$PCOMP_t$ *$ELEC_t$	0.6230**	0.6794**	0.8832***	0.9198**
	(0.2623)	(0.2957)	(0.3328)	(0.4075)
INC_t	-0.2272**	-0.2312**	-0.2873	-0.2225
	(0.1058)	(0.1044)	(0.1998)	(0.2056)
INC_t *$PCOMP_t$	0.3269***	0.3454***	0.4001*	0.3373
	(0.1218)	(0.1254)	(0.2106)	(0.2108)
INC_t *$ELEC_t$	0.8085***	0.8336***	1.1234***	1.0923***
	(0.2417)	(0.2801)	(0.3088)	(0.3778)
INC_t *$ELEC_t$ *$PCOMP_t$	-0.7528***	-0.7894**	-1.1524***	-1.1268***
	(0.2807)	(0.3185)	(0.3561)	(0.4193)
$lg(Rgpc)_{t-1}$	-0.0063	-0.0052	-0.0296	-0.0323
	(0.0090)	(0.0110)	(0.0207)	(0.0199)
$lg(Pop)_{t-1}$	0.2777	0.5783	-0.6917	-0.5244
	(0.5897)	(0.7848)	(0.8252)	(0.9119)
$Infmort_{t-1}$	-0.0007	-0.0015	-0.0077**	-0.0057*
	(0.0026)	(0.0030)	(0.0030)	(0.0033)
$Trgdp_t$	0.0063	0.0012	0.0023	0.0054
	(0.0064)	(0.0069)	(0.0043)	(0.0047)
$Trgdp_{t-1}$	0.0017	0.0064	0.0048	0.0037
	(0.0065)	(0.0078)	(0.0037)	(0.0040)
OIL_t	-0.4436	-0.1928	0.3181	0.1500
	(1.1116)	(0.8603)	(0.9515)	(0.7125)
$Year_t$	-0.0127	-0.0239	-0.0290	-0.0321
	(0.0136)	(0.0202)	(0.0214)	(0.0231)
Observations	1830	1599	1100	976
Number of Groups	86	79	84	77
Hansen over-id test	0.433	0.583	0.770	0.859
AR(2)(test for serial correlation)	0.744	0.718	0.936	0.887

†Endogenous variables used as instruments:
- Lag of dependent variable
- Lag of trade openness
- Lag of GDP per capita

Robust standard errors in parentheses (*** p<0.01, ** p<0.05, * p<0.10)
Year dummies not shown

Table 8A: Effect of Elections & Political Competitiveness on Multilateral Aid
Presidential System

Dependent variable is Log of per capita total aid commitments

VARIABLES	(1) diff GMM* SYS1 1975-2006 8 lags	(2) diff GMM* SYS2 1975-2006 8 lags	(3) diff GMM* SYS1 1991-2006 8 lags	(4) diff GMM* SYS2 1991-2006 8 lags
$lg(Aidpc)_{t-1}$	0.0052	-0.1277	0.1876	0.1083
	(0.2671)	(0.3501)	(0.1922)	(0.2643)
$lg(Aidpc)_{t-2}$	0.3119***	0.2954***	0.2891***	0.3302***
	(0.0807)	(0.0780)	(0.0842)	(0.0954)
$ELEC_t$	-0.0870	-0.0177	-0.1485	-0.0823
	(0.2262)	(0.2645)	(0.3381)	(0.3385)
$PCOMP_t$	-0.0518	-0.0474	0.0507	0.0160
	(0.1782)	(0.1845)	(0.2735)	(0.2852)
$PCOMP_t * ELEC_t$	-0.0593	-0.1373	0.1154	0.0838
	(0.2851)	(0.3119)	(0.3579)	(0.3636)
INC_t	0.1182	0.1067	0.1134	0.0385
	(0.1281)	(0.1345)	(0.2089)	(0.2200)
$INC_t * PCOMP_t$	-0.1263	-0.1026	-0.1268	0.0088
	(0.1743)	(0.1754)	(0.2410)	(0.2411)
$INC_t * ELEC_t$	0.0260	-0.0107	0.2766	0.3132
	(0.2210)	(0.2902)	(0.3540)	(0.3668)
$INC_t * ELEC_t * PCOMP_t$	0.0153	0.0339	-0.3103	-0.4214
	(0.2872)	(0.3320)	(0.3754)	(0.3905)
$lg(Rgpc)_{t-1}$	0.7238***	0.8548**	0.2578	0.2883
	(0.2784)	(0.3459)	(0.2053)	(0.3000)
$lg(Pop)_{t-1}$	-0.8426	-1.4280	-2.2700	-2.7407
	(1.3169)	(1.4931)	(1.6516)	(1.7548)
$Infmort_{t-1}$	-0.0013	-0.0022	0.0000	-0.0041
	(0.0054)	(0.0067)	(0.0070)	(0.0090)
$Trgdp_t$	-0.0099	-0.0213*	-0.0042	-0.0088
	(0.0116)	(0.0129)	(0.0079)	(0.0086)
$Trgdp_{t-1}$	0.0160	0.0266**	-0.0001	0.0070
	(0.0103)	(0.0134)	(0.0088)	(0.0108)
OIL_t	4.4835	3.8687	0.2196	1.4081
	(2.7683)	(2.5009)	(1.4098)	(1.5612)
$Year_t$	0.0034	0.0057	0.0089	0.0014
	(0.0378)	(0.0365)	(0.0515)	(0.0520)
Observations	1821	1590	1092	968
Number of recid	86	79	84	77
Hansen over-id test	0.384	0.439	0.507	0.362
AR(2)(test for serial correlation)	0.209	0.150	0.740	0.411

†Endogenous variables used as instruments:
- Lag of dependent variable
- Lag of trade openness
- Lag of GDP per capita

Robust standard errors in parentheses (*** p<0.01, ** p<0.05, * p<0.10)
Year dummies not shown