

# The Limits of Foreign Aid Diplomacy: How Bureaucratic Design Shapes Aid Distribution

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August 5, 2014

## Abstract

How does the institutional design of a state's bureaucracy affect foreign policy? We argue that the design of government agencies can moderate bureaucrats' incentives to act in accordance with an Executive's diplomatic preferences. Where the Executive can influence budgets or career paths, bureaucrats face incentives to adopt her diplomatic goals as their own. Where agencies are shielded from Executive influence, bureaucrats are free to act independently in a bid to enhance their autonomy and their reputation for competence. To test these expectations, we develop a new measure of bureaucratic independence for the 15 aid-giving agencies in the US government, and analyze how independence affects foreign aid allocation patterns over the 1999–2010 period. We find that in “dependent” agencies, foreign aid flows are tightly linked to the diplomatic objectives of the President. In “independent” agencies, aid flows appear less responsive to presidential priorities and more responsive to indicators of need in the recipient country. Our results highlight limits on the diplomatic use of foreign aid, and emphasize the importance of domestic institutional design. Importantly, our findings have implications across a broad range of foreign policy domains, where multiple government agencies are in charge of implementation.

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Presidents and prime ministers figure prominently in the formulation of their nation's foreign policy. Implementing an Executive's decisions, however, requires the cooperation of a much broader set of actors.<sup>1</sup> For instance, the military operations and subsequent reconstruction efforts that George W. Bush initiated in Iraq drew contributions from a diverse array of government agencies, including five Cabinet-level Departments and an independent agency.<sup>2</sup> The same pattern arises in many other issue areas (e.g., economic sanctions, immigration policy), where a fragmented group of bureaucrats who may or may not share the Executive's preferences is in charge of implementation.

In this paper, we study patterns of foreign aid giving to assess how the institutional design of bureaucratic agencies affects the realization of Executive preferences. Like many scholars before us,<sup>3</sup> we focus on the use of foreign aid as a tool of diplomacy, advancing a donor country's economic and security self-interest. While this "diplomatic" view of aid giving is well supported empirically, we argue that it rests on a theoretical foundation that is at best incomplete.

Specifically, we take issue with the implicit — and erroneous — assumption that aid dollars are discretionary funds that the Executive can freely deploy to target recipients abroad.<sup>4</sup> This premise is unrealistic because the Executive is not typically responsible for the implementation of aid programs, but instead relies on agencies like the United Kingdom's Department for International Development (DFID) to disburse these funds. Furthermore, the Executive who wants to guide foreign aid, or official development assistance (ODA), allocation usually does not have to contend with just one aid giving agency, but several. Sweden, for instance, used at least six different government agencies to send ODA abroad in the last ten years, and Germany used no fewer than 17 of them. In any given year, 15 different agencies within the American government may give foreign aid (Tierney et al., 2011). This oversight is consequential, since it could lead us to misstate the Executive's ability to deploy ODA strategically as a tool of diplomacy. It can also camouflage important patterns of aid giving at the sub-national level, and obscure the crucial role of domestic institutions in foreign policy.

We consider the American case and study how the institutional design of the aid giv-

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<sup>1</sup>We use the term "Executive" to refer to a country's primary leader. For reasons of gender parity, we use feminine pronouns to refer to the Executive throughout this paper.

<sup>2</sup>The five Cabinet-level agencies are the Department of Commerce, Department of Defense, Department of Energy, Department of State, and Department of Treasury. The independent agency is the US Agency for International Development.

<sup>3</sup>See for example McKinlay and Little (1977); Maizels and Nissanke (1984); Boone (1996); Schraeder et al. (1998); Meernik et al. (1998); Alesina and Dollar (2000); Berthelemy and Tichit (2004); Kuziemko and Werker (2006); Bueno de Mesquita and Smith (2007); Lancaster (2007); Bueno de Mesquita and Smith (2009); Heinrich (2013).

<sup>4</sup>Instead of developing leader-centric theories of aid allocation, much of the empirical literature on ODA blackboxes the government. From that perspective, our argument offers a richer account of the domestic processes that direct aid giving.

ing bureaucracy affects the Executive's ability to assert control over ODA allocation. We show that the American agencies who distribute ODA vary broadly in their degree of independence from the Executive. Their different levels of susceptibility to institutionalized political pressure, in turn, translate into markedly different aid giving patterns. Where bureaucrats are "dependent" on the Executive, aid flows appear tightly linked to the diplomatic objectives of the President (e.g., strengthening military alliances and promoting bilateral trade). Where bureaucrats are "independent," ODA flows appear more responsive to recipient need (e.g., infant mortality).

Our results highlight limits on the diplomatic use of foreign aid, and emphasize the role of domestic institutional design. Importantly, the study's findings have implications across a broad range of foreign policy domains, where multiple government agencies are in charge of implementation. In terms of transgovernmental politics, for instance, independent agencies that are able to resist executive pressure may take a different stance on diplomacy issues than those proffered by the Executive herself. Thus, foreign governments may receive mixed messages depending upon the bureaucratic agency (independent or dependent) with which they interact, resulting in a less coherent policy agenda.

In the next section, we situate our work in the broader International Relations literature. We point out that most prior research on aid giving has focused on political institutions on the *recipient side*, ignoring the problems that executives face when they try to assert control over their own bureaucracies. Our paper stands as a challenge to these approaches, by disaggregating outgoing aid flows to the agency level and studying how institutional characteristics on the *donor side* affect who gives foreign aid to whom and why. We then draw on work from the field of American politics to define the concept of agency independence, and introduce a novel measure of independence for US aid giving agencies. We conclude with the results of a regression analysis that we use to assess the moderating effect of agency independence on the relationship between diplomatic and development motives and ODA flows.

## FOREIGN AID AS A TOOL OF DIPLOMACY

Research on the determinants of foreign aid giving suggests that donors focus on *diplomatic* rather than *development* considerations when they choose where to disburse aid.<sup>5</sup> McKinlay and Little (1977) propose one of the first modern empirical tests of this proposition and find little evidence that levels of foreign aid are correlated with the social and economic needs of recipient countries. In contrast, they find strong support for the idea that the diplomatic interests (e.g., economic and security concerns) of donor countries

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<sup>5</sup>We follow Lancaster (2007) by referring to goals associated with "advancing the national security and economic interests of the donor country" as "diplomacy," and by referring to efforts to "help better the human condition in countries receiving the aid" as "development."

influence aid disbursement decisions. This finding is robust to a number of proxy measures for security and economic incentives, including bilateral trade (Schraeder et al., 1998; Meernik et al., 1998; Berthelemy and Tichit, 2004; Bueno de Mesquita and Smith, 2007, 2009), foreign direct investment (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004), security alliances (Schraeder et al., 1998; Meernik et al., 1998; Bueno de Mesquita and Smith, 2007, 2009), US troops stationed in the recipient country (Meernik et al., 1998), UN votes and Security Council seats (Alesina and Dollar, 2000; Kuziemko and Werker, 2006), and geographic distance (Neumayer, 2005; Bueno de Mesquita and Smith, 2007, 2009; Fink and Redaelli, 2011; Raschky and Schwindt, 2012; Dietrich, 2013; Heinrich, 2013). Moreover, diplomatic considerations are influential even when we might expect development concerns to trump them. For instance, Fink and Redaelli (2011) and Raschky and Schwindt (2012) find that economic and security motives guide post-disaster relief aid distribution.

Numerous works articulate the theoretical underpinnings for these findings (e.g., Maizels and Nissanke (1984); Boone (1996); Schraeder et al. (1998); Alesina and Dollar (2000); Berthelémy (2006); Bueno de Mesquita and Smith (2007); Bearce and Tirone (2010); Heinrich (2013)). Most directly, Bueno de Mesquita and Smith (2009) explain how government leaders' desire to stay in office leads them to offer foreign aid in exchange for policy concessions by recipients. This argument rests on the implicit assumption, shared by much of this literature, that flows of development assistance move unproblematically from the Executive in the donor country to the recipient country.

Of course, some may dismiss this assumption as an innocuous empirical convenience since, until recently, aid data was not available at the subnational level. Yet, we argue that it can lead to a skewed interpretation of Executive authority with respect to ODA. Indeed, scholars who study aggregated aid flows may overstate the Executive's ability to direct ODA from independent agencies, but understate the extent of her control over dependent agencies. In that sense, leader-centric theories and "black box" empirical approaches can mask a great deal of heterogeneity in ODA flows, and may fail to capture the micro-level mechanisms that direct aid flows.

Our approach complements recent work which shows a more nuanced understanding of disaggregated foreign aid flows. For example, donors choose strategically between various forms of aid, such as grants, food, or emergency relief (Fariss, 2010; Raschky and Schwindt, 2012). Donors also provide aid through multiple channels, including bilateral, multilateral, or non-governmental organizations (Maizels and Nissanke, 1984; Winters, 2010; Dietrich, 2013). Furthermore, domestic political institutions on the *recipient side* can condition how much aid is received, and what effects this aid has on local populations (Svensson, 1999; Burnside and Dollar, 2000; Bueno de Mesquita and Smith, 2009; Lebovic and Voeten, 2009; Dietrich, 2013).

We make a novel contribution to this scholarly discussion by drawing attention to a crucial, but oft-ignored determinant of aid allocation patterns: the structure of the aid

giving bureaucracy on the *donor country side*.<sup>6</sup> Specifically, we point to how the institutional design of aid giving agencies affects who receives aid and, critically, how much say the Executive has in such decisions. In the next section, we explore a key agency design feature — whether the agency is “independent” from the Executive — in the context of American aid allocation decisions.

## AGENCY INDEPENDENCE AND FOREIGN POLICY PREFERENCES

Our core argument is that an agency’s structural design can moderate bureaucrats’ incentives to allocate aid dollars in accordance with Executive preferences. In the US, some “dependent” agencies are institutionally tied to the President, and this allows her to punish or reward the decisions of bureaucrats who work within those agencies. Other agencies, in contrast, are structurally insulated from presidential influence; bureaucrats who work in “independent” agencies may feel less pressure to support the President’s foreign policy agenda.

In this section, we leverage the concept of agency independence to develop expectations about aid giving patterns. First, we draw on the bureaucratic independence literature to identify a set of formal institutional features that can insulate agencies from influence by the Executive. Then, we argue that the Executive’s preferences over foreign policy lead her to favor the allocation of ODA to countries that help advance her military and economic agenda. Finally, we point out that bureaucratic agents are motivated by a different set of concerns (e.g., public service, budget maximization, career advancement), and that those goals should have an *indirect* influence on the choice of aid recipients. Where the Executive can influence budgets or career paths, bureaucrats will face incentives to adopt the President’s diplomatic goals as their own. Where agencies are protected from Executive influence, the public service orientation of bureaucrats may lead them to direct aid where it is most needed.

### *Agency independence*

“Agency independence” is a core concept in the study of the American bureaucracy.<sup>7</sup> Scholars have proposed numerous definitions, but the unifying theme is a focus on the

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<sup>6</sup>It is important to note the distinction between our approach, which emphasizes the *choice of recipients*, and the important strand of literature that links domestic political institutions to *aid-giving levels* (e.g., Noel and Therien (1995); Therien and Noel (2000)).

<sup>7</sup>The idea of creating institutional safeguards to isolate bureaucrats from political influence is neither new nor unique to the study of American politics, however. For instance, in the field of political economy scholars have argued that delegating monetary authority to an independent central bank can reduce inflation and is associated with a variety of desirable macroeconomic outcomes. See Barro and Gordon (1983); Rogoff (1985); De Long

extent of influence that the President is able to wield over bureaucrats (e.g., Devins and Lewis, 2008). As Justice Scalia puts it, “independent agencies are sheltered not from politics but from the President” (Justice Scalia as quoted in Barkow, 2010, 26).<sup>8</sup>

In practice, the degree of independence that an agency enjoys depends on institutional factors, such as its organizational “proximity” to the President. For example, the Office of Science and Technology, which is part of the Executive Office of the President, is often considered less independent than the Department of Labor, an agency within the President’s Cabinet. Both agencies, however, are closer to the presidential orbit than the US Trade and Development Agency (TDA), which is separate from the Executive branch and whose leaders do not report directly to the President. This distinction is reflected in Table 1, where we list all 15 aid giving agencies along with a basic classification as “Executive” or “Independent.”

While this simple classification scheme helps introduce the idea of independence, the concept is decidedly more nuanced. In addition to basic proximity to the President, we must consider other institutional safeguards which can serve to shield an agency from the Executive. Because appointments and firings are a primary source of presidential power (Selin, 2013), personnel protections are commonly used to mitigate the Executive’s influence in this domain. An expertise requirement, for example, minimizes the risk that the President will appoint a politically-connected, but incompetent agency head. A stipulation that agency personnel serve for a fixed term, or that their termination is only permitted for gross incompetence, reduces the likelihood of politically-motivated firings. Such safeguards can take a variety of forms, but they are designed to bolster the independence of an agency so that it is free to pursue its organizational goals.

Design choices are made at the time of an agency’s creation (Lewis, 2003), and legislators clearly anticipate the effects of these choices on agency decision-making. For example, the Millennium Challenge Corporation (MCC) was established as an independent agency in large part because of concerns that its development focus would be compromised if it were housed within an executive branch agency (Lancaster, 2007). According to the Congressional Research Service, a “reason for not placing the [Millennium Challenge Account (MCA)]<sup>9</sup> within the State Department may have been a concern

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and Summers (1992); Lohmann (1992); Cukierman (1992); Alesina and Summers (1993). In this context, “independence” is understood to mean “how far the bank could stray from the current government’s desires before the latter would prefer to pay the costs of altering the bank law or of seizing the monetary reins itself” (Franzese, 1999). See also Lohmann (1992).

<sup>8</sup>Whether institutional safeguards translate into effective independence in practice remains an open (empirical) question. On the one hand, Hammond and Knott. (1996); Lewis (2003); Wood and Bohte (2004); Devins and Lewis (2008); Selin (2013) find evidence that design can be effective at buffering the President. On the other, Bressman and Thompson (2010, 601) note that “even if an independent agency is not under the thumb of the President, it might still feel the hand of the President” (also see Morrison, 1988; Moe, 1982; Wood and Waterman, 1991; Maggetti, 2007; Datla and Revesz, 2013; Hanretty and Koop, 2013).

<sup>9</sup>The MCA is the aid program that came to be administered by the Millennium Challenge Corporation

Table 1: Foreign Aid Agencies in the United States

Agency Name	Abbr	Binary Independence Classification
Department of Agriculture	USDA	Executive
Department of Defense	DOD	Executive
Department of Energy	DOE	Executive
Department of Health and Human Services	HHS	Executive
Department of the Interior	DOI	Executive
Department of Labor	DOL	Executive
Department of State	STATE	Executive
Department of the Treasury	TREAS	Executive
Export-Import Bank of the United States	EXIM	Independent
Millennium Challenge Corporation	MCC	Independent
Office of Science and Technology	OST	Executive
US Agency for International Development*	AID	Independent
US African Development Foundation	ADF	Independent
US Institute of Peace	USIP	Independent
US Trade and Development Agency	TDA	Independent

\* USAID constitutes a significant portion of US ODA (66% in 2010). However, the amounts given by the other agencies are still very large and substantively important, see Tables 3 and 4 in appendix. For example, the MCC, which committed five percent of the US foreign aid budget in 2010, gave more than the ODA disbursements from each of 15 OECD countries: South Korea, Turkey, Ireland, Portugal, Greece, Luxembourg, Poland, New Zealand, Czech Republic, Israel, Hungary, Slovakia, Slovenia, Iceland, and Estonia (Provost, 2011).

that it would be located too close to the center of the US foreign policy apparatus that would limit the program’s immunity from strategic and political influences” (Nowels, 2003). Echoing this sentiment, then-Senator Joseph Biden argued against placing MCA under the control of the State Department due, in part, to his opposition to recent decisions by Republicans to move other independent agencies into State, thus “making the [S]ecretary (of State) the captain of foreign policy” (Sorrells, 2003). By placing the MCA in a newly created and independent agency, legislators understood that both present and future presidents would have less influence in guiding its work toward diplomatic priorities.

Over time, agency design choices are maintained through a variety of political over-

(MCC).

sight mechanisms, such as investigations, personnel decisions, and budget allocations.<sup>10</sup> While Congress and the President jointly perform oversight of agencies, in the context of our argument about ODA, we focus on the influence of the President for two reasons.

First, when it comes to questions of foreign policy, the President is paramount. As Wildavsky (1966, 7) famously asserted, “in the realm of foreign policy, there has not been a single major issue on which presidents, when they were serious and determined, have failed.” Canes-Wrone et al. (2008) build on this “two presidencies” thesis by arguing that presidents have informational and first-mover advantages over Congress, and that “distinctive electoral incentives across the two branches of government encourage greater presidential influence over foreign than domestic policy.” The authors find that, over the 1969–2000 period, the President’s supremacy in foreign policy has led Congress to delegate much of its decision-making power to the Executive. So when agencies seek out political leadership on foreign policy issues, it is natural that they turn to the White House rather than Capitol Hill.

Second, congressional preferences over foreign policy (and foreign aid in particular) are less predictable and coherent than those of the President. Even if an aid giving agency wanted to be responsive to Congress, it is not clear *ex ante* which congressional actors would matter at that time and on that issue. In the 111<sup>th</sup> Congress (2009–2010), for example, 18 committees and 44 subcommittees held hearings related to international affairs or foreign aid.<sup>11</sup> Furthermore, even if the set of relevant actors was clear, an agency may still not be able to anticipate the preferences of those actors. There is no clear partisan divide with respect to ODA allocation; rather, Milner and Tingley (2010) find that congressional support for aid varies based on the type of aid in question and on the characteristics of a legislator’s district. And even individual legislators can send mixed messages about their preferences over foreign aid allocation.<sup>12</sup> Thus, to the extent that agency bureaucrats attempt to match ODA flows to the preferences of political actors, there will be a bias

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<sup>10</sup>For instance, an agency’s budget can serve to limit that agency’s level of independence by including stipulations on how agency funds may or may not be spent. Conversely, the absence of such stipulations may enhance an agency’s independence. Generally, agency budgets are the result of negotiations between the President and Congress as part of the annual appropriations process; to have an agency budget, both chambers of Congress must pass an appropriations bill, which the President must sign. For most dependent agencies, the President has first *and* last mover advantage, since she vets agency budgets at the proposal stage and signs (or vetoes) appropriations bills at the final stage.

<sup>11</sup>Committee data from the Policy Agendas Project, <http://www.policyagendas.org/>. To determine the number of unique committees and subcommittees, we subsetted the data to the 111<sup>th</sup> Congress and identified hearings on major topic “19” (International Affairs and Foreign Aid). While this includes some hearings that are not specifically about ODA, international affairs hearings may touch on country-specific issues that bear indirectly on ODA decisions.

<sup>12</sup>For instance, while arguing against cuts to the budget, Senator Patrick Leahy (D-VT) lauds both diplomatic and development priorities by stating that foreign aid “promotes US exports, supports democratic elections, combats poverty, and helps build alliances to counter terrorism, thwart drug trafficking, protect the environment, and stop cross-border crime” (Leahy, 2011).



toward the President, a unitary actor with a more coherent set of preferences.

### *Executive preferences*

Foreign policy is a central component of any President's agenda (e.g., the two presidencies thesis, see Wildavsky, 1966; Moe and Howell, 1999; Canes-Wrone, 2005; Canes-Wrone et al., 2008) and foreign aid presents an opportunity to further the President's diplomatic agenda. As such, it is reasonable to expect that the President will prefer to distribute foreign aid in ways that advance traditional notions of the national interest, particularly military and economic security (Krasner, 1978; Hibbs Jr, 2000; Lewis-Beck and Stegmaier, 2000).

The electoral connection closely ties the President to the national interest. While perhaps not quite "single-minded" in the Mayhewian sense, reelection concerns (or party and legacy concerns for term-limited presidents), figure prominently in the literature on the American presidency (Neustadt, 1962; Tulis, 1987). Currying favor with voters means tending myopically to the nation's economic and military interests. While American citizens are notoriously detached from foreign policy (Delli Carpini, Michael X. and Keeter, Scott, 1993; Holsti, 2004), when they do engage, it is nearly always in matters of pressing security (Powlick and Katz, 1998) or economic (Mansfield et al., 2002) importance. As a result, questions of foreign aid, like most nuts and bolts issues of foreign policy, tend to operate well beneath the public's radar (Ostrom Jr and Simon, 1985; Page and Shapiro, 1983). The implication is that presidents prefer to allocate aid to those countries that bolster military and economic interests.<sup>13</sup>

### *Bureaucrats' incentives*

Students of bureaucratic politics and public administration identify a host of motivations for bureaucrats (see Golden, 2000). We explore how three central motives from this literature—agency reputation, budget maximization, and career advancement—indirectly translate into preferences over foreign aid disbursement. As we explain below, agency structure can enable the Executive to manipulate bureaucrats' incentives in order to target aid in ways that support the President's diplomatic agenda.

To begin, a sense of professionalism or duty to public service often motivates bureaucrats (Golden, 2000; Brehm and Gates, 1993; Derthick and Quirk, 1985; Dilulio, 1994; Wilson, 1989). While this may initially seem altruistic, it can also serve bureaucrats' self-interest; by enhancing their reputation for competence and efficacy, bureaucrats can

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<sup>13</sup>We do not argue that the Executive *only* cares about diplomatic goals. Indeed, Heinrich (2013) identifies conditions under which the Executive may prioritize development goals. Nevertheless, in the aggregate, we expect that an electorate that primarily focuses on economic and security concerns will lead the Executive to emphasize diplomatic goals when distributing foreign aid.

build autonomy for their organization (Carpenter, 2001). Carpenter (2010, 56) explains that “pay, budget maximization, and material goods will be valued less highly than status and esteem,” and that reputation serves as a proximate goal to many different ends. In the context of ODA, the surest way for bureaucrats to signal professionalism, impartiality, and public spiritedness, is to select recipients based on “objective” need-based indicators.<sup>14</sup> This suggests that bureaucrats’ efforts to secure autonomy should lead them to prefer giving to countries where development needs are greatest. Where the Executive cannot frustrate these efforts (i.e., in independent agencies), the link between recipient need and ODA receipts should be stronger.

Niskanen (1971) points to another motive when he argues that bureaucrats seek to maximize agency budgets. This theory leads us to expect that dependent agencies will exhibit a bias toward presidential priorities. To see why, consider that most dependent agencies submit draft budget proposals to the President’s Office of Management and Budget (OMB). OMB acts as a gatekeeper—reviewing each agency’s proposal alongside those of other agencies, and making cuts to programs in order to adhere to a top line figure—before submitting the entire budget to Congress for approval. The implication is that this budgetary oversight may enable the Executive to influence policymaking at the agency level. Independent agencies, in contrast, do not engage in the same negotiations with OMB, either because they submit their own budget request directly to Congress or because they have their own funding streams and are not subject to the annual appropriations process. For instance, the U.S. Institute of Peace, an independent aid giving agency, enjoys a “budget bypass,” meaning that it is not required to have its budget approved by OMB prior to submitting it to Congress. Therefore, independent agencies should be less beholden to presidential priorities, even if they are budget-focused.

Finally, some scholars argue that agency bureaucrats seek to enhance their own career prospects (Kaufman, 1960; Golden, 2000; Gailmard and Patty, 2007). In dependent agencies, many of the leaders serve “at the pleasure of the President.” These political appointees usually share the same party affiliation as the President, and tend to be selected for their fealty to her policy program. As a result, career-focused bureaucrats will likely steer policy toward presidential priorities in an attempt to curry favor with the Executive, thereby securing future promotions and enhancing their standing within the party. Independent agencies, on the other hand, have fewer presidential appointees. They also tend to have staggered board or commission leadership structures, which weakens the ties between the current presidential administration and the career path of individual bureaucrats.

Taken together, existing theories of bureaucratic motivation suggest that the insti-

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<sup>14</sup>In recent years, several critics have decried the lack of transparent and systematic measures of aid effectiveness (Lawson, 2013; International Aid Transparency Initiative, 2014). When better metrics of competence are unavailable, the need-orientation of aid giving can serve as a useful signal of bureaucrats’ type for the public, the media, and other stakeholders.

tutional design of an agency may serve to temper or exacerbate incentives to succumb to political pressure by the Executive. Efforts to gain autonomy reinforce bureaucrats' public service orientation and encourage need-based giving. In independent agencies, this tendency is unimpinged. In dependent agencies, however, the personal and organizational payoffs for diplomacy-enhancing ODA may be greater because the President is able to bestow greater rewards and impose dearer costs. We therefore expect dependent agencies to disburse foreign aid in ways that are consistent with the administration's broader diplomatic goals of military and economic security. In contrast, we expect the tendency of aid bureaucrats to make allocation decisions based on development need to be strengthened in independent agencies.

To be clear, we do not expect that dependent agencies will *only* allocate funds to meet diplomatic objectives, nor do we suggest that independent agencies will *only* focus on recipients' development needs. Agencies serve a variety of functions, only some of which can be characterized as development-related, and they do so using a portfolio of policy instruments.<sup>15</sup> Rather, what we propose is that when it comes to spending funds that are explicitly earmarked for foreign aid, agency independence affects the relative weight that bureaucrats place on diplomatic and development concerns.

## MEASURING AGENCY INDEPENDENCE

To test these propositions, we build an index measure of independence for 89 US government agencies, including the 15 that disburse foreign aid. This index leverages data from the *Sourcebook of United States Executive Agencies* (Lewis and Selin, 2012), and aggregates information on nine institutional characteristics which help insulate agencies from influence by elected political leaders. For example, we consider whether or not an agency is part of the Executive branch, if the agency head can be removed without cause or between regular/fixed terms in office, and the number of positions that are subject to presidential appointment (see Table 2 for a full list).

Our objective is to produce an index which can act as an effective summary of those institutional features, but which reduces the dimensionality of the problem at hand. We also want to avoid procedures that assign *a priori* weights to each of the variables (e.g., simple averaging), because we cannot know exactly how each of them contributes to inde-

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<sup>15</sup>For example, the budget of the Department of State, an agency that is in the president's Cabinet and which we categorize as highly dependent, includes a variety of activities that are oriented towards presidential priorities like "investments in the stability, security, and development of Afghanistan and Pakistan." However, the budget also includes activities that appear more development-oriented, such as a "comprehensive and integrated global health strategy toward achieving an AIDS-free generation and ending preventable child and maternal deaths" (Department Of State, 2014). We acknowledge that the patterns we propose here are not absolutes and that public relations and legal requirements may cause deviations from these broader trends.

pendence. Principal components analysis (PCA) is a natural way to achieve these goals.<sup>16</sup> This technique allows us to derive “optimal” weights from the data, and it produces scores which can be used to summarize the variance found in the institutional characteristics dataset.<sup>17</sup> We thus studentize the nine variables and use them to estimate a PCA model. We rescale the first principal component to ensure that all aid giving agencies score between zero (dependent) and one (independent), and use the resulting variable as our measure of agency independence in subsequent regression analyses.

Table 2 allows us to assess the validity of our measurement model; it states our expectations and reports the estimated loadings/weights for each of the variables we include in the PCA model. A plus sign in the second column indicates that the variable should be positively related to an agency’s degree of independence. For example, fixed terms in office for the agency head should increase his degree of independence, so we expect the “Fixed terms” loading to be positive. All the PCA loadings fall in line with our theoretical expectations.

Another way to assess the plausibility of our measurement model is to see how agencies rank on the independence index itself (i.e., PCA scores). Table 6 in the appendix shows estimates for all 89 agencies, including the 15 aid giving agencies that we consider in the regression models. We see, for example, that departments rank low on independence, whereas more technical and traditionally independent agencies such as the Federal Reserve Board and the Postal Regulatory Commission rank very highly. There is also variation in the degree of independence across aid giving agencies, with the Department of State at the low end, USAID near the mid-point of the distribution, and the Millennium Challenge Corporation near the top. This ordering conforms well with our qualitative assessment of these agencies.

Finally, we note that much of the variation we see in our index would be obscured if we used the more traditional binary measure of agency independence. To see this, consider Figure 1 where we plot our independence measure against a dummy coded as 0 if the agency is an executive department or in the Executive Office of the President and 1

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<sup>16</sup>PCA enables us to summarize the variation in the nine institutional features, reducing it to a low-dimensional index which can effectively act as a measure of agency independence. An alternative approach is to model agency independence as a latent concept, as Selin (2013) does also using the *Sourcebook of United States Executive Agencies* data. Her approach further differs from ours in that she measures agency independence on a two-dimensional space, whereas we consider a single dimension. In practice, PCA and factor analysis are often used interchangeably. In Table 17 of the appendix we show that replacing our measure with Selin’s (institutional) measure of agency independence does not substantively affect our conclusions.

<sup>17</sup>While we believe that the “agnostic” PCA approach is ultimately appropriate in the context of this paper, this approach forces us to ignore relevant prior information about the relative importance of individual components. In particular, the question of whether an agency is part of the Executive Office of the President should be a major consideration in our assessment (this dummy variable is often used on its own to measure agency independence in the bureaucracy literature). In Table 16 (online appendix) we replicate our analysis using this binary indicator as a measure of independence.

Table 2: Agency independence: 1st principal component loadings.

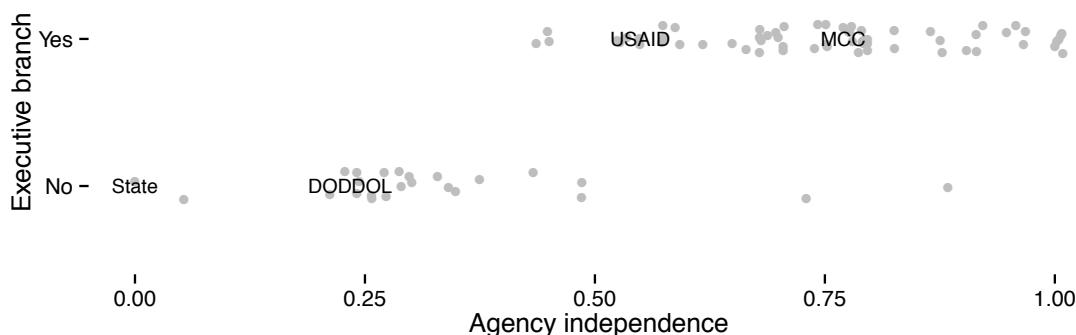
Variable	Expectation	Loadings	Description
Fixed terms	+	0.467	1 if members, commissioners or agency heads are appointed for fixed terms. 0 otherwise.
Independent	+	0.417	1 if the agency is outside the Executive Office of the President or is not an executive department. 0 otherwise.
For cause	+	0.348	1 if restrictions are in place for dismissal of the agency head. 0 otherwise.
Expertise	+	0.335	1 if expertise or experience requirement on nominations at the agency. 0 otherwise.
Commission	+	0.330	1 if agency is governed by a board or commission whose members are protected from removal. 0 otherwise.
Serve President	-	-0.072	1 if officials serve at the pleasure of the President. 0 otherwise.
PA	-	-0.074	Log number of presidential appointees.
PAS	-	-0.264	Log number of presidential appointees with Senate confirmation.
Schedule C	-	-0.431	Log number of Schedule C excepted appointments.

Variable descriptions adapted from Lewis and Selin (2012)

otherwise (Lewis and Selin, 2012).<sup>18</sup> Thus, we use our theoretically-motivated and more nuanced measure of agency independence in the regression analyses that follow.

<sup>18</sup>In Table 16 of the online appendix, we replicate our primary regression results using a commonly used binary measure of independence. The results support those presented here, but careful readers will note that the marginal effects we estimate using the binary measure are substantially smaller than the marginal effects we estimate using our continuous index of independence. This finding is consistent with the idea that the binary variable measures independence with error, thereby introducing attenuation bias in the estimation.

Figure 1: Continuous vs. binary measures of agency independence from the Executive. 89 US government agencies with four aid giving agencies identified by name.



## AGENCY INDEPENDENCE AND FOREIGN AID:

### A REGRESSION ANALYSIS

The ideas introduced above lead us to expect that, if institutional design is effective, the relationship between diplomatic motives and aid allocation will be weaker where agencies are relatively independent from the Executive. In contrast, the positive association between development motives and ODA should be stronger in independent agencies.

We operationalize the concept of “diplomatic” aid giving using two commonly used variables: alliance and trade. *Alliance* is a dummy variable which takes on a value of one if the US and the partner country have at least one of four types of alliances: defense, neutrality, non-aggression, or entente (Gibler, 2013; Schraeder et al., 1998; Meernik et al., 1998; Bueno de Mesquita and Smith, 2007, 2009). Here, foreign aid could play the role of side-payment (i.e., a reward for the past decision to conclude an alliance), or it could simply be construed as a “maintenance cost” that the US pays to remain influential in a theater that holds strategic importance. Our *Alliance* variable is a useful way to delineate the group of countries where the US is likely to incur these kinds of costs.

The second measure of diplomatic motive, *Trade*, is the log of bilateral trade flows between the recipient and the US (Barbieri and Keshk, 2012; Schraeder et al., 1998; Meernik et al., 1998; Berthelemy and Tichit, 2004; Bueno de Mesquita and Smith, 2007, 2009). Relationships with major trade partners are particularly important to the President, since those countries can develop influential support coalitions within the American public and business community. To satisfy these domestic groups, the President has incentives to cultivate support abroad in order to ensure that the policies that led to fruitful economic cooperation are not overturned.

Because *Alliance* and *Trade* are imperfect proxies for diplomatic interest, the online appendix reports the results of regression models using four alternate measures: the logged number of US troops stationed in the recipient country (Kane, 2006; Meernik et al., 1998), the geographic distance from the US (Neumayer, 2005; Bueno de Mesquita and Smith, 2007, 2009; Fink and Redaelli, 2011; Raschky and Schwindt, 2012; Dietrich, 2013; Heinrich, 2013), the log of outward FDI flows from the US to the recipient (Alesina and Dollar, 2000; Berthelemy and Tichit, 2004), and a dummy for the existence of a bilateral tax treaty between the US and the recipient.<sup>19</sup>

To measure “development” aid giving, we use the log of the *Infant Mortality* rate as an indicator of need in recipient countries (World Bank, 2013). Again, to demonstrate the robustness of our results to the choice of measure, we replicate the analysis using four alternate representations of need in the recipient country: the log of GDP per capita, share of the population living with HIV/AIDS, life expectancy, and proportion of the population living on less than \$5/day.<sup>20</sup>

The dependent variable in our tests is the annual ODA commitments from US government agencies, and covers the 1999-2010 period.<sup>21</sup> Unless otherwise noted, our unit of observation is the agency-country-year. To estimate the moderating influence of agency independence on the relationship between policy motives and aid allocation, we use an interactive linear model of this form:

$$\begin{aligned} \text{ODA} = & \beta_{oda} \text{ODA}_{t-1} + \beta_{ind} \text{Independence} + \beta_{mot} \text{Motive} + \beta_{ind*mot} \text{Ind.} \times \text{Motive} + \\ & \beta_{gdp} \text{GDP} + \beta_{pop} \text{Population} + \beta_{dem} \text{Democracy} + \Omega + \alpha + \varepsilon, \end{aligned} \quad (1)$$

where “ODA” represents the log dollar amount of ODA that a recipient country gets; “Independence” is the measure of agency independence described above; “Motive” is one of three proxy measures of foreign policy motives (military alliances, trade flows, and infant mortality);  $\Omega$  is a vector of year, country, and/or agency fixed effects, or a set of agency-specific time trends;  $\alpha$  is a constant; and  $\varepsilon$  is the disturbance term. For obvious reasons, we also control for log GDP per capita, log population size (World Bank, 2013), and the regime type of the recipient country (Marshall et al., 2012). Where no other indication is given, models are estimated using Ordinary Least Squares, and the reported standard errors are robust to arbitrary forms of heteroskedasticity.

<sup>19</sup>All diplomacy results are consistent with our expectations, except in the *distance* model, where we find a negative relationship between distance and ODA flows, but no conditioning effect by the agency independence variable. See Table 19 in the online appendix.

<sup>20</sup>See Table 18 in the online appendix. Results are consistent across all development models, except when we consider the \$5/day variable, in which case the interaction term is of the expected sign but is not statistically significant.

<sup>21</sup>The original data points were recorded at the project level by AidData (Tierney et al., 2011), but we aggregate them to obtain agency-level figures.

## *Results*

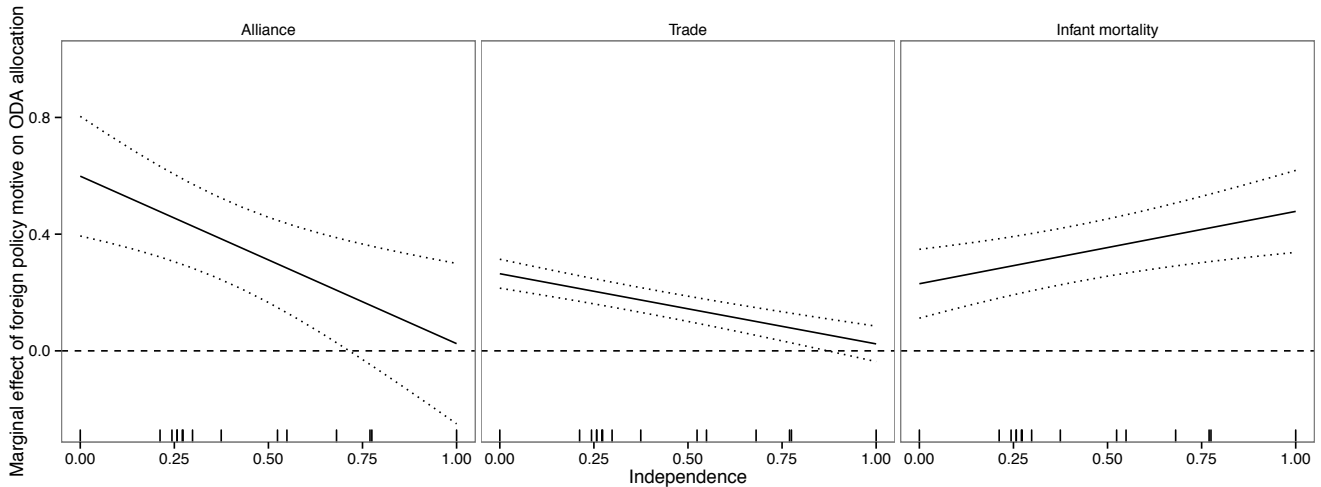
Table 3 presents results for the models described by equation 1. The coefficient estimates are consistent with our expectations. Military alliances are positively related to ODA flows from agencies that are *not* shielded from influence by the Executive ( $\beta_{all} = 0.599$ , with  $p < 0.01$ ), but this relationship nearly disappears in highly independent agencies ( $\beta_{all} + \beta_{ind*all} = 0.025$ ). Similar conclusions can be drawn from the *Trade* model estimates:  $\beta_{tra} = 0.264$  ( $p < 0.01$ ) and  $\beta_{tra} + \beta_{ind*tra} = 0.023$ . All aid agencies appear to respond positively to infant mortality, our indicator of recipient need ( $\beta_{inf} = 0.230$ , with  $p < 0.01$ ), and this tendency appears to be reinforced where agencies are independent from influence by the Executive ( $\beta_{inf} + \beta_{ind*inf} = 0.478$ ). All three interaction term coefficients cross usual thresholds of statistical significance.



Table 3: Relationship between foreign policy motives, agency Independence, and ODA allocation patterns. Linear models. Robust standard errors. The models include agency and year fixed effects, as well as agency-specific time trends (omitted from the table).

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.368 (0.360)	3.286 (0.530)	-3.669 (0.543)
Log(ODA) <sub>t-1</sub>	0.672 (0.008)	0.676 (0.008)	0.676 (0.007)
Polity	0.019 (0.004)	0.027 (0.004)	0.035 (0.004)
Log(GDP/Cap)	-0.373 (0.021)	-0.518 (0.032)	-0.150 (0.032)
Log(Population)	0.142 (0.018)	0.000 (0.028)	0.197 (0.017)
Alliance	0.599 (0.105)		
Alliance X Independence	-0.574 (0.197)		
Log(Trade)		0.264 (0.025)	
Log(Trade) X Independence		-0.241 (0.035)	
Log(Infant Mortality)			0.230 (0.060)
Log(Infant Mortality) X Independence			0.248 (0.087)
R <sup>2</sup>	0.671	0.665	0.667
Num. obs.	20037	20468	22666

Figure 2: Marginal effects of policy motives on ODA allocation. Note: Dotted lines represent 95% confidence bands. Rug plots indicate the location of each aid giving agency on the independence scale.



A more accessible way to convey the same basic results is to look at a graphical representation. Figure 2 plots the marginal effects of our three policy motives from Table 3. In the *Alliance* and *Trade* cases, the marginal effects of diplomacy motives on ODA in *dependent* agencies are positive and statistically significant at the  $\alpha = 0.05$  level. In the *Infant Mortality* case, the marginal effect slopes up as agency independence increases (moving right along the x-axis). In concrete terms, this means that agency independence *weakens* the positive association between ODA flows and both military alliances and trade relationships. In contrast, agency independence *reinforces* the positive association between ODA flows and infant mortality.

Given the semi-log specification of the alliance test, it is easy to get a sense of the substantive importance of the estimated effect sizes.<sup>22</sup> On average, and holding other regressors constant, US allies tend to receive nearly 60% more ODA than non-allies where the agency lacks institutional safeguards against influence by the Executive. This marginal effect becomes indistinguishable from zero as soon as the degree of agency independence reaches about 0.7 on the 0-1 scale. Similarly, a change of one standard deviation in the (logged) trade variable is associated with an increase of about 65% ( $2.47 \times 0.264$ ) in ODA from dependent agencies. Again, this positive relationship vanishes as we increase the degree of independence. Finally, moving from zero to one on the *Independence* scale is associated with an increase of about 25 percentage points in the estimated marginal effect

<sup>22</sup>But see Thornton and Innes (1989) for a discussion of potential problems related to the interpretation of semi-log coefficients as percentage change in the dependent variable.

of  $\text{Log}(\text{Infant Mortality})$ .

In sum, the results described in Table 3 and Figure 2 are consistent with our theoretical expectations, and the sizes of the estimated marginal effects are large and substantively significant.

### *Robustness*

These results are robust to a series of alternative model specifications. We consider the two most important ones here, and list additional robustness checks in Footnote 23, with full results recorded in the supplementary materials that accompany this article.<sup>23</sup>

The first issue we investigate relates to the panel specification of our tests, and to the fact that most of the variation in the dataset is cross-sectional. Indeed, it is true that *Independence* is a constant for each agency, and that the motive measures – *Alliance*, *Trade*, and *Infant Mortality* – tend to be slow-moving. Still, given that there is variation over time in the policy motives variables, and considering that stickiness in the two sets of variables is “cross-cutting” (i.e., within agency vs. within country), it is reasonable to use all dimensions of the data to estimate the interaction terms that interest us. Nevertheless, our main findings do not hang on the panel structure of the dataset. The first three models of Table 4 show linear model estimates obtained from a pure cross-section, using only the mean of each variable at the agency-country level. Ignoring the time dimension does not affect our results in a meaningful way. For example, an increase of one in *Alliance* is associated with an increase of 1.081 in  $\text{Log}(\text{ODA})$  when *Independence* equals zero, but

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<sup>23</sup>We re-estimated the base models from Table 3 using various combinations of country, agency, and year fixed effects (Tables 7, 8, 9); excluded influential country and agency outliers (Tables 10 and 11); re-coded the dependent variable to take a value of 1 for any positive value of ODA and 0 otherwise and estimated a series of logistic regression models (Table 12); included all the policy motives in a single regression equation (Table 13); controlled for the occurrence of divided government (Table 14); controlled for the occurrence of inter or intra-state armed conflict (Table 15); used a more traditional dummy variable to measure independence (“1 if an agency is outside the executive office of the President or an executive department and 0 otherwise” (Lewis and Selin, 2012)) (Table 16); re-estimated our core models with an alternative continuous measure of agency independence by Selin (2013) (Table 17); considered alternative measures of need in recipient countries: the log of GDP per capita, percent of population living with less than 5\$ a day, percent of population living with AIDS, and life expectancy (Table 18); considered alternative measures of US economic and military interest: log of the number of American troops stationed in the recipient country, log of net foreign direct investment outflows from the US to the recipient, and a binary indicator for the existence of a bilateral tax treaty between the US and the recipient (Table 19); and accounted for uncertainty in the estimation of our measure of agency independence by applying a non-parametric bootstrap to the PCA model and by using the method of composition (Tanner, 1991) to “propagate” the estimated uncertainty into our main regression models (Table 20). We were also hoping to treat seriously the potential endogeneity between foreign aid and trade flows but were unable to find an instrumental variable which meets the exclusion restriction requirement. For lack of better options, we lagged all the regressors by a year and re-estimated all our main models (Table 21). Again, the main results remain substantively unchanged.

with a reduction of 0.588 when *Independence* equals one (the latter is statistically indistinguishable from zero). Likewise, the interaction term in the *trade* OLS specification is negative, while the *infant mortality* interaction is positive and statistically significant.

A second potential concern is that outliers may drive our results. Certain high leverage countries, for example Afghanistan and Egypt, receive large amounts of foreign aid and are strategically important for the US President. Similarly, a few of the aid giving agencies may hold disproportionate weight in our analysis, either because they account for a large share of total ODA (e.g., USAID), or because they combine a high degree of independence with a narrow regional focus (e.g., African Development Foundation).

Table 4: Cross-sectional relationship between foreign policy motives, agency independence, and ODA allocation patterns. Ordinary Least Squares and robust M-Estimator regressions.

	OLS 1	OLS 2	OLS 3	M 1	M 2	M 3
(Intercept)	-4.257 (1.192)	-6.630 (1.223)	-6.109 (1.271)	-0.084 (0.269)	-0.553 (0.292)	-0.329 (0.303)
Polity	0.064 (0.019)	0.095 (0.017)	0.116 (0.017)	0.008 (0.004)	0.011 (0.004)	0.015 (0.004)
Log(Population)	0.470 (0.074)	0.617 (0.080)	0.425 (0.074)	0.036 (0.017)	0.045 (0.019)	0.027 (0.017)
Independence	0.206 (0.423)	3.794 (1.147)	-2.867 (1.238)	-0.381 (0.096)	0.587 (0.254)	-0.539 (0.316)
Alliance	1.081 (0.453)			0.330 (0.106)		
Alliance X Independence	-1.669 (0.970)			-0.575 (0.198)		
Log(Trade)		0.031 (0.075)			0.057 (0.019)	
Log(Trade) X Independence		-0.601 (0.162)			-0.159 (0.036)	
Log(Infant Mortality)			0.789 (0.171)			0.130 (0.046)
Log(Infant Mortality) X Independence			0.778 (0.371)			0.021 (0.092)
R <sup>2</sup>	0.034	0.043	0.062	0.006	0.007	0.008
Num. obs.	1828	1828	1828	1828	1828	1828

A natural way to guard against this potential outlier problem is to re-estimate models while excluding problematic observations. In the online appendix (Table 10), we show that the exclusion of extreme countries and agencies does not affect our substantive conclusions. A less *ad hoc* approach is to use a high breakdown point M-estimator. The three right-most columns of Table 4 show the results we obtained by using the `lmRob` procedure (Wang et al., 2013) to re-estimate our cross-sectional models. Again, the results are broadly consistent with our expectations.

## CONCLUSION

We find that the institutional setup of the US bureaucracy matters a great deal for the distribution of foreign aid. Our argument highlights the role of domestic institutions, and challenges the assumption that the Executive is able to target aid wherever she sees fit. We point out that a host of government agencies actually disburse aid and that these agencies can hinder the Executive from realizing her foreign policy goals. We study the success of the Executive in overcoming this managerial problem in the context of one case: American foreign aid giving. Using a newly created (continuous) measure of independence for US aid agencies, we show that when agencies are dependent on the Executive, ODA flows are tightly linked to the diplomacy goals of the President. Where agencies are independent, or insulated from external pressure by the Executive, ODA flows do not match the administration's foreign policy motives, but rather target development ends. In sum, agency independence effectively inhibits the President from directing foreign aid toward diplomatic priorities.

These results matter because they suggest that the pool of resources available for Executive diplomacy may differ in systematic fashion from the aggregate ODA figures that are typically considered. In particular, inferences drawn from aggregate data may overestimate the responsiveness of independent agencies to diplomatic motives, and underestimate their responsiveness to development need. Our findings therefore suggest a more nuanced interpretation of domestic political institutions on the donor side, and complement an emerging strand of research on the types and channels of aid giving (Fariss, 2010; Winters, 2010; Raschky and Schwindt, 2012; Dietrich, 2013).

The lessons of our study can also inform our understanding of aid politics outside the US, because all major donor countries use multiple government agencies to distribute foreign aid (see Table 5). This suggests an immediate path forward for future research: extending our analysis cross-nationally. This would address whether the independence of government aid giving agencies varies systematically across countries, providing new ground for empirical tests of our expectations. In addition, a cross-national study could explore how other features of the political system, such as the rule of law or the number of veto players, affect an agency's *de facto* degree of independence (Hanretty and Koop, 2013).

Table 5: Number of aid giving agencies and ODA commitments in the 15 largest donor nations (2012).

Donor	ODA (Billion USD)	Agency Count
United States	30.69	15
United Kingdom	13.89	6
Germany	12.94	17
France	12.03	17
Japan	10.60	12
Canada	5.65	10
Netherlands	5.52	5
Australia	5.40	2
Sweden	5.24	6
Norway	4.75	7
Switzerland	3.05	9
Italy	2.74	9
Denmark	2.69	3
Belgium	2.31	10
Spain	2.04	18

Sources: OECD (2014); Tierney et al. (2011)

Our research also makes a contribution in the context of bureaucratic politics by addressing the extent to which agency independence acts as a firewall against presidential influence. While we do not provide a general answer to the question of whether *de jure* agency independence translates into *de facto* independence, our evidence shows that executive influence is attenuated in one particular domain: foreign aid.

This study highlights the importance of agency-level characteristics in influencing foreign aid distribution. Future work should consider the design of the bureaucracy and employ disaggregated data to explore how other agency features shape foreign policy outcomes. For instance, while we focus here on agency independence, bureaucratic expertise can also foster agency autonomy (Gailmard and Patty, 2012) and may enable agencies to take positions that diverge from the Executive. Given the range and variety of agencies involved in implementing foreign policy, research exploring the role of bureaucratic administration constitutes an agenda in its own right.

While this paper focuses on aid giving in the US context, our findings can also shed light on a much broader set of topics in the study of foreign policy. For example, the Federal Reserve and the Department of Treasury, two agencies characterized by very different levels of structural independence from the Executive, both hold policy levers that can

have tremendous effects on the US' position in the international capital markets. Immigration policy represents another complex case for the Executive, as its implementation relies on numerous agencies at the federal level (including the Department of Homeland Security, the Department of Justice, the Department of Labor, and the Department of State), as well as the federal judiciary and a dizzying assortment of state and local law enforcement agencies. Considering the bureaucratic design of the many agencies involved in these foreign policy areas may help explain why different actors perceive—and respond to—a single country's foreign policy position in different ways.



Table 6: Agency independence estimates for 89 U.S. government agencies. Aid-giving agencies in bold.

Agency	Independence
Appalachian Regional Commission	0.55
Barry Goldwater Scholarship and Excellence in Education Program	0.71
Board of Veterans Appeals	0.88
Broadcasting Board of Governors	0.75
Central Intelligence Agency	0.57
Chemical Safety and Hazard Investigation Board	1.01
Commodities Futures Trading Commission	0.66
Consumer Product Safety Commission	0.92
Corporation for National Community Service	0.78
Council of Economic Advisors	0.49
Council on Environmental Quality	0.49
Defense Nuclear Facilities Safety Board	0.79
<b>Department of Agriculture</b>	0.24
Department of Commerce	0.23
<b>Department of Defense</b>	0.21
Department of Education	0.24
<b>Department of Energy</b>	0.27
<b>Department of Health and Human Services</b>	0.26
Department of Homeland Security	0.24
Department of Housing and Urban Development	0.29
Department of Justice	0.05
<b>Department of Labor</b>	0.26
<b>Department of State</b>	0.00
<b>Department of the Interior</b>	0.30
<b>Department of the Treasury</b>	0.27
Department of Transportation	0.29
Department of Veterans Affairs	0.35
Environmental Protection Agency	0.44
Equal Employment Opportunity Commission	0.70
<b>Export-Import Bank of the United States</b>	0.68
Farm Credit Administration	0.74
Federal Communications Commission	0.65
Federal Deposit Insurance Corporation	0.75
Federal Election Commission	0.79
Federal Energy Regulatory Commission	0.73
Federal Housing Finance Agency	0.83

Table 6: Agency independence estimates for 89 U.S. government agencies. Aid-giving agencies in bold.

Agency	Independence
Federal Labor Relations Authority	0.83
Federal Maritime Commission	0.88
Federal Mediation and Conciliation Service	0.57
Federal Mine Safety and Health Review Commission	0.97
Federal Reserve Board	1.00
Federal Retirement Thrift Investment Board	0.79
Federal Trade Commission	0.86
General Services Administration	0.45
Harry S Truman Scholarship Foundation	0.80
Institute for Museum and Library Services	0.78
Inter-American Foundation	0.80
James Madison Memorial Fellowship Foundation	0.80
Merit Systems Protection Board	0.97
<b>Millennium Challenge Corporation</b>	0.77
National Aeronautics and Space Administration	0.45
National Council on Disability	0.78
National Credit Union Administration	0.59
National Endowment for the Arts	0.68
National Endowment for the Humanities	0.62
National Labor Relations Board	0.91
National Mediation Board	0.88
National Science Foundation	0.78
National Security Education Board	0.75
National Security Staff	0.43
National Transportation Safety Board	0.95
Nuclear Regulatory Commission	0.91
Occupational Safety and Health Review Commission	0.96
Office of Government Ethics	0.68
Office of Management and Budget	0.34
Office of National Drug Control Policy	0.30
Office of Navajo and Hopi Indian Relocation	0.70
Office of Personnel Management	0.59
<b>Office of Science and Technology</b>	0.37
Office of Special Counsel	0.90
Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects	0.70
Office of the United States Trade Representative	0.33

Table 6: Agency independence estimates for 89 U.S. government agencies. Aid-giving agencies in bold.

Agency	Independence
Overseas Private Investment Corporation	0.69
Peace Corps	0.57
Postal Regulatory Commission	1.01
Railroad Retirement Board	0.79
Securities and Exchange Commission	0.70
Selective Service System	0.53
Small Business Administration	0.53
Social Security Administration	0.74
Surface Transportation Board	1.01
Tennessee Valley Authority	0.79
<b>United States African Development Foundation</b>	0.77
<b>United States Agency for International Development</b>	0.55
United States Election Assistance Commission	0.79
<b>United States Institute of Peace</b>	1.00
United States International Trade Commission	0.68
United States Postal Service	1.00
<b>United States Trade and Development Agency</b>	0.52

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## APPENDIX

Table 7: Models from Table 3 with recipient and agency fixed effects

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	-21.502 (4.784)	-26.720 (5.921)	-29.627 (7.260)
Log(ODA) <sub>t-1</sub>	0.621 (0.008)	0.628 (0.008)	0.625 (0.008)
Polity	0.044 (0.019)	0.024 (0.017)	0.022 (0.015)
Log(GDP/Cap)	-0.295 (0.180)	-0.293 (0.218)	-0.111 (0.255)
Log(Population)	1.470 (0.289)	1.763 (0.354)	1.752 (0.324)
Alliance X Independence	-0.646 (0.202)		
Log(Trade)		0.206 (0.059)	
Log(Trade) X Independence		-0.311 (0.036)	
Log(Infant Mortality)			0.150 (0.313)
Log(Infant Mortality) X Independence			0.401 (0.087)
R <sup>2</sup>	0.651	0.649	0.648
Num. obs.	20037	20468	22666

Table 8: Models from Table 3 with agency and year fixed effects

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	1.409 (0.393)	4.440 (0.556)	-2.896 (0.564)
Log(ODA) <sub>t-1</sub>	0.663 (0.008)	0.669 (0.008)	0.667 (0.007)
Polity	0.019 (0.005)	0.027 (0.004)	0.036 (0.004)
Log(GDP/Cap)	-0.380 (0.021)	-0.526 (0.033)	-0.153 (0.033)
Log(Population)	0.146 (0.019)	0.000 (0.029)	0.202 (0.017)
Alliance	0.611 (0.109)		
Alliance X Independence	-0.583 (0.205)		
Log(Trade)		0.283 (0.026)	
Log(Trade) X Independence		-0.286 (0.036)	
Log(Infant Mortality)			0.197 (0.062)
Log(Infant Mortality) X Independence			0.357 (0.088)
R <sup>2</sup>	0.643	0.642	0.641
Num. obs.	20037	20468	22666

Table 9: Models from Table 3 with recipient and year fixed effects

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	-17.386 (7.949)	-12.003 (8.988)	-17.347 (7.970)
Log(ODA) <sub>t-1</sub>	0.774 (0.006)	0.776 (0.006)	0.772 (0.005)
Polity	0.035 (0.021)	0.018 (0.017)	0.015 (0.016)
Log(GDP/Cap)	-0.248 (0.295)	-0.502 (0.318)	-0.292 (0.290)
Log(Population)	1.299 (0.401)	0.984 (0.466)	1.301 (0.393)
Independence	0.051 (0.109)	1.362 (0.264)	-0.878 (0.282)
Alliance X Independence	-0.396 (0.208)		
Log(Trade)		0.174 (0.062)	
Log(Trade) X Independence		-0.222 (0.036)	
Log(Infant Mortality)			0.005 (0.452)
Log(Infant Mortality) X Independence			0.249 (0.087)
R <sup>2</sup>	0.618	0.619	0.617
Num. obs.	20037	20468	22666

Table 10: Models from Table 3, but excluding agency outliers

	USAID 1	USAID 2	USAID 3	ADF 1	ADF 2	ADF 3	DOD 1	DOD 2	DOD 3
(Intercept)	0.112 (0.370)	3.014 (0.537)	-3.745 (0.560)	4.478 (0.767)	6.688 (0.848)	0.849 (0.827)	0.305 (0.359)	2.926 (0.536)	-3.385 (0.548)
Log(ODA) <sub>t-1</sub>	0.655 (0.008)	0.661 (0.008)	0.659 (0.008)	0.665 (0.008)	0.670 (0.008)	0.669 (0.007)	0.674 (0.008)	0.677 (0.008)	0.678 (0.008)
Polity	0.020 (0.005)	0.027 (0.004)	0.035 (0.004)	0.019 (0.005)	0.028 (0.004)	0.037 (0.004)	0.019 (0.004)	0.024 (0.004)	0.032 (0.004)
Log(GDP/Cap)	-0.324 (0.021)	-0.467 (0.033)	-0.102 (0.033)	-0.384 (0.022)	-0.555 (0.035)	-0.160 (0.034)	-0.364 (0.021)	-0.496 (0.033)	-0.161 (0.032)
Log(Population)	0.136 (0.019)	-0.006 (0.028)	0.191 (0.017)	0.160 (0.019)	-0.005 (0.030)	0.217 (0.018)	0.142 (0.018)	0.016 (0.028)	0.190 (0.017)
Alliance	0.589 (0.106)			0.582 (0.107)			0.398 (0.108)		
Alliance X Independence	-0.592 (0.200)			-0.365 (0.229)			-0.284 (0.201)		
Log(Trade)		0.259 (0.026)			0.276 (0.026)			0.237 (0.026)	
Log(Trade) X Independence		-0.235 (0.036)			-0.224 (0.040)			-0.217 (0.036)	
Log(Infant Mortality)			0.272 (0.061)			0.215 (0.062)			0.191 (0.061)
Log(Infant Mortality) X Independence			0.135 (0.087)			0.304 (0.099)			0.273 (0.088)
R <sup>2</sup>	0.613	0.605	0.608	0.666	0.660	0.662	0.683	0.675	0.680
Num. obs.	18655	19052	21103	18655	19052	21103	18655	19052	21103

Table 11: Models from Table 3, but excluding country outliers – Afghanistan, Colombia, Egypt, Iraq, Israel, Israel, Pakistan

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.350 (0.364)	3.328 (0.532)	-3.637 (0.549)
Log(ODA) <sub>t-1</sub>	0.670 (0.008)	0.674 (0.008)	0.674 (0.007)
Polity	0.019 (0.005)	0.027 (0.004)	0.035 (0.004)
Log(GDP/Cap)	-0.371 (0.021)	-0.518 (0.032)	-0.150 (0.032)
Log(Population)	0.142 (0.018)	-0.009 (0.028)	0.194 (0.017)
Alliance	0.527 (0.107)		
Alliance X Independence	-0.415 (0.203)		
Log(Trade)		0.261 (0.026)	
Log(Trade) X Independence		-0.217 (0.036)	
Log(Infant Mortality)			0.218 (0.061)
Log(Infant Mortality) X Independence			0.272 (0.088)
R <sup>2</sup>	0.669	0.663	0.665
Num. obs.	19270	19776	21899



Table 12: Probability of obtaining U.S. ODA, and value of ODA receipts in the recipient subsample. Logit and ordinary least squares models. Agency-specific time trends omitted from the table.

	Logit 1	Logit 2	Logit 3	OLS 1	OLS 2	OLS 3
(Intercept)	-19.024 (981.383)	-15.909 (927.030)	-23.106 (921.944)	9.633 (0.616)	11.654 (0.654)	8.627 (0.719)
Recipient <sub>t-1</sub>	3.369 (0.062)	3.299 (0.062)	3.383 (0.058)			
Polity	0.024 (0.005)	0.035 (0.004)	0.042 (0.004)	0.018 (0.005)	0.016 (0.004)	0.017 (0.004)
Log(GDP/Cap)	-0.408 (0.022)	-0.571 (0.034)	-0.170 (0.033)	-0.114 (0.025)	-0.117 (0.035)	-0.073 (0.033)
Log(Population)	0.138 (0.017)	-0.021 (0.028)	0.192 (0.016)	0.245 (0.017)	0.224 (0.027)	0.259 (0.016)
Alliance	0.657 (0.094)			0.020 (0.085)		
Alliance X Independence	-0.530 (0.174)			-0.161 (0.134)		
Log(Trade)		0.270 (0.025)			0.046 (0.022)	
Log(Trade) X Independence		-0.207 (0.032)			-0.045 (0.027)	
Log(Infant Mortality)			0.279 (0.060)			-0.008 (0.060)
Log(Infant Mortality) X Independence			0.171 (0.090)			0.160 (0.088)
Log(ODA) <sub>t-1</sub>				0.175 (0.006)	0.175 (0.005)	0.176 (0.005)
AIC	10197.044	10307.951	11461.767			
BIC	11620.004	11615.843	12906.919			
Log Likelihood	-4918.522	-4988.976	-5550.883			
Deviance	9837.044	9977.951	11101.767			
Num. obs.	20037	20468	22666	5723	5558	6228
R <sup>2</sup>				0.503	0.500	0.506

Table 13: Models from Table 3, but controlling for all foreign policy motives in each equation.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.748 (0.831)	1.422 (0.832)	0.174 (0.848)
Log(ODA) <sub>t-1</sub>	0.671 (0.008)	0.669 (0.008)	0.672 (0.008)
Polity	0.025 (0.005)	0.025 (0.005)	0.025 (0.005)
Log(GDP/Cap)	-0.392 (0.051)	-0.394 (0.051)	-0.392 (0.051)
Log(Population)	0.031 (0.032)	0.031 (0.032)	0.031 (0.032)
Log(Trade)	0.132 (0.026)	0.228 (0.030)	0.131 (0.026)
Alliance	0.514 (0.113)	0.267 (0.081)	0.265 (0.081)
Log(Infant Mortality)	0.211 (0.059)	0.212 (0.058)	0.105 (0.071)
Alliance X Independence	-0.716 (0.207)		
Log(Trade) X Independence		-0.274 (0.041)	
Log(Infant Mortality) X Independence			0.303 (0.103)
R <sup>2</sup>	0.669	0.669	0.669
Num. obs.	18271	18271	18271

Table 14: Models from Table 3 with additional control variable for divided government in the U.S.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	1.366 (0.426)	4.304 (0.576)	-2.657 (0.558)
Log(ODA) <sub>t-1</sub>	0.672 (0.008)	0.676 (0.008)	0.676 (0.007)
Polity	0.019 (0.004)	0.027 (0.004)	0.035 (0.004)
Log(GDP/Cap)	-0.373 (0.021)	-0.518 (0.032)	-0.150 (0.032)
Log(Population)	0.142 (0.018)	0.000 (0.028)	0.197 (0.017)
Divided Government	-0.998 (0.220)	-1.018 (0.235)	-1.012 (0.198)
Alliance	0.599 (0.105)		
Alliance X Independence	-0.574 (0.197)		
Log(Trade)		0.264 (0.025)	
Log(Trade) X Independence		-0.241 (0.035)	
Log(Infant Mortality)			0.230 (0.060)
Log(Infant Mortality) X Independence			0.248 (0.087)
R <sup>2</sup>	0.671	0.665	0.667
Num. obs.	20037	20468	22666

Table 15: Models from Table 3 with additional control for the occurrence of intersate/intrastate intermediate armed conflicts or wars (UCDP).

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	-1.069 (0.502)	0.901 (0.686)	-3.799 (0.771)
Log(ODA) <sub>t-1</sub>	0.672 (0.012)	0.678 (0.011)	0.678 (0.011)
Polity	0.030 (0.006)	0.033 (0.005)	0.039 (0.005)
Log(GDP/Cap)	-0.205 (0.028)	-0.304 (0.041)	-0.118 (0.045)
Log(Population)	0.156 (0.026)	0.069 (0.037)	0.199 (0.024)
conflict	-0.132 (0.127)	-0.084 (0.119)	-0.112 (0.119)
Alliance	0.585 (0.143)		
Alliance X Independence	-0.631 (0.294)		
Log(Trade)		0.191 (0.033)	
Log(Trade) X Independence		-0.206 (0.049)	
Log(Infant Mortality)			-0.134 (0.085)
Log(Infant Mortality) X Independence			0.663 (0.137)
R <sup>2</sup>	0.680	0.677	0.676
Num. obs.	9702	10808	10906

Table 16: Models from Table 3, but using a binary Independence measure.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.339 (0.360)	2.979 (0.530)	-3.766 (0.544)
Log(ODA) <sub>t-1</sub>	0.672 (0.008)	0.678 (0.008)	0.675 (0.007)
Polity	0.019 (0.004)	0.027 (0.004)	0.035 (0.004)
Log(GDP/Cap)	-0.373 (0.021)	-0.516 (0.032)	-0.150 (0.032)
Log(Population)	0.142 (0.018)	0.000 (0.028)	0.198 (0.017)
Alliance	0.483 (0.086)		
Alliance X Independence <sup>d</sup> :	-0.227 (0.126)		
Log(Trade)		0.215 (0.023)	
Log(Trade) X Independence <sup>d</sup> :		-0.093 (0.022)	
Log(Infant Mortality)			0.234 (0.054)
Log(Infant Mortality) X Independence <sup>d</sup> :			0.219 (0.056)
R <sup>2</sup>	0.671	0.665	0.667
Num. obs.	20037	20468	22666

Table 17: Models from Table 3, but using an alternative measure of agency Independence from Selin (2013).

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.333 (0.360)	2.882 (0.529)	-3.675 (0.540)
Log(ODA) <sub>t-1</sub>	0.672 (0.008)	0.679 (0.008)	0.675 (0.007)
Polity	0.019 (0.004)	0.027 (0.004)	0.035 (0.004)
Log(GDP/Cap)	-0.373 (0.021)	-0.516 (0.032)	-0.150 (0.032)
Log(Population)	0.142 (0.018)	0.000 (0.028)	0.198 (0.017)
Alliance	0.503 (0.092)		
Alliance X selin	-0.279 (0.159)		
Log(Trade)		0.216 (0.023)	
Log(Trade) X selin		-0.097 (0.028)	
Log(Infant Mortality)			0.219 (0.055)
Log(Infant Mortality) X selin			0.258 (0.069)
R <sup>2</sup>	0.671	0.665	0.667
Num. obs.	20037	20468	22666

Table 18: Alternative measures of development need – income per capita, % of AIDS in the Log(Population), % of Log(Population) under 5\$ per day, and life expectancy.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3	Log(ODA) 4
(Intercept)	-0.215 (0.351)	-5.272 (0.740)	-1.476 (0.968)	0.301 (0.380)
Log(ODA) <sub>t-1</sub>	0.678 (0.007)	0.567 (0.015)	0.653 (0.013)	0.677 (0.007)
Polity	0.030 (0.004)	0.036 (0.009)	0.036 (0.010)	0.029 (0.004)
Log(GDP/Cap)	-0.269 (0.029)	-0.088 (0.044)	-0.202 (0.103)	-0.312 (0.026)
Log(Population)	0.181 (0.016)	0.443 (0.038)	0.130 (0.034)	0.185 (0.017)
Log(GDP/Cap) X Independence	-0.133 (0.056)			
AIDS/Population		0.097 (0.040)		
AIDS/Population X Independence		0.183 (0.083)		
Poverty			0.013 (0.005)	
Poverty X Independence			0.004 (0.007)	
Life expectancy				0.012 (0.005)
Life expectancy X Independence				-0.035 (0.008)
R <sup>2</sup>	0.666	0.639	0.689	0.667
Num. obs.	22666	7125	6824	22492

Table 19: Models from Table 3 with alternative measures of U.S. diplomatic interest – Troops stationed in the recipient country, Distance from the U.S., net FDI outflow from the U.S. to the recipient, and bilateral tax treaty.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3	Log(ODA) 4
Log(ODA) <sub>t-1</sub>	0.670 (0.007)	0.675 (0.007)	0.674 (0.008)	0.677 (0.007)
Polity	0.035 (0.004)	0.025 (0.004)	0.027 (0.005)	0.031 (0.004)
Log(GDP/Cap)	-0.352 (0.023)	-0.349 (0.019)	-0.392 (0.025)	-0.292 (0.019)
Log(Population)	0.144 (0.020)	0.194 (0.017)	0.176 (0.021)	0.206 (0.018)
Log(Troops) 2005	0.062 (0.020)			
Log(Troops) 2005 X Independence	-0.098 (0.037)			
Distance		-0.046 (0.013)		
Distance X Independence		-0.005 (0.026)		
FDI			0.035 (0.012)	
FDI X Independence			-0.095 (0.022)	
BTT				-0.002 (0.091)
BTT X Independence				-0.606 (0.173)
R <sup>2</sup>	0.759	0.757	0.770	0.756
Num. obs.	20559	22111	15632	22666



Table 20: Bootstrapped PCA model with method of composition. Relationship between foreign policy motives, agency independence, and ODA allocation patterns. Linear models. Robust standard errors. The models include agency and year fixed effects, as well as agency-specific time trends (omitted from the table).

	Alliance		Trade		Infant mortality	
	Coef.	SE	Coef	SE	Coef	SE
(Intercept)	1.296	0.418	4.327	0.578	-2.978	0.633
Log(GDP/cap)	-0.380	0.023	-0.530	0.034	-0.149	0.037
Log(ODA) <sub>t-1</sub>	0.663	0.006	0.669	0.006	0.667	0.005
Polity	0.019	0.005	0.027	0.005	0.036	0.004
Log(Population)	0.150	0.019	0.002	0.029	0.206	0.018
Alliance	0.684	0.122				
Alliance x Independence	-0.638	0.235				
Log(Trade)			0.326	0.030		
Log(Trade) x Independence			-0.325	0.043		
Log(Infant mortality)					0.163	0.076
Log(Infant mortality) x Independence					0.393	0.121

Table 21: Models from Table 3, but with all regressors lagged by one year.

	Log(ODA) 1	Log(ODA) 2	Log(ODA) 3
(Intercept)	0.425 (0.359)	3.450 (0.506)	-3.766 (0.544)
Log(ODA) <sub>t-1</sub>	0.670 (0.008)	0.672 (0.007)	0.675 (0.007)
Polity <sub>t-1</sub>	0.018 (0.004)	0.026 (0.004)	0.035 (0.004)
Log(GDP/Cap) <sub>t-1</sub>	-0.381 (0.021)	-0.538 (0.031)	-0.149 (0.032)
Log(Population) <sub>t-1</sub>	0.142 (0.018)	-0.004 (0.027)	0.200 (0.017)
Alliance <sub>t-1</sub>	0.636 (0.105)		
Alliance <sub>t-1</sub> X Independence <sub>t-1</sub>	-0.619 (0.198)		
Log(Trade) <sub>t-1</sub>		0.253 (0.024)	
Log(Trade) <sub>t-1</sub> X Independence <sub>t-1</sub>		-0.217 (0.034)	
Log(Infant Mortality) <sub>t-1</sub>			0.245 (0.061)
Log(Infant Mortality) <sub>t-1</sub> X Independence <sub>t-1</sub>			0.242 (0.087)
R <sup>2</sup>	0.670	0.668	0.667
Num. obs.	20053	22361	22653

Figure 3: Distribution of ODA receipts by country and agency (1 of 2)

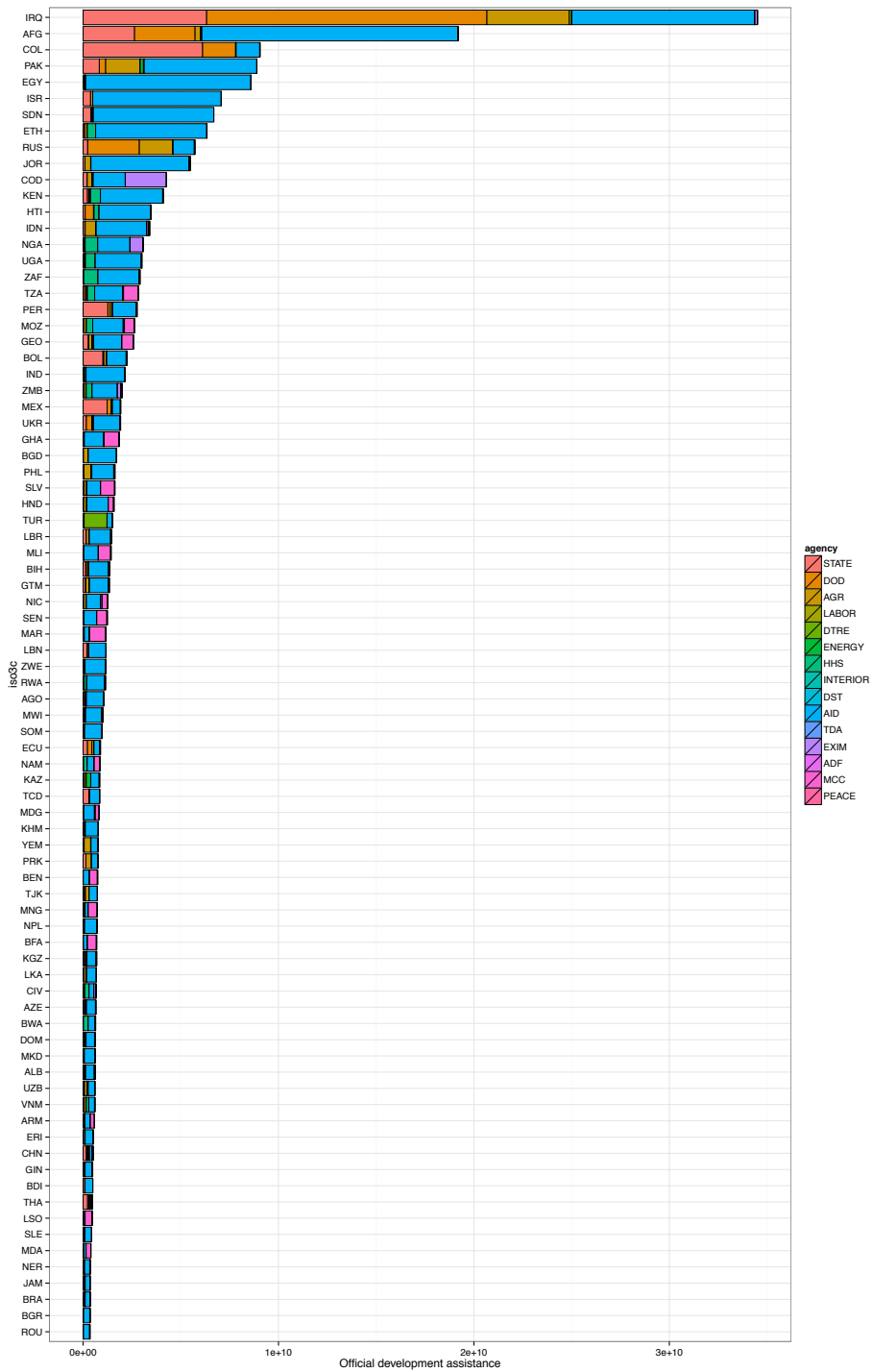


Figure 4: Distribution of ODA receipts by country and agency (2 of 2). Please note the change in scale from Figure 3.

