The Political Economy of Multilateral Foreign Aid: UNICEF as a Tool of U.S. Foreign Policy

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Abstract

The United Nations Children's Fund (UNICEF) has long been controlled by the United States. I show that countries that are politically closely aligned with the United States receive more foreign aid from UNICEF. In addition, UNICEF provides more aid to U.S.-friendly governments in recipient countries' election years, but only if those elections are competitive. I conclude that the United States uses UNICEF as a tool of its foreign policy. It uses its influence in an international organization to help aligned governments win elections, but does not want to waste money on elections whose result is known ahead of time. None of these findings hold for the United Nations Development Programme (UNDP) or the United Nations Population Fund (UNFPA), two U.N. organizations that have not been dominated by the United States.

UNICEF

The United Nations International Children's Emergency Fund (UNICEF) was created in December 1946 to provide food, clothing and health care to children in Europe who faced famine and disease after the end of the Second World War. Even since its founding, UNICEF has been controlled by the United States of America. Every single one of its six Executive Directors was an American citizen with strong ties to the U.S. government. The United States is, furthermore, UNICEF's most important donor. According to the Annual Report for 2010, the U.S. government contributed approximately 341 million U.S. dollars to the organization in 2011. The United Kingdom came in second, with a contribution of a little over 258 million dollars, while Norway was third with 205 million dollars. In 2011, the U.S. government accounted for 16.9 percent of UNICEF's funding from donor governments.

UNDP

The United Nations Development Programme (UNDP) was formally established in 1965 by the United Nations General Assembly, through a merger of two pre-existing U.N. organizations: the United Nations Expanded Programme of Technical Assistance, and the United Nations Special Fund. UNDP describes itself as "the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life." Unlike UNICEF, the United Nations Development Programme is not clearly dominated by the United States. Its Administrators have hailed from countries other than the U.S., and while the United States is an important donor to the organization, it is not the decisive one.

UNFPA

The United Nations Population Fund (UNFPA) "delivers a world where every pregnancy is wanted, every birth is safe, [and] every young person's potential is fulfilled." Its goals include the following: achieving universal access to reproductive health, reducing maternal mortality, and accelerating progress towards the Millennium Development Goals (MDGs) and the Programme of Action adopted at the International Conference on Population and Development in 1994. None of UNFPA's Executive Directors have come from the United States of America, and the United States is not among the most important donors to UNFPA. In 2011, the United States was the sixth largest contributor to its regular funding, having given $37 million. The United Nations Population Fund has, moreover, had strained relations with several U.S. administrations, and has seen its funding from the United States decreased or suspended. Most recently, President George W. Bush's administration withheld a total of $244 million over the course of seven years, citing concerns over UNFPA's alleged funding of forced abortion and sterilization programs in China.

Hypotheses

In the case of UNICEF, I expect the dominant funding and administrative role of the United States to be reflected in the organization's foreign aid allocation decisions. More specifically, I expect UNICEF to allocate more aid to recipient countries whose foreign policies are closely aligned with those of the United States. **In addition, I expect there to be a political aid cycle.** The United States will support the re-election of friendly (i.e., closely aligned) incumbent governments by providing them with more money through UNICEF in election years. Such an increase in foreign aid commitments will, however, only happen if the election is competitive. If the election results is not in doubt, the United States will prefer not to waste its aid money on influencing an election whose favorable outcome is already guaranteed. By contrast, **I do not expect the aid allocation decision made by UNDP or UNFPA – organizations in which the United States does not wield a lot of influence – to be driven by either the recipient country's political alignment with the United States, nor by the timing of executive elections.**

Empirical Analysis

For each of the examined multilateral donors (UNICEF, UNDP and UNFPA), I estimate three Ordinary Least Squares (OLS) multiple regression models with recipient- and year- fixed effects.

Model (1): The Role of Political Alignment with the U.S.

$$\ln(Aid_{it}) = \gamma Alignment_{it} + \mathbf{X_{it}}\beta + \mathbf{r_i}\delta + \mathbf{y_t}\theta + \varepsilon_{it},$$

where i and t index recipient countries and years, respectively. $\mathbf{X_{ij}}$ is a vector of country- and time-varying control variables. In all model specifications, I control for the natural logarithms of the recipient country's gross domestic product (GDP), lagged by one year, and of its population size.

Model (2): Introducing the Impact of Executive Elections

$$\ln(Aid_{it}) =$$
$$\gamma_1 Alignment_{it} + \gamma_2 Election_{it} + \gamma_3 Election_{it} \times Alignment_{it} + \mathbf{X_{it}}\beta + \mathbf{r_i}\delta + \mathbf{y_t}\theta + \varepsilon_{it}$$

Model (3): The Role of Electoral Competitiveness

$$\ln(Aid_{it}) = \gamma_1 Alignment_{it} + \gamma_2 Competitive\ Election_{it} +$$
$$\gamma_3 Competitive\ Election_{it} \times Alignment_{it} + \gamma_4 NonCompetitive\ Election_{it} +$$
$$\gamma_5 NonCompetitive\ Election_{it} \times Alignment_{it} + \mathbf{X_{it}}\beta + \mathbf{r_i}\delta + \mathbf{y_t}\theta + \varepsilon_{it}$$

Data Sources

Data on multilateral foreign aid commitments comes from AidData. To measure political alignment with the United States, I use the proportion of a country's yes or no votes in the U.N. General Assembly that is in agreement with the vote cast by the United States. I code this proportion as a variable named UN Voting, and will refer to it as such throughout the paper. This measure, also known as 'Affinity of Nations' scores, comes from Strezhnev and Voeten (2012). Data on executive elections, and on their competitiveness, come from the Database of Political Institutions (DPI), published by the World Bank (Beck et al., 2001).

Empirical Results

	Dependent variable:		
	ln (Aid Commitment)		
	(1)	(2)	(3)
UN Voting	1.393*	0.996	1.445*
	(0.828)	(0.829)	(0.866)
Election		−0.365**	
		(0.178)	
Election × UN Voting		2.917***	
		(0.787)	
Competitive Election			−0.500**
			(0.202)
Competitive Election × UN Voting			3.754***
			(0.882)
Non-competitive Election			0.037
			(0.366)
Non-competitive Election × UN Voting			−0.821
			(1.932)
ln (GDP$_{t-1}$)	−0.034	−0.065	−0.050
	(0.364)	(0.362)	(0.362)
ln (Population)	1.115	0.932	0.905
	(0.695)	(0.692)	(0.694)
Constant	−2.992	0.592	0.383
	(12.121)	(12.073)	(12.092)
Recipient-fixed effects	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes
Observations	1,289	1,289	1,285
R^2	0.962	0.963	0.963
Adjusted R^2	0.957	0.958	0.958
Note:			*$p<0.1$; **$p<0.05$; ***$p<0.01$