The Effects of Aid on Rights and Governance: Evidence from a Natural Experiment[*]

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Abstract

Does foreign aid promote good governance in recipient countries? We help arbitrate the debate over this question by leveraging a novel source of exogeneity: the rotating presidency of the Council of the European Union. We find that when a country's former colonizer is the president of the Council of the European Union during the budget-making process, the country is allocated considerably more foreign aid than are countries whose former colonizer does not hold the presidency. Using instrumental variables estimation, we demonstrate that this aid has positive effects on multiple measures of human rights and governance, although the effects are short-lived after the shock to aid dissipates. We then disaggregate aid flows, present evidence for the causal mechanism at work, and offer directions for future advances.

Keywords: democracy, European Council, foreign aid, governance, instrumental variables, natural experiment, human rights

The view that good governance is primarily a domestic affair has lost ground to an alternative view – that of an international community actively shaping the rights and freedoms in states around the world.[1] A growing body of research points to systems of governance which are not *sui generis* but are substantially affected by international processes (Gleditsch and Ward 2006), yet the role of one of the international community's primary tools of influence, foreign aid, is a subject of considerable controversy. Some work suggests a positive relationship between aid and good governance when donors attach conditions on how aid is spent, particularly in the post-Cold War period (Dunning 2004), when aid comes from democratic donors (Bermeo 2011), or when recipients join international organizations dominated by democracies (Pevehouse 2002*a*).[2] However, many scholars argue that foreign aid has no effect (Knack 2004), or has a negative effect, on rights and governance due to the inefficient spending by recipient governments (Burnside and Dollar 2000) and the politically-motivated agendas of donors (Alesina and Dollar 2000; Dreher et al. 2010; Schraeder, Hook and Taylor 1998). Perversely, receiving aid may increase the size of government (Remmer 2004), while strengthening rent-seeking or oppressive institutions (Bueno de Mesquita and Smith 2009*b*; Bräutigam and Knack 2004; Kono and Montinola 2009; Rajan and Subramanian 2007). Aid inflows may be similar to oil concessions, allowing rulers a source of unaccountable revenue (Morrison 2009), thereby hindering democratization (Ross 2001).[3]

The emerging skeptical consensus has led to questions of whether aid can bring about democracy and good governance anywhere. In fact, Knack (2004) reaches the dismal conclusion that any positive effects of aid on democratization "are compensated by other effects of aid that tend to undermine democratic development." Arbitrating the debate over this question is urgent yet blocked by difficulties in drawing causal inference about the effects of foreign aid. A central issue is that

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[1]For example, election observers based abroad have challenged state sovereignty over the counting of ballots, helping punish cheaters and reduce fraud (Donno 2010; Hyde 2007, 2011). Additionally, the "Orange Revolution" in Ukraine is one example among many of how the international community shapes the tug-of-war between governments and oppositions at election time (McFaul 2007; Tucker 2007; Beissinger 2007; Bunce and Wolchik 2010). Also, the opposition tends to win in "hybrid" regimes linked to the West and coups against elected leaders are now less legitimate (Levitsky and Way 2010; Goemans and Marinov 2012).

[2]Wright (2009) has argued that when leaders are likely to win a fair election, aid would produce democratic change.

[3]Some scholars refer to the receipt of foreign aid as a "curse" (Djankov, Montalvo and Reynal-Querol 2008), warning of the perils of "unearned income" (Smith 2008; Morrison 2009).

aid allocation is not randomly assigned; that is, donors give aid for reasons that are not independent of rights and governance in recipient countries. Many motivations for providing aid are likely unobservable, which can lead to bias in the estimation strategy. Scholars have recognized the need for a method to overcome the problem of endogenous aid giving, but have been largely unable to identify a plausible source of exogeneity.[4]

We develop a novel approach to dealing with the hitherto intractable problem of endogenous aid giving. By focusing on a theoretically-relevant institutional provider of large amounts of development assistance, we leverage features of the policy-making procedure to recover quasi-experimental variation in aid allocation.[5] We identify a process that drives aid allocation and is exogenous to the rights and governance in recipient countries: the rotating presidency of the Council of the European Union (EU Council). Since the country holding the presidency is determined exogenously, the set of countries that happen to be former colonies of the president is also exogenous. We find that when a country's former colonizer is the president of the EU Council during the budget-making process, the country is allocated considerably more EU aid. This exogenous shock to a recipient country's aid allocation serves as the basis of our estimation strategy. We use the colonial relationship to the current EU Council president as an instrumental variable for the amount of foreign aid from the European Community in the following year. That is, our identification strategy rests on comparing former colonies of the current EU Council President to former colonies of *other* EU member states.[6]

We find that foreign aid from the EU has a positive but short-lived effect on human rights

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[4]For example, Nielsen et al. (2011, 19) state, "we also attempted to find a source of exogenous variation - a natural experiment - that would give us a valid instrumental variable for aid shocks....we tried a number of potential instruments culled from the aid allocation literature, including recipient membership on the United Nations Security Council, fluctuations in donor GDP, and voting similarity in the United Nations General Assembly [and] eventually rejected all three as invalid either because they likely fail the exclusion restriction or because they are not significantly correlated with aid shocks." Although see Ahmed (2012) for the use of price shocks as a clever instrument for aid. However, without exact knowledge of the assignment process for price shocks, it is nevertheless possible that the instrument suffers from unobserved heterogeneity (Sekhon and Titiunik 2012).

[5]We thus heed advice from the literature on natural experiments to use a known assignment process (Sekhon and Titiunik 2012).

[6]Our approach is distinguished from other approaches (Dunning 2004; Goldsmith 2001) that use colonial status as an instrumental variable. We do not require that colonial status is exogenous, only that the rotating presidency is exogenous. The role of colonial status is to connect recipient countries to the randomly held presidency via the favoritism employed by their former colonizers.

and governance. The effect on rights is immediate and dissipates quickly, while the effect on governance takes longer to build up but also washes out. We further examine the process driving our effect by disaggregating aid flows and demonstrate that our effect is driven by the receipt of aid intended for development. These findings provide a baseline estimate of the effectiveness of aid, furthering the large theoretical debate on the role of the international community in shaping rights and freedoms around the world. Our approach of using exogenous features of the policy-making process to illuminate questions of theoretical and policy interest can be useful to many debates in international political economy beyond foreign aid and democratization.

The Institutional Foundations of Aid Effectiveness: The European Union and Rights and Governance

We ask whether countries receiving more EU aid are more likely to practice good governance and to respect the rights of their citizens.[7] As a multilateral institution dedicated to the promotion of democracy and human rights by virtue of its founding and subsequent treaties, the EU sits at the intersection of debates on democratization, democratic conditionality and delegation.[8] As an important actor in world affairs, the EU provides large amounts of aid to a wide array of countries (*The Independent European Development Portal* 2011), which is often conditioned on recipients' respect for human rights and governance (Dunning 2004; Bueno de Mesquita and Smith 2009*a*; Bearce and Tirone 2010). Ruling elites have an incentive to accommodate at least some of the donor's demands for reform as the price of receiving aid, and may refrain from repression if threatened with reductions in aid.[9] While a large literature traces the success of liberalization in Eastern

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[7]Strictly speaking, bilateral aid from EU country members is usually counted towards EU aid. For purposes of this paper, EU aid will be used to refer to European Community aid only, which is the assistance that comes out of the pooled money at the EU level and is under the EU's administration.

[8]The 1957 founding Treaty of Rome states that the European Economic Community's objective is "developing and consolidating democracy and the rule of law, and... respecting human rights and fundamental freedoms" (Article 177(2)). The commitment gained force overtime through the 1991 Council of Ministers' Resolution, the 1992 Treaty on the European Union (the Maastricht Treaty), 1997 Treaty of Amsterdam and the 2001 Treaty of Nice (*The Independent European Development Portal* 2011).

[9]The literature on this topic is too rich to do it justice here, but we refer to Stone (2004) and Dietrich and Wright (2011) for a treatment of the important case of Africa and to Bearce and Tirone (2010) for the more general case of

Europe to the powerful forces of European integration (Kelley 2004; Vachudova 2005; Levitz and Pop-Eleches 2010), the question remains whether the EU can foster liberalization even when the prize at stake falls well short of the substantial benefits of full EU membership (Schimmelfennig 2005).

The EU's multilateral nature and delegation of non-trivial powers to a network of supranational institutions (Pollack 1997; Tsebelis and Garrett 2001) may make these conditional commitments more credible,[10] as delegating aid provision to international organizations can result in aid flows that are relatively free of short term domestic political pressures (Rodrik 1995; Milner 2006).[11] Further, the EU designates much of its aid for specific projects designed to strengthen political reforms in recipient countries, which can affect rights and governance directly by building civil society or strengthening institutions.[12] To the extent that we expect to find liberalizing effects of aid anywhere, it should arguably be in the case of the European Union. We deliberately focus on liberalization defined broadly: inclusive of progress on human rights and progress on democratization. In practice, the EU and other donor countries demand both, making the exclusion of one or the other potentially arbitrary.

Foreign Aid and the EU Council Presidency

By focusing on a specific donor, we can parse out the decision-making process that determines how aid is allocated, which can help address the problem of non-random aid allocation. By exploiting exogenous variation in aid allocation induced by the rotating Council presidency, we seek to overcome the pervasive problem of endogenous aid allocation. Our novel estimation procedure relies on the role of the EU Council in the European Union's decision-making process. The

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the impact of the Cold War.

[10]Some international organizations have strengthened democracy among members, offering support for this idea (Pevehouse 2002*b*).

[11]Delegation and the reduced control it entails is not an unmitigated good (Nielson and Tierney 2003); the hope is that a suitably designed contract can give principals enough control over the institution to make sure agents hew to the mission (Hawkins et al. 2006).

[12]Some scholars have also hypothesize that development aid promotes economic growth, which in turn promotes rights and freedoms, although the link between aid and economic growth is tenuous, and the effects are likely gradual and occur in the long-term (Lipset 1959; Glaeser et al. 2004; Glaeser and Shleifer 2007).

Council is the major legislative body of the EU and is composed of high-level political representatives of the member governments. The Council wields a good deal of power, as it is not formally accountable to any other body under the EU's founding treaties. While much of the work associated with running the EU is delegated to a dedicated bureaucracy in the European Commission (Hooghe 2001), and a directly elected European Parliament (EP) can veto some decisions made by the Council, most key decisions either originate in the Council or are given a green light by the Council (Hayes-Renshaw and Wallace 1997).

Formally a gathering of equals, the Council aims to avoid some of the difficulties associated with decision-making through the institution of the Council presidency. The Council president heads the Council and possesses discernible influence over a number of policy areas (Warntjen 2007, 2008; Thomson 2008). In fact, until the 2007 reforms, the power of the presidency grew sufficiently for insiders to claim that it was 'almost impossible' to move the Council to adopt decisions contrary to the president's preferences (Johnston 1994, p.25). Foreign aid allocation is no exception, as the president exerts identifiable control over the EU budget.[13]

The president that is in power during the budgetary process influences the foreign aid budget through a number of channels. First, the president can shift aid allocation through her influence over the adoption of the budget. The Commission begins to work on a draft budget for the Community in the beginning of the year preceding its implementation (i.e., before the money is spent). The Council becomes more significantly involved in the second half of the year, preparing a draft of the budget which is adopted in late July. The budget then goes to the EP, which proposes amendments. The Council has the last word on compulsory expenditure, including aid, as the adoption of the final budget is determined by qualified majority in the Council (Nugent 1991, 125).[14] The

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[13]The budget contains compulsory expenditures, which govern international commitments including aid, and non-compulsory expenditures, which govern all other projects funded by the EU. EU aid typically comprises about 5% of the EU's total operating budget, and is funded by member states up to a ceiling of 1.23% of the EU's GNI. The European Community has two means for funding aid: the EU budget and the European Development Fund. While the European Development Fund is funded by individual member states and does not come under the purview of the EU budget, the Community budget is funded by the EU directly through both VAT based and GNI based taxes on member states.

[14]Since the budgetary treaties of 1970 and 1975, the EP and Council have had to share budgetary control. The EP can veto non-compulsory expenditures, amend proposals, ratify council decisions, and propose initiatives. However, the EP is geographically varied, has 11 working languages, and does not attend council meetings. In practice, these

Council can use its budgetary veto power to force concessions (Manners 2003).[15] However, we emphasize that the Commission is formally tasked with the preparation of the budget, and the role of the Council, while real, is rendered somewhat less visible by the bureaucratic back-and-forth of policy-making in Brussels.

Second, the president can influence the aid budget through the power to control budgetary meetings, as the president determines the number of meetings, meeting duration (Sherrington 2000, 44),[16] and meeting agendas (Sherrington 2000; Tallberg 2003*b*, 2010). The president can shape the agenda by presenting new priorities, placing varying weights on existing regions and programs, or excluding topics that it does not favor (Svensson 2000; Tallberg 2003*a*).[17] If disputes arise, the president may also serve as a mediator, obtaining privileged information from member states and shifting the compromise closer to its preferred position.[18]

The Rotation Principle

What is particularly interesting about the presidency is the manner in which it is filled. Institutions typically fill positions by non-randomly selecting members for terms in office.[19] By contrast, the EU Council presidency operates with a pre-agreed rotation principle governing succession. From 1965 to 2007, countries held the presidency for six months at a time, either from January to June or from July to December. In 1965, the EU stipulated that the order in which the presidency rotated would be alphabetical, according to the name of each member state as spelled in its own language

issues confer additional power to the Council (Hayes-Renshaw and Wallace 1997).

[15]For example, in 1989, the Spanish presidency vetoed the European Community budget to force agreement on doubling the structural funds as compensation for accepting the single European market (Morata and Fernandez 2003).

[16]In fact, letting a meeting run late into the evening can leave participants worrying about the last flight out of town (Sherrington 2000, 44).

[17]There are constraints to the president's powers of agenda setting: the president inherits many agenda items from the previous president, many situations arise during the presidency which the president must respond to, and the president often tries to appear neutral in terms of which items he favors (Svensson 2000; Tallberg 2003*b*).

[18]For example, during the Finnish presidency in the second half of 1999, a budgetary dispute arose regarding the appropriate amount of funds to allocate to Kosovo. Finland mediated the dispute and negotiated a compromise that Finland also favored (Tiilikainen 2003). Additionally, during the British presidency of 1998, the president presided over and mediated a number of budgetary reforms, including shifting regional boundaries and regional aid. The president also lobbied to maintain regional aid to the regions it desired (Manners 2003).

[19]The United Nations Security Council, for example, has attracted some attention on that count (Dreher, Sturm and Vreeland 2009; Bueno de Mesquita and Smith 2010; Kuziemko and Werker 2006).

(Germany-Deutschland, Greece-Ellas, and so on).[20] The remarkable aspect of this system is that it produces variation in who commands power in a manner that is not associated with nor dictated by power or politics. This creates an opportunity to exploit the mechanistic, exogenous assignment of countries to the office.

The president represents a particular country in the EU; thus, she not only represents the interests of the EU as a whole, but also her own national interests. For example, a president often favors countries with which her home country has a special relationship, such as countries which were former colonies, since former colonizers tend to have political, cultural and economic ties to their former colonies. In fact, although the literature investigating donor motivations for giving aid disagrees on many points, a consistent, large, and uncontroversial finding is that former colonizers give aid disproportionately to former colonies (Carbone 2007; Holland 2002; Alesina and Dollar 2000; Zanger 2000). Given this well-established relationship, it makes sense that when former colonizers hold the presidency, they prefer to support their former colonies with increased foreign aid. Indeed, many anecdotal and interview accounts support the contention that presidents allocate aid to favor their former colonies (Bengtsson 2003; Kerremans and Drieskens 2003; Manners 2003).[21]

Due to the random manner in which the country holding the presidency is determined, whether partner countries were colonies of the current president is also determined randomly. Presidents exert a good deal of influence over foreign aid allocation and, as we show, tend to give more aid to their former colonies. Thus, we can use the randomly-assigned former colony status as the basis of our empirical strategy.

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[20]The rules governing rotation have been amended three times since 1965, which we describe further when discussing our empirical strategy.

[21]For example, the Belgium presidency in the second half 2001 placed former colonies in Africa high on the European Community aid agenda and channeled additional development aid to its former colony, the DRC (Kerremans and Drieskens 2003). Similarly, the 2002 Spanish president made a point to aid former colonies in Latin America (Morata and Fernandez 2003).

Data and Estimation Strategy

We are interested in the effects of EU aid on overall human rights and governance in recipient countries. We measure overall respect for human rights using the human empowerment index from the Cingranelli-Richards (CIRI) Human Rights Dataset (Cingranelli and Pasquarello 1985). This variable is constructed from the following indicators: Foreign Movement, Domestic Movement, Freedom of Speech, Freedom of Assembly and Association, Workers' Rights, Electoral Self-Determination, and Freedom of Religion. The index ranges from 0, indicating no government respect for rights, to 14, indicating full government respect for rights. We also estimate the effect of aid on the seven constituent parts of the index, which range from 0-2, where a score of 0 signals frequent violations of rights and a score of 2 signals respect for rights.

To evaluate more structural measures, we use the Polity IV combined score (Marshall and Jaggers 2002) as a dependent variable, as is standard in the literature on democracy. Polity scores are computed from measures of regulation and competitiveness of participation, openness and competitiveness of executive recruitment, and constraints on the chief executive and range from -10 to 10 from least to most democratic. We also estimate the effect of aid on three relevant constituent elements of the index: executive recruitment, constraints on executive power, and political participation.[22] Following the literature indicating that geopolitical concerns predominated aid giving during the Cold War era (Bearce and Tirone 2010; Dunning 2004; Meernik, Krueger and Poe 1998), we restrict our analysis to the post Cold War period (starting with aid allocated in 1986), although we later demonstrate how our results are affected by the inclusion of the full sample.

We are interested in estimating the following model:

$$DV_{it'} = \beta_0 + \beta_1 \log(ODA)_{i(t-1)} + \sum_{k \in K} \beta_k \mathrm{I}\,(i = k) + \sum_{j \in J} \beta_j \mathrm{I}\,(t = j) + u_{it}, \qquad (1)$$

where $DV_{it'}$ is a measure of rights and governance for country i in year(s) $t' \geq t$, $\log(ODA)_{i(t-1)}$ is

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[22]Executive recruitment ranges from 1-8, constraints on executive power ranges from 1-7 and political participation ranges from 1-10, all from least to most democratic.

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the logged net EU official development assistance (ODA, in millions of 1995 constant U.S. dollars + 1) in year $t-1$[23], $\mathrm{I}\,(\cdot)$ is the indicator function (so that the two summations represent fixed effects for country and year, respectively), and u_{it} is an unobserved error term. If $\log(ODA)_{i(t-1)}$ were randomly assigned – or randomly assigned conditional on the fixed effects – we could estimate β_1, the marginal effect of a one log-unit increase in ODA, consistently with ordinary least squares since $\text{plim} \frac{1}{N} \Sigma \log(ODA)_{i(t-1)} u_{it} = 0$. This requirement is violated, however, since $\log(ODA)_i$ is endogenous – aid disbursements are made in ways that are systematically related to the recipient countries' human rights, even conditional on fixed effects for country and year.

To solve this endogeneity problem, we use a two equation instrumental variables model. As described above, EU Council presidents have considerable influence over aid allocation and use this influence to funnel aid toward former colonies of their home countries. Since the country holding the presidency is random, so too is the set of countries that happen to be former colonies of the current EU Council president (conditional on being a former colony of one of the Council members). Before estimating equation 1, we can use this source of randomness to first purge ODA of endogeneity by generating predicted values from the following "first stage" regression:

$$
\begin{aligned}
\log(ODA)_{i(t-1)} = {} & \gamma_0 + \gamma_1 Colony_{i(t-2)2} \\
& + \sum_{k \in K} \gamma_k \mathrm{I}\,(i = k) + \sum_{j \in J} \gamma_j \mathrm{I}\,(t = j) + e_{it},
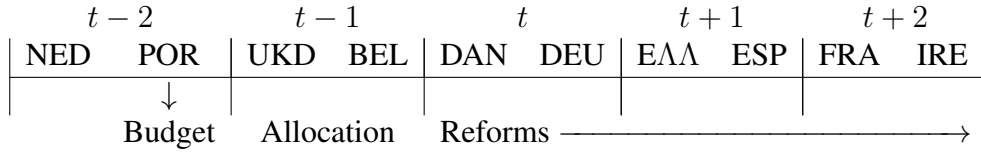\end{aligned}
\tag{2}
$$

where $Colony_{i(t-2)2}$ is an indicator variable for whether or not the country is a former colony of the EU Council president in the second six months of year $t - 2$.[24]

Figure 1 clarifies the timing of aid allocation by illustrating the case of the Portuguese presidency. In the second half of time $t-2$, the aid budget is determined for the following year, which is influenced by the Portuguese Council president. In time $t - 1$, the aid is disbursed to the recipient

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[23]The OECD defines ODA as non-military grants and net disbursements of loans of which at least 25% is comprised of a grant (OECD 2011).

[24]Colony data come from Hadenius and Teorell (2005). The indicator variable for the country Vanuatu, which is of both British and French colonial origin, takes on a value of 0.5 whenever Britain or France holds the Council presidency.

Figure 1: *Illustration of rotating presidency, aid allocation and political reform*

$t-2$	$t-1$	t	$t+1$	$t+2$
NED POR	UKD BEL	DAN DEU	EΛΛ ESP	FRA IRE

$\downarrow$

Budget   Allocation   Reforms $\longrightarrow$

countries. After the aid is disbursed, the Commission allocates the aid, and we should observe results beginning in time t.

The coefficients from this first stage regression generate predicted values of $\log(ODA)_{i(t-1)}$, purging $\log(ODA)_{i(t-1)}$ of endogeneity. For the *two-stage least squares* estimate of β_1, we then regress DV_{it} on the predicted values of $\log(ODA)_{i(t-1)}$ as well as the fixed effects. Importantly, $Colony_{i(t-2)}$ is excluded from the model for DV_{it}: $Colony_{i(t-2)}$ cannot affect DV_{it} except through its effect on $\log(ODA)_{i(t-1)}$. This modeling assumption is known as the exclusion restriction, and is necessary for statistical identification. We discuss this further in Appendix A.

Given the proposed model, we require two statistical assumptions for consistency. First, colony status must be as-if randomly assigned (conditional on the fixed effects) (Sekhon and Titiunik 2012). The source of randomness is the exogenously determined rotation principle of the EU Council, as discussed previously. Second, γ_1 must be nonzero. This assumption is testable by looking at the significance of the estimated coefficients.

The assumptions of linearity and constant effects in our model are not necessary for the consistent estimation of causal effects, but ease exposition. Extending Angrist, Imbens and Rubin (1996), Angrist and Imbens (1995) demonstrate that this empirical strategy is consistent for a weighted local average treatment effect (LATE) under much weaker regularity and monotonicity conditions. Without making an assumption of constant effects, this implies that we are estimating the effect of EU aid that is disbursed if and only if a former colonizer holds the EU Council presidency.

The specific nature of our identification strategy introduces several complications with which we must contend. First, the composition of the Council has changed due to EU membership ex-

pansion. The more countries that are eligible to hold the presidency, the less frequently that the presidency will be held by each country. We statistically correct for membership expansion by using year fixed effects.[25] Second, some recipient countries are not former colonies of any of the countries that are eligible to hold the presidency. To address this, we restrict our attention to recipient countries that were former colonies of current Council members. Third, the rules governing rotation have been amended three times since 1965. Beginning in 1993, the rotation alternated between a clockwise and a counter-clockwise direction.[26] In 1995, Austria, Finland, and Sweden joined the EU, at which point the members decided to adopt a so-called "balanced rotation," which ensured that at least one out of every three presidencies was held by a large state. Then, beginning in 2007, the rotation principle changed such that three countries hold the presidency at a time (called a "troika") (Hayes-Renshaw and Wallace 1997). The first two changes in rotation are not a problem for our analysis. These changes occurred at the end of a full rotation cycle. That is, after each eligible country had held the presidency once, the cycle was amended. Since one prearranged rotation principle was simply substituted for another, the manner in which the presidency was filled can still be considered random (i.e., all countries in the rotation had equal probability of holding the presidency in a given year) and need not alter our analysis. The 2007 changes do affect our analysis, however. Because the effects of a troika may be substantively different than those of a single presidency holder, we omit presidencies held after 2006 from our analysis.

Results

We now present the results of our empirical investigation. We proceed by detailing the results from the first stage regression, which estimates the effect of the rotating Council presidency on foreign aid. We then estimate the effects of aid on measures of human rights and governances, and finally

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[25]See Humphreys (2009) and Angrist and Lavy (1998) for a discussion of the asymptotic properties of fixed effects in the least squares setting.

[26]In 1986, Spain and Portugal joined the EU. Members wanted to ensure that the same state would not hold the presidency twice in the same half of the year, as different responsibilities are conferred to the president depending on the period in which the presidency is held. To prevent this, members agreed to alter the rule governing rotation.

disaggregate aid to provide evidence of the causal mechanism.

First Stage Results

We begin by considering the first stage regression of $\log(ODA)_{i(t-1)}$ on $Colony_{i(t-2)2}$ and fixed effects in order to show that former colonies of the current Council president receive more foreign aid. Since our empirical strategy relies on our contention that the human rights of former colonies of the current president are affected through increased foreign aid, we must first ensure that this first stage relationship holds. We find a strong and statistically significant effect of $\log(ODA)_{i(t-1)}$, as γ_1 is estimated to be 0.160 (SE = 0.049, $p < 0.01$).[27] To give a sense of the substantive effect of $Colony_{i(t-2)2}$ on aid, we estimate that, for a country otherwise receiving 20 million dollars in aid from the EU (approximately the sample mean), colonial status during the budgetary period increases the amount of aid received by 3.64 million dollars, or 18%, with a 95% CI of (1.36, 6.13). Importantly, the F-statistic associated with the excluded instrument is 10.85, thus alleviating concerns about a weak instrument (Staiger and Stock 1997) and giving us greater confidence that the estimated effect is not due to chance.

In an alternative specification, reported in table A1, we perform our analyses including $Colony_{i(t-2)1}$ (colony status in the first six months of year $t-2$) as a separate instrument. Our results are substantively unchanged under this specification and, as expected, $Colony_{i(t-2)1}$ fails to have a statistically significant estimated effect on aid, as first term presidencies have little weight in the budgetary decision-making process.

Main Results

Having demonstrated the effects of colonial status on foreign aid, we now estimate the effects of foreign aid on human rights and governance by examining the effects of aid on the CIRI Human Empowerment Index, Polity IV combined scores, and their constituent components. Since

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[27]These results refer to the regression in which the CIRI variables are included as the dependent variables. Results for other dependent variables are reported in the associated table captions. All standard errors estimated are robust and account for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller (2011).

improvements in human rights and governance may take time to implement, we average our dependent variables over four years, from year t through year $t + 3$.[28]

Table 1 shows a strong and significant effect of $\log(ODA)_{i(t-1)}$ on the combined CIRI index, such that a one log-unit increase in foreign aid improves human rights by 1.885 (SE = 0.946, $p < 0.05$). Representing this effect substantively, we estimate that, for a country receiving 20 million dollars in aid from the EU, a 5 million dollar increase causes a 0.40 increase on the CIRI Human Empowerment Index, with a 95% CI of (0.01,0.80). Table 1 also indicates a strong and significant shift in the Polity score. We see that a one log-unit increase in foreign aid increases the Polity score by 2.031 (SE = 0.708, $p < 0.01$). Again, for a country receiving 20 million dollars in aid, a 5 million dollar increase causes the Polity score to rise by 0.43, with a 95% CI of (0.14,0.73). In tables 2 and 3, we disaggregate the CIRI Human Empowerment and Polity scores for use as dependent variables. The disaggregated CIRI Human Empowerment analysis shows that all of the constituent parts other than foreign movement have the expected signs; furthermore, domestic movement, workers' rights and freedom of religion achieve statistical significance. Disaggregating the Polity score also yields estimates with the expected signs; in particular, the coefficient on autocracy is negative and the coefficient on democracy is positive, although these do not reach statistical significance. Note that the stronger results for the aggregated measures are expected due to the decreased measurement error associated with aggregating several measures into a single index (Ansolabehere, Rodden and Snyder 2008).

We now turn to the year-by-year effects of foreign aid, using the *unaveraged* scores in years t through $t + 5$. We find that the effects of foreign aid on human rights and governance decline sharply over time, dissipating by year $t + 5$. In figure 2, we display the estimated effects of $\log(ODA)_{i(t-1)}$ on the CIRI Human Empowerment and Polity scores in years t through $t + 5$. The effect on CIRI Human Empowerment occurs immediately, and then (nearly monotonically) declines each year, demonstrating the short-lived nature of the effect of the exogenous shock to foreign aid. Similarly, the effect of Polity peaks in year $t + 3$ and then rapidly declines. Since CIRI

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[28]In table A9, we present results showing that our findings are robust to averaging over other lengths of time.

Human Empowerment measures behavioral changes which can show up quickly, such as freer speech and association, while Polity measures more structural changes that may take time to show up, such as electoral freedom, the delayed effect for Polity is perhaps not a big surprise. In figures 3 and 4, we also note that the trends of each constituent variable tend to track the main index well. Taken in sum, the year-by-year effects point to the same conclusion: the increase in foreign aid induced by the rotating presidency yields non-trivial, but relatively short term improvements in human rights and governance. These results are robust to a variety of alternative variable codings, time periods and modeling decisions, which are discussed and presented in Appendix B.

Discussion

To better understand how aid improves governance in recipient countries, we consider the timing and nature of the EU aid giving process. We first investigate when aid commitments and disbursements are affected by the Council presidency, and then disaggregate aid commitments and analyze which types of aid the EU Council president impacts. We also evaluate the potential role of anticipatory effects by estimating causal effects on lagged outcomes. Below, we explain the results of each test, and then discuss their meaning for our study.

Exploratory Tests

We first expand our analysis to consider the timing of aid. In table A2, we show that colonial status in year $t - 2$ has a statistically significant effect on aid disbursements (logged net ODA) only in time $t - 1$, but not $t - 2$ or later periods. We also show that colonial status in year $t - 2$ has a statistically significant effect on logged aid commitments in year $t - 2$, but not in later periods.[29] Commitments are only significantly increased while a former colonizer holds the presidency, after which disbursements are affected for one year.

Using aid commitment data, we are able to disentangle which *types* of aid are altered by the rotating presidency. We disaggregate commitments into four types: aid for development, aid for

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[29]Aid commitment data is derived from Nielson et al. (2009).

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emergency relief, aid for government budgetary support, and aid for good governance.[30] In table A3, we show that colonial status in year $t-2$ has a statistically significant effect on (logged) aid commitments for development in year $t-2$, but for no other types of aid.

We next consider anticipatory effects: perhaps colonies anticipate the boost of aid they will receive and implement reforms before aid is given to them. Tables A4 and A5 verify that this is not the case, as aid disbursements fail to predict prior behavior. Thus, anticipatory effects do not seem to obtain. One possible explanation for the lack of anticipatory effects is the relative obscurity of the budget-making process. The European Union has a complex bureaucracy with multiple layers of decision-making. It may not be obvious to partners that a country holding the EU Council presidency would be able to capitalize on its temporal procedural advantage in the manner we uncover.

Summary and Interpretation

When a colony's former colonizer is the EU Council president, a statistically significant increase in aid is committed to the colony at time $t-2$, and a statistically significant increase in aid is disbursed to the colony at time $t-1$. This is precisely what we expect in view of the bureaucratic procedures we address. It is also notable that this uptick in aid is directed toward development programs. Further, reforms occur in the recipient colonies beginning in period t and dissipate completely by year $t+5$. Human rights reforms begin immediately, while democracy reforms occur after a slight delay.

The specific nature of the aid affected by the president, as well as the timing of the effects, suggests that some hypothesized links between aid and governance are more plausible than others. First, since the Council president impacts aid for economic development, but does not seem to have much of an effect on other programs, it is unlikely that aid directed toward specific rights

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[30]Disaggregated disbursement data is not available. Aid for development includes aid for resource development, health, education, population services, trade and business development and infrastructure. Aid for emergency relief includes aid for disaster prevention and preparedness, emergencies, and reconstruction. Aid for good governance includes aid for government and civil society, women and institutions. Aid for government budgetary support is self-explanatory.

and governance programs accounts for our findings. It may therefore be the case that aid for development improves rights and governance indirectly.

Additionally, the evidence casts doubt on the role of sanctions in improving governance in our sample.[31] If sanctions were the primary motivator for recipients to alter their behavior, governments that receive larger aid commitments would be dissuaded from increasing repression for fear of jeopardizing the disbursements. Instead, we find that recipients enact reforms after aid has been disbursed, at which point the threat of sanctions is no longer credible.

However, it is possible that positive conditionality helps account for our findings. Positive conditionality in this setting would imply that recipients agree to implement reforms in order to receive foreign aid. The reforms would be undertaken during the disbursement process, and their effects would become observable after a brief delay. Positive conditionality comports with the timing of the effects, as movements in rights would be observable relatively quickly, while movements in democratization would take longer to detect. For example, freer speech and association may occur immediately, while fair elections would only occur at a specific point during an electoral cycle.

If positive conditionality is, in part, driving our results, then the short term nature of the effect of aid on governance may be due to the difficulties inherent in implementing conditionality which have been identified in the wider literature. In particular, many studies (e.g., Brown 2005) find that donor attention spans are severely inadequate when it comes to monitoring the implementation of negotiated reforms.[32] If positive conditionality is operative, it is therefore possible that recipients began to enact reforms in order to receive increased foreign aid, but revert to prior behaviors due to inconsistent monitoring. Although we find a short-term effect of aid on governance, it is possible that aid could have a more persistent effect if it were administered differently. One possibility is that more stringent monitoring of the reform effort may make reforms more permanent, as better monitoring has been shown to be effective in other contexts. For example, as discussed previously, the EU accession process in Eastern Europe has featured consistent monitoring via periodic 'score cards' which could be similarly effective in the context of aid-induced reforms, as well. In addition,

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[31]See Hadewych (2003) on the extensive use of sanctions by the European Union to improve rights.
[32]Bureaucratic inertia may also play a role, particularly in the EU context (Carey 2007).

we analyze the effect of a one-period aid shock, but if the aid increase were provided over a longer period of time, it could succeed in solidifying otherwise reversible gains.

Conclusion

Our paper speaks to the question of whether foreign aid can promote human rights and good governance, a question that has received considerable interest in the scholarly literature. This attention is richly deserved. The relatively large volume of foreign aid flowing toward the developing world and its potential to foster political freedoms and good governance make this an issue of prime importance. But while scholars have identified a number of ways in which aid may foster respect for rights, they have identified many other channels through which aid may actually discourage such effects. This opacity is, in large part, a consequence of attempting to estimate the effect of aid flows on rights in the presence of difficult inference problems. Since donors allocate money strategically, and recipients choose to accept or decline aid, any attempt to identify variation in rights using variation in observed aid flows encounters endogeneity problems. We address this issue by identifying and employing a source of exogenous variation in aid flows to estimate the effect of aid on rights and governance. Our empirical strategy is unique, as our natural experiment provides well-identified effects of aid over a 20 year time span in 115 countries.

This paper uses the rotating presidency of the European Union as a source of variation of annual aid flows independent of both the propensity of countries to respect rights and of the strategic choices made by individual donors. When the alphabetical process assigning states to leadership in the Council is used to recover the independent effect of aid flows on rights promotion, we find that EU aid has produced freer societies, though the effects dissipate quickly. However, even a short-term positive effect is preferable to a negative effect, and exists in contrast to the range of pessimistic views on aid effectiveness in the scholarly literature.

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Tables

Dependent Variable (4 Yr Avg)	CIRI Human Empowerment Index	Polity IV Combined Score
Effect of Aid	1.885**	2.031***
(Standard Error)	(0.946)	(0.708)
Countries	115	95
Years	20	20
N	1792	1818

Table 1: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller (2011)) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. First stage coefficient on $Colony_{i(t-2)2}$ for CIRI regression is 0.160 (SE = 0.049, $p = 0.004$, $F = 10.85$). First stage coefficient on $Colony_{i(t-2)2}$ for Polity IV Combined Score regression is 0.170 (SE = 0.054, $p = 0.005$, $F = 9.87$).

		Human Rights							
Dependent Variable (4 Yr Avg)	CIRI Human Empowerment Index	Freedom of Speech	Freedom of Assembly & Association	Workers' Rights	Electoral Self-Determination	Freedom of Religion	Foreign Movement	Domestic Movement
Effect of Aid	1.885**	0.126	0.143	0.647***	0.209	0.453*	-0.008	0.315*
(Standard Error)	(0.946)	(0.126)	(0.154)	(0.236)	(0.373)	(0.269)	(0.075)	(0.168)
Countries	115	115	115	115	115	115	115	115
Years	20	20	20	20	20	20	20	20
N	1792	1792	1792	1792	1792	1792	1792	1792

Table 2: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on CIRI dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. First stage coefficient on $Colony_{i(t-2)2}$ is 0.160 (SE = 0.049, $p = 0.004$, $F = 10.85$).

		Governance				
Dependent Variable (4 Yr Avg)	Polity IV Combined Score	Democracy	Autocracy	Executive Recruitment	Executive Constraints	Political Competition
Effect of Aid	2.031***	0.690	-0.239	0.207	0.600	0.319
(Standard Error)	(0.708)	(0.686)	(0.530)	(0.234)	(0.406)	(0.781)
Countries	95	95	95	95	95	95
Years	20	20	20	20	20	20
N	1818	1652	1652	1652	1652	1652

Table 3: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on Polity IV dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. $*$ $p < 0.10$, $**$ $p < 0.05$, $***$ $p < 0.01$. First stage coefficient on $Colony_{i(t-2)2}$ for Polity IV Combined Score regression is 0.170 (SE = 0.054, $p = 0.005$, $F = 9.87$).
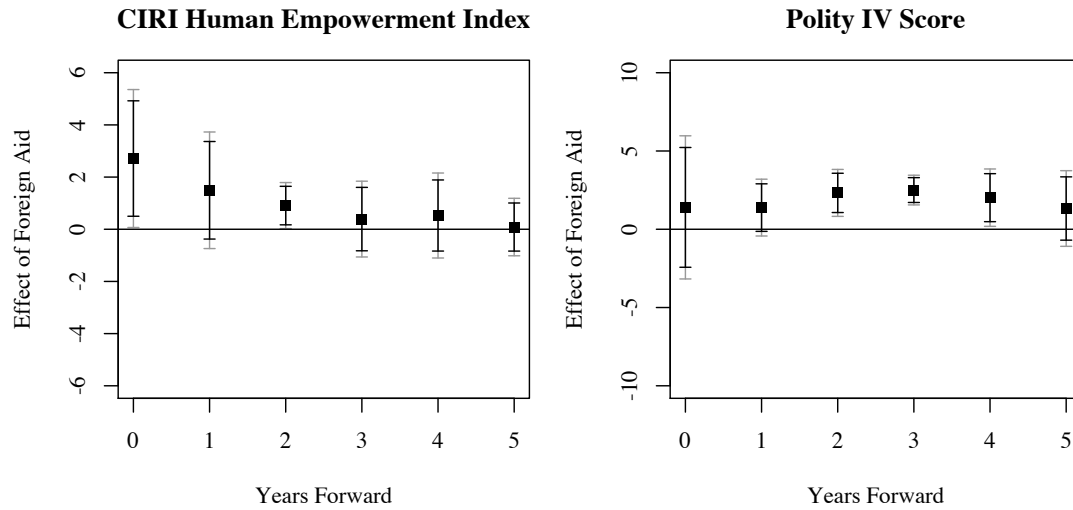
Figures

Figure 2: Estimated effects of logged foreign aid in year $t - 1$ on CIRI human empowerment index and Polity IV Combined Score in years t through $t + 5$. Two-stage least squares point estimates presented with 95% confidence intervals as gray error bars and 90% confidence intervals as black error bars.

Figure 3: Estimated effects of logged foreign aid in year $t-1$ on CIRI dependent variables in years t through $t+5$. Two-stage least squares point estimates presented with 95% confidence intervals as gray error bars and 90% confidence intervals as black error bars.

Figure 4: Estimated effects of logged foreign aid in year $t-1$ on Polity IV combined score in years t through $t+5$. Two-stage least squares point estimates presented with 95% confidence intervals as gray error bars and 90% confidence intervals as black error bars.
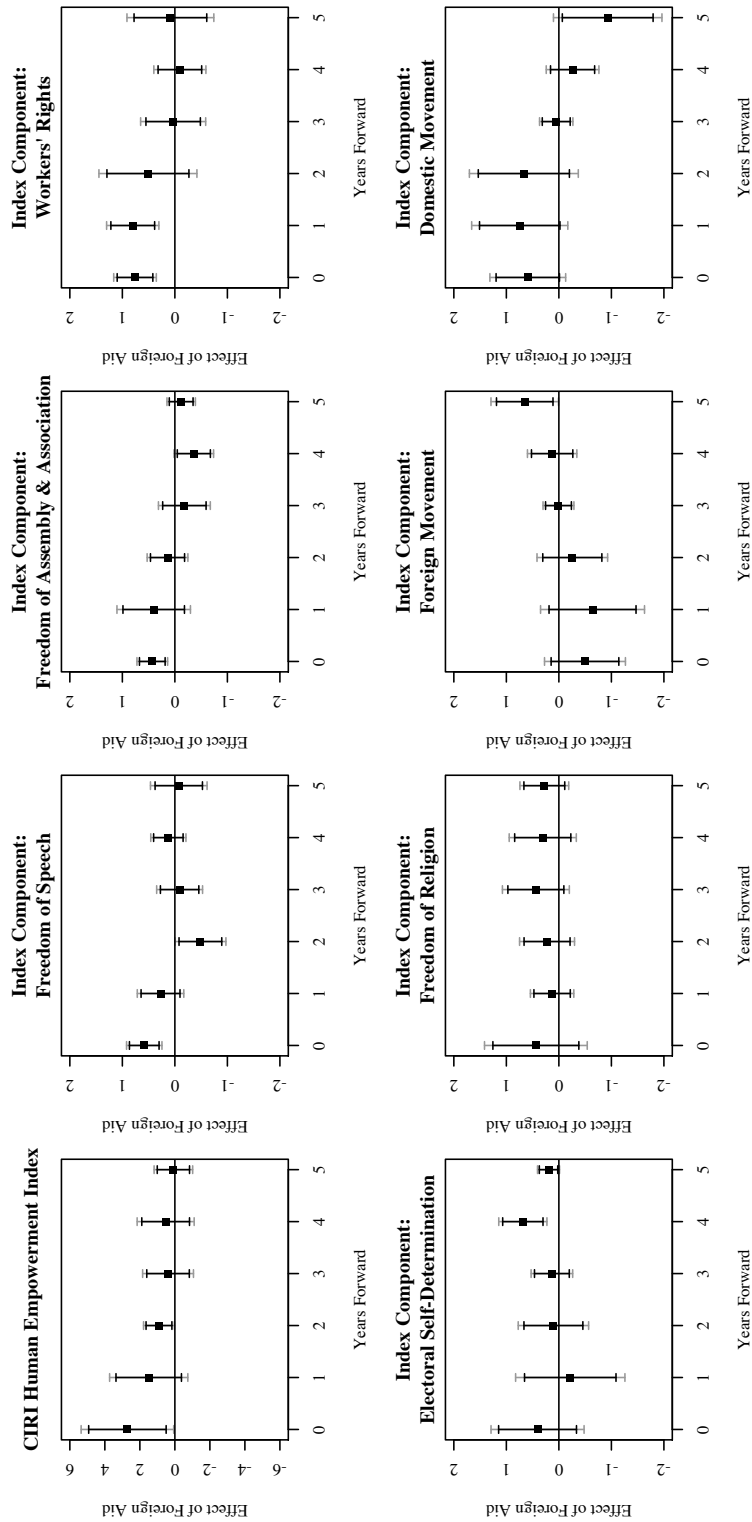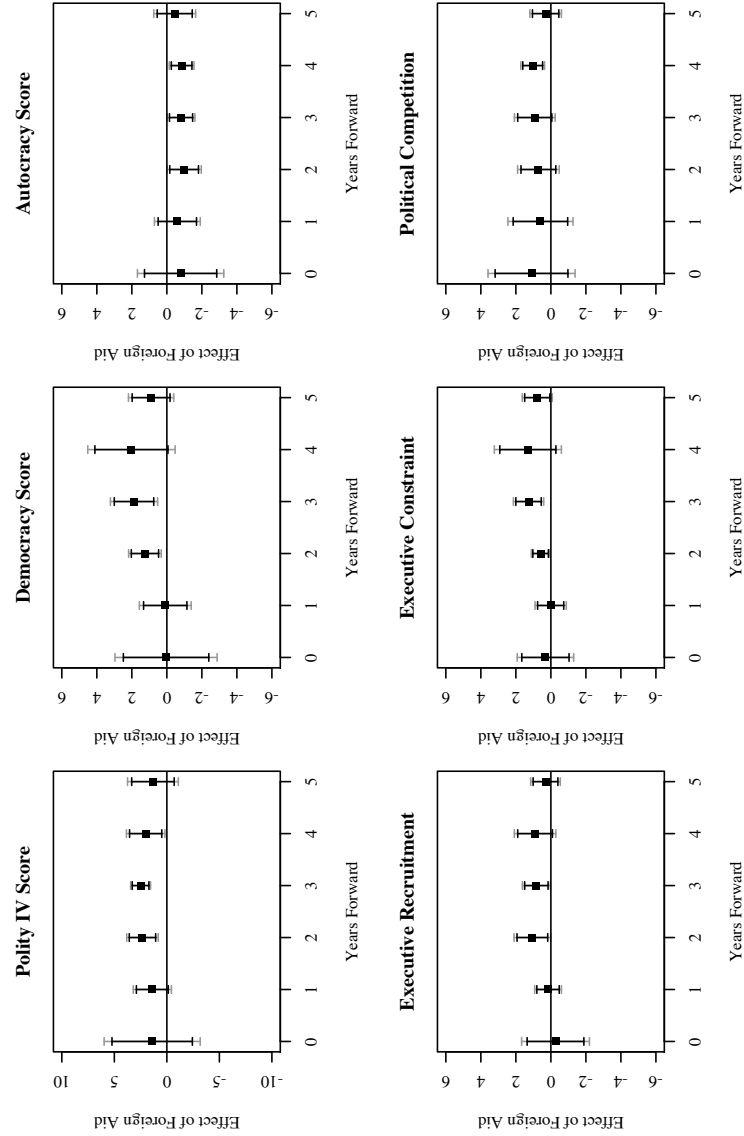
Appendices

A   Exclusion Restriction

Although the assumption that former colony status affects human rights and governance only through aid allocation cannot be *proven*, it can be nevertheless be argued. We have explained that one of the primary powers of the president is agenda control during the budgetary process, during which the president influences aid allocation. Our evidence comports with this description, as we find that being a former colony of the country holding the presidency during the budget setting process significantly impacts aid allocation. Since we also find that being a former colony of the country holding the presidency does not significantly impact aid allocation during periods in which the budget is not set (including presidents in the first 6 months, as in table A1), it seems reasonable to believe that the mechanism of influence over former colonies is through influence over budgetary aid allocation.

Further, the potential influence of the president over other areas such as trade is extremely limited due to several factors. First, trade preferences given to former colonies exclude the colonies' major exports (Holland 2002). Indeed, after granting trade preferences under the Yaoundé and Lomé Conventions, trade with these countries and the EU actually declined (Holland 2002). Second, trade preferences are limited by the rules of the GATT/WTO. Third, around 70% of these preferences are duplicated by the granting of the Generalized System of Preferences (GSP), over which the Council president does not have authority. Fourth, trade policies between the EU and the members' former colonies are not altered frequently, whereas aid allocations are altered for each country, each year, in the budget. Thus, the president has little control over the granting of trade preferences, and to the extent that the president does impact trade preferences for former colonies, these trade preferences seem to have little impact on overall trade. Similarly, the president has little power to give benefits in the area of debt reduction, since this is a relatively recent issue in which the president is constrained by global debt reduction initiatives (Holland 2002). For these reasons, the president exerts influence over developing countries primarily through her influence

on budgetary aid allocation.

B   Additional Robustness Checks

We present additional robustness checks to ensure that our results are not sensitive to specific modeling or coding decisions. We demonstrate the our results hold in different time periods, and with alternative measurement and scaling choices.

Time Period

We first demonstrate that our results do not depend on the selection of a particular time period. Our main results follow the literature by focusing on the effects of aid in the post Cold War period. We now consider the effects of aid in the full sample, which begins with aid allocated in 1980. The results presented in Tables A6 and A7 (and Figures A1 and A2) show that the estimated effects are largely unchanged. In fact, the estimated coefficients for the CIRI and Polity regressions, 2.425 (SE = 1.113) and 3.673 (SE = 2.321) respectively, are slightly larger than they are using the restricted sample, although the estimated effect on the Polity score now falls short of statistical significance.

Measurement and Scaling

We show the robustness of our results to different measures of our dependent and key independent variables. We first rescale our foreign aid variable in different ways. Table A8 shows the results of the analysis replacing net aid with gross aid, and using square roots instead of logarithms. Next, Table A9 shows that our results are not sensitive to our use of 4 year averages of human rights and governance scores by presenting estimates of the model using 3 year averages and 5 year averages. We also include the reduced form analyses in Table A10, which also carries the same substantive findings.

C   Appendix Tables

	Including $Colony_{i(t-2)_1}$ as Instrument	
Dependent Variable (4 Year Avg)	CIRI Human Empowerment Index	Polity IV Combined Score
Effect of Aid	1.713*	2.008***
(Standard Error)	(0.894)	(0.650)
Countries	115	95
Years	20	20
N	1792	1818

Table A1: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. For CIRI Human Empowerment Index regression, first stage coefficients on $Colony_{i(t-2)_1}$ and $Colony_{i(t-2)_2}$ are 0.027 (SE = 0.097, $p = 0.781$) and 0.164 (SE = 0.045, $p = 0.002$), respectively.

Dependent Variable	Aid in Other Years			
	Logged Aid (Year $t-2$)	Logged Aid (Year $t-1$)	Logged Aid (Year t)	Logged Aid (4 Year Avg)
	Commitments			
Effect of $Colony_{i(t-2)2}$	0.247**	0.182	0.110	0.152
(Standard Error)	(0.101)	(0.174)	(0.148)	(0.096)
	Disbursements			
Effect of $Colony_{i(t-2)2}$	0.077	0.145***	0.013	0.0371
(Standard Error)	(0.083)	(0.054)	(0.037)	(0.030)
Countries	115	115	115	115
Years	22	22	22	20
N	2505	2505	2505	2275

Table A2: Ordinary least squares estimates of effects of having a former colonizer as EU Council president in year $t-2$ on aid in other years. 4 Year Avg refers to years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Effects on Commitment Types					
Dependent Variable	Total	Development	Emergency Support	Direct to Government	Governance
Effect of $Colony_{i(t-2)2}$	0.247**	0.167***	0.085	-0.040	0.032
	(0.101)	(0.044)	(0.065)	(0.072)	(0.084)
Countries	115	115	115	115	115
Years	22	22	22	22	115
N	2505	2505	2505	2505	2505

Table A3: Ordinary least squares estimates of effects of having a former colonizer as EU Council president in year $t-2$ on (logged) types of aid commitments in year $t-2$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dependent Variable	Lagged CIRI Scores			
	CIRI Human Empowerment Index (Year $t-1$)	CIRI Human Empowerment Index (Year $t-2$)	CIRI Human Empowerment Index (Year $t-3$)	CIRI Human Empowerment Index (Avg. Years $t-1, t-2, t-3$)
Effect of Aid	0.336	1.675	-0.246	0.516
(Standard Error)	(1.189)	(2.132)	(2.080)	(1.753)
Countries	115	115	115	115
Years	22	22	22	22
N	2030	1982	1935	1883

Table A4: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on lagged CIRI Human Empowerment Index. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dependent Variable	Lagged Polity Scores			
	Polity IV Combined Score (Year $t-1$)	Polity IV Combined Score (Year $t-2$)	Polity IV Combined Score (Year $t-3$)	Polity IV Combined Score (Avg. Years $t-1, t-2, t-3$)
Effect of Aid	2.125	0.537	0.065	0.819
(Standard Error)	(2.663)	(3.544)	(3.061)	(2.895)
Countries	95	95	95	95
Years	22	22	22	22
N	1991	1966	1941	1933

Table A5: Two-stage least squares estimates of effects of different scalings of foreign aid (in year $t-1$) from the European Community on lagged Polity IV Combined Score. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Dependent Variable (4 Yr Avg)	Human Rights (1980+)							
	CIRI Human Empowerment Index	Freedom of Speech	Freedom of Assembly & Association	Workers' Rights	Electoral Self-Deter-mination	Freedom of Religion	Foreign Movement	Domestic Movement
Effect of Aid	2.425**	0.245	0.321	0.847**	0.358	0.476**	-0.124	0.302*
(Standard Error)	(1.113)	(0.206)	(0.255)	(0.372)	(0.322)	(0.213)	(0.207)	(0.174)
Countries	115	115	115	115	115	115	115	115
Years	26	26	26	26	26	26	26	26
N	2170	2170	2170	2170	2170	2170	2170	2170

Table A6: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on CIRI dependent variables averaged over years t through $t+3$. Dataset begins with aid allocations starting in 1980. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. $* \, p < 0.10$, $** \, p < 0.05$, $*** \, p < 0.01$. First stage coefficient on $Colony_{i(t-2)2}$ is 0.162 (SE = 0.049, $p = 0.003$, $F = 11.07$).

Dependent Variable (4 Yr Avg)	Governance (1980+)					
	Polity IV Combined Score	Democracy	Autocracy	Executive Recruitment	Executive Constraints	Political Competition
Effect of Aid	3.673	1.111	-1.266	0.472	0.966	1.206
(Standard Error)	(2.321)	(0.905)	(1.428)	(0.503)	(0.681)	(1.402)
Countries	95	95	95	95	95	95
Years	26	26	26	26	26	26
N	2226	2038	2038	2038	2038	2038

Table A7: Two-stage least squares estimates of effects of logged foreign aid (in year $t-1$) from the European Community on Polity IV dependent variables averaged over years t through $t+3$. Dataset begins with aid allocations starting in 1980. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. First stage coefficient on $Colony_{i(t-2)_2}$ for Polity IV Combined Score regression is 0.171 (SE = 0.045, $p = 0.001$, $F = 14.80$).

Dependent Variable (4 Year Avg)	Rescaling Aid	
	CIRI Human Empowerment Index	Polity IV Combined Score
Logged	1.885**	2.031***
	(0.946)	(0.708)
Square Root	1.185**	1.192***
	(0.600)	(0.388)
Logged (Gross)	2.380*	2.496***
	(1.351)	(0.905)
Square Root (Gross)	1.536*	1.483***
	(0.790)	(0.412)
Countries	115	95
Years	20	20
N	1792	1818

Table A8: Two-stage least squares estimates of effects of different scalings of foreign aid (in year $t-1$) from the European Community on dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. $^* p < 0.10$, $^{**} p < 0.05$, $^{***} p < 0.01$.

| | Other Average Lengths | | | |
Dependent Variable	CIRI Human Empowerment Index (3 Yr Avg)	CIRI Human Empowerment Index (5 Yr Avg)	Polity IV Combined Score (3 Yr Avg)	Polity IV Combined Score (5 Yr Avg)
Effect of Aid	1.858**	1.774**	1.558*	1.724***
(Standard Error)	(0.895)	(0.828)	(0.885)	(0.641)
Countries	115	113	95	94
Years	21	19	21	19
N	1916	1669	1915	1722

Table A9: Two-stage least squares estimates of effects of logged foreign aid (in year $t - 1$) from the European Community on dependent variables averaged over years t through $t + 2$ or t through $t + 4$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

	Reduced Form Analyses		
Dependent Variable	Logged Aid (Year $t-1$)	CIRI Human Empowerment Index (4 Year Avg)	Polity IV Combined Score (4 Year Avg)
Effect of $Colony_{i(t-2)2}$	0.145***	0.302*	0.346*
(Standard Error)	(0.053)	(0.180)	(0.197)
Countries	115	115	95
Years	22	20	20
N	2505	1792	1818

Table A10: Ordinary least squares estimates of effects of having a former colonizer as EU Council president in year $t-2$ on logged foreign and dependent variables averaged over years t through $t+3$. Fixed effects held for country and year. Robust standard errors (accounting for multi-way clustering at the levels of country and year, following Cameron, Gelbach and Miller 2011) in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
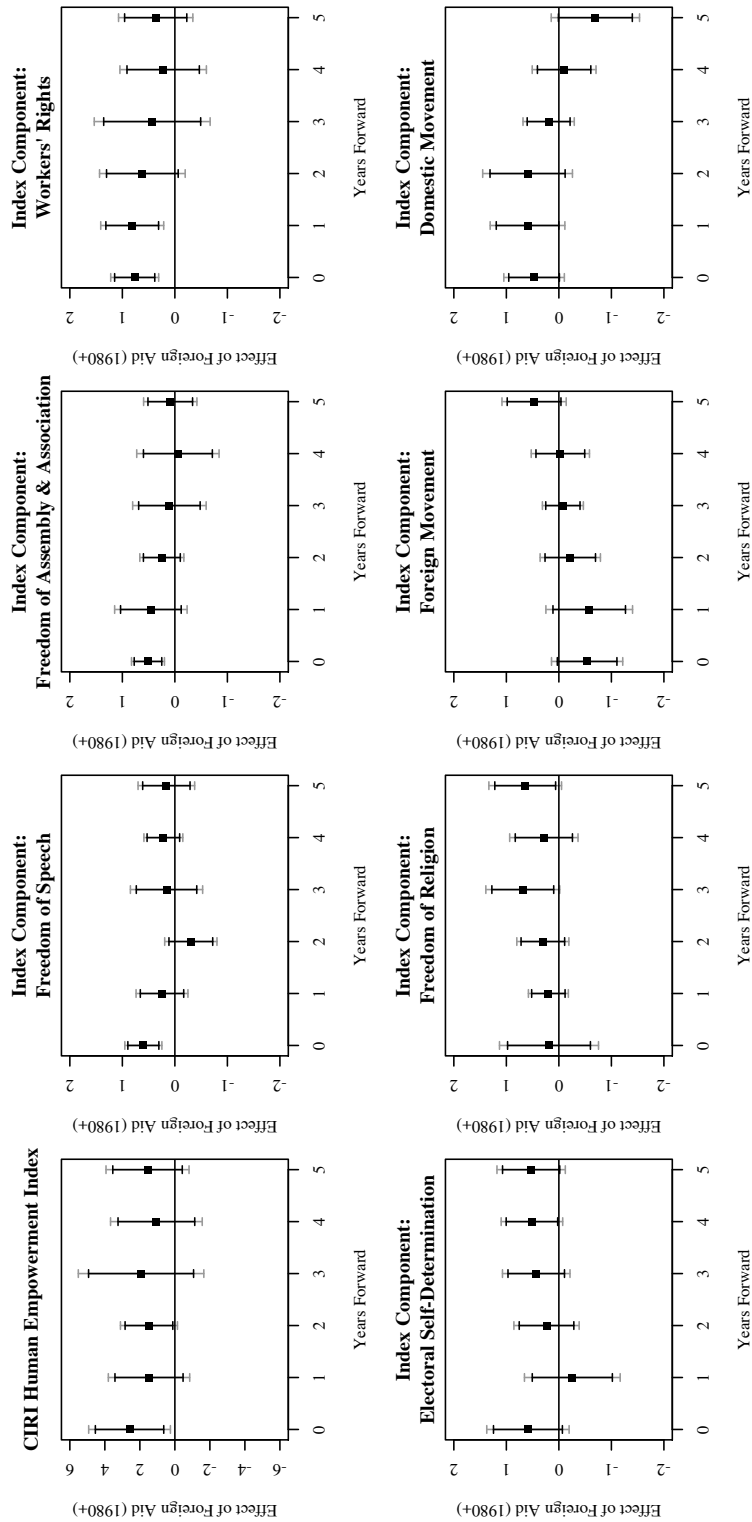
D Appendix Figures

Figure A1: Estimated effects of logged foreign aid in year $t-1$ on CIRI dependent variables in years t through $t+5$. Two-stage least squares point estimates presented with 95% confidence intervals as gray error bars and 90% confidence intervals as black error bars.
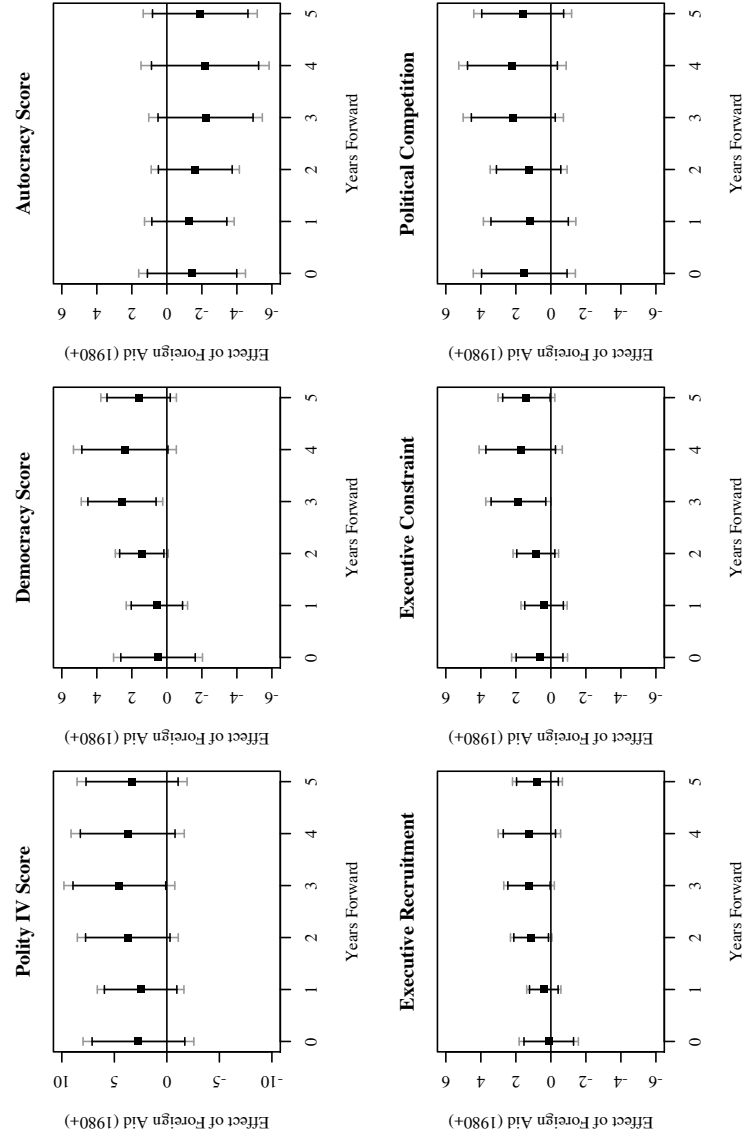
Figure A2: Estimated effects of logged foreign aid in year $t-1$ on Polity IV combined score in years t through $t+5$. Two-stage least squares point estimates presented with 95% confidence intervals as gray error bars and 90% confidence intervals as black error bars.