APPENDIX

Compositional Data Analysis

This section provides a brief discussion of the statistical implications of using a proportional outcome measure, which requires compositional data analysis. For any donor-recipient dyad the aid channel share is positive and the sum of the aid channels shares must be one hundred percent. Consider the aid share A, in donor-recipient dyad i for channel j. The compositional nature of the variable is expressed by the constraints that the fraction of the aid share that government-to-government or non-state channels might receive is doubly bounded, falling between 0 and 1,

$$A_{i,j} \in [0,1] \qquad \forall \quad i,j, \tag{1}$$

with $A_{i,j}$ denoting the fraction of the aid in donor-recipient dyad i (i=1, ..., N) for delivery channel j (j=1, J). Government-to-government aid and non-state aid in a given donor-recipient dyad sums to unity,

$$\sum_{j=1}^{J} A_{ij} = 1 \qquad \forall \quad i,j, \tag{2}$$

where J is the total number of delivery channels, which equal 2 (government-to-government and non-state aid) in my case.

Following Aitchison (1986), I create a $(J-1)$ log aid ratio, which compares the non-state aid to government-to-government aid:

$$Y_{i1} = ln(A_{i1}/A_{i2}) = ln(A_{i1}/(1-A_{i1}) \tag{3}$$

The advantage of log transforming proportional outcomes is that the outcome is unconstrained, allowing for a straightforward estimation through OLS. The coefficient of the log-transformed non-state share variable then describes how the log ratio of non-state aid changes with respect to government-to-government aid. After modeling, the estimates are transformed back into their original scale of interest:

$$A_{i1} = (1 + e^{-}Y_{i1})^{-1}. \tag{4}$$

and Y is log-transformed following the steps (1) through (4) above.

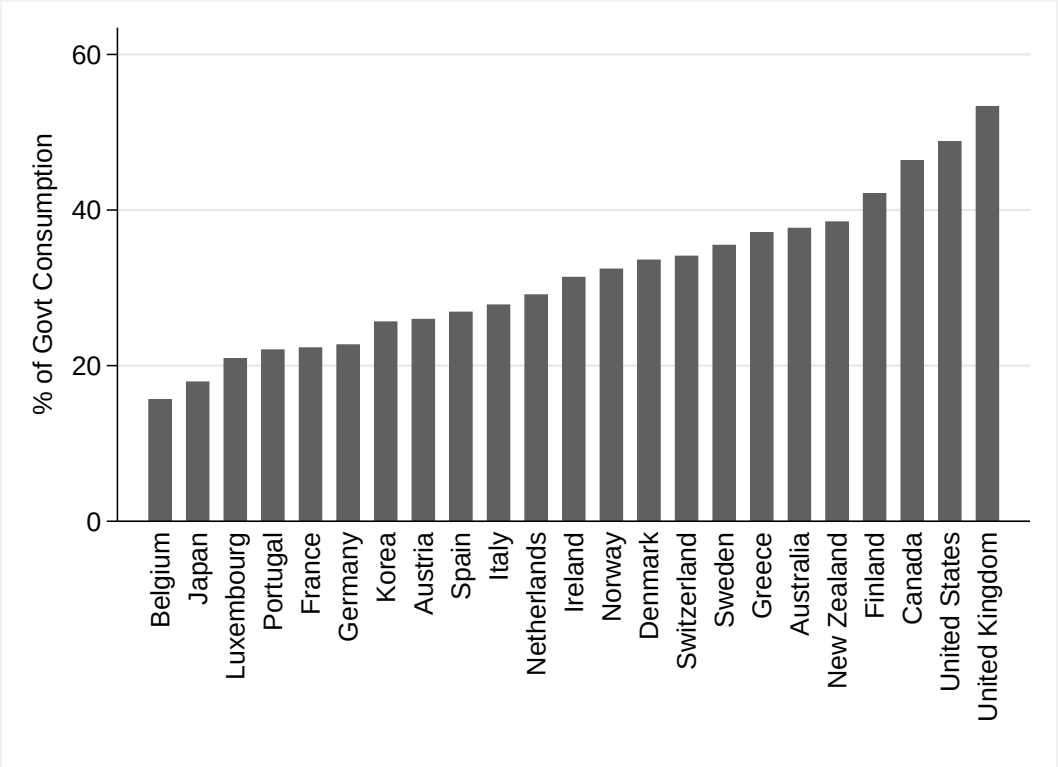

Figure 1: ***Domestic Government Outsourcing Across Individual Donors***. *Expenditures on government outsourcing to non-state actors for goods and services used by the government as percentage of government spending (excluding transfers) across donor countries in 2009. Source: OECD National Accounts Database (2011), and authors' calculation.*

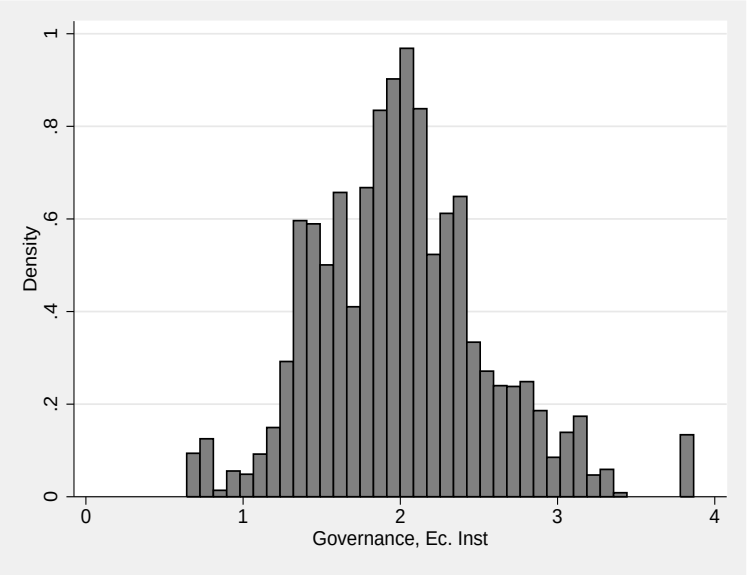

Figure 2: ***Histogram, Quality of Recipient Governance***

Variable	Observations	Mean	St. Deviation	Minimum	Maximum
Bypass (log-transf)	8760	.80	7.56	-20.00	18.66
Lagged Bypass (log-transf)	8760	0.50	7.69	-20.00	13.33
Governance	8760	1.92	0.62	.04	3.87
LME	8760	0.41	0.49	0	1
LME*Recipient Governance	8760	0.79	1.02	0	3.87
CME	8760	0.44	0.49	0	1
CME*Recipient Governance	8760	0.84	1.04	0	3.87
Major Power	8760	.27	.44	0	1
Democracy	8760	-4.14	1.66	-7	-1
Log(Disaster Deaths)	8760	2.06	3.38	-2.31	12.34
Civil Conflict	8760	.17	.38	0	1
Log(Distance)	8760	8.30	.58	5.72	9.41
Former Colony	8760	.66	.47	0	1
Log(Trade Intensity)	8760	3.90	3.51	-27.63	13.07
Security Council	8760	.05	.27	0	1
Log(Total Aid)	8760	-15.49	2.75	-26.31	-6.65
Log(Democracy Aid)	8760	-9.46	12.91	-27.63	7.87
Log(Social Sector Aid)	8760	-6.64	11.74	-27.63	7.09

Table 1: ***Descriptive Statistic of Estimation Sample; Table 1 Model 4***

	Model 1 Table 1, M4	Model 2 Table 1, M6	Model 3 Table 1, M8
LMEs*Rec Gov	-0.53*		
	(0.25)		
CMEs*Rec Gov	0.30		
	(0.25)		
Neoliberal*Rec Gov		-0.40	
		(0.29)	
Scandinavian*Rec Gov		-0.70*	
		(0.32)	
Statist*Rec Gov		0.28	
		(0.29)	
Neocorporatist*Rec Gov		0.32	
		(0.28)	
Govt Outsourcing/GDP*Rec Gov			-0.10**
			0.03
N	8760	8760	8760

Table 2: ***Donor Political Economy and Bypassing Governments in Aid-Receiving Countries, 2005-2011; Three-Way-Fixed Effects (donor, recipient, year)***. $+p < 0.10, *p < 0.05, **p < 0.01$. *Only interaction coefficients reported. Model 1 adds donor fixed effects to Table 1 Model 4, which estimates results based on binary political economy division. Model 2 adds donor fixed effects to Table 1 Model 6, which estimates results based on four-fold political economy division. Model 3 adds donor fixed effects to Table 1 Model 8, which estimates results based on the domestic outsourcing measure.*

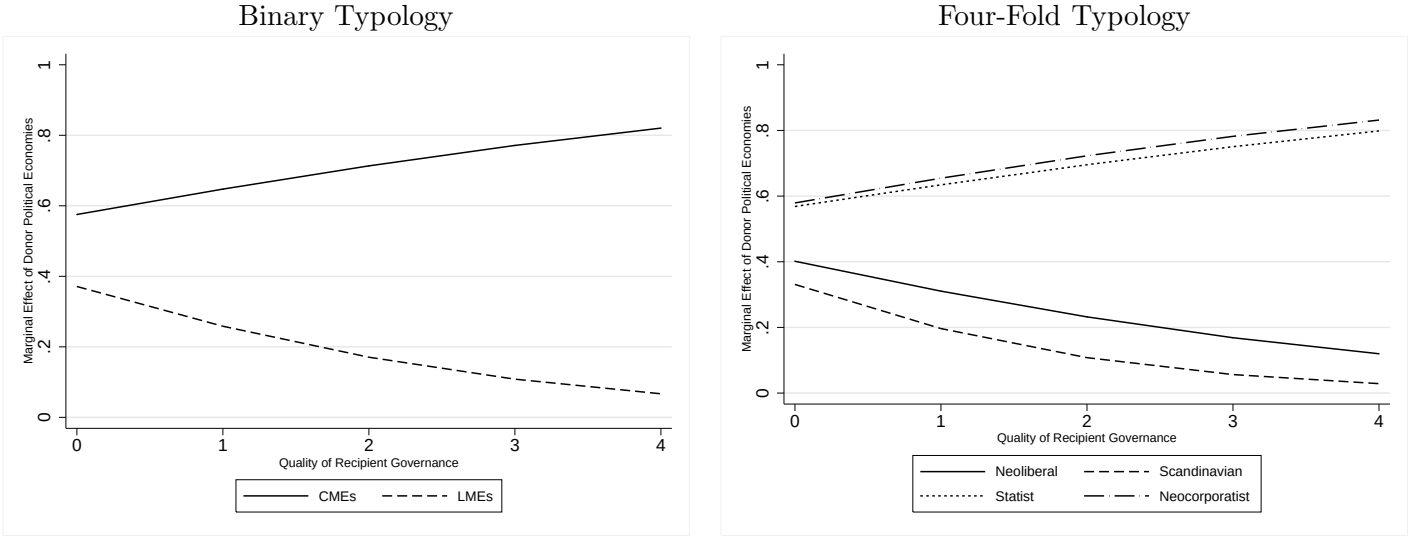

Figure 3: ***Plots of Interaction Coefficients of Three-Way Fixed Effects Political Economy Type Models, Appendix Table 2, Models 1 and 2.*** *Left panel: plot based on Appendix Table 2, Model 1 (binary political economy division); Right panel: plot based on Appendix Table 1, Model 2 (four-fold political economy typology) Sources: OECD CRS Database (2013), and authors' calculation.*

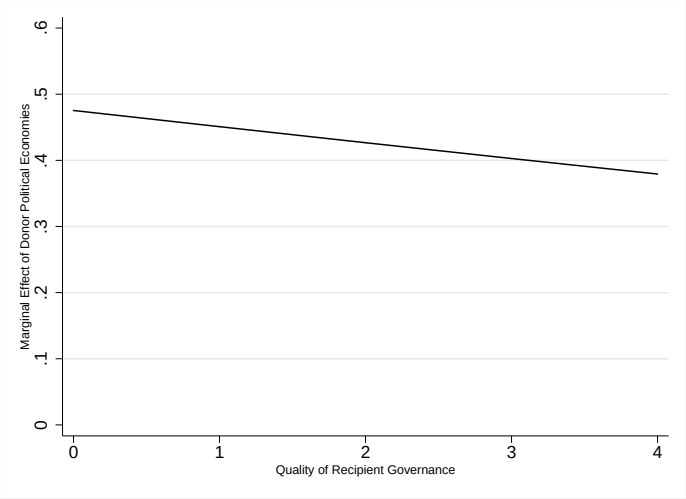

Figure 4: ***Plots of Interaction Coefficients of Three-Way Fixed Effects Government Outsourcing Model, Appendix Table 2, Model 3.*** *Plot based on Appendix Table 2, Model 3. Sources: OECD CRS Database (2013), and authors' calculation.*

	Model 1	Model 2
Lagged Bypass		0.529**
		(0.01)
Recipient Governance	0.772	0.005
	(0.94)	(0.93)
Govt Outsourcing/Govt Expenditure	0.081**	0.041**
	(0.03)	(0.01)
Govt Outsourcing/Govt Expenditure*Gov	-0.020	-0.007
	(0.01)	(0.01)
Democracy	-0.240	-0.193
	(0.29)	(0.29)
Natural Disaster Deaths	-0.008	-0.020
	(0.03)	(0.03)
Civil Conflict	0.175	-0.062
	(0.29)	(0.28)
Distance	-0.879**	-0.701**
	(0.23)	(0.16)
Former Colony	2.789**	1.366**
	(0.71)	(0.68)
Trade Intensity	-0.264**	-0.130**
	(0.06)	(0.04)
Security Council	-0.197	-0.136
	(0.29)	(0.21)
Major Power	-2.552**	-0.837**
	(0.22)	(0.17)
Total Aid per capita	-0.098**	-0.013
	(0.02)	(0.05)
Democracy Aid	0.042**	0.006
	(0.01)	(0.01)
Social Sector Aid	-0.047**	-0.019**
	(0.01)	(0.01)
R squared	0.189	0.432
N	10605	8760

Table 3: ***Donor Government Outsourcing as % of Gov't Spending and Bypassing Governments in Aid-Receiving Countries, 2005-2011***. $+p < 0.10, *p < 0.05, **p < 0.01$. *Constant (all columns) not reported; two-way year and recipient country fixed effects (Models 1 and 2); lagged bypass (Model 2).*

	Model 1	Model 2	Model 3	Model 4
Lagged Bypass		0.475**		0.508**
		(0.02)		(0.02)
Recipient Governance	1.228	0.125	0.284	-0.203
	(1.03)	(1.13)	(0.91)	(0.93)
LMEs*Rec Gov	-0.653	-0.377	-0.641*	-0.388
	(0.42)	(0.35)	(0.38)	(0.29)
LMEs	6.234**	3.852**	5.606**	3.346**
	(0.92)	(0.76)	(0.84)	(0.62)
CMEs*Rec Gov	0.457	0.383	0.408	0.243
	(0.48)	(0.37)	(0.45)	(0.30)
CMEs	2.206**	1.262	1.682*	1.023
	(0.96)	(0.76)	(0.92)	(0.63)
Democracy	-0.308	-0.392	-0.155	-0.150
	(0.29)	(0.33)	(0.28)	(0.28)
Natural Disaster Deaths	0.003	-0.016	-0.001	-0.014
	(0.04)	(0.04)	(0.03)	(0.03)
Civil Conflict	0.161	0.023	0.203	-0.038
	(0.28)	(0.36)	(0.28)	(0.28)
Distance	-1.398**	-1.250**	-1.643**	-1.185**
	(0.28)	(0.20)	(0.25)	(0.17)
Former Colony	1.305	0.827	2.236**	1.172
	(1.47)	(1.57)	(0.75)	(0.72)
Trade Intensity	-0.244**	-0.147**	-0.283**	-0.139**
	(0.07)	(0.05)	(0.07)	(0.04)
Security Council	-0.304	-0.314	-0.122	-0.134
	(0.30)	(0.25)	(0.30)	(0.22)
Number of NGOs	1.776	4.200		
	(5.68)	(5.46)		
Number of IGOs	-0.586	-0.677		
	(1.04)	(1.00)		
Number of NGOs and IGOs			3.600**	2.310**
			(0.46)	(0.44)
Major Power	-2.788**	-0.794**	-2.593**	-0.795**
	(0.22)	(0.19)	(0.22)	(0.16)
Total Aid per capita	-0.140**	-0.106**	-0.119**	-0.085*
	(0.02)	(0.05)	(0.02)	(0.05)
Democracy Aid	0.022*	-0.001	0.014	-0.005
	(0.01)	(0.01)	(0.01)	(0.01)
Social Sector Aid	-0.017	-0.000	-0.026**	-0.008
	(0.01)	(0.01)	(0.01)	(0.01)
R squared	0.223	0.420	0.221	0.441
N	8257	6582	10346	8544

Table 4: ***Donor Political Economy and Bypassing Governments in Aid-Receiving Countries, 2005-2011***. $+p < 0.10, *p < 0.05, **p < 0.01$. *Constant (all columns) not reported; two-way year and recipient fixed effects (Models 1 to 4); lagged bypass variable (Models 2 and 4).*

	Model 1	Model 2	Model 3	Model 4
Lagged Bypass			0.506**	0.536**
			(0.01)	(0.01)
Initial Recipient Governance	5.183**	-0.049	3.398**	-0.182
	(0.67)	(0.34)	(0.63)	(0.20)
Recipient Governance	0.337	-1.316**	-0.119	-0.661**
	(0.91)	(0.49)	(0.94)	(0.33)
CMEs*Rec Gov	0.400	0.256	0.263	0.206
	(0.44)	(0.42)	(0.29)	(0.27)
CMEs	1.716*	1.881**	1.004	0.928
	(0.89)	(0.87)	(0.61)	(0.56)
LMEs*Rec Gov	-0.751*	-0.879**	-0.419	-0.406
	(0.38)	(0.37)	(0.28)	(0.25)
LMEs	5.884**	5.924**	3.448**	3.114**
	(0.85)	(0.83)	(0.60)	(0.54)
Democracy	-0.256	-0.157	-0.215	-0.084
	(0.29)	(0.11)	(0.29)	(0.06)
Natural Disaster Deaths	-0.009	0.152**	-0.023	0.068**
	(0.03)	(0.04)	(0.03)	(0.02)
Civil Conflict	0.208	0.694**	-0.034	0.321*
	(0.27)	(0.29)	(0.28)	(0.19)
Distance	-1.653**	-0.727**	-1.206**	-0.474**
	(0.25)	(0.22)	(0.17)	(0.12)
Former Colony	-1.014	0.833**	-1.016	0.486**
	(1.15)	(0.31)	(1.08)	(0.17)
Trade Intensity	-0.289**	-0.297**	-0.143**	-0.134**
	(0.07)	(0.05)	(0.04)	(0.03)
Security Council	-0.193	0.148	-0.153	0.053
	(0.29)	(0.31)	(0.21)	(0.20)
Major Power	-2.573**	-3.057**	-0.820**	-0.991**
	(0.21)	(0.19)	(0.16)	(0.14)
Total Aid per capita	-0.114**	-0.116**	-0.076*	-0.086**
	(0.02)	(0.02)	(0.04)	(0.04)
Democracy Aid	0.012	0.025**	-0.007	0.000
	(0.01)	(0.01)	(0.01)	(0.01)
Social Sector Aid	-0.029**	-0.024**	-0.010	-0.006
	(0.01)	(0.01)	(0.01)	(0.01)
R squared	0.221	0.172	0.441	0.425
N	10605	10605	8760	8760

Table 5: ***Donor Political Economy and Bypassing Governments in Aid-Receiving Countries, 2005-2011***. $+p < 0.10, *p < 0.05, **p < 0.01$. *Constant (all columns) not reported; year fixed effects (no recipient fixed effects) in Models 2 and 4; two-way year and recipient fixed effects in Models 1 and 3; lagged bypass variable in Models 3 and 4.*

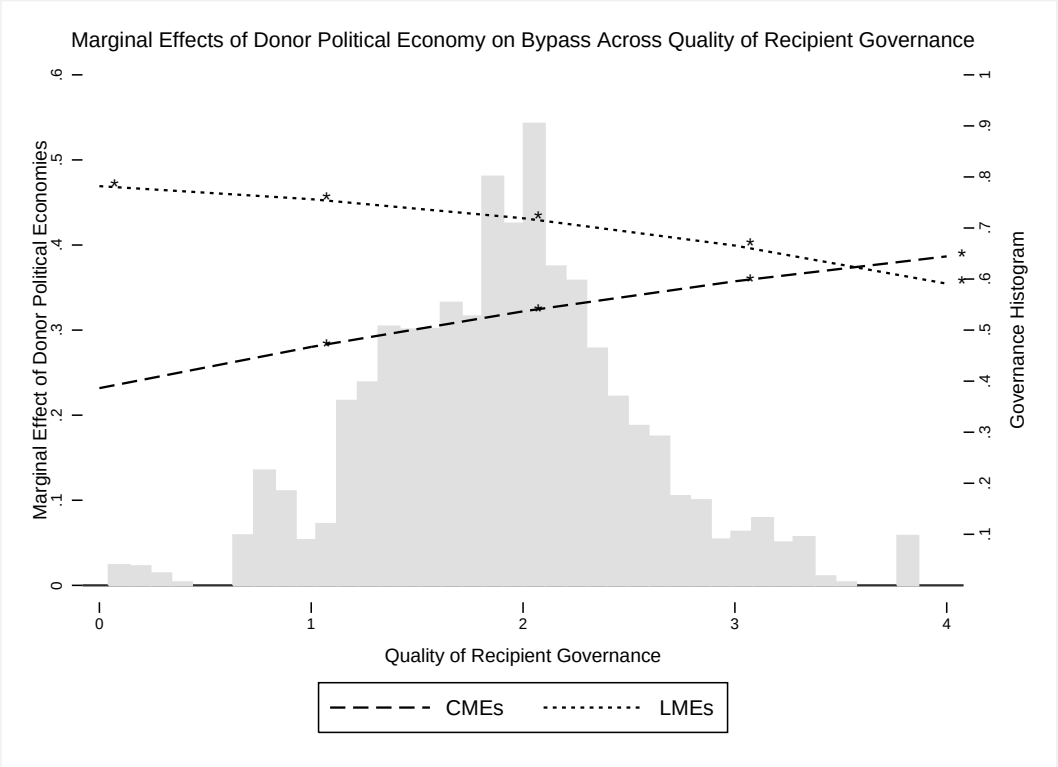

Figure 5: ***Marginal Effects of Political Economy Types Across Quality of Recipient Governance, Controlling for Initial Governance Conditions in Recipient Country***. *Effects of binary political economy division estimated in Appendix Table A4, Model 3. Stars signal statistical significance at 0.05 level. Sources: OECD CRS Database (2013), and authors' calculation.*

Number of Respondents	Agency	Country
4	State Department	United States
4	USAID	United States
2	Millennium Challenge Corporation	United States
1	Treasury	United States
1	Office of Budget and Management	United States
6	Ministry of Foreign Affairs	Sweden
7	Swedish International Development Cooperation Agency	Sweden
5	Ministry of Foreign Affairs	France
4	French Agency for Development	France
3	Ministry of Finance	France
9	Ministry of Development Cooperation	Germany
4	Kreditanstalt fuer Wiederaufbau (KfW)	Germany
3	Ministry for Foreign Affairs	Japan
2	Japanese International Cooperation Agency	Japan

Table 6: ***Survey respondents by agency and country.***