Where You Stand Depends on Where Your Data Sit: Bureaucratic Differences in Foreign Aid Reporting

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Abstract

Economic statecraft depends on leaders knowing where their country's money is going. However, leaders are often forced to rely on information from lower-level bureaucrats, who may have incentives to misrepresent data. How might bureaucratic incentives impact our understanding of international economic policy, and what can be done about it? In this paper, I leverage two competing datasets within the US government that both purport to measure the same thing: US foreign aid expenditures. These datasets are quite distinct in their reporting, suggesting that agencies are reporting biased numbers. I find that the bias in agency reporting increases when agencies are reporting on issues important to their political principals, suggesting that the bias is a result of bureaucratic incentives. I also find that the bias in data reporting decreases with the existence of a competing bureaucratic data source. This is especially pronounced in areas where bias should be most prominent. Depending on which data source leaders and scholars choose to use, they will get very different impressions of US foreign aid.

Word Count: 8,643
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1 Introduction

Powerful states increasingly depend on economic statecraft, such as sanctions (Miller 2014; Whang et al. 2013; Lektzian and Sprecher 2007) and foreign aid (Bueno de Mesquita and Smith 2016; Bermeo 2016; Meernik et al. 1998), to drive foreign policy. Academic work on the subject tends to assume that leaders centrally plan, or are at least cognizant of, their own states' foreign policy behavior. However, the bureaucratic politics literature shows us that leaders do not always have complete information: bureaucrats have an informational advantage over elected policymakers, which they can use to drive policy their way (Gailmard and Patty 2012b). To what extent does the bureaucratic informational advantage shape leaders' knowledge of their own foreign policy? And how do bureaucrats respond to incentives in their data reporting?

In this paper, I take advantage of an accident of United States bureaucratic politics to answer these questions. For many years, two distinct agencies kept independent public datasets of US foreign aid expenditures. While both datasets purported to measure the same thing—United States foreign aid distributions—they often reported quite different levels of spending. Sometimes these differences were subtle, but they were often quite striking. Using web archive tools, I am able to compare these two datasets, identifying the determinants of inter-agency disagreements regarding the true level of US foreign aid spending.

I find two systematic differences in foreign aid expenditures reported by the two agencies. First, I find that the advent of the State Department's aid collection program, which began in 2012, is associated with a qualitative change in USAID's reporting. That is, immediately after the State Department began collecting data, the bias in USAID's data reporting decreased significantly. This suggests that the existence of a competing bureaucracy can impact agency behavior. Second, I find that this shock to USAID's reporting was heterogeneously distributed. USAID changed its reporting of some types of aid over others. Specifically, foreign aid distributions to states with heavy lobbying influence were much more likely to be affected that other types of states. This suggests political influence in USAID's aid reporting.

To my knowledge, this is the first work that directly compares duplicate datasets from two distinct government agencies. This provides a unique opportunity to consider theories of information transmission in the bureaucratic politics literature. As scholars since Crawford and Sobel (1982) have suggested, talk can be cheap between branches of government. When bureaucrats have an informational advantage, it can be difficult for politicians to trust their claims. This paper provides an example of two bureaucracies that make competing claims, providing evidence for some models of bureaucratic politics, such as the suggestion by Gailmard and Patty (2019, 2013) that leaders can benefit from multiple independent sources of information. This also contributes to work by scholars who note discrepancies in data reporting by low-level bureaucrats, often in authoritarian contexts (Kerner et al. 2017; Ghanem and Zhang 2014; Jerven 2013; Hood 2006). This paper develops this literature by showing the scope of the phenomenon as well as highlighting the political incentives that could be associated with these previous findings.

This paper also contributes to research on foreign aid and US foreign policy. Foreign aid scholars rarely consider the sources of the data they use to study the causes and consequences of foreign aid. Insofar as data sources are politically directed, it is worth considering how bureaucratic drift might affect the results. Scholars like Arel-Bundock et al. (2015) and Fariss (2010) have shown that bureaucracies can vary in the policies that they promote. I suggest that they may also vary in the data they report. Because donor states differ in the types of bureaucracies that they empower to conduct foreign aid (Carcelli forthcoming), the inter-state differences that scholars note regarding aid funding may actually be an artifact of bureaucratic reporting.

Scholars of US foreign policy have rarely considered the federal bureaucracy as a foreign policy actor in its own right. As this paper shows, this might be an oversight. Insofar as bureaucrats are politically savvy actors, they might be driving the decisions of their political principals as much as political elites are driving bureaucrats. The remainder of this paper proceeds through the theory and data analysis. In the next section, I draw from principal-

agent theories of bureaucratic politics to develop a theory of bureaucratic data reporting. I draw three hypotheses. Next, I introduce the case in greater detail, showing the differences and types of reporting from both US agencies. I also introduce the independent variables to test the hypotheses. Finally, I show the statistical results, which suggest that agencies do indeed consider the information of their political principals when reporting data. I conclude with a focus on the implications for foreign policy research: when might we expect agencies to report biased data, and how might that affect the results that we see?

2   Theory: Reporting and Bureaucratic Incentives

How can we predict, and prevent, bureaucratic bias in data reporting? In this paper, I suggest that bias is both predictable and, to some extent, preventable. Drawing from delegation models of bureaucratic behavior, I suggest that bureaucracies follow their political principals when providing information. This can mean over-reporting information that would please political principals and under-reporting information that would not. This can make it especially difficult to address biased reporting: political principals have little incentive to scrutinize information that pleases them. However, I argue there is still a way to find and decrease bias in data reporting. The existence of an alternative bureaucratic source of information—driven by *different* political principals—can create an incentive for bureaucrats to decrease bias in their data. This is the theory I develop below.

Scholars of bureaucratic politics have long conceptualized bureaucracies as agents tasked with implementing the goals of political principals in the legislative and executive branches.[1]

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[1]For example, see early works by Huber and Shipan (2002); Epstein and O'Halloran (1999, 1996); McCubbins et al. (1989); Wilson (1989); Crawford and Sobel (1982) or more recent work by Bolton and Thrower (2019); Vakilifathi (2019); Ritchie (2018); Miller and Whitford (2016); MacDonald and McGrath (2016); Clinton et al. (2014, 2012); Gailmard and Patty (2012a, 2007); MacDonald (2010, 2007); Wood and Bohte (2004); Lewis (2003, 2002).

According to this literature, bureaucrats often have an incentive to hide the full policy picture from politicians, especially when they fear politically motivated policy decisions (Miller and Whitford 2016). Despite this theoretic strand in much of the literature, there is little opportunity to empirically test the biased reporting by agencies. Bureaucrats' ability to maintain an informational advantage is especially puzzling given Congress's ability to conduct government oversight (McCubbins et al. 1987). When and how might bureaucrats work to present a rosy policy picture to their congressional overseers?

2.1   Mechanisms of Bias in Bureaucratic Reporting

Bureaucrats and politicians strategically withhold information when it can contribute to their preferred policy outcomes (Crawford and Sobel 1982). While bureaucrats are rarely caught outright lying to their political principals,[2] they may interpret information in a way this benefits their own interests. In foreign aid, for example, it is unlikely that a bureaucrat will entirely invent a project that does not exist or report greater levels of foreign aid spending than are accurate. However, on the margins, bureaucrats do have the ability to highlight data that is flattering to their cause, whether consciously or unconsciously. Similarly, at the margins, bureaucrats are able to sit on data that they find to be unflattering.[3]

Bureaucrats can actively impact data reporting in at least three ways. First, they can be selective in the funding that they report. Data reporting requires categorization, an inherently subjective task (Kelley and Simmons 2019). This often requires a judgment call, especially for policies that are on the margins. In foreign aid, for example, the difference between "economic" or "security" assistance can be subtle. Many aid projects are designed to

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[2]In the rare cases where this does happen it is usually in the context of a larger scandal, such as Watergate, Iran-Contra, or the McCarthy Hearings.

[3]Hood (2006) notes the importance of this ability when bureaucrats fear they might not reach targets that they were assigned.

support both economic growth *and* security, and it is not always obvious which characteristic takes precedence. For example, a counter-narcotics program could be considered by one person to be driven by economic goals, while another could find the security objectives to be more prominent.[4] Therefore, bureaucrats may consciously or unconsciously choose to move a policy that they dislike into a different bucket, making it more difficult for political principals to notice it.

A second way that bureaucrats can impact data reporting is by being selective about their information sources. For example, US efforts to combat the global narcotics trade in the early 2000s were hampered by inter-agency disagreements regarding the actual levels of opium production. Agencies that wanted more power and stronger enforcement mechanisms, such as the State Department's (INL), used UN-derived data that was considered questionable by experts, who argued it made the problem seem worse than it actually was. In providing these data in congressional testimony, INL bureaucrats were able to convince many members of Congress of their cause (Sopko 2018). Other agencies that favored less-strict enforcement mechanisms, such as USAID and DoD, used other datasets to argue for their position. Depending on which data legislators read, they would have very different opinions of the ideal counter-narcotics policy and the effectiveness of existing policy.

Third, bureaucrats can be selective about which pieces of information they choose to scrutinize. Congressionally mandated reporting often requires bureaucrats to sift through a lot of information with very few resources (Clinton et al. 2014). When faced with limited time, bureaucrats carrying out reporting may use heuristics to determine which pieces of information are accurate and which need more clarification. One obvious heuristic would be

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[4]In fact, an author interview with one former aid worker provided just such an example, in which the State Department labeled a program as "Official Development Assistance" and included it in its aid dataset, while USAID considered it to be "Security Assistance" and excluded it from the same dataset.

bureaucratic mission: if a project supports the overall agenda that an agency is tasked to carry out, bureaucrats may find it unnecessary to dig deeper to determine the truth behind a piece of data. For example, USAID might be more likely to correct the numbers on a funding report in a country that seems like an unlikely USAID recipient than in a country that receives a lot of USAID funding. Regardless of the bureaucratic motivations, this would result in more data being removed in areas that are less relevant to the bureaucracy's mission.

Similarly, bureaucrats may unknowingly skew some information due to their own capabilities and expertise. As part of the data reporting process, USAID and the State Department reach out to other government agencies to collect information on aid spending. It should come as no surprise that USAID, for example, finds it easier to access data from USAID than from other agencies. Once again, this biased expertise might drive USAID to over-report projects from their own agency. It may also inspire other agencies to report information that they believe will be less likely to be scrutinized, reinforcing USAID's bias.

None of these mechanisms assume that bureaucrats are *consciously* manipulating data. This process may be entirely unconscious. It is consistent with the theory that a set of rational bureaucrats take actions that forward their own bureaucratic agenda, which can certainly include actions that overstate policies that match the bureaucracy's own agenda. Bureaucratic cultures can drive individuals to make marginal decisions that please the bureaucracy's political principals, whether or not bureaucrats are being purposely deceptive.

2.2   Alternative Information Pathways

Notably, all of the above actions require that political principals have a bit of uncertainty regarding the baseline reality. As Gailmard and Patty (2019, 2013) argue, however, bureaucrats tend to be more reliable when an alternative source of information is available. When a single bureaucracy has a monopoly on the data, it will have greater incentive to selectively report. Foreign aid spending is one example of this. It would be incredibly difficult for an outside observer to comment on the true levels of a country's foreign aid spending

if only a single bureaucracy were reporting on it. However, if multiple bureaucracies are independently reporting foreign aid spending, it may be easier for policymakers to detect bias.

The existence of an alternative information source within the bureaucracy can shift bureaucratic incentives in two ways. First, it can serve as an independent check on bureaucrats themselves. By presenting conflicting findings, an alternative bureaucratic channel can make it costly for bureaucracies to present biased information. If nothing else, this incentivizes policymakers to ask more questions, which could be enough to lead bureaucrats away from their original bias. Second, an alternative information channel can provide bureaucrats with new information on the data they are trying to collect. Insofar as the reporting bias is unconscious on bureaucrats' parts, a separate information channel can help both bureaucracies to improve their information.

2.3   Hypotheses

This theory suggests that bureaucrats' *willingness* and *ability* to report biased data should drive their data reporting. The willingness comes from political incentives—specifically, the desire to please political principals. Bureaucrats' *ability* to present biased information comes from the alternative information pathways available within the government. When bureaucrats are competing with another bureaucratic source of information, they are more likely to work to provide unbiased data.

Therefore, the hypotheses presented here focus on those two factors. First, I expect agencies' data reporting to follow the priorities of their political principals. Agencies have an incentive to please those who control their budgets. This can include taking actions that political principals prefer. But it can also include *reporting* on actions that political principals might prefer. Doing so would allow bureaucrats to use their unique expertise in a way that maximizes their own political gain.

Agencies differ in the degree to which they are accountable to the executive and legisla-

tive branches. Aspects of bureaucratic design, such their relative independence from political principals, is well known to impact how agencies behave. For example, independent commissions, in which leaders cannot be easily removed by the president, are generally considered to be quite independent, and therefore unlikely to accede to political whims (MacDonald 2007; Wood and Bohte 2004; Lewis 2003). Agency independence can be difficult to measure. In her ground-breaking measurement strategy, Selin (2015) notes the appointment of key agency decision-makers, location within the bureaucracy, budget submission requirements, independent funding, and other attributes.

The two bureaucracies discussed in this paper, USAID and State, are very similar in many of these aspects. However, they differ markedly in one: the State Department is located much closer to the president than is USAID. Indeed, data by Selin (2015) and Arel-Bundock et al. (2015) suggest that the president has a great deal more influence in the State Department, whose secretary is a member of the cabinet, than the lower-profile USAID. The State Department also has a greater number political appointees than USAID. In contrast, Congress, the competing political branch, has just as much sway in USAID as it does in the State Department. If anything, USAID is *more* vulnerable to Congress than the State Department.

As foreign policy scholars note, foreign aid is a classically congressional behavior (Carcelli 2021; Milner and Tingley 2015). It "suits the congressional character, always at its most skilled and comfortable with using budgetary decisions as a means of policy control."[5] Because of its dependence on appropriations, USAID depends heavily on Congress.

Because of this, USAID is *relatively* more heavily controlled by Congress than the State Department is. Therefore, when USAID over-reports data, this over-reporting should be biased in the direction of Congress. Because USAID has more incentive to please Congress than the State Department does, it should be incentivized to over-report foreign aid expenditures

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[5]Hinckley (1994, p. 102)

that please its congressional principals.

> **Hypothesis 1:** USAID (vis-a-vis State) should over-report foreign aid data in areas of high congressional priority and under-report data in areas of low congressional priority.

The second hypothesis is related to bureaucrats' *ability* to present biased information. Specifically, when bureaucrats face an alternative information channel in a different bureaucracy, they should have less ability to report biased data. This is suggested in the second hypothesis.

> **Hypothesis 2:** When agencies serve as their state's only information source, they will present *more biased* data than agencies that face competing information sources within the government.

Finally, the theory suggests a conditional hypothesis: agencies should only shift their data reporting in those cases where they were reporting biased data to begin with. That is, USAID had no need change its reporting practices in areas where their previous reporting was not biased. If the theory is correct, then the areas with the *most* biased reporting—those that are prioritized by political principals—will be the most likely to shift after the introduction of a competing information channel.

> **Hypothesis 3:** The creation of a competing information channel will decrease bureaucratic bias in areas of *high priority* to political principals more than in areas of *low priority*.

Below, I describe how I test these three hypotheses using foreign aid expenditure data from USAID and the State Department. I take advantage of the 2012 shock, in which the State Department created an alternative data source, to provide evidence of congressionally motivated bias in USAID data reporting.

3 Data and Methods

To examine these hypotheses, I draw from a unique dataset that comes from an accident of bureaucratic politics. Beginning in 2013, two US agencies—the State Department and the

US Agency for International Development (USAID)—each begin keeping their own separate public datasets of US foreign aid expenditures. Each agency used their own data for congressional reporting, and the two datasets were often off by billions of dollars. It was not until 2022 that the two agencies, forced by Congress, were able to reconcile their differences and combine into a single dataset of US foreign aid.[6]

The State Department and USAID are related agencies in the US government—in fact, since 2006, USAID has technically been a branch of the State Department, with its budget going through State controls. The *de facto* control of the State Department, however, is quite different and varies year by year. This lack of total State Department control over USAID policies is evidenced by the fact that the two agencies report such different funding levels in the first place.

Putting together a comprehensive dataset on foreign aid expenditures is a labor-intensive process for an agency to undertake. Contractors and bureaucrats in the reporting and budgeting offices are tasked with contacting all US aid-giving bureaucracies to determine their levels of spending over the year. This is a lot of bureaucracies: according to USAID data, over thirty distinct agencies provide some types of foreign aid funding (EADS 2015). Not all of these agencies are quick to respond to requests. For example, the Department of Defense is notorious in the US aid community for its low responsiveness.[7] This is especially pronounced for State Department attempts, due to historical rivalries between those two bureaucracies. Because the Organization for Economic Cooperation and Development (OECD) requires foreign aid reporting from all of its member states, USAID has decades of experience making, and following up on, these contacts. The bureaucracies and contractors employed by USAID have long-standing institutional relationships with data-collecting institutions in

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[6]See MFAN (2022) for a description of the years of advocacy efforts required to finally reconcile these two datasets.

[7]Author interview, 8/25/22

partner bureaucracies, giving them an advantage in data collection. Therefore, one might expect USAID be able to report higher levels of aid expenditures, which is indeed a pattern visible in the data.

After contractors and bureaucrats have successfully contacted all agencies, they must then sift through each aid project to determine which expenditures actually qualify as "foreign aid" based on the OECD definition.[8] This requires a combination of expertise and judgment calls. For example, the distinction between economic and security assistance is often quite subtle, with many projects not fitting neatly into either category. Bureaucrats at various levels consult with other experts to determine, to the best of their ability, which projects to include and which to exclude. This process also requires vigilance for mistakes in the original data reported by other agencies: it is not uncommon to see double-reporting of aid allocations, especially when projects are implemented and funding by several agencies or inter-agency panels. Insofar as bureaucrats dedicate more time questioning some type of projects than others, there is likely to be unconscious bias in which areas receive more scrutiny.

While USAID has been doing this process for decades, the State Department did not join the data game until 2012. This was a result of a government transparency initiative in the Obama administration (Welford 2010). In partnership with the International Aid Transparency Initiative (IATI), the State Department made ambitious plans to create a real-time database of all US foreign aid expenditures and appropriations. The goal of this endeavor was not to compete with USAID's already gargantuan data collection efforts. It represented a more ambitious agenda and was designed to be public-facing.

Although State did not begin its data collection until 2013, they found it important to present data from the entire 21st century. Therefore, State Department bureaucrats went

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[8]The OECD's definition of "Official Development Assistance" is a common one used for aid reporting.

back to 2001, retroactively collecting aid expenditure and obligation data from the relevant agencies.

State's retroactive data collection provides an opportunity to compare the two agencies' data reporting both before and after the creation of State's data collection arm. The differences in data reporting between USAID and State could be high throughout this time period. However, if these difference were to decrease in 2013, that would suggest that USAID has reacted to the creation of an alternative source of information.

3.1 Dependent Variable: Agency-Level Foreign Aid Reporting

The hypotheses require a measure of USAID over- or under-reporting of foreign aid data. Although this particular measure is difficult to be sure of, one potential proxy is the (directional) difference between USAID-reported and State Department-reported foreign aid expenditures. A large USAID-State difference does not necessarily equate to USAID over-reporting. In fact, it could just as easily be due to the State Department's under-reporting. However, a higher USAID-State difference is undoubtedly *correlated* with USAID over-reporting. Therefore, that is the dependent variable I will be focusing on in this work.

One clear distinction between the two agencies is the fact that USAID reports a great deal *more* foreign aid funding than the State Department. The mean recipient-year funding reported by USAID is 80 million dollars, compared to State's 36 million. The primary reason for this difference is USAID's greater experience with and capacity for aid data collection. USAID has been collecting aid expenditure data in its annual "Green Book" since the agency's inception. This represents decades of experience contacting aid agencies, following up, and building relationships. The contractors that USAID employs to collect its funding reports have well developed standard operating procedures, and conventional wisdom in the aid community suggests that USAID has an advantage in data collection.[9]

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[9]Author interview, 8/25/22

In contrast, the State Department only began its data collection effort in 2013, and the data only go back to 2001. Because of long-standing rivalries with agencies like the Defense Department, State Department contractors were already at a disadvantage when it came to data reporting. Contacting other agencies could be a difficult process, and without pre-existing relationships, State was certain to face challenges. This shows in the data that they were able to report. Because of this obvious difficulty, it is important that any statistical models comparing the two datasets include controls for Defense Department spending, which should account for much of the inter-agency difference.
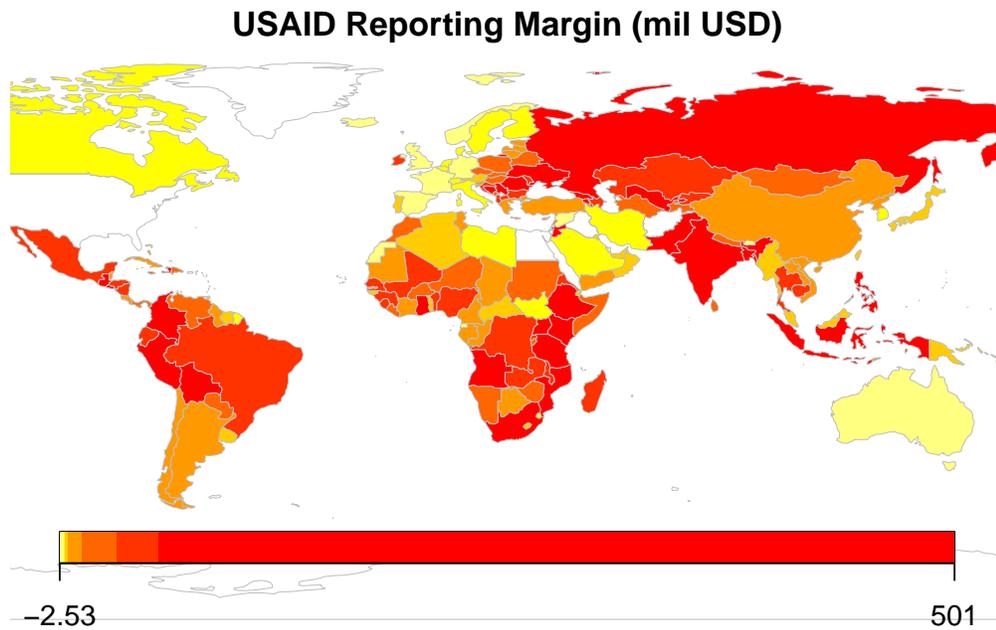
USAID Reporting Margin (mil USD)

Figure 1: Recipient countries vary in the difference of funding levels reported by USAID versus by the State Department. A darker red fill represents a recipient state with relatively higher USAID-reported expenditures.

However, differences in agency capacity do not explain all of the inter-agency variation. Variation in reporting of aid to different recipient countries is also worth considering. Figure 1 lays out the USAID-State reporting differences for all aid recipients.[10] A darker red fill

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[10]The data reflected here omit Egypt, Israel, Afghanistan, and Iraq, by far the largest

represents states with relatively higher levels of USAID than State Department reported expenditures, or higher "USAID Reporting Margins." This could mean either that these states' aid levels are over-reported by USAID or that they are under-reported by State—the data do not allow a distinction between the two. On the margins, the data show interesting differences between the two agencies that cannot be explained through agency capacity alone.

It is difficult at a first glance to make any easy generalizations. Some areas of great US interest, such as Russia and Mexico, receive a great deal more funding reported by USAID than by State. However, other relevant countries, including much of the Western Hemisphere and the Middle East, do not exhibit as much of a difference. In order to determine the drivers of this USAID-State difference in agency reporting, I turn now to the independent variables I will use in the analysis.

3.2   Independent Variable: Legislative Priorities

According to Hypothesis 1, USAID should be likely to over-report foreign aid to states that are targeted by Congress as priorities in foreign policy. How to measure Congress's priorities, however, can be a difficult question, especially given the diversity of interests within Congress. I propose a proxy for congressional foreign policy priorities that focuses on Congress's incentives for action: data drawn from congressional lobbying reports. When firms and organizations lobby on behalf of a specific aid recipient, they both shape and reflect the preferences of Congress. Lobbyists might inform members on the issues relevant to their congressional districts, tug at their heartstrings, or seek to persuade members of a specific point of view.

Lobbying in foreign aid comes from several sources, such as private companies hoping to

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recipients of aid in this time period and outliers with extremely high levels of USAID reporting. The main results reported in this paper are robust whether these states are included or excluded in the analysis.

profit from foreign aid contracts; NGOs trying to drive aid policy in step with their agenda; or foreign governments trying to increase aid delivery or decrease restrictions in their home countries. Of the aid-specific lobbying funding, a majority comes from public entities and NGOs. Unlike most lobbying in the US government, 86% of which comes from corporations and trade associations (De Figueiredo 2004), the private sector only accounts for about half as much foreign aid lobbying as the non-profit sector.

Lobbying can be both a cause and an effect of congressional interest. Gray and Lowery (1996) suggest that interest lobbies only come about when there is an issue that is not well represented by current lobbyists. This would suggest that lobbying pertaining to a certain aid recipient is a *driver* of congressional priorities (Hojnacki et al. 2012; Lorenz 2020). Alternatively, other scholars would suggest that lobbyists only *respond* to congressional priorities (Baumgartner et al. 2011, 2009; Leech et al. 2005; Berkman 2001). Regardless of the causal direction, the literature generally agrees that congressional lobbying is an indicator of congressional interest (Austen-Smith and Wright 1996).

To develop a list of countries of relevance to foreign aid lobbying, I downloaded data from the LobbyView project (Kim 2018) on all lobbying reports that included the terms "Foreign Aid" or "Foreign Assistance." This provided me with a list of 1400 lobbying reports submitted between 2000 and 2018.[11] For each country-year, I created a binary measure of whether that country was mentioned in a lobbying report in the given year. Twelve percent of countries are mentioned in these reports at some point. The mean country had six mentions over the 18-year period for which data are available.

The state with by far the most lobbying in this dataset, mentioned in 54 reports, was Iran. Many of the reports discussing Iran involved nuclear weapons and treaties, as well as human rights issues. Israel and China were also mentioned quite often, with 42 and 32

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[11]All lobbyists are legally mandated to report their expenditures in written reports. The LobbyView project digitizes and sorts information from these reports.
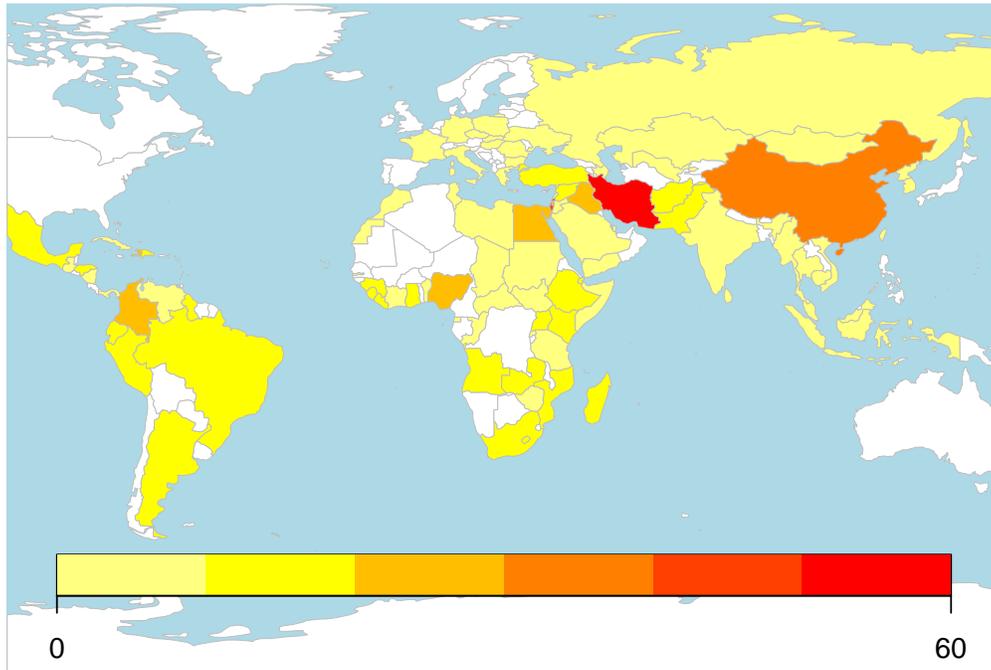
Country Mentions in Lobbying Reports

Figure 2: Number of times states were mentioned in aid-related lobbying reports from 2000 to 2018.

mentions, respectively. All three of these countries involve issues that Congress discusses a lot; therefore, it is understandable that they would be the objects of lobbying. They are also countries of high congressional interest.

For the purposes of the analysis, I created a binary indicator of whether or not a country was mentioned in an aid-related lobbying report for each year from 2000 to 2018. I included both private and public-sector lobbyists in the dataset. Because Congress makes spending decisions one year in advance, I lagged the lobbying data by one year to predict fragmentation. I expect countries with more lobbying to be especially heavily reported by USAID.

3.3   Control Variables

The analysis requires a set of control variables related to foreign aid and foreign policy priorities. First, due to the anecdotal evidence related to State's difficulties collecting data

from the Defense Department, I control for country-year receipts of Defense Department aid. I predict this to be more highly correlated to USAID reporting than to State reporting. Similarly, I expect states that are currently facing wars to be more likely to receive under-measured aid from the Defense Department. Therefore, I include controls for battle-related deaths, taken for World Bank data (Bank 2022), which I expect to be correlated with USAID-State differences in foreign aid spending.

Table 1: Summary statistics of all dependent, independent, and control variables in the statistical analyses.

Statistic	N	Mean	St. Dev.	Min	Max
USAID-Reported Distributions (mil USD)	3,577	80.9	171.7	0.0	2,120.3
DOS-Reported Distributions (mil USD)	3,577	36.2	116.4	0.0	1,886.6
USAID Margin (mil USD)	3,577	44.7	128.8	-837.9	2,028.4
Lobbying	3,223	0.1	0.3	0	1
Pres. Visits	3,577	0.1	0.2	0	1
Exports (bil USD)	3,491	6.0	23.7	0.000	311.3
UNSC Membership	3,577	0.1	0.3	0	1
Distance (thou miles)	3,388	8.7	3.6	0.5	16.2
US Ally	3,577	0.3	0.5	0	1
Def. Aid (mil USD)	3,577	15.7	134.6	-0.000	6,390.3
Corruption	3,310	-0.2	0.9	-1.9	2.4
Battle Deaths (thou)	3,577	0.2	2.2	0.0	71.4
GDP (bil USD)	3,402	251.5	869.0	0.03	14,631.8
GDP/cap (thou USD)	3,373	10.4	15.7	0.3	183.2

Second, I include a battery of controls that are traditional predictors of foreign aid funding, both economic and political. US exports to a given country increase the economic benefits to the US, providing an incentive to give foreign aid. The US is known to provide more aid to states that are members of the United Nations Security Council (UNSC) (Kuziemko and Werker 2006). States that are relatively close to the United States are often attractive aid donors, as are US allies. It is generally considered a "best practice" in foreign aid to provide more funding to states with low levels of corruption and to poorer states, both of which I control for. I also control for the relative size, in terms of GDP, of the recipient state. These data were also pulled from the World Bank (Bank 2022). Table 1 presents

summary statistics of all variables in the analysis.

3.4 Statistical Models

The first two hypotheses allow for a relatively straightforward estimating equation. Hypothesis 1 predicts that USAID will be more likely to over-report foreign aid in recipient states mentioned in lobbying reports than those that are not. Similarly, Hypothesis 2 predicts that USAID will be likely to stop over-reporting foreign aid funding after 2012, when the State Department created an alternative information channel. The dependent variable of interest is $Over.Report_{r,t}$, a measure of USAID's over-reporting (vis-a-vis the State Department) of foreign aid to given a recipient country (r) in a given year (t).

$$Over.Report_{r,t} = \alpha + \beta_1 Lobbying_r + \beta_2 Post - 2012_t \\ + \beta_3 Controls_{r,t} + Year_t + Recipient_r + \epsilon$$

Hypothesis 3, the conditional hypothesis, requires an interaction model. Because I am investigating the impact of a discrete event—the State's Department's 2013 entrance into foreign aid data collection—I employ the interaction model to compare USAID over-reporting toward different types of recipients before and after that event.

$$Over.Report_{r,t} = \alpha + \beta_1 Lobbying_r + \beta_2 Post - 2012_t \\ + \beta_3 Lobbying_r * Post - 2012_t + \beta_4 Controls_{r,t} + Year_t + Recipient_r + \epsilon$$

The coefficient of interest is β_3, which represents the post-2012 change in USAID over-reporting of aid to recipients mentioned in lobbying reports. I expect it to be negative: over-reporting, which should decrease after 2012, should decrease the *most* in countries that had the highest levels of over-reporting before 2012. In contrast, I expect the 2012 shock to be less pronounced in states that were not mentioned in lobbying reports, represented by β_2. That is because, according to the theory, aid to these countries was not being over-reported

to begin with. All empirical tests use ordinary least squares regression, clustering standard errors at the recipient level.

4   Results

Before presenting the statistical results, I present the raw data in Figure 3. The solid blue line represents the mean USAID over-reporting in states that are mentioned in lobbying reports, and the dashed red line represents the same for states not mentioned in these reports. The difference between mean over-reporting in these two groups is striking: with the unusual exception of 2006, over-reporting is consistently higher in the lobbying group. Another striking finding is the plunge that the blue line takes after 2012. The introduction of the State Department dataset decreased over-reporting for the lobbying states very heavily. Although the dashed red line also drops after 2012, it is not nearly as stark. Next, I investigate whether the statistical results follow the same trends.
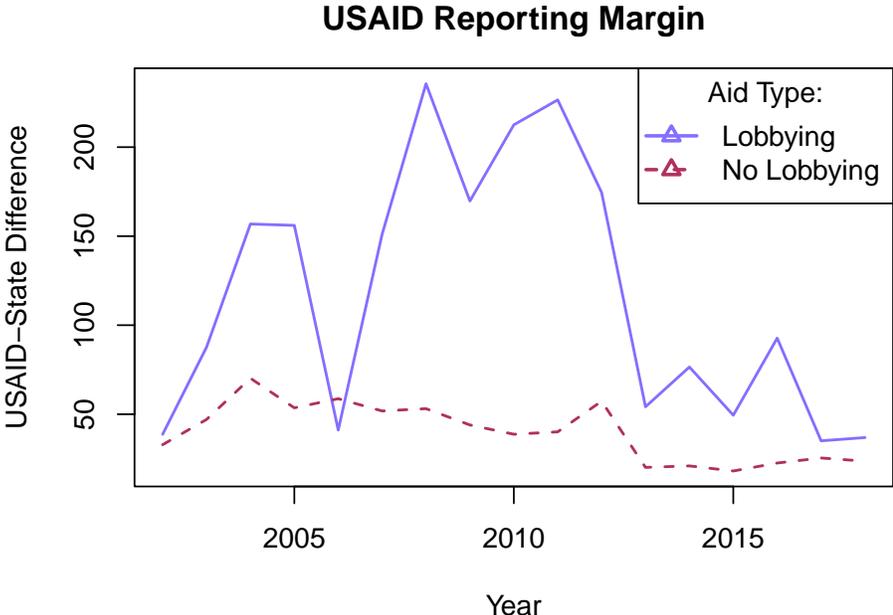

Figure 3: Linear representation of changes over time in USAID over-reporting in states that are mentioned in lobbying reports versus those that are not. Note the discontinuity in 2013, the first year that the State Department collected and presented foreign aid data.

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Table 2: Coefficients on linear regressions with standard errors clustered on recipient state. Dependent variable is the difference between aid levels reported by USAID and the State Department. High levels of the dependent variable correspond to relatively higher levels of reporting by USAID.

	Dependent variable:			
	USAID Over-Reporting (Million USD)			
	(1)	(2)	(3)	(4)
Lobbying	106.10***	138.54***	97.00***	62.91***
	(31.53)	(31.53)	(20.28)	(15.18)
Post-2012	−39.04***	−28.08***	−20.90***	−9.84
	(4.83)	(4.83)	(5.06)	(8.52)
Lobbying x Post-2012		−100.90***	−97.55***	−88.81***
		(26.64)	(21.00)	(22.02)
Pres. Visits			13.57	−3.36
			(15.36)	(8.28)
Exports (bil USD)			0.25***	0.22
			(0.07)	(0.21)
UNSC			51.44**	0.25
			(25.34)	(9.97)
Distance (thou miles)			1.18	7.05**
			(1.51)	(2.81)
US Ally			−6.28	−19.03***
			(14.26)	(5.33)
DoD Aid (bil USD)			463.68**	317.51***
			(189.33)	(106.13)
Corruption			−14.62**	−10.14
			(7.35)	(9.40)
Battle Deaths (thou)			56.17**	16.85
			(24.66)	(19.96)
GDP (tril USD)			−11.13***	0.08
			(3.34)	(5.42)
GDP/cap (thou USD)			−0.40	0.43
			(0.33)	(0.45)
Constant	53.57***	49.93***	31.75*	−37.61
	(6.62)	(6.62)	(17.88)	(25.53)
Fixed Effects				Country, Year
Observations	3223	3223	2744	2744
Mult. R-2	0.081	0.093	0.443	0.725

Note: *p<0.1; **p<0.05; ***p<0.01

Table 2 shows the correlation between congressional lobbying, the 2012 introduction of State's dataset, and USAID over-reporting. Hypothesis 1 predicts that USAID will be more likely to over-report foreign aid in areas of high congressional interest than in other areas. Model 1 provides evidence for this hypothesis: the correlation between lobbying and USAID over-reporting is positive and significant. A country being mentioned in a lobbying report corresponds, on average, to a hundred-million-dollar increase in over-reporting by USAID.

Similarly, Hypothesis 2 also finds support in Model 1. The 2013 introduction of an alternative source of information on foreign aid expenditures served to decrease USAID over-reporting in the average recipient by almost forty million dollars.

Finally, the results show differential effects of the 2013 shock for aid reporting in different types of recipient states. Hypothesis 3 suggested that the decrease in USAID over-reporting should be concentrated in the types of states where over-reporting was high to begin with: those mentioned in lobbying reports. The interaction coefficient suggests this is the case. Although the coefficient on the "Post-2012" variable is negative (although not robust), the interaction coefficient is much higher. This suggests that USAID's post-2012 decrease in over-reporting was mainly concentrated in states that were mentioned in lobbying reports.

Because interaction coefficients are difficult to interpret in a vacuum, Figure 4 presents a marginal effects plot. The y axis represents the effect of the 2012 agreement on USAID over-reporting. In states that are not mentioned in lobbying reports (0), versus those that are (1). States that were not mentioned in lobbying reports, and which therefore were unlikely to be over-reported to begin with, the 2012 shock decreased USAID over-reporting by around $30 million. Although this is significant, it is low compared the marginal effects for states that *were* mentioned in lobbying reports. For those states, USAID decreased over-reporting by closer to $130 million.
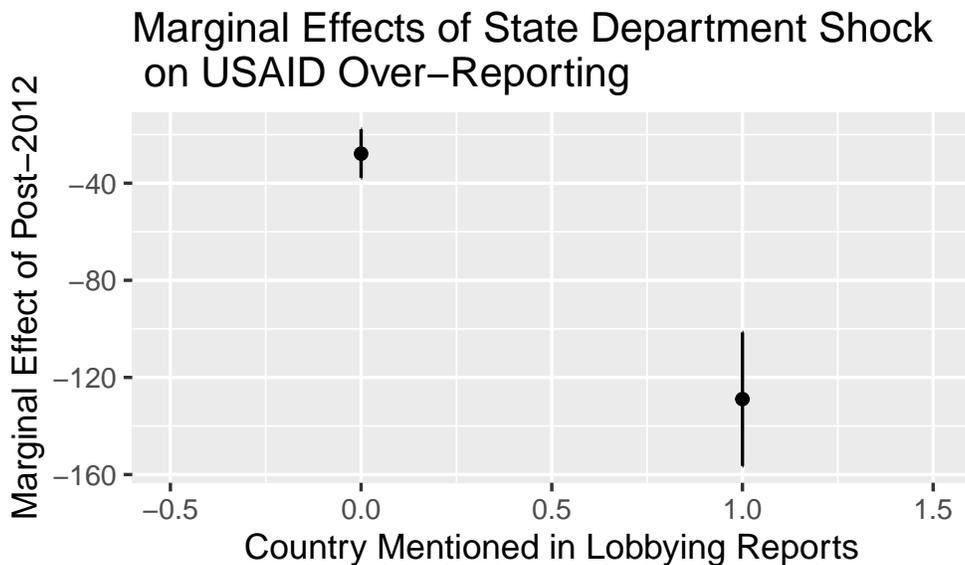
Figure 4: Marginal effects plot of 2012 introduction of State Department data source.

5 Conclusion

In this paper, I leveraged a unique dataset of inter-agency differences in reporting of US foreign aid expenditures to determine how agencies present biased data to please their political principals. I found that USAID reported higher aid expenditures to congressional-priority countries than the State Department. I also found that when the State Department began collecting aid data, USAID's bias decreased. This suggests that bureaucrats may, consciously or unconsciously, be willing to shift their data reporting to please political principals.

The findings could be useful to foreign aid scholars by providing new data to consider when determining the correlates of foreign aid. Depending on which type of agency is doing the reporting, foreign aid data could provide vastly different information. Although this particular research only focuses on United States data, these findings could be relevant in other places as well. All OECD countries are required to report their foreign aid expenditures. If the reporting depends on which bureaucracies are tasked with data collection, then some of the between-country variation in aid expenditures could be an artifact of bureaucratic biases. It is worth considering, in future research, the extent to which state-level reporting

depends on bureaucracies.

These findings could also be useful to policymakers in foreign aid and other areas. When leaders are trying to craft foreign policy, they often have little choice but to rely on bureaucratic agents to report on policy outcomes. Knowing that bureaucracies have incentives to report information in a flattering light may help policymakers gain a better understanding of true policy outcomes. Perhaps the (accidental) strategy of tasking two independent agencies with data collection would be a useful tool for collecting accurate information in cases where accuracy is crucial.

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