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Pledge of honesty

On my honor as a student of the Diplomatic Academy of Vienna, I submit this work in good faith and pledge that I have neither given nor received unauthorized assistance on it.

Lisa Reithorecht

Abstract

This paper examines the question of whether international media reporting of elevated geopolitical risk in recipient countries influences the amount of Official Development Assistance received by these countries. Over the years, different scholars have found that apart from the altruistic motivation to give foreign aid, donors might also pursue political and economic interests within their foreign aid policies. Next to consciously shaped foreign policy goals there are also other aspects which can influence the aid allocation process as subconsciously perceived “intermediate” factors. One of these, we argue, is the donor’s perception of media and how it influences political decisions. The effect of media influence on political decisions is commonly known as the “CNN effect”. This paper specifically examines how far media content related to increase geopolitical risk in recipient countries influences the foreign aid allocation decisions of donors. Among other explanatory variables we include the Geopolitical Risk Index (Caldara & Iacoviello, 2019) as a measure of media coverage and the Security Apparatus Indicator (Fund for Peace, 2017) as a measure of security threats into an aid allocation regression model. This fixed effects panel regression for a data set from 2006 to 2018 and a sample of 14 countries shows significant evidence for a positive effect of increased geopolitical risk in recipient countries reported in international media on the amount of Official Development Assistance provided to these countries. This suggests that the donor’s perception of a recipient countries’ geopolitical risk level covered in international newspapers plays a determining role in aid allocation decisions.

Keywords: foreign aid allocation, international media coverage, geopolitical risk

Zusammenfassung

Die vorgelegte Studie untersucht den Zusammenhang zwischen internationaler Medienberichterstattung von erhöhten geopolitischen Risiken in Entwicklungsländern und der Höhe des Entwicklungshilfegeldes, welches sie von anderen Staaten bzw. internationalen Organisationen erhalten. Frühere Forschungsarbeiten haben ergeben, dass die Vergabe von Entwicklungshilfegeld nicht nur von altruistischen Intentionen getrieben ist, sondern diese auch sowohl von politischen und ökonomischen Interessen der Geberländer, aber auch von anderen unbewusst wahrgenommen Faktoren abhängen. Medienberichterstattung und ihr Einfluss auf politische Entscheidungsträger kann als einer dieser Faktoren gesehen werden, welcher als sogenannter „CNN-Effekt“ schon in vielen Forschungsdisziplinen untersucht wurde. Mittels einer Panelregression für ein Sample von 14 Ländern im Zeitraum von 2006 bis 2018 wird die Frage untersucht, ob sich aufgrund erhöhter geopolitischer Risiken, gemessen durch einen medienbasierten Index, die Summe des erhaltenen offiziellen Entwicklungshilfegeldes verändert. Aufgrund der signifikanten Regressionsergebnisse kann die Hypothese bestätigt werden, dass vermehrte Medienberichterstattung von Ereignissen, die geopolitische Risiken in Empfängerländern erhöhen, dazu führen, dass besagte Länder mehr Entwicklungshilfegeld erhalten.

Schlagwörter: Vergabe von Entwicklungshilfegeld, internationale Medienberichterstattung, Geopolitische Risiken

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1 Introduction

Especially in view of the increasing amounts of Official Development Assistance provided to developing countries during the past decades (OECD, 2020a), academic research about the allocation and the effectiveness of foreign aid has become very important. Official Development Assistance (ODA) is defined as “government aid designed to promote the economic development and welfare of developing countries” (OECD, 2020c). This financial assistance, which is also often referred to as “foreign aid”, may be provided bilaterally from donor to recipient country or channeled through a multilateral development agency. Economic research about donor motives has shown that apart from donors’ altruistic humanitarian intentions to foster development, economic growth and higher quality of life in the recipient countries as well as other motives such as strategic and economic interests play an important role (Bandyopadhyay & Vermann, 2013, p. 327). In this sense, over the years, scholars have found many different factors which influence aid allocation. Referring to donors’ altruistic motive, factors like the initial income, GDP growth, literacy, and mortality have not surprisingly been proven to be influencing factors for aid allocation decisions. However, donors also, consciously or subconsciously, assess other factors like civil liberties, the level of democratization, former colonial ties, institutional quality, migration flows, UN voting patterns, trade flows, foreign direct investment, etc. to choose their aid recipient countries.

In recent years, starting after the event of 9/11 in 2001, the provision of foreign aid has focused substantially more on security concerns (Bandyopadhyay & Vermann, 2013, p.334). This is why scholars (e.g. Balla & Reinhart, 2008) also investigated unstable security environments as a factor which influences aid allocation decisions. The provision of development assistance as part of the foreign policy of a country might be used to fulfil certain policy goals, such as minimizing (illegal) migration to the donor country (Gaytan-Fregoso & Lahiri, 2000) or alleviating terrorism-related treats (Bandyopadhyay et al., 2011). Building up on these finding, this paper wants to add the dimension of media coverage of geopolitical risk to the equation. Many scholars (e.g. Livingston, 2000, Robinson, 2000 & 2002; Gilboa, 2005) investigated the overall effect of media coverage on political decisions and their results are contradicting. This effect is commonly known as the “CNN effect”. Only some studies (Van Belle & Hook, 2000; Van Belle, 2003; Kim, 2013) have found significant evidence for media’s effect on the allocation of foreign aid but none of them included the dimension of geopolitical risk. Therefore, this empirical

analysis aims to answer the question of whether increased media attention of security threats and geopolitical risk in a recipient country have an effect on aid allocation decisions by donor nations. In view of the current media-dominated political system, the globally increasing importance of security concerns, and the controversial debate about donor motives and foreign aid efficacy we find this relation very relevant to study.

The above stated research question shall be assessed by conducting a fixed-effects panel OLS regression including, among others, a variable for security threats and one for media coverage of geopolitical risk. As appropriate measures, two relatively new concepts shall be used: First, the Security Apparatus Indicator of the Fragile States Index (The Fund for Peace, 2017) shall be used to measure the existence of unstable security environments and conflict situations. This indicator shows the security threats to a state and trends of pressures a state is exposed to. Second, as a measure for the media coverage of these security instabilities the Geopolitical Risk Index created by Caldara & Iacoviello (2019) shall be included as an explanatory variable in the regression. This index is based solely on eleven international newspapers and can therefore be used as a proxy to measure media coverage.

The results of this study, to be advanced below, indicate a significant positive effect of media coverage of events which are related to increased levels of geopolitical risk in recipient countries on the volume of Official Development Assistance allocated to these countries. After a short literature review on the allocation of foreign aid and the potential influence of the international media coverage, the regression model with all its variables will be explained in detail. This is followed by a general description of Official Development Assistance data and specifically the data used in this model. In the last part we interpret the results of the regressions and formulate a corresponding conclusion.

2 Literature review

2.1 Literature on foreign aid allocation

Academic literature concerning matters of foreign aid generally include two major questions (Alesina & Dollar, 2000, p. 34).

First, there is substantial literature about the question of whether foreign aid succeeds in effectively improving the development of the recipient country. Economists who investigated the efficacy of foreign aid by examining the effect of aid on economic growth in the recipient countries have come to contrasting conclusions. Whereas the overall intention of giving foreign aid anticipates a positive effect of aid on the economic growth, scholars like Mosely et al. (1987), Boone (1994 & 1996) and Jensen & Paldam (2003) found that foreign aid has no effect on economic growth. Other scholars like Burnside & Dollar (2000) even discovered a negative effect of foreign aid on economic growth. After such findings Burnside & Dollar (2000 & 2004) again tried to assess under which conditions foreign aid has a positive effect on economic growth and they found robust evidence that foreign aid is only effective in combination with good economic policy established in the recipient country. Another interesting result was that bilateral aid is strongly positively correlated with government consumption, which may “help to explain why the impact of aid on growth is not more broadly positive” (Burnside & Dollar, 2000, p. 864). Generally speaking, the findings about the efficacy of foreign aid are ambiguous and the international debate is very controversial.

The second research question in foreign aid literature focuses on donor motives and is therefore more relevant to this study. After the Second World War, when the Bretton Woods System and a liberal world order started to be established, foreign aid giving also became a popular concept for wealthier countries to support the developing world. In the 1960s already political scientists like Hans Morgenthau (1962) started to analyze more closely the reasons for giving foreign aid. Scrutinizing aid allocation as part of a country’s foreign policy he already observed that “while humanitarian aid is per se nonpolitical it can indeed perform a political function when it operates within a political context” (Morgenthau, 1962, p. 301). While donors typically describe their foreign aid policies as purely altruistic with the aim to alleviate poverty and foster economic development (Schrader et al., 1998, p. 319), many authors (e.g. Maizels & Nissanke, 1984; Schrader et al., 1998; Alesina & Dollar, 2000), however, found reasons to believe that donors use foreign aid as a strategic tool to pursue national interests.

In 1976, Dudley and Montmarquette identified three donor motives: political, economic and charitable. The first motive concerns political interest, as donors might expect that the recipient countries will act in favor of the donor country by lending their support to the donor country's national political interest while donor countries can demonstrate their presence in the recipient country. Secondly, the donor country expects closer economic ties with the recipient country, for example through increased trade flows and foreign direct investments. As a third motive, they mention the altruistic motivation to facilitate the development process of the recipient country and increase the quality of life for its people (Dudley & Montmarquette, 1976, p.133). In their estimation they find that the lower the recipient country's per capita income is (i.e. the poorer the country is) and the smaller its population, the more foreign aid per capita it receives. Some years later, Maizels and Nissanke (1984) investigated national political motives versus the recipient-need criteria and only found evidence for donor's altruistic considerations in multilateral aid flows. Bilateral aid flows, however, are driven by the donors' foreign political, economic and security interests. Another comprehensive study concerning donor motives of France, Sweden, Japan and the United States was carried out by Schrader, Hood and Taylor (1998). Their results "contradict rhetorical statements of northern policymakers who publicly assert that foreign aid serves as an altruistic foreign policy tool designed to relieve humanitarian suffering" (p. 319) and that strategic ideological and economic interests play an important role in aid allocations (p.318-323).

Over the years, economists have used aid allocation regression models to analyze various "characteristics" of recipient countries which potentially influence aid allocation decisions. Trumbull and Wall (1994) investigated the role of political and civil rights in recipient countries and found that donor countries are likely to allocate less aid to countries with less political and civil rights established or its non-compliance. Burnside and Dollar (2000) furthermore found that donors "reward" developing countries for their good economic policies (including trade openness, fiscal and monetary discipline) but that the donors' strategic interests are a much more determining factor for the allocation of aid. Alesina and Dollar (2000) published the study "Who gives foreign aid to whom and why" in which they use OECD data on bilateral aid. One of their major findings is that the colonial past of a recipient countries has a significant effect. Former colonial ties seem to be particularly important to France and Belgium as they allocated more than half of its total aid given between 1970 and 1994 to their former colonies (p. 37). Moreover, building up on the research by Trumbull and Wall (1994) they investigated the question of whether democratic

countries receive more or less foreign aid. By finding significant effects for a democracy index they could confirm that a higher level of democratization has a positive significant effect for receiving development assistance.

Followingly, they also confirm the conclusions of Burnside and Dollar (2000) that strategic political interests play an important role. Concerning foreign policy objectives of a state, this can be especially well illustrated via the example of the United States whose foreign policy used to include the goal to “diminish the threat of communism by helping countries prosper under capitalism” (United States Agency for International Development, 2020). In the 1970s, this focus shifted towards its partners in the Middle East peace process: Israel and Egypt. During the Iraq War in the 2000s the United States provided large amounts of aid to Iraq (Bandyopadhyay & Vermann, 2013, p. 328). Kim (2013) also showed that the number of U.S. American troops employed in a recipient country has a positive effect on U.S. foreign aid allocation.

By introducing UN voting patterns as a new variable to aid allocation model, Alesina and Dollar (2000) more drastically showed that strategic interests influence foreign aid decision-making as they found that “UN votes are a reliable indication of the political alliances between countries and that these political alliances in part determine aid flows” (p. 46). In this sense, Japan’s foreign aid for example goes to nations with similar voting patterns in international forums as Alesina and Dollar (2000, p. 46) found that “a one standard deviation increase in voting correlation is associated with a 345% increase in Japanese aid”. Following a similar hypothesis, Kuziemko and Werker (2006) discovered that countries currently serving in the UN Security Council experience a “sharp increase” in foreign aid during their term. But not only the voting in multilateral institutions plays a role. Decision-making in domestic politics determines the share of the state’s yearly budget that is devoted to foreign aid. Tingley (2010) therefore investigated a possible correlation between the political ideology of the government and the budget size for foreign aid. He found that the more conservative the ideology the smaller the budget share for foreign aid. Furthermore, the question of strategic economic interest of a donor country has also been analyzed by different authors (e.g. Nath & Sobhee, 2007; Hoeffler & Outram, 2011). They found that the net exports of a donor country (usually measured in % of GDP) correlates positively with foreign aid given. That means that donor countries “instrumentalize” aid in order to foster trade with the recipient country. Another way to explore donors’ economic interests is to look at foreign direct investment (FDI) inflows. Here, Alesina and Dollar (2000) found, however, that “foreign aid responds more directly to political openness

(democratization) while FDI responds to economic openness (improvement in policy management, trade liberalization, better protection of property rights)” (p.34).

Recent literature about foreign aid allocation has taken security concerns into account. Balla and Reinhart (2008) conducted a study in which they investigate how determining the presence (or proximity) and intensity of conflict in a recipient country is for receiving foreign aid. They argue that the donor’s perception of conflict in the recipient country determines aid allocation as it changes the donor’s assessment of “how useful it expects its aid to be at achieving its interest” (S. 2568). They find that “every bilateral donor [...] conditions aid on conflict at some point in their allocation” (p. 2580).

Based on this, Fleck & Kilbly (2010) stated that, starting in the mid 1990s and continuing through the War on Terror (starting in 2001), the foreign aid focus of the United States shifted towards using aid allocation as a geopolitical tool. This led to the conclusion that “the importance of need as a criterion for aid eligibility fell so that the probability that a higher income (less poor) developing country would receive aid increased over time” (p. 185). This justifies the assumption that the global geopolitical situation and the donor nation’s strategy to react to increased levels of geopolitical risk can be a determining factor for the allocation of development aid.

2.2 International Relations paradigms explaining donor motives

The above described donor motives (political, economic and humanitarian) can also be analyzed from the angle of international relations theory. Three of the most commonly known paradigms in international relations are realism, globalism and pluralism. In the following section they will be used to underpin the motivations of giving foreign aid with international relations theory.

Firstly, strategic political donor motives can be embedded in the paradigm of realism. As already mentioned above, Morgenthau (1962) points out that foreign aid is an integral part of policy making (p. 308) and that strategic interests of a donor country can be the main driver for giving foreign aid. In a political realist framework, donor nations seek for a more powerful political and military position within the international states system. Therefore, the foreign aid policy is designed to follow this aim and facilitate the strategic interests of the donor state. Morgenthau (1962) even says that much of the foreign aid is provided in the nature of bribes (p. 302). Humanitarian motives, in a realist view, are seen as either

naïve or devious (Van Belle & Hook, 2000, p. 324) so that “there is no possibility of people in power striving for the ideal of economic development of underdeveloped states” (Zimmermann, 2007, p. 5-6). Hattori (2001) deduced that “according to political realism [foreign aid] is a policy tool that originated in the Cold War to influence the political judgements of recipient countries in a bi-polar struggle” (Hattori, 2001, p. 634). During this time, Hattori argued, foreign aid policy making was based on the presumption of a clear inequality between the donor and recipient due to the “superior military strength and economic capacity of the donor” and that the conflict between the two superpowers was the “direct cause” of providing foreign aid (Hattori, 2001, p. 641). In the Cold War era the Soviet Union provided military aid¹ to its allies mostly in the form of loans (creating a debt burden) whereas starting in the 1970s the United States shifted its foreign aid policy towards providing grants instead of loans (Hattori, 2001, p. 642). This symbolic transformation by the U.S. from material dominance to gestures of generosity however only embellishes the hierarchy - or rather dependency - between donor and recipient country (Hattori, 2001, p. 633). In a realist perspective, therefore, foreign aid policy becomes part of the donors’ security policy as apart from the donors’ prestige and economic position, the military dominance in the world system is the driving factor for the allocation of aid. This leads us to expect that in a realist political setting foreign aid will primarily be provided to countries which are of strategic importance to the donor nation or threatened by opposing powers (Van Belle & Hook, 2000, p. 324). But also, when analyzing the allocation of Official Development Assistance today (excluding military assistance) there is reason to believe that the role of security concerns in aid allocation decisions has become more important in the recent years. This might not be comparable to the military objectives during the Cold War era, but one could argue that the United States’ foreign aid goals are influenced by Donald Trump’s nationalist and arguably realist policy approaches. It might only be a vague evidence for this claim but in the past the U.S. allocated large amounts of aid to Egypt and Israel to pursue its strategic interests in the Middle East and according to the OECD Data base Jordan, Afghanistan, Syria and Iraq were among the most important recipient countries of ODA allocated by the United States in 2018. On a more analytical note, concerning the influence of security concerns in the aid giving process (which do not have to be realist per se), ODA donors’ decisions are influenced by the existence of conflicts in the recipient countries as already explained above (Balla & Reinhart, 2008). Furthermore, recent studies analyzed foreign aid policies pursuing the objective to counter

¹ This type of aid cannot be compared with Official Development Assistance used in the model below as it includes military assistance.

terrorism (Azam & Thelen, 2012; Bandyopadhyay et al., 2011) or also with the aim to stop illegal migration flows from recipient to donor countries (Gaytan-Fregoso & Lahiri, 2000).

Secondly, the globalist theoretical perspectives can be used to explain economic interests of foreign aid donors. From a globalist view, foreign aid is given in order to facilitate economic exploitation and influence development strategies of peripheral states (Van Belle & Hook, 2000, p 325). In a globalist framework, donor nations seek for a more powerful position in the world economy. Aid policies in this view encourage the “dependent development” of peripheral states as it enhances an economic dependency relationship between the donor and the recipient (Van Belle & Hook, 2000, p 325). In the 1970s, multilateral agencies such as the World Bank gained importance in the giving of foreign aid. There was a drastic increase of aid allocated by multilateral organization in opposition to bilateral aid. Hattori (2001, p. 644) showed that this general gain of importance of international organizations was viewed in close combination with the rise of global capitalism. According to the world system theory, he stated that “foreign aid arises from the underlying structure of world capitalism and works to [...] foster unequal [capital] accumulation and constrain the development path of recipients to a subordinate role in the world system” (Hattori, 2001, p. 644). Among the members of international forums in the 1970s, such as the G77 or the UN Conference on Trade and Development, the perspective was widely shared that “aid programs created by the OECD perpetuated their advantages over poorer states” (Van Belle & Hook, 2000, p. 325). As shown in the section above, economic donor interests prevail as the decisive factor for the allocation of aid. Indicators for trade relations (e.g. Nath & Sobhee, 2007; Hoeffler & Outram, 2011) and foreign direct investment (Alesina & Dollar, 2000) were found to be significantly related to the amount of ODA given. In the view of globalism, we would therefore expect that donor motives are driven by the economic advantages for the donor states and that aid is provided primarily to important international trading partners and countries with high natural resources endowments, even if they only marginally qualify as less-developed countries (Van Belle & Hook, 2000, p 325).

Thirdly, the humanitarian or caritive donor motive can be clustered into the international relations paradigm of pluralism. In a pluralistic mindset, donor interest may play an important but not determinant role in aid allocation decisions. This challenges the realist and globalist view as instead of prioritizing national economic and political interests, the decision making from a pluralistic view is based on “transnational humanitarian concerns” (Van Belle & Hook, 2000, p. 326). In terms of liberal internationalism, foreign aid is

designed to “enhance to socio-economic and political development of recipient countries and to mitigate the material inequality between industrialized and developing countries” (Hattori, 2001, p. 643). Official development assistance, as the Development Assistance Committee defines it today, refers to this paradigm as it states that ODA shall have the prime objective to “promote the economic development and welfare of developing countries” (OECD, 2020c). This is why it has been criticized that in practice aid programs are often applied to different developing countries regardless of whether it is proven to be used effectively and truly improve the quality of life and welfare of the people in the recipient country (Van Belle & Hook, 2000, p. 326). For the humanitarian donor motive the recipient need criteria is the decisive factor for the allocation of aid. This is why we would expect that countries with lower GDP level, higher mortality rates, lower education levels, lower energy consumption, etc. to receive more development aid. As mentioned above, almost every aid allocation study includes an indicator for the recipient’s GDP simply to control for this humanitarian donor motive.

In essence, all three paradigms encounter the material inequality within the international state system with a different objective of foreign aid policies. Foreign aid can therefore “have active influence to reinforce (realism), mitigate (pluralism) or worsen (globalism) the material inequality among states” (Hattori, 2001, p. 639).

2.3 Literature on the media effect on foreign aid allocation

The influence of media on politics in general has been examined excessively in the field of political science and international relations. During the 1990s, when the U.S. American 24-hour podcast television network CNN started global real-time news coverage (especially reporting about the Gulf War), the effect of media coverage on political decision started to be investigated more closely and came to be known in literature as the “CNN effect” (Gilboa, 2005, p. 27-28). Broadly speaking, the CNN effect can be understood as the effect of global real-time news coverage on policy-creation by leaders, but also various narrower definitions have been introduced by the scholars who analyzed it. Researchers from a wide range of social sciences of such as political science, international relations, communications, psychology and sociology have used different theories, hypotheses, qualitative and quantitative methodologies to explore the dimensions of the CNN effect. The implied reasoning is that immediate media coverage of humanitarian crises, armed conflict or other appalling events pressures or even forces policymakers’ immediate

reaction or intervention. Many of these scholars have conducted case study analyses and comparative analyses to study the impact of television on specific humanitarian interventions like the U.S. intervention in Northern Iraq (Schorr, 1991), in Somalia (Livingston & Eachus, 1995; Mermin, 1997), NATO's intervention in Kosovo (Freedman, 2000; Livingston, 2000; Hammond & Herman, 2000; Thussu, 2000), and so on. The studies conducted with the aim to show empirical evidence for this causal link mainly focus on the United States' and the United Kingdom's foreign policies and present mixed contradicting results (Gilboa, 2005, p. 34-40). While some found that CNN news coverage has transformed decision-making in politics, others argue that the CNN effect is highly exaggerated or does not exist at all by arguing that solely national strategic or economic interests shape foreign policy decisions (Gilboa, 2005, p. 35-38). Robinson (2002) created a policy-media interaction model and found that media coverage is likely to have an effect on decision-makers if the "policy is uncertain, media coverage is critically framed and contains suffering people" (p.613). Compaine (2002, p. 5) questioned the causality of this effect as he remarked that in many cases it is the government that shapes the media and not the other way around.

As part of this the research about media influence on foreign policy in general, a lot less research has been conducted so far on the media's influence on the allocation of foreign aid part of foreign policy. Olsen et al. (2003) investigated the hypothesis that the volume of humanitarian aid given as a reaction to devastating events such as natural disasters is influenced by its international media coverage, the donor's security interests and the existence of reliable NGOs in the concerned country. Their results confirm that the above mentioned "CNN effect" is especially strong when it comes to the allocation of humanitarian aid to specific emergency situation and "that the media [...] became an instrument for decision makers" (Olsen et al., 2003, p. 124). However, they also find that donors' security interests and the presence of humanitarian stakeholders are highly significant factors.

Only a hand full of scholars (Van Belle & Hook, 2000; Van Belle, 2003; Kim, 2013; Scott et al., 2020) conducted research on the media's influence on U.S. foreign aid allocation policies. Van Belle & Hook (2000) ran a cross-sectional pooled panel regression with data from 1977-1992 in which they find a significant positive correlation between the number of times a recipient country or its leader is mentioned in television news stories and U.S. foreign aid allocation volumes. They also separate the news content in positive and negative coverage and found the coefficient for positive coverage is higher and more statistically significant than the coefficient for total coverage (p. 337). In 2003, Douglas van Belle then

also posed the question of whether there is a different effect for television media coverage and print media coverage (New York Times) on aid flows. He finds that both have a significant effect but that levels of print media coverage perform better in statistical analysis.

Yet another study about U.S. foreign aid allocations was carried out by Kim (2013). He analyzed if the *New York Times* coverage of news stories from 43 Muslim countries between 1990 and 2009 affected the volume of U.S. foreign aid allocated to these countries. He showed that Muslim countries receive more U.S. foreign aid if they record a high level of news coverage and also if they have high oil reserves as well as a high number of U.S. American troops deployed in their territory.

Moreover, concerning African countries Lena von Naso (2018) conducted a qualitative study and pointed out that the lack of coverage of news stories concerning African countries leads to an absence of Africa-related issues in foreign-aid considerations of the western states.

Finally, a very recent study has been conducted by Scott et al. (2020) looking at the link between media coverage, democracy and level of U.S. democracy assistance given between 1975 and 2010. Their findings reveal that „media attention serves to amplify the importance of regime shifts within potential recipient countries in shaping democracy aid decisions beyond the shifts themselves” (p.16).

From the above-mentioned studies, which were all undertaken with slightly different methodologies, variable measurements, different hypotheses, under different conditions and for different time periods we identified a research gap which this paper aims to fill. First, we will introduce the element of media coverage of geopolitical risk by using an index thereof. Since elevated geopolitical risk and security threats can be seen as “negative coverage,” this might particularly add to the results by Van Belle and Hook (2000) as explained above. Second, there has been a lack of studies on this topic over recent years. By using a times series from 2006 to 2018 we can fill the gap of literature on the link between media attention and foreign aid allocation decisions for this recent time period. Third, instead of conducting a case study or a comparative analysis, this paper uses a broader quantitative approach by benefiting from the index-computing mechanism of the Geopolitical Risk Index (Caldara & Iacoviello, 2019) which documents all news stories related to elevated geopolitical risk and therefore provides a proxy measure for media coverage. This allows us to not restrict the analysis to one specific donor country or one specific conflict situation.

3 The empirical model

The investigation conducted by this paper is based on the assumption that donors do not only allocate aid due to humanitarian or altruistic interests but also based on many other factors which can be consciously or subconsciously perceived. As shown in the above-mentioned literature, there is reason to believe that giving foreign aid as part of the foreign policy of a country follows a certain strategy and is influenced by various factors at the donor-government level. More specifically, one of these factors can be the donor's perception of increased security threats in the recipient country (Balla & Reinhart, 2008). Balla and Reinhart investigated the hypothesis that donor behavior changes according to the proximity and intensity of armed conflict in the recipient country and found significant evidence for it. They explain that the factor of "conflict perception" can be seen not as a primary donor motive but as an "intermediate factor" which might affect the feasibility of other motives, no matter if they are altruistic or strategic (p. 2568). Research about the media's influence has shown that media attention of conflicts might or might not directly change the policy on aid allocation, but it changes the environment in which policies are made (McNulty, 1993, p. 80).

3.1 Research question and hypothesis

Building up on the above-mentioned results the empirical model of this study introduces the international media coverage of geopolitical risk as a new variable to the equation. Thus, we try to answer the question of how far international media reporting about security threats and conflicts influences the donor's decisions and therefore the allocation of foreign aid.

Hypothesis: Increased international media coverage of events related to elevated geopolitical risk in recipient countries leads to a higher amount of Official Development Assistance received by these countries.

In the view of steady increases of global geopolitical risk levels since 2010, shown in Figure 1, indicating also a higher potential for the emergence or escalation of conflicts, this matter seems to be of utmost importance to study. As presented in Figure 1, global geopolitical

risk spiked various times in the past 35 years due to the occurrence of security risk related events with major global impact reported by international media. Some examples for these events are the Gulf War in 1990, 9/11 in 2001, the Iraq Invasion in 2003, the Arab Spring in 2011, the Russian annexation of the Crimean Peninsula in 2014 and the terrorist attacks in Paris in 2015.

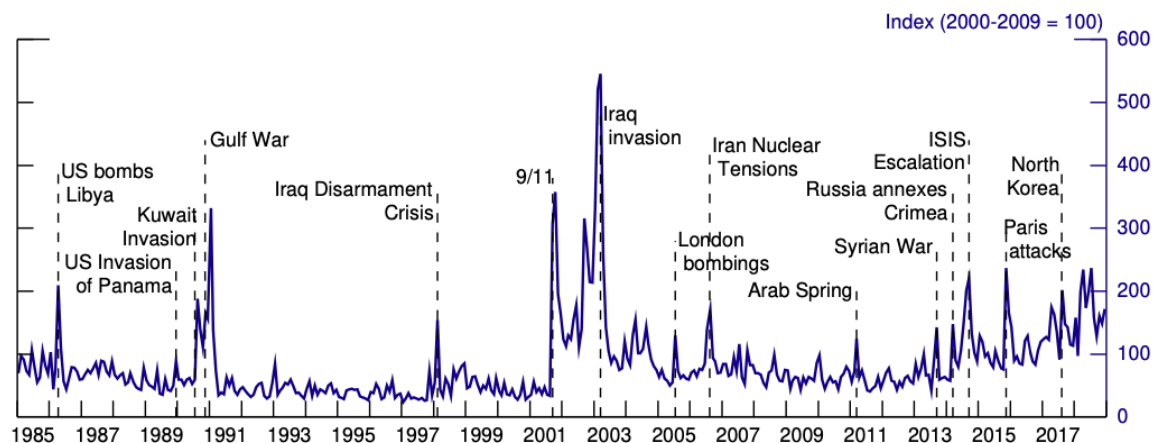


Figure 1: The Geopolitical Risk Index from 1985 to 2018; Source: Caldara & Iacoviello, 2019

Especially in the past 10 years, the measured global geopolitical risk level seems to be increasing. Caldara & Iacoviello (2019), the creators of the Geopolitical Risk Index, state that “entrepreneurs, market participants and central bank officials view geopolitical risks as key determinant for investment decisions and stock market dynamics” (p. 1). For the purpose of investigating if elevated geopolitical risk is not only a key determinant for private investment decisions but also for foreign aid allocation decisions, we apply this index in a country-based form to our model by putting it in correlation with the amount of Official Development Assistance per capita received by a sample of 14 recipient countries.

3.2 Methodology

To investigate the research question quantitatively, we run an aid allocation regression in which the dependent variable is the amount of net Official Development Assistance received per capita by a country per year. The panel dataset uses annual data from 2006 to 2018² and includes 14 countries: Turkey, Mexico, India, Brazil, China, Indonesia, South Africa, Argentina, Colombia, Venezuela, Thailand, Ukraine, Malaysia, Philippines³. Due to the structure of the data, the regression is run as a panel regression using the ordinary-least square regression method with fixed effect for periods and cross-sections.

A panel data fixed effects model with a given number of cross-sectional units ($i = 1, \dots, N$) and periods ($t = 1, \dots, T$) can generally be denoted as:

$$\gamma_{it} = \alpha_i + \delta_t + \mathbf{X}'_{it} \boldsymbol{\beta} + \mu_{it}$$

where γ_{it} is the dependent variable, α_i are individual intercepts fixed for a given number of N , δ_t are in individual intercepts allowing for period fixed effects, $\mathbf{X}'_{it}$ is a k -dimensional vector of explanatory variables, $\boldsymbol{\beta}$ is a $(K \times 1)$ vector of the slopes which are independent of i and t and μ_{it} is the error term which varies over i and t . Other than in the normal static model in which the intercept is independent of i and t , the fixed effects model allows for individual intercepts for each observation and the error term in a fixed effects model is assumed to vary non-stochastically over i and t (Wooldridge, 2002, p. 441-445). Due to the country fixed effects expressed by α_i , the model only takes the within-country variation in consideration but not the between-country variation. The period fixed effects expressed by δ_t only vary over time. This means that the period fixed effects capture global shocks to the y -variable, which influence all countries the same way.

² This time frame was chosen due to data availability of the Fragile States Index of which the Security Apparatus Indicator is one of its Sub-indicators (Fund of Peace, 2017).

³ The Geopolitical Risk Index by Caldara and Iacoviello (2019) only exists for 18 countries of which three (Saudi Arabia, the Russian Federation and Israel) are not (any more) official ODA recipient countries and were therefore excluded. The OECD Development Assistance Committee revises the list of eligible aid-recipients every three years and removes countries which have exceeded the high-income threshold for three executive years (OECD, 2020b; OECD 2020d). Also, North Korea had to be excluded due to a lack of available data.

For the given number of cross-sections (14 countries) and periods (12 years from 2006 to 2018) the statistical model can be written as follows:

$$ODA_{it} = \alpha_i + \delta_t + \beta_1 \log(gdp)_{it} + \beta_2 gdp_{it-1} + \beta_3 \log(pop)_{it} + \beta_4 open_{it} + \beta_5 infl_{it} + \beta_6 demo_{it} + \beta_7 FDI_{it} + \beta_8 security_{it} + \beta_9 geopolrisk_{it} + \mu_{it}$$

Where:

- ODA_{it} is the dependent variable and denotes as the net Official Development Assistance received in current U.S. dollar per capita,
- α_i are individual intercepts for each cross-section (country fixed effects),
- δ_t are individual intercepts for each period (period fixed effects),
- $\log(gdp)_{it}$ is the natural logarithm of the initial income,
- gdp_{it-1} is the annual growth rate of GDP lagged one year,
- $\log(pop)_{it}$ is the natural logarithm of the population,
- $open_{it}$ denotes the trade (exports + imports) of a country in percent of its GDP,
- $infl_{it}$ is the annual inflation rate,
- $demo_{it}$ is a political rights index from 1 (best) to 7 (worst) by Freedom House,
- FDI_{it} is the annual foreign direct investment inflows in percent of GDP,
- $security_{it}$ is the Security Apparatus Indicator by the Fund for Peace (2017),
- $geopolrisk_{it}$ is the Geopolitical Risk Index by Caldara & Iacoviello (2019) and
- μ_{it} is the error term which is assumed to vary over i and t .

The dependent variable of the analysis below is the Official Development Assistance (ODA) received per country. More precisely, it is the amount of net Official Development Assistance received per capita in current U.S. dollars. The ODA variable is opposed to nine explanatory variables⁴ which are included in the regression model. The core results to answer the research question will be derived from the coefficient results for the Geopolitical Risk Index (Caldara & Iacoviello, 2019) and the Security Apparatus Indicator of the Fragile States Index (The Fund for Peace, 2017). Other than the control variables these two variables have not been used in an aid allocation before and are anticipated to provide new findings about donor behavior.

⁴ Data Sources for each variable will be explained in Section 4 and can also be found in the Data Appendix Table A 1.

The Security Apparatus Indicator is included in the model as a measure of conflict and security threats in the recipient country. Other than the Geopolitical Risk Index, which is solely based on international media coverage, the Security Apparatus Indicator is based on various different quantitative and qualitative sources. The indicator is one of 12 indicators measuring different pressures to a state which effect its overall fragility. Together they form the annual Fragile States Index (FSI) published for 178 countries by the Fund for Peace (2017) which is an independent non-profit research organization. The higher the value of the index, the higher the pressures to the state, so that increasing values of the index indicate greater instability (Fund of Peace, 2017, p. 3). By including the Security Apparatus indicator as one parameter of the regression model we want to capture the effect of difficult security situations in recipient countries separate from the effect of media coverage thereof measured by the geopolitical risk index.

The Geopolitical Risk Index created by Dario Caldara and Matteo Iacoviello (2019) is used as a variable for media coverage in our model. It measures global geopolitical risk based on newspaper articles covering political tensions. This GPR country index is “consistent over time and measures in real time geopolitical risk as perceived by the press, the public, global investors and policy-makers” (p. 2) and it is available on a monthly basis⁵ from 1985 until today. Geopolitical risk here is identified as the “risk associated with wars, terrorist acts, and tensions between states that affect the normal and peaceful course of international relations” (p. 3). Geopolitical risk, therefore, does not only include the risks of these events happening but also “new risks associated with an escalation of existing events” (p. 3). In their own analysis applying the index to learn about the economic effects of geopolitical risk they show that geopolitical risk shocks lead to a decrease in investment, employment, consumer confidence and stock returns. With these findings Caldara and Iacoviello (2019) came to the conclusion that anticipated increased geopolitical threats (rather than the actual realization of geopolitical events) and macroeconomic uncertainty have a major impact on business and financial cycles (p. 33). In this paper, however, we use the country-based index of geopolitical risk to regress them on their corresponding amount of Official Development Assistance received per capita in order to test the hypothesis that increased geopolitical risk reported in international media and perceived by donors affects the allocation of foreign aid.

⁵ The monthly available data of the Geopolitical Risk Index was included in the annual panel model by calculating yearly averages.

In essence, the Security Apparatus Indicator of the FSI and the Geopolitical Risk Index are both measures for perceived security threats and geopolitical events but with different sources. By including these two variables into the regression model, we want to test the hypothesis that increased pressures to a state due to conflict situations and increased geopolitical risk reported in international media have an effect on aid allocation decisions and therefore on the net Official Development Assistance received by developing countries. However, the results of their coefficients could be ambiguous for the following reasons: On the one hand, it is possible that donors who perceive an increased level of security threat might refrain from providing aid to these countries as they expect their aid donation to be less effective in an unstable environment. On the other hand, donor nations might want to increase foreign aid in periods of security instability to either support the country for humanitarian reasons or to demonstrate their political interest and presence in this conflict situation. Due to the evidence that over the past decades security concerns have become more important in foreign policy decisions (Bandyopadhyay & Vermann, 2013, p.334), we anticipate the latter.

Based on the existing literature about aid allocation described in Section 2, we decided to also include various other explanatory variables which serve as control variables to increase the share of variation which can be explained by the regression model. These variables are hence chosen since they are expected to capture other potential effects which have explanatory power for the allocation of ODA.

Adding variables for the level of initial income and GDP growth rates shall simply account for donors' altruistic motive to provide financial support to rather poor developing countries serving the goal to foster economic development and welfare. Naturally, scholars have found that more foreign aid is provided to poorer countries and vice versa. So, if a donor attaches much importance to the recipient need criteria, we would expect variations in the volume of ODA received to be negatively related to GDP levels or GDP growth rates. As a measure for initial level of income the natural logarithm of the GDP per capita lagged one year is used and also GDP growth rates in % are included as a control variable. To allow ODA allocation to react to growth rates of GDP we also include the variable for GDP growth as a lagged variable.

Another typical control variable is the size of the country measured by population figures. From former literature we know that less populous countries tend to receive more aid than more populous ones.

Furthermore, there is reason to expect that donor nations allocate more aid to recipient states that have a similar political ideology to the donor state. Research has shown (Van

Belle & Hook, 2000; Alesina & Dollar, 2000; Scott et al., 2020) that democratic countries receive more foreign aid than non-democratic countries. This is why the level of democratization is accounted for in this model by using the Political Rights Index created by Freedom House (2019) on a scale of 1-7, with a score of 7 being the least democratic. The anticipated correlation between aid allocations and democracy is therefore a positive one.

Moreover, it might make a difference if the recipient country has established good economic policies. Namely, Burnside and Dollar (2000) did not only find that foreign aid provided to a country with good economic policies has a positive effect on economic growth but also that more foreign aid given to countries with a good economic policy environment. Good economic policy was defined by them as a combination of trade openness and its monetary and fiscal discipline. By including a measure for trade openness (trade % of GDP) and monetary policy (inflation, consumer prices in %) we control for the possibility that donors “reward” recipients for having good economic policies in place.

Finally, foreign direct investment (FDI) can be seen as a measure for economic ties between donor and recipient countries which also should be controlled for. Including the net FDI inflows in % of GDP shall capture the openness of the recipients’ markets to foreign investors and control for the strategic economic interest of donor countries as they expect capital flows back to the donor country.

4 Data description and sources

4.1 The dependent variable: Official Development Assistance

Official Development Assistance data is used as the dependent variable in the model. ODA usually includes both bilateral aid and also ODA provided by multilateral organizations such as the United Nations or the World Bank. Assistance classified as ODA has to be provided by official agencies such as states, local governments, executive agencies, and multilateral organizations and it has to be concessional with the aim to promote economic development and welfare of development countries. Therefore, military assistance and transactions with commercial objectives like export credits as well as non-concessional loans are excluded from the measure of Official Development Assistance (OECD, 2020e). ODA flows refer to the transfer of resources, which can either be cash flows or given in the form of commodities (World Bank, 2020). Concerning the financial instruments to provide ODA, Official Development Assistance includes grants (without repayment), “soft” loans (for which the grant element has to be at least 25% of the total) and the provision of technical assistance (OECD, 2020g). Also, expenditures for UN peace keeping mission and assistance to refugees is counted as ODA (World Bank, 2020). Over the past decades, two trends could be observed in the allocation of ODA. First, a shift happened from providing aid in form of loans during the Cold war era towards mainly providing aid as grants today. Secondly, in the 1970s multilateral aid in comparison to bilateral aid gained in importance (Hattori, 2001, p. 642-647).

Regarding the recipients of ODA, the Development Assistance Committee of the OECD maintains a list of ODA eligible countries which is reviewed every three years. The eligibility to receive ODA is not limited to OECD membership and depends on the recipient’s level of per capita gross national income. The list of ODA eligible countries contains all Least Developed Countries (LDCs) as defined by the UN and all other countries with a per capita gross national income of below 12,235 USD (in 2016) as reported by the World Bank (OECD, 2020c).

From a regional perspective, Sub-Sahara African countries receive most ODA followed by South & Central Asian countries, the Middle East and South American countries. The top 10 recipient countries in 2018 were Afghanistan, Syrian Arab Republic, Bangladesh, India, Ethiopia, Jordan, Iraq, Nigeria, Colombia and Kenya. They received between 2.8 (Afghanistan) and 1.5 (Kenya) billion U.S. dollars of ODA in 2018 (OECD, 2020j).

When it comes to the donors of ODA, the most generous country in terms of total amount of ODA spent is and has been over the past decades the United States (OECD, 2020i). In 2019, the United States spent 34.6 billion USD on the ODA. The U.S. is followed by Germany (USD 23.8 billion), the United Kingdom (USD 19.4 billion), Japan (USD 15.5 billion) and France (USD 12.2 billion) (OECD, 2020h). The United Nations has set the target that developed countries' ODA allocation should amount to 0.7% of their gross national income. In 2019, only Luxemburg, Norway, Sweden, Denmark and the United Kingdom reached this target (OECD, 2020c).

ODA data used in the regressions below were derived from the World Bank Database. For the sample of 14 countries the values of net Official Development Assistance received per capita in current U.S. dollar serve as data input for the dependent variable. We use net amounts of ODA received which means that some values are negative due to the fact that repayments of the principle value of ODA loans are recorded as negative flows (World Bank, 2020). In Figure 2, the ODA per capita received (on average between 2006 and 2017) by each of the 14 countries is displayed on a world map. This sample of these 14 recipient countries covers 52% of the world population. One can already determine that within the sample, it is Turkey, Ukraine and South Africa that receive the highest amounts of ODA per capita on average over the given time period. Thailand, China, Argentina and Venezuela show that lowest corresponding values.

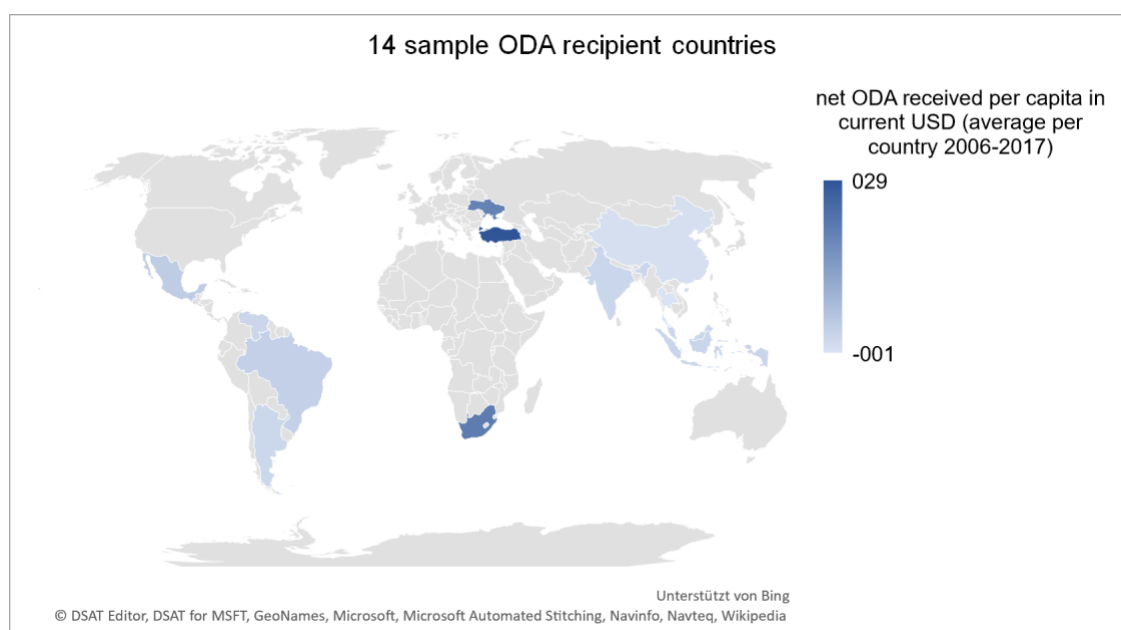


Figure 2: World map, net Official Development Assistance per capita received for the 14 recipient countries in the regression sample; Source: Word Bank Database

The development of the ODA over time between 2006 and 2017 used in the regressions is displayed in a line chart (Figure 3). Turkey, Ukraine, Colombia and South Africa show higher and faster increasing amounts of ODA received between 2006 and 2015 than all other countries in the sample. The sharp increase of Turkey's net ODA received per capita in 2010 can be most probably traced back to an increase of total ODA disbursements to Turkey by the EU Institutions from 287 million USD in 2010 to 2,561 million USD in 2011 (OECD, 2020j). The rapid rise of Ukraine's ODA inflows in 2013 are for the biggest part due to a simultaneous increase of ODA to Ukraine by Germany (from 65 mil. USD in 2013 to 134 mil. USD in 2014) and the EU Institutions (from 345 mil. USD in 2013 to 456 mil. USD in 2014).

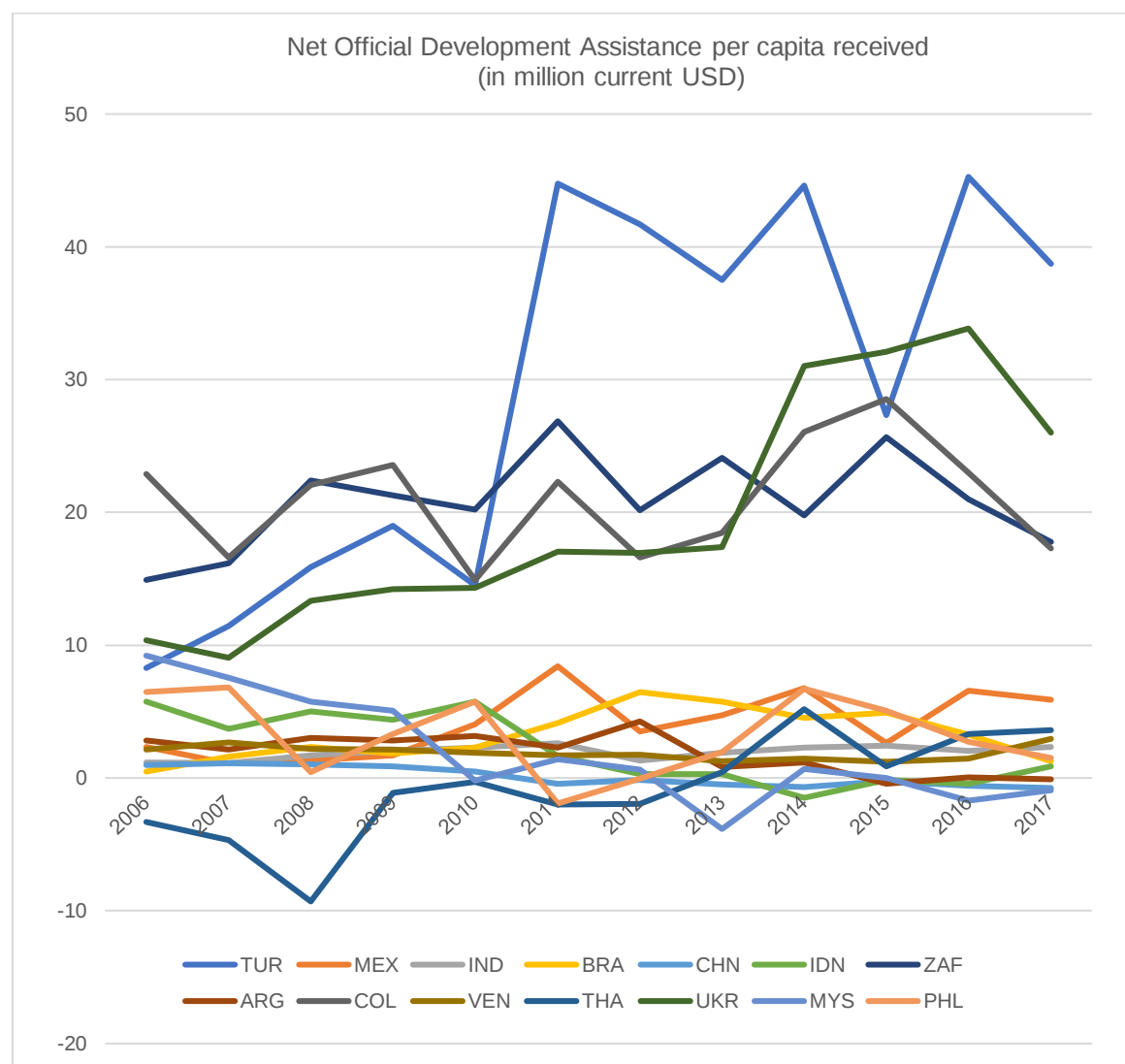


Figure 3: Net Official Development Assistance per capita received (in million current USD); Source: World Bank Database.

For Turkey and Ukraine, the EU Institutions are still today the most important donors of ODA. This is shown in Figure 4, which presents gross total ODA average amounts from the years 2015-2016 and their corresponding origins (donors). The graph shows the countries which received most ODA in proportion to each other (inner circle) and their ranked biggest donors (outer circle)⁶. From analyzing the numbers one can observe that among the most important donors for the 14 recipient countries in the sample are the EU Institutions, Germany, the United States, Japan and France. While Japan appears to be the most important donor of ODA to the South East Asian countries in the data set (Philippines, Indonesia, India and Thailand) the EU Institutions, the United States, Germany and France do not seem to have regional focus, at least in this sample of 14 countries.

Figure 4: 14 sample ODA recipient countries and their biggest donors (gross ODA, 2015-2016 average)

⁶ Due to visibility problems concerning the donors of the smaller recipient countries in the graph the full table of gross ODA (2015-2016 averages) biggest donors for the 14 samples countries is shown in the Data Appendix in Table A 4.

4.1 The explanatory variables

Apart from the democracy index, the Geopolitical Risk Index and the Security Apparatus Indicator, all other data sets for explanatory variables were obtained from the World Bank database. These are the GDP per capita (as a measure of initial income), GDP growth rates, population, trade % of GDP, inflation rates (GDP deflator annual in %) and foreign direct investment inflows in % of GDP. The values of trade in % of GDP are referring to the sum of imports and exports divided by the GDP (in %) of the country and were derived from the World Bank Development Indicators platform. Unlike the other explanatory variables, the indices included as explanatory variables (the Political Rights Index, the Geopolitical Risk Index and the Security Apparatus indicator) need a more detailed explanation in order to understand what they measure.

The political rights index by Freedom House (2019) is used as a measurement of democracy in this model. The index scores from 1 to 7 are computed based on the electoral process the political pluralism and participation and the functioning of the government. The score of 1 represents the greatest degree of freedom and 7 the smallest degree of freedom. Low scores indicate a wide range of political rights including free and fair elections, competitive parties, an active opposition and minority rights. High scores to the contrary point at few or no political rights due to a server government oppression or even civil war, extreme violence and sometimes domination of warlords (Freedom House, 2019, p. 1205). These scores for political rights in combination with a separate score for civil liberties are the basis for the annual *Freedom in the World* report published by Freedom House.

The computation of the Security Apparatus Indicator is based on the Fund of Peace's Conflict Assessment System Tool and takes quantitative, qualitative sources and expert validation into account. By analyzing millions of documents and applying highly specialized search parameters, country scores are computed every year based on twelve political, social and economic indicators. Each indicator has a value from 0 (best) to 10 (worst) so that the sum of all 12 indicators results in the Fragile States Index from 0 (best) to 120 (worst). The sub-indicator "Security Apparatus" considers the security threats to the state (p. 6). More in detail, the quantitative input data includes the number of battle related deaths per capita (World Bank – Uppsala Conflict Data Program), terrorist incidents, terrorist fatalities, terrorist injuries per capita (Global Terrorism Index by the Institute for Economics & Peace), attempted coups (from Jonathan Powell and the Center

for Systemic Peace) and crimes and homicide rates (from the Global Peace Index and World Bank data). In a further step also a media content analysis with 1,068 Boolean phrases is carried out to learn about the level of security pressures a country is exposed to by deducting articles reporting about bombings, coups, munity, political prisoners, rebels, militants, torture and executions. Qualitative expert judgement evaluating every individual country are also considered before all the quantitatively derived scores and the qualitatively derived estimates are integrated to create one harmonized indicator score (Haken, 2020). Although we acknowledge that indicator's measurement methodology is quite complex, it serves the important purpose in our model to display most accurately the factual circumstances concerning conflicts and security threats in our regression model.

For computing the Geopolitical Risk Index, Caldara and Iacoviello (2019) use an algorithm which calculates the share of articles talking about geopolitical events in eleven leading international newspapers⁷ published in the United States, Canada and the United Kingdom. The fact that the index is computed exclusively based on newspapers published in highly developed English-speaking western nations might seem to create a bias towards conflicts in which the western developed world (and especially the United States) has a particular interest for. Considering, however, that also these nations are the biggest donors of foreign aid (OECD, 2020d), it again seems reasonable to consider the reporting of these “western” media sources and how they possibly influence foreign aid allocation decisions in western donor nations. Caldara and Iacoviello construct the index by running automated text-searches of the electronic newspaper archives. In this way, they capture a large and diverse range of events and weigh them by the intensity of the coverage they receive in these newspapers. The algorithm looks for terms and phrases related to geopolitical threats and tensions on the one hand and geopolitical war and events and acts on the other⁸. It furthermore specifically searches for articles with direct U.S. involvement but also regional tensions among two or more nations with U.S. diplomatic involvement (p. 7). The index is primarily computed as a global measure of geopolitical risk (Figure 1) but the researchers

⁷ These newspapers are The Boston Globe, The Globe and Mail, The Guardian, Los Angeles Times, The New York Times, The Washington Post, The Daily Telegraph, Chicago Tribune, The Financial Times, The Times and The Wall Street Journal.

⁸ Examples of Search Terms for 1) Geopolitical threats: geopolitical AND (risk* OR concern* OR tension* OR uncertain*), 2) Nuclear Threats: (“nuclear war” OR “atomic war” OR “nuclear conflict”) AND (fear* OR threat* OR risk*) AND “United States” AND (coup OR guerilla OR warfare) [...], 3) War Threats: “war risk” OR “war fear” OR “military threat” 4) Terrorist Threats: “Terrorist threat” OR “terrorism menace”, 5) War Acts: (beginning OR outbreak OR start OR escalation) “of the war”, 6) Terrorist Acts: “terrorist act” OR “terrorist acts” (Caldara & Iacoviello, 2019, p. 7).

also calculated this index on a country basis for 18 countries, 14 of which form the regression sample. In Figure 5, the development of the index scores for the 14 sample countries between 2006 and 2018 are illustrated in a line chart.

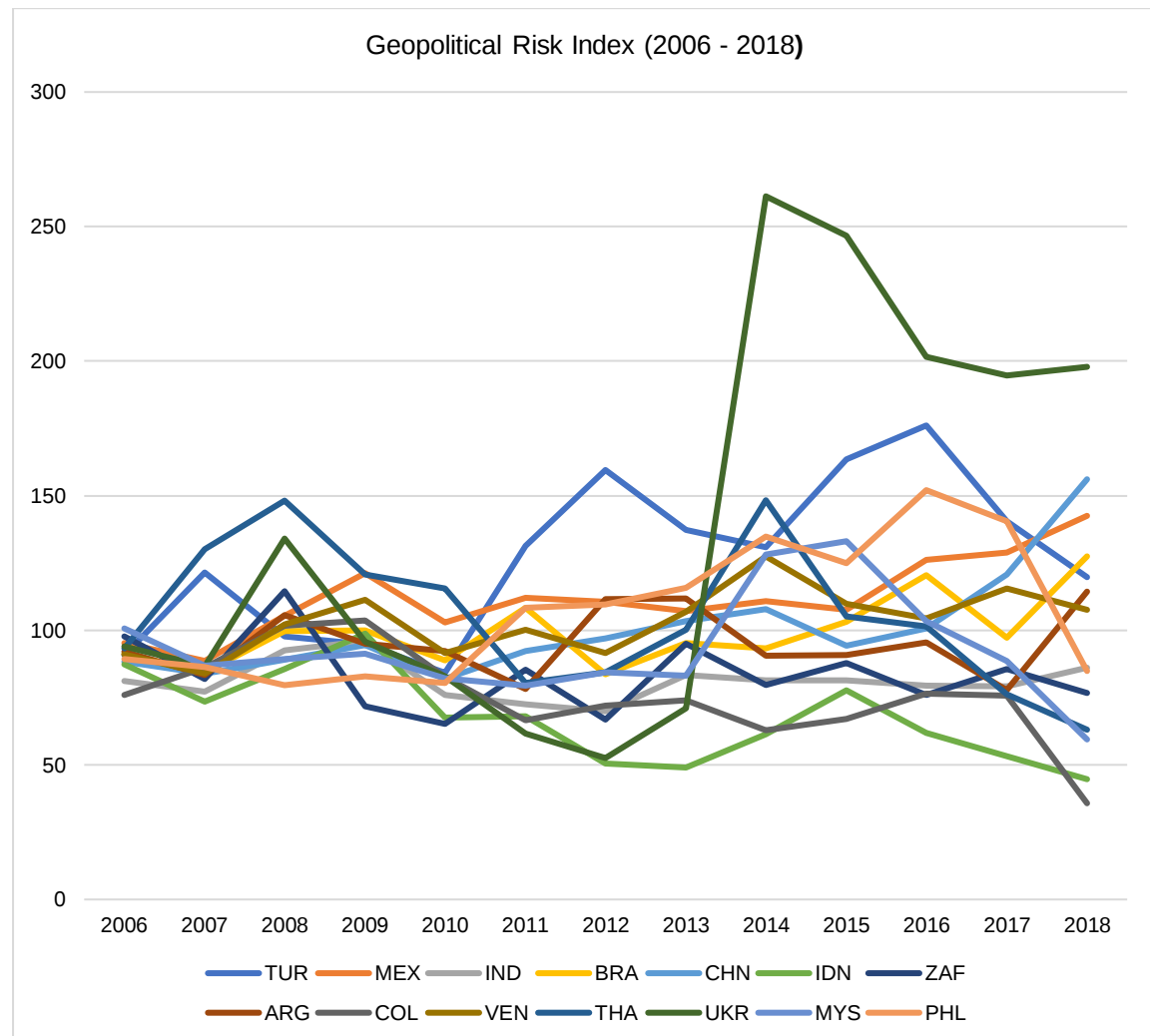


Figure 5: Geopolitical Risk Index (2006-2018); Source: Caldara & Iacoviello, 2019.

Some countries, like Turkey and Ukraine, experienced shocks of geopolitical risk in the past years, such as the Geopolitical Risk Index spikes in 2013 for Ukraine when Russia annexed the Crimean Peninsula. The particular example of Ukraine might give reason to suspect that geopolitical risk level correlates with the allocation of ODA as in 2013 also ODA received by Ukraine increased sharply (shown in Figure 3). To examine this vague guess, the regressions below will shed light on the empirical causality of this assumed correlation.

4.2 Descriptive statistics of the regression variables

The table below (Table 1) shows a statistical summary of the raw data for all variables included in the regressions below. The overview shows computed values for the sample of observations for which data are available for all variables.

Table 1: Summary Statistics

	ODA	GDP	GDPG	POP	OPEN	INFL	DEMO	FDI	SECURITY	GEOPOLRISK
Mean	7.98	6,984.04	4.04	2.65E+08	66.11	8.74	3.24	2.39	6.40	98.77
Median	2.81	7,177.47	4.97	69,581,848	54.28	6.26	3.00	2.29	6.70	92.25
Maximum	45.26	14,920.45	14.23	1.39E+09	20.26	45.94	7.00	6.96	9.70	261.26
Minimum	-9.30	1,040.31	-36.04	26,201,961	22.11	-5.99	1.00	-0.28	1.90	49.00
Std. Dev.	10.93	3,808.92	5.04	4.34E+08	37.72	8.82	1.48	1.33	1.66	30.36
Skewness	1.54	0.17	-3.61	1.94	1.40	2.10	1.30	0.59	-0.84	2.25
Kurtosis	4.85	1.91	26.98	4.93	4.38	7.61	3.92	3.52	3.29	11.00
Jarque-Bera	88.64	8.96	4,313.78	129	67.18	267.47	52.52	11.45	19.87	578.82
Probability	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sum	1,317.34	1,152,367.00	666.20	4.37E+10	10,908.86	1,441.92	535.00	394.11	1,055.60	16,297.17
Sum Sq.Dev.	19,606.87	2.38E+09	4,160.51	3.09E+19	233,359.80	12,768.66	360.30	288.22	452.92	151,121.90
Observs.	165	165	165	165	165	165	165	165	165	165

Since the data set misses values for ODS data in 2018 for all cross-sections and for GDP growth rates and trade data for Venezuela for the years 2016-2018, the regression is estimated as an unbalanced model, in which time-demeaning is used by the regression package to make the appropriate adjustment for this loss (Wooldridge, 2002, p. 448).

5 Empirical results

We find significant evidence that increased geopolitical risk reported in international media has a positive effect on the amount of net Official Development Assistance received in the sample of 14 countries. This means that the decision making for aid allocation is influenced by how donors perceive geopolitical risk and security threats in international media. It shows that if a country gets a lot of media attention due an elevated level of geopolitical risk, then it is also granted more attention in the foreign aid policy of donor nations or multilateral organizations.

5.1 Interpretation of the regression results

Table 2 provides an overview of the regressions which show the major findings of this study. Although it is assumed that error terms in panel data models are cross-sectionally independent, we checked for heteroskedasticity by running a residual cross-section dependence test⁹. The Breusch-Pagan as well as the Pesaran scaled Lagrange multiplier show a significant p-value of 0.00 which means that there is no cross-sectional dependence of the disturbance and we can reject the null-hypothesis of homoskedasticity. This is why we changed the coefficient variance method to White cross-section robust standard errors to run all the regressions.

⁹ Residual cross-section dependence test output is displayed in Table A 6 in the Data Appendix.

Table 2: Aid Allocation Regression 1-6

Dependent Variable: ODA (net Official Development Assistance received per capita in current USD)						
Regression	1)	2)	3)	4)	5)	6)
Independent Variables:						
C	374.85	413.26	416.53	1,072.28 **	302.49	485.80
LOG(GDP)	1.30	-0.33	2.66	-3.17	0.68	6.31
GDPG (-1)	0.19 **	0.17 **	0.20 **	0.13 **	0.18 **	0.16 **
LOG(POP)	-21.78	-22.67	-24.58	-57.23 **	-17.48	-30.07 **
OPEN	0.25 **	0.15 **	0.25 **	0.19 **	0.26 **	0.25 **
INFL	-0.04	-0.04	0.02	-0.03	-0.03	-0.04
DEMO	-0.07	-0.18	-0.36	-0.14	0.10	0.02
FDI	-0.61	-0.25	-0.84	-0.43	-0.60	-0.65
SECURITY	0.55	0.05	1.37 **	0.72 **	0.46	0.60
GEOPOLRISK	0.06 **	0.05 **		0.03 **	0.07 **	0.06 **
ODA (-1)		0.36 **				
GEOPOLRISK*TURKEY				0.28 **		
GEOPOLRISK*SOUTHAMERICA					-0.10 **	
GEOPOLRISK*CHINA						-0.22 **
R-squared	0.90	0.92	0.89	0.93	0.90	0.90
Adjusted R-squared	0.88	0.89	0.86	0.91	0.88	0.88
Method: Ordinary Least Squares						
Sample (adjusted): 2007 – 2017						
Periods included: 11						
Cross-sections included: 14						
Total panel (unbalanced) observations: 151						
White cross-section standard error & covariance (d.f. corrected)						
Effects specification: Cross-section fixed (dummy variables) & period fixed (dummy variables)						
** indicates significant values at a significance level of 5 %						

The regression displayed in the first column of Table 2 shows the results of regressing the net Official Development Assistance received (ODA) on all independent variables described in section 3. While the security variable has an insignificant coefficient at a significance level of 5%, the geopolitical risk variable has a positive significant coefficient of 0.06. This means that on average, an increase of the geopolitical risk index by one index point leads to an increase in net ODA per capita received by 0.06 U.S. dollars, ceteris paribus. When looking at a country with a large population like China, this means that a one index point increase in the Geopolitical Risk Index leads to an increase of net ODA received in this year of about 84 million USD (with China's current population of 1.4 billion people). The same calculation yields an increase of net ODA per year of 81 million USD for India, 16 million USD for Indonesia, and even 2 million USD for the least

populous countries in the sample, Malaysia and Venezuela. When standardizing the geopolitical risk index data series by subtracting its mean and dividing by its standard deviation, the coefficient amounts to 1.96 so that an increase of one standard deviation of the GEOPOLRISK variable leads to an increase of 1.96 dollars of net ODA received per capita, leaving everything else constant¹⁰.

For an accurate interpretation of these results one should keep in mind that the variable SECURITY measures the security threats based on many different sources, such as quantitative and qualitative sources, scientific research, expert validation, etc. The variable GEOPOLIRISK measures geopolitical risk in the recipient countries solely derived from international media reports. Evaluating the fact that the coefficient for the Security Apparatus Indicator is insignificant and the coefficient for Geopolitical Risk Index is positively significant, the hypothesis that geopolitical risk and its medial perception by donors has a positive effect on the foreign aid allocation decisions cannot be rejected. Thus, this regression shows empirical evidence that on average medial perception of increased geopolitical risk plays a role for the allocation of foreign aid granted to these 14 countries. These results stand in contradiction to the findings by Van Belle and Hook (2000) who found out that the effect of positive rather than negative news covered in the media result in higher amounts of foreign aid given. Since we dare to claim that news stories indicating elevated geopolitical risk levels can be declared as negative news, our regression results show that the opposite is the case.

Furthermore, when interpreting the results, one has to be aware of the fact that each country shows a different independent average level of ODA received. This is illustrated for Regression 1 in Figure 6 showing the fixed effect for the 14 cross sections. These are the values of the individual intercepts for each cross section which show the relative systematic level of ODA that each of the 14 countries receives independent of the variables included in the regression model.

¹⁰ The regression with the normalized geopolitical risk index is shown in the Data Appendix in Table A 8.

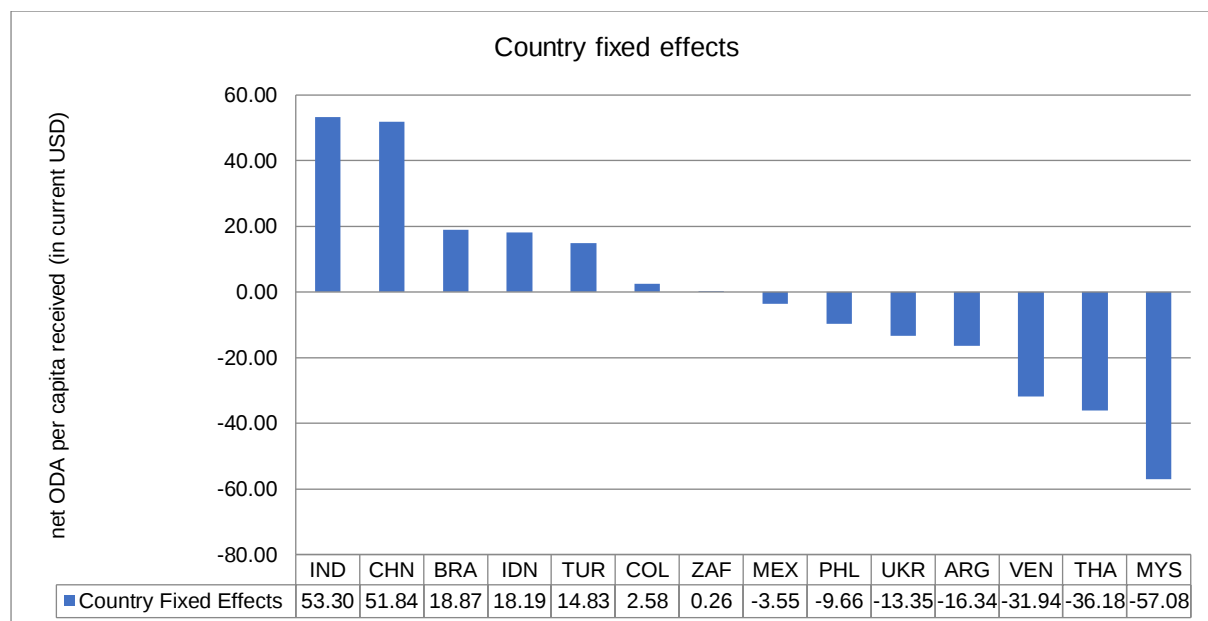


Figure 6: Cross-section fixed effects of Regression 1

It can be seen that India and China tend to have high amounts of net ODA received, whereas Venezuela, Thailand and Malaysia show very low levels of independent net ODA received.

As far as the control variables in Regression 1 are concerned, only the coefficients for trade openness (0.25) and lagged GDP (0.19) show significant values. As expected, recipient countries which are more open to trade are more likely to receive higher amounts of official development aid. The result shows that on average an increase of one percentage point of the trade-to-GDP ratio will lead to an increase in net ODA per capita received of 0.25 USD when holding all other parameters constant. This finding suggests that donors prefer to provide development aid to countries without (or little) trade restrictions. Supposedly, this is due to strategic economic donor motives to potentially improve the overall trade relations with the recipient country or also to anticipate that aid is deployed more effectively when given to a country with “good economic policies” in place (Burnside & Dollar, 2000).

Interestingly, the recipient country’s initial income does not seem to be decisive factors for allocating aid which points to the inference that the altruistic motivation to give foreign aid primarily to poor countries cannot be underpinned with evidence in this regression sample. This is also emphasized by effect of GDP growth rates lagged one year. The coefficient shows that an increase of the GDP growth rate of 1% leads to an increase of ODA per capita received of 0.18 U.S. dollars. This shows that motives other than the recipient need criteria play a more important role in the allocation of ODA.

Whereas the parameters for initial income (GDP), population size (POP), democracy (DEMO), foreign direct investment inflows (FDI) and monetary discipline (INFL) were shown to be significant factors for aid allocations in previous studies mainly analyzing data from the second half of the 20th century, they seem to have lost significant explanatory power in this aid allocation regression conducted with data from the past 14 years.

Nevertheless, when looking at the R^2 value of 0.90, which shows the ratio of the explained variation compared to the total variation (Wooldridge, 2011, p. 40) one can infer that the 90% of the total variation of the dependent variable (ODA) can be explained by the use of explanatory variables. Therefore, it can be concluded that although only three variables (trade openness, lagged GDP growth and geopolitical risk) have significant explanatory power in Regression 1, the fraction of the sample variation in the dependent variable (ODA), which can be explained by the explanatory variables, is still astonishingly high.

This R^2 value even increases to 0.92 when we include lagged ODA as an independent variable as shown in Regression 2 (Table 2). By including ODA-1 as an explanatory variable we account for the fact that previous amounts of ODA also determine the future amounts of ODA. The variable is highly significant and explains that an increase of 1 U.S. dollar of net ODA per capita received in the previous year increases ODA received per capita this year by 0.36 U.S. dollars. Note, however, that the coefficient of GEOPOLRISK and also all other variables that were significant in Regression 1 stayed significant and only show minor changes in their coefficients.

Another interesting finding can be derived from running the same aid allocation regression without the variable for geopolitical risk as shown in Regression 3 (Table 2) and observing the degree to which the coefficient for the Security Apparatus Index changes. The output for such a regression unveils that in this case the variable SECURITY has a significant positive coefficient with a value of 1.37. Hence, an increase of security threats in a recipient country by one index rank (measured by the Fund of Peace's methodology using various information sources) on average leads to an increase in net ODA received per capita of 1.37 USD when holding all other variables constant. When the Geopolitical Risk Index is included in the equation (as in Regression 1), however, it "outplays" the explanatory power of the Security Apparatus Indicator. In other words, the Security Apparatus Index only has explanatory power when the Geopolitical Risk Index is not included in the regression. For the evaluation of the research question posed by this thesis, this result is fundamental. It points out that the existence of security threats and conflict situations in the recipient

countries play an important role for aid allocation, but that its media coverage is even more consequential. Simply put, an increased level of security threats in a recipient country matters for the allocation of foreign aid but its international media coverage matters even more.

5.2 Robustness analysis

For this ordinary least square panel regression with fixed effects we conducted various robustness checks. Concerning the model choice, we could not conduct a Durbin-Wu-Hausman Test to determine whether a fixed or random effects model would be more appropriate than a random effects model as the data set is unbalanced, which does not allow for a random effects model. By allowing for fixed effects in cross-sections and periods in the model, we control for a potentially omitted variable bias as the model measures changes within cross-sections across time and removes omitted variables bias.

In order to address the possibility of reverse causality we also introduced the Geopolitical Risk Index X-variable lagged one year¹¹. By including this time lag we exclude the possibility that ODA allocations affect geopolitical risk levels and not the other way around. The aim of the study is to examine the effect of elevated geopolitical risk on ODA received. The coefficient for GEPOLRISK (-1) in this regression was still significant and amounted to 0.06. This means the levels of geopolitical risk of the previous year affect the amount of net ODA received of the following year, just like they do for the same year.

Furthermore, one might have reason to presume that the Security Apparatus Indicator and the Geopolitical Risk Index cause collinearity problems as they both measure similar things. The computed correlation however only amounts to 0.19 in the same period and to 0.11 with the GEOLRISK variable lagged one year¹². Therefore, collinearity concerns are negligible. In the standard regression model, we also included the interaction term SECURITY*GEPOLRISK, but the result was insignificant¹³.

¹¹ The regression including the lagged variable of geopolitical risk is shown as Regression 12 in the Data Appendix in Table A 8.

¹² Exact values are shown in the Cross-Correlogram of GEPOLRISK and SECUIRTY in Table A 3 in the Data Appendix.

¹³ The regression including the interaction SECURITY*GEPOLRISK is shown as Regression 13 in the Table A 8 in the Data Appendix.

In a further step we checked for specific country effects of elevated geopolitical risk to examine the heterogeneity of the effect. Therefore, we included regional dummy variables in the form of an interaction term with the Geopolitical Risk Index variable. Only three out of all the regional dummies included¹⁴ showed significant results in the interaction term with GEOPOLRISK as displayed in Regression 4, 5 and 6 in Table 2. First, it showed that Turkey plays a particular role in the sample of 14 countries as the effect of increased geopolitical risk on net ODA received seems to have a very large effect in the case of Turkey. As shown by the results of Regression 4, the coefficient of the interaction term of GEOPOLRISK and TURKEY is positive significant while the linear effect of GEOPOLRISK also continues to be positive significant. We get the overall effect when adding the interaction effect to the linear effect. By looking closely at Figure 3, one could already see that both the amount of net ODA received by Turkey and its Geopolitical Risk Index rank started to increase drastically starting from 2010. In Regression 4, we found that a higher level of geopolitical risk has a particularly large effect on the allocation of ODA in Turkey. Shown in Figure 4, Turkey's most important donor of official development aid in 2014 were the EU Institutions followed by Germany and France, who seem to make their volume of aid given to Turkey dependent on the geopolitical risk level and security situation of the country. Secondly, the contrary is true for South American countries and China as shown in Regression 5 and 6. The dummy variable called SOUTHAMERICA includes Brazil, Mexico, Argentina, Colombia and Venezuela. Indicated by the negative significant coefficient of these dummy variable interactions terms, it can be said that the effect of elevated geopolitical risk reported in international media on the allocation of foreign aid to South American countries and China is slightly smaller than it is in the total sample. Here it is important to point out that in both of the regressions including interaction terms of a regional dummy variable and GEOPOLRISK (Regression 4, 5 and 6), the coefficient of the GEOPOLRISK variable always also showed a positive significant value. This means that the overall positive effect of the increase in the Geopolitical Risk Index on the net ODA received does not stem from one specific country or region but only occurs to be stronger in Turkey and weaker in South American countries and China. This also shows the heterogeneity of this effect, at least for Turkey, the South American countries and China.

¹⁴ Separate regressions including regional dummy interactions terms with geopolitical risk which showed insignificant coefficients are displayed as Regression 7-10 in Table A 7 in the Data Appendix.

5.3 Discussion

Due to the robust significant coefficients for the Geopolitical Risk Index, this study shows sound results for the causal link between media coverage of geopolitical-risk-related events in a recipient country and the amount of ODA given to this country. However, these results are also limited to the quantitative research method and the data they are based on. Within the process of allocating foreign aid there are many more factors which are not considered in this study and might only be investigated by conducting qualitative research thereof.

One of these aspects refers to the media production process and the question of who decides which phenomena gets more or less attention in the media. This might have to do with the question of whether a newspaper strives to provide independent news-coverage or if it is rather affiliated to one side of the political spectrum. What also might be interesting to consider is the new approach used by some political leaders to spread their opinions and attribute importance to news stories by sharing them on Twitter. This new form of creating and sharing content adds another dimension to this process which would need further investigation.

An additional factor to consider is the decision-making process in the domestic politics of the donor countries. There might be domestic laws and bureaucratic regulations in place which instruct decision-makers to allocate aid according to certain principles or conditions. This would limit our presumption that donors can choose freely which countries to support with ODA and that they can switch their ODA recipients quickly.

Furthermore, we cannot conclude anything about the question if a strategic intention is the reason for this causal link. It is either possible that decision-makers for aid allocations are subconsciously aware of media coverage and therefore attribute more importance to recipient countries or that their decision to allocate more aid to countries with increased geopolitical risk levels is a conscious consideration and part of a certain foreign policy strategy.

In short, this paper only shows that there is a causal link between media reports about unstable security situations in recipient countries and an increased allocation of ODA, but it lacks exploration of the media production process and mechanisms of media perception by policymakers leading to a change in their aid allocation decisions.

6 Conclusions

This study was conducted to investigate the relationship between media coverage of events related to increased geopolitical risk in recipient countries and the amount of Official Development Assistance allocated to these countries. Over the past decades, scientific studies have shown that there is reason to believe that apart from humanitarian motivations, donors might also pursue political or economic strategic interests when providing foreign aid. Moreover, “intermediate” factors, like the donor’s perception of international media coverage, can influence aid allocation decisions. In this study, the “CNN effect” for the allocation of foreign aid was examined in combination with elevated geopolitical risk levels in recipient countries. By running aid allocation regressions using a dataset that includes 14 countries and observations from 2006 to 2018, we find significant evidence that the international media reportage of stories related to increased geopolitical risk in a recipient country has a positive effect on the amount of ODA provided to this country. That means that increased media attention of geopolitical risk in recipient countries leads to a higher amount of ODA received. Furthermore, when the explanatory variable for media attention (the Geopolitical Risk Index) is excluded from the regression, the variable for security threats (Security Apparatus Indicator) becomes significant. This leads to the conclusion that an elevated level of security threats in a recipient country already has a significant positive influence on the allocation of ODA, but its media coverage is even more determinant. With the mere proof of this relationship between higher Geopolitical Risk Index ranks and the allocation of ODA we cannot, however, venture to assume its underlying reason. Media coverage of increased geopolitical risk might either act as a subconsciously perceived “intermediate” factor in the aid allocation process or provide donors with the necessary information to consciously shape their foreign aid strategy according to it.

Other factors that proved to play a decisive role in the regression model are the trade openness of the recipient countries and their lagged GDP growth rates. The positive significant coefficients for both of these variables indicate that donors do not tend to determine their aid allocations based on the recipient need criteria but rather pursue economic interests as suggested in the globalist paradigm of international relations theory. Within the sample of 14 countries, our analysis also yields that the effect of increased geopolitical risk on ODA is even stronger in Turkey and weaker in China and South American countries.

Considering the rising tendency of global geopolitical risk levels over the past decades, the increasing importance of security issues in international politics, rising amounts of global ODA, and the potential extent of media influence, we find it relevant to point to the examined relationship and raise awareness to the fact that media coverage of increased geopolitical risk levels has an influence on the allocation of aid. In midst of the controversial debate among international scholars about foreign aid and its efficacy, we find it important to take a closer look at donor motives and other factors that influence the aid allocation process. Having shown the above described relationship we also suggest that news coverage and geopolitical risk components should be an integral part of any comprehensive model investigating the allocation of foreign aid.

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Data Appendix

Table A 1: Variables of the regression model and their sources

Variable	Code	Definition	Source
Net ODA per capita received	ODA	Net Official Development Assistance received per capita in current USD	World Bank Database
Initial income	GDP (-1)	GDP per capita lagged one year in constant 2010 USD	World Bank Database
GDP growth	GDPG	GDP growth rates in %	World Bank Database
Population	POP	Population	World Bank Database
Trade Openness	OPEN	Trade in % of GDP	World Bank - World Development Indicators
Inflation	INFL	Inflation, GDP deflator annual in %	World Bank Database
Democracy	DEMO	Political Rights Index	Freedom House
FDI	FDI	Net inflows of Foreign Direct Investment divided by GDP in constant 2010 US Dollars	World Bank Database
Security	SECURITY	Security Apparatus Indicator, Sub-indicator of the Fragile States Index	The Fund for Peace
Geopolitical Risk	GEOPOLRISK	Geopolitical Risk Index	Caldara & Iacoviello (2019)

Table A 2: Recipient Country Abbreviations

TUR	Turkey
MEX	Mexico
IND	India
BRA	Brazil
CHN	China
IDN	Indonesia
ZAF	South Africa
ARG	Argentina
COL	Colombia
VEN	Venezuela
THA	Thailand
UKR	Ukraine
MYS	Malaysia
PHI	Philippines

Figure A 1: Correlation between ODA and GEOPOLRISK for each country (without fixed effects)

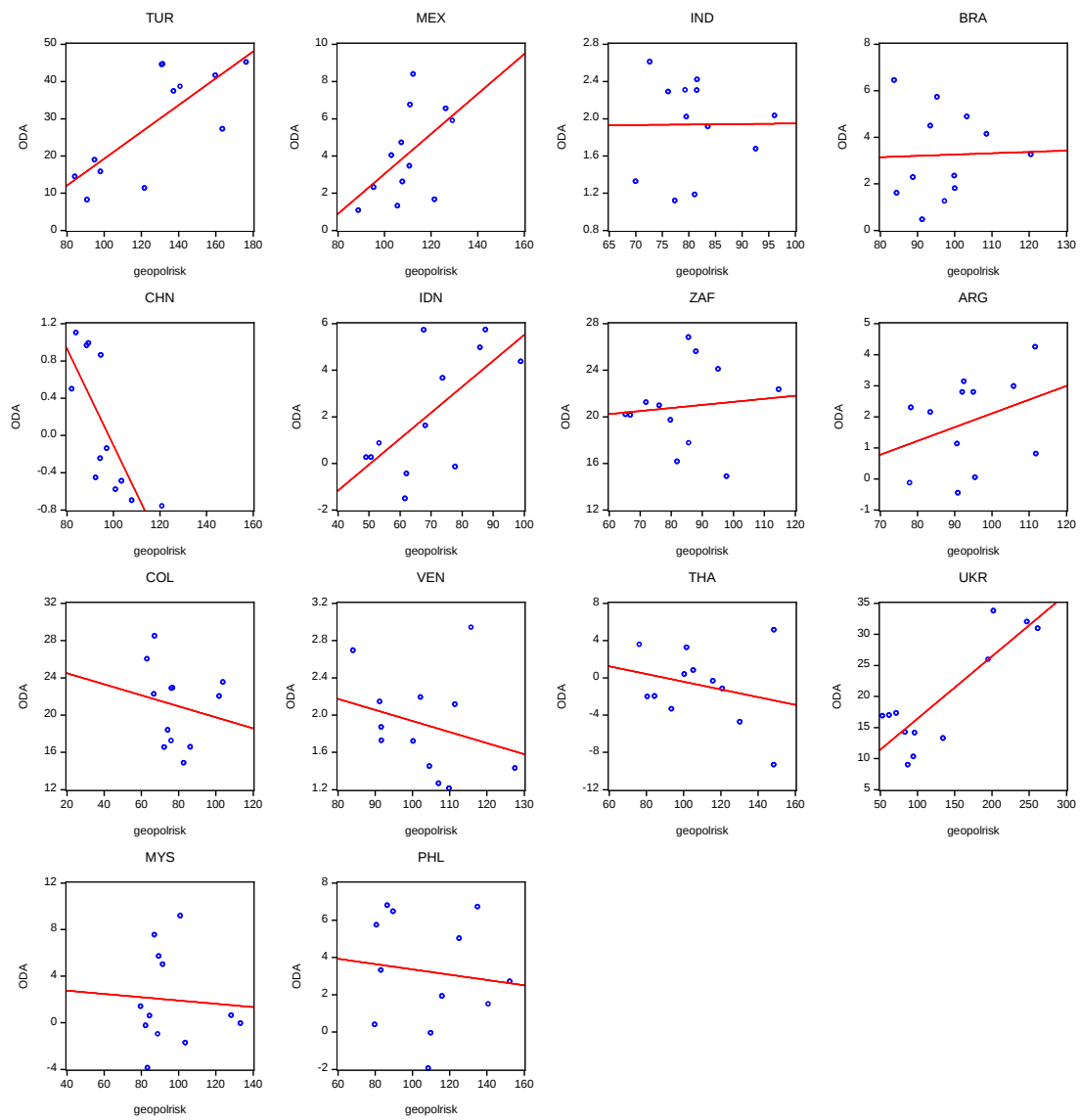


Table A 3: Cross Correlogram for GEOPOLRISK & SECURTY

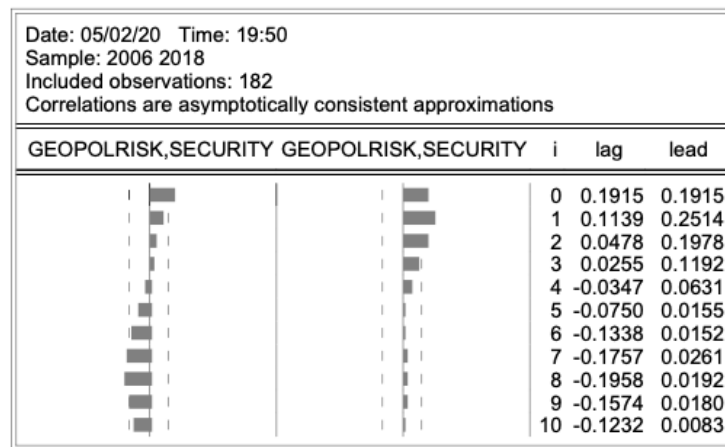


Table A 4: The most important bilateral and multilateral ODA donors for the 14 sample countries; Source: OECD, 2020f.

Recipients	Most important donors of ODA	Gross ODA (mil USD)
Turkey	EU Institutions	2,954.89
	Germany	509.81
	France	381.67
	United Kingdom	153.27
	Japan	141.03
	Italy	91.71
	Council of Europe Development Bank	78.05
	Spain	64.29
	Others	327.56
Mexico	Germany	333.44
	France	204.33
	United States	162.59
	EU Institutions	112.16
	United Kingdom	16.33
	Global Environment Facility	14.39
	Inter-American Development Bank	13.21
	Japan	10.79
	Others	28.63
India	Japan	2,088.28
	International Development Association	1,445.02
	Germany	900.07
	EU Institutions	384.69
	France	191.08
	Global Alliance for Vaccines and Immunization	139.64
	United States	129.28
	United Kingdom	123.02
	Others	320.78
Brazil	Germany	248.61
	EU Institutions	192.46
	France	147.95
	Norway	83.18
	Japan	66.49
	United Kingdom	50.65
	United States	20.21
	Global Environment Facility	19.27

	Others	49.17
China	Germany	773.33
	France	175.49
	EU Institutions	113.34
	United Kingdom	61.05
	United States	42.49
	Global Environment Facility	36.96
	Kuwait	26.82
	OPEC Fund for International Development	24.36
	Others	130.23
Indonesia	Japan	460.26
	Germany	452.75
	United States	346.50
	France	257.46
	Australia	229.82
	Global Fund	179.01
	Korea	54.17
	Norway	44.11
	Others	251.63
South Africa	United States	544.46
	Germany	266.30
	EU Institutions	120.25
	France	91.39
	Global Fund	74.67
	United Kingdom	20.64
	Belgium	15.41
	UNHCR	13.82
	Others	79.10
Argentina	Italy	50.37
	Germany	19.13
	France	10.71
	Kuwait	7.63
	Japan	5.50
	EU Institutions	5.42
	Global Environment Facility	4.32
	Inter-American Development Bank	4.30
	Others	23.08
Colombia	United States	301.02
	Germany	226.95
	France	126.66
	EU Institutions	81.62
	Norway	50.77
	Canada	40.32
	Switzerland	36.57
	Sweden	34.07
	Others	149.69
Venezuela	Spain	27.20
	United States	11.09
	France	6.54
	Germany	6.49
	UNHCR	3.33
	EU Institutions	2.34
	Global Environment Facility	2.20
	United Kingdom	1.56
	Others	7.11
Thailand	Japan	401.33
	United States	52.95
	Global Fund	17.72
	Germany	16.60
	EU Institutions	15.63
	France	11.90
	UNHCR	10.48
	United Kingdom	9.18
	Others	32.71
Ukraine	EU Institutions	425.16
	United States	204.43
	Germany	189.84
	Japan	180.77
	Global Fund	44.78
	Canada	44.52

	Poland	42.48
	Sweden	34.58
	Others	219.85
Malaysia	Japan	40.93
	Germany	12.18
	United Kingdom	11.36
	Global Environment Facility	6.38
	France	5.61
	United States	4.23
	UNHCR	2.79
	EU Institutions	1.14
	Others	8.32
Philippines	Japan	326.90
	United States	213.07
	Australia	53.88
	Korea	52.13
	Global Fund	45.62
	Germany	40.73
	EU Institutions	35.31
	France	33.86
	Others	94.37

Table A 5: Period fixed effects and cross-section fixed effects of Regression 1

Cross-section fixed effects		Period fixed effects	
Country	Country fixed effects	Year	Period fixed effects
IND	53.30	2007	-4.34
CHN	51.84	2008	-4.27
BRA	18.87	2009	-0.90
IDN	18.19	2010	0.09
TUR	14.83	2011	0.82
COL	2.58	2012	0.07
ZAF	0.26	2013	0.45
MEX	-3.55	2014	2.63
PHL	-9.66	2015	1.62
UKR	-13.35	2016	2.72
ARG	-16.34	2017	1.11
VEN	-31.94		
THA	-36.18		
MYS	-57.08		

Table A 6: Breusch-Pagan heteroskedasticity test (for Regression 1 before using white robust errors)

Residual Cross-Section Dependence Test			
Null hypothesis: No cross-section dependence (correlation) in residuals			
Equation: EQ01			
Periods included: 11			
Cross-sections included: 14			
Total panel (unbalanced) observations: 151			
Test employs centered correlations computed from pairwise samples			
Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	159.43	91	0.00
Pesaran scaled LM	5.07		0.00
Bias-corrected scaled LM	4.37		0.00
Pesaran CD	0.218		0.83

Figure A 2: Residual Diagnostics of Regression 1

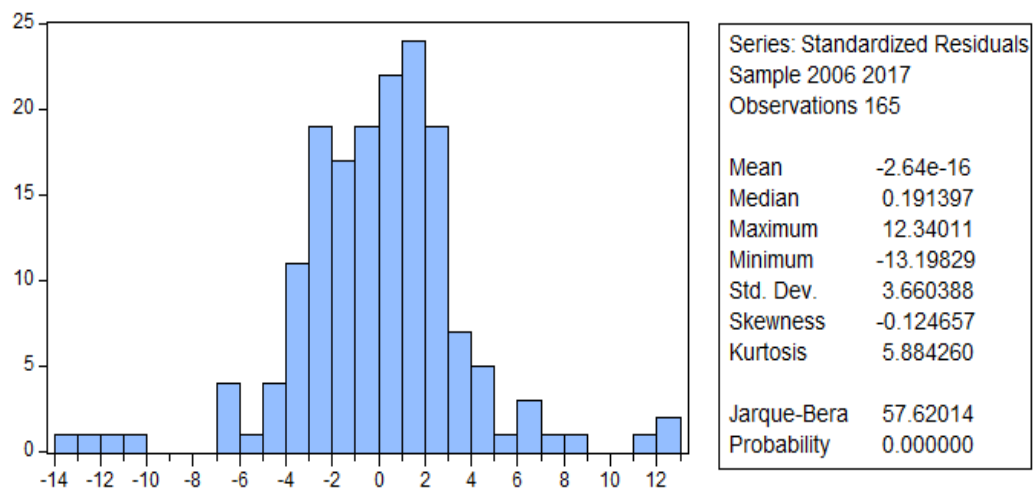


Table A 7: Aid Allocation Regression 7-10

Dependent variable: ODA (net Official Development Assistance received per capita in current USD)

Regression	7.	8.	9.	10.
Independent Variables				
C	52.05	342.06	374.28	374.28
LOG(GDP)	1.29	1.83	1.27	1.27
GDPG (-1)	0.19 **	0.19 **	0.19 **	0.19 **
LOG(POP)	-4.27	-20.29	-21.74	-21.74
OPEN	0.23 **	0.25 **	0.25 **	0.25 **
INFL	-0.07	-0.04	-0.04	-0.04
DEMO	-0.20	-0.10	-0.08	-0.08
FDI	-0.46	-0.67	-0.61	-0.61
SECURITY	0.77	0.57	0.55	0.55
GEOPOLRISK	0.08 **	0.06 **	0.06 **	0.06 **
GEOPOLRISK*TURKEY				
GEOPOLRISK*SOUTHAMERICA				
GEOPOLRISK*CHINA				
GEOPOLRISK*SOUTHEASTASIA	-0.08			
GEOPOLRISK*INDIA		0.11		
GEOPOLRISK*SOUTHAFRICA			0.02	
GEOPOLRISK*UKRAINE				0.02
R-squared	0.91	0.90	0.90	0.90
Adjusted R-squared	0.88	0.87	0.87	0.87
Method: Ordinary Least Squares				
Sample (adjusted): 2007 – 2017				
Periods included: 11				
Cross-sections included: 14				
Total panel (unbalanced) observations: 151				
White cross-section standard error & covariance (d.f. corrected)				
Effects specification: Cross-section fixed (dummy variables) & period fixed (dummy variables)				
** indicates significant values at a significance level of 5 %				

Table A 8: Aid Allocation Regression 11-13

Dependent variable: ODA (net Official Development Assistance received per capita in current USD)

Regression	11.	12.	13.
Independent Variables			
C	381.04	405.32	407.60
LOG(GDP)	1.30	0.60	1.37
GDPG (-1)	0.19 **	0.24 **	0.19 **
LOG(POP)	-21.78	-22.97	-23.22
OPEN	0.25 **	0.25 **	0.24 **
INFL	-0.04	-0.05	-0.04
DEMO	-0.07	0.03	0.11
FDI	-0.61	-0.91	-0.69
SECURITY	0.55	0.30	-0.52
GEOPOLRISK			0.01
GEOPOLRISK NORM	1.96 **		
GEOPOLRISK (-1)		0.06 **	
GEOPOLRISK*SECURITY			0.01
R-squared	0.90	0.90	0.90
Adjusted R-squared	0.88	0.87	0.88

Method: Ordinary Least Squares

Sample (adjusted): 2007 – 2017

Periods included: 11

Cross-sections included: 14

Total panel (unbalanced) observations: 151

White cross-section standard error & covariance (d.f. corrected)

Effects specification: Cross-section fixed (dummy variables) & period fixed (dummy variables)

** indicates significant values at a significance level of 5 %