



Determinants of Foreign Aid Allocation by Small Emerging Donors: A Case Study of Thailand

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Why study Thailand's ODA allocation?

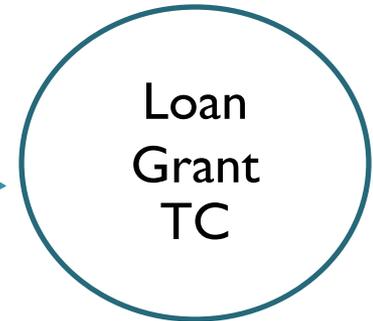
- Despite a growing influence of emerging donors recently, empirical studies on their aid allocation are limited.
- Most of studies focus on traditional bilateral donors and multilateral organizations.
- Thailand has been considered as an emerging donors since 2003.
- Studying factors determining Thailand's ODA can enhance our understanding on aid allocation by emerging donors.

Institutional Structure of Thailand's ODA

MOF



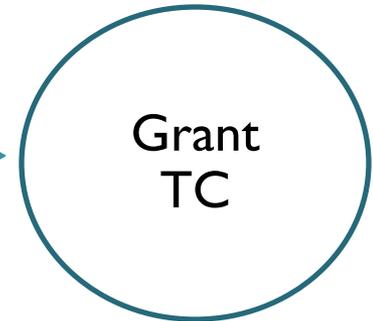
Neighboring Countries Economic
Development Cooperation Agency
(NEDA)



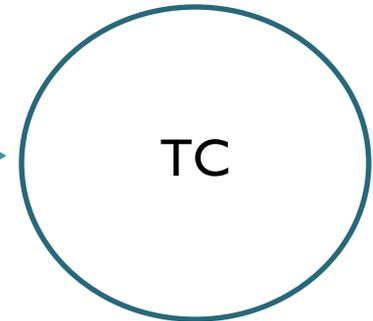
MFA



Thailand International Development
Cooperation Agency (TICA)



Other line ministries and
Governmental Organizations



Perspectives on Donors' Aid Allocation

- Donor Interest (DI):
 - Aid is not free from donors' concerns on geo-political and economic interests.
 - Donors are likely to consider giving aid in exchange for political and economic interests.
- Recipient Needs (RN):
 - Aid should be allocated to countries that are in need of development and humanitarian assistance (e.g. poor countries, those affected by conflicts or disasters)
- Recipient Merit (RM):
 - Aid should be given to recipients who have merits in translating aid into pro-poor public expenditure - countries with a good institutional and policy environments.

Testing hypotheses based on DI, RN, RM perspectives

- Use the panel data on TICA's ODA disbursement 2005-2012 --- for dependent variables
- Use panel data from various sources on recipient characteristics (144 countries), 2004-2011 --- for independent variable

Model:

- $\text{TICA's ODA} = f(\text{DI, RN, RM, Other variables})$

Estimation Method:

- Logit Model (Fixed and Random Effects)
 - Probability that a particular (developing) country will be given ODA
- Tobit Model Random Effects)
 - The amount of ODA that developing countries with particular characteristics will receive

Variables and Data Sources

Variables	Description/Measurement	Period	Data Sources
Dependent			
<i>TIDC</i>	Amount of TICA's international development cooperation (TICA) disbursed (log)	2005-12	TICA's statistics
Independent			
Recipient Needs			
<i>GNIPC</i>	Real GNI per capita, PPP (constant USD 2008) (log)	2004-11	WDI, World Bank
<i>ODAPC</i>	ODA per capital (constant USD 2008) (log)	2004-11	WDI, World Bank
<i>ADTLIT</i>	Adult literacy rate (%)	2004-11	WDI, World Bank
<i>CHMOTAL</i>	Under-five Child motility (log)	2004-11	WDI, World Bank
Donor Interest			
<i>TRADE</i>	Value of trade between Thailand and partner countries (constant USD 2008) (log)	2004-11	Ministry of Commerce, Thailand
<i>EXPORT</i>	Value of export from Thailand to partner countries (constant USD 2008) (log)	2004-11	Ministry of Commerce, Thailand
Recipient Merit			
<i>CORUP</i>	Corruption Perception Index	2004-11	WGI, World Bank
<i>GOVEF</i>	Government Effectiveness Index	2004-11	WGI, World Bank
<i>VOAC</i>	Voice and Accountability Index	2004-11	WGI, World Bank
<i>MILEXP</i>	Military expenditure relative to government's annual budget (%)	2004-11	WDI, World Bank
<i>TRDOPN</i>	Export and import as a share of GDP (%)	2004-11	WDI, World Bank
Others			
<i>POP</i>	Partner countries' population size (%)	2004-11	WDI, World Bank
<i>BUDASEAN</i>	Dummy of Buddhist or ASEAN (1, if a partner country has 1% or more of Buddhist population or is ASEAN member country; 0, otherwise)		www.religionfact.com
<i>DIST</i>	Distance between Bangkok and the capital city of partner countries		www.timeanddate.com

Regression Results: final specifications

Variable	Models		
	Logit (FE)	Logit (RE)	Tobit (RE)
<i>GNIPC</i>	0.907** (0.446)	0.059 (0.215)	0.131 (0.166)
<i>ODAPC</i>	0.380 (0.452)	0.458** (0.209)	0.479*** (0.156)
<i>CHMOTAL</i>	-4.540* (2.565)	0.420 (0.357)	0.35 (0.304)
<i>TRADE</i>	0.712 (0.445)	0.170 (0.142)	0.107 (0.117)
<i>CORRUP</i>	0.317** (0.13)	0.267** (0.111)	0.139** (0.067)
<i>GOVEF</i>	-0.462 (1.501)	1.823*** (0.491)	1.079*** (0.389)
<i>TRDOPN</i>	0.020* (0.012)	0.011* (0.006)	0.007* (0.004)
<i>POP</i>	-3.081 (5.44)	0.916*** (0.236)	0.750*** (0.17)
<i>BUDASEAN</i>		3.852** (1.725)	4.070*** (0.812)
Constant		-18.482*** (4.965)	-12.755*** (3.389)
Test statistics:			
<i>LR chi2(8):</i>	27.77		
<i>Wald chi2(9):</i>		39.10	95.78
<i>Log Likelihood:</i>	-59.83	-222.56	-1107.04
<i>Prob. > chi2:</i>	0.0005***	0.0000***	0.0000***
<i># Obs.</i>	199	483	483

Summary of the results

- It is not clear whether Thailand's ODA is driven by the poverty reduction motive.
 - No positive and significant effects are found in case of variables per capital Income and child mortality rate
- Trade benefit is not a key determinant of Thailand's ODA.
 - Coefficient of variable bilateral trade between Thailand and partner countries is not statistically significant in any model specification.
- Recipient merits in terms of control of corruption and trade openness provide a good explanation on Thailand's ODA allocation.
 - Coefficient of variables that proxy "control of corruption" and "trade openness" are positive and statistically significant
- Geographical and cultural factors are strong determinants of Thai ODA.
 - ODA tends to go to its neighboring countries in Southeast Asia or those that have Buddhism culture/beliefs.

Limitations (stated for a future research)

- Data only cover TICA's ODA – Not representing Thailand's ODA as a whole.
- Due to data limitation, donor interest, recipient needs, and recipient merit are defined by a limited number of variables.
 - Example: Donor's economic interest is captured by bilateral trade only.
- This study examine only external factors affecting Thailand's ODA allocation. Internal factors (e.g. institutional arrangement, bureaucratic politics, business pressures) are not yet examined.



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