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Foreign Aid and Power Play: Political Cycles in World Bank's Procurement Allocation *

This paper examines the existence of political cycles in the awarding of World Bank procurement contracts around elections. We consider elections in the home country of firms winning these contracts, whether the firms come from the aid recipient country (i.e. domestic firms) or from other supplier countries (i.e. foreign firms). Our findings indicate that domestic firms are more likely to secure larger contracts around elections in their home country, especially when corporate donations to candidates are allowed. Additionally, our results reveal an increase in contract sizes awarded to foreign firms before elections in their home country. This cross-border political cycle appears to be driven by strong aid partnerships and historical colonial ties between the supplier and recipient countries.

* joint work with Antoine Boucher and Marin Ferry