

Divided loyalties? The role of national IO staff in aid-funded procurement

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Abstract

Many operational International Organizations (IOs) rely on national staff when implementing projects in member states. However, fears persist that the loyalties of national IO staff may be divided when working in their home countries. The article studies differences in more than 50,000 procurement decisions taken in 1729 projects overseen by World Bank staff working as expatriates or in their home countries. The empirical results show that when staff work in their home countries, national suppliers' probability of winning procurement contracts increases. However, these increases are not driven by restricted procurement processes—that exclude competition—which are often seen as red flags for corruption. Instead, restricted procurement processes seem to be less likely when staff work in their home countries. These findings imply that national IO staff use their country-specific knowledge to increase the development effectiveness of procurement in line with the mandate of the World Bank.

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1 | INTRODUCTION

International public administrations are said to face a critical trade-off between the necessity to incorporate much-needed country-specific knowledge and the danger of bureaucrats using their informational advantage for patronage, capture, and misappropriation. This dilemma is particularly severe in International Organizations (IOs) which are staffed by people from many different national and cultural backgrounds and implement projects in many countries. For example, the World Bank approved 395 development projects in 117 countries in 2019. World Bank projects are supervised by a diverse staff from more than 150 countries (Das et al., 2017; World Bank, 2020b). It is paramount to incorporate staff with a good understanding of the diverse context in which IOs operate to facilitate the effective implementation of these projects (Eckhard, 2021). However, doing so also entails risks because the loyalties of staff working in their home countries might be divided. In the worst case, divided loyalties may lead to national IO staff informally influencing decisions in IOs to benefit cronies in recipient countries—often called capture (Eckhard, 2018). Despite the importance of this potential trade-off, the literature is relatively silent on the matter. While authors have long suspected that national IO staff have divided loyalties, we lack systematic evidence on the differences in IO staffs' decisions when working in their home countries or as expatriates. As Eckhard (2018) puts it, although the national staff are “a cornerstone of local-international interaction, their role and policy impact is not well understood.” This article studies the potential costs and benefits of employing national IO staff by analyzing the allocation of procurement contracts in World Bank projects.

Procurement serves as an important case to study the effects of employing national staff because it is a central means through which World Bank funds can be misappropriated. For example, Winters (2014) shows that problems in procurement are the most common form for capture in World Bank projects. When capture happens in World Bank projects, the lost funds are substantial. Berkman (2008, p. 132) documents that World Bank contractors billed more than 1 million USD for nine houses, three offices, thirty-three vehicles, pots, pan, furniture, temporary offices, and vehicle maintenance in one project. “The houses and offices were never officially recorded or entered in the government's inventory. The property addresses were never provided, nor were the occupants of the houses identified.” Such capture is a critical problem for the organization because it can undermine the degree to which World Bank projects can alleviate poverty and the legitimacy of the IO itself.

By studying the impact of national staff on procurement, the article contributes to two strands of the literature on IOs and international public administration. First, this study could aid a better understanding of biases in the decision-making of IOs. The literature on the informal influence of member states on IOs has emphasized the role of powerful member states (Clark & Dolan, 2021; Lang & Presbitero, 2018; Stone, 2008). By studying national IO staffs' influence on procurement decisions, this article highlights a potential means through which less powerful member states can influence IO operations. Second, it contributes to the growing debate on the autonomy and influence of international bureaucracies in public administration research (Eckhard & Ege, 2016; Fleischer & Reiners, 2021; Heinzl & Liese, 2021). Most of these studies have not discussed the unique role of national IO staff. Research focusing on national IO staff has been based on small-n analyses on peacekeeping (Campbell, 2018; Eckhard, 2018) and expatriates' perceptions of national IO staff (Eckhard & Parizek, 2020). Despite the essential contributions of these studies, we lack an understanding of the differences in the decisions of IO staff when they are working as expatriates or in their home countries.

Empirically, this article analyzes World Bank staffs' influence on the allocation of contracts to national companies in World Bank projects. I utilize a data set of more than 50,000 procurement contracts in the context of 1728 World Bank projects and combine it with novel individual-level data on the nationality of 864 key staff members in charge of supervising these projects. The presented analysis demonstrates differences in the decision-making outputs when IO staff work as expatriates or in their home countries.

The article shows that national suppliers win more contracts when IO staff work in their home countries. By itself, this pattern is not an indication of divided loyalties because the World Bank has increasingly highlighted the need to allocate contracts to national suppliers to increase the development impact of its operations. If national IO staff would be influenced by divided loyalties, there should be evidence that the procurement process is less open and transparent, that is, more restricted, when IO staff work on their home countries. To understand whether such restricted procurement procedures plague procurement supervised by IO staff working in their home countries, I draw on a recently developed “red flag” methodology (Dávid-Barrett & Fazekas, 2020; Fazekas & Márk, 2019). The analysis shows that procurement procedures are actually more open when IO staff work in their home countries and the increases in allocation to national suppliers are not driven by the sub-set of allocation procedures that show red flags. Together the evidence suggests that national IO staff seem to use their country-specific knowledge to increase the development effectiveness of procurement, rather than engaging in favoritism due to divided loyalties.

The article proceeds in five steps. First, it discusses how allocating contracts to national suppliers could signify either problematic favouritism or a greater focus on development impact. The second section develops two competing interpretations of the consequences of employing national staff based on perspectives of international bureaucrats as loyal to their home countries or the organizations they work for. Third, the methodology drawing on contract-level and individual-level data is described. In the fourth section, the results of the analysis are presented. Finally, the article concludes with a discussion of the implications of the findings for debates on international bureaucrats' influence on decision-making in IOs.

2 | NATIONAL SUPPLIERS IN AID PROJECTS

Before highlighting the importance of national suppliers for aid-funded procurement, I briefly sketch out the World Bank project implementation process. World Bank projects are formally initiated by the recipient government that asks the World Bank for funding for specific development projects. Informally, staff often approach the recipient government and convince it to propose a certain project. Project amounts vary from several hundred thousand USD to hundreds of million USD. After several rounds of negotiation between recipient governments and World Bank staff, the eventual project design and goals are agreed upon. The project is then sent for approval to the Executive Board, consisting of member states representatives that decide based on weighted voting. Once the project is approved, implementation is in the hands of recipient governments and the implementing agencies they delegate to. World Bank staff performs a supervisory role by monitoring project success periodically, giving technical assistance, and reviewing essential decisions (Ika, 2015; World Bank, 2013). For project implementation to proceed, the government needs to procure goods and services used in the context of the project (McLean, 2017). Development IOs like the World Bank are faced with a trade-off in overseeing procurement decisions. On the one hand, giving procurement contracts to national suppliers

produces spillover effects that can multiply the positive results that aid donors hope to achieve. On the other hand, donors fear that capture might derail their development efforts, and suspicion of capture is often higher with national suppliers.

The benefits of local procurement have been extensively discussed in debates on foreign aid and humanitarian assistance (Ellmers, 2011; Harou et al., 2013; Kim, 2019; Lentz et al., 2013; Limi, 2007; Mackintosh et al., 2018). The rationale is straightforward. By relying on national suppliers, aid money can serve national communities beyond its original purpose. Prioritizing national suppliers will create profits that are more likely to be re-invested in the recipient country. They are also more likely to employ national workers, which leads to direct benefits for people in the recipient country (Kim, 2019). Furthermore, procuring and executing large-scale contracts within aid projects can build national suppliers' capacity for both procurement and implementation (Mackintosh et al., 2018). Therefore, spending in the recipient country is a crucial way to increase the development effectiveness of foreign aid (Ellmers, 2011).

The World Bank has increasingly recognized these advantages, and practices have been reformed to allow for a more substantial focus on national suppliers. The organization started internationally competitive bidding in 1952 to ensure recipient countries can minimize the price of goods and services while maximizing their quality through procurement. However, companies from recipient countries were disadvantaged in competition with firms from donors, so that by the 1960s, more than 60% of goods and services were supplied by donor country companies. To ensure that national suppliers had better chances, the World Bank included a domestic preference clause in their procurement guidelines in 1966 and started to allow national competitive bidding in the 1980s (McLean, 2017). However, donors were slow to accept a focus on national suppliers. They worked to defend their entrenched privileges and the conventional wisdom that indicated that procurement was a way to create benefits from foreign aid for donors (Auerbach & Yonekawa, 1979; Zhang & Gutman, 2015). In recent years, the view that national procurement is important has strengthened. One signifier of this change is the inclusion of national procurement goals into the Accra Agenda for Action 2008. The agenda states that donors aim to "increase aid's value for money by growing local firms' capacity to compete for contracts" (OECD, 2008, p. 4). Figure 1 illustrates the contract value attained by foreign and national suppliers in projects between 2000 and 2017. The data show that national suppliers attain more money than international suppliers. Indeed, they get roughly 80% of contracts, which make up around 60% of the overall contract value procured by the World Bank in the time period. This implies that international suppliers attain higher individual contract values but considerably fewer contracts on average.

Despite the clear benefits of procuring nationally, longstanding fears persist that the capture of contracts allocated in the recipient country might undermine the equity and quality of procurement. One of the risks for aid projects is the capture of funds by actors throughout the implementation process (Berkman, 2008; Olken, 2007; Platteau, 2004; Winters, 2014). For example, suppliers can inflate contract values or delivering lower-quality products (Olken, 2007; World Bank, 2011). In his analysis of capture in nearly 600 World Bank projects, Winters (2014) identifies procurement as the most frequent source of capture. Despite some evidence to the contrary, there is a fear that capture is more likely if national suppliers are involved because of their potential ties to recipient government officials (Dávid-Barrett & Fazekas, 2020; McKechnie & Davies, 2013; McLean, 2017). These officials may be inclined to channel aid money to domestic constituencies, companies that support them in their campaign, or suppliers they are otherwise tied to (Dreher et al., 2019; Jablonski, 2014; Samuels, 2002).

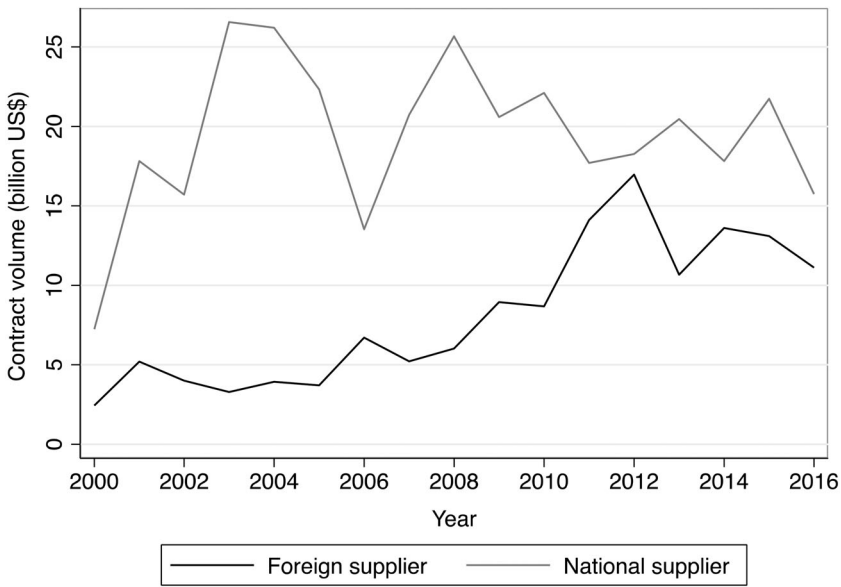


FIGURE 1 Contract value of procurement contracts won by foreign and national suppliers

Capture is a central concern in public administration and procurement processes (Bauhr et al., 2020; Schuster et al., 2020). To defend their operations against capture in procurement and ensure transparent and equitable selection, IOs like the World Bank have put several safeguards in place (Dávid-Barrett & Fazekas, 2020). One of the central safeguards against capture is the supervision by IO staff. There are two types of review processes of procurement within projects at the World Bank: prior-review contracts and post-review contracts. In prior review contracts, which make up around 70% of the World Bank projects' annual contract value, World Bank staff review each contract to ensure that the contract was procured openly and transparently (Dávid-Barrett & Fazekas, 2020). When contracts fall under a certain threshold, post-review is used, where World Bank staff review contracts after a project has ended. Review of procurement processes entails considerable discretion. While World Bank procurement used to focus almost exclusively on the price of products and services, the organization has increasingly allowed for additional considerations in procurement decisions. World Bank procurement now also emphasizes maximizing sustainability and quality of products and services (McLean, 2017). As the World Bank procurement guidelines put it explicitly: “the specific procurement rules and procedures to be followed in the implementation of a project depend on the circumstances of the particular case” (World Bank, 2020a, p. 1). These additional criteria create discretion for the World Bank staff members supervising procurement decisions. In the next section, I will develop a theoretical argument that highlights why IO staff working in their home countries might use this discretion differently than when they are expatriates.

3 | DIVIDED LOYALTIES OF NATIONAL IO STAFF?

The exercise of discretion by IO staff can be influenced by their relative loyalty to their home country and the IO they work for. Assumptions on where staffs' loyalties lie affect the

theoretical predictions on how they exercise discretion in procurement. If one assumes that staff are faced by divided loyalties, they would overlook restricted procurement processes excluding competition by international suppliers and favor national suppliers. However, if the assumption is that IO staff are loyal primarily to their employer, they would use their country-specific knowledge to help identify suitable national suppliers that increase the development impact of World Bank projects without compromising on open procurement. I discuss both of these arguments in turn.

First, a substantial body of literature argues that IO staffs' loyalties lie to some extent with their home countries and that they will work to promote this interest when given the discretion to do so. The literature on international bureaucrats demonstrates that staff do not necessarily follow the ideal type of a Weberian bureaucrat that slavishly applies organizational guidelines. They have varying policy preferences, which can color their work (Chwieroth, 2015; Ege, 2020). One source of these policy preferences can be loyalty to their home country (Heinzel, 2021; Novosad & Werker, 2019). IO staff internalize the preferences of their home country or national governments can lobby them to fulfill its interests (Dijkstra, 2017; Kleine, 2013; McKeown, 2009; Urpelainen, 2012). Based on these arguments, some have even called the number of nationals a given country has in an IO as "a measure of power" of member states within the IO (Novosad & Werker, 2019, p. 27). Recent survey evidence seems to corroborate this view by showing that UN workers perceive expatriate IO staff as more impartial toward national actors than IO staff working in their home countries (Eckhard & Parizek, 2020). Recipient governments have a considerable interest that the money allocated through World Bank projects stays in the domestic economy. If IO staff are more loyal to national interests than to the interests of the World Bank, they may be less inclined to object when contracts are allocated to national suppliers, even if open procurement has been compromised.

Following this argument, one would expect that procurement safeguards based on the prior review of Bank staff more often fail to prevent restricted procurement processes when national IO staff are charged with overseeing the process. National decision-makers in government and implementing agencies who know that a contract will be review by a World Bank staff member from their own country might feel more liberated to select more restricted procurement procedures. These more restricted procedures compromise on open procurement rules and allow decision-makers to exclude certain actors from competition. World Bank staff with divided loyalties would be less inclined to reject such compromises on the open procurement rules of the World Bank. Thus, national decision-makers could use these procedures to restrict competition and ensure that a national supplier attains a specific procurement contract. That way, they could funnel money more easily to national firms when IO staff have divided loyalties.

Therefore, the first hypotheses would assume that more national suppliers attain contracts when staff work in their home countries. Such patterns would emerge because staff working in their home countries would allow for more restricted contract procedures that exclude international competitors, resulting in a greater share of contracts allocated to national suppliers. Based on these arguments, the first two hypotheses posit:

H1. *More procurement processes are allocated to national suppliers when IO staff work in their home countries.*

H2. *Procurement procedures are **more** restricted when IO staff work in their home countries.*

The second perspective conceptualizes IO staff as more loyal to their employer and argues that they seek to further organizational objectives (Honig, 2018; Murdoch et al., 2019). Principally, the World Bank is interested in using national suppliers to enhance the development impact of its projects. National IO staff possess country-specific knowledge that they can use to better understand whether capture is likely in a particular contract. For example, Eckhard (2021) argues that national IO staff are essential knowledge brokers between national and global contexts. Prior-review safeguards rely on the diligence of the World Bank staff that is tasked with overseeing the project. However, detecting problematic procurement is not always straightforward. As some have argued: “Even with much experience handling procurement matters, in some cases it is almost impossible to detect misrepresentation/fraud” (Berkman, 2008, p. 78). When staff work in their home countries, they tend to possess country-specific knowledge that is often lacking when they work as expatriates. Country-specific knowledge is seen as crucial for implementing projects in the aid effectiveness literature (Gibson et al., 2005; Honig, 2020). If national staff utilizes this knowledge to identify problematic procurement practices better, it can liberate the organization to allocate more contracts to national suppliers that may otherwise be overlooked for fears of capture. Hence, the second perspective would similarly assume that H1 holds and more contracts are allocated to national suppliers when IO staff work in their home countries. However, it does not posit that loyalties are divided or at least that divided loyalties do not affect IO staffs’ decision-making. Consequently, the second perspective predicts that national IO staff would use country-specific knowledge to maximize open procedures used in procurement. An increased likelihood of chosen national suppliers would not be accompanied by more restricted procurement procedures. Instead, IO staff would work to increase the development impact of procurement without compromising on organizational procurement guidelines. As a result, more trustworthy and capable national suppliers would win more contracts, while less reliable and qualified national suppliers will not. In this view, country-specific knowledge can empower national World Bank staff to discover and stop problematic procurement practices and can liberate recipients from the suspicion of capture. Therefore, the third hypothesis is:

H3. *Procurement procedures are less restricted when IO staff work in their home countries.*

4 | RESEARCH DESIGN

The research design combines data on more than 50,000 contracts from the World Bank with novel data on the nationality of around 864 staff members in charge of supervising these contracts. The unit of analysis is the individual procurement contract. The database covers procurement contracts in 1729 projects implemented in 139 countries between 2000 and 2017. Projects include on average 29 procurement decisions. Only contracts where data on both supplier nationality and TTL nationality were available are used in the analysis. The data employed covers only contracts reviewed by World Bank staff—those contracts where World Bank staff can potentially impact procurement.

4.1 | Dependent variables

The hypotheses posit that staff working in their home countries will oversee more contract allocation to national suppliers. However, the two theoretical perspectives differ in their assessment

of the reasons behind such allocation. The first perspective suggested that staff allow restricted procurement to occur more often because they have divided loyalties. The second perspective implied that staff do not compromise on open procurement. To account for these differences, I utilize two dependent variables. The first dependent variable is a binary indicator measuring whether the company that won the contract has its seat for the bid in the recipient country. It is derived from the data on national affiliation included in the World Bank procurement database.

For the second dependent variable, I aim to measure procurement practices that plausibly do not satisfy open and transparent procurement criteria. To do so, I rely on recent advances in the literature on corruption in public procurement made by employing contract-level data (Bauhr et al., 2020; Cingolani & Fazekas, 2020). The analysis is based on the innovative methodology presented by Fazekas and Márk (2019). It utilizes differences in procedures used to create procurement contracts to create “red flag” indicators (Fazekas & Kocsis, 2020). The red flag measure is based on the assumption that “public procurement is least prone to corruption where the process is open and competitive and utilizes procurement regulations which set several maxims intended to ensure openness” (Dávid-Barrett & Fazekas, 2020, p. 5). Specific procedures that do not fit such processes render corruption more likely and can, therefore, be seen as a red flag (Dávid-Barrett et al., 2020). Throughout the analysis, the primary indicator I employ is the use of restricted bidding procedures that are seen as more prone to corruption (single-source selection and consultancy contracts) (Dávid-Barrett & Fazekas, 2020; Fazekas & Márk, 2019). In a robustness check, I use an alternative red flag indicator based on short bidding periods (Appendix Table A2). Short bidding periods allow companies that have been pre-informed of the tender to put in bids, while competitors might lack the knowledge of the tender or the capacity to do so rapidly.

4.2 | Independent variables

The primary independent variable focuses on the nationality of World Bank staff. My analysis concentrates on one specific group of staff members: World Bank Task Team Leaders (TTLs). TTLs are the highest-level staff members involved in the supervision of individual projects. They serve as “the Bank’s principal point of contact for the borrower for the project” (World Bank, 2013, p. 1). Recent research has highlighted TTLs’ substantial importance for project outcomes (Bulman et al., 2017; Denizer et al., 2013). Furthermore, TTLs are centrally involved in the procurement process within World Bank projects as indicated by the organization itself: “For each project financed by the Bank, the Task Team Leader (TTL) has the primary responsibility to ensure that procurement is carried out in accordance with the Bank’s policies and procedures” (World Bank, 2012, p. 39). They are supported in this role by procurement specialists hired in their project team. During implementation, the TTL is responsible for “that financial management, procurement, and safeguard requirements are followed” (World Bank, 2013). When TTLs determine a violation of procurement policy, they notify recipients of the breach. Thereby, they initiate the process that can lead to canceling a portion of the loan in response if recipients cannot rectify the situation.

The data were generated in a two-step process. First, the names of the TTLs’ in charge of supervision during implementation were scraped using the publicly available World Bank API. That way, the main TTL in charge of more than 10,000 World Bank projects was identified. The data set comprises 3246 individuals. In a second step, each TTL’s nationality was determined by

TABLE 1 Descriptive statistics

Variable	Obs	Mean	SD	Min	Max
National supplier	50,435	0.805	0.396	0.000	1.000
Home country	50,435	0.290	0.454	0.000	1.000
Restricted bidding procedures	49,496	0.478	0.500	0.000	1.000
Administrative capacity (tender)	50,435	0.994	0.025	0.800	1.000
Administrative capacity (project)	50,435	0.990	0.040	0.556	1.000
Contract volume (log)	49,722	13.294	2.113	0.140	21.358
Project volume (log)	50,319	18.176	1.914	6.139	22.657

hand-coding publicly available CVs, personal websites, and the World Bank blog. That way, the nationality of 1598 individuals was coded (49.2%). Of these individuals, 846 TTL have overseen projects whose contract allocations are covered by the database on World Bank procurements. Appendix Table A1 shows that the coverage of the data by nationality aligns with data presented in a 2017 World Bank working paper (Das et al., 2017). Where differences occur, they are likely a feature of variations in the studied population. For example, the considerable differences between the shares of US TTL versus overall staff are likely due to the inclusion of administrative and support staff that are overwhelmingly American because of the location of the World Bank's headquarters.

4.3 | Control variables

In addition to a host of fixed effects introduced below, I control for four possible confounders on the project and contract levels. I aim to ensure that results are not driven by the tender- or the project teams' overall capacity. Therefore, I employ a measure that counts the share of non-missing fields in the information provided on contracts and projects. The rationale behind the measure is that comprehensive disclosure of details implies a higher quality of project or contract supervision (Fazekas & Márk, 2019). In addition, I control for the individual contract and overall project volume (in USD) to ensure that heterogeneity in contract attractiveness and project size is not biasing the analysis. Table 1 displays the descriptive statistics for the variables employed throughout the main body of the article.

5 | EMPIRICAL ANALYSIS OF DIFFERENCES IN PROCUREMENT CONTRACT ALLOCATION

When modeling binary response variables, one faces the primary choice between a linear probability model and a maximum-likelihood estimator. Timoneda (2021) demonstrates that the linear probability model provides more accurate estimates when the number of positive outcomes lies under 25% or over 75%, and there are less than 30 average observations per group. National suppliers are chosen in 78%–81% of the cases, depending on sample size, and there are between 20 and 40 observations per group in the main models (depending on the type of fixed effects employed). Therefore,

I use linear probability models throughout the main body of this article. The unit of analysis is the individual contract. The models are estimated with clustered standard errors at the TTL-project level to correct for correlated errors within projects and TTLs. In Appendix, robustness checks using maximum likelihood estimation (conditional logit) are reported (Appendix Table A6).

In a first step, I focus on differences in procurement outcomes when staff work in their home countries. Both perspectives on IO staff would expect more contracts allocated to national suppliers when TTLs supervise projects in their home countries. Table 2 displays the results from regressions focusing on this question. All models include TTL fixed effects to hold constant all project-invariant differences between TTLs supervising projects. This means that the coefficients for home country can be interpreted as the difference in the likelihood that national suppliers win bids when the same TTLs work in their home countries versus when they are expatriate staff, conditional on covariates. In Model 1, I only include the home country variable as well as TTL fixed effects and loan type fixed effects to control for differences in the types of World Bank loans used. Model 2 further includes the four control variables (administrative capacity in the tender and project, contract volume, and project volume). In Model 3, I further hold constant all variation in World Bank approaches to different sectors in each year by including sector-year fixed effects. Finally, in Model 4 I also control for all differences at the country-year level—like differences in recipient governments, bureaucratic capacity, or geopolitical importance of recipients—through corresponding fixed effects.

The results support the hypothesis that IO staff oversee more contracts won by national suppliers when they work in their home countries. The coefficient is positive and statistically significant ($p < .001$ in Models 1–3, $p < .05$ in Model 4). The considerable number of observations renders p -values less informative. However, the coefficient is also sizeable. The probability that contracts are allocated to national suppliers increases by between 18.8% and 21.5% when staff work in their home countries in Models 1–3. The coefficient is more moderate when including all four sets of fixed effects in Model 4, but increases in probability are still considerable (around 6%). Therefore, the results presented in Table 2 imply that decision-making is more favorable to national suppliers when TTLs work in their home countries compared to when they work as expatriates.

Can these findings be interpreted as TTLs being influenced by divided loyalties or as decisions in line with the mandate of the World Bank? The key distinguishing factor is whether procedures are restricted to allow national suppliers to win bids. The analysis presented in Table 3 focuses on this question. Model specifications mimic choices in Table 2, with the difference that the dependent variable measures whether contracts are allocated through restricted procurement procedures (red flags). Model 5 includes the main variable of interest as well as TTL and loan type fixed effects. In Model 6, control variables are further introduced on the right-hand side of the equation. I additionally incorporate sector-year fixed effects in Model 7 and country-year fixed effects in Model 8.

The findings reported in Table 3 imply that—if anything—restricted bidding procedures are less likely when TTLs work in their home countries compared to when they are expatriate staff. The coefficients are statistically significant ($p < .05$) or marginally significant ($p < .1$) in Models 5–7. The probability of restricted bidding procedures decreases by 7% to 8% in Models 5–7 when staff work in their home countries. The coefficient is indistinguishable from zero at conventional levels of statistical significance in Model 8. Depending on the specification used, these findings show that staff seem to oversee fewer projects

TABLE 2 Regressing national suppliers on IO staff nationality

	(1)	(2)	(3)	(4)
Home country	0.1877 ^{***} (0.0442)	0.1902 ^{***} (0.0459)	0.2147 ^{***} (0.0484)	0.0596 [*] (0.0292)
Administrative capacity (tender)		-0.1967 ⁺ (0.1174)	-0.2186 ⁺ (0.1214)	-0.3759 ^{**} (0.1189)
Administrative capacity (project)		0.0804 (0.1977)	0.0339 (0.1743)	-0.0721 (0.1438)
Contract volume (log)		-0.0017 (0.0024)	0.0008 (0.0024)	0.0030 (0.0024)
Project volume (log)		0.0019 (0.0043)	0.0019 (0.0043)	-0.0021 (0.0037)
Constant	0.7507 ^{***} (0.0139)	0.8535 ^{***} (0.2352)	0.8820 ^{***} (0.2200)	1.2322 ^{***} (0.1907)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Observations	50,371	49,663	49,659	49,488
R ²	.240	.245	.258	.367

Note: Clustered standard errors in parentheses; + $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$.

characterized by restricted bidding procedures when they work in their home countries or that there is no difference in the restrictedness of procedures used. These findings can be interpreted as evidence that the increases in the allocation of contracts to national suppliers demonstrated in Table 2 are likely not the result of TTLs' allowing for less open procurement processes.

Despite the evidence presented so far, which indicates that decisions by TTLs working in their home countries are not primarily influenced by divided loyalties, it still may be possible that more contracts are allocated to national suppliers when TTLs oversee projects with restricted bidding procedures. To probe this question, I re-estimate the main Models, including an interaction between home country and restricted bidding procedures. Findings are displayed in Table 4. Again, Model 9 includes the main variables of interest and their interaction, as well as TTL and loan-type fixed effects. Model 10 also contains the control variables. In Model 11, sector-year fixed effects are used, and Model 12 further incorporates country-year fixed effects.

The regressions presented in Table 4 further support the interpretation that the greater probability of national suppliers is not driven by restricted procurement procedures. The coefficient for home country is positive and statistically significant ($p < .001$) in Models 9–11 and marginally significant ($p < .1$) in Model 12. It can be interpreted as the probability that contracts are allocated to national suppliers when open bidding procedures are used. The interaction is insignificant at conventional levels of statistical significance, and the coefficients are minuscule. Hence, there is no difference in the probability that national suppliers are chosen when TTLs oversee contracts with restricted procedures in their home countries compared to those in other countries. The coefficient for restricted bidding procedures implies that restricted bidding procedures lead to a higher probability of international suppliers attaining contracts overall. Therefore, Model 12 predicts that if TTLs work in their home countries and restricted bidding procedures are used, the likelihood that national suppliers are chosen is around 3.3% lower than when TTLs work as expatriates and open procedures are used. Together, the

TABLE 3 Regressing restricted bidding procedures on IO staff nationality

	(5)	(6)	(7)	(8)
Home country	-0.0720 ⁺ (0.0416)	-0.0754* (0.0384)	-0.0820* (0.0377)	-0.0103 (0.0334)
Administrative capacity (tender)		-0.5565** (0.2097)	-0.5879** (0.1976)	-0.6696*** (0.2006)
Administrative capacity (project)		0.3758 (0.2306)	0.3918 ⁺ (0.2111)	0.3492 ⁺ (0.1886)
Contract volume (log)		-0.1011*** (0.0037)	-0.1022*** (0.0038)	-0.0993*** (0.0040)
Project volume (log)		-0.0276*** (0.0052)	-0.0229*** (0.0050)	-0.0244*** (0.0056)
Constant	0.4986*** (0.0124)	2.5234*** (0.3498)	2.4706*** (0.3217)	2.5609*** (0.2948)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Observations	49,430	48,962	48,957	48,786
R ²	.358	.475	.486	.564

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$.

findings lend further evidence to the interpretation that the increases in chosen national suppliers when staff work in their home countries is not due to more restricted procurement procedures.

5.1 | Robustness checks

The supplementary Appendix includes four sets of robustness checks. First, I use an alternative corruption flag focusing on short time periods in the tender to ensure that the particular corruption flag does not affect results (Appendix Table A2). There are substantial missing data when using that indicator. Nevertheless, results remain robust to measuring restricted procurement procedures through the red flag based on short bidding times. Second, if country-specific knowledge does, indeed, drive the results, one would expect that similar patterns emerge when individuals gain more country-specific knowledge over time. Therefore, I use an additional indicator that counts the number of projects a given TTL has supervised in a given country to measure country experience (Appendix Table A3). The results are similar, although weaker. When country-year fixed effects are included, the coefficient fails to attain statistical significance at conventional thresholds. Third, National Competitive Bidding and national shopping procedures almost always yield national suppliers (98%). To ensure that the greater number of contracts allocated to national suppliers is not due to simply the greater use of these specific open procedures, I re-estimate the models employing procurement type fixed effects (Appendix Table A4) and excluding contracts allocated through NCB from the analysis (Appendix Table A5). Fourth, I estimate these models using conditional logit to ensure that results are not driven by employing linear probability models (Appendix Table A6). While the coefficients and significance levels change depending on the specification used, the results are generally robust to alternative specification choices.

TABLE 4 Regressing national suppliers on IO staff nationality and restricted bidding procedures

	(9)	(10)	(11)	(12)
Restricted bidding procedures	−0.0743 ^{***} (0.0110)	−0.0957 ^{***} (0.0122)	−0.0936 ^{***} (0.0120)	−0.0883 ^{***} (0.0112)
Home country	0.1797 ^{***} (0.0484)	0.1828 ^{***} (0.0496)	0.2056 ^{***} (0.0520)	0.0550 ⁺ (0.0315)
Restricted bidding procedures * Home country	−0.0083 (0.0277)	−0.0076 (0.0286)	−0.0073 (0.0282)	−0.0054 (0.0277)
Administrative capacity (tender)		−0.1868 (0.1475)	−0.0823 (0.1482)	−0.2906 [*] (0.1463)
Administrative capacity (project)		0.1955 (0.2006)	0.1498 (0.1768)	0.0288 (0.1515)
Contract volume (log)		−0.0117 ^{***} (0.0032)	−0.0091 ^{**} (0.0032)	−0.0060 ⁺ (0.0032)
Project volume (log)		−0.0017 (0.0043)	−0.0010 (0.0043)	−0.0060 (0.0037)
Constant	0.7902 ^{***} (0.0162)	0.9775 ^{***} (0.2629)	0.8633 ^{***} (0.2432)	1.2846 ^{***} (0.2172)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Observations	49,430	48,962	48,957	48,786
R ²	.246	.252	.266	.371

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$.

6 | CONCLUSION

Employing national staff implies a dilemma for IOs. On the one hand, national staff can contribute country-specific knowledge that is essential for operations to succeed. But, on the other hand, there are fears that national staff are more loyal to their home countries than to the organization at large. This article tackled the issue by utilizing novel individual-level data on World Bank staff and contract-level data on procurement to study contract allocation patterns in World Bank projects supervised by staff working in their home countries compared to when they are expatriates.

The findings imply that fears of divided loyalties may be overblown. Indeed, the probability that national suppliers are chosen increases when staff work in their home countries. However, subsequent analysis implies that these allocation patterns are not driven by more restricted and, hence, less open and transparent procurement processes. If anything, restricted procurement processes—often seen as red flags for corruption—occur less likely when staff work in their home countries. Allocation to national suppliers increases in a similar order of magnitude among the sub-set of contracts that use open bidding procedures. Furthermore, national suppliers are chosen less frequently when restricted procedures are present. These results imply that divided loyalties do not drive the results on national suppliers. IO staff seem to use their

country-specific knowledge to increase the development effectiveness of procurement without compromising on the openness of procurement procedures.

The findings presented here could apply beyond the studied case. Recent research on country-level determinants of World Bank project effectiveness has shown that findings generated on the World Bank seem to generalize to other bi- and multilateral aid agencies (Briggs, 2019). Of course, these results do not stem from studying the impact of staff. However, it is plausible that this finding holds when studying World Bank staff. For example, Bulman et al. (2017) demonstrate that TTLs have a similar impact on project performance at the Asian Development Bank as they have at the World Bank.

Moreover, other aid agencies allow more discretion to their staff in procurement. Data from the Organisation for Economic Co-operation and Development (2011) assess the extent to which multilateral aid agencies give responsibility for procurement to national governments or whether they make procurement decisions themselves. Among 27 assessed multilateral donors, only the IMF affords more authority to recipient countries in procurement and financial management. It is conceivable that the impact of staff in multilateral aid agencies, where IO staff are more heavily involved in the day-to-day procurement decisions, is even stronger. Nevertheless, more comparative research could help substantiate the conclusions drawn in this article and to assess potential scope conditions. Research on peace operations shows that they differ in the types of tasks they assign to national staff (Eckhard, 2018). A better understanding of how administrative processes and bureaucratic politics may mediate the loyalties of national IO staff seems necessary to fully appreciate the scope conditions for the influence of national IO staff.

The findings have implications for two broader debates on the role of IO staff. First, the study contributes to discussions on the impact of local embeddedness of staff (Campbell, 2018; Eckhard, 2021; Honig, 2020; Ruggeri et al., 2020). If anything, World Bank TTLs seem to prevent problematic procurement more often when working on their home country compared to when the same staff are expatriates. The findings imply that the benefits IO operations can reap from incorporating staff with country-specific knowledge are not necessarily offset by divided loyalties. Second, the results indicate that broader theoretical debates on IO bureaucracies can benefit from unpacking individual variation between IO staff involved in decision-making. The findings presented here are part of a growing body of literature that demonstrates that individual differences between staff supervising decisions matter for decision-making by IO staff and member state principals (Chwieroth, 2015; Heinzl & Liese, 2021; Oksamytna et al., 2020). Consequently, the literature on the influence of international bureaucracies (Barnett & Finnemore, 2004; Bayerlein et al., 2020; Eckhard & Ege, 2016; Fleischer & Reiners, 2021) could benefit from collecting broader comparative data on the individuals working in IOs.

The findings presented here can also inform debates on reforming internal processes in IOs. There has been a longstanding criticism in the aid community of IOs for neglecting national or local realities while favoring global solutions (Easterly, 2014). While the importance of country-specific knowledge is often acknowledged, IOs are hesitant to utilize national staff due to concerns over divided loyalties. The results presented here indicate that such fears are not necessarily warranted. IOs may want to think more systematically about how national staff can be incorporated more into their operations.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available in the replication archive for this article on the Harvard Dataverse at <https://doi.org/10.7910/DVN/KVRYLC>.

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APPENDIX A

TABLE A1 Top 20 nationalities of TTLs comparing data by Das et al. (2017) and original TTL data

	Das et al. (2017)	Percent	TTL data	Percent
1	USA	29.46	USA	9.64
2	IND	6.10	IND	8.95
3	GBR	4.92	FRA	6.07
4	FRA	4.20	DEU	4.13
5	PHL	3.02	ITA	3.69
6	CAN	2.92	CHN	3.50
7	DEU	2.55	GBR	3.19
8	JPN	2.35	JPN	2.94
9	CHN	2.11	ESP	2.38
10	ITA	1.64	CAN	2.07
11	AUS	1.62	PAK	2.00
12	BRA	1.41	BRA	1.81
13	PER	1.25	TUR	1.81
14	COL	1.24	COL	1.75
15	ARG	1.17	ARG	1.63
16	NLD	1.17	AUS	1.50
17	ESP	1.11	BGD	1.50
18	PAK	1.09	VNM	1.50
19	KOR	0.94	NLD	1.44
20	MEX	0.90	MEX	1.19

TABLE A2 Alternative corruption red flag: Less than two weeks of bidding periods

	(13)	(14)	(15)	(16)
	Short submission period	Short submission period	National supplier	National supplier
Home country	-0.1321 ⁺ (0.0739)	-0.1952* (0.0845)	0.5749*** (0.1151)	0.4076*** (0.1046)
Short submission period			0.0524 (0.0788)	-0.0141 (0.0631)
Home country * Short submission period			-0.2871* (0.1186)	-0.2473* (0.1084)
Administrative capacity (tender)		0.1024 (0.5752)		-0.2185 (0.7240)
Administrative capacity (project)		0.1450 (0.3428)		-0.3652 (0.7333)
Contract volume (log)		-0.0063 (0.0071)		0.0445** (0.0134)
Project volume (log)		-0.0072 (0.0214)		0.0146 (0.0191)
National staff = 1			0.5749*** (0.1151)	0.4076*** (0.1046)
Constant	0.1088*** (0.0234)	0.0951 (0.7845)	0.4526*** (0.0348)	0.1691 (0.9834)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	Yes	No	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Observations	1445	1300	1445	1300
R ²	.386	.424	.416	.498

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$.

TABLE A3 Alternative independent variable: Country experience

	(17)	(18)	(19)	(20)
Country experience (log)	0.0514*** (0.0100)	0.0566*** (0.0103)	0.0443*** (0.0108)	-0.0009 (0.0090)
Administrative capacity (tender)		-0.1595 (0.1119)	-0.0516 (0.1134)	-0.3209** (0.1039)
Administrative capacity (project)		0.2417 ⁺ (0.1289)	0.1599 (0.1234)	-0.0041 (0.1002)
Contract volume (log)		-0.0050** (0.0019)	-0.0027 (0.0019)	0.0003 (0.0018)
Project volume (log)		0.0079* (0.0032)	0.0080* (0.0033)	-0.0074** (0.0028)
Constant	0.7271*** (0.0038)	0.5691** (0.1737)	0.5148** (0.1704)	1.1927*** (0.1475)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Observations	83,850	83,006	83,004	82,914
R ²	.245	.249	.258	.347

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, * $p < .05$, ** $p < .01$, *** $p < .001$.

TABLE A4 Controlling for bidding procedures

	(21)	(22)	(23)	(24)
Home country	0.1681 ^{***} (0.0400)	0.1730 ^{***} (0.0412)	0.1946 ^{***} (0.0439)	0.0467 ⁺ (0.0279)
Administrative capacity (tender)		-0.2529 ⁺ (0.1436)	-0.1427 (0.1454)	-0.3390 [*] (0.1424)
Administrative capacity (project)		0.1318 (0.1827)	0.0868 (0.1663)	-0.0224 (0.1457)
Contract volume (log)		-0.0011 (0.0030)	0.0009 (0.0029)	0.0025 (0.0030)
Project volume (log)		0.0001 (0.0041)	0.0011 (0.0041)	-0.0047 (0.0035)
Constant	0.7573 ^{***} (0.0125)	0.8903 ^{***} (0.2432)	0.7742 ^{***} (0.2307)	1.2049 ^{***} (0.2083)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Selection-type fixed effects	Yes	Yes	Yes	Yes
Observations	49,458	48,990	48,985	48,813
R ²	.281	.286	.297	.393

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, ^{*} $p < .05$, ^{**} $p < .01$, ^{***} $p < .001$.

TABLE A5 Excluding national competitive bidding and national shopping procedures

	(25)	(26)	(27)	(28)
Home country	0.2056 ^{***} (0.0450)	0.2098 ^{***} (0.0454)	0.2420 ^{***} (0.0467)	0.0804 [*] (0.0317)
Administrative capacity (tender)		-0.2853 ⁺ (0.1674)	-0.1621 (0.1667)	-0.3988 [*] (0.1681)
Administrative capacity (project)		0.2285 (0.2100)	0.1263 (0.1855)	-0.0546 (0.1626)
Contract volume (log)		-0.0066 [*] (0.0028)	-0.0035 (0.0028)	-0.0008 (0.0029)
Project volume (log)		-0.0012 (0.0049)	0.0001 (0.0048)	-0.0059 (0.0043)
Constant	0.6944 ^{***} (0.0127)	0.8591 ^{**} (0.2802)	0.7646 ^{**} (0.2577)	1.2947 ^{***} (0.2378)
TTL fixed effects	Yes	Yes	Yes	Yes
Sector-year fixed effects	No	No	Yes	Yes
Loan-type fixed effects	Yes	Yes	Yes	Yes
Country-year fixed effects	No	No	No	Yes
Observations	37,282	36,837	36,832	36,653
R ²	.248	.255	.271	.378

Note: Clustered standard errors in parentheses; ⁺ $p < .1$, ^{*} $p < .05$, ^{**} $p < .01$, ^{***} $p < .001$.

TABLE A6 Alternative model choice: Conditional logit

	(29) National supplier	(30) Restricted	(31) National supplier
Home country	1.3096** (0.4751)	−0.0311 (0.3376)	1.4100* (0.6271)
Restricted			0.0283 (0.1179)
Home country * Restricted			−0.2038 (0.3826)
Administrative capacity (tender)	−1.7711 (1.2510)	−1.4910 (20.8489)	−1.8334 (1.2548)
Administrative capacity (project)	0.5636 (1.6624)	0.5565 (7.8171)	0.6015 (1.6517)
Contract volume (log)	−0.0605** (0.0222)	−0.2904*** (0.0351)	−0.0622* (0.0307)
Project volume (log)	−0.0140 (0.0452)	−0.0745 (0.1377)	−0.0142 (0.0441)
Loan type fixed effects	Yes	Yes	Yes
Sector fixed effects	Yes	Yes	Yes
Observations	29,976	28,213	29,960
Pseudo R^2	.012	.179	.012

Note: Clustered standard errors in parentheses; + $p < .1$, * $p < .05$, ** $p < .01$, *** $p < 0.001$.