# Politics of Religious Motivated Lending:
# The Case of the Islamic Development Bank

**Diego Hernandez**
University of Heidelberg
Heidelberg, Germany
diego.hernandez@awi.uni-heidelberg.de

**Krishna Chaitanya Vadlamannati**
Norwegian University of Science and Technology
Trondheim, Norway
krishna.c.vadlamannati@svt.ntnu.no

**Preliminary draft: August 2013**
**Please do not quote without permission**

**Abstract:** Arab countries have been major donors of development aid outside the Development Assistance Committee (DAC). It has often been argued that Arab aid is different from Western aid in that large amount of aid flow go to countries with Muslim population on the idea of Islamic solidarity. Though it is true that religion plays a dominant role in allocation of aid by Arab donors, we argue that Islamic societies are not homogeneous and the influence of rival factions within them, particularly the power politics of Sunni-Shia divide on lending decisions have not been subject to intense scrutiny so far. This is the gap we fill in the literature by examining the impact of power politics of Sunni-Shia divide on aid allocation by Islamic Development Bank (IsDB). We argue that the major shareholder, namely, Saudi Arabia, a strongly pro-Sunni regime, use its influence at the IsDB to ensure favorable treatment from the bank for Sunni majority populated countries. Using panel data on 56 aid recipient countries from IsDB during 1976–2007 period, we find that Sunni majority populated countries are more likely to be favored. However, an increase in aid allocation to Shia majority populated countries is only conditional upon higher degree of religious tensions with non-Muslim religious communities. Our results are robust to alternative sample and estimation techniques.

**Keywords:** Development aid, Arab aid, Islamic Development Bank, Sunni-Shia politics.

---

We thank Axel Dreher, Katja Rost, Martin Gassebner, Magnus Clark, Artur Tamazian and participants at BBQ seminar at Zurich; Chair seminar at Heidelberg University at Heidelberg; Nordic Development Economics Conference at Bergen for comments and suggestions on the previous draft version.

*"Fourteen centuries after the death of the prophet (Mohammad), in a region full of destruction, killing, occupation, ignorance and disease, you are telling me about Sunnis and Shiites?"*[1]

– Esmail Al Hamami, a 67-year-old Sunni Palestinian refugee in Gaza

## 1. Introduction

Arab countries, often referred to as emerging donors (see Dreher et al. 2011), have actually been major donors of development aid outside the Development Assistance Committee (DAC) since the 1970s (Shushan and Marcoux 2011). It has often been argued that Arab aid is different from that of DAC donors as large amounts flow into countries with significant Muslim populations on the idea of Islamic solidarity (see Neumayer 2003a, Neumayer 2003b). Although we concede that religion plays a dominant role in allocation of aid by Arab donors, we argue that Islamic societies are not homogeneous and the influence of the power politics of Sunni-Shia divide on lending decisions have so far not been subject to intense scrutiny in the development aid literature. This is the gap we fill in the literature by examining the impact of power politics of Sunni-Shia divide on aid allocation by region's largest development agency, the Islamic Development Bank (IsDB hereafter).

The argument is linked to the notorious criticism the development aid agenda has recently received, supported on the view that the interests of donors shape the direction of lending decisions. A wave of studies highlight the fact that developing countries that are politically aligned to the G7, especially to the US, and with significant trade and investment potential are preferred by DAC donors when choosing where to dispense aid. These studies have shown that geopolitical and commercial interests are particularly important for the US (Wang 1999; Alesina and Dollar 2000; Kuziemko and Werker 2006), that commercial interests are particularly important for Japan (Alesina and Dollar 2000; Tuman and Strand

[1] See: http://www.apnewsarchive.com/2013/Hatred-between-Sunnis--Shiites-abounds-in-Mideast/id-3f07728a9d3844fe9384c481f0edbd28

2006), while particular interests play a minor role for small donors such as Canada, Denmark, Netherlands, Norway and Sweden (Alesina and Dollar 2000; Gates and Hoeffler 2004). Similar patterns have also been identified in multilateral institutions, in which DAC donors are major stakeholders, such as the IMF (Thacker 1999; Oatley and Yackee 2004; Stone 2004; Dreher and Jenser 2007; Dreher et al. 2009a; Dreher et al. 2010), the World Bank (Andersen et al. 2006; Fleck and Kilby 2006; Bresslein and Schmaljohann 2013; Kilby 2013) and the Asian Development Bank (Kilby 2006; Kilby 2011; Lim and Vreeland 2013).

The examination of donor interests on aid allocation by Arab donor agencies and institutions has received, on the other hand, less attention in the literature. The limited number of studies on the subject suggests, as highlighted above, that religion and Arab solidarity are the main drivers of Arab aid (Simmons 1981; Hunter 1984; Neumayer 2003a; Neumayer 2003b). In other words, countries with significant Muslim populations are the main beneficiaries of Arab donors. In fact the IsDB was set up in 1973 for this very purpose of providing development assistance to only countries with predominantly Muslim populations. The objective of the Bank is to not only provide financial assistance to Muslim populated countries but also to promote Islam by bundling development aid with the religious aspect (Villanger 2007). This outcome is not surprising when observing the relative neglect of DAC donors in serving Islamic countries compared to other regions worldwide. A back of the envelope calculations show that the Official Development Assistance (ODA) by DAC donors to the Middle East and North Africa (MENA) region represents only 0.7% of the region's GNI, while this same figure is 13% for Sub Saharan Africa, and 3% each for East Asia, Latin America and South Asia respectively (OECD 2010).[2] The disadvantage of Muslim countries in terms of aid received from DAC donors might rely on the fact that the

[2] Note that whatever aid flow which went into this region is concentrated in a handful of countries viz., Iraq which constitutes 47% of total DAC aid flows to the MENA region during the period 2006-2010, and together with Egypt, Morocco, and West Bank and Gaza accounted for more than 80% in the same period (OECD 2010).

group of donors tend to reward democratic and politically allied countries through development assistance, which are not often to find in this side of the world (Alesina and Dollar 2000; Dreher et al. 2009a).

Though it is undeniable that religion plays a dominant role in allocation of aid by Arab donors, Islamic societies are not homogeneous and the influence of internal divisions within them, particularly the power politics of Sunni-Shia divide on lending decisions have not been subject to intense scrutiny. Tensions between Sunni and Shia sects have always polarized Islamic societies, and cooperation as well as confrontation between them is quite evident on various national and international issues. During the Arab spring, Sunni regimes like Jordan and Saudi Arabia came to the rescue of Sunni-led regime in Bahrain to stave off the revolutionary wave of protests backed by the Shia population (Al Jazeera report 2011). On the contrary in Syria, the Iran and Hezbollah supported the Al-Assad Shia regime, while the opposition factions have been openly aided by the Sunni governments of Qatar and Saudi Arabia (Dehghan 2012).

At the forefront of this power politics of the Sunni-Shia divide is Saudi Arabia on one side, which practices *Wahhabism* – an ultra-conservative part of Sunni Islam whose tenets are strongly anti-Shiite, and on the other side is the Shia-dominated 'Axis of resistance' which includes Shia regimes like Iran, Syria and the Hezbollah led coalition (Clark 2012). While Sunnis are the majority across the Islamic world, Shiites have strong majorities in Iran, Iraq, Bahrain and Azerbaijan and form a significant share of the population in Lebanon, Yemen, Syria, Saudi Arabia, Kuwait and other parts in the region (Keath 2013). Though the strife between the Sunnis and Shias could be traced back to the 6$^{th}$ century AD, as the opening quote illustrates, ordinary citizens in Muslim countries are exasperated with the power politics of the Sunni-Shia divide. Yet, governments of the Islamic countries have often used sectarian tensions and religion as an instrument of security and foreign policy rather than

focusing on the ways and means to resolve sectarian tensions and promote peaceful relations. In this paper, we examine whether the politics of the Sunni-Shia divide has an impact on how development aid is allocated by the IsDB, the region's largest development bank.

In line with the criticism of major global players pursuing self-interests in their regions of influence through the control of International Financial Institutions (IFIs) in which they hold large stakes, the Saudi-dominated IsDB provides a framework to examine how and to what extent Arab aid allocation is subjected to such political constraints in the context of the Islamic world.[3] The IsDB is not only the largest Arab donor in terms of loans allocated but is also focused exclusively on lending to members of the Organization of the Islamic Conference (OIC), composed of only countries with significant Muslim populations.[4] In this paper, we analyze how sensitive IsDB loan commitments to borrowing members are to the power politics of the Sunni-Shia divide within Islamic society. Using panel data on IsDB loan commitments allocated across its 56 member countries during the 1975-2007 period, we find members with Sunni regimes and large Sunni populations, relative to those with large populations from other Islamic sects and other religions, to be rewarded with significantly more resources from the Bank, as a form of international cooperation from Saudi Arabia. We also observe, however, that members with large populations from other Islamic sects witness increases in development assistance from the IsDB conditional upon the presence of conflicts with other religious groups, such as Christian or Hindus, as these are perceived as common opponents threatening the Islamic solidarity.

The rest of the paper is organized as follows: Section 2 presents our arguments with anecdotal evidence on how power politics of the Sunni-Shia divide has politicized the aid

[3] Mention that Saudia Arabia holds 24% of shares, and the also the next largest.
[4] Refer OFID (2011) for figures on resources for the IsDB and other Arab development agencies. We need to cite figures more specifically, I can look for that information.

allocation decisions at the IsDB. Section 3 introduces the data and our estimation strategy. While section 4 presents the discussion on our main results, section 5 conclusions the study**.**

## 2. The Argument

Founded by OIC in 1973, the IsDB started its operations in 1975, headquartered in Jeddah, Saudi Arabia. The Bank is the leading agency of the Islamic Development Group and membership is restricted to OIC member states. The Bank is composed of 56 members and all of them are eligible to receive loans. The majority of members are geographically located in the MENA region (22 members), however, the membership has been also extended to countries in Sub-Saharan Africa (21 members), Central Asia (6 members), South Asia (3 members), South East Asia (3 members) and Latin America (1 member). The IsDB allocated on average US$ 400 million every year during the period 1975-2007. The resource availability has also been on the rise in the last decade with total loan commitments worth US$ 800 million for the year 2007 (IsDB 2010). These figures place the IsDB as single the largest Arab development agency (IsDB 2010). The major stakeholder of the Bank is Saudi Arabia with 23.6% of the total share capital subscription. Other significant stakeholders include Libya, Iran, Nigeria and the United Arab Emirates, each of them holding around 8% of total share capital of the Bank. It is noteworthy that the voting power of each member representative is linked to the country's contribution to the Bank's ordinary capital stock. The organizational structure of the Bank consists of the Board of Governors, which is the highest policy-making body and delegates its powers to the Board of Executive Directors for the general operation of the Bank. The Board of Governors elects the Chairman of the Bank. All 56 member countries are part of Board of Governors.[5] Each member country has 500 votes

[5] Each member country is represented on the Board by a Governor and an alternate Governor who are in turn appointed by their respective governments.

plus one vote for every share subscribed. The Board of Governors meets once a year to review the Bank's lending activities and operations, as well as future policies. It is important to note that all the Board decisions are taken by the Board of Governors based on a majority of the voting power represented at the meeting. The Board of Executive Directors, on the other hand, is responsible for the implementation of the policies set by the Board of the Governors. The Board of Executive Directors consists of 18 members in which nine permanent members are the main shareholders, while other nine are elected by the Governors of other countries once in three years. Thus, Saudi Arabia which is the largest stake holder undoubtedly wields great influence on the Board's decisions and policy implementation.

The extensive literature on the allocation of development aid, as noted earlier, emphasizes that aid from DAC donors and multilateral aid institutions is guided by strategic interests (Alesina and Dollar 2000; Kuziemko and Werker 2006; Dreher et al. 2009; Kilby 2009; Hernandez 2013). According to Al-Yahya and Fustier (2011), "fulfilling and maintaining its role as the leader of the Islamic world is a key foreign policy priority of Saudi Arabia." The empirical evidence provided by Neumayer (2003a), in which foreign policy is a key determinant of Arab aid channeled through its various development assistance agencies, indeed corroborates these claims. Moreover, Al-Yahya and Fustier (2011) argues that Saudi Arabia tends to perceive that countries with Islamic affiliated regimes have higher expectations from itself in terms of development cooperation and support. The authors provide examples of numerous requests Saudi Arabia received from the governments of Senegal and Yemen to finance various development projects in their own countries. Several other studies present abundant anecdotal as well as empirical evidence to show that religion plays an important role for Arab donors led by Saudi Arabia (Villanger 2007, Neumayer 2003a, Neumayer 2003b, Shushan and Marcoux 2000). In fact, the lending activities of the IsDB are restricted only to the member states of OIC who follow Islamic financing that is

compatible with the Shari'ah. Though it is indisputable that religion plays a dominant role in allocation of aid by Arab donors such as Saudi Arabia and the IsDB, it is noteworthy that Islamic societies are not homogeneous. Internal divisions within them, particularly the existing rival tensions and animosity between Sunni and Shia sects have always polarized the Islamic world, and cooperation among these sects as well as confrontation across them is quite evident on national and international matters (Clark 2012).

The power politics of the Sunni-Shia divide could be traced back to the succession battle among Caliphs (Khalifa) around 650 AD. The dispute over succession of Prophet Mohammad in 662 led to schism in the wider Islamic community (Clark 2012). According to Pew Research Centre (2009), Sunnis constitute 80% of the Muslim population while the other fraction is almost entirely composed by Shias. Over the years, Sunni–Shia relations have been marked by fierce conflict, and unsurprisingly sectarian tensions across the MENA region are a common phenomenon (Blanchard 2009). Saudi Arabia, with *Wahhabism* - leading stream of Sunni Islam - as its state religion whose tenets are anti-Shiite, has often been on the forefront to espouse a Sunni united block against the 'Axis of Resistance' led by Shia regimes viz., Iran, Syria and the Hezbollah in Lebanon (Cark 2012). Al-Yahya and Fustier (2011) shows, for example that Saudi Arabia has often accepted the request for development assistance coming from smaller Islamic countries to signal its status as the leader of Islamic world to the Shia-led regimes like Iran. Therefore it is not surprising that Saudi Arabia along with its other Sunni allies as the major stakeholders in IsDB could use its influence through votes to allocate a higher amount of development aid to Sunni majority populated countries relative to the Shia majority countries.

**Anecdotal Evidence**

Examples of Saudi Arabia, the major stakeholder, influencing IsDB to allocate development aid based on political considerations are abounding. Focusing on Islamic

countries within Sub-Saharan Africa, Ousman (2012) provides evidence that Saudi Arabia has been very open in using IsDB to allocate development aid in education sector to increase school enrolment where African Muslim youth are specially trained at the Salafist and Wahabi education which is based on anti-Shiite tenets. Deegan (1995) provides anecdotal evidence on how Saudi Arabia has used its influence at the IsDB to direct development aid to Sudan. As one example, the Saudi Arabia exerted pressure on Sudan in 1983 to declare its constitution which would enable Sudan to become a Sunni based Islamic state in return for development assistance from IsDB (Deegan 1995). Turning to other examples, Al-Yahya and Fustier (2011) argue that the surge in Saudi Arabia's development aid through various donor agencies to Yemen was largely a response to the armed conflict between the Yemeni government and Shiite rebel groups in the northern region which shares border with the Saudi Kingdom (see Burke 2012). Likewise, Cooper (2007) reports that in a desperate bid to keep the Shia political faction (i.e. Hezbollah-led coalition) from obtaining power in Lebanon, Saudi Arabia used IsDB to allocate development assistance worth US$ 250 million to the newly elected Prime Minister Fouad Siniora from the Sunni faction in 2007.

The Arab Spring, ongoing since late 2010 in several countries of the MENA region, once again brought to fore the intense rivalries between various factions in Islamic societies. For instance, Bahrain, a country whose population is largely Shia but is ruled by a Sunni dynasty (House of Khalifa), has received not only military support from Jordanian and Saudi Arabian Sunni governments to block the revolutionary wave of protests backed by the Shia population but also received series of development and technical assistance projects from Saudi-led IsDB (Itani 2013). Similarly, to strengthen the Sunni-led Mursi government in Egypt which was reeling under economic crisis, the Saudi Arabian government influenced the IsDB to allocate a higher amount of development assistance after the first foreign trip since taking office by the Egyptian President (Al Arabiya 2012). The uprising in Syria is a

counter example: it is a Sunni majority population country presided by a Shia dynasty (Al-Assad family) whose opposition have been internationally aided by the Sunni governments of Qatar and Saudi Arabia, while the ruling family has been assisted by the Iran government, a Shia Islamic Republic, to remain in power (Sanger 2012, DeYoung 2012, Dehghan 2012). Thus, when we consider a Sunni majority populated country's historical experience and then compare it to the experience of other countries, i.e. Shia majority populated countries, we begin to see a pattern. Sunni majority populated countries and Sunni regimes seem to be associated with more IsDB development assistance projects.

We also provide some stylized facts supporting our arguments and the anecdotal evidence on the relationship between religious politics and aid allocation by Saudi-led IsDB. Figure 3 presents a first descriptive look at this relationship. As seen, IsDB member countries with Sunni majority populations received every year on average US$13.2 million by the Bank during the period 1975-2007, surpassing by an important amount members with Shia and other religions majority populations whose same figure is of US$10 and US$7.9 million respectively.

Based on our previous discussion and anecdotal evidence on power politics of Sunni-Shia divide, we thus hypothesize (1): **being a Sunni majority populated country increases the probability of receiving higher amount of development aid commitments from IsDB.**

Although the power politics of Sunni-Shia divide is a key determinant of how development aid is allocated by major Arab donors like IsDB, we argue that these internal divisions actually play a less relevant role in the presence of a strong social friction between the Islamic community and non-Islamic communities within the recipient member countries. Islamic solidarity across different sects is quite evident during conflictive periods with populations of other confessions in multi-religious countries, scenario in which Muslim sects tend to actually form political coalitions to confront their common opponent.

The Lebanese Civil War, lasting from 1975 to 1990, is a notable example to observe the interaction between Sunni and Shia sects under the presence of other religions. Lebanon is a country shared by Christians, Shia and Sunni Muslims, and during the abovementioned conflict both Islamic sects cooperated with each other to confront a common adversary. They both formed the Lebanese National Resistance Front, a militia seeking to overthrow the Christian dominated government. Such examples are not limited to armed resistance alone. Deegan (1995) points out the pressure exerted by Saudi Arabia on Sudan to impose Shari'ah law in the country when waging conflict with the Christian dominated southern Sudan. Villanger (2007) argue that Saudi Arabia was in the forefront among the existing Arab donors to assist the Sudanese government with development assistance in return. The influence of Saudi Arabia on IsDB loans to Sudan is also noted by Deegan (1995). The foray of the bank's activities in African Muslim countries where Muslims, though minorities form a significant chunk, face hostile relationship with the Christian is an example in offer. Similar such examples can be found in Asia. Robels (2013) reports that IsDB provided roughly US$ 16 million for development assistance to the MNLF (Moro National Liberation Front) rebel group which controls Mindanao province in Philippines. The MNLF is a political organization set up in 1969 with the intention to fight for independence of Mindanao region from Philippines as it accuses the Philippines government of economic discrimination against Muslims. Ironically, the MNLF is recognized by the OIC. Likewise, IsDB has been actively involved in building schools and colleges in Pattani province where various Islamic rebels wage armed conflict with Thai army for autonomy (Royal Thai Embassy 2013). Similar such examples of bank's activate participation can also be found in Nigeria where the animosity between Christian south and Muslim north is vociferous.

Figure 4, in addition supports this evidence. While Sunni and other majority populated members received every year on average larger loans from the IsDB under

scenarios of low religious tensions (dark gray bars) relative to those of high tensions (light gray bars) during the 1975-2007 period, exactly the opposite occurs in Shia majority populated members.[6] In the latter cases, members received US$9.7 million in situations of low religious tensions and US$10.7 million in those of high religious tensions, indicating that the IsDB is more likely to back up Islamic sects different to Sunnis under the presence of conflicts with other religions.

We thus test the hypothesis (2) that: **the power politics of the Sunni-Shia divide does not influence aid allocation decisions when conditional upon higher degree of religious tensions with non-Muslim religious communities.**

## 3. Data and Methods

We analyze a time-series cross-section dataset containing 56 Islamic Republic countries[7] covering the years from 1976 to 2007 (see Appendix 1). The baseline specification estimates the allocation of aid by IsDB to recipient country *i* in year *t*, which is a function of factors capturing donor and recipient interests. Our dependent variable is the amount of aid commitments by IsDB to country *i* in year *t* in US$ (2000 year) constant prices during the 1976-2007 period. Note that our data on aid commitments is plagued with the problem of zeros and missing observations for many countries in the sample. To circumvent this problem, we follow Rajan and Subramanian (2008) and average of aid commitments by IsDB during the following periods: 1976-1979; 1980-1983; 1984-1987; 1988-1991; 1992-1995; 1996-1999; 2000-2003; and, 2004-2007. Figure 2 captures evolution of aid commitments by IsDB over the 31 years from 1976 to 2007. As seen, there has been steady increase in aid

[6] We need to say in this foot note that the religious tension index only accounts for conflicts across religions and not sects, otherwise is a bit confusing.

[7] Note that although the main focus of IsDB is to provide development aid to Islamic republic countries, on occasions, IsDB also allocated development aid to non-Islamic Republics which have significance share of Muslim population.

commitments by IsDB from the mid-1990s onwards. Note that there is a spike during the period of late 1970s which is a result of high oil prices as the largest stakeholders in IsDB namely, Saudi Arabia, Libya, Iran are some of the world's largest oil producers. As on 2007, IsDB aid commitments stand at about US$ 900 million. Figure 3 shows mean of aid commitments by IsDB per each member of the Bank. While Bangladesh remains the largest recipient of development aid by IsDB, Brunei received least amount of development aid from the Bank.

To test the influence of power politics of Sunni-Shia divide, we introduce four different discrete measures which (a) codes the value 1 if a country is ruled by a Sunni regime and 0 otherwise; (b) codes the value 1 if a country is a Sunni majority populated country and 0 otherwise; (c) codes the value 1 if a country is a Shia majority populated country and 0 otherwise; and (d) takes the value 1 if a country is non-Muslim majority populated and 0 otherwise. These variables are computed based on the information sourced from the religious population statistics published by the Pew Research Center. In addition, the Shia majority populated dummy is interacted with the Religious Tension Index in order to examine if Bank's preferences towards other Islamic sects are conditional to religious conflicts and frictions with other religious communities. The Religious Tension Index is sourced from the International Country Risk Guide which takes a minimum value of 0 for cases of high religious tensions and a maximum value of 6 for cases of low religious tensions. It is noteworthy that the indicator considers only conflicts across different religions and not conflicts within Muslim sects.

Concerning the selection of the explanatory variables, we follow the previous literature on aid allocation, in particular that of aid allocation by multilateral agencies (e.g., Kilby 2006; 2011; Neumayer 2003; 2004). We use several variables to examine whether IsDB allocates aid based on the needs of the recipient countries. To reflect needs of recipient

countries, we include total population (log) of the recipient country as it is expected that larger countries need more resources to obtain visible effects of aid provision. The other plausible reason for including population is the fact that larger countries on an average tend to receive more aid. Likewise, we use the recipient country's (log) per capita GDP (measured in US$ 2000 year constant prices). We expect a negative effect of this income measure since richer countries need fever aid resources to develop. To account for merit as motive for aid supply, institutional quality in the recipient countries is proxied with a democracy dummy sourced from Cheibub et al. (2010). This measure is based on distinction between regimes in which executive and legislative offices are elected through elections and those in which they are not. Accordingly, the country is coded as democracy (taking the value 1) if elections are contested for executive and legislative offices respectively and 0 otherwise.[8] A civil war dummy is also included, as an ongoing civil war is likely to affect aid allocation by international agencies such as IsDB. We include a variable measuring civil war that takes the value 1 if there is armed conflict between an organized group and a state in which at least 25 deaths have occurred in a single year and 0 otherwise (Gleditsch et al. 2002). We also include a measure of trade openness (total trade/GDP) as one of the key aims of IsDB is to provide more aid to countries to promote trade with external world. Finally, as loan demand factors we include a variable measuring the value of the oil production taken from de Soysa (2012). Most of the countries in the MENA region are oil rich and are expected to depend less on external sources of development assistance. Likewise, we also control for foreign exchange reserves as a share to GDP sourced from World Development Indicators, World Bank 2011. We construct a dummy measure capturing whether a country is experiencing a debt crisis or otherwise based on the information sourced from Laeven and Valencia (2008). Lastly, we control for the bilateral aid allocation by Saudi Arabia (in US$ 2000 constant prices) as a

[8] For more detailed description and methodology, see Cheibub et al. (2010).

proxy for largest stakeholder's interest in the bank.[9] The details on definitions and data sources are provided in Appendix 2 and the descriptive statistics in Appendix 3.

A distinguishing feature of our dependent variable (i.e., commitment of development aid) is that it has zero observations. The clustering of zero observations is due to the fact that in some country-years the aid commitments by the IsDB was nil. Estimating such models with Ordinary Least Squares (OLS) estimator would violate several assumptions such as a zero mean for the OLS errors thereby resulting in biased estimates (see Neumayer 2002, 2003 for details). This requires a nonlinear method of estimation specification. We adopt a Tobit maximum likelihood estimation procedure with heteroskedasticity consistent robust standard errors (Beck and Katz 1995):

$$\begin{aligned} y_{it} &= \max(0, x_{it}\beta + \delta_{it} + \mu_{i_t}) \\ \mu_{it} \mid x_{it}, \delta_t &\approx Normal(0, \sigma^2{}_{\mu}) \\ \delta_{it} \mid x_{it} &\approx Normal(0, \sigma^2{}_{\delta}) \end{aligned} \qquad (5)$$

Where, the dependent variable $y_{it}$ is the development aid commitments by the IsDB for recipient country $i$ in year $t$ in US$ 2000 constant prices and $x_{it}$ refers to the aforementioned determinants of aid allocation by the IsDB; $\delta_t$ is the time dummies, while $\mu_{i_t}$ is an independently distributed error term assumed to be normal with zero mean and constant variance $\sigma^2$. Note that we include country fixed effects only for the specifications containing the interaction terms because our key variables of interest capturing the power politics of Sunni-Shia divide are time invariant. The usage of two-way fixed effects will not only be collinear with time-invariant or largely time-invariant regressors, but will also generate biased estimates (see Beck 2001). It is noteworthy that the $\beta$ coefficient cannot be interpreted directly in the nonlinear Tobit model. We thus compute the marginal effects of the

[9] In order to keep Saudi Arabia in the dataset, the value given to this country in a year is the largest bilateral allocation made by Saudi Arabia in that same year.

explanatory variables on either $P(y_{it} > | x_{it})$, $E(y_{it} | x_{it}, y_{it} > 0)$ or $E(y_{it} | x_{it})$. We compute the marginal effects at the mean of the respective covariates. Note that we report coefficient values in the regression tables, but use marginal effects for the interpretation of the results.

**4. Empirical Results**

Table 1–3 present our main results. While Table 1 show our baseline results in which various measures of religious politics are introduced, Table 2 controls for the religious tensions index. Finally, in Table 3 we introduce the interaction between the variables capturing religious and religious tensions in these countries. Note that the results in all tables report marginal effects at the mean of the explanatory variables[10]. Before turning to the main models, we provide some stylized facts on the relationship between religious politics and aid allocation by IsDB. Figure 2 provide a first descriptive look at this relationship. As seen, the Figure shows that major chunk of the development aid from IsDB is allocated to Sunni regimes vis-à-vis non-Sunni regimes. The breakup of aid allocation numbers between Shea regimes and other regimes show that roughly 84% of the development aid allocated by IsDB goes to countries ruled by Sunni regimes, while about 6% and 9% of the aid is allocated to Shia and non-Muslim majority populated countries respectively. While these differences could also be spurious, we turn to the first table which reports the impact of Sunni-Shia divide on aid allocation by IsDB in Islamic republic countries.

In Table 1 we begin with introducing our main variables of interest capturing power politics of Sunni-Shia divide, viz., Sunni regime dummy. We also include Shia and non-Muslim majority populated dummies respectively. In models 1-4 we introduce each one of these variables separately, while models 5-7 we include all these variables together. As seen

[10] We use Stata 12.0's margins command to calculate marginal effects.

from column 1, we find a positive significant effect associated with the Sunni regime dummy which is significantly different from zero at 5% confidence level. The marginal effects suggests that a country ruled by Sunni regime, holding all other potential determinants constant, receives US$ 0.48 million more aid from IsDB compared to countries ruled by non-Sunni regimes. In column 2, we replace Sunni regime with Sunni majority population dummy which is, as expected, positive and significantly different from zero at 10% confidence level. A Sunni majority populated country is receives roughly US$ 0.35 million more in development aid by IsDB compared to non-Sunni majority populated countries. Interestingly, we do not find any statistical significance on Shia population dummy (see column 3). On the other hand, we find some strong negative effect of non-Muslim majority populated countries on aid allocation by IsDB which is significantly different from zero at the 1% confidence level. Holding all control variables at mean, a non-Muslim majority populated country is allocated US$ 0.67 million less development aid compared to a Muslim majority populated country. Although this is surprising at one level given the fact that the bank wants to expand its operations into non-Muslim majority populated countries which have reasonable chunk of Muslim population, these results are not surprising at another level as the main objective for which this bank was formed was to primarily assist the Muslim countries in development and reconstruction.

In column 5, we include both Sunni regime dummy and a dummy capturing Sunni majority populated countries together. After controlling for Sunni majority populated countries, we find that it is regimes which matter and not the sect of the majority population in a given country, a relationship which is significantly different from zero at the 10% confidence level. We also find similar effects when we control for Shia majority populated countries in column 6. This effectively means that irrespective of a country's majority population is Shia or Sunni, if the regime's affiliation belongs to Sunni sect then it is more

likely to receive higher amount of development aid from IsDB. However, when including the non-Muslim majority populated countries dummy the statistical significance of Sunni regime dummy vanishes. This could be due to high correlation between Sunni regime and non-Muslim majority populated countries, which is above 0.7.

We now turn to Table 2 in which we control for religious tensions between Muslim and non-Muslim communities in aid recipient countries. As seen from column 1 through 4, the religious tensions index on its own has no significant bearing in aid allocation by IsDB in these countries during our study period. On the other hand, we still find Sunni regime and Sunni majority populated countries are favored over non-Sunni populated countries irrespective of religious tensions between Muslim and non-Muslim communities (see column 1 and 2). Interestingly, after controlling for religious tensions, the marginal effect of non-Muslim majority populated countries increases sharply (see column 4). A non-Muslim majority populated country receives US$ 109 million less development aid compared to a Muslim majority populated country by IsDB after controlling for religious tensions. This suggests that religious tensions do have some adverse effect on countries with non-Muslim majority populated countries. In column 5 we include Sunni regime dummy controlling for Sunni majority populated countries along with religious tensions. Once again, we find that Sunni regimes receive more development aid which is significantly different from zero at 10% level. We find similar results for the Sunni regimes when we replace Sunni majority populated countries with Shia majority populated countries and controlling for religious tensions. In the last column however when including the non-Muslim majority populated countries dummy and controlling for religious tensions, the statistical significance of Sunni regime dummy vanishes. Notice that the marginal effect of non-Muslim majority populated countries dummy has gone up from -0.67 to -0.87 after controlling for religious tensions index.

We now focus on Table 3 where we introduce the interaction effects between our religious variables and religious tensions index. The Table 3 includes 12 columns. In column 1-3 we present the interaction effects between our religious variables and religious tensions index, while in column 4-6 we also control for Sunni regime dummy. Note that in columns 7-12, we replicate the same results but by controlling for two-way fixed effects.[11]

[11] Note that inclusion of two-way fixed effects is possible in interaction effects because interaction of some of the time invariant variables will no longer be time invariant when interacted with other variables (in this case with religious tensions index) allowing us to plug in the country fixed effects.

**References**


Ai, C. and E. Norton (2003) Interaction Terms in Logit and Probit Models, *Economics Letters*, 80: 123-129.

Alesina, A., Dollar, D. (2000) Who gives foreign aid to whom and why? *Journal of Economic Growth* 5: 33-63.

Al-Yahya, Khalid and Nathalie Fustier (2011) Saudi Arabia as a Humanitarian Donor: High Potential, Little Institutionalization, GPPi Research Paper No. 14, Global Public Policy Institute: Berlin.

Al Arabiya News report (2013) Egyptian President Mursi and Saudi King Abdullah discuss regional stability, Al Arabiya, accessed from: http://www.alarabiya.net/articles/2012/07/11/225853.html

Al Jazeera (2011) Saudi soldiers sent into Bahrain. *Al Jazeera*, Retrieved from http://www.aljazeera.com/news/middleeast/2011/03/201131414924928850647.html

Andersen, T., Hansen, H., Markussen, T. (2006) US politics and World Bank IDA lending. *Journal of Development Studies* 42: 772–794.

Beck, N., (2001) Time-series cross-section data: What have we learned in the past few years? *Annual Review of Political Science*, 4: 271-293.

Beck, T., Clarke, G., Groff, A., Keefer, P., Walsh, P. (2001) New Tools and New Tests in Comparative Political Economy: The Database of Political Institutions. *World Bank Economic Review* 15: 165-176.

Bresslein, M., Schmaljohann, M. (2013) Surrender your Market! How the G5 Countries Use World Bank Trade Conditionality to Promote Trade. Mimeo.

Cheibub, J., Jennifer Gandhi, and James Vreeland (2010) Democracy and Dictatorship Revisited, *Public Choice* 143(1-2): 67-101.

Clark, Magnus (2012) Haunted by History – The Power Politics of the Sunni-Shia Divide, Popular Social science, Fall 2012, accessed from: http://www.popularsocialscience.com/2012/11/21/haunted-by-history-how-the-sunni-shia-divide-has-increasingly-come-to-determine-the-power-politics-of-the-middle-east/

Cooper, Helene (2007) Donors pledge $7.6 billion in aid for Lebanon - Africa & Middle East, New York Times, accessed from: http://www.nytimes.com/2007/01/25/world/africa/25iht-beirut.4345204.html?_r=0

Deegan, Heather (1995) Contemporary Islamic influences in sub-Saharan Africa: An alternative development agenda, in Eric Watkins (Eds) *Middle Eastern Environment*, Saint Malo press: Manitoba.

DeYoung, Karen (2012) Saudi, Qatari plans to arm Syrian rebels risk overtaking cautious approach favored by U.S., *The Washington Post*, Accessed from http://www.washingtonpost.com/world/national-security/saudi-qatari-plans-to-arm-syrian-rebels-risk-overtaking-cautious-approach-favored-by-us/2012/03/01/gIQArWQflR_story.html

Dehghan, Said (2012) Syrian army being aided by Iranian forces, *The Guardian*, accessed from http://www.guardian.co.uk/world/2012/may/28/syria-army-iran-forces

Dreher, A., Jensen, N. (2007) Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions, *Journal of Law and Economics* 50(1): 105-124.

Dreher, A., Sturm, J., Vreeland, J. (2009a) Global Horse Trading: IMF Loans for Votes in the UNSC. *European Economic Review* 53(7): 742-757.

Dreher, A., Sturm, J., Vreeland, J. (2009b) Development Aid and International Politics: Does Membership on the UNSC Influence World Bank Decisions? *Journal of Development Economics* 88: 1-18.

Dreher, A., Sturm, J., Vreeland, J. (2010) Does Membership on the UNSC Influence IMF Conditionality? Center for European, Governance and Economic Development Research Working paper No. 104. University of Göttingen

Fleck, R., Kilby, C. (2006) World Bank independence: A model and statistical analysis of U.S. influence, *Review of Development Economics* 10(2): 224-240.

Gates, S., Hoeffler, A. (2004) Global aid allocation: Are Nordic donors different?. Center for the Study of African Economies Working Paper #2004-34. University of Oxford.

Gleditsch N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., and Håvard S., (2002) Armed Conflict 1946–2001: A New Dataset. *Journal of Peace Research*, 39(5): 615–637.

Hunter, S. (1984) *OPEC and the Third World*, Croom Helm: London and Sydney.

IsDB (2010) Islamic Development Bank, Annual Report 2010.

Itani, Faysal (2013) The Promise and Perils of Gulf Aid, Atlanic Council, accessed from: http://www.acus.org/viewpoint/promise-and-perils-gulf-aid

Keath, Lee (2013) Hatred between Sunnis, Shiites abounds in Mideast, Associated Press, accessed from: http://www.apnewsarchive.com/2013/Hatred-between-Sunnis--Shiites-abounds-in-Mideast/id-3f07728a9d3844fe9384c481f0edbd28

Keefer, Phil and David Stasavage (2003) The Limits of Delegation: Veto Players, Central Bank Independence, and the Credibility of Monetary Policy, American Economic Review, 97(3): 407-423.

Kilby, C. (2013) An Empirical Assessment of Informal Influence in the World Bank. *Economic Development and Cultural Change* 61(2): 431-464.

Kilby, Christopher (2011) Informal influence in the Asian Development Bank, *Review of International Organizations*, September 2011, 6(3-4): 223-257

Kilby, Christopher (2006) Donor influence in multilateral development banks: the case of the Asian Development Bank." *Review of International Organizations*, 1(2): 173-195

Kuziemko, I., Werker, E. (2006). How Much is a Seat on the Security Council Worth? Foreign Aid and Bribery in the United Nations, *Journal of Political Economy* 114(5): 905-930.

Laeven, Luc, and Fabian Valencia (2008) Systemic Banking Crises: A New Database, *IMF Working Papers*, IMF: Washington D.C.

Lim, D., Vreeland, J. (2013) Regional Organizations and International Politics: Japanese Influence over the Asian Development Bank and the UN Security Council, *World Politics* 65(1): 34-72.

Mertz, Pamela M., and Robert A. Mertz (1983) *Arab Aid to Sub-Saharan Africa*, Westview Press: New York

Neumayer, Eric (2004) Arab-related bilateral and multilateral sources of development finance: issues, trends, and the way forward, *World Economy*, 27(2): 281-300

Neumayer, Eric (2003a) What factors determine the allocation of aid by Arab countries and multilateral agencies? *The Journal of Development Studies*, 39(4): 134-147

Neumayer, E. (2003b) Arab-Related Bilateral and Multilateral Sources of Development Finance, United Nations University WIDER Discussion Paper No. 2002/96.

Neumayer, E. (2003c) The Pattern of Giving Aid: The Impact of Good Governance on Development Assistance, London and New York: Routledge.

Neumayer, E. (2002) Is Good Governance Rewarded? A Cross-National Analysis of Debt Forgiveness, *World Development*, 30(6): 913-930.

Oatley, T., Yackee, J. (2004) American Interests and IMF lending, *International Politics* 41, 415-429.

OECD (2010) International Development Statistics Online Databases on Aid and other Resource Flows.

OFID (2011) Arab National and Regional Development Institutions 2011: A Profile.

Ousman, Abdelkérim (2012) The power of radical Islamist ideas in fragile states in parts of sub-Saharan Africa, A thematic paper on OECD DAC INCAF project, Organisation for Economic Co-operation and Development (OECD): Paris.

Simmons, A. (1981) *Arab Foreign Aid*, Associated University Press: London and Toronto.

PEW Research Center (2009) Mapping the Global Muslim Population, A Report on the Size and Distribution of the World's Muslim Population, Washington, D.C.

PEW Research Center (2009) The Future of the Global Muslim Population, Projections for 2010-2030, Pew Forum on Religion and Public Life, Washington, D.C.

Robles, Raissa (2012) Islamic Bank gives US$ 16 million to Mindanao Rebel Group, South China Morning Post, accessed from: http://www.scmp.com/article/615505/islamic-bank-gives-us16m-mindanao-rebel-group

Sanger, David (2012) Rebel Arms Flow Is Said to Benefit Jihadists in Syria, *The New York Times*, accessed from http://www.nytimes.com/2012/10/15/world/middleeast/jihadists-receiving-most-arms-sent-to-syrian-rebels.html?_r=0

Stone, R. (2004) The Political Economy of IMF Lending in Africa, *American Political Science Review* 98(4): 551-591.

Shushan and Marcoux (2011) The Rise (and Decline?) of Arab Aid: Generosity and Allocation in the Oil Era, *World Development*, 39(11): 1969-1980

Rajan, Raghuram and Arvind Subramanian (2008) Aid and Growth: What Does the Cross-Country Evidence Really Show? *The Review of Economics and Statistics*, 90(4): 643-665

Tuman, J. and Strand, J.R. (2006) The Role of Mercantilism, Humanitarianism, and Gaiatsu in Japan's ODA program in Asia. *International Relations of the Asia-Pacific* 6(1): 61-80.

Villanger, Espen (2007) Arab Foreign Aid: Disbursement Patterns, Aid Policies and Motives, Chr. Michelsen Institute Report 2, Chr. Michelsen Institute: Bergen.

Wang, T. (1999) U.S. Foreign Aid and UN Voting: An Analysis of Important Issues. *International Studies Quarterly* 43: 199-210.

World Bank (2012) World Development Indicators Database. Available at http://data.worldbank.org/data-catalog/world-development-indicators (last accessed 01.02.2013).

**Table 1. Data Sources and Definitions**

| Variable | Description | Source |
|---|---|---|
| IsDB comm (log) | IsDB loan commitments received by a borrowing member in a year in constant dollars. | IsDB Annual Report (various years), OECD (2012). |
| WB comm (log) | World Bank loan commitments received by a borrowing member in a year in constant dollars. | OECD (2012). |
| Population (log) | Total population. | Heston et al. (2012). |
| GDP per cap. (log) | PPP GDP per capita in constant dollars. | Heston et al. (2012). |
| Democracy | Dummy coded 1 if government is democratic, and 0 otherwise. | Cheibub et al. (2010). |
| Civil war | Dummy coded 1 if recipient undergoes a civil war, and 0 otherwise. | Gleditsch et al. (2002). |
| Saudi Arab. aid (log) | Saudi Arabia bilateral aid received by a borrowing member in a year in constant dollars | OECD (2012). |
| Merch. trade / GDP | Sum of merchandise exports and imports in percentage of GDP. | World Bank (2012). |
| Oil production (log) | Value of oil production in constant dollars. | Ross (2011). |
| Int. res. / GDP | International reserves in percentage of total GDP. | World Bank (2012). |
| Debt crisis | Dummy coded 1 if recipient undergoes a debt crisis, and 0 otherwise. | Laeven and Valencia (2012). |
| Sunni regime | Dummy coded 1 if religious affiliation of government in power is Sunni Islam, and 0 otherwise. | CIA World Fact Book (2013), Encyclopedia Britannica (2012). |
| Sunni population | Dummy coded 1 if religious affiliation of at least 50% of the population is Sunni Islam, and 0 otherwise. | Pew Research Center (2013). |
| Shia population | Dummy coded 1 if religious affiliation of at least 50% of the population is Shia Islam, and 0 otherwise. | Pew Research Center (2013). |
| Others population | Dummy coded 1 if religious affiliation of at least 50% of the population is not Islam (any sect), and 0 otherwise. | Pew Research Center (2013). |
| Rel. Tensions | Religious Tension Index, from 0 (highest) to 6 (lowest). | International Country Risk Guide (2012). |

**Table 2. Summary Statistics**

| Variable | Observations | Mean | Standard Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| IsDB comm. (log) | 346 | 15.25 | 1.48 | 6.11 | 17.58 |
| WB comm. (log) | 448 | 10.56 | 8.25 | 0.00 | 21.68 |
| Population (log) | 422 | 15.66 | 1.65 | 11.87 | 19.26 |
| GDP per cap (log) | 404 | 7.89 | 1.27 | 5.73 | 11.33 |
| Democracy | 420 | 0.13 | 0.32 | 0.00 | 1.00 |
| Civil war | 420 | 0.24 | 0.38 | 0.00 | 1.00 |
| Saudi Arab. aid (log) | 448 | 2.82 | 4.39 | 0.00 | 19.25 |
| Merch. trade / GDP | 383 | 58.37 | 31.38 | 10.40 | 213.19 |
| Oil production (log) | 429 | 12.98 | 10.35 | 0.00 | 25.86 |
| Int. Reserves / GDP | 363 | 13.84 | 14.96 | 0.09 | 141.46 |
| Debt crisis | 417 | 0.01 | 0.06 | 0.00 | 0.25 |
| Sunni regime | 430 | 0.72 | 0.45 | 0.00 | 1.00 |
| Sunni population | 430 | 0.71 | 0.45 | 0.00 | 1.00 |
| Shia population | 430 | 0.07 | 0.25 | 0.00 | 1.00 |
| Other population | 430 | 0.19 | 0.39 | 0.00 | 1.00 |
| Rel. Tensions | 257 | 3.52 | 1.41 | 0.00 | 6.00 |

**Figure 1. Average IsDB commitments per country and year by religious affiliation, 2000 constant US dollars (millions), 1975-2007 yearly average.**

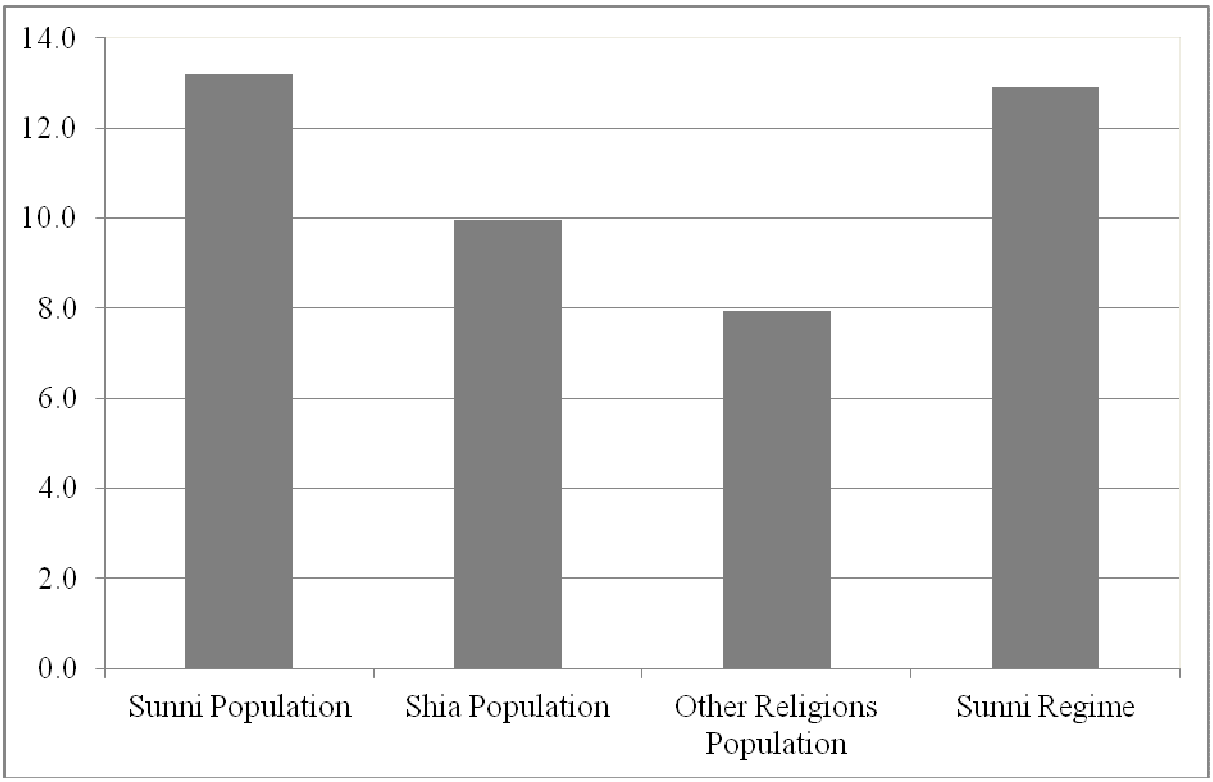

**Figure 2. Average IsDB commitments per country and year by religious affiliation and tensions, 2000 constant US dollars (millions), 1975-2007 yearly average, dark gray low religious tensions, light gray high religious tensions.**

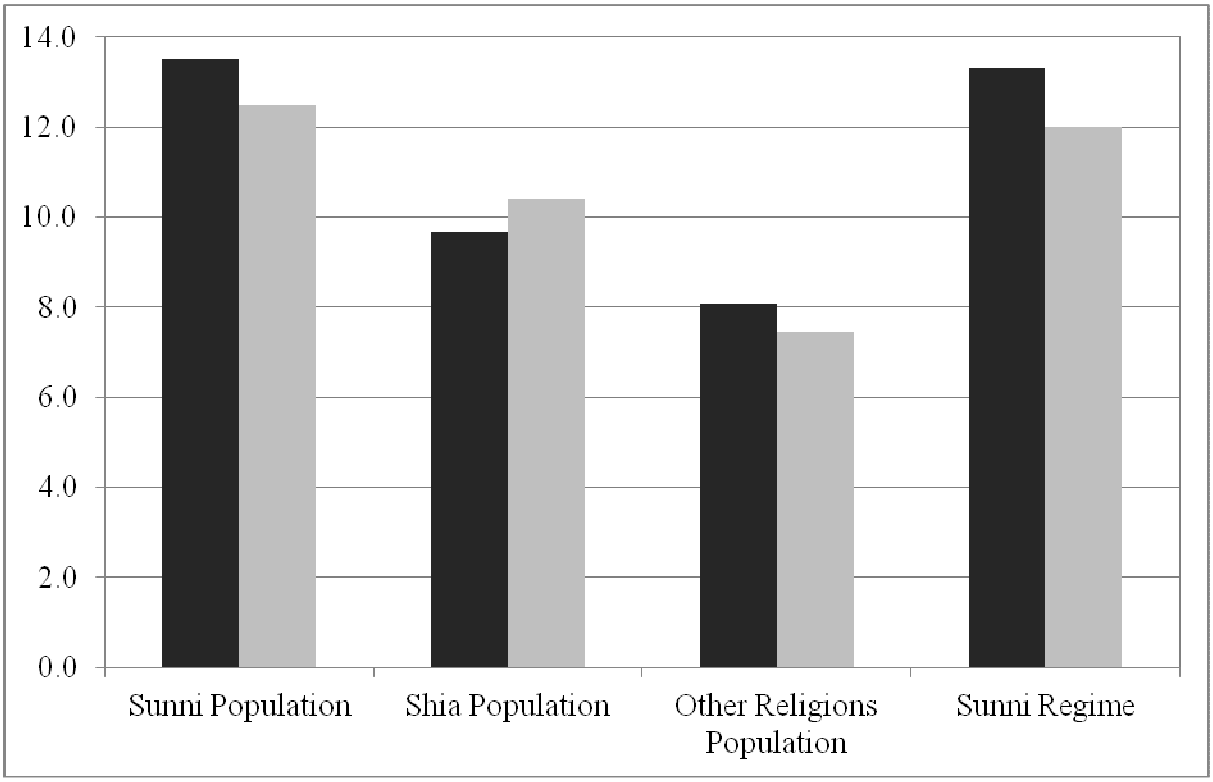

**Table 3a. IsDB Commitments and Religious Affiliation: Plain Effects, Tobit, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Population (log) | **0.155*** | **0.176**** | **0.225**** | **0.171**** | **0.155*** | **0.172**** | **0.167*** | 0.0791 | 0.106 | 0.230 | 0.119 | 0.0749 | 0.109 | 0.0965 |
| | **(0.0663)** | **(0.0397)** | **(0.0148)** | **(0.0400)** | **(0.0664)** | **(0.0467)** | **(0.0515)** | (0.526) | (0.413) | (0.125) | (0.329) | (0.547) | (0.416) | (0.444) |
| GDP per cap (log) | **-0.319**** | **-0.260*** | **-0.193** | **-0.312**** | **-0.321**** | **-0.297**** | **-0.318**** | **-0.423**** | **-0.301*** | -0.133 | **-0.356*** | **-0.415**** | **-0.376**** | **-0.400**** |
| | **(0.0292)** | **(0.0679)** | **(0.185)** | **(0.0351)** | **(0.0318)** | **(0.0394)** | **(0.0296)** | **(0.0267)** | **(0.0922)** | (0.497) | **(0.0511)** | **(0.0327)** | **(0.0466)** | **(0.0345)** |
| Democracy | -0.320 | -0.288 | -0.271 | -0.260 | -0.321 | -0.305 | -0.267 | -0.419 | -0.333 | -0.226 | -0.329 | -0.414 | -0.396 | -0.368 |
| | (0.271) | (0.321) | (0.355) | (0.346) | (0.267) | (0.285) | (0.335) | (0.237) | (0.349) | (0.523) | (0.327) | (0.242) | (0.248) | (0.270) |
| Civil war | 0.0786 | 0.129 | 0.0446 | 0.0571 | 0.0751 | 0.00708 | 0.0570 | 0.152 | 0.205 | -0.0571 | 0.164 | 0.176 | 0.0757 | 0.175 |
| | (0.668) | (0.478) | (0.818) | (0.749) | (0.685) | (0.971) | (0.750) | (0.575) | (0.449) | (0.854) | (0.517) | (0.516) | (0.792) | (0.494) |
| Saudi Arab. aid (log) | -0.00185 | 0.000727 | 0.00449 | -0.00401 | -0.00183 | -0.00265 | -0.00419 | -0.00731 | -0.00206 | 5.94e-05 | -0.00886 | -0.00698 | -0.00898 | -0.00985 |
| | (0.921) | (0.968) | (0.805) | (0.825) | (0.921) | (0.887) | (0.818) | (0.760) | (0.930) | (0.998) | (0.698) | (0.769) | (0.712) | (0.669) |
| Merch. trade / GDP | 0.00430 | 0.00522 | 0.00378 | 0.00459 | 0.00424 | 0.00306 | 0.00453 | 0.00406 | 0.00583 | 0.00235 | 0.00471 | 0.00447 | 0.00260 | 0.00453 |
| | (0.215) | (0.137) | (0.282) | (0.179) | (0.221) | (0.382) | (0.186) | (0.325) | (0.180) | (0.610) | (0.249) | (0.287) | (0.557) | (0.266) |
| Oil production (log) | 0.00959 | 0.00150 | -0.00807 | 0.00411 | 0.00984 | 0.00603 | 0.00526 | 0.0112 | -0.00575 | -0.0221 | -0.00453 | 0.00952 | 0.00557 | 0.00203 |
| | (0.480) | (0.910) | (0.564) | (0.757) | (0.483) | (0.654) | (0.706) | (0.595) | (0.775) | (0.326) | (0.820) | (0.665) | (0.794) | (0.927) |
| Int. Reserves / GDP | -0.00762 | -0.00647 | -0.00893 | -0.00889 | -0.00776 | -0.00827 | -0.00875 | -0.00725 | -0.00551 | -0.00977 | -0.0104 | -0.00664 | -0.00782 | -0.00955 |
| | (0.317) | (0.375) | (0.219) | (0.221) | (0.299) | (0.286) | (0.230) | (0.420) | (0.494) | (0.220) | (0.194) | (0.442) | (0.387) | (0.259) |
| Debt crisis | 0.105 | 0.0493 | -0.143 | 0.331 | 0.0999 | 0.142 | 0.326 | 0.0105 | 0.152 | 0.195 | 0.770 | 0.0558 | 0.207 | 0.629 |
| | (0.901) | (0.955) | (0.874) | (0.707) | (0.906) | (0.868) | (0.710) | (0.994) | (0.914) | (0.882) | (0.611) | (0.968) | (0.879) | (0.679) |
| Sunni regime | **0.485**** | | | | **0.514*** | **0.487**** | 0.0644 | **0.865***** | | | | **0.731*** | **0.834***** | 0.285 |
| | **(0.0123)** | | | | **(0.0970)** | **(0.0119)** | (0.803) | **(0.000835)** | | | | **(0.0635)** | **(0.000820)** | (0.390) |
| Sunni population | | **0.353*** | | | -0.0336 | | | | **0.665***** | | | 0.167 | | |
| | | **(0.0591)** | | | (0.910) | | | | **(0.00472)** | | | (0.639) | | |
| Shia population | | | 0.517 | | | 0.522 | | | | 0.629 | | | 0.442 | |
| | | | (0.181) | | | (0.193) | | | | (0.192) | | | (0.377) | |
| Other population | | | | **-0.671***** | | | **-0.615*** | | | | **-1.096***** | | | **-0.874**** |
| | | | | **(0.00699)** | | | **(0.0781)** | | | | **(0.0006)** | | | **(0.0436)** |
| Rel. Tensions | | | | | | | | 0.0336 | -0.00524 | -0.0535 | 0.0288 | 0.0320 | 0.0286 | 0.0405 |
| | | | | | | | | (0.714) | (0.952) | (0.557) | (0.738) | (0.727) | (0.756) | (0.648) |
| Constant | **14.82***** | **14.09***** | **13.27***** | **15.05***** | **14.84***** | **14.50***** | **15.10***** | **16.47***** | **15.38***** | **13.16***** | **16.36***** | **16.44***** | **15.81***** | **16.70***** |
| | **(0)** | **(0)** | **(1.40e-10)** | **(0)** | **(0)** | **(0)** | **(0)** | **(5.68e-09)** | **(1.40e-07)** | **(6.19e-05)** | **(2.17e-09)** | **(7.12e-09)** | **(1.14e-07)** | **(1.63e-09)** |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No | No | No | No | No | No | No | No | No |
| Observations | 305 | 305 | 305 | 305 | 305 | 305 | 305 | 207 | 207 | 207 | 207 | 207 | 207 | 207 |

**Table 3b. IsDB Commitments and Religious Affiliation: Interaction Effects, Tobit, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Population (log) | 0.0953 | **0.249*** | 0.116 | 0.0665 | 0.128 | 0.0922 | 0.886 | 1.592 | 0.972 | 0.900 | 1.621 | 0.860 |
| | (0.442) | **(0.0954)** | (0.330) | (0.581) | (0.339) | (0.452) | (0.538) | (0.286) | (0.501) | (0.530) | (0.283) | (0.548) |
| GDP per cap (log) | **-0.316*** | **-0.123** | **-0.350*** | **-0.423**** | **-0.368**** | **-0.395**** | -0.895 | -0.682 | -0.888 | -0.845 | -0.689 | -0.834 |
| | **(0.0724)** | **(0.530)** | **(0.0545)** | **(0.0254)** | **(0.0495)** | **(0.0362)** | (0.157) | (0.288) | (0.164) | (0.183) | (0.285) | (0.195) |
| Democracy | -0.329 | -0.238 | -0.320 | -0.406 | -0.410 | -0.361 | 0.314 | 0.331 | 0.322 | 0.332 | 0.325 | 0.353 |
| | (0.340) | (0.498) | (0.327) | (0.238) | (0.228) | (0.269) | (0.277) | (0.244) | (0.252) | (0.250) | (0.253) | (0.220) |
| Civil war | 0.275 | -0.146 | 0.202 | 0.243 | -0.0147 | 0.216 | -0.0770 | -0.169 | 0.0320 | -0.108 | -0.167 | -0.0483 |
| | (0.306) | (0.645) | (0.416) | (0.361) | (0.960) | (0.392) | (0.795) | (0.562) | (0.916) | (0.720) | (0.567) | (0.877) |
| Saudi Arab. aid (log) | 0.00107 | -0.00129 | -0.00717 | -0.00372 | -0.0105 | -0.00813 | 0.0331 | 0.0266 | 0.0305 | 0.0376 | 0.0248 | **0.0405*** |
| | (0.963) | (0.957) | (0.751) | (0.874) | (0.666) | (0.721) | (0.161) | (0.252) | (0.206) | (0.119) | (0.304) | **(0.0983)** |
| Merch. trade / GDP | 0.00668 | 0.000703 | 0.00506 | 0.00535 | 0.000901 | 0.00489 | **0.0192**** | **0.0172*** | **0.0209**** | **0.0174*** | **0.0176*** | **0.0170*** |
| | (0.110) | (0.878) | (0.219) | (0.189) | (0.836) | (0.233) | **(0.0436)** | **(0.0741)** | **(0.0326)** | **(0.0842)** | **(0.0824)** | **(0.0958)** |
| Oil production (log) | -0.00541 | -0.0217 | -0.00622 | 0.00901 | 0.00627 | 0.000558 | 0.0190 | 0.0195 | 0.0183 | 0.0215 | 0.0187 | 0.0238 |
| | (0.785) | (0.331) | (0.762) | (0.675) | (0.765) | (0.980) | (0.411) | (0.384) | (0.427) | (0.358) | (0.420) | (0.308) |
| Int. Reserves / GDP | -0.00994 | -0.00912 | -0.0107 | -0.0108 | -0.00712 | -0.00985 | -0.00258 | 0.00397 | -0.000658 | -0.00285 | 0.00440 | -0.00192 |
| | (0.194) | (0.231) | (0.180) | (0.192) | (0.411) | (0.246) | (0.795) | (0.680) | (0.951) | (0.768) | (0.659) | (0.844) |
| Debt crisis | 0.121 | 0.268 | 0.749 | 0.0315 | 0.281 | 0.601 | -1.792 | -1.030 | -1.691 | -1.637 | -1.048 | -1.559 |
| | (0.929) | (0.837) | (0.612) | (0.981) | (0.834) | (0.685) | (0.279) | (0.547) | (0.325) | (0.324) | (0.541) | (0.356) |
| Sunni regime | | | | **0.691*** | **0.843***** | 0.297 | | | | -1.168 | 0.387 | **-2.487**** |
| | | | | **(0.0642)** | **(0.000624)** | (0.369) | | | | (0.268) | (0.728) | **(0.0346)** |
| Sunni population | -0.705 | | | -1.113 | | | **-2.091*** | | | -1.925 | | |
| | (0.430) | | | (0.215) | | | **(0.0929)** | | | (0.119) | | |
| Sunni pop * Rel. Tensions | 0.353 | | | 0.337 | | | **0.619***** | | | **0.552***** | | |
| | (0.111) | | | (0.127) | | | **(0.00212)** | | | **(0.00702)** | | |
| Shia population | | **3.887**** | | | **3.797**** | | | **2.800***** | | | **2.760***** | |
| | | **(0.0168)** | | | **(0.0194)** | | | **(0.00669)** | | | **(0.00706)** | |
| Shia pop * Rel. Tensions | | **-0.829**** | | | **-0.855*** | | | **-1.197***** | | | **-1.269***** | |
| | | **(0.0451)** | | | **(0.0532)** | | | **(1.74e-06)** | | | **(8.71e-05)** | |
| Other population | | | -0.510 | | | -0.252 | | | 0.990 | | | 1.430 |
| | | | (0.596) | | | (0.801) | | | (0.463) | | | (0.290) |
| Other pop * Rel. Tensions | | | -0.140 | | | -0.147 | | | -0.337 | | | **-0.411*** |
| | | | (0.557) | | | (0.539) | | | (0.154) | | | **(0.0867)** |
| Rel. Tensions | -0.252 | -0.0273 | 0.0609 | -0.206 | 0.0565 | 0.0745 | **-0.469***** | 0.0402 | 0.0556 | **-0.400**** | 0.0370 | 0.114 |
| | (0.218) | (0.758) | (0.508) | (0.321) | (0.522) | (0.430) | **(0.00741)** | (0.739) | (0.669) | **(0.0281)** | (0.762) | (0.352) |
| Constant | **16.65***** | **12.76***** | **16.23***** | **17.60***** | **15.43***** | **16.58***** | 6.834 | -8.269 | 3.499 | 6.078 | -8.705 | 4.826 |
| | **(7.91e-10)** | **(0.000107)** | **(5.84e-09)** | **(0)** | **(2.45e-07)** | **(3.90e-09)** | (0.789) | (0.754) | (0.891) | (0.811) | (0.744) | (0.849) |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 |

**Table 3a. Conditional Marginal Effects of Sunni Population on IsDB Commitments, 90% Confidence Interval.**

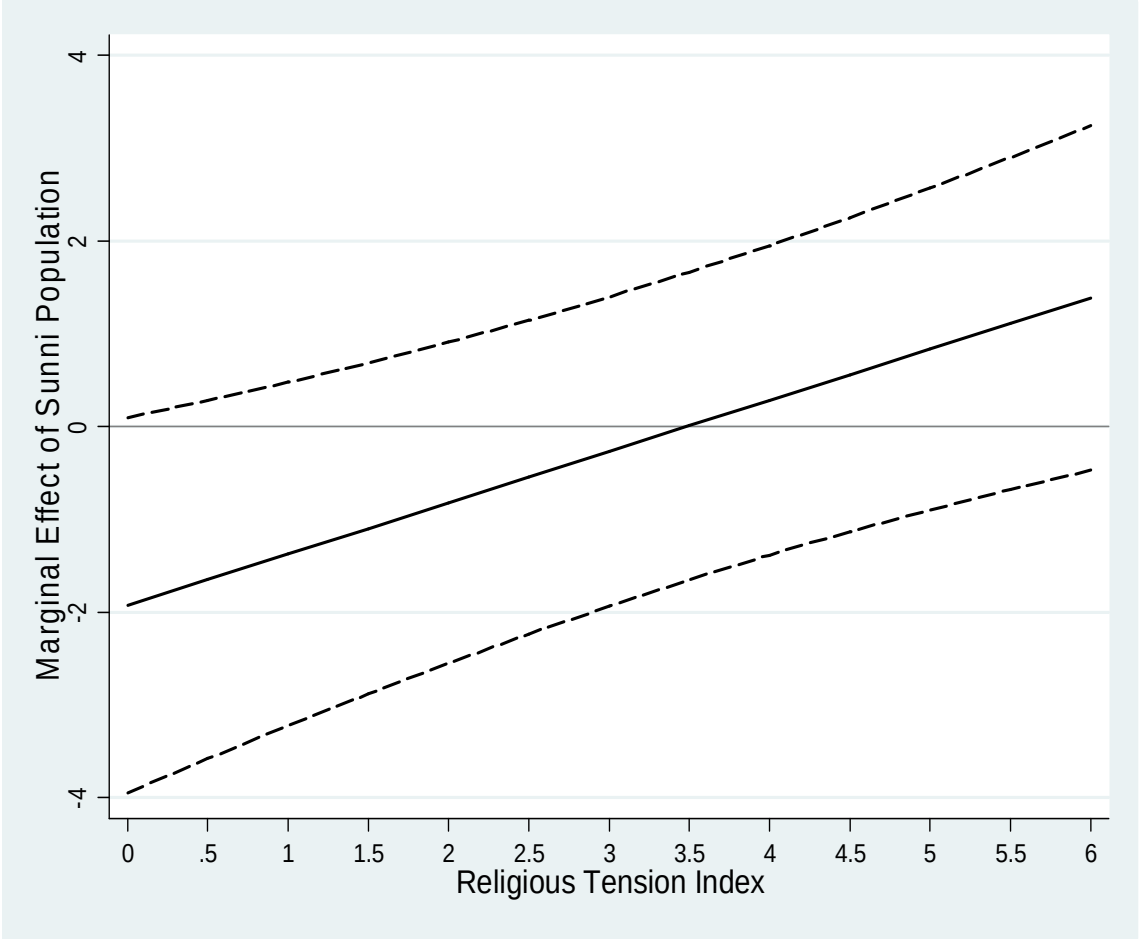

**Table 3b. Conditional Marginal Effects of Shia Population on IsDB Commitments, 90% Confidence Interval.**

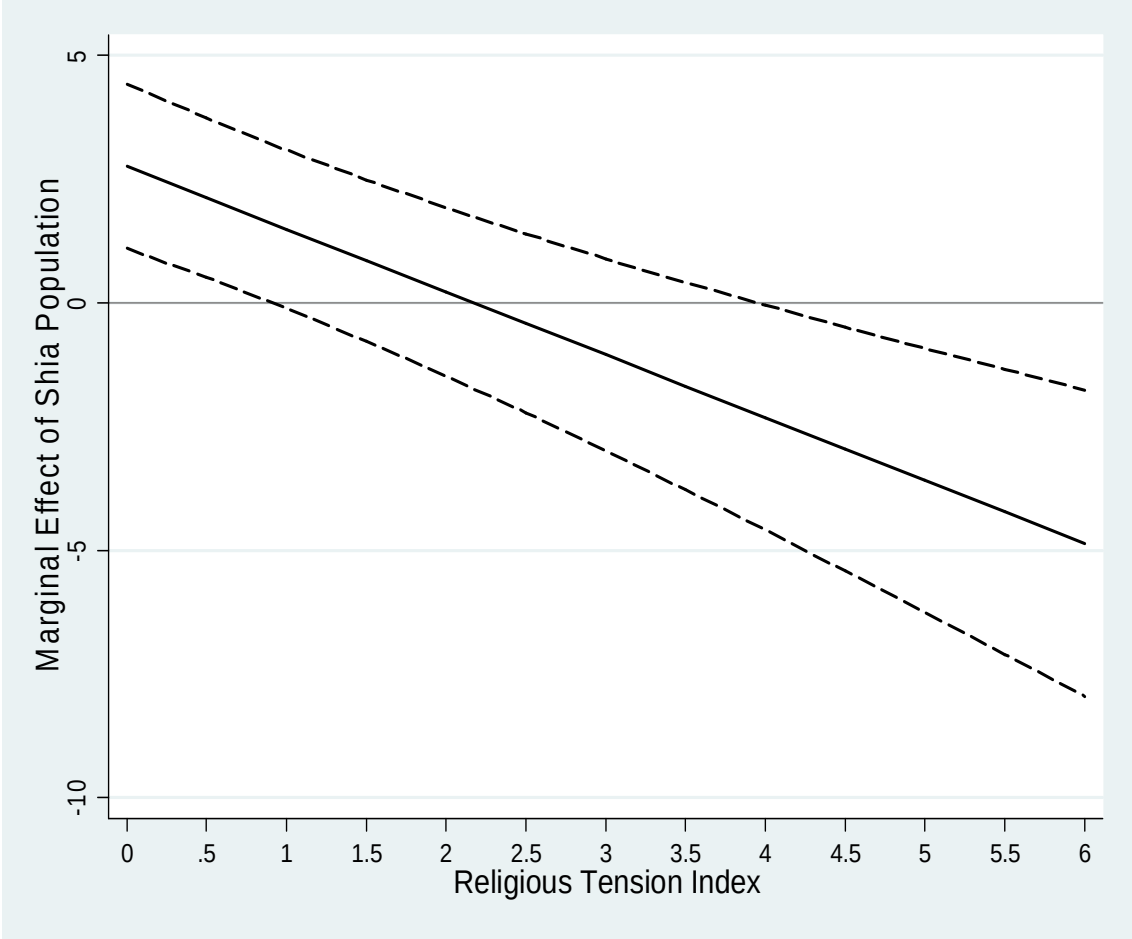

**Table 3c. Conditional Marginal Effects of Others Population on IsDB Commitments, 90% Confidence Interval.**

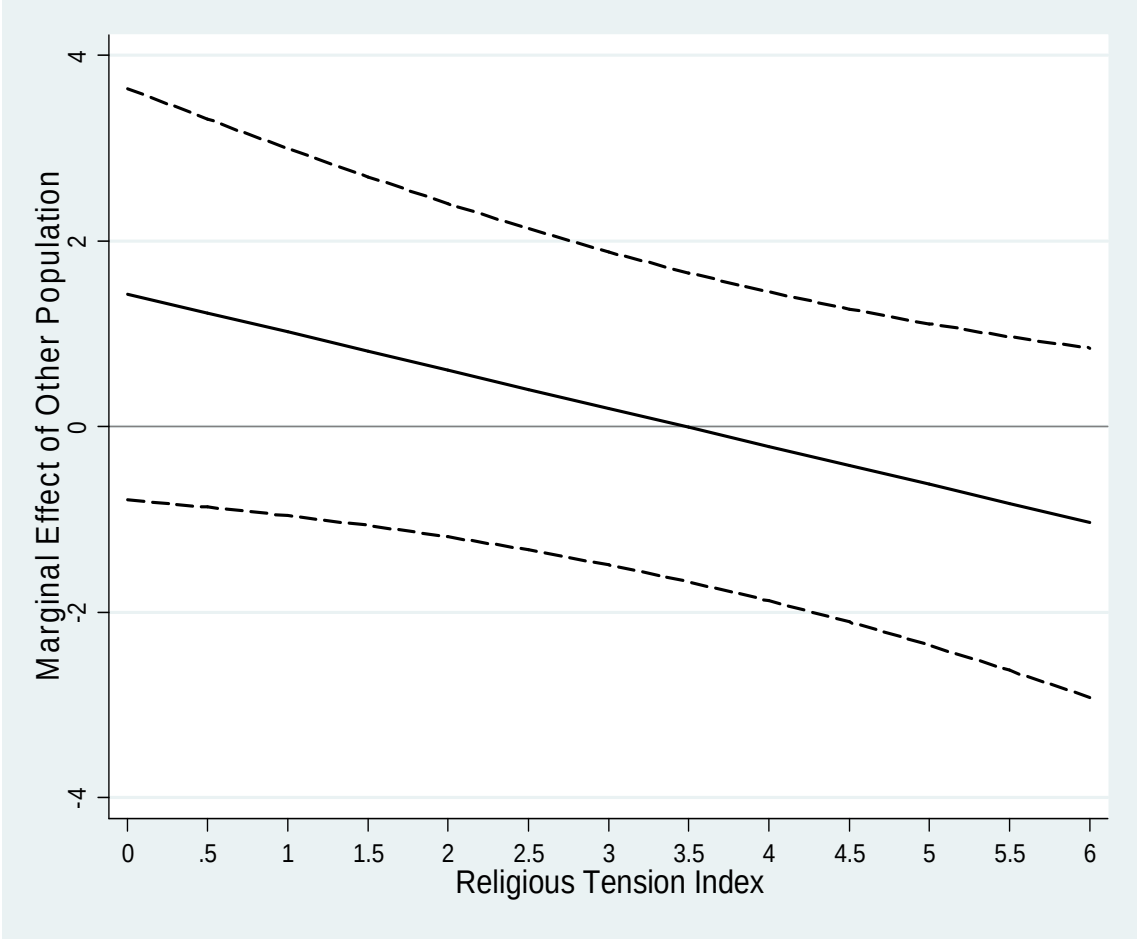

**Table 4a. IsDB Commitments and Religious Affiliation: Plain Effects, GLS, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Population (log) | **0.155*** | **0.176**** | **0.225***** | **0.171**** | **0.155*** | **0.172**** | **0.167**** | 0.0791 | 0.106 | **0.230*** | 0.119 | 0.0749 | 0.109 | 0.0965 |
| | **(0.0526)** | **(0.0264)** | **(0.00435)** | **(0.0279)** | **(0.0526)** | **(0.0333)** | **(0.0363)** | (0.503) | (0.371) | **(0.0542)** | (0.296) | (0.527) | (0.371) | (0.410) |
| GDP per cap (log) | **-0.319**** | **-0.260**** | **-0.193** | **-0.312***** | **-0.321**** | **-0.297**** | **-0.318***** | **-0.423**** | **-0.301*** | -0.133 | **-0.356**** | **-0.415**** | **-0.376**** | **-0.400**** |
| | **(0.0100)** | **(0.0304)** | **(0.107)** | **(0.00962)** | **(0.0102)** | **(0.0170)** | **(0.00990)** | **(0.0133)** | **(0.0637)** | (0.420) | **(0.0261)** | **(0.0155)** | **(0.0344)** | **(0.0182)** |
| Democracy | -0.320 | -0.288 | -0.271 | -0.260 | -0.321 | -0.305 | -0.267 | -0.419 | -0.333 | -0.226 | -0.329 | -0.414 | -0.396 | -0.368 |
| | (0.148) | (0.194) | (0.224) | (0.236) | (0.147) | (0.167) | (0.229) | (0.126) | (0.222) | (0.411) | (0.218) | (0.130) | (0.148) | (0.174) |
| Civil war | 0.0786 | 0.129 | 0.0446 | 0.0571 | 0.0751 | 0.00708 | 0.0570 | 0.152 | 0.205 | -0.0571 | 0.164 | 0.176 | 0.0757 | 0.175 |
| | (0.729) | (0.571) | (0.849) | (0.800) | (0.743) | (0.976) | (0.801) | (0.628) | (0.521) | (0.862) | (0.598) | (0.580) | (0.815) | (0.574) |
| Saudi Arab. aid (log) | -0.00185 | 0.000727 | 0.00449 | -0.00401 | -0.00183 | -0.00265 | -0.00419 | -0.00731 | -0.00206 | 5.94e-05 | -0.00886 | -0.00698 | -0.00898 | -0.00985 |
| | (0.918) | (0.968) | (0.803) | (0.823) | (0.919) | (0.883) | (0.815) | (0.748) | (0.928) | (0.998) | (0.694) | (0.759) | (0.693) | (0.662) |
| Merch. trade / GDP | 0.00430 | 0.00522 | 0.00378 | 0.00459 | 0.00424 | 0.00306 | 0.00453 | 0.00406 | 0.00583 | 0.00235 | 0.00471 | 0.00447 | 0.00260 | 0.00453 |
| | (0.192) | (0.114) | (0.270) | (0.161) | (0.204) | (0.369) | (0.167) | (0.329) | (0.167) | (0.604) | (0.252) | (0.292) | (0.557) | (0.271) |
| Oil production (log) | 0.00959 | 0.00150 | -0.00807 | 0.00411 | 0.00984 | 0.00603 | 0.00526 | 0.0112 | -0.00575 | -0.0221 | -0.00453 | 0.00952 | 0.00557 | 0.00203 |
| | (0.524) | (0.917) | (0.576) | (0.773) | (0.518) | (0.692) | (0.728) | (0.594) | (0.773) | (0.282) | (0.816) | (0.655) | (0.798) | (0.924) |
| Int. Reserves / GDP | -0.00762 | -0.00647 | -0.00893 | -0.00889 | -0.00776 | -0.00827 | -0.00875 | -0.00725 | -0.00551 | -0.00977 | -0.0104 | -0.00664 | -0.00782 | -0.00955 |
| | (0.192) | (0.276) | (0.131) | (0.126) | (0.193) | (0.157) | (0.134) | (0.300) | (0.440) | (0.172) | (0.132) | (0.350) | (0.264) | (0.172) |
| Debt crisis | 0.105 | 0.0493 | -0.143 | 0.331 | 0.0999 | 0.142 | 0.326 | 0.0105 | 0.152 | 0.195 | 0.770 | 0.0558 | 0.207 | 0.629 |
| | (0.941) | (0.973) | (0.921) | (0.817) | (0.944) | (0.921) | (0.819) | (0.996) | (0.942) | (0.927) | (0.708) | (0.978) | (0.920) | (0.760) |
| Sunni regime | **0.485***** | | | | **0.514*** | **0.487***** | 0.0644 | **0.865***** | | | | **0.731*** | **0.834***** | 0.285 |
| | **(0.00835)** | | | | **(0.0911)** | **(0.00797)** | (0.822) | **(0.000724)** | | | | **(0.0538)** | **(0.00119)** | (0.434) |
| Sunni population | | **0.353**** | | | -0.0336 | | | | **0.665***** | | | 0.167 | | |
| | | **(0.0435)** | | | (0.907) | | | | **(0.00519)** | | | (0.632) | | |
| Shia population | | | 0.517 | | | 0.522 | | | | 0.629 | | | 0.442 | |
| | | | (0.168) | | | (0.159) | | | | (0.182) | | | (0.340) | |
| Other population | | | | **-0.671***** | | | **-0.615*** | | | | **-1.096***** | | | **-0.874**** |
| | | | | **(0.00110)** | | | **(0.0557)** | | | | **(6.53e-05)** | | | **(0.0268)** |
| Rel. Tensions | | | | | | | | 0.0336 | -0.00524 | -0.0535 | 0.0288 | 0.0320 | 0.0286 | 0.0405 |
| | | | | | | | | (0.710) | (0.953) | (0.546) | (0.743) | (0.723) | (0.751) | (0.650) |
| Constant | **14.82***** | **14.09***** | **13.27***** | **15.05***** | **14.84***** | **14.50***** | **15.10***** | **16.47***** | **15.38***** | **13.16***** | **16.36***** | **16.44***** | **15.81***** | **16.70***** |
| | **(0)** | **(0)** | **(0)** | **(0)** | **(0)** | **(0)** | **(0)** | **(4.37e-09)** | **(3.03e-08)** | **(3.45e-06)** | **(2.54e-09)** | **(4.66e-09)** | **(4.18e-08)** | **(1.78e-09)** |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No | No | No | No | No | No | No | No | No |
| Observations | 305 | 305 | 305 | 305 | 305 | 305 | 305 | 207 | 207 | 207 | 207 | 207 | 207 | 207 |

**Table 4b. IsDB Commitments and Religious Affiliation: Interaction Effects, GLS, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Population (log) | 0.0953 | **0.249**** | 0.116 | 0.0665 | 0.128 | 0.0922 | 0.886 | 1.592 | 0.972 | 0.900 | 1.621 | 0.860 |
| | (0.416) | **(0.0357)** | (0.308) | (0.571) | (0.290) | (0.431) | (0.489) | (0.211) | (0.458) | (0.481) | (0.205) | (0.508) |
| GDP per cap (log) | **-0.316**** | -0.123 | **-0.350**** | **-0.423**** | **-0.368**** | **-0.395**** | -0.895 | -0.682 | -0.888 | -0.845 | -0.689 | -0.834 |
| | **(0.0496)** | (0.452) | **(0.0287)** | **(0.0128)** | **(0.0365)** | **(0.0194)** | (0.172) | (0.295) | (0.185) | (0.198) | (0.291) | (0.209) |
| Democracy | -0.329 | -0.238 | -0.320 | -0.406 | -0.410 | -0.361 | 0.314 | 0.331 | 0.322 | 0.332 | 0.325 | 0.353 |
| | (0.222) | (0.384) | (0.230) | (0.134) | (0.131) | (0.183) | (0.400) | (0.373) | (0.394) | (0.373) | (0.382) | (0.347) |
| Civil war | 0.275 | -0.146 | 0.202 | 0.243 | -0.0147 | 0.216 | -0.0770 | -0.169 | 0.0320 | -0.108 | -0.167 | -0.0483 |
| | (0.388) | (0.657) | (0.519) | (0.441) | (0.964) | (0.492) | (0.841) | (0.661) | (0.934) | (0.780) | (0.666) | (0.901) |
| Saudi Arab. aid (log) | 0.00107 | -0.00129 | -0.00717 | -0.00372 | -0.0105 | -0.00813 | 0.0331 | 0.0266 | 0.0305 | 0.0376 | 0.0248 | 0.0405 |
| | (0.962) | (0.955) | (0.751) | (0.869) | (0.643) | (0.719) | (0.185) | (0.285) | (0.228) | (0.140) | (0.340) | (0.114) |
| Merch. trade / GDP | 0.00668 | 0.000703 | 0.00506 | 0.00535 | 0.000901 | 0.00489 | **0.0192***** | **0.0172**** | **0.0209***** | **0.0174**** | **0.0176**** | **0.0170**** |
| | (0.112) | (0.878) | (0.221) | (0.205) | (0.840) | (0.237) | **(0.00944)** | **(0.0204)** | **(0.00514)** | **(0.0229)** | **(0.0209)** | **(0.0271)** |
| Oil production (log) | -0.00541 | -0.0217 | -0.00622 | 0.00901 | 0.00627 | 0.000558 | 0.0190 | 0.0195 | 0.0183 | 0.0215 | 0.0187 | 0.0238 |
| | (0.784) | (0.287) | (0.751) | (0.669) | (0.772) | (0.979) | (0.663) | (0.653) | (0.678) | (0.622) | (0.667) | (0.588) |
| Int. Reserves / GDP | -0.00994 | -0.00912 | -0.0107 | -0.0108 | -0.00712 | -0.00985 | -0.00258 | 0.00397 | -0.000658 | -0.00285 | 0.00440 | -0.00192 |
| | (0.178) | (0.199) | (0.120) | (0.140) | (0.305) | (0.159) | (0.782) | (0.670) | (0.944) | (0.760) | (0.643) | (0.837) |
| Debt crisis | 0.121 | 0.268 | 0.749 | 0.0315 | 0.281 | 0.601 | -1.792 | -1.030 | -1.691 | -1.637 | -1.048 | -1.559 |
| | (0.953) | (0.899) | (0.715) | (0.988) | (0.891) | (0.770) | (0.312) | (0.558) | (0.351) | (0.357) | (0.552) | (0.386) |
| Sunni regime | | | | **0.691*** | **0.843***** | 0.297 | | | | -1.168 | 0.387 | **-2.487*** |
| | | | | **(0.0661)** | **(0.000935)** | (0.414) | | | | (0.387) | (0.811) | **(0.0556)** |
| Sunni population | -0.705 | | | -1.113 | | | -2.091 | | | -1.925 | | |
| | (0.306) | | | (0.121) | | | (0.179) | | | (0.219) | | |
| Sunni pop * Rel. Tensions | **0.353**** | | | **0.337**** | | | **0.619***** | | | **0.552**** | | |
| | **(0.0343)** | | | **(0.0419)** | | | **(0.00581)** | | | **(0.0197)** | | |
| Shia population | | **3.887**** | | | **3.797**** | | | **2.800*** | | | 2.760 | |
| | | **(0.0289)** | | | **(0.0286)** | | | **(0.0960)** | | | (0.103) | |
| Shia pop * Rel. Tensions | | **-0.829*** | | | **-0.855**** | | | **-1.197***** | | | **-1.269***** | |
| | | **(0.0578)** | | | **(0.0449)** | | | **(0.00199)** | | | **(0.00992)** | |
| Other population | | | -0.510 | | | -0.252 | | | 0.990 | | | 1.430 |
| | | | (0.525) | | | (0.770) | | | (0.544) | | | (0.381) |
| Others pop * Rel. Tensions | | | -0.140 | | | -0.147 | | | -0.337 | | | -0.411 |
| | | | (0.437) | | | (0.417) | | | (0.199) | | | (0.119) |
| Rel. Tensions | **-0.252*** | -0.0273 | 0.0609 | -0.206 | 0.0565 | 0.0745 | **-0.469**** | 0.0402 | 0.0556 | **-0.400*** | 0.0370 | 0.114 |
| | **(0.0843)** | (0.759) | (0.530) | (0.162) | (0.531) | (0.449) | **(0.0198)** | (0.732) | (0.672) | **(0.0643)** | (0.755) | (0.392) |
| Constant | **16.65***** | **12.76***** | **16.23***** | **17.60***** | **15.43***** | **16.58***** | 6.834 | -8.269 | 3.499 | 6.078 | -8.705 | 4.826 |
| | **(3.15e-09)** | **(6.00e-06)** | **(3.41e-09)** | **(5.44e-10)** | **(7.09e-08)** | **(2.29e-09)** | (0.773) | (0.724) | (0.884) | (0.797) | (0.711) | (0.840) |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 | 207 |

**Table 5a. World Bank Commitments and Religious Affiliation: Plain Effects, Tobit, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Population (log) | **2.215*** ** | **2.227*** ** | **2.124*** ** | **2.271*** ** | **2.224*** ** | **2.056*** ** | **2.205*** ** | **2.876*** ** | **2.915*** ** | **2.736*** ** | **2.881*** ** | **2.873*** ** | **2.674*** ** | **2.895*** ** |
| | **(5.31e-09)** | **(1.38e-09)** | **(2.91e-09)** | **(5.99e-10)** | **(5.59e-09)** | **(3.16e-08)** | **(1.11e-08)** | **(4.36e-06)** | **(1.28e-06)** | **(5.06e-06)** | **(1.40e-06)** | **(5.06e-06)** | **(2.48e-05)** | **(5.59e-06)** |
| GDP per cap (log) | **-3.886*** ** | **-3.829*** ** | **-3.925*** ** | **-3.805*** ** | **-3.838*** ** | **-4.063*** ** | **-3.884*** ** | **-3.140*** ** | **-3.053*** ** | **-3.387*** ** | **-3.149*** ** | **-3.180*** ** | **-3.528*** ** | **-3.121*** ** |
| | **(8.40e-09)** | **(2.28e-09)** | **(8.00e-11)** | **(5.96e-09)** | **(2.48e-08)** | **(2.52e-10)** | **(8.46e-09)** | **(0.00155)** | **(0.000548)** | **(5.13e-05)** | **(0.000497)** | **(0.00211)** | **(0.000343)** | **(0.00172)** |
| Democracy | **1.676*** | **1.719*** | **1.419** | **1.767*** | **1.714*** | 1.372 | **1.635*** | **2.038*** | **2.112*** | **1.920*** | **2.042*** | **2.024*** | 1.805 | **2.069*** |
| | **(0.0765)** | **(0.0682)** | **(0.135)** | **(0.0626)** | **(0.0701)** | (0.144) | **(0.0860)** | **(0.0726)** | **(0.0576)** | **(0.0763)** | **(0.0626)** | **(0.0762)** | (0.113) | **(0.0687)** |
| Civil war | **-4.879*** ** | **-4.776*** ** | **-3.785*** ** | **-4.863*** ** | **-4.785*** ** | **-3.859*** ** | **-4.861*** ** | **-3.066*** | **-3.107** ** | **-2.511*** | **-3.039*** | **-3.137** ** | -2.445 | **-3.044*** |
| | **(5.39e-05)** | **(7.90e-05)** | **(0.00196)** | **(6.10e-05)** | **(4.93e-05)** | **(0.00149)** | **(6.57e-05)** | **(0.0549)** | **(0.0467)** | **(0.0964)** | **(0.0537)** | **(0.0426)** | (0.118) | **(0.0548)** |
| Saudi Arab. aid (log) | **0.305*** ** | **0.302*** ** | **0.307*** ** | **0.313*** ** | **0.302*** ** | **0.290** ** | **0.307*** ** | 0.205 | 0.209 | 0.220 | 0.201 | 0.205 | 0.214 | 0.202 |
| | **(0.00780)** | **(0.00906)** | **(0.00542)** | **(0.00753)** | **(0.00886)** | **(0.0106)** | **(0.00831)** | (0.168) | (0.157) | (0.122) | (0.178) | (0.167) | (0.146) | (0.177) |
| Merch. trade / GDP | -0.0139 | -0.0125 | -0.00534 | -0.0131 | -0.0126 | -0.00553 | -0.0142 | **-0.0432*** | **-0.0436*** | -0.0352 | **-0.0429*** | **-0.0442*** | -0.0346 | **-0.0429*** |
| | (0.406) | (0.457) | (0.761) | (0.432) | (0.459) | (0.751) | (0.396) | **(0.0684)** | **(0.0691)** | (0.155) | **(0.0713)** | **(0.0661)** | (0.165) | **(0.0713)** |
| Oil production (log) | 0.0107 | 0.00251 | 0.0375 | -0.00534 | 0.00373 | 0.0550 | 0.0144 | -0.0333 | -0.0423 | 0.000786 | -0.0367 | -0.0260 | 0.0158 | -0.0409 |
| | (0.882) | (0.971) | (0.562) | (0.937) | (0.960) | (0.430) | (0.845) | (0.772) | (0.682) | (0.994) | (0.725) | (0.833) | (0.888) | (0.730) |
| Int. Reserves / GDP | **-0.0587*** | -0.0539 | -0.0440 | **-0.0597*** | -0.0542 | -0.0440 | -0.0581 | -0.0276 | -0.0281 | -0.0205 | -0.0286 | -0.0301 | -0.0199 | -0.0290 |
| | **(0.0979)** | (0.128) | (0.189) | **(0.0888)** | (0.116) | (0.192) | (0.105) | (0.526) | (0.516) | (0.624) | (0.507) | (0.478) | (0.640) | (0.511) |
| Debt crisis | 7.231 | 7.427 | 5.767 | 7.252 | 7.428 | 6.195 | 7.030 | 9.229 | 9.206 | 7.615 | 9.618 | 8.987 | 7.586 | 9.726 |
| | (0.110) | (0.100) | (0.190) | (0.110) | (0.100) | (0.160) | (0.118) | (0.244) | (0.245) | (0.339) | (0.215) | (0.263) | (0.338) | (0.217) |
| Sunni regime | 0.922 | | | | 0.0920 | 0.755 | 1.264 | 0.288 | | | | 0.790 | 0.480 | -0.192 |
| | (0.258) | | | | (0.962) | (0.344) | (0.465) | (0.822) | | | | (0.768) | (0.707) | (0.934) |
| Sunni population | | 1.039 | | | 0.966 | | | | -0.0423 | | | -0.601 | | |
| | | (0.203) | | | (0.614) | | | | (0.970) | | | (0.803) | | |
| Shia population | | | **-7.357*** ** | | | **-7.233** ** | | | | -4.278 | | | -4.356 | |
| | | | **(0.00908)** | | | **(0.0105)** | | | | (0.262) | | | (0.263) | |
| Other population | | | | -0.638 | | | 0.470 | | | | -0.531 | | | -0.680 |
| | | | | (0.438) | | | (0.794) | | | | (0.651) | | | (0.762) |
| Rel. Tensions | | | | | | | | **0.810*** | **0.776*** | **0.820*** | **0.826*** | **0.811*** | **0.871** ** | **0.819*** |
| | | | | | | | | **(0.0772)** | **(0.0790)** | **(0.0590)** | **(0.0726)** | **(0.0783)** | **(0.0498)** | **(0.0748)** |
| Constant | 8.208 | 7.373 | 9.635 | 7.570 | 7.487 | 11.15 | 7.986 | -10.15 | -11.02 | -6.786 | -9.846 | -9.691 | -5.365 | -10.07 |
| | (0.370) | (0.403) | (0.264) | (0.402) | (0.426) | (0.214) | (0.382) | (0.511) | (0.455) | (0.648) | (0.509) | (0.540) | (0.734) | (0.512) |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No | No | No | No | No | No | No | No | No |
| Observations | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 236 | 236 | 236 | 236 | 236 | 236 | 236 |

**Table 6a. World Bank Commitments and Religious Affiliation: Interaction Effects, Tobit, 1976 – 2007, 4-year averages.**

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| Population (log) | **2.866*** ** | **2.735*** ** | **2.857*** ** | **2.832*** ** | **2.673*** ** | **2.865*** ** |
| | **(9.81e-07)** | **(5.46e-06)** | **(1.07e-06)** | **(4.09e-06)** | **(2.70e-05)** | **(4.48e-06)** |
| GDP per cap (log) | **-3.076*** ** | **-3.388*** ** | **-3.104*** ** | **-3.182*** ** | **-3.528*** ** | **-3.088*** ** |
| | **(0.000391)** | **(5.23e-05)** | **(0.000625)** | **(0.00183)** | **(0.000349)** | **(0.00194)** |
| Democracy | **2.097*** | **1.919*** | **2.064*** | **2.023*** | 1.805 | **2.079*** |
| | **(0.0520)** | **(0.0765)** | **(0.0550)** | **(0.0687)** | (0.113) | **(0.0624)** |
| Civil war | **-2.825*** | **-2.501*** | **-2.791*** | **-2.855*** | -2.436 | **-2.794*** |
| | **(0.0676)** | **(0.0966)** | **(0.0700)** | **(0.0608)** | (0.118) | **(0.0722)** |
| Saudi Arab. aid (log) | 0.220 | 0.220 | 0.211 | 0.216 | 0.214 | 0.212 |
| | (0.139) | (0.122) | (0.159) | (0.147) | (0.146) | (0.158) |
| Merch. trade / GDP | **-0.0405*** | -0.0350 | **-0.0408*** | **-0.0411*** | -0.0344 | **-0.0408*** |
| | **(0.0884)** | (0.157) | **(0.0886)** | **(0.0856)** | (0.166) | **(0.0885)** |
| Oil production (log) | -0.0433 | 0.000764 | -0.0459 | -0.0297 | 0.0157 | -0.0482 |
| | (0.671) | (0.994) | (0.664) | (0.808) | (0.888) | (0.687) |
| Int. Reserves / GDP | -0.0394 | -0.0205 | -0.0309 | -0.0407 | -0.0199 | -0.0311 |
| | (0.376) | (0.624) | (0.474) | (0.352) | (0.640) | (0.481) |
| Debt crisis | 9.585 | 7.610 | 9.964 | 9.399 | 7.581 | 10.02 |
| | (0.220) | (0.339) | (0.194) | (0.236) | (0.338) | (0.198) |
| Sunni regime | | | | 0.659 | 0.479 | -0.108 |
| | | | | (0.806) | (0.707) | (0.963) |
| Sunni population | -3.719 | | | -4.122 | | |
| | (0.254) | | | (0.275) | | |
| Sunni pop * Rel. Tensions | 0.947 | | | 0.931 | | |
| | (0.216) | | | (0.227) | | |
| Shia population | | -4.663 | | | -4.700 | |
| | | (0.771) | | | (0.772) | |
| Shia pop * Rel. Tensions | | 0.0976 | | | 0.0875 | |
| | | (0.980) | | | (0.983) | |
| Other population | | | 2.414 | | | 2.320 |
| | | | (0.385) | | | (0.492) |
| Others pop * Rel. Tensions | | | -0.710 | | | -0.707 |
| | | | (0.286) | | | (0.287) |
| Rel. Tensions | 0.145 | **0.817*** | **1.018*** | 0.185 | **0.869** ** | **1.013*** |
| | (0.791) | **(0.0599)** | **(0.0754)** | (0.747) | **(0.0492)** | **(0.0767)** |
| Constant | -7.543 | -6.758 | -10.57 | -6.502 | -5.341 | -10.69 |
| | (0.593) | (0.650) | (0.482) | (0.668) | (0.736) | (0.488) |
| Time fixed eff. | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed eff. | No | No | No | No | No | No |
| Observations | 236 | 236 | 236 | 236 | 236 | 236 |