

Avoiding the Blame Game: The Domestic Political Costs of Aid Withdrawal

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Abstract

Aid withdrawal happens. Donors promise more aid than they are able to give; recipients fail to meet the conditions of aid and cannot receive it. Completely exogenous shocks can lead to the cancellation of an aid project. Aid withdrawal, defined as a donor's decision to not go through with agreed-upon funding for a recipient, may be costly for intended aid recipients. I use qualitative evidence from Kosovo to establish a range of politician responses to aid withdrawal. Then, I test the efficacy of these responses on citizen approval for their government with an online survey experiment in India. Initial results suggest that respondents' approval of government actions in the wake of aid withdrawal (blaming the donor for withdrawal or self-funding the project) is moderated by the importance of the sector from which aid was withdrawn. I show that there are benefits to politicians taking costly actions (self-funding the project) after aid is withdrawn from a high-importance sector. By establishing the down-stream cost of aid withdrawal for recipient politicians, I lay the groundwork for a larger research project on the effect of aid withdrawal on the ecology of aid contracts.

1 Introduction

In 2018, two billion dollars more aid commitments were made than aid disbursements.(OECD 2020) While some of this gap may be attributed to difficulties in accounting for disbursements or commitments made for future years, part of this gap may also be created by aid withdrawal. I define "aid withdrawal" as the prospective aid donor's decision to not disburse funds (either permanently or temporarily) that have been committed to a given recipient entity (most often country). Aid withdrawal may be conditional on the actions of a recipient entity. For example, in 2014, donors from multiple countries suspended aid to Tanzania due to widespread corruption.[*The Guardian* 2014] This is a case of "aid withdrawal" because the contract for aid between the recipient and donor had been stopped and the recipient would no longer receive the expected aid in the agreed-upon time frame, if at all. On the other hand, aid withdrawal may be conditional on donor domestic politics. The 2019 decision of the Trump administration to suspend military aid for Ukraine was

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largely a function of changing demands on the part of the US donor: when the contract for military aid was initially signed, there was no mention of Ukraine's President Volodymir Zelensky being obligated to announce an investigation into President Trump's political rival as a precondition for aid. [Kramer 2019] I identify this as an instance of "aid withdrawal" because the aid that had been expected by Ukraine was not released by the United States under the agreed timeline. Aid withdrawal, then, is an action in which a foreign donor decides not to follow through with committed aid to a recipient.

The dynamics of aid withdrawal clearly affect both recipients and donors, as the recent impeachment of US President Donald Trump due to his withholding of aid from Ukraine makes clear. However, in this paper I focus on the effects of aid withdrawal on domestic politics in recipient countries. That is, given that aid is withdrawn, how do intended recipient politicians respond, and what is the effect of their responses on voter support? Going forward, I establish two features of aid withdrawal. First, aid withdrawal may be associated with negative effects for recipient politicians. Second, the aspects of aid withdrawal that make this event costly for recipient politicians may incentivize politicians to take costly actions to mitigate the effects of aid withdrawal on their approval. Differences in the baseline conditions of aid withdrawal may provide incentives for politicians to tailor their actions to the circumstances.

I develop a theory of the domestic political costs of aid withdrawal; the primary implication of this theory is that politicians have clear reasons to avoid blame for the absence of aid. I motivate two strategies of blame-avoidance (self-funding the project and blaming the aid agency) with a case study of Kosovo, then empirically test the implications of these strategies with an online survey experiment fielded in India.

Results from the survey experiment suggest that respondent' approval of domestic politicians' actions after aid withdrawal are dependent on the sector from which aid is withdrawn. For highly-salient sectors, participants in the survey respond more positively to politicians self-funding the projects. For low-salience sectors, blame is a more effective action. If politicians are aware of these differences, this may change the incentives for politicians to pursue aid contracts from unreliable donors in important sectors, due to the budgetary cost associated with self-funding, the action that would most improve their approval in the wake of aid withdrawal.

Blame attribution follows the same patterns as approval for politicians. Less blame is attributed to

politicians who self-fund the aid project, but only in high-importance sectors. Self-funding a project in a low-importance sector is unpopular and, despite the costliness of this action, does not improve approval ratings or diminish the amount of blame born by the politician for aid withdrawal. If the politician self-funds the project, respondents are also less likely to consider attracting aid an important priority for the politician going forward. This could provide an incentive for politicians to decrease the amount of time and effort they spend to attract additional help to their constituents because citizens do not perceive it as an important action. Overall, my results suggest that aid withdrawal is costly for domestic recipients and may incentivize costly actions that have specific effects on citizens' perceptions of their government and aid.

In addressing the concept of aid withdrawal, I build on a robust literature on foreign aid, commitment problems, and credit-claiming. When agreeing to an aid contract, neither donor nor recipient countries can be certain that the other party will uphold the terms of their bargain. [Swedlund 2017a; Dunning 2004] Donors cannot be certain that recipients will use the funds for the purposes outlined in the agreement and recipients cannot be certain that the donors will disburse the promised funds in a timely and efficient way, if at all. [Dietrich 2013] Donors may attempt to ensure that their donated funds are spent only on relevant sectors by limiting their funding to specific projects, select contractors, and conditioning aid on progress in relevant policy arenas.¹[De Mesquita and Smith 2007; Swedlund 2017a; Burnside and Dollar 2000; Dollar 2006] Failing to meet conditions may lead donors to withdraw aid from recipients. Withdrawal is costly for both recipients and donors; donors lose the opportunity to influence the recipient state, may face reputation costs, and may face internal budget costs as a result of not meeting their aid commitments.[Swedliund 2017b] In an attempt to mitigate these costs, recipients and donors may seek different aid modalities to minimize commitment problems; Swedlund (2017a) notes that the rise and fall of budget support as a way to transfer funds from donors to recipients was primarily a function of parties seeking to reduce the chances for the other party to renege on their contract. Recipients, clearly, lose the additional budget support with some of the political gains that may come with the presence of aid.

The credit-claiming literature on aid suggests that politicians take credit for the presence of aid to signal their quality, regardless of their own involvement.[Guiteras and Mobarak 2015; Dietrich, Mahmud, and

¹Arguably, aid is fungible and therefore the imposition of conditions may not affect the manner in which recipient countries spend donor funds. This point will be discussed further in the paper but bears repeating here.

Winters 2018; Dietrich 2017] Politicians take costly actions to ensure that citizens credit them for receiving aid. These actions include more frequently visiting villages assigned aid, putting up billboards advertising the aid project alongside local politicians' photos, and being present at ceremonies at the beginning of aid projects.[Cruz and Schneider 2017] If politicians go out of their way to associate themselves with popular aid projects, how do they respond to the notable absence of aid projects?

In this paper, I develop a theory of aid withdrawal and domestic political consequences that outlines the potential actions taken by recipient politicians in the wake of aid withdrawal. A case study from Kosovo illustrates this dynamic and outlines the circumstances under which politicians may have incentives to take particular actions. I then use a survey experiment fielded in India as an external test of this theory. Results suggest that the effect of different political actions after aid withdrawal is highly dependent on citizens' feelings about the sector from which aid is withdrawn. I conclude by setting forward a research agenda that explores the implications of these findings on aid withdrawal and domestic politics.

2 Aid, Credit-Claiming, and Blame

The commitment problem of aid has changed the dominant forms of aid over time. The consensus in the literature is that the strategic concerns of donors during the Cold War dominated their humanitarian or economic goals.[Dunning 2004; Bermeo 2016] With credible alternatives to aid from democratic countries, aid recipients could threaten to align themselves with other powers and could thereby extract more and less conditional aid.[Dunning 2004] In the post-Cold War, recipients have fewer outside options and are less likely to make credible threats to find new allies. Strategic considerations have not disappeared in the wake of the Cold War; potential recipient nations that are geographically, politically, or strategically salient to donors are given more aid.[Bermeo 2015; Kuziemko and Werker 2006; Dreher 2009a; Dreher 2009b]

The abuse of aid by recipient nations is well-documented and has led to a debate as to whether aid is in fact beneficial for recipients.[Easterly, Levine Roodman 2003; Burnside and Dollar 2004; Rajan and Subramanian 2005; Burnside and Dollar 2000; Easterly 2007] Aid may keep dictators in power, support paramilitary units, increase corruption and decrease participation in local labor unions (in the case of Chinese aid), reduce government revenue collection, reify political and ethnic divides, and may not positively affect GDP

growth.[Licht 2010; Dube 2015; Isaksson 2018a, Isaksson 2018b; Remmer 2004; Jablonski 2014; Easterly 2004] There may be benefits to aid, including democratization under certain circumstances, improved educational outcomes, trade liberalization, reduces democratic transition costs, and improved governance.[Licht 2010; Christensen 2011; Kono and Monitola 2009; Savun 2011; Jones 2016] The effects of aid are not predetermined by the aid itself but are a function of how local recipients interact with the donors and donations.

Donors are not homogeneous and have different priorities for their aid and its effect on recipient countries.[Dreher 2011; Dietrich 2017; Isaksson 2017; Isaksson 2018; Shushan and Marcoux 2011; Wright 2010; Easterly 2011; Acht 2011; Winters 2010; Milner and Tingley 2010] Dietrich (2016, 2013) notes that donor political economies predict the type of aid they are willing to commit; donors that internally value state institutions are less likely to give aid that bypasses recipient state institutions compared to donors that place less value on strong state institutions. Swedlund (2017) describes how donors' inability to commit to the actual dispersal of funds and recipients' inability or unwillingness to effectively respond to donor demands creates a commitment problem. She argues that the rise and fall of budget support as a primary aid delivery mechanism was an attempt by donors and recipients to alleviate the commitment problems associated with aid. (Swedlund 2017) In order to secure guaranteed funding, recipient states are willing to make more substantial policy concessions.

Aid conditions set for recipients by donors attempt to correct for the moral hazard problem of using aid for corrupt purposes or projects not in line with donor priorities. In order to be eligible for certain types of aid, recipients have to improve on metrics including good governance, rule of law, and human rights. Bracic (2016) demonstrates that the carrot of EU membership and future EU funding can improve minority rights in pre-accession states. However, conditionality too becomes a function of a recipient states' strategic value to donors. Donors are willing to offer fewer conditions on aid to strategically important recipients.[Bermeo 2015; Dreher 2009b] If donors are too invested in the outcome of their donation, they cannot credibly commit to rescinding their aid offer.[Bearce 2010]² When concessions are a precondition for aid, recipients must decide whether the cost of concessions is worth the benefits from aid. De Mesquita and Smith (2007) posit that the aid for policy concessions trade-off is made most easily when recipient country leaders are

²The same dynamic holds for state-building and democracy assistance. See Bush (2017) and Lake (2017).

able to mollify their selectorate by "reimbursing" them for their concession. Minimizing the risk of accepting policy concessions can maximize the benefit of the aid received. Some potential recipients refuse aid based on the conditions offered.[Dreher 2009a]

Local recipients may not use donations for the purposes preferred by the donors because of lack of capacity, misaligned preferences, local corruption, or strong social norms against the intended goals of the project.[Hanna 2013; Cloward 2014; Djankov 2008; Paler 2019; Dietrich 2011; Jablonski 2014] Elite capture may benefit local power players instead of the groups targeted by aid. Briggs (2019) finds that aid does not, in fact, reach the poorest members of society despite aid donors' intentions.³ The groups or sectors targeted by aid may not be the most relevant to recipient society, as Dionne (2017) notes in the case of AIDS programming in Africa. Local actors may benefit from aid in both intentional and unintentional ways: aid improves citizens' opinions of incumbent politicians.[Winters 2014; Winters and Martinez 2015; Guiteras and Mobarak 2015; Dietrich 2015] Credit-claiming allows local politicians to benefit from citizens' positive perceptions of aid programs even though politicians may not have had a hand in bringing aid to their constituencies.[Guiteras and Mobarak 2015] Dolan (2017) makes the case that in lower-income countries, citizens may believe it is a responsibility of their governments to attract aid. Indeed, citizens often prefer aid implementation of projects as opposed to government implementation and update positively about the quality of their government when they see foreign aid in their community.[Dietrich and Winters 2017; Dietrich, Mahmud, and Winters 2018] Local governments, then, have an incentive to attract foreign aid both because it loosens their budget constrain (which they can then use for corrupt or beneficial purposes) and because aid is a positive signal of their quality to their constituents.

3 Aid Withdrawal

Aid withdrawal, defined as a donor's decision to not go through with agreed-upon funding for a recipient, may be costly for recipients. A priori, however, we do not know whether withdrawal of a given aid commitment will or will not be costly for recipient politicians. The presence of aid may be negative for politicians. Aid is associated with lower electoral returns for incumbents in Africa. [Briggs 2019] Other work points to the

³This may be due to a combination of donor strategic targeting and local aid mismanagement.

positive signaling effects of refusing aid under times of crisis; Carnegie and Dolan (2015) note that this is a mechanism through which countries can signal high-status.

In order for the presence of aid to be a negative or positive signal, it needs to be visible to voters. If no one in a community notices that an aid project has taken place, the value of claiming credit for the act would not make a difference. If Ukrainians did not know that aid was promised to them by the US and then subsequently suspended, the aid withdrawal would not have been a negative signal. Visible aid may have positive effects on support for incumbents, but this may differ by aid sector. Aid targeted at some sectors may be more politically valuable than others. To return to the example of Ukraine, military aid is vital for the state to fight Russian-back separatists. The absence of this aid may translate to tangible losses for a politician; its presence could lead to tangible benefits. Aid for training bureaucrats may be less immediately visible to voters and may have less immediate political results.[Dietrich 2011]

Politicians have incentives to make visible improvements to the livelihoods of their constituents in order to win election. This same incentive is present for aid donors, who have clear incentives to initiate projects that have observable impacts on target recipients. It is easier for a donor to demonstrate the impact of their work by building wells in different communities than by promoting awareness of the importance of hand-washing; these incentives to prove the value of the donors' work lead to an increase in visible, measurable aid projects. Recipients also have incentives to invest in projects or sectors that are more visible or important to their constituents. Marx (2018) demonstrates that “[Incumbent aid recipient politicians] are rewarded for completing projects in visible sectors, namely projects providing basic infrastructure and social services, but not for completing projects in other sectors.”(1) Pre-election, incumbents should be more motivated to complete or demonstrate progress in visible sectors or sectors that are more important to voters. The issue-importance literature suggests that voters weight the value of issues by importance when voting, so politicians have incentives to direct their attentions to issues that voters find more important.[Fournier et al 2003] Both donors and recipients favor visible, politically-important projects. If visible, politically-important aid projects are cancelled or withdrawn, what happens to the recipient incumbent politicians who promoted the projects? The credit-claiming possibilities of aid give way to a menu of blame-avoidance strategies.

Aid withdrawal happens. Donors promise more aid than they are able to give; recipients fail to meet the

conditions of aid and cannot receive it. Sometimes, completely exogenous shocks lead to the cancellation of an aid project. Data from USAID shows that the organization systematically over-commits and under-disburses funds.

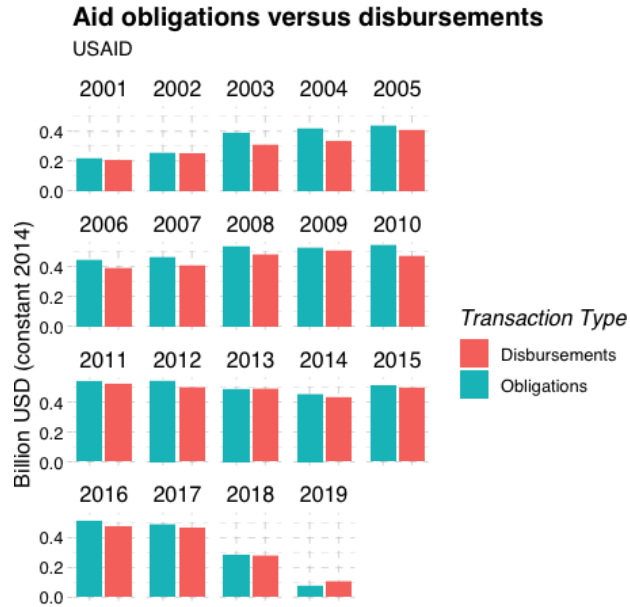


Figure 1: USAID obligations and disbursements

Donor and recipient politicians certainly take steps to avoid aid withdrawal as it is costly for both parties. Given that aid is withdrawn, what do intended recipients do?

Negative shocks to political entities may lead to negative electoral returns for incumbents, as most famously shown by Achen and Bartels' (2013) work on blind retrospection. However, politicians' actions can cause citizens to update their beliefs about the blame they attribute to politicians for their misfortunes. Gasper and Reeves (2011) show that citizens do not blame state officials for natural disasters after state officials attempt to secure federal disaster relief funding; instead, blame shifts to the executive branch if relief funding is not granted.

The case of foreign aid withdrawal is complex because it involves multiple actors to whom intended recipient citizens can attribute responsibility for the withdrawal, and one of the actors (aid donors) is not electorally accountable to this population. Citizens cannot vote to express their displeasure with the aid agency for withdrawal; however, they can vote against perceived allies of the aid agency. Depending on how much blame they initially attribute to the incumbent political party for the withdrawal of aid, citizens may

blame this party for the failure to uphold the contract. Additionally, even if the political party is not blamed by the citizens and the citizens perceive the aid agency to be completely at fault, the citizens may still blame the incumbent political party for failing to secure a contract with a more reliable donor.

To complicate matters further, donors and recipients are not the only actors involved in the aid dynamic. Because the visibility of aid may be used as a selling point for recipient incumbents, it may be a politically-salient issue in the re-election campaign. Opposition politicians may be able to leverage any discontent about the initial aid project, including distributive implications, inconsistencies with the project and goals of the incumbent, or alternative projects that were not supported. In the case of aid withdrawal, opposition politicians have a political opening. They can use the aid withdrawal as an example of the ruling party's incompetence or highlight their own role in getting aid withdrawn as a sign of their capacity.

If the aid is visible and politically-valuable for the incumbent politicians, the incumbent politician must anticipate the opposition's response in the wake of aid withdrawal. Figure 2 identifies several instances of aid withdrawal in Kosovo, a highly aid-dependent country.

Kosovo is a case of extreme dependence on the international community for both economic support and security. Kosovo was released from Serbian rule in 1999 after an unsuccessful Albanian insurgency, a Serbian attempt at ethnic cleansing, and several months of NATO bombings of Belgrade. The nascent state declared independence in 2008 after almost a decade of provisional rule by the United Nations Mission in Kosovo. In the years since the NATO bombings, Kosovo has been one of the largest beneficiaries of international aid per capita. Aid composes roughly 15% of Kosovo's GDP.⁴ Given Kosovo's proximity to the EU, Western donors have a vested interest in ensuring the stability and growth of the country.[Bermeo 2015] The power asymmetry between Kosovo and its international donors and creditors makes it a convenient case study for the potential domestic political consequences of donor commitment problems.

In reporting the withdrawal of funds by international entities, the newspapers of Kosovo also mention the government's initial response after funds are withdrawn. The responses fit into three categories: blame, denial, and self-fund. **Blame** refers to the government's attempt to identify entities other than themselves as responsible for the aid withdrawal; these include the international agency and opposition politicians. When

⁴Data from 2010. [Reuters 2010]

the government refuses to acknowledge that aid has been withdrawn, the response is coded as **denial**. **Self-funding** occurs when the government decides to go through with the aid project with its own funding or to put effort into seeking funding from other international bodies. Table 1 reports incidents of aid withdrawal in the last two years.

Event	Headline(s)	Date	Government Response
Potential loss of funds from Luxembourg for health sector	The Ministry of Health risks losing millions of euros in investment for HIS	14 April 2018	Blame
World Bank withdraws support for power plant	ContourGlobal: New Kosovo is built without the support of the World Bank	11 October 2018	Self-fund
Loss of EU funds for failure to implement stability agreement measures	Kosovo risks losing another 11m euros from the EU; MEI: Kosovo has not lost a single cent of EU funds, the former secretary is misinforming	6 March 2019	Denial
Loss of EU funds	Hoxha: Concert Hall will be built if municipality finds location, funds not lost ; Loss of funds for a concert hall - failure of institutions	12 July 2019	Blame/Denial
Roma community centers closing due to lack of funds	In the absence of funds, the RAE community learning centers in Fushe Kosove may close	24 October 2019	Self-fund
Failure to secure expected loan	The loan process of 22m euros worth of wastewater in Gjilan is still pending	18 January 2020	Blame

Table 1: Instances of Aid Withdrawal in Kosovo

Evidence from Kosovo suggests that incumbent politicians may suffer negative politician consequences for aid withdrawal, regardless of their role in the aid donor's decision to rescind aid. This indicates that aid withdrawal is a negative signal to recipient country constituents. Why might aid withdrawal be a negative signal to recipient country constituents? It could indicate lack of faith on the donor's part in ability of the government, government failure to meet conditions, that the donor had too-high standards (in which case, why did the recipient government agree to these conditions?), or a completely exogenous shock on the donor's part. Three of the four reasons for aid withdrawal have negative implications for the recipient country government.

Anticipating negative costs, politicians have an incentive to take additional actions to minimize the effect

of aid withdrawal on their own re-election fortunes. In effect, politicians want to send a *counter-signal* to avoid being blamed for the withdrawal of aid. As the case of the World Bank in Kosovo demonstrates, the incumbent party may decide to go through with the project despite additional costs in order to stay aligned with its party platform. Self-funding an aid project is a costly signal of for a recipient government because it necessarily decreases their budget constraint for other projects. Funding the aid project requires not funding other priorities. The extremely costly action of self-funding the project after a donor withdraws aid could serve to counteract the negative signal that the donor does not trust the government to get the project done or that the government had not met the conditions for the aid project.

As Table 1 demonstrates, self-funding is one option for incumbent politicians in the wake of aid withdrawal. The other two options are blame and denial. Denial is not a long-term solution, because if the intended aid was visible, as theory would predict it to be, an informed or even semi-informed public would note the absence of aid's appearance. The fact that the government of Kosovo does in fact deny the withdrawal of aid on occasion demonstrates that this is considered a viable strategy in this context. However, the strategy of blaming either the opposition politicians or the aid donors can be considered more tractable than denial because it requires the same level of resources (none) and does not require that the public hold on to an alternate reality.

Blaming the donor or opposition politicians for the decision to withdraw aid may allow the recipient government to avoid the perception of responsibility for the loss of aid. If the donor is at fault for withdrawing aid or the opposition is at fault for making the donor take away aid, the government may be assigned less blame. However, this is a relatively cheap signal to send. Governments do not pay a high cost for blaming another actor; therefore it might be less convincing to voters than the self-funding signal.

Another option always available to a government is to do nothing. However, in cases where the government in fact chooses to do nothing in response to aid withdrawal, the signal is assumed to be directed at the international community, not domestic constituents. The silence of Kosovo's government in the face of potentially controversial actions of the international community has been a rallying point for Kosovo's opposition parties over the last decade.[Hehir 2019] Not responding to international action is not a positive signal to constituents: in evaluating when a government will take action in the wake of aid withdrawal with

regard to the opinions of their voter base, blame and self-funding are the two most-obvious actions. To do nothing is a signal of compliance to international organizations, which may be negatively interpreted by voters but which, ultimately, is not a signal *to* voters. Additionally, evidence from Kosovo and other aid recipient countries suggests that one reason governments might do nothing in response to aid withdrawal is in an attempt to reverse the decision by the aid organization.⁵ I focus on instances of firm aid withdrawal in which there is not the potential to renegotiate the contract. Therefore, doing nothing is not a common government response to domestic concerns under these circumstances.

The difficulty of observing the effects of aid withdrawal are manifold: aid data is notoriously difficult to verify, especially when the outcome of interest is its absence. [Nielsen et al 2012] Making inferences based on commitments and disbursements recorded in government ledgers may not adequately represent the aid that was expected, even agreed-upon, but never came to fruition. We don't have a dataset of potential aid projects. Additionally, the outcome of interest in this paper is not the effect of aid withdrawal, but the effect of aid withdrawal after politicians take counter-actions. Instead of observing aid withdrawal in a vacuum, I aim to understand how aid withdrawal operates in a more realistic contexts. Politicians will respond to instances of aid withdrawal and these responses will have consequences.

In order to further understand the dynamics of aid withdrawal, I focus on a single, salient aid withdrawal event in Kosovo: the World Bank's withdrawal of support for a power plant in 2018.

4 Case Study: The World Bank and the "New Kosovo" Coal Power Plant

After declaring independence, the nascent state of Kosovo lacked safe, existing energy infrastructure and political disagreements with its neighbors, primarily Serbia, prevented easy import of energy. The idea of building a new power plant was supported by the Government of Kosovo (before 2008 known as the Provisional Institutions of Self-Government, or PISG) and all of its international partners due to the economic

⁵In India, for example, the Prime Minister refrained from criticizing the United States' decision to remove India's preferential treatment under the Generalized System of Preferences, but reports speculated that this lack of action was due to the potential to renegotiate the favorable trade terms.(Reuters 2020, ORF 2019)

and social costs of irregular power supplies.⁶ In 2006, the World Bank officially partnered with the PISG⁷ to address the demands on Kosovo's electric grid. The support would take the form of a partial-risk guarantee to ensure that nascent Kosovo government would be able to secure a contractor to build and operate the plant. The favorable loan terms were given in response to Kosovo's request for support for their development agenda "by facilitating investments in key sectors of the economy with high growth potential."

In proposing the power plant, dubbed "Kosovo e Re" ["New Kosovo"]⁸, the World Bank had to balance concerns about funding coal power in the 21st century and providing a stable source of electricity for Kosovars. From 2006 to 2018, the World Bank argued that coal was the most viable source of energy for Kosovo and therefore an exception to its own ban on funding coal power.⁹ The cost of developing renewables exceeded that of coal, even when environmental and health spillover effects were included.¹⁰

A growing opposition party in Kosovo politics, Levisa Vetevendosja (Movement for Self-Determination, or LV) rallied against the project. LV branded itself as an anti-imperialist party whose main platform involved reducing international influence in Kosovo's institutions. LV released a statement affirming the importance of developing a power source within Kosovo but questioning the international community's involvement.¹¹ Civil society organizations (CSOs) also organized against the power plant and the World Bank's involvement.¹²

⁶One American ambassador estimated the lost production equal to "\$415 million a year, or roughly 6 percent of GDP."

⁷specifically the Ministry of Energy and Mining

⁸Originally the plant was called "Kosovo C" in reference to the existing Kosovo A and B plants but was rebranded to increase the distance between the unpopular and pollutant-generating plants and the new, "cleaner" plant. [Gazeta Express 2015a]

⁹World Bank president Dr. Jim Jong Kim stated in 2014, "Climate change and the coal problem is one thing, but the humanitarian issue is another, and we cannot turn our backs on the people of Kosovo who face freezing to death if we do not move." [Zeri 2016a; PowerTechnikigy 2016]

¹⁰"It is undisputed that the World Bank is no great proponent of coal energy, but it is also correct that Kosovo is an exception. Even though it is not a large country, it has the world's fifth-largest lignite reserves. It is estimated that at least 10.9 billion tons are exploitable, which means that, with current consumption, there is enough coal for the next 1,500 years. At the same time, the preconditions for generating electricity from wind and hydro sources are unfavorable." [World Bank 2015a]

¹¹LV insinuated that the US and other international actors had prevented a joint Kosovo-Albania power plant in fear of fomenting pan-Albanianism: "Immediately after Kosovo's declaration of independence, the Government of Albania expressed an interest in co-financing the Kosovo e Re Power Plant (then Kosovo C) project." [Vetevendosje 2012a]. I am unable to confirm the validity of this statement. There is evidence that the US at this time was worried about pan-Albanianism (Wikileaks 2009a) but both the World Bank and the US emphasize the importance of energy cooperation between Kosovo and Albania in both internal documents and news publications.

¹²The World Bank defended its project from scrutiny of both Kosovar media and CSOs. In response to a report by CSOs titled "The Pathology of a Delay" which lampooned the Bank for its failure to implement the power plant a decade after the project was first proposed, the World Bank's country manager for Kosovo, Jan-Peter Olters, described one of the central concerns of the CSOs as a "not particularly constructive coal-only vs. renewable-only confrontation, which was never at the core of the debate but made for nice newspaper headlines in Kosovo and elsewhere." [World Bank 2012a] Olters commented later that civil society organizations were attempting to "win" the energy debate and prevent 'Kosovo e Re' from being built, directly positioning the CSOs as opponents to the World Bank and the GOK.[World Bank 2013a] The CSOs had questioned whether the World Bank's expert reviews has taken into account local conditions: "numerous environmental and social-impact studies were conducted solely to conform to World Bank procedures but not with the intention to use the studies' findings to better design and develop the package for the new plant. However, no studies were ever undertaken to examine how such a mega investment would impact Kosovo's economic interests." ["Pathology of a Delay" 2015] Indeed, the World Bank's own expert review noted that "the members of the Panel have a relatively limited knowledge of the situation in Kosovo," though all experts in coal's use in Europe and elsewhere.[World Bank 2012b] KOSID took aim at both the World Bank and the GOK in its advocacy efforts. "We think, if the Government had been seriously committed to solving (the problems) in the energy sector,

The two sides of the debate about the power plant became the World Bank and the GOK versus CSOs and the opposition party.¹³

In March 2017, the GOK signed a contract for the plant with ContourGlobal, a US-based company. A month before, in February 2017, the Minister of Economic Development stated:

"[the] long negotiating process with US company ContourGlobal and the World Bank has resulted in Bank support for the construction of the 'New Kosovo' power plant... Now we have no obstacles. On the contrary, the top leaders of the World Bank are in favor of power plant construction and in support of the energy strategy with almost no backup at the moment when we adhere to everything we have agreed to, but also to the environmental and social segment related to the project." [RFERL 2017]

The contract required a publicly-owned intermediary company to purchase all electricity generated by the ContourGlobal-funded plant at a higher-than-market price. However, in April 2018, the new Minister of Economic Development, Valdrin Llluka emphasized that "the Government of Kosovo will not spend a cent for this project from its budget. The private investor ContourGlobal will invest in the entire project, where 30% of its capital will be invested, while the rest will be provided by international financial institutions such as the World Bank, our key partner in this project." [Zeri 2018a] The price paid by Kosovars in electricity, which the Kosovo government had committed to buying, would depend on the loan rate given to ContourGlobal. [KOHA 2018a] The World Bank, throughout the development of the project, had assured Kosovo and foreign investors of a "risk guarantee" that would allow access to low interest loans.¹⁴ [RFERL 2019a] Despite the heavy involvement of the World Bank in the project from its inception, the World Bank

it could have been achieved with a much better combination of using energy efficiency and using alternative energy sources," said Kushtrim Puka of KOSID in 2014. [Gazeta Express 2014a]

¹³The Government had not always been a firm supporter of the plan. In 2007, the GOK considered withdrawing from the project after a national election led to a change in power. The US spent months "trying to convince this government that adoption of the old government's energy policy on Kosovo C (New Kosovo) was a necessity. They are now not only convinced, but desperate to move ahead." The new government, once behind the old government's plan, "acknowledged that failure to ensure a successful outcome to this transaction in 2010 is politically unacceptable." Successive governments and ministers of Economic Development (by 2009, the Ministry of Economic Development had subsumed the Ministry of Energy and Mining. [Gazeta Express 2015b]) had announced imminent selection of companies for the contract and the beginning of construction on the plant. The involvement of the World Bank was a crucial selling point of the success of the project to the Kosovar media. One Minister of Economic Development in 2011 noted the frequent visits of World Bank vice-presidents as an indicator of the dedication of the organization to the project: "During this week, unlike many other countries, we have had the visit of three World Bank Group Vice-Presidents, who have in principle supported the construction of the New Kosovo Power Plant," Beqaj said. [Gazeta Express 2015b]

¹⁴In ContourGlobal's announcement of a search process for construction companies for its newly-acquired power plant investment, it stated "The process of selection is a two-stage international competitive tender following applicable World Bank Procurement Guidelines." [ContourGlobal 2018a]

had not officially guaranteed its support for the power plant before the contract with ContourGlobal was signed. The Minister of Economic Development explained that they "signed the contract without a response from the World Bank because they have been waiting for it for ten years." [KOHA 2018b]

The World Bank officially withdrew its support for the power plant in October 2018, twelve years after it had first agreed to work with the GOK to develop the Lignite Protection Technical Assistance Project (LPTAP). [Reuters 2018] The least-cost option for energy in Kosovo, when factoring in environmental and health costs, had become renewable sources, whose price had plummeted since the plant had first been proposed. [World Bank 2018a] Importantly, the World Bank did not withdraw its support from the 'Kosovo e Re' project because of the GOK's failure to make policy concessions to the Bank. The World Bank did require specific political acts from the GOK, including improvements in rule of law, stabilization, and governance. These and similar policy concessions were also required by other donors, including the EU and USAID. However, ultimately the World Bank did not support the 'Kosovo e Re' project because of the rising cost of coal with respect to renewables.

The CSOs declared that they had "won the battle with the World Bank" and anticipated that other financial institutions would follow suit and withdraw support as well in the wake of the announcement. [RFERL 2018a] The EBRD, which had previously refused to support the project, immediately reiterated its stance against the use of coal. [RFERL 2018a] The Ministry of Economic Development claimed to be talking to "several banks from Japan, America and China to guarantee the investment of one of the four companies competing for the construction of 'Kosovo e Re'." [KOHA 2018c] Without the World Bank's promise of low-interest loans, some of the cost of the project will likely be passed on to consumers.¹⁵

The GOK refused to cancel its contract with ContourGlobal. The Acting Minister of Economic Development Valdrin Lluka estimated a loss of 20 million euros in penalties from breach of contract if the GOK were to withdraw. [KOHA 2019a] The Prime Minister, Ramush Haradinaj, insisted that the plant be built "in order to produce energy in the local market," as importing electricity from Kosovo's neighbors is still prohibitive both politically and economically. [KosSev 2018a] Advocating against the plant, civil society

¹⁵The outgoing Minister of Trade and Industry, Bajram Hasani, predicted that the withdrawal of the World Bank would be disastrous for Kosovo "because it is not only said because of alternative energy, but also shows uncertainty, that Kosovo is an unsafe place for investment and fear or now the real possibility is that this investment will fail completely because the moment the World Bank has withdrawn, and I expect other institutions to withdraw." [Zeri 2018b] The costs of the World Bank's withdrawal were both immediate in investor confidence and long-term in consumer energy prices.

activists estimated that the losses from the contract's cancellation would be more than offset by the gains in health and environmental standards as well as the chance to find cheaper electricity from alternative sources.[Gazeta Express 2019a] In congruence with the CSOs, opposition leaders made the ContourGlobal contract central to their campaign in the 2019 parliamentary elections. The official LV website demanded that a new government take steps on its first day towards "the cessation of any activity associated with the new power plant in Kosovo." [Vetevendosje 2019a] LV claimed that their microphones were shut off during a government meeting when presenting "damaging information" about the ContourGlobal contract.[KOHA 2019b] The outgoing government warned that the project would fail and Kosovo would pay the penalty for renegeing on its contract without reaping any of the benefits of the deal if the opposition came into power in the October 2019 elections.[KOHA 2019c] In the run-up to the election, CSO activists urged all parties in the election to clarify their stances on the power plant.[KOHA 2019d] The two camps, pro and anti, were defined by the stances of the outgoing government (pro) and the opposition (anti).

The opposition defeated the ruling party handily in the October 2019 elections.[Balkan Insight 2019a] The fate of the New Kosovo power plant is yet unknown; CSO activists have challenged the legality of the contract for the plant on the grounds that Kosovo would be providing "state aid" to ContourGlobal by heavily subsidizing electricity generation.[Balan Green Energy 2019] The initial date for the hearing, January 17th 2020, was postponed because a government had not been formed until February 3rd 2020.[European Western Balkans 2020] Albin Kurti, leader of the upstart LV party, has yet to decide whether to pay the almost 20 million Euro fee for severing the contract with ContourGlobal or to go forward with the project.

Ultimately, the World Bank rescinded its support because of an exogenous drop in alternative energy pricing, not because of actions or lack thereof on the part of the Government of Kosovo. The World Bank's support of the policy and efforts to push back against CSOs created a relevant political cleavage for Kosovo elections that allowed the government and opposition parties to make the coal plant into a wedge issue in the 2019 elections. The initial issue of the need for domestic energy generation has never been in dispute in Kosovo politics, but the World Bank's initial support for the power plant led the governing party to make the plant a salient issue in its campaign messaging. The visibility and importance of the project for governing party supporters created an opening for the opposition party to take a stance against the project in-line with

its anti-imperialist message. In the absence of World Bank support for the project, the governing party would bear an additional cost of backing down from the proposal because of both the contractual penalties and the audience cost to its supporters. The 2019 election campaign in Kosovo demonstrates how aid withdrawal creates political opportunities to highlight differences between parties.

5 Survey Experiment

To test the effects of different political actions in response to aid withdrawal, I run a 2×2 survey experiment, using a mock news article vignette based on actual news articles from the withdrawal of the World Bank's support for a coal plant in Kosovo in 2018.

In order to demonstrate the theory's viability, I plan to launch the survey in India. India has been the site of other online survey experiments about foreign aid (Dietrich and Winters 2015), which offers the opportunity to test the validity of my results in comparable studies. More importantly, the Indian government has engaged in both high-profile blame towards aid organizations and self-funding of potential aid projects. Prime Minister Narendra Modi has accused NGOs not working towards his preferred goals and thereby sabotaging his government.¹⁶ Aid organizations have withdrawn from India under this pressure; the government blames these organizations for their own withdrawal: “[the NGO in question] accepts that some part of the funds is used for religious/spiritual activities. Incorrect description of activities had also led to taxation enquiries.”¹⁷ India has also refused disaster aid funding (in order to signal high-status, according to Carnegie and Dolan (2015)) and referred derivatively to Britain's 2011 aid package as “a peanut” compared to India's own development expenditures.¹⁸ Given that India's government has both the potential and capacity to blame or self-fund aid activities, this country provides an ideal external test case for the consequences of political action following aid withdrawal.

I isolate the effect of potential politician actions after aid withdrawal. I also test whether the importance of the aid sector changes the effect of politicians' actions. One of the key assumptions in my argument for

¹⁶<https://foreignpolicy.com/2018/06/07/democracies-need-a-little-help-from-their-friends/>

¹⁷<https://www.theguardian.com/world/2017/feb/03/christian-charity-set-to-withdraw-from-india-after-funding-blocked>

¹⁸<https://economictimes.indiatimes.com/news/politics-and-nation/why-its-perfectly-justified-for-india-to-refuse-foreign-aid-for-natural-disasters/articleshow/65506672.cms>, <https://www.telegraph.co.uk/news/worldnews/asia/india/9061844/India-tells-Britain-We-dont-want-your-aid.html>

why politicians would respond to aid withdrawal is that aid withdrawal is a negative signal for the incumbent politician when aid is important. After asking respondents to rank a set of five issues from most to least important, I randomize whether the respondent sees an article about aid withdrawal in her self-reported most or least important sector. This random assignment allows me to abstract away from the politics of acquiring aid for different sectors and asks questions conditional on aid being withdrawn from a sector the respondent considers important to do.

This gives us a 2×2 of treatments:

Issue-Salience		
Politician Response	Self-fund; Low	Self-fund; High
	Blame; Low	Blame; High

Table 2: Treatment assignments

The survey, conducted on Lucid with 1000 subjects and preregistered at EGAP , asks participants to imagine a hypothetical scenario in India. The participants then read about aid withdrawal from their most (least) important sector and learn that the governor responded by blaming the aid donor (funding the project himself).

The following list is the set of issues I ask respondents to rank from least (1) to most (5) important:

- Help for refugees
- Assistance for the disabled
- Support for former military personnel
- Deal with discrimination against Scheduled Castes or Tribes (SC/STs)
- Women’s empowerment

The respondents then read an article in which the World Bank withdraws support for one of these sectors and the governor responds, leading to the following treatment conditions:

1. **High importance, self-funding**

- The World Bank withdraws support for a job-training program targeted at the highest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The governor decides to fund the job-training program by diverting funds away from the state's education budget.

2. High importance, blame

- The World Bank withdraws support for a job-training program targeted at the highest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The governor blames the World Bank for the decision to withdraw funding and states that “the World Bank's decision to withdraw from the agreement could destabilize our work on [highest-ranked sector] employment.”

3. Low importance, self-funding

- The World Bank withdraws support for a job-training program targeted at the lowest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The governor decides to fund the job-training program by diverting funds away from the state's education budget.

4. Low importance, blame

- The World Bank withdraws support for a job-training program targeted at the lowest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The governor blames the World Bank for the decision to withdraw funding and states that “the World Bank's decision to withdraw from the agreement could destabilize our work on [lowest-ranked sector] employment.”

The choice of job-training as the type of aid program from which aid is withdrawn is designed to robustly test the respondent's support for the aid. In most developing countries, employment and education are the top priorities. As all of the sectors apply to targeted segments of the population, job-training for these sectors/populations implies potential displacement for other populations. By asking respondents to read

an article about job-training programs for a specific part of the population, I realistically test whether respondents have skin-in-the-game in regards to aid. Education as the sector funds are diverted from in order to fund the job-training programs provides another costly choice for respondents; if they don't support the job-training program very much, they might respond more negatively to losing education funds.

6 Analysis Strategy

The primary outcome of interest for this survey experiment is individual respondent approval of the governor. Given the expense of funding a project from which an aid donor has withdrawn support, I expect this action to be a credible signal of commitment by the governor to this sector. Generally, I expect self-funding to be a more laudable action than blaming because it is costly; I consider blame to be cheap talk, as it is relatively more expensive than funding a program. This leads to the following hypothesis:

H1: Respondents in the “self-fund” condition will approve of the governor overall at higher rates than respondents in the “blame” condition. Therefore **H1:** $\beta < 0$ in the regression model:

$$overallapproval_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $overallapproval_i$ is whether the respondent i approves of the governor or not, Z_i is assignment to the blame condition (blame == 1, self-fund == 0), ϵ_i is the error term, and \mathbf{X}_i is a battery of covariates. These covariates are: gender, ethnicity (coded as majority/minority), political knowledge, age, diaspora status, and education level.

However, I also expect that blaming will be a more successful action (lead to higher approval of the governor) when the sector from which aid is withdrawn is less important than when it is more important. It follows that self-funding would be a less salient signal of commitment of a domestic politician to their constituents if the constituents do not care about the sector the politician is funding. Self-funding a not-important sector could, potentially, also lead to backlash if the constituents consider the diversion of funds (from education) to be less acceptable for a low-importance sector than a high-importance sector.

H2: Respondents in the “self-fund” condition will approve of the **governor** overall at higher rates than

respondents in the “blame” condition if they are also assigned to the most important sector condition. Therefore, **H2**: $\omega < 0$ in the regression model:

$$overallapproval_i = \alpha + \beta Z_i + \gamma S_i + \omega Z_i S_i + \mathbf{X}_i \psi + \epsilon_i$$

where S_i is assignment to the high importance condition.

I also test for the efficacy of the blaming condition in respondent’s assignment of blame to different actors. Does the governor’s blaming of the World Bank lead respondents to attribute less blame to the governor and more to the World Bank? Two testable implications of this follow:

H3: Respondents in the “self-fund” condition will assign less blame for aid withdrawal to the governor than respondents in the “blame” condition. Therefore, **H3**: $\beta > 0$ in the regression model.

$$govblame_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $govblame_i$ is the ranking from 1 to 10 of the amount of blame assigned to the governor.

H4: Respondents in the “self-fund” condition will assign less blame to the World Bank than respondents in the “blame” condition. Therefore, **H4**: $\beta > 0$ in the regression model.

$$worldbankblame_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $worldbankblame_i$ is the amount of blame assigned to the World Bank.

Finally, I examine two potential implications of governors’ actions following aid withdrawal: expectation of vote-buying from the governor and perception of attracting aid as one of the governor’s responsibilities.

The intuition behind asking about vote-buying is to measure if respondents believe that the governor will feel an increased need to provide private goods as opposed to programmatic goods given his actions in the wake of aid withdrawal. If the respondents perceive the governor to be more desperate as a result of their actions in response to the absence of aid, they may perceive the governor to be more likely to try to buy their votes. This gives me an additional measure of respondent perceptions of the governor’s actions.

H5: Respondents in the “blame” condition will be more likely to expect vote-buying from the governor

in the future than respondents in the “self-fund” condition. I expect blame to be a less successful strategy for politicians hoping to gain voters’ support because it is a less costly action. Therefore, **H5**: $\beta > 0$ in the regression model:

$$votebuy_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $votebuy_i$ is the ranking from 1 to 10 of the likelihood that the respondent expects the governor to try to buy their vote in the upcoming election.

H6: Respondents in the “self-fund” condition will rank attracting aid from international organizations more highly than respondents in the “blame” condition. Therefore, **H6**: $\beta < 0$ in the regression model.

$$attractaid_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $attractaid_i$ is the rank of attracting aid from an international organization on list of PM responsibilities.

The full list of hypotheses can be found on the pre-registered study on EGAP. The survey text and randomization protocol is available in Appendix A.

7 Aid Withdrawal and Governor Approval

I report the results for the first two hypotheses below. All preregistered regressions are marked with an asterisk *.

The coefficients in Figure 2 move in the opposite way suggested by my theory. Respondents in the blame condition are significantly more likely to approve of the governor than respondents in the self-fund condition. This effect decreases slightly when accounting for assignment to high or low-importance sectors. Blame is a slightly less effective strategy for low-importance sectors (see Model 2), which is in accordance with my theory.

In order to understand why blame might be a more effective strategy for governors than self-funding, I do some exploratory tests of heterogeneous effects related to the ranking of aid sectors. In the battery of

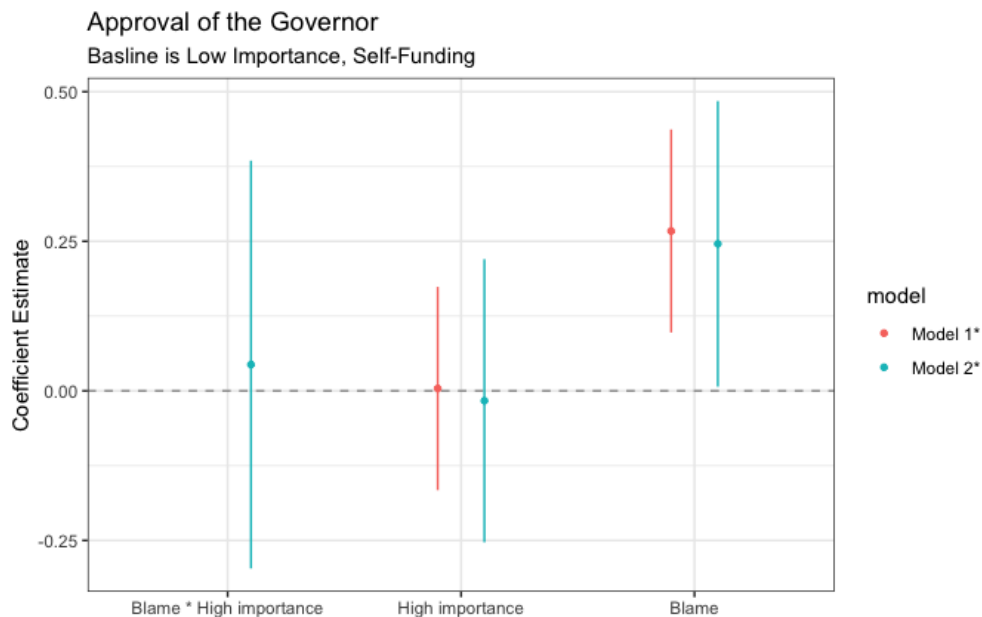


Figure 2:

questions before treatment, I also asked respondents to rank the same issues (support for refugees, women, disabled people, veterans, and minorities) from their perception of most to least government funding for these sectors. Intuitively, respondents might be more likely to respond positively to self-funding (in comparison to blaming) when they do not believe the government is already directing significant funding to the issue area.

Thinking that the government is spending relatively more money on a given sector is associated with lower rates of government approval. The coefficient on "High importance" in Figure 3 reflects a respondent who does not believe that the government is spending relatively more on the issue area, given that the respondent is assigned to the high-importance sector.¹⁹ Spending does not have a significant association with governor approval in the blame condition, suggesting that the self-fund condition may be more sensitive to baseline government spending.

I also ask respondents to rank the groups associated with the sectors (women, refugees, veterans, minorities, disabled people) by how warm they feel towards these groups.²⁰

Positive feelings toward a given sector moderate the effect of the blame condition on approval for the governor. However, in the high-importance sector condition, positive feelings are not necessary to induce

¹⁹The respondents rank the issue areas on perceptions of government spending BEFORE treatment. See survey flow in Appendix A for details.

²⁰This was also a pre-treatment measure. See Appendix A.

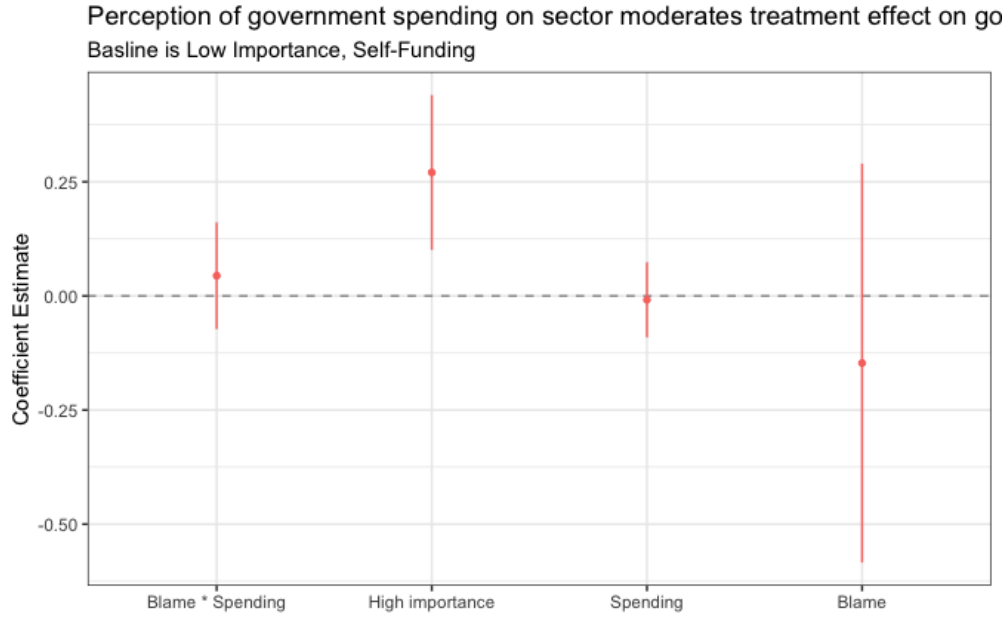


Figure 3:

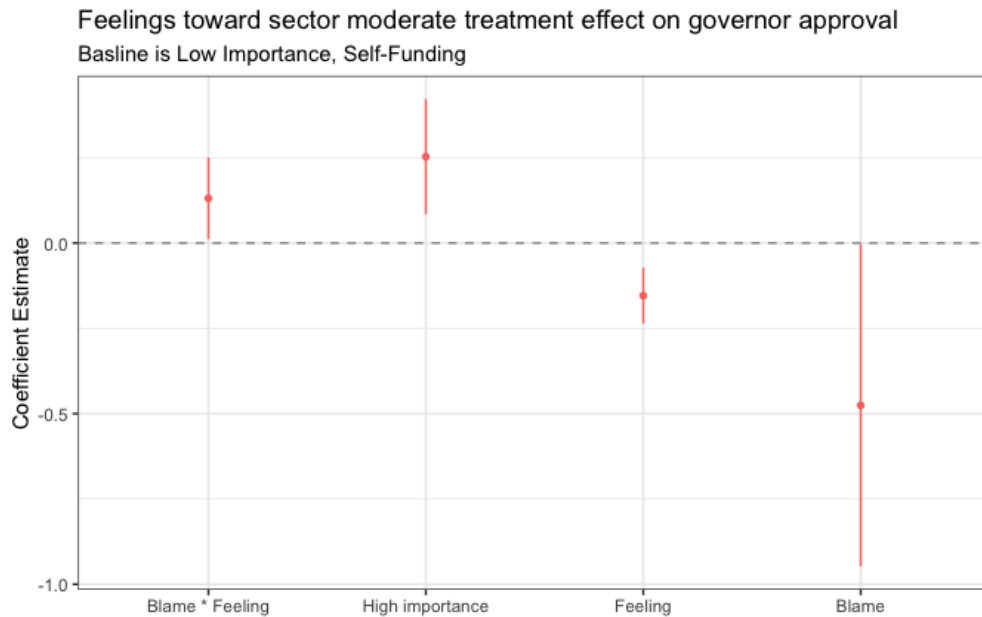


Figure 4:

support for the governor in comparison to the low-importance sector. Conversely, positive feelings toward the sector from which aid was withdrawn do not improve approval ratings for the governor in the low-importance, self-fund condition (baseline). This indicates that the effect of blame is moderated by feelings, but the effect

of high vs low importance and self-funding are not moderated by positive feelings.

To better understand how respondents reacted to their treatment assignments, I turn to responses from an open-ended question at the end of the survey: "In the situation described in the news article, what do you think the government should have done?"

Table 3 reports a non-random sample of open-ended replies by treatment assignment.

Low Importance, Self-fund	High Importance, Self-fund	Low Importance, Blame	High Importance, Blame
"the government should talk to worldbank and convenue them to give funding."	"government should have used funds from other quotas instead of taking it from the quota of educational programme."	"Not accepted refugees. First take care of the citizens then worry about others"	"yes the government should have done.The governor is some what right."
"Focus on nation or state dnt go for unwanted thn-ings"	"The Government done his job perfectly."	"They should provide funding rather than getting it from world Bank"	"Government do nothing"
"Improve the main education system rather than looking n thinking about refugees."	"With the amount of taxes an average Indian gives, I am sure it is not essential to take funds from one and provide another."	"It should search for other sources of money to complete its project"	"SHOULD HAVE LOOKED INTO EDUCATION OF REFUGEES"
"government should have support the poor members of the society who was affected by the flood and they were withdrawn from their houshold so i strongly oppose the action of the governer"	"It took the right action to support veterans"	"It's good"	"The government should take prompt action to redress the issue or to increase amount in the army welfare fund."

Table 3: Open-ended responses by treatment condition

From these responses, we can draw several insights. First, the sector from which funding is drawn in order for the governor to self-fund the withdrawn aid project is extremely salient to respondents. Both respondents in the low and high-importance treatment conditions responded negatively to self-funding because the funds were appropriated from the education budget. Some respondents in the high importance, self-fund condition considered the aid sector important enough to warrant this diversion of funds; however, by naming the sector from which funds were withdrawn I severely weakened the self-fund treatment condition.

For high-importance issues, blame was a less-successful tactic than for low-importance issues. This lends some credence to my initial hypotheses that blame is a less credible signal (than self-funding); if respondents

care more about an issue, blame seems to be a less productive choice for politicians than if respondents care less about an issue.

8 Blame Attribution

I examine the effect of treatment on blame attribution towards the governor and the World Bank, the only named actors in the vignette.

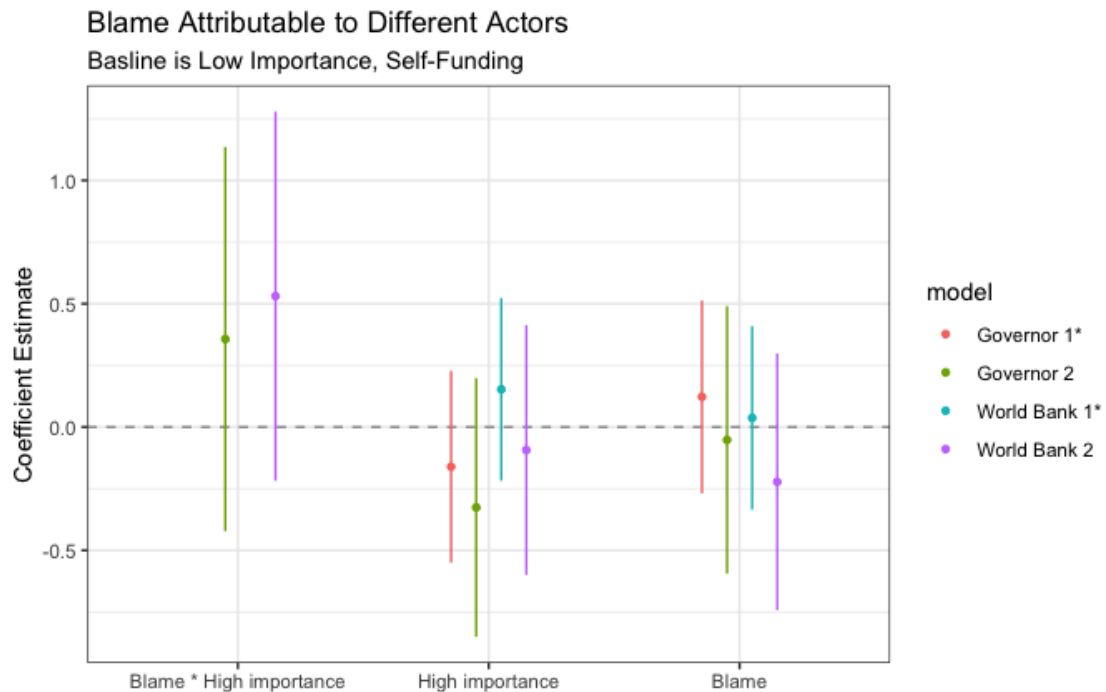


Figure 5:

None of the coefficients are significantly different from the baseline. However, the interaction terms allow us to understand some of what is going on within the treatments. Less blame is attributed to both the governor and the World Bank when the governor funds a high-importance sector. However, when the governor blames the World Bank for withdrawing aid from a high-importance sector, the point estimate for blame attribution to the World Bank is higher than that for the governor and moves in a positive direction. In comparison, when the governor blames the World Bank from for withdrawing aid from a low-importance sector, the point estimate for the World Bank is lower than the baseline of low importance and self-funding

and the point estimate for blame and high-importance sectors. This suggests that both the governor and the World Bank are blamed more for low-importance sectors in the case of self-funding, but less for high-importance sectors in the case of self-funding.

9 Additional Outcomes

In examining the effects of treatment on expectations of vote-buying, I add additional outcomes of expectations of vote-buying for other actors in order to provide a point of comparison for expectations of the governor.

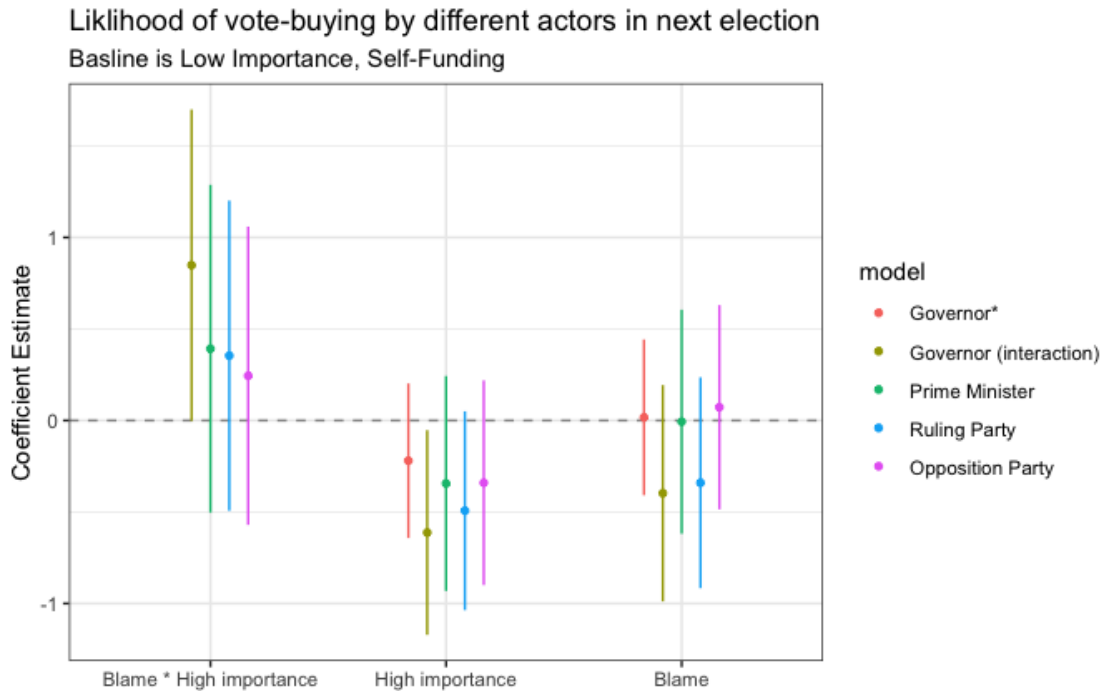


Figure 6:

The interaction terms on the likelihood of the governor buying the respondent's vote help illuminate some of the dynamics behind the initial point estimates on governor vote-buying. Namely, when the high-importance sector is split between the blame and self-fund (baseline) conditions, both become significantly different from zero in opposite directions. When the governor self-funds a high-importance sector, respondents perceive him as less likely to vote-buy (in comparison to self-funding a low-importance sector). In

contrast, the governor is more likely to vote-buy, in respondents' perceptions, when they attribute blame in a high-importance sector (as compared to self-funding a low-importance sector). These results comport with the initial findings about support for the governor. Vote-buying seems more likely in the treatment conditions that are also associated with disapproval of the governor's actions.

Interestingly, the point estimate on expectations of vote-buying by the ruling party moves in the same direction as the governor estimates. However, vote-buying by the opposition party moves in a slightly different direction; vote-buying by this actor is more likely in the blame, low-importance condition than by the governor or ruling party. One interpretation of these results is that the opposition party might be implicated in the low-importance, blame treatment condition because the respondent attributes some of the reason for the withdrawal to the opposition party. My theory-building case of the World Bank in Kosovo supports this interpretation; however, additional tests are necessary to see if this is the case.

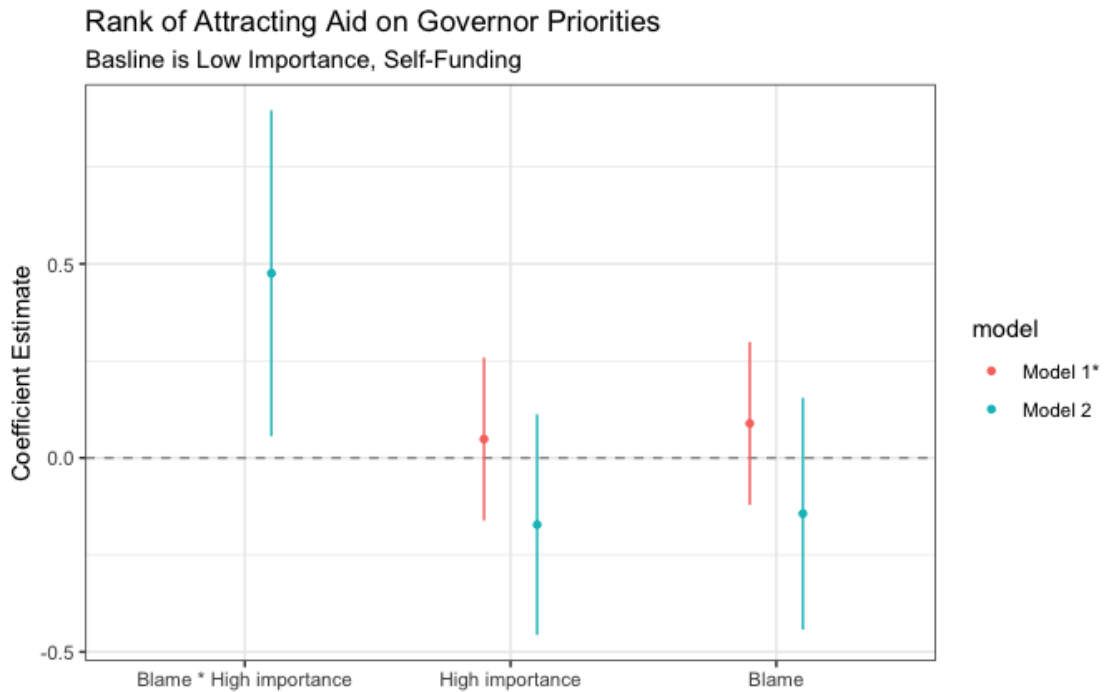


Figure 7:

Aid is considered more important on the list of governor priorities in the high importance, blame condition. One explanation for this finding could be that, if a project from a high-importance sector is funded anyway by the governor, respondents might consider it less necessary for the governor to try to attract aid if the

end result is using state funding anyway. The high important sector condition and the blame condition both lead to point estimates greater than the baseline (low importance, self-funding), which lends credence to the idea that respondents think aid is important when the sector is important and when the government does not get the aid.

10 Conclusion

Aid withdrawal is costly for recipient incumbent politicians and may incentivize additional costly actions in order for these politicians to stay in office. A theory of the domestic costs of aid withdrawal predicts that politicians have incentives to take different kinds of actions in response to aid withdrawal from aid donor based on constituent preferences. The case study of the World Bank in Kosovo demonstrates how highly politicized aid may provide incentives for politicians to take extremely costly actions (funding the project anyway) in order to avoid political costs associated with aid withdrawal. The results of a survey experiment on aid withdrawal suggest that citizen approval of politicians after aid withdrawal will depend on the interaction between the importance of the aid sector and the action of the politician. Politicians will gain relatively more approval from self-funding high-importance sectors and blaming aid donors for aid withdrawal in low-importance sectors.

Given budget constraints and potential reputation costs from international organizations, the political options of blame and self-fund may not always be available to politicians. My survey experiment and theory do not address the limitations of each approach based on domestic political and economic constraints or the opinion of international aid donors. For example, there may be additional costs associated with blaming an aid donor, including backlash from the aid donor. Self-funding could be a positive signal to aid donors of sufficiency (see Carnegie and Dolan 2015), but could also lead to less offers of aid in the future if donors update their beliefs about the necessity or relative benefit of giving aid to this recipient country. These aspects of the downstream political costs of aid withdrawal may change the calculus of intended recipient politicians and are not accounted for in the survey experiment. However, understanding the domestic political costs of aid absent international costs is the first step towards building a theory of aid withdrawal.

By establishing the down-stream cost of aid withdrawal for recipient politicians, I lay the groundwork

for a larger research project on the effect of aid withdrawal on the ecology of aid contracts. The potential for aid withdrawal should impact the types of aid contracts recipients and donors enter into. The selection effects driven by aid withdrawal should change the way we examine aid data. This phenomenon adds an additional dimension to our understanding of aid agreements: recipient vulnerability to blame.

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Appendix A

aid withdrawal national - India - Lucid

Survey Flow

EmbeddedData

ridValue will be set from Panel or URL.

Treatment1 = $\${\text{rand://int/0:1}}$

Treatment2 = $\${\text{rand://int/0:1}}$

Q_RelevantIDDuplicateValue will be set from Panel or URL.

Block: consent (1 Question)

Branch: New Branch

If

If The purpose of this study is to understand opinions about politics in India.

Participation in thi... Decline Is Selected

EndSurvey: Advanced

Branch: New Branch

If

If The purpose of this study is to understand opinions about politics in India.

Participation in thi... Continue Is Selected

Standard: Country (1 Question)

Block: issues (3 Questions)

Block: demographics (8 Questions)

Branch: New Branch

If

If Q_RelevantIDDuplicate Is Equal to 1

EndSurvey: Advanced

Branch: New Branch

If

If Quota Male Has Been Met

EndSurvey: Advanced

Branch: New Branch

If

If Quota Female Has Been Met

EndSurvey: Advanced

Block: intro (2 Questions)

Standard: Political knowledge questions (3 Questions)

Standard: article prompt (1 Question)

Branch: New Branch

If

If Treatment1 Is Equal to 0

Group: Low importance

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Protect SC/ST/OBC rights Is Equal to 1

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, minority (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, minority (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Empower women Is Equal to 1

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, women (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, women (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Assist the disabled Is Equal to 1

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, disabled (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, disabled (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Help refugees Is Equal to 1

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, refugees (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, refugees (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Support veterans Is Equal to 1

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, veterans (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, veterans (1 Question)

Standard: action approval (1 Question)

Branch: New Branch

If

If Treatment1 Is Equal to 1

Group: high importance

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Protect SC/ST/OBC rights Is Equal to 5

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, minority (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, minority (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Empower women Is Equal to 5

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, women (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, women (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Assist the disabled Is Equal to 5

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, disabled (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, disabled (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Help refugees Is Equal to 5

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, refugees (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, refugees (1 Question)

Branch: New Branch

If

If Consider the political issues most important in India. Of the following issues, what do you think... Support veterans Is Equal to 5

Branch: New Branch

If

If Treatment2 Is Equal to 1

Block: blame, veterans (1 Question)

Branch: New Branch

If

If Treatment2 Is Equal to 0

Block: self-fund, veterans (1 Question)

Block: action approval (1 Question)

Block: secondary outcome (1 Question)

Standard: vote-buying (1 Question)

Block: expectations of gov (1 Question)

Block: primary outcome (1 Question)

Standard: open-ended (1 Question)

Page Break

Start of Block: consent

Q34

The purpose of this study is to understand opinions about politics in India.

Participation in this study will involve completing the following survey. The survey will take approximately 15 minutes.

You MUST be 18 or older to participate.

There are no known or anticipated risks to you for participating in the survey. In addition, we hope that this survey can also lead to a better understanding of how policymakers can improve responses to local concerns. All of your responses will be anonymous. Only the researchers involved in this study and those responsible for research oversight will have access to the information you provide. Your responses will be recorded in a data set.

No identifying information will be collected or stored in our dataset. Participation in this study is completely voluntary. You are free to decline to participate, to end participation at any time for any reason, or to refuse to answer any individual question without penalty or loss of compensation. If you have any questions about this study, you may contact investigator Cleo O'Brien-Udry at cleo.obrien-udry@yale.edu

If you would like to talk with someone other than the researchers to discuss problems or concerns, to discuss situations in the event that a member of the research team is not available, or to discuss your rights as a research participant, you may contact the Yale University Human Subjects Committee, 203-785-4688, human.subjects@yale.edu.

Additional information is available at <https://your.yale.edu/research-support/human-research/research-participants/rights-research-participant>;

If you consent to participate in this study, please click select "continue" to continue.

Continue (1)

Decline (3)

End of Block: consent

Start of Block: Country



Q1 Where are you from?

▼ Andhra Pradesh (200) ... Other (263)

End of Block: Country

Start of Block: issues



Q27 Consider the political issues most important in India.

Of the following issues, what do you think is the most important to do?

Rank the issues from 1 to 5, where 1 is the least important and 5 is the most important to you.

- _____ Support former military personnel (1)
 - _____ Deal with discrimination against SC/STs (6)
 - _____ Empower women (7)
 - _____ Help refugees (8)
 - _____ Assist the disabled (9)
-



Q60

Of the following issues, what do you think the government spends the most money on?

Rank the issues from 1 to 5, where 1 is the least money and 5 is the most money.

- _____ Support former military personnel (1)
 - _____ Deal with discrimination against SC/STs (6)
 - _____ Empower women (7)
 - _____ Help refugees (8)
 - _____ Assist the disabled (9)
-



Q36

Of the following groups, who do you feel most warmly towards?

Rank the issues from 1 to 5, where 1 is the least warm and 5 is the most warm.

_____ Former military personnel (1)

_____ SC/STs (6)

_____ Women (7)

_____ Refugees (8)

_____ Disabled people (9)

End of Block: issues

Start of Block: demographics

Q16 Which year were you born in?

▼ 1950 (4) ... 2002 (56)



Q17 What is your caste?

▼ Brahmin (1) ... Not applicable (18)

Q51 What is the highest level of education you have completed?

▼ Primary school (1) ... Post-graduate degree (5)

Q33 What is your gender?

- Male (1)
 - Female (2)
 - Hirja (5)
 - Prefer not to say (4)
-

Q64 Where do you live?

- `#{Q1/ChoiceGroup/SelectedChoices}` (1)
 - Somewhere else in India (2)
 - Outside of India (4)
-

Q62 Are you former military personnel?

- Yes (1)
 - No (2)
-

Q63 Are you disabled?

- Yes (4)
 - No (5)
-

Q64 Are you or have you ever been a refugee?

- Yes (4)
- No (5)


End of Block: demographics

Start of Block: intro

Q56 On a scale of 1 to 10, how right-wing are you?

1 is very left-wing, 10 is very right-wing.

Very left-wing Very right-wing
1 2 3 4 5 6 6 7 8 9 10

Political preference ()	
-------------------------	--

Q59 What political party do you most support?

End of Block: intro

Start of Block: Political knowledge questions

Q61 When did India become independent?



Q62 Who is the Chancellor of Germany?

- Angela Merkel (1)
 - Gerhard Schröder (2)
 - Justin Trudeau (3)
 - Emmanuel Macron (4)
-



Q63 On which continent is Niger located?

- Africa (5)
- Asia (6)
- Europe (7)
- Australia (8)
- North America (9)
- South America (10)

End of Block: Political knowledge questions

Start of Block: article prompt

Q66 You will now read a hypothetical news article about an event that takes place in India.

End of Block: article prompt

Start of Block: blame, minority

Q35 World Bank Withdraws Funding for SC/ST Job-Training Programs

Governor Blames World Bank for Loss of Funds

The World Bank said on Wednesday it would no longer support funding for job-training

programs for scheduled castes or tribes in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve SC/ST employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor blamed the World Bank for their failure to follow through with funding for the project. An official press release from the governor states that "the World Bank's decision to withdraw from the agreement could destabilize our work on SC/ST employment."

End of Block: blame, minority

Start of Block: self-fund, minority

Q36 World Bank Withdraws Funding for SC/ST Job-Training Programs

Governor to Fund Project from Education Budget

The World Bank said on Wednesday it would no longer support funding for job-training programs for scheduled castes or tribes in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve SC/ST employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor stated that the project will move forward as planned without the support of the World Bank. The governor plans to divert part of the state's budget from educational programming for the upcoming year to job-training programs for SC/STs.

End of Block: self-fund, minority

Start of Block: blame, women

Q40 World Bank Withdraws Funding for Women's Job-Training Programs

Governor Blames World Bank for Loss of Funds

The World Bank said on Wednesday it would no longer support funding for job-training programs for women in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve women's employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor blamed the World Bank for their failure to follow through with funding for the project. An official press release from the governor states that "the World Bank's decision to withdraw from the agreement could destabilize our work on women's employment."

End of Block: blame, women

Start of Block: self-fund, women

Q38 World Bank Withdraws Funding for Women's Job-Training Programs

Governor to Fund Project from Education Budget

The World Bank said on Wednesday it would no longer support funding for job-training programs for women in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve employment for people living with disabilities.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor stated that the project will move forward as planned without the support of the World Bank. The governor plans to divert part of the state's budget from educational programming for the upcoming year to job-training programs for women.

End of Block: self-fund, women

Start of Block: blame, disabled

Q46 World Bank Withdraws Funding for Job-Training Programs for the Disabled

Governor Blames World Bank for Loss of Funds

The World Bank said on Wednesday it would no longer support funding for job-training programs for the disabled in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve employment for people living with disabilities.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor blamed the World Bank for their failure to follow through with funding for the project. An official press release from the governor states that "the World Bank's decision to withdraw from the agreement could destabilize our work on disabled peoples' employment."

End of Block: blame, disabled

Start of Block: self-fund, disabled

Q45 World Bank Withdraws Funding for Job-Training Programs for the Disabled

Governor to Fund Project from Education Budget

The World Bank said on Wednesday it would no longer support funding for job-training programs for the disabled in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve employment for people living with disabilities.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor stated that the project will move forward as planned without the support of the World Bank. The governor plans to divert part of the state's budget from educational programming for the upcoming year to job-training programs for individuals at living with disabilities.

End of Block: self-fund, disabled

Start of Block: blame, refugees

Q49 World Bank Withdraws Funding for Refugee Job-Training Programs

Governor Blames World Bank for Loss of Funds

The World Bank said on Wednesday it would no longer support funding for job-training programs for refugees in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve refugee employment .

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor blamed the World Bank for their failure to follow through with funding for the project. An official press release from the governor states that "the World Bank's decision to withdraw from the agreement could destabilize our work on refugee employment."

End of Block: blame, refugees

Start of Block: self-fund, refugees

Q48 World Bank Withdraws Funding for Refugee Job-Training Programs

Governor to Fund Project from Education Budget

The World Bank said on Wednesday it would no longer support funding for job-training programs for refugees in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve refugee employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor stated that the project will move forward as planned without the support of the World Bank. The governor plans to divert part of the state's budget from educational programming for the upcoming year to job-training programs for refugees.

End of Block: self-fund, refugees

Start of Block: blame, veterans

Q42 World Bank Withdraws Funding for Former Military Personnel Job-Training Programs

Governor Blames World Bank for Loss of Funds

The World Bank said on Wednesday it would no longer support funding for job-training programs for former military personnel in [\\${Q1/ChoiceGroup/SelectedChoices}](#).

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve former military personnel employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor blamed the World Bank for their failure to follow through with funding for the project. An official press release from the governor states that "the World Bank's decision to withdraw from the agreement could destabilize our work on former military personnel

employment."

End of Block: blame, veterans

Start of Block: self-fund, veterans

Q41 World Bank Withdraws Funding for Former Military Personnel Job-Training Programs

Governor to Fund Project from Education Budget

The World Bank said on Wednesday it would no longer support funding for job-training programs for veterans in India.

The governor had asked the Bank to provide the nation with additional resources for its efforts to improve former military personnel employment.

The project, with an estimated cost of one crore rupees, had been scheduled to begin next year.

A spokesperson for the governor stated that the project will move forward as planned without the support of the World Bank. The governor plans to divert part of the state's budget from educational programming for the upcoming year to job-training programs for former military personnel.

End of Block: self-fund, veterans

Start of Block: action approval

Q61 Do you approve or disapprove of the governor's actions in the article?

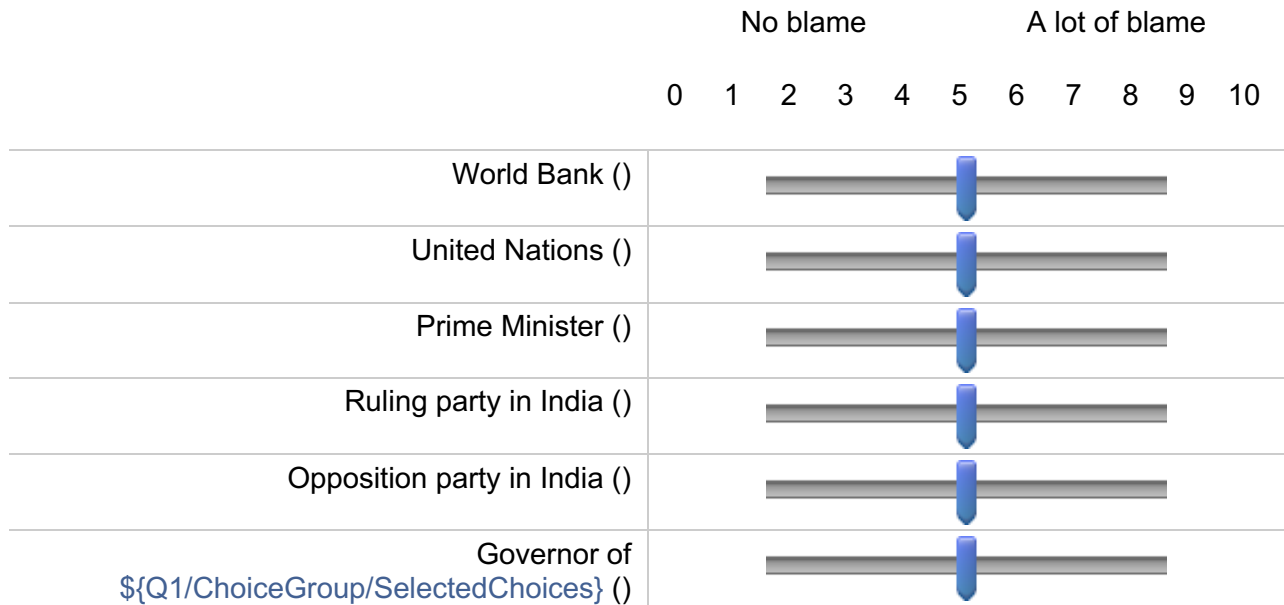
- Strongly approve (4)
- Agree (5)
- Neither approve nor disapprove (7)
- Disapprove (8)
- Strongly disapprove (11)

End of Block: action approval

Start of Block: secondary outcome



Q9 How much blame do each of the following people or organizations deserve for the aid withdrawal?

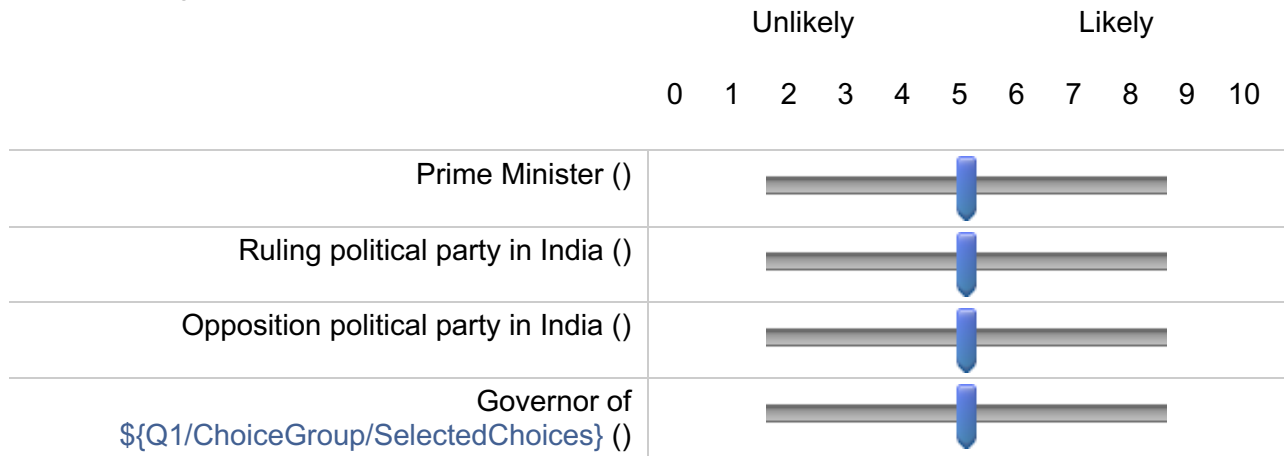


End of Block: secondary outcome

Start of Block: vote-buying



Q33 How likely is it that the following individuals or organizations would try to buy your vote in an upcoming election?



End of Block: vote-buying

Start of Block: expectations of gov



Q10 Consider the responsibilities of the governor.

Of the following issues, what do you think is the most important to do?

Order the items from 6 to 1, where 6 is the most important and 1 is the least important to you.

- _____ Attract funding from international agencies (1)
- _____ Fix public infrastructure (roads, playgrounds, electricity, water) (2)
- _____ Support public education (3)
- _____ Ensure access to affordable health care (4)
- _____ Provide opportunities for public entertainment (arts and culture, swimming pool/parks, sports and recreation) (5)
- _____ Improve my family's well-being (8)

End of Block: expectations of gov

Start of Block: primary outcome

Q8 How much do you approve of the governor?

- Strongly disapprove (0)
- Disapprove (1)
- Neither approve nor disapprove (2)
- Approve (3)
- Strongly approve (4)

End of Block: primary outcome

Start of Block: open-ended

Q37 In the situation described in the news article, what do you think the government should have done?

End of Block: open-ended

Pre-Analysis Plan

Avoiding the Blame Game: The Domestic Political Costs of Aid Withdrawal

Cleo O'Brien-Udry

Updated 12 February 2020

1 Introduction

This is an addendum being submitted after the survey has been sent into the field (as of 4:35 February 12th 2020) but before examining any of the data, with bold items reflecting small changes to the survey procedure.

The purpose of this document is to offer a pre-analysis plan describing my theoretical goals, hypotheses, design, and analysis prior to fielding a survey experiment on public attitudes toward political actions in the wake of aid withdrawal. The basic approach is as follows: I present a hypothetical news article about the **respondent's state** in which the World Bank withdraws aid from the **state**. The article reports that the **governor** responds in one of two ways: the **governor** funds the project anyway by diverting money from the town's education budget or the **governor** blames the World Bank for withdrawing the aid. I also vary whether or not the aid project is targeted at the subject's most important issue or least important issue; this information is gathered earlier in the survey by asking participants to rank a set of issues from most to least important. This approach should allow me to more accurately gauge public support for politicians' actions in the wake of aid withdrawal.

Below, I describe in further detail the components of our project, our hypotheses, the design of the survey, and analysis we plan to conduct. The eventual manuscript will be based on these documents, though I reserve the right to update my thinking.

2 Theoretical Basis

Aid withdrawal, defined as a donor's decision to not go through with agreed-upon funding for a recipient, may be costly for recipients. A priori, however, we do not know whether withdrawal of a given aid commitment will or will not be costly for recipient politicians. The presence of aid may be negative for politicians. Aid is associated with lower electoral returns for incumbents in Africa. [Briggs 2019] Other work points to the positive signaling effects of refusing aid under times of crisis; Carnegie and Dolan (2017) note that this is a mechanism through which countries can signal high-status.

In order for the presence of aid to be a negative or positive signal, it needs to be visible to voters. If no one in a community notices that an aid project has taken place, the value of claiming credit for the act would not make a difference. If Ukrainians did not know that aid was promised to them by the US and then subsequently suspended, the aid withdrawal would not have been a negative signal. Visible aid may have positive effects on support for incumbents, but this may differ by aid sector. Aid targeted at some sectors may be more politically valuable than others. To return to the example of Ukraine, military aid is vital for the state to fight Russian-back separatists. The absence of this aid may translate to tangible losses for a politician; its presence could lead to tangible benefits. Aid for training bureaucrats may be less immediately

visible to voters and may have less immediate political results.[Dietrich 2011]

Politicians have incentives to make visible improvements to the livelihoods of their constituents in order to win election. This same incentive is present for aid donors, who have clear incentives to initiate projects that have observable impacts on target recipients. It is easier for a donor to demonstrate the impact of their work by building wells in different communities than by promoting awareness of the importance of hand-washing; these incentives to prove the value of the donors' work lead to an increase in visible, measurable aid projects. Recipients also have incentives to invest in projects or sectors that are more visible or important to their constituents. Marx (2018) demonstrates that “[Incumbent aid recipient politicians] are rewarded for completing projects in visible sectors, namely projects providing basic infrastructure and social services, but not for completing projects in other sectors.”(1) Pre-election, incumbents should be more motivated to complete or demonstrate progress in visible sectors or sectors that are more important to voters. The issue-importance literature suggests that voters weight the value of issues by importance when voting, so politicians have incentives to direct their attentions to issues that voters find more important.[Fournier, Blais, Nadeau et al 2003] Both donors and recipients favor visible, politically-important projects. If visible, politically-important aid projects are cancelled or withdrawn, what happens to the recipient incumbent politicians who promoted the projects? The credit-claiming possibilities of aid give way to a menu of blame-avoidance strategies.

Aid withdrawal happens. Donors promise more aid than they are able to give; recipients fail to meet the conditions of aid and cannot receive it. Sometimes, completely exogenous shocks lead to the cancellation of an aid project. Data from USAID shows that the organization systematically over-commits and under-disburses funds.

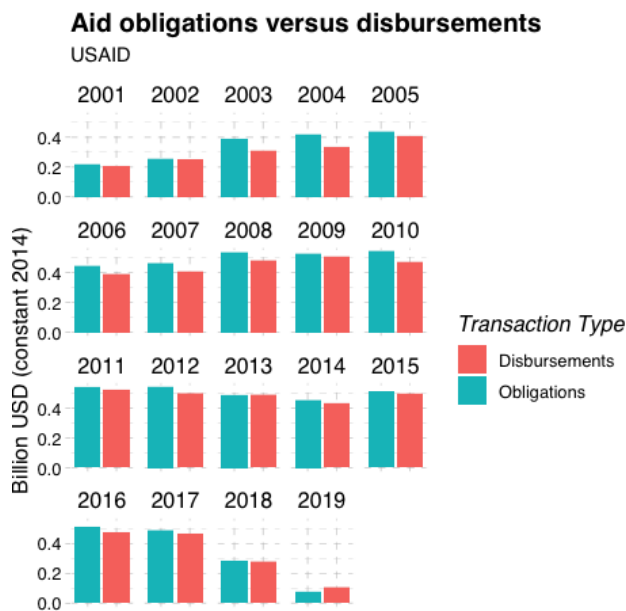


Figure 1: USAID obligations and disbursements

Donor and recipient politicians certainly take steps to avoid aid withdrawal as it is costly for both parties. Given that aid is withdrawn, what do intended recipients do?

Negative shocks to political entities may lead to negative electoral returns for incumbents, as most famously shown by Achen and Bartels' (2013) work on blind retrospection. However, politicians' actions can cause citizens to update their beliefs about the blame they attribute to politicians for their misfortunes. Gasper and Reeves (2011) show that citizens do not blame state officials for natural disasters after state officials attempt to secure federal disaster relief funding; instead, blame shifts to the executive branch if relief

funding is not granted.

The case of foreign aid withdrawal is complex because it involves multiple actors to whom intended recipient citizens can attribute responsibility for the withdrawal, and one of the actors (aid donors) is not electorally accountable to this population. Citizens cannot vote to express their displeasure with the aid agency for withdrawal; however, they can vote against perceived allies of the aid agency. Depending on how much blame they initially attribute to the incumbent political party for the withdrawal of aid, citizens may blame this party for the failure to uphold the contract. Additionally, even if the political party is not blamed by the citizens and the citizens perceive the aid agency to be completely at fault, the citizens may still blame the incumbent political party for failing to secure a contract with a more reliable donor.

To complicate matters further, donors and recipients are not the only actors involved in the aid dynamic. Because the visibility of aid may be used as a selling point for recipient incumbents, it may be a politically-salient issue in the re-election campaign. Opposition politicians may be able to leverage any discontent about the initial aid project, including distributive implications, inconsistencies with the project and goals of the incumbent, or alternative projects that were not supported. In the case of aid withdrawal, opposition politicians have a political opening. They can use the aid withdrawal as an example of the ruling party's incompetence or highlight their own role in getting aid withdrawn as a sign of their capacity.

If the aid is visible and politically-valuable for the incumbent politicians, the incumbent politician must anticipate the opposition's response in the wake of aid withdrawal. Figure 2 identifies several instances of aid withdrawal in Kosovo, a highly aid-dependent country.

Kosovo is a case of extreme dependence on the international community for both economic support and security. Kosovo was released from Serbian rule in 1999 after an unsuccessful Albanian insurgency, a Serbian attempt at ethnic cleansing, and several months of NATO bombings of Belgrade. The nascent state declared independence in 2008 after almost a decade of provisional rule by the United Nations Mission in Kosovo. In the years since the NATO bombings, Kosovo has been one of the largest beneficiaries of international aid per capita. Aid composes roughly 15% of Kosovo's GDP.¹ Given Kosovo's proximity to the EU, Western donors have a vested interest in ensuring the stability and growth of the country.[Bermeo 2015] The power asymmetry between Kosovo and its international donors and creditors makes it a convenient case study for the potential domestic political consequences of donor commitment problems.

In reporting the withdrawal of funds by international entities, the newspapers of Kosovo also mention the government's initial response after funds are withdrawn. The responses fit into three categories: blame, denial, and self-fund. **Blame** refers to the government's attempt to identify entities other than themselves as responsible for the aid withdrawal; these include the international agency and opposition politicians. When the government refuses to acknowledge that aid has been withdrawn, the response is coded as **denial**. **Self-funding** occurs when the government decides to go through with the aid project with its own funding or to put effort into seeking funding from other international bodies.

Evidence from Kosovo suggests that incumbent politicians may suffer negative politician consequences for aid withdrawal, regardless of their role in the aid donor's decision to rescind aid. This indicates that aid withdrawal is a negative signal to recipient country constituents. Why might aid withdrawal be a negative signal to recipient country constituents? It could indicate lack of faith on the donor's part in ability of the government, government failure to meet conditions, that the donor had too-high standards (in which case, why did the recipient government agree to these conditions?), or a completely exogenous shock on the donor's part. Three of the four reasons for aid withdrawal have negative implications for the recipient country government.

Anticipating negative costs, politicians have an incentive to take additional actions to minimize the effect of aid withdrawal on their own re-election fortunes. In effect, politicians want to send a *counter-signal* to avoid being blamed for the withdrawal of aid. As the case of the World Bank in Kosovo demonstrates, the

¹Data from 2010. [Reuters 2010]

Event	Headline(s)	Date	Government Response
Potential loss of funds from Luxembourg for health sector	The Ministry of Health risks losing millions of euros in investment for HIS	14 April 2018	Blame
World Bank withdraws support for power plant	ContourGlobal: New Kosovo is built without the support of the World Bank	11 October 2018	Self-fund
Loss of EU funds for failure to implement stability agreement measures	Kosovo risks losing another 11m euros from the EU; MEI: Kosovo has not lost a single cent of EU funds, the former secretary is misinforming	6 March 2019	Denial
Loss of EU funds	Hoxha: Concert Hall will be built if municipality finds location, funds not lost ; Loss of funds for a concert hall - failure of institutions	12 July 2019	Blame/Denial
Roma community centers closing due to lack of funds	In the absence of funds, the RAE community learning centers in Fushe Kosove may close	24 October 2019	Self-fund
Failure to secure expected loan	The loan process of 22m euros worth of wastewater in Gjilan is still pending	18 January 2020	Blame

Table 1: Instances of Aid Withdrawal in Kosovo

incumbent party may decide to go through with the project despite additional costs in order to stay aligned with its party platform. Self-funding an aid project is a costly signal of for a recipient government because it necessarily decreases their budget constraint for other projects. Funding the aid project requires not funding other priorities. The extremely costly action of self-funding the project after a donor withdraws aid could serve to counteract the negative signal that the donor does not trust the government to get the project done or that the government had not met the conditions for the aid project.

As Table 1 demonstrates, self-funding is one option for incumbent politicians in the wake of aid withdrawal. The other two options are blame and denial. Denial is not a long-term solution, because if the intended aid was visible, as theory would predict it to be, an informed or even semi-informed public would note the absence of aid's appearance. The fact that the government of Kosovo does in fact deny the withdrawal of aid on occasion demonstrates that this is considered a viable strategy in this context. However, the strategy of blaming either the opposition politicians or the aid donors can be considered more tractable than denial because it requires the same level of resources (none) and does not require that the public hold on to an alternate reality.

Blaming the donor or opposition politicians for the decision to withdraw aid may allow the recipient government to avoid the perception of responsibility for the loss of aid. If the donor is at fault for withdrawing aid or the opposition is at fault for making the donor take away aid, the government may be assigned less blame. However, this is a relatively cheap signal to send. Governments do not pay a high cost for blaming another actor; therefore it might be less convincing to voters than the self-funding signal.

Another option always available to a government is to do nothing. However, in cases where the government in fact chooses to do nothing in response to aid withdrawal, the signal is assumed to be directed at the international community, not domestic constituents. The silence of Kosovo's government in the face of potentially controversial actions of the international community has been a rallying point for Kosovo's

opposition parties over the last decade.² Not responding to international action is not a positive signal to constituents: in evaluating when a government will take action in the wake of aid withdrawal with regard to the opinions of their voter base, blame and self-funding are the two most-obvious actions. To do nothing is a signal of compliance to international organizations, which may be negatively interpreted by voters but which, ultimately, is not a signal *to* voters.

The difficulty of observing the effects of aid withdrawal are manifold: aid data is notoriously difficult to verify, especially when the outcome of interest is its absence. [Nielsen et al 2012] Making inferences based on commitments and disbursements recorded in government ledgers may not adequately represent the aid that was expected, even agreed-upon, but never came to fruition. We don't have a dataset of potential aid projects. Additionally, the outcome of interest in this paper is not the effect of aid withdrawal, but the effect of aid withdrawal after politicians take counter-actions. Instead of observing aid withdrawal in a vacuum, I aim to understand how aid withdrawal operates in a more realistic contexts. Politicians will respond to instances of aid withdrawal and these responses will have consequences.

3 Survey Experiment

To test the effects of different political actions in response to aid withdrawal, I run a 2×2 survey experiment, using a mock news article vignette based on actual news articles from the withdrawal of the World Bank's support for a coal plant in Kosovo in 2018.

In order to demonstrate the theory's viability, I plan to launch the survey in India. India has been the site of other online survey experiments about foreign aid (Dietrich and Winters 2017), which offers the opportunity to test the validity of my results in comparable studies. More importantly, the Indian government has engaged in both high-profile blame towards aid organizations and self-funding of potential aid projects. Prime Minister Narendra Modi has accused NGOs not working towards his preferred goals and thereby sabotaging his government.³ Aid organizations have withdrawn from India under this pressure; the government blames these organizations for their own withdrawal: "[the NGO in question] accepts that some part of the funds is used for religious/spiritual activities. Incorrect description of activities had also led to taxation enquiries."⁴ India has also refused disaster aid funding (in order to signal high-status, according to Carnegie and Dolan (2019)) and referred derivatively to Britain's 2011 aid package as "a peanut" compared to India's own development expenditures.⁵ Given that India's government has both the potential and capacity to blame or self-fund aid activities, this country provides an ideal external test case for the consequences of political action following aid withdrawal.

I isolate the effect of potential politician actions after aid withdrawal. I also test whether the importance of the aid sector changes the effect of politicians' actions. One of the key assumptions in my argument for why politicians would respond to aid withdrawal is that aid withdrawal is a negative signal for the incumbent politician when aid is important. After asking respondents to rank a set of five issues from most to least important, I randomize whether the respondent sees an article about aid withdrawal in her self-reported most or least important sector. This random assignment allows me to abstract away from the politics of acquiring aid for different sectors and asks questions conditional on aid being withdrawn from a sector the respondent considers important to do.

This gives us a 2×2 of treatments:

The survey, being conducted on **Lucid** with **1000 subjects**, asks participants to imagine a hypothetical scenario in India. The participants then read about aid withdrawal from their most (least) important sector

²<https://prishtinainsight.com/stopping-the-rot-relaunching-kosovos-foreign-policy/>

³<https://foreignpolicy.com/2018/06/07/democracies-need-a-little-help-from-their-friends/>

⁴<https://www.theguardian.com/world/2017/feb/03/christian-charity-set-to-withdraw-from-india-after-funding-blocked>

⁵<https://economictimes.indiatimes.com/news/politics-and-nation/why-its-perfectly-justified-for-india-to-refuse-foreign-aid-for-natural-disasters/articleshow/65506672.cms>, <https://www.telegraph.co.uk/news/worldnews/asia/india/9061844/India-tells-Britain-We-dont-want-your-aid.html>

Issue-Saliience		
Politician Response	Self-fund; Low	Self-fund; High
	Blame; Low	Blame; High

Table 2: Treatment assignments

and learn that the **governor** responded by blaming the aid donor (funding the project himself).

The following list is the set of issues I ask respondents to rank from least (1) to most (5) important:

- Help for refugees
- Assistance for the disabled
- Support for **former military personnel**
- **Deal with discrimination against SC/STs**
- Women’s empowerment

The respondents then read an article in which the World Bank withdraws support for one of these sectors and the **governor** responds, leading to the following treatment conditions:

1. High importance, self-funding

- The World Bank withdraws support for a job-training program targeted at the highest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The **governor** decides to fund the job-training program by diverting funds away from the **state’s** education budget.

2. High importance, blame

- The World Bank withdraws support for a job-training program targeted at the highest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The **governor** blames the World Bank for the decision to withdraw funding and states that “the World Bank’s decision to withdraw from the agreement could destabilize **our** work on veteran employment.”

3. Low importance, self-funding

- The World Bank withdraws support for a job-training program targeted at the lowest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The **governor** decides to fund the job-training program by diverting funds away from the **state’s** education budget.

4. Low importance, blame

- The World Bank withdraws support for a job-training program targeted at the lowest-ranked sector [women, SC/ST, veterans, disabled, refugees].
- The **governor** blames the World Bank for the decision to withdraw funding and states that “the World Bank’s decision to withdraw from the agreement could destabilize **our** work on veteran employment.”

The choice of job-training as the type of aid program from which aid is withdrawn is designed to robustly test the respondent’s support for the aid. In most developing countries, employment and education are the top priorities. As all of the sectors apply to targeted segments of the population, job-training for these sectors/populations implies potential displacement for other populations. By asking respondents to read an article about job-training programs for a specific part of the population, I realistically test whether respondents have skin-in-the-game in regards to aid. Education as the sector funds are diverted from in order to fund the job-training programs provides another costly choice for respondents; if they don’t support the job-training program very much, they might respond more negatively to losing education funds.

4 Hypotheses and Analysis Plan

The outcome measures include: support for the **governor**, blame attribution to a menu of actors (**governor**, PM, governing party, UN, World Bank, opposition party), **governor** priorities for the nation, and expectation of vote-buying in the next election.

With these outcome measures, we test a series of hypotheses. The primary hypotheses are **H1** through **H4**.

H1: Respondents in the “self-fund” condition will approve of the **governor** overall at higher rates than respondents in the “blame” condition. Therefore **H1:** $\beta < 0$ in the regression model:

$$overallapproval_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $overallapproval_i$ is whether the respondent i approves of the **governor** or not, Z_i is assignment to the blame condition, ϵ_i is the error term, and \mathbf{X}_i is a battery of covariates. These covariates are: gender, ethnicity (coded as majority/minority), political knowledge, age, diaspora status, and education level.

H2: Respondents in the “self-fund” condition will approve of the **governor** overall at higher rates than respondents in the “blame” condition if they are also assigned to the most important sector condition. Therefore, **H2:** $\omega < 0$ in the regression model:

$$overallapproval_i = \alpha + \beta Z_i + \gamma S_i + \omega Z_i S_i + \mathbf{X}_i \psi + \epsilon_i$$

where S_i is assignment to the high importance condition.

H3: Respondents in the “self-fund” condition will approve of the **governor**’s specific actions at higher rates than respondents in the “blame” condition. Therefore **H3:** $\beta < 0$ in the regression model:

$$actionapproval_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

H4: Respondents in the “self-fund” condition will approve of the **governor**’s specific actions at higher rates than respondents in the “blame” condition if they are also assigned to the most important sector condition. Therefore, **H4:** $\omega < 0$ in the regression model:

$$overallapproval_i = \alpha + \beta Z_i + \gamma S_i + \omega Z_i S_i + \mathbf{X}_i \psi + \epsilon_i$$

The secondary hypotheses are **H5** through **H8**.

H5: Respondents in the “blame” condition will be more likely to expect vote-buying from the **governor** in the future than respondents in the “self-fund” condition. I expect blame to be a less successful strategy for politicians hoping to gain voters’ support because it is a less costly action. Therefore, **H5:** $\beta > 0$ in the regression model:

$$votebuy_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $votebuy_i$ is the ranking from 1 to 10 of the likelihood that the respondent expects the **governor** to try to buy their vote in the upcoming election.

H6: Respondents in the “self-fund” condition will assign less blame for aid withdrawal to the **governor** than respondents in the “blame” condition. Therefore, **H6:** $\beta > 0$ in the regression model.

$$pmb lame_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $pmb lame_i$ is the ranking from 1 to 10 of the amount of blame assigned to the **governor**.

H7: Respondents in the “self-fund” condition will assign less blame to the World Bank than respondents in the “blame” condition. Therefore, **H7:** $\beta > 0$ in the regression model.

$$worldbankblame_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $worldbankblame_i$ is the amount of blame assigned to the World Bank.

H8: Respondents in the “self-fund” condition will rank attracting aid from international organizations more highly than respondents in the “blame” condition. Therefore, **H8:** $\beta < 0$ in the regression model.

$$attractaid_i = \alpha + \beta Z_i + \gamma S_i + \mathbf{X}_i \psi + \epsilon_i$$

where $attractaid_i$ is the rank of attracting aid from an international organization on list of PM responsibilities.

I expect the following covariates to have heterogeneous effects. The tertiary hypotheses are **H9** and **H10**.

H9: I expect that respondents belonging to ethnic minorities will have lower average treatment effects of assignment to the blame condition than ethnic majorities. Ethnic minorities may be more sensitive to the costliness of mayoral signals. Therefore, **H9:** $\omega > 0$ in the regression model.

$$approval_i = \alpha + \beta Z_i + \gamma S_i + \omega Z_i Minority_i + \mathbf{X}_i \psi + \epsilon_i,$$

where $Minority_i$ is an indicator variable that takes on the value of 1 if the respondent is a member of a scheduled caste or tribe or other backward class.

H10: I expect that respondents with higher scores on political knowledge will have lower average treatment effects of assignment to the blame condition than ethnic majorities. Politically knowledgeable individuals may be more sensitive to the costliness of mayoral signals. Therefore **H10:** $\omega < 0$ in the regression model.

$$approval_i = \alpha + \beta Z_i + \gamma S_i + \omega Z_i Knowledge_i + \mathbf{X}_i \psi + \epsilon_i,$$

where $Knowledge_i$ is a continuous variable for political knowledge.

All regression models will be fit using OLS with robust standard errors. p -values and confidence intervals will be formed under a normal approximation.