

Africa beyond aid? The effects of foreign aid withdrawal on party competition and clientelism

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Abstract

How does the withdrawal of foreign aid affect party competition and clientelism in sub-Saharan Africa? Conventional debates have focused on the perverse effects of aid on governance and democratic accountability in the region, but have not looked at the downstream effects of aid withdrawal on politics. I empirically test this question using the International Development Association's (IDA) country income thresholds for concessional fund eligibility as an instrument for changes in foreign aid levels. Using cross-national data, I first find that foreign aid hinders the development of programmatic party competition in Africa, but the same effect is not found in other developing regions. Then, through a district-level analysis of aid disbursements in Ghana, a West African country that experienced a large withdrawal in foreign aid after crossing the IDA threshold in 2008, I use a difference-in-differences strategy of heterogeneous treatment exposure to find that citizens in districts experiencing the largest withdrawals in aid report healthier forms of party competition, and a lower incidence of clientelistic practices such as vote buying. I discuss two potential mechanisms driving this result - (1) the inability of domestic political parties to commit to distinct policy positions in the face of conditional and sometimes volatile aid flows, and (2) the threat to legitimacy parties face in the presence of non-state public good provision from foreign donors and international NGOs. This study brings to light new evidence about the role that aid may be playing in impeding African democratic development, particularly its party systems.

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1 Introduction

“We can, and should, build a Ghana that is prosperous enough to stand on its own two feet; a Ghana that is beyond dependence on the charity of others to cater for the needs of its people, but instead engages with other countries competitively through trade and investments and through political cooperation for enhanced regional and global peace and security. [...] Simply put, my Fellow Ghanaians, we can, and should, build a Ghana Beyond Aid.”

— Nana Akufo-Addo, President of Ghana, *Ghana Beyond Aid Charter & Strategy* 2019

This study examines the relationship between foreign aid, political clientelism, and party competition in sub-Saharan Africa. After independence from colonialism, many African¹ countries witnessed severe economic and political crises, from unsustainable debt to civil conflict. International development assistance agencies such as the World Bank stepped in to provide economic relief through grants and low-interest loans. While aid² flows have decreased over the past two decades, many African countries continue to depend on volatile aid flows as a major source of government revenue. As of the year 2018, 20 sub-Saharan African countries were receiving a fourth of their government expenditure in aid³. Fourteen of these countries received net aid that equals half or more of their total expenditure. As a region, sub-Saharan Africa has steadily exceeded the rest of the developing world combined in net Overseas Development Aid (ODA) received per capita⁴. This overstated presence of foreign aid in public expenditure in the region is only exacerbated by the volatile nature of aid flows. Since the late 1990s, 1 in 5 African country-years experienced a decrease in aid that was in excess of 5% of the recipient’s GDP (Briggs, 2015). The effects of the withdrawal of foreign aid are therefore an increasingly important area of study as more African countries emerge away from reliance on donor aid.

The literature on the effects of aid on democracy has been split between two camps, one that identifies the potential for aid to help provide much needed public goods, build state capacity, and accelerate democratic consolidation (Dietrich and Wright, 2015, Dunning, 2004); the other belongs to the strain of “aid dependence” literature which illustrates the negative accountability

¹Throughout this paper, I use the term ‘Africa’ to refer only to the countries of sub-Saharan Africa.

²I use the term ‘aid’ or ‘foreign aid’ to mean economic or development assistance aid throughout this paper. This is distinct from ‘democracy aid’, which is used to support the development of civil society and democratic institutions and works through decidedly different channels than economic aid. For a discussion on the distinction between economic aid and democracy aid, see (Dietrich and Wright, 2012, p.12-13)

³. [Organization of Economic Co-operation and Development - Development Assistance Committee \(OECD-DAC\)](#)

⁴Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients.

effects aid might have on the quality of governance, corruption and indeed on electoral outcomes of low-income countries (Alesina and Weder, 2002, Bräutigam and Knack, 2004). While there has been substantial study of the effects of aid on different measures of democratic consolidation and accountability, very little attention has been paid in the literature thus far to the effects of foreign aid on party competition and political clientelism in beneficiary countries. This study hopes to contribute to this exact space in the literature, with a novel focus on aid *withdrawal* in recipient African countries.

Why do we care about these two specific aspects of African democracy? First, clientelism⁵ leads to distributive inefficiency and loss of social welfare as the targeted delivery of public goods and services is not means-tested and instead based on which segment of the population is most politically valuable. Studies have shown that ethnoregional favoritism in the clientelistic regimes of Kenya and the Democratic Republic of Congo (DRC) have led to systematic underdevelopment of certain segments of the population and regions (Hodler and Raschky, 2014, Kramon and Posner, 2013). The under provision of public goods in clientelistic systems when compared to programmatic systems (which are policy or ideology-based and target resources independently of special private interests) has also been empirically demonstrated (Hicken and Simmons, 2008, Keefer, 2007). Second, clientelism has shown to reinforce incumbency advantage in democratic elections (Jablonski, 2014), and in its more extreme form, may lead to a decline in government accountability (Kitschelt et al., 2010, Lyne, 2007, Stokes, 2005) A third and especially pernicious effect of clientelism is that it may reinforce patterns of ethnic voting. Wantchekon (2003) demonstrates that clientelist appeals reinforce ethnic voting through a field experiment in Benin. This has important implications for the multiethnic polities of Africa, where the targeted transfer of public goods to constituents on the basis on ethnicity under clientelistic regimes has led to political violence on several occasions. Fourth, these patterns are natural corollaries for a study of party competition⁷. As Scheiner (2006) puts it: “party competition forces political elites and voters alike to consider alterations to the existing political agenda; examine alternative ideological, cultural, or policy ideas; and reevaluate which societal groups should be represented by the government and how.” In Africa, there has been very limited policy debate between competing parties, with most adopting vague policy positions that are not meaningfully distinct from one another (Elischer, 2012, Van de Walle, 2007). This absence of real policy alternatives at the ballot leaves room

⁵ I define clientelism as any targeted transfer of benefits such material goods, services, jobs, money etc. in exchange for political support to a specific group of individuals (voters, local elites, interest groups etc.). However, I do not restrict the definition to include only enforceable transfers of such particularistic benefits⁶. This means that I consider, for example, political parties that promise targeted benefits to constituents before an election but do not follow through on such appeals, or constituents that are able to exit clientelistic relationships with parties by voting for opposition candidates without reprisal from politicians, as still constituting clientelistic linkages.

⁷ “Party competition” as referred to in this paper is more straightforward and conceived of as a measure of either (1) how meaningfully *distinct* the ideologies, policies, and/or visible campaign platforms of the main competing parties are from one another in a democratic context; or (2) how competitive are the major political parties across regions. This necessarily assumes the existence of at least nominal multiparty elections for theoretical consistency.

for opportunistic politicians to activate ethnic, religious, or regional identity to mobilize voters instead.

I theorize firstly in this paper that the availability of foreign aid enables - and sustains - clientelism in African countries. I propose that this is because the relatively large volumes of development aid (as a share of government expenditure) received by countries in this region are subject to elite capture and targeted redistribution by members of incumbent governments whose coffers much of the aid flows through. Foreign aid, much like oil, becomes a kind of “**easy money**” resource that may create perverse incentives for targeted redistribution in recipient countries with certain structural characteristics (de Mesquita and Smith, 2013). This argument is not new and has many obvious parallels in the resource curse literature, but has not been systematically studied in the context of aid withdrawal at a cross-country level. Aid withdrawal is the natural extension of aid availability, yet very little scholarly attention is paid to the political effects of aid withdrawal. As more countries emerge away from reliance on donor aid, the study of aid withdrawal is increasingly important.

Secondly, I argue that dependence on donor aid for public expenditure has hindered the emergence of healthy party competition and programmatic party systems in Africa. This is for two reasons. The first is that voters do not view the state as the primary provider of services, a mechanism I refer to as the “**legitimacy mechanism**” for the remainder of this paper. This lack of legitimacy contributes to a lack of accountability because it dilutes incentives for political actors to build and compete on meaningful policy positions, instead relying on ethnic or regional identity appeals. The second is what I refer to as the “**commitment**” **mechanism** whereby political parties in African countries dependent on aid are unable to commit to distinct policy positions in the face of economic uncertainty. Government reliance on conditional and volatile aid flows for public expenditure means that parties hold back from campaigning on strong, differentiated policy platforms to avoid backlash from donors for over-committing fiscal expenditure and backlash from voters for renegeing on campaign promises.

I test my two main theoretical propositions using exogenous variation provided by the International Development Association (IDA)’s⁸ income thresholds for concessionary-loan eligibility, an arbitrary cutoff that determines whether or not a developing country remains eligible for the most concessional form of World Bank financing. The withdrawal in foreign aid that a country experiences as a result of crossing this threshold allows me to test my argument that African countries become less clientelistic and that their party systems become more programmatic once they are no longer heavily aid-dependent. At a cross-country level, I use the IDA income threshold as an instrument for foreign aid and test these theoretical predictions. I find strong evidence at the cross-national level that African party systems become more competitive once these countries are less aid-dependent. However, I find only weak evidence at the cross-national level that African

⁸The IDA is the World Bank’s lender to low-income countries around the world.

countries become less clientelistic following a withdrawal in foreign aid.

I then examine these relationships between foreign aid withdrawal and political outcomes at a subnational level in Ghana, a West African nation that crossed over the IDA's income per capita threshold for concessionary-loan eligibility in 2008. I compare clientelism and party competition in Ghanaian districts⁹ that experienced large cuts in foreign aid in the period following Ghana's threshold crossing with similar districts that did not experience the same cuts after the crossing using a differences-in-differences estimation design. I find suggestive evidence that districts experiencing a large withdrawal in donor aid experience healthier party competition, and a lower incidence of clientelism (using measures such as vote buying and voting freedom) in the period after crossing.

In this article I contribute to the literature on the political effects of foreign aid in three important ways. First, as mentioned earlier, very little attention has been paid in the literature thus far to the effects of foreign aid on clientelism and party competition in beneficiary countries from a comparative perspective. [Jablonski \(2014\)](#) is one of the few scholars that has empirically linked aid allocation to clientelistic outcomes using electoral data from Kenya. He finds that foreign aid provides incumbents an advantage over aid allocation since it often goes through the ruling government's finance ministry or other government financial institutions, which they are then able to use to secure votes through targeted benefits to their support constituent bases. I believe that while national-level and sub-national studies of the misuse of aid by incumbents are important, my cross-national study helps provide a macro-level picture of the political effects of aid in different beneficiary regions to not only illuminate competing theories of aid effectiveness discussed but also to inform donor policies. To the best of my knowledge, however, there are no such cross-national studies systematically investigating the effects of foreign aid on clientelism and party competition. A second important addition this paper makes is to test how these effects vary between African and other low-income countries that were also eligible for development assistance, and whether these patterns are unique to the continent. The prevailing theories of clientelism and party competition that are unique to Africa ([Lindberg and Morrison, 2008](#), [Van de Walle, 2003, 2007](#))¹⁰ can be enriched further by looking at the particular effect foreign aid has on clientelism and the nature of party competition among African countries. Third, by tying cross-national evidence to subnational patterns among districts in Ghana, a West African country that used to be heavily aid-dependent but has since transitioned away, helps illuminate the specific sub-measures of clientelism and party competition that cannot readily be studied at a cross-country level.

The rest of this paper will proceed as follows. Section 2 reviews the existing literature on

⁹The second administrative unit in the country after region.

¹⁰I review the literature on clientelism and party competition in Africa in Section 2 of this paper.

clientelism, party competition and aid dependence in Africa to motivate a theoretical foundation behind my central research question. Section 2.1 then proceeds to focus on three main mechanisms - the resource curse of aid, legitimacy, and commitment problems to develop a small set of theoretical predictions. Section 3.1 reviews the institutional background of the IDA's concessionary financing program, while Section 3.2 offers a description of why Ghana is an appropriate subnational case for this study. Section 4 details the data, sample, estimation strategy and results from my cross-national analysis. Section 5 details the data, sample, estimation strategy and results from my subnational district-level analysis from Ghana. Section 6 discusses the future scope of research on this project and concludes.

2 Theoretical Framework

In this section, I first offer a brief general overview of the existing literature on clientelism and party competition in Africa. I then proceed to describe its linkages with foreign aid and highlight three relevant theoretical mechanisms that drive the association. The mechanisms I propose driving this relationship are (1) the elite capture of foreign aid by incumbent politicians, (2) the lack of legitimacy of political actors in the presence of donor-funded public good provision, and (3) the inability of domestic political parties to commit to policy platforms in the face of lender exigencies and voter expectations. These mechanisms are accordingly developed into a set of three testable hypotheses about the effects of aid withdrawal on politics.

2.0.1 Clientelism in Africa

Kitschelt et al. (2007) propose that the nature of clientelism is affected by the structural characteristics of the country – its level of economic development, state capacity, and experience with multipartyism. Voters in poorer countries with weaker state capacity and smaller tax bases are more susceptible to clientelistic appeals by politicians. The synergistic links between poverty and clientelism have been empirically established by a number of studies (Keefer, 2006, Wantchekon, 2003). As of 2020, sub-Saharan Africa remains the single poorest region in the world, and its people are on average the most deprived¹¹. Further, Keefer (2007) has shown that younger democracies are “more corrupt; exhibit less rule of law, and lower levels of bureaucratic quality”. Multiparty elections in Africa were only established after the 1990s, a phenomenon which political scientists have called the “Third Wave of Democratization”. It is also worth noting that the Freedom House rankings on political and civil rights as recently as 2018 classified over half of all African multiparty electoral systems as ‘illiberal democracies’ (Abramowitz and Repucci, 2018). Taken together, the literature suggests that the combination of widespread poverty and a relatively nascent democratic

¹¹World Bank Data 1990-2020 as visualized in *Global Extreme Poverty* by [Our World in Data](#).

tradition makes this region especially prone to clientelism.

Moreover, the salience of ethnic identity in African politics has been said to be an important enabler of clientelism. [Van de Walle \(2007\)](#) posits that even in the absence of tangible benefits African voters will choose to vote for their own ethnic group's candidate, because there exists little strategic choice for them to vote for an out-group candidate. Voters in such an electoral setup are actually maximizing their expected utility by voting for an in-group candidate belonging to their ethnic or regional group ([Posner, 2005](#)). In Section 2.1.1, I explore a mechanism that relates foreign aid to clientelism in Africa - the elite capture of aid by politicians.

2.0.2 Party Competition and Programmatic Politics in Africa

Programmatic politics or policy/ideology-based political competition has been relatively slow to develop in Africa¹². There has been very little programmatic debate between competing political parties in Africa, with most adopting vague policy positions that are not meaningfully distinct from one another ([Elischer, 2012](#)). The reasons offered in the literature for this lack of programmatic political debate in Africa partly attributed it to its limited experience with democracy. [Kitschelt et al. \(2007\)](#) state that newer democracies require certain preconditions of political competition, which they call "pre-democratic legacies", in which competing political actors came together to offer different programmatic alternatives to solve some social problem. Adopting a coherent ideological position also means political parties will have to behave cohesively internally, which some scholars argue is not the case with political parties in Africa, where vested interests of elites dominate internal party politics. [Van de Walle \(2007\)](#) also attributes the lack of ideological salience to the retreat of religious and professional organisations from politics in Africa after the 1990s. Once multiparty elections were nominally established, churches and labor-unions stepped away from political life, and an opportunity to organize around core policy or ideology was lost. In the absence of coherent programmatic positions by parties, performance-based identification with political parties became rare ([Kitschelt et al., 2007](#)). However, recent research has shown potential for information-based interventions to help overcome this programmatic homogeneity in African politics. In Sierra Leone, providing voters with information about candidates' performance and competence helped reduced partisan loyalties ([Casey, 2015](#)), whereas screening public debates between MPs was associated with greater openness to candidates across ethnic lines ([Bidwell et al., 2020](#))¹³. In Section 2.1.2 and Section 2.1.3, I explore two mechanisms behind the slow evolution of programmatic party competition in Africa that relate to foreign aid in the region - the legitimacy and commitment mechanisms respectively.

¹²I also interpret healthy party competition to mean major competing parties resort to fewer divisive appeals such as ethnic identity, or how broad-based competition may be at the level of the region (which may serve as the-regional voting enclaves for parties as described in the discussion in Section 2.0.1.)

¹³They specifically find that voters move back and forth across ethnic-party lines to support strong debate performers, but with no net effect on the overall incidence of ethnically aligned voting.

2.1 The Links with Foreign Aid and Testable Hypotheses

2.1.1 Foreign Aid as Easy Money

As stated in Section 1, there are two conflicting sets of theories about the political effects of foreign aid on African countries. The more positive or “promotion” theories attribute democratic consolidation to foreign aid but are specific either to conditional foreign aid or democratic aid (Dunning, 2004).¹⁴ These scholars argue that aid can serve as a tool for democratization and governance reform by pressuring authoritarian regimes financially to reduce corruption and build institutional capacity. To the contrary, the “perversity” theory which speaks to the corruption and moral hazard problems that aid creates has many takers in the literature as well (Alesina and Weder, 2002, Bräutigam and Knack, 2004, Moyo, 2009). They argue that aid is subject to elite capture by corrupt politicians that may enrich undemocratic regimes and that dependence on aid lowers state capacity in these countries (moral hazard problem). Other models of the political economy of aid argue that foreign aid benefits donor country leaders most when it goes to recipient countries whose leaders are able to direct it to their cronies (De Mesquita and Smith, 2009).

I predict that development aid enables and preserves clientelism in African countries. This is because of the structural characteristics of these countries - relatively new experience with democracy and a low fiscal base/sources of domestic revenue that inflates the share of foreign aid in government expenditure. As I have alluded to and highlight again later in Section 4 of this paper, Africa receives the largest share of overseas development aid (as a share of gross national income) in the world, more than other developing countries in the world combined. Under such settings, incumbent governments seeking re-election may use foreign aid to their advantage by allocating aid to the most politically valuable groups in society. Foreign aid that flows through the recipient country government’s coffers, then, becomes a kind of “easy money” resource, subject to elite capture (de Mesquita and Smith, 2013).

One might pose the question: why would foreign donors allow aid to be captured to support clientelistic transfers in Africa? While a few scholars (such as Dietrich et al. (2018)) have shown that foreign donors are less likely to invest in institutions of poorer quality, there are several reasons that aid allocation even by well-meaning donors may be subject to clientelistic capture. First, the reality of aid allocation is that donors lack the capacity and information to monitor every aspect of aid delivery. The informational advantages held by beneficiary governments necessitate a certain level of delegation to incumbents (Jablonski, 2014). A second reason that has been discussed in the literature is that donor incentives are often aligned with government incentives - the need to meet annual aid “disbursement targets” means that donors often have to comply with the terms

¹⁴In this paper, I will focus only on economic or “development” aid (without controlling for conditionality) and its impact on local democracy as measured through clientelism and party competition, not on democracy aid, which operates through decidedly different channels.

of the host government for the success of aid projects (Kuziemko and Werker, 2006).

Further still, we know from the canonical model of foreign aid by De Mesquita and Smith (2009) that domestic policy gains are the largest for donor countries when aid goes to relatively poor, small-coalition countries. This model of aid allocation is an extension of the selectorate model by Bueno de Mesquita (2007) and suggests that the clientelistic capture of foreign aid by smaller-coalition recipient nations is often in the interest of large-coalition donors to win the largest policy concessions. According to this logic, donors find it easier to purchase policy concessions through foreign aid from small-coalition leaders who rely on cronyism and corruption as those leaders can best afford to sacrifice their own society's public goods-oriented policies to stay in power.

de Mesquita and Smith (2013) have similarly spoken to the effects of foreign aid as a form of "easy money" resource to temporary members of the UN Security Council. Such resources introduce moral hazard problems, particularly in nascent democracies of the type found in sub-Saharan Africa because they provide leaders with the means to pay off their coalition of supporters without reliance on tax revenues. While most African countries receiving foreign aid today are at least nominal democracies, their winning coalition sizes are not as large as those found in donor countries. The availability of easy money resources such as foreign aid may therefore promote clientelism in Africa. Accordingly, the withdrawal of foreign aid, then, should be associated with normative improvements in politics, simply as the material *availability* of clientelistic goods decreases. This leads me to my first hypothesis:

- ***Hypothesis 1:*** *African countries should expect to witness a reduction in clientelistic politics after a withdrawal in foreign aid.*

2.1.2 Lack of Legitimacy

A few different explanations have been offered for why programmatic or policy-based party competition has been slow to develop in Africa, which I reviewed in Section 2.0.2. Here, I highlight a mechanism that I believe has been given relatively little emphasis in the literature and relates directly to foreign aid funding a significant proportion of public expenditure in many African countries – its impact on domestic government legitimacy among voters.

I posit that the provision of public goods by foreign donors, what we would describe as "non-state" actors - international NGOs, bilateral aid agencies such as the United States Agency for International Development (USAID), the United Kingdom's Department for International Development (DFID), or multilateral groups such as the World Bank - hinders the emergence of meaningful party competition and programmatic party systems because voters do not view the state as the principal provider of public goods. I term this mechanism the state's "lack of legitimacy". There is a vast literature that speaks to the "fiscal contract" between states and citizens requiring the state to provide services such as infrastructure and healthcare to citizens in exchange

for taxes and votes (Moore, 2008). The notion that non-state provision of development services undermines state legitimacy has been paid attention to by scholars of civil society as well (Brass, 2016). More recently, studies have started to focus on whether citizen awareness of non-state public good provision undermines domestic government legitimacy, and have found mixed results (Dietrich et al., 2018). While one study to the contrary has found that knowledge of non-state public good provision improves government legitimacy through its effect on citizens' perceptions of the government's ability to effectively negotiate contracts with international donors, it also suggests that donor involvement diminishes the role of the state in the citizen-state contract (Sacks, 2012). When the fiscal contract is occupied by donors (non-state actors) and only *mediated* by the state - even if effectively mediated - it relegates the role of state political actors such as political parties or MPs to the background and pushes donors to the foreground. This means that even if aid bolsters state legitimacy, it centers public good provision around the donor and not the state.

I argue that the lack of state legitimacy stemming from the extensive involvement of foreign donors in public good provision in Africa has in turn led to a lack of accountability on the part of domestic political actors, such as party candidates. The majority of African citizens are likely to have poor information about the state's formal relationship with donors and non-state actors and its regulation of aid and non-state service provision (Sacks, 2012). Successive waves of politicians in Africa falling back on credit claiming through donor-funded public goods diminish the differentiated association that voters would make with political parties and their policy platforms if the state was the primary provider of these goods. This paves the way for African parties to resort to ethnic or regional identity appeals in diverse (and often socially divided) countries instead of building (and competing on) strongly differentiated policy positions.

In the aftermath of a withdrawal of donor aid, then, parties have incentives to compete on programmatic grounds to mobilize voters as a way to capture a new space for legitimacy for domestic political actors. Voters in this scenario will be expected to turn to candidates that best offset the loss in public goods from donor aid withdrawal, the first movers in this newfound bid for domestic actor legitimacy. Resultingly, as time goes on and the role of foreign aid in public good provision continues to diminish, the space for differentiated policy positions by political parties should be expected to expand.

2.1.3 Lack of Commitment

So far, the theoretical emphasis has been on the perverse incentives that donors create for domestic political actors in recipient countries to not have to compete on differentiated policy grounds. This interpretation assumes that domestic political actors are not interested in staking out distinct policy positions. But what if we were to relax that assumption, why then is African party competition so slow to become programmatic? This brings me to the other mechanism linking foreign aid availability and party competition in Africa - what I refer to as an "inability to commit".

A small literature has documented the prominence of “valence” issues in African politics. These are issues that have broad consensus - for instance, law and order, or defense - issues over which little room for disagreement or differentiation between competing political actors exists (Stokes, 1963). Competing on valence terms means sidestepping any real policy/ideological differentiation, and instead relying on a politician being perceived as more charismatic, competent, or having greater campaign resources to mobilize voters (Egan, 2008). Political parties in Africa are said to be characterized as competing on these broad-consensus “valence issues” instead of staking out distinct ideological or policy positions for themselves (Bleck and Van de Walle, 2013). One of the reasons African parties do not choose to differentiate themselves ideologically in the run-up campaign to an election is part of what Bleck and Van de Walle (2013) describe as an “uncertainty” mechanism - the inability to uphold a policy position once elected into office due to economic uncertainty from a low fiscal base and high reliance on volatile foreign flows.

I argue similarly that government reliance on conditional and volatile aid flows for public expenditure in African countries means that parties hold back from campaigning on strong, differentiated policy platforms to simultaneously avoid backlash from donors for over-committing fiscal expenditure and backlash from voters for renegeing on campaign promises. The conditionality imposed on these countries by international financial institutions in exchange for low-interest loans means they are not in a position to campaign on specific economic policy positions out of fear of sanctions by donors (Moss et al., 2006). Simultaneously, they must contend with “retrospective” voters during elections (Fiorina, 1981), who may punish them at the ballot for unfulfilled policy promises they were unable to uphold. This dual crisis of commitment to both donors and voters forces political parties in Africa to take the easy middle ground - vague and equivocal positions on broad-consensus issues such as defense, law and order, and development without adopting any kind of economic specificity or ideological differentiation. Morality issues such as religion and LGBTQ rights (or the lack thereof) are another instance of such broad-consensus topics that most major competing parties in conservative Christian African countries have been well documented to campaign on (Grossman, 2015).

This means that once a withdrawal of foreign aid starts to occur, the donor exigencies that prevent political parties from adopting differentiated policy positions are no longer as much of a barrier, opening up the space for less uniform campaign promises by competing parties, on topics that are not just limited to broad-consensus “valence issues”. Taken together, the legitimacy mechanism and the commitment mechanism lead me to my other main hypotheses:

- ***Hypothesis 2a:*** *African political parties should be expected to engage in more policy-based competition and take more distinct ideological positions following a withdrawal of foreign aid.*
- ***Hypothesis 2b:*** *Competition between major African political parties should expect to become less organized along ethnic, regional, or personalistic lines and become more broad-based in*

nature following a withdrawal of foreign aid.

Note that the proposed mechanisms above are theoretical arguments that are yet to be tested in the literature and outside the immediate scope of this paper. In Section 6, I will briefly discuss the future scope of this scholarship to test these different mechanisms. The reader may wonder whether the proposed hypotheses about the perverse political effects of foreign aid apply to other low-income countries outside sub-Saharan Africa. As I demonstrate in Section 4 of this paper, Africa has consistently been the single most aid-dependent region in the world, more so than the rest of the developing world combined. This makes the material availability, and, therefore, *withdrawal* of foreign aid particularly salient in African politics. The subsequent empirical analyses in this paper will therefore test whether these predicted effects of aid withdrawal are particular to Africa and whether they differ between Africa and the rest of the developing world. This is intentional, given the theoretical motivation of this paper. As previously specified, a combination of structural characteristics - relatively recent adoption of democracy, a low fiscal base/sources of domestic revenue, weak state capacity, and the sheer volume of aid (as a percentage of overall government revenue) make these effects particularly salient in Africa. It goes without saying that there is a ton of variation in these characteristics within the subsample of African countries, and perhaps one or two of these characteristics might be driving the effects that I am attributing to an entire region of borrower countries. To show that this is not the case, I employ a few robustness checks in the empirical section of this paper to confirm that these effects are not driven purely by any one structural factor such as the level of democracy, or state capacity. In using an “interaction” term for Africa, I argue there are systematic reasons that as a *region*, Africa experiences aid withdrawal differently than the rest of the developing world combined. This is not to understate the variation in institutional characteristics within the subcontinent but to highlight that at the *aggregate*, its politics interacts with foreign aid differently than other non-African borrower countries.

3 Institutional Background

3.1 IDA’s Threshold for Concessional Lending

The International Development Association (IDA) is the World Bank’s lender to low-income countries. The IDA’s concessional finance or “soft loan” lending scheme restricts access to countries that fall below a precise per capita income (GNI) level.¹⁵ Between 1987 to 2021, there were 93 countries that were at some point considered eligible for IDA’s concessional lending using this

¹⁵Note that this excludes countries that graduated and then reverted back under the threshold into IDA eligibility. Most of these cases happened before 1980 and eight were between 1980-1990. Pre-1980 graduates were, on average, richer when they graduated, and had limited dependence on the IDA’s concessional financing prior to graduation. The graduates during the 1980s were poorer, and more dependent on IDA funding, and reverse graduated due to commodity shocks in the 80s.

criterion¹⁶. Once a country is found to be above the IDA income threshold for three consecutive years, it kickstarts negotiations towards graduation from the IDA and into the International Bank for Reconstruction and Development (IBRD), a World Bank entity that provides financing to lower-middle-income and middle-income countries at higher interest rates.¹⁷ Final graduation depends on both meeting the three-year consecutive threshold crossing criterion as well as an opaque “creditworthiness risk” assessment by high-ranking World Bank staff. Once a country graduates from the IDA, it can only receive high interest IBRD loans, loses access to debt relief, and typically tends to lose the majority of multilateral and bilateral donor aid from other non-IDA donors as well, who use the IDA threshold as the standard for determining their own borrowing eligibility criteria (Moss and Majerowicz, 2012). Over the same period, 20 countries have graduated from IDA and become IBRD-only borrowers. Candidate countries that meet the consecutive crossing criterion but fail the creditworthiness requirement remain in what is official called “blend” status, whereby they are eligible for limited funding from the IDA and some funding from the IBRD, but both at higher interest rates than concessional financing.

The income cutoffs determining graduation *eligibility* are calculated using a predetermined formula about the state of the world economy established in 1987 during IDA meetings, when a need to address the reverse graduation of several developing countries back under the historical cutoff was recognized¹⁸. The cutoff using this formula is revised every year during IDA meetings, where the IDA brings together board members and other stakeholders to raise funds for the next three-year fund replenishment cycle. So while the actual graduation process is subject to a creditworthiness assessment and negotiations between the candidate country and the World Bank, graduation *eligibility* over these thresholds cannot be manipulated by countries in advance. These graduation eligibility thresholds have thus been utilized as a source of plausibly exogenous variation to identify the causal effects of foreign aid on economic growth (Galiani et al. (2017); Dreher and Lohmann (2015)).¹⁹

3.2 The Case of Ghana

Applying the study of cross-national foreign aid at a subnational level requires choosing an appropriate country case where one might anticipate similar effects playing out. Ghana provides an excellent test case for this subnational analysis. The IDA was Ghana’s largest and most sig-

¹⁶Borrowing Countries, International Development Association.

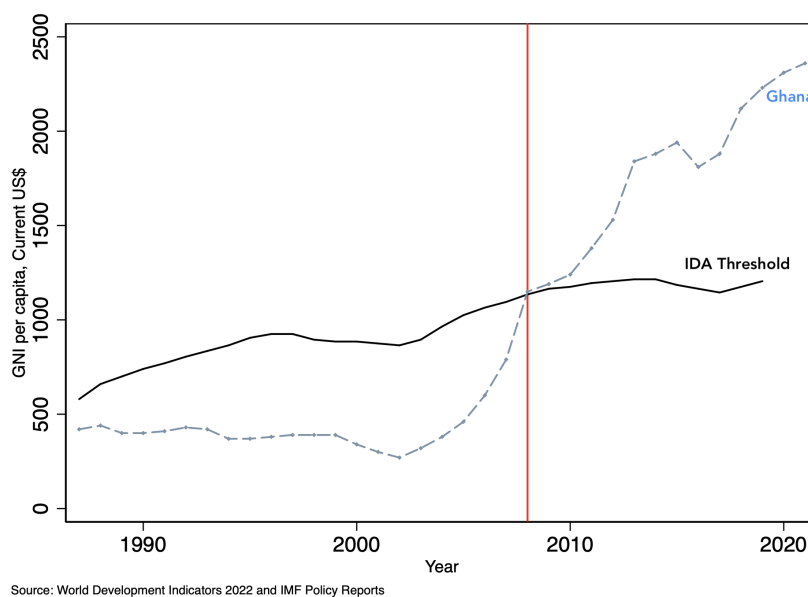
¹⁷Review of IDA’s graduation policy. 2012. IDA16. Washington, D.C. : World Bank Group.

¹⁸Review of IDA’s Graduation Policy, 2012

¹⁹Carnegie and Samii (2019) use exogeneity provided by a second tier of graduation cutoffs, namely from the IBRD into developed-country status to study the effects of crossing over into a rich-country category on political liberalization reforms.

nificant lender for almost thirty years, as of 2010 (OECD-DAC 2012)²⁰. It received over \$250 million dollars in overseas development aid from the IDA, about a fifth of total ODA received till that point in time. Due to a GDP rebasing exercise in 2010 to account for growth in previously unaccounted sectors such as telecommunications and banking, Ghana suddenly found that its official GDP was \$1,363 and not under \$800 as previously estimated (Moss and Majerowicz, 2012). Overnight, Ghana was pushed over the limit for IDA’s concessional finance, and was considered to be in the category of “lower-middle-income” countries²¹. According to my calculations using historical GNI per capita, Ghana crossed the IDA’s threshold sometime in 2008 (see Figure 1).²² It started witnessing a withdrawal of foreign aid shortly after the crossing.

Figure 1: Ghana’s GNI per capita and IDA threshold (Current US\$)



In Figure 2, I disaggregate changes in foreign aid three years after crossing the IDA threshold by funder type. Recall that the IDA is the lender to lowest-income category of countries and the IBRD is the lender to lower-middle-income and middle-income countries, the next category after countries graduate over the IDA lending threshold. I look at these disaggregated funding trends three years post-crossing for the sample of countries that crossed over the threshold²³. This figure shows that in the three-year period after crossing the threshold, Ghana’s loss of IDA

²⁰Development Co-operation Report, OECD, 2012.

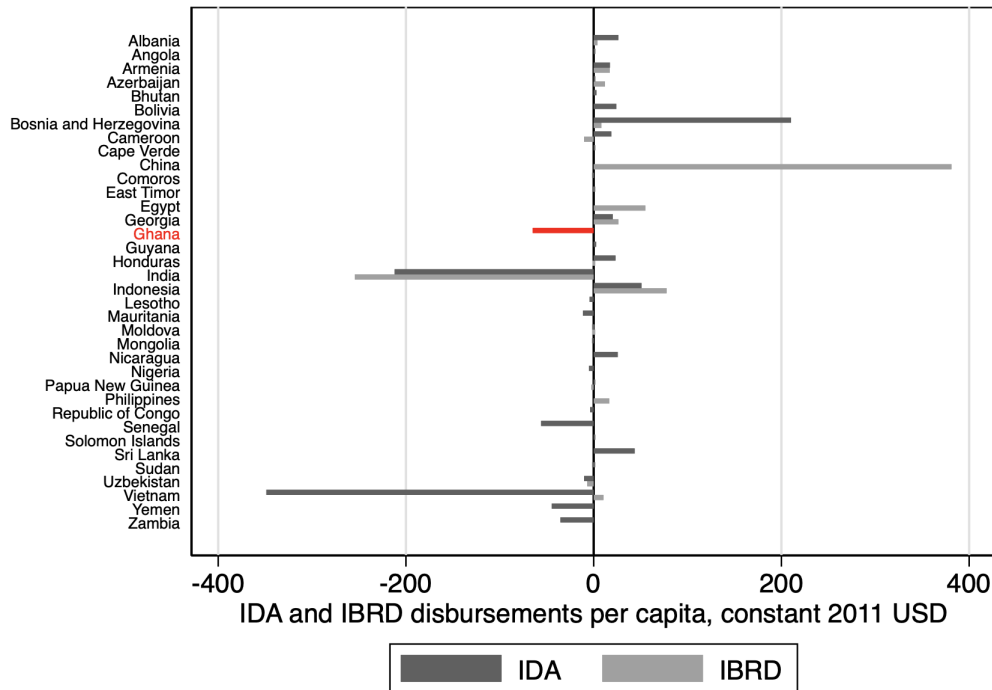
²¹Note that the key difference between GDP and GNI is that GNI also includes income accrued by a country’s residents abroad, but the two are very similar in per capita terms.

²²This makes sense because the GDP rebasing reflected changes that had been building over a few years. Moss and Majerowicz (2012) conclude that it is likely that Ghana’s growth in the years before 2010 may have been underestimated. Consistent with this, Galiani et al. (2017) report Ghana’s year of crossing the IDA’s threshold in 2009.

²³Note that this figure is limited to only those countries that crossed over the threshold prior to 2012 owing to the limitations of the data that distinguishes between IDA and IBRD funds (Aid Data, 2015).

funding was not offset by IBRD money²⁴. It also becomes apparent that relative to other African countries that crossed the threshold during the same period, the three-year loss in per capita IDA disbursements is also the largest in Ghana. By 2011, just a couple of years after the crossing, Ghana had witnessed a reduction of over \$50 in per capita IDA disbursements.²⁵

Figure 2: Changes in country-specific IDA/IBRD disbursements three years after crossing the threshold



Source: Calculations using AidData (2015)

The IDA threshold was seemingly arbitrary, and so while Ghanians did not experience some sudden economic boom after 2008, crossing over carried real implications for Ghana’s foreign aid landscape. The single biggest implication was the loss of access to concessional financing from multilateral donors. Besides the IDA, the African Development Bank, and the International Monetary Fund (IMF) also routinely refer to the IDA’s income threshold for their own concessional finance eligibility criteria.²⁶ ²⁷ As Ghana consistently stayed above the threshold for three consecutive years, it was officially moved to IDA/IBRD “blend” status in 2012, which entailed the accelerated repayment of its existing debt, and access to IBRD lending at higher interest rates. Borrowing on blend terms came with the expectation that Ghana was on the track to fully graduate from

²⁴The idea to examine whether a decline in IDA funding was offset by IBRD funding is inspired by [Dreher and Lohmann \(2015\)](#), who investigate the effects of changes in foreign aid disbursements owing to crossing the IDA threshold on subnational economic growth using nighttime light density.

²⁵Own calculations using [AidData \(2015\)](#), Geocoded data from the World Bank IBRD-IDA, version 1.0.

²⁶See for instance, the IMF’s “[Eligibility to Use the Fund’s Facilities for Concessional Finance Report](#)” from 2019.

²⁷Also similarly, see [Prizzon et al. \(2016\)](#) for the African Development Bank’s policies.

Figure 3: The NPP's incumbent Nana Akufo-Addo's "Ghana Beyond Aid" agenda



Ghana Beyond Aid
A National Agenda

is a prosperous and self-confident Ghana that is in charge of her economic destiny; a transformed Ghana that is prosperous enough to be beyond needing aid, and that engages competitively with the rest of the world through trade and investment.

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The graphic includes a photograph of Nana Akufo-Addo, the incumbent NPP leader, speaking at a podium. He is wearing a colorful patterned shirt. The podium features the Ghanaian coat of arms and the NPP logo. The background is a dark wood panel.

the IDA (pending a creditworthiness assessment) that would make it ineligible for all soft loan assistance from the World Bank. As I specified above, crossing the IDA threshold serves as an important signal to other multilateral and bilateral donors as well about a country's neediness, even while it is in "blend" status.²⁸

Besides the large withdrawal in donor aid that Ghana witnessed following its crossing of the IDA threshold, there are other reasons that Ghana is a useful case study for this analysis. First, Ghana has been one of the earliest adopters of democracy in West Africa, and indeed, the continent. Second, in recent years, Ghana is one of the few African countries that has been said to escape the trope of ethnicity and tribalism in African politics. There has been evidence in recent years of an increase in performance-based voting and greater electoral competition in Ghana (Bratton et al., 2012). The two major political parties, the National Democratic Party (NDC), and the New Patriotic Party (NPP), have well organized party machines that regularly compete to mobilize votes through party brokers (Brierley and Nathan, 2021, Ichino and Nathan, 2013). The extent to which the interaction between these normatively positive developments in politics is associated with the large withdrawal of foreign aid Ghana experienced warrants closer examination. In recent years, Ghanaian politics has embraced its IDA graduate status and the current president, the NPP's Nana Akufo-Addo, even built part of his 2019 re-election campaign around the agenda "Ghana Beyond Aid" to signal a sense of national self-sufficiency to voters²⁹. He was successfully re-elected in 2020.

Finally, the availability of robust public opinion data on politics and governance in Ghana ³⁰

²⁸I empirically test for changes in all overseas development assistance countries experience upon crossing the IDA threshold in my cross-country analysis (Section 4).

²⁹Ghana Beyond Aid Charter & Strategy Document, Office of the Senior Minister, Republic of Ghana, April 2019

³⁰Note that the Afrobarometer public opinion survey for West Africa is headquartered in Ghana. They have

across the period of my study makes it an attractive case to study.

4 Cross-National Analysis

4.1 Data and Sample

4.1.1 Foreign Aid (ODA)

I will draw from a few different sources of data on foreign aid. First, as is the convention in much of the previous foreign aid literature, I make use of the Net Overseas Development Aid (ODA) as a percentage of gross national income (GNI) obtained from the World Bank’s World Development Indicators³¹. Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. As an additional population-weighted measure of foreign aid received by a country, I also employ the net ODA received per capita (in current US\$ terms) from the same source³². [Figure 4](#) illustrates trends in ODA per capita between the African sample and the non-African set of IDA beneficiaries to illustrate the relatively large aid-dependence in Africa compared to the rest of the developing world. The amount of average per capita ODA received by Africa steadily exceeded the amount received by other developing regions between the 1970s and 1990s, and while the gap has narrowed to starting from the early 90s, it still remains large.

4.1.2 IDA Eligibility

Next, I make use of the World Bank International Development Association’s (IDA) thresholds for concessionary-loan eligibility to identify countries whose GNI per capita exceeded the IDA threshold between 1990 to 2020 (my sample period of interest).³³ While [Galiani et al. \(2017\)](#) have coded these thresholds upto the year 2010, I undertake two additional steps. First, I manually update the thresholds up till the year 2020 (the last year in my sample) by parsing through scattered International Monetary Fund policy press releases where the updated thresholds decided

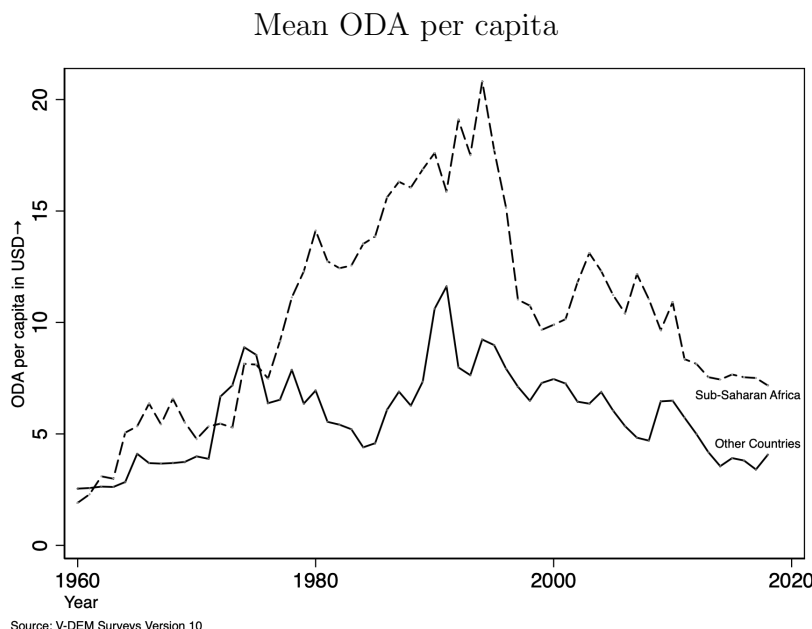
conducted 8 rounds of surveys between 1999 and 2020 in the country.

³¹This data was most recently updated in the [May 2022 release](#).

³²Calculated by dividing net ODA received by the midyear population estimate for each country

³³IDA concessionary loan thresholds started to be seriously operationalized only in 1987, with the purpose of rationing scarce IDA funds. Before 1987, a lower threshold (now referred to as the “historical cutoff”) was in effect, but several economic crises in developing countries in the early and mid-1980s led to an increase in the demand for IDA funds (World Bank (1989). *IDA eligibility*. IDA 9 Discussion Paper No. 3. March. Washington, DC: The World Bank). As a result, most of these countries reverted back under this cutoff in the 80s. This necessitated a new higher cutoff, which was established in 1987 and operationalized thereafter. It is for this reason that I restrict my sample to the period starting in the 1990s, when the new lower cutoff for concessionary lending took effect.

Figure 4: ODA per capita over time (African vs non-African IDA beneficiaries)



Notes: This figure depicts the time series trend of the amount of average Overseas Development Assistance (ODA) per capita received by IDA-beneficiaries between 1960-2020. The dashed lines depict the trend for the 41 African aid recipient countries in this sample, whereas the solid lines depict the trend for the remaining 41 non-African countries in the sample.

during the previous annual IDA meeting is communicated.³⁴ Second, I also update the historical Gross National Income per capita data reported by countries using the most recent release of the World Bank’s World Development Indicators, which corrects misreporting or inconsistencies between past releases³⁵. Subsequently, I am not only able to identify countries that crossed over the IDA threshold in the post-2010 period, but also account for reporting discrepancies to update the exact year that countries in the [Galiani et al. \(2017\)](#) sample crossed over the threshold. The evolution of the GNI per capita cutoff over the sample period is depicted in [Figure 5](#).

In total, there were 93 countries that were at some point between 1987-2020 eligible for IDA concessional-loan assistance.³⁶ The sample of countries that cross over IDA’s threshold between 1990 and 2020 using updated data are shown in [Table 1](#).

Between 1990 to 2020, 49 of the 93 countries crossed over the IDA threshold at least once. 17 of these crossover countries were from sub-Saharan Africa. The the rest belong to different parts

³⁴Note, however, that these yearly thresholds are not readily accessible on the IDA’s website, most probably out of concerns of statistical manipulation by lower income country governments. For example, see the 2020 operational cutoff hidden in a footnote on page 36 of this [IMF policy report](#). The suggestion to look in the IMF policy reports for these cutoffs came from [Martinez \(2022\)](#), who updates the IDA cutoffs till the year 2012 as part of his study to determine whether autocratic countries are more likely to misreport official national statistics.

³⁵GNI per capita, Atlas method (current US\$), [WB World Development Indicators](#).

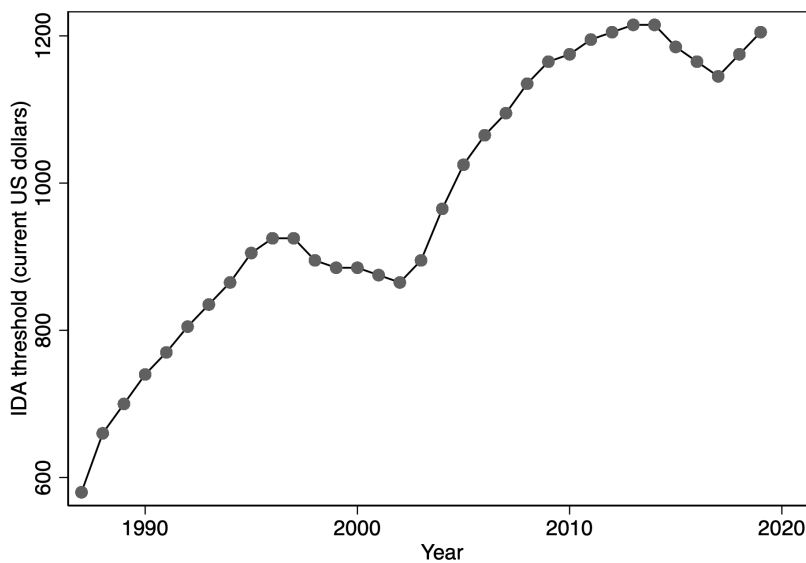
³⁶For the full list of borrowing countries, see: [IDA Borrowing Countries](#).

Table 1: Sample of Countries and Years Crossing the IDA Threshold

Country	Year of Crossing (Graduation)	Country	Year of Crossing (Graduation)
Albania	1999 (2008)	Kenya	2014
Angola	2004 (2014)	Kiribati	1991
Armenia	2003 (2014)	Lao PDR	2012
Azerbaijan	2005 (2011)	Lesotho	2008
Bangladesh	2015	Maldives	1997
Benin	2018	Mauritania	2008
Bhutan	2003	Moldova	2007 (2020)
Bolivia	1997 (2017)	Mongolia	2006 (2020)
Bosnia and Herzegovina	1997 (2014)	Myanmar	2016
Cabo Verde	1992	Nicaragua	2001
Cambodia	2017	Nigeria	2008
Cameroon	2006	Pakistan	2014
China	2000 (1999)	Papua New Guinea	2008
Comoros	2005	Philippines	1994 (1993)
Congo, Rep.	2005	Sao Tome and Principe	2012
Cote d'Ivoire	2012	Senegal	2010
Egypt, Arab Rep.	1995 (1999)	Solomon Islands	1997
Equatorial Guinea	2001 (1999)	Sri Lanka	2003 (2017)
Georgia	2003 (2014)	Sudan	2008
Ghana	2008	Timor-Leste	2006
Guyana	2002	Uzbekistan	2010
Haiti	2012	Vietnam	2010 (2017)
Honduras	2000	Yemen, Rep.	2010
India	2010 (2014)	Zambia	2010
Indonesia	1995 (2008)		

Notes: Year of crossing was determined by triangulating data using the WDI (2022) GNI per capita (Atlas Method, Current US\$) data, [Galiani et al. \(2017\)](#) for the IDA cutoffs up to 2010, and manual searches through scattered IMF Policy press releases for the cutoffs for each year between 2011-2020. Note that some countries, such as China and Philippines were graduated on a fast-track even before they were above the income-eligibility threshold due to strong economic potential. This list also includes the countries that crossed back under the IDA threshold and then crossed over twice.

Figure 5: IDA GNI per capita threshold for concessionary-loan eligibility over time



Source: Galiani et al. (2017) and International Monetary Fund (IMF) Press and Staff Reports

of the world (Asia, Latin America, Eastern Europe, North Africa, the Middle East and Oceania). 20 countries in total graduated from the IDA to IBRD-only status. It is also worth noting that within this sample, some small, island economies continue to receive IDA assistance even after they have been over the threshold for several consecutive years due to a special IDA policy that protects them from vulnerability to economic shocks³⁷. I exclude these small, island economies in my analysis as a robustness check because they do not experience the same withdrawal in IDA funds.

4.1.3 Clientelism and Party Competition Measures

Studying political outcomes at a cross-country level involves reliance on certain expert-coded measures which typically assign 'scores' to the quality of various political institutions or to the probability of different political phenomena taking place. Accordingly, I draw from a couple of the most widely used and highly regarded cross-country political measures. I primarily utilize the Varieties of Democracy (V-Dem) Surveys³⁸ compiled by the University of Gothenburg to study the variation in clientelism and party competition, my main outcomes of interest. V-Dem defines clientelism as “the targeted, contingent distribution of resources (goods, services, jobs, money, etc) in exchange for political support”. I explore the variation in clientelism induced by changes in foreign aid received (or expected) by a country during a given year using a number of different measures in the V-Dem. The V-Dem “clientelism index” in this analysis is a measure of the extent to which politics are based on clientelistic relationships.

³⁷Review of IDA’s Graduation Policy (2012)

³⁸I use [Version 12 of the V-Dem](#) , their most recent release from March 2022.

The clientelism index is constructed using three major variables:

- The prevalence of vote and/or turnout buying in the country’s national election (as an ordinal variable).³⁹
- The main form of party-constituent linkage, which refers to the sort of “good” that the party offers in exchange for political support and participation in party activities.⁴⁰
- How “particularistic” vs. “public goods” is the social and infrastructural spending in the country’s national budget?⁴¹

Next, to measure party competition and ideological heterogeneity between major political parties in developing countries, especially at a cross-national level, is a bit challenging. Despite growing interest, there has been no widespread text-based analysis of African parties electoral campaigns, for instance, which make up about half of all IDA recipients⁴². I therefore rely on a couple of different variables coded by country experts in the V-DEM. The first measures the share of political parties with representation in national level politics that have distinct policy platforms, as measured by the availability of their publicly available party platforms/manifestos. To be counted as such, parties must have platforms that are both distinct (either in terms of content or generalized ideology) and publicly disseminated.⁴³ The second measure I employ concerns the nature of party competition across regions. This measure looks at whether the electoral support for the country’s most major parties is concentrated in one or two regions of the country, or whether they are competitive in a few or more regions. This measure is proxied using the share of political parties that have permanent local party branches outside the capital.

I also employ measures of political regime characteristics from Polity V, although they are less

³⁹Vote and turnout buying here refers to the distribution of money or gifts to individuals, families, or small groups in order to influence their decision to vote/not vote or whom to vote for. It does not include legislation targeted at specific constituencies.

⁴⁰The responses include three distinct categories, and two categories that are a mix of the distinct three. The three distinct categories of party-constituent linkages as interpreted by my analysis are: (1) “clientelistic”, wherein voters are rewarded with material benefits in exchange for political support (goods, cash, jobs etc); (2) “local collective”, wherein voters are rewarded with local collective goods in exchange for political support (essentially public goods which benefit local development only), and (3) “policy/programmatic” linkages wherein voters respond to a party’s position on national policies, general party programs, and visions for society. The two other categories are a mix of (1) & (2) and (2) & (3).

⁴¹Particularistic spending is narrowly targeted on a specific corporation, sector, social group, region, party, or set of voters. Such spending may be referred to as “clientelistic”, or “private goods.” Public-goods spending is intended to benefit all communities within a society, though it may be means-tested so as to target poor, needy, or otherwise underprivileged constituents. For my analysis, I will condense this ordinal variable into three indicator variables representing (1) majority particularistic spending, (2) equal parts particularistic and public goods spending, or (3) majority public goods spending.

⁴²Most commonly used manifesto research databases such as the [Manifesto Research Corpus \(MRC\)](#) code parties in middle-income or rich countries and include very few African countries in their sample. There have some very few recent attempts to fill this gap. For example, [Elischer \(2012\)](#) undertakes a text analysis of election manifestos of parties in three African countries. However, the gaps in these data are too large to rely on them for the cross-national analysis

⁴³V-Dem does not measure how much the public actually *knows* about these platforms or whether they are important in structuring policymaking using this variable, and my interpretation of this variable is consistent with theirs.

extensive (smaller sample) and less specific than the V-Dem measures. In particular, I look at the “competitiveness of participation” which refers to the extent to which alternative preferences for policy and leadership can be pursued in the political arena, and “the regulation of participation” or the extent to which there are binding rules on when, whether, and how political preferences are expressed. Together, these two measures comprise Polity V’s “Political Competition” concept variable, which essentially aggregates and rescales the two submeasures.

4.2 Cross-National Analysis: An Instrumental Variable Approach

For my cross-national identification strategy, I instrument foreign aid using the IDA’s GNI per capita threshold for concessionary-loan graduation *eligibility*. For reasons described in Section 3.1, this threshold provides a plausibly exogenous instrument to study the effects of changes in foreign aid on political outcomes in beneficiary countries. The IDA threshold is annually adjusted for inflation, but it remains an arbitrary threshold. Nothing tangible occurs when countries cross over the threshold; they remain in the same group, remain eligible for loans, and no political or economic reforms are stipulated (Carnegie and Samii, 2019). It only kickstarts a negotiation process that precedes actual graduation from the IDA’s lowest-income category to “blend” status, which may take up to several years. It is only after a country is deemed “credit worthy” enough⁴⁴, in addition to staying above the income threshold for a few consecutive years, that its actual graduation process begins, first losing access to the most concessional loan terms, then losing access to IDA funds altogether. Instrumenting aid using the threshold thus allows us to get around possible endogeneity of aid in political outcomes. In the subsequent sections, I present the econometric models that guide my cross-national analysis.

4.2.1 First-Stage

To establish the validity of IDA threshold crossings as an instrument for foreign aid, I begin by testing the first-stage assumption. Even though the graduation process itself takes several years, multilateral, regional, and bilateral donors alike utilize the crossing of the IDA income thresholds for their own lending eligibility criterion (Moss and Majerowicz, 2012). The African Development Bank, a large regional donor for assistance to sub-Saharan Africa, for instance, cites the crossing of the IDA threshold as one of the major criteria in its concessionary loan eligibility reports (Prizzon et al., 2016). Limited donor aid budgets result in directing funding to the neediest countries, and crossing this arbitrary IDA threshold may signal to donors that a country is no longer in the neediest category. Galiani et al. (2017) find that ODA flows as a share of GNI dropped, on average, by approx. 59% when a country crosses over the IDA aid-eligibility threshold. I formally test this claim using my updated sample of countries with the following first-stage equation:

$$ODA_{it} = \alpha + \beta_1 IDACross_{i,t-1} + \beta_2 GNIpc_{i,t-1} + \gamma_i + \delta_t + e_{it} \quad (1)$$

The null hypothesis here is that crossing the IDA’s concessionary-loan threshold has a null effect on the ODA (as a % of GNI) received by a country. For a given country i in year t , let ODA represent the amount of overseas development aid (as a % of GNI) received. For a given country i in year $t - 1$, let $IDACross$ be an indicator variable that takes on the value 1 if it has crossed the

⁴⁴Moss and Majerowicz (2012) discuss the highly confidential nature of the World Bank’s country creditworthiness assessments, which are apparently only available to high ranking World Bank staff members.

gross national income (GNI) threshold for not being eligible for IDA aid and takes on the value 0 if it is below the GNI threshold for IDA aid-eligibility. The estimated β_1 represents the effect of crossing over in year $t - 1$ on the availability of ODA in year t in that country. γ_i represents the country fixed-effects and δ_t denotes the year fixed-effects. β_2 represents the coefficient on GNI per capita during year $t - 1$, which I include as a control as it is the running variable determining IDA eligibility. e_{it} denotes the error term in the estimation, which I cluster at the country level to account for serial correlation.

Table 2 presents the results of the first stage. I estimate the first stage equation using both the natural logarithm of official development assistance (ODA) over gross national income (GNI) in US dollars ⁴⁵ as the dependent variable (Columns (1) and (3)), as well as the net ODA per capita received in current US dollars as the dependent variable (Columns (2) and (4)). Using the sample of IDA beneficiaries during my sample period of 1990-2020, in separate specifications I estimate panel regressions of the effect of crossing over the threshold at least 1 and 2 years earlier on the availability of foreign aid in a given year. In all specifications, I include country and year fixed effects that partial out any time-invariant country-specific characteristics and any year-specific factors respectively that may be driving the relationship between threshold crossing and future foreign aid availability. In all specifications, I also control for GNI per capita (the running variable determining IDA eligibility).

Table 2: **First Stage (Country-Year)**

VARIABLES	(1) ln(ODA/GNI)	(2) ODA per capita	(3) ln(ODA/GNI)	(4) ODA per capita	(5) ln(ODA/GNI)
D(crossed threshold atleast 1 year earlier)	-0.233*** [0.069]	-43.800** [19.478]			
D(crossed threshold atleast 2 years earlier)			-0.233*** [0.071]	-45.886** [20.659]	-0.200*** [0.070]
D(crossed threshold atleast 2 years in future)					-0.056 [0.075]
GNI per capita (lagged)	-0.122*** [0.034]	8.777 [6.465]	-0.120*** [0.034]	9.265 [6.623]	-0.121*** [0.034]
Observations	2,780	2,780	2,780	2,780	2,780
R-squared	0.354	0.0799	0.354	0.0805	0.355
Country FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Countries	90	90	90	90	90

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. Note here that the full IDA sample of 90 countries (for whom data is available) that were at some point eligible for IDA concessional funding are included, along with the lagged GNI per capita, the running variable determining IDA eligibility. The inclusion of the running variable precludes the need to restrict the sample to just the crossover countries.

⁴⁵This follows the convention of previous studies of the effect of aid on economic growth that use the logged ratio of net ODA to GNI in current US dollars as the explanatory variable (see (Clemens et al., 2012, Galiani et al., 2017)).

As we can see, [Table 2](#) provides strong evidence for the first-stage ie. the relationship between the instrumental variable (threshold crossing) and the endogenous variable (foreign aid availability). Column (1) shows that crossing the GNI threshold leads to a 23.3% reduction in ODA as a share of GNI in the next year. Column (3) shows that relationship holds even two years after crossing. Columns (2) and (4) provide evidence that net per capita ODA received by a country falls by 43.8 USD and 45.9 USD one year and two years after crossing the threshold respectively. I include a falsification test in the specification in Column (5) whereby I include an indicator for “future crossing” ($t + 2$) as an additional explanatory variable⁴⁶. This future crossing should in expectation be orthogonal to current ODA received, and indeed the coefficient on the future crossing indicator is not statistically significant. This falsification exercise helps me establish the strength of the instrument, given the persistent magnitude and significance of the coefficient on the $t - 2$ crossing instrument in Column (5). The relationship is robust to the inclusion of country and year fixed effects in all specifications, which further bolsters the strength of this instrument. The F-statistic (a test for the weakness of an instrument) is above 10 in specifications (1) and (3), but below 10 for specification (2) and (4) when using ODA per capita as the dependent variable. For this reason, I use $\ln(\text{ODA}/\text{GNI})$ as the endogenous variable for the second stage.

I also group the data into three-year periods, corresponding with the IDA’s own three-year replenishment cycles, and rerun the first-stage estimation. I do this for two reasons. First, the three-year IDA periods are a natural way of grouping this data because IDA’s fund allocation policies among eligible beneficiaries are only modified between IDA periods, never *within* an IDA period (World Bank 2010). Second, three year periods allow room for potential income fluctuations, that may lead to a fluctuation in a country’s eligibility for concessionary loans from the IDA. This is in keeping with the IDA’s policy whereby a country should have remained over the income threshold for three consecutive years (a replenishment cycle) before discussions about reductions in IDA funding start taking place ([Moss and Majerowicz, 2012](#)). [Table 3](#) displays the first-stage estimates having grouped the data into three-year replenishment periods.

The strength of the first-stage holds when I group the data into three-year periods. Column (1) shows that crossing the GNI threshold leads to a 26.9% reduction in ODA as a share of GNI in the next period. Column (3) shows that relationship holds even two periods after crossing, although the magnitude of the reduction in ODA is slightly lower at 24.9%. Columns (2) and (4) provide evidence that net per capita ODA received by a country falls by 72 USD and 80 USD one and two periods after crossing the threshold respectively. The relationship is robust to the inclusion of a control for the running variable determining IDA eligibility (GNI per capita during the last period) as well as country and period fixed effects in all specifications.

The reduced form specifications and analysis are all included in [Appendix Section 6.0.1](#).

⁴⁶I borrow this false experiment idea from [Miguel et al. \(2004\)](#)

Table 3: **First Stage (Country-Replenishment Period)**

VARIABLES	(1) ln(ODA/GNI)	(2) ODA per capita	(3) ln(ODA/GNI)	(4) ODA per capita
D(crossed threshold atleast 1 period earlier)	-0.269*** [0.077]	-72.068** [28.887]		
D(crossed threshold atleast 2 periods earlier)			-0.249*** [0.084]	-79.995** [33.085]
GNI per capita (lagged)	-0.107*** [0.037]	16.016* [9.049]	-0.104*** [0.037]	17.733* [9.429]
Observations	997	997	997	997
R-squared	0.357	0.116	0.353	0.118
Country FE	Yes	Yes	Yes	Yes
Period FE	Yes	Yes	Yes	Yes
Countries	90	90	90	90

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. Note here that the full IDA sample of 90 countries (for whom data complete ODA data is available) that were at some point eligible for IDA concessional funding are included, along with the period-lagged GNI per capita, the running variable determining IDA eligibility. The inclusion of the running variable precludes the need to restrict the sample to just the crossover countries.

4.2.2 Second-Stage

The second-stage equation estimates the impact of the availability of overseas development aid (ODA) on political competition and clientelism. I propose the following model to test the null hypothesis that the availability of foreign aid has no effect on political outcomes:

$$y_{it} = \alpha + \beta_1 ODA_{i,t-1} + \beta_2 ODA_{i,t-1} \times I(Africa)_i + \beta_3 GNIpc_{i,t-1} + \gamma_i + \delta_t + e_{it} \quad (2)$$

For a given country i in year t , let y represent the outcomes of interest (party competition and clientelism). For country i in year $t - 1$ (or $t - 2, t - 3$), ODA is my explanatory variable, which measures the amount of overseas development aid as a % of GNI (in current US dollars) available. The estimated β_1 would represent the effect of an additional percentage point of ODA available in the previous year(s) on the political outcome of interest for that country. The coefficient β_2 on the interaction term between aid and an indicator for sub-Saharan African countries represents the additional effect of an additional percentage point of ODA on political outcomes in the subsample of African countries. β_2 is again the main coefficient of interest, and helps test my theoretical prediction that changes in foreign aid levels affect African politics differently than politics in other low-income countries. γ_i represents the country fixed-effects and δ_t denotes the year fixed-effects. The inclusion of country fixed effects precludes the need to include an indicator variable for African countries separately as a control in my equation. β_3 represents the coefficient on GNI per capita during year $t - 1$ (or $t - 2$), which I include as a control as it is the running variable determining

IDA eligibility. e_{it} denotes the error term, which I cluster at the country level to account for serial correlation.

I undertake both an OLS fixed-effects and IV-2SLS (two-stage least squares) regression to estimate this equation. In the latter, I instrument ODA (as a % of GNI) received using the IDA crossing as my instrumental variable. For reasons discussed before, the level of ODA a country receives may be endogenous to the political outcomes of interest. For instance, countries with more competitive political systems may be performing better economically (Ghosh, 2010), making them ineligible to receive higher volumes of aid. In other cases, foreign donors may condition the availability of development assistance on certain political reforms by beneficiary governments. It is for this reason that instrumenting the availability of foreign aid with a seemingly arbitrary income threshold which makes countries ineligible for the most concessionary form of aid is useful for the identification of causal effects. Accordingly, in the 2SLS specifications, I instrument aid in year $t - 1$ (i.e., $ODA_{i,t-1}$) with a dummy variable indicating whether the country has crossed the IDA threshold by the end of year $t - 2$, that is, $IDA_{cross_{i,t-2}}$. Results are reported in Tables 7 - 9 below.

Table 4 looks at the relationship between the availability of foreign aid (ODA as a % of GNI)⁴⁷ and the distinctness of party platforms/generalized ideology between major national-level parties, my measure of programmatic party competition. Columns (1) through (5) of Table 9 report the second stage estimation results using OLS with fixed effects. Here I investigate the direct effect of an additional % point of net aid received in the previous $t - 1$ or $t - 2$ year on programmatic competition in year t . As before, I include an interaction term of the explanatory variable with an indicator variable for African countries, while restricting my sample to countries that crossed over the IDA threshold at some point between 1990-2020. In specifications reported in Columns (2) and (3), I exclude 8 small, island economies, which continue to receive aid on concessional terms from the IDA even after they cross over the threshold for three consecutive years. In two specifications reported in columns (4) and (5), I restrict the sample to include only countries that crossed the threshold just *once* during the sample period.⁴⁸ I find that the coefficient on the interaction term with the Africa dummy is negative and statistically significant across all five specifications, however, the relationship is strongest when excluding small, island economies. This makes intuitive sense given that these countries do not have to experience the same withdrawal of aid from crossing the IDA threshold as larger economies⁴⁹. Columns (6) - (8) report the two-stage least square estimation of my second-stage equation. Here I instrument the endogenous

⁴⁷As discussed in the first stage, I follow the convention of the previous foreign aid literature and utilize the logged ratio of net ODA to GNI in current US dollars. The first stage relationship in Table 1 also found that this measure of foreign aid availability is very strongly influenced by the IDA crossing.

⁴⁸I exclude Bolivia, Cote d'Ivoire, Indonesia, and Yemen, all of which crossed the threshold more than once. They reverted back under the threshold and crossed over again during the 30-year sample period.

⁴⁹This is because the IDA's policy guarantees continuing concessional loan assistance to all small, island economies due to their vulnerability to economic shocks (Review of IDA's Graduation Policy, 2012)

Table 4: Second Stage (Foreign Aid and Distinct Parties)

VARIABLES	Dependent Variable: Distinct Parties							
	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) 2SLS	(7) 2SLS	(8) 2SLS
Net ODA (% of GNI), $t - 2$	0.066 [0.063]		0.102* [0.052]		0.081 [0.067]			0.609 [0.691]
Africa \times Net ODA (% of GNI), $t - 2$	-0.161* [0.092]		-0.229*** [0.066]		-0.183* [0.100]			-0.564** [0.259]
Net ODA (% of GNI), $t - 1$		0.116* [0.061]		0.107 [0.076]		0.684 [0.772]	0.620 [0.667]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.251*** [0.070]		-0.223** [0.098]		-0.644** [0.292]	-0.608** [0.269]	
GNI per capita, $t - 1$	0.011 [0.039]	-0.010 [0.016]	-0.011 [0.016]	0.008 [0.040]	0.007 [0.039]	0.044 [0.114]	0.037 [0.097]	
GNI per capita, $t - 2$								0.036 [0.102]
Observations	1,445	1,249	1,213	1,360	1,321	1,249	1,249	1,209
R-squared	0.164	0.205	0.188	0.199	0.177	0.859	0.868	0.880
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument (Crossing)	No	No	No	No	No	$\leq t - 2$	$\leq t - 3$	$\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. The dependent variable is a measure of the distinctness of platforms /generalized ideology of the major national-level political parties in the country. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. The IV-2SLS specifications exclude small, island economies that do not experience a real shift in their foreign aid even after crossing due to IDA policies to protect vulnerable small island economies. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators.

term, availability of aid during $t - 1$ (or $t - 2$), using the IDA crossing during $t - 2$ (or $t - 3$) as my instrumental variable. In different specifications, I instrument aid in $t - 1$ using the crossing 2 years and 3 years before. Across all specifications, I find that the interaction term between ODA received and the African dummy is negative and statistically significant. The 2SLS results are also robust to the inclusion of country and year fixed effects.

Taken together, the results from this table suggest that the availability of foreign aid has a negative and significant effect on programmatic party competition in African aid-beneficiary countries. The same effect is not seen for the developing world as a whole (ie. among the sample of all IDA beneficiaries). This provides strong evidence supporting that hypothesis that the withdrawal of foreign would be associated with greater programmatic competition in Africa. Next, I perform a similar analysis using the other two outcome variables of interest from my reduced form analysis – namely, party competition across regions, and clientelism. These results are reported in [Table 5](#) and [Table 6](#) respectively.

In [Table 5](#) I first investigate the direct effect of an additional % point of net aid received in the previous $t - 1$ or $t - 2$ year on party competition across the country’s regions in year t using an OLS fixed effects regression. This is measure of local party competition that proxies for competitiveness using the number of permanent local party branches in regions of the country outside the capital. A higher score is indicative of more broad-based party competition, with a higher number of parties operating through permanent local party branches. Columns (1) through (5) report the different specifications using OLS. Column (1) includes the full sample of IDA crossing countries, Columns (2) and (3) exclude the small, island economies, whereas Columns (4) and (5) restrict the sample to countries that crossed just once. I find that the coefficient on the interaction term of ODA and Africa is negative and significant when we focus on the non-small-island sample. Again, this sample is of greatest interest because the small, island economies do not stop receiving concessionary foreign aid even when they have been above the income threshold for several consecutive years, and as such, we may not anticipate the same political effects of aid withdrawal taking root in these countries. Columns (6) - (8) report the two-stage least square estimation of the same second-stage equation. As before, I instrument the endogenous term, availability of aid during $t - 1$ (or $t - 2$), using the IDA crossing during $t - 2$ (or $t - 3$) as my instrumental variable. In different specifications, I instrument aid in $t - 1$ using the crossing 2 years and 3 years before. I find (weakly) significant negative effects of aid availability on regional party competition in the subsample of African beneficiaries when I instrument aid received in the previous year and $t - 2$ year using threshold crossing at least three years ago (year $t - 3$). The same effect disappears when I instrument aid in year $t - 1$ by threshold crossing in $t - 2$. The 2SLS results in Columns (7) and (8) are also robust to the inclusion of country and fixed effects.

Taken together, the results from this table suggest that the availability of foreign aid has a negative and weakly significant effect on regional party competition in African aid-beneficiary

Table 5: Second Stage (Foreign Aid and Local Party Competition)

Dependent Variable: Permanent Local Party Branches								
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	OLS	OLS	OLS	OLS	OLS	2SLS	2SLS	2SLS
Net ODA (% of GNI), $t - 2$	0.020 [0.074]		0.065 [0.075]		0.020 [0.079]			0.138 [0.711]
Africa \times Net ODA (% of GNI), $t - 2$	-0.071 [0.089]		-0.188** [0.080]		-0.065 [0.097]			-0.498* [0.302]
Net ODA (% of GNI), $t - 1$		0.053 [0.097]		0.029 [0.098]		-0.209 [0.800]	0.058 [0.722]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.205** [0.095]		-0.105 [0.100]		-0.449 [0.316]	-0.509* [0.639]	[0.579]
GNI per capita, $t - 1$	0.037 [0.056]	-0.010 [0.031]	-0.010 [0.031]	0.037 [0.058]	0.036 [0.057]	-0.084 [0.113]	-0.044 [0.100]	
GNI per capita, $t - 2$								-0.032 [0.102]
Observations	1,445	1,249	1,213	1,360	1,321	1,249	1,249	1,209
R-squared	0.0930	0.105	0.113	0.103	0.102	0.746	0.775	0.803
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument (Crossing)	No	No	No	No	No	$\leq t - 2$	$\leq t - 3$	$\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. The dependent variable is a measure of how broad-based political competition is at the regional level, whereby a higher score indicates more broad-based competition between major political parties across the countrys regions. This is proxied using the number of permanent local party branches in parts of the country outside the capital. A higher score is indicative of more broad-based party competition, with a higher number of parties operating through permanent local party branches. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. The IV-2SLS specifications exclude small, island economies that do not experience a real shift in their foreign aid even after crossing due to IDA policies to protect vulnerable small island economies. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators.

countries. It provides suggestive evidence that it takes at least three years after a country crosses over the IDA threshold that the reduction in foreign aid following the crossing has an effect on regional political competition in African beneficiary countries. It is suggestive evidence that my theoretical prediction that party competition becomes more inclusive (here, conceived of as broad-based) once African country are no longer heavily aid-dependent. As before, the same effect is not generally detected among all IDA beneficiary nations, and is unique to the African subsample.

Table 6: **Second Stage (Foreign Aid and Clientelism Score)**

Dependent Variable: Clientelism Score								
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	OLS	OLS	OLS	OLS	OLS	2SLS	2SLS	2SLS
Net ODA (% of GNI), $t - 2$	0.047		0.040		0.042			0.054
	[0.035]		[0.038]		[0.036]			[0.345]
Africa \times Net ODA (% of GNI), $t - 2$	-0.032		-0.020		-0.023			0.031
	[0.035]		[0.036]		[0.035]			[0.157]
Net ODA (% of GNI), $t - 1$		0.040		0.039		-0.006	0.027	
		[0.039]		[0.037]		[0.412]	[0.358]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.015		-0.017		0.067	0.050	
		[0.040]		[0.038]		[0.186]	[0.167]	
GNI per capita, $t - 1$	0.007	0.010	0.010	0.003	0.003	0.012	0.016	
	[0.014]	[0.017]	[0.016]	[0.014]	[0.014]	[0.049]	[0.044]	
GNI per capita, $t - 2$								0.018
								[0.043]
Observations	1,445	1,249	1,213	1,360	1,321	1,249	1,249	1,209
R-squared	0.0453	0.0414	0.0381	0.0453	0.0448	0.837	0.838	0.856
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument (Crossing)	No	No	No	No	No	$\leq t - 2$	$\leq t - 3$	$\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. The dependent variable is a measure of the extent to which politics in a country are based on clientelistic relationships, whereby a higher score indicates a normatively worse situation (ie. more clientelistic). As in the reduced form, I use the log transformed score to account for the rightward skew in the index. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. The IV-2SLS specifications exclude small, island economies that do not experience a real shift in their foreign aid even after crossing due to IDA policies to protect vulnerable small island economies. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators.

Finally, in [Table 6](#) I utilize the same estimation strategy as the previous tables, using the V-Dem's clientelism index as my dependent variable. I do not find significant effects across spec-

ifications, using both OLS and 2SLS estimation. The reduced form effects I found earlier were suggestive of a shift in clientelistic politics among the subsample of African IDA beneficiaries after crossing the IDA threshold, but in the second stage I fail to reject the null hypothesis that the availability of foreign aid has no effect on clientelism using this cross-country measure.

4.2.3 Additional Robustness Checks

Electoral Democracy Status (Regime Type)

It is reasonable for us to wonder whether the party competition effects I find are systematically driven by the regime type of the government receiving foreign aid. For instance, it is plausible to imagine that opposition parties in electoral autocracies may not see the need to (or be allowed to) establish distinct ideological positions through publicly available manifestos or permanent party branches in the provinces outside the capital if party competition is highly restricted. To test whether the results are robust to the regime type of aid-recipient government, I include an indicator for countries that have been classified as "electoral democracies" during a given year by Freedom House⁵⁰ as an additional control and re-estimate the OLS and 2SLS specifications from [Table 4](#) and [Table 5](#) above. The results of this robustness check are reported in [Appendix Table A5](#) and [Appendix Table A6](#) for distinct parties and local party competition respectively. The effects I find are robust to the inclusion of the Freedom House electoral democracy classification, which suggests that it is not simply the regime type of recipient countries that is driving the association between foreign aid withdrawal and party competition.

Bunching below the IDA Threshold

Since my identification strategy relies on the exogeneity of the IDA threshold, one possible threat could be if aid-recipient developing countries were able to manipulate the reporting of their GNI per capita to artificially stay below the threshold and continue to receive concessionary aid from the World Bank. Indeed, as I described in [Section 3.1](#), this appears to be one of the rationales behind why the IDA tends to be secretive about the exact income threshold each year as a hedge against possible manipulation by beneficiary governments. If this were the case, then the IDA threshold would no longer serve as a valid instrument for this study. An endogenous manipulation of the GNI per capita reported would imply that countries that artificially remain below the threshold are likely to have systematically different characteristics that may plausibly be correlated with my political outcomes of interest relative to the countries that cross over the threshold. Therefore, while it is unlikely that countries are precisely gaming the thresholds in advance of their annual public release by the IDA, it is still worth testing for possible manipulation.

One of the methods to test for artificial sorting of units above or below a threshold in regression

⁵⁰[Freedom House, List of Electoral Democracies \(2022\)](#).

discontinuity designs was developed by [McCrary \(2008\)](#)⁵¹. [Appendix Figure A1](#) depicts the fitted kernel density functions below and above the IDA income threshold. If there were manipulation of GNI per capita reported by countries, we might expect to see a discontinuous jump in the density function around the threshold. As [Appendix Figure A1](#) shows, there does not appear to be evidence of bunching below the IDA threshold in the data.

Country's Statistical Reporting Capacity

Related to the robustness check above, it may also be the case that countries are not deliberately manipulating their reported national income statistics to stay below the IDA threshold, but there is variation in the capacity of different countries' national statistical offices. Countries with lower statistical capacity may be unintentionally misreporting their gross national income statistics as part of their national accounts submitted to the World Bank. The low technical capacity of official statistics producing bodies in sub-Saharan Africa has been particularly well documented ([Jerven \(2013\)](#)). This introduces another potential source of endogeneity to my identification strategy, namely, that the associations between crossing the IDA threshold and political outcomes I find may be driven in no small part by the lack of reliable national statistics among the subsample of African IDA-beneficiaries. Countries may then find themselves on either side of the IDA threshold due to reasons that are associated with the political outcomes I am interested in, such as governance and state capacity. I therefore perform a check to rule out variation in statistical reporting capacity as the driver of my results.

In [Appendix Table A7](#) and [Appendix Table A8](#) I include the World Bank's 'Overall Statistical Reporting Capacity Score' as an additional covariate in my second-stage equation⁵². This score is an aggregate country-level index of a country's statistical capacity based on how well and how frequently it calculates and reports 25 different subindices ranging across measures such as the periodicity of census data collection, poverty surveys, national accounts, external debt reporting, and so on. The index I use aggregates the statistical capacity calculated by this World Bank measure between 2004-2020 for each IDA country in my sample. A higher score indicates higher reliability of the country's national-level statistics.⁵³ The results in [Appendix Table A7](#) and [Appendix Table A8](#) using distinct party platforms and local party competition as the outcome respectively are robust to the inclusion of this statistical capacity score (the standard errors get slightly larger but the significance and magnitude of the effects remains unchanged). Because the inclusion of country fixed effects is tantamount to the inclusion of an aggregate country-level statistical capacity score, I attempt the same specification without an aggregate score and use the yearly country

⁵¹This test has also specifically been used in a couple other studies that exploit the discontinuity produced by the IDA and IBRD thresholds (for instance, see [Galiani et al. \(2017\)](#) and [Carnegie and Samii \(2019\)](#)).

⁵²The idea for this robustness check was borrowed from [Martinez \(2022\)](#), who studies to what extent countries' official GDP statistics can be manipulated by autocracies.

⁵³The data for the World Bank statistical capacity score was downloaded from [here](#).

scores instead, and find that the results are still robust (not reported). As before, with the local party competition as my dependent variable in [Appendix Table A8](#), the effects are concentrated in the sample that excludes 8 small island IDA beneficiaries where IDA crossing does not lead to the same magnitude of aid withdrawal.

I now turn to my investigation of these relationships at the subnational level, using my country case of Ghana. The availability of more granular information on clientelistic political practices may help bear evidence supporting my theoretical predictions that foreign aid enables clientelism in African countries at the subnational level.

5 Subnational Analysis: Evidence from Ghana

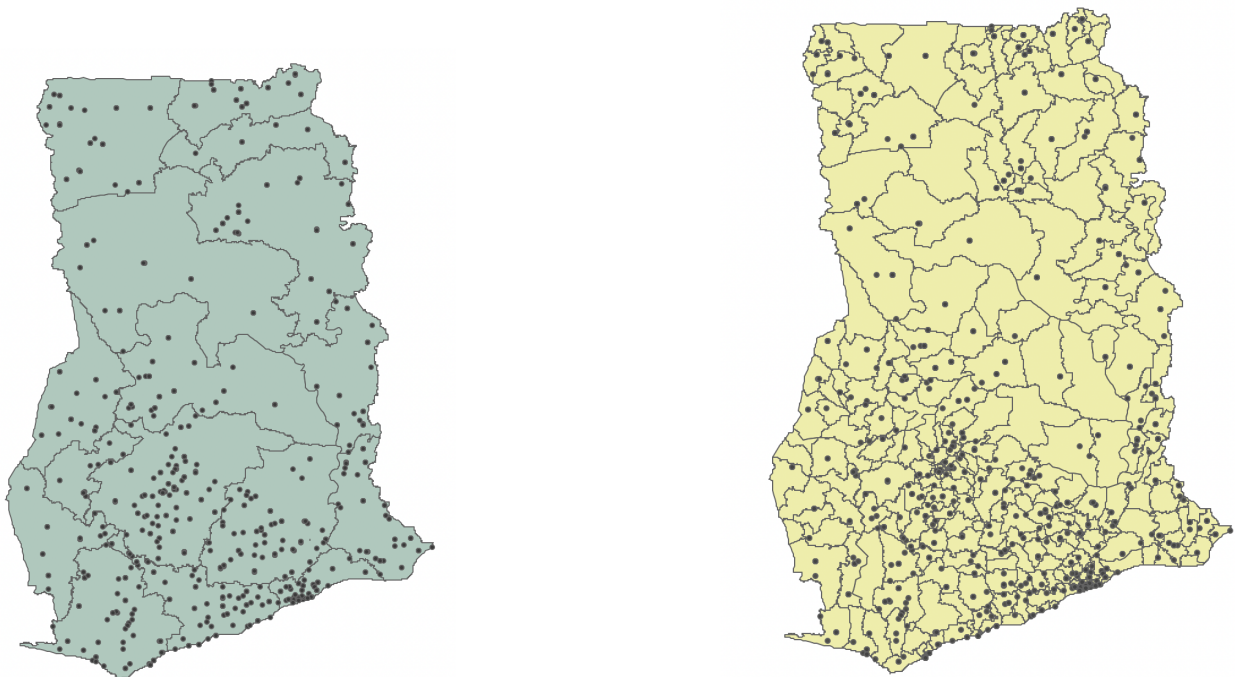
5.1 Data and Sample

5.1.1 District-level Aid Disbursements in Ghana

To study the relationship between foreign aid and politics at a subnational level, I require data on subnational disbursement of foreign aid. For this purpose, I use Aid Data’s “World Bank Geocoded Aid Data”⁵⁴, which is a geocoded dataset containing all projects approved from 1995-2014 in the World Bank IBRD/IDA lending lines. It tracks over 630 billion USD in World Bank aid, and 5,684 World Bank/IDA projects across 61,243 project locations.

This project data is available at both the region (the first administrative unit) and district (the second administrative unit) level for Ghana, my country case. Across Ghana, the dataset includes 1,084 unique World Bank project locations, ranging across sectors such as agriculture, education, health, water supply and sanitation, and other social services. Figure 7 displays the project locations available in the dataset overlaid on the country’s two main administrative divisions: region on the left, and district on the right.

Figure 7: IDA/IBRD Project Locations in Ghana approved between 1995-2014



To the best of my knowledge, this is the most comprehensive available data on subnational aid project locations in Ghana available for the period under study. The dataset includes information

⁵⁴AidData. 2017. [WorldBank-GeocodedResearchRelease_Level1_v1.4.2 geocoded dataset](#). Williamsburg, VA and Washington, DC: AidData.

about the start and end year of each project, the total amount committed (in US dollars) at the start of the project, and the total amount disbursed (in US dollars) at the end of the project. After cleaning the dataset for administrative changes that occurred over the sample period, I find that the 1,084 project locations were spread out over 188 districts⁵⁵ and 10 regions⁵⁶. The mean project commitment amount per project location was \$2,094,572, and the mean project disbursement amount per project location was \$1,749,836 over the course of study. By dividing the total amount disbursed per project location by the project duration⁵⁷, I estimate the yearly aid disbursements received by each of the 188 districts in Ghana between 1995 and 2018⁵⁸. I also calculate the yearly commitment amounts per district for new projects that were committed during any year, as well as a count of active IDA/IBRD projects during any year in the district.

5.1.2 Subnational Political Outcomes

As for relevant year-on-year subnational political outcomes, I am limited to public opinion surveys. Fortunately, Ghana is one of the few African countries that undertakes regular public opinion polls which include several topics related to democracy, governance, and politics. I utilize six geocoded rounds of the Afrobarometer surveys from Ghana, spanning a time period between 2001 and 2017 for my analysis⁵⁹. The Afrobarometer is conducted in rounds roughly every 3 years, and for the purposes of my analysis I map the year immediately before and after the survey to the year in which it was conducted. Note also that since the same respondents are not interviewed in each round, as with most public opinion surveys, the data serves as a time-series cross-section, and not as a panel.

The Afrobarometer contains several relevant measures for my study of the relationship between foreign aid, clientelism, and party competition. As I detailed in Section 2, the theoretical predictions about the prevalence and effectiveness of vote buying, a commonly studied measure of clientelism, are rather mixed in Africa, and therefore this becomes an important measure for this study to consider. I was not able to study this at a cross-national level, owing to large amounts of missing data in the V-Dem on vote and turnout buying in my sample period of interest. However, the Afrobarometer in Ghana allows me an opportunity to study the prevalence of vote buying at a subnational level. The following question, is available across most rounds of the Ghana survey: *During the last general elections in [...], how often, if ever, did a candidate or someone from a*

⁵⁵Many of the project locations in the data were coded as “populated centers” instead of districts, which through manual searches I mapped back to the associated district in which that populated center falls.

⁵⁶Note that Ghana presently has 16 regions. 6 new regions were created following a referendum in 2018 (*Ghana Permanent Mission to the United Nations*).

⁵⁷(Project End Year - Project Start Year) + 1

⁵⁸While the last project approval year in the data is 2014, some of those project durations run up to 2018.

⁵⁹These geocoded data are not publicly available and only available upon request from the [Afrobarometer Data Management Unit](#) at the University of Cape Town, to whom I am grateful. I would like to also acknowledge the work of the [Center for Democratic Development, Ghana](#) who were responsible for the data collection and cleaning of the different rounds of the Afrobarometer.

political party offer you something, like food, a gift, or money, in return for your vote? ⁶⁰

In addition to the prevalence of vote buying, I also identify a few other useful measures from the Afrobarometer:

- A measure of the health of party competition in the country.⁶¹
- A measure of whether parties are seen as providing viable electoral alternatives to constituents or not.⁶²
- A measure of citizen's trust in the ruling party and opposition parties.
- A measure of voting freedom or whether citizens feel coerced to vote for particular candidates in elections.
- A measure of party loyalty or how "close" a citizen felt to a particular political party.

I then merge the yearly project disbursements with the time-series cross-section Afrobarometer data at the level of the district. Due to several administrative splits in Ghana over the course of the sample period, particularly the creation of new municipal constituencies, the process of matching districts over time becomes a little complicated. In some instances, the names of the new districts and the old districts are straightforward to match (for example, the Ketu District in the Volta Region was divided into two districts named Ketu North and Ketu South in 2008⁶³). Others are less straightforward, so I ran a web search of the names of the villages/towns in which the interviews were conducted to update the corresponding district it fell under. In the cases where the names of the villages/towns were not found online, I matched the historical district boundaries with the latitude and longitude of the interview location provided in the geocodes of the Afrobarometer. This exercise allows me to minimize the error in matching the World Bank project locations with the Afrobarometer interview locations at the level of the district. It is worth noting, finally, that there is a significant degree of overlap between parliamentary constituencies and districts in Ghana, with most districts assigned between 1-2 seats, and some of the larger metropolitan districts assigned 3-4 seats (Bening, 2012).⁶⁴ Political power in Ghana is decentralized between 216 local governments: one local government per district. Local governments are sometimes known as district, municipal, or metropolitan assemblies (these classifications are based on the population of the district). These local governments are responsible for the development of districts, including the provision of basic infrastructure and public services (Brierley, 2021). This justifies the use of district-level political outcomes for this study.

⁶⁰I acknowledge that survey responses about vote buying are subject to social desirability bias. There have been some notable examples that have gotten around this bias. For example, Kramon (2013) studies vote buying via a list experiment in Kenya.

⁶¹*In this country, how often does competition between political parties lead to conflict?*

⁶²*How strongly do you agree with Statement A or Statement B?* A: Political parties create division and confusion; it is therefore unnecessary to have many political parties in Ghana. B: Many political parties are needed to make sure that Ghanaians have real choices in who governs them.

⁶³From the district government website: [Ketu North District](#).

⁶⁴As of 2018, after the last administrative changes, there were 275 parliamentary seats for Ghana's 261 districts.

5.2 Subnational Analysis: A Diff-in-Diff Strategy

I then proceed to focus on the variation in foreign aid after crossing the threshold at the level of districts in Ghana. While the graduation process from IDA concessionary loan eligibility occurs for the country as a whole and is not staggered by district, I find that some places which are relatively more aid dependent prior to the graduation witness a greater withdrawal in foreign assistance than others following the graduation, controlling for levels of other observable characteristics such as population and poverty. It is the comparison between these two sets of districts experiencing differential levels of foreign aid withdrawal after the IDA crossing that I leverage for my subnational investigation. A district-level analysis has the added advantage of estimating the effects of a per capita loss in foreign aid dollars on certain constituency-level political outcomes such as vote buying, which cannot readily be studied at a cross-national level. The geocoded World Bank project disbursement dataset I utilize is also appropriate for this subnational study because it includes all active IDA/IBRD projects in Ghana between 1995-2018. Thus, the entities defining the borrowing eligibility and those providing the foreign aid under study are one and the same, making this a good setup for this investigation.

For this subnational analysis, I will be employing a classic difference-in-differences (two-way fixed-effects) estimator to isolate the effects of changes in foreign aid disbursements following the IDA crossing in 2008 on a number of district-level outcomes measured using the Afrobarometer. To remind the reader, the outcomes of interest include the prevalence of vote buying, the health of party competition, trust in the ruling party, trust in the opposition, voting freedom, programmatic alternatives, and party loyalty. I estimate a model of the following form:

$$y_{dit} = \alpha + \beta_1 Post_Crossing_t + \beta_2 Treat_{dit} + \beta_3 (Treat_{dit} \times Post_Crossing_{dit}) + X_{dt} + X_{it} + \gamma_d + \delta_t + e_{it} \quad (3)$$

where for district d in region i during year t , β_3 will be the diff-in-diff (D-i-D) estimator of interest denoting the effect of crossing the IDA threshold among districts experiencing large withdrawals of aid. y_{dit} denotes the district-level outcomes of interest from the Afrobarometer. $Post_Crossing$ is an indicator variable for whether that district in region i was in the post-IDA threshold crossing period for Ghana (ie. post 2008)⁶⁵ in year t . $Treat_{dit}$ is an indicator variable for treated districts (which I define below as those districts experiencing the greatest reductions in foreign aid). X_{dt} and X_{it} are vectors of district-specific and region-specific controls respectively⁶⁶. γ_d and δ_t are district fixed effects⁶⁷ and time fixed effects respectively. Errors are clustered at the level of the region to allow for serial correlation between districts.

⁶⁵As a robustness check, I define this post period to include post-2009 and post-2010 observations only. Results of these specifications are reported in forthcoming tables.

⁶⁶I utilize yearly population estimates and a poverty score as my controls.

⁶⁷In alternative specifications, I include region fixed effects instead.

5.2.1 Defining Treated and Comparison Districts

The need to employ a difference-in-differences design in the context of this subnational study is to rule out two potential sources of endogeneity. The first is that I cannot simply compare the pre-crossing and post-crossing outcomes of treated districts, because that estimation would not account for time trends or other changes that occurred between the two periods which may be correlated with the outcomes. The second is that I cannot simply compare the post-crossing outcomes of the treated and comparison districts either, because comparing post-treatment outcomes does not allow me to attribute the differences in outcomes to the treatment (withdrawal in aid disbursements resulting from the crossing).

Naturally, then, the reliability of my estimates depends on how I define the treatment. I undertake a few steps to do this. I first utilize three rounds of the Ghana Population and Housing Census Data⁶⁸ to input the district populations. Since the census takes place just once every 10 years, I calculate the district-level population growth rate⁶⁹ to arrive at yearly population estimates using the district-level population changes between 2010 and 2000, and likewise between 2021 and 2010.⁷⁰ Given that many administrative divisions took place over this 20-year period, particularly in 2008 and 2018, updating district populations across census rounds is a bit challenging. For this reason, in districts where administrative splits took place, I input the region-level (one administrative unit higher than district) population growth rate to calculate yearly population estimates. I subsequently am able to arrive at the per capita foreign aid disbursement in each of the 188 Ghanaian districts, for each year between 1995-2018, which will serve as my main variable for defining treatment eligibility. I then define the following criteria for treatment eligibility:

- (1) The district must receive an above-average amount of per capita World Bank aid disbursements in the period prior to crossing the IDA threshold (2008 and before). This average is calculated using the national average per capita aid disbursements.
- (2) The district must experience a loss of at least 50% in World Bank aid disbursements in the post IDA-crossing period (doesn't have to be below the post-period national average, but simply compared to its own pre-period average).
- (3) The district was above the national average in the pre-period aid disbursements received, and is *below* the national average in the post-period aid disbursements received.

I apply these criteria in a way such that (1) must strictly be met to be considered as a “treated district”, whereas (2) and (3) are either/both criteria. Though I have accounted for pre-treatment

⁶⁸The data from the 2000 and 2010 version of the Population and Housing Census is available upon request from IPUMS. The data from the 2021 census has not been publicly released, so I rely on preliminary reports by the Ghana Statistical Service of the 2021 census for the districts I can find from their [website](#).

⁶⁹Simply, $(\frac{Population_{2010} - Population_{2000}}{Population_{2000}}) \times 10$ for the yearly growth rate over the 10-year period between census rounds.

⁷⁰Since the complete 2021 census data has not been released, I rely on the population growth rates between 2000 and 2010 for the districts I could not locate.

population differences between my proposed treated and comparison districts by using per capita aid disbursements, there may be systematic differences in the pre-treatment levels of poverty in these districts that drives differential levels of foreign aid investment. I perform a simple balance test or “difference in means” test between my proposed treatment and comparison districts on a select number of pre-treatment characteristics that may drive foreign aid provision. For this test, I select a handful of relevant characteristics from four consecutive rounds of the Afrobarometer in Ghana leading up to 2008 which include measures of respondent access to different basic services such as schooling, an electric grid, piped water, a sewage system, and health clinics for the geocoded enumeration area in which the interview takes place.⁷¹ I construct a ‘Poverty Score’ using these 5 characteristics which runs from 0-5 and is determined by whether the individual respondent had access to an electricity grid, piped water system, a sewage system, a school and/or a health clinic in their immediate enumeration area (0 being no service availability or high poverty to 5 being all services available or low poverty). This provides a useful and relatively objective measure of pre-treatment district-level poverty that does not rely on self-report from respondents

Difference-in-Means Test		
Pre-Treatment Characteristics of Districts		
Schools	-0.00397	(-0.23)
Electric Grid Access	-0.0657*	(-2.04)
Piped Water System	-0.0376	(-1.14)
Sewage System	-0.0226	(-0.75)
Health Clinics	0.00110	(0.03)
Poverty (Composite Score)	-0.183	(-1.72)
<i>N</i>	798	
<i>N(Treat)</i>	308	
<i>N(Control)</i>	490	

t statistics in parentheses. *N* is the number of district-years in the data prior to the IDA crossing in 2008.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

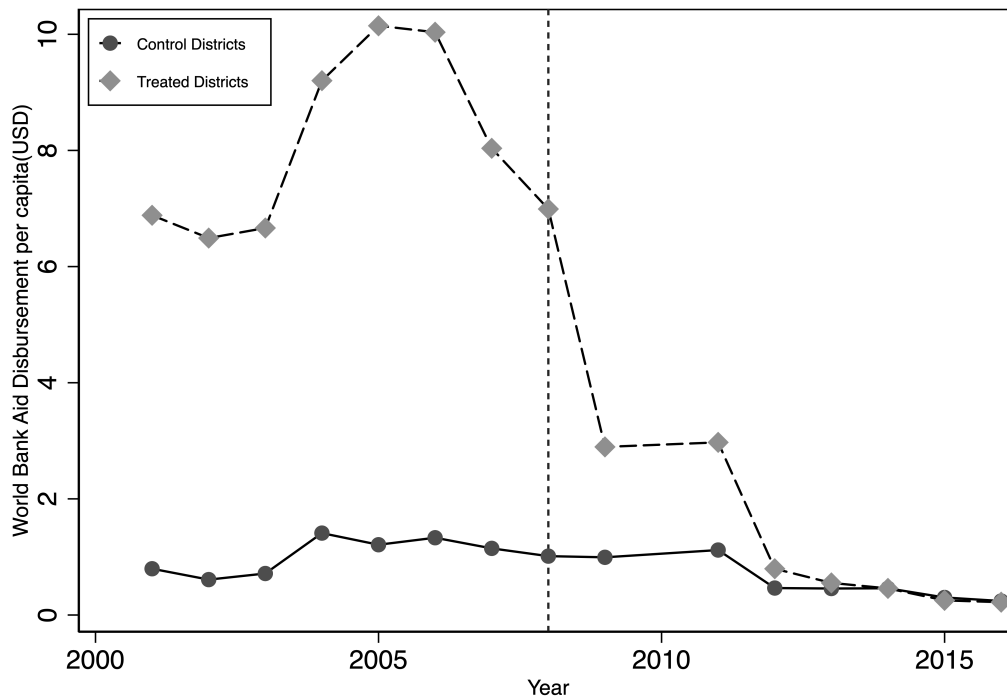
As the balance test reports, pre-treatment access to basic services between my proposed treatment and comparison districts is fairly well balanced across all characteristics, with the exception of electric grid access. There appears to be a weakly significant difference in electric grid access between my proposed treatment and control districts during the pre-treatment period. However,

⁷¹Afrobarometer samples enumeration areas in a way as to get representative data from every area of the country, aggregated to a level below district, but it by no means stands in for a fully representative census. It is a reliable source for my district-level analysis of pre-treatment characteristics in the absence of robust census data.

⁷²Note that the Afrobarometer has several questions about the economic wellbeing of citizens, all of which rely on self-report.

when I construct the composite poverty score using access to all basic services, the districts are reasonably well balanced. I will therefore consider the districts that fit my above defined criteria as the treated sample. Figure 8 offers a visualization of the changes in the levels of per capita foreign aid disbursements before and after Ghana crosses the IDA threshold for the treated and comparison districts.

Figure 8: **Ghana district-level World Bank aid disbursements over time**



Source: World Bank Geocoded Aid Data v.1.4.2, AidData (2017)

The short dashed vertical line denotes the year Ghana crossed the IDA’s concessional-loan income threshold (2008).

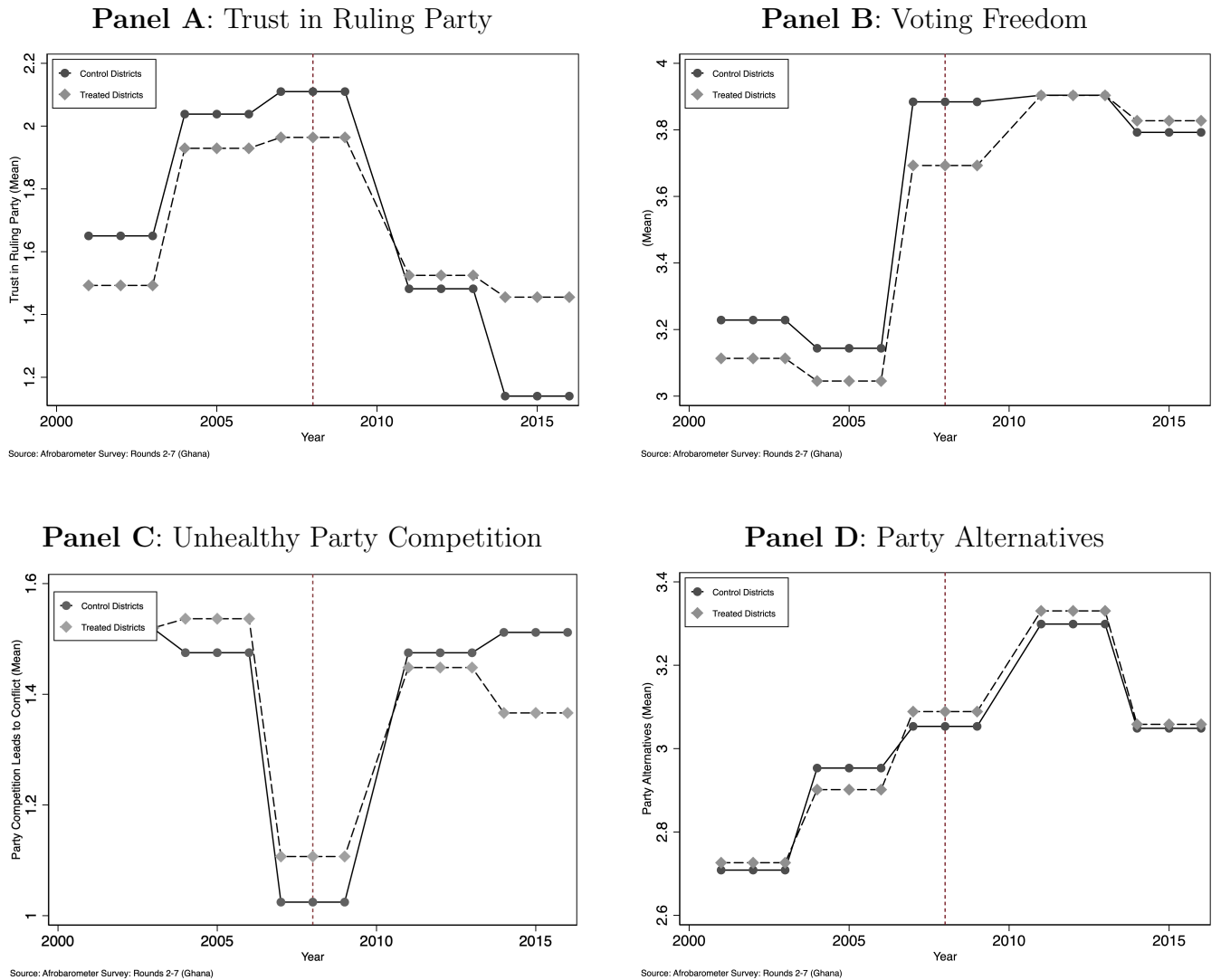
It becomes apparent that the loss in per capita World Bank aid disbursements among my sample of treated districts after Ghana crossed over the IDA threshold is significantly large relative to my sample of control districts. Per my calculations, the mean loss in per capita WB aid in the treated sample of 48 Ghanaian districts is 83.8%.⁷³ By comparison, the same loss in the sample of control districts is -18%, indicating that they actually witnessed a small increment in per capita aid dollars received, albeit quite small in magnitude.

One final sanity check for the validity of my D-i-D model using these treated and comparison districts before proceeding with estimating regression equation (4) involves looking for parallel trends in my outcomes of interest between the treated and control districts in the pre-crossing period. The availability of multiple rounds of geocoded Afrobarometer Ghana data starting in

⁷³Calculated using the difference in the mean project disbursement per district in the pre-crossing and post-crossing period.

2000 through to the crossing year allows me to undertake this check for parallel trends. Displayed in Figure 9 are selected outcomes where I test for parallel trends between the treated and control districts in the pre-crossing period.

Figure 9: Parallel Trends Assumption



Notes: The dashed maroon line indicates the year that Ghana crossed over IDA’s income threshold for concessionary-loan eligibility.

In Figure 9, Panel A depicts trust in the ruling party (a higher score indicates higher levels of self-reported trust). Panel B is a measure of voting freedom which depicts how free citizens feel to vote for the candidate of their choice without feeling pressured (a higher score indicates greater

voting freedom). [Panel C](#) depicts a measure of the health of party competition, specifically how often respondents believe competition between political parties leads to conflict (a higher score indicates *less* healthy party competition). [Panel D](#) is concerned with whether different parties provide viable alternatives to Ghanaian voters ie. whether voters approve of multiparty competition (a higher score indicates a greater approval of multiple parties competing for votes). The fulfilment of the parallel trends assumption for the internal validity of my D-i-D estimation strategy requires that, even if treatment and comparison districts have different levels of the outcome prior to the crossing of the threshold (treatment), their trends in pre-treatment outcomes should be the same. I see that this assumption is more or less fulfilled in the first three panels, however, it is most strongly fulfilled in [Panel A](#) and [Panel B](#) for trust in ruling party and voting freedom respectively. The parallel trend assumption appears to be violated in [Panel D](#) when using party alternatives as the outcome. The outcomes for the treated and control districts in [Panel C](#) (unhealthy party competition) appear to be trending in parallel during the five years before the crossing too, but not for the entire duration of the pre-period.

5.2.2 Subnational Results

I now report the results from estimating my two-way fixed effects model using different outcome variables of interest. [Table 7](#) reports the results when using the incidence of vote buying as the outcome. I use several specifications to test the null hypothesis that crossing the IDA’s concessionary loan eligibility threshold has no effect on vote buying among treated districts (those that experience a large withdrawal in aid post-crossing). I find strong evidence to reject the null across specifications, as evidenced by the statistical significance of the negative coefficient on the interaction term between the treatment indicator and the post-crossing indicator (β_3 from the model). This relationship is robust to the inclusion of the poverty score⁷⁴ (Column 2). These results are robust to the use of both district fixed effects (Column 1 and 2) as well as region fixed effects (Column 3 and Column 4), which helps rule out any time-invariant location-specific characteristics that may be driving the association between the withdrawal of foreign aid and vote buying. Finally, the relationship holds even when I treat the crossing year to be 2009, and use the post-2009 period as my post-treatment period.⁷⁵ Taken together, the results from this table offer strong evidence that the large withdrawal of foreign aid in the treated districts after Ghana crossed the IDA threshold is associated with a lower incidence of vote buying during elections in those districts. Vote buying is one of the most commonly used measure of clientelism in the literature ([Hicken, 2011](#)), and this subnational analysis has offered me the ability to provide evidence to the specific relationship between foreign aid and vote buying in the context of an African country.

⁷⁴Constructed as described earlier using an aggregated measure of access to basic public goods in the district, namely, schools, electric grids, health clinics, piped water, and sewage systems.

⁷⁵This is a useful robustness check because [Galiani et al. \(2017\)](#) use 2009 as the year of Ghana’s crossing per their income calculations.

Table 7: Foreign Aid Withdrawal and Vote Buying in Ghana

VARIABLES	(1) Vote Buy	(2) Vote Buy	(3) Vote Buy	(4) Vote Buy	(5) Vote Buy	(6) Vote Buy
Treated District x Post Crossing(2008)	-0.21** [0.08]	-0.21** [0.08]	-0.18** [0.07]	-0.17** [0.07]		
Treated District (dummy)			0.09 [0.07]	0.07 [0.06]		
Treated District x Post Crossing(2009)					-0.21** [0.08]	-0.21** [0.08]
Poverty Score		0.03 [0.03]		0.04** [0.01]		0.03 [0.03]
Observations	1,206	1,206	1,206	1,206	1,206	1,206
R-squared	0.87	0.87	0.82	0.82	0.87	0.87
District FE	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Poverty Controls	No	Yes	No	Yes	No	Yes
Standard Errors	Region	Region	Region	Region	Region	Region
Mean dep var	0.798	0.798	0.798	0.798	0.798	0.798
Crossing Year	2008	2008	2008	2008	2009	2009

Notes: Robust standard errors, clustered at the region level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. Note that the dummy variable for the post crossing period has been omitted as it is perfectly collinear with the inclusion of year fixed effects. In specifications (1), (2), (5), and (6), the dummy variable for treated districts is also omitted as it is perfectly collinear with the inclusion of district fixed effects.

Table 8 estimates a similar relationship, between foreign aid and voting freedom. I consider to be this another measure of the extent to which clientelistic relationships exert influence over political life. Baldwin (2013) has spoken to the coercive voting decisions that local clientelistic brokers such as chiefs tend to induce in African countries. This measure of voting freedom (whether or not citizens feel pressured to vote for specific candidates), allows us to directly test the extent to which the availability of foreign aid may preserve those clientelistic relationships and coerce voting decisions. Here too I find strong evidence that the withdrawal of foreign aid (after Ghana crosses the IDA threshold) in treated districts is associated with a significant increase in citizens' reported voting freedom. This result too is robust to the inclusion of poverty controls (Column 2 and 4), district fixed effects (Columns 1 and 2), region fixed effects (Columns 3 and 4), and to the use of 2009 as the threshold crossing year as well (Columns 5 and 6). This evidence lends credence to my theoretical prediction that the availability of large amounts of foreign aid tends to preserve clientelistic politics in African countries. As discussed in Section 2, clientelistic brokers such as chiefs tend to coerce voting for their patrons among voters. That makes this a highly noteworthy result for the study of the political effects of aid on clientelism in Ghana. Voters in districts that have transitioned from being heavily aid dependent report feeling less pressured to vote for certain candidates in the post withdrawal period.

I then turn my attention to the health of political competition among treated districts once they experience a large withdrawal aid following Ghana's IDA crossing. Table 9 reports the results using citizen's self-reported belief about how often party competition leads to conflict as the outcome variable. I find weakly significant negative associations between the withdrawal of foreign aid and unhealthy political competition in the treated districts across 4 of the 6 specifications. Recall my theoretical prediction that political parties in African democracies may need to substitute identity-based linkages with programmatic appeals following a reduction in foreign aid to be successful with voters. The public opinion data from Ghana suggests that citizens in treated districts indeed report less divisive political competition between parties following the withdrawal of large amounts of aid ⁷⁶. This relationship appears robust to the inclusion of region fixed effects (Columns 3 and 4), but not to the inclusion of district fixed effects (Columns 1 and 2). However, when the post period is restricted to the post-2009 period, the relationship holds. This may be suggestive that it takes a few years for voters to experience a shift in the nature of party competition following a withdrawal of aid in their district/constituency.

I shall keep the discussion of the results using my remaining outcomes brief. In Table 10 I report that I do not detect a similarly strong relationship between the withdrawal of foreign aid in treated districts after Ghana crosses the IDA threshold, and public approval of multiparty competition. The exact variable measures the extent to which Ghanians agree that multiple parties are needed

⁷⁶As before, note that there is a significant degree of overlap between parliamentary constituencies and districts in Ghana, with most districts assigned between 1-2 seats (Bening, 2012). There are 275 parliamentary constituencies for 261 districts.

Table 8: **Foreign Aid Withdrawal and Voting Freedom in Ghana**

	Dependent Variable: Voting Freedom					
	(1)	(2)	(3)	(4)	(5)	(6)
Treated District x Post Crossing	0.10*** [0.02]	0.10*** [0.02]	0.10*** [0.03]	0.10*** [0.03]		
Treated District (dummy)			-0.08*** [0.02]	-0.08*** [0.02]		
Treated District x Post Crossing(2009)					0.10*** [0.02]	0.10*** [0.02]
Poverty Score		0.01* [0.00]		0.00 [0.00]		0.01* [0.00]
Observations	1,800	1,800	1,800	1,800	1,800	1,800
R-squared	0.85	0.85	0.79	0.79	0.85	0.85
District FE	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Poverty Controls	No	Yes	No	Yes	No	Yes
Standard Errors	Region	Region	Region	Region	Region	Region
Mean dep var	3.626	3.626	3.626	3.626	3.626	3.626
Crossing Year	2008	2008	2008	2008	2009	2009

Notes: Robust standard errors, clustered at the region level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. Note that the dummy variable for the post crossing period has been omitted as it is perfectly collinear with the inclusion of year fixed effects. In specifications (1), (2), (5), and (6), the dummy variable for treated districts is also omitted as it is perfectly collinear with the inclusion of district fixed effects.

Table 9: Foreign Aid Withdrawal and the Health of Party Competition in Ghana

	Dependent Variable: Party Competition Leads to Conflict					
	(1)	(2)	(3)	(4)	(5)	(6)
Treated District x Post Crossing	-0.09 [0.06]	-0.09 [0.06]	-0.11* [0.05]	-0.11* [0.05]		
Treated District (dummy)			0.05* [0.03]	0.05 [0.03]		
Treated District x Post Crossing(2009)					-0.12* [0.06]	-0.12* [0.06]
Poverty Score		0.01 [0.02]		0.02 [0.01]		0.01 [0.02]
Observations	1,800	1,800	1,800	1,800	1,800	1,800
R-squared	0.38	0.38	0.19	0.19	0.38	0.38
District FE	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Poverty Controls	No	Yes	No	Yes	No	Yes
Standard Errors	Region	Region	Region	Region	Region	Region
Mean dep var	1.409	1.409	1.409	1.409	1.409	1.409
Crossing Year	2008	2008	2008	2008	2009	2009

Notes: Robust standard errors, clustered at the region level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. Note that the dummy variable for the post crossing period has been omitted as it is perfectly collinear with the inclusion of year fixed effects. In specifications (1), (2), (5), and (6), the dummy variable for treated districts is also omitted as it is perfectly collinear with the inclusion of district fixed effects.

to ensure that they have a real choice in who governs them. While there is a negative effect of being in a treated district post crossing, the effect is not statistically significant at the conventional levels, even with the inclusion of poverty controls, region fixed effects, and changing the crossing year to 2009.

Table 10: **Foreign Aid Withdrawal and Approval of Multiparty Competition in Ghana**

	Dependent Variable: Approval of Multiparty Competition					
	(1)	(2)	(3)	(4)	(5)	(6)
Treated District x Post Crossing	-0.06	-0.06	-0.02	-0.02		
	[0.10]	[0.10]	[0.09]	[0.09]		
Treated District (dummy)			0.02	0.02		
			[0.06]	[0.06]		
Treated District x Post Crossing(2009)					-0.06	-0.06
					[0.11]	[0.11]
Poverty Score		0.02		0.01		0.02
		[0.02]		[0.02]		[0.02]
Observations	1,800	1,800	1,800	1,800	1,800	1,800
R-squared	0.38	0.38	0.21	0.21	0.38	0.38
District FE	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Poverty Controls	No	Yes	No	Yes	No	Yes
Standard Errors	Region	Region	Region	Region	Region	Region
Mean dep var	3.090	3.090	3.090	3.090	3.090	3.090
Crossing Year	2008	2008	2008	2008	2009	2009

Notes: Robust standard errors, clustered at the region level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. Note that the dummy variable for the post crossing period has been omitted as it is perfectly collinear with the inclusion of year fixed effects. In specifications (1), (2), (5), and (6), the dummy variable for treated districts is also omitted as it is perfectly collinear with the inclusion of district fixed effects.

Table 11 finds that there is a significant increase in trust in the ruling party associated with being in a treated district experiencing a large withdrawal in aid post crossing. This result is robust to the inclusion of poverty controls, district fixed effects, region fixed effects, and changing the threshold crossing year to 2009. I argue that this result can be interpreted in a way that runs in the predicted direction. Ghana’s electoral system has supported three peaceful transitions of executive power (in 2000, 2008, and 2016). Two political parties dominate the electoral landscape, the NPP and NDC. The fact that the trust in the ruling party increases post crossing indicates greater trust in the party that was in the opposition prior the crossing in 2008. One way to think about this is that voters may associate more clientelism with the incumbent in the presence of greater levels of foreign aid, which is why I find that while trust in the ruling party sees a significant increase in the treated districts, trust in the opposition (the ruling party during the

pre-period) actually decreases (but effects are not statistically significant) in the treated districts⁷⁷.

Table 11: **Foreign Aid Withdrawal and Trust in Ruling Party in Ghana**

	Dependent Variable: Trust in Ruling Party					
	(1)	(2)	(3)	(4)	(5)	(6)
Treated District x Post Crossing	0.28** [0.12]	0.28** [0.12]	0.27** [0.12]	0.27** [0.11]		
Treated District (dummy)			-0.14* [0.07]	-0.14* [0.07]		
Treated District x Post Crossing(2009)					0.33** [0.13]	0.33** [0.13]
Poverty Score		-0.02 [0.02]		-0.04* [0.02]		-0.02 [0.02]
Observations	1,800	1,800	1,800	1,800	1,800	1,800
R-squared	0.53	0.53	0.34	0.35	0.53	0.53
District FE	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Poverty Controls	No	Yes	No	Yes	No	Yes
Standard Errors	Region	Region	Region	Region	Region	Region
Mean dep var	1.630	1.630	1.630	1.630	1.630	1.630
Crossing Year	2008	2008	2008	2008	2009	2009

Notes: Robust standard errors, clustered at the region level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. Note that the dummy variable for the post crossing period has been omitted as it is perfectly collinear with the inclusion of year fixed effects. In specifications (1), (2), (5), and (6), the dummy variable for treated districts is also omitted as it is perfectly collinear with the inclusion of district fixed effects.

⁷⁷Table not reported here.

I do not report the tables with two other outcomes: trust in the opposition, and party “closeness” ie. how close citizens feel to a particular party. I find that the trust in the opposition generally decreases in the treated districts after the withdrawal of foreign aid, but that the effect is not statistically significant to reject the null of no effect across specifications. My measure of party “closeness” also finds generally negative but statistically weak associations between the withdrawal of foreign aid and attachment to particular parties among the citizens of treated districts. These effects are presumably borne out of the changes in incumbent party during the pre and post period in this analysis.

6 Conclusion

In this paper, I have used both cross-national and subnational evidence to bring to light an important relationship between foreign aid and politics in African countries. The paper finds that the withdrawal of foreign aid is associated with a normative improvement in the health of party competition in African countries, with more programmatic party systems emerging after such a withdrawal. Parties in these places start to compete on policy grounds, use less divisive rhetoric to mobilize voters, and enjoy more inclusive, broad-based support at the regional level instead of support concentrated in one or two regions. I also found suggestive subnational evidence that suggests foreign aid preserves clientelistic linkages between voters and politicians in African countries, and that the places experiencing the largest withdrawals of aid report a reduction in clientelistic practices such as vote buying and coercive voting.

This paper has hypothesized that the presence of foreign development aid may pose a hindrance to the democratic development of sub-Saharan Africa and seeks to provide additional evidence in support of the perversity theory of aid dependence. I have attempted to theoretically argue and set up testable hypotheses about the specific measures of clientelism and party competition that foreign aid may be affecting in African politics. However, there remains some work done on this project before I am able to demonstrate the two proposed mechanisms behind the party competition effects I find. First, I argued that one of the key mechanisms behind how foreign aid hinders the development of programmatic competition in African politics is a lack of legitimacy - that voters do not view politicians as primary providers of public goods. This is a mechanism that remains to be tested. A public opinion survey of state versus non-state public good provision would help highlight the key linkage between donor-provided aid and party competition suggested in this paper, but this was unfortunately not a measure the data offered me. Second, to illuminate whether the “commitment mechanism” is behind these effects - there remains work for me to detail the evolution of party appeals and party ideology in response to different levels of donor-funded public good provision, particularly through the digitization of party manifestos from Africa. Incorporating the more recent electoral platforms of social media would also be an

important component of this analysis. This exercise would involve looking for instances where the major competing political parties in countries have meaningfully distinguishable policy positions on salient issues such as economic development, social welfare, unemployment, inflation, security, etc., and coding them as *competitive* when they offer distinctly viable alternatives on policy issues to voters. A second part of this exercise will be to code identity-based appeals (either on regional, ethnic, or religious grounds) in election manifestos as non-competitive.

Third, there also remains work to be done that empirically test the mechanics of how voters respond to clientelistic appeals by politicians in aid-dependent countries where the state is not the principal provider of public goods. The work done by scholars such as [Dietrich et al. \(2018\)](#) in Bangladesh testing voter perceptions of donor-provided public goods and government legitimacy needs to be extended to Africa and should include measures of how voters respond to different political appeals with changes in foreign aid levels.

Fourth, this project has looked at a large subset of donor aid - development assistance aid provided mostly by Western/multilateral donors for whom data was available for the period under study. However, with the large onslaught of Chinese development finance and infrastructure projects in sub-Saharan Africa over the last few years, the links between voters, donors, and politicians suggested in this paper may be pulled in different directions. Future iterations of this research will thus have to control for the presence of Chinese aid in Africa.

Fifth, an analysis of aid disbursements with other district-level political outcomes such as electoral margins and past corruption audits in Ghana is a promising avenue for future work on this project. For the next phase of this project, I am traveling to Ghana next month (July 2023) to collect archival data on district-level government expenditure from the Ministry of Finance and Economic Planning in the years following Ghana's transition, as well as speak to district-level government officials in a subsample of districts about how the shift in Ghana's aid landscape affected their expenditure and relationship with constituents. Unfortunately, due to timing, I was not able to complete this research trip prior to the conference in order to incorporate new data into this draft version of the paper. As part of this visit, I also hope to newspaper archives during 2012-2015 to study the changes in public discourse about foreign aid by Ghanaian politicians. I would like to invite comments from readers on the kind of data that would be useful to focus my attention on collecting during my visit to Ghana.

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Appendix

6.0.1 Reduced Form

I then proceed to estimate the reduced-form effect of crossing the IDA threshold on my outcomes of interest. I estimate the following fixed-effects model in order to test the null hypothesis that crossing the eligibility threshold for concessionary foreign development assistance has no effect on party competition and clientelism in a country:

$$y_{i,t} = \alpha + \beta_1 IDAcross_{i,t-1} + \beta_2 IDAcross_{i,t-1} \times I(Africa)_i + \beta_3 GNIpc_{i,t-1} + \gamma_i + \delta_t + e_{it} \quad (4)$$

For a given country i in year t , let y represent the outcome of interest (some measure of party competition and clientelism, as borrowed from the V-Dem Survey or Polity V). As before, for a given country i in year $t - 1$ (or $t - 2$, $t - 3$, and so on), let $IDAcross$ be an indicator variable that takes on the value 1 if it has crossed the gross national income (GNI) threshold for not being eligible for IDA aid and takes on the value 0 if it is below the GNI threshold for IDA aid-eligibility⁷⁸. The estimated β_1 represents the reduced-form effect of crossing over in year $t - 1$ on the outcome y in year t in that country. The coefficient β_2 on the interaction term between threshold crossing and an indicator for sub-Saharan African countries represents the additional effect of crossing the threshold on political outcomes in the subsample of African countries. β_2 is the main coefficient of interest, and helps test my theoretical prediction that reductions in foreign aid affect African politics differently than politics in other low-income countries. γ_i represents the country fixed-effects and δ_t denotes the year fixed-effects. Note that the inclusion of country fixed effects precludes the need to include an indicator variable for African countries separately as a control in my equation (the two would be perfectly collinear). β_3 represents the coefficient on GNI per capita during year $t - 1$, which I include as a control as it is the running variable determining IDA eligibility. e_{it} denotes the error term, which I cluster at the country level to account for serial correlation.

Tables A1 through Table A3 present the reduced form effects using different outcome variables. In Table A1, I investigate the reduced form effect of crossing the IDA threshold on the distinctness of party platforms/generalized ideology between major national-level parties, as coded by country experts in the V-Dem Survey. I employ this as one of my main cross-national measures of programmatic party competition. A higher score indicates more programmatic parties.⁷⁹ As depicted in Table 4, I find that the coefficients on the interaction term for IDA crossing and African countries are positive and statistically significant, suggesting that political parties in African countries become more programmatic after they cross over the IDA threshold for concessionary loan eligibility. This is in contrast to the general effect of crossing the threshold on programmatic competition, which runs in the opposite direction and is not statistically distinguishable from a null effect. The association in African countries is robust across specifications, where I include different minimum time periods since crossing the threshold ($t - 2$ years and $t - 3$ years in columns (2) and (3) respectively). The specifications are also robust to the inclusion of country and year fixed effects, which accounts for any time-invariant country characteristics or time factors that may be driving this relationship.

⁷⁸As noted earlier, I coded the year of IDA crossing using historical GNI per capita data and IMF policy reports containing information about the updated IDA operational cutoff for concessionary loan eligibility.

⁷⁹This outcome variable from the V-Dem is coded as a z-score, which makes the substantive interpretation of the magnitude of the effect a little difficult.

Table A1: Reduced Form (IDA Crossing and Distinctness of Parties)

	Dependent Variable: Distinct Parties		
	(1)	(2)	(3)
D(crossed threshold atleast 1 year ago)	-0.167 [0.105]		
Africa × D(crossed threshold atleast 1 year ago)	0.395*** [0.135]		
D(crossed threshold atleast 2 years ago)		-0.142 [0.106]	
Africa × D(crossed threshold atleast 2 years ago)		0.362** [0.138]	
D(crossed threshold atleast 3 years ago)			-0.111 [0.112]
Africa × D(crossed threshold atleast 3 years ago)			0.336** [0.143]
GNI per capita (lagged)	0.023 [0.032]	0.021 [0.033]	0.019 [0.033]
Observations	1,536	1,536	1,536
R-squared	0.202	0.195	0.190
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Countries	48	48	48

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. The dependent variable is a measure of the distinctness of platforms /generalized ideology of the major national-level political parties in the country. A higher score indicates a greater number of programmatic parties. Note here I am restricting the sample to just the countries that crossed over the IDA threshold for whom this outcome data is available.

Next, in [Table A2](#) I look at the reduced form relationship between IDA crossing and the nature of party competition across regions, also coded by country experts in the V-Dem. This outcome measure is concerned with whether the electoral support for the country’s major parties is concentrated in one or two regions of the country, or if they are competitive in multiple regions. This is proxied using the share of nationally recognized political parties that have permanent local party branches outside the capital of the country. This is a useful measure of the extent to which political competition fosters inclusiveness across the country’s regions, especially given that we know African politics tends to be strongly influenced by ethno-regional considerations⁸⁰. A higher score indicates more broad-based political competition between major political parties across the country’s regions. I employ this as my second cross-national measure of the nature of party competition. I find again that the coefficient on the interaction term between crossing over the threshold and African countries is positive and significant. I interpret this to mean that political competition in African countries becomes more broad-based after they cross over the IDA threshold for concessionary loan eligibility as a greater share of nationally recognizes parties start establishing permanent local party branches in the provinces. The general effect of crossing the threshold on party competition across regions is not statistically distinguishable from zero. The association in African countries is robust across specifications, where I include different minimum time periods since crossing the threshold ($t - 2$ years and $t - 3$ years in columns (2) and (3) respectively). In fact, the effect on political competition appears to grow stronger over time when an African country has graduated 3 or more years ago. Here too the specifications are robust to the inclusion of country and year fixed effects.

I also draw on the Polity V for their measures of political competition in the hope of finding a similar reduced form association with threshold crossing. Admittedly, the definition of political competition employed by the Polity V is less specific than the V-Dem’s. The first measure I use is “the competitiveness of participation” which refers to the extent to which alternative preferences for policy and leadership can be pursued in the political arena. It is a 5-point scale which runs from Repressed⁸¹ (1) to Competitive⁸²(5). The second is an aggregate variable for political competition, which also incorporates a measure of the extent to which political participation is regulated by binding rules. The reduced form results using the Polity V measures are reported in [Appendix Table A4](#). I find no statistically significant effects of threshold crossing on Polity V’s measures of political competition, even on the interaction term with Africa. My understanding here is that the Polity V’s definition of political competition is broader than mine and closer to a classification scheme between authoritarian and democratic party systems. Nonetheless, it is worth reporting in my investigation.

Finally, I turn to the other outcome variable of interest, clientelism. For this, I make use of the V-Dem’s clientelism index, a measure of the extent to which politics in a country are based on clientelistic relationships⁸³. I found suggestive reduced form evidence in [Table A1](#) and [Table A2](#)

⁸⁰See [Section 2](#) for a discussion of ethnoregional politics in Africa.

⁸¹Refers to totalitarian party systems, authoritarian military leadership structures etc.

⁸²Defined as “relatively stable and enduring, secular political groups which regularly compete for political influence at the national level”. While regular party competition at the national-level falls under this category, it doesn’t rule out the exclusion of small parties or political groups.

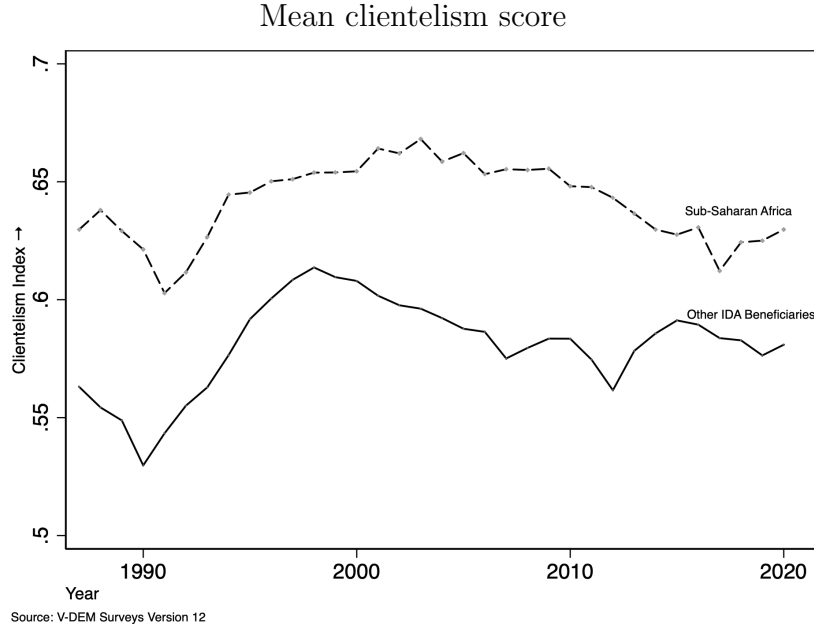
⁸³As mentioned in [Section 4.1](#), this score is constructed using three submeasures: the prevalence of vote and/or turnout buying in the country’s national election, the nature of social and infrastructural spending, and the main form of party-constituent linkages. The point estimates for this index run from 0 to 1 and have been reversed such that the directionality is opposite to the sub-indices, so lower scores indicate a normatively better situation (e.g. more programmatic) and higher scores a normatively worse situation (e.g. more clientelistic).

Table A2: **Reduced Form (IDA Crossing and Local Party Competition Across Regions)**

	Dependent Variable: Share of Parties with Permanent Local Branches		
	(1)	(2)	(3)
D(crossed threshold atleast 1 year ago)	-0.125 [0.124]		
Africa × D(crossed threshold atleast 1 year ago)	0.369** [0.144]		
D(crossed threshold atleast 2 years ago)		-0.109 [0.120]	
Africa × D(crossed threshold atleast 2 years ago)		0.346** [0.148]	
D(crossed threshold atleast 3 years ago)			-0.096 [0.121]
Africa × D(crossed threshold atleast 3 years ago)			0.320** [0.153]
GNI per capita (lagged)	0.049 [0.048]	0.048 [0.048]	0.047 [0.049]
Observations	1,536	1,536	1,536
R-squared	0.113	0.109	0.104
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Countries	48	48	48

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. The dependent variable is a measure of local party competition that proxies for competitiveness using the proportion of parties with permanent local party branches outside the capital. A higher score is indicative of more broad-based party competition, with a higher proportion of political parties operating through permanent local party branches. Note here I am restricting the sample to just the countries that crossed over the IDA threshold for whom this outcome data is available.

Figure 10: Clientelism index over time



Notes: This depicts the time series trend of the mean clientelism index score between 1987-2020 (Source: V-Dem Survey 2022). The dashed lines depict the trend for the 41 African aid recipient countries in this sample, whereas the solid lines depict the trend for the remaining 41 non-African countries in the sample.

that crossing the threshold was associated with more programmatic politics and more broad-based political competition at the local level in the subsample of African IDA beneficiaries. Therefore, it is worth looking descriptively at how the V-Dem’s clientelism score in the subsamples of African and non-African IDA beneficiaries trends over time. In [Figure 10](#) I depict the time series trend in the clientelism index (score) for sub-Saharan African countries versus other IDA aid-eligible countries over the sample period. As we can see, the gap in the mean clientelism score between African IDA beneficiaries and other low-income countries has been fluctuating over the sample period, with African countries consistently faring poorer than the rest of the developing world on this index (a higher score is indicative of greater clientelism). Since different countries crossed over the threshold at different points in time over this sample period, I estimate the reduced form equation using the clientelism index as my outcome and splitting the samples into African and non-African IDA beneficiaries. [Table A3](#) reports the results.

African IDA-beneficiaries that cross over the threshold in a previous $t - n$ year with $n = 1, 2, 3$ are associated with an improvement in their clientelism score⁸⁴ (see the first three columns in [Table 6](#)). I detect no similar effect in the subsample of other non-African IDA beneficiaries (columns (4)-(6) in the table). While the strength of the associations is weakly significant in the African subsample, it provides suggestive evidence of a reduced form relationship between crossing the IDA’s concessionary loan eligibility threshold and clientelistic politics in these countries. The association is robust to the inclusion of country and year fixed effects to rule out any time-invariant country specific characteristics or time-specific that may be driving the relationship.

⁸⁴I use the log transformed clientelism score since the raw score appears highly skewed to the right. Recall that a higher score is associated with more clientelism in politics.

Table A3: **Reduced Form (IDA Crossing and Clientelism Index)**

Dependent Variable: Clientelism Index						
	African sample			Non-African sample		
D(crossed threshold atleast 1 year ago)	-0.102*			0.012		
	[0.052]			[0.061]		
D(crossed threshold atleast 2 years ago)		-0.094*			-0.009	
		[0.052]			[0.059]	
D(crossed threshold atleast 3 years ago)			-0.087*			-0.021
			[0.051]			[0.056]
GNI per capita (lagged)	-0.001	-0.001	-0.002	0.009	0.010	0.011
	[0.005]	[0.005]	[0.005]	[0.025]	[0.024]	[0.025]
Observations	1,278	1,278	1,278	1,229	1,229	1,229
R-squared	0.0835	0.0800	0.0774	0.0384	0.0383	0.0389
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Countries	41	41	41	41	41	41

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. Note here I am displaying results for the full sample of 82 IDA-eligible countries for whom the clientelism index data is available, split into the African and non-African members. The effects hold when restricting the sample to just the crossover countries, but are similarly weak for the African subsample of countries that crossed over (not reported here).

Table A4: **Reduced Form (IDA Crossing and Polity V Political Competition Measures)**

VARIABLES	(1) Competitiveness of Pol. Participation	(2) Political Competition	(3) Competitiveness of Pol. Participation	(4) Political Competition	(5) Competitiveness of Pol. Participation	(6) Political Competition
D(crossed threshold atleast 1 year ago)	0.191 [0.162]	0.400 [0.284]				
Africa × D(crossed threshold atleast 1 year ago)	-0.161 [0.263]	0.423 [0.504]				
D(crossed threshold atleast 2 years ago)			0.204 [0.152]	0.451 [0.313]		
Africa × D(crossed threshold atleast 2 years ago)			-0.153 [0.253]	0.329 [0.495]		
D(crossed threshold atleast 3 years ago)					0.210 [0.152]	0.379 [0.357]
Africa × D(crossed threshold atleast 3 years ago)					-0.150 [0.251]	0.267 [0.488]
GNI per capita (lagged)	-0.014 [0.026]	-0.118** [0.053]	-0.016 [0.027]	-0.129** [0.053]	-0.018 [0.028]	-0.132** [0.054]
Observations	1,155	1,155	1,155	1,155	1,155	1,155
R-squared	0.0950	0.190	0.0955	0.189	0.0957	0.184
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Countries	45	45	45	45	45	45

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. “The competitiveness of political participation” dependent variable in Columns (1), (3), and (5) refers to the extent to which alternative preferences for policy and leadership can be pursued in the political arena. It is a 5-point scale which runs from Repressed (1) to Competitive (5). The other dependent variable “Political Competition” is an aggregate variable for political competition, which also incorporates a measure of the extent to which political participation is regulated by binding rules. Both are expert-coded measures by [The Polity Project](#) run by the Center for Systemic Peace

Table A5: Robustness Check: Freedom House Electoral Democracy Classification and Distinct Parties

Dependent Variable: Distinct Parties								
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	OLS	OLS	OLS	OLS	OLS	2SLS	2SLS	2SLS
Net ODA (% of GNI), $t - 2$	0.062		0.104**		0.064			0.482
	[0.061]		[0.050]		[0.066]			[0.621]
Africa \times Net ODA (% of GNI), $t - 2$	-0.138		-0.218***		-0.148			-0.508**
	[0.089]		[0.061]		[0.098]			[0.230]
Net ODA (% of GNI), $t - 1$		0.097*		0.074		0.477	0.444	
		[0.053]		[0.075]		[0.594]	[0.542]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.223***		-0.173*		-0.515**	-0.492**	
		[0.063]		[0.098]		[0.232]	[0.224]	
GNI per capita, $t - 1$	0.009	-0.011	-0.011	0.004	0.005	0.020	0.017	
	[0.037]	[0.015]	[0.015]	[0.038]	[0.037]	[0.084]	[0.075]	
GNI per capita, $t - 2$								0.019
								[0.093]
Electoral Democracy (Freedom House)	0.228**	0.076	0.083*	0.227**	0.233**	0.004	0.010	0.037
	[0.091]	[0.048]	[0.049]	[0.099]	[0.099]	[0.107]	[0.099]	[0.078]
Observations	1,349	1,140	1,133	1,240	1,233	1,140	1,140	1,129
R-squared	0.200	0.205	0.206	0.213	0.212	0.898	0.901	0.899
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument	No	No	No	No	No	Crossed $\leq t - 2$	Crossed $\leq t - 3$	Crossed $\leq t - 3$
Countries	48	40	40	44	44	40	40	40

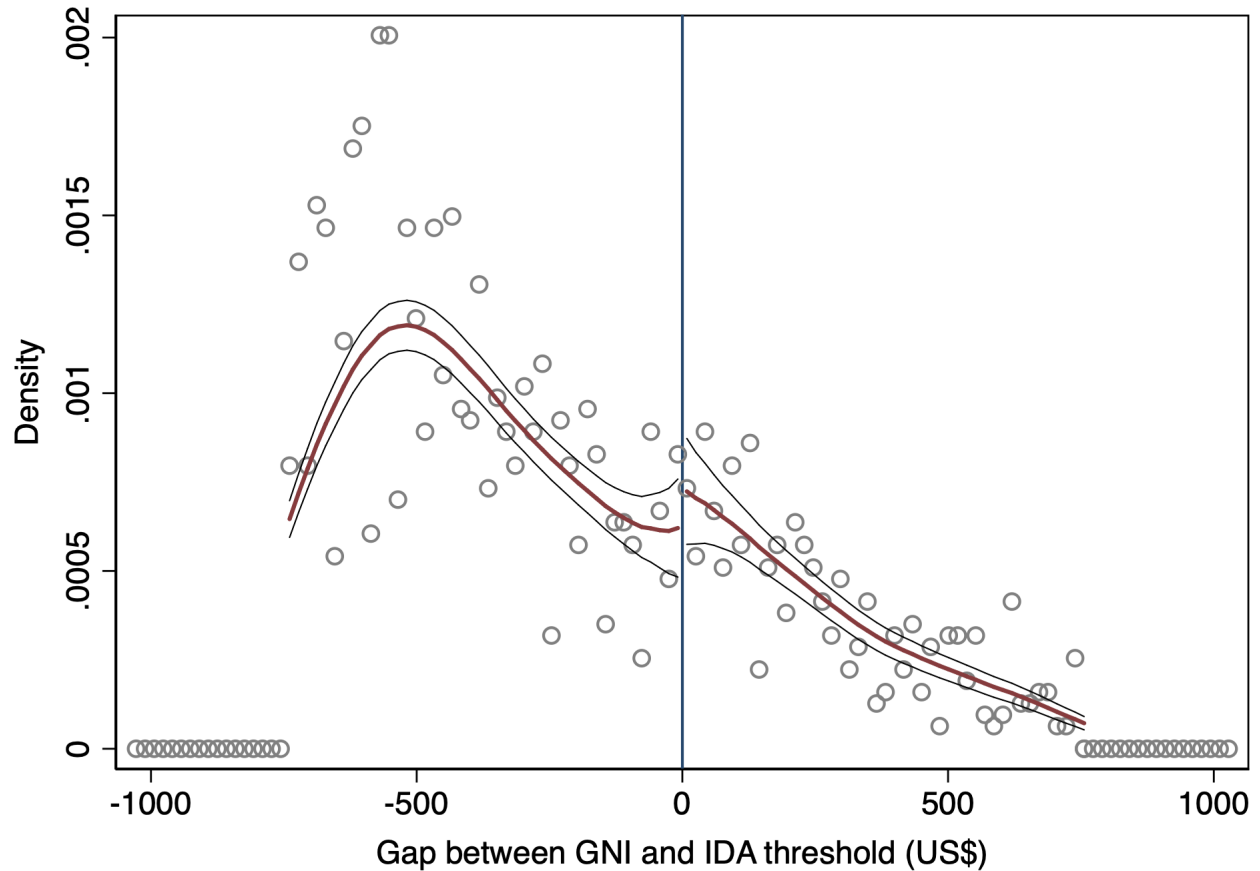
Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. The dependent variable is a measure of the distinctness of platforms /generalized ideology of the major national-level political parties in the country. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators.

Table A6: Robustness Check: Freedom House Electoral Democracy Classification and Local Party Competition

Dependent Variable: Local Party Competition								
VARIABLES	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) 2SLS	(7) 2SLS	(8) 2SLS
Net ODA (% of GNI), $t - 2$	0.018 [0.071]		0.068 [0.074]		0.013 [0.075]			0.165 [0.756]
Africa \times Net ODA (% of GNI), $t - 2$	-0.049 [0.093]		-0.178** [0.078]		-0.035 [0.100]			-0.528* [0.316]
Net ODA (% of GNI), $t - 1$		0.038 [0.081]		0.003 [0.087]		0.026 [0.686]	0.190 [0.683]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.173** [0.082]		-0.057 [0.098]		-0.481 [0.296]	-0.521* [0.308]	
Electoral Democracy (Freedom House)	0.112 [0.106]	0.005 [0.095]	0.015 [0.096]	0.148 [0.105]	0.159 [0.105]	-0.020 [0.154]	-0.043 [0.154]	-0.017 [0.127]
GNI per capita, $t - 1$	0.039 [0.053]	-0.012 [0.028]	-0.007 [0.029]	0.033 [0.055]	0.039 [0.055]	-0.051 [0.097]	-0.027 [0.094]	
GNI per capita, $t - 2$								-0.034 [0.111]
Observations	1,349	1,140	1,133	1,240	1,233	1,140	1,140	1,129
R-squared	0.103	0.112	0.118	0.113	0.119	0.802	0.805	0.807
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument	No	No	No	No	No	Crossed $\leq t - 2$	Crossed $\leq t - 3$	Crossed $\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***) , 5%(**) & 10%(*) levels. The dependent variable is a measure of local party competition proxied by the number of political parties that have permanent local party branches outside the capital. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators.

Figure A1: Testing Manipulation of IDA Threshold by Countries



Source: McCrary(2008). Manipulation of the running variable in the regression discontinuity design: A density test.

This figure depicts the McCrary test for bunching near the threshold. The X-axis denotes the difference between countries' GNI per capita and the IDA threshold (in current US\$). I restrict this difference to be within 750 US\$ of the IDA threshold to study whether bunching is taking place. The sample includes all IDA beneficiary countries between 1990-2020. The discontinuity estimate from the McCrary density test is 0.162 and the standard error is 0.164. Source code for this test was borrowed from [McCrary \(2008\)](#).

Table A7: **Robustness Check: World Bank Statistical Capacity Score and Distinct Parties**

Dependent Variable: Distinct Parties								
VARIABLES	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) 2SLS	(7) 2SLS	(8) 2SLS
Net ODA (% of GNI), $t - 2$	0.066 [0.064]		0.102* [0.053]		0.081 [0.069]			0.609 [0.691]
Africa \times Net ODA (% of GNI), $t - 2$	-0.161* [0.093]		-0.229*** [0.067]		-0.183* [0.102]			-0.564** [0.259]
Net ODA (% of GNI), $t - 1$		0.116* [0.062]		0.107 [0.077]		0.684 [0.772]	0.620 [0.667]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.251*** [0.071]		-0.223** [0.100]		-0.644** [0.292]	-0.608** [0.269]	
Overall Statistical Capacity Score	5.600*** [0.650]	6.042*** [0.632]	5.814*** [0.564]	5.950*** [0.775]	5.665*** [0.724]	4.433 [5.110]	4.705 [4.337]	4.198 [4.632]
GNI per capita, $t - 1$	0.011 [0.040]	-0.010 [0.016]	-0.011 [0.016]	0.008 [0.041]	0.007 [0.040]	0.044 [0.114]	0.037 [0.097]	
GNI per capita, $t - 2$								0.036 [0.102]
Observations	1,445	1,249	1,213	1,360	1,321	1,249	1,249	1,209
R-squared	0.850	0.899	0.911	0.843	0.851	0.859	0.868	0.880
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument	No	No	No	No	No	Crossed $\leq t - 2$	Crossed $\leq t - 3$	Crossed $\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. The dependent variable is a measure of the distinctness of platforms /generalized ideology of the major national-level political parties in the country. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. In the IV-2SLS specifications in Columns (6)-(8), I exclude the small, island economies. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators. Overall Statistical Capacity Score is an aggregate country-level index of a country's statistical capacity based on how it calculates and reports 25 different subindices ranging across measures such as the periodicity of census data collection, poverty surveys, national accounts, external debt reporting status etc. This index aggregates the statistical capacity calculated by this World Bank measure between 2004-2020. A higher score indicates higher reliability of the country's national-level statistics. The data for the World Bank statistical capacity score was downloaded from [the World Bank's data bank](#). The idea for this robustness check was borrowed from [Martinez \(2022\)](#).

Table A8: Robustness Check: World Bank Statistical Capacity Score and Local Party Competition

Dependent Variable: Permanent Local Party Branches								
VARIABLES	(1) OLS	(2) OLS	(3) OLS	(4) OLS	(5) OLS	(6) 2SLS	(7) 2SLS	(8) 2SLS
Net ODA (% of GNI), $t - 2$	0.020 [0.075]		0.065 [0.076]		0.020 [0.081]			0.138 [0.711]
Africa \times Net ODA (% of GNI), $t - 2$	-0.071 [0.091]		-0.188** [0.081]		-0.065 [0.099]			-0.498* [0.302]
Net ODA (% of GNI), $t - 1$		0.053 [0.098]		0.029 [0.100]		-0.209 [0.800]	0.058 [0.722]	
Africa \times Net ODA (% of GNI), $t - 1$		-0.205** [0.096]		-0.105 [0.102]		-0.449 [0.316]	-0.509* [0.308]	
Overall Statistical Capacity Score	4.030*** [0.667]	4.928*** [0.971]	4.512*** [0.734]	4.392*** [0.940]	3.960*** [0.749]	10.144* [5.590]	8.078* [4.684]	7.030 [4.716]
GNI per capita, $t - 1$	0.037 [0.057]	-0.010 [0.032]	-0.010 [0.031]	0.037 [0.059]	0.036 [0.058]	-0.084 [0.113]	-0.044 [0.100]	
GNI per capita, $t - 2$								-0.032 [0.102]
Observations	1,445	1,249	1,213	1,360	1,321	1,249	1,249	1,209
R-squared	0.761	0.792	0.817	0.732	0.749	0.746	0.775	0.803
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Instrument	No	No	No	No	No	Crossed $\leq t - 2$	Crossed $\leq t - 3$	Crossed $\leq t - 3$
Countries	48	40	40	44	44	40	40	40

Notes: Robust standard errors, clustered at the country level in all specifications, are reported in parantheses. The stars indicate statistical significance at the 1%(***), 5%(**) & 10%(*) levels. The dependent variable is a measure of how broad-based political competition is at the regional level, whereby a higher score indicates more broad-based competition between major political parties across the countrys regions. This is proxied using the number of permanent local party branches in parts of the country outside the capital. A higher score is indicative of more broad-based party competition, with a higher number of parties operating through permanent local party branches. The specifications in Columns (1) - (5) estimate the second stage using OLS with country and year fixed effects, whereas Columns (6) - (8) use IV-2SLS with foreign aid instrumented by the crossing of the IDA threshold at different points in time. The 2SLS specifications include a dummy for sub-Saharan African countries (not shown). In Column (2) I exclude small, island countries which remain eligible for IDA concessionary-loan assistance even after graduating from the threshold. In columns (4) and (5), I exclude countries that reverse graduate under the threshold and then cross back over. In the IV-2SLS specifications in Columns (6)-(8), I exclude the small, island economies. The explanatory variable for Net ODA (as a % of GNI) received has been transformed using its natural logarithm, as described in the first stage. GNI per capita is calculated in current USD using the Atlas method from the 2022 release of the World Development Indicators. Overall Statistical Capacity Score is an aggregate country-level index of a country's statistical capacity based on how it calculates and reports 25 different subindices ranging across measures such as the periodicity of census data collection, poverty surveys, national accounts, external debt reporting status etc. This index aggregates the statistical capacity calculated by this World Bank measure between 2004-2020. A higher score indicates higher reliability of the country's national-level statistics. The data for the World Bank statistical capacity score was downloaded from [the World Bank's data bank](#). The idea for this robustness check was borrowed from [Martinez \(2022\)](#).