Wedded to Prosperity? Informal Influence and Regional Favoritism

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2024 IPES Conference, November 8-9, 2024

Introduction

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- "Why would anyone want to build a wonderful school in the middle of what Africans call 'the bush'?"
- "Here is a hint: Yoni is the home village of Sierra Leone's president, Ernest Bai Koroma."

China is often perceived to be the bad guy...

- But what do we really know?
  - African leader regions receive more aid from China but not the World Bank (Dreher et al. 2019, 2022)
  - No geocoded data for a large sample of Western bilateral donors
- Political motives reduce the effectiveness of aid
  - Kilby and Dreher 2010, Bearce and Tirone 2010, Minoiu and Reddy 2010, Bermeo 2011, Dreher et al. 2018
- Evidence on comparative effectiveness of aid is mixed
  - Clemens et al. 2012, Galiani et al. 2017, Dreher et al. 2021, Cruzatti et al. 2023, Marchesi et al. 2024

$\rightarrow$ Puzzle. Maybe "non-political" aid is in fact "political" as well and does not go into more benevolent projects?

This paper

"I hope that someday someone will take the time to evaluate the true role of the wife of a President" (U.S. President Harry S. Truman)

- Investigate the role of leaders' spouses on sub-national developmental flows and outcomes

The argument in a nutshell:

- Spouses channel aid to their birthregion, potentially affecting development
- China puts no strings on how to allocate aid. Can be used flexibly.
- Western donors more carefully avoid the impression that aid benefits incumbents. Spousal regions benefit instead of leader regions.
- Western aid thus not more effective than Chinese aid

We borrow our identification strategy from the literature on formal influence ...

Focus on leader birth regions to identify effects via formal channels

- Leader regions develop better (Hodler and Raschky 2014)
- African leader regions receive more aid from China but not the World Bank (Dreher et al. 2019, 2022)
- Similar results for regional transfers, firms' access to credit, biased taxation, broader sets of leaders ...

$\rightarrow$ Use event-time specifications in regressions with fixed effects for country-years and sub-national regions

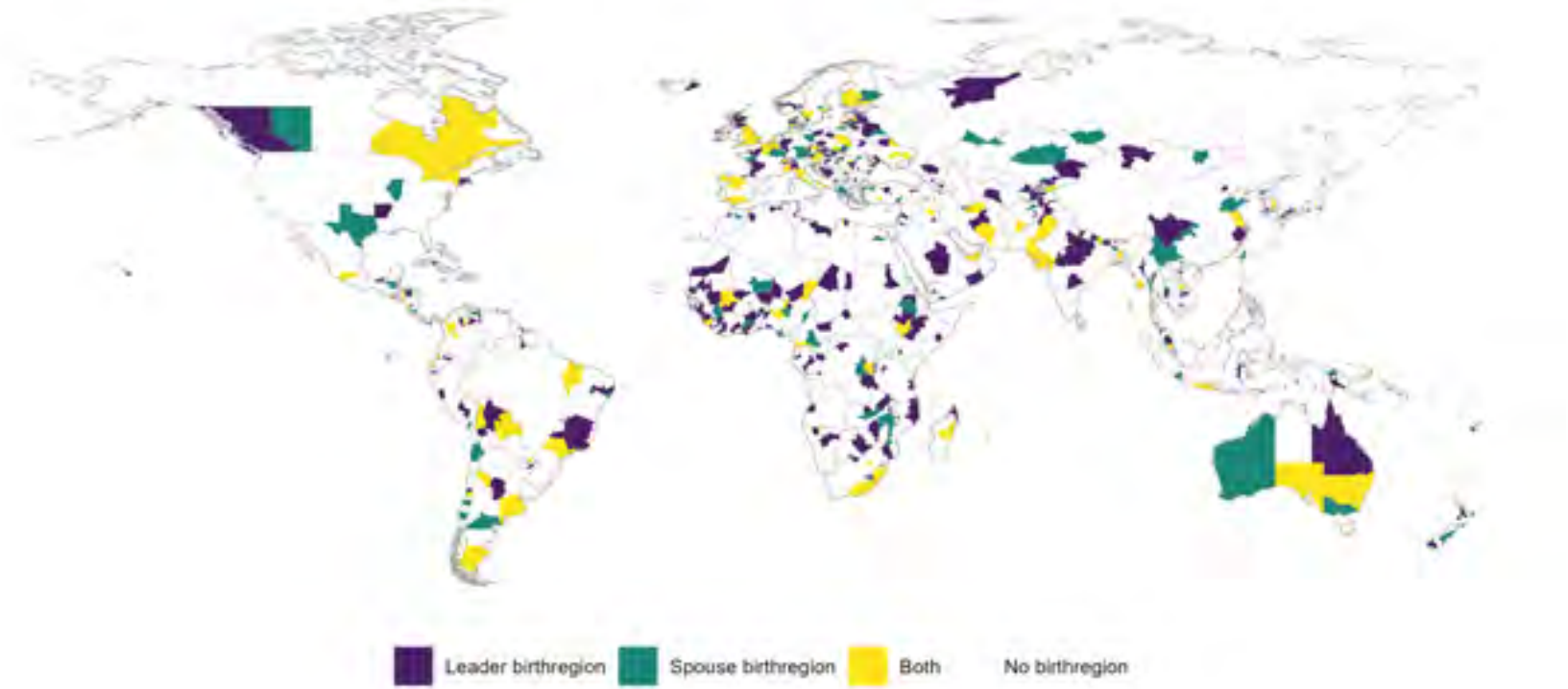
$\rightarrow$ No previous quantitative study investigates the effect of such informal influence or political connections on aid and developmental outcomes

Political Leaders' Affiliations Database (PLAD)

Includes the geolocated birthplaces of leaders and their spouses for 177 countries over the 1989-2022 period, plus (selection):

- information on education and profession
- information on spousal political activity
- leader ethnicity
- number of children
- gender
- birth date

Birth regions of leaders and spouses, ADM1, 1990–2020



Notes: Shows whether an ADM1 region has been a leader birth region (in purple), spouse birth region (in green), both (in yellow), or none (in white) over the 1990–2020 period.

Geocoded Official Development Assistance Dataset (GODAD)

Geocode project level data for 18 European donors and the U.S., utilizing textual information associated with projects in the OECD's CRS

- 1990-2020 period: geocoded 217,784, US$233 billion

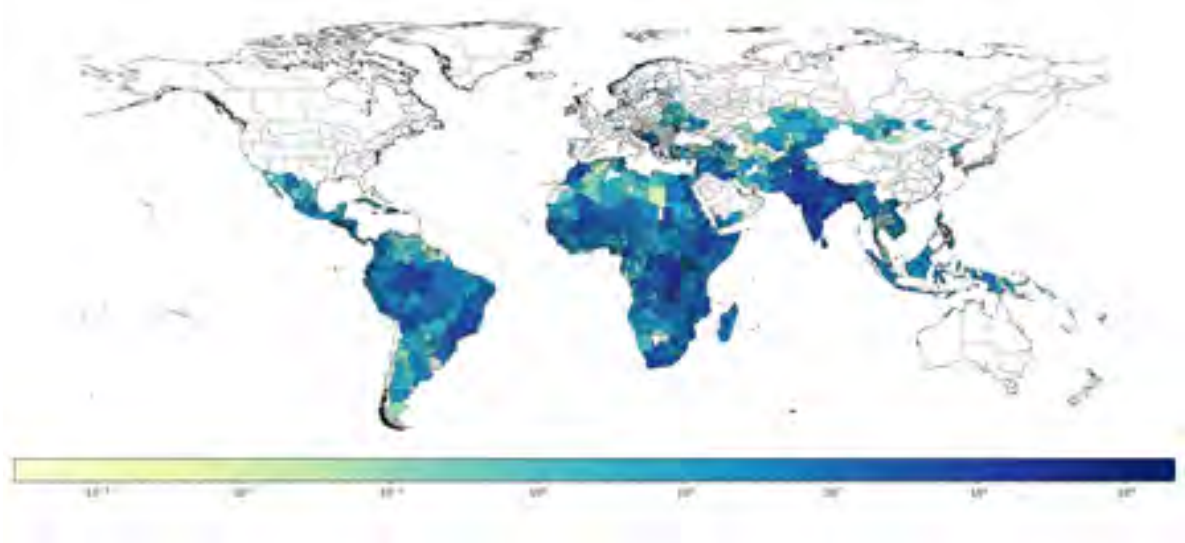
Include geocoded World Bank project level data (AidData 2017, IATI, Kersting and Kilby 2021)

- over the 1995-2023 period

Include geocoded Chinese project level data (Dreher et al. 2022, Custer et al. 2023, Goodman et al. 2024)

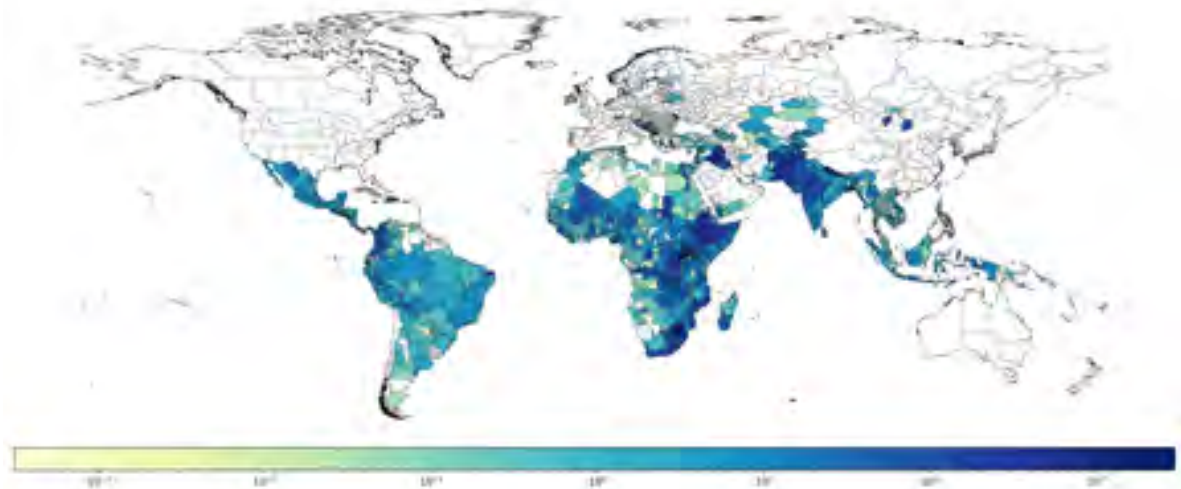
- over the 2000-2021 period (but known to be low before)

European bilateral donors, ADM1, 1990–2020



Notes: (log) aid disbursements in constant 2021 US dollars over the 1990–2020 period, with darker colors indicating larger amounts. Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

US aid, ADM1, 1990–2020



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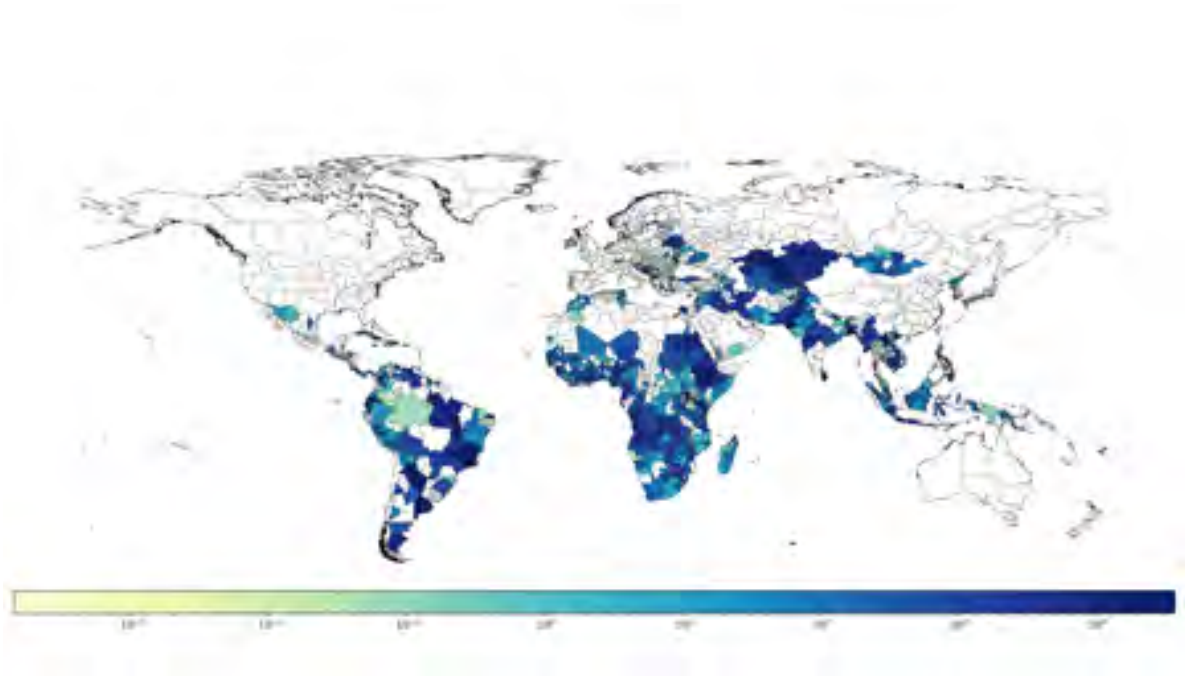
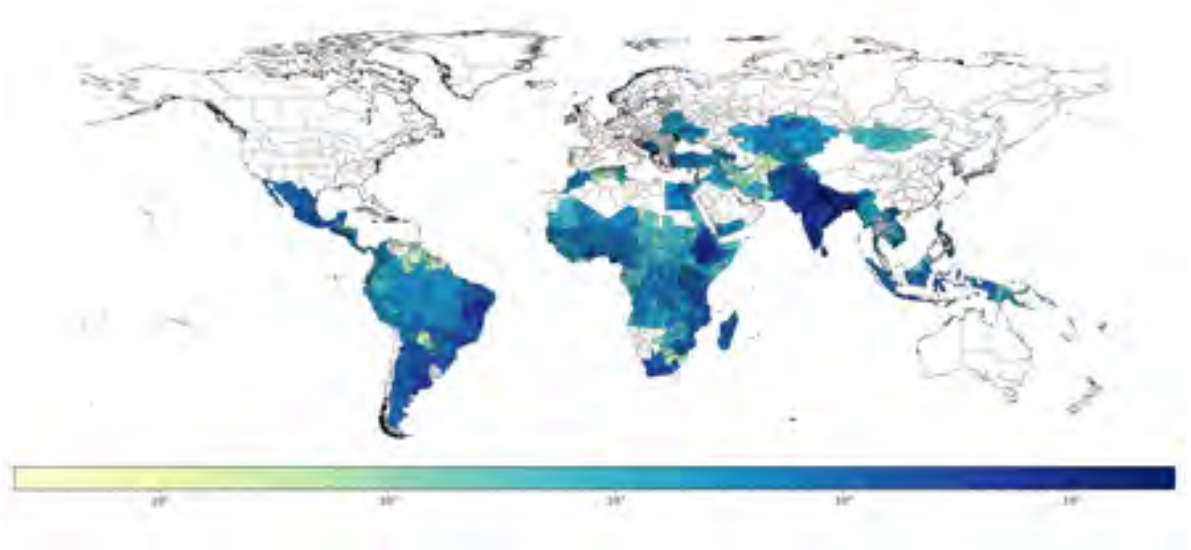
Chinese aid, ADM1, 2000–2020



Notes: (log) aid commitments in constant 2021 US dollars over the 2000–2020 period, with darker colors indicating larger amounts. Source: Dreher et al. (2022), Custer et al. (2023), Goodman et al. (2024)

World Bank aid, ADM1, 1995–2020



Notes: (log) aid commitments in constant 2021 US dollars over the 1995–2020 period, with darker colors indicating larger amounts. Source: AidData (2017), IATI, Kersting and Kilby (2021)

Effects of Birth Regions on Total Aid, 1990-2020

	(1) ADM2	(2) ADM2	(3) ADM1	(4) ADM1
Spouseregion (b+2)		-0.31		-0.01
		(0.69)		(0.04)
Spouseregion (b+1)		-0.23		-0.03
		(0.51)		(0.08)
Spouseregion (b1)		0.31		0.01
		(0.71)		(0.04)
Spouseregion	0.67**	0.69*	0.40*	0.39
	(2.08)	(1.79)	(1.92)	(1.42)
Spouseregion (b-2)		0.63		-0.27
		(1.28)		(0.73)
Spouseregion (b-3)		0.29		-0.06
		(0.69)		(0.17)
Leaderregion	0.26	0.23	0.30**	-0.02
	(1.21)	(0.86)	(2.05)	(0.08)
Number of observations	721,238	713,053	58,436	57,902
Prob > F Spouse		0.02		0.05
Prob > F Leader		0.08		0.38
R squared (within)	0.0006	0.0006	0.0004	0.0005

110 (123) countries, 29,467 ADM2 (2,352 ADM1) regions. Col. 2 and 4 control for $Leader_{b+2}$, $Leader_{b+1}$, $Leader_{b1}$, $Leader_{b-1}$, $Leader_{b-2}$, the logarithm of a country's population size, ADM2/ADM1 fixed effects, and country-year fixed effects. Standard errors are clustered at the level of countries; t-statistics in parentheses.

Further Results

On average, Spouseregions but not Leaderregions receive more aid

- Spouseregions receive aid from Western bilateral donors. Chinese aid moves from Spouse to Leader. No effect on World Bank aid.
- Effect turns stronger before (competitive) elections, weaker rule of law, more corruption, and fewer spouses
- Aid given to birth regions hampers development—luminosity, infant mortality, and corruption

Conclusions

Our study has introduced two novel datasets:

- The PLAD (Political Leader Affiliation Dataset): provides data to investigate the impact of personal characteristics on political decision making processes
  https://www.plad.me
- The GODAD (Gecoded Official Development Assistance Dataset): allows to explore a wide spectrum of critical research inquiries associated with the allocation and effects of aid below the country level
  https://www.godad.me

$\rightarrow$ Results show that informal influence matters for the allocation of aid. Western aid as ineffective as Chinese aid, but channels are different.

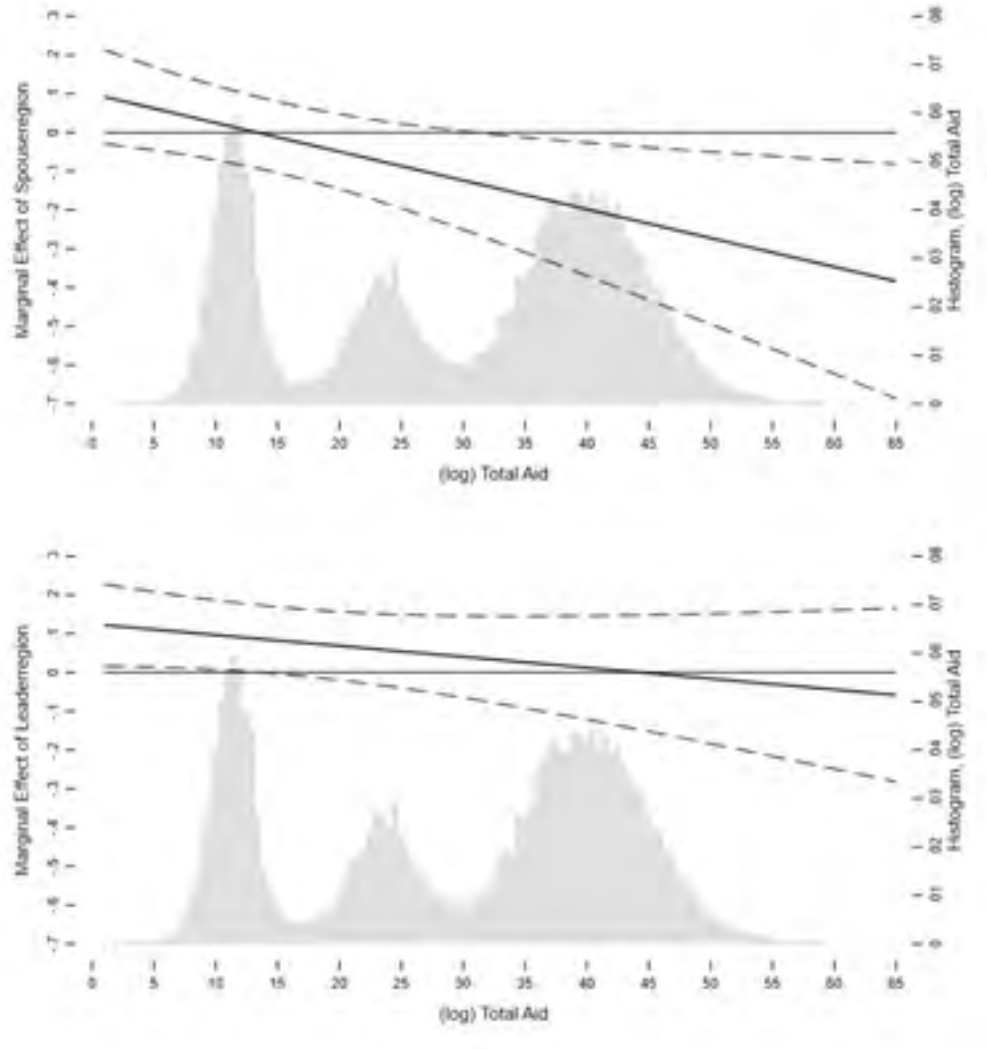
$\rightarrow$ We will release our data after March workshop in Goettingen. Happy to share sub-sets pre-release.

Birth Regions and Development, ADM2, 1998-

	(1) light	(2) mortality	(3) corruption
Spouseregion	0.099	-34.719	-0.128
	(1.56)	(1.39)	(0.62)
Aid	-0.000	0.051***	0.002
	(0.50)	(2.79)	(1.08)
Spouseregion*Aid	-0.007**	1.081*	-0.006
	(2.54)	(1.85)	(0.86)
Leaderregion	0.125**	-13.423	0.384***
	(2.26)	(1.23)	(2.92)
Leaderregion*Aid	-0.003	0.212	-0.007*
	(1.32)	(0.85)	(1.72)
Number of countries	110	56	104
Number of regions	29467	5660	28851
Number of observations	639491	73563	629281

log(*lights*) is the log of mean nightlight emissions in region *i* of country *c* in year *t* (+0.01). *infant mortality* is the rate of infants dying before reaching one year of age, per 1,000 live births. Absence of corruption is defined as "the abuse of entrusted power for private gain" (Crombach, Smits 2024), with higher values representing less corruption, on a 0-100 scale. *Aid* is the logarithm of aid (plus 1): ODA disbursements of 18 European donors, the U.S., IDA, and ODA commitments from China. *Spouseregion* and *Leaderregion* are lagged by one year. Includes ADM2 fixed effects, country-year fixed effects, and the logarithm of a region's population size. Standard errors clustered at the level of countries; t-statistics in parentheses.

Effects of Birth Regions on Light Conditional on Aid, ADM2



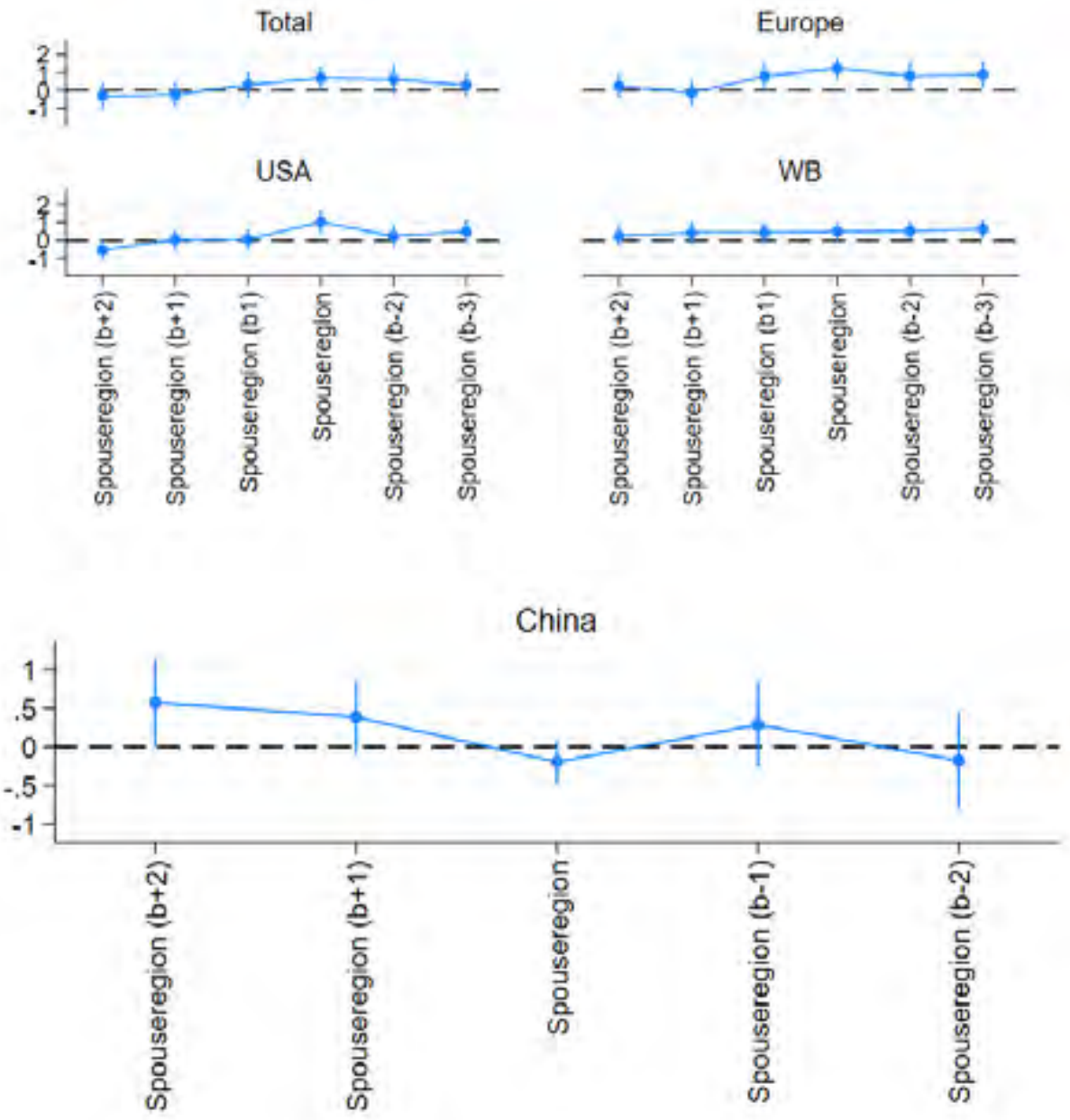
Notes: The figure plots the marginal effects and 95-% confidence intervals of Spouseregion and Leaderregion conditional on the value of (log) total aid. The

Effects of Birth Regions on Aid

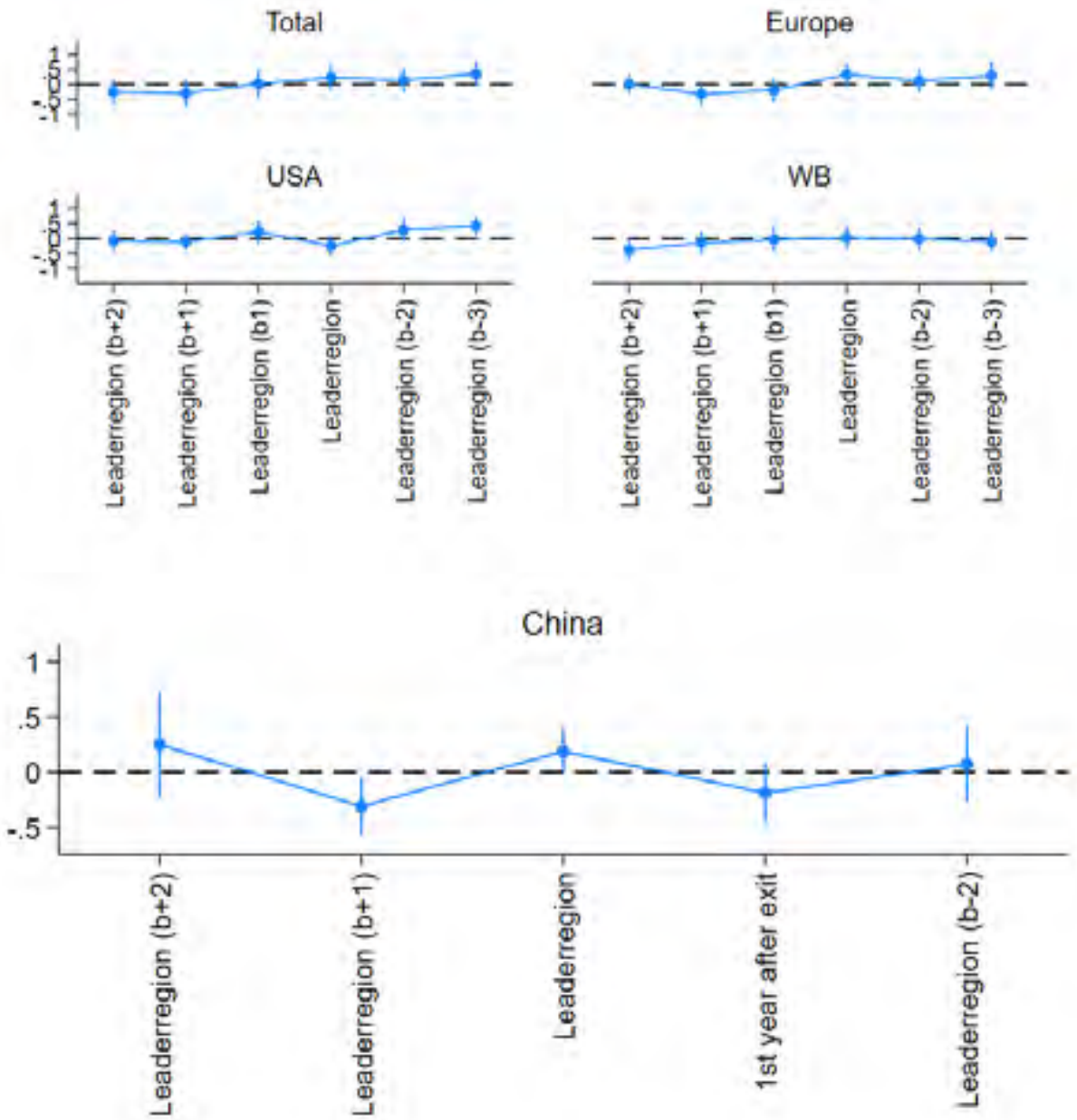
	(1) Europe	(3) USA	(5) WB	(7) China
Spouseregion	1.118***	1.003***	0.331	-0.281*
	(3.40)	(2.85)	(1.35)	(1.71)
Leaderregion	0.155	-0.081	-0.000	0.206
	(0.97)	(0.42)	(0.00)	(1.65)
First year	1990	1990	1995	2000
Number of countries	110	110	110	110
Number of regions	29467	29467	29467	29467
Number of observations	856835	856835	721238	585434
R squared (within)	0.0011	0.0010	0.0001	0.0003

Dependent variable is *Aid*, i.e., the logarithm of aid (plus 1) given to region i of country c in year t: ODA disbursements of 18 European donors, the U.S., IDA, and ODA commitments from China. Includes the logarithm of a region's population size, ADM2 fixed effects and country-year fixed effects. Standard errors are clustered at the level of countries; t-statistics in parentheses.

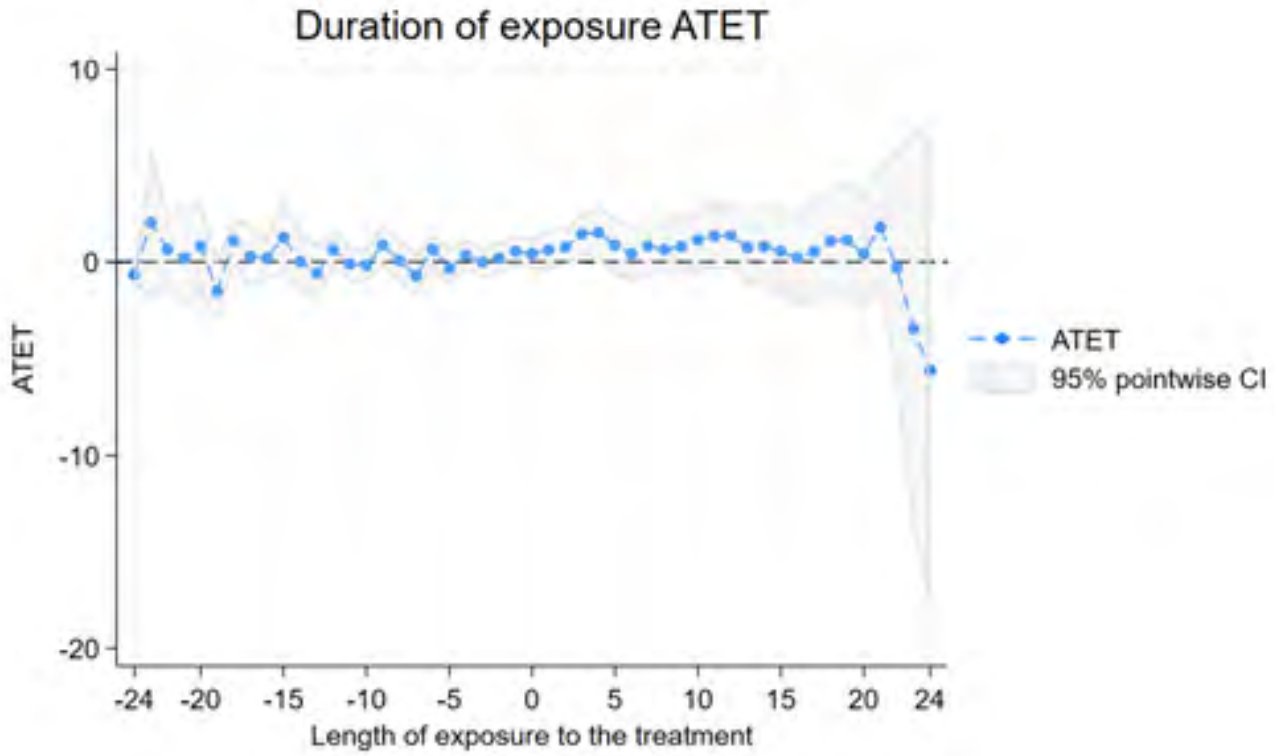
Effect of Spouse Birth Regions on Aid, ADM2



Effect of Leader Birth Regions on Aid, ADM2



Spouse Birth Regions and Aid, Augmented Inverse Probability-weighted



Note: Average Treatment Effect on the Treated (ATET) of (lagged) *Spouseregion* on total aid, using the doubly robust augmented inverse probability-weighted (AIPW) estimator. Not yet treated regions are the control group.