

RESEARCH SUMMARY

Political Economy of Aid Allocation in Zambia

Bilateral and multilateral donors often comply with decisions of recipient country governments regarding specific details of development projects. Given their political interests, how do political elites influence the allocation of aid within their country? Using district-level data on aid projects during 1996-2010 in Zambia, this study finds that incumbents allocate more projects to opposition strongholds with a view to win over “weakly-opposed” voters.

Academic Citation:

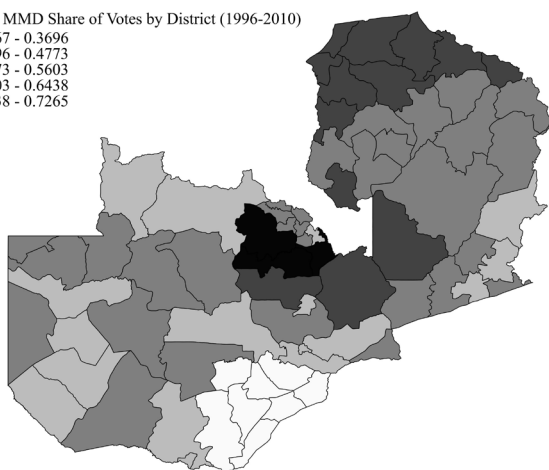
Masaki, Takaaki. 2015. The Political Economy of Aid Allocation in Africa: Evidence from Zambia. AidData Working Paper #5. Williamsburg, VA: AidData. Accessed at <http://aiddata.org/aiddata-working-paper-series>.

Context

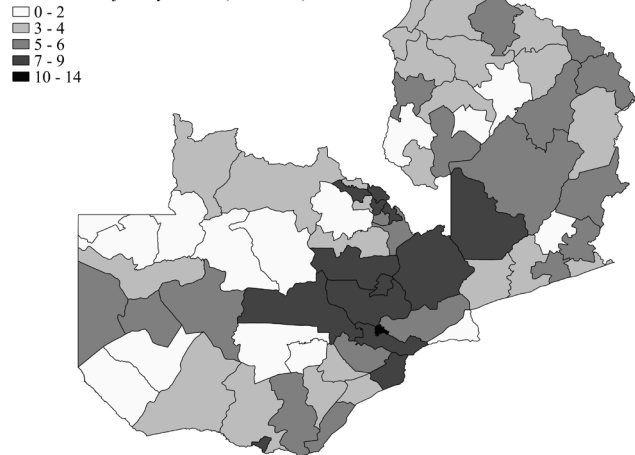
Foreign aid to sub-Saharan Africa (SSA) over the last two decades has amounted to around \$850 billion, the largest ever for any region. Line ministries of recipient country governments typically exert considerable influence on the location and funding shares of different development projects; in many cases, the role of donors is in approving and financing these projects. However, very little is known about this allocation process: what factors influence this aid allocation at the sub-national level? This question is important given the skepticism that surrounds the impact of foreign aid on reducing poverty in SSA.

In Zambia, the long-standing one-party regime gave way to multi-party elections in 1991. The Movement for Multi-Party Democracy (MMD) was the dominant party until 2001 (resembling the earlier authoritarian culture of a one-party state) with a very weak opposition. Since 2001, their majority has gradually dwindled, paving way for the opposition party Patriotic Front (PF) to finally gain power in 2011. This shift to a more competitive electoral system over time presents an interesting backdrop to understand how political leaders use foreign aid to stay in power. Traditionally, Zambia has been highly dependent on foreign aid. From over 20% of its gross national income in early 2000s, aid now accounts for less than 5% of Zambia's GNI (WDI, World Bank).

Average MMD Share of Votes by District (1996-2010)



Number of Projects by District (1996-2010)



Research Question and Methodology

Given the authority that political actors can exercise over the distribution of aid, the process can be politically manipulated to influence voters for electoral gains. While there exists some anecdotal evidence that politics shapes the distribution of resources, the extent of this distortion regarding aid remains unknown. Two competing theories exist regarding this allocation: the core voter model and the swing voter model. The core voter model posits that the government targets distributive goods to the incumbents' strongholds, in exchange for the latter's loyalty. The swing voter model suggests that the government targets its distributive goods to undecided voters who may be persuaded to vote in their favor.

This study explores how electoral politics have influenced the Zambian government's strategy of aid allocation in the context of these two competing theories. In particular, it addresses the research question: Do political elites in Zambia focus their development efforts in incumbent or opposition strongholds?

The paper uses district-level data on development projects and electoral outcomes in Zambia for the 15-year period 1996-2010. This data at the sub-

national level includes projects approved by the World Bank, the African Development Bank and the Japan International Cooperation Agency in 72 districts. This constitutes 24% of the total aid budget committed to the country between 1996 and 2010. The dependent variable (aid allocation) is measured by the number of donor-funded projects in each district during five-year periods of 1996-2000, 2001-05, and 2006-10. Opposition support is measured as the district-level share of votes for presidential candidates belonging to the main opposition party in the last election. The author uses Poisson regression models to estimate the effect of opposition support, incumbent support, and ethnicity on aid allocation at the district-level. The analysis controls for factors that affect the number or value of aid projects going to a particular district, such as population, literacy rate, poverty rate, distance to Lusaka, number of past projects, and province-level fixed effects and electoral cycle dummies. Robustness checks include adding district-level fixed effects, excluding the Copperbelt and Lusaka provinces, and disaggregation by donor type as bilateral or multilateral.

Main Findings

Role of opposition support: Support for the main opposition candidates increases the expected number of projects that a given district receives. Conversely, the study finds that districts where MMD candidates have a high vote share receive fewer aid projects. This shows that instead of rewarding its core supporters, political elites allocate more development projects to those districts where electoral returns to development efforts are expected to be high, i.e., in opposition strongholds.

Role of ethnicity: Districts where a majority of voters share the ethnicity of the incumbent president receive fewer projects. This validates the above result that areas of guaranteed support (which in this case comes from co-ethnic voters) receive fewer resources from the ruling incumbent party.

Other factors: Donor projects are concentrated in districts with a higher population density. Literacy and poverty do not seem to matter much in deciding the allocation of aid projects.

Policy Lessons

Donor finance can be used to further political objectives, and anecdotal evidence seems to suggest that this is the case in many African countries. By providing strong empirical evidence in the case of Zambia, this study highlights the following lessons:

Swing voters are changing the political economy of aid allocation: Most research assumes that African voters are guided by ethnicity or clientelism to be influenced by the distribution of development projects (public goods). While there is some truth to this, the political landscape is changing rapidly in several countries – as elections become more competitive, and political parties attempt to secure the vote share, development projects are being used to persuade and win undecided voters. Under the assumption that African leaders are uninformed about voter preferences, which in fact is the case in many inchoate African democracies, it is in their strategic interest to focus their development efforts in opposition strongholds, where they can expect potential swing voters to switch their political allegiance in response to development projects or material benefits. This seems to be a rational strategy from the perspective of the political leaders, who are looking to maximize their vote share.

Relative importance of political vs. socio-economic factors in aid allocation: Political factors seem to be far more important in determining aid distribution compared to economic and demographic factors in Zambia. Donor projects seem to be concentrated in urban districts where major cities are located. Also, areas with a larger population, higher literacy and lower poverty receive more projects. While densely populated urban areas do present greater demands on public goods, this also seems to suggest the neglect of rural or other poorer areas. This urban bias is characteristic of resource allocation more broadly in several African countries.

This research summary was prepared by Tanya Sethi, Policy Specialist at AidData.