

The Effects of Multilateral vs. Bilateral Aid on Recipient Behavioral Support

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Abstract

The literature on foreign assistance generally holds that multilateral aid is preferable to bilateral aid, but establishes this primarily through highly aggregated cross-national time-series data. We investigate this topic experimentally from the perspective of those whom the foreign aid directly affects: recipient citizens. We thus report results of a survey experiment with behavioral outcomes on more than 3,000 Ugandan citizens. The findings provide some evidence that multilateral aid is indeed preferable to bilateral aid, but the effect obtains only for some of our outcomes of interest. We disaggregate the data and compare preferences within the multilateral and bilateral categories and show evidence that aid from the U.S. government is preferred to aid from China for some outcomes.

Introduction

Prior studies find that multilateral aid from international organizations outperforms bilateral aid from single countries in effectiveness. However, previous work relies on observational country-level time-series, cross-sectional data, which cannot identify causal effects well and overlooks how different types of aid are perceived and supported by recipients on the ground. Repairing the “broken feedback loop” connecting donors to the ultimate beneficiaries (Martens et al. 2002) – i.e., poor people in recipient countries – requires understanding citizens’ preferences for aid. Do recipients as individuals support multilateral aid in greater proportions than bilateral assistance? Our survey experiment with behavioral outcomes on roughly 3,600 Ugandan citizens seeks to answer this question in a way that enables causal inference.

For two actual aid projects in the pipeline financed by multiple international organizations and governments, we randomly assigned the different named donors and assessed the effects on respondents’ support measured by attitudes and actions. We find that citizens familiar with the donors are significantly more willing to say they will sign a petition and to actually sign the petition for projects funded by multilateral organizations (World Bank and African Development Bank) compared to bilateral donors (the U.S. and China). There are no statistically significant differences across other outcome measures. Comparing individual donors, respondents are more willing to express their support to local leaders and to send an SMS message for American projects than for Chinese aid. In what follows we motivate the study, describe the research design, and analyze results. A detailed appendix provides additional information.

Literature & Hypothesis

Extant studies suggest that multilateral agencies fund different countries and projects compared to bilateral donors, and multilateral assistance tends to target poorer countries with greater needs (Maizels and Nissanke 1984, Tsoutsoplides 1991, Frey and Schneider 1986). Multilateral aid also tends to be less political, is associated with better outcomes, and appears better able to impose more effective conditions (Maizels and Nissanke 1984, Martens et al. 2002, Rodrik 1996).

Burnside and Dollar (2000) report that multilateral aid results in better outcomes for recipient countries than does bilateral aid (864). And Neumayer (2003) notes that multilateral donors do not necessarily share the bilateral donor biases based on national interests (121). Focusing on the distinction between donors, Girod (2008) claims that because multilateral donors are not focused on strategic interests, they can distribute aid for developmental purposes and effectively target aid to countries that pursue economic reforms.

Therefore, citizens on the ground might be reasonably expected to perceive these differences and therefore show greater support for multilateral over bilateral aid. Thus, a simple hypothesis follows.

H1: Citizens in recipient countries should prefer multilateral over bilateral aid.

Background and Research Design

Uganda is a poor developing country that has been a magnet for foreign aid. As one study notes, "Uganda's economic and political reforms have attracted a great deal of praise

since President Yoweri Museveni assumed power in 1986. Uganda is therefore often “cited as one of Africa’s few ‘donor darlings’”(Green 2010: 84). Since the 1990s, aid has been equal to roughly 80% of Uganda’s government expenditures and 15% of its total GDP. Uganda is therefore heavily aid dependent. The World Bank, the European Union, and the African Development Bank are Uganda’s largest multilateral donors; the United States and United Kingdom are historically the most important bilateral donors, though China has been prominently increasing its aid presence in the country.

In this article we investigate the attitudes and behavior of 3,017 citizens toward different foreign aid donors through a nationally representative survey experiment.¹ The sampling procedure is detailed in the appendix. The experiment incorporated behavioral responses in which respondents could substantiate (or not) their stated preferences by undertaking actions imposing personal costs. After taking a representative sample of citizens, we randomly assigned descriptions of two actual forthcoming development projects in the “pipeline.” The projects were co-financed by the World Bank and the African Development Bank and therefore funded by all of the banks’ member governments, which allowed us to change the named donor presented to the respondents. The experimental manipulation therefore did not involve active deception.

The two projects provided electricity and education. Neither project type was significantly preferred over the other in the between-subjects design, which likely reflects the Ugandans’ perception that both types are desperately needed. We thus pooled the project-

¹ Total n for the study was 3,582. We do not focus on one condition from the experiment here and hence our observations are reduced. Results for other experimental conditions reported elsewhere (Findley et al. 2013; Milner et al. 2013).

type conditions. See the appendix for the specific language used in the experimental manipulations.

The funding organizations randomly assigned were the World Bank, the African Development Bank, the Government of the United States, the Government of China, a generic multilateral institution (“an international organization funded by many countries”), a generic bilateral agency (“a single foreign country”), and No Donor. Results for the “No Donor” condition are reported elsewhere because they are not relevant for the comparisons made between multilateral and bilateral aid here (Findley et al. 2013, Milner et al. 2013). Below we report the results for the masses pooling the bilateral donors (U.S. Government, China, generic bilateral) and the multilateral donors (World Bank, African Development Bank, and generic multilateral).

After the aid project prompt, enumerators inquired about several attitudinal outcomes and invited the respondents to support the project by signing a petition and sending an SMS message.² Citizens could endorse or oppose the projects verbally. Enumerators then invited respondents to sign a paper petition and send an SMS text message in support. Once verbal intentions were recorded, enumerators presented them an actual petition and recorded whether or not they signed. Enumerators also gave respondents a slip of paper with the SMS number and asked them to send a text later that day. SMS texts cost Ugandans between 50 and 130 USH, so the text represented an actual cost to the citizens that they did

² Manipulation checks *for the masses* show that subjects recalled the type of project and the type of donor in most cases (89% for project and 63% for donor). The manipulation check was asked much later than the manipulation itself, which may explain the drop off. Table 1 reports the raw intent to treat effects (Panel A) and the two refinements (Panel B and C). First, we estimated the results when dropping subjects that did not pass the manipulation check. Second, we estimated complier average causal effects using assignment to treatment as an instrument to predict compliance (passing the manipulation check), which in turn predicts levels of support.

not expect to recover.³ Given the average subject's low daily income of 2,935 USh (1.08 U.S. dollars), for the vast majority of subjects the cost likely appeared meaningful.

In the appendix, we report on two additional features of the multilateral-bilateral comparison. First, we conducted a similar experiment and survey on more than two-thirds of members of the Ugandan ninth parliament. In addition, we asked respondents – masses and elites – for their reasons for supporting or opposing these projects. We were interested in the causal mechanisms linking their preferences to the outcomes. Relevant rationale and data are reported in the appendix.

Results

In the survey when asked which aid type had the most impact and the least waste in achieving its goals, 61 percent of respondents believed multilaterals did better compared to 34 percent in favor of bilaterals. When asked which type most often matched the needs of their community, nearly twice as many (59 to 34 percent) said that the multilaterals did better.

Have aid recipients heard of foreign donors? Despite the facts that the average education level of our sample was 7 years, that most of our respondents were very poor, and that more than 60 percent were unemployed, many had heard of the main aid agencies. The most well-known donor (as a donor) was the United States at 86%, followed by China at 75%, the World Bank at 68%, and the AfDB at 35%.⁴

³ Subjects expected that they would pay the cost. Afterwards, however, we reimbursed them.

⁴ Our survey also showed that Ugandans knew a lot about politics. Over 80% correctly identified their MP, and almost 70% correctly identified their woman MP as well.

In general there were no significant differences in levels of support or in behavioral measures of support across experimental conditions generally. See Table 1, Panel A.

[TABLE 1 ABOUT HERE]

However, when we considered only the subjects who were familiar with specific bilateral or multilateral donors, we saw significant treatment effects for some – but not all – of the key outcome measures. See Table 1, Panel B. In particular, we considered only the subjects who were familiar with the four named donors: the U.S. government, the Chinese government, the World Bank, and the African Development Bank.

In this subset of subjects familiar with donors, respondents were significantly more likely to express willingness to sign the petition in the multilateral condition compared to bilateral (87.5 percent vs. 83.4, $t=2.15$). This was also the case with subjects actually signing the petition: 85.2 percent in the multilateral condition actually signed vs. 80.9 percent for bilateral ($t=2.14$).⁵ In both cases the substantive difference of 4 percent appears modest and may reflect ceiling effects for highly valued projects.

Not all subjects passed a manipulation check about which donor appeared in the prompts, leading us to refine the results beyond basic intention-to-treat. Table 1, Panel C, displays the results of a complier average causal effect analysis in which assignment to treatment for subjects knowing the donors served as an instrument for perceptions in the manipulation check. This analysis is similar to the results reported in Panel B for subjects who knew of the donors, although the level of statistical significance attenuates from 0.05 to 0.1.

⁵ Looking at the raw averages along a scale of support, they were more willing to express support for projects by multilateral donors than bilaterals (3.68 vs. 3.60, $p = 0.086$).

Beyond the broad multilateral vs. bilateral comparison, the public in Uganda also perceived significant differences between the U.S. and the Chinese bilateral programs, but none between the World Bank and the AFDB. For the U.S. and China, individuals were significantly more willing ($p = 0.014$) to tell their local leaders of their support for U.S. projects (0.96) compared to Chinese ones (0.91). And citizens with cellphones also sent the SMS significantly more often ($p = 0.021$) in the US condition (8.8%) than in the China condition (2.9%). U.S.-China differences are reported in Table 2.

[TABLE 2 ABOUT HERE]

We also explored differences among Ugandan members of parliament and then considered the causal mechanisms often posited in the literature for the preferability of multilateral over bilateral aid. The results of the elite analysis indicate a preference for bilateral over multilateral aid, though the results are not strong substantively and statistically significant only for verbally expressing support and only then at the 0.1 level. This difference with the mass public is interesting and fits in with the claims made elsewhere (Findlay et al. 2013). Finally, across the many possible causal mechanisms we explored, there is very little evidence for or against any of the mechanisms. See the appendix for details.

Conclusions

We explored differences in attitudinal and behavioral support of recipient citizens toward donors of aid projects. Our experiment provides some support for the hypothesis that multilateral aid is preferred to bilateral. Citizens see multilateral aid as having greater impact, less waste, and being more likely to serve the needy. Importantly, citizens support multilat-

eral aid by expressing willingness to sign a petition and signing a petition in significantly greater proportions than for bilateral aid.

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Tables and Figures

Table 1: Citizen Preferences for Bilateral vs. Multilateral Aid

| Panel A: All mass subjects | | | | | | |
|---|----------------|---------|-----------------|---------|----------------|----------|
| | Strong Support | Tell | Willing to sign | Signed | Willing to SMS | Sent SMS |
| Bilateral | 0.77 | 0.94 | 0.83 | 0.80 | 0.64 | 0.05 |
| N | 1532 | 1512 | 1533 | 1537 | 1537 | 595 |
| Multilateral | 0.76 | 0.94 | 0.83 | 0.80 | 0.63 | 0.05 |
| N | 1475 | 1455 | 1475 | 1480 | 1480 | 548 |
| Difference | -0.01 | -0.00 | 0.00 | -0.00 | -0.02 | -0.00 |
| Panel B: Subjects who know donors | | | | | | |
| | Strong Support | Tell | Willing to sign | Signed | Willing to SMS | Sent SMS |
| Bilateral | 0.80 | 0.94 | 0.83 | 0.81 | 0.68 | 0.06 |
| N | 839 | 839 | 839 | 839 | 839 | 321 |
| Multilateral | 0.81 | 0.95 | 0.88 | 0.85 | 0.71 | 0.06 |
| N | 553 | 549 | 553 | 554 | 554 | 248 |
| Difference | 0.01 | 0.02 | 0.04** | 0.04** | 0.03 | -0.00 |
| Panel C: 2SLS (Instrument: Assignment to Treat / Know donor; Instrumented: Perceptions in manipulation check) | | | | | | |
| | Strong Support | Tell | Willing to sign | Signed | Willing to SMS | Sent SMS |
| Bilateral | 0.004 | -0.018 | -0.043* | -0.044* | -0.016 | -0.000 |
| Std. Error. | (0.028) | (0.015) | (0.025) | (0.027) | (0.033) | (0.025) |
| N | 1240 | 1231 | 1240 | 1243 | 1243 | 532 |

* $p < 0.1$; ** $p < 0.05$

Table 2: Citizen Preferences for American vs. Chinese Aid

| Panel A: All mass subjects | | | | | | |
|----------------------------|----------------|---------|-----------------|--------|----------------|----------|
| | Strong Support | Tell | Willing to sign | Signed | Willing to SMS | Sent SMS |
| Chinese Aid | 0.80 | 0.91 | 0.83 | 0.81 | 0.68 | 0.03 |
| N | 391 | 387 | 391 | 391 | 391 | 139 |
| U.S. Aid | 0.81 | 0.96 | 0.84 | 0.81 | 0.68 | 0.09 |
| N | 448 | 442 | 448 | 450 | 450 | 182 |
| Difference | -0.01 | -0.04** | -0.01 | -0.01 | 0.00 | -0.06** |

* $p < 0.1$; ** $p < 0.05$