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Foreign Aid and Undeserved Credit Claiming

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Abstract: *Politicians in developing countries misuse foreign aid to get reelected by fiscally manipulating foreign aid resources or domestic budgets. Our article suggests another mechanism that does not require politicians to have any control over foreign aid in order to make use of it for electoral purposes: undeserved credit claiming. We analyze the conditions under which local politicians can undeservedly take credit for the receipt of foreign aid and thereby boost their chances of reelection. We theorize that politicians can employ a variety of techniques to claim credit for development aid even when they have little or no influence on its actual allocation. Using a subnational World Bank development program in the Philippines, we demonstrate that credit claiming is an important strategy to exploit foreign aid inflows and that the political effects of aid can persist even when projects are designed to minimize the diversion or misuse of funds.*

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It is common wisdom that foreign aid and domestic politics are highly interrelated. Politicians in donor countries often give foreign aid to advance their own strategic goals rather than to promote sustainable development. Politicians in recipient communities often divert foreign aid resources in order to further their immediate political goals instead of using them to promote economic development. We suggest an additional strategy that allows local politicians to benefit electorally from foreign aid without having any control over its allocation: undeserved credit claiming. Despite having no actual involvement in the allocation of aid, incumbents claim credit for foreign development projects in their communities by advertising that their personal effort and ability to attract resources have led to the receipt of the project. Undeserved credit claiming is particularly pervasive in political contexts where voters do not have sufficient information about how foreign aid funds are allocated or where they do not believe that the objective allocation criteria are applied properly. The implementation of foreign aid projects in local communities can therefore increase politicians' chances of remaining in political power even though they had no role in securing the projects in the first place.

To test our theory, we combine interviews with local politicians and World Bank officials with data from a large community-driven development program in the Philippines implemented by the World Bank and the Philippine government. The *Kapit Bisig Laban sa Kahirapan—Comprehensive and Integrated Delivery of Social Services* KALAHI-CIDSS project is a good test case for our argument because it was expressly designed to prevent the political capture of funds. As we document below, politicians in the recipient municipalities could neither affect the likelihood of selection for the project nor directly divert the project funding for electoral purposes. Despite these constraints, incumbents in municipalities that received KALAHI projects were significantly more likely to get reelected.

We show both qualitatively and quantitatively that undeserved credit claiming provides a good explanation

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for these patterns. Mayors whose municipalities received KALAHI projects significantly increased the frequency of their visits to the project sites and pursued a number of strategies to appear influential in the allocation of the project funds. We find that the reelection effect even exists for municipalities in which the project was publicly announced but before any of the funds were disbursed. This implies that the election bump did not come from fiscal manipulation or the diversion of KALAHI funds, but from voters incorrectly attributing the receipt of the project to the mayor's competence. We complement our quantitative analysis with field research and interviews, which show that the strategies politicians use and the reactions of beneficiaries in recipient communities are consistent with our credit-claiming argument.

Our findings provide first evidence of a strategy that allows politicians at the local level to exploit foreign aid projects for opportunistic purposes, even when projects are designed to minimize such effects. Existing research has primarily focused on the fiscal manipulation of foreign aid and the reallocation of local budgets for electoral purposes. Our theoretical mechanism identifies a strategy that is much harder to detect or prevent. We demonstrate that electoral effects exist even in situations where donors have made conscious efforts to minimize the misuse of resources by local politicians. This implies that the politicization of foreign aid is much more pervasive than previously thought and much more difficult to limit through project design efforts alone. In the context of recent research pointing to the positive effects of foreign aid on democratic processes in developing countries, we show that foreign aid can undermine these processes if incumbents are able to get voters to incorrectly attribute the influx of foreign aid resources to their personal efforts and ability.

We restrict our analysis to the electoral effect of foreign aid projects at the local level in order to test the undeserved credit-claiming argument while controlling for alternative explanations (e.g., deserved credit claiming). Our findings are directly relevant to a large number of cases since development projects are increasingly disbursed at the local level. Over the past decade, the World Bank has approved more than 600 loans for community-driven development initiatives, worth more than $28 billion and involving more than 100 member countries.[1] In this context, credit claiming has been identified as a more general problem in the policy community. A study of community-based contracting includes specific warnings against credit claiming in the discussion of good practices (de Silva 2000).

At the same time, our argument should apply to national politics to the extent that politicians at the national level have similar electoral incentives and opportunities as their local counterparts. Undeserved credit claiming should also not be limited to developing countries or low-information political environments. According to Johns (2011), constituents have difficulty attributing blame and credit to the appropriate government agencies even in high-information environments. In line with this, Grimmer, Westwood, and Messing (2014) show how legislators in the United States successfully claim credit for expenditures they had little role in securing. Whereas it is difficult to assess undeserved credit claiming in the U.S. context because of the endogeneity of the allocation process, our findings are based on the exogenous allocation of funds, which allows us to shed more light on the ability of legislators to successfully claim credit even if it is not deserved.

The Politicization of Foreign Aid

Foreign aid is an important source of fiscal revenue in developing countries, both nationally and locally, and it is not surprising that recipient governments have incentives to exploit foreign aid to increase their chances of staying in power. Indeed, there is growing evidence of this phenomenon across the developing world (Ahmed 2010; Bueno de Mesquita and Smith 2009; Faye and Niehaus 2012; Jablonski 2014; Kono and Montinola 2009; Labonne 2013; Licht 2010). The electoral effect of foreign aid is generally attributed to (a) the ability of politicians to exert direct control over the inflowing foreign aid resources, and to spend them on electorally relevant projects, or (b) the fungibility of aid resources at the domestic level.

In response, some donors have improved their practices to minimize opportunities for the misuse of foreign aid for electoral purposes. Such strategies include the provision of foreign aid to politicians whose spending preferences are more closely aligned with development objectives and whose fiscal institutions are more efficient (Clist, Isopi, and Morrissey 2012; Winters 2010). In addition, donors direct resources to countries where political elites are least likely to appropriate foreign aid (Dietrich 2013), and they design community-driven development or conditional cash transfer programs that disburse project funds directly to communities based on specified criteria for eligibility (Labonne 2013).

These tactics, important as they are, assume that denying recipient governments control over the foreign

[1]See http://www.worldbank.org/en/topic/communitydrivendevelopment/overview#2 (accessed May 25, 2015).

aid resources would prevent them from exploiting that aid for political purposes. But is fiscal manipulation the only way in which politicians could misuse foreign aid to improve their electoral prospects? We suggest that it is not, and identify a mechanism that does not require politicians to have control over aid resources in order to benefit from them electorally. We analyze the conditions under which incumbents can improve their chances of reelection by claiming credit for foreign aid.

The Politics of Undeserved Credit Claiming

How can political elites in recipient communities exploit foreign aid for electoral purposes when they have no control over its allocation or management? We focus on strategies that politicians use to take advantage of the general lack of transparency regarding funding sources in poor-quality information environments—precisely the type of areas that are likely to receive development aid in the first place.

Consider the politicians' credit-claiming strategies in a developing country that has democratic elections. The incumbent wants to stay in power, and voters who can keep him or her there care about their own economic welfare, and that of their communities. Consequently, politicians have strong incentives to pursue policies designed to increase their constituency's welfare especially in pre-election periods. In many democracies in the developing world, politicians are unable to credibly commit to campaign promises or party platforms, and instead rely on clientelism (defined as the contingent exchange of material goods for electoral support). Clientelistic demands pose a considerable challenge to these politicians because their countries have neither the tax base nor the capacity to raise resources above the bare minimum necessary to maintain basic public services. Foreign aid usually implies a large influx of resources, which makes it especially tempting as an electoral war chest.

Since our theory analyzes the ability of incumbents to opportunistically exploit the receipt of foreign aid even when they lack the ability to access the funds directly, we assume for now that governments have no control over the allocation of foreign aid resources. We do not dispute that many foreign aid projects are captured by political elites. Rather, our strategy is to demonstrate an electoral effect when it is least likely. If we can identify such an effect, then this would indicate that the electoral effect of foreign aid is much more pervasive than previously thought, and can arise from a variety of electoral strategies used by politicians in the recipient community (including deserved and undeserved credit claiming).

How do governments use foreign aid to increase their chances of staying in office when they have little or no influence over the receipt of this aid, and no direct access to the funds? We argue that they "simply" claim credit for getting a project and for the benefits that accrue to the community as a result. Of course, the actual strategy and the reason for why it can work are a bit more complicated. In order to understand why it can be successful, we need to answer three questions. First, how do people in beneficiary communities perceive the grant of a foreign aid project? Second, how do politicians actually claim credit for these grants? Third, under what conditions can politicians successfully convert their claims into an electoral advantage?

That people in communities which obtain foreign aid projects tend to be favorably disposed to them is straightforward and uncontroversial. The potential recipients are usually among the poorest in the country, and their governments labor under particularly stringent financial constraints. In these communities, a foreign aid project can easily multiply the government's budget severalfold. Even when these projects do not generate economic growth, they can increase the perceived welfare of individual beneficiaries through the structures and benefits created. If the incumbent can persuade recipients that the project came about through his or her effort and competence, then they would (a) credit the incumbent with the expected improvement in their welfare and (b) possibly believe that the incumbent will be more likely to get other projects in the future. These inferences would in turn make them more supportive of the incumbent at election time.

For these reasons, politicians advertise the receipt of a foreign aid project as a signal of their ability to extract resources from donors for the benefit of their communities. We define credit claiming as the concerted effort by politicians to attribute the receipt of a foreign aid project to their personal effort and ability. This involves implying to voters that the community would not have received this attractive project without their personal involvement (e.g., in having negotiated with the government or the foreign aid donor). They can contrast this achievement with neighboring municipalities that did not receive a project, but more importantly, insinuate that it would not have been possible if the community had a different government.

Politicians claim credit not only in cases where they legitimately contributed but also in cases where someone else did all the work or, in the case that we examine, when the allocation of the foreign aid project was determined through a formal selection protocol based on socioeconomic indicators. In these situations, the politicians clearly do not deserve any credit by any objective criterion. So how do they manage to parlay their noninvolvement into electoral advantage? Claiming credit can be direct—politicians simply announce that they secured the project from the donor using their efforts and skills—but this offers no plausible deniability if that claim is false and gets challenged. In practice, credit claiming tends to be more elaborate. For example, when politicians put up road signs with information about a foreign aid project, they tend to favor huge billboards with their name and picture prominently centered, with the identity of the foreign aid donor in modest lettering somewhere in a corner, and no mention of how the project actually came to the community. Politicians can also claim credit by naming projects (especially infrastructure projects like schools and dams, but also education and health programs) after themselves or their family members. Alternatively, incumbents can appear central to the success of the project by participating in ribbon-cutting and ground-breaking ceremonies, and by frequently visiting the project sites.

These tactics show that politicians take advantage of the poor-quality information environment to claim credit they do not merit. The average person in these communities may not know about the allocation process (and the extent to which the politician deserves credit) and can only observe whether a project was allocated to his or her community or neighboring communities. Moreover, the average person often does not even know the source of the funding for the project—whether it comes from a foreign donor or from the local government. Information scarcity arises because donors often face great difficulties in disseminating the relevant facts without the active cooperation of participating governments, participation that is less enthusiastic when the local politicians have strong incentives to obfuscate these facts. Instead, local politicians strive to minimize the donor's involvement, either by amplifying their own role (if they had any) in securing the project or implying that they had a role when they did not.

The potential for corruption in clientelistic systems also facilitates credit claiming because even when people are aware of the distribution rules, they might not believe that these rules are properly applied. Instead, their everyday experience and socialization leads them to suspect that project allocation decisions can be biased through informal political connections, and that particularly well-connected politicians may be instrumental in securing an aid project for the community, regardless of whether the community would ostensibly have qualified under the distribution rules. In other words, governments can claim credit they do not deserve as long as citizens attribute the receipt of the project to the politicians' actions.[2]

In sum, people from recipient communities are usually well aware that not all other communities in the region have received a major foreign aid project. Since they are often poorly informed about the sources of funding and the extent of the incumbent government's involvement in securing that project, they tend to attribute the expected increase in economic and social welfare to their government's ability to attract resources for the community's benefit. Thus, even when these politicians cannot influence the distribution of foreign aid projects, their receipt should make incumbents more likely to get reelected. The main hypothesis that we test is that, all else equal, politicians can increase their chances of reelection if their community receives a foreign aid project. Because of the credit-claiming strategy, this effect should be (a) related to credit-claiming behavior by participating politicians and (b) independent of the politician's ability to divert foreign aid for electoral purposes.

Research Design

To assess the electoral effects of credit claiming empirically, we collected data from the KALAHI-CIDSS community-driven development project, a $182.4 million project co-funded by the World Bank and implemented by the Philippine Department of Social Welfare and Development (DSWD). KALAHI is intended to foster community-level governance and develop local capacity for managing development projects. Community grants are given to build low-cost infrastructure (e.g., roads, water systems, clinics, and schools) using a cost-sharing funding model to encourage local ownership of projects.

The community-driven funding model works particularly well in the Philippines because a large-scale decentralization effort devolved principal responsibility for the provision of basic public services to local government units, composed of 80 provinces, which are themselves subdivided into municipalities, in turn composed of villages (*barangays*). Provinces are assigned responsibility for services and infrastructure that involve more than one municipality, such as provincial roads or hospitals, whereas municipalities provide the bulk

[2] Achen and Bartels (2004) demonstrate the importance of attributing credit and blame: They show that the electoral effect of events that are de facto not under the control of the incumbent (e.g., shark attacks) depends on whether the citizens can somehow attribute the event to the government.

of basic services for households, such as primary health care and construction and maintenance of small-scale infrastructure, including school buildings and municipal roads.

We are interested in analyzing whether KALAHI had electoral effects at the municipality level. Were mayors of municipalities that received KALAHI funds more likely to be reelected than mayors of municipalities that did not? To analyze this question, we compare the electoral effects of KALAHI using data on all municipalities in the 40 poorest provinces in the Philippines. Whereas our main analysis focuses on the electoral effect, in a second step we provide quantitative and qualitative analyses of the undeserved credit-claiming mechanism.

We test our credit-claiming argument at the local level because local governments have much less control over both the awarding of projects and the subsequent allocation of funding. We expect that if we find electoral effects of undeserved credit claiming at the local level (where any electoral effect would be due to undeserved credit claiming), we would be confident that these effects persist at the national level as well (where electoral effects could be due to both deserved and undeserved credit claiming). Moreover, because the recent specially designed foreign aid projects have made fiscal manipulation extremely difficult for local governments, this focus yields a relatively clean research design in that alternative sources of electoral effects of foreign aid (e.g., outright stealing of aid resources) are substantially reduced.

The KALAHI-CIDSS Program

The KALAHI program is an ideal case for testing our credit-claiming hypothesis because the project was explicitly designed to prevent the misappropriation of funds by national and local politicians by allocating funding based on a poverty formula and releasing funding directly to the villages. Increased transparency and community-based monitoring made it very difficult for mayors to divert or otherwise misuse the funds.

Evidence from the World Bank impact evaluation study suggests that these efforts were largely successful both in targeting the poorest areas through the selection process and in ensuring that the poorest individuals within these areas were able to benefit from the program (World Bank 2011). Although we cannot be certain that improper allocation of projects or diversion of funds was completely eliminated, a number of factors are consistent with our assessment that political capture was limited.

In terms of the allocation process, the selection of KALAHI beneficiaries was based on a multistage process (Labonne and Chase 2009; World Bank 2011). First, the 40 poorest provinces (of a total of 80 in the Philippines) were selected. Second, all of the municipalities in these provinces were ranked based on a poverty mapping developed by independent economists using data on consumption and inequality (World Bank 2005). Within each province, the poorest 25% of municipalities were eligible for participation in KALAHI-CIDSS.[3] This formula was devised by a team of economists at the University of the Philippines and not by World Bank staff, to reduce the possibility that sites might have been chosen to maximize project-related objectives. We found no evidence of tampering with the formula: (a) Both the rankings and the official poverty estimates on which they were based are correlated with different poverty indicators from other sources (results available upon request); and (b) the actual selection for participation is consistent with the formula. In particular, we find that only five of the 155 KALAHI municipalities were not among the group of the poorest 25% of municipalities (results available in Figure C.2 in the supporting information).[4]

In terms of the political capture of the funds after selection, stricter auditing and accounting standards and the leaner budgets for KALAHI projects suggest little room for corruption and misuse of funds. KALAHI projects were completed faster and cost less than projects funded by other programs or national government agencies (World Bank 2011). Construction costs for infrastructure projects under KALAHI were between 25% and 30% lower than construction costs for similar infrastructure projects through national government agencies.

Mayors had little influence over the selection and implementation of specific subprojects. Communities received technical training from World Bank facilitators on identifying and prioritizing needs and designing subproject proposals to address these needs. After proposals were prepared, community representatives in the Municipal Inter-Barangay Forum selected which projects would be funded. Mayors did not have voting status in these meetings, limiting their role significantly (World Bank 2011). Community volunteers handled procurement of subproject inputs and monitored the implementation of the projects.

The inability to capture KALAHI funds for political reasons is also evident when analyzing the behavior of local politicians. Many mayors initially tried to

[3] Each municipality was eligible for one project. Project implementation rates were close to 100%. Only seven out of the initial 155 municipalities declined or were unable to participate.

[4] We discuss the results and any inconsistencies in Appendix C in the supporting information.

block the release of KALAHI funds directly to the communities. Typically, when development projects are implemented at the local level, the funds come from the central government and are distributed through the local governments, which potentially allows for the diversion of funds. By contrast, KALAHI funds were disbursed directly from the implementing agency to the local community's bank account. According to World Bank staff, a group of mayors petitioned to change the disbursement rules so that the money would be coursed through the municipality before being allocated to the villages. As one World Bank staffer pointed out, this suggests that the mayors were unable to divert money under the current system, "otherwise they would not have an incentive to try to change the rules to begin with."[5]

The minimization of political capture was further supported in interviews with World Bank staff. The World Bank staff did not anticipate the election effect, particularly after their efforts to design the project as to minimize corruption. In general, the staff gave no impression that there were incentives to bias the allocation of aid projects toward certain municipalities, or otherwise help mayors remain in office, but rather they appeared sincerely surprised by the electoral effects of the project.

Dependent Variable

Our main dependent variable measures whether the incumbent mayor or a family member of the incumbent mayor was reelected during local elections in 2007. We include the election of relatives because the Philippines has a three-term limit, and families tend to carry the "brand name" effect that political parties would have in countries with programmatic politics (Cruz, Labonne, and Querubin 2014). It is very common in Philippine municipal politics for the mayor's spouse or child to act as a placeholder after the mayor completes the maximum third term, and then the mayor can run again in the following election (Querubin 2011). Nevertheless, the findings are robust to excluding relatives.

We use the 2007 elections because they occurred when the projects were in progress. Most projects were announced by 2003, and the bulk of the funding was disbursed between 2004 and 2007. Our dependent variable takes the value 1 if the incumbent or a relative was reelected in 2007 in a given municipality, and 0 otherwise.[6] Data are from the Philippine Commission on Elections.[7]

Explanatory Variables

To account for KALAHI participation, we use a binary variable that takes the value 1 if the municipality participates in KALAHI, and 0 otherwise (*KALAHI*). Of the 610 municipalities in the data set, 155 are KALAHI participants. Data are from the KALAHI project documents.

We include a number of political variables in our estimations that may affect the competitiveness of elections. *Number of Candidates* measures the number of candidates in the 2007 elections. Because incumbents are restricted to three terms by law, *Third-Term Mayor* takes the value 1 if the incumbent was in his or her third term prior to the 2007 election, and 0 otherwise. The competitiveness of Philippine elections is also affected by the presence of political dynasties, which refer to families that have held political office over generations. *Dynasty Incumbent* takes the value of 1 if the incumbent's family has been in office for at least five of the last six elections, and 0 otherwise. Data are from the Philippine Commission on Elections.

We also control for demographic and economic characteristics that may affect the mayors' chances of reelection. First, we include variables that measure poverty in each municipality. We use small-area poverty estimates from the National Statistics Coordination Board (NSCB), which takes data from the Family Income and Expenditure survey and data on food prices to create estimates for the incidence of poverty in each municipality. The poverty estimates are expressed as the percentage of households that fall below the poverty threshold. We use the *Poverty Rating* for 2003, which is the year when KALAHI eligibility was determined. Second, economic growth may have a positive effect on individual assessments of the incumbent's competence. There are no official measures of economic growth at the municipality level, so we use an estimated measure of economic

[5]Author interviews at the World Bank Philippines Country Office in April 2011.

[6]An alternative way to measure the electoral effects of the KALAHI projects would be to use mayors' vote shares. Unfortunately, the government of the Philippines did not start to release official vote share data until 2010 (when electronic voting was introduced). The World Bank collected some data on vote shares, but these data are incomplete and much less reliable than the reelection variable. Using the reelection variable is also the more conservative test, as the hurdle to get reelected is higher than the hurdle to receive larger vote shares.

[7]For more information, see http://www.comelec.gov.ph/?r=home (accessed May 25, 2015).

growth. *Economic Growth* is calculated as a 3-year backward average of tax revenue growth from the start year of the project.[8] Third, we control for population and urbanization, on the rationale that more populated and urban areas present different challenges for administering projects. *Population (log)* is measured as the log of the population in 2007, and *Urbanization* is an indicator variable for urban or partially urbanized municipalities. Data are from NSCB, using the 2007 census data. Summary statistics are available in Appendix A in the supporting information.

Model Specification

We use a data set of roughly 600 municipalities, covering all provinces from which municipalities were selected for the project. We compare municipalities within the same province to hold province-level differences in institutions and politics constant. The municipalities in the sample are all in the same geographic area, with similar demographics, and with the same governor, provincial board, and set of congressional representatives. We estimate logistic regressions with standard errors (clustered by province) as well as province fixed effects in the main models.[9]

In addition to demonstrating the reelection effect of KALAHI, we also provide more in-depth tests of the underlying credit-claiming mechanism against possible alternative explanations. We show both quantitatively and qualitatively that mayors whose municipalities received KALAHI projects significantly increased the number of visits to the project villages in order to participate in credit-claiming activities, such as ribbon cuttings or project speeches (whereas other officials, such as midwives, did not increase their visits in response to KALAHI participation). We further demonstrate that the credit the mayors received was indeed undeserved (Appendix E). We show that the fungibility of project funds on the local level was very low, and that our findings hold for instances in which the projects were announced, but the resources were not yet disbursed (i.e., mayors could not have misappropriated the funds before the election).

One potential caveat is that the KALAHI participants were selected from the poorest 25% of municipalities of the poorest 50% of provinces in the Philippines. Poverty could therefore be a perfect confounding factor in the analysis. We show in a number of ways that the nonrandom selection of KALAHI participants does not lead us to erroneously conclude that KALAHI has electoral effects (Appendix C). We use a regression discontinuity design, and we also provide placebo tests that show that the electoral effects of KALAHI do not owe to inherent differences in the receiving and nonreceiving municipalities.

Last, we demonstrate the robustness of our main results to alternative model specifications, such as random effects models, and to the inclusion of additional independent variables (Appendix D).

Empirical Results

Table 1 presents the main findings of our empirical analysis of the effects of participation in the KALAHI program on the reelection of municipality mayors. The coefficients are calculated in odds ratios. Coefficients larger than 1 imply a positive relationship, and coefficients smaller than 1 imply a negative relationship.

We find that participation in KALAHI projects has a significant positive effect on the likelihood that incumbent mayors are reelected. The odds ratios indicate that participating in the project increases the odds of reelection by a factor of 1.69. Holding all other variables at their means, participation increases the likelihood of reelection by 12% (from 59% to 71%). This is a large substantive effect, especially in the context of incumbency advantage, and provides initial support for our hypothesis.

The findings indicate that voters oftentimes attribute credit incorrectly when their municipality receives a KALAHI project. Using household survey data from two other provinces not included in our sample, we can substantiate our claim that the effectiveness of undeserved credit claiming hinges on incorrect individual perceptions.[10] When asked about projects and initiatives in their village, respondents in this sample mentioned 71 projects that are part of large national flagship programs. Respondents gave mayors credit for funding 27 of these projects even though the credit was undeserved.[11] Respondents gave mayors credit for initiating or implementing a project even when respondents correctly identified another source of funding for the project. For

[8]The findings are robust to using alternative measures, such as total income or total local source income, as well as using single-year estimates. We chose tax revenues because these figures are reported to multiple government agencies, making them easier to verify.

[9]All models are estimated using Stata 14.

[10]Unfortunately, survey data were not available for our sample. More information about the survey is available in Cruz (2013).

[11]Respondents were even more likely to attribute funding to mayors for smaller-scale programs funded by government agencies—we restricted our analysis to the flagship programs to make the case that misattribution can occur even for the most visible programs.

TABLE 1 KALAHI Participation and the Reelection of Mayors

	Model 1 (Bivariate)	Model 2 (Baseline)	Model 3 (Full)
KALAHI	1.75*	1.63*	1.69*
	(0.43)	(0.39)	(0.41)
Poverty Rating		0.97	1.17
		(0.83)	(1.00)
Population (log)		1.13	1.38
		(0.15)	(0.22)
Urbanization		0.71	0.74
		(0.30)	(0.32)
Economic Growth		0.72	0.80
		(0.23)	(0.19)
Third-Term Mayor			0.16*
			(0.05)
Number of Candidates			0.58*
			(0.07)
Dynasty Incumbent			2.25*
			(0.81)
Province Fixed Effects	Yes	Yes	Yes
Observations	650	606	599
Wald χ^2	91.7*	85.4*	175.9*

Note: The dependent variable is the reelection of the incumbent mayor or his or her relative in 2007.
Logistic regression with province fixed effects and exponentiated coefficients is shown.
Standard errors, clustered by province, are in parentheses. $*p < .05$.

all projects that were correctly identified as not funded by the mayor (608 instances in our sample), respondents gave credit for initiating the project to the mayor 39% of the time (239 times) anyway.

Before discussing the underlying mechanism of undeserved credit claiming, we obtain further insights into the political dynamics during elections from the control variables. The mayor's term in office is a significant determinant of reelection. In addition, more candidates decrease the likelihood that an incumbent is reelected. Finally, incumbents who are members of a political dynasty are significantly more likely to be reelected. The reelection of an incumbent is not affected by either the population size, the economic well-being in the municipality, the size of the land area, or the urbanization of the community.[12]

[12]We suspect that the insignificant effect of economic growth owes to the low variation across municipalities in the sample and limitations in the ability to measure economic well-being at the household level. It is important to note that this does not contradict our theory: The positive electoral effect is due to expected increases in personal welfare rather than current economic growth.

Analyzing the Credit-Claiming Mechanism

The main results provide support for the hypothesis that mayors were more likely to get reelected when their municipalities received KALAHI projects, even though they had no influence on the allocation of projects across municipalities. We now show that the receipt of a KALAHI project was associated with mayoral actions that are consistent with our undeserved credit-claiming argument.

During our field research in the Philippines, we found substantial evidence of credit-claiming tactics by mayors. Although mayors did not have any influence over the allocation of funds, they tried to appear to their voters as if they had influenced the allocation decisions. The attribution propaganda was most visibly waged with the huge billboards that announced the receipt of a KALAHI project, accompanied by a prominently placed picture of the mayor. Mayors were also associated with the KALAHI projects because of their participation in ribbon-cutting and ground-breaking ceremonies (Appendix F in the supporting information provides an example) or their strategic naming of projects and project outcomes. For example, one enterprising politician got around a rule against naming roads after politicians in office by naming a road after his late father (who, of course, shared the same last name). The political upshot was that voters mistakenly attributed the expected increase in welfare to the personal quality of the incumbents and became more likely to support their reelection.

Undeserved credit claiming has become so pervasive in the Philippines that citizens began posting pictures of egregious examples of credit claiming online as part of the "anti-*epal*" movement.[13] During the 2013 election period, these efforts focused on the *Pantawid Pamilyang Pilipino Program*, or 4Ps, a flagship conditional cash transfer program supported by the World Bank (Appendix F presents a typical poster).

Although we have qualitative evidence of credit-claiming behavior, we do not have large-scale data on the extent of all credit-claiming activities (i.e., data on the number of billboards or quantitative information on what mayors announce in their speeches) that would allow us to test our argument comprehensively. Nevertheless, ribbon-cutting and ground-breaking ceremonies are an important component of credit claiming, and one observable implication of our theory is that the receipt of KALAHI projects should have led to an increase in mayor visits to the project sites. Since mayors were not

[13]The term *epal* comes from the Tagalog word *mapapel*, which refers to someone who is angling to be given credit.

Table 2 KALAHI Participation and Credit-Claiming Activities

	Model 1 (Mayor Visits)	Model 2 (Mayor Visits)	Model 3 (Midwife Visits)
KALAHI	1.55*	1.80*	1.21
	(0.34)	(0.48)	(0.30)
Percent Dirt Roads	0.99*	0.99	0.99*
	(0.00)	(0.01)	(0.00)
Barangay Meetings	1.01	1.04	0.99
	(0.02)	(0.02)	(0.02)
Number of Households (log)	1.63*	1.87*	3.60*
	(0.31)	(0.47)	(0.67)
Poverty	2.44	5.92	9.55*
	(1.83)	(6.63)	(7.31)
Internal Revenue Allotment	1.11	0.69*	1.04
	(0.12)	(0.10)	(0.06)
Province Fixed Effects	Yes	Yes	Yes
Observations	134	69	134

Note: The dependent variables are the count of mayor (Models 1–2) and midwife (Model 3) visits.
Negative binomial regression with province fixed effects was employed.
Incidence-rate ratios (exponentiated coefficients) are displayed.
Robust standard errors are in parentheses. $*p < .05$.

involved in the KALAHI project implementation, an increase in KALAHI project visits can reasonably be attributed to the credit-claiming strategies suggested by our qualitative research.

The KALAHI impact evaluation surveys, which were conducted by the Asia-Pacific Policy Center in collaboration with the World Bank and the DSWD, provide data on the number of visits of a number of different officials to individual villages, allowing us to test this mechanism empirically.[14] We estimated all models using negative binomial regression since the dependent variable is a count variable and the likelihood ratio tests indicate overdispersion. Summary statistics and a description of all explanatory variables are provided in Appendix B in the supporting information.

Table 2 shows that mayors made significantly more visits to KALAHI project site villages. On average, KALAHI villages received 55% more visits than non-KALAHI villages (which amounts to an extra 1.44 visits). This result is significant, even though we control for a number of reasons why mayors would visit villages, such as the number of official meetings in a given village, perceived poverty, or the size of financial transfers from the municipality.

There are two potential pitfalls. First, one could argue that mayors disproportionately implement their own infrastructure programs in KALAHI areas to take advantage of synergies by extending KALAHI projects.[15] The mayor visits would then reflect *deserved* credit claiming rather then *undeserved* credit claiming. To rule out this possibility, Model 2 restricts the sample to villages that did not receive any funding from the municipal government. The findings support our argument that mayors significantly increase their visits to KALAHI project sites for undeserved credit claiming. Removing the instances of *deserved* credit claiming makes the difference in mayor visits even more striking: Among villages receiving no municipal funding, KALAHI villages received 80% more visits from mayors than non-KALAHI villages (which amounts to 1.98 additional visits).

Second, one could argue that KALAHI villages simply get more of everything. To rule out the possibility that the increased mayor visits reflect more activity in those villages in general, we conduct a falsification (placebo) test in Model 3 by counting the number of midwife visits as a dependent variable. Midwife visits are ideal for this purpose because they occur in response to pregnancies and births, and they are not expected to differ between KALAHI participants and nonparticipants. The results in Model 3 demonstrate that this is indeed the case: Midwife visits are positively associated with the number of households, but KALAHI participation has no effect. Evidence from visits of other municipal officials, such as the municipal planning officer or agrarian reform officer, indicate either no significant difference or *fewer* visits to KALAHI sites (results available upon request).

Overall, the results in Table 2 together with the qualitative evidence support our theoretical argument. Mayors whose municipalities receive a KALAHI project are more likely to visit the project sites, and qualitatively, we know that these visits are associated with ribbon cuttings, speeches about the projects, and other activities that indicate undeserved credit claiming.

[14]We use the midterm village survey conducted in 2006, which covers two pairs of treatment and control municipalities in four provinces (16 municipalities and 135 villages in total) from which KALAHI participants were selected (World Bank 2011). For more information, see World Bank (2005) and Asia Pacific Policy Center (2010).

[15]For example, Labonne (2016) finds evidence that local politicians in the Philippines strategically increase the number of projects prior to elections in order to take advantage of political business cycles.

Alternative Explanations

One could argue that mayors are able to divert foreign aid resources despite the World Bank's best efforts. The reelection effect could then be a consequence of fiscal manipulations rather than our credit-claiming argument (i.e., the mayor captures the aid resources and spends them on electorally relevant projects). While we expect that incumbents often use undeserved credit-claiming and fiscal strategies at the same time, they provide observationally equivalent outcomes in terms of the effect of foreign aid inflows on electoral success. Since this is a first attempt to show that undeserved credit claiming occurs, our goal is to show that the credit-claiming mechanism exists independent of any alternative fiscal mechanisms.

In order to demonstrate this, we restrict the analysis to municipalities in which projects had been announced, but funding had not yet been disbursed by 2007.[16] Even if some incumbents were able to divert project funding, the political capture of funds should have only been possible *after* the money was disbursed. In these cases, any reelection effect cannot be due to the de facto diversion of foreign aid resources for electoral gain.

Table 3 presents the results. Both models show the reelection effect for eligible but yet unfunded municipalities in 2007. The findings lend additional support to the credit-claiming argument. Mayors whose municipalities were included in KALAHI were significantly more likely to be reelected even if the municipalities had not received the funding yet. In other words, the reelection effect persists even when it was impossible for mayors to use the funds directly or indirectly for targeted spending, or when the increase in support could not be a result of a general increase in economic well-being.

A second possibility is that incumbents use the large influx of foreign aid to hide a strategic reallocation of their local budgetary resources from public spending to targeted spending for electoral purposes (Cashel-Cordo and Craig 1990; Labonne 2013). The fungibility argument could be an alternative explanation if this redistribution occurred in municipalities that had not received any funding before the election. Although this budget manipulation should be quite difficult to pull off—governments usually have to rely on actual disbursements of foreign aid to conceal it—we check whether we can detect such attempts empirically. Appendix E in the supporting information presents our estimation strategy and provides a discussion of the results. Assuming conditions very favorable to budgetary manipulation, we find some evidence that incumbents who received a KALAHI grant redistributed their local budgets to increase their targeted goods spending at the expense of public good spending. However, the changes are minimal (1.5% decline in public spending; 0.45% increase in targeted spending) and do not affect reelection probabilities. No fiscal redistribution took place in municipalities that had not received any KALAHI funding yet. This means that at the very least, the reelection effect we find in Table 3 is not the result of any fiscal manipulation. The results support the credit-claiming argument against the alternative fiscal arguments, which indicates that politicians can use credit-claiming strategies even when they cannot fiscally manipulate the foreign aid projects.

A third potential concern could be that voters are more likely to vote for the incumbent simply because the receipt of a foreign aid project puts them in a positive state of mind, causing an incumbency bias that has nothing to do with an attribution of credit (Healy, Malhotra, and Mo 2010). This is not likely in our case. First, our qualitative

Table 3 KALAHI Participation and the Reelection of Mayors Prior to the Disbursement of Funds

	Model 1 (Baseline)	Model 2 (Full)
KALAHI	2.66*	3.24*
	(1.05)	(1.44)
Poverty Rating	1.66	2.37
	(2.90)	(4.42)
Population (log)	1.08	1.44
	(0.31)	(0.47)
Urbanization	2.22	2.10
	(1.14)	(1.18)
Economic Growth	0.35*	0.47
	(0.18)	(0.19)
Third-Term Mayor		0.23*
		(0.11)
Number of Candidates		0.61
		(0.16)
Dynasty Incumbent		0.97
		(0.45)
Province Fixed Effects	Yes	Yes
Observations	183	180
Wald χ^2	31.5*	53.4*

Note: The dependent variable is the reelection of the incumbent mayor or his or her relative in 2007.
Logistic regression (province fixed effects, exponentiated coefficients) is employed.
Standard errors, clustered by province, are in parentheses.
$*p < .05$.

[16]We conducted a similar analysis for earlier disbursement dates. The findings are substantively the same and available upon request.

evidence, including our survey results above, strongly indicates that voters in fact (incorrectly) attributed credit to the politicians' competence. Second, the quantitative analysis shows that the election effect holds up to 3 years from the announcement of the receipt of the project, whereas the emotional effect in Healy, Malhotra, and Mo (2010) and similar other analyses is immediate and holds only up to 10 days before the election. Even if voters did not attribute any credit of receiving KALAHI funds (which is unlikely in our case, given the survey results we presented above), it would be highly unlikely for them to remain in a positive state of mind for such an extended period of time.

Robustness Checks

We conducted a number of robustness checks. Appendix C in the supporting information analyzes whether the electoral effects may owe to the nonrandom nature of the selection process. We provide (a) findings of estimations that include a number of different poverty estimates to control for the impact of poverty on KALAHI allocation, (b) findings of falsification (placebo) tests to show that KALAHI did not have electoral effects *before* the World Bank initiated the project (1998 and 2001 elections), and (c) the results of a regression discontinuity design. All findings provide support for our theoretical argument. Appendix D provides additional robustness checks. We (a) analyze the electoral effects for different levels of electoral competition; (b) include additional variables for electoral competition; (c) add variables on the size of KALAHI resources, the ideology of the national party incumbent, the total grants that a municipality receives, and a dummy for second-term mayors, and (d) provide results using different model specifications (e.g., a random effects model). All estimations yield a robust electoral effect of KALAHI.

Conclusion

This article proposes a new way of thinking about the electoral effects of foreign aid. We show that even when donors design projects to prevent politicians in recipient communities from exploiting aid for political purposes, local politicians can still derive significant electoral advantages from development aid. This is especially the case in the poor-quality information, clientelistic environments in which aid organizations operate, where politicians can employ a variety of techniques to receive credit for development aid even when they have little or no influence on its actual allocation. We use data from a World Bank project in the Philippines to present qualitative and quantitative evidence that receiving a project significantly increases (a) the likelihood that mayors try to undeservedly claim credit through visiting the project sites and participating in ribbon-cutting and other credit-claiming activities and (b) the chances of reelection of mayors in recipient municipalities even though the World Bank deliberately employed strategies to minimize the political capture of funds.

Our analysis is a first step toward a more general theory of undeserved credit claiming and democratic accountability in developing countries. Even though we find strong support for the credit-claiming mechanism in the Philippines, and have qualitative evidence for credit claiming in other developing countries beyond Southeast Asia, such as Sierra Leone, Uganda, or Iraq, more studies are needed to assess how widespread this phenomenon might be. The KALAHI project provides a particularly clean research design because its implementation practices reduce the potential for diversion or misappropriation of funds. That we were able to detect electoral effects of foreign aid even in this least likely context makes us more confident that our argument applies more broadly. For example, we expect that strategic interests play a greater role in foreign aid that is allocated at the national level, where incentives and opportunities for credit claiming could be even greater.

It is beyond the scope of this article to delve into the many fascinating implications that can be derived from the theory. For example, while we demonstrate that the electoral politics of foreign aid projects are much more pervasive than previously thought, politicians are very likely to employ a combination of fiscal and credit-claiming strategies. It would be interesting to study the conditions that affect the particular choice of strategies, and thereby derive policy implications about enhanced project designs.

Our findings stress the potential trade-off between political objectivity and the economic effectiveness of foreign aid, with important policy implications. In the context of recent research pointing to the positive effects of foreign aid on democratic processes in developing countries, we show that foreign aid can undermine these processes if incumbents are able to get voters to incorrectly attribute the influx of foreign aid resources to their personal efforts and ability (Brown, Brown, and Desposato 2008; Gugerty and Kremer 2008). At the same time, although KALAHI had unintended political effects, there is also evidence that KALAHI projects tended to cost less, had higher economic rates of return, and were completed faster than similar projects undertaken by the government (World Bank 2011). One issue to explore in future research is the possibility that credit claiming may improve development aid outcomes because of the increased support among local politicians. In this case, donors may choose to find ways for local politicians to participate and earn credit (e.g., through partnerships and counterpart funding) instead of trying to prevent them from claiming credit they do not deserve.

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Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's website:

Appendix A: Descriptive Statistics (Main Data Set)

Appendix B: Descriptive Statistics (KALAHI Survey Data)

Appendix C: Issues of Non-random Selection

Appendix D: Sensitivity Analysis

Appendix E: Strategic Redistribution of Local Budget Resources

Appendix F: Additional Figures