

Preventing the Negative Externalities of Development: Aid Compliance, Taxation, and At-Risk Groups*

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Abstract

This paper examines the potential negative externalities of foreign aid projects: that is, costs that accrue to people outside the aid transaction between the state (the implementer) and the aid financier (the supervisor). I argue that compliance with policies to prevent negative externalities in aid projects mostly does not involve strategic calculations by donors or financiers. Instead, compliance with aid financiers' social and environmental risk management policies mostly relates to state capacity, particularly taxation/fiscal capacity, which captures states' social contracts with their citizens. Essentially, paying taxes, especially when citizens make mandatory social contributions, gives them to bargaining power and experience to demand more from the state when implementing aid projects. To test the hypothesis, I compile a new dataset on states' project-level compliance with World Bank safeguard policies on involuntary resettlement, indigenous peoples, and environmental protection. Preliminary statistical support for the hypothesis suggests a need for the literature to focus more on supervisor-implementer relationships than traditional, top-down relationships between principals (powerful donor countries) and agents (international organizations).

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In rural Paraguay, an aid project finances the construction of a road. Typically, such roads can help project beneficiaries access markets, schooling, and medical care. Yet this road cuts straight through the land of an indigenous community, dividing its village in half. For its part, the staff from the international organization supervising the project learn that the community does not hold the property title for the land. The three competing claims for the land, allegedly obtained via questionable means, thus endanger the community's rightful claim for compensation from involuntary resettlement. Nearby, another indigenous community with a property title cannot protect themselves from new agricultural settlers, who are a direct result of the road. Reportedly, the settlers threaten the community with violence, burn down its school, and convert precious forests into plots, destroying ecosystem services and people's livelihoods in the process (Tello, 2015, 37-40).

As the above example underscores, foreign aid projects can have severe negative externalities: that is, social and environmental costs that accrue to people outside the aid transaction between the state and the financier.¹ These negative externalities are common, too, notably because development projects cause the forced resettlement of about 15 million people each year (Cernea, 2008; Negi and Ganguly, 2011).² Although all international organizations providing aid have safeguard policies to prevent negative externalities for resettlement, indigenous peoples, and the environment, aid-receiving states often do not implement these policies. Frequently, these negative externalities are also so egregious that they outweigh the benefits of providing foreign aid in the first place. It is thus crucial to know: under what conditions are aid-receiving states likely to comply with aid financiers' social and environmental risk management policies and thus prevent or mitigate the potential negative externalities of foreign aid?

In terms of which actor is most to blame for the negative externalities of aid projects,

¹ We use the term "financier" instead of donor because countries give money to international organizations, and it is sometimes unclear whether "donor" refers to the aid-financing international organizations or the countries that finance them. By using the word "financier" we avert this problem and only refer to the final organization, entity, or country that disburses the aid money to the country.

² For a study on the economic impacts of population resettlement, refer to Bazzi et al. (2016).

the media tends to put the onus on aid financiers such as the World Bank (e.g., [Huffington Post, 2015](#); [International Consortium of Investigative Journalists, 2015](#)). With the exception of [Buntaine's \(2016\)](#) analysis of aid selectivity, the academic and policy literature has yet to quantitatively examine environmental and social risk policy compliance in aid. In any case, the overall academic consensus is that international organizations (agents) and their powerful donors' (principals') propensity to use aid for strategic purposes are mostly responsible for the adverse effects of aid (e.g., [Easterly, 2006, 2015](#); [Morrison, 2007](#); [Moyo, 2009](#); [Dreher and Vreeland, 2014](#); [Kersting and Kilby, 2016](#)).

Due to principal-agent issues outside the scope of current literature (see [Hawkins et al., 2006](#)), it is necessary to refine the above arguments. Consistent with international organizations' charters, the 2005 Paris Declaration on Aid Effectiveness, and recent emphasis on country ownership in development, international organizations generally do not implement development projects; they only design and supervise them ([OECD, 2008](#); [World Bank, 2012](#); [Inter-American Development Bank, 2011](#); [Asian Development Bank, 2012](#); [African Development Bank, 2012](#)).³ Accordingly, I argue that compliance with social and environmental risk management policies designed to prevent negative externalities in foreign aid is mostly a function of state capacity, especially as it relates to taxation. States that extract a large portion of their Gross Domestic Product (GDP) from taxation are most likely to have a stronger social contract with their citizens—i.e., taxation leads to representation. Taxation is also crucial for explaining negative externality prevention and mitigation in foreign aid because it captures levels of economic informality. When citizens do not regularly interact with the state, they do not demand as much accountability from it, and that same argument applies to foreign aid projects financed by actors outside the vertical accountability relationship between citizens and politicians ([Kitschelt, 2000](#)).

³ Here I have cited international organizations, but the principle is the same for bilateral aid financiers as well. The reason is that aid financiers do not have the capacity implement projects in every sector of the economy and country in the world. In addition, one of the main goals of the 2005 Paris Declaration was to eliminate “ring-fencing”: that is, the use one-off project implementation units designed to bypass the risks of recipients' governance environments ([Hyden, 2008](#); [OECD, 2008](#)).

To make true scientific progress on the taxation-accountability link, however, it is necessary to delve deeper and understand the relevant mechanisms at play. To that end, I hypothesize that citizens' payments of social taxes are most likely to yield accountability in the form of less negative externalities from their's state foreign aid projects. Because states provide information on such social tax deductions when people receive their paychecks, such taxes are mostly like to increase citizens' direct interaction with the state. Social taxes also teach or imply to citizens that they can receive something—such as medical care or a pension—in return from the state. By contrast, indirect taxes such as Value-Added Taxes (VAT) are subject to collective action and enforcement problems, are less visible to citizens, and are thus less likely to be as accountability-inducing across all developing countries (Pomeranz, 2015; Fjeldstad et al., 2020; de la Cuesta et al., 2021).

To test the above hypotheses, a large team and I individually coded circa 1,000 World Bank projects approved between 2007 and 2014 for social and environmental risk management (safeguard) policy compliance. Specifically, the safeguard policies relate to potential environmental and social externalities, including resettlement, indigenous peoples, and the destruction of natural habitats. Then, I estimate relevant multilevel models that are able to appropriately capture that project compliance outcomes involve nested data—i.e., projects are nested within countries. Each of these models tests for multiple confounding variables at the state level (e.g., property rights protection); project-level characteristics (e.g., costs, commitments, and team leader skills); states' strategic relevance to powerful donors; and a battery of other controls (e.g., democracy, foreign direct investment, natural resource rents, etc).

Consistent with the theory, I find some evidence that taxation leads to accountability in the form of less negative externalities in multilateral aid projects. The estimations regarding the models with social taxes produce similar results, but they are not much stronger. Regardless, the paper provides some evidence that implementer-supervisor relationships merit more

attention that the literatures currently accords. Principal-agent relationships in multilateral aid are not as top-down as the literature suggests.

The article proceeds as follows. The next section conceptualizes negative externalities in foreign aid. Thereafter, I provide the main argument. Next, I present the research design and results of the preliminary empirical analysis. The final section provides a brief conclusion, explains the policy relevance of the research, and suggests what the expected conclusion means for the aid, political economy, and development literatures.

1. Negative Externalities and Foreign Aid

In the context of economics, “negative externalities are costs that accrue to parties other than [those] that produce them” (Krugman and Obstfeld, 2003, 277). Typically, negative externalities are social in nature, incur transaction costs for monitoring and governance, and outweigh the private benefits or rents that amass to the initiators of the transaction (Coase, 1960; Williamson, 1985). Accordingly, negative externalities are socially inefficient, arise from the lack of institutions such as property rights to correct for market failures, and thus harmfully affect societal provision of public goods (Arrow, 1970; North, 1981). Overcoming negative externalities in economics requires government regulation, a solution to the collective action problem, or an innovative arrangement between the affected parties (Olson, 1965; Ostrom, 1990; Ostrom, Walker and Gardner, 1992).

It is both possible and fruitful to apply what scholars know from negative externalities in economics toward foreign aid. In the context of foreign aid, negative externalities are the costs that accrue to the people outside the aid transaction between the financier (i.e., the project supervisor) and the state (i.e., the implementer). Generally, states have different capacities to prevent or mitigate negative externalities to people outside the aid transaction (i.e., project “beneficiaries”). They are the very people that aid projects aim to support

with, for example, public goods in health (e.g., vaccines), education (e.g., free schooling), and infrastructure (e.g., roads, sanitation, flood protection).⁴

What, then, are the potential negative externalities of aid? [Rajan and Subramanian \(2011\)](#) argue that aid causes exchange rate woes and lowers economic competitiveness, but this is clearly only possible under certain circumstances: the aid flows have to be very large as compared a country's national GDP, which is usually not the case ([Qian, 2015](#)). Another set of scholars suggest that aid is a fungible non-tax revenue that prolongs the rule of authoritarian leaders, forestalls democratization, and fuels authoritarian reversals in a manner that is worse than oil (e.g., [Djankov, Montalvo and Reynal-Querol, 2008](#); [Bueno de Mesquita and Smith, 2009](#); [Morrison, 2012](#)). However, others contest these claims ([Kono and Montinola, 2009](#); [Altincekic and Bearce, 2014](#); [Arndt, Jones and Tarp, 2015](#); [Bermeo, 2016](#); [Findley et al., 2017](#)), and aid agencies nowadays take great measures to control corruption in their projects ([Rose-Ackerman and Carrington, 2013](#)). A final suite of studies argue that aid or aid shocks fuel civil conflict ([Nielsen et al., 2011](#); [Croston, Felter and Johnston, 2014](#); [Nunn and Qian, 2014](#); [Dube and Naidu, 2015](#); [Wood and Sullivan, 2015](#)). Yet aid did not cause conflict on its own in any of the countries under study (e.g. Colombia, Mali, the Philippines); all of these countries had pre-existing civil conflict or tensions, and aid only added fuel to the fire.

What, then, are the incontrovertible potential negative externalities that can apply to every aid project and do not require pre-existing country-level development challenges or the study of long and complex causal chains (see [Bourguignon and Sundberg, 2007](#))? The negative externalities that accrue to project beneficiaries when the state does not implement the social and environmental risk management policies of the aid financier provide a more all-encompassing answer. When states do not adequately implement these policies, the relevant negative externalities that arise might outweigh the benefits of providing aid in the first place.

⁴ [OECD \(2017\)](#) provides a classification of the economic sectors and activities that aid projects support. By definition, public goods are both non-rival and non-excludable, and a large percentage of aid activities meet these criteria.

Table 1: Safeguard Policies at the World Bank (2007-2018)

<i>Environmental Safeguards</i>	<i>Social Safeguards</i>	<i>Other</i>
Natural Habitats	Indigenous Peoples	Disputed Areas
Pest Management	Physical Cultural Resources	International Waterways
Forests	Involuntary Resettlement	
Dams		

Source: [World Bank \(2013\)](#)

That is why a large majority of bilateral donors and all major aid-financing international organizations have relevant “safeguard” policies in line with those of the World Bank (see Table 1). Failure to adequately implement safeguard policies has resulted in some of the most egregious and embarrassing humiliations in the history of foreign aid and development more broadly ([Nielson and Tierney, 2003](#); [Weaver, 2008](#); [Buntaine, 2016](#)). Beatings, forced migration, and large-scale deforestation are just a few examples. What prevents or mitigates such externalities?

2. State Capacity, Taxation, and Preventing the Negative Externalities of Foreign Aid

States, not aid financiers, implement projects, and accepted definitions of state capacity stress implementation (e.g., [Soifer and vom Hau, 2008](#); [Besley and Persson, 2010](#); [Acemoglu, García-Jimeno and Robinson, 2015](#); [Centeno, Kohli and Yashar, 2017](#)).⁵ To properly and equitably implement aid, which often comes in the form of a public good, requires not just a monopoly of violence but also a capable, independent bureaucracy (see [Weber, 1978](#); [Evans and Rauch, 1999](#)). States with these characteristics are generally able to enforce property rights, collect taxes in exchange for accountability, and overcome elite interests, internal conflict, and ethnic divisions that make public goods provision more difficult ([Easterly and](#)

⁵ All of these scholars draw from the ([Mann, 1984](#)) definition of infrastructural power.

Levine, 1997; Fearon and Laitin, 2003; Miguel, 2004; Acemoglu, Johnson and Robinson, 2005; Besley and Persson, 2009, 2010). It thus follows that high-capacity states are more likely to better implement environmental and social risk management measures in foreign aid projects. In their supervisory roles, aid financiers only have limited capacity themselves to patch the capacity deficits of aid-implementing states (see Chayes and Chayes, 1993, 204-205).⁶

This paper's argument about the utility of state capacity in predicting social and environmental risk management of outcomes of development project aligns with Buntaine and Parks's (2013) focus on government effectiveness, but I delve deeper. Beyond theorizing merely about projects with an environmental focus, I aim to uncover the mechanisms of the very broad concept of state capacity that facilitate the prevention or mitigation of negative externalities in all foreign aid projects. In this spirit, I proffer the following hypothesis:

Hypothesis 1: States with higher fiscal/taxation capacity are more likely to prevent negative externalities in foreign aid projects.

Fiscal/taxation capacity is one the primary determinants of overall state capacity. To collect income taxes from its citizens, states need to have trained tax collectors, accountants, and a significant bureaucratic infrastructure (Besley and Persson, 2013). For their part, citizens acquiesce to demands for taxation not only when states have a strong coercive apparatus but, more broadly, when citizens can demand representation in exchange (Bates and Lien, 1985; Levi, 1989; North and Weingast, 1989; Timmons, 2005). Although there are some detractors to the idea that taxation always leads to representation (e.g. Ross, 2004), I argue that citizens living in high-taxation countries have more recourse to force the state to avoid negative externalities when implementing foreign aid projects. By contrast, citizens living in states relying on larger amounts of nontax revenues such as those from natural resources do not enjoy similar amounts of responsiveness from their governments (Beblawi,

⁶ I cite Chayes and Chayes (1993, 204-205) not because the article supports my argument entirely but because addressing capacity deficits, in their view, is key to ensuring compliance with international agreements.

1987; Ross, 2001; Paler, 2013; Morrison, 2014).

Another reason why taxation can be such a compelling determinant of compliance with international organizations' social and environmental risk management policies pertains to economic informality. The latter is essentially the opposite of fiscal/taxation capacity. When states have high degrees of economic informality, they tend to have lower protections for less politically and economically powerful groups. However, once the states starts to tax such groups and bring them into contact with the state, they participate in great numbers (Weigel, 2020).

Outside of the "participation dividend" that Weigel (2020) describes for newly-taxed populations, what particular forms of taxation can generate a participation dividend for populations more accustomed to paying taxes? Although value-added taxes (VATs) and other indirect taxes may be helpful at generating revenue in some countries (Naritomi, 2019), they are susceptible to enforcement and collective action problems (Pomeranz, 2015; Fjeldstad et al., 2020). For this reason, they are unlikely to be participation- and accountability-inducing (de la Cuesta et al., 2021), especially in developing countries receiving foreign aid projects. A more likely source of accountability in the form of negative externality prevention in foreign aid projects is direct taxation from social contributions. Such taxes often deduct money from people's paychecks and provide information on these deductions, making them very evident to taxpayers. Social taxes are also often earmarked for pensions or state health care, meaning that they promise something in return for paying the tax. By extension, therefore, social taxes are most likely to be participation- and accountability-inducing. Combining Hypothesis 1 and the logic of social taxation yields the study's second hypothesis:

Hypothesis 2: States that use higher levels of combined direct (typical) and social taxes will have the lowest levels of negative externalities in their foreign aid projects.

3. Research Design

3.1. Dataset and Dependent Variable

To test the above hypotheses regarding taxation and negative externality prevention or mitigation, a large team and I coded a new dataset of states' compliance with social and environmental risk management (a.k.a. "safeguard") policies in World Bank projects. The World Bank was the first multilateral development bank (MDB) to adopt safeguard measures in the late 1980s following severe externalities for failed projects in Brazil and India. As [Weaver \(2008, 22-23\)](#) recounts, in Brazil these externalities included large-scale deforestation and the spread of tuberculosis and malaria to local, indigenous populations; in India, the projects led to forced displacement and a "long-march" of protests, ultimately resulting in 140 arrests and beatings of affected populations by local authorities. Since these low moments in the history of the World Bank, the institution has served as a leader in the development of safeguard policies, yielding significant policy emulation across the different MDBs ([Buntaine, 2016](#)).

The dataset in the present paper only covers World Bank investment projects, which serve as the unit of analysis for this study. We exclude World Bank adjustment/policy projects because they do not have safeguards policies. For their part, Program for Results (PforR) projects do not have the same uniform usage of social and environmental risk management measures due to the flexible nature of the PforR lending instrument.⁷

With respect to the time period of study, the dataset covers all investment projects from 2007-2014. I chose 2007 as the starting year because the World Bank finished converting the social and environmental risk management measures in Table 1 from Operational Manual Statements to official Policies in 2006 ([Independent Evaluation Group, 2010, 7](#)).

⁷ See [Winters \(2010\)](#) and [Winters and Kulkarni \(2014\)](#) for more on the different types of World Bank lending instruments as well as when the institution decides to use one over the other.

Starting with the year 2007 thereby prevents any potential problems with Operational Manual Statements being treated differently than Policies. Given that it usually takes 4-8 years to implement projects, another 6-12 months for relevant evaluation documents to be ready, and it is only possible to fully evaluate safeguard compliance on completed projects, the current ending year of the dataset is 2014.

To measure the dependent variable, project-level compliance with World Bank safeguard policies, a large team and I coded the available evaluation documents for each project. Notably, we focused on project Implementation Completion Reports (ICRs) and Project Performance Assessment Reports (PPARs) of the ICR and other project documents examined by the Independent Evaluation Group (IEG). Although IEG produces an overall borrower compliance score for each project that it evaluates, its scope is much broader than merely safeguards (see [Girod and Tobin, 2016](#)), which is why the safeguard-specific coding was necessary. ICRs are generally written by consultants hired by each project's respective Task Team Leader (TTL), making them at least somewhat independent. However, the IEG PPARs provide another level of insulation against the potential downplaying of safeguard issues in projects, often resulting in the downgrading of evaluation outcomes. Whenever both an ICR and an IEG PPAR is available, the coding team and I thus always base our final assessments on the IEG PPAR. By the same token, IEG does not evaluate all investment projects and tends to evaluate more positively performing projects ([Kilby and Michaelowa, 2019](#)), so the team and I always examine both the ICR and IEG PPAR. When other relevant documents are available, such as Project Papers detailing the safeguard performance of the first project in a supplemental financing project, we examine those documents as well.

Following [Buntaine \(2016, 92-93\)](#), the safeguard compliance scores in the present study range from 1 (low compliance) to 4 (full compliance), corresponding with the policies in Tables 1 and 3. The difference between the present study's coding and that of [Buntaine \(2016\)](#) only pertains to the years under study. [Buntaine \(2016\)](#) examines 1990-2009, which

Table 2: Summary Statistics of the Dependent Variable: Safeguard Policy Compliance

<i>Safeguard Compliance Score</i>	<i>Frequency</i>	<i>Share of Projects</i>
1 (full noncompliance)	47	5%
2 (moderate noncompliance)	160	17%
3 (moderate compliance)	292	31%
4 (full compliance)	445	47%
Total	944	100%

Table 3: Summary Statistics of Safeguard Policies Triggered

<i>Safeguard Policy</i>	<i>Frequency</i>	<i>Share of Projects</i>
Environmental Assessment	1,164	26%
Resettlement	989	22%
Physical Cultural Resources	535	13%
Indigenous Peoples	486	11%
Natural Habitats	407	9%
Pest Management	317	7%
Forests	220	5%
International Waterways	220	5%
Dams	182	4%
Disputed Areas	11	<1%
Environmental Action Plan	8	<1%
Pilot Borrower Compliance	4	<1%
Total Number of Policies Triggered	4,551	N/A

Note: World Bank projects can trigger more than one safeguard policy.

is mostly prior to the World Bank’s conversion of the safeguards Operational Directives to official Policies.

To ensure quality in the coding of safeguard compliance, all projects underwent at least two rounds of coding. One team member performed an initial review, then a more experience team performed a double-check of the first team member’s work. Whenever there was a dispute, I adjudicated those disputes. Additionally, I performed random triple-checks of some projects. When I did so, I almost never changed any of the final compliance scores.

Table 2 provides summary statistics for projects that we have coded to date. Appendix A provides the full results by country. As Table 2 indicates, around 80% projects generally comply with the safeguard policies, as indicated by the share of projects with a compli-

ance score of 3 or 4. Circa 20% of projects experience moderate-to-full non-compliance, as suggested by the shares scores with compliance scores of 1 or 2.

Because each project can trigger multiple safeguards policies, Table 3 provides a breakdown of the number of times that projects each trigger safeguard policy. The most frequently policies triggered include those regarding required environmental assessment (26%) and resettlement (22%). Projects trigger policies regarding indigenous peoples (13%), natural habitats (11%), and pest management (9%) with relatively high frequency as well. With relatively less frequency, projects sometimes trigger policies regarding forests (7%), international waterways (5%), and dams (5%). Projects almost never trigger policies on disputed areas, required environmental action plans, and pilot borrower compliance.

3.2. Independent Variables

3.2.1. Primary Independent Variables

For my main taxation measures, I employ data from [UNU-WIDER's \(2021\)](#) Government Revenue Dataset instead of the [World Bank's \(2017\)](#) World Development Indicator (WDI) on central government taxation as a percent of GDP. Because most of the related literature uses the latter measure, it is necessary to explain my decision to use the Government Revenue Dataset. First, the Global Revenue Dataset allows for disaggregation by tax/revenue type (direct, indirect, social, etc.), which I measure using shares of GDP. Second, the Global Revenue Dataset has much greater coverage than the the WDI. Reducing the number of missing values is crucial because, otherwise, the estimates generally do not cover the poorest countries, leading to biased estimates—a notable concern with the WDI data. Third, the Global Revenue Dataset covers both local and central government taxes within each country. The inclusion of local taxes is crucial for the tax-accountability linkage, because interaction with a local tax collector or bureaucrat provides citizens with true interaction with the state.

By contrast, paying national taxes is more impersonal and likely will not generate the same level of accountability demands, including for the state’s management of foreign aid projects.

3.2.2. State-Level Control Variables

There is not one universally accepted measure of state capacity,⁸ but as [Kitschelt and Wilkinson \(2007\)](#) explain, the most used measure of cross-national state capacity is the Government Effectiveness Worldwide Governance Indicator (WGI) from the World Bank ([Kaufmann, Kraay and Mastruzzi, 2015](#)). For this reason and the fact that [Buntaine and Parks \(2013\)](#) use it as the main independent variable in their analysis of environmentally-focused aid projects, I include it here as well. I also include the WGI Control of Corruption score to control for potential corruption issues impeding the implementation of safeguard policies. Given that many resettlement and social safeguards issues often arise from lack of property rights ([Tello, 2015](#)), as a final state capacity/effectiveness measure I control for the Varieties of Democracy (V-Dem) project’s measure property rights protection (see [Lindberg et al., 2014](#)). I also control for levels of overall democracy using V-Dem’s polyarchy measure, which does not have the same measurement challenges as the commonly-used Polity measure (see [Vreeland, 2008](#)).

Another set of mandatory control variables include those related to the strategic interests of powerful donor countries on the World Bank’s Board of Directors. To control for the formal influence these donor countries, I follow [Kaja and Werker \(2010\)](#) and add an indicator of whether the aid-receiving state was a member of the World Board during the year of project approval. To capture the informal influence of these powerful donor countries, I follow [Dreher, Sturm and Vreeland \(2009\)](#) and include an indicator variable of whether the country was a temporary member of the UN Security Council at the time of project approval. Additionally, I include a measure of the aid-receiving state’s ideal point distance

⁸ [Hendrix \(2010\)](#) provides one attempt through factor analysis, but the data only extend through 2009. [Lee and Zhang \(2017\)](#) provide another measure based on “legibility”.

from the United States, the World Bank’s most powerful shareholder.⁹ As [Bailey, Strezhnev and Voeten \(2017\)](#) explain, their ideal point measure captures dynamic state preferences through UN General Assembly voting and correlates at 0.92 with votes deemed “important” votes by the US State Department.

The final set of state-level control variables come from the [World Bank’s \(2017\)](#) World Development Indicators (WDI). Given that wealthier countries may have greater bureaucratic infrastructures to deal with potential externalities in aid projects, I include a measure of GDP per capita in constant 2015 US dollars. In line [Girod and Tobin \(2016\)](#), I also control for natural rents as a share of GDP and foreign direct investment as a share of GDP. Although safeguards are only one very portion of [Girod and Tobin’s \(2016\)](#) measure of borrower compliance, it is feasible that these variables are relevant for safeguard compliance as well. Generally, the UNU WIDER Global Revenue Dataset generally has better coverage than the WDI on most revenue measures, but that is not the case for natural resource revenues. That is why I retain the WDI measure of resource rents for the present study.

3.2.3. Project-Level Control Variables

Following [Denizer, Kaufmann and Kraay \(2013\)](#) and [Bulman, Kolkma and Kraay \(2017\)](#), outcomes for safeguards, or any other project component, depend on project-specific features, especially the quality of the Task Team Leader (TTL). To capture the quality of the TTL, I made a transparency request to the World Bank to obtain full data on the name of the TTL at each mandatory, 6-month Implementation Status Report (ISR) for each project. After three rounds of back-and-forth, the World Bank sent me the data. I then combined these data with IEG data on project outcomes to calculate a TTL quality score prior to the approval date of each respective project. Given that the TTL often switches during a project’s implementation, by necessity the TTL quality score reflects a weighted average of

⁹ To ensure

the number of ISRs for each TTL is responsible for each project. First-time TTLs do not have a project outcome score history, so my weighted average of TTL quality prior to each project treats these instances as missing. When there are at least two TTLs on a project, and one of them has a project outcome history, I proportionally re-assign the relevant weighting to the non-first-time TTLs to overcome the missing data challenge.

Other potentially important project-level confounding variables include project preparation costs and commitment amounts. Higher amounts spent on preparation might help eliminate safeguard compliance issues, and projects with higher commitment amounts might garner more attention during preparation. I include and deflate both variables to constant 2015 US dollars, and then I log them to decrease the risk of overdispersion affecting the results. Finally, although supervision costs may proxy for supervision effort designed to reduce safeguard compliance issues, I exclude them because they are post-treatment to any safeguard issues that arise—or what [Angrist and Pischke \(2008\)](#) call a “bad control” (see also [Montgomery, Nyhan and Torres, 2018](#)).

3.3. Estimation

A primary empirical strategy of this paper involves a multilevel ordered logit model:

$$Pr(y_{compliance(i,j)}^*) = \Lambda(\beta_0 + \beta_{taxation(i,j)} + \beta_{controls(i,j)} + \alpha_{country(j[i])}) \quad (1)$$

where subscripts i refer to the project and j to the implementing country; β_0 is an intercept; $\beta_{taxation(i,j)}$ represents the primary variables of interest; $\beta_{controls(i,j)}$ are the aforementioned control variables; and $\alpha_{country(j[i])}$ is a random intercept that captures the (mostly) time-invariant country-level factors j for project i . Because the dependent variable, $y_{compliance(i,j)}^*$, has four ordered categories, it is possible to classify $y_{compliance(i,j)}^*$ in the following way, where τ_i are

the cutpoints for each imposed category:

$$y_{compliance(i,j)} = \begin{cases} 1, & \text{if } y_{compliance}^* \leq \tau_2 \\ 2, & \text{if } \tau_2 < y_{compliance}^* \leq \tau_3 \\ 3, & \text{if } \tau_3 < y_{compliance}^* \leq \tau_4 \\ 4, & \text{if } \tau_4 < y_{compliance}^* \end{cases} \quad (2)$$

The multilevel specification is necessary because non-multilevel models assume independent error structures. Similar to [Girod and Tobin \(2016\)](#), such independent error structures are extremely unlikely to be relevant for the present estimations as well. Compliance rates are likely correlated across countries given different institutional factors, which makes the country-level nesting structure appropriate. As a robustness check, I also account for time variation by adding a random intercept $\nu_{year(t[i])}$, yielding the following specification:

$$Pr(y_{compliance(i,j,t)}^*) = \Lambda (\beta_0 + \beta_{taxation(i,j,t)} + \beta_{controls(i,j,t)} + \alpha_{country(j[i])} + \nu_{year(t[i])}) \quad (3)$$

4. Preliminary Results

Table 4 provides a test of Hypothesis 1. It suggests that countries that with higher shares of their revenue from direct taxation of a portion of their overall GDP will also have higher levels of compliance with World Bank safeguard policies. Given the difficulty of interpreting ordered logistic analyses, I present all coefficients as odd ratios. Columns (1)-(7) of Table 4 suggest: for each one percentage point increase in direct tax revenue as a share of GDP, the odds of a project being in the full compliance category as compared to the lower three categories is 1.02-1.05 times greater. Compared to other coefficient sizes, the one corresponding to hypothesis 1 is quite high. From these specifications, columns (1)-(4)

are statistically significant at conventional levels, and columns (5)-(7) just miss conventional levels of statistical significance ($0.137 \geq p \geq 0.192$). Results are nearly identical in Table B1, which adds a year intercept to support the country intercept.

I test Hypothesis 2 in Table 5. Again, Hypothesis 2 suggests that countries collecting a higher share of combined direct and social taxation as percent of their overall GDP will have higher levels of compliance with World Bank safeguards policies as well. The odds ratio coefficients in Table 5 yield a consistent story: for each one percentage point increase in combined direct and social tax revenue as a share of GDP, the odds of a project being in the full compliance category as compared to the lower three categories is 1.02-1.04 times greater. Although the substantive coefficients corresponding to both hypotheses 1 and 2 are nearly identical, tests of hypothesis 2 are statistically significant in more specifications. For Columns (6)-(7) of Table 5, which do not yield statistically significant results for hypothesis 2 at conventional levels, the relevant p -values are 0.11 and 0.16, respectively. When I incorporate a year intercept to accompany the country intercept in Table B2, results are also nearly identical.

In most cases, it is difficult to fully interpret control variables (Cinelli and Hazlett, 2020), but the statistically significant and negative coefficient on the democracy variable across all models may come as a surprise to some observers. It may seem likely that as levels of democracy increase, level of safeguard compliance will follow suit as well. However, that is not what the data suggest. Again, difficulty with interpreting control variables notwithstanding, statistical non-significance often provides useful information to analysts, and often non-significance is more useful information than significance (Abadie, 2020). Along these lines, the lack of statistical support and different coefficient signs for the US ideal point and temporary UN Security Council variables indicate that principals' strategic interests are not driving safeguard policy compliance levels.

Table 4: World Bank Safeguard Policy Compliance (Direct Taxes Only; Country Intercept Model)

Dependent Variable: Project-level compliance with World Bank safeguard policies, graded on a 1-4 scale							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes (direct only)	1.0437*** (0.0141)	1.0262* (0.0148)	1.0265* (0.0151)	1.0244 (0.0154)	1.0223 (0.0152)	1.0216 (0.0147)	1.0193 (0.0149)
GDP per capita (log)		1.2449** (0.1270)	1.2590** (0.1462)	1.2471* (0.1470)	1.2012 (0.1399)	1.2307* (0.1400)	1.2766** (0.1494)
Democracy		-0.4003* (0.1996)	-0.4025* (0.2144)	-0.3665* (0.2004)	-0.3856* (0.2053)	-0.3701* (0.1908)	-0.4430 (0.2341)
Property rights		1.5862 (0.8775)	1.5853 (0.8794)	1.5741 (0.8858)	1.4800 (0.8164)	1.3062 (0.7194)	1.0233 (0.5822)
Corruption control			1.0168 (0.2987)	1.0202 (0.3022)	0.9093 (0.2707)	0.7976 (0.2354)	0.6837 (0.2075)
Gov. effectiveness			0.9492 (0.2750)	0.9598 (0.2816)	1.1050 (0.3299)	1.1483 (0.3459)	1.4442 (0.4535)
US ideal point dist.				-1.0961 (0.2011)	-1.0872 (0.1953)	-1.0157 (0.1801)	-0.9779 (0.1779)
Temp. UNSC				1.0987 (0.2566)	1.1294 (0.2629)	1.1234 (0.2601)	1.2380 (0.2928)
Civil war					-0.6826** (0.1329)	-0.7229* (0.1385)	-0.7658 (0.1498)
FDI						1.0255** (0.0117)	1.0223* (0.0115)
Natural resources						0.9862 (0.0091)	0.9859 (0.0093)
Commitment (log)							0.8052*** (0.0571)
Preparation cost (log)							0.9543 (0.0681)
Cutpoint 1	-0.0923*** (0.0240)	-0.3253* (0.2016)	-0.3615 (0.3032)	-0.2365 (0.2773)	-0.1627 (0.1887)	-0.2334 (0.2644)	-0.0684* (0.0987)
Cutpoint 2	-0.5088*** (0.1157)	-1.7870 (1.0886)	-1.9866 (1.6530)	-1.2935 (1.5101)	-0.8904 (1.0275)	-1.2799 (1.4441)	-0.3811 (0.5472)
Cutpoint 3	-2.2429*** (0.5057)	-7.6933*** (4.7140)	-8.5582** (7.1584)	-5.6163 (6.5639)	-3.8624 (4.4629)	-5.5580 (6.2835)	-1.6818 (2.4123)
Country intercept	1.2667** (0.1271)	1.1666* (0.1048)	1.1708* (0.1083)	1.1755* (0.1106)	1.1464 (0.1017)	1.1137 (0.0944)	1.1311 (0.0977)
Observations	891	885	885	881	881	881	878

Coefficients are odds ratios; standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5: World Bank Safeguard Policy Compliance (Include Social Taxes; Country Intercept)

Dependent Variable: Project-level compliance with World Bank safeguard policies, graded on a 1-4 scale							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes (incl. social)	1.0346*** (0.0104)	1.0248** (0.0119)	1.0241** (0.0120)	1.0238* (0.0125)	1.0223* (0.0125)	1.0191 (0.0123)	1.0178 (0.0127)
GDP per capita (log)		1.2069* (0.1284)	1.1943 (0.1466)	1.1946 (0.1480)	1.1831 (0.1466)	1.2331* (0.1552)	1.2752* (0.1672)
Democracy		-0.3542** (0.1700)	-0.3349** (0.1711)	-0.3284** (0.1704)	-0.3432** (0.1770)	-0.3365** (0.1701)	-0.4141* (0.2197)
Property rights		1.1438 (0.6298)	1.1410 (0.6266)	1.1586 (0.6452)	1.1337 (0.6298)	1.0911 (0.6094)	0.8732 (0.5120)
Corruption control			1.0650 (0.3056)	1.0541 (0.3039)	0.9886 (0.2900)	0.8988 (0.2637)	0.7716 (0.2360)
Gov. effectiveness			1.0071 (0.2920)	1.0256 (0.3001)	1.0971 (0.3279)	1.1200 (0.3425)	1.3689 (0.4396)
US ideal point dist.				-0.9970 (0.1852)	-0.9918 (0.1836)	-0.9294 (0.1721)	-0.9104 (0.1758)
Temp. UNSC				1.0183 (0.2278)	1.0405 (0.2332)	1.0367 (0.2318)	1.1494 (0.2637)
Civil war					-0.7990 (0.1546)	-0.8266 (0.1585)	-0.8644 (0.1719)
FDI						1.0222* (0.0115)	1.0198* (0.0114)
Natural resources						0.9891 (0.0100)	0.9880 (0.0102)
Commitment (log)							0.8223*** (0.0596)
Preparation cost (log)							0.9440 (0.0692)
Cutpoint 1	-0.0743*** (0.0181)	-0.1760*** (0.1177)	-0.1501** (0.1345)	-0.1519 (0.1849)	-0.1357 (0.1653)	-0.2239 (0.2741)	-0.0608* (0.0952)
Cutpoint 2	-0.4411*** (0.0876)	-1.0364 (0.6793)	-0.8836 (0.7844)	-0.8892 (1.0768)	-0.7953 (0.9634)	-1.3148 (1.6019)	-0.3628 (0.5651)
Cutpoint 3	1.9812*** (0.3892)	4.5221** (2.9770)	3.8530 (3.4395)	3.9048 (4.7386)	3.4953 (4.2438)	5.7915 (7.0778)	1.6272 (2.5315)
Country Intercept	1.2333** (0.1200)	1.1189 (0.0987)	1.1146 (0.1030)	1.1141 (0.1041)	1.1101 (0.1015)	1.0948 (0.0979)	1.1315 (0.1080)
Observations	869	863	863	859	859	859	856

Coefficients are odds ratios; standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

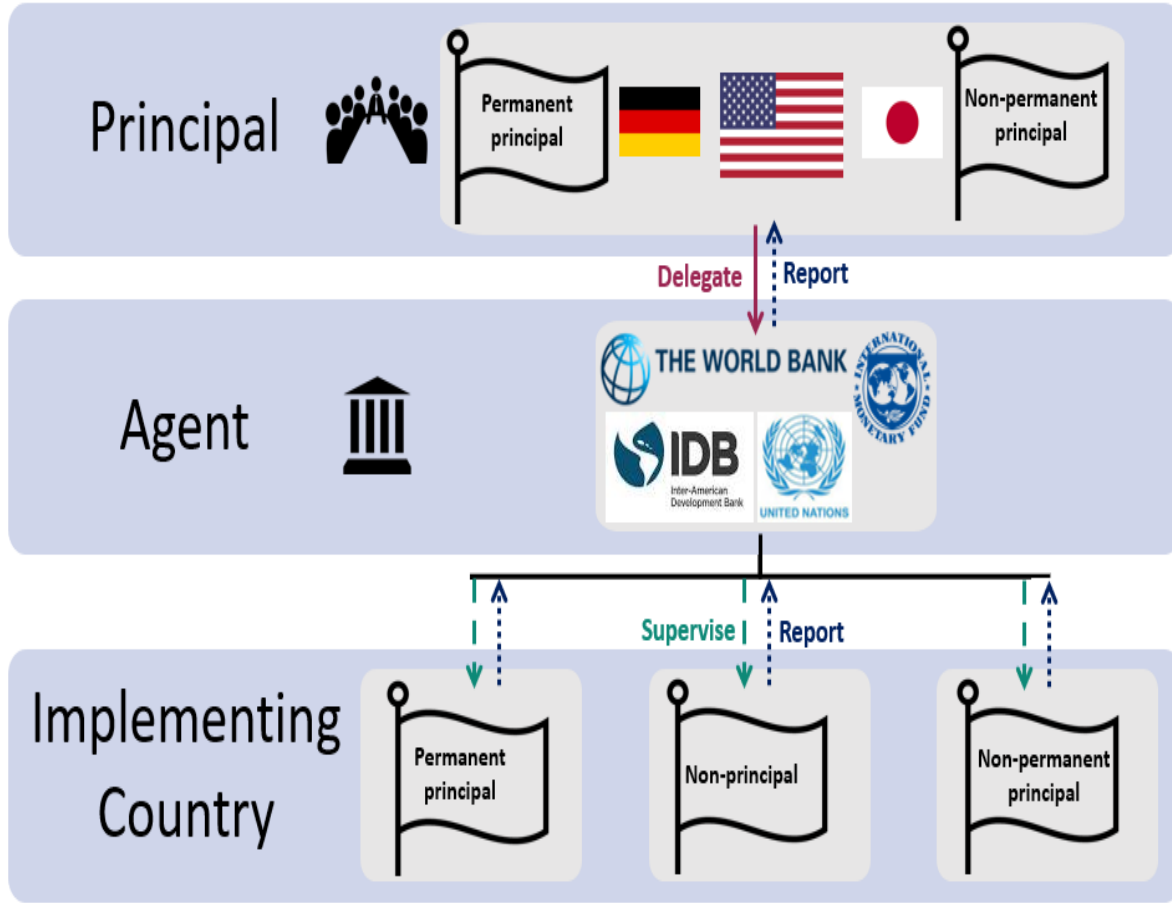
5. Discussion: Theoretical and Policy Implications

Assuming that the preliminary results hold after incorporating all control variables, the results have theoretical implications for the literature. On that score, especially since [Hawkins et al.'s \(2006\)](#) treatise on the principal-agent model in multilateral aid, scholarly research in the area has focused on powerful donor countries' (i.e., principals') incentives to trade aid for influence and policy concessions (e.g., [Bueno de Mesquita and Smith, 2009, 2013](#); [Vreeland, 2019](#)). While that research has produced some notable findings, recent research challenges the primacy of strategic interests in multilateral aid ([Denly, 2021](#)). More broadly, the focus on only the principal and the agent (i.e., the MDB) has come at the expense of a more accurate understanding of the broader picture aid effectiveness. In particular, in line with the preliminary results of the present article, it is necessary to re-consider the role of aid-receiving states' implementation capacity (see [Chayes and Chayes, 1993](#)). In some cases, it also necessary to consider the agent's ability to supervise the principals when the latter serve as aid recipients. In the case of the World Bank, aid-receiving countries such as when China and Brazil mostly enjoy permanent Board member positions, and countries such as Argentina generally rotate their Board positions within different country groupings (see [Vreeland, 2011](#)). Similar dynamics play out at other MDBs as well.

Figure 1 represents my attempt to capture that broader picture of aid effectiveness. Per the exchange between [Nielson and Tierney \(2005\)](#) and [Gutner \(2005b\)](#), it is clear that the only true principal-agent relationship is that between the Board and MDB staff, because that is the only relationship where there is a (conditional) delegation of authority.¹⁰ That is particularly the case because when the MDB supervises a project in an implementing country, the MDB does not have sovereignty to coerce compliance ([Nielson and Tierney, 2003, 2005](#)). Given that the agent cannot act as a true principal, the agent's ability to supervise and

¹⁰ Like [Gutner \(2005b\)](#), [Gutner \(2005a\)](#) proposes MDBs can be both the principal and the agent. However, if the MDB were truly the principal, it would hold more control over implementing countries. Additionally, the agent MDB would terminate more projects/programs, something that almost never occurs.

Figure 1: Re-Conceptualizing the Principal-Agent Model in Multilateral Aid



ensure full compliance with safeguards or any other policy is *necessarily* limited. Against this backdrop, the project-level safeguard noncompliance rate of circa 20% that Table 2 documents is not puzzling. The same is true for the preponderance of projects that go to the Inspection Panel despite the very significant career costs for staff (Buntaine, 2016; Zvobgo and Graham, 2020). At the broadest possible level, therefore, international relations and aid effectiveness scholarship needs to devote more attention to interactions between the agent and country implementer, which can sometimes even be a principal (see Table 2). By extension, principal-agent relationships in multilateral aid are thus less top-down than the prevailing literature assumes.

From the policy side, as previously mentioned, the media tends to focus uniquely on the World Bank and other MDBs when countries fail to implement safeguards policies (e.g., Huff-

ington Post, 2015; International Consortium of Investigative Journalists, 2015). The above analysis, with its focus on state capacity, similarly suggests that lay and policy audiences need to better understand capacity constraints in development.

6. Conclusion

Even if an aid project accomplishes all of its objectives, its potential negative externalities—such as destruction of habitats, involuntary resettlement, and the loss of cultural property—can outweigh the benefits of undertaking an aid project in the first place. In contrast to the previous literature on the potential negative externalities of aid that involve long causal chains (e.g., Dutch disease, civil conflict, and prolonged authoritarian rule),¹¹ the present paper examines the direct negative externalities of aid. In turn, the paper provides an assessment of the negative externalities of aid regardless of each country’s pre-existing development challenges. It does so by examining aid recipients’ project-level compliance with World Bank social and environmental safeguard policies.

Consistent with the theory, I find some statistical support for the idea that taxation can lead to representation and accountability in form of less negative externalities from aid projects financed by third-party actors. Notably, these third-party principals (powerful countries) and agents (MDBs) operate outside typical citizen-politician vertical accountability linkages (Kitschelt, 2000), but taxation can lead to representation nonetheless. Although I theorized that the taxation-accountability linkage is stronger when taking into account the combined effect of both direct and social tax revenue, the additional strength of the specifications when combining both types of tax revenue was minimal. In any case, the overall results point to a need for the literature to pay less attention to the principal-agent interaction and more attention the imperfect interaction between the agent and implementer.

¹¹ See Bourguignon and Sundberg (2007) for a discussion of the long causal chains complicating a large portion of the aid effectiveness literature.

Appendix A Safeguard Policy Compliance Scores by Country

Table A1: Compliance Scores by Country (Coded Projects)

Country	N	Mean	Std. Dev.	Minimum	Maximum
Afghanistan	16	2.75	.9309493	1	4
Albania	4	3.5	1	2	4
Angola	4	3	1.414214	1	4
Argentina	21	3.380952	.6690434	2	4
Armenia	9	3.444444	.7264832	2	4
Azerbaijan	10	3.5	.8498366	2	4
Bangladesh	19	3.526316	.6117753	2	4
Barbados	0	.	.	.	.
Belarus	4	3.75	.5	3	4
Benin	10	3.1	.7378648	2	4
Bhutan	5	3.6	.5477226	3	4
Bolivia	8	3.5	.7559289	2	4
Bosnia and Herzegovina	7	3.428571	.9759001	2	4
Botswana	1	2	.	2	2
Brazil	43	3.139535	.8885889	1	4
Bulgaria	4	3.75	.5	3	4
Burkina Faso	12	3.25	.7537784	2	4
Burundi	8	3.25	.8864053	2	4
Cape Verde	1	4	.	4	4
Cambodia	6	3.833333	.4082483	3	4

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Table A1 : Compliance Scores by Country (Coded Projects) – *continued*

Country	N	Mean	Std. Dev.	Minimum	Maximum
Cameroon	10	3	.942809	2	4
Central African	4	2.5	.5773503	2	3
Chad	4	3	1.414214	1	4
Chile	1	4	.	4	4
China	80	3.5625	.6721164	1	4
Colombia	10	3.6	.6992059	2	4
Comoros	1	4	.	4	4
Democratic Republic of Congo	8	2.875	1.125992	1	4
Republic of Congo	5	3.2	.83666	2	4
Costa Rica	2	3.5	.7071068	3	4
Cote d'Ivoire	9	3	1.118034	1	4
Croatia	8	3.625	.5175492	3	4
Djibouti	6	3.166667	.4082483	3	4
Dominican Republic	6	4	0	4	4
Ecuador	1	4	.	4	4
Egypt	13	2.769231	1.012739	1	4
El Salvador	4	3.5	.5773503	3	4
Eritrea	0	.	.	.	.
Ethiopia	21	2.380952	1.07127	1	4
Gabon	2	3.5	.7071068	3	4
Gambia, The	2	3.5	.7071068	3	4
Georgia	8	2.75	.8864053	1	4
Ghana	12	3	1.128152	1	4

Continued on next page

Table A1 : Compliance Scores by Country (Coded Projects) – *continued*

Country	N	Mean	Std. Dev.	Minimum	Maximum
Guatemala	3	4	0	4	4
Guinea	4	3.5	.5773503	3	4
Guinea-Bissau	4	3	1.414214	1	4
Guyana	1	4	.	4	4
Haiti	14	2.571429	.9376145	1	4
Honduras	10	3.5	.7071068	2	4
India	55	3.145455	.9313109	1	4
Indonesia	20	2.9	.8522416	1	4
Iraq	2	1.5	.7071068	1	2
Jamaica	4	3.75	.5	3	4
Jordan	3	4	0	4	4
Kazakhstan	5	2.8	1.30384	1	4
Kenya	15	2.733333	1.222799	1	4
Kosovo	3	4	0	4	4
Kyrgyz Republic	10	3.6	.6992059	2	4
Lao PDR	10	3.6	.6992059	2	4
Lebanon	1	4	.	4	4
Lesotho	5	3.4	.8944272	2	4
Liberia	8	2.75	1.38873	1	4
Macedonia	4	2.5	.5773503	2	3
Madagascar	5	2.8	.83666	2	4
Malawi	9	2.777778	.8333333	2	4
Maldives	2	2	1.414214	1	3
Mali	6	2.5	.83666	1	3

Continued on next page

Table A1 : Compliance Scores by Country (Coded Projects) – *continued*

Country	N	Mean	Std. Dev.	Minimum	Maximum
Mauritania	2	3	1.414214	2	4
Mauritius	1	4	.	4	4
Mexico	13	3.538462	.77625	2	4
Moldova	6	3.666667	.8164966	2	4
Mongolia	5	3.6	.8944272	2	4
Montenegro	7	3.571429	.5345225	3	4
Morocco	7	3	.5773503	2	4
Mozambique	14	3.214286	.8925824	2	4
Myanmar	1	4	.	4	4
Nepal	16	2.875	.7187953	2	4
Nicaragua	10	3.4	.6992059	2	4
Niger	8	3.125	.6408699	2	4
Nigeria	21	3.142857	.853564	2	4
Pakistan	15	3.066667	1.032796	1	4
Panama	5	2.4	1.140175	1	4
Papua New Guinea	7	3.285714	.7559289	2	4
Paraguay	3	3	1	2	4
Peru	13	3.230769	1.012739	1	4
Philippines	8	3.5	.9258201	2	4
Poland	0	.	.	.	.
Romania	1	4	.	4	4
Russia	2	3.5	.7071068	3	4
Rwanda	8	3.375	1.187735	1	4
Sao Tome and Principe	2	3.5	.7071068	3	4

Continued on next page

Table A1 : Compliance Scores by Country (Coded Projects) – *continued*

Country	N	Mean	Std. Dev.	Minimum	Maximum
Senegal	8	2.875	.6408699	2	4
Serbia	6	3.166667	1.169045	1	4
Sierra Leone	4	3	.8164966	2	4
Solomon Islands	2	4	0	4	4
South Africa	0	.	.	.	.
South Sudan	2	2.5	.7071068	2	3
Sri Lanka	12	3.25	.9653073	1	4
Swaziland	2	3	0	3	3
Tajikistan	6	3.333333	1.21106	1	4
Tanzania	15	3.066667	.7037316	2	4
Thailand	0	.	.	.	.
Timor-Leste	5	3.4	.8944272	2	4
Togo	4	3	.8164966	2	4
Tunisia	6	3.166667	.9831921	2	4
Turkey	8	3.375	.9161254	2	4
Uganda	13	2.461538	.9674179	1	4
Ukraine	4	4	0	4	4
Uruguay	5	3	0	3	3
Uzbekistan	7	3	1	1	4
Vietnam	37	3.594595	.5990483	2	4
Yemen, Republic	5	2.4	1.140175	1	4
Zambia	6	2.333333	1.21106	1	4
Total	944	3.202331	.8944004	1	4

Source: Own coding. Note: “0” values indicate country is included in dataset but not coded yet.

Appendix B Additional Regression Tables

Table B1: World Bank Safeguard Policy Compliance (Country and Year Intercepts)

Dependent Variable: Project-level compliance with World Bank safeguard policies, graded on a 1-4 scale							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes (direct only)	1.0457*** (0.0147)	1.0273* (0.0154)	1.0273* (0.0157)	1.0256 (0.0161)	1.0233 (0.0158)	1.0223 (0.0154)	1.0201 (0.0156)
GDP per capita (log)		1.2597** (0.1337)	1.2620* (0.1520)	1.2508* (0.1530)	1.2024 (0.1456)	1.2334* (0.1461)	1.2820** (0.1563)
Democracy		0.3772* (0.1967)	0.3779* (0.2106)	0.3448* (0.1972)	0.3644* (0.2029)	0.3487* (0.1878)	0.4168 (0.2301)
Property rights		1.6802 (0.9689)	1.6798 (0.9691)	1.6810 (0.9844)	1.5722 (0.9036)	1.3953 (0.8014)	1.0805 (0.6408)
Corruption control			1.0012 (0.3087)	1.0038 (0.3123)	0.8880 (0.2781)	0.7730 (0.2404)	0.6535 (0.2094)
Gov. effectiveness			0.9923 (0.3023)	1.0033 (0.3098)	1.1640 (0.3666)	1.2154 (0.3876)	1.5599 (0.5208)
US ideal point dist.				1.0826 (0.2059)	1.0759 (0.2004)	1.0012 (0.1840)	0.9555 (0.1805)
Temp. UNSC				1.1265 (0.3033)	1.1700 (0.3151)	1.1650 (0.3122)	1.2938 (0.3548)
Civil war					0.6612** (0.1388)	0.7044* (0.1449)	0.7528 (0.1583)
FDI						1.0277** (0.0126)	1.0243** (0.0124)
Natural resources						0.9861 (0.0095)	0.9856 (0.0097)
Commitment (log)							0.7945*** (0.0590)
Preparation cost (log)							0.9527 (0.0717)
Cutpoint 1	-0.0872*** (0.0236)	-0.3324* (0.2133)	-0.3386 (0.2940)	-0.2333 (0.2827)	-0.1555 (0.1868)	-0.2299 (0.2700)	-0.0642* (0.0965)
Cutpoint 2	-0.5024*** (0.1185)	-1.9140 (1.2127)	-1.9496 (1.6798)	1.3392 (1.6169)	-0.8948 (1.0701)	-1.3268 (1.5525)	-0.3780 (0.5654)
Cutpoint 3	2.3567*** (0.5566)	8.7977*** (5.6448)	8.9611** (7.7688)	6.2212 (7.5306)	4.1583 (4.9842)	6.1747 (7.2512)	1.7955 (2.6839)
Country intercept	1.2378** (0.1330)	1.1299 (0.1094)	1.1307 (0.1130)	1.1328 (0.1152)	1.1033 (0.1064)	1.0693 (0.0993)	1.0830 (0.1023)
Year intercept	1.2737 (0.2258)	1.2969 (0.2365)	1.2961 (0.2374)	1.3098 (0.2441)	1.3168 (0.2486)	1.3196 (0.2482)	1.3402 (0.2576)
Observations	891	885	885	881	881	881	878

coefficients are odds ratios; standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table B2: World Bank Safeguard Policy Compliance (Country and Year Intercepts)

Dependent Variable: Project-level compliance with World Bank safeguard policies, graded on a 1-4 scale							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Taxes (incl. social)	1.0364*** (0.0109)	1.0256** (0.0124)	1.0248** (0.0125)	1.0249* (0.0131)	1.0234* (0.0131)	1.0198 (0.0129)	1.0186 (0.0133)
GDP per capita (log)		1.2230* (0.1364)	1.1974 (0.1534)	1.1981 (0.1550)	1.1874 (0.1540)	1.2404 (0.1640)	1.2867* (0.1773)
Democracy		-0.3329** (0.1681)	-0.3110** (0.1670)	-0.3043** (0.1661)	-0.3201** (0.1738)	-0.3126** (0.1660)	-0.3858* (0.2153)
Property rights		1.1973 (0.6917)	1.1957 (0.6857)	1.2294 (0.7159)	1.2008 (0.6984)	1.1678 (0.6831)	0.9267 (0.5692)
Corruption control			1.0555 (0.3193)	1.0447 (0.3180)	0.9806 (0.3038)	0.8842 (0.2742)	0.7474 (0.2423)
Gov. effectiveness			1.0515 (0.3226)	1.0703 (0.3318)	1.1403 (0.3610)	1.1707 (0.3810)	1.4558 (0.4992)
US ideal point dist.				-0.9816 (0.1896)	-0.9779 (0.1884)	-0.9120 (0.1756)	-0.8852 (0.1782)
Temp. UNSC				1.0374 (0.2704)	1.0667 (0.2786)	1.0636 (0.2774)	1.1942 (0.3209)
Civil war					-0.7972 (0.1665)	-0.8279 (0.1710)	-0.8722 (0.1876)
FDI						1.0244** (0.0124)	1.0218* (0.0124)
Natural resources						0.9889 (0.0105)	0.9876 (0.0108)
Commitment (log)							0.8095*** (0.0619)
Preparation cost (log)							0.9458 (0.0732)
Cutpoint 1	-0.0695*** (0.0176)	-0.1787** (0.1247)	-0.1374** (0.1283)	- 0.1477 (0.1870)	-0.1327 (0.1683)	-0.2283 (0.2913)	-0.0621* (0.1014)
Cutpoint 2	-0.4329*** (0.0897)	-1.1057 (0.7592)	-0.8503 (0.7867)	- 0.9117 (1.1493)	-0.8192 (1.0347)	-1.4128 (1.7972)	-0.3925 (0.6380)
Cutpoint 3	2.0852*** (0.4322)	5.1796** (3.5917)	3.9817 (3.7053)	4.3168 (5.4601)	3.8769 (4.9144)	6.7045 (8.5710)	1.9049 (3.0977)
Country intercept	1.2019* (0.1263)	1.0829 (0.1036)	1.0710 (0.1086)	1.0672 (0.1096)	1.0666 (0.1071)	1.0489 (0.1036)	1.0827 (0.1131)
Year intercept	1.3160 (0.2521)	1.3251 (0.2564)	1.3335 (0.2613)	1.3551 (0.2718)	1.3454 (0.2684)	1.3491 (0.2672)	1.3722 (0.2787)
Observations	869	863	863	859	859	859	856

coefficients are odds ratios; standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

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