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Reshaping Institutions: Evidence on Aid Impacts Using a Pre-Analysis Plan

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Abstract: Although institutions are believed to be key determinants of economic performance, there is limited evidence on how they can be successfully reformed. Evaluating the effects of specific reforms is complicated by the lack of exogenous variation in the presence of institutions; the difficulty of empirically measuring institutional performance; and the temptation to “cherry pick” a few novel treatment effect estimates from amongst the large number of indicators required to capture the complex and multi-faceted subject. We evaluate one attempt to make local institutions more egalitarian by imposing minority participation requirements in Sierra Leone and test for longer term learning-by-doing effects. In so doing, we address these three pervasive challenges by: exploiting the random assignment of a participatory local governance intervention, developing innovative real-world outcomes measures, and using a pre-analysis plan to bind our hands against data mining. The specific program under study is a “community driven development” (CDD) project, which has become a popular strategy amongst donors to improve local institutions in developing countries. We find positive short-run effects on local public goods provision and economic outcomes, but no sustained impacts on collective action, decision-making processes, or the involvement of marginalized groups (like women) in local affairs, indicating that the intervention was ineffective at durably reshaping local institutions. We further show that in the absence of a pre-analysis plan, we could have instead generated two highly divergent, equally erroneous interpretations of the impacts—one positive, one negative—of external aid on institutions.

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Reshaping Institutions: Evidence on Aid Impacts Using a Pre-Analysis Plan

Despite their importance, there is limited evidence on how institutions can be strengthened. Evaluating the effects of specific reforms is complicated by the lack of exogenous variation in institutions, the difficulty of measuring institutional performance, and the temptation to “cherry pick” estimates from among the large number of indicators required to capture this multifaceted subject. We evaluate one attempt to make local institutions more democratic and egalitarian by imposing participation requirements for marginalized groups (including women) and test for learning-by-doing effects. We exploit the random assignment of a

governance program in Sierra Leone, develop innovative real-world outcome measures, and use a preanalysis plan (PAP) to bind our hands against data mining. The intervention studied is a "community-driven development" program, which has become a popular strategy for foreign aid donors. We find positive short-run effects on local public goods and economic outcomes, but no evidence for sustained impacts on collective action, decision making, or the involvement of marginalized groups, suggesting that the intervention did not durably reshape local institutions. We discuss the practical trade-offs faced in implementing a PAP and show how in its absence we could have generated two divergent, equally erroneous interpretations of program impacts on institutions.

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