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How Political Insiders Lose Out When International Aid Underperforms: Evidence from a Participatory Development Experiment in Ghana¹

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Participatory development is designed to mitigate problems of political bias in pre-existing local government but also interacts with it in complex ways. Using a five-year randomized controlled study in 97 clusters of villages (194 villages) in Ghana, we analyze the effects of a major participatory development program on participation in, leadership of and investment by pre-existing political institutions, and on households' overall socioeconomic well-being. Applying theoretical insights on political participation and redistributive politics, we consider the possibility of both cross-institutional mobilization and displacement, and heterogeneous effects by partisanship. We find the government and its political supporters acted with high expectations for the participatory approach: treatment led to increased participation in local governance and reallocation of resources. But the results did not meet expectations, resulting in a worsening of socioeconomic wellbeing in treatment versus control villages for government supporters. This demonstrates international aid's complex distributional consequences.

Keywords: participatory development; political economy; international aid; distributive politics

JEL Codes: H4; H7; O12; O17; O19

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