

IGC Preliminary Policy Brief

Title: Local Institutions, Accountability and Community Trust: Evidence from a Field Experiment in Afghanistan

Authors: Fotini Christia, Associate Professor, MIT Department of Political Science; Ruben Enikolopov, Assistant Professor, New Economic School; Andrew Beath, PhD Candidate in Government, Harvard University

Short summary paragraphs:

I. Policy Motivation for Research:

The purpose of this study is to examine, through a randomized field experiment in Afghanistan, whether the creation of democratically elected local institutions improves the effectiveness of aid delivery to vulnerable populations. Specifically, we provide food aid in the form of wheat to local leaders in Afghan villages and then compare the outcomes of the wheat distribution between villages with customary governance structures and villages with newly created democratically elected village councils. The distribution of foreign food aid assistance is a common public service performed by local leaders in rural Afghanistan. Such distributions present leaders with the option to distribute aid fairly to vulnerable villagers or embezzle aid for personal or familial benefit. The main outcomes of interest are therefore: 1) the quality of the targeting—whether aid recipients were among the vulnerable members of the community—and 2) the extent of corruption—whether village leaders retained aid for themselves or for their relatives. To get at the mechanisms behind the effect of local institutions, we vary whether the aid is handed out for distribution to people who are considered village leaders by the villagers themselves or whether we encourage involvement of elected officials or women in the process.

II. Policy Impact:

The intent of this study is to provide evidence-based recommendations on how to improve the distribution of development aid so as to ensure assistance reaches vulnerable populations. Specifically, the study provides rigorous evidence to inform whether newly created local democratic institutions or customary institutions more effectively target assistance to vulnerable populations and whether they have an effect on embezzlement and misuse of aid resources. It also speaks to the extent to which female participation affects the quality of targeting and the degree of corruption over development aid resources.

III. Audience:

The audience for this work would involve among others donors, governments and implementing agencies—be they international organizations or NGOs— that provide aid in the developing world and in particular in areas faced with conflict.

Main sections:

IV. Policy Implications:

- **Both traditional elite structures and elected institutions prove similarly highly effective in targeting aid to the needy and vulnerable.**

Assessing targeting on both observable characteristics of need, such as household consumption and assets, and on subjective ones, such as perception of vulnerability, we find that aid is delivered to needy households in both villages with elected institutions as well as in villages with only traditional elites. The fact that we do not

observe any difference in targeting behavior between villages with different local institutions (elected versus traditional), appears to be partly driven by the fact that the overall quality of targeting appears quite high in all the villages. These results suggest that there is not necessarily that much room for improvement in the targeting of aid but rather the focus should be in containing the skimming i.e. in minimizing the amount of aid that never reaches its intended recipients.

- **Existence of multiple institutional structures with no clear hierarchy can lead to competition and underperformance rather than to additional checks and balances that enhance efficiency.**

In villages in which democratically elected structures exist, but they were not mandated to take control over the allocation of aid resources, the distribution proved to be less efficient as compared with villages with just traditional elites. Similarly, in villages ruled by traditional elites where women were asked to be involved in the decision making process such involvement led to a deterioration in aid targeting as assessed by subjective measures and to an increase in embezzlement as compared with traditional villages where no such request was made.

- **There is some evidence that democratically elected institutions can lower the likelihood of elite embezzlement of resources when they are put in charge of aid distribution**

Villages where the elected elites were put in charge of aid distribution outperform villages in which elected institutions exist, but were not put in charge of aid distribution, in terms of better targeting, lower embezzlement and higher participation. There is also some evidence that they outperform villages ruled by traditional elites in terms of better targeting, lower embezzlement and higher participation.

V. **Implementation:**

- To improve governance at the local level in communities that are still governed by traditional elites it is not enough to introduce elected institutions. For those new institutions to work they would have to also be explicitly placed in the lead so as to avoid the inefficiencies caused by tensions and clashes with pre-existing institutions. This can be a difficult measure to implement as entrenched elites may want to fight back to maintain their power and control over resources.
- Though effective targeting of aid resources is critical, a too intense concern with targeting may lead to oversight of other inefficiencies such as embezzlement. It is in that latter type of abuse of resources where institutional changes appear to be making the biggest difference in the Afghan context. But stemming embezzlement can be harder than improving targeting as the former directly affects the interests of the elites that are trying to appropriate aid resources for their personal benefit.
- The findings of this study are relevant for other contexts in which new governance institutions are introduced alongside traditional ones. Replication of such an experiment would be extremely useful so as to ascertain if the negative effects of the competition between different institutions are specific to the Afghan context or if they generalize to other settings.

VI. **Dissemination:** Given that the existing results are based on preliminary data, we would appreciate it if you could withhold dissemination until we have the finalized database and we can update the working paper, the policy summary and this policy brief.

VII. **Further Readings:**

Alatas,V., Banerjee, A., Hanna, R., and Tobias, J. (forthcoming) "Targeting the Poor: Evidence from a Field Experiment in Indonesia," *American Economic Review*.

Beath, A., Christia, F., Enikolopov, R., and Kabuli, S. (2010). "Randomized Impact Evaluation of Phase-II of Afghanistan's National Solidarity Programme (NSP) - Estimates of Interim Program Impact from First Follow-Up Survey," Washington, D.C.: World Bank.

Noelle-Karimi, C. (2006). "Village Institutions in the Perception of National and International Actors in Afghanistan," *Amu Darya Series - Paper No. 1* .

Pain, A, and Kantor, P. (2010) "Understanding and Addressing Context in Rural Afghanistan: How Villages Differ and Why", Kabul: AREU.