



Aiding and Abetting: Project Aid and Ethnic Politics in Kenya

RYAN C. BRIGGS*

*Virginia Tech, Blacksburg, USA
American University, Washington, USA*

Summary. — I analyze a unique dataset of sub-national resource allocations in Kenya from 1989 to 1995 and show that project aid and local funds were disproportionately directed to the president's political base. Per-donor analyses of aid flows show that bilateral donors and the African Development Bank were most likely to skew their aid to the president's base. Kenya's autocratic leader was able to exercise strong political influence over the location of many aid projects, even under unfavorable circumstances. While disbursing aid as projects may have ensured better accounting of funds, it did little to prevent aid from becoming patronage.

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1. INTRODUCTION

Foreign aid requires recipients and donors to bargain over resources. While the precise terms of these bargains are often hard to discern, there is a common claim that donors are in a position of power and that this power is used to prevent recipients from using aid for local political gain. For example, Paul Collier (2006) draws a distinction between "scrutinized" revenues such as aid and "unscrutinized" rents from natural resources. He argues that absent fungibility or embezzlement, project aid will produce public goods because it is under a great deal of scrutiny. In a similar vein, van de Walle argues that "bankrupt governments whose development policy-making process is micro-managed by donors do not [...] have much discretion in the allocation of social services and new patronage" (2007, p. 65–66). On the contrary, this paper demonstrates that it is difficult for donors to prevent recipients from politically targeting even closely monitored aid.

To demonstrate this point, I analyze sub-national aid allocations in a unique dataset compiled from records in Nairobi. I show that from the late 1980s until the mid 1990s, carefully monitored project aid favored then-President Daniel arap Moi's base. This happened at a time when the group of important international donors was small and fairly homogenous, when most donors were not on good terms with the Kenyan regime, and in a post-Cold War atmosphere when donors were more ideologically united than at any time since. Donors were united enough to cut program aid to Kenya, but even while other aid was being cut Moi was still directing disproportionate amounts of project aid to his base. Given the way that projects in Kenya were funded, this implies that donors knew where their aid was going and that the Kenyan government was not accomplishing this skew through deception. While concerns over deceptive recipient activity (such as re-allocating recipient budgets around donor spending) remain important, Moi did not have to adjust his spending around donor projects because he was able to directly influence their original location. Kenya in the 1990s is an unlikely case for this kind of recipient influence over aid, so if it occurred in Kenya then it is likely happening elsewhere.

The rest of the paper proceeds in four sections. I first explain how the present study relates to work on aid and leader survival and the politics of aid sub-national targeting. Second, I explain why Kenya during this time was an unlikely case for

recipient influence. The third section turns to the data and shows that project aid and locally raised resources favored Moi's areas. It also shows that this favoritism holds at both the provincial and district level, and that bilateral and multi-lateral donors seem to have struck different bargains with Moi. The final section concludes and offers a number of lessons from the Kenyan case.

2. LINKING AID TO LEADER SURVIVAL

Cross-national studies generally support the notion that foreign aid can stabilize regimes (Morrison, 2009) or increase leader survival (e.g., Kono & Montinola, 2009). Commonly discussed mechanisms linking aid to leader survival include the fact that aid allows leaders to provide higher levels of public goods relative to local tax rates (Morrison, 2007) or the argument that aid allows leaders to shift their resources from aid-funded goods toward more politically useful investments. This latter issue is the standard problem of fungibility, and there is evidence that aid is often fungible (Devarajan, Rajkumar, & Swaroop, 2007; Feyzioglu, Swaroop, & Zhu, 1998). Njeru (2004) provides evidence that aid to Kenya was partially fungible during the period under study in this paper. While fungibility might explain how increases in aid lead to increases in overall resources in politically important constituencies, it is also possible that the problem is more direct: Donors could simply choose to allocate more resources to areas that are important to the recipient leader. This might be expected if aid is used not to boost development outcomes but to secure some geopolitical goal for a donor (Morgenthau, 1962). A good example of this is the increase in aid associated with a country gaining UN Security Council Membership (Kuziemko & Werker, 2006). If aid is given to buy influence on the Security

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Council, then curtailing where or how the funds can be spent is counterproductive as it diminishes the value of the bribe.

One empirical problem is that with only data on sub-national aid allocations, it is difficult to separate instances of recipient deception from times when recipients were able to strike favorable deals with donors. For example, [Jayne, Strauss, Yamano, and Molla \(2001\)](#) show that the Ethiopian government directed food aid to its base. This aid flowed through the government, and if one only has data on aid allocations it is difficult to show that either donors intended for their food aid to support the Ethiopian regime or that the regime intentionally deceived donors. In both cases, the end results look the same. It is equally difficult to show that fungibility is a result of recipient deception or donor abetting as donors could turn a blind eye to fungibility if they wished to support a recipient leader. These empirical challenges have prevented a careful analysis of the extent to which skewed sub-national aid allocations result from recipient deception instead of donor capitulation to recipient demands.

I minimize this problem by focusing only on the sub-national allocation of project aid. Project aid is quite common, and in 2003 it made up 61% of all bilateral commitments from OECD members ([Gupta, Patillo, & Wagh, 2006](#)). Donors often fund specific projects in an attempt to minimize deception and increase their control over aid allocation and implementation. [Morrison \(2012, p. 60\)](#) notes that “there is little doubt that project-based aid is meant to reduce the discretion of recipient countries in terms of how to spend the money.” [Winters \(2010\)](#) shows that the World Bank takes this argument seriously, and gives more targeted aid to recipients when they have worse governance. As noted earlier, [van de Walle \(2007\)](#) argues that this attempt at control is typically successful and that recipients with heavy donor involvement do not have the ability to direct new resources toward patronage. A key contribution of this paper is to show that the situation is more complex. While the use of project aid might reduce the likelihood that aid will be stolen outright, it does not necessarily reduce recipient influence over aid allocations. Even under very unfavorable circumstances, recipient leaders can exercise a strong influence over sub-national project aid allocations.

The current study is most closely related to [Jablonski \(2014\)](#), which finds a similar pattern with World Bank and African Development Bank aid in Kenya, and [Briggs \(2012\)](#), which finds that the Ghanaian government was able to direct World Bank funding for electrification to politically important constituencies. Both of the aforementioned studies use information on sub-national aid from a small number of multilateral donors to test for the presence of political biases in aid allocation. The present study broadens the focus to examine project aid across all of Kenya’s donors, and in doing so it reveals substantial heterogeneity in the degree to which donors skewed aid toward Moi’s base. It suggests in particular that, during the time under study, the African Development Bank was more likely to skew aid toward Moi’s base than the other multilaterals. The analysis of roads in the present study is similar to a working paper by [Burgess, Jedwab, Miguel, & Moraria \(2013\)](#), though the latter paper examines a longer time period and aims primarily at explaining the geographical distributions of road construction. In contrast, the present study is more concerned with who is financing road construction in politically sensitive areas of Kenya. Further, by analyzing only carefully monitored project aid in the period 1989–95, this paper also provides a uniquely clear and tough test of the ability of recipient leaders to influence aid allocations. While Moi clearly wanted to direct resources to his base (e.g., [Barkan & Chege, 1989; Morrison, 2011](#)), Kenya was not on

good terms with most donors during this time and there was peer-pressure on donors to sanction the Kenyan regime. Despite this, I find that project aid favored Moi’s base at both the provincial and the district level. Moi did not need to resort to fungibility, as he could influence the location of aid projects directly. I also examine aid allocations across all of Kenya’s major donors and show that biased sub-national allocations in project aid were more common with bilateral donors. The only multilateral to favor Moi’s political base was the African Development Bank, which was widely viewed as captured by recipient interests during this time period. Before introducing the dataset, I first summarize the history of the Kenyan case.

3. KENYAN-DONOR RELATIONS

In Kenya, heavily monitored project aid went overwhelmingly to President Daniel arap Moi’s base. While interesting in its own right, the case is also important because it was unlikely that Moi would be able to strike such favorable deals with donors during this time.¹ Least likely cases are cases in which our theoretical priors offer a strong negative prediction for an outcome. These cases can be used to produce strong confirming evidence for a theory, if the least likely case fulfills the prediction ([George & Bennett, 2005](#)).² It is expected that recipients will be able to exercise more influence over aid allocations if their country is more valuable to the donor, if relations with donors are positive, and if the pool of donors is large and diverse. None of this was true in the Kenyan case, suggesting that other similarly motivated recipients may be able to exercise this kind of influence over aid allocations.

Moi exercised influence over sub-national aid allocation at a time when donors were censuring Kenya for poor governance, when a number of Kenya’s major donors had an openly hostile relationship with then President Moi, and when the pool of donors to Kenya was relatively small and homogenous. The latter two factors greatly minimized otherwise difficult coordination problems between donors and explains why Kenya’s donors were relatively united on both governance concerns and aid policy. Despite this unfavorable context, Moi was able to strike deals that kept project aid flowing to his base. The remainder of this section overviews the history of Kenyan-donor relations in the 1980s and 1990s and then presents the pertinent details of Kenyan project aid.

After spending over a decade as a “darling of the donor community” ([Barkan, 1993, p. 91](#)), Kenya began having problems with the major Western donors in the 1980s, after the country became a one-party state and a coup attempt prompted Moi to clamp down harder on dissent. The end of the Cold War further increased the confidence of donors in the importance of good governance, read now as liberal democracy, and reduced the geopolitical importance of many aid recipients. This led Western donors to reduce their support for autocratic rulers across Africa. These geopolitical and domestic factors, combined with increasing Kenyan corruption and the slowing of economic reform, eventually turned most donors against Kenya and by the end of the 1980s “donor patience with Kenya ran out” ([Barkan, 1993, p. 91](#)).

All of these issues came to a head at the World Bank-chaired Kenyan Consultative Group meeting in November of 1991. In his address to the meeting, the Kenyan Vice President and Minister of Finance, George Saitoti, said that he “would like to take this opportunity to plead with [the donors] for substantial additional commitments, so that we can close the financing gap in our balance of payments” ([World Bank, 1991](#)). He also requested a “substantial increase in project based assistance,”

especially in the transportation sector (World Bank, 1991). Half of the donor response is by now well known. The meeting ended with all of Kenya's major donors freezing balance of payments support for six months, pending governance reform. It was clearly signaled to Moi that donors expected him to clamp down on high-level corruption and hold an election. Within a month of the meeting, President Moi had amended Kenya's constitution to allow for multiple parties.

The second half of the story is less well known, and it is that donors disbursed the requested project aid, including a great deal of aid for roads. In fact, the rise in project aid was large enough that even after the reduction in balance of payments support, year-over-year net aid to Kenya (excluding debt relief) increased every year from 1990 until 1993. Kenya received a large portion of this aid in the form of projects, and, as expected, these projects were funded in a way that was easy for donors to monitor. Kenya's donors had previously given a larger share of aid as revenue, which meant that "donors disbursed funds directly to the Treasury through special accounts at the Central Bank of Kenya" but they had found that this system was "open to abuse because of weak accounting systems at the Treasury resulting in corruption and misappropriation of donor funds" (Njeru, 2004, p. 9). In place of giving aid as revenue, most donors switched to project aid and disbursed it as appropriations-in-aid (A-in-A). A-in-A was "the most popular form of aid with the donor community since it [gave] them direct control of funds. This format [allowed] the donor direct liaison with the ministerial/project coordinator who [had] the responsibility for purchasing goods and services directly for the project and for submitting valid documentation to the government for recording" (Njeru, 2004, p. 9). These years were a "period of acrimony" (Grosh & Orvis, 1996, p. 50) between President Moi and Kenya's donors, when donors did not trust the Kenyan government. In one particularly evocative example, the relationship between the Americans and the Kenyans was so bad that the American ambassador at the time claimed that the Moi regime twice planned to kill him (Hempstone, 1997).

The unique history of Kenya makes it a tough test for recipient influence over aid. First, as expected, donors shifted away from program aid to project aid due to governance concerns in Kenya. Second, the Cold War had recently ended and Kenya was now geopolitically less important to the major Western donors. Third, the global pool of donors was small, relatively homogenous, and more ideologically united than at any point before or since.³ If the Western donors could coordinate and control their aid, then Moi had no outside options. Fourth, while not all donors had tense relations with the Kenyan regime, there was peer-pressure on donors to coordinate aid cuts to Kenya and to not support the regime. These coordinated cuts went into effect after the Consultative Group meeting in late 1991 and were generally maintained. Despite these circumstances, Moi was able to direct a disproportionate amount of project aid to his base.

4. EMPIRICS

This section analyzes an original dataset of project aid and Government of Kenya (GOK) developmental spending on roads and curative health (mainly the building of district hospitals) in the period 1989–90 to 1994–95. Health and roads were selected because only the Ministries of Transport and Health reported the geographic location of each of their developmental budget line-items. Additionally, every budget from this time period reports the source of the resources for each

line-item, whether the GOK or a specific donor.⁴ This enables comparisons between the allocation of foreign resources and locally raised developmental resources in addition to comparisons across donors. The data that I have compiled do not exhaust the aid that the Kenyan government received in this time period. For example, it does not include a large number of grants that lacked geographical information and it excludes program aid such as aid to the agricultural sector. This dataset only includes aid that was given for specific, discrete, easily monitored projects. These projects were funded in a way that allowed donors to deal directly with the project coordinator or relevant Ministry staff and gave donors "direct control of funds" (Njeru, 2004, p. 9). This funding structure makes it very likely that donors knew where their aid was going. All developmental spending for roads and health includes the destination province. All health spending and a subset of road spending also includes district information. I first graphically examine how provincial level allocations changed over time and then I examine the subset of the data with district information using regression. While the latter analysis does not use the entire dataset, it allows for a more robust analysis of targeting based on the dominant ethnic group in each district. Unless otherwise noted, all figures for resources are in constant 1989 Kenyan shillings.

For the provincial analysis I follow Barkan and Chege (1989) and Morrison (2011) in grouping Kenya's provinces into three zones: those that comprised Moi's ethnic base, the former President Jomo Kenyatta's ethnic base, and then a residual category containing the rest of Kenya. Moi's areas were Rift Valley and Western province and Kenyatta's were Central and Eastern province.⁵ Moi's allocative preference, as originally shown in Barkan and Chege (1989), was to favor his base with resources.⁶

(a) Provincial road allocations

I first evaluate developmental spending on roads.⁷ Road spending was normalized per square kilometer of land because road construction should increase in relation to the area of the land that needs to be crossed and not in relation to population.⁸ Also, while I do not have data on the quality of roads in Kenya, it is reasonable to assume that when Moi originally took power in 1978 Kenyatta's base of support had much better roads than Moi's base. However, it is less likely that this was the case over a decade later, because soon after Moi took power he "shifted public expenditures for roads, health, water, and education from Central Province to other regions, especially the Rift Valley, the heartland of the old KADU alliance" (Barkan, 1993, p. 88). Thus, one might expect that donors would channel project aid for roads approximately equitably across the three zones. If anything, Moi's base should probably be slightly disadvantaged in aid allocations, all else equal, as it had benefitted from over a decade of Kenyan government largesse.

Figures 1–3 compare GOK, bilateral aid, and multilateral resources sent to Moi's base, Kenyatta's base, and the rest of Kenya. Here we see that Moi's base gets far more GOK resources per square kilometer than the other zones. This is expected. What is more surprising is that the same pattern holds for the distribution of aid. Further, this pattern becomes more pronounced over time, as aid to Kenyatta's base declines much more precipitously than aid to Moi's. A similar decline in resources going to Kenyatta's base was uncovered by Morrison (2011) in relation to total (including recurrent) spending on curative health, but he did not separate out resources from the GOK and donors so it is impossible to

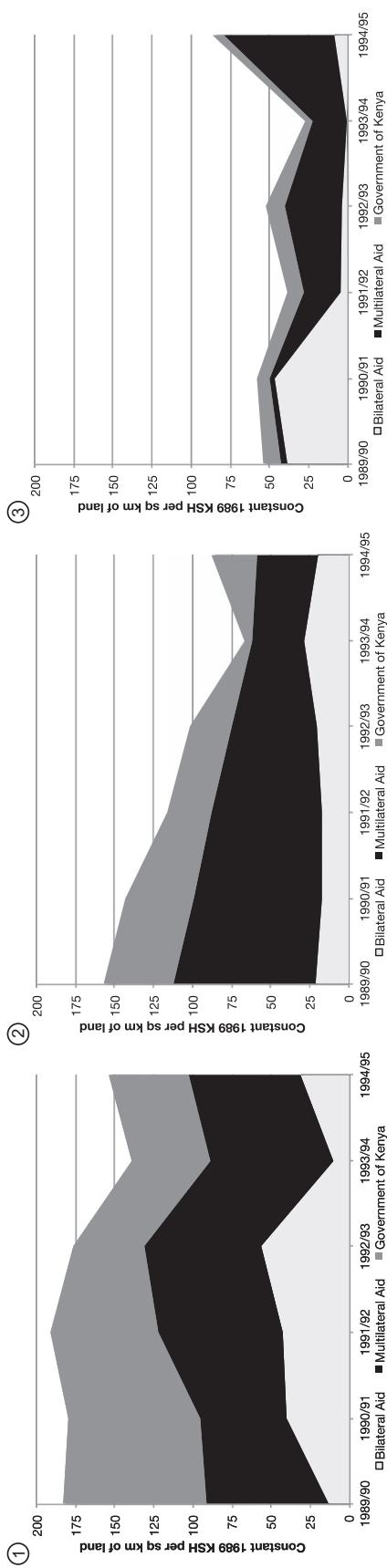


Figure 1-3. *Road resources to Moi's base (1). Road resources to Kenyatta's base (2). Road resources to the rest of Kenya (3).*

know the composition of the decline. From 1989–90 to 1994–95, total road resources to Moi's base declined by about 15% from about 183 to 154 KSH per square kilometer of land. Over the same time period, resources to Kenyatta's base fell by about half, from 157 to 88 KSH per square kilometer. There is a similar pattern if we look only at aid, as Moi's base saw aid hover around 100 KSH per square kilometer over the time period and Kenyatta's base experienced a decline from 112 to 59 KSH per square kilometer. The rest of Kenya was more radically underfunded over the time period. Project aid for roads favored Moi's provinces, and when aid to Kenya declined Moi's base was protected from the cuts.

The time period under analysis starts after Moi was already in power for a decade. Thus, even though Moi's areas were generally poor, they also benefitted from a decade of preferential treatment from the central government. However, it is possible that Moi's areas remained comparatively neglected. While I lack the data to compare road quality across Kenya in the late 1980s, I can look at the presence of other forms of infrastructure to get a sense of how the different provinces compare. Table 1 shows access to piped water and electricity for lighting across Kenya's provinces in 1989 (Kenyan Central Bureau of Statistics, 1996b). While the measure is crude, it also matches a general pattern where Moi's areas are poorer than Kenyatta's but not the absolute poorest in Kenya. If low infrastructure was being targeted, then Moi's areas would get more than Central province, but other provinces such as Nyanza or North Eastern should have received much more aid as well.

Generally, aid did not target areas with low quality infrastructure. To illustrate this, I compare total road funding (aid and GOK resources) per square kilometer in Western Province and Nyanza. Both provinces were poor and lacked infrastructure and, while Nyanza is larger than Western Province, the figures are normalized for area so size does not affect the results. Nyanza also had a little under a million more people than Western province, which could encourage the government to spend more in Nyanza. Finally, Western province was part of Moi's base.

In all but one of the years under study, Western received more than Nyanza. The exceptional year was 1994–95, when Nyanza received double Western's allocations. Moi's area of Western Province received quadruple Nyanza's allocations in 1989–90, five times Nyanza's allocations in 1990–91, and double Nyanza's allocations in 1991–92. The same is true if we only examine aid allocations, as Western received more than Nyanza in all but one year. The differences are similarly large, with Western getting about 10 times more aid per square kilometer in 1989–90 and 1990–91. The crucial difference between the two regions seems to not be due to poverty or poor infrastructure (which is similar between the two areas) or population (it is larger in Nyanza) but rather that Western Province was more aligned with Moi.

(b) Provincial health allocations

Next I turn to health spending. The health figures include district-level aid and GOK developmental spending on curative health, which primarily went to district hospitals and usually involved the construction of buildings. As with roads, “planning the location of health facilities and the intended services is often highly politicised” (Watanabe & Takahashi, 1997, p. 121). Unlike roads, curative health spending was quite small. In the time period under study, developmental curative health spending was about one tenth the size of developmental road spending. The smaller size of health spending meant that it was also lumpier than road

Table 1. *Access to infrastructure across Kenya's provinces*

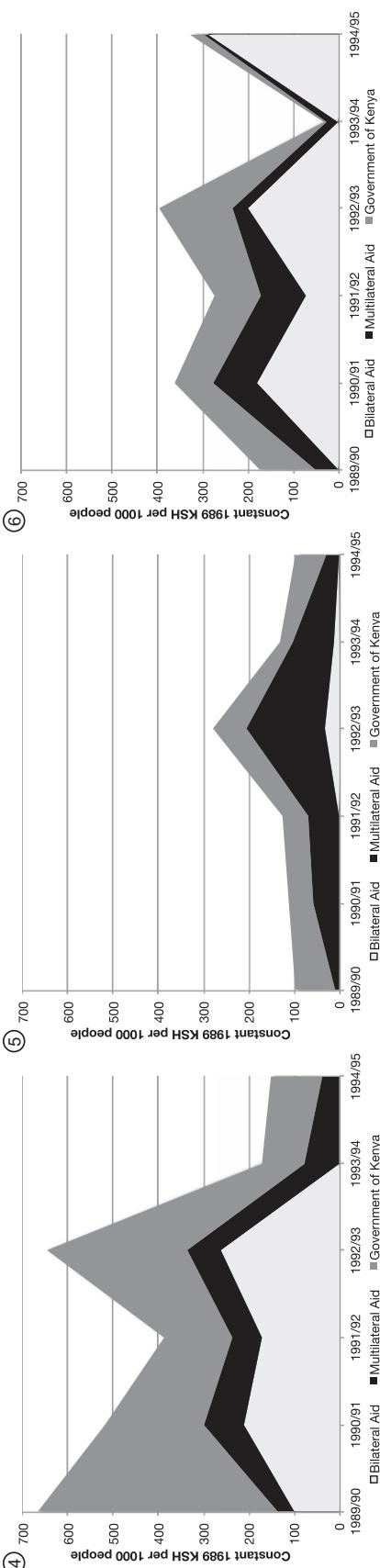
Province	% with electric lights	% with piped water
Nairobi	42.5	96.3
Central (Kenyatta)	7.0	35.1
Coast	11.6	44.7
Eastern (Kenyatta)	4.1	22.4
North Eastern	5.1	15.1
Nyanza	2.6	13.3
Rift Valley (Moi)	4.5	21.2
Western (Moi)	1.7	14.6

spending, so single aid projects can greatly influence the overall figures. This means that the health figures are best thought of as a way of checking if the patterns in the road figures hold elsewhere. The following three graphs show developmental curative health spending in each zone per 1,000 residents (Figures 4–6).

Three things are evident from the graphs. First, Moi's base received a far larger share of GOK resources than the other parts of Kenya. Second, after 1992–93 donors greatly reduced aid for curative health. Third, before 1993–94, donor aid projects were disproportionately allocated to Moi's base and away from Kenyatta's. In the period 1989–90 to 1992–93 (inclusive), Moi's base received just over one thousand 1989 shillings per thousand people. In the same time period, Kenyatta's areas received a total of about 340, and the rest of Kenya received about 730. This means that on a per capita basis, Moi's areas received a little under half of all developmental aid for curative health.

The one exception to this story is the last year of health funding, when resources from bilateral donors increase in the residual zone. This is a result of lumpy data. Curative health spending is a small portion of the development budget and is also small in terms of shillings. This means that one aid project can dramatically influence the figures. This is what happened in 1994–95, when the Netherlands loaned Kenya 3.5 million (current) shillings to build a hospital in Tana River district in Coast province. This one project—which was the only bilateral aid-funded curative health project in 1994–95—represented 45% of all developmental spending on curative health in that year.⁹ If we remove this one project, then while aid for curative health declines across the board, Moi's base received 55% of the remaining project aid in 1994–95.¹⁰

Again, some of the bias toward Moi's base and away from Kenyatta's can potentially be explained by poverty, or in this case health statistics of each zone. Moi's base had higher infant mortality and lower life expectancy than Kenyatta's areas, which generally report the most impressive figures (Kenyan Central Bureau of Statistics, 1996a). However, if Moi was targeting low health outcomes with resources, then other parts of the country should have been favored far more than Rift Valley and Western province. Life expectancy in Nyanza was 49.5 years in the period 1979–89. This was 10 years less than Rift Valley, five years less than Western, and 15 years less than Eastern province (Kenyan Central Bureau of Statistics, 1996a). Despite Nyanza having Kenya's lowest life expectancy and highest rate of infant mortality, it received very low resource allocations, either in raw figures or per capita or per square kilometer. A government that was targeting low life expectancy or high infant mortality would indeed allocate away from Kenyatta's base, but it would not direct many additional resources to Moi's areas.

Figure 4–6. *District hospital spending on Moi's base. District hospital spending on Kenyatta's base. District hospital spending on the rest of Kenya.*

In sum, budget line-items on roads and health, which are the only budget lines which include sub-national geographic data, show a clear bias in GOK funding and project aid in favor of Moi's base. The bias toward Moi's base in aid for roads was fairly consistent throughout the time period, though donor projects increasingly shifted away from Kenyatta's base as time went on. There was also a bias toward Moi's base in aid for curative health, though the figures for health are lumpier and therefore more difficult to interpret.

(c) *District-level allocations*

The original grouping of provinces into Moi's regions (Western and Rift Valley) and Kenyatta's regions (Central and Eastern) was constructed "using the overlap between ethnic groups and regions" (Morrison, 2011, p. 737). The provincial-level analysis of resource allocations highlights prominent differences in funding to the various regions, and important time trends, but it is rather crude. In particular, certain parts of Rift Valley were not part of Moi's ethnic base. This section uses a subset of the main dataset that contains information on district-level allocations to show that, at a district level, donor-funded aid and GOK resources also favored Moi's ethnic areas and the ethnic areas where he attempted to curry favor. All of the funding (GOK and donor) in the previously used health dataset contained district information. One-third of all road aid and three-quarters of all GOK road funds also listed the district to which the funds were allocated.¹¹ The number of districts changes over the time period, and where possible split districts were merged back to the 1989 districts for the analysis.¹² The 1989 census recorded district-level information on ethnicity. This information was used to code the largest ethnic group for each district. I also use data on population, area, the percentage of the district with access to electricity for lighting, and infant mortality from the 1989 census.¹³ 1989 census figures were collected before 1989, which reduces fears of endogeneity. Population, area, and all resource figures are in thousands and all metric independent

variables are logged. The dependent variable in all regressions is measured in thousands of 1989 Kenyan shillings. In this time period, Moi's ethnic coalition was made up of the Kalenjin, Masai, Luhya and a small and shifting coalition of other ethnic groups (Cohen, 2001, p. 91).¹⁴ If Moi's government was able to influence project aid, then the Masai, Luhya, and especially Moi's own group, the Kalenjin, should have been favored.¹⁵

We can see evidence of district-level ethnic favoritism by scanning the data for the Rift Valley. Moi wanted to direct resources to Masai and especially Kalenjin areas of the province, which suggests that if he had influence then funds should not go overwhelmingly to the northern part of Rift Valley (which is primarily Turkana). Instead, funds should concentrate in the central area of Rift Valley and in the southern, Masai areas. This pattern is indeed borne out, as district-level donor resources are concentrated around Narok (predominantly Masai), Kericho (predominantly Kalenjin), Nakuru (the capital, Moi had a home here), and Uasin Gishu (the district next to Moi's birthplace, home to Moi University, and ethnically favorable to Moi). GOK funds concentrate in similar areas, but include high spending in Baringo (Moi's birthplace) and Kajiado (predominantly Maasai). There is notably less donor and GOK spending in the northern regions of Turkana, West Pokot, or Samburu. The regression results below present a formal analysis of these patterns.

The dependent variables all have a large fraction of observations with values of zero, so initially a tobit model is estimated. Each regression includes dummy variables measuring if the Kalenjin, Masai, or Luhya are the largest ethnic group in the district and each controls for population, the size of the district, infant mortality rates, and the fraction of the population with electric lights. The latter two variables are aimed at capturing measures of need, with lights standing in as a proxy for levels of infrastructure. Table 2 shows the results when estimating a tobit model with a time trend. The most important single result is that Masai and Kalenjin favoritism exists in both GOK and aid spending on roads. Conditional on road

Table 2. *District-level resource distribution (tobit)*

	(1) Aid roads	(2) Aid health	(3) GOK roads	(4) GOK health
log population	1,991.17*** (723.32)	-63.12 (66.02)	441.70*** (132.21)	115.23 (80.26)
log area	879.85 (567.94)	-94.66 (67.83)	-31.06 (130.63)	44.45 (38.26)
Infant mortality rate	11.58 (22.03)	-1.56 (1.63)	-4.13 (4.26)	-0.64** (0.27)
Electric lights	41.30 (45.84)	-13.61* (8.00)	-36.37** (15.96)	-0.86 (1.52)
Kalenjin	2,298.37** (1,013.35)	-33.92 (45.46)	954.36*** (148.06)	70.38*** (17.85)
Masai	3,404.21** (1,558.96)	158.73* (88.24)	2,000.66*** (223.95)	-115.25** (50.99)
Luhya	529.15 (985.38)	2.18 (121.57)	19.83 (290.62)	240.67* (139.43)
Time	275.96* (154.94)	-21.62** (8.89)	-104.99** (44.85)	-39.93** (19.12)
<i>n</i>	246	246	246	246

Robust standard errors clustered on provinces.

*** $p < 0.01$.

** $p < 0.05$.

* $p < 0.1$.

aid being larger than zero, Masai plurality districts get about 900,000 shillings more than otherwise expected. The effect for the Kalenjin districts is about 500,000. For GOK spending, the Masai effect is about 100,000 shillings larger and the Kalenjin effect is about 100,000 smaller. Both the donors and the GOK give more road aid to larger districts, and the GOK invests less in areas with more electric lighting and presumably better infrastructure. While there are some interesting health-related results, they are more fragile and many do not survive the robustness checks below.

To test the robustness of the results, I now turn to a number of alternative specifications. First, year dummies are added to the model in place of the time trend. This does not substantively change the results. Second, I estimate a random effects tobit model using the same specifications as in [Table 2](#) (reported in [Appendix](#)). The road aid results are quite similar, though the p-value of the Kalenjin dummy rises to 0.053. Targeting of health aid produced only weak results in [Table 2](#) and those results are not present in the random effects model. The determinants of GOK road targeting are somewhat weaker in the random effects model, but the main findings are consistent. The GOK health findings are less robust, but weak Luhya favoritism is present in the pooled and random effects regressions. To further probe the results, I estimate the regressions used to produce [Table 2](#) using OLS.¹⁶ The regressions are first run with a time trend, then with year fixed effects, and then with a lagged dependent variable. In all cases, the Kalenjin, Masai, and Luhya dummies retain or increase their statistical significance.¹⁷ The marginal effects of the tobit model are similar to the OLS coefficients. In the tobit model reported in [Table 2](#), the effect of the Kalenjin being the largest group on road aid (conditional on aid for roads being larger than 0) was 526,000 shillings. The OLS coefficient for a similar specification is 443,000. Finally, resource spending is lumpy over time and aggregation removes some large fluctuations. The data were aggregated first into three equal time periods (1989–90, 1991–92, 1993–94) and then two equal time periods and the previous OLS (year fixed effects, lagged DV, time trend) and tobit regressions were run again. The results are again similar to the results in [Table 2](#). There is consistent favoritism to the Masai and Kalenjin in both aid and GOK spending on roads and less consistent favoritism in health projects.¹⁸

Democratization may have changed patterns of ethnic favoritism ([Burgess et al., 2013](#)), and this may be present in the data under study. This is examined using the data on resources for road construction, which provide the strongest evidence for political targeting of aid. I do not find evidence that ethnic favoritism changed after democratization in 1992. This puts the results of the present study in agreement with [Kramon and Posner's \(2012\)](#) finding that multiparty democracy did not limit co-ethnic favoritism in education in Kenya. However, the limited time span under study in this paper makes it difficult to draw strong inferences from this particular result.

The district-level and province-level evidence both support the claim that aid projects and, less-surprisingly, GOK spending were influenced by Moi's ethno-political calculations. Moi's provinces received far more aid than one would expect based on need, area, or population. When aid resources declined over time, Moi's provinces were largely spared from resource cuts, which were instead pushed on to Kenyatta's provinces. The idea that Moi's areas were favored is further support by the district-level subset of the data. Districts where the Kalenjin or Masai were the largest ethnic group received more aid and GOK resources for roads than districts with

other ethnic groups. While the Luhya also received more GOK spending on health, the health-related regressions are fragile and we should be less confident in their results. The robustness tests reveal that road spending, which in the district-level dataset is about five times larger than health spending, is targeted according to political factors. At both the provincial and the district level, and across time, project aid disproportionately favored Moi's ethnic areas. While donors were cutting program aid to Kenya, project aid was being directed to Moi's base.

(d) *Per-donor allocations*

This final empirical section opens up the 'bilateral' and 'multilateral' categories and examines each donor separately. If favoritism in aid allocations is driven by political concerns on the part of donors, then one would expect that bilateral donors would skew their aid more than multilateral donors, and that multilateral donors would skew more if they are captured by either donor or recipient interests. These two predictions are borne out, with Britain, France, and the African Development Bank directing the most aid to Moi's base. One complication blunting the strength of the bilateral donor analysis is that all of Kenya's bilateral donors specialized in specific provinces. For example, the Japanese worked primarily in Coast Province and the Italians primarily worked in Central. This makes it difficult to draw strong conclusions on the intentions of either Britain or France, which specialized in Rift and Western (but spent more there than other bilaterals spent in other provinces). I first examine the bilateral donors' spending patterns. This subsection presents some suggestive historical information about French and British aid policies toward Kenya and examines one aid project to show how Moi could have skewed bilateral project aid toward his base. The second subsection presents an analysis of Kenya's multilateral donors.

(i) *Bilateral donors*

The bilateral skew toward Moi's base is explained largely by the aid disbursements of France and the UK. Chinese aid helped bias the figures for curative health toward Moi, as they only funded hospital construction in Moi's base, but their total aid disbursements were not particularly large.¹⁹ The following figure shows how the cumulative aid was divided among Kenya's three provincial-level zones. The figures are

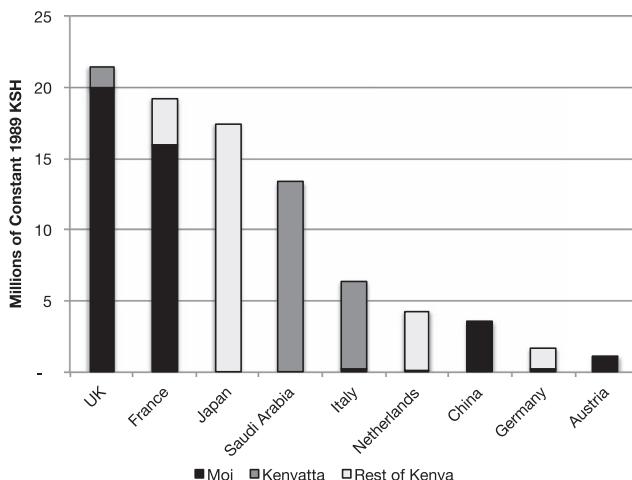


Figure 7. *Summed bilateral aid by zone.*

summed over roads and curative health spending for the six years running from 1989–90 until 1994–95 and they are not normalized for area or population.

Figure 7 shows the result of donors specializing in one part of Kenya. It includes all bilateral donors that gave more than 1 million KSH over the time period. While the UK and France were spending a great deal in Rift Valley and Western, Japan, for example, spent about 17.5 million KSH in the ‘rest of Kenya’ zone. This means that while bilateral donors as a group skewed their aid toward Moi, it remains possible that this was the result of poor communication and coordination between donors and not the result of France or the UK deferring to Moi’s spending preferences. To show how poor inter-donor communication could lead to geographic bias in aid, I examine one project in detail. Again, it is important to remember that donors were closely involved in these aid projects, thanks in part to the A-in-A funding structure.

Project aid limits outright theft of resources, prevents a redirection of resources during construction, and keeps donors aware of where and how resources are being spent. However, Moi could still have skewed resources to his base by selectively approaching donors and creating a geographic skew in aid during the planning phase. This would work if Kenya’s donors were either willing to defer to Moi’s spending preferences or if Kenya’s donors communicated very badly and operated in geographic blocs within Kenya. In the latter case, there is a possibility that some donors could spend more in Kalenjin areas without realizing that they were outspending other donors in other regions. For this to work, it would require Moi or his agents to selectively approach donors and convince them to start projects in areas that were ethnically important to the regime.

While we lack detailed information on most projects in Kenya during this time, one of the better researched projects suggests that Moi was willing to selectively approach donors and bias them toward politically important areas. For example, a year after coming to power in 1978 Moi launched the Arid and Semi-Arid Lands initiative (ASAL). The initiative was aimed at improving the livelihoods of the approximately 30% of Kenya’s population that resided in drier, more marginal parts of the country. Moi’s selection of a pro-poor, equity enhancing development agenda was very likely driven by political motivations, as “the districts in need of ‘welfare and equity’ were those that were part of the ethnic coalition that supported President Moi when he took power in 1978” (Cohen, 1995: 20). The Kalenjin in particular did well by this project, but in an interesting twist one early project was placed a politically important Kamba-dominant district in Eastern Province. This latter ASAL project was secured when several important Kamba politicians within Moi’s clique “put pressure on the EEC delegate and the Vice-President to select their home district for the first ASAL project” (Cohen, 1995: 20). The ASAL initiative was politically quite useful to Moi and by 1991 eight donors were funding a total of 11 ASAL projects across 14 districts. Crucially, in this buildup of projects, the Kenyan Ministry of Planning and National Development (MPND), and Ministry of Agriculture and Livestock Development (MALD) “played a major role in identifying districts and matching them with aid agencies” (Cohen, 1995: 21). One aid worker who was intimately involved in the ASAL projects noted that “the arid areas receiving priority design and implementation advantages were those most closely connected to the President,” and so “it was not by chance that the second, fourth, fifth, and sixth projects designed and funded were located in the home areas of the President and his most influential ethnic supporters” (Cohen, 1995: 21).²⁰

The ASAL project is not a perfect case, as it existed at a time when donor opinion to Moi was much more positive,²¹ however the ASAL project shows that project aid can be biased to politically important areas if the bias occurs early in the planning stage of a project. Bias upstream at the planning stage of a project then precludes the need for downstream deception such as fungibility or theft. The case also shows that Moi was very willing to approach donors to orchestrate ethnic skews in aid. If donors communicate poorly and operate in geographic silos within a country, then a strategic recipient could possibly skew aid to important areas without donors realizing the scope of the skew.

However, some anecdotal evidence cautions against an explanation hinging purely on poor donor communication and recipient strategizing. In particular, both Britain and France provided hints that they were willing to defer to Moi’s spending preferences. For example, all of Kenya’s donors pledged to withhold foreign exchange support in November of 1991, but “France broke donor ranks in July when it announced the forthcoming release of the equivalent of about 650 million Kenyan shillings”²² (Holmquist & Ford, 1992, p. 109). The French were also known to have priorities that differed from the priorities of the rest of the donors, owing to the fact that France gave far more in loans than in grants. French priorities were apparently distinct enough that France often did not attend donor meetings (Hempstone, 1997, p. 313).²³ France at this time was also known to be both less committed to governance reform than the other bilateral donors and more committed to a strategy of aiding and influencing major Anglophone African countries (Cumming, 1995). This strategy is clear in France’s lending patterns. In the latter half of the 1980s, for example, France gave more aid to Kenya than to Benin (Kleemeier, 1991). This suggests that France may have been more willing to at least turn a blind eye to how the Kenyan regime was using its aid than other bilateral donors. To a lesser extent, the UK may also have been wary of playing hardball with Moi. Speaking of the aid cut, “one well placed diplomatic source suggested that donor resolve [was] weakening, particularly on the part of Great Britain and the Netherlands” (Holmquist & Ford, 1992, p. 109). These patterns suggest that France, and to a much lesser extent the UK, may have been willing to defer to Moi’s spending preferences. More research is necessary to untangle precisely what was motivating either donor. It is clear, however, that bilateral donors as a group favored Moi’s base and that this was due to Britain and France spending more in Rift and Western than other donors spent in their own parts of Kenya. If the problem was due in part to a lack of donor communication or coordination, then this kind of problem is likely to be worse today as the pool of donors is larger and more diverse.

(ii) Multilateral donors

Unlike bilateral donors, each multilateral donor tended to provide aid to all parts of Kenya. This reduces the likelihood of communication or coordination failures, as these donors had more knowledge of the total aid landscape. Politically driven favoritism should also be less likely as multilateral donors have fewer clear political interests in recipients. The one exception is the African Development Bank, which was essentially captured by recipient interests during this time and was therefore willing to allow recipient politics to have more influence over aid allocations than equity or efficiency.²⁴

Multilateral donors gave more aid than the bilaterals. Total European Community aid for district health and roads came to almost 90 million 1989 shillings over the six years under study, which is only two million shillings less than *all* bilateral

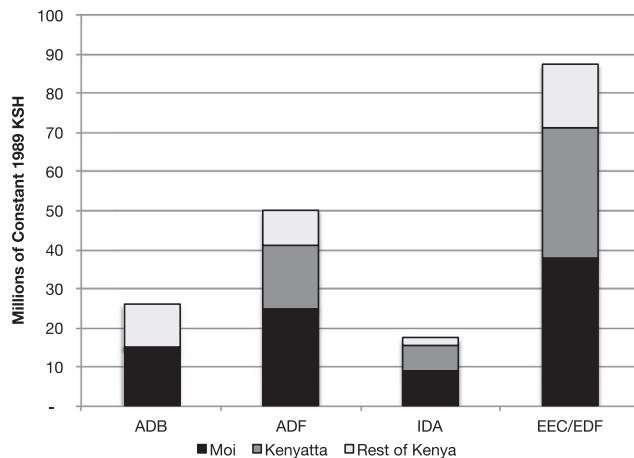


Figure 8. Summed multilateral aid by zone.

Table 3. IDA project lending to Kenya (roads and health)

Year	Total	Ratio of Moi IDA: Kenyatta IDA
1989–90	3,578,598	50.87
1990–91	3,440,663	1.21
1991–92	5,734,831	1.05
1992–93	2,648,000	0.29
1993–94	1,348,051	0.92
1994–95	515,566	1.52

project aid to the same sectors in that time period. Figure 8 shows the distribution of all multilateral project aid for district curative health and roads, summed over all six years and includes all multilateral donors that gave more than 10 million KSH in the time period.²⁵ The figures are not normalized by area or population.

While EEC/EDF project aid was allocated equitably across Kenya, the ADB, ADF, and IDA all allocated at least half of their total aid to Moi's base. Again, Moi's base held 35.1% of Kenya's population and 32.1% of Kenya's area. The fact that the IDA favored Moi is especially interesting, as the US was on exceptionally bad terms with Moi during this time and there is evidence that the US was able to exercise influence over which countries receive World Bank (Andersen, Hansen, & Markussen, 2006) and specifically IDA (Fleck & Kilby, 2006) resources. One possible explanation for this discrepancy is that both of the aforementioned studies examine country-level allocations, while this study examines subnational allocations. Another explanation is that the aggregate picture presented above masks interesting time trends.

Table 3 shows how IDA aid to Kenya for developmental spending on roads and curative health changed over time. It also shows the ratio of funding to Moi's areas against Kenyatta's.²⁶ In four of the six years, the IDA favored Moi, but the bias was only large in 1989–90.²⁷ If 1989–90 is dropped and the remaining years are pooled, then IDA resources actually favored Kenyatta's areas. Thus, as expected, in this time period the World Bank did not favor Moi's base. When donor priorities shifted in the 1990s, the Bank's lending shifted as well.

The spread of the EEC/EDF's funding does not change over time and is equitable in each year. ADF and ADB allocations display only small changes over time, and they generally favor

Moi's areas more as time goes on. ADB/ADF skewing toward Moi is expected, as the ADB's board heavily represented recipient interests and at this time the ADB had a reputation for favoring recipient demands over efficiency or equity.

Finally, I examined GOK funds in the same sectors over the same time period. This provides a useful comparison, as these were funds that the GOK controlled exclusively.²⁸ Here we see the expected landslide in favor of Moi's base. Across both sectors and all six years, Moi's base received 86 million 1989 shillings. This was 64% of all relevant GOK resources and about double what one would expect based on the size (in population or area) of Moi's base. Kenyatta's base came in second with 32 million 1989 shillings, or 24% of resources, and the rest of Kenya received 15 million shillings or about 11% of all resources. As a final point of comparison, 47% of bilateral aid for both sectors over the six years went to Moi's base. The figure for multilateral aid is 46%.

5. CONCLUSION

During the late 1980s and early 1990s, when program aid was being cut by donors, project aid was biased toward the areas of Kenya that formed President Moi's political base. The fact that carefully monitored projects were targeted in this way strongly suggests that the Kenyan regime was not somehow deceiving donors when it allocated aid, but rather that the Kenyan regime was able to strike favorable deals with donors under unfavorable circumstances. Because of a combination of Moi's political acumen and donor capitulation, project aid became patronage. This bias was most present in aid for roads and among select bilateral donors and the African Development Bank. It was least present among the EC/EU. The article also introduced a unique dataset of project aid to Kenya. While others (Barkan & Chege, 1989; Morrison, 2011) have used provincial-level geographical information from Kenyan budgets in analyses of GOK spending priorities, this is the first time that district-level information and information on the source of funding was analyzed.

The study has a few limitations. First, it only examines two sectors and it is possible that these sectors are not broadly representative of other sectors in Kenya (Kramon & Posner, 2013). Second, there is uncertainty around the drivers of health spending, as the results there were inconsistent across regressions. The study also is limited to a period without presidential turnover. Thus while it appears that the British and French favored Moi's base, it remains possible that they simply favored Rift and Western. Again, a more complete and longer dataset would help to test this particular claim about the motives of individual donors.

The presence of recipient influence over project aid in Kenya in the early 1990s provides us with three theoretical insights. First, it offers a potential resolution to the micro-macro paradox of foreign aid (Mosley, 1986). The paradox, originally unearthed using Kenyan data, is that micro-level evaluations of individual aid projects tend to find success but macro (often cross-country) analyses of aid and economic growth tend to find no relationship.²⁹ This finding is less puzzling if one accepts that individual projects may be successful but that they may not be allocated in an attempt to maximize national economic growth. This seems to have been the case in Kenya and that makes it much less likely that the individual successes of aid projects will aggregate into positive national outcomes. Put differently, a lot of successfully built roads may not help national growth if they are built in areas that are politically—but not economically—important. The individual

projects may have succeeded, and some key constituencies may enjoy these roads, but this alone does not ensure that the roads will improve the national economy. This explanation may not resolve the paradox everywhere, but it is one possible solution to the problem and it does offer an explanation of the paradox in Kenya.

Second, much of the research on how aid recipient governments respond to project aid has focused on the question of fungibility. While fungibility and embezzlement were problems in Kenya, Moi did not have to adjust his spending around donor projects because he was able to influence the location of donor projects directly.³⁰ Thanks to this targeting of aid, donor projects were turned into another form of patronage. Research on the interactions between recipient politics and foreign aid has probably focused too heavily on deception-based concerns such as fungibility. Giving aid in the form of projects

may guarantee lower levels of embezzlement, but it does not guard against political targeting.

Finally, the results show that the domestic political strategies of aid recipients are probably more important than academics or policy makers believe. Even when donors are in clear positions of power, as in Kenya in the 1990s, the Kenyan government was still able to direct project aid to key constituencies. Moi may have bent to the donors' will on the issue of multiparty elections, but he clearly had the upper hand in allocating resources, including the ability to allocate donor resources before the 1992 election. Moi struck these favorable bargains at a time when Kenya's international status was declining, when Kenya's relationship with many donors was tense, and when donors were cutting other forms of aid to Kenya. The fact that the Kenyan government could strongly influence project aid allocations in the mid-1990s suggests that more recipients will be capable of such actions today.

NOTES

1. Moi had a strong preference for deals directing resources to his base, but during this time period many factors suggest that he should have failed to realize this preference.
2. [Levy \(2002\)](#) colorfully refers to these cases as producing "Sinatra inferences" because, "if I can make it there, I can make it anywhere."
3. [Dunning \(2004\)](#) provides evidence that donors behaved differently after the Cold War and that aid has a positive effect on democracy in Africa only in the post-Cold War period.
4. I use approved estimates of expenditure, which are much closer to actual allocations than the initial or forward estimates. Actual figures would have been preferable to approved estimates, but these were not reported sub-nationally for any ministry in this time period.
5. While this provincial-level division is admittedly crude, it allows the full use of the dataset. This division into Moi's and Kenyatta's areas is also standard in the literature. After examining the provincial-level data, I complete a more formal analysis of ethnic favoritism using the subset of the dataset that has district-level information. The district-level analysis strongly supports the provincial-level analysis.
6. The ethnic logic behind this finding is elaborated in [Cohen \(1995\)](#), [Cohen \(2001\)](#).
7. This includes district-level spending on minor roads and provincial-level spending on major roads. However, both categories independently displayed similar patterns.
8. This is generally only true once each part of the country reaches some nominal population, which exists across Kenya. Even if it is believed that the size of the population is important, it will not affect the comparison between Moi's base and Kenyatta's base, as their population figures are similar. In addition, if I normalize according the population the results are the same. Finally, if I do not normalize the figures then the skew to Moi's base is larger.
9. The IDA also lent a small amount in 1994–95 for district hospitals.
10. Moi's base has only 35% of Kenya's population, so this is much larger than expected. Moi's base also ended up with 56% of all GOK resources for developmental curative health in 1994.
11. The remaining road spending lists only the province.
12. The splits usually occurred later in the time period and generally merging split districts was straightforward. Thika district was merged back into Kiambu, Nyamira was merged into Kisii, Homa Bay was merged into South Nyanza, Elgeyo was counted as funding toward Elgeyo Marakwet, and Vihiga was part of Kakamega. I was unable to find a match for a small amount of resources to a small number of districts. The unmatched resources were 0.003% of the total resources in the district-level subset of the data.
13. Infant mortality is per 1,000 live births.
14. The Kalenjin, Masai, or Luhya were the largest group in 75% of all districts in Rift Valley or Western province.
15. One may wonder why I do not use 1992 election returns instead of ethnic information when measuring Moi's base of support. The 1992 election returns were not used because in many districts they were clearly fraudulent ([Throup & Hornsby, 1998](#)).
16. For a discussion of using OLS with limited dependent variables, see [Angrist and Pischke \(2009\)](#), p. 94–107.
17. Of particular note is the fact that the OLS models explaining health aid and GOK health spending produce statistically significant positive coefficients for the Kalenjin dummy. The regression with a lagged dependent variable reduces the magnitude of the ethnic dummies, but they remain both statistically and practically significant.
18. I also clustered the standard errors in the regressions used to produce [Table 2](#) on the province, province-year, and district. As before, the road aid regression is the most consistent and the health regressions are least consistent.
19. China funded the construction of one hospital in Uasin Gishu, in Rift Valley. Austria and Finland also favored Moi's base, but their total disbursements were quite small.
20. For more on ASAL, see [Cohen \(1995\)](#), [Cohen \(2001\)](#), [Jablonski \(2014\)](#), and [Wiggins \(1985\)](#).
21. [Cohen \(1995\)](#), [Cohen \(2001\)](#) asserts that Kenya's donors were well aware of the ethnic politics underlying the geographic placement of ASAL projects.
22. This was about equal to 9 million USD.

23. Not attending donor meeting likely also resulted in poorer communication between France and the other donors.

24. This is broadly known, but was confirmed in a June 5, 2011 interview with Peter Eigen, the World Bank's Director of the Regional Mission for Eastern Africa during 1988–91. He noted that while it is much better now, in the early 1990s the ADB was "totally subservient to the short-term wishes and interests of the politicians in the [recipient] countries." This sentiment was confirmed in discussions with other World Bank staff members working in the region at the time.

25. The major multilateral donors that were cut were BADEA (the Arab Bank for Economic Development in Africa) and the IBRD. Both gave aid only to Kenyatta's base, but the cumulative total for both donors is less than 10 million 1989 KSH. OPEC also gave 50,000 shillings in 1989 and this was split between Moi's base and the rest of Kenya.

26. The table takes advantage of the fact that Moi's and Kenyatta's zones are of similar size and population and so directly presents the ratio of aid to Moi's base relative to that of Kenyatta's.

27. The bias in 1989–90 is due to the fact that the IDA funded one large road construction project around Narok and Kericho.

28. Some of these funds are counterpart funds for projects, which means that the GOK did not have complete control over their allocation. Identifying counterpart funds is not always straightforward, but when I remove the counterpart funds that I was able to locate, and only look at the road and health line-items that were completely funded by the GOK, then the percentage of GOK funds allocated to Moi's base increases to 71%.

29. This literature is plagued by empirical problems (Roodman, 2007). A recent meta-analysis examined 105 papers and 1,217 estimates of aid effectiveness. They found that about 30% of all papers found a positive effect of aid on growth. Their meta-analysis showed that on average aid does not increase economic growth (Doucouliagos & Paldam, 2008, 2011). For a critique and response to the meta-analysis, see Mekasha and Tarp (2013) and Doucouliagos and Paldam (2013). For further discussion on aid and growth, see Wright and Winters (2010).

30. There is evidence of fungibility in the Kenyan case as well, especially at the district level, but the surprising finding is that the donors allocated projects according to Moi's political priorities. It is also worth noting that this targeting seems to require aid to move through the Kenyan state. If aid moves through NGOs then it will likely be less influenced by politics, as Kenyan NGO location is not influenced by political factors (Brass, 2012).

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APPENDIX A.

Table 4.

Table 4. District-level resource distribution (random effects tobit)

	(1) Aid roads	(2) Aid health	(3) GOK roads	(4) GOK health
log population	2,093.10** (1,000.97)	−50.99 (119.72)	424.29* (231.61)	120.98*** (42.55)
log area	966.60 (838.57)	−82.66 (95.73)	−113.06 (196.31)	47.29 (35.40)
Infant mortality rate	16.16 (23.02)	−1.54 (2.98)	−6.06 (5.78)	−0.68 (1.06)
Electric lights	80.98 (92.31)	−11.42 (11.71)	−50.41* (28.29)	−1.44 (4.58)
Kalenjin	3,620.46* (1,868.93)	−100.48 (253.46)	848.67* (470.73)	61.83 (89.95)
Masai	5,027.75** (2,520.28)	90.73 (376.68)	2,080.27*** (724.09)	−99.25 (139.90)
Luhya	538.93 (2,462.09)	64.05 (299.71)	−79.95 (616.07)	220.54* (114.63)
Time	358.64*** (131.72)	−21.92 (16.89)	−121.91*** (29.13)	−39.74*** (9.82)
Observations	246	246	246	246
Number of Districts	41	41	41	41

*** $p < 0.01$.** $p < 0.05$.* $p < 0.1$.