What Does Donor Conditionality Do?
Causal Evidence from Kenyan Electrification

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Abstract: Multilateral organizations often impose procedural conditions on the use of financing they provide low- and middle-income countries, but what do these do in practice? While this question has been fiercely debated by governments, multilateral organizations, and academics, it is difficult to answer causally due to the endogeneity of project choice and the relatively small sample size of projects funded via multilateral financing. To provide causal micro-evidence on this topic, we leverage an unusual feature of Kenya's recent nationwide electrification program: the quasi-random allocation of multilateral funding sources across nearby villages. We conduct detailed on-the-ground engineering assessments of transformers, conductors, and poles; collect minute-by-minute household-level outage and voltage data; and conduct household surveys on connection quality and usage. We find that relatively burdensome World Bank contracting procedures delayed the start of project construction at the average site by 10 months relative to African Development Bank funded projects. The World Bank's pole inspections significantly improved on-the-ground pole quality; impacts on other construction quality and household outcomes are generally positive but modest in magnitude and not significant. To disentangle the roles of two key dimensions of donor conditionality—contracting steps versus audits—we implement a randomized audits scheme mimicking the latter, and find that this modestly improves household connectivity and electricity usage at relatively low cost and without further delays. In this context, combining rigorous audits with more streamlined upfront contracting could potentially improve project outcomes, though a less stringent contracting process may exacerbate the risk of leakage.