7

Conclusions

Understanding Democracy in Aid-dependent Countries

The Malawian economist Thandika Mkandawire, coined the term "choiceless democracies" to describe the Third Wave of aid-dependent democracies. He pointed out that, at the same time donors were funding electoral reforms in the 1990s, they were eroding sovereignty and electoral accountability by creating major alternative, off-budget, and non-transparent sources of finance and public spending that were insulated from parliamentary oversight and control. He argued that the result was that "fear of donor demands rather than citizens' wishes" were shaping government policy with the result that politicians were more accountable to foreign than domestic publics.[1]

Mkandawire's description of choiceless democracy, in many ways, still reflects politics in aid-dependent democracies today. Foreign aid continues to erode political choice and circumvent parliamentary sovereignty. Evidence from surveys and interviews in Malawi especially demonstrates the limited scope politicians have to shape constituent welfare without the support and goodwill of donors. Likewise, the evidence in Chapters 5 and 6 demonstrates that voters and politicians often lack sufficient information needed to effectively monitor what donors are doing in their area or to hold donors accountable for their actions. This erosion of choice is further fuelled by the unwillingness of many donors or Non-governmental organizations (NGOs) to meaningfully consult with elected public officials or report on their actions, particularly outside the halls of ministry offices.

[1] Mkandawire 1999, 2010.

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Nonetheless, this book also demonstrates some ways in which politicians have retained choice. Despite declining budget support and government ownership over aid, politicians and governing officials are still able to bargain favorably with donors and NGOs as a way to shape service delivery and earn political credit for improvements in public welfare. These bargaining efforts shape where and how foreign aid is delivered and help politicians attract votes and win elections. The consequences of aid for elections also imply that voters retain some agency in determining how aid is spent. Nonetheless, this reliance on donors has, in a real way, transformed what democratic governance means. Despite politicians having little institutional authority over donors, many politicians see their role more in terms of influencing and monitoring donors and NGOs than affecting legislative action. For example, I show in Chapter 2 that, when asked about their responsibilities and achievements, many interviewed councilors and MPs in Malawi spoke more about monitoring donors and delivering donor-funded projects than about legislative actions. While there is considerable variation, some politicians claim to work and meet with donors more than they meet with citizens or other parliamentarians. Even in making more traditional governance decisions, I demonstrated in Chapter 6 that politicians consider what donors do, and try to balance the effects of donor and government spending on citizen welfare.

The role of donors in service delivery has also changed how *voters* think about governance. Many likewise see meeting with and lobbying donors as part of a politician's role and as something that should matter for their assessment of politician performance. For instance, the evidence from Chapter 5 demonstrates that voters in Malawi condition their views of politician performance on what foreign NGOs do in their community. These estimated effects of donors on voter beliefs and behavior are large enough to change election outcomes in many aid-dependent democracies.

In light of this, I propose an alternative conceptualization of elections and accountability in aid-dependent democracies. Donors – much like parliaments and more traditional democratic actors – are an important, and sometimes the most important, means for politicians to deliver resources to citizens in highly aid-dependent democracies. Because of this, voters condition their assessments of incumbent performance not just on legislative action, but on how foreign aid is spent in their community and on their beliefs about the role that politicians have played in influencing that spending.

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I argue that there are two features of foreign aid that make these voter assessments particularly challenging. The first is a lack of transparency. Much donor spending is not formally budgeted and does not go through parliamentary appropriations. This, combined with a high degree of complexity in budgeting, procurement, and delivery, means that voters and politicians often lack credible sources of information about how foreign aid is spent or about the role of government offices in shaping that spending. The second feature is coproduction. Many decisions about foreign aid spending (and indeed government spending) result from bargaining between government officials, donors, NGOs, and bureaucrats. This means that voters cannot easily make inferences about politician performance and preferences from observing development spending.

In Chapter 3, I show how electoral behavior changes when these features are included in models of retrospective voting. Specifically, I reconceptualize the problem of electoral accountability in aid-dependent democracies as an agency problem with incomplete information and co-production. Like in any democracy, citizens try to reelect those incumbents that work hard for their interests; however, they lack information about the terms of aid projects and the relative role of politicians, donors, and other stakeholders in making development decisions. I show how this implies that voters will often make inaccurate inferences about politician performance from aid, and that the effect of foreign aid on electoral outcomes will depend upon the gap between voters' expectations of politician performance and aid spending outcomes.

This uncertainty and bias in voter beliefs can indeed be bad for accountability. Foreign aid can cause citizens to vote against their interests and to undeservedly credit or punish politicians for what are in fact the actions of donors. This uncertainty can also give politicians scope and incentives to mislead voters about their role in aid delivery. These adverse effects are greater the less information voters have about aid spending and the less control politicians have over the aid spending process. Evidence from panel surveys and experiments in Chapter 5 confirms that voters make inaccurate inferences about politician effort and that the effects of aid on voting are conditional on voter beliefs.

At the same time, foreign aid can improve accountability by increasing the visibility of politician effort. One of the greatest challenges politicians in fiscally constrained settings face is simply doing anything for their constituents. Budgets for nonrecurrent expenses are scarce, especially for politicians who are lower in the political hierarchy. This means that

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politicians, however, noble their ambitions, can struggle to campaign on any accomplishments. Surveys with Malawian voters in Chapter 5 illustrate how extreme this problem can be: Only 9 percent of respondents who had benefited from a council project were aware that the incumbent councilor had done anything at all. However imperfectly, foreign aid is therefore an important tool for many politicians to signal to voters that they are, in fact, working on their behalf, and politicians often point to NGO and donor projects as main accomplishments when they are talking to voters.

The scale of these uncertainty and visibility effects will depend a lot on how foreign aid is delivered. When voters are well-informed about politician effort, and foreign aid provides a strong signal of that effort, then foreign aid should generally be good for accountability. When voters are misinformed, and foreign aid spending decisions do not reliably signal politician effort, foreign aid can make it harder for voters to hold politicians accountable.

7.1 POLITICS BEYOND MALAWI

Much of the evidence in this book comes from Malawi. While in some ways the situation faced by politicians, voters, and donors in Malawi is similar to other aid-dependent democracies, there are also ways in which these circumstances are more unique. The budgetary situation faced by the Malawi government is especially dire and donor dependent. Malawian ministries are largely reliant on unstable revenue from agricultural taxation and foreign budget support for delivering services. Donors have historically played a critical role in filling the gaps left by government service provision. Among other consequences, this gives donors considerable bargaining power over the government. Malawi is also somewhat unique (though certainly not alone) in the fragmentation and decentralization of the aid environment. Due to donor concerns about corruption, donors have empowered NGOs in the aid delivery process and limited government ownership. How might the effects of aid on electoral behavior differ in other aid-dependent democracies?

This is a difficult question to answer; however, the theory in this book suggests a couple important scope conditions for the argument. First, the argument requires that politicians have a say in the distribution of aid funds – and are recognized to have a say by voters. Further, when we

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see variation in government ownership, this will affect the direction and scale of the electoral effects of aid. When voters are less likely to believe that politicians influence aid delivery, we will tend to see smaller electoral effects of aid. When voters are more likely to expect politician influence, we should see larger effects.

I have provided some evidence that incomplete government ownership is a norm in most of the world's poorest democracies. Both donors and governments have explicit requirements for government consultation and oversight. Moreover, survey evidence from a wide variety of contexts confirms that voters see politicians as playing a key role in the delivery of foreign aid funds.[2] There is nonetheless variation on the extent to which donors give politicians control and ownership over aid.[3] Voter beliefs about government ownership will also be affected by the modality of aid. In the case of programmatic, or budgetary aid, for instance, voters may assume more government ownership than when aid is delivered as independent projects or through NGOs.

A second scope condition for the argument is that voters have incomplete knowledge of the relative role of donors versus politicians in development. It is difficult to assess cross-country variation in voter knowledge of government involvement in aid; however, given the complexity of donor ecosystems in many aid-dependent countries, it is reasonable to assume this as a general truth. Indeed several country-level studies document that aid recipients most often struggle to identify the source of aid funds.[4] That said, voter knowledge will likely depend a lot on how foreign aid is delivered. In contexts like Malawi or Zambia, where much aid is delivered through NGOs, for instance, voters are likely to have less knowledge about the source of aid funds than in contexts where aid delivery is more centralized. Where citizens have more knowledge, we would expect voters to be able to make more reliable inferences about politician performance. This could make aid more politically valuable and reduce adverse effects on accountability.

I am aware of only one cross-country survey that attempts to get at voter beliefs about the relationships between governments and

[2] Jablonski 2014; Springman 2023; Guiteras and Mobarak 2015; Baldwin and Winters 2023; Ijaz 2025; Briggs 2012; Cruz and Schneider 2017; O'Brien-Udry 2021.

[3] Dietrich 2021; Swedlund 2017b.

[4] Dietrich, Mahmud, and Winters 2018; Cruz and Schneider 2017; Blair and Roessler 2021; De Juan, Hofman, and Koos 2023.

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international donors. In 2008, Afrobarometer asked citizens across 20 African countries whether international donors and NGOs had "too little, too much, or about the right amount of influence" over their government. While not a perfect measure, this question should offer an indication of how much power their government has over donors. Additionally, Afrobarometer asked respondents how much international donors and NGOs "help your country." Responses to this question should give us an indication of citizen beliefs about their country's and government's dependence on donors.

The results suggest that citizens in Malawi are about average in terms of their beliefs about donor influence and dependence. I summarize the data in Figures 7.1 and 7.2. Malawians are more likely than Kenyans, Nigerians, or Botswanans to say they have too much influence. However, if we look at countries at the more extreme end of donor dependence – Lesotho, Zambia, Madagascar, and Mozambique – citizens are more likely than Malawians to say that donors have too much influence. Likewise, Malawians are about average among African countries in how they view the scale of donor help to their country.

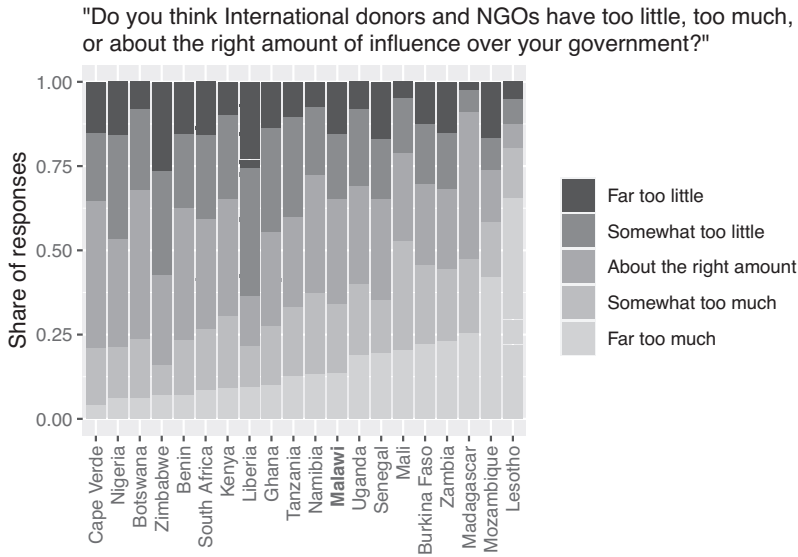


FIGURE 7.1 Citizen beliefs about donor influence
Note: This figure shows average responses to the question "Do you think that each of the following has too little, too much, or about the right amount of influence over your government: International donors and NGOs" in round 4 of Afrobarometer (2008). Excludes "don't know" and "refused" responses.

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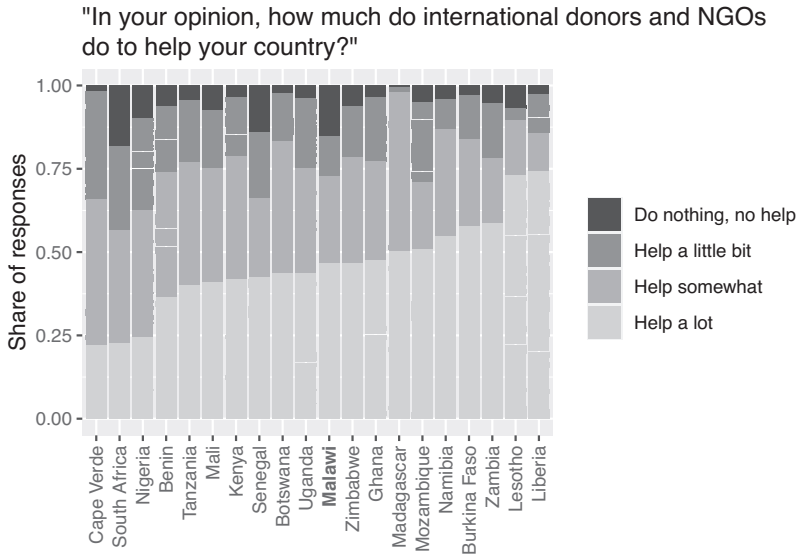


FIGURE 7.2 Citizen beliefs about donor help
Note: This figure shows average responses to the question "In your opinion, how much do each of the following do to help your country, or haven't you heard enough to say: Other international donors and NGOs (apart from the United Nations)?" in round 4 of Afrobarometer (2008). Excludes "don't know" and "refused" responses.

7.2 POLICY IMPLICATIONS

Sometimes officials at donor organizations see working with politicians as a sort of necessary evil: important for building capacity and sustaining development, but often a source of corruption and mismanagement. For instance, a senior official at a major international charity in Malawi said the following when asked about balancing political interests in development:

> What I have seen in campaigns is that Constituency Development Fund (CDF) projects become more of a concern [than foreign aid]. [Politicians] do not use it usually for the right projects. I think it is not a good thing. A politician is not a development practitioner. It has no strong monitoring system. The money would be better with an NGO.[5]

Similar concerns about misuse have contributed to a decline in government ownership over aid. The amount of aid channeled through the public sector in low-income countries has declined from an estimate high

[5] Interview A6; see Appendix A.

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of 54 percent of aid in 2010 to 41 percent in 2021. The amount of budget support has likewise declined from 9 percent to 7 percent over the same period.[6] These shifts away from local ownership are often justified as a way to improve aid effectiveness and reduce mismanagement or corruption.[7] At the time of writing, concerns over misuse are also being used by governments in the United States and the United Kingdom to justify substantial cuts to foreign aid.

In some ways, the data in this book affirm these concerns about government control.[8] Politicians often do not select the "right projects" in the sense that they do not make decisions wholly on the basis of public welfare. This point is especially clear from Chapter 6, where I document the fact that politicians very frequently advised an international NGO to spend substantially more on schools with attending family members and in places where they received more votes. The evidence in Chapter 4 likewise affirms that politicians in a range of contexts advise donors to favor their (often more well-off) copartisans.

Yet this book also highlights the costs of going with an NGO rather than the government. While there might be short-term welfare gains from limiting government ownership, there are potentially longer-term consequences for electoral accountability. When governments have more ownership over aid spending, aid spending will be more reflective of politician preferences and effort. As long as voters are well-informed about how aid is delivered, this can decrease the ability of politicians to mislead voters through credit claiming and can improve voters' ability to assess and sanction politician performance.

In Chapter 6, I also highlight another cost of limiting government ownership. In aid-dependent democracies, effective policymaking requires coordination with donors. Yet I show that Malawian politicians do not receive enough information and consultation from donors and NGOs to coordinate effectively. Further, I show evidence that these information gaps are large and contribute to less equitable policymaking. What this means is that even if limiting government ownership improves the effectiveness of aid, it may come at the cost of less effective coordination and government policy effectiveness.

[6] OECD 2024.

[7] Winters 2014; Dietrich 2013; Gibson, Ostrom, and Shivakumar 2005.

[8] For discussion of some of the debates over government ownership see Honig (2018), Armon (2007), Gibson, Ostrom, and Shivakumar (2005), Easterly (2014), and Swedlund and Lierl (2020).

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That said, this argument does not necessarily favor involving more government stakeholders into the aid decision-making process. Involving more governmental (or nongovernmental) stakeholders in the aid delivery process without also centralizing oversight and control risks exacerbating some of the attribution and visibility challenges discussed in Chapter 3 by making the chains of attribution more complex and varied. From the standpoint of electoral accountability, what is important is to clarify responsibility for development decision-making, not adding new layers of authority. To improve democratic accountability, this argument favors forms of aid delivery that provide formal and transparent decision making power to politicians, parliaments, and councils. This could, but does not have to, involve forms of aid delivery like budget support and programmatic aid that are centrally managed and formally in-budget.

This book also challenges the idea that international development policy is ever truly apolitical. Many donors have an explicit policy of not interfering in domestic politics. For instance, The World Bank's articles of agreement state: "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned."[9] Likewise, influential studies have argued that the political effects of aid depend on donor intent or fungibility.[10] While not denying the importance of donor intent, the findings in this book suggest that foreign aid will almost always have consequences for political behavior and elections. Even when aid is channeled away from the government, there remains considerable scope for voter uncertainty about the role of the government. To some extent, by trying to avoid politics and corruption, donors may do particular harm to democracy by decreasing the visibility of politician effort and increasing voter uncertainty about the role of the government in public welfare.

[9] World Bank 2012.
[10] Bermeo 2016, 2011; Morrison 2014; Altincekic and Bearce 2014.

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