Foreign Aid and the Performance of Bureaucrats[1]

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Abstract Although much work examines foreign aid's impact on development outcomes, its effect on bureaucracies—institutions that are key to development and profoundly influenced by aid interventions—remains understudied. I argue that project aid channeled through recipient governments alters financial and social aspects of work over which bureaucrats hold salient preferences, generating trade-offs that drive bureaucrats to redirect effort from routine work toward donor-funded initiatives. Drawing on interviews, surveys, and experiments with more than 600 Ugandan bureaucrats, I find that despite preferring government funding and autonomy, bureaucrats are drawn to better-paid aid projects, thus diverting effort away from regular duties. They also prefer departments with substantial donor funding even if it undermines the equity and teamwork they value. These findings provide micro-level insights into the unintended consequences of external development assistance: the same incentives that boost performance on discrete donor-funded projects divert effort from government programming and erode organizational cohesion.

Questions surrounding international aid's ability to promote economic development and strengthen institutions have lingered for decades. These concerns have intensified amid the abrupt overhaul of the international aid system, which has brought massive funding cuts and a fundamental shift in donor-recipient relationships.[2] A key concern in these debates is whether foreign aid erodes state capacity. Critics argue that foreign aid undermines institutional development by weakening accountable governance, crowding out tax capacity, and hindering reform efforts.[3] Yet the mechanisms linking aid to institutional change often remain underspecified. Scholars have thus called attention to a persistent "black box" in aid-effectiveness research.[4]

1. This study received exempt approval from Duke University's IRB and in-country IRB approval from Makerere University College of Humanities and Social Sciences (MAKSSREC 03.2023.633) and Uganda National Council of Science and Technology. It was preregistered with EGAP (registration ID: 20230808AA).

2. "Aid Cannot Make Poor Countries Rich," *The Economist,* 6 March. Available at <https://www.economist.com/finance-and-economics/2025/03/06/aid-cannot-make-poor-countries-rich>. OECD 2025; US Department of State 2025.

3. Bräutigam and Knack 2004; Busse and Gröning 2009; Djankov, Montalvo, and Reynal-Querol 2008; Eubank 2012; Heckleman and Knack 2008; Morrison 2009; World Bank 2013.

4. Bourguignon and Sundberg 2007; Ramalingam 2013.

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I partially attribute the persistence of this black box to an important, but largely overlooked, aspect of the aid effectiveness literature: bureaucracy. Bureaucrats are linchpins of state capacity and development programming, yet we know relatively little about how aid affects their work.[5] They develop and implement policies, and deliver core state services such as tax collection, healthcare, and education. A substantial body of literature demonstrates how various features of the bureaucracy impact development outcomes, from increasing growth and reducing corruption to equitably delivering public services.[6] Beyond formal structures, bureaucrats' own preferences and motivations substantially influence service delivery outcomes.[7] Yet aid effectiveness research has not paid sufficient attention to how foreign aid interventions reshape the incentive structures of the bureaucrats who implement project aid channeled through the government.

Around 60 percent of official development assistance is channeled through public sector institutions in donor and recipient countries.[8] The remaining principal recipients—NGOs and multilateral organizations—frequently collaborate with government institutions to execute development agendas. Thus despite efforts at state circumvention, the operationalization of international development agendas relies substantially on the state.[9] This institutional reality, where international actors with distinct policy priorities inject significant resources into fiscally constrained bureaucracies, creates complex incentive structures with important implications for administrative behavior and organizational efficacy.

I argue that the channeling of aid projects through recipient government bureaucracies can undermine state-led programming by altering attributes of work, including financial and social dimensions of work, over which bureaucrats hold salient preferences. This generates trade-offs that drive bureaucrats to redirect effort from routine government functions to donor-funded initiatives. I focus on bureaucrats' preferences for work attributes at both the individual and organizational levels. At the individual level, I examine bureaucrats' preferences for financial incentives, implementation discretion, and goal ownership. At the organizational level, I examine bureaucrats' preferences for differential donor exposure, equity in resource distribution, and intra-departmental coordination. These features of work are predictors of work satisfaction, performance, and the quality of services delivered.[10]

5. Besley et al. 2022; Brierley et al. 2023.
6. Dahlström, Lapuente, and Teorell 2012; Evans and Rauch 1999; Xu 2023.
7. Khan, Khwaja, and Olken 2019; Perry, Hondeghem, and Wise 2010.
8. OECD 2024b. This figure combines funding allocations across donor and recipient government institutions. A 2022 World Bank report shows that in 2019, recipient governments implemented 25 percent of development activities, surpassing NGOs (22 percent), donor agencies (17 percent), and multilateral organizations (16 percent) (World Bank 2022). However, recipient government figures are likely an underestimation because OECD CRS records only the first implementing partner, so cases where donor agencies or multilaterals sub-award to recipient governments are not captured as recipient government-channeled aid (OECD 2024a).
9. Dietrich 2013.
10. Bandiera et al. 2020; Breza, Kaur, and Shamdasani 2018; Dal Bó, Finan, and Rossi 2013; Honig 2024.

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In addition, bureaucrats' preferences for work attributes and effort allocation determine their performance and service delivery outcomes.[11]

I test my argument in Uganda, a country with an extensive history with development assistance. Uganda has consistently ranked among sub-Saharan Africa's principal aid recipients for over three decades, receiving USD 2.3 billion in official development assistance in 2023 alone.[12] Uganda also exemplifies the region-wide shift in disbursing aid as general budget support to project type interventions.[13] Importantly, because project aid often operates outside the national budgetary cycle and is implemented at the more decentralized sector or sub-sector level as "off-budget support," it directly alters the everyday functioning of bureaucracies, creating a useful context for examining how aid influences bureaucratic behavior.[14]

To evaluate how aid projects alter bureaucrats' incentives and effort, I implement a research design that combines qualitative interviews, descriptive survey data, and survey experiments. From 2019 to 2023, I conducted semi-structured interviews with sixty-four bureaucrats at various hierarchical levels across different central government ministries and agencies. These interviews informed the design of my survey and conjoint experiments by identifying which project features bureaucrats themselves view as consequential for their motivation and effort. I then administered the survey containing two conjoint experiments in 2023 to 559 randomly selected mid-level bureaucrats across more than seventy departments in six key ministries. Within the survey, respondents evaluated randomly assigned hypothetical project and department profiles, allowing me to isolate the effect of specific features on preferences and intended effort.

The evidence from this multi-method approach reveals channels through which external assistance may inadvertently compromise the very state capacity it often seeks to strengthen. Qualitative interviews show that aid projects exacerbate resource inequalities, generating frictions between individual bureaucrats. Forty-eight percent of bureaucrats surveyed also report that aid projects increase resource inequalities between colleagues. The experimental results causally identify bureaucratic decision making when faced with trade-offs. At the individual level, bureaucrats prefer projects funded by government over all external funders, including the World Bank, China, and the United States. They also prefer projects offering higher monetary benefits, greater discretion, and ownership. Moreover, higher monetary benefits on projects not only increase bureaucrats' effort allocation to those projects but simultaneously reduce effort on regular government duties. Improvements in social dimensions of project work—discretion and ownership—do not appear to increase effort allocation. At the organizational level, bureaucrats prefer departments with

11. Björkman and Svensson 2009; Cassar and Meier 2018; Khan, Khwaja, and Olken 2019.
12. OECD 2024b.
13. Ibid.
14. Off-budget support refers to aid that bypasses the national budget and is not directly accounted for through the recipient government's budgetary systems. It is typically managed under donor-specific arrangements rather than regular recipient government treasury, budgeting, and reporting systems. Chevauchez 2023.

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greater donor exposure, equity, and ease of coordination and are willing to increase effort as all three features improve.

These findings highlight important dilemmas in how project aid affects bureaucracies. At the project level, financial incentives alone drive effort allocation, overriding the social dimensions of work that bureaucrats value. Similarly, while bureaucrats prefer government over donor funding, they reduce effort on government tasks as financial incentives on projects increase. At the departmental level, both financial and social factors drive effort allocation. Yet bureaucrats prefer departments with higher donor exposure even as they report that donor funding erodes the very equity and collaboration that motivate effort. Together, these findings illuminate that project aid undermines state-led programming when financial incentives crowd out social motivations, redirect effort away from government work, and weaken organizational cohesion.

This study advances scholarship on aid effectiveness by examining micro-level channels through which aid reshapes domestic institutions. While existing research on aid's effect on state capacity has focused on aggregate outcomes, such as tax capacity and reform efforts, this research note identifies specific mechanisms through which aid reconfigures the administrative state. The results reveal that project-based aid creates a complex principal–agent environment where bureaucrats navigate competing demands from both domestic political actors and international donors.[15] The results indicate that, by providing financial rewards and a separate set of targets, donors create institutional distortions that crowd out social motivations and redirect effort, explaining why bureaucratic effort on projects is driven primarily by money.

Finally, this study underscores the need to more rigorously examine recipients' preferences in aid effectiveness research and calls for reform.[16] When aid is channeled through the state, how it engages domestic state actors shapes whether it strengthens or fragments state institutions. This research supports recent debates about the future of foreign assistance and calls for greater reliance on recipient country systems.[17]

Background and Theory

Foreign Aid in the Public Sector

Foreign aid remains among the most scrutinized instruments for driving economic development in low- and middle-income countries. Yet despite substantial resources dedicated to enhancing democratic governance and institutional capacity, many scholars argue that aid inflows can undercut the very institutions they aim to strengthen.[18] Donors can constrain state functions by bypassing government, stifling tax collection and accountability, undermining reforms, or siphoning talent from

15. Benedek et al. 2012; Heckleman and Knack 2008; Knack 2001.
16. Clark, Dolan, and Zeitz 2025; Findley et al. 2017; Mkandawire 2010; Montenegro and Fonseca 2025; Ntusi 2025; Pomerantz 2004; Swedlund 2017.
17. Dreher 2025; Fardoust et al. 2023; Gelb and Sundberg 2023.
18. Busse and Gröning 2009.

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agencies.[19] These studies typically focus on aggregate indicators of governance or on the exit of public servants, and yet much aid is actually administered in conjunction with government agencies and their bureaucrats.

The public sector remains the dominant channel for ODA delivery, receiving 60 percent of disbursements, or over USD 170 billion, in 2023 alone.[20] Within public sector aid, resources typically flow through two distinct channels: general budget support and project support, with budget support decreasing substantially relative to project support.[21] Importantly, each form of support generates distinct organizational realities for recipient governments.

General budget support channels resources through recipient governments' treasury systems and into the national budget, operating much like domestic revenue. This allows policymakers discretion to allocate funds according to local priorities through the standard legislative budget cycle, where bureaucrats often develop policy proposals that move through Cabinet approval to Parliamentary debate. Budget support may be conditional, requiring certain policy reforms to ensure continued support, but it is generally disbursed through recipient governments' own public financial management systems.[22]

By contrast, project support channeled through government institutions often operates outside standard budgetary processes. Such projects frequently bypass central treasury systems and are managed through separate project accounts to finance discrete interventions.[23] Project support therefore differs from both budget support and domestic financing in how priorities are set and resources allocated. Although donors may consult recipient governments during project design, aid projects are typically more heavily shaped by donor preferences, earmarked funding, and donor-defined outputs, reporting requirements, and timelines.[24] Yet we know relatively little about how projects become part of the day-to-day operations of government or how they affect bureaucrats' incentives and behavior.

Bureaucratic Motivation and Performance

Bureaucrats are key agents of state capacity. They develop and implement policies and provide core services such as tax collection, healthcare, and policing.[25] A vast body of scholarship links bureaucracies to better development outcomes, highlighting how "Weberian" bureaucracies—particularly those with meritocratic recruitment and tenure—boost economic growth, curb corruption, and limit

19. Bräutigam and Knack 2004; Deserranno, Nansamba, and Qian 2024; DiLorenzo 2018; Eubank 2012; Heckleman and Knack 2008; Knack 2014; Lee and Izama 2015; Mosley 2015.
20. OECD 2024b.
21. Swedlund and Lierl 2020; World Bank 2016b, 2024. Additional descriptive data on aid categories are in section F of the appendix.
22. Swedlund and Lierl 2020.
23. Pomerantz 2023.
24. Dreher 2025; Dreher, Lang, and Reinsberg 2024; Masaki et al. 2021; Reinsberg and Taggart 2025
25. Besley et al. 2022.

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political interference.[26] Additionally, representative bureaucracies not only enhance organizational performance and service quality but also reduce bias, underscoring the importance of who staffs government agencies and how they are motivated.[27]

Building on these insights, a growing body of research emphasizes the role of bureaucrats' motivation and preferences in shaping service delivery outcomes.[28] Bureaucrats are not passive implementers responding solely to monitoring and incentives, but rather motivated agents whose effectiveness depends partly on whether their work environment aligns with their goals and preferences. For instance, allowing high-performing tax inspectors in Pakistan to select their preferred postings increased tax revenue growth by 30 to 41 percent.[29]

While this demonstrates how frontline bureaucrats' preferences can shape service delivery outcomes, assessing the performance of civil servants who work in government ministries is more challenging. Because central government bureaucrats tend to work in teams, where individual outputs are intertwined with those of others, and because their contributions are often continuous rather than discrete, traditional performance metrics can fall short.[30] As a result, scholars have relied on performance proxies, ranging from public service motivation to effort.[31] For example, Kalaj, Rogger, and Somani show that the amount of time Ethiopian bureaucrats spend coordinating with colleagues and interacting with clients significantly improves the quality of services delivered by their organization, highlighting how time use, as a proxy for effort, is an important input to performance outcomes.[32] It is therefore essential to understand how bureaucrats differentially allocate time across regular government duties and aid project responsibilities.

Doing so requires identifying what changes when project aid enters the bureaucracy. I focus on changes at both the individual and the organizational levels. At the individual level, I investigate how project aid may directly alter ownership, autonomy, and financial incentives. At the departmental level, I probe how project aid may indirectly alter exposure to donor funding, equity, and coordination. While these are certainly not the only changes that can occur following the arrival of aid projects, they are key determinants of work satisfaction and performance. I therefore argue that project aid channeled through the government can distort individual and organizational-level dimensions of work over which bureaucrats hold salient preferences, generating competing demands on bureaucrats' motivations and effort.

26. Dahlström, Lapuente, and Teorell 2012; Evans and Rauch 1999; Oliveros and Schuster 2018.
27. Ding, Lu, and Riccucci 2021; Nicholson-Crotty, Grissom, and Nicholson-Crotty 2011; Xu 2023.
28. Craig, Hoang, and Kohlhase 2019; Heckman, Smith, and Taber 1996.
29. Khan, Khwaja, and Olken 2019.
30. Dixit 2002; Hasnain, Manning, and Pierskalla 2014.
31. Ritz, Brewer, and Neumann 2016.
32. Kalaj, Rogger, and Somani 2022. Björkman and Svensson (2009) also attribute improvements in service delivery outcomes among healthcare workers in Uganda to increased effort.

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Individual-Level Motivators

Many bureaucrats are called to public service and care about how their work impacts citizens, which fosters a sense of mission and a desire for ownership over their tasks. Being mission-oriented may explain why they often accept lower pay relative to private sector counterparts, but also requires that their personal goals align with those of their organization.[33] As Wilson notes, public employees frequently draw motivation from a sense of purpose that transcends material rewards.[34] Building on this, Honig argues that "mission-driven bureaucrats" thrive under empowerment-oriented management, where autonomy, recognition, and peer support enable a strong mission-driven identity.[35] By contrast, excessive compliance and rigid oversight can undermine that sense of mission, causing dedicated employees to disengage or exit. In line with this view, I expect bureaucrats to prefer projects that grant them ownership of priorities and to increase effort as that ownership increases.

Autonomy also signals trust between a principal and their agent, and can increase intrinsic motivation and productivity.[36] Moreover, more autonomous bureaucrats can better navigate complex relationships with peers, service recipients, and political principals in the execution of their duties.[37] In their novel study of Nigerian civil servants, Rasul and Rogger show that projects where bureaucrats have more discretion have higher completion rates than those where bureaucrats are monitored more, while Bandiera and colleagues find that more autonomous procurement officers in Pakistan lower the cost of purchases without compromising quality.[38] I therefore expect bureaucrats to prefer projects where they are more autonomous, specifically, where they have more discretion over implementation, and to increase effort as their ability to apply discretion increases.

Financial incentives nevertheless comprise an important source of motivation to perform better. They can attract people to work in the public sector and boost the performance of public sector workers.[39] Dal Bó, Finan, and Rossi find that higher wages attract workers who are also intrinsically motivated into public service in Mexico and Bobba, León, and Wantchekon find that the promise of bonuses boosts productivity among teams of bureaucrats in local governments in Benin.[40] I therefore expect bureaucrats to prefer working on projects with higher monetary benefits and to increase effort on such projects. However, because projects increase bureaucrats' multitasking effort, I further expect that as bureaucrats increase effort on projects, they will simultaneously decrease effort on regular government duties.[41]

33. Besley and Ghatak 2005; Brehm and Gates 1997; Cassar and Meier 2018; DellaVigna et al. 2022.
34. Wilson 1989.
35. Honig 2024.
36. Falk and Kosfeld 2006; Frey 1994; Ryan and Deci 2000.
37. Zacka 2017.
38. Rasul and Rogger (2017). See also Bandiera et al. 2020.
39. Ashraf, Bandiera, and Jack 2014; Khan, Khwaja, and Olken 2015.
40. Dal Bó, Finan, and Rossi 2013; Bobba, León, and Wantchekon 2018.
41. Hasnain, Manning, and Pierskalla 2014; Holmstrom and Milgrom 1991.

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Organizational-Level Motivators

Higher monetary benefits also have implications at the departmental level. Departments that manage more donor-funded projects are more likely to engage more of their bureaucrats in aid projects. Bureaucrats should therefore prefer to work in departments with more donor exposure and be willing to apply more effort in such departments because of the prospect of higher financial rewards.

But financial incentives are a double-edged sword, particularly when they are selectively allocated. Monetary benefits allocated to only those bureaucrats working on aid projects might be interpreted as deprivation by those bureaucrats who do not receive them. Scholarship shows that individuals care not only about their own income, but also about how their income compares to that of their peers.[42] In India, the productivity of entire units drops when pay is heterogeneous and effort is difficult to observe, as is the case with central government bureaucrats, and in California, university employees are more likely to express a desire to leave their organization when they learn their peers earn more than they do.[43] I therefore expect bureaucrats to prefer working in departments with more equitable pay and to increase effort as departments become more equitable.

Finally, bureaucrats care about belonging to their organization, including working with a team that supports each other.[44] Belonging to a group with a shared vision can enhance an individual's sense of meaning and worth and inculcate a nonmaterially motivated desire to contribute to the group's goals.[45] Bandiera, Barankay, and Rasul find that working alongside friends who are more productive increases an individual's own productivity, while Kalaj, Rogger, and Somani find that time spent meeting with peers can improve the quality of services delivered by bureaucratic organizations.[46] I therefore expect bureaucrats to prefer working inside departments where they can coordinate more easily with their peers, and to increase effort as coordination improves.

One might object that project aid-induced diversionary effects are offset by the capacity building that donors invest in alongside project delivery. Training programs, technical assistance, systems strengthening, and additional staffing have absorbed a substantial share of development budgets on the premise that they leave durable improvements in how governments function. In principle, these investments could improve capacity even when projects distort incentives and social structures. In practice, the evidence is mixed at best.[47] Donor-driven capacity building tends to underperform because it is rigid, reduces domestic ownership, is poorly adapted to local context, or treats organizational change as a technical problem rather than a

42. Alvarez-Cuadrado and Long 2011; Kahneman and Tversky 1979.
43. Breza, Kaur, and Shamdasani 2018; Card et al. 2012; Dixit 2002.
44. Akerlof and Kranton 2005; Bowles and Polania-Reyes 2012; Cassar and Meier 2018; Honig 2021; Jacobsson and Hollertz 2021.
45. Karlsson, Loewenstein, and McCafferty 2004.
46. Bandiera, Barankay, and Rasul 2010; Kalaj, Rogger, and Somani 2022.
47. Gonzalez Parrao et al. 2023; World Bank 2008, 2021.

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behavioral and institutional one.[48] Capacity building can work when embedded in existing organizational culture rather than delivered as one-off workshops, when locally owned and problem-driven, and when paired with managerial follow-through that enables learning to transfer into daily practice.[49] Williams further demonstrates that reform can be successful when operationalized as an ongoing process that creates opportunities for civil servants to diagnose performance problems and improve work practices from within.[50] These are precisely the conditions that project aid, with its parallel structures, pay disparities, and donor-defined targets, is often ill-suited to support.

Empirical Context

Uganda receives some of the greatest amounts of aid in sub-Saharan Africa by net disbursements, receiving over USD 2 billion in ODA in 2023.[51] However, aid is not evenly allocated across departments and sectors. For example, in the 2016/2017 financial year, donor funds covered 43 percent of the Ministry of Health's budget compared to 0.3 percent for the Justice, Law and Order sector,[52] rising to 62 percent by 2019/2020.[53] Differences are just as stark across departments. Looking at the Ministry of Health's budget, the pharmaceuticals section, which includes the Global Fund for AIDS, malaria and TB, had the highest budget: thirty times higher than public health services, ten times higher than clinical services, and six times higher than health infrastructure.[54] Donor funding has also gone through various phases from budget support to project support. Some of these shifts have been driven by differences in opinion about priority areas for funding between donors and the government, concerns about the misuse of funds, and concerns about democratic governance.[55] Currently, about 78 percent of aid to the public sector is disbursed as project support.[56]

Bureaucrats in Uganda interact with the aid system as routine counterparts in project preparation, implementation, and oversight. They participate in the budgeting, procurement, authorization, and reporting associated with donor financing. These demands can impose substantial administrative burdens as fragmented donor procedures strain ministries' limited human and managerial capacity.[57] In the health sector, for example, donor-funded projects are often only partially aligned with sector priorities and frequently require partner-specific reporting across multiple, poorly

48. Brinkerhoff and Brinkerhoff 2015; Pearson 2011.
49. Andrews 2013; Williams and Yecalo-Tecle 2020.
50. Williams 2026.
51. OECD 2024b.
52. Lakuma and Lwanga 2017
53. UNICEF 2020
54. Ministry of Health 2020. These interdepartmental disparities persisted into the 2024/2025 financial year (Ministry of Health 2024).
55. Brownbridge 2009; Chadwick 2022; Reuters 2012; Williamson et al. 2016.
56. OECD 2024b.
57. World Bank 2003, 2016a.

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harmonized systems.[58] This reinforces parallel implementation arrangements, including salary top-ups.[59]

Furthermore, because project aid is often allocated as off-budget support, data on the distribution of foreign aid across government ministries and agencies, particularly across departments and bureaucrats, is not readily available. The central government itself has incomplete information about the value of donor-funded projects in the various ministries. This is partly due to the ongoing gap between the information held by ministries implementing aid projects and the data collected by the Ministry of Finance, Planning, and Economic Development, which oversees development expenditure planning.[60] In 2019, the African Development Bank reported that the difference between what donors reported was disbursed and what government reported was spent amounted to USD 645 million or 13 percent of government expenditure.[61] Given its long history with aid, the uneven distribution of aid across departments and sectors, and the uncertainty around aid allocation, Uganda provides an ideal setting for unpacking aid's impact on bureaucrats.

Research Design

To determine how project aid shapes bureaucrats' motivations, incentives, and effort, I employ a research design comprising semi-structured interviews, descriptive survey data, and survey experiments. The interviews form the foundational layer. A qualitative approach allows subjects to give meaning to their experiences and links processes to outcomes, making it especially suitable for less studied populations.[62] By asking open-ended questions, I can unpack how project aid is operationalized in recipient bureaucracies and how these projects impact bureaucrats' day-to-day work. Using a qualitative approach also allows me to identify which features of bureaucratic work are most susceptible to change following the arrival of aid projects.

Between 2019 and 2023, I conducted sixty-four qualitative interviews with bureaucrats at various hierarchical levels.[63] I used a snowball sampling approach, relying on initial contacts with government officials and policy experts and following recommendations from those I had interviewed. My sample included entry-level (31 percent), mid-level (47 percent), and senior career civil servants and political appointees (22 percent) in various ministries, departments, and agencies, including the ministries of Finance, Health, Agriculture, ICT, Gender, Lands, and President's Office.

Next, I administered a survey to 559 central government bureaucrats across approximately seventy departments in six key ministries: Finance, Planning and Economic Development; Agriculture, Animal Industry and Fisheries; Trade, Industry

58. Stierman, Ssengooba, and Bennett 2013; World Bank 2016a.
59. Erasmus et al. 2018; Vian et al. 2012.
60. Brownbridge 2009.
61. Rasmussen 2019.
62. Haverland and Yanow 2012.
63. Additional details on the interview sample are provided in section D of the appendix.

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and Cooperatives; Education and Sports; Health; and Works and Transport. These ministries, chosen through expert consultations and following Kalaj, Rogger, and Somani, are considered central to economic development.[64] The survey sample excluded directors, commissioners, secretaries, drivers, and librarians, focusing on mid-level officers because they are more likely to be assigned to aid projects while having limited input on how these projects are allocated. I obtained the staff lists for these ministries with permissions from Permanent Secretaries and Human Resources departments.

I then randomly selected respondents, ensuring proportional representation based on department and ministry size. Enumerators physically visited each department to administer the survey in person and I made randomly selected replacements when staff were missing. This included staff who were in upcountry offices, had been transferred, were studying abroad, or did not exist. I failed to obtain the staff list from the Ministry of Agriculture and did not randomly select bureaucrats there. Instead, thirty-seven bureaucrats were conveniently sampled. Each participant received a symbolic fee of about USD 3 for their time. Figure 1 shows the distribution of respondents by ministry, education level, contract type and rank.

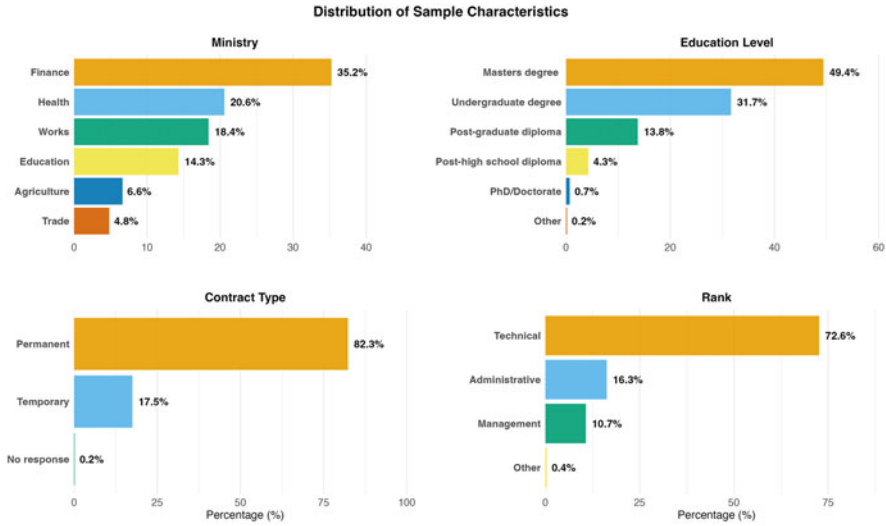


FIGURE 1. *Characteristics of survey respondents*

Embedded within this survey were two conjoint experiments that randomly varied work attributes related to projects and departments. The purpose of the experiments was to determine bureaucrats' preferences for work attributes—at both the individual and organizational level—that are susceptible to changes induced by aid projects channeled through government, and how these preferences map onto effort

64. Kalaj, Rogger, and Somani 2022.

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allocation. Conjoint experiments can allow us to disentangle bureaucrats' preferences for complex sets of work attributes where direct performance data are unavailable.[65]

The project conjoint comprised four attributes: the funder, monetary benefits, ownership, and discretion. I selected the most typical funders for a country like Uganda, which include The World Bank, China, USAID, and the government itself. While I did not theorize the funder attribute ex ante, including it allowed me to provide a more realistic scenario for the project conjoint and to compare bureaucrats' preferences for funding from government versus external actors.

Importantly, when bureaucrats work on aid projects, they receive various benefits, including monetary allowances. Allowances are discretionary unlike salaries, which are determined by clear guidelines in the Public Service Standing Orders that match salaries to rank. Allowances also form a significant source of income for bureaucrats and can surpass their baseline salaries. The monetary benefits figures in the experiment were determined in consultation with experts who work in public policy or who have worked as bureaucrats. In section G of the appendix, I also include excerpts of the government's 2018 Circular Standing Instructions, which delineate bureaucrats' allowances as well as the 2023 to 2024 salary scale for mid-level bureaucrats. Bureaucrats can receive night allowances, travel allowances, lunch allowances, and safari day allowances, among others.

The discretion and ownership features followed extensive discussions with bureaucrats about how donor-funded projects are conceptualized and budgeted for relative to government work. Government budgetary allocations follow a formal process: bureaucrats often develop policy proposals, which once approved by their heads of department, are submitted to the Cabinet of Ministers. If approved by Cabinet, these proposals are sent to Parliament for debate and approval. By contrast, donor-funded projects bypass these national budgetary procedures and are often negotiated as "off-budget" at the sector or subsector level. Many bureaucrats report having limited input in conceptualization, constraints in funding allocation, and burdensome reporting requirements that vary with each donor. This is in part due to the targeted nature of project aid and limited coordination among donors on the projects they undertake in recipient countries.[66]

The department conjoint comprised three attributes: donor exposure, equity, and coordination. Aid projects are implemented inside departments and there is substantial variation across departments in the number of projects they operate. As a department takes on more aid projects, the number of its bureaucrats involved in such projects increases, hence the donor exposure. But because only some bureaucrats in the department are selected to work on projects at any given time, aid projects engender inequity between peers. That is, peer bureaucrats who are equally qualified may find themselves with vastly different earnings. Finally, many bureaucrats report having to divide their time between aid projects and government

65. Hainmueller, Hangartner, and Yamamoto 2015; Hainmueller, Hopkins, and Yamamoto 2014; Hainmueller and Hopkins 2015.

66. Congressional Research Service 2013; Nunnenkamp, Rank, and Thiele 2016.

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work. This may entail missing departmental meetings to go to the field, attending workshops, or attending project meetings. This can result in neglecting government work that is often conducted with other members of the department, corroding coordination in departments, especially those that have high donor exposure.

For each conjoint experiment, respondents completed three forced choice tasks and answered follow-up questions about their preferred project or department. This resulted in an effective sample size of 3,354 observations for the forced choice and 1,677 observations for the follow-up questions. I also operationalize my main outcome of interest—effort—as the additional number of hours beyond the typical 8:00 a.m. to 5:00 p.m. bureaucrats are willing to work each day to fullfill project and department objectives (up to four hours) and the number of hours bureaucrats are willing to shave off regular government work each day to fulfill project objectives (up to eight hours). Later I describe the two conjoints.

The first is the project conjoint, where I varied funder, monetary benefits, discretion, and ownership[67] (See Table 1).

TABLE 1. *Project conjoint attributes and their possible values*

Attribute	*Values of attribute*
Funder	• is funded by USAID. • is funded by China International Development Cooperation Agency. • is funded by World Bank. • is funded by Government of Uganda.
Monetary benefits	• offers total allowances of USD 10,000 for each year of the project. • offers total allowances of USD 5,000 for each year of the project. • offers total allowances of USD 1,500 for each year of the project. • offers no additional monetary benefits to your base salary.
Discretion	• It is easy to make changes to the project if you think the project is not working well. • It is difficult to make changes to the project if you think the project is not working well. • It is impossible to make changes to the project if you think the project is not working well.
Ownership	• You personally participated in determining the priorities of the project. • Your department participated in determining the priorities of the project. • Neither you nor your department participated in determining the priorities of the project.

Respondents view the following statement when presented with the forced choice tasks.

> Now I am going to ask you your opinion about certain aspects of donor-funded projects. I will show you two pairs of three hypothetical projects that have a funding period of three years. For each pair of projects, I will ask you a couple of questions. There are no right or wrong answers—it is just what you prefer.

67. USD 1:UGX 3,600 at the time of data collection. Bureaucrats saw the monetary values in UGX.

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Project A: [randomized values for each attribute].
Project B: [randomized values for each attribute].

Following each forced-choice task, respondents answered two questions: (1) how many additional hours they would be willing to work each day and (2) how many hours they would be willing to take off routine government work each day to fulfill project objectives. Because bureaucrats do not resign their positions or take extended leaves of absence to meet project requirements, they must either reduce time from regular government work during their usual workday or add hours beyond it. These follow-up questions therefore captured marginal effort. However, because these effort questions referred only to the preferred project, estimates reflect relationships between project attributes and marginal effort conditional on choosing that project.

The second is the department conjoint, where I varied donor exposure, equity, and coordination (See Table 2).

TABLE 2. *Department conjoint attributes and their possible values*

Attribute	*Values of attribute*
Donor exposure	• All the officers in the department work on donor-funded projects. • 60 percent of the officers in the department work on donor-funded projects. • 30 percent of the officers in the department work on donor-funded projects. • None of the officers in the department work on donor-funded projects.
Inequity	• There are no officers who earn more in allowances than peers with equal qualifications. • A few officers earn twice as much in allowances as peers with equal qualifications. • A few officers earn four times as much in allowances as peers with equal qualifications.
Coordination	• It is easy to coordinate with peers in the department when carrying out departmental duties. • It is sometimes difficult to coordinate with peers in the department when carrying out departmental duties. • It is very difficult to coordinate with peers in the department when carrying out departmental duties.

Respondents viewed the following statement when presented with the forced choice tasks.

Finally I am going to ask you your opinion about certain features of departments. I will show you two pairs of three hypothetical departments. For each pair of departments, I will ask you a couple of questions. There are no right or wrong answers—it is just what you prefer.

Department A: [randomized values for each attribute].
Department B: [randomized values for each attribute].

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Similar to the project conjoint, respondents answered questions about which department they would prefer to work in and how many additional hours they would be willing to work each day to fulfill department objectives, conditional on choosing that department.

Results

Descriptive Results

Involvement of foreign donors in Uganda's government agencies. As shown in Figure 2, over 80 percent of bureaucrats surveyed report that their organization frequently or very frequently works with development partners, with little variation across ministries. Figure 3 further shows that 67 percent of bureaucrats report they have worked on a donor-funded project. Moreover, 83 percent of bureaucrats hope to work on a donor-funded project in the future. This figure is more pronounced among those who have already worked on a donor-funded project at 96 percent.

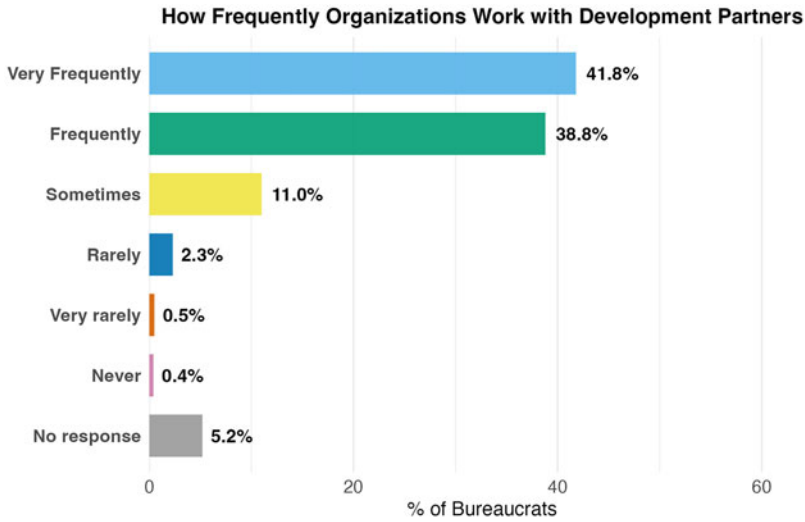


FIGURE 2. *Share of bureaucrats who have ever worked on an aid project*

Surveyed bureaucrats who have worked on donor projects report working on two projects annually and an additional two hours beyond the typical workday, with most doing so sometimes or frequently. Despite the extent of donor engagement with government bureaucracies, Figure 4 shows only 31 percent of bureaucrats report that projects are initiated internally and 55 percent report that projects are either fully or partially developed by donors when they are introduced to government departments.

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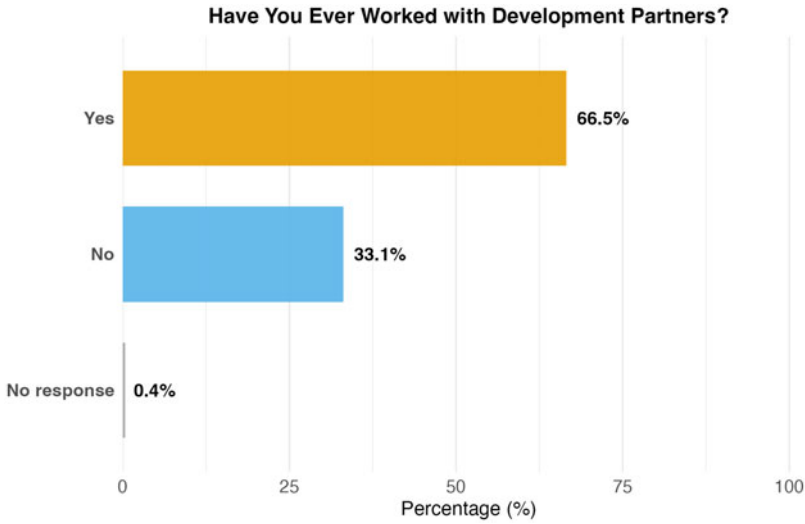


FIGURE 3. *Share of bureaucrats who have ever worked on an aid project*

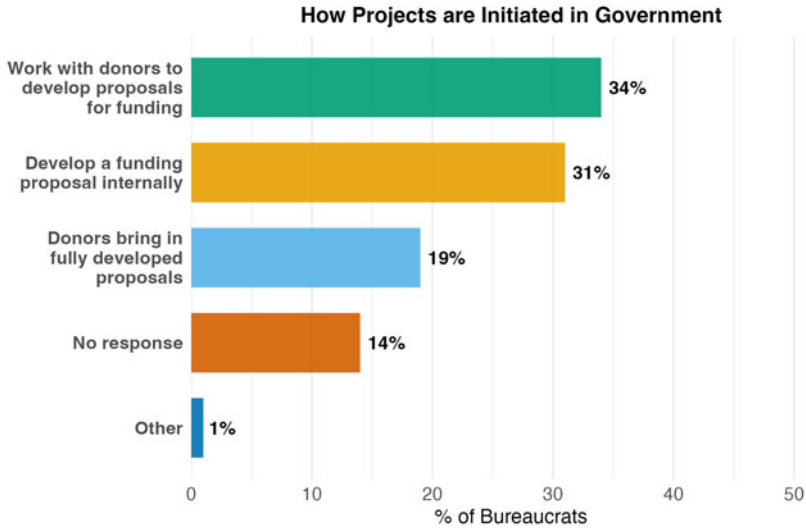


FIGURE 4. *Aid project initiation in departments*

However, in interviews, bureaucrats report that the power asymmetry in funding relationships leads them to accommodate donor priorities, even when these do not fully address local needs, and to design projects around what they believe donors will fund.

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> Remember this is now the person [donor] that has the money, so even during the negotiations, this person who has the money is likely to say don't do this, and what we observed is that you may not address entirely your national or local problem … many people working with DPs [donors] will find themselves bent, tilted towards addressing what the other person needs.

> Yes, you might have your priorities, but don't have the funding. The donors come with their priorities and because they have the funding, and you need the funding to do off budget activities, then you accommodate … That's the challenge with projects that originate at the department level. Because I have read about an opportunity, I go and convince the commissioner [head of department] on this and package it for the PS [Permanent Secretary].

The limited participation of government bureaucrats in project design weakens ownership over project priorities. This bureaucrat describes how external agenda setting undermines local stakeholder participation.

> Rarely do they [donors] consult people as government … So you find that the local participation is very low, as you were saying that there is that public policy cycle, so you find that the agenda setting is done outside there.

This has implications for bureaucrats' influence over project goals and implementation. Forty percent of bureaucrats report they cannot make changes to a project's design while 48 percent report they cannot make changes to a project's objectives if they think the project is not working well. This further undermines bureaucratic ownership of the aid projects they work on (see Figure 5).

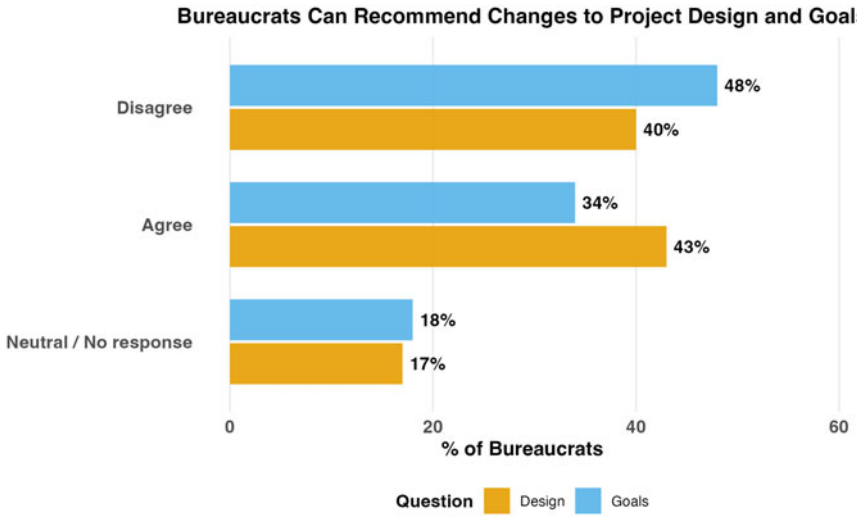


FIGURE 5. *Discretion in implementation*

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Bureaucrats also receive monetary incentives to work on donor-funded projects. For example, a mid-level bureaucrat earning about USD 370 a month can receive USD 650 for each night abroad according to the government's Circular Standing Instructions on allowances.[68] This exacerbates inequality: 47 percent of bureaucrats surveyed report that donor funding increases inequality between colleagues while only 29 percent report that it does not. This can create tension inside departments, especially where selection onto projects is not transparent. The figures are starker for departments where 57 percent of bureaucrats report that donor funding increases inequality between departments (see Figure 6).

> Yes, because projects are financially motivated, for example, through field allowances. Project staff are more motivated because the funding is there, unlike those only on government programming.

> You know, there is organizational politics, which is controlled by economic politics. As long as somebody is going to get something more in their pocket than another, automatically it is going to cause a problem even if they do not say it out. Accusations of favors, more exposure to work, travels abroad, etc., are there as humans and we can't be short of such sentiments.

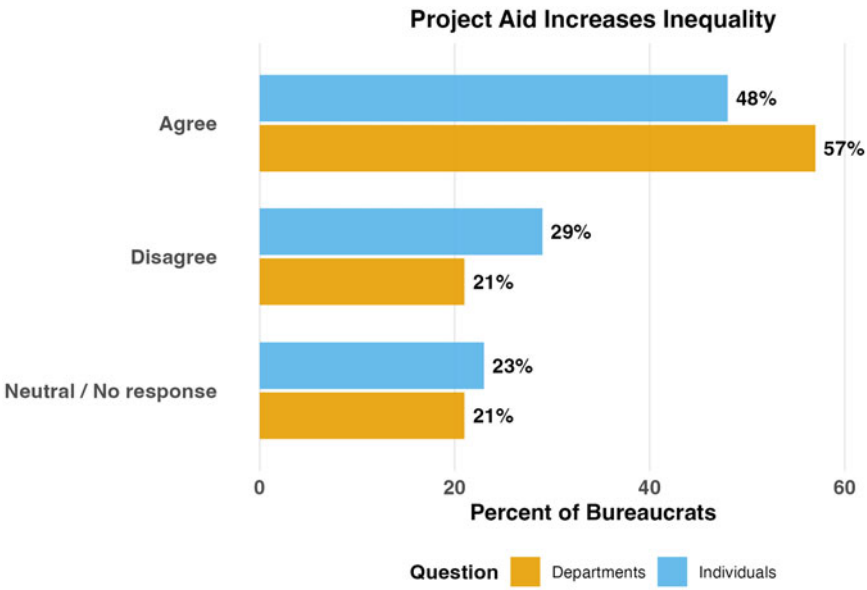


FIGURE 6. *Inequality increases across bureaucrats and departments*

68. Ministry of Finance 2018; Ministry of Public Service 2024.

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These divides between bureaucrats corrode coordination as bureaucrats within the same institutions start pursuing disparate goals. This is intensified by the fact that bureaucrats on aid projects are under pressure to prioritize aid projects over their regular government duties.

> Yes, donor projects are more time bound. Even projects by nature have more urgency than the routine government work. You can always postpone; the repercussions of not delivering the government assignment are less because for the donor, when the time ends, they will withdraw funding. But for the government work, you can again plan for it next year.

> These various projects funded by different people in the same institution scatter the staff and if you are the person coordinating the whole organization, then you cannot drive in the same direction as you want. Actually, if you are not careful, it can lead to organizational breakdown. You have your scientists, directors, heads of units, involved in work for different foundations. So focusing, it's quite disruptive.

Overall, the descriptive findings illustrate how aid creates environments where bureaucrats experience limited ownership and discretion while confronting increased inequality and coordination challenges. The results further demonstrate that while donor-funded projects offer attractive financial incentives—explaining bureaucrats' eagerness to participate in them—they simultaneously introduce tensions that fragment departmental cohesion.

Experimental Results

To determine how distinct project and department characteristics impact bureaucrats' preferences and effort, I estimate the Average Marginal Component Effects (AMCEs) for both the project and department conjoint experiments. The AMCEs estimate the marginal effect of each attribute level on the probability of project or department selection relative to a baseline category set to 0 and averaged over the joint distribution of the other remaining attributes. AMCEs significantly greater than zero indicate that the attribute level has a positive causal effect on the likelihood of project or department selection and on the willingness to work additional hours, while AMCEs significantly less than zero indicate that an attribute level has a negative causal effect.[69]

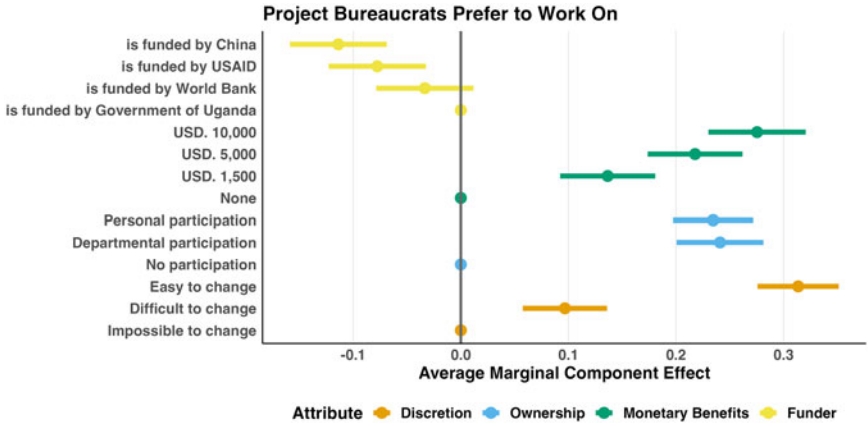
Bureaucrats' Work Preferences in the Context of Aid Projects

Project preferences. I start by estimating bureaucrats' preferences for projects. I estimate the likelihood that bureaucrats will prefer projects with higher monetary benefits, greater ownership over priorities, and more discretion in implementation.

69. This analysis follows the preregistered design detailed in my preanalysis plan, which specified the project and department attributes to be tested and the primary hypotheses regarding bureaucrats' preferences and effort allocation (see section B of the appendix).

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The results in Figure 7 show that bureaucrats have very strong preferences for these project attributes. For monetary benefits, moving from no additional compensation to USD 10,000 per year increases the probability of project selection by 28 percentage points. Mid-range monetary benefits of USD 5,000 and USD 1,500 also show significant positive effects of 20 and 13 percentage points respectively, demonstrating that even moderate financial incentives meaningfully influence project preferences.



Note: Corresponding estimates are in Table A3, section H of the appendix.

FIGURE 7. *AMCE estimates for different project attribute levels*

For ownership, moving from no participation in determining project priorities to personal participation increases the likelihood of project selection by twenty-three percentage points, with departmental participation slightly higher at twenty-four percentage points. This similarity in effect sizes suggests that collective decision making at the departmental level is just as effective at fostering a sense of ownership as direct personal involvement, supporting literature showing that bureaucrats value being part of an empowered team.[70] For discretion, moving from impossible to make changes to easy to make changes increases the likelihood of selection by thirty-one percentage points, though even the ability to make changes with difficulty increases selection by fifteen percentage points, revealing bureaucrats value even limited implementation autonomy.

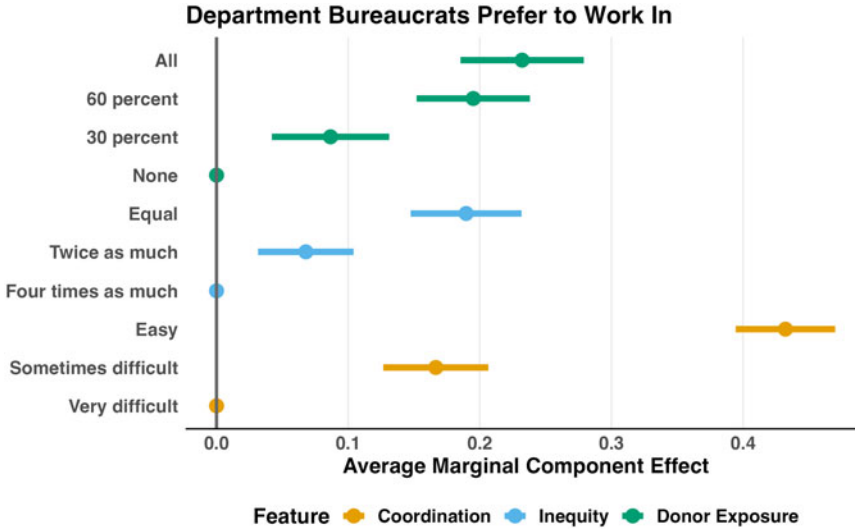
Though not explicitly hypothesized, the results also show that bureaucrats have preferences over different types of funders. Funding from China, relative to funding from the government, decreases the likelihood of project selection by eleven percentage points while funding from USAID decreases the likelihood of project selection by eight percentage points. Only funding from The World Bank has a negative effect on project selection that is statistically indistinguishable from funding from the government. Nevertheless, the general takeaway is that bureaucrats prefer funding from their own

70. Honig 2024; Wilson 1989.

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government over any other type of funder. This is important because donor-funded projects tend to have certain attributes, such as financial benefits, that we might mischaracterize as preferences for donors without the experiment.

Department preferences. I now examine how departmental characteristics shape bureaucrats' workplace preferences. Following my theoretical framework, I estimate the likelihood that bureaucrats will prefer departments with higher donor exposure, greater pay equity, and easier coordination with peers. The AMCE results in Figure 8 reveal that bureaucrats have strong preferences for these departmental attributes.



Note: Corresponding estimates are in Table A4, section H of the appendix.

FIGURE 8. *AMCE estimates for different department attribute levels*

Coordination emerges as the most influential departmental attribute by a substantial margin. Moving from very difficult to easy coordination with peers increases the likelihood of department selection by forty-three percentage points. This result aligns with Jacobsson and Hollertz who argue that teamwork fosters social capital characterized by trust, mutual support, and shared norms, leading to improved service delivery.[71] For equity, moving from a situation where some equally qualified peers earn four times more in allowances to one where all equally qualified peers earn the same increases the probability of department selection by nineteen percentage points, supporting Breza, Kaur, and Shamdasani and Card and colleagues' work on the importance of pay parity for productivity and work satisfaction.[72]

71. Jacobsson and Hollertz 2021.
72. Breza, Kaur, and Shamdasani 2018; Card et al. 2012.

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For donor exposure, moving from no one to everyone in the department working on donor-funded projects increases the likelihood of department selection by twenty-three percentage points, supporting findings from the project experiment that financial incentives significantly influence bureaucrats' decision making. However, this reveals a notable conflict: despite evidence that donor involvement often disrupts the coordination and equity they highly value, bureaucrats remain attracted to departments with greater access to donor resources. This contradiction points to what Cassar and Meier describe as competing motivational drivers, where material incentives may sometimes override social preferences.[73]

These department-level findings echo the project findings: financial incentives draw bureaucrats to donor-heavy work environments, yet bureaucrats simultaneously value social factors that donor funding often undermines, specifically pay equity and coordination. This explains the tension highlighted in the interview data, with one bureaucrat explaining that when department meetings conflict with project meetings, "I will go for the project meeting because it is the one which has money." As shown in the descriptive findings, these coordination challenges can deteriorate departmental cohesion. Despite recognizing these challenges, bureaucrats remain drawn to donor-rich environments for the financial opportunities they provide.

Bureaucrats' Willingness to Work Additional Hours: The Role of Preferences in Effort Allocation

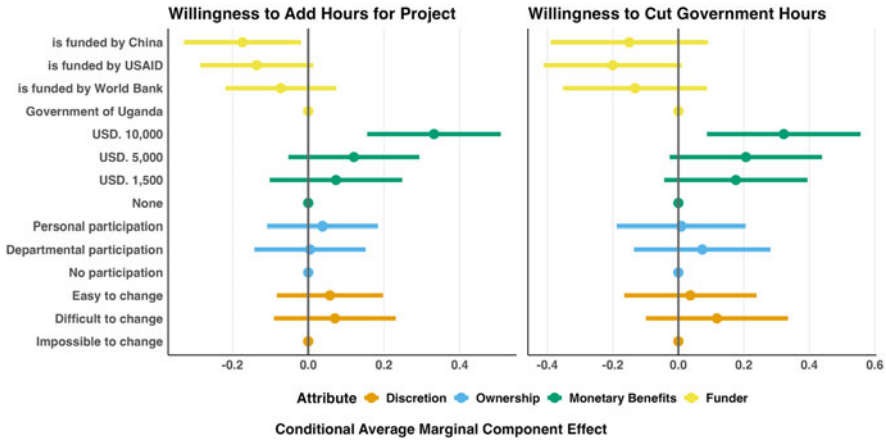
Next, I analyze how project and department characteristics influence bureaucrats' willingness to work additional hours on their preferred project or department—my primary measure for effort allocation.[74] As theorized earlier, effort, often operationalized as time use, is a key input to performance outcomes for central government bureaucrats who manage multidimensional tasks and interact with diverse stakeholders. Figure 9 displays conditional AMCEs for both increasing effort on chosen projects and reducing effort on routine government work.

Consistent with my theoretical framework, bureaucrats report greater willingness to increase effort on donor-funded projects and to reduce effort on regular government work as monetary benefits rise. For effort on projects, the effect is statistically significant at the highest compensation level, USD 10,000 annually, while the estimates for USD 5,000 and USD 1,500 are positive but not statistically significant. For reductions in effort on regular government duties, the effect is statistically significant at the 5 percent level for USD 10,000 and at the 10 percent level for USD 5,000. This suggests that higher-powered incentives may be required to induce bureaucrats to increase their workday, while lower levels of compensation may be

73. Cassar and Meier 2018.

74. Because the effort questions were asked only for the profile selected in each task, the effort outcome is observed conditional on selection. The resulting analysis is therefore based on 1,677 observations rather than the full 3,354. This reduces variation in the effort outcome and likely attenuates level-specific estimates, making the results a conservative test of the relationship between conjoint attributes and expected effort.

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Note: Corresponding estimates are in Tables A5 and A6 in section H of the appendix.

FIGURE 9. *Bureaucrats' willingness to work additional hours if they get the project of their choice (left panel); bureaucrats' willingness to reduce government hours if they get the project of their choice (right panel)*

sufficient to shift time away from regular government tasks. The findings align with research showing that financial incentives can improve bureaucratic performance, but add an important caveat: when incentives are attached to donor-funded projects, the resulting effort may come partly at the expense of core government functions.[75]

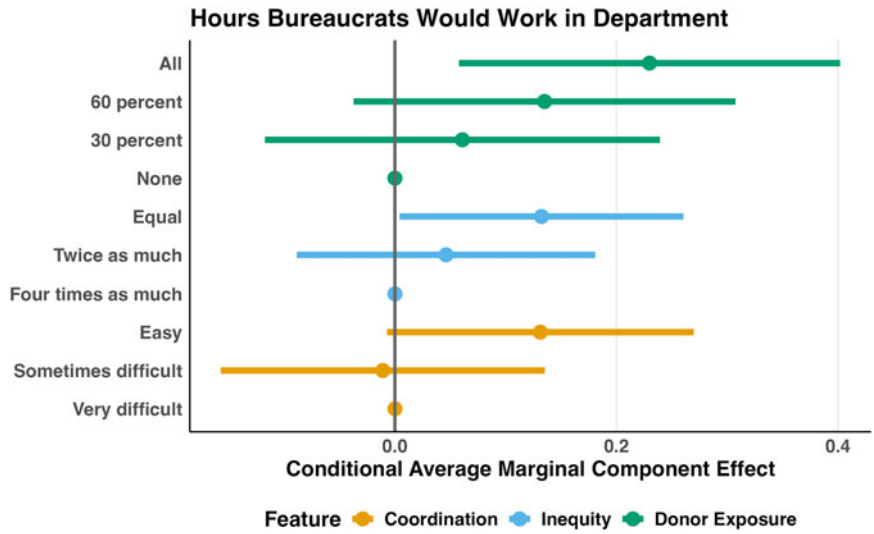
Contrary to my expectations, improvements in social dimensions (ownership and discretion) do not yield statistically significant or substantive increases in effort allocation, despite being preferred in project selection. The finding indicates that bureaucrats are primarily motivated by financial gain when allocating additional effort to donor-funded projects, rather than by social preferences. This further supports Cassar and Meier who argue that financial rewards can override nonmaterial motivations such as autonomy, recognition, and meaning, which are drivers of long-term work satisfaction.[76] This finding may also reflect bureaucrats' entrenched expectations formed through Uganda's decades-long history with foreign aid, where donor-funded projects consistently constrain autonomy. Experimental treatments cannot fully override these expectations. Nevertheless, the disconnect between preferences for project attributes and effort allocation suggest that donor-funded initiatives are capturing bureaucratic effort primarily through financial inducements rather than through meaningful engagement with bureaucrats' professional values or priorities.

With the department attributes, the results reveal a markedly different pattern: bureaucrats demonstrate willingness to increase effort when *both* financial and

75. Ashraf, Bandiera, and Jack 2014; Bobba, León, and Wantchekon 2018; Dal Bó, Finan, and Rossi 2013; Khan, Khwaja, and Olken 2015

76. Cassar and Meier 2018

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Note: Corresponding estimates are in Table A7, section H of the appendix.

FIGURE 10. *Bureaucrats' willingness to work additional hours if they get the department of their choice*

social dimensions of work improve. First, bureaucrats are willing to increase effort as exposure to donor funding increases, though this result is only statistically significant when all bureaucrats in the department work on donor-funded projects, with substantive but nonsignificant shifts at intermediate levels of exposure. More importantly, bureaucrats are willing to increase effort as departments become more equitable—that is, as differences in allowance earnings between equally qualified peers diminish. This finding supports a rich literature demonstrating the importance of fairness for motivation, satisfaction, and performance.[77] Additionally, bureaucrats are willing to increase effort when departments are well coordinated, though this result is significant at only the 90 percent confidence level. This finding supports Kalaj, Rogger, and Somani's research demonstrating that when bureaucrats invest more effort in communicating and collaborating with their colleagues, this enhanced teamwork translates into more efficient and effective public service delivery[78] (see Figure 10).

These findings reveal an important distinction in bureaucratic motivation in aid-exposed organizations: while effort on aid projects appears driven primarily by financial incentives, effort in departments responds to both financial and social factors. As Akerlof and Kranton argue, individuals derive nonmonetary utility from

77. Breza, Kaur, and Shamdasani 2018; Card et al. 2012; Fehr and Schmidt 1999; Fehr, Goette, and Zehnder 2009.
78. Kalaj, Rogger, and Somani 2022.

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aligning their personal identity with organizational norms and may exert extra effort beyond purely financial considerations when their sense of organizational membership is strong.[79] Project-based aid thus engenders competing motivations within bureaucracies, enticing with financial rewards while eroding the organizational fabric that sustains long-term capacity.

Conclusion

Although significant literature finds that aid undermines state capacity, it typically highlights macro-level factors, such as weakened accountability, corruption, and institutional bypass. However, these macro-level analyses overlook an important intermediary: the bureaucrats who implement both government programs and aid projects on a daily basis. By examining bureaucrats' experiences and preferences, this research note highlights micro-level mechanisms through which aid impacts recipient governments.

The results reveal dilemmas in bureaucratic motivation. First, although bureaucrats prefer government- over donor-funded work, they are willing to reallocate effort away from regular government duties to projects as financial incentives increase. Second, bureaucrats prefer projects that offer more ownership and discretion, but these social dimensions of work do not motivate increased effort on projects. And third, although bureaucrats report that donor-funded projects increase inequality and corrode collaboration between colleagues, dimensions of work they value and that motivate effort in departments, they also prefer departments with higher donor exposure. These dilemmas illuminate how project-based aid reshapes bureaucratic behavior by creating individual-level financial incentives that crowd out social preferences while simultaneously weakening the organizational fabric of departments.

These results do not suggest abandoning aid programming but rather point to opportunities for its improved integration within government institutions. Aid effectiveness could be enhanced by aligning projects with government programming to avoid incentive distortions and ensure institutional coherence and sustainability beyond the funding period. Indeed, there have been recent calls for increased local ownership of aid through reliance on recipient country systems, particularly the use of budget support.[80]

Notably, although Uganda is frequently studied in the aid literature, the mechanisms identified here are not necessarily Uganda-specific. Financial incentives overriding social preferences reflects behavioral responses to compensation that can operate wherever donor projects offer substantial pay premiums over government salaries. This characterizes project implementation across Africa and Asia where donors routinely top up salaries or provide per diems that sometimes dwarf civil

79. Akerlof and Kranton 2005.
80. Dreher 2025; Fardoust et al. 2023; Gelb and Sundberg 2023.

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service compensation.[81] Nevertheless, Uganda's long history of aid dependence may shape bureaucratic expectations in ways that differ from less aid-dependent countries or countries with more centralized aid management, such as Rwanda.[82] Future research should test whether these patterns hold in contexts with lower aid dependency, higher civil service compensation levels, and more centralized aid management. Future evaluations of aid projects should also collect data on the bureaucrats who implement these programs.

Data Availability Statement

Replication files for this research note may be found at <https://doi.org/10.7910/DVN/G2KIZY>.

Supplementary Material

Supplementary material for this research note is available at <https://doi.org/10.1017/S0020818326101489>.

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81. Chêne 2009; Nkamleu and Kamgnia 2014; Ridde 2010; Sø reide, Tostensen, and Skage 2012; World Bank 2013.

82. Uwaliraye et al. 2024.

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