1

Introduction

In 2014, Felix Mwela, a thirty-five-year-old farmer, was elected as a local councilor in Southern Malawi, largely due to his promises to deliver roads and bridges and to improve school buildings. However, in an interview two years later, he said the only thing he had successfully funded was a small classroom construction project. Even this project was funded by the council only on the condition that the community fire their own bricks. Some constituents had started to wonder if Felix was stealing money rather than funding projects.

To address his fiscal dilemma, Felix said in an interview that he had developed a "very productive relationship" with foreign nongovernmental organizations (NGOs) and donors as an alternative way to help his community. He named two NGOs specifically who had helped with restoring a road, building a bridge and borehole digging. While admitting that they often did things without consulting him, he emphasized the importance of NGOs and donors for his work:

> The main challenge I have in meeting my goals is the source of funds. Since I don't have access to the constituency funds, it is tough for me to bring development to the area or ward. My hands are tied and no one seems to come and help me .... Unless I start asking for funds from the NGOs, it is rare that I am assisted.[1]

As Felix found, it is hard to be a politician without money. Surveys in low-income democracies consistently show that voters want politicians to prioritize new and more effective public services.[2] Yet politicians in

[1] From an interview with a local councilor in Southern Malawi. His name was changed to protect anonymity. See Appendix B, Interview B5.

[2] For instance, according to Arab Barometer, Asian Barometer, and AmericasBarometer, 33 percent of citizens claim that the quality of public services is their most important

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the world's poorest democracies rarely have funds to deliver things such as new schools, access to clean water, and health clinics. Instead, most oversee meagre budgets that are dominated by recurrent expenses like salaries. Especially without access to powerful friends and partisan connections, it is hard for many politicians in poor democracies to improve public services or to demonstrate that they are working hard on behalf of voters.

For many politicians, building relationships with donors and NGOs offers a solution to their fiscal challenges. Unlike governments, donors oversee budgets that are mostly focused on nonrecurrent development expenses. In the world's most aid-dependent countries, donors are often the main way in which new infrastructure is funded and delivered. Even where governments funds are used, donors frequently act as cofinancing partners. Since many donors are hesitant to channel such funds through low-capacity governments, the only way many politicians can access such funds is by building relationships with donors or their agents, NGOs. This is a book about the relationships between donors and politicians and the ways in which they shape politics in low income, aid-dependent democracies. It is not an exaggeration that donors have as much impact on politics in many democracies as most traditional electoral and legislative institutions. Yet, while many scholars have noted the political leverage of donors, we have surprisingly little social science theory or microlevel evidence on how donors shape the motivations, beliefs, and behavior of voters and politicians.

To illustrate the importance of these donor relationships, consider the challenges that many aid-dependent governments face in funding new infrastructure and services without donor support. In terms of overall expenditures, foreign aid represented about a third of all public expenditure in the world's least developed countries from 2000 to 2020.[3] However, this statistic understates the true influence of donors over social spending. Most poor governments spend the vast majority of their budget on wages and debt servicing. If we subtract this recurrent expenditure and focus instead on new spending on infrastructure like roads, schools, or clinics, donor spending mostly far exceeds that of the government. For instance, in highly aid dependent countries such as Malawi, Sierra

issue. This proportion increases to over 80 percent in most African countries (Grossman and Slough 2022).

[3] In countries classified by the United Nations as Least Developed, the median donor expenditure totaled 46 percent of government expenditure from 2000 to 2020 (World Bank 2024).

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Leone, Bangladesh, and Mali, projects and loans from donors have sometimes totaled 70–90 percent of all public investments in social sectors.[4] These fiscal constraints make public sector investments all but impossible without donor support for many politicians and governments.

Donor influence is also reflected in their geographic footprint, and close networks with local governments. Today, much aid spending happens through well-defined and geographically specific development projects, most likely facilitated by one or more NGOs or private contractors. This means that donors or NGOs are present in many communities and often have close relationships with politicians and civil servants in those communities. In Kenya, there are over 8,000 NGOs with investments in every district in the country.[5] In Bangladesh, over 90 percent of villages host at least one NGO.[6] In Malawi, donors are present in almost every school, health center, and hospital. In fact, I show in Chapter 5 that citizens are more familiar with what donors have recently done in their communities than what their own local government has done.[7]

The importance of donors for politics and social services is also reflected in how politicians spend their time. While cross-national statistics are difficult to come by, politicians in aid-dependent countries often have very close relationships with donors. In surveys I conducted in Malawi, 58 percent of MPs report meeting with donors regularly, most on at least a monthly basis. In comparative terms, more than half of MPs claim to meet with donors more frequently than they attend formal legislative sessions and about a fifth claim to meet with donors more than they meet with their constituents.[8] Studies in other contexts have reached similar conclusions. For instance, a study of Japanese aid in Uganda by Baldwin and Winters (2023) shows that MPs were involved in lobbying for 40 percent of aid projects and that councilors were involved in mobilization in over 50 percent of aid projects. Brass et al. (2018) likewise show how politicians and NGOs in Kenya invest in collaborative relationships in order to deliver more effective public services.[9]

[4] International Monetary Fund 2018, 2020; Bangladesh Ministry of Finance 2024.
[5] Brass 2016; Jablonski 2014; Seim, Jablonski, and Ahlbäck 2020.
[6] Brass et al. 2018.
[7] See Chapter 5.
[8] Author surveys with 100 MPs in Malawi. See Appendix A for details.
[9] See also Jablonski (2014), Briggs (2012), Lewis (2004), Bräutigam and Segarra (2007), and Mercer (2003).

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1.1 THE ARGUMENT

How do these relationships between donors and politicians matter for electoral behavior? My answer to this question starts with the observation that donors have a voice in most major spending decisions in highly aid-dependent democracies. Consider a simple policy decision like where and how to build a new school. In many democracies, this decision might be made by an elected council or a parliament, often as part of a longer-term education development plan. The final project would likely be managed by and contracted through a professional civil service.

That same decision in an aid-dependent democracy might look very different. Given the scarcity of social infrastructure budgets, most aid-dependent governments will be forced to rely partly or wholly on donors to fund the school. At the least, this control over the purse will give donors a voice in the planning of the school and veto power over the final budget. While elected officials may have substantial input, donors will often have a seat in related policy committees and will also often earmark funds or impose conditions on their use.

To illustrate, in Malawi this decision over the school funding would fall to elected politicians sitting on district councils. In making the funding decisions, councilors might choose to reach out to donors to finance or cofinance the project, or they might seek to use their council infrastructure budget, which is known as the Local Development Fund.

But, even if councils rely on their own Local Development Fund, donors would still have substantial input. While the Local Development Fund is formally part of the budget, it is almost entirely donor-funded. Donors and NGOs sit on committees that allocate and monitor this funding, and these committees often place earmarks and conditions on its use, for instance, the prioritization of some issues over others. Because of this role in prioritizing some projects over others, councils commonly have to compete with other districts to propose projects that will be attractive to donors.[10]

In addition to having a veto over funding, donors and NGOs would also most likely be involved in the planning and implementation of the school. In Malawi, NGOs and donors are generally members of the district committees that advise the council on community needs and funding

[10] For evidence on the operation and funding of LDFs in Malawi, see Chasukwa and Banik (2019) and International Monetary Fund (2018).

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priorities.[11] This membership gives donors a strong voice, and sometimes veto power, over most basic infrastructure spending. This comingling of donor, NGO, and politician voices is a characteristic of development planning within many aid-dependent governments.[12]

This role of donors and NGOs in spending decisions has also increased over time. Through several means, donors have increasingly circumscribed the role that low-income governments play in infrastructure spending. One way donors do this is by channeling foreign aid through (or partly through) NGOs and multilateral organizations. At the time of writing, donors channeled about 45 percent of all foreign aid through the public sector in the world's least developed countries. The remaining 55 percent is largely channeled through NGOs or multilateral organizations.[13]

But even where donors do spend within the public sector, this spending almost always has strings attached. Less than 1 percent of donor spending in the world's least developed countries is provided in the form of budget support (compared to 3 percent globally). This means that, for all but a miniscule share of foreign aid, governments remain accountable to donors for how the funds are used and mostly have to involve donors or NGOs in the planning and implementation process.[14] Among other challenges, these restrictions mean that foreign aid cannot be included in a government's normal budget planning process.

The dominance of NGOs and other organizations in the development process means that many, if not most, development decisions result from a complex and extra-legislative collaboration between development organizations, politicians, bureaucrats, and senior ministers. A foreign aid project might start with high-level meetings between relevant ministers and donor representatives. If it is a large project, the negotiations with government officials can take many months and involve dozens of meetings with different government and development stakeholders. Once a project is funded, its implementation might involve dozens more NGOs and local government officials who were not even involved in the original negotiation, each in turn putting their stamp on the project.

[11] Area Development Committees and District Education Committees are the primary for discussing education-related issues at the district level. NGOs regularly participate in both committees.

[12] Lewis 2004; Brass 2012a; Mercer 2003; Van de Walle 2001.

[13] OECD 2024.

[14] Based on 2020 OECD statistics (OECD 2024). See also Dietrich (2013) for discussion on this point.

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Together, this dominant role of donors and NGOs in the budgetary process means that, unlike in many richer democratic contexts, infrastructure spending decisions in aid-dependent democracies are rarely wholly or mainly the prerogative of legislatures. Instead, it is apt to think of much public spending in aid-dependent democracies as a kind of bargaining process. Politicians, donors, and other stakeholders like NGOs have power in this bargaining process: Politicians need donors to bring the funds or projects they require in order to develop their constituencies and placate voters. But donors also need politicians to design, deliver, and sustain many development projects. This analogy of a multilateral bargain is the one I refer to frequently in this book. I will later argue that the ultimate outcome of this bargain – such as whether politicians get development in their district – will depend on the divergence of preferences between donors and politicians, as well as the power of each actor.

As I describe further the structure of these aid bargains also powerfully shape the incentives and responsibilities of politicians and voters in ways that matter for our understanding of elections, voting, and democracy in aid-dependent countries.

1.1.1 How Donors Affect Politician Behavior

In aid-dependent democracies, it is an undeniable fact of political life for many politicians that they need to bargain with donors and foreign NGOs to deliver significant development to their constituents. This book investigates several ways in which this aid dependence changes politicians' behavior.

For instance, aid dependence changes politicians' prioritization of effort and time. Because of the importance of donors for political survival and policymaking, politicians invest a lot in building relationships and collaborations with donors and their representatives. One consequence of this investment is that politicians have less time for other activities, such as legislation and constituency service. While it is difficult to calculate the exact allocation of politicians' time, I offer a number of pieces of evidence to support this reprioritization effect. For instance, I show survey and interview evidence that politicians prioritize donor relationships over more traditional legislative activities. Furthermore, I show that the frequency with which politicians meet with donors compares favorably with the frequency of other official activities.

Additionally, aid dependence changes how politicians conceptualize the role of their offices. Despite having no constitutional mandates to

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work with donors, many politicians in Malawi describe working with donors as a core part of their job. In interviews, I asked politicians in Malawi to describe their role in government. Most stated that supporting, negotiating, or monitoring development projects (most likely from donors) is of primary importance. One councilor said his primary responsibility is, "[take] the development from the District [Council] to the ward when there is money from local development funds and other donors from different organizations." One MP when asked about his responsibilities stressed the importance of addressing hunger and health issues in his constituency, and when asked about specific actions, he mentioned – not legislative work – but "discussions" and "meetings" with donors to bring reproductive health projects and food aid to his constituency.[15]

These politician investments in donor relations are further shaped by the incentives of *voters*. When donors are a primary source of public spending, voters have incentives to value politicians that are capable of building effective relationships with members of the international development community. For instance, Malawian voters, when asked in a focus group what makes for a good politician, emphasize, not just legislative and bureaucratic effectiveness but also the capacity to work with foreign development organizations (for instance, by being fluent in English) and the ability to facilitate foreign aid.[16] In Chapter 5, I show evidence that foreign aid spending also changes how voters perceive politician effort and performance.

I show that aid dependence also changes how politicians campaign and win elections. Instead of, or in addition to, campaigning on legislative accomplishments, politicians campaign by claiming credit for projects facilitated wholly or partly by donors.[17] Indeed, when I asked politicians in Malawi in a survey, what they had done for their constituents, the majority talk about projects funded or facilitated by donors. Furthermore, I show that politicians visit donor projects frequently in order to take credit (rightly or wrongly) for their role in delivering services.[18]

Finally, aid dependence changes how politicians consider and implement policy decisions. Because of the dominance of donors in funding and facilitating infrastructure, effective policymaking requires politicians to consider the views and activities of donors when making almost any policy decision – regardless of whether that decision involves donors or

[15] Author interviews, see Appendix B for details.
[16] Author focus groups, see Appendix B.
[17] Cruz and Schneider 2017; Springman 2023; Ijaz 2025.
[18] See especially Chapter 5.

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not. This influence is difficult to overstate: In a survey of 101 elected councilors in Malawi, for instance, ninety six of them stated that they very often consider what NGOs and donors do when making policy decisions about development.[19] In a policy experiment with Malawian politicians in Chapter 6, I provide causal evidence that politicians substantially adjust their spending priorities when they learn about new donor projects in their constituency.

This policy codependence means that effective policymaking requires a much higher level of knowledge and collaboration than it otherwise would. For instance, I show that politicians mostly struggle to learn about the activities of all the NGOs and donors in their area and invest a lot of effort and time in staying abreast of these activities. These high information and coordination costs also mean that many spending decisions that politicians make are overly duplicative and inefficient.

1.1.2 How Donors Affect Voter Behavior

The complex relationships between politicians and donors make it hard for citizens to condition their vote on the quality of public services in aid-dependent democracies. To illustrate this point more concretely, suppose, as a citizen in an aid-dependent democracy, you observe a health clinic being built in your community. How might this affect your beliefs about incumbent effort and subsequent voting behavior? On the one hand, if it seems that the government was responsible for facilitating the clinic to be built in your community, you might infer that your incumbent politician worked hard on your behalf. You might therefore choose to reward that incumbent with your vote. On the other hand, suppose that the project was wholly or partly delivered by a donor-funded NGO. In this case, you might struggle a lot with how to attribute credit. It is certainly possible that your incumbent politician lobbied for or otherwise facilitated the clinic to be delivered into your community. However, given the opaque nature of most donor spending, it will be difficult for you to confirm the scale of political involvement. Claims by politicians themselves are not necessarily trustworthy.

Depending upon your beliefs about political involvement, it is also possible that this clinic could make you *less* likely to support the incumbent. Suppose, for instance, the NGO built a clinic in a

[19] Survey with 101 elected councilors in Malawi, see Appendix A.

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neighboring community rather than in your own; or suppose that the project was mismanaged. In such cases, you might be rather annoyed that your incumbent did not do more on your behalf to influence the NGO's decision.

This illustrates two important tenets of my argument about voter behavior: First, the effect of public services and foreign aid on voter behavior depends a lot on what voters *believe* about the capacity of politicians to influence the delivery of those services. When voters believe that politicians have good relations with donors, we should see a stronger relationship between aid and voter behavior than when voters do not hold such beliefs. Second, the opaque nature of much public spending in aid-dependent democracies means that voter beliefs about aid spending will often be uncertain and biased. As a consequence, I show that voters commonly make incorrect inferences about politician performance from observing development projects.

The fact that voting is conditional on beliefs means – contrary to what is often assumed – that there is not a simple relationship between foreign aid and electoral outcomes. On the one hand, foreign aid can sometimes allow incumbents to claim credit (sometimes rightly, sometimes wrongly) for quality services. On the other hand, politicians are also sometimes blamed for the actions of donors. When donors prioritize ineffectively, ignore certain communities, or deliver subpar services, politicians receive a share of the blame. Depending upon voter knowledge and the nature of aid delivery, foreign aid can either help or harm incumbents' electoral chances.

This argument implies that the effect of foreign aid on voting will be heterogenous and will depend upon what voters believe about the process of aid delivery. If voters believe that incumbents have influence over donors, and that foreign aid is delivered in a manner that transparently benefits a majority of voters, then we should expect that foreign aid will help incumbents win elections. However, if these conditions are not met, then it is unlikely that aid will benefit incumbents and may harm their electoral chances.

Among other pieces of evidence for these claims, I discuss an experiment in Chapter 5 which examines how voters respond to foreign aid after receiving different kinds of information about politicians' and donors' role in that aid delivery. I show that, depending upon what voters assume about the aid distribution process, aid can have positive, negative, or null effects on perceptions of incumbent performance and voting.

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1.1.3 How Donors Affect Democracy

In order for democracy to work effectively, voters need to be able to hold politicians accountable for their actions.[20] That is, they need to be able to observe what politicians do and punish or reward them at the polling booth based upon those actions. I argue that aid dependence affects accountability in two main ways: First, it makes politicians' effort more *visible*. Absent donor support, most politicians in aid-dependent democracies are severely budget constrained and have little or no opportunity to help the majority of their constituents, especially with improvements in infrastructure or social services. When voters do not observe government policies, they have little opportunity to assess the quality of politician performance. This kind of low-information environment can also lead to higher levels of corruption, vote buying, and identity-based voting.[21] However, with the support of donors, politicians have the potential to deliver more services and demonstrate their performance to more of their constituents.

Second, aid dependence makes voters more *uncertain* about the relationship between public spending and politician effort. While voters might see more public services, they will struggle to distinguish between the work of donors or NGOs and those of politicians. As I emphasized in Section 1.1, many public spending decisions are made outside of a legislative context and through a multilateral bargaining process between donors, NGOs, bureaucrats, and politicians. Even a well-informed voter might be uncertain about the role of all the officials involved. This uncertainty problem is exacerbated by political incentives for politicians to deceive voters about their role in development projects and their ability to negotiate with donors.[22] This uncertainty effect can erode electoral accountability, and cause low performing and corrupt incumbents to remain in power longer than they would otherwise, often to the detriment of public welfare and democracy.

The effects of donors on accountability and democracy will depend a lot upon the scale of these uncertainty and visibility effects. When foreign aid increases the visibility of politician effort – while not substantially increasing the uncertainty or inaccuracy of voter beliefs – foreign aid can make it easier for voters to identify those politicians that work hard on their behalf. On the other hand, if a primary effect of aid is to increase

[20] Przeworski, Stokes, and Manin 1999.
[21] Keefer and Khemani 2005; Ferraz and Finan 2008.
[22] Cruz and Schneider 2017.

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voter uncertainty about what the government does, or if aid makes it more possible for poorly performing politicians to deceive voters, then donors can be quite harmful for democracy and accountability.

As an extension of this argument, I argue that some kinds of aid delivery will be better for democracy and accountability than others. I also engage with debates about the trade-offs involved in different modes of aid delivery and propose policy reforms.

Together, these arguments imply that aid dependence meaningfully transforms how democracy works. In Table 1.1 I summarize some main mechanisms of this transformation. In the left column I provide a list of ways that governance differs between aid-dependent democracies and similar, but nonaid-dependent, democracies. This is not meant to be a comprehensive list; however, I think it is fair to say that most aid-dependent democracies share these characteristics to some degree. Next, in columns 2–4, I summarize some key claims I make in this book about how these governance effects matter for politician behavior, voter behavior, and democratic accountability. I develop each of these claims as I move forward in the book.

1.2 THE SCOPE OF THE ARGUMENT

The objective of this book is to assess the impacts of foreign aid and foreign donors on electoral behavior within aid-dependent democracies. These are countries that fit three criteria: (1) they hold competitive or semi-competitive elections, (2) they have a high level of poverty, and (3) they depend upon foreign funding for a large proportion of social or infrastructure spending. Depending upon how strictly we define aid dependency and democracy, these criteria encompass about 45–60 countries. As the highest proportion of these countries are in sub-Saharan Africa (including my main case of Malawi), much of the evidence from this book focuses on this region.[23] As I discuss in Chapter 2, these aid-dependent countries share specific characteristics, including an inability to self-fund new public services, deep ties to foreign donors, and collaborative policymaking between foreign and domestic actors.

By foreign donors, I mean organizations or countries that are either provide foreign aid or are recipients of foreign funds. This means that

[23] There are forty five low- and middle-income countries that have multi-party, contested elections and above average levels of aid as a percent of GDP (4.8 percent of GDP) (Hyde and Marinov 2012; World Bank 2019b). These are mostly in Sub-Saharan Africa, East Asia and the Pacific Islands.

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TABLE 1.1 *Summary of the argument*

Governance in aid-dependent democracies	Consequences for . . .		
	Politician behavior	Voter behavior	Democracy
Governments have limited ability to fund new public services without donor help.	Politicians seek to influence donor spending decisions in favor of constituents.	Voters infer politicians' influence efforts from observing foreign aid spending.	Foreign aid can help voters make better inferences about politicians' effort and preferences.
Legislatures often share de facto policymaking authority with donors.	Politicians prioritize donor relationships over legislative activity.	Citizens condition their votes on foreign aid rather than just legislative activity.	Legislative service is less likely to reflect politician quality.
Many public spending decisions depend on bargains between bureaucrats, politicians, donors and NGOs.	Politicians struggle to stay informed about donor activities and to coordinate effective policy decisions.	Voters struggle to infer which organization deserves credit for public spending.	Voters often attribute the effort or preferences of donors to politicians (and vice versa).
Credit for public spending is often shared and unclear.	Politicians campaign by claiming credit for foreign aid.	Voting decisions depend on how foreign aid is distributed and what voters believe about who deserves credit.	Effects of foreign aid on incumbency are uncertain and heterogenous.

my discussion will focus on typical bilateral and multilateral donors such as the United Kingdom or the World Bank; however, my discussion will also focus a lot on NGOs that benefit from foreign funding. And, except where necessary for clarity, I often use the term donor to refer to multilateral donors, bilateral donors, and foreign-funded NGOs.

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As I discuss in Chapter 2, most aid-dependent countries are characterized by a high level of delegation from donors to NGOs, and NGOs make key decisions about how and where foreign aid funds are spent. These close partnerships between donors and NGOs, combined with the intermingling of funds, mean that it is difficult to make clear distinctions between the activities of traditional donors and NGOs. Likewise, the vast majority of NGOs in low-income democracies are donor-funded, especially if involved in infrastructure.[24]

These close partnerships between donors and NGOs, combined with the large geographic footprint of NGOs, also mean that some of the most politically important donor relationships, particularly at the local level, are between NGOs and politicians, rather than between politicians and the representatives of major bilateral and multilateral donors.

1.3 EVIDENCE AND RESEARCH DESIGN

Research on foreign aid and its political consequences has often been approached from a macro-lens, for instance by analyzing relationships between aid spending and political or economic outcomes at the country or sector level. While such research is useful for assessing questions around donor motivations and for studying the aggregate relationship between aid and growth, cross-national data is quite a blunt tool for studying democratic processes like voting and elections. Additionally, it is often difficult to infer causation from cross-national data, since donors explicitly or implicitly condition aid on the very political outcomes we are interested in (such as the functioning of democratic institutions and electoral outcomes). These and other estimation and reliability issues with cross-national data place limits on what we can learn from much of the past data on the political effects of aid. To address this limitation, this book adopts a microlevel approach, examining the perspectives of voters, politicians, and aid workers through surveys, interviews, and field experiments, primarily in Malawi. The research design involves gathering data from multiple sources, including surveys with politicians and citizens, field experiments, and secondary data on aid distribution and government spending.

[24] Brass (2012a), for instance, estimates that over 90 percent of NGO funds in Kenya are donor funded and only about 1 percent are government funded. In Malawi, only 38 out of 1,169 NGOs report that they primarily rely on their own income (NGORA Malawi 2024).

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The first set of surveys focus mostly on the relationships between politicians and donors. Between 2014 and 2018, I and fellow researchers conducted three surveys in Malawi encompassing almost all elected officials (460 politicians). These surveys ask questions about politicians' interactions with donors and NGOs. They also test politicians' knowledge of donor activities. I use these data especially in Chapters 2 and 6 to assess the relationships between politicians and donors and the extent of politicians' knowledge of donor activities.

A second set of surveys look at how citizens and teachers view donors and politicians. These surveys were conducted in 2016 and include 314 teachers and 2,019 citizens across 311 randomly selected schools throughout Malawi. In Chapter 5, I also use these data to draw inferences about what citizens know about donor activity in their community and to examine the implications of aid on election outcomes.

As a main test of the theory, I describe two field experiments (in Chapters 5 and 6). The first is an information experiment with voters to assess how a foreign NGO project changed expected voting behavior. The second field experiment tests how politicians' spending decisions change when they learn about foreign aid projects in their constituencies.

To provide more detailed information on perceptions and motivations, I supplement these data with interviews and focus groups with bureaucrats, elected politicians, community leaders, donors, NGOs, and voters. These interviews focus on how respondents view donors and politicians and how respondents make decisions about development and voting.

1.4 THE CASE OF MALAWI

Despite the broad scope of the argument, much of the analysis in this book focuses on the case of Malawi. This narrow focus is driven by the questions I am asking. By looking at a single case, I can contribute detailed and locally representative evidence about the ways in which politicians and voters respond to foreign aid. This kind of microlevel analysis would not be possible without such a deep dive into a single case. However, this narrowness does come at a cost. While I draw on cross-country evidence where possible, there are limits to my ability to assess cross-country heterogeneity.

Malawi is an apt case. Malawi has held mostly competitive elections since a referendum and donor pressure encouraged then-president

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Hastings Banda to hold elections in 1994. At the national level, incumbents have lost elections three times (in 1994, 2014, and 2020). At the local level – where much of my evidence will come from – elections are often highly contested and turnover is often well over 50 percent.[25]

Additionally, as the seventeenth most aid-dependent country in the world in terms of GDP, Malawi is representative of the situation faced by many of the world's most aid-dependent democracies. Foreign donors are omnipresent and play a dominant role in funding social services. There are about twenty three international donors and over 1,200 registered NGOs scattered across each district in Malawi.[26] Often these donors spend close to a billion dollars on social infrastructure and services, doing things like funding schools, training teachers, provisioning health supplies and providing access to clean water.[27] Amidst this aid dependency, Malawi remains one of the most impoverished and unequal countries in the world. The United Nations Development Programme (UNDP) ranks Malawi 170 out of 188 countries in human development with over 77 percent of the population living below a poverty rate of $1.90/day.[28]

Like in many aid-dependent countries, the role of donors in the Malawian economy rivals that of the government. In most years the amount of spending funded by donors exceeds the total amount of government expenditure. From 2010 to 2020, donor spending averaged about 92 percent of the government budget. While this ratio of government to donor spending is similar to other African countries, it is higher than the aid dependency elsewhere (the average for aid recipient countries is 41 percent[29]). This dominance of donors over the budget is even more true in the social sectors.[30] These donor investments are present in almost every school, health center and hospital in Malawi.[31]

[25] For instance, out of 462 council seats contested in the 2019 election, 287 were contested by incumbents and only eighty two (18 percent) were won by incumbents.

[26] NGORA Malawi 2022; Peratsakis, Christian, Joshua Powell, Michael Findley, Justin Baker, and Catherine Weaver 2012.

[27] OECD 2024.

[28] UNDP Jan 2016.

[29] World Bank 2017.

[30] For example, in 2021 donors spent 993 million on social services and infrastructure against the government's social services budget of about 364 billion (OECD 2024; UNICEF 2023).

[31] For instance, I estimate using survey data with teachers that donors invested in 44 percent of all primary schools over a five-year period. See Chapter 5.

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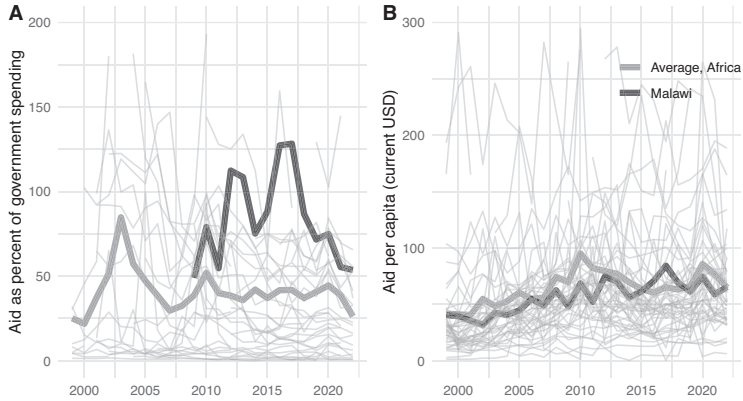


FIGURE 1.1 Aid dependency in Malawi
Note: This figure shows average Official Development Assistance (ODA) over time as a percent of central government expense (Panel A) and in per capita terms (Panel B). Light lines show the values for all countries in Africa. Dark lines show values for Malawi and the average for Africa. I omit data for Somalia due to its extreme values. Data is from the World Bank World Development Indicators.

This aid dependence is exacerbated by the government's budget constraints. The government's $364 million budget in 2020 for social spending was almost entirely taken up with recurrent expenditure: primarily salaries.[32] Something as basic as building a new school is impossible for all but the most well-connected of politicians. In most years, less than 2% of the government's education budget is available for capital expenditure, making new construction nearly impossible in many areas.[33]

In Figure 1.1, I plot aid dependence in Malawi relative to the rest of sub-Saharan Africa. In terms of aid per capita received, Malawi is similar to many countries in Africa (Panel B). However, due to its high rate of poverty and unstable agriculture based incomes, Malawi has a quite low tax base. This means that aid as a share of central government expenses (Panel A) is quite high.[34]

Despite Malawi's high aid dependency, most of Malawi's donor funding is not channeled through the government. Due to donor concerns over

[32] Out of Malawi's total budget, about 80% is recurrent. In sectors like education the share of recurrent spending is closer to 90 percent (Mlusu 2021).

[33] In 2021, this works out to $6.3 million across a population of 5.5 million students. In comparison, the UK spends about 10 percent of its education budget on capital expenses.

[34] In the ratio of aid to government expenses, Malawi (at 91% from 2010 to 2020) is similar to the DRC (75%), Mali (73%), Rwanda (69%), Mozambique (69%), Ethiopia (67%) and Burundi (120%).

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corruption or mismanagement, donors in recent years have withdrawn most budget support and set up a number of service delivery operations that parallel those of the government. Of Malawi's $1.5 billion aid budget in 2019, only $140 million was funded by grants. This fact makes donors an independent and important provider of public services. This use of nongovernmental channels to deliver aid is increasingly the norm for donors, particularly in lower income countries. As I point out later, this lack of government ownership also challenges voters' ability to assess the links between political behavior and public welfare.

This combination of high aid dependency, electoral pressure and off-budget funding makes Malawi an apt case for my argument. Because of this economic dependency, I show that politicians have strong incentives to invest in donor relationships as a source of public spending and voters have strong incentives to value politicians with links to donors, which have meaningful consequences for voting and elections.

However, it's worth noting also that Malawi is also in some ways an unlikely case to observe a strong effect of foreign aid on political outcomes. Several influential theories have suggested that the political consequences of aid are largest in contexts where recipient governments have unconstrained access to donor funds, or where donor foreign policy interests are substantial.[35] Malawi is instead a case where donors have very few policy interests, budget support is meagre, and aid often comes with strings attached. In the Conclusion, I will discuss in further detail how some of the findings in this book might differ by context.

1.5 CONTRIBUTION TO EXISTING RESEARCH

A primary contribution of this book is to debates about how foreign aid affects electoral behavior in democracies. While the vast majority of foreign aid now goes to democratic or semi-democratic countries, we lack reliable theory or evidence about how foreign aid affects voting and elections. As I show, many theories we do have are more tailored to autocratic environments and modalities of aid that no longer persist. Moreover, contrary to what most theories have presumed, there does not appear to be a simple relationship between foreign aid and incumbent voting. Often empirical findings observe instead that foreign aid has very

[35] Bermeo 2016; Bueno de Mesquita and Smith 2009; Morrison 2014.

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mixed effects on voting and support for incumbent politicians.[36] Some studies have even suggested that aid may have negative or null effects on support for incumbent politicians.[37] In this book I introduce a micro-founded theory about when and why foreign aid might change voter beliefs and behavior. This theory builds on insights from retrospective voting literatures and suggests alternative hypotheses about when foreign aid might help or hurt incumbents. Experimental evidence on voting in Malawi broadly supports these theories.

This book also speaks to the consequences of foreign aid for democracy and political accountability. One long-standing criticism argues that foreign aid undermines democracy by allowing poorly performing or unaccountable governments to take credit for the work of donors, or to reward supporters with opportunities for corruption.[38] Other scholars point to the ways in which foreign aid shifts control over policy. Since foreign aid is rarely channeled through legislative institutions, and donors are primarily accountable to foreign rather than domestic publics, politicians may feel that they have no ability to affect development and voters may struggle to link their welfare to politician performance.[39] These effects may be further reinforced by the effects of aid on eroding the fiscal basis of the state: because aid-dependent governments are not as dependent upon citizens for revenue, aid may erode citizens' ability or willingness to demand rights and services from the government.[40]

To the extent these critical arguments are correct, aid may not just be ineffective, it may actually be harmful. Foreign aid might reduce incentives for political liberalization, undermine voter accountability, entrench autocratic rule and foster corruption. However, these critical arguments often rely on assumptions about the behavior of voters, politicians and donors which are too rarely stated or tested explicitly. Using formal theory and data on how aid impacts voting and voter beliefs, I argue for a more mixed and conditional effect of aid dependency on democracy

[36] Sexton and Zürcher 2023; Briggs 2015; Ijaz 2025; Springman 2023; Baldwin and Winters 2023; Brass 2016; Cruz and Schneider 2017.

[37] Sexton and Zürcher 2023; Briggs 2019; Blattman, Emeriau, and Fiala 2016.

[38] Cruz and Schneider 2017; Jablonski 2014; Djankov, Montalvo, and Reynal-Querol 2008; Ahmed 2012; Gibson, Hoffman, and Jablonski 2015; Mesquita and Smith 2009; Bräutigam and Knack 2004; Guiteras and Mobarak 2015; Brown 2001; Tangri and Mwenda 2006; Isaksson and Kotsadam 2018; Van de Walle 2001.

[39] Mkandawire 2010; Lewis 2004; Lewis and Madon 2004; Brass 2016; Koch and Weingart 2016; Resnick and Van de Walle 2013.

[40] Moss, Pettersson Gelander, and Van de Walle 2006; Morrison 2014; Martin 2023; de la Cuesta et al. 2022; Eubank 2012; Ahmed 2019; Albers, Jerven, and Suesse 2023.

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and accountability. Despite the role of donors in development, I show that politicians are still seen by many voters as a key agent and mediator of development spending. Foreign aid can therefore help accountability by providing a mechanism to improve the visibility of politician effort and performance. Nonetheless, I also show how foreign aid changes the information environment and often leads to less informed voting and unaccountable policy.

This book also informs our understanding of retrospective voting and accountability in low-income democracies. Political scientists often note the challenges that voters in low-income settings face in assessing politician performance, even where voters have accurate and comparative information about government services.[41] I show that aid dependency is an underappreciated explanation for this gap between welfare and voting behavior: by making voters uncertain about the role of politicians (relative to donors) in service delivery, aid dependency means that voters will often be uncertain about the link between public welfare and politician (rather than donor) performance. This uncertainty implies that voters will often make inefficient voting decisions, that politicians will have incentives to manipulate the beliefs of voters in their favor, and that politicians may substitute more easily attributable clientelistic and personalistic forms of service delivery.

Additionally, this book helps explain how politicians prioritize their time and effort. An often noted fact is that politicians and voters in poorer democracies (relative to the Global North) often seem to place less value on legislative activities relative to more direct forms of constituency service.[42] Political scientists have pointed to the role of clientelism, accountability and education as explanations for this deprioritization of nonlegislative service.[43] I argue that a complementary explanation is the importance of donors in mediating service delivery: where legislatures are fiscally constrained, or where politicians lack legislative influence, investments in donors can substitute for traditional forms of legislative

[41] Dunning et al. 2019; Cruz, Keefer, and Labonne 2021; Humphreys and Weinstein 2012; Grossman and Slough 2022; Slough 2024; Cruz, Keefer, and Labonne 2021; Martin and Raffler 2021; Jablonski et al. 2022; Keefer and Vlaicu 2008; Berliner and Wehner 2022; Ashworth, Mesquita, and Friedenberg 2018; Buntaine et al. 2018.

[42] Humphreys and Weinstein 2012; Mattes and Mozaffar 2016; Barkan et al. 2010; Ofosu 2024; Lindberg 2010.

[43] Keefer and Khemani 2009; Stokes et al. 2013; Ofosu 2019; Weitz-Shapiro 2014; Keefer and Vlaicu 2008.

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service delivery and provide a supplementary source of credit claiming opportunities.

Also this book contributes new experimental and survey data on how politicians learn about their constituencies, and the links between information and policymaking.[44] While a growing number of experimental studies emphasize the role of information in distorting policy, this book is one of the few attempts to look at how politicians learn about donors, or how gaps in donor knowledge might shape public policy. As such, this book also informs long-standing debates about how donor fragmentation and choices around aid ownership can alter the policymaking environments in low-income settings.[45]

While this book is about the politics of aid dependence, some of the theories offer insight into how politics work in democracies with similarly complex forms of fiscal governance. Claims I make about the opacity of public spending, and the difficulties of identifying the source of funding, mirror arguments about the ways in which petroleum or mineral wealth might change voting behavior and democratic accountability. As political scientists like Michael Ross and Laura Paler have noted, voters in resource dependent economies face similar struggles in identifying the size of infrastructure budgets and the source of funding.[46] It is likely that the visibility and uncertainty effects I discuss in Chapters 3 and 5 can also help us understand voting these contexts. Additionally, some of the ways in which politicians and donors bargain over spending in aid dependent democracies mirror similar kinds of bargaining relationships between government authorities, and especially the bargains between central and local governments in decentralized democracies.[47] Like in aid dependent democracies, it is likely that these bargaining relationships, and the distribution of bargaining power, alters accountability and incumbency in ways that are similar to those I identify here.

[44] Jablonski and Seim 2023; Liaqat 2020; Pereira 2020; Gulzar, Hai, and Paudel 2021; Rogger and Somani 2023; Auerback, Singh, and Thachil 2024; Grossman, Platas, and Rodden 2018; Buntaine, Hunnicutt, and Komakech 2021; Broockman and Skovron 2018.

[45] Knack and Rahman 2007; Acharya, De Lima, and Moore 2006; Gehring et al. 2017; Qian 2015; Wright and Winters 2010; Gibson, Ostrom, and Shivakumar 2005.

[46] Ross 2012; Paler 2013; de la Cuesta et al. 2019; Paler et al. 2023.

[47] Brollo et al. 2013; Brollo and Nannicini 2012; Grossman and Lewis 2014; Grossman, Pierskalla, and Boswell Dean 2017.

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1.6 PLAN OF THE BOOK

To set the stage for the argument, Chapter 2 discusses how and why politicians interact with donors and foreign NGOs. Drawing on interviews and surveys with politicians, bureaucrats and donors in Malawi, I explain some of the fiscal and political challenges faced by politicians in Malawi and in aid-dependent countries generally, and how these challenges motivate politicians to bargain with donors as a way to deliver services to constituents and take credit for improvements in constituent welfare. I then discuss some empirical findings from Malawi about the frequency with which politicians say they interact with donors and the challenges that some politicians face in building donor relationships.

Building on this foundation, Chapter 3 provides a microfounded theory of how politicians lobby donors and how these aid bargains shape voting behavior and electoral accountability. Extending insights from formal models of retrospective voting and distributional politics, I argue that foreign aid often serves as a signal of politicians' performance and preferences in what are otherwise information-poor environments. However, I show that foreign aid can also increase voter uncertainty and misinformation about the link between welfare and incumbent performance. I derive implications for voting, democratic accountability, and politician behavior.

Chapter 4 examines theoretical claims about how politicians lobby and bargain with donors to achieve electoral advantages. First, I look at the correspondence between electoral geography and aid distribution over time in Malawi, Kenya and Sierra Leone. The analysis shows how ruling parties have biased aid in favor of ruling party coalitions. Additionally, I discuss the case of the 2002 transition in Kenya from then President Moi's KANU party to Mwai Kibaki's NARC party and illustrate some of the ways in which politicians in the new government were able to bargain for a shift in donor resources toward NARC areas.

Chapter 5 examines what voters in Malawi know about donor activities in their communities, and how foreign aid changes voter behavior and beliefs about incumbent performance. I show using original survey data that aid recipients often struggle to distinguish between the role of governments and donors in development funding. Next, I use experimental and panel data to test hypotheses about how foreign aid (and beliefs about foreign aid bargains) change voter behavior and perceptions of incumbent performance. The results are broadly consistent with the theoretical predictions in Chapter 3.

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Chapter 6 examines what politicians know about donor activities in their constituencies and how donors affect their policy behavior. Extending the theory in Chapter 3, I show how foreign aid can distort policymaking when donors fail to adequately consult with or inform politicians about their activities. I then discuss an experiment with Malawian politicians involving their choices over the allocation of school resources. Consistent with the theory, I show that these allocation decisions were influenced by donor activities in their constituencies and politicians' knowledge of those activities.

Finally, Chapter 7 expands on what these findings imply for the functioning of democratic institutions. I also discuss in more detail the scope conditions of the argument and consider reforms to international development policy.

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