

Elite and Mass Support for Foreign Aid Versus Government Programs: Experimental Evidence from Uganda

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Abstract:

Does foreign aid enable or constrain elite capture of public revenues? Building on prominent debates in the foreign aid literature, we examine whether recipient preferences are consistent with a view – called here donor control theory – that foreign donors wield substantial control over the flow of aid dollars, making elite capture more difficult and mass benefits more likely. We compare elite and mass support for foreign aid versus government spending on development projects through a survey experiment with behavioral outcomes on members of the Ugandan national parliament and a representative sample of Ugandan citizens. For two actual aid projects, we randomly assigned different funders to the projects. Significant treatment effects reveal that members of parliament support government programs over foreign aid, whereas citizens prefer aid over government. Donor control theory also implies that citizens should favor foreign aid more and elites less as their perceptions of government clientelism and corruption increase. We explore this and report on other alternative mechanisms. Effects for citizens and elites are most apparent for those perceiving significant government corruption, supporting donor control theory.

Keywords: Foreign Aid, Clientelism, Uganda.

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1. Introduction

Academic disputes rage over what foreign aid allows politicians in recipient countries to do. For some scholars, aid enables political elites to buy votes, build militaries for repression, and enrich themselves through corruption (Svensson, 2000; Alesina and Weder, 2002; Bräutigam and Knack, 2004; Easterly, 2006; Morrison, 2009; Moyo, 2009; Morrison, 2012). Aid may thus undermine citizens' ability to hold political elites accountable for how public revenues are spent (Ross, 2004; Knack, 2009; Morrison, 2009; Moyo, 2009). In this view, foreign assistance is often captured by powerful political elites in recipient countries, thus benefiting politicians and hurting citizens.

Alternatively, others argue that foreign aid can bypass corrupt political leaders and target the delivery of needed public goods directly to recipients even as it promotes civil society actors that can demand better governance (Finkel et al., 2007; Wright and Winters, 2010; McLean and Schneider, 2014; Mosley, 2015; Bermeo, 2016). Additionally, aid can target government capacity building and contribute to the development of better-functioning institutions and thus push politicians to reduce corruption and mismanagement (Riddell, 2007; Baser and Morgan, 2008). Understanding the incentives of recipient governments to use aid for their own political purposes, donors can target aid toward specific projects, impose conditions, and limit the fungibility of aid revenues (Feyzioglu et al., 1998; Bearce and Tirone, 2010; Altincekic and Bearce, 2014). By this accounting, foreign donors have considerable influence over the distribution of foreign assistance, thus bypassing elites and benefiting the masses.

There is a great deal at stake in this debate. As much as \$7.1 trillion in development assistance has flowed from developed to developing countries since 1945 (Tierney et al., 2011; AidData 2016), representing a meaningful share of inter-governmental financial exchanges. However, if aid – by propping up despots and enabling corruption – does more harm than good, as some scholars have claimed, donor governments should reconsider their aid practices and reduce their commitments. If aid, on the other hand, brings more benefits than costs, then continuing or perhaps even increasing foreign assistance would be advisable. In addition, our study suggests that how aid is delivered matters; conditionality, bypass, and monitoring may make a difference.

Past aid scholarship has appeared to significantly influence major policy decisions at the World Bank in its move to randomized evaluations (Tollefson, 2015) and for the U.S. government in its creation of the Millennium Challenge Corporation (Hook, 2008), among other examples. The current scholarly debate thus involves more than academic stakes.

We consider two important elements that have been overlooked to date. First, we focus attention on the perceptions of and preferences for aid of both political elites and citizens in recipient countries. Ugandan elites and citizens experience the effects of aid projects continually due to aid's important role in the Ugandan economy, as we detail later. Moreover, even if elite and citizen perceptions do not correlate with objective outcomes, they may be important for politics, policy, and development. Citizens and elites, after all, take actions based on their perceptions. As we discuss below, different theories about the impact of aid depend on and make assumptions about citizens' and elites' attitudes, beliefs, and behavior. Examining these varying assumptions against evidence might yield a clearer picture about the role of aid. It should help us to understand under what conditions different theories of aid and its effects are more likely to operate. Hence, perceptions and preferences – especially as revealed by behavioral outcomes – matter in their own right.

Second, we propose a meaningful baseline against which to compare aid: government projects, which provide the most relevant alternative. Most theories share expectations about domestic elites, arguing that they play a significant role in shaping how foreign aid and government programs affect developing countries. Yet, to our knowledge, no direct, systematic evidence exists that employs politicians as respondents reflecting on aid and similar government programs. Studies comparing recipient citizens' support for foreign- and government-sponsored development projects are likewise rare. Probing elite and mass perceptions about foreign and government assistance may therefore contribute significantly to understanding aid.

The expectations that guided us in designing the study we call *donor control theory*. We argue that donors have significant influence over aid and can channel and condition it with a meaningful degree of independence from recipient government manipulation. We do not claim that donors completely determine the disposition of aid, but merely that they can channel and monitor it so that it aligns more closely with citizen interests in the provision of public goods compared to

government programs. The theory therefore suggests very different expectations for elite and citizen perceptions of and actions toward foreign assistance. It also argues that citizens and elites most attuned to the likelihood of politicians' capturing public resources should especially differ in their dispositions toward aid. If this view is correct, elites should be unable to capture aid easily, so they therefore should less strongly support foreign aid and instead prefer government programs, which they can appropriate more readily. Citizens, on the other hand, benefit more fully from foreign assistance than government programs, so they should evince stronger support for foreign aid relative to elite-dominated government programs.

Donor control theory contrasts with an alternative conceptualization that we call *aid capture theory*, which assumes that aid is highly fungible and can be used by recipient politicians as they will. It implies that elites should, at the very least, be indifferent between the two sources of funding for development projects. Or more likely, political leaders may more strongly prefer aid because they can capture it like other non-tax revenues and use it for their own purposes (Bueno de Mesquita and Smith, 2007, 2009). Citizens, on the other hand, should not support foreign assistance because elites are capturing the aid, causing similar patterns as in countries with substantial non-tax revenues such as oil (Morrison, 2009, 2012).

To test these alternatives, we report two parallel experiments performed in 2012 in Uganda that contrast members of parliament (MPs) and citizen support for development projects in treatment conditions attributed to foreign donors compared to identical projects in a control condition in which no donor was explicitly mentioned and that most sampled Ugandans took to be the domestic government.¹ The parallel mass and elite experiments provided an opportunity for each set of respondents to demonstrate support for foreign aid or government funds through behavioral actions that imposed personal costs as well as through attitudinal survey questions.

In line with the expectations of donor control theory, we find that members of parliament are significantly more likely to support projects in the control condition rather than treatment projects identifying foreign donors. However, citizens are significantly more likely to support foreign do-

¹ A minority of subjects believed the control condition was actually a foreign donor, but this works in favor of the null hypothesis of no significant difference between treatment conditions and control. The differences reported thus understate elites' and citizens' contrasting preferences for aid versus government projects, a result we detail in the robustness section.

nors, precisely the opposite of the elites. Effect sizes are generally modest and approach a ceiling, but the differences are significant and robust across a variety of specifications. We evaluate possible subgroup effects and the results are consistent with donor control theory. MPs who perceive greater government corruption are especially likely to prefer government projects over foreign aid, whereas citizens perceiving government corruption are significantly more likely to support the aid projects. Subjects among both elites and citizens who do not perceive government corruption appear indifferent.

We also explore alternative mechanisms that might underlie these differences: partisanship, ethnicity, nationalism, incumbency, and a foreign reputation effect. In general, the subgroup results provide null or inconsistent evidence for these possible alternative mechanisms. Taken together, our results suggest that – at least in the minds of those with direct experience – aid may be less susceptible to political capture than government resources.

2. Literature and Theory

In developing countries, foreign aid has a non-trivial influence on the political and economic landscape, both at the level of leaders and citizens. Vigorous debate has staked out various positions on the influence of aid. Political and humanitarian motives for aid allocation (e.g., Alesina and Dollar, 2000) as well as aid effectiveness in terms of objective measures such as economic growth (e.g., Burnside and Dollar, 2000) are well represented in the aid literature. Sensing a diminishing utility in continuing these macro-level debates, scholars have turned to examining the specific micro-level political economies of aid in donor and recipient countries.

We frame two positions in this debate, which represent opposite views of the relationship between donors and recipients. These are endpoints in the otherwise continuous bargaining relationship that exists between these two sets of actors. One prominent approach, which contrasts with the argument we advance below, we call the *aid capture theory*. It posits that donors provide foreign aid in exchange for policy concessions from the recipient government. This argument applies especially to foreign policy concessions. When donors care most about the foreign policy behavior of recipient countries – e.g., their alliance behavior or trading relations, then the recipient government has enormous bargaining power. Donors then must give aid without much concern for its use by the recipient. Donors must provide highly fungible aid such that the recipient political leaders who must implement these policy concessions will benefit. Aid

thus becomes a source of fungible government revenue, like other non-tax revenues including oil – and with potentially similar negative effects on the economy and polity, as in the well-known resource curse (see Ross, 1999; Humphreys et al., 2007). By this accounting, donors provide aid in minimally invasive ways and benefit from recipient policy concessions (Bueno de Mesquita and Smith, 2007, 2009). This approach emphasizing donor self-interest is not without foundation; some research and conventional wisdom note that donors give aid for political over humanitarian reasons and therefore relinquish much control over aid delivery (Alesina and Dollar, 2000).

For recipient leaders, fungible aid is a boon because they can capture the money and benefit directly; for recipient citizens, it is a bane because, as a result of elite capture, they fail to receive public goods and therefore suffer as a result. Thus, some analysts have likened aid to natural resources in the way resources “curse” developing countries with conflict, autocracy, and poor governance (Morrison, 2009; Moyo, 2009, p. 59; Morrison, 2012). Prominent studies have held that external sources of money, such as natural resources and aid, enable politicians to entrench themselves rather than be held accountable (Bräutigam, 2000; Smith, 2008; Morrison, 2009; Gervasoni, 2010). By this logic, political elites in the donor and recipient countries are the major beneficiaries of aid, as aid increases their political longevity (Morrison, 2009, 2012), whereas citizens in poor recipient countries are the biggest losers, as mass publics are forced to accept policy concessions they oppose and to endure more corruption from their own leaders (Bueno de Mesquita and Smith, 2009, p. 311). This theory suggests that the public and political leaders in recipient countries may have very different attitudes toward aid. Leaders should like fungible aid since they can direct it as they want, and publics, at least some of them, should be less enthusiastic since they benefit little.

Against this argument we contrast our own approach, which we call *donor control theory*. This theory attributes more bargaining power and different interests to donors and it is consistent with the fact that most aid is targeted for specific projects, has conditions attached to it, and often bypasses governments. Our argument builds on multiple strands of prior work pointing to the possibility that donors are conscious of the potential for aid to be mismanaged and therefore direct, oversee, and channel the aid in ways that are more likely to bypass corrupt politicians and therefore to produce public goods in recipient countries. Donors understand many of the challenges they face in developing countries and try to act strategically to advance their goals. By this accounting, donors do more than seek policy concessions and they thus pursue aims beyond those implied by aid as an intergovernmental “bribe” (Morgenthau, 1962). We concede that donors almost certainly give aid strategically at times for political ends (see Qian, 2015). However, many studies of aid allocation find that aid goes disproportionately to poorer and needier countries, which

suggests that significant amounts of aid target poverty relief (Alesina and Dollar, 2000; Fuchs et al., 2014; Lee and Lim, 2014; Bodenstein and Kemmerling, 2015).

Donor governments also are not always interested in foreign policy concessions; some countries simply do not have much geostrategic value to donors (and many often have none to multilateral donors). Donors instead appear more interested in promoting domestic public goods, such as democracy and development, which may entail large domestic policy changes by the recipient government. To achieve these aims, donors try to limit fungibility and target, commit, disburse, and monitor aid in ways that do not simply benefit leaders, but rather pursue broader goals including providing public goods to citizens. They do this in part by committing aid to specific projects, attaching conditions to the use of aid, employing elaborate procurement rules, and instituting strong accounting and reporting requirements for recipients (Lamoreaux et al., 2015). Such rules make elite capture more difficult. In contrast to a theory emphasizing donor allocation of relatively unrestricted fungible aid, this theory sees donors actively using aid to provide public goods for recipients by targeting aid for particular projects, attaching conditions to aid, providing both non-fungible and fungible aid, altering channels of delivery, and even withholding (or threatening to withhold) aid in response to recipient leader decisions.

At a broad level, Bermeo (2010); (Bermeo, 2011) shows that donors' goals have changed since the end of the Cold War and that they are now more focused on development and democracy promotion. She demonstrates that donors pursue "strategic development" in purposefully allocating different types of aid to different types of countries. Often, aid explicitly targets improvements in government capacity rather than providing narrow benefits to specific leaders. For example, Bermeo (2016, p. 4) shows that aid does not inhibit democratization, noting that "aid is not oil. Foreign aid comes from donors and donors have preferences. They also have tools to provide a heterogeneous basket of aid which can look very different from the revenue stream attached to a state-owned enterprise."

Even if aid fails to strengthen institutions or build capacity directly, donors may find alternative means to provide aid while avoiding capture by incumbent politicians. Dietrich (2013) shows that donors strategically decide how much aid to give directly to governments and how much to bypass them. Acht et al. (2015) reinforce these findings. In weaker and more corrupt institutional environments, donors are more likely to decide to bypass the government and channel aid to help build targeted projects in the recipient country. This "circumvention aid" can support opposition parties, watchdog media, and civil society organizations that might effectively demand more accountability. Indeed, some evidence suggests that aid contributes significantly to democratization in recipient governments (Finkel et al., 2007; Scott and Steele, 2011; Aronow et al., 2012).

In strategically targeting and delivering aid, donors provide less fungible aid. As Altincekic and Bearce (2014) argue, aid may never have been as fungible as many scholars imply. They point out that the research on fungibility relies largely on a single paper (Feyzioglu et al., 1998), which actually found high fungibility only in one sector: agriculture. Moreover, donors have grown less inclined over time to give aid as direct budget support, which is likely easier for elites to capture. Indeed, donors appear to systematically emphasize less manipulable sectors when targeting aid to more-corrupt governments (Winters and Martinez, 2015). Thus, donors seem able to restrict aid in ways that stymie recipient politicians' self-serving designs. This theory is most likely to hold when donors do not see the recipient as an invaluable geopolitical asset and when donors are dealing with a government they recognize to have corrupt and clientelist tendencies.

Foreign aid – especially if it is monitored, has conditions attached to it, or is less fungible – may thus serve more as a public good that politicians struggle to divert to themselves and their allies (Mavrotas and Ouattara, 2006). Aid may not be, in fact, similar to other non-tax revenues such as oil. If donors exercise substantial control over aid, then it follows from donor control theory that we should expect leaders and citizens to view aid differently. In contrast to citizens who may prefer foreign aid, leaders who do not benefit as much personally may support aid less enthusiastically.

Extant studies address the problem from multiple methodological perspectives, but the debate remains unresolved. While our experimental approach does not resolve the dispute, focused experiments using elites and citizens may contribute to this debate by providing evidence about who supports foreign aid or government funding for development projects, and their reasons for doing so. Support for different sources of revenue among masses and elites – particularly their behavioral support – can shed some light on the political economy of donor-recipient relations.

If aid capture theory is correct that donors do not exercise control over aid and that recipient elites can use aid as they please, then politicians should prefer foreign aid over government-funded programs. Leaders will thus be freer to use the aid for their own purposes compared to tax revenues for which they must answer to the public.² If, on the other hand, donor control theory is correct and foreign donors exercise more control over aid funds, possessing the capacity to audit, constrain, and punish politicians who try to use aid for their own political ends, then we expect a different result: elites should prefer government

² To the extent that tax revenues are also not constrained by the public and aid is fungible with them, then elites should be indifferent between the two sources.

programs to foreign aid projects. Political leaders should be keen to use available resources to maintain their privileged position and should therefore prefer the funding source with fewer constraints (see van de Walle, 2003, p. 313).³

Preferences of citizens should move in the opposite direction. If donors exercise sufficient control over aid such that it reaches the citizens in greater volume and efficacy, then citizens should prefer foreign assistance over government spending. This finding should be especially likely for those who perceive the government to be very clientelist or corrupt. If, on the other hand, donors cannot impose control and aid is seen as reinforcing the problems characterizing all non-tax revenues, then citizens should more strongly support government spending over aid.

Along most major byways in Uganda, as in many developing countries, signs tying projects to foreign or domestic donors crowd the roadside and therefore would make the connection of aid to outcomes possible. Of course, citizens' perceptions may be mistaken about the effects of aid, and we are open to interpreting our data in this light. Nevertheless, even if citizens are wrong about aid, their perceptions matter in their own right. Voters have attitudes and beliefs first and then take actions or not based on those priors. Additionally, objective measures of outcomes may not be known to citizens and are filtered through their beliefs in any case.⁴ Even if we could agree on key objective development indicators,⁵ it is not clear that they are as important as perceptions to citizens.⁶ This is especially true of public goods provision since objective measures of them are even less developed (Stiglitz et al., 2009, pp. 11-12).

Politicians likely have a better grasp of the effects of different sources of revenue on their political careers. Members of parliament often influence how aid is distributed in recipient countries. Learning MPs' disposition and behavior toward aid, especially as it compares with government funding, appears important to understanding how aid might be channeled through domestic institutions. Combining studies of the two subject pools and comparing their attitudes and behaviors toward the same experimental conditions is useful and novel.

³ Similarly, what Rothchild (1986) called "hegemonial exchange" and Bayart (1993) "reciprocal assimilation of elites," clientelism pervades Africa since political stability there has often been constructed by using state resources to forge alliances across different social elites, often in the form of overt power-sharing arrangements (van de Walle, 2003).

⁴ As a major study concluded, "there often seems to be a marked distance between standard measures of important socio economic variables like economic growth, inflation, unemployment, etc. and widespread perceptions." (Stiglitz et al., 2009, p. 7)

⁵ See debates about using GDP per capita versus the Human Development Index (Srinivasan, 1994).

⁶ Research suggests that attitudes and beliefs matter a great deal and even more than objective indicators. Subjective well-being is now a major element of development policy even though it is not closely related to objective indicators but yet has important effects on development (Easterlin, 1973, 1995; Sen, 1999; Frey and Stutzer, 2002; Layard, 2005; Kroll, 2011). Research on trust is similar. (Zak and Knack, 2001; Tabellini, 2010; Bjørnskov, 2012).

The results of this study therefore reflect on theories of aid and on key links in the causal chain connecting the political economies of donors and recipients. If we find that citizens and elites are indifferent between the two sources, this suggests that the aid capture theory is right: aid is very fungible and neither group can distinguish the two sources. If we find that on average citizens prefer aid and elites prefer government, then donor control theory has more support. And if we find elites prefer aid and citizens prefer government projects, it suggests again that aid capture theory has more support and that tax revenues can be better monitored than aid funds. Evidence that these preferences and supportive behaviors are particularly pronounced among both elites and citizens who strongly perceive corruption in the system should be seen as especially supportive of the argument that donors significantly control the disposition of aid.

3. The Ugandan Context

Context matters for the theories we are examining. In geo-strategically important developing countries and in ones that are democratic and well governed, the theories suggest that donors should be less influential in and less worried about the recipient's use of funds. Channeling aid and monitoring and bypassing the government should be less possible and/or necessary. Uganda, like many Sub-Saharan countries, does not fit this description. Uganda currently has a semi-authoritarian regime in which the government of Yoweri Museveni's National Resistance Movement (NRM) has retained power for nearly 30 years (van de Walle, 2007; Greene, 2010). In 2006, Uganda began holding multiparty elections; yet they have not been fully free and fair (Cheibub et al., 2010; Hyde and Marinov, 2012). Scholars describe the party's ruling methods as relying heavily on patronage and clientelism to retain its control (van de Walle, 2003, 2007; Muhumuza, 2009; Green, 2010; Tripp, 2010). As one recent study points out, "In Uganda, the ruling NRM has established patronage networks throughout the country through the use of local government. The civil service is another such network of patronage, and perhaps the most important is the military. These clientelist networks, while consolidating key sources of support, at the same time undermine governance and erode the viability of institutions and leadership" (Tripp, 2010, p. 25). As of 2010, Uganda ranks on the higher end of corruption scales, scoring in the 72nd percentile (129th out of 178) on Transparency International's *Corruption Perceptions Index*.

Uganda also receives substantial amounts of foreign development assistance. Since the 1990s, aid including off-budget sources equals approximately 70 percent of government expenditures. Moreover, aid encompassed about 15 percent of total GDP for much of that period, though the share has declined to some extent lately. Our survey confirmed that citizens had general awareness both of foreign aid and

their parliamentary representatives. More than two thirds of subjects knew that more than 30 percent of the Ugandan budget comes from foreign aid; the vast majority (66 percent) could name both their constituency member of parliament and district woman member of parliament; and the majority of subjects were aware of foreign aid flowing to their local areas.

Uganda is also typical of African countries in terms of its democratization processes, current level of democratization, and executive dominance (Bratton and van de Walle, 1997; Resnick and van de Walle, 2013).⁷ The Ugandan parliament has competitive elections and, while it is weaker than the executive, it is more than a rubber stamp and is a venue for important and lively debates (Humphreys and Weinstein, 2012). Indeed the reading of the budget each year, which includes discussion of aid, is one of the most controversial and important matters for every MP. As the literature on legislatures in authoritarian systems has pointed out, these legislatures often are designed to impose constraints on the executive (Boix, 2003; Gandhi and Przeworski, 2006; Malesky and Schuler, 2010). In these contexts then, donors are more likely to be active and concerned about their aid dollars and often unwilling to let recipient governments control the funds.

4. Research Design

To investigate competing expectations of donor control versus aid capture theories, we conducted two different survey experiments in the field as well as two follow-up surveys. First, we carried out an experiment on a convenience sample of 276 of the 375 Members of the 9th Ugandan Parliament (the sitting legislature) and 78 former MPs from the 8th Parliament (total current and former MPs surveyed is 354). Although we sampled MPs by convenience, the distribution is very similar to the actual parliament at that time, which we discuss below (See Appendix Table A1). Second, we conducted a nationally representative experiment on nearly 3,600 citizens in 42 of Uganda's 112 districts. We used a clustered random sample for the citizen survey to ensure regional and political representativeness. Both experiments were similar, but not identical, and were performed between June and October 2012 by local Ugandan enumerators. In September 2012 we conducted a smaller representative, follow up survey of 460 public respondents, and then in the summer of 2015 a follow-up series of interviews with 28 MPs.

⁷ If we consider Uganda's level of democracy (Polity IV score) and degree of aid dependence (World Bank's World Development Indicator of net official development assistance per capita), Uganda is very similar to Ethiopia, Guinea-Bissau, Togo, Chad, and the Central African Republic. While there are other factors such as ethnic diversity, colonial history, and levels of economic development, similarity on these two key measures are important for understanding how generalizable our results may be.

To maximize the number of responses in the MP survey, we attempted to conduct a census of all current MPs and achieved a 72 percent response rate. While key aspects of the experimental instruments were kept identical for each group to facilitate comparisons, the citizen survey was lengthier.

The samples of respondents reflect the underlying populations well, and assignment to treatment conditions is not predicted by available observables, providing evidence that random assignment functioned as expected (See Appendix Table A2). Key variables, such as education, gender, age, party, religion, and region, were not significantly related to whether citizens were assigned to a given experimental condition. For the MP survey, Appendix Table A1 presents descriptive statistics from our sample and from Parliament as a whole for gender, party, region and MP type, which generally matches the 9th Parliament as a whole. The distribution of MPs by region is largely representative, though it slightly oversamples those from the Central region and undersamples those from the Northern region. Finally, assignment to treatment conditions among MPs is not significantly related to party, gender, MP type, or region, so there is good covariate balance across experimental conditions.

We chose to conduct our experiment on MPs as opposed to other government officials for a number of reasons. First, parliament is where the budget and the acquisition of aid (both budget support and project aid) is discussed and decided. Second, after conducting interviews with MPs and local councilors (LC-V and LC-III, which are roughly equivalent to governors and mayors), it became clear that local officials simply see money arrive from the central government to the district without knowing the original source. Further, these local officials had virtually no interaction with project-level aid. MPs, however, very clearly had experience with aid both in parliamentary debates and in managing aid funds (53% of our MP interviewees said they had personally managed aid funds). Moreover, MPs value such projects in their districts; a majority of them in interviews said that they received praise and appreciation from citizens for such projects. Third, Uganda's parliamentary system merges the executive and legislative branches, and thus we are able to also survey cabinet ministers who play an important role in decision making.⁸ In fact, the experiment includes 49 government ministers (this includes deputy ministers), 22 shadow cabinet members (the opposition's cabinet), and both government and opposition chief whips.

4.1 Interventions

The experimental manipulation presented each subject with a randomly assigned project description and a randomly assigned funder for that project. This between-subjects design is important for eliciting com-

⁸ However, we find no difference between ministers, committee chairs, and backbenchers.

parisons between government and foreign donor projects where direct comparisons might be too sensitive. We randomly assigned the manipulation for *actual* pipeline projects, thus avoiding active deception. The projects were co-financed by the World Bank and the African Development Bank and thus sponsored and managed by member-country governments, which allowed us to manipulate the names of the donor presented to subjects. We also randomly assigned the type of project: an infrastructure project (electricity) and an education project. In order to generalize more fully, we randomly assigned six different donors, including the four major multilateral and bilateral donors in Uganda and two additional multilateral and bilateral donors characterized generically. MPs, in order to increase the number of observations, were presented with and asked to express their support in various ways for both the electricity and education projects individually (and in random order) but only one donor. Citizens received only one of the two possible projects.

To achieve greater generalizability, we used two different project types and six different foreign donor types. The four specific donors named – the World Bank, the African Development Bank, the United States, and China – are the most active in Uganda and accounted for 54% of total aid disbursements. We also chose the electricity and education projects because they represent the types of projects that can be given selectively to constituencies that support politicians. For the mass survey, we randomly assigned the donor and the project type. Neither project type in the mass survey was significantly preferred over the other in the between-subjects design, which may reflect the fact that both types of projects are desperately sought after in Uganda. Because there were no significant differences between project types and among foreign donors, we focus on the difference between all aid donors and the government.

Our framing question read, “The Electricity Sector Development Project will improve the reliability of and increase access to electricity. One major aspect of the project is to extend electricity to those who do not yet have access to it. The project may require your community to provide funding for maintenance in the future. [This project will be funded by the {RANDOMLY ASSIGNED FUNDER}.] How much would you support this project?” The text for the education project is in the appendix.

We included the sentence about future expenses (“may require your community to provide funding...”) to increase the respondents’ sense that this project might cost them in the medium and long term to support it. Given that aid may be perceived as “free money” whereas government programs may imply increased taxes, we were concerned that offering a project without any noted costs might lead all subjects to support it. A skeptic might worry that the added cost condition is not sufficient to overcome a bias toward “free” resources, which is a reasonable concern that we took measures to address as detailed in the robustness section.

Alternatively, in the MP experiment, the funding organizations we randomly assigned were the World Bank, the Government of the United States, a generic multilateral institution (“an international organization funded by many countries”), a generic bilateral agency (“a single foreign country”), and No Donor, in which we omitted the sentence indicating which agency was funding the project and served as the control condition. In the mass experiment, we also included the African Development Bank and the Government of China because the larger subject pool enabled greater statistical power to probe the effects of additional treatment conditions.⁹ These four donors represent the majority of aid projects in Uganda, and the inclusion of the generic bilateral and multilateral donors allows us to effectively tap preferences generally toward any foreign aid donor that might come to subjects’ minds.

In the case of the control condition, we assumed that recipients would associate this with domestic government spending. We mentioned nothing about foreign aid in this version of the survey. We elected not to name the government explicitly in the citizen survey out of fear that generalized paranoia toward government might bias responses.¹⁰ We did the same for the MPs to avoid social desirability bias because we feared that government MPs might feel they *should* claim to support projects by the government no matter what they believed.

This design choice was made after careful consideration, but an alternative would have been to name the government explicitly. This would no longer be a control condition but would have presented a less ambiguous comparison. It would, however, increase concerns over social desirability bias especially in the elite sample, which we did not want to vary in wording from the mass study. But as we describe below, this design choice actually works in favor of the null hypothesis of no difference between treatment and control; and therefore our results understate the full extent of treatment effects. Moreover, our results hold even if some subjects misinterpreted the control condition, as shown in the robustness section below.

Further, our intervention focuses on one type of aid: project aid. Thus, our results may not apply to general budget support. Project aid is much more inflexible and channeled than budget support. However, we chose to focus on project aid because it is the most common type, it constitutes the overwhelming monetary share, and it is the most visible to citizens and thus would maximize our ability to obtain in-

⁹ We also tested the effect of individual donors. We estimated difference in means tests and across all groups, there is never a consistently significant effect between donors across outcome measures.

¹⁰ Concern for biased responses out of fear about the government seems fairly reasonable in a non-democratic context like Uganda. In round 5 of Afrobarometer done in 2012, the same year as our study, 50% of the respondents said they did not feel completely free to say whatever they believe, and 1/3 said they felt some kind of pressure about whom to vote for. Moreover, 63% admitted fear of being intimidated in election campaigns.

formed preferences regarding aid. According to the AidData information base, which is the largest repository of aid statistics, between 2000 and 2012 Uganda received 157 budget support grants and loans summing to \$3.2 billion. Over the same period, the country was host to 16,019 aid projects summing to \$24.5 billion in total aid. This suggests that budget-support aid in Uganda constitutes 1 percent of the count, but 13 percent of total Ugandan aid. This is roughly on par with the rest of Sub-Saharan Africa, which received 3,811 budget support grants and loans for \$57.5 billion in relation to 352,839 projects that totaled \$615 billion. Budget support in the region thus comprised 1 percent of the count but 9 percent of the money (Tierney et al., 2011). All donors to Uganda give project aid, while only some give budget support. We thus chose to use projects in our experiment so that we could explore attitudes toward all types of donors. Project aid tends to be highly monitored by all donors since they have been under increasing scrutiny over time by their own publics for aid effectiveness. Moreover, we wanted to compare this to the government, which also manages and funds public goods projects.

Project aid and budget-support aid might have different political effects. The findings of Tripp (2013) and Gazibo (2013) in Tanzania and Benin, respectively, suggest that budget support aid is more corruptible than project aid. In fact, perceptions of increased corruption have led donors to reduce budget support in Benin and Uganda in favor of project aid. But we have tried to make the results generalizable in other ways by asking about two types of projects – both of which were among the top priorities for masses and elites in our survey – and many types of foreign donors.

4.2 Outcomes

To measure the outcome of support or opposition for the foreign- or domestic-funded projects, we asked all respondents to first express their level of support, then to report to us their willingness to tell a higher authority (Party leader for MPs, and Local Council official for citizens) of their support (or not) for the project, their willingness to sign a petition voicing their support, and to actually sign the petition.¹¹

MPs were asked to express their willingness to coordinate with peers in support of (or in opposition to) the project, tell constituents about the project, rally locals in support of (or in opposition to) the project, and sign a letter to the President in support of or opposition to the projects. Citizens, but not elites, were also

¹¹ Full text of the petition is included in the Appendix. The petition only asks them to sign without specifying a foreign donor or government.

asked if they were willing to send a text message (SMS) and to actually send the SMS in support (or not) of the project.

Because the MPs were presented with both projects, we have two observations for each on all of these outcomes, except the petition to the president. Each MP was asked to sign a single petition that reported their level of support for both projects to the President, thus we have one observation for each MP on this outcome. This design choice was made to reduce the burden on the MPs and to lessen redundancy of sending two nearly identical letters to the president. Because the MPs received the same donor across the two projects this should not affect the results because we are comparing differences in donors and not sectors (given there was no meaningful difference between project types). These various measures of support present the respondents with varying levels of cost (attitudinal vs. behavioral responses) and are used as the key outcome variables to gauge support for projects across treatment arms.

5. Results

Do we find support for donor control or aid capture theory? First, we ask whether MPs are more supportive of government programs or foreign aid projects. Second, we ask whether the mass public is more supportive of aid or government programs and then compare them to Ugandan MPs. Finally, we consider possible mechanisms that could explain the overall trends in preferences. The donor control model suggests that perceptions of government corruption and clientelism should be most telling.

5.1 Differences Across Groups

Figure 1 reports the results from difference-in-means tests comparing levels of support under all of the aid treatment conditions compared to the government control condition for MPs and masses. Table 1 presents the numerical results.¹² Panel A reports outcomes that were measured for all respondents (plus the SMS and Presidential Letter outcomes for citizens and MPs, respectively), and Panel B reports outcomes for those only measured for MPs. These overall results show that with only one exception, MPs are consistently more supportive of government projects than foreign aid. This difference in support is significant in 3 of the 9 outcomes, and treatment effects range from less than 1 to 12 percentage points.¹³

¹² Using randomization inference, our results are almost identical and are available from the authors.

¹³ The results reported for MPs in Table 1 include both observations. To account for dependence across observations, we conducted logistic regression analyses and clustered on the MP. In doing so, the significance levels for the three outcomes significant in difference-in-means tests attenuate some, but are broadly similar. Moreover, we included only one observation per MP (or used randomization inference) and see similar results, in Appendix Figure A1.

Table 1 also shows that citizens consistently prefer aid over government projects; this difference in support is significant in 5 of the 6 outcomes, including the behavioral outcomes. When we consider only those who passed our manipulation checks, our results are even stronger, as table A3 in the appendix shows. These are the citizens who understood the experiment. We opted not to do manipulation checks on the MPs out of sensitivity to their positions. The treatment effects range from 2 to 4 percentage points, which are modest but nonetheless significant statistically. These smaller substantive differences may result from strong ceiling effects given that the projects are extremely popular and therefore clustered near the upper bound of 100 percent support. For those who passed the manipulation checks, all but one of the treatment effects range from 7 to 15 percentage points.

Figure 1. Difference in means tests comparing MPs and masses

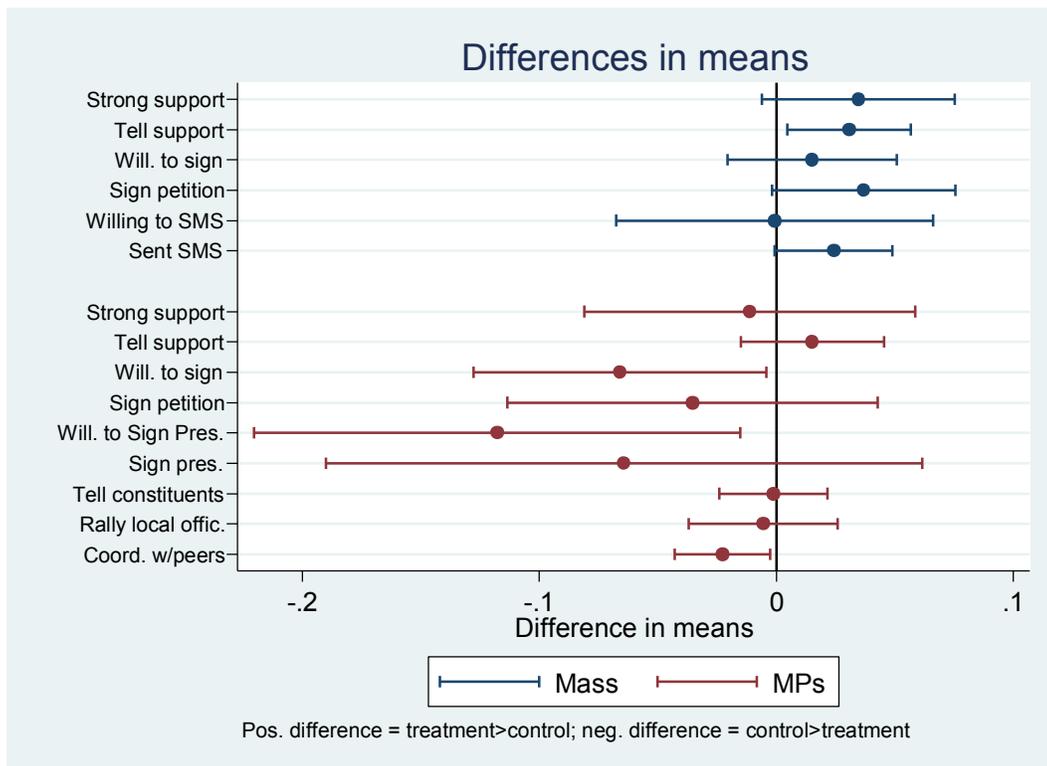


Table 1. Citizen and MP preferences for government versus aid projects

Panel A: MP and Citizen Outcomes							
<i>MPs</i>	Strong Support	Support	Tell	Willing sign	to Signed	Willing to Sign Pres.	Signed Pres.
Govt	0.84		0.97	.89	.78	.86	.75
N	136		136	136	138	59	59
Aid	0.83		0.99	.82	.75	.75	.68
N	567		567	567	570	292	292
Difference	-0.01		0.02	-0.07**	-0.04	-0.12**	-0.06
	Strong Support	Support	Tell	Willing sign	to Signed	Willing to SMS	Sent SMS
<i>Masses</i>							
Govt	0.73		0.91	0.82	0.77	0.59	0.02
N	528		520	528	538	538	202
Aid	0.77		0.94	0.83	0.80	0.64	0.05
N	3007		2967	3008	3017	3017	1143
Difference	0.03*		0.03**	0.02	0.04*	0.04*	0.02*
Panel B: Elite Only Outcomes							
<i>MPs</i>	Tell Constituents		Rally Local Officials		Coordinate with Peers		
Govt	0.99		0.98		0.99		
N	136		123		136		
Aid	0.98		0.97		0.97		
N	567		501		567		
Difference	-0.00		-0.01		-0.02**		

Note: A negative difference means that the proportion of support for projects in the control condition (government) is larger than the proportion under the treatment condition (aid), implying the government condition is preferred to the aid one. Note that if a subject stated s/he did not want to sign the petition (third column) we still presented them the possibility of signing the petition (fourth column). The higher Ns for willingness to SMS in the fifth column (e.g., 538 and 3017) are a result of subject refusals to answer the petition questions (where corresponding Ns are lower: 528 and 3008). That is, if a subject refused to answer petition questions, we still asked about SMS and fewer subjects declined to answer SMS questions. Also, the Ns decrease in the “Sent SMS” condition (relative to “Willing to SMS”) because we only calculate Sent SMS for subjects who owned a phone.

5.2 Why Do These Differences Appear?

These interesting and counterintuitive findings seem to be consistent with the donor control theory about aid. So we next ask what mechanism might account for these differences. To provide a plausible explanation, a subgroup mechanism needs to differ substantively between the masses and MPs, to explain the differences between the treatment and control within each subgroup, and most of all to account for the differences between treatment and control across the elites and masses. The logic of the donor control theory implies that perceptions of government corruption and clientelism ought to be most associated with and magnify the effects observed above. We also explore numerous other possibilities – foreign reputa-

tion, partisanship, ethnicity, nationalism, government incumbency bias, parliamentary leadership, and MP socio-demographics – and report on them in the appendix. None of these mechanisms received consistent or strong support, in contrast to perceptions of corruption and clientelism. For the perceptions of clientelism and corruption mechanism we report results below; the rest of the results are reported in the Appendix (Figures A2-A15).

One of the alternative mechanism tests reported in the appendix is worth discussing briefly here: MP demographics. It is possible that the results we observe are driven not by perceptions of clientelism and corruption but rather due to the fact that MPs are different in terms of class, wealth, education, and status. Simply by being elite, one could develop a different perspective on development funding. To address this concern, we split the mass sample into high and low types, and ran the same analysis. The high types are those who are demographically similar to MPs (i.e., pay taxes, are highly educated, urban, well informed), and we find no significant differences in preferences across these two sub-samples of citizens (see Figures A14 and A15). It is thus unlikely that demographic factors are driving our results.

We also find that MPs do not think that government projects are more effective or superior simply because the Ugandan government is involved. MPs on average do not, in fact, hold the view that government-funded projects are superior. Only 32 percent of MPs believe government funds are more likely to go to those most in need compared to foreign aid funds, which 59 percent believe go more to the neediest. In addition, only 34 percent of MPs believe that government funds are more effective and less wasteful compared to foreign aid funds. Only 39 percent of MPs believe that government-funded projects better meet the needs of their constituents than do foreign-funded projects. And only 31 percent believe that government-funded programs are more transparent than foreign aid projects. When asked who they think would be the most effective in carrying out the electricity or education project, only 23 percent of MPs named the Ugandan government. Moreover, roughly 80 percent of MPs thought foreign aid had a positive effect on the government and their constituents. Finally, MPs trust foreign donors more than even the masses do (See Appendix Table A4). Therefore, MPs actually tend to have less confidence in government-funded projects compared to foreign aid even though they tend to more readily support government programs.

An alternative implied by the donor control argument is that MPs should have a weaker preference for funds that donors can control, but a stronger preference for funds that are not as easily controlled by external actors. As an initial inquiry we compared MPs and masses on whether they believe that the conditions donors impose on aid help or hurt Uganda. Overwhelmingly, masses see conditions as helping the

country, but MPs see them as hurting, thus suggesting that MPs may not see foreign aid as easy to capture (See Appendix Table A5).

Further, in follow-up qualitative interviews with 28 MPs, we asked MPs with whom they would prefer to implement the education or electricity project (where the funder was not specified). Fifty-nine percent said they would prefer to work with the government to implement the project. Of these MPs, the plurality directly referenced the lack of conditionality and greater control over government projects. One MP said that s/he would rather work with the government on implementing the project because “one would be sure of the project and there could be no conditionalities.” It seems that MPs do not need to worry about government funds being revoked over failure to comply with protocols and oversight parameters.

Importantly, an overwhelming majority of MPs in the study who would prefer that the government implement the project said aid is more constrained (14 of 16; 88%) and that aid has more rules and regulations (15 of 16; 94%). Thus, the same MPs who prefer government funding of a project are also overwhelmingly the same MPs who say aid projects have too many conditions and are too constrained. Given that the plurality of these MPs justify their support for government funding in terms of a lack of constraints shows evidence that MPs prefer project funding that is more at their own disposal. These views support donor control theory. We now turn to a more systematic investigation of this preference.

A second, more direct way to consider implications of a donor control argument is to examine perceptions of clientelism and corruption, which may shape support for foreign assistance vs. domestic programs. Evidence in favor of the corruption and clientelism mechanism would indicate that citizens who believe that the government is corrupt and clientelist would prefer foreign aid projects as donors can exercise more control and enable effective aid delivery. MPs should have the opposite preference. When politicians see corruption in government it may be a boon to them personally or electorally, and hence they may prefer government projects because they provide an easier way to avoid donor control and instead access money for their own interests.

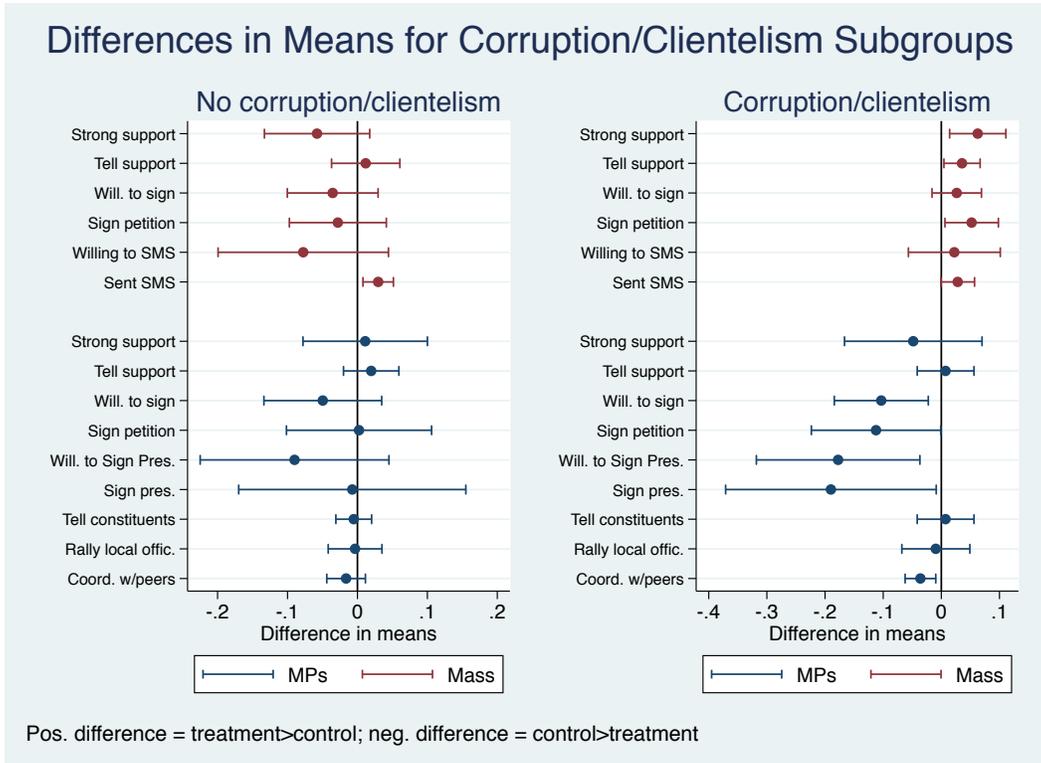
In the original survey, we asked both MPs and citizens whether government funds are most likely “to benefit government officials and their political allies” or “help those most in need” to capture aspects of both clientelism and corruption (using money to help friends *and* themselves). Both are intimately linked concepts in Africa because corruption largely sustains clientelism (Szeftel, 2000). We see a very large difference between the public and MPs in their perceptions of corruption and clientelism: 75 percent of the public believes that current government leaders take government money to benefit themselves and their friends rather than everyone in the country, while only 35 percent of the MPs agree with this statement.

We therefore use this question to divide the sample into those who see government funds as more susceptible to capture and abuse and those who do not.

Although the corruption question may be susceptible to social desirability bias, further analysis mitigates the concern. If some MPs are more susceptible to social desirability pressures, then we should expect a strong positive correlation between low perceptions of corruption and other questions reflecting socially desirable responses, such as reporting more visits to the MP's constituency, perceiving a good economy, and claiming better attendance at plenary sessions of parliament. However, answers to these questions are never strongly and positively correlated with low corruption perceptions. There is a weak negative correlation (Pearson's r) between low corruption reports and claiming more days spent in the MP's constituency each month ($r=-0.12$; $p=0.00$). There is a weak positive correlation between low corruption reports and maintaining that the national economy is in at least a "good" condition ($r=0.10$; $p=0.01$). Finally there is a weak negative correlation between low corruption reports and declaring higher rates of attendance at plenary sessions of parliament ($r=-0.07$; $p=0.30$). There seems to be no consistent social desirability bias.

The analysis for MPs (reported in Figure 2 and Table 2) shows that MPs who believe government funds are more likely to be used for corruption and clientelism are significantly more likely to prefer government-funded projects. For 5 of the 9 outcomes, MPs who see government funds as more corrupt and clientelist are significantly more likely to prefer government funds. Importantly, these effects are strongly significant for the behavioral outcomes. The treatment effects range from 4% to 19%, the latter of which appear to be substantial effect sizes. When we limit the analysis to one observation per MP, the results are similarly strong. In 4 of the 9 conditions, including the petition to the president outcome, the results are substantively and statistically strong. See Appendix Figure A16

Figure 2. Difference in means for corruption/clientelism mechanism



Note: Difference in means tests for masses and MPs who do not perceive corruption or clientelism in the government vs. those who do. Positive differences mean that foreign aid is preferred to government funding. This graph shows that masses have strong preferences for foreign aid when they perceive corruption. MPs who perceive corruption, on the other hand, prefer government funds over aid.

Table 2. Testing the corruption mechanism (MPs)

MP Support Conditional on Perceptions of Corruption						
	Strong Support	Tell	Willing Sign	to Signed	Willing Sign Pres.	to Signed Pres. Pet.
Yes, Government Funds used for Corruption						
Govt	0.86	0.98	0.95	0.89	0.94	0.89
N	44	44	44	45	18	18
Aid	0.82	0.98	0.85	0.78	0.77	0.70
N	195	195	195	197	103	103
Difference	-0.05	0.01	-0.10**	-0.11**	-0.18**	-0.19**
No, Government Funds not used for Corruption						
Govt	0.82	0.97	0.86	0.73	0.83	0.68
N	90	90	90	91	41	41
Aid	0.83	0.99	0.81	0.73	0.74	0.68
N	366	366	366	367	188	188
Difference	0.01	0.02	-0.05	0.00	-0.09	-0.01

MP Support Conditional on Perceptions of Corruption			
	Tell Constituents	Rally Locals	Coordinate With Peers
Yes, Government Funds used for Clientelism			
Govt	0.98	0.97	1.00
N	44	39	44
Aid	0.98	0.96	0.96
N	195	171	195
Difference	-0.01	-0.01	-0.04***
No, Government Funds not used for Clientelism			
Govt	0.99	0.98	0.99
N	90	82	90
Aid	0.98	0.97	0.97
N	366	324	366
Difference	-0.01	-0.00	-0.02

Note: A negative difference means that the proportion of support for projects in the control condition (government) is larger than the proportion under the treatment condition (aid), implying the government condition is preferred to the aid one. Note that if a subject stated s/he did not want to sign the petition (third column) we still presented them the possibility of signing the petition (fourth column).

Conversely, the difference in support for aid and government projects is not statistically significant for MPs who do not perceive significant corruption and clientelism (this is true for all outcome measures; see Table 2). This suggests that the MPs who see few avenues for corruption and clientelism express no preference for government-funded projects over aid. One plausible interpretation of these results suggests that if the MP cannot capture some of the funding, then s/he does not manifest a clear preference toward such projects.

The results in Figure 2 and Table 3 report the difference-in-means tests and support the claim that citizen support for aid is also conditional on their perceptions of corruption and clientelism, but in the opposite direction. Citizens who believe that government funds are used for corruption and clientelism are significantly more likely to support aid over government projects for 3 of the 6 outcomes (4 of the 6 at the 0.1 level). Among subjects who do not perceive the corrupt use of government funds, there are no significant differences. These results are even stronger if we use only those who passed our manipulation checks. The analysis in figure A17 of the appendix shows that for all but one outcome, the results are substantively and statistically strong.

Table 3. Testing the corruption mechanism (masses)

Mass Support Conditional on Perceptions of Corruption						
	Strong Support	Tell	Willing to sign	to Signed	Willing to SMS	Sent SMS
Yes, Government Funds used for Corruption						
Govt	0.71	0.90	0.80	0.74	0.69	0.03
N	393	386	393	402	157	157
Aid	0.77	0.94	0.83	0.80	0.71	0.05
N	2274	2241	2274	2279	894	894
Difference	0.06**	0.04**	0.03	0.05**	0.02	0.03*
No, Government Funds not used for Corruption						
Govt	0.82	0.93	0.87	0.85	0.86	0.00
N	126	126	126	176	42	42
Aid	0.76	0.94	0.84	0.82	0.78	0.03
N	695	688	696	699	236	236
Difference	-0.06	0.01	-0.04	-0.03	-0.08	0.03***

Note: A negative difference means that the proportion of support for projects in the control condition (government) is larger than the proportion under the treatment condition (aid), implying the government condition is preferred to the aid one. Note that if a subject stated s/he did not want to sign the petition (third column) we still presented them the possibility of signing the petition (fourth column). The higher Ns for willingness to SMS in the fifth column (e.g., 538 and 3017) are a result of subject refusals to answer the petition questions (where corresponding Ns are lower: 528 and 3008). That is, if a subject refused to answer petition questions, we still asked about SMS and fewer subjects declined to answer SMS questions. Also, the Ns decrease in the “Sent SMS” condition (relative to “Willing to SMS”) because we only calculate Sent SMS for subjects who owned a phone.

A logical next step is the identification of exactly who within the masses and MPs perceives corruption. We estimated models that use various attributes of citizens and MPs to predict perceptions of corruption in Appendix Tables A6 and A7. Among the masses, those in poverty are more likely to perceive corruption, NRM supporters are less likely to perceive corruption, and citizens from the East, West, and Central regions are significantly more likely to see corruption than those from North. For MPs, the only covariate that predicts perceptions of corruption is ethnicity: those MPs who are from the Runyankole-speaking community – co-ethnics with President Museveni – are significantly less likely to perceive corruption. This result may reflect some social desirability bias, but this would work against our argument. The Runyankole did not support government programs more than other regions, however, and therefore any social desirability bias does not appear to drive the key results reported.¹⁴

¹⁴ Ethnicity, partisanship, or regional identities could be mediated by perceptions of corruption. Testing for mediation effects requires some strong assumptions, however, and therefore may not be very meaningful. We conducted mediation analysis (based on Imai et al., 2011), nonetheless, and note that even though many studies argue ethnicity, region, or partisanship are associated with corruption and clientelism networks (i.e., Wantchekon, 2003; Stokes, 2005), we find no clear evidence that the effect of these factors is mediated by perceptions of corruption (results available upon request).

In sum, this analysis provides support for the argument that citizens support aid over government programs conditional on their perceptions of corruption and clientelism. Further, we find that citizens do consider corruption to be a bad thing: people who perceive there to be more corruption are significantly less likely to trust parliament, their MPs, and the president (effects are significant at the 0.01 levels).

Leaders in parliament could prefer aid over government funds, however, because they are the ones who can capture the foreign aid, regardless of donor control. We test whether parliamentary leaders have significantly different preferences for government and/or donor funds than the rank and file. See Appendix Figures A12 and A13, which show that while backbenchers do not have a clear preference for one form of funds over another, MPs in the leadership are more willing to sign both the donor and president petitions in support of the control (government) condition. Thus, it does not appear to be the case that parliamentary leaders support aid because they can capture it.

As a final test, we also estimate regression models to examine the impact of perceptions of corruption. Since this variable is not randomly distributed, we check to see if the results hold up when we control for other important factors in appendix tables A8-A11. We do this for both MPs and masses by estimating logistic regressions controlling for relevant pre-treatment covariates (i.e., age, gender, rural, region, partisanship, MP types). For both MPs and masses, the main results are largely upheld; treatment effects only exist among the MPs and masses who perceive corruption.

Taken together, then, these analyses offer some evidence that political elites, including the parliamentary leadership, may believe that government funds are more susceptible to clientelism and corruption and therefore prefer such funding. In addition, ordinary citizens who perceive corruption and clientelism in government behave in ways that suggest they see aid-funded projects as a more preferred mechanism than government action to obtain the public goods that they so desperately want and need. These findings are consistent with donor control theory.

6. Discussion of Robustness

As with any experiment numerous design choices were required, which necessarily presented tradeoffs. In this section, we discuss two important aspects of the design. First, we discuss the cost condition, which addresses the difference between “tax-based” government projects and foreign-funded aid projects even though, as we argue below, this characterization is not accurate in the context of the study. Second, we

discuss the fact that the control condition does not explicitly name the government as the funder but is nevertheless interpreted as the government.

6.1 Taxed Government Projects versus Free Aid Projects: A False Dichotomy

A first design objection might be that the public prefers aid because it is viewed as free, whereas government projects require citizens to pay taxes. We do not believe this is the factor driving our results for several reasons. First, we added the cost statement to both the treatment and control conditions, so that individuals are aware that any project may require local funds.

Second, we undertook a follow-up study in 2012 in which we recruited an additional 460 subjects and randomly assigned half to receive the cost statement in association with one of the two randomly assigned project descriptions. The cost statement had no significant treatment effect on subjects' support. This may be either because the cost statement was too weak to produce treatment effects or because subjects were indifferent to costs for projects they feel they desperately need. While the cost statement may be weak, multiple reasons lead us to believe that citizens are relatively indifferent to costs for public goods.

First, subjects likely do not see government projects as costly to themselves any more than foreign aid is costly. The vast majority of Ugandans – 86 percent in our nationally representative subject pool – fall below the earnings threshold for paying income tax, which is roughly \$600 per year. As Martin (2013) and Fjeldstad and Therkildsen (2008) note, Ugandan tax rates have been reduced recently. Most Ugandans also do not pay indirect taxes. Eighty percent of Ugandans live in rural areas and more than ninety percent of our subjects reported earning less than two dollars per day in income. Most are not part of the formal economy and hence do not pay indirect taxes like the VAT.¹⁵ Using self-reported income data, we considered whether those making enough to pay taxes responded differently than those who did not. If taxes are important, then we should observe differences between the two groups. As reported in Appendix Table A12, however, we do not observe any significant differences in most cases.

¹⁵ As Kagambirwe (2014, p. 62) notes, “The majority of Ugandans that stay in rural areas of Uganda have no stable income amongst which the government can tax them. This thus leads to having a very limited domestic tax base amongst which URA can tax its citizens. It also limits the informal taxes such as Value Added Tax (VAT) income tax and pay as you earn (PAYEE) because the level of consumption of these commodities is low. Also the level of unemployment is so high thus limiting the citizens in earning money amongst which they can be taxed in form of pay as you earn (PAYEE).”

6.2 The Government Control Condition

A second design objection might be that the government was not named explicitly in the control condition. We were concerned about social desirability in responses if we actually labeled the control as the government. This is not a trivial concern as the Afrobarometer data show (see footnote 10). For the citizens, we worried that they might fear government reactions and so always rank the government projects first. For the MPs, we feared social desirability bias in which they always said they preferred the government projects since they were part of the government.

To assess what citizens perceived when they viewed the control condition, as well as what the implications of this are, we conducted a follow-up mass survey in 2012, and we found that the majority of subjects did interpret the control condition as the government (52% and 51% for the education and electricity projects, respectively). More than one third of subjects in the follow-up study, however, attributed the control condition to a foreign donor. Our follow-up interviews with MPs in 2015 suggest similar proportions, as noted below. While a more direct comparison may have been preferable, attribution of the control projects to foreign donors works in favor of the null hypothesis of no treatment effects.

The concern is that the control condition represented a combination of people who believe it implied either the government or a foreign aid donor; that is, support for the control is equal to some average of support for foreign aid projects combined with support for government projects. Because we know two of these three values – the outcome in the control condition overall and the outcome in the foreign aid condition, we can calculate the third: the level of support that subjects would provide had they been given the government control condition explicitly.

First, we know the average value that mass and MP respondents gave in support of the projects if they were assigned a foreign donor. In the two surveys we asked about support for the projects using 6 different aid donors for the masses and 4 for the MPs, assigning each subject a donor at random. Our data show that across all these foreign donors, the mass respondents did not differentiate significantly between them, but on average they supported the foreign-funded projects at a higher level than did the control group. We have similar evidence for the MPs, except the MPs, on the other hand, supported all the aid projects on average *less* than the control condition. This implies that we can calculate an average value of support among the mass public and MPs for projects led by any foreign donor.

Second, on average the control group's level of support for the projects was lower than the average for all the foreign-donor treatment groups for the mass experiment. For the MPs, the control groups' support

was higher than for all the foreign aid projects. Third, our post-survey data show that 51% or 52%, depending on the random assignment of electricity or education project, respectively, believe that the control was a government project and most of the remaining believed it was a foreign donor. So the actual value of support for the control group for those who thought it was the government can be deduced from this information. In the mass experiment it must necessarily be lower than that for the group that was given the foreign aid conditions, while in the MP experiment it must be higher.

We can use these three pieces of information to calculate the mean and standard errors of the mass respondents who attributed the control condition to the government. We can only obtain an estimate for the MPs since we did not ask them who they thought was funder in the control condition, but this still implies what the control group who attributed it to the government would have scored. Calculating the mean is straightforward. We know that the mean of the control group is made up of the respondents who thought that the control was a foreign donor and those who thought the control was the government:

$$\widehat{Control} = \alpha * \widehat{Gov} + (1 - \alpha) * \widehat{Foreign}$$

where $\widehat{Control}$ and $\widehat{Foreign}$ are the average levels of support for the development projects under the control and treatment conditions, respectively. These values are known from the data and α is the percentage identifying the control as the government. Rearranging to solve for \widehat{Gov} we derive:

$$\widehat{Gov} = \frac{\widehat{Control} - (1 - \alpha) * \widehat{Foreign}}{\alpha}$$

Calculating the standard error to create the confidence intervals is a little more difficult and we describe the procedure in the appendix. Using these calculated means and standard deviations, we can then compare those receiving the foreign treatment to the control condition as reported in the paper to the portion of control respondents who thought the condition was the government. Appendix figure A18 demonstrates the relative differences for the strong support condition among the masses. For all other outcome conditions for masses and MPs, this relative ordering holds and so we do not display them here. As the figure shows, the difference between those receiving the explicit foreign condition and those thinking the control represented the government is much larger than between the explicitly foreign condition and the undifferentiated control. The direction of the effect is opposite in the MP case. Thus, the design choice we made works *against* our hypotheses and therefore provides a very conservative test; had we named the government explicitly in the control condition, we would have observed much larger differences and our results would be even stronger.

In 2015 we ran a small follow-up study on MPs we had surveyed before. In this interview we told them about one of our two projects but not the name of the funding organization; that is, we gave them the control condition from our prior study. Then we asked them who they think funded this and close to 40% said the Uganda government in part at least (11 of 28). This of course means that some MPs, like some citizens, perceived the control condition as sponsored by foreign donors. Again, this would have led to an understatement of the difference between treatment and control in the MP experiment.

Another concern may be that MPs may merely have a preference for unspecified over specified funding. We note in response that two of the foreign donor conditions were deliberately generic in that they attributed the projects to either an unspecified multilateral or bilateral donor. MPs did not significantly prefer these generic conditions to conditions in which the World Bank or the United States were named, which discounts the possibility that MPs prefer projects with unspecified donors. Rather, it appears more likely that their attribution of the control projects to the government prompted the treatment effects.

7. Conclusion

This article provides what is, to our knowledge, the first experimental study to compare aid preferences and actions for members of parliament and a nationally representative sample of ordinary citizens in a prominent developing country. We wanted to compare preferences towards foreign vs. domestic development projects to inject new evidence into debates about foreign aid. Theories that posit aid capture by recipient governments and ones that assert more donor control assume very different preferences and actions on behalf of citizens and government elites around aid and government projects. We found support for donor control theory. Citizens preferred aid over government programs consistently, especially in the behavioral outcomes. This was particularly so among the respondents who perceived problems with government corruption and clientelism, thus providing evidence consistent with the argument that aid can help overcome governance problems. In contrast, members of parliament consistently preferred government programs over aid and especially for those MPs perceiving corruption and clientelism.

The study brings together two complimentary literatures. The large literature on clientelism and corruption in developing countries shows that governments have the desire and will to use their funds to promote their own political purposes first and foremost. Staying in office is critical and using government projects to build support is one way to do this. Uganda's government is no exception. However, aid scholars often assess foreign assistance without any direct comparison to the most realistic alternative, which is government funding. Our study examines the beliefs and actions of both elites and citizens by comparing

their support for these two different sources of development funding. These forms of evidence shed new light on two very prominent literatures by making more central the preferences of political elites and citizens. Much is to be gained by complementing existing macro-level statistical approaches with micro-level experimental data on politicians and beneficiaries of aid in developing countries.

The study provides evidence supporting donor control theory and little encouragement for the aid capture argument. The provision of aid involves a bargaining relationship between donors and recipient governments; the balance of power in this depends on the situation. The two theories mark opposite endpoints on this continuum of relative influence. Factors like the geopolitical salience of recipients and their level of democracy and corruption are important in shaping how much control donors can and will exert. The end of the Cold War and the experiences of donors with corrupt and autocratic governments seem to have lent impetus to much greater efforts at donor control, as many studies show (Dunning, 2004; Bermeo, 2008; Bearce and Tirone, 2010). Our study also finds that public and elite perceptions reflect this greater sense of donor control. The idea that aid is highly fungible and that recipient governments can do as they please with it finds little support in the results. Indeed, on nearly every measure elites prefer the control condition implying government funding to the treatment conditions naming foreign donors, sometimes significantly so, and these results largely strengthen when examining MPs who strongly perceive corruption. Citizens move in the opposite direction: they significantly prefer foreign aid across several attitudinal and behavioral measures to projects implying government sponsorship, and this is especially so for citizens perceiving meaningful levels of corruption.

Neither elites nor citizens are indifferent between aid and government-funded projects. Elites and citizens have distinct preferences. Citizens are more willing to support aid by taking behavioral actions imposing personal costs through signing a petition and sending an SMS. They also on average view aid as less politicized than government programs and trust foreign donor institutions more than domestic ones; and they see conditionality as often helping the country, not hurting it (Author 2015). This provides support for the donor control theory, which argues that aid donors strategically control their aid through channeling, monitoring, and bypassing. In a weakly democratic context with known corruption problems, donor control theory expects donors who do not see the government as a critical geo-political ally to try to maintain control over aid, to limit its fungibility, and to target aid toward public-goods provision. Given that our data show that the public knows about foreign aid donors and trusts them more than domestic institutions, this evidence suggests the public is perceiving aid projects differently than government programs.

Again in support of donor control theory, political elites proved less enthusiastic about aid than government-funded projects. MPs likely face fewer constraints over how they utilize domestic government re-

sources. High levels of corruption and clientelism exist in developing countries even in the absence of foreign aid. And domestic resources may be even easier for governments to divert to these purposes since there are often no strong accountability mechanisms in poor developing countries. MPs on average had high levels of trust in foreign aid institutions, and many thought they were more effective at providing and more successful at concluding development projects. But they also thought aid was too constrained by conditionality, rules and regulations and hence more costly to deal with than government funds. These perceptions and preferences may then tell us a great deal about the contending theories regarding aid's impact. Our evidence suggests that elites and masses are not indifferent between the two types of development funders, that they see project aid in a different light from government sponsored projects, and that donors may well be acting in ways that produce these distinct views.

Our comparison of masses and elites helps to resolve a novel puzzle about divergent preferences for development assistance. Martin (2013), for instance, hypothesizes that elites and masses have different preferences about development projects, with the public favoring public goods more than elites. Our results support this supposition, suggesting that aid recipients should not be treated as a unitary group. Furthermore, our study pursues distinct observable implications of donor control theory, namely, that citizens perceiving greater corruption and clientelism should prefer stronger foreign donors who can deliver aid, whereas elites should prefer the opposite. Our findings support other research that shows aid revenue should not produce a political curse because it is less fungible, more conditional, and less constant than other non-tax revenues, making it difficult for recipient governments to use aid to fund either repression or appeasement (Altincekic and Bearce, 2014). The study thus finds evidence in favor of donor control and little support for aid capture.

These conclusions have more than academic implications. More than in most issue areas, policymakers at multilateral and bilateral aid agencies have developed close ties to scholars studying foreign aid. In several recent instances, aid policymakers have adjusted policies toward conclusions drawn from academic literatures. Yet prominent studies have proposed that aid fosters corruption and autocracy and therefore imply that aid should be reduced or even abandoned. The results of this study, by contrast, suggest that donors are aware of the risks and try to manage aid to benefit publics and bypass political capture. Indeed, both citizens and elites in Uganda appear to see these efforts as effective as manifest in the ways they express preferences for and behave toward identical development projects that differ only in their foreign or domestic-government sponsors. Moreover, our study suggests that donors in certain types of recipient countries should do more to condition and monitor aid, not less, in order to foster development. At least as seen from ground level, foreign assistance can under certain conditions aid rather than hinder development.

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