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Bypass Aid and Perceptions of Local Government Performance and Legitimacy

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Abstract

What are the consequences of revealing true information about the origins and administration of local development projects to Ugandan adults? Do they think differently about their own government when they learn that the financing for a local development project has come from outside of their country and that the entity responsible for bringing the project to their community is a non-governmental organization? We conduct an informational experiment among N=2,446 Ugandan adults in 18 different parishes in which we randomize the information that we provide about a local project in which foreign aid bypasses the government (i.e., funding from donors is provided to NGOs for project implementation). Our experimental design permits us to separately estimate the effect of finding out a project is donor-funded, the effect of finding out a project is NGO-implemented, and their interaction. We use both survey measures and a donation game to study whether citizens are more or less responsive to government entreaties. We find that providing information about bypass aid decreases citizens' beliefs about the quality of their local government but has limited effects on their willingness to comply with the government in either survey or behavioral measures. We also find evidence that information that a project bypasses government increases citizens' willingness to contribute money to it.

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Contents

1. Introduction	1
2. The Potential Unintended Consequences of Bypass Aid	2
3. Research Setting.....	4
4. Research Design.....	6
5. Results	12
6. Implications.....	18
References.....	21

1. Introduction

In many contexts, it is a challenge for citizens to attribute responsibility to political actors for outcomes (Powell Jr. and Whitten 1993; Rudolph 2003; Escobar-Lemmon and Ross 2014). Where there are multiple levels of government that provide services or where there are a mix of government and non-government service providers, citizens may have trouble knowing to whom they should report problems, who they should reward for good service delivery, and who they should punish for poor service delivery. In the poorest countries, this problem is widespread because of the diverse mix of development interventions and public goods that come from the government, from foreign donors with or without cooperation from the government, and from national or international non-governmental organizations. Without extensive education about who these actors are and how they operate, people may be particularly challenged to understand the distinctions across organizations and the implications of those distinctions for how they should try to enact accountability among service providers or for whether or not they should reward or sanction government officials for a particular state of affairs.

Recent studies of large-scale development interventions have revealed evidence that citizens attribute projects to local political elites even when those individuals did nothing to secure the funding or bring the project to fruition. Cruz and Schneider (2017) show that reelection rates for incumbent mayors rose by 12 percentage points in Philippine villages that received a World Bank-funded community-driven development grant. The villages were chosen by a formula based on village poverty levels, not on anything having to do with the initiative of the mayor. Guiteras and Mobarak (2014) similarly show that individuals in Bangladesh assess local elected leaders more positively when their community has been randomly selected to receive a subsidy for sanitation infrastructure and more negatively when their community has been randomly selected to receive only a community training about sanitation.

In the current study, we survey individuals living near Japanese-funded, non-government-run development interventions in Uganda. We find that one-quarter of respondents believe that the projects are government-run and government-funded. Only three percent of respondents can name both Japan as the funder and the specific non-governmental organization (NGO) that is in charge of the project as being the implementing organization. Almost 40 percent of respondents volunteer that they do not know either the funder or the implementer.

What are the consequences of revealing the true information about the origins and administration of the development project to our respondents? Do they think differently about their own government when they learn that the financing for this local development project has come from outside of their country and that the organization responsible for bringing the project to their community is a non-governmental organization? While foreign donors use “bypass aid” (development assistance that flows to non-governmental organizations rather than through government channels) in order to avoid problems where project funding falls prey to corruption or mismanagement (Dietrich 2013, 2016), doing so runs the risk of driving citizens in developing countries to disconnect from their government or to attribute credit or blame to their government for a project in which the government is not involved.

We look to see if Ugandans living near bypass aid projects express different opinions about their government when exposed to the true information about the project, and we use a donation game to study whether they are more or less responsive to government entreaties after receiving this information. We find that providing information about bypass aid decreases citizens’ beliefs about the quality of their local government but has weak effects on willingness to comply with the government as measured by survey questions and behavioral outcomes. In a donation game, we find citizens are more likely to contribute money to projects when we have provided information that might suggest less government interference in the project.

2. The Potential Unintended Consequences of Bypass Aid

Bypass aid is a term used to describe development assistance that is distributed directly to NGOs, private contractors, and endline service providers instead of passing through government systems in the aid-receiving country. Some in the development industry have advocated bypass aid as a means by which foreign donors can mitigate problems associated with weak governance. By sidestepping low-capacity governments, foreign donors may be able to avoid the embezzlement of project resources and ultimately be better able to assist needy citizens (Dietrich 2013, 2016; Winters 2010, 2014). According to Dietrich (2016), in 2007, about 30 percent of OECD development assistance (\$41 billion) qualified as bypass aid. Dietrich (2013) shows that nearly all of the OECD donors provide at least 20 percent of their aid as bypass aid and shows that they are more likely to do so in poor-governance contexts.

Yet in bypassing governments in aid-receiving countries, donors may unintentionally influence citizens' sentiments toward the governments being bypassed, something that will potentially have implications for citizens' willingness to comply with and provide oversight of that government. Insofar as strong domestic governments are critical for ensuring long-term poverty alleviation and economic growth (Acemoglu, Johnson, and Robinson 2005), it is important to understand whether there are negative long-term consequences of providing aid in a way that circumvents the government.

Ex ante, it is plausible that bypass aid could either increase or decrease citizens' attitudes toward their governments. On the one hand, insofar as citizens in developing countries often indicate preferences for non-governmental over governmental projects (Milner, Nielson, and Findley 2016), aid to NGOs may increase citizens' perceptions of the quality of both the services that they are receiving and their government (Sacks 2012; Dietrich and Winters 2015). If voters use a general "quality of life" rubric in evaluating governments, aid to NGOs could even plausibly cause greater improvements in people's attitudes about their government than aid to the government itself.

On the other hand, insofar as citizens believe either that governments are less relevant to service delivery when aid is delivered through NGOs or that donors' decisions to bypass governments originate in those donors perceiving poor governance, bypass aid may lower citizens' perceptions of the quality of their government. If citizens' beliefs about the importance of a particular level of government correlate with the amount of resources it directly controls, then bypass aid could undermine their faith in that government and their engagement with it (Brass 2016; Bratton 1989; Fowler 1991; Gubser 2002; Whaites 1998). In addition, if bypass aid signals to citizens that the international community believes the government is low quality, this may affect their own impressions and willingness to comply with that government. In comparison, donor aid that flows through governments might signal to citizens that the government is good quality, as they might either understand that aid as an endorsement of the government by international actors or else believe that the aid flows demonstrate the government's capacity for obtaining desirable foreign funding (Dietrich, Mahmud, and Winters 2018; Koehler 2015).

The importance of understanding how bypass aid affects citizens' perceptions can be seen in arguments about government legitimacy and its importance for statebuilding. If citizens see their government as legitimate, they are more likely to comply with the laws created by that government, reducing

transaction costs and making governance more efficient (Levi 1988; Tyler 2006). In part, legitimacy originates in the performance of the government (i.e., its success in providing public goods such as water, sanitation, transport infrastructure, a postal service, etc.) (Levi, Sacks, and Tyler 2009; Schmelzle and Stollenwerk 2017). In order for performance in public goods provision to translate into legitimacy, citizens must attribute the public goods provision to the government (Schmelzle and Stollenwerk 2017). There is evidence that governments indeed view this as important: Ciorciari and Krasner (2017) describe several cases where governments asked foreign actors to stop providing services exactly because they felt that their legitimacy was being undermined by the prominent role being played by those foreign actors.

3. Research Setting

We study the effects of bypass aid on citizens' perceptions of and engagement with the government in Uganda. The Ugandan government is a dominant-party regime led by Yoweri Museveni since 1986. Under Museveni, political competition was initially stifled by the fact that the political system did not formally acknowledge parties until 2006. While multiple parties have been able to field candidates in all elections since then, Museveni's National Resistance Movement (NRM) has remained dominant, especially at the national level. It has won national elections held in 2006, 2011, and 2016.

During the past three decades, Uganda also has engaged in an important experiment in political decentralization (Lambright 2011). There are five levels of government below the national government, and two of these sub-national government levels – districts (LC5s) and sub-counties (LC3s) – have substantial budgetary control. In part because of this experiment in decentralization, citizens have higher levels of interaction with their local government than with the national government.¹ In the results below, we focus primarily on the effects of bypass aid on attitudes toward and engagement with the local government.

Uganda also receives large amounts of foreign aid. In recent years, 25 percent of the total national budget and 70 percent of the development budget have come from foreign donors (Swedlund 2017).

¹ According to the 2012 Afrobarometer survey, 36 percent of respondents had contacted a local government councilor in the past year, whereas only 19 percent had contacted their MP. Unfortunately, the Afrobarometer wording does not allow us to distinguish between contact with LC3 councilors and LC5 councilors. In our own survey, 18 percent of respondents report having contacted their LC3 chairperson in the past year and 8 percent of respondents report having contacted their MP.

In the early 2000s, Uganda was receiving tremendous amounts of aid as government-to-government budget support: in 2005, budget support corresponded to 20 percent of public expenditure (Swedlund 2017). However, several political controversies – a 2013 corruption scandal in the Office of the Prime Minister and the 2014 passage of the Anti-Homosexuality Act – dramatically increased levels of bypass aid, as some donors chose to shift aid to non-governmental channels (while other donors chose to suspend aid completely).

The government has an uneasy relationship with many NGOs and has taken several steps to try to assert control over such organizations. NGOs are required to receive their foreign funding through an account at the government-controlled Bank of Uganda (Christensen and Weinstein 2013), and the president signed a bill in January 2016 that gives the government wide-ranging powers to censure NGOs' activities.²

In the communities in which we conducted our research in Uganda, citizens overall agreed with the assessment that donor money was better spent on projects implemented by NGOs. As reported in Table 1, more than three-quarters of our respondents indicated that they would prefer donors to give money to NGOs rather than to the district (LC5) government. The main reason that they gave for this preference was their belief that there would be less corruption in an NGO-administered project, although many people also said that the project would be implemented more quickly by an NGO and/or would be more accessible to citizens. Among respondents who preferred that the money flow to the government, almost 70 percent justified their preference in terms of the increased accessibility of the project, while 40 percent said that there would be more oversight of the project. Only around one in 10 of those respondents who preferred that funding go to the government said that there would be less corruption or that the project would be higher quality.

² <http://www.washingtonblade.com/2016/03/14/ugandan-president-signs-controversial-ngo-bill/> (accessed 17 July 2016).

Table 1. Preferences for Foreign Aid to the District Government versus NGOs.

	District Government	NGO
Overall Preference		
	24.6% (N=327)	75.4% (N=1,002)
Rationale for Preference		
Greater oversight	40.4% (N=132)	33.1% (N=332)
More accessible to citizens	69.4% (N=227)	43.8% (N=439)
Less corruption	12.5% (N=41)	80.3% (N=805)
Faster implementation	19.6% (N=64)	46.7% (N=468)
Higher quality projects	9.8% (N=32)	22.3% (N=223)

Notes: Respondents were asked, "If an international donor had money that he or she wanted to give to help people in this district, would you prefer the money be given to the district government or to NGOs?" and then were asked "Why?" after providing an initial response.

4. Research Design³

To better understand how information about bypass aid affects individuals' perceptions of their local government, we designed an intervention that varied the information respondents had about an important local public good or service in their immediate community. We embedded the informational treatments at the beginning of a survey that included batteries of questions about the government. In one wave of the survey, we also included a behavioral measure of respondents' willingness to support the specific project featured in the survey and levels of compliance with government cues. This design permits us to examine how different informational conditions affect respondents' stated beliefs about their government and their willingness to respond to government cues when making decisions to support a local development intervention.

We chose to design our informational intervention around local development projects about which we expected most of our respondents to have some prior knowledge and experience to guard against the possibility of finding inflated effects of specific pieces of information simply because respondents lack any other information by which to judge a project. If we find effects of disseminating information about

³ We collected data in two waves. Our initial study was pre-registered with Evidence in Governance and Politics (EGAP) as ID #20160113AB (<http://egap.org/registration/1673>), and our second study was pre-registered as ID #20170505AB (<http://egap.org/registration/2507>).

bypass aid on our outcomes of interest, this indicates respondents think this information is valuable above the already existing, possibly quite dense, information that they have about the project and about their local politicians. Our goal was to make the informational intervention more precise and subtle than a sparse survey vignette, since sparse vignettes may encourage over-inference and result in treatment effect estimates that include confounding effects (Dafoe, Zhang, and Caughey 2015). By designing our intervention around real local projects, we establish a high bar for finding effects but increase our confidence that any effects observed are driven by the relevance of the specific information provided. Relatedly, a concern with a research design involving actual projects in respondents' communities is that respondents might already know the funder and implementer of the project; we show below that despite widespread familiarity with the project, it was not the case that local citizens were well informed about the organizations involved in the project.

We use data from two surveys in this paper. In late January and early February 2016, survey enumerators from Innovations for Poverty Action Uganda (IPA/Uganda) conducted N=1,102 surveys across eight parishes in Uganda. In May and early June 2017, they conducted an additional N=1,344 surveys across 10 different parishes.⁴ Each sub-county was home to a development project that had received funding through the Japanese Embassy's Grant Assistance for Grassroots Human Security Projects (GGP) initiative in the previous three years; for the 2017 round of data, all projects had been or would be commissioned in 2017.⁵

GGP is a global Japanese initiative that provides "financial assistance to non-profit, development-oriented organizations so as to implement community development projects which directly benefit people at a grassroots level" (Embassy of Japan, Uganda 2015, 1).⁶ In all cases, the GGP funds had been

⁴ In the pre-analysis plan for the 2017 data collection, we specify nine sub-counties. Because of incomplete enumeration in one sub-county for political reasons and the availability of funding within the project budget, we were able to conduct the survey in 10 sub-counties with reference to 10 different development projects.

⁵ We initially identified the GGP projects for the 2016 wave of data collection using information from the Ugandan Aid Management Platform (<http://www.finance.go.ug/amp/portal>, accessed 12 July 2016) before obtaining a comprehensive list of projects from the Embassy of Japan website (http://www.ug.emb-japan.go.jp/02en/e04develop/ggp/ggp_projects.html, accessed 12 July 2016). We appreciate the guidance that we received at that time from AidData about using the Uganda Aid Management Platform. For the 2017 sample, we consulted directly with Embassy of Japan staff about the most recent GGP projects.

⁶ "As of ... 2011, GGP projects have been implemented in 138 countries and territories around the world" (Embassy of Japan, Uganda 2015, 1). Since 1992, there have been over 200 projects in Uganda; currently, the embassy awards around 15 projects per year (Embassy of Japan, author's interview, January 2016).

given directly to an NGO or endline service provider such as a clinic or school.⁷ GGP Projects, which are around US\$100,000 in size, might be in the education, health, water and sanitation, agriculture, or small-scale business sectors. The projects that we study comprise safe water infrastructure (seven projects), school facilities (five), medical facilities (five), and vocational training facilities (one).

In advance of conducting the 2016 survey, we verified that the GGP projects were important local development projects through elite interviews. Conducting structured interviews with the sub-county (LC3) chairperson, we found that these local political officials usually listed the GGP project as the first or second most important project in the sub-county in the previous five years. Among the household sample, 56 percent of respondents said that either they or someone in their household had been to the project in the past year, and another 20 percent of the sample said that they had previously heard of the project. Over two-thirds of respondents said that the project was within a 30-minute walk from their home, and 90 percent said that it was within an hour of their home.

Enumerators selected respondents through a random-walk procedure with a sampling probability determined by the total population of the sub-county and the fact that we sampled an equal number of respondents in each sub-county in the study. Each respondent was randomly assigned to one of either four conditions (2017 survey) or five conditions (2016 survey) described in Table 2.⁸ In the control condition, we introduced the project, showing the respondents a photo from a project site, and then solicited the respondents' perceptions of who had funded it and who was in charge of managing the project. We then moved on to measure our outcome variables. In the donor treatment, after soliciting respondents' priors about the funder and the implementer, we provided them direct information that the funding for the project came from Japan, showing them a photo of the Japanese ambassador signing off on a GGP project. In the implementer treatment, we provided respondents with direct information about the NGO in charge of the project, showing them a photo of the NGO's signboard, immediately after soliciting their priors. And in the bypass aid treatment, we provided the information in both the funding treatment and the implementer treatment in that order. In a delayed control condition that we used in the 2016 survey, the respondents received only the information in the control condition, and this happened only after we measured our outcome variables of interest.

⁷ In Uganda, there are some cases where Japan has given GGP funds directly to local governments; we did not include any such cases in our sample.

⁸ We randomized treatment assignment within strata defined by the sub-county and the respondent's gender.

Table 2. Treatment Conditions and Number of Respondents in Each Condition.

	Delayed Control	Control	Donor Treatment	Implementer Treatment	Bypass Aid Treatment
	Outcome variables measured before respondents were exposed to control condition information	Information about project but no attribution of responsibility for funding or implementation	Information about project and foreign funding source, but no information about the institution responsible for implementation	Information about project and institution responsible for implementation, but no information about funding	Information about project, foreign funding source, and institution responsible for implementation
2016	184	369	181	183	185
2017	0	539	265	272	268

Table 3 shows respondents' priors with regard to the project funder and implementer. The two modal responses are for respondents to say either that the government was both the funder and implementer or to admit ignorance as to what actors were involved in the project. Half of the sample - evenly divided - did one of those two things. Only four percent of our respondents correctly name Japan as the funder. Our respondents were somewhat more likely to name the non-governmental implementing partners: 16 percent of the sample identifies the correct organization when asked who is in charge of the project. Among those who can correctly identify the implementing partner, there is a range of opinions about where the funding comes from: almost one-quarter of these respondents say that the NGO itself has provided the funding, while one-fifth say that it was the government; one-third say that it came from an international donor, although only one-third of these individuals - so one out of nine overall - specifically name Japan. Overall, these responses to the solicitation of prior information suggest that the information contained in our treatments will be new for the vast majority of our respondents.

Table 3. Prior Beliefs about the GGP Projects.

Prior Beliefs about GGP Project Implementer	Prior Beliefs GGP Project Funder						Row Total
	Government	Japan	Other International Donor	NGO	Other	Volunteered "Don't Know"	
Government	27.1% (662)	0.9% (23)	2.0% (50)	0.4% (10)	3.1% (77)	1.8% (44)	35.4% (866)
Actual Implementing Entity	4.8% (118)	2.8% (69)	3.4% (82)	4.3% (106)	1.3% (33)	1.3% (31)	18% (439)
Other NGO	0.6% (15)	0.1% (3)	0.3% (7)	0.0% (1)	2% (50)	0.2% (5)	3.3% (81)
Community	2.8% (68)	0.3% (8)	1.3% (33)	0.4% (10)	1.8% (44)	0.7% (16)	7.3% (179)
Other	0.8% (20)	0.4% (11)	1.3% (31)	0.3% (7)	0.5% (13)	0.1% (3)	3.5% (85)
Volunteered "Don't Know"	7.2% (177)	0.9% (22)	1.8% (43)	1.3% (33)	2.2% (53)	19.1% (467)	32.5% (795)
Column Total	43.4% (1,060)	5.6% (136)	10.1% (246)	6.8% (167)	11% (270)	23.1% (566)	100% (2,445)

Notes: Table reports the percentage and frequency of respondents falling in each cell. Note that due to rounding, the percentages in the cells in each row and column do not always sum exactly to the column and row totals.

Our main outcome measures of interest are survey questions capturing respondents' assessments of government performance and their willingness to comply with the government; in addition, the survey instrument concluded with a behavioral measure of responsiveness to cues invoking the government.⁹ With regard to government competence, we asked two specific questions - one for the national government and one for the local government - about the sector in which the project occurred. In the areas where the GGP project provided access to clean water, for instance, we asked "How well or poorly would you say your [national / local] government is performing in addressing [access to clean water]?"¹⁰ We randomized whether respondents were asked about the national or the local government first. Later we asked a general question about local government competence. We instructed respondents to "imagine that many of the local market places had been damaged due to bad weather," and then asked, "How likely or unlikely do you think it is that the local government could fix this problem?"

⁹ In this paper, we analyze the complete set of outcomes that we registered in the "Local Government Competence and Legitimacy" section of the pre-analysis plan for the 2017 data.

¹⁰ The other versions of the question asked about "primary education," "secondary education," "vocational education," "healthcare," or "maternal healthcare" as appropriate.

With regard to compliance with the government, we asked respondents about their willingness to pay increased “fees to the local government for a bicycle, cart, business, market stall, or these sorts of things.”¹¹ We also asked respondents about their willingness to attend “a meeting on preventing the spread of an infectious disease” called by the local government but where the local government “could not provide any compensation for attending.” Finally, we asked a general question about tax compliance, asking respondents whether they agreed or disagreed with the statement that “the government has the right to make people pay taxes.”¹²

To collect a behavioral measure of citizens’ responsiveness to government, we concluded the 2017 survey with a donation game modeled on the game studied in Blair (2017). We gave respondents 2,500 Ugandan shillings (about US\$0.75)¹³ and reminded them that they had been “speaking about community needs during this survey.” We then randomly assigned each respondent to hear one of four different appeals.¹⁴ After providing the respondents with the money, we told them that we were collecting money for either an unspecified fund to help people in the parish or for the specific GGP project around which the informational intervention had been created.¹⁵ In each of those two conditions, half of the respondents were additionally told, “Remember, the government of Uganda promotes the importance of making contributions to help the needy.” This prompt was carefully worded so that it was consistent with the Ugandan government’s policies and laws and did not involve deception or undue pressure to donate. All respondents were then told that the decision to donate was up to them and were allowed to donate between 0 and 2,500 Ugandan shillings.¹⁶ We present the four treatment conditions in Table 4. In this paper, we examine whether or not the government-related cue had different levels of influence on respondents’ donation decisions depending on the informational treatment condition to which they had been assigned.

¹¹ We first screened respondents for whether or not they already paid such fees, and then asked them to either imagine an increase in such fees (if they already were paying them) or to imagine that they were paying such fees and that they were increasing. In the present analysis, we pool together the responses from respondents currently paying such fees and respondents currently not paying such fees.

¹² We asked this question to mirror the outcome variable studied in Sacks (2012).

¹³ This represents somewhere between one-sixth and one-half of average daily earnings in the areas we surveyed.

¹⁴ For the behavioral game, we randomized within strata defined by the informational treatment condition to which the respondents had been assigned.

¹⁵ All money collected in the donation game was given to the NGO in charge of the GGP projects that formed the basis of our survey. We reported these donations to the Embassy of Japan.

¹⁶ We declined to collect additional donations beyond the money that we provided to the respondents.

Table 4. Donation Game Treatment Conditions.

	No Government Cue	Government Cue
General Donation	Separately, we are collecting money for a fund to help needy people in this parish, and we would like to give you the opportunity to donate some portion of your payment to this fund. The decision to donate is up to you.	Separately, we are collecting money for a fund to help needy people in this parish. Remember, the government of Uganda promotes the importance of making contributions to help the needy. We would like to give you the opportunity to donate some portion of your payment to this fund. The decision to donate is up to you.
Project-Specific Donation	Separately, we are collecting money for the project for [insert name of GGP project], and we would like to give you the opportunity to donate some portion of your payment to this fund. The decision to donate is up to you.	Separately, we are collecting money for the project for [insert name of GGP project]. Remember, the government of Uganda promotes the importance of making contributions to help the needy. We would like to give you the opportunity to donate some portion of your payment to this fund. The decision to donate is up to you.

5. Results

We look first at the responses to the survey questions. Table 5 presents point estimates from linear regression models that include indicator variables for each of the three treatment conditions and a set of randomization-strata fixed effects. We indicate the results of significance tests for whether or not the coefficients are different from 0 and whether or not they are different from one another.

Among the six survey questions that we described above, we find results for local government performance. For those respondents who heard about bypass aid (i.e., who received both the funding information and the implementing information), we see a negative and statistically significant effect of the information on their perceptions of local government performance. The responses in the bypass aid condition are distinguishable not only from those found in the control condition but also from those found in the condition where respondents hear only about Japanese funding and the condition where respondents hear only about NGO implementation. In both of those cases, the estimated treatment effects are positive but not statistically significant.

We see a similar negative effect of the bypass aid treatment on respondents' perceptions of the central government's performance, although the point estimate is smaller and estimated with more certainty (p

< 0.13).¹⁷ As with the question about local government performance, we can also reject the null hypothesis that the treatment effects of the funding information alone and the bypass aid information are equal when looking at the central government performance outcome.

Table 5. Effects of Informational Treatments in Overall Data.

	Local Gov't Performance in Sector	Central Gov't Performance in Sector (2017 Only)	Local Gov't Competence (Repairing a Market)	Willingness to Pay Increasing Fees	Willingness to Attend a Gov't- Organized Meeting	Right of Government to Collect Taxes (2017 Only)
Mean in the Control Condition	2.57 (0.03)	2.77 (0.04)	2.50 (0.03)	2.15 (0.08)	3.59 (0.02)	3.16 (0.04)
Donor	0.08 (0.05)	0.11 (0.07)	0.05 (0.06)	0.02 (0.06)	-0.03 (0.04)	-0.04 (0.07)
Implementer	0.02 (0.05)	-0.02 (0.07)	0.02 (0.06)	-0.03 (0.06)	0.02 (0.04)	-0.07 (0.07)
Bypass	-0.15*** (0.05)	-0.11 (0.07)	-0.05 (0.06)	0.07 (0.06)	-0.01 (0.04)	0.04 (0.06)
Test: Donor=IP	0.37	0.10	0.69	0.46	0.29	0.77
Test: Donor=Bypass	0.001	0.008	0.17	0.49	0.76	0.33
Test: IP=Bypass	0.008	0.30	0.32	0.16	0.47	0.18
N	2,421	1,321	2,370	2,388	2,445	1,330

Notes: Coefficient estimates from a regression including indicators for each of the three treatment conditions and randomization-strata fixed effects. Robust standard errors in parentheses. * - $p < 0.10$; ** - $p < 0.05$; *** - $p < 0.01$. Test rows include p-values from an F test of the equality of the treatment indicators.

The first two columns of Table 5, therefore, provide evidence that information about foreign aid flows that bypass the government and go to non-government implementers may actually decrease perceptions of the quality of the government, even though information about foreign aid flows alone seems to improve perceptions of the government. In column 1, the effect of the bypass treatment is significantly different from both the effect associated with the donor treatment and the effect associated with the implementing partner treatment ($p < 0.001$, $p < 0.008$), indicating that information about foreign aid flowing to NGOs has stronger and more negative effects on respondents' perceptions of local government quality than information about aid flows where the implementer of the foreign aid project

¹⁷ The outcomes are four-category ordinal variables (very poorly, poorly, well, very well). A chi-squared test of the responses to the question about local government performance strongly rejects the null hypothesis that the response patterns are independent of the treatment condition ($p < 0.001$). For the central government performance variable, the test performs less well ($p < 0.363$).

is left undescribed and most commonly assumed to be the government or information about non-governmental service delivery alone.

The remaining columns of Table 5, however, suggests that these changed perceptions do not spill over to assessments of the local government outside of the specific sector of the GGP project. The informational treatments do not change respondents' willingness to say that the local government would have the capacity to repair a damaged market. Nor do the informational treatments influence citizens' willingness to comply with the local government, as the proportion of people who say that they would pay increased fees or attend a government-mandated meeting is statistically indistinguishable across treatment condition. Individuals' perceptions of the government's right to collect taxes also do not vary with the informational treatments.

In Table 6, we explore the extent to which the treatment effects for the perceptions of the local government's performance are conditional on individuals' prior beliefs about what institutions have funded and implemented the GGP project around which the informational intervention and the survey are constructed. As described above, there are very few people who have correct priors about the project. Therefore, the vast majority of our respondents - 80 percent - are found in the fourth column that looks at individuals who have incorrect or uncertain priors about both the funder and the implementer. The treatment effects found in this column are essentially the same as those reported above for the overall sample, except that the positive effect of the donor information is now estimated with less uncertainty. When we look at the handful of people who had correct priors about both the funder and implementer, we see positive but not significant treatment effects for the donor information and the implementer information. Among those who correctly identified Japan as the funder but did not correctly identify the NGO running the project, we see positive point estimates for all three of the information conditions, and the point estimate for the implementing information is marginally significant. Among the larger group of people who could correctly identify the implementer but not the funder, we observe an insignificant but substantively large negative effect of the bypass aid condition.

Table 6. Effects of Informational Treatments Depending on Respondent Priors.

DV: Local Gov't Performance in Sector	Priors: Funding and IP Correct	Priors: Funding Correct but Not IP (including DK)	Priors: IP Correct but Not Funding (including DK)	Priors: Neither Correct (including DK)
Mean in the Control Condition	2.23	2.44	2.52	2.59
Donor	0.15 (0.37)	0.48 (0.37)	-0.08 (0.14)	0.10* (0.06)
Implementer	0.35 (0.33)	0.62* (0.31)	0.002 (0.13)	-0.01 (0.06)
Bypass	-0.08 (0.46)	0.26 (0.45)	-0.21 (0.13)	-0.15** (0.06)
Test: Donor=IP	0.57	0.70	0.61	0.11
Test: Donor=Bypass	0.62	0.66	0.43	0.001
Test: IP=Bypass	0.36	0.40	0.18	0.06
N	69	66	368	1,918

Notes: Coefficient estimates from a regression including indicators for each of the three treatment conditions and randomization-strata fixed effects. Robust standard errors in parentheses. * - $p < 0.10$; ** - $p < 0.05$; *** - $p < 0.01$. Test rows include p-values from an F test of the equality of the treatment indicators.

In Table 7, we look at the treatment effects among respondents who were likely to be the most receptive to the information contained in the treatments due to uncertain priors. Following our solicitation of each prior, we asked respondents in the 2017 survey how they knew the information that they had just reported to us (e.g., that “the government was the funder”). In both surveys, we asked respondents how certain they were that they were correct. The most common response to the question about how the respondents knew the funder or the implementer was for the respondent to say that they had just guessed: 63 percent of respondents said this about their response to the question about funding, and 68 percent of respondents said this about their response to the question about the organization in charge of implementing the project. Most respondents said that they were either uncertain or else only somewhat certain about their responses to these questions: only 40 percent of respondents said that they were very certain about their response to the funding question, and 36 percent of respondents said that they were very certain about their response to the implementer question. The treatment effects estimated among these individuals with more uncertainty in their priors are in line with the estimates that come from the overall sample. We see a negative and usually significant coefficient on the bypass aid condition that is about one-tenth of a unit in size, and we see a positive but not significant coefficient in the donor condition.

Table 7. Effects of Informational Treatments Depending on Respondent Priors.

DV: Local Gov't Performance in Sector	Any Prior but Said "Just Guessing" to Both or DK Priors	Any Prior but Expressed Uncertainty about Both or DK Priors	Neither Correct AND Said "Just Guessing" or DK Priors	Neither Correct AND Said Uncertain or DK Priors
Mean in the Control Condition	2.54	2.52	2.56	2.66
Donor	0.07 (0.06)	0.05 (0.06)	0.09 (0.06)	0.09 (0.06)
Implementer	0.06 (0.06)	0.01 (0.06)	-0.05 (0.06)	-0.02 (0.06)
Bypass	-0.11* (0.06)	-0.14** (0.06)	-0.10 (0.07)	-0.14** (0.07)
Test: Donor=IP	0.35	0.61	0.18	0.14
Test: Donor=Bypass	0.02	0.007	0.02	0.003
Test: IP=Bypass	0.11	0.03	0.23	0.13
N	1,971	1,970	1,619	1,613

Notes: Coefficient estimates from a regression including indicators for each of the three treatment conditions and randomization-strata fixed effects. Robust standard errors in parentheses. * - $p < 0.10$; ** - $p < 0.05$; *** - $p < 0.01$. Test rows include p-values from an F test of the equality of the treatment indicators.

Finally, we look to see if the informational treatments influenced respondents' behavior in the donation game that occurred at the end of the 2017 surveys. In the game, we asked respondents either to donate to the specific project mentioned earlier in the survey or else to a general fund; we also told half of the respondents in each condition that the government encourages contributions to help the needy. We look first at the overall results, and then we break them down by the informational treatment condition to which the respondent had been assigned earlier in the survey and that referred to the same project to which respondents in the project-specific donations condition were being told they could donate.

Table 8 presents the overall results. We see that respondents were most generous when they were asked to make a project-specific donation and did not hear the government cue. In the absence of the government cue, respondents gave an extra 100 shillings when asked to donate specifically to the project as compared to a general fund. When the government cue was present, this difference disappeared.

Table 8. Donation Game: Overall Results.

	No Government Cue	Government Cue	Difference
General Donation	735 (36) N=336	746 (33) N=335	10 (48) p < 0.84
Project-Specific Donation	840 (38) N=334	734 (34) N=339	-107** (51) p < 0.04
Difference	105** (52) p < 0.05	-12 (47) p < 0.80	

Notes: Means with standard errors in parentheses. p-values from difference-in-means tests.
* - p < 0.10; ** - p < 0.05; *** - p < 0.01.

In Table 9 and Table 10, we show the results for respondents assigned to the control condition in the information experiment and respondents assigned to the bypass aid condition. Among those in the control condition, we see the largest donations in the project-specific condition where there is no government cue and in the general donation condition where there is a government cue; the government cue has a large negative effect only for project-specific donations. For people who heard the bypass aid information earlier in the survey, on the other hand, we see that the project-specific donation is always greater than the general donation. While the government cue still appears to reduce respondents' willingness to contribute to the project, the bypass aid information seems to moderate this somewhat by boosting their overall willingness to give to the project. Larger donations to the project in the bypass aid condition compared to the control condition, particularly in the presence of a prime to think about government, are consistent with citizens valuing the insulation from government that bypass aid provides.

Table 9. Donation Game: Respondents in Control Condition for Information Experiment.

	No Government Cue	Government Cue	Difference
General Donation	741 (59) N=135	805 (58) N=133	63 (82) p < 0.84
Project-Specific Donation	808 (55) N=135	674 (51) N=136	-135* (75) p < 0.08
Difference	67 (80) p < 0.41	-131* (77) p < 0.09	

Notes: Means with standard errors in parentheses. p-values from difference-in-means tests. * - p < 0.10; ** - p < 0.05; *** - p < 0.01.

Table 10. Donation Game: Respondents in Bypass Condition for Information Experiment.

	No Government Cue	Government Cue	Difference
General Donation	828 (88) N=67	705 (64) N=66	-124 (109) p < 0.26
Project-Specific Donation	903 (87) N=67	801 (71) N=68	-102 (68) p < 0.37
Difference	75 (124) p < 0.55	97 (96) p < 0.32	

Notes: Means with standard errors in parentheses. p-values from difference-in-means tests. * - p < 0.10; ** - p < 0.05; *** - p < 0.01.

6. Implications

Through the use of an information experiment in Uganda, we study how people react to information about the foreign funding and non-government implementation of a local development project. We show first that a majority of respondents have either incorrect priors (thinking that the project in question was a project funded and operated by the government) or else diffuse priors (not knowing who either the funder or the implementer of the project is). We then provide evidence that information about bypass aid leads to worse assessments of the local government (and perhaps also of the national government). There is some evidence that information about foreign funding alone improves these assessments. These effects, however, are limited to assessments of government capacity in the service delivery sector that corresponds to the project around which the informational intervention is based: we

do not see different response patterns for several other outcome variables related to government competence or citizens' willingness to comply with the government.

We also look to see if these informational treatments affect citizens' willingness to donate in a behavioral game. We find that a government cue typically reduces respondents' willingness to donate, while being asked to donate specifically to the project about which respondents have learned earlier in the survey usually increases donations. Among respondents who heard that the project was an instance of bypass aid, the government cue has less of a negative effect on their donations, suggesting that they may value bypass aid projects specifically for the insulation they provide from government.

With regard to the hypothesis in the literature that bypass aid might undermine citizen responsiveness to government, we ultimately find mixed evidence. On the one hand, we see the negative effects of information about bypass aid on perceptions of government performance. The domain of the effect, however, is limited: it does not extend to more general questions about government competence or willingness to comply with the government. The donation game results suggest that information about foreign and non-governmental roles in service delivery do not further harm government legitimacy in Uganda and improve citizen contributions to projects. Consistent with the Ugandan government being perceived as corrupt and illegitimate, the government cue leads to lower donations to the project regardless of treatment condition. Furthermore, information that the project has bypassed the government has positive effects on respondents' willingness to make donations to the project. Overall, that we find limited negative effects of bypass aid should be encouraging to donors and others in the development community worried about potential unintended consequences.

Previous studies have found limited evidence that bypass aid negatively affects citizen attitudes toward the state or willingness to comply with the state (Dietrich, Mahmud, and Winters 2018; Dietrich and Winters 2015). These studies, however, have generally been providing information about the existence of projects alongside the information that the projects have bypassed the government. In our research - drawing on 18 projects that are all actual bypass aid projects - our prompts should directly affect people's information about government involvement in projects but should only indirectly and probably more marginally affect people's awareness of these already existing local projects. That we continue to find largely null results on people's perceptions of state capacity and willingness to comply with the state

is additional evidence that, in settings with weak governance, donors can advertise bypass aid projects without concerns that doing so will undermine citizen confidence in the state.

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