

Rebuilding Foreign Aid

NGO Preferences over Donor and Government Policy after USAID

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The post-USAID moment

- ▶ Jan 2025: the US dismantles USAID. The UK, Germany, France follow.
- ▶ No major donor had ever fully exited the aid system before.
- ▶ Donors and governments are now deciding how to rebuild.

“Sometimes [the Government] does some things because you want to show you are a sovereign country, but we can’t eat sovereignty.”

— NGO director, Malawi, 2026

Who pays now?

At home

For years, foreign aid financed services the government would otherwise have had to pay for itself.

Now someone has to pay: tax, borrow, or cut. A distributive fight the government cannot avoid.

Abroad

The money that remains comes with harder terms, and using aid as leverage.

The terms on which a poor country takes help are being rewritten by donors.

Why NGOs?

- ▶ In the poorest countries NGOs deliver social services—health and education
- ▶ They are political actors: they lobby, sit on committees, deal with governments
- ▶ We study them as donor instruments or service units, not as actors with their own preferences.
- ▶ **Why:** their behaviour is donor-constrained. What an NGO does shows what a donor will pay for, not what it would choose.
- ▶ We cannot read NGO preferences off behaviour — so we measure them directly.

NGOs answer *up* to the donors who fund them, and *down* to the communities they serve.

Self-interest

Under competitive, renewable donor contracts, NGOs behave like firms in a market: survival pressures drive them to seek resources, autonomy, and protection of their own programmes, sometimes against their stated mission.

Cooley & Ron 2002; Bloodgood 2011

Advocacy

Defined by a public-benefit mission. Leaders are disproportionately motivated by public welfare, and — working across communities, sectors, and government — they see need far beyond their own clients.

Frumkin 2002; Perry & Wise 1990; Brass 2012

Our argument

NGOs are self-interested—sometimes

- ▶ On whether aid is paid directly to them or routed through government, they act in their own interest.
- ▶ On every choice with wider consequences (how the state raises revenue, what gets cut, what the country must concede) they act as advocates for the public.

Hypotheses

Self-interest: NGOs will prefer:

H1 funding channelled directly to their own organisation

H2 spending cuts that fall *outside* their own sector

Advocacy NGOs will:

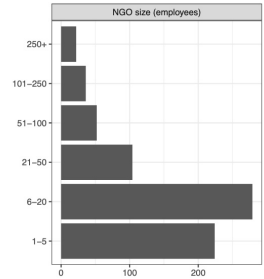
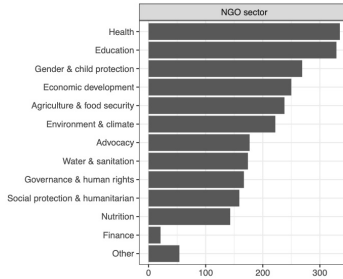
H3 want the government to co-finance, not be bypassed

H4 oppose conditions that extract from the country

H5 replace lost funds without overburdening citizens

The survey

- Partnership with NGORA
- Sampled all registered NGOs (1,167).
- 53% of all registered NGOs.
- Online + phone
- Paired with semi-structured interviews for context.



Conjoint 1: replacing funding

An example choice:

	Package A	Package B
Foreign loan (<i>repaid</i>)	MK 100 bn	MK 50 bn
Tax rise (<i>VAT + business</i>)	MK 100 bn	—
Service cut	Agric. subsidies	Education
<i>Health restored</i>	<i>about half</i>	<i>a small share</i>

For each pair: **preference** · **best for their NGO** · **best for citizens**.

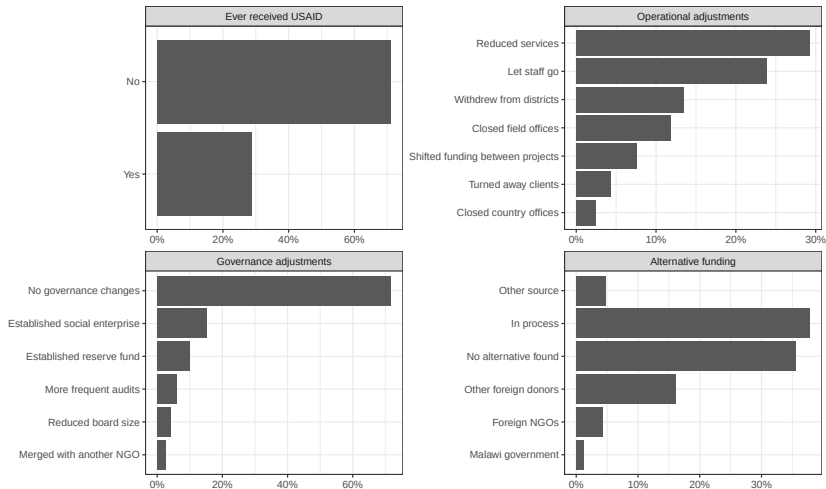
Conjoint 2: designing new aid

An example choice:

	Package A	Package B
Channel	Direct to NGOs	Govt budget
Govt co-financing	+ MK 50 bn	None
Donor also cuts	Anti-corruption	Education
Conditions	Access to health data	None

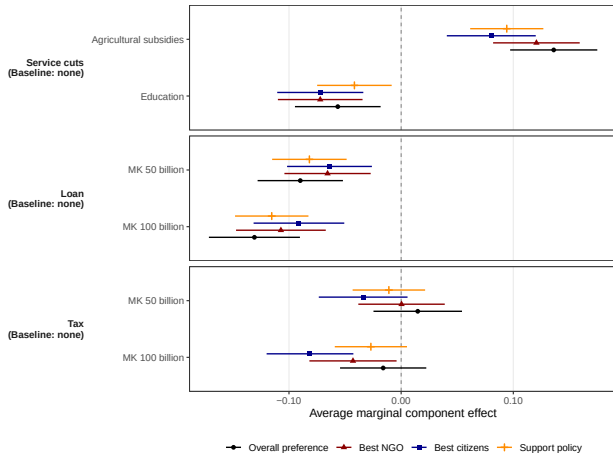
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Impact of withdrawal

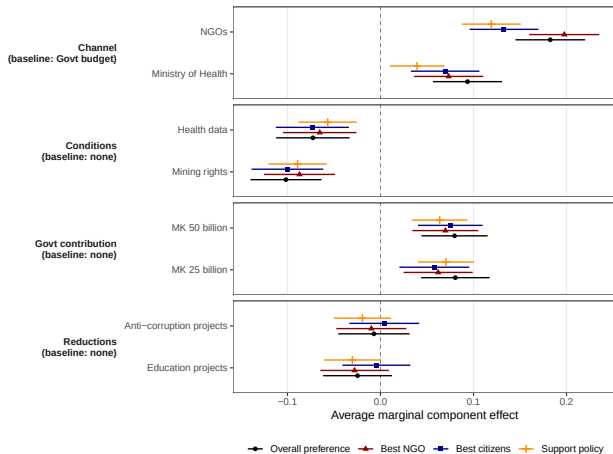


Over half cut services; many turned away clients or closed offices.

What should the government do?



What should donors do?



NGOs are self-interested, sometimes

Self-interest governs	Advocacy governs
How the money reaches them (direct funding)	Co-financing, conditionality, how the state raises revenue, what gets cut, their own sector

Takeaways

- ▶ NGOs want to push back:
 - ▶ they reject the extractive terms offered by donors
 - ▶ they want services funded at home without new taxes on citizens
 - ▶ And they want resources for themselves.
- ▶ A central actor in how aid reaches people has real, distinct stakes in how the transition's costs are shared—we should understand their preferences
- ▶ First direct measure of what NGOs want, as the system is rebuilt, and self-interest alone can't explain preferences.