

Does Corruption reduce Public Support for Foreign Aid?

Aid Effectiveness, Accountability and Foreign Aid Cuts

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Abstract

How does corruption influence public support for foreign aid? While early studies suggest that there is virtually no link between the level of corruption in recipient countries and the amount of aid received, recent studies suggests that corruption influences public support for foreign aid, and that lack of public support for aid can have important implications for the size of aid budgets in democracies. Using an original survey experiment in a country highly supportive of foreign aid, this paper shows that corruption reduces support for foreign aid, but that citizens responses to corruption in foreign aid is contingent upon the effectiveness of aid, prospects for accountability (and in particular whether donors or recipients are involved) and the scale of the corruption problems. The results thereby shows how citizens deal with the "aid- corruption paradox", i.e. that the need for foreign aid is often the greatest in corrupt environments and contribute towards explaining why donors continue to send foreign aid to corrupt countries, despite that corruption is increasingly seen as detrimental to economic and environmental development.

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Introduction

Media reports about the detrimental effects of corruption have increased exponentially during the last decades. Despite the growing consensus about the detrimental effect of corruption for economic development, poverty reduction and efforts to reduce environmental problems (Mauro, 1995; Gupta et al., 2002; Holmberg et al., 2009), research shows that donors continue to send foreign aid to corrupt societies (Alesina and Weder, 2002; Chong and Gradstein, 2008). Additionally, survey research and case studies suggest that corruption is universally seen as morally wrong (Widmalm, 2008; Miller et al., 2001; Nichols et al., 2004; Jordan Smith, 2007; Hasty, 2005; Person et al., 2012). How does the increased exposure of corruption in media and reports shape public support for foreign aid?

Much of our current knowledge about how recipient country corruption affects foreign aid is based on studies that rely on co-variation between cross-national measures of corruption and aid flows (Alesina and Weder, 2002; Chong and Gradstein, 2008) or on surveys that seek to capture public opinion on foreign aid contributions to corrupt societies (i.e. Paxton and Knack, 2012; Bauhr et al 2013). However, a common problem in studies of foreign aid and corruption is the overwhelming reliance on broad measurements of corruption that are divorced from its context. As a result, the extant literature provides limited insight into the trade-offs involved in corrupt transactions, and consequently when and why corruption causes aid fatigue.

This paper suggests that corruption reduces support for foreign aid but that citizens are sensitive to the trade offs involved in corrupt transactions. In particular, corruption depresses support for foreign aid but this effect can be mitigated by aid effectiveness, prospects for accountability and possibilities for project level responses rather than across the board cuts. Citizens are more tolerant to corruption in aid if aid reaches successful outcomes (financial and developmental) and if recipients rather than donors are involved.

The study thereby explores and unpacks public understandings of the “aid-corruption paradox”, namely that the need for foreign aid is often the greatest in corrupt environments. While corruption is often seen as detrimental to the main targets of aid, such as reducing poverty or promoting environmental protection, a rigorous enforcement of a “zero tolerance” toward corruption risks in foreign aid

would disqualify many countries as recipients of foreign aid. The effects of corruption on support for foreign aid can potentially be diminished by various understandings of this paradox (Bauhr, Nasiritousi and Charron, 2013), but we know less about how the context of aid can influence the social acceptability of corruption in foreign aid and under what circumstances citizens are at all willing to redistribute their tax money to contexts plagued by corruption.

The study advances the corruption and foreign aid literature by moving beyond the dominant focus in extant research on aggregate, cross-national comparisons (see, for example, Alesina and Weder, 2002; Chong and Gradstein, 2008) that makes opaque both the meaning of ‘corruption’ and ‘aid fatigue,’ and accordingly their relationship. By only looking at the association between corruption indices and overall foreign aid levels, there is conceptual stretching (Sartori, 1970) in the independent variable while the dependent variable is very narrowly understood. As a result, these studies measure the relationship between a broad swath of illicit exchanges and a discrete form of donor response: across-the-board cuts in aid levels or public support for such cuts. This study instead presents a more fine-grained understanding of corruption in foreign aid and public responses. While the scale of the corruption problem can be expected to be important for public condemnation, several other dimensions and forms of corruption may spur public grievances to varying degrees. Furthermore, by allowing for reactions below the most aggregate level – across-the-board cuts in foreign aid – new patterns of the relationship between corruption and support for foreign aid may emerge.

While the opinion of the donor public may not be immediately evident in foreign aid decisions, research indicates the emergence of a foreign-policy savvy public (see, for example, Aldrich et al., 2006; Milner and Tingley, 2013). Several studies show that there is a significant covariation between the views of the donor public and the actions by the donor government (Lumsdaine, 1993; Paxton and Knack, 2012) and that strong public support for foreign aid is important for meeting and sustaining aid commitments (Henson et al 2010; Mosley 1985; OECD 2003).ⁱ The policy relevance of the study is reinforced by increasing demand for foreign aid among countries seeking to meet the Millennium Development Goals (Clemens et al., 2007), coupled with donor failure to deliver on aid commitments in nascent fields such as climate change (OECD, 2010). Moreover, a strong public support for foreign aid allows policymakers to engage in contexts where aid can produce beneficial

effects in the long term, rather than those that involve the lowest short term financial, reputational or electoral risks.

The study proceeds as follows. First, I review the literature on the determinants of foreign aid, and specifically focus on how corruption has been suggested to influence support for foreign aid. Second, I develop a theoretical framework for the conditions under which corruption causes aid fatigue in the donor public, and derive hypotheses on the relationship between corruption and aid fatigue. Third, I present the research design and empirical study: Fourth, I present the results and suggest that it may, indeed, be important to distinguish between different varieties of corruption and responses to it when estimating the effect of corruption on public opinion on foreign aid. The fifth section concludes.

Corruption and Aid Fatigue

In recent years, donors have focused increasing attention on the problems caused by corruption in developing countries. However, few studies have explored how this increased attention to corruption has affected public support for foreign aid in donor countries. While substantial research effort has been devoted to the larger issue of the determinants of foreign aid and support for foreign aid (see, for example, Lebovic and Voeten, 2009; Tingley, 2010; Boulding and Hyde, 2008; Paxton & Knack 2012), the particular role of corruption has mainly been studied at cross national level, focusing either on its effect on aid disbursements (Alesina and Dollar, 2000; Alesina and Weder, 2002; Chong and Gradstein, 2008) or public support for foreign aid (Chong and Gradstein, 2008; Bauhr et al. 2013).

Influential studies suggest that the strategic interest of donors account for aid allocation to a greater degree than recipient characteristics such as democratic practices or governance. Alesina and Dollar (2000) show that factors such as bilateral trade and colonial ties were found to have a stronger effect on aid levels than political and institutional factors in the recipient country. Building on these findings, other research suggests that donor governments do not punish recipient governments for violations of human rights, since their strategic interests may provide a disincentive to do so (Lebovic and Voeten, 2009). Some studies give very little support to the contention that corruption causes 'aid flight'. Alberto Alesina and Beatrice Weder

(2002) use official aid flows as their dependent variable, and try seven cross-national measures of corruption as their independent variable to capture the aggregate level of corruption by country. Building on these measures, the study's conclusion is that "there is no evidence whatsoever that less corrupt countries receive more foreign aid" (Alesina and Weder, 2002, 19). Similarly, Chong and Gradstein (2008) test the relationship between the level of corruption and aid. No statistically significant relationship is found between corruption in the recipient country and aid disbursements although domestic corruption in the donor country drives down aid levels (Chong and Gradstein, 2008).¹

However, this approach tells us little about how public reactions to corruption constrains possibilities to meet current demands for increased levels of foreign aid or how donor publics may constrain donors transactions to highly corrupt countries. In other words, pointing to the fact that corrupt countries receive more aid than less corrupt countries tell us little about whether corruption causes aid fatigue, and thereby reduces absolute levels of foreign aid to these contexts. The increasing disillusionment with the ability of foreign aid to produce desirable results and a general disenchantment with the idea of foreign aid could potentially have detrimental effects on aid levels (Boschini & Olofsgård, 2007).² As demand for foreign aid rises with countries seeking to meet the Millennium Development Goals (Clemens et al., 2007), and donors agreeing on unprecedented increases in aid in emerging fields such as climate change, there is now a new sense of urgency that the supply of aid has to be more forthcoming.³ A strong public support for foreign aid is important for meeting and sustaining these commitments (Lumsdaine, 1993; Paxton and Knack, 2012). There are reasons to believe that recipient performance and corruption has increased in salience as a factor in aid allocation decisions since the 1990s. The increased media attention on corruption has made this issue more salient globally, not least in light of increasing evidence on the importance of institutions for economic growth and development (e.g., Mauro 1995; Acemoglu et al. 2001; Rodrik et al. 2004; Pellegrini

¹ Similarly, results based on cross-national responses to the 2002 Gallup International "Voice of the

² For example, 7 of the 12 African countries that underwent structural adjustment programs with the help of World Bank and IMF during 1980-99 actually exhibited *negative* economic growth per capita (Phillips, 2009).

³ One of the few concrete outcomes of the Copenhagen accords on climate change was a promise to deliver \$30 billion emergency aid in the next three years and \$100 billion a year by 2020 for developing countries (OECD 2010). However, several countries are falling short on their aid commitments.

and Gerlagh 2007). While several recent studies investigate the determinants of support for foreign aid (i.e. Heinrich et al 2016; Henson & Lindstrom, 2013; Milner & Tingley, 2013; Paxton & Knack, 2012; Van Heerde & Hudson, 2010), only a few investigate the impact of recipient country corruption on support for foreign aid, Some recent studies find that corruption influences aid fatigue (Bauhr, Nasiritousi and Charron, 2012), that bilateral donors in the 1990s sometimes withdrew aid to countries following antidemocratic performance: electoral fraud, undermining of democratic institutions, and political violence (Hyde and Boulding, 2008) and that increasing quality of rule of law in the recipient country was a positive and significant predictor for multilateral aid in 2000-2003 (Dollar and Levin 2006). The steady supply of corruption scandals and indications of the weak or even counterproductive effects of foreign aid, not least in corrupt contexts (see, for example, Moyo, 2009; Boone, 1996; Svensson, 2000; Knack, 2001; Djankov, Montalvo, and Reynal-Querol, 2008; Easterly, 2006; Wright and Winters 2010) most probably contribute towards undermining public support for foreign aid. This leads to our first hypotheses.

H1. Corruption reduces support for foreign aid

Corruption and Foreign Aid Trade Offs: Scale, Distance and Outcome

Foreign aid faces important trade-offs. This paper therefore suggests that even if citizens in general display a strong moral resentment of corruption, public understanding of the aid-corruption paradox may lead to more tolerance towards corruption in certain contexts. In particular, the scale of the corruption problem, the perceived distance of corrupt transactions and the outcome of aid may impact citizens' responses to corruption in foreign aid. These trade offs are summarized in figure one and discussed below

Table one. Dimensions of Corruption and aid-corruption trade-offs

Severity	Dimension	of	Corruption
	<i>Scale</i>	<i>Distance</i>	<i>Outcome</i>
<i>High</i>	Large scale	Donor corruption	Ineffective
<i>Low</i>	Small scale	Recipient country corruption	Effective

Important parts of the emerging literature on the causes and effects of corruption treat corruption as a uni-dimensional phenomenon; corruption is seen as primarily varying in scale rather than in type between societies (Heywood and Andersson 2009). Influential studies use indices such as the transparency international corruption perceptions index (e.g. Fredriksson *et al.*, 2003; Pellegrini and Gerlagh, 2004; Tanzi, 1998) or other measures of the scale of the corruption problem (e.g. Treisman 2007; Ades and Di Tella, 1997; Fisman and Gatti, 2002; Mauro, 1995; Tanzi and Davoodi, 2000). Although these indices are convenient for comparative research and contribute to exposing cross country differences in how much corruption there is in a particular polity, several recent studies suggest that aggregate measures of corruption are insufficient to understand both the complex nature of corruption and its effects (Bauhr 2016; Johnston, 2014). They are also insufficient to provide an understanding of the aid-corruption paradox. Since wide spread corruption and wide spread poverty generally coincide, understanding the scale of the corruption problem at the national level does not necessarily provide adequate guidance on where to direct aid funds nor how to address wide spread poverty.

Recent studies suggest that exposure of egregious corruption can demobilize the citizenry and lead to resignation (Bauhr and Grimes 2014; Chong et al

2015).⁴ Similarly, several recent studies suggest that perceptions of corruption lead to voter abstention (Davis, Camp, and Coleman 2004; McCann and Dominguez 1998; Birch 2010; Simpser, 2012; Stockemer et al, 2013; Sundström & Stockemer, 2013; Dahlberg and Solevid 2013). One possible explanation for the demobilizing effect of corruption is derived from the logic of collective action theory and in particular that citizens mobilization is highly contingent upon evidence that others will do the same (Bauhr and Grimes 2014; Person et a 2013; Karklins 2005; Ostrom 2000). In contexts where corruption reaches systemic levels, citizens may resign from all attempts to influence the state of affairs.

However, few studies investigate how exposure of egregious corruption in the context of foreign aid influence citizens support for foreign aid. In the context of donor public opinions of foreign aid, the most meaningful conceptualization of the scale of the corruption problem could be the sums of money lost in corruption, rather than, for instance, the number of actors participating in corrupt transactions, or the absolute rank-number that a recipient country scores in the international rankings of perceived level of corruption. The public in donor countries may care more about how much of donors tax money is being lost in corruption and thereby how much funds are being diverted from promoting development. Large-scale corruption can thus be less acceptable simply because the absolute sum of taxpayer money lost is greater.

H2: More extensive corruption defined as money lost in corrupt transactions results in stronger expressions of aid fatigue

Another important dimension of corruption in foreign aid with potential implications for its societal acceptability is whether corruption can coexist with beneficial societal outcomes. The effectiveness dimension builds on research that

⁴ While many indices used to measure corruption rank countries in terms of the extent of corruption in society, the scale of corruption cannot necessarily be reduced to whether there is “a little” or “a lot” of corruption. In other words, “whereas 0 and 100 degrees Celsius are measures with a certain utility related to boiling and freezing points for water, a ten-point scale of corruption has little intrinsic value” (Galtung, 2006). Furthermore, “scale and incidence of corruption are inversely related” (Huntington, 2009), meaning that the average value of the private goods and public services involved in a corrupt exchange tend to increase at higher levels of bureaucratic hierarchy. Uslaner (2008) suggests that grand corruption has a stronger negative effect on trust as it exacerbates inequality.

suggests that acts are less likely to be seen as corrupt if they promote public benefits (Peters and Welch, 1978) or are otherwise viewed as effective (de Sousa, 2008). Several recent studies suggest that beneficial outcomes may contribute towards explaining citizen' tolerance for corruption and in particular why citizens to a surprisingly large extent reelect corrupt politicians. While there may be several reasons why citizens fail to engage against corruption and reelect corrupt politicians (Kunicova and Rose-Ackerman 2005; Gerring and Thacker 2004; Bauhr and Grimes 2014; Charron and Lapuente 2010; Zechmeister and Zizumbo, Chang et al 2010; Costas-Perez et al. 2012), a growing number of studies suggest that citizens perceive a trade off between corruption and politicians ability to attract investment, build successful coalitions, generate economic growth or making otherwise popular decisions, and that these are sometimes valued more highly than non corrupt representatives (see i.e. Zechmeister and Zizumbo-Colunga, 2013; Konstantinidis and Xezonakis 2013; Esaiasson and Munoz 2014; Pavao 2014; Fernandez-Vasquez 2014, see also Stokes 2009; Kitscheld 2000 and Manzetti and Wilson 2007). In other words, the extent to which corruption can coexist with desirable individual or societal outcomes seem to influence citizens responses to corruption.

While most of these studies are conducted within domestic contexts., the extent to which corruption can coexist with efficient or good outcomes may influence if the donor public perceives the aid diversion as 'corrupt enough' to enforce accountability in future aid transfers. The effectiveness dimension highlights the trade-off between corruption and public goods. Although research show a clear negative association between corruption and desirable outcomes such as economic development and poverty reduction at the aggregate level (Mauro, 1995; Gupta, 2002; Holmberg et al 2009), such general accounts contribute towards concealing the important tradeoffs involved in corrupt transactions. While the importance of good institutions for effective aid delivery is strongly supported in aggregate level studies (Burnside and Dollar 2000; 2004), some studies seek to disaggregate the delivery of foreign aid by sectors (Michaelaowa and Weder 2007; Dreher et al. 2008; Christensen 2011) and suggest that corrupt governments comply strategically to donor demands and can thereby achieve effective outcomes in certain sectors (Dietrich 2010). Furthermore, where corruption-free environments are unrealistic, tolerating the risk of aid diversion may be the only viable way to engage in poverty reduction and environmental improvement. In other words, the effectiveness dimension highlights a

potential conflict between output legitimacy standards and throughput legitimacy standards (cf. Scharpf, 1999, Easton, 1965). This forms the third hypothesis

H3: Corruption associated with successful developmental outcomes leads to less aid fatigue

While both aid effectiveness and efficacy can be intuitively important for the impact of corruption on aid fatigue, they are not neatly associated with the absolute level of corruption in recipient countries. Risk of failure (because of insufficient control of corruption and weak institutions) can be associated with potential for large welfare gains, since highly corrupt countries generally perform badly on development related indicators. Likewise, while the amount of aid money lost in corrupt transactions may be associated with the overall level of corruption in a recipient country, the amount of money lost is more likely to be of more direct importance to donors.

A third factor that may be relevant for citizens' expression of aid fatigue is the real or perceived distance of corrupt transactions. In particular, possibilities to hold corrupt actors into account may matter: citizens may focus their demand for accountability on forms of corruption and actors where they perceive an opportunity to exercise accountability, and be more ready to accept forms of corruption that fall beyond immediate accountability spheres. On average, donor countries may experience less corruption than recipient countries, thereby making corruption in recipient countries more "normal" (de Sousa, 2008). The public may, in other words, perceive that corruption is "normal", the expected behavior or even unavoidable in recipient countries, which would increase the level of acceptability of corrupt transactions in these contexts. Mature democracies, on the other hand, are often expected to act on the basis of the norm of universalism rather than particularism and therefore be less engaged in corruption (Mungiu-Pippidi, 2006). Siphoning off aid funds for private gain, may therefore be extra problematic if they are associated with foreign aid donors rather than recipients.

H4: Corruption illicit stronger responses if donors rather than recipients are involved.

Research design, data and measurement

A study on the relationship between corruption and aid fatigue relying solely on observational data potentially suffers from endogeneity, and potentially also runs a greater risk of social desirability and omitted variable biases. The analysis in this paper is based on data from a unique survey experiment, where participants are randomly assigned to different groups, which contributes towards mitigating these concerns and thereby better establishing causality.

Participants are randomly assigned to six different treatment groups describing scenarios of foreign aid involving corruption and one control group. The scenario describes a foreign aid project that has been plagued by corruption, but the scenarios vary in outcome (successful development outcome/ unsuccessful development outcome), scale (small scale corruption/large scale corruption) and distance (donor corruption/ recipient corruption). The texts are derived from samples of journalistic texts on foreign aid projects, in order to make the scenarios as realistic as possible to participants. The control group scenario describes the aid scenario where involved parties had “failed in their handling of project money” and where money has not been used “as intended”. Since the control group scenario also describes an aid project plagued by problems, any additional effects of the corruption scenarios on support for foreign aid can more reliably estimate the effect of corruption than if the control group described in more neutral terms. The experimental scenarios are found in appendix I.

The Swedish case provides an interesting context for examining the acceptability of corruption since Swedes are generally highly supportive of foreign aid (Abrahamsson and Ekengren, 2010). Thus, it should be comparatively difficult to reduce support for foreign aid in the Swedish context. The survey experiment was conducted on the Laboratory of Opinion Research’s (LORE) Internet panel in collaboration with the center for Multidisciplinary Opinion and Democracy Research at the University of Gothenburg. The sample is opt-in with an overrepresentation of males, politically interested, and highly educated individuals, but it is nevertheless

relatively diverse (Dahlberg, Lindholm, Lundmark, Oscarsson, & Åsbrink, 2011).⁵ While it is important to note that the sample is not representative for Swedish citizens, Although it is important to note that these participants do not constitute a representative sample of Swedish citizens, this bias in the sample could potentially serve to make the results of this study stronger since participants are more supportive of foreign aid than the average citizen.

Finally, the dependent variable of the study – aid fatigue –needs to be carefully conceptualized. How can aid fatigue be conceptualized? While it is tempting to understand reactions to corruption simply as reductions in overall foreign aid levels or the level of support for foreign aid (Bauhr et al 2013; Lahiri & Raimondos-Moller, 2004; Doig & Theobald, 1999; Alesina and Weder, 2002; Paxton and Knack, 2012; Chong and Gradstein, 2008; Schudel, 2008), it is important to note that this approach may not capture variations in the public responses to foreign aid diversion. Although these studies clearly add to our understanding of the relationship between country-level corruption and support for across-the-board cuts to foreign aid, we have scarce information on how aid diversion may influence other forms of responses to corruption in foreign aid. In turn, this lacuna can contribute to an insufficient understanding of the constraints that policymakers face in attempting to uphold or increase public support for foreign aid.

This study proposes a more fine-grained understanding of aid fatigue and the donor public's reaction to aid misuse, and distinguishes between specific and generalized aid fatigue. Specific aid fatigue is expressions of aid fatigue directed to specific countries or projects. In other words, specific aid fatigue leads to the discontinuation of specific parts of aid undertakings, but do not necessarily have wider implications for the legitimacy of foreign aid or the overall aid budget. Generalized aid fatigue, on the other hand, expresses a wish to reduce overall aid budgets or even a general disillusionment with the positive potential of foreign aid. This distinction is important since it allows us to understand whether corruption leads to a reallocation of aid funds – away from the corrupt agent– rather than a reduction in

⁵ Moreover, the quality of the LORE data is thoroughly monitored (e.g., Martinsson, Lindgren, Pettersson, & Åsbrink, 2013). A series of one-way analyses of variance (ANOVAs) confirm that the original treatment groups are balanced with regard to gender, age (four categories), and political trust.

overall aid budgets. These questions were also combined into an aid fatigue index (alpha .70).⁶

RESULTS

The results of the survey experiment show how corruption influence public support for foreign aid. Figure one and two summarizes the results for the effects of corruption on generalized or across the board cuts in foreign aid and support for more specific project level responses. Figure one shows that the mean values of participants support for foreign aid cuts were consistently higher among participants exposed to the corruption scenarios compared to participants exposed to the control scenario. However, effects are small and only two of the scenarios attain statistical significance in a Bonforerroni multiple comparison test of mean differences: the scenario describing a substantial loss of aid funds and the scenario describing aid that does not attain successful development outcomes (reducing poverty and mitigating climate change). Figure one thereby confirms that information about corruption in foreign aid projects can reduce public support for foreign aid, but that citizens are sensitive to the context in which corruption occurs. However, despite of the fact that control group participants where exposed to information about an aid project critiqued for having “failed in their handling of project money”, adding information about outright corruption seem to illicit stronger responses among participants, and more support for cutting foreign aid, as long as the amount of aid funds lost are significant and aid fails in promoting development.

Figure two shows the mean values of the different corruption treatment groups and the control group on more specific or project level responses to corruption in foreign aid. The figure show that the effect of corruption on specific or project level responses was stronger than the effect of corruption on foreign aid cuts. The figure also shows that there are differences both within and between the different trade-off scenarios. Bonferroni corrected standard errors confirm that the differences between the scenarios attain statistical significance. Theses results are illustrated in Figure 1 and 2.

⁶ To ensure that the randomization worked correctly and that there is potential covariate balance across the groups, I conducted a multinomial logistic regression predicting the treatment conditions that included gender, age, education, and employment status as independent variables.

Figure one: The influence of corruption on generalized aid fatigue (foreign aid cuts)

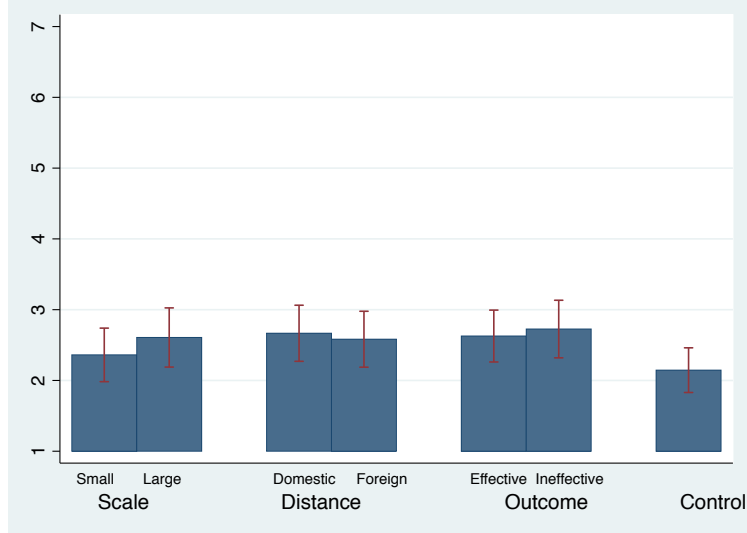
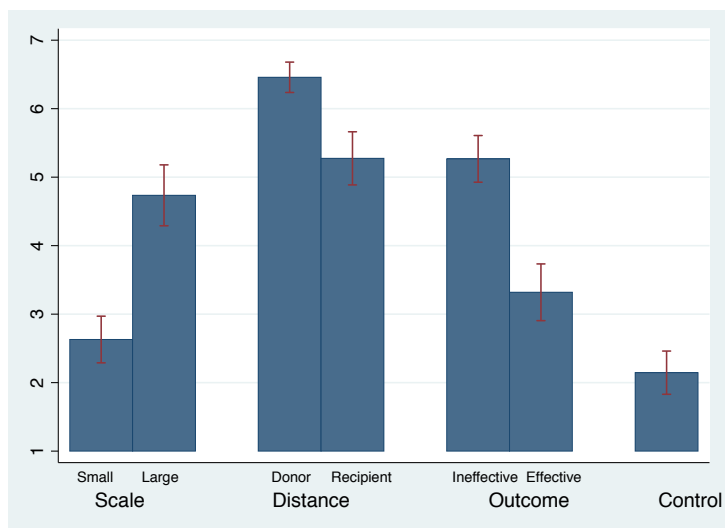


Figure two: The influence of corruption on specific aid fatigue (project level responses)



In order to further explore how donor public response to corruption in foreign aid is contingent upon the context of corruption, table two presents the results of the two-way ANOVA.

Table Two. The Influence of the Severity and Dimension of Corruption on Aid Fatigue, ANOVA results

	d.v. Repay money	d.v. Discontinue project	d.v. Discontinue aid to country	d.v. Reduce foreign aid	d.v. Aid fatigue index
	7.37	19.74	3.89	0.51	8.32
Model	(0.000)***	(0.000)***	(0.000)***	(0.828)	(0.000)***
Severity	9.41	68.35	6.29	0.23	33.81
	(.002)***	(.000)***	(.012)**	(.630)	(.000)***
Dimension	7.16	20.60	3.53	0.98	5.85
	(.000)***	(.000)***	(.014)**	(.403)	(.000)***
Severity*Dimension	2.97	17.50	4.86	0.24	4.41
	(.031)**	(.000)***	(.002)***	(.865)	(.004)***
N	789	787	788	791	778

Notes. Dependent variable is the aid fatigue index and its different components. F values reported with p-values in parenthesis. ***p.<.01, **p.<.05, *p.<.10

The results show that the severity of corruption has a highly significant effect on aid fatigue (F=33.81 p<0.000). The mean value on the 1-10 aid fatigue index – capturing aggregate aid fatigue – for the scenarios manipulating low severity was 5.197 (SE 108) and the high severity scenarios was 6.008 (SE.094). Mean values and standard errors are reported in table A1. Second, table two also shows that effects are not consistent across the different contexts of corruption, i.e. certain dimensions of corruption cause more aid fatigue than others (F=6.85, p<0.001). Third and finally, the results in table two broadly confirm the existence of an interaction effect between the dimension and severity of corruption. In other words, the severity of corruption is more important in some dimensions of corruption than others. The results of the two-way ANOVA show support also for this theoretical expectation (F 4.41, p< .004).

I next examine more closely the effects of the different dimensions of corruption on aid fatigue. Figure one illustrates the mean values of the aggregate measure of aid fatigue (the aid fatigue index) in the different treatment groups.

Figure three about here

While mean values for the high severity scenarios are consistently higher, the figure illustrates that the severity of corruption matters primarily within two types of corruption scenarios: the scale and the outcome scenarios, which confirm hypotheses 2 and 3. The results of the post-hoc tests reported in the right hand column of table three below show that large-scale corruption causes significantly more aid fatigue than small-scale corruption ($p < .000$). The mean value of the aid fatigue index when corruption is small-scale is 4.6 (SE.204). When corruption is large-scale, the mean value of aid fatigue increases to 6.1 (SE.197).

Table three. The Effects of Corruption Context on Specific and Generalized Support for Foreign Aid.

Hypothesis	Dv repay money	Dv discontinue aid project	Dv discontinue country	Dv reduce foreign aid	Aid fatigue index
Large scale > Small scale	.450	2.105***	.754	.246	1.501***
Non corrupt social environment > Corrupt social environment	1.184***	-.052	-.527	.0842	.446
Ineffective > Effective	.413	1.948***	.634	-.0989	1.142***

Notes. Difference in mean values of aid fatigue index and its components with pair wise post hoc comparison of hypothesis on within dimension differences, bonferroni corrected standard errors. *** $p < .01$, ** $p < .05$, * $p < .10$

There is also a significant difference between failed and successful developmental outcomes of diverted aid ($p < .000$) on the aid fatigue index. The mean value on the aid fatigue scale for failed outcomes is 6.1 (SE.190), while the mean value when aid produces successful results is 4.9 (SE.220). Thus, in accordance with our expectations, both the effectiveness of aid and the scale of the corruption problem influences citizens support for foreign aid to corrupt contexts..

Table three also shows the difference between donor and recipient country corruption. The results show that while the mean value for the group exposed to information on donor corruption is higher than the mean value for the group exposed to recipient country corruption, the differences does no attain statistical significance when the dependent variable is aggregated into the aid fatigue index.

This suggests that the donor public holds the responsible agent, rather than all foreign aid recipients, accountable for aid diversion by expressing specific aid fatigue.

The results of the post hoc tests reported in table three also shows the effects of the different corruption contexts on specific and generalized aid fatigue. The results show that the differences found in the aggregate index are mainly driven by effects on specific or project level responses to corruption in aid. Small scale corruption leads to significantly less support for the discontinuation of the aid project than large scale corruption ($p < .000$). Further more, As aid corruption moves from being associated with successful to failed outcomes, we observe a statistically significant increase in support for discontinuing the aid project. Finally, donor public to a significantly higher degree holds donors rather than recipients accountable for repaying the money that has been diverted in corruption, while we observe no differences between the two groups effects on support for foreign aid cuts. This suggests that perceived opportunities for accountability shape demands for countermeasures.

In sum, the data shows overall support for the main hypothesis of this study, i.e. that corruption reduces support for foreign aid, but that context in which corruption occurs matters for citizens' responses to corruption in foreign aid. The scale of the corruption problem, the impact of corruption on development outcomes and the distance of corrupt transactions influences public responses to corruption in foreign aid.

Discussion

This paper sets out to unpack the complex relationship between corruption and aid fatigue, moving beyond studies of levels of aid disbursements and cross national comparisons, and instead focusing on how and under what circumstances corruption negatively impacts support for foreign aid. Using a unique survey experiment in a context generally highly supportive of foreign aid, the results show that corruption reduces support for foreign aid, but that citizens responses to corruption in foreign aid is contingent upon the effectiveness of aid, prospects for accountability (and in particular whether donors or recipients are involved) and the scale of the corruption problem. The study thereby contributes to our understanding of how citizens deal with

the aid corruption paradox i.e. that the need for foreign aid is often greatest in environments where corruption is deeply entrenched and why donors continue to send foreign aid to corrupt countries, despite that corruption is increasingly seen as detrimental to economic and environmental development.

The results show that both the circumstances under which corruption occur and the severity of corruption influence aid fatigue. The scale of corruption in terms of money lost in corrupt aid transaction can be important for citizens' expression of aid fatigue, not only the overall level of corruption of the recipient country. Participants also punish corrupt recipients less if aid attains desirable results in the short term, such as reducing poverty or mitigating climate change. A strong public concern for aid effectiveness can be very important to reduce waste in aid. However, as noted by Collier (2007,183) in *The Bottom Billion*, concerns about measurable effectiveness in aid may also make policy makers and aid agencies risk averse and constrained to deliver aid in sub-optimal ways. Since corruption has been more clearly intertwined with discourses of effectiveness since the mid-1990s, and the costs of corruption become more widely understood, this clearly risks further increasing aid fatigue in the future. Moreover, the results suggest that even citizens living in contexts where the overall level of corruption is very low perceive corruption as more acceptable in contexts where corruption is endemic. In other words, citizen propensity to turn a blind eye to corruption may increase if it is the expected behaviour or demands for accountability may fail. Citizens punish donors somewhat harder than corruption involving recipients of aid. The results also point to the importance of distinguishing between forms of responses to corruption in aid. Corruption can illicit strong specific reactions, targeted towards i.e. particular projects or actors, but do not necessarily translate into support for across the board cuts in aid levels.

Although findings would benefit from being tested in more settings using a greater variety of methods, the results show that responses to corruption in aid vary depending on the context in which it occurs, and do not necessarily translate into reduced overall support for foreign aid or visible cuts in overall aid levels to certain countries. Therefore, studies would benefit from increasingly moving beyond the most aggregate level of indicators, such as the amounts of aid funds distributed to corrupt countries, in order to better understand the relationship between corruption and aid, and to unpack the complex issues that corruption poses to greater demands for accountability. Insights into the important trade-offs involved in corrupt

transactions, and when and why citizens can be expected to support foreign aid is important to understand how corruption may affect both the size of aid budgets, and the distribution of foreign aid.

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Appendix A

Table A1. *Mean values of aid fatigue among different groups, standard errors in parenthesis*

Type of corruption	Take measures	Repay money	Discontinue project	Discontinue aid to country	Reduce foreign aid	Aid – fatigue index
Large scale	5.879 (.165)	6.357 (.119)	4.735 (.224)	2.735 (.218)	2.607 (.210)	6.089 (.197)
Small scale	6.905 (.040)	5.907 (.163)	2.629 (.172)	1.981 (.150)	2.361 (.191)	4.589 (.204)
Donor	6.639 (.097)	6.458 (.112)	3.948 (.205)	2.583 (.176)	2.667 (.200)	5.757 (.167)
Recipient	6.198 (.152)	5.275 (.195)	4 (.230)	3.110 (.221)	2.582 (.200)	5.311 (.238)
Ineffective	6.534 (.122)	5.676 (.173)	5.267 (.172)	3.129 (.214)	2.627 (.185)	6.131 (.190)
Effective	6.137 (.145)	5.263 (.189)	3.319 (.209)	2.495 (.189)	2.726 (.205)	4.989 (.220)

Notes. Mean value of the aid fatigue index and its different components in all experimental groups. Standard error in parenthesis

Table A2. Number of observations in experimental groups

Type of corruption	Take measures	Repay money	Discontinue project	Discontinue aid to country	Reduce foreign aid	Aid fatigue index
Large scale	84	84	83	83	84	82
Small scale	108	108	108	107	108	107
Donor	97	96	97	96	96	96
Recipient	91	91	89	91	91	89
Ineffective	103	102	101	101	102	99
Effective	95	95	94	95	95	94

Notes. Number of participants in all experimental groups.

Appendix II

ATTITUDES TOWARDS FOREIGN AID

Below follows a description of a foreign aid project. Read the description and describe what You think about the proposal on the basis of the information you have received.

No corruption placebo

An aid project in India, that aims to reduce greenhouse gas emissions, has today been exposed to criticism. The investigation carried out by the Swedish International Development Cooperation Agency (SIDA) shows that several of the involved parties have failed in their handling of the project and money has not been used as intended. Nearly 90 million SEK has previously been earmarked for this project.

Small Scale Corruption

An aid project in India that aims to reduce green house gas emissions, has today been accused of corruption. The investigation carried out by the Swedish International Development Cooperation Agency's (SIDA) shows that involved parties have seized money from the project's budget, but that very small amounts of money have disappeared. The advantages and money that involved parties have misappropriated are negligible in this context. Barely 2 million SEK has beforehand been earmarked for this project

Large scale corruption

Corruption has been revealed in a foreign aid project in India that aims to reduce the emissions of greenhouse gases. The investigation carried out by the Swedish International Development Cooperation Agency's (SIDA) shows that several parties have been involved and considerable sums of money have disappeared. Involved parties have seized significant advantages and very large sums of money have disappeared from the project's budget. Nearly 90 million SEK has in beforehand been earmarked for this project.

Recipient country corruption

Corruption has been revealed in a foreign aid project in India that aims to reduce the emissions of greenhouse gases. The investigation carried out by the Swedish International Development Cooperation Agency's (SIDA) shows that involved parties seized advantages and money from the project's budget. The investigation shows however that the sum that has disappeared is not higher than the sum which normally disappears as a consequence of corruption and that the occurrence is normal for all kinds of activities in India. Nearly 90 million SEK has in beforehand been earmarked for this project.

Domestic (donor) corruption

Corruption has been revealed in a foreign aid project in India that aims to reduce the emissions of greenhouse gases. The investigation carried out by the board of the Swedish International Development Cooperation Agency's (SIDA) shows that several Swedish authorities have been involved. Employees at SIDA and Swedish organizations have seized advantages and money from the project's budget. Nearly 90 million SEK has in beforehand been earmarked for this project.

Effectiveness

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties seized advantages and money from the project's budget. Despite this, the investigation shows that the project has had an intended effect and not only reduced the emissions of greenhouse gases, but also contributed to an efficient poverty reduction. Nearly 90 million SEK has in beforehand been earmarked for this project.

Ineffectiveness

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties seized advantages and money from the project's budget. The investigation shows that the corruption has been the most significant reason to that the project has not reached its goals. Instead, the project seems to have contributed to an increase of emissions and made poverty worse. Nearly 90 million SEK has in beforehand been earmarked for this project.
