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**MORALITY, LEGITIMACY, AND DONORS:  
RECIPIENT PERSPECTIVES OF FOREIGN AID**

A Dissertation in  
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by  
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## **ABSTRACT**

Although aid explicitly targets recipient citizens, most research on foreign aid opinion has focused on donor perspectives. There is relatively little research on recipients' preferences despite the critical role they play in project performance. How do recipients evaluate inflowing foreign assistance, and what are their preferences for donors and projects? This dissertation approaches these questions from three perspectives: the material and moral considerations of accepting assistance, aid's effect on government legitimacy, and preferences for donors and implementing actors.

In the first chapter, I argue that recipients consider material and moral factors when forming their preferences, although the importance of each depends on recipients' income. I assess this question using a survey experiment and find that both dimensions impact preferences. Respondents consistently rate projects from unethical donors lower. However, wealthy respondents care more about moral considerations than their poorer counterparts.

In the second chapter, I offer a systematic analysis of six mechanisms connecting aid to legitimacy, while also articulating a new theoretical mechanism – donor identity as a political cue. I test this using an experimental mediated survey design and find that donors have differing effects on legitimacy. Chinese and Russian aid reduces legitimacy by undermining recipient perceptions of the state leader. Conversely, E.U. aid increases legitimacy by increasing the recipient's perceived dependence on the donor.

In the final chapter, I investigate recipient preferences for key donors and aid partners. Specifically, I assess how recipients evaluate bilateral vs. multilateral aid, conditional vs. unconditional aid, and three groups of implementing partners (NGOs, corporations, and state agencies). I find that respondents have no preference for multilateral over bilateral aid. Instead, recipients prefer donors that offer conditional funding. Additionally, respondents have a strong preference for domestic NGOs over other implementers.

This dissertation offers a broad look into the underlying determinants of recipients' aid opinions. Results demonstrate that receiving communities have varied and specific preferences for aid projects and donors, and that their opinions depend in part on their personal attributes and lived experiences. Overall, this research underscores the need to further explore the recipient end of the foreign aid relationship.

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## **Chapter 1: Introduction**

For the past two-decades, foreign aid researchers have explored the relationship between public opinion and international assistance. Topics of interest include respondents' income and human capital (Chong and Gradstein 2008; Milner and Tingley 2010, 2011; Paxton and Knack 2012; Bayram 2017), political ideology (Milner and Tingley 2010; Paxton and Knack 2012), ethical orientation (Barratt 2007; Allendoerfer 2015; Bayram and Holmes 2020; Heinrich and Kobayashi 2020), and their response to economic crisis (Heinrich, Kobayashi, and Bryant 2016; Bayram 2017). However, this body of work has focused primarily on the opinions of citizens living in donor states. The perceptions of aid recipients have only recently gained attention in the foreign aid literature.

This relatively late focus is surprising, since understanding recipients' preferences is an important component to crafting effective foreign aid policy. While donors tend to choose recipients based on strategic considerations (Alesina and Dollar 2000), receiving state characteristics also matter in project design and funding allocation (Heinrich 2013; Bermeo 2017). Understanding receiving communities' characteristics are therefore important in crafting effective foreign aid. Furthermore, recipients' opinions can have a tangible impact on aid outcomes through the community's participation in project implementation and finished programs. This is because peoples' opinions affect the way they interact with their surroundings, so projects with greater community appeal likely have an advantage in implementation since they benefit from positive recipient response and participation. Conversely, projects with low appeal may face difficulty engaging recipients and can experience lower performance as a result. Finally, popular and effective foreign aid benefits donors through increased economic relations with the recipient (Hühne, Meyer, and Nunnenkamp 2014; Morgan and Zheng 2019). However, these benefits may be muted if recipients have a negative view of the inflowing aid. Thus, recipient opinions matter because they affect foreign aid effectiveness and associated donor benefits.

In their 2013 review of the literature on opinion and aid, Milner and Tingley noted a surprising lack of research on recipient publics and their preferences for inflowing funding. Since then, a growing group of scholars have worked to explore this topic area (Milner, Nielson, and Findley 2016; Findley et al 2017; Findley, Milner, and Nielson 2017; Alrababa'h, Myrick, and Webb 2020; Dolan 2020). Much of this scholarship focuses on a new class of developing and non-democratic donors including China, Russia, Brazil, and India. These "new" and "non-traditional" donors are primarily former (and even current) aid recipients who offer an attractive alternative to more structured and demanding aid agreements with traditional western donors like the United States, World Bank, and IMF. The emergence of these donors provides recipient states with new options in donor selection, which presents opportunities for recipients to form varied opinions across a variety of differing aid aspects. This creates ideal conditions to study how recipients form preferences for different donors and aid features. I seek to contribute to this growing conversation by assessing three prominent foreign aid topics through the perspective of recipients: the material and moral considerations of aid, foreign assistance and government legitimacy, and recipient preferences for donors and implementing partners.



## *Contributions*

The remainder of this dissertation proceeds as three substantive chapters, each of which is intended to stand alone as an independent work of scholarship that contributes to the general theme of recipient opinion in foreign aid. In the fifth and final chapter, I provide an overview of the findings and a discussion of the next steps for research.

In chapter two, titled *The Moral and Material Considerations of Foreign Aid*, I investigate how material and non-material factors shape recipient citizens' preference for inflowing foreign aid. Specifically, I focus on measuring and then comparing respondents' self-interested material considerations and their moral concerns. Some prior research has considered recipients' material concerns, and other scholars have investigated moral and ethical factors from the perspective of the donor, however to my knowledge this is the first study that considers aid's ethical implications from the recipient citizen's point of view.

I assess this topic using a novel conjoint analysis survey experiment. This instrument allows for the direct and simultaneous measurement of multiple confounding factors; a methodological innovation which is particularly important to the study of foreign aid where numerous correlated attributes may affect respondents' decisions. I use this data to examine several hypotheses relating to (1) if and how respondents evaluate their self-interest through material gain, (2) if and how respondents consider the implications of accepting aid from unethical donors, and (3) how respondents trade-off between these two dimensions. I find that recipients consider both moral and material factors when forming their opinion of inflowing foreign aid. However, they have a strong and clear preference for ethical donors, and they place greater weight on these moral considerations than prospective material gain. I conclude with a discussion of the broader implications of this work and assert that while aid can purchase policy concessions from recipient states, it cannot easily buy goodwill from recipient citizens who oppose the donor on ethical grounds.

In chapter three, *Aid and Government Legitimacy*, I use a novel methodological approach to explore the relationship between foreign aid and recipient perceptions of government legitimacy. This is a well-studied topic in the literature, and I bring a new perspective by directly comparing six popular arguments connecting aid to legitimacy. In addition, I introduce a new theoretical mechanism – donor identity as a political cue – to explain heterogeneity in findings across studies. In effect, I posit that donor identity is a double-edged sword that can cue a positive or negative causal channel related to government legitimacy, resulting in different treatment effects depending on who sponsors the aid. I develop several hypotheses outlining how some donor identities may affect government legitimacy through specific causal mechanisms drawn from the literature.

I approach this study through a three-stage causal mediation analysis. In the first stage, I establish a baseline relationship by gauging the impact donor identity has on government legitimacy and each theoretical mechanism separately. In the second stage, I regress donor and the mechanisms on legitimacy to determine the extent to which donor mediates aid's impact on recipients' confidence in their government. In the final stage, I run a series of auxiliary tests and secondary analyses to check for robustness and explore related questions. I find that donor identity does determine if and how aid affects legitimacy. In general, when compared to the

United States, autocratic donors appear to reduce confidence in the government by specifically undermining perceptions of the state leader. This work highlights the need for nuanced theorization and testing in foreign aid research. It also suggests the need to incorporate donor identity as a variable in analysis. In cases where there are conflicting findings, it is possible that results are driven by a third unmeasured but critical variable, such as donor identity.

In the fourth and final substantive chapter titled *Recipient Preferences for Aid Donors and Partners*, I explore other ways in which donor features impact recipient preferences. Specifically, I investigate how respondents evaluate bilateral vs. multilateral donors and conditional vs. unconditional donors, and how respondent-level characteristics may affect this evaluation. I also assess respondents' preferences for recipient and donor non-governmental organizations (NGOs), corporations, and state actors as partners in aid implementation. I build out theoretical expectations for each donor and aid project feature based on the standing literature regarding bi- and multilateral donor structures, conditionality, and implementing actors.

I test these hypotheses using another novel conjoint analysis survey experiment and find that respondents have no distinct preference for multilateral aid over bilateral aid. They do however have a strong preference for donors that offer conditional funding over those that do not. Contrary to conventional expectations, a respondent's level of political connections to the government and ruling party had no impact on their preferences for different donor features. Additionally, respondents have a strong preference for domestic NGOs over corporate and state partners. This research offers additional insights into the longstanding debate regarding the efficacy of various donor structures and conditionality by providing evidence from the recipients' perspective.

In sum, this dissertation offers a comprehensive assessment of recipient perspectives on foreign aid by investigating three distinct but related topic areas: materialism and morality; government legitimacy; and donor structure, conditionality, and implementing partners. This work broadly asserts the importance of the recipient perspective in foreign aid research, a viewpoint which has historically received relatively little attention. I argue that recipient perceptions matter because they can reveal important information regarding the impact and efficacy of foreign aid. In terms of humanitarian impact, recipient opinions indicate how useful an aid project was to a community and if aid funding reached its intended targets. In terms of strategic considerations, recipient opinions provide important information on the efficacy of politically oriented inflows as well as indicate the soft-power impact of foreign assistance. For these reasons, my dissertation theory and testing approach centers the recipient experience. It is my hope that this research will provide novel insights on the topics discussed, while also expanding researchers' approach to understanding foreign aid.

## Chapter 2: The Moral and Material Considerations of Foreign Aid

Emerging research shows that ethical factors significantly shape donor citizens' allocation preferences such that they are averse to funding problematic regimes (e.g., those that manipulate elections). But do these factors have a similar effect on aid *recipients*? That is, are citizens in recipient countries equally averse to accepting aid from unethical donors? I assess this question using a novel survey experiment that examines how aid recipients weigh moral and material considerations when evaluating the prospective benefits of inflowing aid. Results show that ethical factors matter. Respondents consistently give lower ratings to aid projects from donors where repression, election manipulation, and corruption is common. However, this preference is dependent on respondents' income. Higher income respondents give greater weight to moral considerations, while low-income respondents are less sensitive to accepting aid from unethical states. These findings offer insights into the aid preference formation process and builds on the small (but growing) literature regarding recipients' preferences for inflowing aid.

## Introduction

The literature on foreign aid and public opinion has grown substantially over the past ten years. Much of this interest is due to the rise of non-traditional donors, most of which were former aid recipients themselves. However, this growing body of work has focused almost exclusively on donors' preferences regarding the aid they give, and there has been little reciprocal research on recipients' preferences regarding the aid they receive. What work has been done has focused primarily on the material aspects of recipients' opinions, and only a few studies consider the non-material or moral dimensions of preference formation. This lack of research is surprising, since understanding recipients' preferences is an important component to crafting effective foreign aid policy.

This study seeks to fill the gap in research by exploring how recipients form their preferences, with a particular focus on how recipients incorporate moral considerations. Borrowing from the literature on donor opinions, I argue that both material factors and moral considerations play a role in recipients' aid preferences. Material factors include the economic rationale underlying peoples' preferences; moral factors cover the ethical considerations involved in accepting aid. While both impact preferences, I posit that the weight of each dimension depends in part on a recipient's wealth. Specifically, I argue that the wealthy have the economic freedom to care more about moral concerns. I also explore how material factors and moral considerations interact with one another.

Results from a conjoint analysis survey experiment show that recipients care about both material factors and moral considerations when forming their preference for foreign aid. All else equal, recipients prefer projects from ethical donors who do not engage in repression, electoral manipulation, or corruption at home. This preference is so strong that it outweighs the positive effects of increasing material pay-offs. In addition, an individual's income matters in preference formation, but this factor only affects the weight respondents give to moral considerations and not to material benefits. Finally, results suggest that the material and moral dimensions of aid work as compliments rather than substitutes. Increasing a project's value only increases recipients' demands for an ethical donor.

While some studies have speculated on the impact of material factors, no studies to date examine the moral dimension of recipients' preferences. This study is the first to incorporate moral considerations to understand recipients' opinions. In addition, this paper offers a first step towards a comprehensive theoretical framework outlining recipients' aid preferences, which will help structure and focus future research in this area. Finally, this research produces several novel insights into how recipients weigh different features of foreign aid. This information benefits researchers and policy makers alike as they endeavor to improve foreign assistance programs.

This paper proceeds as follows. In the next section, I outline the literature on public perceptions of foreign aid. I note the relative lack of work on recipients' perceptions and argue for why more research is needed in this area. Next, I develop a theoretical framework for how recipients form their aid preferences. I consider how material factors, moral considerations, and individual-level variables affect preferences, and I explore two ways in which the material and moral dimensions of aid interact. Third, I describe the experimental design and data analysis. Fourth, I review the results of testing. Finally, I discuss implications by way of conclusion.

## Foreign Aid and Recipient Preferences

Recipients' preferences for and perceptions of foreign aid matter. While donors primarily select recipients for political and strategic reasons (Alesina and Dollar 2000), funding allocation and project design are also sensitive to receiving states' material needs and political contexts (Heinrich 2013; Bermeo 2017). Appreciating and understanding these unique features is thus an important factor in crafting effective aid programs. In addition, recipients' opinions can have tangible effects on project outcomes through their participation in aid implementation or finished programs. Peoples' pre-existing opinions and immediate perceptions can have measurable impacts on the way they interact with their surroundings. So, it is likely that projects with greater community appeal have an advantage in implementation since they benefit from positive recipient response and participation. Conversely, projects with low appeal likely face difficulty engaging the community and may experience lower performance as a result. Finally, effective foreign aid benefits donors with better bilateral relations and increased economic exchanges with recipient states (Hühne, Meyer, and Nunnenkamp 2014; Morgan and Zheng 2019). However, these benefits may be muted if recipients have a negative view of the inflowing aid. Thus, recipient opinions can impact foreign aid effectiveness and associated donor benefits through several channels.

Despite its importance in the aid implementation process, until recently there has been relatively little research on recipients' preferences for foreign aid. Fortunately, there is a growing literature on donor publics' preferences for outflowing foreign aid. While not perfectly comparable, the research on donor attitudes can suggest ways in which recipients form their attitudes. In general, this line of research recognizes two groups of donor preference determinants: material factors and moral considerations.

Material factors cover the self-interested economic rationale underlying peoples' preferences for aid giving. Based on the Stolper-Samuelson Theorem, Milner and Tingley (2010, 2011) argue that individuals who are well (poorly) endowed with human capital should support (oppose) foreign aid due to its positive income effect and resulting change in the terms of trade between the donor and recipient. In support of this argument, they find that legislators from congressional districts highly endowed with human capital tend to be more supportive of aid. However, in a related project the authors find that when aid's distributional effects are muted – such as with military and food aid – the divide between capital and labor is less salient (Milner and Tingley 2010). Similarly, individuals' support for foreign aid increases with their income (Chong and Gradstein 2008; Paxton and Knack 2012; Bayram 2017). Although the proposed micro-mechanisms differ, it is generally argued that individuals' support for aid increases when they are sufficiently well-off and believe the state can afford to fund such programs. When people's economic outlook declines, such as during a national crisis, individuals' support for aid decreases as voters demand for elected officials to reduce spending (Heinrich, Kobayashi, and Bryant 2016). Work on the material factors of aid preference formation show that individuals in donor states are sensitive to the economic costs and benefits of foreign aid.

Moral considerations cover the humanitarian and altruistic reasons for why people support (or oppose) foreign aid. In the liberal political tradition, being 'moral' means caring about others and wanting to protect them from harm (Heinrich and Kobayashi 2020), although some researchers extend this definition to include other dimensions like generalized trust

(Bayram 2017). Several studies empirically demonstrate that concern for others increases support for certain foreign policies, like aid giving and human rights programs (Barratt 2007; Allendoerfer 2015; Bayram and Holmes 2020), but this relationship is not unidirectional. Moral considerations can drive *down* support for these programs if funding is going to morally problematic states. Barratt (2007) argues this is because the public perceives supporting unethical regimes as being complicit in promoting and prolonging their harmful policies.

In support of this assertion, Heinrich and Kobayashi (2020) find that the public has an aversion to providing foreign aid to “nasty” regimes that abuse human rights or undermine democratic governance. But this public aversion can be mitigated if the donor government specifically addresses the unpalatable issue with the recipient through aid. That is, while people may oppose giving aid to a human rights abuser, they may be more open to funding human rights programs in states with a history of abuse. Similarly, Bayram and Holmes (2020) find that affective empathy – the ability to feel others’ suffering as opposed to just knowing it – plays a significant role in determining an individuals’ support for development aid. Highly empathetic individuals are more willing to offer aid to deserving recipients, even when program effectiveness is low. However, they are less willing to offer funding to “undeserving” states, or governments that are viewed as being responsible for their country’s plight. The authors conclude that affective empathy motivates individuals to reward deserving recipients, as well as punish undeserving ones. Thus, moral considerations – along with material factors – play a salient role in aid preference formation among donor audiences.

In addition to material and moral considerations scholars have posited a variety of other factors affecting individuals’ attitudes towards aid such as political ideology (Milner and Tingley 2010; Paxton and Knack 2012) and identity/psychological characteristics like cosmopolitanism, nationalism, religiosity, and latent paternalism (Paxton and Knack 2012; Baker 2015). This paper focuses specifically on the material and moral trade-off involved in accepting foreign aid and does not consider these other dimensions. More work should be done to determine if and how these factors interact with each other in the preference formation process.

### *Recipients’ Preferences*

The material-moral framework has emerged as the leading model to explain aid preference formation among donor audiences. In their 2013 review of the topic, Milner and Tingley noted a surprising lack of reciprocal research on recipient publics and their preferences for inflowing funding. Since then, much work has been done to investigate the determinants of recipients’ preference for and experiences with aid.

A portion of this research focuses on testing the implications of popular aid theories through surveys of recipients. One such theory posits that inflowing foreign aid increases corruption because it is highly fungible and easily captured by recipient elites (Bräutigam and Knack 2004; Easterly 2006; Jablonski 2014; Dreher et al 2019). Through a series of related survey experiments involving members of the Ugandan public and political elites, Findley et al (2017) find no evidence to support this claim. Instead, they find that citizens do not believe aid is prone to capture, and both citizens and elites perceive significant donor control over funding. In a related paper, Milner, Nielson, and Findley (2016) find that Ugandan citizens prefer foreign aid to government programs and that this preference increases with perceptions of government

corruption. Recipients' proclivity for external funding in corrupt environments undermines the assertion that aid is easily captured and manipulated by host institutions.

Another prominent theory holds that multilateral aid better promotes development since it is more robust to politicization by donors (Alvi and Senbeta 2012; Dietrich 2013; Vreeland 2019). Using the same Ugandan survey data, Findley, Milner, and Nielson (2017) find that the public has no preference for multilateral over bilateral aid, suggesting that there is no meaningful difference in performance between these two delivery systems – at least from the perspective of the recipient. Embedded in the multilateral vs. bilateral aid debate is the assumption that recipients prefer humanitarian aid over more politically oriented funding. Alrababa'h, Myrick, and Webb (2020) investigate this claim directly and ask if donor motives impact recipients' perceptions of foreign aid in a conflict zone. They conduct a survey experiment in eastern Ukraine and test how framing aid from the EU and Russia as humanitarian or political in nature influences recipient preferences. Contrary to expectations, the authors find that recipients actually *prefer* political funding – conditional on recipients' pre-existing positive attitudes towards the donor. Alrababa'h, Myrick, and Webb's work suggests that recipients may view politicized aid as positive under the right circumstances.

In addition to research on recipients' preferences for aid, there is a growing literature on how aid affects recipients' perceptions of other outcomes of interest like state legitimacy (Briggs 2019; Baldwin and Winters 2020; de la Cuesta et al 2020; Dolan 2020), local corruption (Kelly, Brazys, and Elkind 2016; Isaksson and Kotsadam 2018a), and opinions of the donor (Böhnke and Zürcher 2013; Dietrich, Mahmud, and Winters 2018). In all of these areas, results remain mixed, and scholars have been unable to systematically account for the effect foreign aid has on these outcomes. This lack of clarity is due in part to a gap in our understanding of how recipients initially form their aid preferences. If we can understand why recipients prefer certain types of aid, then we can better understand the effect this aid will have on other perceptual aspects of a recipient country's social and political environment. This paper seeks to contribute to the literature by examining both material and moral considerations as well as the tradeoff between these two factors in the formation of aid preferences.

## **Material Factors and Moral Considerations**

Recent research demonstrates that citizens in donor countries consider both material and moral implications when determining their preferences for outflowing foreign aid (Milner and Tingley 2010, 2011; Heinrich, Kobayashi, and Bryant 2016; Bayram 2017; Heinrich and Kobayashi 2020). Likewise, both material and moral considerations should play a role in shaping recipients' attitudes toward inflowing aid. This material aspect of preference formation is intuitive and easily understood. A large literature in IPE already shows that material incentives are one of the primary determinants of individuals' support for globalization. According to research on trade preference, people living in developed economies with high levels of human capital tend to favor freer trade since globalization increases the relative price of their labor and ultimately their income (Scheve and Slaughter 2001; Mayda and Rodrik 2005). Similarly, several prominent studies emphasized the role material self-interest plays in forming attitudes towards immigration (Scheve and Slaughter 2001; Mayda 2006; Hainmueller and Hiscox 2010). This line of research asserts that people are more opposed to immigration the more they believe that incoming immigrants will increase job competition and negatively affect earnings. These

material concerns then shape general attitudes towards policy.

Like other types of economic inflows, foreign aid provides recipients with material benefits. These benefits can be direct, such as with food aid, or they can be indirect, such as a reduced commute due to a new highway. In either case, aid produces a measurable positive economic return for individual recipients. In general, people prefer more to less, so an individual's preference for aid should increase with the project's prospective material pay-off. Larger and more expensive projects tend to yield greater returns to recipient communities and the individuals living in them. Therefore, individuals' preference for foreign aid should positively scale with project value.

There are three caveats to this assertion. First, some aid projects offer a fixed return to recipients. A program administering flu vaccinations to a community has a fixed individual payoff of one shot per recipient. Increasing the economic size of the program will increase the number of people who benefit, but it will not increase an individual's expected payoff above one shot. In this case, a person's preference for aid will not scale with project value since their material payoff is fixed.

Second, not all aid is equally beneficial to all people living in the recipient country. Some foreign assistance targets particular recipient groups, such as the poor or politically marginalized (Briggs 2017). Members of targeted groups can expect to benefit from aid. As a result, they likely have stronger self-interested opinions regarding inflowing projects. Conversely, people outside of the targeted group do not expect to benefit, so their preferences should not be affected by self-interest. In extreme cases, the out group may develop *negative* opinions towards aid if they are sensitive to the relative material gains made by members of the targeted group (Karell and Schutte 2018). Therefore, a person's material self-interest can have a varied impact on aid preference depending on expectations of who will benefit.

Finally, like other forms of economic exchange, foreign aid exhibits a diminishing marginal return to investment. As the economic value of a project rises the benefits derived to the community increase at a decreasing rate. Therefore, individual payoffs are not perpetually and perfectly rising with investment. Fortunately, diminishing marginal returns are unlikely to significantly impact recipients' preferences for two reasons. First, aid tends to target countries and communities with financial need where projects will provide at least some measurable impact. Second, aid donors are unlikely to fund projects where the marginal return on investment is near or at zero since this would be a waste of resources. Therefore, while the material considerations of foreign aid are theoretically constrained by diminishing marginal returns, this is unlikely to have an impact on perceptions of foreign aid.

In sum, a person's preference for foreign aid should increase with project value if the project has scalable benefits and if an individual expects a pay-off. Infrastructure projects in non-excludible public goods provide both scalable returns and benefits all members of a recipient community. Large public works like energy grid developments offer greater benefits as the project increases in size and value. While diffuse, all members of a community experience some benefit from these investments, and their individual payoff increases with project size. For example, a project improving an area's electric grid is a non-excludible public good that fulfills both conditions for material self-interest to operate. Electric grids service a particular area, and



all people who are on that grid can expect an equal benefit from investments. In addition, an individual's expected payoff scales with project value. A \$100 million investment in a network will produce a greater individual benefit than a \$50 million investment. If material self-interest affects individuals' preferences for aid, I hypothesize that when considering the impact of non-excludable infrastructure projects<sup>1</sup>:

*H1: Recipients' preference for aid increases with its economic value.*

The moral dimension of recipients' aid preferences is less intuitive. Moral considerations include the humanitarian and altruistic reasons for why people support and/or oppose foreign aid. Donor citizens may morally oppose aid because they believe it harms recipients by financially supporting governments that abuse their citizens' human rights (Bayram and Holmes 2020; Heinrich and Kobayashi 2020). They may also oppose aid because they believe funding tacitly supports the recipient government's unpalatable behaviors (Barratt 2007). Research on the moral determinants of aid opinion has primarily been explored from the perspective of donor countries; to date, this author has been unable to find studies on the ethical considerations made by aid recipients. To build out a theoretical perspective on this group, I apply the standing literature on donor publics' opinion formation to recipient publics.

Following Heinrich and Kobayashi (2020), I define morality as caring about and seeking to protect others from harm. In the context of a net-aid importer, recipients seek to protect their fellow citizens from the potential negative socio-economic impacts of assistance. Donors give aid with the intent of influencing others, a fact that is well known among recipient publics (Alrababa'h, Myrick, and Webb 2020). Donors influence recipients directly through aid conditionalities, such as funding in exchange for the promotion of human rights, democratization, and structural adjustments to the economy (Dunning 2004; Wright 2009; Bermeo 2017; Carnegie and Marinova 2017). They can also influence recipients indirectly through aid implementers' interactions with recipient communities.

While aid conditionalities are meant to promote recipient welfare and responsible giving, these requirements have mixed effects on host communities. Under the right circumstances, conditioning aid on democratization and market reform can lead to political liberalization, economic development, and improvements in human rights (Wright 2009; Montinola 2010; Dietrich and Wright 2015; Carnegie and Marinov 2017). These outcomes provide significant benefits to recipients, including those in vulnerable communities. However, the fiscal austerity brought about by conditionality can promote development at the expense of the poorest (Fine, Lapavistas, and Pincus 2001). A systematic review of the medical impact of IMF structural adjustment programs (SAPs) found that SAPs have a prolonged adverse effect on child and maternal health due to reductions in public health services and decreasing availability of resources for vulnerable communities (Thomson, Kentikelenis, and Stubbs 2017). Aid conditionality's uneven track-record make the potential local-level impact an important factor in recipients' moral calculus.

In addition, aid can positively and negatively impact recipients' even in the absence of

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<sup>1</sup> According to OECD data 30% of foreign aid from member states has been in infrastructure, amounting to over \$2.4 trillion since 1967. In 2017, 75% of China's \$76.9 billion in aid funding went to infrastructure.

explicit conditionalities. Chinese foreign aid – funding which famously comes with “no strings attached” – has been shown to increase local corruption and decrease recipient community’s participation in unions (Isaksson and Kotsadam 2018a, 2018b). These social and normative changes can harm the beneficiaries of aid, and recipient citizens likely consider these effects when forming their opinion of inflowing aid. Thus, even in the absence of explicit conditions, foreign aid carries moral implications.

The impact that aid has on recipients depends on how donors’ structure and implement their packages (Dietrich and Wright 2015), which in turn depends on the donor’s strategic motivations and political orientation (Bermeo 2011; Dietrich 2016). Since foreign assistance carries moral implications, recipients consider donors’ political orientation and behavior at home when determining the potential impact of aid. Donors that support palatable policies at home – such as the promotion of human rights – are more likely to care about protecting these values through their foreign aid. Donors that display unethical behaviors at home – such as systemic corruption – are less likely to safeguard their aid against cooptation by both donor and recipient implementors. When weighting the moral costs of accepting aid (via its prospective ability to help/harm), recipients should consider the political orientation and moral behavior of the donor itself. Therefore, I hypothesize:

*H2: Recipients’ have lower preferences for aid projects from donors that engage in unethical behaviors at home.*

Material factors and moral considerations do not have an equal impact on all recipients. The extent to which each dimension affects an individual’s preferences depends on their personal economic and political situation. In terms of economic standing, I build off a voter utility model which considers the additive utilities of material transfers and ideological voting. Dixit and Londregan (1998) develop a model of redistributive electoral politics where voters and parties care about inequality (a moral concern) as well as their private interests in consumption and votes respectively (a material consideration). When the individual weights for each factor sum to one, and when higher income voters care less about the pork-barrel benefits they derive, then voters weight ideological factors (such as the ethical distribution of income) higher.

Like the voters in Dixit and Londregan’s (1998) model, I argue that aid recipients balance their preferences for private benefits against their concern for social welfare. I argue that as a recipient’s income increases the importance of moral considerations increases as well. Low-income individuals rely more on foreign aid than wealthy individuals. In extreme cases, a person may depend on aid for the delivery of basic public goods like clean water and reliable electricity. With so much of their wellbeing tied to aid, low-income individuals have less financial freedom to pick and choose between donors than wealthy individuals. Compared to their less-affluent countrymen, high-income recipients do not experience the same level of personal benefit from aid as their quality of life is not as dependent on these inflows. With their basic needs already met, wealthy recipients have relatively more freedom to consider and act on the moral implications of aid than poorer respondents. Therefore, I hypothesize:

*H3: Wealthy recipients have a greater aversion to aid from unethical donors than low-income recipients.*

## Moral and Material: Substitutes or Compliments

Thus far, material factors and moral considerations have been described as isolated dimensions of aid preference formation. However, projects possess attributes of both dimensions and recipients simultaneously consider both when forming their aid opinions. Therefore, it is important to consider if and how material factors and moral considerations interact with one another to affect recipients' aid preferences.

There are two ways material factors and moral considerations can interact with one another during preference formation: as substitutes or as compliments. Ideally, recipients want aid that is both materially beneficial and morally acceptable. In reality, donors and their projects rarely meet both of these conditions. As a result, recipients must trade-off between a project's prospective payoffs and its ethical implications. In this way material benefits and moral considerations constitute a set of substitutable goods; as material benefits increase, the demand for a moral donor decreases (and vice versa). This generates the hypothesis that:

*H4a: Recipients' aversion to unethical donors decreases with increasing project value.*

Conversely, material factors and moral considerations can comprise a set of compliments. As a project increases in size and value, the level of benefits it provides the recipient increases. However, the ethical impact the project has on a recipient community increases as well. For example, doubling a project's value from \$50 million to \$100 million expands the material benefits a community receives, but it also provides additional opportunity and funding for unethical behaviors like corruption. Moreover, larger projects require more time to implement, which increases the recipient community's exposure to unethical actions perpetrated by both the donor and recipient implementing partners (De Kadt and Lieberman 2020). Thus, as a project's value and benefit expand, so should citizens' concern for its moral implications. This argument produces the hypothesis that:

*H4b: Recipients' aversion to unethical donors increases with increasing project value.*

## Research Design

I test these hypotheses through a conjoint-analysis survey experiment<sup>2</sup>. Widely used in business and marketing research (see Green et al 2001), conjoint analysis has only recently entered political scientists' methodological repertoire (Bechtel and Scheve 2013; Hainmueller, Hopkins, and Yamamoto 2014; Carnes and Lupu 2016). This design asks respondents to rank and/or choose between a set of alternatives where each option has a series of attributes with randomly selected values. Conjoint analysis innovates on classic survey designs by allowing for the direct comparison of multiple confounding factors, a task which is either burdensome or impossible to achieve with most other types of experiments.

Conjoint analysis presents several additional benefits above and beyond traditional research designs. First, it simultaneously evaluates the causal effects of multiple treatments on one outcome. This increases survey efficiency and improves causal identification by isolating the independent effects of each attribute (Hainmueller, Hopkins, and Yamamoto 2014). Second, it

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<sup>2</sup> Some scholars use conjoint analysis interchangeably with factorial and vignette analysis.

better approximates how humans make decisions in the “real world” by mirroring a multi-dimensional choice context. This improves the study’s external validity and quality of response. Finally, conjoint analysis is less susceptible to social desirability bias since respondents can qualify their choice through other indicators (Wallander 2009). These innovations are beneficial to all surveys but are particularly useful in surveys of foreign aid where compound factors present a significant issue to analysis.

Conjoint analyses can be formatted as either vignettes or tables, and profiles presented either in isolation or as paired sets (Hainmueller, Hopkins, and Yamamoto 2014). Following Hainmueller and Hopkins (2015) I structure this experiment as a paired-table and present respondents with three sets of two alternative aid projects (6 profiles total). Each table appears on a separate page in the survey and respondents cannot return to a table once exited. The conjoint experiment is introduced with a brief explanation of the exercise and a description of the attributes in the table. Figure 2.1 displays an image of the table as depicted in the survey.

Below each table, I ask respondents to rate each project on a scale from 1 to 10 based on their desirability, where 1 indicates “not desirable at all” and 10 indicates “incredibly desirable”. I use responses from this question to measure *project rating* as a continuous dependent variable. This indicator is used to determine what effect a particular project attribute has on a project’s overall desirability.

**Figure 2.1: Experimental Design**

Read the description for each project carefully, then answer the two questions below.

Scenario 2/3

	Project (A)	Project (B)
Project Value	₱500 million	₱750 million
Benefits	Expands electrical grid to increase coverage and availability of power in a neighboring province	Expands electrical grid to increase local coverage and availability of power in Davao Occidental
Donor Requests	None	Requests your government to open the economy to greater investment and trade with the donor
Donor Issues	Donor politicians frequently steal money from government programs	Donor government frequently evicts ethnic minorities from their homes and repossess their land

How desirable are these projects? Use the slide bar below to show how desirable you think each project is. A value of **1 means “not desirable at all”** and **10 means “very desirable”**.

Not desirable at all Very desirable

0 1 2 3 4 5 6 7 8 9 10

Project A

Project B

### *Survey Attributes*

Project profiles contain randomly selected values for four attributes: donor issues, project value, benefits, and donor requests. Each attribute-value has an equal probability of selection which allows for full randomization of aid project profiles. In addition to randomly varying the

values within the table, I randomly assign the order of attributes in the table to avoid primacy and recency effects. This randomized design creates a large universe of hypothetical projects with a total of 90 unique tables that could be constructed.

Donor issues are actions that donor governments take against their domestic public which recipients may find morally problematic. Values for this attribute are based on issues presented in Heinrich and Kobayashi's (2020) conjoint analysis of the moral dimensions of donors' aid giving preferences, with slight adjustments to fit the context of this study. I include *donor government systematically manipulates domestic elections in its favor*, *donor politicians frequently steal money from government programs*<sup>3</sup>, and *donor government frequently evicts ethnic minorities from their homes and repossesses their land*<sup>4</sup> as issues. Also consistent with Heinrich and Kobayashi (2020), I include *none* as a residual category and an *unexpected victory...in the last Olympic Games* as a placebo. Donor issues capture the moral dimension of recipients' preferences.

Project value is how much a proposed aid program is worth in Philippine pesos. Projects can be valued at *₱250 million*, *₱500 million*, or *₱750 million*, which is roughly equal to \$5 million, \$10 million, and \$15 million respectively. These values were chosen based on a true-to-life electricity generation project that was proposed by the Filipino Department of Energy (DOE). In October 2019, the DOE made a budgetary request of ₱500 million for a rural electrification program, which was set to bring energy coverage to unserved and underserved households throughout the country. I used *₱500 million* as the middle project value and decreased/increased the price by 50% to generate the low and high values respectively. This was done to ensure that the project values were distinct but believable. This attribute captures the material dimension of recipients' preferences.

Benefits describes the intended contribution of the project. There are two values for this attribute, and both outline improvements to a province's electrical grid to increase power coverage<sup>5</sup>. A power-generating aid project was chosen for two reasons. First, electricity supply is of significant concern for the average Filipino. Energy consumption is expected to increase 4.3% annually, rising from 33.1 million tons of oil equivalent in 2016 to 91 million by 2040 (Philippines Department of Energy 2018). This rising demand is putting pressure on the Philippines' already fragile system. People living in densely populated urban centers experience frequent and unexpected blackouts (Reuters 2021), while citizens in more remote areas can expect as little as 4-12 hours of power daily (IRENA 2017). The effects of an unstable electricity supply were particularly pronounced during the quarantine phase of the Covid pandemic when most people depended on digital technologies to connect with work, school, and broader society. This survey was fielded eight months after the Philippines' first reported Covid case. During this time urban areas were still under quarantine and the country had the highest incident rate of

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<sup>3</sup> These relate to *recipient government systematically manipulates elections in its favor* and *recipient politicians frequently steal money from development aid* in Heinrich and Kobayashi (2020) respectively.

<sup>4</sup> This issue is a softer version of Heinrich and Kobayashi's original value: *recipient government widely imprisons and tortures members of an ethnic minority*. I changed the wording in my survey to avoid priming respondents to think of China, a prominent aid donor which was under scrutiny for the mass detention of Uyghurs at the time of the survey.

<sup>5</sup> The Philippines has 81 provinces each with an average population of 1.2 million people and an average area of 1,500 square miles.

Covid cases for all of South-East Asia. Under these circumstances, even one more hour of guaranteed electricity access could have a measurable impact on an individual's income and quality of life. For these reasons, respondents are likely sensitive to the personal benefit grid improvements offer.

Second, improving a province's electric grid is a non-rivalrous and (mostly) non-excludable public good that is beneficial to all recipients in an identified geographic area, regardless of income and personal attributes. While the benefits of a province-wide aid project may be disbursed, the individual gains of an energy generation project are substantial. In 2021, Filipinos paid ₱8.75 (\$0.172) for one kWh of power. The average household uses 696.5 kWh annually<sup>6</sup> (World Bank 2021). This means that the lowest value project (₱250) is equivalent to 2.1 million Filipino households' annual energy consumption, while the largest value project (₱750) is equal to 6.3 million households' consumption. Considering that the average province has a population of just 1.2 million, an investment of this scale presents significant potential gains to the individual and their household. At the same time, the benefits of grid improvements can be roughly targeted to anyone who relies on the network, meaning that those outside the network can be excluded from the benefits. To capture this, I include two conditions for benefits. In the first the project will be implemented in *a neighboring province* and in the second the project will be built in the respondent's *own province*<sup>7</sup>.

Finally, donor requests outlines what a donor asks the Philippines to do if the project is accepted. This attribute has three values including *open the economy for greater investment and trade*, *support the donor's resolution in the U.N.*, or *none*. Keeping with previous attributes, *none* was included as a residual category. The values *open the economy* and *support the donor's resolution* were included to measure respondents' reactions to donors making economic versus political demands. This attribute capture how respondents trade-off between the project benefits and donor requests associated with foreign aid. Table 2.1 gives a list of all attributes and their associated values.

Table 2.1: Attributes for Aid Projects in Conjoint Experiment

Attributes	Values
Donor Requests	None Requests your government to open the economy to greater investment and trade Requests your government to vote in favor of a specific resolution in the U.N.
Donor Issues	None Donor government frequently evicts ethnic minorities from their homes and repossesses their land Donor government systematically manipulates elections in its favor Donor politicians frequently steal money from government programs Athletes from the donor scored an unexpected victory against Filipino athletes in the last Olympic Games

<sup>6</sup> Last reported values for this statistic were from 2014.

<sup>7</sup> Earlier in the survey, I ask respondents to identify their home province. I then piped this information into the wording of this value so that respondents see the name of their province in the table. For example, a respondent from the southern Philippines may see *expands electrical grid to increase coverage and availability of power in Davao Occidental* in a project profile.

Project Value	₱250 million
	₱500 million
	₱750 million
Benefits	Expands electrical grid to increase local coverage and availability of power in your province
	Expands electrical grid to increase coverage and availability of power in a neighboring province

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### *Respondent Variables*

At the beginning of the survey, I collect information on respondents' demographics and political activity. Demographic information includes respondents' *age, sex, educational attainment, ethnic background, home province, and income*. I measure *income* as a six-level categorical variable<sup>8</sup> reporting respondents' household earnings for the past year. I classify the three lowest categories as 'low-income' and the three highest as 'high-income'.

### *Survey Location and Sampling Techniques*

I test these hypotheses through a nationally representative sample of 1,238 respondents from the Philippines. The Philippines is an appropriate test case for several reasons. First, it has an extensive history as a foreign aid recipient. This means that the hypothetical projects in the conjoint design have true to life parallels. This increases external validity and the quality of responses from participants. Second, the Philippines has a decentralized political structure which creates ideal conditions for within-country comparisons.

The survey was administered online by Qualtrics in mid-November 2020. In addition to offering broad and high-quality coverage of the target country, Qualtrics' survey application is optimized for both computer and phone use. This feature is particularly important in capturing a representative sample, since 80% of Filipino adults have access to a mobile phone (Silver et al 2019). Respondents were randomly chosen from Qualtrics' user bank each with a known probability of selection. To ensure a representative sample, responses were balanced on gender and income, two variables that tend to have uneven distributions in online samples. The survey was administered in English with a filter for language fluency. While this places some limitations on the survey, its impact is not severe since English is an official language taught in schools and used for government business. According to the Philippines National Statistics Office over 60% of people over the age of 5 are fluent in English.

The Philippines has a population of 105 million. With a desired 3% margin of error and a 95% confidence level, a sample of 1,070 responses are needed for this survey. In total, I collected 1,238 high quality and complete responses. To accurately estimate variance, I cluster standard errors by respondent since observed choice outcomes may not be independent between profiles rated by the same respondent.

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<sup>8</sup> Response items included: Under ₱20,000; ₱20,000 to ₱39,999; ₱40,000 to ₱59,999; ₱60,000 to ₱99,999; ₱100,000 to ₱249,999; ₱250,000 and over.

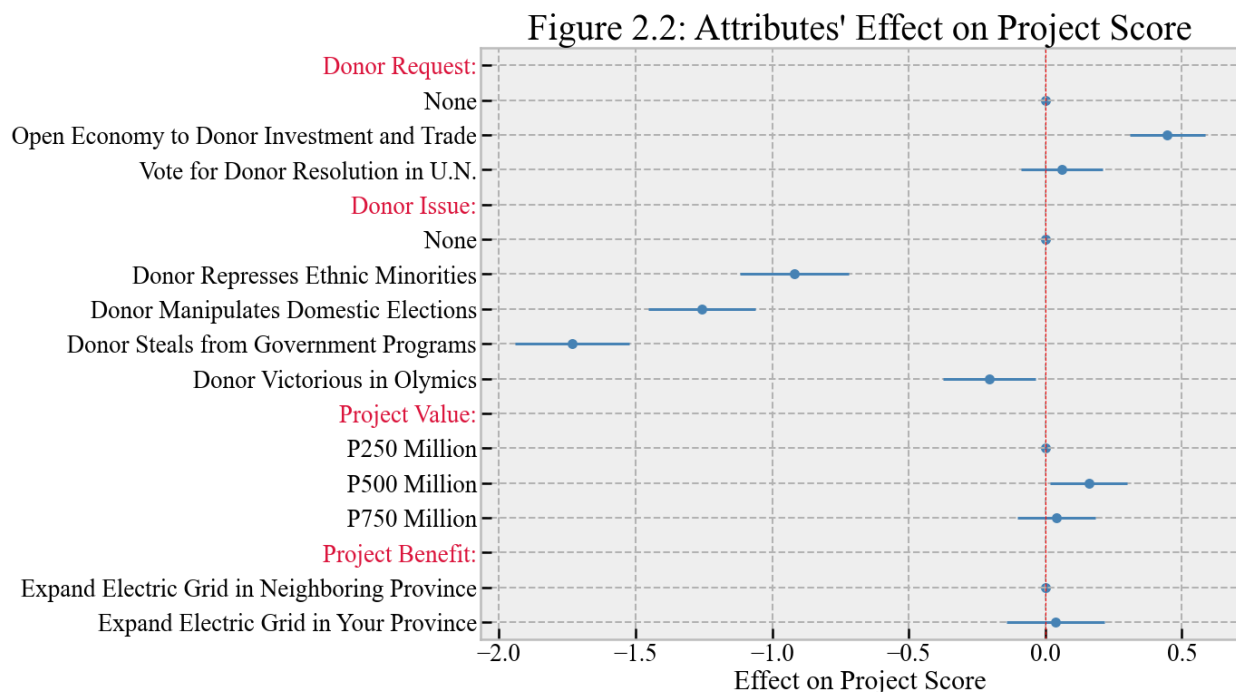


## Empirical Analysis

This experimental design yields 90 potential aid profiles for recipients to rate. With a sample of just over 1,200 respondents, a single profile will have only 13 people rate it on average. In other experimental types, treatment groups this small would be insufficient for analysis. Fortunately, in a conjoint analysis respondents do not need to see every possible combination to estimate treatment effects. Instead, the relative impact of attributes is measured through its average marginal component effect (AMCE). The AMCE estimates the average difference in project score when comparing two attributes, like comparing the difference between a project with a value of ₱250 and ₱750. The marginal difference between combinations is then averaged over all possible combinations of other project attributes. The impact each attribute has on an aid project's score is then estimated by regressing the outcome on a set of indicators measuring the levels of each attribute. Since the unit of analysis is the rated project profile and respondents rated 6 profiles each, models have as many as 7,428 observations unless stated otherwise.

### Material and Moral Considerations

Figure 2.2 displays the estimated effect each attribute-value has on *project rating*. The dots represent point estimates, and the lines on either side of the estimates identify the 95% confidence interval. Dots without intervals located at 0 indicate reference categories. Coefficients can be interpreted as the point value a particular attribute-value adds (or subtracts) from a project's score on average.



Consistent with theoretical expectations, respondents consider both material and moral factors when rating aid projects. However, and somewhat surprisingly, material considerations have a relatively low impact. Targeting aid benefits to a recipient's *home province* has no effect

on project score in the aggregate. In fact, not only is its impact indistinguishable from zero, but recipients do not rate *home* projects differently from *neighboring* projects. This finding conflicts with standing research regarding self-interest in the distribution of economic goods; respondents do not place personal benefit above their neighbor's welfare, at least in the case of foreign aid.

In addition, and contrary to hypothesis 1, respondents' do not have a clear preference for higher value projects over lower value. The coefficient for *P500 million* attains statistical significance, and projects valued at this amount increase scores by 0.16-points on average ( $SE = 0.07$ ). However, *P750 million* does not attain significance. Moreover, the confidence intervals for *P500 million* and *P750 million* intersect, so it is not possible to distinguish between the effects of each value. This evidence suggests that the relationship between aid project value and score may not be linear. Aid recipients appear to prefer middle value packages over low and high value.

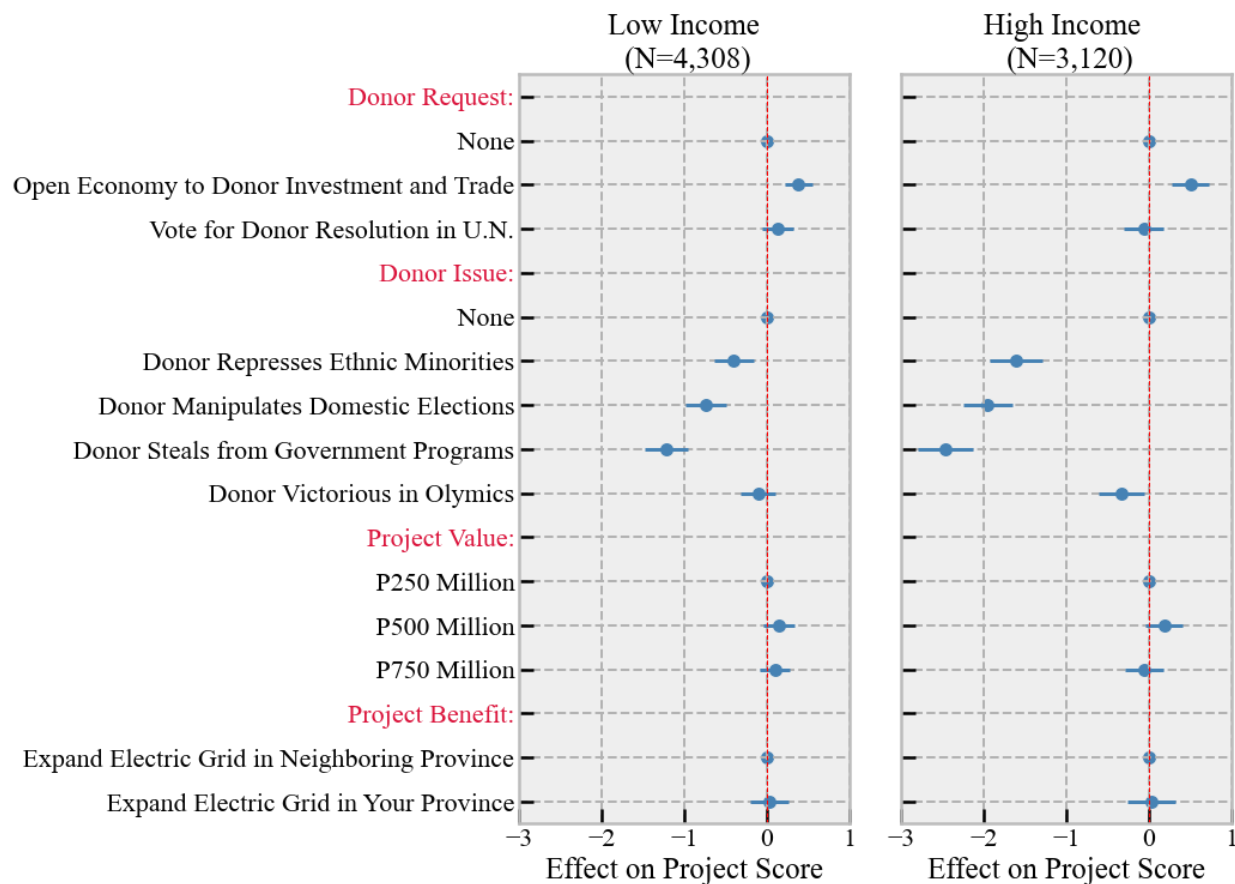
Results for only one set of attributes suggests that respondents consider economic impact above other features. When evaluating donor requests, recipients rate projects that *open the economy to donor investment and trade* higher than projects where the government must *vote for the donor's resolution in the U.N.* The effects of these two attributes are distinct and statistically significant, meaning that there is a clear preference for requested economic interactions over diplomatic support. Relative to other attributes, *opening the economy* has the strongest positive effect on score, increasing ratings by 0.44-points on average ( $SE=0.07$ ). This result is consistent with Mansfield and Mutz's (2009) finding that individuals' trade attitudes are guided less by material self-interest and more by perceptions of how the economy as a whole is affected by economic exchange. Individuals' attitudes towards aid may be similarly affected by sociotropic considerations. However, more theorization and testing on other dimensions of recipients' preferences is needed to fully interpret this result.

Relative to material factors, respondents are highly sensitive to the moral dimensions of accepting aid. Recipients consistently rate projects from donors with ethical issues lower than projects from donors without these issues. *Repressing ethnic minorities* tends to decrease a project's rating by 0.92-points ( $SE=0.10$ ), while *manipulating elections* relates to a 1.26-point decrease ( $SE=0.10$ ). Among the worst performing attributes, projects from states where *politicians steal from government programs* lose 1.73-points ( $SE=0.10$ ) in scoring on average. Curiously, the placebo category *Olympic victory* also decreases project score by 0.20-points. Why this occurs is unclear but may be due to the negative framing of the attribute category on the survey. When given the option between an unexpected Olympic winner and a donor without any listed issues, respondents prefer the latter.

The impact of undesirable behaviors on project score is statistically significant and distinct from *Olympic victory*, meaning that recipients have a clear and strong aversion to projects from unethical donors. These finding support H2. Moral considerations play a significant role in recipients' aid preference formation. In fact, it appears that moral considerations have a stronger impact than material factors.

### *Income and Project Rating*

Figure 2.3: Attributes' Effect on Project Score  
Split by Income



To assess the relationship between respondents' income level and their aid preferences I split the sample into two sub-groups: low-income and high-income respondents. Low-income respondents have an annual household income of ₱59,999 or less, which falls just above the average middle-income poverty line of about ₱58,000 a year<sup>9</sup>. High-income respondents have an income of ₱60,000 or more<sup>10</sup>. Due to a right skew in the data, the sub-samples are slightly uneven, with 4,308 low-income respondent observations and 3,120 high-income respondent observations. I regress *project rank* on to attribute-values with clustered standard errors, and plot results for both the low-income and high-income sub-samples in Figure 2.3.

Consistent with previous findings, respondents in both income-groups are highly sensitive to moral considerations. Values for donor issues have a statistically strong but varied impact on project score. Surprisingly, project benefits still rank low among considerations for

<sup>9</sup> The World Bank sets the international lower middle-income poverty line at \$3.20 a day. This is ₱160.86 a day or ₱58,713 a year.

<sup>10</sup> According to the Philippine Statistics Authority the average annual family income was approximately ₱313,000 in 2018. The average individual salary was ₱161,847 annually. The relatively low average salary of this sample is likely due to the low average age of respondents. Approximately 37% of respondents were between the ages of 25 and 34, and 67% were under the age of 34.

both income groups and neither wealthy nor poor respondents appear to differentiate between projects of higher and lower value. This further suggests that material gain is not the only – or even the most meaningful – dimension of recipients' preferences.

Differences emerge when the attribute-values for donor issues are compared across groups. Low-income respondents punish projects from unethical donors, but to a lesser extent than high-income respondents. *Repressing ethnic minorities* relates to a 0.40-point decrease in project score (SE=0.12), *manipulating elections* relates to a 0.74-point decrease (SE=0.13), and *stealing from government programs* results in a 1.22-point decrease (SE=0.13). While statistically significant, these coefficients have a lower magnitude of effect than in the high-income sample. In addition, the effect of *Olympic winner* is statistically indistinguishable from 0, meaning that low-income respondents do not punish projects from victorious donors the way they punish projects from unethical donors.

Comparatively, high-income respondents are more critical of aid from unethical donors. Wealthy recipients deduct 1.61-points for donors that *repress ethnic minorities*, and 1.95-points for donors that *manipulate domestic elections*. *Stealing from government programs* has the strongest effect of any attribute-value, resulting in a 2.50-point decrease in average project score. While *Olympic winner's* magnitude of effect is roughly equal across subsamples, this coefficient has a significant and distinct impact for high-income respondents. Projects from *Olympic winners* are not preferred when compared to donors with no reported issues, but they are greatly preferred to projects from donors with unethical behaviors.

These results are robust to changes in income thresholds. Wealthy respondents' preference for ethical aid persists when the cut-off for high-income is increased from ₱60,000 to ₱100,000, and even hold when only the highest income-group of ₱250,000 is included. Similarly, poor respondents remain relatively indifferent to moral considerations when the income threshold is decreased from ₱59,999 to ₱39,999. When only the lowest income group is included the coefficients for moral considerations actually decrease in magnitude and move closer to zero. The poorest respondents are the least sensitive to moral considerations.

These findings support hypothesis 3; high-income recipients have a greater aversion to aid from unethical donors than low-income recipients. While both groups have an equal preference for donors with uncomplicated ethical backgrounds, wealthy respondents are far more sensitive to problematic behaviors than poor respondents. This divergence is likely due to high-income respondents' financial freedom and low-income respondents' greater dependence on foreign aid. In other words, the wealthy can afford to give greater weight to moral considerations.

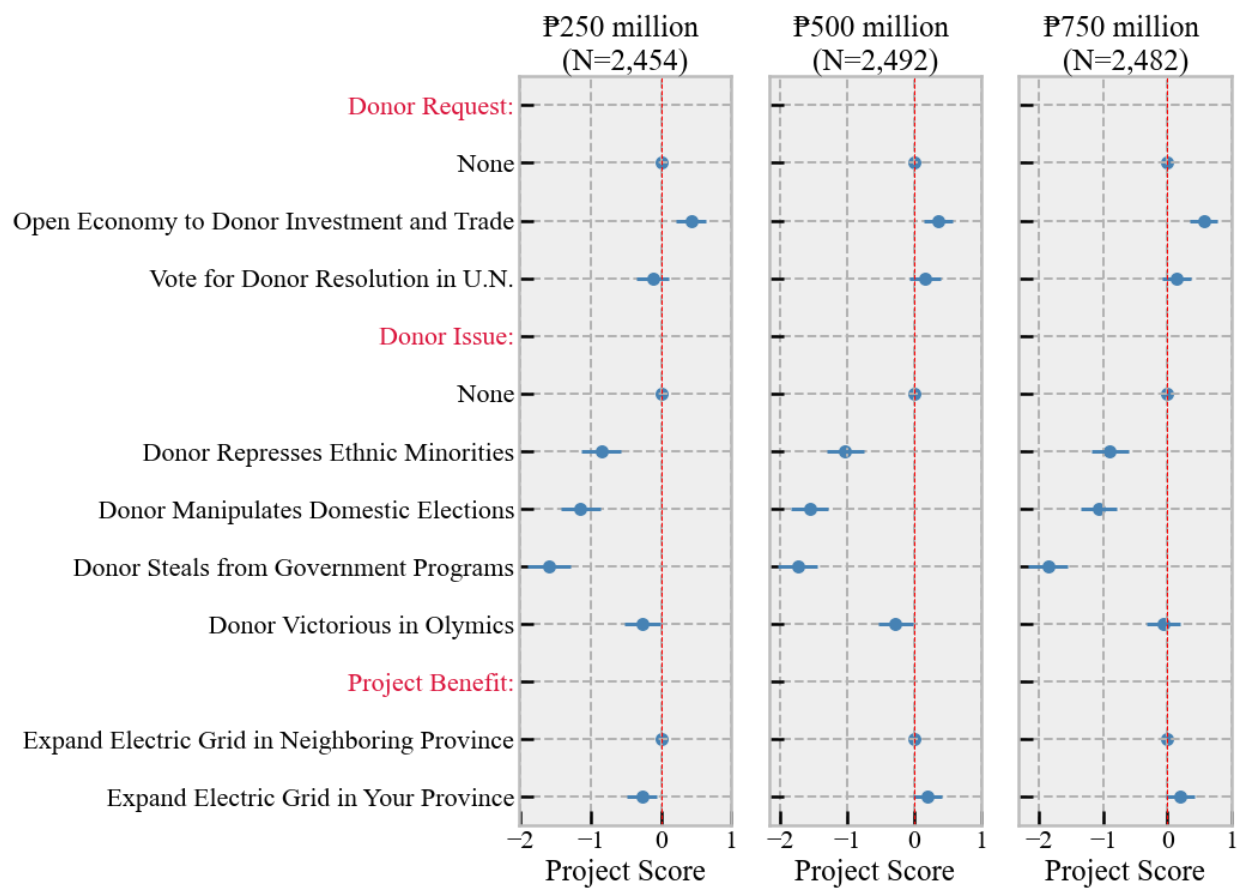
#### *Interaction of Material Factors and Moral Considerations: Project Value*

So far, results have shown that recipients consider both material and moral factors when forming aid preferences, although moral considerations have a substantially greater impact in most contexts. What remains unknown is if and how these two-dimensions interact. I hypothesized two-ways material factors and moral considerations may jointly impact preferences. They can work as substitutes, where rising levels of one dimension decreases demand for the other. Or they can work as complements, where rising levels of one dimension

increases demand for the other.

To examine the interaction between these two dimensions, I subset results based on each project’s reported value. This yields three sub-samples with 2,424 observations for projects valued at *₱250 million*, 2,492 observations of projects worth *₱500 million*, and 2,482 observations of projects worth *₱750 million*. I then regressed the remaining attributes on *project score*. Figure 2.4 shows how moral considerations affect project score, holding project value constant.

Figure 2.4: Attributes' Effect on Project Score  
Split by Project Value



Comparing subsamples in Figure 2.5 shows that aversion to unethical donors does not decrease with increasing project value. For this to be true, coefficient values for donor issues would need to become less negative with project value. This is not observed. In fact, the opposite appears to be true. For several attribute-values, the coefficients appear to become more negative as project value increases.

To better compare changes in magnitude of effect, I create table 2.2 to display donor issue coefficients for all three project value subsamples. An increase in value from *₱250 million* to *₱500 million* leads to a decreasing coefficient value for all donor issues, including the placebo category of *Olympic victory*. However, an increase from *₱500 million* to *₱750 million* does not

yield a similar negative shift. Only the coefficient for *stealing from government programs* continues to increase in magnitude. All other values move closer to zero, and two issues (*manipulating elections* and *Olympic victory*) actually have a lower magnitude of effect in the *₱750 million* subsample than the *₱250 million* subsample. Finally, the confidence intervals for many of these values overlap, both within and between subsamples. Therefore, I cannot definitively conclude that increasing project value leads to increasing aversion to unethical donors.

Table 2.2: Coefficients for Donor Issues by Project Values

Attributes	₱250 million	₱500 million	₱750 million
None	0	0	0
Donor Represses Ethnic Minorities	-0.85 ***	-1.03 ***	-0.09 ***
Donor Manipulates Domestic Elections	-1.14 ***	-1.56 ***	-1.07 ***
Donor Steals from Government Programs	-1.59 ***	-1.74 ***	-1.87 ***
Donor Victorious in Olympics	-0.27 ***	-0.28 ***	-0.06 ***

Overall, results fail to support hypothesis 4a; respondents' aversion to unethical donors does not decrease with increasing project value. Material factors and moral considerations are not substitutes and increasing foreign aid's economic benefits cannot compensate for the donor's ethical issues. Similarly, this test cannot confirm hypothesis 4b, but it does provide suggestive evidence in favor of the assertion that material factors and moral considerations are complementary dimensions. As material pay-offs increase, recipients' concern for a donor's moral standing tends to increase. Although, the extent to which recipients will demand more ethical donors appears to depend in part on the issues the donor exhibits.

This finding sits at odds with the way many scholars and policy makers view foreign aid. Aid is often used to buy influence abroad, and conventional expectations hold that the level of influence purchased is directly related to the amount of aid sent. However, this relationship may not hold in democratic countries where the public can affect foreign policy. If recipients have ethical issues with the donor's domestic behaviors, increasing aid flows may draw increased attention to these issues. This could heighten negative sentiments and thus decreased the donor's influence in democratic recipients. In short, it appears that donors cannot offset the reputational cost of unethical behavior with increasing international aid.

## Conclusion

There is increasing focus on understanding recipients' experiences with and perceptions of inflowing foreign aid. This body of work has led to a richer understanding of how people assess the prospective benefits of aid, including how specific project attributes and individuals' lived experiences affect preferences. This paper focused on how individuals tradeoff between the material and moral costs/benefits of accepting international support. Results from a nationally representative survey experiment strongly support the assertion that moral considerations matter to recipients. All else equal, recipients prefer projects from ethical donors who do not engage in repression, electoral manipulation, or corruption at home. This preference is so strong that it outweighs the positive effects of increasing material pay-offs in most contexts. In addition, an individuals' income also matters in preference formation, but these factors only affect the weight

respondents give to moral considerations and not to material benefits. Finally, and most significantly, results suggest that the material and moral dimensions of aid are not substitutes. Increasing a project's value has no effect on recipients' moral considerations, and increased funding may actually increase recipients' demands for an ethical donor.

The relative importance of moral considerations (and relative unimportance of material factors) suggests that scholars should broaden the discussion of recipients' preferences to include more abstract aspects. To date, much of the work in this area has incorporated economic rationale to explain recipient preferences (Milner, Nielson, and Findley 2016; Findley et al 2017; Findley, Milner, and Nielson 2017)<sup>11</sup>. While this line of enquiry produced important findings and merits investigation, these considerations are not the only – or even the most important – dimension in recipients' preference formation. Future research would do well to consider the moral dimensions of aid as well as other unexplored and undertheorized aspects, like how identity characteristics may affect preferences.

In addition, this research demonstrates that recipient publics are not homogenous in their opinions. Aid preferences depend in part on an individuals' lived experience, and particularly their income. Moreover, as Dolan (2020) points out, scholars rarely reach out to the poorest respondents in their field work and survey research. Missing this demographic presents two significant issues for the study of foreign aid. First, as this research shows, this group of recipients likely has distinct preferences for aid that are not shared by their wealthier counterparts. Second, these populations are among the most likely to be targeted by aid, so understanding their preferences and experiences is vital to crafting effective foreign assistance programs. By not purposefully including this group in research, scholars are systematically missing an important and distinct subsample. Scholars should therefore be sensitive to these differences when conducting research on recipients' perceptions of foreign aid.

This discussion brings up another important consideration: generalizability. If there are within-country differences in aid preferences, then there are potentially between-country differences as well. However, almost all work on recipients' aid preferences – including this study – focuses on a survey of a single country. While informative, more work should be done to directly compare findings across state boundaries. This would help determine the extent to which any one finding is generalizable, while also illuminating how country-level factors (like government type and colonial history) impact preferences.

Finally, the non-substitutable relationship between material factors and moral considerations suggests that aid is not a panacea for states' reputational problems. While aid can buy specific policy concessions from a recipient government, it cannot as easily buy goodwill from recipient citizens. If recipients have ethical issues with the donor's domestic behaviors, increasing aid flows can have the undesired effect of drawing greater attention to these issues. This could heighten negative sentiments and thus decreased the donor's long-term influence. Although counterintuitive, this finding suggests that in situations where recipients have pre-existing ethical concerns a donor may benefit from offering fewer aid packages of lower value.

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<sup>11</sup> Alrababa'h, Myrick, and Webb (2020) is a notable exception.

### Chapter 3: Aid and Government Legitimacy

Does foreign aid enhance or undermine a recipient government's legitimacy? This paper articulates a new theoretical mechanism – donor identity as a political cue – to explain how aid influences recipient legitimacy. I offer the first systematic analysis of six prominent mechanisms connecting foreign aid to government legitimacy. While we know that donors brand their aid projects to reap soft-power benefits within the recipient country, I argue that recipient information about donor identity shapes how aid influences legitimacy. I posit that donor identity is a double-edged sword because recipient information about donor identity cues pre-existing sentiments towards the donor, which in turn shapes how recipients view the project and those affiliated with it. When recipients have positive affinity towards a donor, information about donor identity increases recipient government legitimacy; conversely, when recipients negatively assess a donor, aid from that donor reduces legitimacy. This donor identity effect explains why aid sometimes enhances and at other times undermines a recipient state's legitimacy. I test the donor identity cue mechanism using an experimental mediated survey design and find that, contrary to conventional expectations, Chinese aid does *not* decrease legitimacy by exposing recipients to greater levels of corruption and patronage. Instead, Chinese and Russian aid reduces government legitimacy by undermining perceptions of the state leader, by comparison information about European Union aid increases legitimacy by increasing the recipient's perceived dependence on the donor. This research demonstrates that donor identity moderates how aid influences government legitimacy.



## Introduction

The relationship between aid and legitimacy is a well-studied topic in the foreign assistance literature (Böhnke and Zürcher 2013; Dietrich and Winters 2015; Dietrich, Mahmud, and Winters 2018; Baldwin and Winters 2020; Dolan 2020; de la Cuesta et al 2021). Yet, scholars continue to debate how aid impacts legitimacy. Many scholars theorize a negative relationship between foreign funding and legitimacy (Eubank 2012; Dietrich and Winters 2015; Briggs 2019), while others posit a positive relationship (Sacks 2012; Dietrich, Mahmud, and Winters 2018; Dolan 2020). Still others find a qualified relationship (Baldwin and Winters 2020) or no relationship at all (Blair and Roessler 2018).

What explains this heterogeneity in results? I argue that there is a vital omitted variable which determines in part if and how aid impacts legitimacy: donor identity. Where aid comes from matters because it in part structures how aid affects legitimacy. Recipients have pre-existing opinions of donors which affect citizens' perceptions of inflowing aid and how they subsequently update their perception of the government. For their part, donors have unique aid delivery systems and implementation strategies which determine how funding interacts with host communities. These two features determine which aid-legitimacy mechanisms are open, such that some pathways may only operate with aid from some donors due to how the funding is delivered and received. Thus, I argue that donor identities that align with pre-existing, *positive* views of the donor boost legitimacy while aid from donors who elicit negative views from recipients will reduce legitimacy.

I test these arguments using a vignette survey experiment of 1,238 respondents in the Philippines. The vignette describes a hypothetical aid project sponsored by one of four donors: the United States, China, the European Union, or Russia. I ask respondents a series of questions measuring their perception of the government and assessing the strength of six prominent causal mechanisms potentially linking aid to government legitimacy. Results from a series of mediated analyses reveals a complex relationship. Aid can have both a positive and negative effect on legitimacy through a variety of causal mechanisms, however, the operation of a mechanism depends on donor. That is, donor plays a role in determining if and how aid affects popular perceptions of the government.

The rest of this paper proceeds as follows. In the next section, I review the standing literature on the aid-legitimacy relationship. I discuss six prominent causal mechanisms linking foreign funding to government authority and develop testable theoretical expectations for these mechanisms. Then, I argue how donor identity affects legitimacy by determining in part which causal mechanisms operate. Third, I introduce the survey experiment and empirical approach. Four, I present the results through a three-stage analysis. Finally, I offer a discussion of the results by way of conclusion.

## Models of Aid and Legitimacy

The foreign assistance literature considers two types of legitimacy in aid giving: state legitimacy and government legitimacy. Broadly defined, state legitimacy is a general belief among citizens in the state's right to rule. Conversely, government legitimacy is the belief in a particular group of people's right to run the state. These concepts are manifest in individuals'

values as well as in their behavior (Sacks 2012). Value-based legitimacy concerns peoples' sense of obligation and willingness to obey authority, while behavioral-based legitimacy refers to people's quasi-voluntary compliance with regulations and laws like paying tax (Levi 1988; Levi 1997; Levi, Sacks, and Tyler 2009). States and governments gain legitimacy by providing public goods through the fair, competent, and equitable treatment of citizens (Levi and Sacks 2009). They lose legitimacy when the masses perceive the state, government, or even other citizens as not holding up their end of the bargain (Levi 1997). Thus, legitimacy is based on a state's ability to provide and compel and government's ability to provide.

Developed states typically obtain the resources to provide public goods from the taxation of productive economic activities. However, some states and governments acquire "unearned" income through free resources like natural resource rents and foreign aid (Goldsmith 2001; Smith 2008). This income is unearned because it does not require citizens to work to provide them, which releases citizens from the obligation of paying for services. Similarly, these free resources can increase the state and government's independence from the people as these bodies do not require tax to fund their activities. This unearned income has links to numerous negative political consequences including an increased likelihood of civil conflict, increasing corruption, and significantly, decreasing perceptions of state and government legitimacy (Smith 2008; Ahmed 2012; Eubank 2012; Briggs 2019; Baldwin and Winters 2020; Ahmed, Schwab, and Werker 2021).

The proposed relationship between unearned income and legitimacy is a well-studied topic in the foreign aid literature (Böhnke and Zürcher 2013; Dietrich and Winters 2015; Dietrich, Mahmud, and Winters 2018; Baldwin and Winters 2020; Dolan 2020; de la Cuesta et al 2021). Work in this area has produced six prominent mechanisms connecting aid to specifically government legitimacy, although the evidence supporting these mechanisms is inconsistent.

### *The Fiscal Contract*

The early literature on foreign aid and legitimacy is rooted in fiscal contract theory. The fiscal contract refers to the implicit agreement between a state and its citizens whereby a government provides public goods in exchange for taxes and respect for the law. As a state collects more tax, citizens become more concerned with its performance and demand greater provision of services (Martin 2014). States that provide adequate services in exchange for fair taxation enjoy increasing levels of legitimacy through a virtuous cycle, while states that do not provide services commensurate with tax experience decreasing levels of legitimacy through a vicious cycle (Levi and Sacks 2009; Schmelzle and Stollenwerk 2018).

Foreign aid can undermine the fiscal contract by providing externally funded public services to the masses. As outside funders increasingly meet citizens' needs, belief in the state's authority to tax declines (Eubank 2012). This results in lower rates of tax compliance and adherence to laws. Similarly, aid and other forms of unearned income undermine the state's sense of responsibility towards its citizens (Sachs and Warner 1997; Ross 1999, 2012; de la Cuesta et al 2021). As states receive more funding from non-tax sources, they become less dependent on the people and less willing to offer public goods.

Fiscal contract theory explicitly links foreign aid to *state* legitimacy, but I argue that this

logic affects government legitimacy as well. The state is the organization of power, and a government comprises the group of people who run the organization. It's possible for citizens to have a low belief in government legitimacy, but a high belief in state legitimacy. For example, Filipino citizens may disapprove of a presidential administration while having high belief in the Filipino state's right to rule overall. However, it is not possible for people to have a low belief in state legitimacy and a high belief in government legitimacy. A person who does not believe in the Filipino state should have no belief in any government's right to rule that state. Thus, if aid reduces state legitimacy by decreasing citizens' reliance on the state (and vice versa), there should be a commensurate decrease in government legitimacy since a government cannot exist without a state. This argument produces two pathways through which aid affects legitimacy:

*M1.a: Foreign aid decreases government legitimacy by decreasing citizens' willingness to pay tax.*

*M1.b: Foreign aid decreases government legitimacy by decreasing the government's willingness to provide public goods.*

Although popular among scholars<sup>12</sup>, the fiscal contract approach to aid and legitimacy has several theoretical and empirical challenges. As Dolan (2020) points out, the poorest people in a recipient country tend to be the beneficiaries of aid; however, they also tend to pay little to no tax. In this context, no fiscal relationship exists between citizen and state. Thus, the provision of aid funded goods cannot weaken the fiscal contract. In addition, in countries where aid is common people may view this funding as a part of regular governance. Through her interview-based work of aid recipients in Kenya, Dolan (2020) concludes that most people not only consider aid to be a normal occurrence but expect their leaders to obtain foreign funding. In fact, many expressed greater confidence in their government when they acquired more aid. Contrary to the fiscal contract, Dolan's work suggests that the government's ability to acquire aid may actually *increase* its and the state's legitimacy.

Finally, there is little direct empirical support for the fiscal contract model. In their survey experiment of over 2,400 people in Uganda, Baldwin and Winters (2020) find that aid passed through NGOs negatively affects citizens' perceptions of government legitimacy. However, funding passed directly from donor to recipient has no effect on legitimacy. If the fiscal contract did undermine legitimacy, then this type of overt state-to-state transfers should affect citizens' perceptions of the state and thus government. Despite its theoretical appeal, foreign aid does not always appear to affect the fiscal contract.

### *Foreign Dependence*

In addition to affecting citizens' perceptions of the state at large, foreign aid may undermine recipients' belief in their current government's efficacy and competence (Briggs 2019), which includes belief in particular elected officials and offices. This model starts from the assumption that citizens view self-sufficient governments as successful governments. When a government independently provides adequate services for its people, the citizens have greater confidence in them, and the government enjoys greater legitimacy as a result. However, if

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<sup>12</sup> See Blair and Winters (2020) for a review.

citizens see that the government relies on foreign funding to meet basic needs, then citizens lose confidence in their ability to lead, and belief in legitimacy declines. The foreign dependence approach to aid suggests that:

*M2: Foreign aid decreases legitimacy by increasing the government's dependence on foreign actors.*

While the foreign dependence model is intuitively plausible, it has mixed empirical support. In their survey of Indian aid recipients, Dietrich and Winters (2015) find that knowledge of a health project's foreign funding relates to a statistically significant decrease in support for the Prime Minister but not for domestic institutions in general. Dietrich, Mahmud, and Winters (2018) do not find a similar relationship between knowledge of foreign funding and leader support in their survey of Bangladesh. Moreover, Alrababa'h, Myrick, and Webb's (2020) work on aid to Eastern Ukraine reveals that recipients sometimes prefer funding given to increase donor influence if the donor is a political ally. This indicates that recipients may not be wholly opposed to increasing foreign dependence through aid if the donor has a palatable political background.

### *Disillusionment and Empowerment*

Citizens tend to vote for incumbents when they provide goods and services (Ashworth and Bueno de Mesquita 2006; Mani and Mukand 2007; Harding 2015). Similarly, citizens vote for opposition politicians when service delivery is poor. However, in their examination of voting patterns in South Africa, De Kadt and Lieberman (2020) unexpectedly find that investment in infrastructure and basic service expansion relates to *decreased* political support for incumbent leaders. The authors explore several causal pathways to explain this result and find evidence in favor of two. First, increases in service delivery heighten citizens' awareness of and exposure to corruption. This increased exposure leads to a shift in voting behavior away from the incumbent and towards the opposition. Second, increases in service delivery ratchets the public's expectations of government provisions upward, and voters turn to alternative parties to meet their heightened expectations.

While De Kadt and Lieberman's (2020) work does not directly address the relationship between aid and government legitimacy, the mechanisms they describe apply to this case. The first pathway – which Briggs (2019) calls the disillusionment mechanism – posits that recipients' experiences with the state via foreign aid may cause decreased perceptions of legitimacy. Foreign aid projects are large and logistically demanding affairs that require the donor, recipient government, and receiving communities to work together. This cooperation puts citizens into direct contact with negative practices like bureaucratic inefficiency and corruption, which in turn may have a negative effect on citizens' belief in government legitimacy. The disillusionment pathway thus proposes that:

*M3: Foreign aid decreases government legitimacy by exposing citizens to government corruption.*

While not a definitive test of the mechanism, Briggs (2019) finds suggestive evidence in favor of disillusionment. Results from a time-series analysis of Afrobarometer and AidData

shows that the presence of a foreign aid project relates to lower support for the incumbent national leader in subsequent elections. In addition, communities that received aid expressed lower trust in the president and ruling party. They also reported a lower opinion of the president's performance in office and ability to manage the economy. Isaksson and Kotsadam (2018a) partially support this finding. Based on a georeferenced examination of Afrobarometer data and aid project locations, Isaksson and Kotsadam find that the presence of a Chinese aid project relates to increased perceptions of government corruption. However, they do not find any relationship between World Bank projects and corruption, suggesting that not all foreign aid increases the prevalence of or exposure to undesirable practices. Aid's disillusioning effect may depend on who funds the project.

De Kadt and Lieberman's second proposed pathway – the empowerment mechanism (Briggs 2019) – asserts that improving public goods provisions decreases citizens' support for the ruling party and the incumbent leader. They argue that once voters have basic service coverage, their expectations for elected officials increase. Demanding greater performance, voters shift their support away from the incumbent to alternative parties. Applied to aid, the empowerment mechanism suggests that improving public goods provisions decreases legitimacy through increasing expectations of government performance and service provisions. Foreign aid often comes as budgetary support meant to continue the normal delivery of services in times of crisis or acute need. However, citizens may view this aid as a bonus in government spending rather than a band aid. They will expect the government to improve services when the state can only continue normal delivery. If the government fails to meet these expectations, then citizens will adjust their perceptions of the state, leading to a decrease in perceived legitimacy. The empowerment mechanism asserts:

*M4: Foreign aid decreases government legitimacy by increasing citizens' demands for greater government performance.*

Like all the proposed pathways, there is mixed empirical evidence for the empowerment model. While De Kadt and Liberman (2020) find some support for the mechanism, preliminary tests from Briggs (2019) suggests that this model may not hold for foreign aid. However, as Briggs himself asserts, the tests are not refined enough to accurately assess the relationship between aid, empowerment, and perceived legitimacy of the ruling party. As it stands, there is not enough information to determine if this mechanism is in operation.

### *Patron*

The disillusionment mechanism asserts that aid causes citizens to lose confidence in the state due to increased exposure to negative government behaviors, namely corruption. However, corruption is only one type of government behavior that is hypothesized to correlate with aid. As a partially fungible resource, foreign aid can also pass through clientelist networks as a patronage good (Feyzioglu, Swaroop, and Zhu 1998; Van de Sijpe 2013). Government patrons in recipient states acquire aid and target public goods (or even pass private benefits directly) to their followers in exchange for their continued political support (Jablonski 2014). In this model, only citizens tapped into the leaders' political network receive the benefits of aid. Those outside of the network are likely aware of the inflowing funding since donors have an incentive to brand and publicize their projects, but they know that this aid is unlikely to benefit them. This unequal

treatment of citizens causes rising dissatisfaction among the politically disconnected, resulting in decreased perceptions of government legitimacy. Thus, the patronage model asserts that:

*M5: Foreign aid decreases government legitimacy by benefiting only the politically connected.*

Like the disillusionment mechanism, the patron pathway asserts that aid increases certain undesirable government behaviors. However, where disillusionment hypothesizes that citizens' dissatisfaction arises from the negative economic consequences of increasing corruption, the patron model asserts that dissatisfaction arises from the politically motivated distribution of positive benefits. Thus, these two related pathways produce different expectations regarding how aid affects legitimacy.

There is some evidence in favor of the patron model. Dreher et al (2019) find that Chinese foreign aid projects tend to go to the state leader's home region, an area where they enjoy greater political support. This pattern does not appear to exist with World Bank funded projects, suggesting that leaders' do not have an equal ability to capture aid from all donors. Milner, Nielson, and Findley's (2016) work on the preference of aid recipients in Uganda supports this assertion. The authors find that citizens tend to prefer aid-funded programs over government programs, particularly when they believe that donors primarily control the aid flows. Thus, the patron mechanism may depend in part on who the aid is coming from.

#### *Provider*

The previous five mechanisms discussed thus far have posited a negative relationship; as foreign aid increases, government legitimacy should decrease. However, there is a theoretical pathway through which aid may have a positive impact on legitimacy. The provider model asserts that recipient citizens reward governments and leaders when they successfully attract foreign aid. As Dolan (2020) argues, citizens in developing countries often expect their leaders to bring resources into the community. The announcement of a new aid project thus fulfills citizens' expectations for good government performance, and they may reward this performance with an increased belief in the government's legitimacy. In addition, Dolan (2020) and Dietrich, Mahmud, and Winters (2018) argue that citizens may view leaders who acquire aid as more effective and less corrupt. This is because allocating aid requires a certain level of trust between donor and recipient, so citizens may believe that governments which can successfully request and receive aid are more effective and trustworthy. Therefore, foreign aid may increase perceptions of legitimacy by highlighting the government's competence and care. Thus, the provider model asserts:

*M6: Foreign aid increases government legitimacy by increasing citizens' belief in leadership's ability to provide for the people.*

While there is no direct empirical support for this mechanism, there is evidence of a positive relationship between aid and legitimacy. Based on a multi-level analysis of Afrobarometer data, Sacks (2012) finds that the provision of services by donors and non-state actors strengthens government legitimacy, but only if citizens view the state as essential to

leveraging and managing these resources<sup>13</sup>. Similarly, Böhnke and Zürcher (2013) conduct a longitudinal study of 80 communities in Afghanistan to assess the effect of aid on security and state legitimacy. The authors find that while aid does not increase perceptions of security or positive attitudes towards international actors, it does positively relate to legitimacy. Dietrich, Mahmud, and Winters (2018) find that information about USAID funding of healthcare clinics in Bangladesh slightly improved recipients' perceptions of the U.S. and increased citizens' confidence in government authorities. Although not definitive, these studies provide support for the assertion that aid can increase legitimacy.

## **Legitimacy and Donor Identity**

As the preceding review demonstrates, there is substantial disagreement regarding if and how aid affects legitimacy. Work in this area has produced a collection of compelling and contradictory findings, and there is mixed evidence supporting the six proposed causal mechanisms. What explains this heterogeneity? I argue that there is a vital omitted variable which determines in part if and how aid impacts legitimacy: donor identity. There has been some work examining how various features of aid affect government legitimacy (Findley, Milner, and Neilson 2017; Baldwin and Winters 2020), and some work focusing on the impact of certain donors (Isaksson and Kotsadam 2018a; Dreher et al 2019). However, the relationship between donor and the causal pathways connecting aid to legitimacy has yet to be explored. I argue that the relationship between aid and legitimacy depends in part on where funding comes from, and that accounting for multiple donors in analysis can give more insights into which causal mechanisms work and under what conditions.

There are three reasons why donor identity matters to the aid-legitimacy relationship. First, recipients care about where their aid comes from. While states ideally give aid for humanitarian reasons, it is also well known that political and strategic motivations drive allocation (Alesina and Dollar 2000). Recipient citizens appreciate this fact (Alrababa'h et al 2020), and they are aware that aid often comes with strings attached. Moreover, these strings can pull at central aspects of their political and economic lives. For example, the United States specifically gives aid to “expand markets for U.S. exports; create a level playing field for U.S. businesses; and support more stable, resilient, and democratic societies” abroad (USAID 2021). These programs often require uncomfortable political changes and economic redistribution that creates groups of aid “winners” and “losers” (Tokdemir 2017). Thus, who funds a project and for what purpose can have a substantial impact on recipients' lives. These strategic motivations, and their potential effect on host communities, make donor identity important to recipients.

Second, recipients have pre-existing opinions of donors which affect citizens' views of inflowing aid and how they subsequently update their perception of government legitimacy. In addition to aid-ties, donors have diplomatic, economic, and political histories with their recipients. Some histories are amicable, while others are contentions. Regardless of the nature of the relationship, past interactions have a tangible effect on recipient citizens' current opinion of the donor. When offering and implementing aid, donors often brand their projects to improve their popular image in the recipient (Dietrich and Winters 2015). However, knowledge of donor

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<sup>13</sup> Baldwin and Winters' (2020) work on bypass aid partially supports this finding; foreign funding reduces citizens' willingness to comply with tax only if it comes through an NGO and not the government.

identity is a double-edged sword, and information on aid funding can inflame pre-existing negative sentiments towards the donor (Adelman 2011). I argue that these unfavorable opinions can prime negative causal pathways connecting aid to legitimacy, resulting in lower belief in the government's authority. Similarly, aid from a favored donor may trigger more positive pathways, resulting in higher government legitimacy.

Finally, where aid comes from in part structures how aid affects legitimacy. Donors use different strategies when offering and implementing aid. Funding from DAC donors tends to be conditional and seeks to politically change recipients at the highest levels of government (Dreher and Fuchs 2011; Dreher, Nunnenkamp, and Thiele 2011). Some OECD donors will pass aid through NGOs when allocating funding to states with poor institutional quality (Dietrich 2013), although an individual donor's likelihood of pursuing bypass aid depends in part on their own national orientation towards the appropriate role of the state in public services (Dietrich 2016). In comparison, rising donors tend to eschew conditionality and target aid to the local level (Dreher, Nunnenkamp, and Thiele 2011). Some donors, like China, tie their aid to the use of state companies and resources to lower project costs and benefit the donor's domestic economy. This diverse and confounding set of aid delivery features have an impact on the way recipients receive and interact with assistance, which in turn affects which causal pathways open to connect this funding to perceptions of state authority.

Recipients' pre-existing opinions and donors' unique delivery features structure the relationship between aid and legitimacy. That is, some causal pathways may only operate with aid from some donors due to how the funding is delivered and received. This suggests that donor identity has an interactive effect on the aid-legitimacy nexus; the operation of a causal mechanism depends in part on where aid comes from. In the next sections, I develop several specific hypotheses about how Chinese and European aid in particular may affect legitimacy through three mechanisms.

### *Donors and Legitimacy*

China is the most prominent and well-studied of non-traditional donors. From 2000 to 2017, China offered over \$1.7 trillion in reported aid packages to 165 countries<sup>14</sup> making it one of the largest donors globally (Custer et al 2021; Dreher et al *forthcoming*). This prominence has brought with it scrutiny, particularly from traditional donors who claim Chinese aid comes with imported bad practices. In particular, scholars and policy experts have claimed that Chinese aid funds corruption and patronage in the recipient (Naím 2007; Green 2019; Mark 2021). Recent scholarship provides some support for this claim. In their study of Tanzania, Brazys, Elkind, and Kelly (2017) find that Chinese aid projects associate with increased experiences with and perceptions of local corruption. Similarly, Isaksson and Kotsadam (2018a) find that Afrobarometer respondents living within 50 km of a Chinese aid project are 3.5% more likely to have paid a bribe to the police and 2.7% more likely to have paid a bribe to receive a document or permit. These results do not hold for World Bank projects, suggesting that Chinese aid performs differently than traditional donors. The disillusionment mechanism asserts that foreign aid decreases legitimacy by exposing citizens to government corruption. Based on the

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<sup>14</sup> This figure includes ODA-type and OOF-type flows and reflects the total commitment and not actual disbursement.



standing research regarding Chinese aid and local corruption, I hypothesize that relative to U.S. aid:

*H1: Chinese aid decreases legitimacy through the disillusionment mechanism.*

There is also some evidence that Chinese aid funds patronage networks as well. In his Brookings Institute's analysis of the PRC's interactions with the South Pacific, Jonathan Pryke (2020) argued that by offering low-interest aid with few questions China is "certainly contributing to entrenching systems of corruption and patronage in the Pacific." In support of this claim, Dreher et al (2019) find that African leader's home provinces are significantly more likely to receive an aid project than other locations, even when controlling for relative need. As outlined by the patron mechanism, foreign aid should decrease legitimacy if it benefits the politically connected above the economically most deserving. Thus, I hypothesize that relative to U.S. aid:

*H2: Chinese aid decreases government legitimacy through the patron mechanism.*

Finally, the dependency mechanism suggests that foreign aid decreases government legitimacy by increasing the government's dependence on the donor. Although Chinese aid famously comes with "no strings attached," this arrangement has not stopped aid observers from questioning China's strategic motivations in allocating funding. One common claim is that China cultivates dependency through debt-trap diplomacy. By offering large high-interest loans China can later extract economic or political concessions once the debtor becomes unable to repay its obligations (*The Economist* 2018; Green 2019). Although emerging research challenges this belief (Bräutigam 2020; Jones and Hameiri 2020; Singh 2020), China's reputation as a self-serving lender and aid giver has caught on in the media and among politicians. Thus, I hypothesize that relative to the U.S.:

*H3a: Chinese aid decreases government legitimacy through the dependency mechanism.*

As suggested by Alrababa'h et al (2020), the mediating effect of dependency may not be universally negative. In their study of Eastern Ukrainians' preferences, the authors find that respondents actually prefer aid given to increase the donor's influence if the donor is a political ally. Stated differently, recipients do not appear averse to becoming more dependent on a politically aligned donor. Just as recipients punish states for accepting aid that increases dependency on non-preferred donors, I argue that recipients may perceive the state as being more legitimate if it increases dependence on a politically preferred donor.

Following Alrababa'h et al (2020) I define a preferred donor as a state that shares a political orientation with the recipient. Although backsliding, the Philippines is still a democracy. The most prominent democratic donor in the Philippines and globally is the United States. However, there is reason to believe that the U.S. would not be the most preferred democratic donor. Since his election to office in 2016, President Duterte has made his personal and political dissatisfaction with the United States clear, and he has made numerous statements highlighting his desire to distance the Philippines from the global hegemon (Sullivan 2016; Gomez 2020). At the same time, positive perceptions of the U.S. have been declining among Filipinos (Poushter and Bishop 2017), and according to the Pew Center's Global Indicators Database, average

confidence in President Trump was 15 percentage points lower than confidence in President Obama<sup>15</sup>.

By comparison, confidence in the E.U. appears to be on the rise. Pew data shows that favorable opinions of the Union rose from 62% in 2013, to 68% in 2014, and most recently 70% in 2019<sup>16</sup>. Confidence in Angela Merkel, an E.U. leader, also rose steadily from 2017 to 2019. While Duterte has denounced the E.U. in response to criticism over his war on drugs (Villamor 2017), his negative rhetoric about the Union has been less contentious and frequent than his rhetoric towards the U.S. and China. Considering these changing perceptions and prevailing political trends, it is possible that Filipinos prefer becoming closer with (and more dependent on) the democratic European Union than the United States. Therefore, I expect that relative to the U.S.:

*H3b: E.U. aid increases government legitimacy through the dependency mechanism.*

## **Research Design**

### *Case Selection and Sampling Techniques*

I test these arguments using a vignette survey experiment of 1,238 respondents in the Philippines. I administered the survey through Qualtrics' online application for two weeks in November 2020. Qualtrics offers high-quality coverage of the Philippines with an online application optimized for both computer and phone use. This feature is important in capturing a representative sample, since 80% of Filipino adults have access to a mobile phone (Silver et al 2019). Respondents were randomly chosen from Qualtrics' user bank with a known probability of selection. To ensure a representative sample, responses were balanced on gender and income, two variables that tend to have an uneven distribution in online surveys. The questions were in English with a filter for language fluency. While this limits generalizability, its impact is not severe since English is an official language taught in schools and used for government business. According to the *English Proficiency Index*, the Philippines is the 18<sup>th</sup> most proficient English-speaking country in the world (Education First 2021).

The Philippines is an ideal test case for this study due to its extensive history as a foreign aid recipient. Following the second World War, the country received billions of dollars in funding from the United States and its allies. This funding continued throughout the Cold War, and in more recent times the state has been the target of democracy promoting aid flows. As the Philippines has developed, its aid intake relative to spending has decreased, but the country still receives more than it gives. According to the World Bank, in 2019 the Philippines received \$905.4 million in net ODA distributions, or about \$8.37 in net ODA per capita. This figure counts only funding from OECD members, so the actual amount of aid the Philippines receives is higher due to the contribution of rising donors like China and Russia. The Philippines' extensive history as an aid recipient means that its citizens are likely well verse in the role aid plays in their country, making them an ideal population for this study.

In addition, the Philippines accepts aid from diverse donors. The U.S. has been a key

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<sup>15</sup> Obama had a three-year average confidence of 89%; Trump had a three-year average confidence of 74%.

<sup>16</sup> These are the only three years for which data is available.

donor to the Philippines since 1946, and in the past 10 years it provided approximately \$3 billion in funding (USAID 2021). Although China's bilateral aid flows are difficult to track, data suggests that the PRC is a major funder as well. According to AidData, China offered \$10.9 billion in ODA-like projects to the Philippines between 2000 and 2017 (Custer et al 2021; Dreher et al *forthcoming*). Following the 2016 election of President Rodrigo Duterte, the Philippines opened itself up to greater investments from the Chinese Belt and Road Initiative. In a 2017 interview, Duterte claimed to have signed \$24 billion in aid and investment commitments from China<sup>17</sup> (Cardenas 2017; Camba 2021).

In addition to funding from the U.S. and China, the Philippines has hosted projects from other prominent donors including the E.U. and Russia. The E.U. offered the Philippines a \$280 million aid package in 2017<sup>18</sup>, and it has allocated millions in disaster relief including \$885,000 and \$590,000 to assist in rebuilding efforts following the 2019 Mindanao earthquakes and 2020 Tall volcanic eruption respectively (European Commission 2021). While Russia does not publish statistics on its bilateral aid giving, there are reports of Russian funded initiatives in the Philippines. According to the U.N. operated site Relief Web, Russia sent an undisclosed amount of aid in the wake of typhoon Yolanda in 2013, and in 2018 Russia's Ministry of Emergency Situations reported delivering at least 25 tons of food aid (TASS 2018). While relatively small in scale, President Duterte has repeatedly and publicly praised Russia for its generosity to the Philippines<sup>19</sup>, which has likely affected the perceived importance of Russia as a donor. This diversity in donors means that the hypothetical project presented in the vignette will have true to life parallels, which increases external validity and the quality of participants' responses.

### *Demographics and Control Variables*

I begin the survey with demographic questions on respondents' *age, sex, education, ethnicity, home province, and income*<sup>20</sup>. I measure a respondent's political connections through an index based on a series of yes/no questions<sup>21</sup>. While the theoretical maximum of this scale is 13, the highest observed value is 9. Most respondents score 2 or fewer points, with 40% scoring just 1. Overall, the average respondent is a woman between 25-34 years of age, with minimal political connections and some college education making ₱60,000 to ₱99,999 annually<sup>22</sup>.

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<sup>17</sup> Although the Philippines has accepted some aid and investment packages from China, the claim of \$24 billion has never been verified and most experts believe it is an exaggeration.

<sup>18</sup> Duterte turned it down over the E.U.'s criticisms of his handling of the domestic war on drugs.

<sup>19</sup> After the U.S. blocked the sale of 23,000 Armalites to the Philippines, Duterte claimed that Vladimir Putin agreed to provide arms without asking for anything in return (Geducos 2021). Although this example references military aid, Duterte's statement likely impacted people's perceived importance of Russia as an aid partner.

<sup>20</sup> *Income* is a six-level variable reporting household earnings for the past year. Response items included: Under ₱20,000; ₱20,000 to ₱39,000; ₱40,000 to ₱59,999; ₱60,000 to ₱99,999; ₱100,000 to ₱249,999; ₱250,000 and over.

<sup>21</sup> Respondents selected 'yes' if any of these statements applied to them: I follow political issues closely; I attend political party meetings; I am a member of a political party; I attend local government meetings; I campaign for political candidates; I participate in [politics] other ways; I am a federal employee; I am a retired federal employee; I have a close family member who is a federal employee; I am a provincial employee; I am a retired provincial employee; I have a close family member who is a provincial employee. In addition, respondents received a point if they were a member of the president's party, born in the president's province, or shared the president's ethnicity.

<sup>22</sup> According to the Philippine Statistics Authority the average annual family income was approximately ₱313,000 in 2018. The average individual salary was ₱161,847 annually. The relatively low average salary of this sample is

I also collect information on respondents' opinion of inflowing foreign aid and their past experiences with aid projects. I ask if they have a very unfavorable, somewhat unfavorable, somewhat favorable, or very favorable opinion of foreign aid to the Philippines. I use this information to control for respondents' *support for aid* in general. If participants have a broadly negative view of aid – regardless of who provides it – then this opinion will drive survey responses and not the treatment (aid from a particular donor). I also ask respondents if they have ever benefited directly from foreign aid to account for their past experiences; 17% of the sample reported that they had. To control for pre-existing opinions of two prominent aid donors, I ask respondents for their *opinion of the U.S.* and *opinion of China*. I model these questions off the Pew Center's Global Attitudes survey and measure attitudes on a four-point scale from very unfavorable to very favorable.

### *Experimental Treatment*

After answering the demographic questions, I introduce respondents to the experiment. Instructions state that “[o]n the next page is a short announcement for a potential foreign aid project that may be built in your area.” I then ask respondents to read the announcement carefully and to hit the arrow at the bottom of the screen when they are ready to begin. There is no time limit for answering a question and respondents may change their answers after making an initial selection. However, respondents may not return to a page once they have exited it.

When they click the arrow to begin the experiment, the survey randomly assigns respondents to one of four donor treatment groups, either the United States, China, Russia, or the European Union. I include these four donors as treatments for two reasons. First, all four have recently provided foreign aid to the Philippines. The U.S. and China are among the Philippines' top donors, and they are theoretically significant cases in the aid literature. Russia and the E.U. also routinely give aid, though to a lesser extent. The selection of these countries thus represents a cross-section of four important and popularly recognizable aid donors to the Philippines. Second, while united in their status as aid donors, these states differ along theoretically significant dimensions; specifically, they differ in their regime type. The U.S. and E.U. are democratic bodies, while Russia and China are autocracies. This even division between democratic and autocratic donors allows for the comparison of results between types.

Once in their treatment group, participants see a vignette resembling a short aid announcement that they would see posted on in a newspaper or government website. Vignette wording is nearly identical across groups except for two features. First, the project donor changes based on treatment group. Second, the location of the project is set to match the respondent's reported home province. This purposeful selection of home province targets the prospective benefits of the project directly to the participant. This is important since many of the mechanisms assume that respondents have direct contact with the aid project. The described project is for a health clinic, a good which is desirable and useful to all respondents. It will take seven months to complete and is by the donor. The clinic is worth ₱25 million, or just under half a million USD, which is the average amount the U.S. spent on healthcare projects in the Philippines from 2009

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likely due to the low average age of respondents. Approximately 37% of respondents were between the ages of 25 and 34, and 67% were under the age of 34.

to 2020<sup>23</sup> (USAID 2021). Complete vignette wording is below:

*“Plans were recently announced to build a new health clinic in [respondent’s province]. The project will be entirely funded by [the treatment donor.] as part of a foreign aid package. The project is expected to take seven months to build and will cost over ₱25 million.”*

### *Mechanisms*

After reading the vignette, respondents turn to the next page of the survey where they see a grid-style question matrix containing six statements corresponding to one of the six proposed aid-legitimacy mechanisms. Text above the question matrix states, “People have different opinions on how this aid project will affect the community. Below are several comments community members made about what they think the project will do. Please indicate how much you agree with each of the following statements.” Respondents then select their level of agreement from a five-point Likert scale running from strongly disagree to strongly agree. I randomly list the statements to avoid ordering effects. Table 3.1 displays the six statements.

Table 3.1: Survey Statements for Causal Mechanisms

Mechanisms	Statements
Fiscal Contract	This aid project means that the government will provide fewer public services in the future.
Foreign Dependence	This aid project will increase the government’s economic and political dependence on [the donor].
Disillusionment	This aid project will increase the amount in bribes I have to pay for medical services.
Empowerment	After this project is built, the Filipino government must work hard to improve other public services in the community.
Patron	This aid project will only benefit people who have connections with the government.
Provider	This project shows that the leader is competent and can provide for the community’s needs.

The *fiscal contract* approach suggests two ways aid affects funding: through the expected delivery of public services and through citizens’ willingness to pay tax. I address the citizen focused pathway through the first statement listed in Table 3.1. To assess how aid affects the state’s perceived *tax authority*, I ask if respondents think that the tax department has the right to make people pay taxes. Respondents indicate their agreement using a five-level Likert scale posted beneath the question matrix.

### *Legitimacy*

The dependent variable is perception of government *legitimacy*. I follow Dietrich,

<sup>23</sup> The average is \$500,079. This calculation is based on the seven projects classified as basic healthcare, excluding projects labeled as technical assistance.

Mahmud, and Winter's (2018) work and measure *legitimacy* as an additive index. I ask respondents to indicate if they have *full*, *partial*, or *no confidence* in eight government institutions. I present the institutions in a grid and randomly list options to avoid ordering effects. An example of this question matrix is displayed in Table 3.2. I combine responses to create an additive index running from 0 to 16. While the national government and provincial government are the most relevant in terms of foreign aid administration, including other political institutions increases the reliability of the legitimacy measure by providing a comprehensive view of the government. Mean *legitimacy* is 8.78 with a standard deviation of 3.24, and the data roughly follow a normal distribution.

**Table 3.2: Legitimacy Survey Questions**

Institutions	No Confidence	Partial Confidence	Full Confidence
National Government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provincial Government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Municipal Government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Courts and Judges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks and Financial Institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-governmental Organizations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political Parties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Military	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Analysis of Results

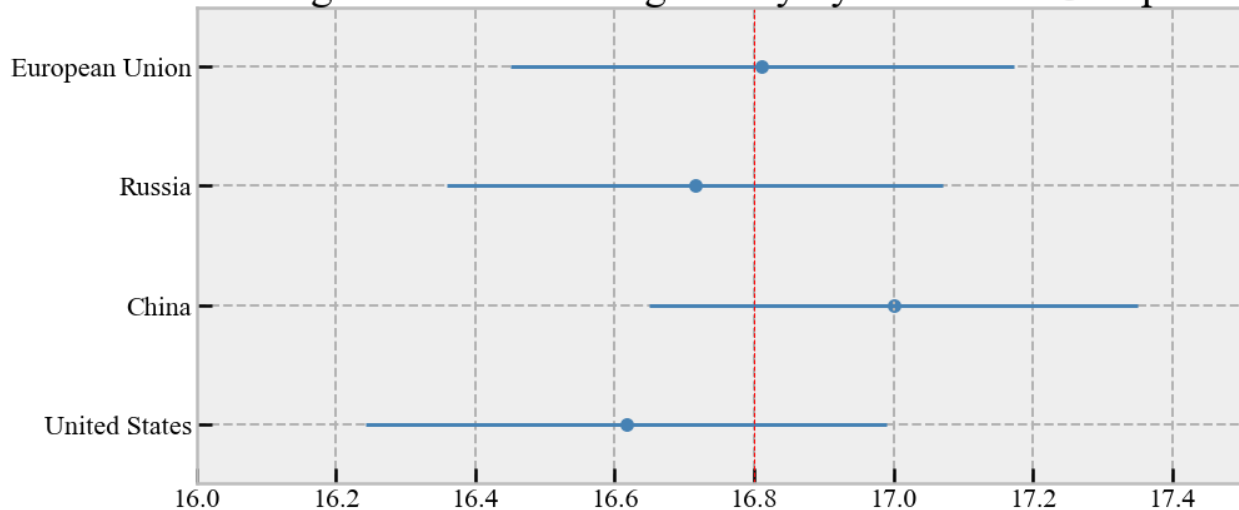
I perform a three-stage analysis to examine if and how aid from different donors affects government legitimacy. In the first stage, I assess the impact donor has on *legitimacy* and on each mechanism separately. This establishes a baseline relationship. Next, I run a series of models that regress donor and the mechanisms on *legitimacy*. This determines the extent to which donor mediates the effect of aid on legitimacy through the six mechanisms. Finally, I run a series of robustness tests and secondary analyses to check the findings and explore related questions.

### *Stage-One: Effect of Donor on Legitimacy and Mechanisms*

I hypothesize that donor identity plays a role in determining the impact of aid on legitimacy. As an initial examination of this hypothesis, I plot mean *legitimacy* by treatment

group in Figure 3.1. The horizontal blue lines indicate the 95% confidence interval, and the vertical red line indicates the mean of all observations. In addition, I conduct an ANOVA test on *legitimacy* by donor. ANOVA, or analysis of variance, determines if there is a statistically significant difference in means between three or more treatment groups. A significant difference indicates that donor has a strong independent effect on government *legitimacy*<sup>24</sup>. I find that while the disparity between some groups is large, there is no statistically significant difference in mean *legitimacy* between any of the donors. This suggests that the treatment alone is not enough to affect the dependent variable.

Figure 3.1: Mean Legitimacy by Treatment Group



While donor is not independently related to *legitimacy*, the interactive hypothesis posits that it should be related to the causal mechanisms. To examine this, I regress donor identity on measures for each of the proposed mechanisms and report results in Table 3.3. Each regression includes *age*, *income*, *education*, *male*, *support for aid* and *political connections* as controls, and includes regional fixed effects. The United States is the excluded reference category.

In support of theoretical expectations, donors relate to the causal pathways, but only some of them. Relative to perceptions of American aid, Chinese and European aid associates with an increase in *foreign dependence*. That is, respondents judging a Chinese or E.U. aid project tend to agree with the statement that aid would result in greater dependence on the donor. European aid also associates with *disillusionment* and *patron*; respondents believed that E.U. aid would increase bribe payments and only benefit the politically connected. Comparatively, Russia is negatively associated with *provider*. Participants in this group tend to not believe that leaders who acquire Russian aid are competent and can provide for the community's needs. China also negatively associates with *provider*, but this relationship did not attain a traditionally accepted level of significance.

Overall, respondents view American aid positively. It is less associated with foreign dependence, disillusionment, and patronage, and it benefits recipient leaders with increased community belief in their ability to provide. Moreover, donor identity does not appear to shape

<sup>24</sup> ANOVA results are in the Appendix.

general perceptions of legitimacy and it is not detrimental to the government or incumbent through the fiscal contract or empowerment mechanisms.

**Table 3.3: Donors' Effect by Pathway**

	<i>Dependent variable:</i>					
	Tax Authority	Dependence	Disillusion	Empower	Patron	Provider
	(1)	(2)	(3)	(4)	(5)	(6)
China	0.037 (0.081)	0.194** (0.090)	0.086 (0.097)	0.040 (0.085)	0.122 (0.104)	-0.138* (0.083)
E.U.	0.011 (0.081)	0.241*** (0.091)	0.210** (0.098)	-0.033 (0.085)	0.252** (0.104)	-0.136 (0.084)
Russia	-0.145* (0.079)	0.110 (0.088)	0.002 (0.095)	-0.048 (0.083)	-0.038 (0.101)	-0.196** (0.081)
Age	0.024 (0.032)	-0.018 (0.036)	-0.025 (0.038)	-0.034 (0.033)	0.017 (0.041)	0.063* (0.033)
Income	0.050*** (0.017)	0.004 (0.018)	-0.102*** (0.020)	0.088*** (0.017)	-0.055*** (0.021)	0.011 (0.017)
Education	0.019** (0.008)	-0.005 (0.009)	0.005 (0.010)	0.020** (0.009)	0.009 (0.011)	-0.017* (0.009)
Male	0.179*** (0.059)	-0.088 (0.066)	-0.165** (0.071)	-0.101 (0.062)	-0.118 (0.076)	0.009 (0.061)
Support for Aid	0.223*** (0.040)	0.145*** (0.044)	-0.053 (0.048)	0.146*** (0.042)	-0.029 (0.051)	0.196*** (0.041)
Political Connections	0.050** (0.021)	0.012 (0.024)	0.017 (0.025)	-0.016 (0.022)	0.003 (0.027)	-0.020 (0.022)
Observations	1,238	1,238	1,238	1,238	1,238	1,238
R <sup>2</sup>	0.064	0.017	0.036	0.046	0.015	0.032
Adjusted R <sup>2</sup>	0.044	-0.004	0.015	0.025	-0.006	0.011
F Statistic (df = 9; 1211)	9.241***	2.308**	5.015***	6.437***	2.108**	4.395***

*Note:* All models run with regional fixed effects.

*Stage-Two: Effect of Donor and Mediators on Legitimacy*



To see how donors and mechanisms simultaneously relate to *legitimacy*, I conduct a causal mediation analysis using Tingley et al's (2013) R package. This package assists in the estimation of causal mediation effects and tests for sensitivity using a standard research design.

For a mediation analysis to produce valid results four assumptions must be met (VanderWeele 2016). First, confounding between the treatment and outcome must be controlled. Second, since interpretation of the analysis produces conclusions about the mediator's effect on the outcome, mediator-outcome confounding must also be addressed. Third, because mediation is about the treatment changing the mediator (and the change in the mediator impacting the outcome), exposure-mediator confounding must be controlled. These three assumptions can be addressed in two ways. First, I include numerous theoretically significant statistical controls, including income, age, gender, and education. Second, in additional testing I restrict the samples to only include subjects with similar values for one potentially confounding factor – past aid experience. Although imperfect, these measures address the first three critical assumptions needed to ensure valid causal identification.

The final assumption states that there should be no mediator-outcome confounder that is itself affected by the treatment (VanderWeele 2016). In the context of this experiment, donor identity cannot affect a variable which confounds the relationship between a mediator and the outcome *legitimacy*. This experiment measures legitimacy through a survey of recipients, and the majority of relevant confounders are related to respondents' personal characteristics, such as their income. It is difficult to imagine a way in which donor identity affects a respondent's personal attributes, which in turn affects their views of government legitimacy. Therefore, it is unlikely that this assumption is violated.

I run three separate tests that compare one donor treatment (China, the E.U., or Russia) against the United States. This requires splitting the sample to include only observations with the treatment and the U.S., resulting in smaller sample sizes for each model. I chose the U.S. the reference category since it is the largest and historically most prominent aid donor. Thus, a comparison between any one donor and the United States should be more intuitive. Table 3.4 displays the average causal mediation effect (ACME) for each of the six mechanisms within each treatment group. The ACME reports the average difference in effect the mechanism has on legitimacy when compared between respondents receiving the U.S. treatment and respondents receiving another treatment donor.

**Table 3.4: Donor and Mechanisms on Legitimacy**

Mechanism	China	The E.U.	Russia
Tax Authority	0.023	0.008	-0.073*
Dependency	0.032	0.074**	0.015
Disillusionment	-0.008	-0.018	0.000
Empowerment	-0.001	-0.003	-0.005
Provider	-0.055**	-0.05	-0.050**
Patron	-0.019	-0.033	0.002
Observations	625	612	653

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Although *tax authority's* ACME attains significance at the 0.1 level, this does not pass the threshold for traditionally acceptable results. Relative to American aid, funding from China, the E.U., and Russia has no moderating effect through respondents' belief in the state's right to tax. Combine with results from Table 3.3, this study is unable to provide evidence of the *tax authority* mechanism operating for any of the Philippines' four most prominent donors. While not a complete refutation of this model, these results provide evidence against the assertion that aid decreases legitimacy by decreasing citizens' willingness to pay tax.

The *dependency* mechanism does yield results. According to Table 3.3, both China and the E.U. are strongly and positively related to *dependency*. However, in the mediated analysis only the ACME for the E.U. model gains significance. Chinese aid has no mediating impact on legitimacy through *dependency*. This result fails to support H3a and the popular belief that China fosters political dependence through foreign aid (Mark 2021). Relative to American aid, respondents who receive the European treatment condition have marginally higher perceptions of government legitimacy. Specifically, legitimacy increases through citizens' increased belief that aid will make the government more dependent on the donor. This result supports H3b; E.U. funding does increase government legitimacy through the dependency mechanism. It also supports Alrababa'h et al's (2020) finding that politicize aid is sometimes desirable. Becoming more dependent on certain donors does not necessarily delegitimize a recipient government.

Neither the *disillusionment* nor the *empowerment mechanism* has a statistically significant effect in any model. Moreover, the magnitude of the ACMEs for these mechanisms are small and sometimes effectively zero. These results fail to support H1; Chinese aid does not affect legitimacy through the disillusionment mechanism. This finding sits at odds with recent research demonstrating that African aid recipients experience increased corruption following the construction of a Chinese project in their community (Isaksson and Kotsadam 2018a). Additionally, the *patron* pathway fails to gain significance in any model. Contrary to H2 Chinese

aid does not decrease legitimacy by only benefiting the politically connected.

There are two explanations for these incongruous results. One is that the disillusioning impact of Chinese aid is highly localized so that measuring legitimacy as belief in the national and provincial government is too broad. I assess this by comparing average confidence in the municipal government across the U.S. and China treatment groups. I find that confidence is slightly *higher* in the China sample than the U.S. sample<sup>25</sup>. This suggests that the disillusionment mechanism is not specific to local-level government. A second explanation is that aid's disillusioning impact depends on both the donor and recipient. For aid to support corruption, the donor has to provide funding that is susceptible to capture and politicization. At the same time, the recipient has to see and act on this opportunity. Therefore, the operation of this mechanism may depend as much on the donor as it does on the recipient. More testing is needed to determine if this is the case.

*Provider* attains significance, but its effect works in an unexpected direction. This mechanism asserts that aid increases citizens' belief in the government by increasing their belief in leadership's ability to provide for the people. However, *provider* registers as significant and negative in the China and Russia treatment groups, indicating that aid from these donors decreases legitimacy by decreasing respondent's belief in their leader's ability to provide. Like *dependency*, the *provider* pathway is a double-edged sword, and accepting aid from the wrong donor may actually work against a leader's public perception.

## **Additional Testing**

### *Alternative Measures of Legitimacy*

In the main models, legitimacy measures respondents' confidence in eight institutions. Two of these institutions are not directly involved in the aid implementation process, like the courts and military. Other institutions, like banks and NGOs, may play a secondary role in implementation if any at all. Given their indirect relationship, it is possible that aid has no effect on confidence in these institutions. Thus, the impact of foreign funding on legitimacy may be concentrated among four institutions in particular: the national government, the provincial government, the municipal government, and political parties.

To get a better reading of the relationship between aid and government legitimacy, I redesign the dependent variable to look only at the institutions that are plausibly involved in aid allocation. Like the original dependent variable, I follow Dietrich, Mahmud, and Winter's (2018) and create an additive index including only respondents' confidence in the national, provincial, and municipal governments and political parties. This produces a variable with a scale of 0 to 8.

I rerun all tests and present the results in Table 3.5. The findings hold. *Tax authority* relates to *legitimacy* in the Russia sample, but the relationship is not significant. The E.U. affects legitimacy through the *dependency* mechanism, while China and Russia affect it through the *provider* mechanism. It appears that when compared to the democratic U.S., authoritarian donors have a negative mediating effect on legitimacy. Overall, these results indicate that certain donor

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<sup>25</sup> The U.S. treatment group had a mean of 1.078 the China treatment group had a mean of 1.13.

do mediate aid's impact on legitimacy through specific mechanisms.

**Table 3.5: Donor and Mechanisms on Government Legitimacy**

Mechanism	China	The E.U.	Russia
Tax Authority	0.012	0.005	-0.038*
Dependency	0.014	0.039**	0.010
Disillusionment	-0.004	-0.004	0.000
Empowerment	-0.002	0.000	-0.002
Provider	-0.038**	-0.028	-0.032**
Patron	-0.013	-0.014	0.001
Observations	625	612	653

*Note:* \* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

### *Mechanisms and Aid Experiences*

Four the proposed mechanisms connecting aid to legitimacy assume some level of interaction between citizen and project. The *disillusionment* and *patron* pathways in particular assert that respondents adjust their perceptions of government legitimacy in response to rising levels of corruption and patronage brought about by aid. If respondents adjust their perceptions based on their aid experiences, then respondents who report having previously benefited directly from foreign aid should have stronger results linking these mechanisms to legitimacy.

I evaluate this expectation by running the causal mediation analysis using past aid experience as the treatment. In total, 240 respondents reported having directly benefited from aid while 818 reported having no experience<sup>26</sup>. Due to small sample sizes, I am unable to subset the data and examine how donors may affect the aid-legitimacy relationship among those with and without aid experience. Regardless, this test provides initial insight into how experience may affect the relationship between the mechanisms and legitimacy. I calculate the ACMEs following the same procedure as before. Results from these tests fail to gain significance, and past aid experience has no causal mediating effect.

### *Fiscal Contract and the Provision of Public Goods*

The fiscal contract describes a two-party relationship between citizen and state, and theory suggests that foreign aid should affect each party's participation in the contract. Aid affects citizens by decreasing their willingness to pay tax and affects governments by decreasing

<sup>26</sup> 180 respondents stated that they did not know if they ever benefited directly from aid. I removed these responses from analysis.

their willingness to provide services. Both pathways may affect government legitimacy by decreasing citizens' reliance on the government and vice versa. Previous tests examined citizens' recognition of the government's taxation authority in response to aid from various donors. However, these tests did not assess the fiscal contract from the government's perspective.

It is not possible to directly test the government provisions end of the fiscal contract through a survey of citizens. A more appropriate analysis would compare aid inflows to government spending on public services. However, I can indirectly examine this mechanism by assessing people's beliefs about the future quality of service provisions following the implementation of foreign aid.

I measure respondents' future expectations of *service provisions* based on their level of agreement<sup>27</sup> with the following statement: "This aid project means that the government will provide fewer public services in the future." I calculate the ACME for each donor treatment group. These tests reveal null results. *Service provision's* ACME fails to attain significance in any model. There is no evidence that donor mediates the impact of aid on legitimacy through the fiscal contract. However, more testing is needed to determine if and how this finding relates to the actual provision of government goods following aid inflows.

## Conclusion

This paper examined the relationship between foreign aid from four prominent donors and perceptions of government legitimacy in recipient states. Drawing from a survey experiment of over 1,200 respondents in the Philippines, I find that aid has a complex relationship with state authority. Contrary to conventional expectations, Chinese aid does not decrease legitimacy by exposing recipients to greater levels of corruption or patronage. It does decrease legitimacy by undermining perceptions of the state leader, however. Similarly, Russian aid decreases government legitimacy by decreasing the public's belief in the leader's ability to provide for the community. Finally, aid from the European Union increases legitimacy by increasing the recipient state's perceived dependence on the donor. These results hold up to different measurements of legitimacy, and do not depend on a recipient's past experience with aid. Overall, this research demonstrates that donor plays a critical role link aid to legitimacy by priming certain causal mechanisms.

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<sup>27</sup> I measure this as a five-point Likert scale running from strongly disagree to strongly agree.

## **Chapter 4: Recipient Preference for Aid Donors and Partners**

Do aid recipients prefer certain donors and implementation partners? Previous work has looked at the opinions of aid donor audiences, but research on recipients' preferences remains limited. This paper takes a step at systematically examining recipients' opinions of aid by assessing how this group evaluates bilateral vs. multilateral donors, conditional vs. unconditional donors, and different aid implementation partners. Like other economic exchanges, foreign aid creates winners and losers. I argue that who wins depends on how aid is structured, which depends on who funds and implements the project. In terms of funders, I follow conventional expectations and develop a set of hypotheses regarding recipient preferences for multi/bilateral and conditional donors. I also introduce respondent level characteristics to investigate how an individual's level of political connectedness to the recipient government affects this opinion. In terms of project partners, I argue that recipients prefer NGOs to state actors due to their greater effectiveness. Using a novel conjoint analysis survey experiment I compare recipient opinions of various and implementing partners. Contrary to theoretical expectations, I find that respondents have no distinct preference for multilateral aid over bilateral aid. Instead, recipients prefer donors that offer conditional funding. Additionally, respondents have a strong preference for domestic NGOs over corporate and state partners. Finally, respondents' political connections have no impact on their aid opinions.

## Introduction

Do aid recipients have preferences for certain aid donors and project partners? Previous research has looked at the opinions of aid donor audiences (Chong and Gradstein 2008; Milner and Tingley 2010; Paxton and Knack 2012; Heinrich, Kobayashi, and Bryant 2016; Bayram 2017; Dietrich, Milner, and Slapin 2020; Heinrich and Kobayashi 2020), but research on the preferences of recipients remains limited (Milner, Nielson, and Findley 2016; Findley et al 2017; Findley, Milner, and Nielson 2017). This gap is surprising since donors give aid to improve their public image (Dietrich, Mahmud, and Winters 2018), making recipient perceptions an important component of aid effectiveness. Moreover, recipients are both participants and beneficiaries of foreign aid. Their opinions can have a tangible effect on project outcomes through their participation, and they can inform research on what features of aid are most popular and effective. Finally, philanthropically oriented aid aims to improve recipients' quality of life. In this context, recipient preferences should be a determining factor in project design and implementation.

This gap in knowledge is partially explained by a methodological challenge of foreign aid research – correlated and confounding variables. Funding structures (Findley, Milner, and Neilson 2017), implementing actors (Dietrich 2016; Findley, Milner, and Neilson 2017), recipient regime type (Tokdemir 2017), and aid conditions all effect individuals' experiences with and perceptions of foreign aid. Even recipient characteristics like political ties may impact aid preferences (Findley et al 2017). Since many of these characteristics correlate with donors and recipients, it is difficult to determine the independent effect any one variable has on preferences.

This paper takes a first step at systematically examining recipients' preferences for aid donors and implementing partners. It also takes a step toward untangling the complex relationship between recipient preferences, donor characteristics, and various features of aid. Following Findley, Milner, and Neilson (2017), I premise my study on the belief that individual recipients should perceive any meaningful difference in foreign aid. This means that surveys of recipients can shed light on key questions in foreign aid research, particularly relating to the efficacy of aid from various donors.

Like other types of economic exchange, foreign aid can create winners and losers (Tokdemir 2017). I argue that who wins depends on how aid is structured, which depends on who is funding the project and who is involved in implementation. In terms of donors, I draw from conventional expectations and develop two sets of competing hypotheses. The first set concerns bilateral versus multilateral funding, and I argue that recipients prefer multilateral aid due to its greater efficacy through informational access, apolitical allocation, and accountability mechanisms. The second set of hypotheses concerns conditional and unconditional donors, and I assert that recipients prefer conditional funding due to its ability to improve governance and foster long-term development.

I further argue that aid recipients are not a homogenous group, and recipients with strong political connections to the government and ruling party prefer aid that is amenable to capture by the host. This is because the politically connected expect to benefit from these inflows compared to funding that is robust to capture and politicization by the recipient. Bilateral aid is believed to

be more political and less targeted to the poor, while unconditional aid allows for freer allocation of resources to politically important groups. I develop two additional hypotheses, asserting that those unconnected to the ruling party and government prefer aid from multilateral donors while those with connections prefer aid from unconditional donors.

Finally, due to their superior grassroots connections, ability to maneuver in difficult environments, and apolitical nature, I argue that NGOs are often better positioned to effectively implement aid than companies or government organizations. As a result, I posit that respondents prefer NGOs to other aid implementation partners.

Using a novel conjoint analysis survey experiment I directly compare recipient preferences for bilateral and multilateral aid donors, conditional and unconditional donors, as well as recipient preferences for NGOs relative to corporate and government partners. Contrary to theoretical expectations, I find that respondents have no distinct preference for multilateral over bilateral aid, regardless of political connections. However, they do have a pronounced aversion to unconditional aid. They also place great weight on Filipino project partners but put almost no importance on donor partners. Finally, respondents have a strong preference for Filipino NGOs in implementation.

This paper proceeds as follows. In the next section I briefly outline the literature on bilateral versus multilateral aid as well as the current research on conditionality in giving. I then develop several hypotheses comparing donors across these groups. Next, I discuss the literature and develop a hypothesis about recipient preferences for NGO participation in aid. Third, I introduce the research design and survey experiment. I outline the benefits a conjoint analysis presents for aid research in general and this study in particular. I follow by empirically analyzing the data and interpreting results. Finally, I discuss implications by way of conclusion.

## **Donor Composition versus Conditionality**

### *Multilateral and Bilateral Donors*

Many scholars argue that multilateral donors are more effective at promoting development due to their superior informational access, apolitical nature, and expansive accountability mechanisms. In theory, multilateral organizations benefit from better data about the recipient. Information on the political-economic context of a host country is a collective good. Since multilateral agencies pool and share information from multiple sources (Rodrik 1995; OECD 2013), they should have an advantage in decision making and aid allocation. This allows these donors to effectively impose conditionality and to better target the intended recipients of aid (Charron 2011). In addition, there is some evidence that multilateral donors are less political in allocation than bilateral donors (Alesina and Dollar 2000; Burnside and Dollar 2000; Milner and Tingley 2013). Since several states have influence over how these organizations spend their money, multilateral agencies' aid programs tend to be less tied to a single country's foreign policy agenda (Martens et al 2002). This allows multilateral agencies to focus funding more on development promotion and poverty reduction.

Moreover, numerous studies demonstrate that bilateral aid is more vulnerable to political capture than funding from other sources. In her review of six common claims regarding bilateral



versus multilateral aid, Gulrajani (2016) finds strong evidence supporting the claim that state-to-state aid is more politicized than multilateral channels. Research by Quazi et al (2019) on the relationship between foreign assistance and FDI in Latin America finds that multilateral aid significantly boosts investment, but bilateral aid does not. The authors assert that this finding lends credence to the claim that multilateral aid is less politicized and therefore more effective at promoting development. Finally, recent work by Dreher et al (2019) reports that bilateral Chinese aid projects are more likely to be built in a recipient leader's hometown than World Bank projects, demonstrating that bilateral funding is affected by both donor and recipient politicization.

However, other scholars argue that multilateral agencies do not present any benefits above bilateral donors. In a meta-analysis of 45 papers empirically comparing bilateral and multilateral aid, Biscaye, Reynolds, and Anderson (2017) found no consistent evidence that either donor is more effective at promoting development. Instead, multiple factors, including region, time period, and individual donor organizations, all influenced development. This result may be explained in part by the overstated benefits of apolitical funding. Work by Christensen, Homer, and Nielson (2011) finds that bilateral donor's greater ability to condition aid on political factors, like recipient government quality, can lead to greater development outcomes. Moreover, while bilateral aid tends to be more politically motivated, multilateral funding is not immune to strategic considerations (Gulrajani 2016). Depending on the size of the organization and the relative balance of funding, some states have significantly more influence over allocation choices than others. For example, states on the U.N. Security Council have greater influence over World Bank loans than others (Dreher, Sturm, and Vreeland 2009). This control is significant because World Bank loans have a tangible effect on how states vote in the U.N. (Dreher and Sturm 2012). Based on this research, there appears to be few meaningful differences between bilateral and multilateral donors in terms of effectiveness or allocation strategy.

To date, the literature has provided conflicting theoretical arguments and empirical observations regarding the relative benefit of bilateral and multilateral aid. I attempt to provide a new perspective on this issue and join a growing group of scholars who investigate the effectiveness of aid by examining recipients' opinions (Milner, Nielson, and Findley 2016; Findley et al 2017; Findley, Milner, and Nielson 2017). By effectiveness, I mean a project's ability to achieve its stated goals. For example, a health clinic is effective if it increases aggregate healthcare access and outcomes for targeted recipients. Conversely, a jobs development program is effective if it increases workforce participation and increases local economic development. I argue that if multilateral aid is more effective than bilateral aid, then aid recipients should prefer multilateral to bilateral donors. Specifically, they should prefer projects sponsored by organizations like the World Bank over projects sponsored by individual states since these projects should produce greater community benefits (as prescribed by the project's goals). Therefore, I hypothesize:

*H1: Recipients prefer multilateral donors to bilateral donors.*

#### *Conditional and Unconditional Aid*

In addition to multilateral versus bilateral considerations, scholars debate the impact of conditionality on aid outcomes. From 1945 to 2000, conditional assistance offered by members

of the OECD's Development Assistance Committee (DAC) dominated the foreign aid landscape. Comprised entirely of industrial democracies, DAC members tend to condition funding on recipients implementing democratic reforms and market liberalization. In addition to structuring their bilateral flows this way, DAC members also built their interests into larger multilateral organizations like the World Bank, which applies similar standards to their aid packages (Burnside and Dollar 2000; Dreher, Sturm, and Vreeland 2009; Gulrajani 2016). In contrast to the literature on bilateral and multilateral aid, this line of research asserts that large democratic donors and multilateral organizations like the World Bank have a similar effect on aid outcomes through their shared conditionality.

The impact aid conditionality has on outcomes and recipient experience is debated. On the one hand, conditionality is believed to generate better development outcomes by complementing aid inflows with more effective governance and economic policy (World Bank 2005). For example, long term adjustment programs typically require the privatization of state-owned enterprises, the liberalization of trade markets, and the implementation of anti-corruption policies (Hernandez 2017). These adjustments set the stage for long-term economic growth leading to lasting improvements in recipient citizens' quality of life which extend beyond the immediate improvements brought about by aid. Belief in the positive effect of conditionality is strong among traditional donors, and it has become a central tenant of World Bank and IMF lending (World Bank 2005; Dreher 2006; Hernandez 2017).

On the other hand, many countries which received conditional aid did not develop as expected. In fact, in some instances conditionality linked to *lower* living standards for the recipient state's poor as the resulting austerity reduced the provision of state services (Fine, Lapavistas, and Pincus 2001). Montinola (2010) argues that much of this underperformance is due to the recipient state's political structure. Autocratic governments which rely less on their publics for political survival were less likely to implement reform. Conversely, democratic governments have a broader base of political support and rely more on foreign aid to maintain office. Thus, these states are more likely to fully implement (and benefit from) aid conditionality. This may explain why nearly half of recipient countries failed to fully enact their conditional aid agreements (Dollar and Svensson 2000; Ivanova et al 2001; Kuczynski, Godard, and John 2003).

In the past 20 years the foreign aid landscape has changed. There is increasing focus on a group of rising donors which comprises less developed and often non-democratic states. Countries like Russia, Saudi Arabia, and most prominently China, are sending more funding abroad every year. These non-traditional aid flows focus less on recipient state need and give more to middle income countries than DAC donors (Dreher, Nunnenkamp, and Thiel 2011). Most significantly, new donors tend to eschew conditionality in favor of non-interference in recipient states' political affairs (Woods 2008; Hernandez 2017).

The rise of aid "with no strings attached" has renewed the debate regarding the effectiveness of conditional funding. This conversation centers around China, the largest and most studied of the non-traditional donors. In terms of positive attributes, Dreher, Nunnenkamp, and Thiele (2011) note that new and developing donors like China may have a better understanding of recipient need and can assist these states without aid conditions. Moreover, the flexibility of unconditional aid gives recipients room to use their informational advantage and effectively allocate funding to meet their unique needs (Strange et al 2017). However, aid from

unconditional donors is also linked to decreasing governance quality. Isaksson and Kotsadam (2018a, 2018b) find that Chinese foreign aid associates with increasing local corruption as well as decreasing union involvement throughout Africa. One potential explanation for these outcomes is that China's unregulated aid flows are open to skimming by recipients, which leads to increasing corruption and decreasing union participation.

There are conflicting results regarding the relative benefits of conditional versus unconditional foreign aid. One way to determine their effect is to examine recipient opinions regarding aid projects from traditional conditional donors and new unconditional donors. I argue that if conditional funding leads to better aid and development outcomes, then recipients should prefer donors that place conditions on funding over donors that do not. That is, recipients should prefer projects sponsored by the United States and World Bank – two well-known conditional donors – over projects sponsored by China, all else equal<sup>28</sup>. Therefore, I hypothesize:

*H2: Recipients prefer conditional donors to unconditional donors.*

Hypothesis 2 provides a similar prediction as to hypothesis 1; recipient citizens should prefer one donor type over another. However, the selection of donors included in the experiment provides an important point of distinction. The United States is a bilateral and conditional donor, the World Bank is a multilateral and conditional donor, and China is a bilateral and unconditional donor<sup>29</sup>. Differences between these donors allow me to directly compare the relative importance of donor composition to conditionality. If hypothesis 1 is correct, and recipients prefer multilateral donors, then the World Bank should have a stronger treatment effect than either the United States or China. However, if recipients have a stronger preference for conditional donors, then the World Bank and United States should have a greater positive effect than Chinese projects. These well documented differences between donors thus allows for the comparison of the effect of composition and conditionality on recipient opinions.

### *Heterogenous Treatment Effects*

Another way to get at the comparative effects of donor composition and conditionality is to look at treatment effects across different groups of recipients. I assert that aid recipients prefer projects which provide a greater personal payoff at a lower cost. Since aid targets specific groups, not all recipients can expect to equally benefit from these inflows. Like other types of economic exchanges, foreign aid creates winners and losers, or individuals who materially benefit from foreign assistance above others (Bueno de Mesquita and Smith 2009; Tokdemir 2017). Who can expect to win from aid depends on how donors allocate funding. If donors are more focused on economic development and targeting the poor, then low-income recipients can expect a greater pay-off. Conversely, if donors are more sensitive to strategic considerations and are less concerned with recipient governments capturing funding, than the politically connected should expect to benefit.

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<sup>28</sup> There may be other attributes associated with the World Bank and/or the United States that may affect funding. To account for some of these considerations, I include several relevant control variables, such as recipients' past experiences with aid and their pre-existing opinions of the U.S. These and other controls are discussed at length in the research design.

<sup>29</sup> There are no prominent examples of unconditional multilateral organizations that could be used for this survey.

As previously discussed, multilateral aid is believed to be more development oriented and less politicized due to its multiple players, enhanced accountability mechanisms, and informational advantage (Alesina and Dollar 2000; Burnside and Dollar 2000; Charron 2011; Milner and Tingley 2013; Gulrajani 2016; Quazi et al 2019). This orientation leads to more effective aid, which in turn leads to greater benefits for the intended recipients. Conversely, the political elite – who could expect to benefit from politicized bilateral aid distributed by the recipient state – are less likely to benefit from more controlled multilateral transfers. Therefore, if multilateral aid is more development oriented and less politicized, then I expect that:

*H3: Relative to politically connected recipients, recipients with few connections prefer aid from a multilateral donor over aid from a bilateral donor.*

Similarly, conventional wisdom and DAC/World Bank policy holds that conditional aid is more effective because it encourages positive and long-lasting changes in recipients' political economies (World Bank 2005; Dreher 2006; Hernandez 2017). These changes promote long-term development, resulting in an increased quality of life for recipients. However, just as with all economic adjustments, enacting aid conditionality can create winners and losers. Some of the most prominent conditional policies include anti-corruption measures (Charron 2011; Hernandez 2017). As a result, properly implemented aid conditions can reduce the prevalence and profitability of corruption. In this case, the politically well-connected who already profit from corruption can expect to lose their private benefits as a result of conditional aid. Therefore, if conditional aid is more effective, then I expect:

*H4: Relative to recipients with few political connections, the politically connected prefer aid from an unconditional donor over aid from a conditional donor.*

## **Non-State Actor Participation**

In addition to donors, aid projects involve a variety of actors throughout the implementation process. Most commonly, these partners include donor and recipient government agencies, corporations, and non-governmental organizations (NGOs). Just as donor identity plays a role in aid opinion formation, the identity of these project partners also matters.

The U.S. made government-to-government transfers a pillar of its post-war foreign policy under the auspices of the Marshall Plan. This focus on the state persisted throughout the Cold War and was written into modern international policies like the OECD Paris Declaration under the language of recipient “capacity-building” through aid (Dietrich 2013). In 2020, one third of USAID’s 30,000 projects were implemented by a state agency. These projects tended to receive higher funding on average, with 44% of the \$51 billion budget going to projects involving government partners (USAID 2021). Similarly, France, Germany, Japan, and other donors whose domestic political economies emphasize the state in service delivery are likely to choose government partners over NGOs, even when faced with corrupt and institutionally weak recipients (Dietrich 2016). China –the largest proponent of state implemented aid – incorporated at least one state actor in 56% of its 8,000 projects<sup>30</sup> from 2000 to 2017 (Custer et al 2021).

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<sup>30</sup> AidData provides information on more than 13,000 Chinese aid projects. However, only 8,000 have implementing partner information.

Despite their prominence as project partners, state implementors are heavily criticized in the aid literature for their propensity to manipulate funding for political purposes. Although donors often implement foreign aid using their own agencies to reduce chances of recipient capture (Dietrich 2016), these donor agencies are themselves notorious for preferencing geopolitical considerations over welfare in allocation (Alesina and Dollar 2000; Dreher et al 2009). However, when aid passes through recipient institutions, there is often a measurable increase in corruption (Svensson 2000; Isaksson and Kotsadam 2018a), particularly when weak recipient governments are involved in implementation. This is due in part to recipient state implementors channeling aid to finance patronage and prolong their political tenure (Bueno de Mesquita and Smith 2009; Ahmed 2012). Even when aid is not fungible, recipients can use their informational advantage over donors to allocate a disproportionate share of aid to politically strategic partners and locations (Briggs 2014; Jablonski 2014; Dreher et al 2019).

For their part, non-governmental organizations (NGOs) have a relatively more positive reputation<sup>31</sup>. In the past two decades, these organizations have increased in their political and economic importance, particularly in the realms of humanitarian assistance, economic development, and policy change (Werker and Ahmed 2008; Esser and Bench 2011; Desai and Kharas 2018). While it is difficult to comprehensively calculate their impact, according to data collected by the Global Philanthropy Tracker, private organizations from 47 countries donated an estimated \$68 billion in philanthropic outflows in 2018 (Osili et al 2020). Private charitable organizations like the Bill and Melinda Gates foundation have increased their financial support for NGOs substantially in the past decade, with total funding from the Gates Foundation increasing from \$2.9 billion to \$4.1 billion between 2009 and 2019 (OECD 2020). This rising funding is matched by an increase in the total number of NGOs around the world. One estimate from the Union of International Associations puts the total number of non-governmental organizations at 42,000 in 2020, up from just 20,000 in 2005 (Werker and Ahmed 2008; Union of International Associations 2021).

Non-governmental organizations address many of the same issues as state-sponsored aid agencies, but NGOs are believed to have three advantages in aid delivery that state actors do not have. First, NGOs are better at targeting aid since they are closer to the recipients than official government agencies and state donors (Tendler 1982). By working directly with communities, NGOs are can better identify recipient needs and challenges. They are also in a better position to monitor program and recipient performance, which is needed for most aid interventions to be successful (Banerjee et al 2017). A closer relationship between donor and recipient also creates opportunities for organizational learning, which leads to even better program performance in the long run. This close relationship between NGO and recipient results in better targeted and more effective aid.

Second, NGOs are better at working in difficult recipient environments (Riddell et al 1995). State-sponsored agencies face institutional and informational barriers in allocating funding. These barriers are amplified in difficult host environments where the donor cannot rely on recipient governments to provide sufficient support in project implementation and monitoring.

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<sup>31</sup> Although relatively more effective at delivering aid, NGOs are not perfect. Their adaptive and flexible nature sometimes causes NGOs to adopt and perpetuate negative and anti-democratic features of the host environment (see Jamal 2009).

By comparison, NGOs' close grass-roots relationships allow them to circumvent corrupt and inefficient host institutions and to pass funding directly to recipient communities. In many situations state donors will rely on these NGO connections to bypass poorly governed host institutions (Dietrich 2013). In this way, NGOs provide a viable channel for both official and private funding to reach recipient communities.

Finally, NGOs are less affected by political and commercial considerations than state-led aid. In their examination of European assistance, Nancy and Yontcheva (2006) find that NGOs do not respond to strategic considerations in project allocation. Instead, poverty is consistently the strongest worldwide determinant of funding. Moreover, source of NGO funding (state vs. private) does not appear to impact allocation. In their study of 60 of the largest NGOs from OECD countries, Koch et al (2009) similarly found that NGOs not only target the poorest recipients but also tend to give funding regardless of commercial interests like the promotion of exports. It should be noted that while commercial disinterest is a central feature of NGO activities, these characteristics do not extend to all private donors. Metzger, Nunnenkamp, and Mahmoud (2010) found that Nestlé's corporate funded aid programs tended to be less effective at targeting the poor than Swiss ODA and NGO endeavors. Thus, NGOs are unique in their allocation patterns and motivations.

These organizational advantages appear to pay-off; NGOs have a strong track record in terms of aid performance. Local NGO administered education programs consistently outperform government programs in experimental trials (Bold et al 2013; Duflo, Dupas, and Kremer 2015; Mo et al 2020). These results hold across multiple countries and treatment conditions. In addition to their greater effectiveness, NGOs often provide a higher quality of product than what is available in a recipient country's market. It is estimated that one-third of anti-malarial drugs available in less-developed economies are ineffective counterfeits (Nayyar et al. 2012; Björkman Nyqvist, Svensson, and Yanagizawa-Drott 2013). However, NGOs often have special access to high-quality and low-cost options for basic health care items and other necessities (Björkman et al 2019). Their ability to circumvent state-run programs allows NGOs to distribute these goods directly to recipients without incurring price increases or loss due to theft and corruption. For these reasons I hypothesize:

*H5: Recipients prefer NGO implemented aid projects to state implemented aid projects.*

## **Research Design**

I test these hypotheses using a conjoint analysis survey experiment. Sometimes called a factorial or vignette analysis, this design asks respondents to rank a set of alternatives where each option has a series of attributes with randomly selected values. Unlike more traditional experiments, conjoint analysis allows for the direct and simultaneous comparison of multiple confounding factors on one outcome, a task which is either burdensome or impossible to achieve with most other survey designs. This increases efficiency and improves causal identification by isolating the independent effects of each survey attribute (Hainmueller, Hopkins, and Yamamoto 2014). In addition, conjoint designs better approximate how humans make decisions in the "real world" by mirroring a multi-dimensional choice context, which increases external validity and response quality. Finally, this design is less susceptible to social desirability bias since participants can justify their choices using a variety of indicators (Wallander 2009).

A conjoint analysis can be formatted as either a vignette or a table, and profiles presented either in isolation or as paired sets (Hainmueller, Hopkins, and Yamamoto 2014). Following Hainmueller and Hopkins (2015) I format this experiment as a series of paired-table profiles. I present respondents with three sets of two alternative aid projects (6 profiles total), with each table appearing on a separate page in the survey. Respondents cannot return to a page once exited. The conjoint experiment is introduced with a brief explanation of the exercise and a description of the attributes in the table. An example of the survey is displayed in Figure 4.1.

**Figure 4.1: Experimental Design**

Read the description for each project carefully, then answer the two questions below.

Scenario 2/3

	Project (A)	Project (B)
Funding Type	Loan	Loan
Project Description	Provide 10,000 flu shots	Finance small industrial gold mine
Donor Partner	Donor company	Donor government agency
Filipino Partner	None	Filipino NGO
Donor	China	China

How desirable are these projects? Use the slide bar below to show how desirable you think each project is. A value of **1 means “not desirable at all”** and **10 means “very desirable”**.

Not desirable at all Very desirable

0 1 2 3 4 5 6 7 8 9 10

Project A

Project B

If only one of these projects could be built, which would you prefer?

☐ Project A

☐ Project B

Below each table, I ask respondents to rate each project on a scale from 1 to 10 based on their desirability, where 1 indicates “not desirable at all” and 10 indicates “incredibly desirable”. I use responses from this question to measure *project rating* as a continuous variable. This indicator is used to determine what effect a project attribute and its associated values has on a project’s overall desirability.

### *Survey Attributes*

Project profiles contain randomly selected values for five attributes: donor, project description, funding type, donor partner, and Filipino partner. Donor indicates which government or international organization funds the project. Potential values for this attribute include *China*, the *United States*, the *World Bank*, and the *Philippines national government*. *China* is an unconditional bilateral donor, the *United States* is a conditional bilateral donor, the *World Bank* is a conditional multilateral donor, and the *Philippines national government* is a residual category to compare how respondents evaluate foreign aid relative to government sponsored programs. These different values capture how identity informs recipient opinions, while also shedding light on preferences for bilateral versus multilateral and conditional aid (Findley, Milner, and Neilson 2017; Eichenauer, Fuchs, and Bruckner 2021).

Donor partner and Filipino partner list the donor and Filipino organizations that assist in project implementation. These two attribute groups were included to assess how recipients compare foreign involvement to donor involvement in project implementation. Both attribute groups contain the same list of values, including *donor/Filipino company*, *donor/Filipino NGO*, *donor/Filipino government agency*, or *none*. I include the attribute-values *companies* and *NGOs* to compare how respondents view participation by two prominent non-state aid actors. *Government agency* accounts for direct participation by the donor and Filipino government, and *none* is a residual category.

Project description outlines a project’s intended contribution. This attribute can take on one of four values: *finance small industrial gold mine*; *build sports stadium with 1,000 seats*; *provide 10,000 flu shots*; *build secondary school with library and technology center*. Finally, funding type describes how a project is funded and includes *loan*, *grant*, and the *physical materials for the project*. These values were included for two reasons. First, some donors are associated with certain funding instruments, for example China is well known – and often criticized – for its lending practices (Bräutigam 2020). Therefore, including China as a donor may imply loans as a funding instrument, which may lead to an indirect bias against Chinese projects. Second, recipients may have preferences for specific funding types. For example, citizens likely prefer “free” grant money over loans. By explicitly including funding types as an experimental condition, I can more effectively control for their impact on recipient preferences.

These attributes were chosen for their theoretical relevance, as well as their visibility and popularity in reporting. Media coverage on foreign aid typically includes a project’s description, donor, funding, and any implementing partners<sup>32</sup>. The selection of these five attributes increases external validity as the profiles mirror the type of information respondents likely encounter in

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<sup>32</sup> Aiddata’s dataset on Chinese foreign aid was created by collecting information from public government documents and media reports. Across the over 13,000 recorded projects, all have information on the donor and project description, 97% have information on funding type, and 60% have information on donor partner.



real life. Table 4.1 gives a list of all attributes and their associated values.

Table 4.1: Attributes for Aid Projects in the Conjoint Experiment

Attributes	Values
Donor	China United States World Bank Philippines national government
Project Description	Finance small industrial gold mine Build sports stadium with 1,000 seats Provide 10,000 flu shots Build secondary school with library and technology center
Funding Type	Loan Cash grant Physical materials for the project
Donor Partner	Donor company Donor government agency Donor NGO None
Filipino Partner	Filipino company Filipino government agency Filipino NGO None

Each attribute can take on one of several values, with most attributes having an equal probability of selection. Attributes-values that do not have an equal probability of selection are those which create a confusing pairing when combine with another value. For example, when the donor is the Philippines national government, then both donor partner and Filipino partner represent the same group of actors. Presenting these types of combinations decreases the external validity of the survey and confuses respondents (Hainmueller, Hopkins, and Yamamoto 2014). To avoid any issues, donor partner is always ‘none’ when the donor is the Philippines national government. In addition to randomly varying the values within the table, I randomly assign the order of attributes to avoid primacy and recency effects. This randomized design creates a large universe of hypothetical projects with a total of 768 unique tables that could be constructed.

### *Demographic Variables*

In addition to the experimental portion, I ask respondents about their *age*, *sex*, *educational attainment*, *ethnic background*, *home province*, and *income*. I measure *income* as a six-level categorical variable<sup>33</sup> reporting respondents’ household earnings for the past year. I also assess respondents’ political connections through a series of binary variables asking if they are a member of a political party, a federal or provincial employee, or if they campaign for political

<sup>33</sup> Response items included: Under ₱20,000; ₱20,000 to ₱39,000; ₱40,000 to ₱59,999; ₱60,000 to ₱99,999; ₱100,000 to ₱249,999; ₱250,000 and over.

candidates, among others<sup>34</sup>. I use these questions to create an 11-point index measuring a respondent's *political connections*<sup>35</sup>. The values for this variable are plotted in Figure 4.2. Due to a strong right skew in the data, I consider any respondent with a *political connection* score of 3 or above to be highly connected, while those with a score of 2 or below are minimally connected.

### *Survey Location*

I test these hypotheses through a survey of 1,238 respondents from the Philippines. The Philippines is an appropriate test case for several reasons. First, it has experience with large-scale aid projects from China, the U.S., and the World Bank. This means that the hypothetical projects in the conjoint design have true to life parallels. This increases external validity and the quality of responses from participants. Second, the Philippines has a decentralized political structure which creates ideal conditions for within-country comparisons.

One concern with the Philippines as a case is the effect pre-existing non-aid related views of the U.S. and China have on responses. According to a 2018 Pew Center poll, 70% of Filipino respondents reported a favorable view of the United States while only 53% reported a favorable view of China. The sample drawn for this study appears to have even less balanced views than the larger population. As displayed in Figure 4.2 only 34% of respondents had a favorable view of China while 79% had a favorable view of the U.S. These preferences were formed by a variety of factors unrelated to foreign aid including bilateral economic trends, diplomatic relations, and rising anti-China sentiment due to Covid-19<sup>36</sup>.

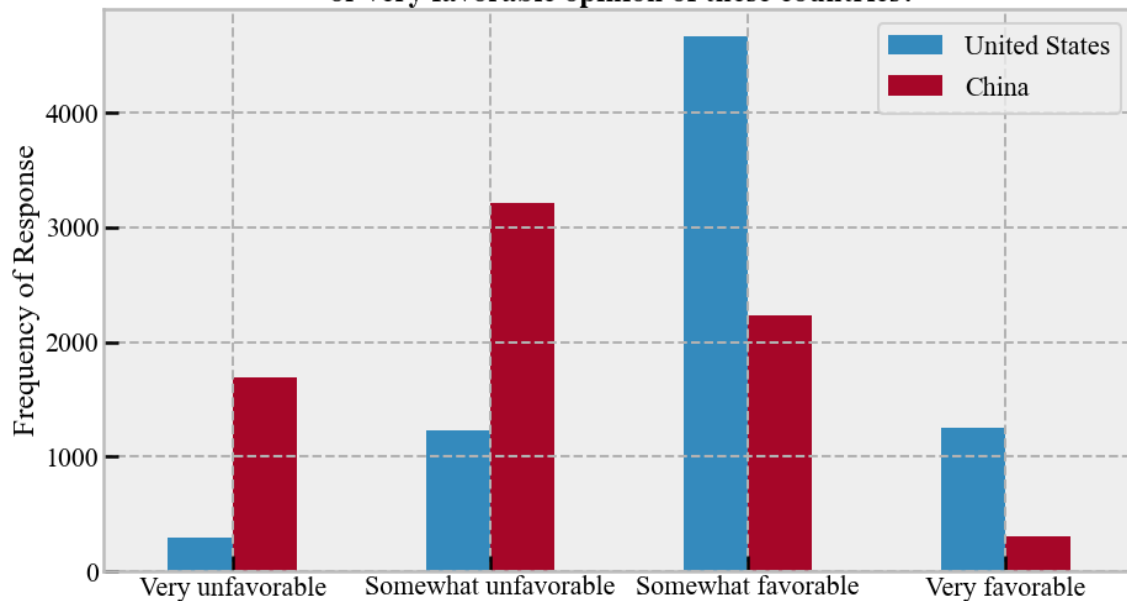
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<sup>34</sup> Respondents were instructed to indicate 'yes' if any of the following statements applied to them: I follow political issues closely; I attend political party meetings; I am a member of a political party; I attend local government meetings; I campaign for political candidates; I participate in [politics] other ways; I am a federal employee; I am a retired federal employee; I have a close family member who is a federal employee; I am a provincial employee; I am a retired provincial employee; I have a close family member who is a provincial employee; I voted in the past presidential election; I voted in the past provincial election. In addition, respondents received a point if they indicated they were a member of the president's political party, if they were born in the president's province, or if they share an ethnicity with the president.

<sup>35</sup> In theory, this index runs from 0-17. However, I observe no values below 1 or above 11 in this sample.

<sup>36</sup> According to a 12-country study conducted by Pew research, unfavorable views of China are at a ten-year high (Silver, Devlin, and Huang 2020).

**Figure 4.2: Do you have a very unfavorable, somewhat unfavorable, somewhat favorable, or very favorable opinion of these countries?**



I account for pre-existing opinions in two ways. First, following the Pew Center I ask respondents if they have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable view of China and the United States. I then run tests on subsamples of the data with more favorable and less favorable views of the U.S. and China, respectively. Second, I include a question asking respondents if they have ever benefited directly from foreign aid. Using this information, I split the data into two subsamples representing those with aid experiences and those without. Respondents with aid experience should have a more informed opinion regarding projects, and thus their responses should be less influenced by factors external to the experiment, such as their perceptions of relations between the Philippines and listed donors. Though not perfect, this series of tests should control for some external variation in survey response.

### *Sample and Sampling Techniques*

Data for this project were collected through an online survey of the Philippines administer by Qualtrics in Mid-November 2020. In addition to offering broad and high-quality coverage of the target country, Qualtrics' survey application is optimized for both computer and phone use. This feature is important in capturing a representative sample, since 80% of Filipino adults have access to a mobile phone (Silver et al 2019). Respondents were chosen from Qualtrics' user bank with a known probability of selection. To ensure a nationally representative sample, response collection was balanced on gender and income, two variables that tend to have skewed distributions in online surveys. The survey was administered in English with a filter for language fluency. While the language filter places some limitations on the survey, its impact is not severe since English is an official language taught in schools and used for government business. In total, I surveyed 1,238 respondents with each rating three paired project profiles.

## Empirical Analysis

There are over 700 possible profiles that can be created with the attributes listed, only a fraction of which will ever be seen by respondents. In fact, it is likely that most profiles in the experiment are judged by a single respondent. Although counter intuitive, this is one of the primary advantages of a conjoint analysis. Unlike other experimental designs, respondents do not need to see every possible combination in order to estimate treatment effects. Instead, the relative impact of each attribute group and attribute value is measured through two values: attribute part-worth and the average marginal component effect (AMCE).

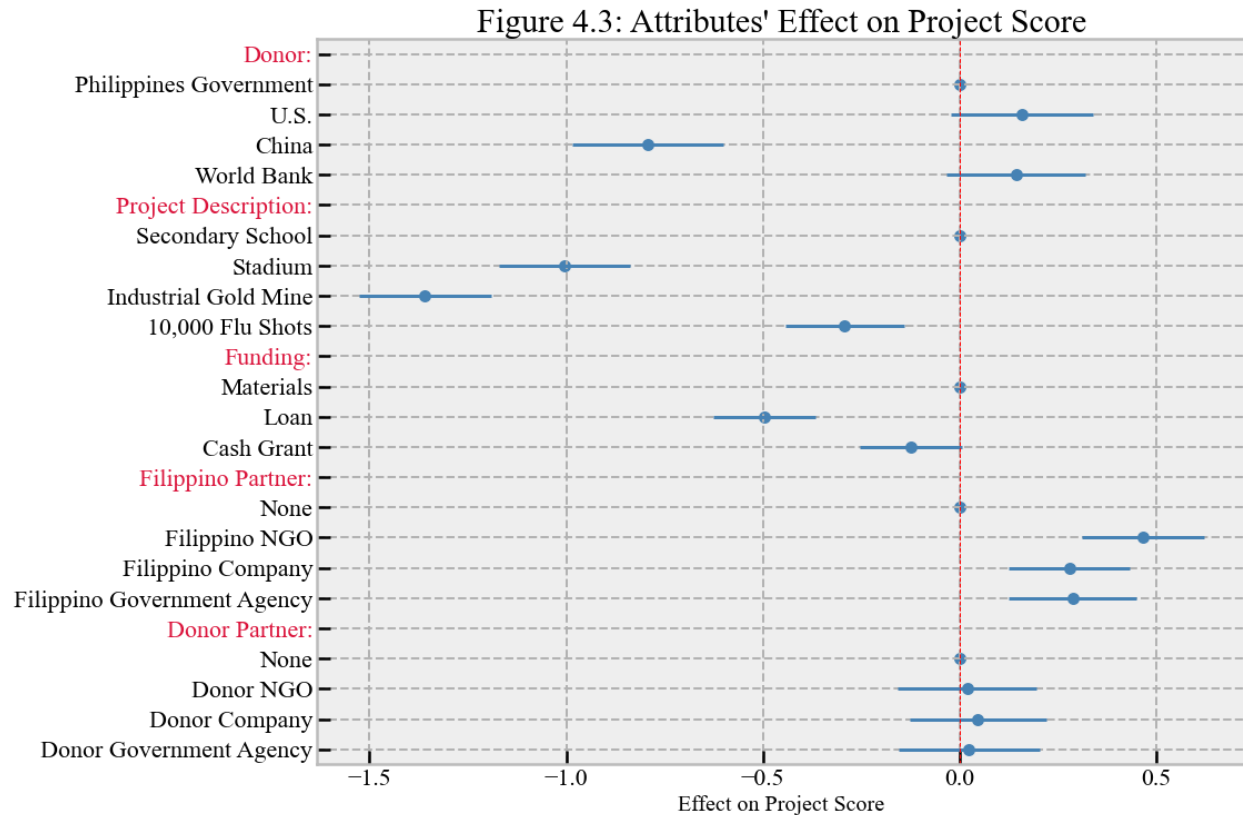
The part-worth is a numerical score indicating the relative importance of an attribute group in respondent's decision making. While this value allows for the comparison of attribute groups, it does not allow for the comparison of particular values across groups. In the context of this experiment, I can compare the relative importance of donor to funding type through a part-worth, but not *China* to *loans*. Part-worth is calculated by finding each attribute's utility range, summing the ranges, then calculating the percentage of a particular attribute's range as a percentage of the total. Attribute part-worth is expressed as a percent and the sum of all values must equal 100.

The AMCE relays the average difference in project score associated with a particular value within an attribute group, such as the average difference in score between a project awarded by *China* and a project awarded by the *United States*. The marginal difference between combinations is then averaged over all possible combinations of other project attributes. The impact each attribute has on aid project score can then be estimated by regressing the binary outcome on a set of indicators measuring the levels of each attribute. Note, since the unit of analysis is the rated project profile and respondents rated 6 profiles each, models have as many as 7,428 observations.

Table 4.2 displays each attribute's part-worth. Figure 4.3 displays AMCE results for all respondents for the outcome *project rating*. The dots represent the point estimates, and the lines indicate the 95% confidence interval for the AMCE of each attribute value. Dots without intervals located at 0 indicate reference categories. Estimates are calculated by regressing *project rating* onto sets of indicator variables for each value of each project attribute (omitting the reference categories). All models have standard errors clustered by respondent.

Table 4.2: Attribute Group Part-Worth

Attributes	Part-Worth
Donor	29%
Project Description	41%
Funding Type	15%
Donor Partner	1%
Filipino Partner	14%



Donor has the second highest part-worth value of 29%, making it one of the more influential attributes in a respondent's decision making. This is consistent with theoretical expectations that recipients' aid opinions are influenced by donor identity. The ACME results suggest that some – but not all – donors have a significant effect on project score. Respondents have no preference for aid sponsored by the *U.S.* or *World Bank* relative to projects by the *Filipino government*. However, they do have a strong aversion to projects sponsored by *China*. In quantitative terms, being sponsored by *China* reduces a project's score by 0.79 points on average (SE = 0.09).

These findings do not support hypothesis 1; respondents do not have a clear preference for multilateral donors over bilateral donors. However, they do support hypothesis 2. Recipients prefer conditional donors like the *U.S.* and *World Bank* to unconditional donors like *China*. Interestingly, although the coefficients for the *U.S.* and *World Bank* register as positive, they do not gain significance at traditionally acceptable standards. This suggests that respondents do not differentiate conditionally funded aid from state sponsored projects.

As for aid partners, respondents give a great deal of weight to Filipino actors but not much weight to donor actors. The part-worth value for Filipino partner is 14%, compared to just 1% for donor partner. In addition, the ACME values within each attribute group suggests that respondents have little preference for donor partners. While *donor NGO*, *donor company*, and *donor government agency* register as positive, their confidence intervals intersect zero. This makes it impossible to determine if donor partners have any impact on score at all. Conversely, a *Filipino NGO* as a partner increases project score by 0.47 points on average (SE=0.08). *Filipino company* and *Filipino government agency* register as positive but with a lower magnitude. These

values' have ACME of 0.28 points (SE=0.08) and 0.29 points (SE=0.08) respectively.

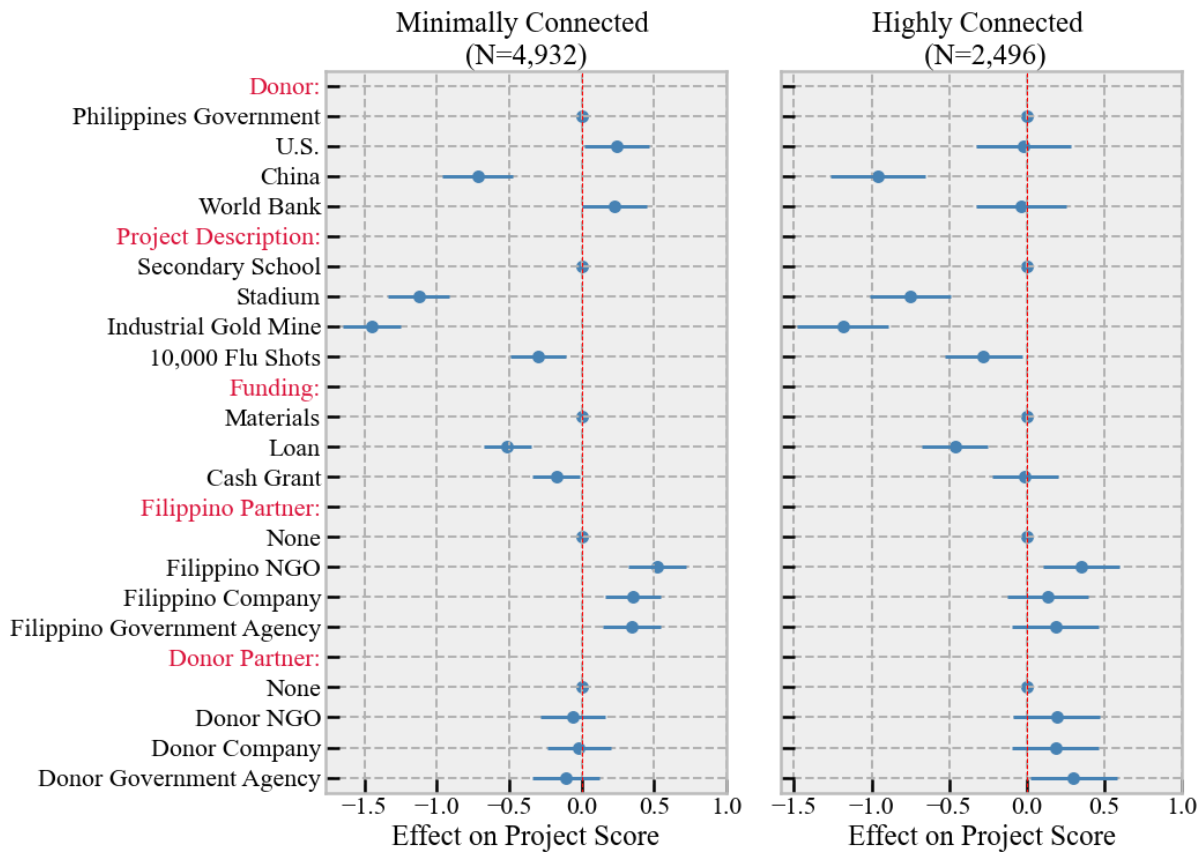
These results provide mixed support for hypothesis 5. Recipients appear to have a strong preference for *Filipino NGOs* but are indifferent to *donor NGOs*. This suggests that there may be substantial differences in the ways local and international NGOs interact with aid projects and recipient communities. If true, this could in part explain an empirical contradiction in the standing research on NGOs in aid. One set of studies find that NGOs tend to outperform state-directed assistance due to their technical expertise and access to higher quality products (Bold et al 2013; Duflo, Dupas, and Kremer 2015; Björkman et al 2019; Mo et al 2020). However, a competing group of studies report that NGOs tend to underperform due to duplicated efforts and governments redirecting resources (Baldwin et al 2020; Deserranno and Qian 2020). One explanation for these conflicting findings could be that local and international NGOs are not comparable groups and that each has a different impact on recipient communities. More research is needed to determine if and how local and international organizations perform differently.

Funding type also matters to recipients. This attribute has a part-worth value of 15%, making its impact comparable to Filipino partners. As expected, respondents have a strong aversion to *loans*. A project funded through a *loan* receives 0.5-points fewer than projects supported with *physical materials*. While the coefficient for *grants* registers as negative, it does not attain significance at the 95% level. Therefore, it is not possible to state that respondents prefer *physical materials* to *grants*. Finally, project description has a substantial impact on recipients' project ratings. This attribute had the highest part-worth value at 41%, which is a full 12 percentage points higher than the next largest group, donor. This suggests that the aid project's specific contribution is the most salient factor in respondents' rating process.

#### *Recipient Income and Donor and Partner Preferences*

Tests run on the aggregate sample do not support hypothesis 1 but they do support hypothesis 2. Recipients do not prefer bilateral or multilateral donors, but they do appear to prefer conditional to unconditional donors. To see how respondents' political connections affects donor preferences, I split the sample by respondents' *political connections* score. Due to a right skew in the data, the sub-samples are slightly uneven, with 4,932 responses relating to minimally connected respondents and 2,496 relating to highly connected respondents. I regress the attributes for both samples on *project score* and display results in Figure 4.4.

Figure 4.4: Attributes' Effect on Project Score  
Split by Political Connections



Results from this test further confirm the previous findings. Contrary to the predictions of hypothesis 3, recipients with few political connections do not prefer multilateral to bilateral aid. They do however have a notable preference for conditional donors. The *U.S.* and *World Bank* both have a positive and significant impact on project score, with the former having a coefficient of 0.24 (SE=0.11) and the latter having a coefficient of 0.23 (SE=0.11). Conversely, these attribute values do not attain significance in the highly connected sample.

However, these results do not support hypothesis 4. The politically connected do not prefer unconditional donors over conditional donors. In fact, the coefficient for *China* is more negative in the highly connected subsample, suggesting that the politically connected have a slightly *stronger* aversion to unconditional donors than their less well-connected counterparts. This finding undermines conventional expectations that recipient political elites prefer aid with fewer strings attached.

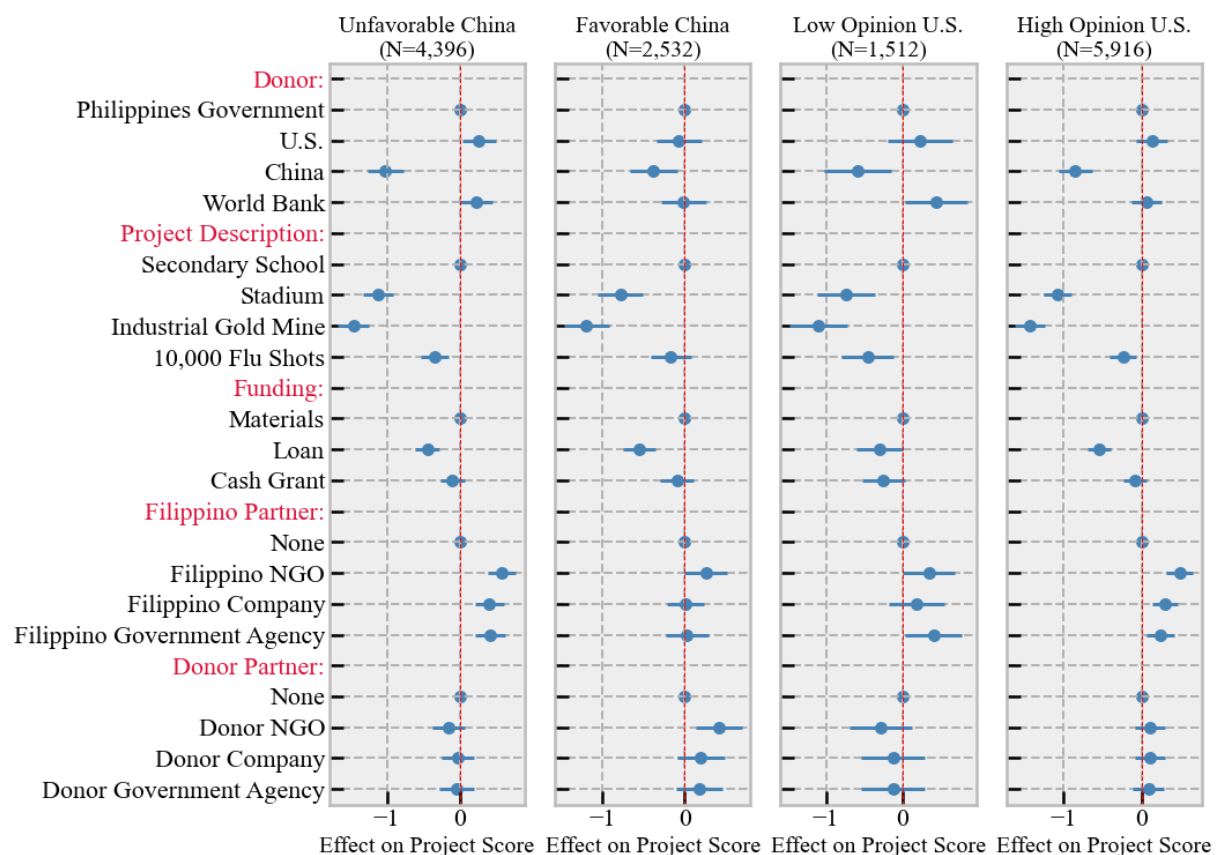
### Additional Testing

One alternative explanation for the donor finding is that respondents have a strong aversion to Chinese aid, and not necessarily unconditional aid. Respondents may have pre-existing (and non-aid related) negative opinions of China, and these opinions may influence their

decision-making regarding aid projects. Pre-existing negative opinions are of particular concern for this study, which was fielded during the Covid-19 pandemic. According to an October 2020 poll by Pew Research, 61% of respondents across 14 countries thought that China had done a poor job of handling Covid-19. This negative review of China's response to the pandemic increased an already precipitous decline in opinions of the country globally (Silver, Devlin, and Huang 2020). Recipients may not be able to separate their opinions of China broadly from their opinions of Chinese aid specifically; thus, they may have an aversion to aid from this donor regardless of project qualities.

I account for this possibility by running tests on subsamples based on respondents' pre-existing views of China and the United States. Figure 4.5 displays results from these analyses. The first two plots show the sample split by unfavorable and favorable views of China, and the second two plots show the sample split by views of the U.S. Results across all four models support hypothesis 2; respondents are averse to Chinese aid – a conditional donor – regardless of their pre-existing opinions. While the coefficient for China is higher in the favorable opinion of China sub-sample, it remains significant and negative. Similarly, the U.S. registers as positive but fails to gain significance in the favorable opinion of the U.S. sub-sample. The World Bank and U.S. continue to score similarly across all models. These results show that pre-existing opinions of China and the U.S. had a negligible impact on results.

Figure 4.5: Attributes' Effect on Project Score  
Split by Opinion of China and U.S.





In addition to pre-existing opinions, it is likely that respondents who have previously benefited from foreign assistance have more informed opinions on the impact of aid than respondents who have not had these experiences. To account for this possibility, I split the sample into two groups based on respondents' reported past experience with aid. Only 240 respondents (1,440 observations) reported having previously benefited from foreign assistance, while the remaining 818 (4,908 observations) reported no past experience<sup>37</sup>. I rerun the test on both sub-samples and display results in Figure 4.6.

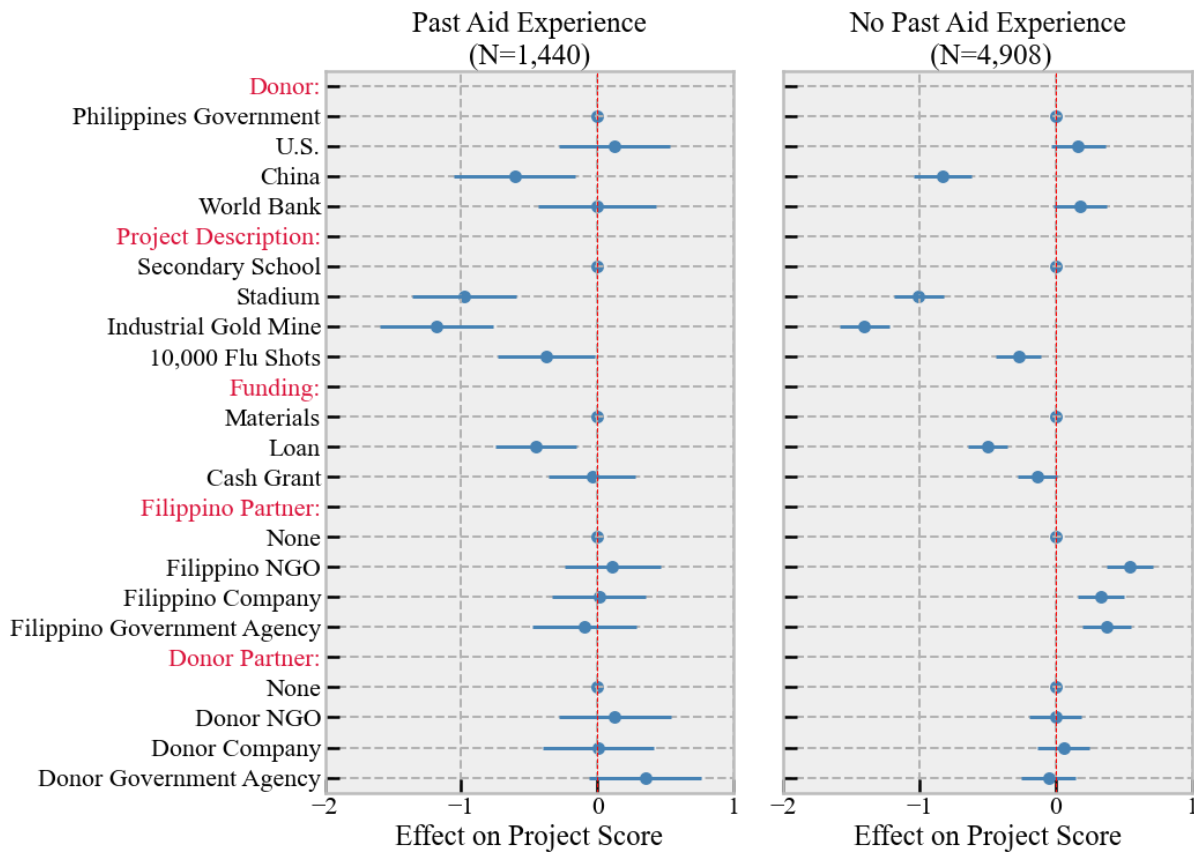
ACMEs for the no past experience sub-sample closely resemble results from the aggregated test. Respondents have no preference for multilateral donors over bilateral, but they do have a strong aversion to unconditional donors. They also have no preference for donor implementation partners but do have a strong preference for *Filipino NGOs* over other Filipino project partners. Results regarding conditional donors hold for the past experience sub-sample as well. The ACME for China registers as significant and negative, while the U.S. and World Bank do not attain significance but are slightly positive. The confidence intervals for these estimates have a large area of overlap, but this is likely driven by the relatively small sample size.

Interestingly, results regarding NGOs do not hold in the past experience sub-sample. Here, all Filipino partners, including NGOs fail to gain significance. These results undermine hypothesis 4, and respondents with previous aid experience do not prefer NGO implemented aid projects to state implemented projects. It seems that respondents with aid experience have materially different opinions than those without.

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<sup>37</sup> Respondents who did not know if they previously benefited from aid were removed from analysis.

Figure 4.6: Attributes' Effect on Project Score  
Split by Past Aid Experience



## Conclusion

In conclusion, this paper took a step toward systematically understanding recipients' preferences for foreign aid donors and partners. I used a novel conjoint analysis survey experiment to assess multiple confounding features of aid projects, with a particular focus on donor and implementing partners.

Foreign aid creates winners and losers, and I argued that who wins depends on a projects funder and implementing partners. Drawing from conventional expectations, I developed a set of hypotheses concerning preferences for multilateral vs. bilateral donors and conditional vs. unconditional donors. In the first set of hypotheses, I argued that in general recipients prefer multilateral aid due to its greater efficacy through superior informational access, apolitical nature, and expansive accountability mechanisms. In the second set, I asserted that recipients prefer conditional funding due to its ability to improve governance and foster long-term development.

I further argued that aid recipients are not homogenous, and recipients' individual preferences depend in part on their political connections. Drawing from the large literature on the relationship between aid politicization, corruption, and patronage politics, I hypothesized that the

politically connected should prefer aid packages that are more amenable to politicization since they can expect to benefit from these inflows. I developed two hypotheses asserting that the politically unconnected should prefer aid from multilateral donors while the politically connected should prefer aid from unconditional donors.

Finally, I argued that non-state actors play a key role in aid project implementation. Their participation has a substantial effect on project outcomes and aid efficacy. Due to their superior grassroots connections, ability to maneuver in difficult environments, and apolitical nature, I asserted that NGOs are better positioned to effectively implement aid than companies or government organizations. As a result, I posited that respondents should prefer NGOs to other aid implementation partners.

Using a novel conjoint analysis survey experiment I directly compared recipient preferences for bilateral and multilateral donors, conditional and unconditional donors, and various implementation partners. Contrary to some theoretical expectations, I found that recipients had no distinct preference for multilateral aid over bilateral aid. In fact, in most cases respondents had an equal preference for projects from the U.S., the World Bank, and the Filipino government. These results held regardless of respondents' level of political connections. Consistent with expectations regarding conditionality, I found that respondents had a strong aversion to aid from unconditional donors like China, regardless of respondents' political connectivity. Finally, I found that while respondents have little to no preference for international project partners, they did have a clear preference for domestic NGOs over other implementation partners. This finding was robust across all models and subsamples – with the notable exclusion of recipients with past aid experiences. These respondents were equally indifferent to all domestic partners and donor partners.

## Chapter 5: Conclusion

Although states allocate aid for strategic reasons (Alesina and Dollar 2000), donor politicians and publics alike care about aid effectiveness (Wright and Winters 2010; Milner and Tingley 2013). They want projects to increase recipients' quality of life without contributing to undesirable government practices (Barratt 2007; Allendoerfer 2015; Bayram and Holmes 2020). This focus on aid efficacy has produced an abundance of work that examines recipient experiences through objective external measures like economic growth rate and educational attainment (Burnside and Dollar 2000; Hansen and Tarp 2001; Bräutigam and Knack 2004; Bold et al 2013; Duflo, Dupas, and Kremer 2015; Riddell and Niño-Zarazúa 2016; Mo et al 2020). Comparatively, opinion related studies have focused primarily on donor publics' perception of outflowing aid (Chong and Gradstein 2008; Milner and Tingley 2010, 2011; Paxton and Knack 2012; Bayram 2017).

However, the rise of new and non-traditional donors has increased interest in recipients' aid opinions. These donors offer beneficiary states with funding that originates outside of the developed and democratic aid giving regime, which in turn gives recipient citizens' the opportunity to form varied opinions on different donors and project attributes. In response, a growing group of scholars are investigating recipient preferences for foreign assistance (Milner, Nielson, and Findley 2016; Findley et al 2017; Findley, Milner, and Nielson 2017; Alrababa'h, Myrick, and Webb 2020; Dolan 2020). This dissertation contributes to the growing conversation by providing a systematic analysis of how aid recipients evaluate inflowing foreign assistance and how they form their preferences for particular donors and project attributes.

This dissertation highlights the role recipient citizens' play in foreign aid by focusing on their opinions and experiences. I argue that recipients' perspectives matter for three primary reasons. First, recipient governments often play a role in project allocation (Heinrich 2013; Bermeo 2017; Dreher et al 2019). So, understanding receiving communities' unique characteristics is important to crafting effective aid. Second, recipients' opinions impact outcomes through the host community's participation in project implementation and finished programs. Peoples' opinions affect the way they interact with their environment. More positive opinions lead to more positive interactions; similarly, negative opinions lead to negative interactions. So, projects with greater community appeal have an advantage in implementation since they benefit from positive recipient participation. Conversely, projects with low appeal experience greater issues with engaging recipients and can experience lower performance as a result. Finally, effective foreign aid benefits donors by increasing bilateral economic exchanges with the recipient (Hühne, Meyer, and Nunnenkamp 2014; Morgan and Zheng 2019). However, if recipients have a negative view of the project and donor, then these prospective benefits may diminish.

I investigate recipient perspectives on foreign assistance by considering their opinions in three topic areas: the material and moral considerations of accepting aid, foreign aid's relationship with government legitimacy, and recipient preferences for donor types and implementing actors. In terms of material and moral considerations, recent research shows that ethical factors shape donor citizens' aid giving preferences (Bayram 2017; Bayram and Holmes 2020). Specifically, donor publics are averse to supporting morally problematic regimes through foreign aid (Heinrich and Kobayashi 2020). In the first substantive chapter, I investigate this

topic from the recipient perspective and ask how aid beneficiaries trade-off between the prospective material benefits and moral concerns of accepting foreign aid from an unethical donor. I assert that recipients consider both dimensions when forming their opinions on a proposed aid project. However, the weight each dimension carries depends on a recipient's level of wealth. This is because poorer recipients depend more on foreign aid benefits than their wealthy counterparts. As a result, low-income respondents have less freedom to choose between ethical donors. By comparison, wealthy respondents have the economic flexibility to care more about the ethical implications of accepting aid.

I assess this argument through a novel conjoint analysis survey experiment. I find that ethical factors matter. Respondents consistently give projects sponsored by unethical donors lower scores than projects from donors without any issues. In addition, a recipient's level of wealth has a significant impact on their preferences. The higher a respondent's income, the more ethical factors matter. Rich respondents were particularly averse to accepting aid from unethical states, while low-income respondents tended to be less sensitive to these moral concerns.

In the second substantive chapter, I return to a popular topic in the foreign assistance literature: the relationship between aid and government legitimacy. Despite the extensive research in this area, scholars have not come to a consensus regarding if and how aid impacts recipients' perceptions of their government (Eubank 2012; Sacks 2012; Böhnke and Zürcher 2013; Dietrich and Winters 2015; Blair and Roessler 2018; Dietrich, Mahmud, and Winters 2018; Briggs 2019; Baldwin and Winters 2020; Dolan 2020; de la Cuesta et al 2021). I argue that this heterogeneity in results is partially explained by a vital omitted variable: donor identity. I assert that where aid comes from matters because this information works as a political cue. Recipients have pre-existing opinions of donors which affect their perceptions of inflowing aid. This in turn affects how recipients update their perception of their government. For their part, donors have unique implementation strategies that determine how funding interacts with host communities. These two sides of the aid-giving relationship jointly determine if and how aid impacts government legitimacy. In sum, I argue that when donor identity cues pre-existing positive opinions, then aid can boost government legitimacy. Conversely, when identity cues negative opinions, aid can undermine legitimacy.

I evaluate this argument using a mediated survey experiment describing a hypothetical aid project from one of four prominent donors. Results reveal a complex relationship between foreign assistance, donor identity, and government legitimacy. Aid both enhances and undermines legitimacy through several prominent causal mechanisms, but the operation of any one mechanism depends on the donor. Chinese and Russian aid affects legitimacy by undermining the recipient public's confidence in the state leader. Conversely, aid from the E.U. enhances recipient legitimacy by increasing the public's perceived dependence on the donor.

In the final substantive chapter, I investigate recipient preferences for specific donor types and implementing actors. Specifically, I explore recipients' opinions on bilateral versus multilateral aid, conditional versus unconditional aid, and preferences for NGOs, state agencies, and corporations as aid project partners. I build off the assertion that foreign aid creates winners and losers (Tokdemir 2017). I argue that who wins depends on how aid packages are structured and distributed, which in turn depends on who sponsors and implements the project. I follow conventional expectations and argue that recipients prefer multilateral aid due to its superior

efficacy through informational access, apolitical allocation, and accountability mechanisms. In addition, I assert that recipients prefer conditional to unconditional funding due to its ability to improve governance and foster long-term development. In terms of implementing actors, I assert that recipients prefer NGOs to other project partners due to their greater effectivity through their grassroots connections, ability to maneuver in difficult environments, and apolitical nature. I test these hypotheses using a novel conjoint analysis survey experiment and find that respondents have no distinct preference for multilateral aid over bilateral aid. Respondents do however prefer conditional funders over non-conditional funders. Finally, respondents strongly prefer domestic NGOs over recipient state agencies and domestic corporations.

Collectively, the work presented in this dissertation makes two primary contributions to foreign aid research. First, it fills a gap in the literature by contributing to the growing conversation on aid recipients' perspective of foreign aid. This viewpoint has historically received little attention despite the critical role host communities play in project implementation and outcomes. My work addresses this lack of focus by centering recipients' experiences and arguing for why these perspectives matter. Second, this work empirically demonstrates that recipients have distinct preferences for aid donors, partners, and particular project attributes. Not only that, but individual-level characteristics like income also play a role in opinion formation. These results demonstrate that both donors and recipients play a role in determining aid's impact on a host community; studying only one side of this relationship will not provide a comprehensive picture. This opens new avenues for research by providing an empirical foundation for further study.

In terms of future research, more work should be done to investigate how recipients form their aid preferences. Material and moral dimensions matter, but other intangible considerations may play a role as well, such as political ideology and religiosity. Additionally, certain personal attributes – like gender and education level – have been shown to affect people's opinions of economic exchanges like foreign trade. More work should be done to assess if and how these factors also affect recipients' preferences for aid. Finally, scholars should pay special attention to how these recipient-specific characteristics interact with donor-specific attributes, since both parties play a role in mutually determining aid's outcomes and impact on host communities.

## Appendix: Analysis of Variance for Donor Treatments on Legitimacy

### ANOVA Test for Treatment Groups

	DF	Sum of SQ	Mean of SQ	F-Value	Pr(>F)
Country Treatment	3	25	8.27	0.79	0.50
Residuals	1234	12981	10.52		

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Education

Ph.D., Political Science and Asian Studies  
**Pennsylvania State University**, 2022 (*expected*)  
Dissertation: “Morality, Legitimacy, and Donors: Recipient Perspectives of Foreign Aid”  
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Working Papers

Zhu, B., **A. Waddick**, Y. Feng, and A. Villegas-Cruz, and B. Zhu. “Firms Caught in Crossfire: International Stakes and Domestic Politics in Corporate Positioning on De-Globalization.” Current working paper.

**Waddick, A.** *Morality, Legitimacy, and Donors: Recipient Perspectives of Foreign Aid*. Dissertation.

Data Collection

B. Mukherjee, X. Cao, B. Bolte, and **A. Waddick**. “Mining Investment, Territory, and Civil Conflict in Myanmar.” (Awarded Penn State Social Science Research Institute Grant, \$5,000)

Selected Presentations

Zhu, B., **Waddick, A.**, Y. Feng, and A. Villegas-Cruz. 2020. “Business’ Positioning in the U.S.-China Trade War: A Sectoral Approach.” Panel Presentation, American Political Science Association, virtual.

Fellowships and Awards

**National Science Foundation Graduate Research Fellowship**, Fall 2019 - Spring 2021, three years dissertation funding, \$130,000