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Catch me if you care: International development organizations and national corruption

Lauren L. Ferry[1] · Emilie M. Hafner-Burton[2] · Christina J. Schneider[3]

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Abstract

Many international development organizations (IDOs) have officially mandated anti-corruption criteria for aid selectivity. Substantial debate remains over whether corruption deters aid and whether anti-corruption rules are effectively implemented. We argue that the extent to which both corruption and anti-corruption mandates factor into IDO allocation depends on the composition of the donors. Using existing data on corruption alongside newly collected data on anti-corruption mandates, we demonstrate that organizations composed of corrupt donors are just as likely to adopt, but less likely to enforce, anti-corruption mandates. Organizations composed of less corrupt donors, by contrast, tend to divert aid away from corrupt states, with or without formal anti-corruption rules in place. The findings have implications for the debate over whether international efforts to institutionalize "good governance" standards are sincere or cheap talk, whether multilateral strategies are in fact less politicized than bilateral aid allocation strategies, and whether international organizations should be inclusive, open to membership by many or even all states, including those with dubious track records.

Keywords Corruption · Good governance · Foreign aid · International development organizations · Anti-corruption mandates

States give billions of dollars in foreign aid annually to developing countries in every region of the world, many of which are poor and highly aid dependent. They channel a significant share of these resources through intergovernmental development

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✉ Lauren L. Ferry
leferry@olemiss.edu

✉ Emilie M. Hafner-Burton
ehafner@ucsd.edu

✉ Christina J. Schneider
cjschneider@ucsd.edu

Extended author information available on the last page of the article

organizations (IDOs), including global and regional agencies and development banks (OECD 2013). These organizations are rapidly increasing in number and importance and are often considered to be less politicized and more effective than bilateral aid channels, in principle making them less apt to be used for strategic or political purposes (Rodrik 1995; Winters 2010; Dietrich 2013; Milner and Tingley 2013a; Dietrich and Wright 2015; Findley et al. 2017). Many of these organizations have adopted official criteria for aid selectivity, based on the now widely held idea that development aid is most effective in promoting economic growth and poverty reduction in the absence of "the cancer of corruption" (Wolfensohn 1996). Yet, there remains substantial debate and conflicting evidence whether corruption deters aid and to date there is scant evidence whether anti-corruption rules, once adopted, are effectively implemented.[1]

We argue that the extent to which corruption factors into IDO allocation decisions depends more on the makeup of the donors than on the formal rules or strategic considerations. Organizations composed of corrupt donor states (what we refer to as "corrupted IOs")—where those in power misuse their public office for private gain and engage in dishonest or fraudulent conduct (Svensson 2005)—operate differently with respect to aid selectivity than organizations composed of less corrupt donors. While they often create the pretense of selectivity by adopting formal good governance standards, corrupted IDOs are reticent to enforce those standards, rendering their anti-corruption talk cheap. Organizations composed of less corrupt donors, by contrast, are much less likely to channel aid to corrupt states, even for strategic purposes, and they are reticent to do so whether or not their IDO has adopted anti-corruption standards. In short, anti-corruption mandates do not stop corrupt groups of states from channeling aid to corrupt governments, nor do they affect how groups of less corrupt states allocate aid.

We develop and substantiate our argument using newly collected data on anti-corruption mandates alongside existing data on aid allocations by 33 key IDOs (for which reliable data are available) over the period of 1998–2013. Our results, which align with our argument, have several implications for debates over foreign aid policy and efforts to spread norms of good governance throughout the aid regime. We show a new way in which multilateral aid organizations can foster bias (Dreher et al. 2009a, b; Schneider and Tobin 2013), contributing to an understanding of how membership characteristics shape behavior in international organizations more generally (Pevehouse 2005; Greenhill 2015; Hafner-Burton and Schneider 2019). We demonstrate that donor characteristics often outweigh geopolitical strategic considerations for aid allocation; establish that good governance talk appears largely cheap for corrupt donors, which speaks to the broader debate about compliance with IOs[2]; and contribute to the debate over the desirability of inclusivity versus exclusivity within international organizations.

1 The debate

Donors provide foreign aid to developing countries to promote sustainable economic and social development. The criteria for effective aid allocation decisions through

[1] Oehler et al. (2012) show that anti-corruption programs are not always effective. See also Neumayer (2003a, b); Vreeland (2006, 2007); Clist (2011); Winters and Martinez (2014).

[2] For a canonical discussion, see Chayes and Chayes (1993).

bilateral and multilateral channels are a source of longstanding theoretical and empirical debate.[3] The debate is important because whether and how donors choose to allocate aid have material consequences for the economic development of recipient states. Most recipients are developing economies, and many are highly dependent on foreign aid. Between 2005 and 2013, low and middle-income countries received foreign aid that on average amounted to more than 10% of their gross national income (GNI).

Today, the debate over the conditions for effective aid-giving is focused on good governance, both in terms of the diffusion of such norms and their codification into codes of conduct. At the heart of the movement is a concern over the allocation of aid to states embroiled in political corruption. Then-World Bank President James Wolfensohn sparked this debate in 1996 with a declaration that claims that corruption, a phenomenon previously ignored by the development community, makes aid ineffective (Wolfensohn 1996).[4] Wolfensohn's declaration was a reaction to growing accusations by watch dog groups like Transparency International that international organizations, including the World Bank and the IMF, were enabling bad practices in recipient states. In response, many aid-giving organizations began to take up the issue, some even crafting formal anti-corruption mandates designed to identify and deter the abuse of power, both within the donor organizations and among their recipients. For example, in 2002 countries adopted the Monterrey Consensus, the first UN framework to formally embrace the fight against corruption in international development. The Monterrey Consensus has become a major reference point for international development cooperation.[5] Today, many IDOs have put similar anti-corruption policies into place that should in principle generate more selective aid giving, away from corrupt states and toward recipients with lower levels of corruption.

Despite the establishment of anti-corruption standards, and the movement to internationalize good governance more generally, there is no consensus whether or how corruption in recipient states affects IDO allocation decisions, nor is it clear whether donors comply with their own anti-corruption rules. Some studies suggest that corruption and poor governance deters aid (Neumayer 2003c; Hout 2007; Schudel 2008; Winters 2010; Clist 2011); others suggest that it plays no role in aid allocation (Neumayer 2003a); still others find that corrupt states often receive more aid (Easterly and Williamson 2011; De La Croix and Delavallade 2013). While some donors might enforce good governance norms to foster sustainable economic growth and development, others might allocate foreign aid to corrupt recipients to further their own political or strategic interests and extract policy concessions (Burnside and Dollar 2000; Neumayer 2003a, b, c; Bueno de Mesquita and Smith 2009; Heinrich 2013; Milner and Tingley 2013b). Still others might turn a blind eye. Donor states tend to use bilateral aid to favor their former colonies as well as political allies in the United Nations (Alesina and Dollar 2000;

[3] Some scholars find a positive relationship between foreign aid and economic growth (Sachs 2006; Galiani et al. 2014); some find no relationship (Burnside and Dollar 2000); and some find a negative relationship (Easterly and Pfuetze 2008; Knack 2009).

[4] That declaration was followed by a 1998 World Bank report and a seminal article by Burnside and Dollar (2000) claiming that foreign aid could only foster economic growth under the condition that recipient countries pursued "good" economic policies.

[5] Follow-up conferences in Doha (2008) and Addis Adaba (2015) further institutionalized global anti-corruption norms.

Neumayer 2003b; Bermeo 2017, 2018). Although many believe that international development organizations are less prone to such capture by any single donor's political interests, and deliver aid that is both more effective and less conducive to corruption, there is ample evidence that politics can and do play a role in their allocation decisions (Nielson and Tierney 2003; Fleck and Kilby 2006; Dreher et al. 2009a; Kilby 2006, 2011, 2013; Schneider and Tobin 2013, 2016; Vreeland and Dreher 2014; Milner et al. 2016).[6] Little is known about the extent to which IDO anti-corruption rules actually deter allocation to corrupt states (Cole 2012).

Despite the spread of anti-corruption standards, and the movement in support of good governance as a selection criterion for foreign aid, the questions that motivate this article remain. Are IDOs now reticent to allocate aid to corrupt recipients and do their formal anti-corruption standards shape their allocation strategies?

2 Donor composition and aid allocation

Our central argument, comprised of two conjectures, is that the composition of donor states affects whether IDOs factor corruption, and the formal rules about corruption, into their aid allocation decisions over and above other strategic political concerns.

We first consider the conjecture that *IDOs composed of donor states with lower levels of corruption should be less willing to allocate aid to corrupt recipients than organizations composed of corrupt donors, which are not likely to refuse aid to a recipient on the basis of corruption allegations* (*Hypothesis 1*). There are three reasons for this difference in behavior, which are neither mutually exclusive nor possible to distinguish empirically in the context of this paper.

First, it is well established that states often value and support governance styles that are similar to their own, for both normative and strategic reasons. They often attempt to use international organizations to proffer those styles. The efforts of the U.S. government to diffuse its own norms through the development of the Bretton Woods system is a case in point (Simmons et al. 2006). Whether or not they succeed depends in part on the composition of the membership. Previous research shows that international organizations composed of democratic governments or human rights advocating governments have created and attempted to enforce norms and policies designed to foster similar forms of governance in other states. They have done so as a means to push their collective values, assuage or support like-minded domestic interest groups and foster peace and security abroad (Pevehouse 2002; Greenhill 2015).[7] Democratically governed regional organizations have been central to the democratization movement, explicitly encouraging states such as Hungary and Peru to consolidate the transition to democracy by providing various forms of assistance to empower local elites committed to a similar ideology, or punishments to those opposed (Pevehouse 2005). Such top down efforts to spread norms of good governance through the allocation of resources

[6] Although there is some evidence that good governance in recipient countries can improve aid efforts, other studies do not find a positive effect (Svensson 1999; Zanger 2000).

[7] Along similar lines, Hafner-Burton and Schneider (2019) find that corruption can spread through international organizations and affect levels of national corruption in their member states.

have also been central to EU policy, as well as many of the West's bilateral and regional trade agreements (Hafner-Burton 2005, 2009).

For similar reasons, groups of less corrupt IDO donors may prefer to jointly focus their resources on less corrupt recipients in need. These states explicitly shun corruption. They are more likely to focus their resources where aid contributes to their development goals and perhaps even dampens existing corruption. When possible, they will shy away from allocating aid to highly corrupt recipient states, where the money is more likely to fuel rather than dampen the problem (Burnside and Dollar 2000). By contrast, groups of corrupt donors are unlikely to purposively deter aid to corrupt recipients on the basis of corruption itself because good governance is not a concept they collectively value, embrace, or seek to spread.

Second, less corrupt donors may prefer to channel funds away from corrupt governments to avoid domestic public backlash for allocating scarce resources to countries where public officials are likely to capture aid to use it for their own personal gain. While some charge that the public has no impact on aid (or other foreign) policy or practice, there is growing evidence to support the opposite. Public support affects the amount of money governments are willing to allocate as well as the recipients they choose (Milner 2006; Baker 2015; Prather 2019). IDOs like the Asian Development Bank (ADB) also seem aware of this reality, stating that their donors have been under increasing pressure to demonstrate that they are "delivering maximum value for the money" (Asian Development Bank 1998).

Foreign aid is both controversial and misunderstood by the populations of most donor states. In the United States, for example, where voting on aid reflects the makeup and concerns of Congressional districts (Broz 2005; Broz and Hawes 2006), recent polls suggest that the average American thinks that 26% of the federal budget goes to foreign aid—the correct answer is much less than 1%—and a majority believes that the government spends far too much on aid (Bearak and Gamino 2016).[8] But when they do support aid, the vast majority of Americans prefers aid for humanitarian purposes, such as alleviating hunger and disease. They do not support aid that is misplaced, and survey data indicate that Americans strongly favor restricting U.S. aid to corrupt countries (Knecht 2010; Paxton and Knack 2012).

Many elected U.S. officials are thus wary of the issue. For example, Senator Rand Paul—who sits on the Foreign Relations Committee and the Subcommittee on State Department and the Agency for International Development Aid's (USAID) Management—recently claimed that, of U.S. aid to developing countries, "… 70 percent of it's stolen off the top" (Greenberg 2017). That sentiment, whether it is correct or not, helps explain why and how U.S. bureaucracies are responding in concrete ways. Agencies like USAID now routinely pull the plug on aid projects under charges of corruption, including recent aid to Afghanistan's Ministry of Health, where $63 million (of $263 million) went unaccounted for (NPR 2017; SIGAR 2013). And it helps explain why the U.S. has played a central role in bringing a focus on anti-corruption into IDOs, such as the World Bank and the ADB, both of which now have extensive good governance guidelines in large measure piloted by U.S. initiative and in sync with public opinion.

[8] See also Milner (2006); Milner and Tingley (2011, 2013a).

The growing concern over corruption and aid among IDO donors is certainly not exclusive to American voters and politicians. While Europeans are generally more favorable to the use of aid for development assistance than Americans, there remains considerable opposition in some nations, deep partisan divides among the right and left, and rising public pressures focused on punishing corruption (Pew Research Center 2016). Surveys have shown that Swedes, a population that is highly supportive of foreign aid in general, would prefer to cut government aid that targets corrupt recipients (Bauhr 2016). Extensive public opinion surveys across Europe demonstrate that corruption often leads to aid fatigue, though reactions depend on what people believe aid is purposed for (Bauhr et al. 2013).

This tilt in public opinion corresponds with a growing number of formalized guidelines, communications and efforts to tackle corruption, both within the EU and among its development partners and aid recipients. For example, in 2003 the Commission called for a comprehensive EU anti-corruption agency, which would reduce all forms of corruption, including in its foreign aid programs (European Commission 2003). Both the European Court of Auditors and the European Anti-Fraud Office can scrutinize the EU's aid spending to fight against fraud and corruption on all fronts, including development aid. Despite strategic interests and colonial legacies, these efforts have led to the suspension of aid to countries in response to corruption. Recently in Uganda, the EU cut aid following the alleged embezzlement of $13 million in aid funds by officials in the Prime Minister's office (Reuters 2012), while they froze the equivalent of nearly half a billion dollars in aid to Tanzania following accusations that high-level government officials siphoned off the money from the central bank (The Guardian 2014). Less corrupt donors are often more reticent to spend their resources where they can fuel corruption, in part because their publics often won't support it.

By contrast, corrupt donors face much less pressure and scrutiny from their domestic selectorates concerning the allocation of foreign aid to corrupt recipients. In many cases, the domestic selectorate of a corrupt donor does not represent or reflect the general will of the people but rather a small group of political or business elites (Bueno de Mesquita et al. 2003; Weeks 2008). Even if the average citizen had an opinion about their government's foreign aid policy, it would be unlikely to generate real negative externalities for the government that supports corrupt countries. In China, for example, a country that gives substantial aid to corrupt and even violent countries like Sudan in exchange for favorable rights to develop oil and mining projects, there is minimal public outcry regarding the use of money to foster the government's often violence-inducing interests in the region.[9] Moreover, public outcry or efforts to criticize the government through media would almost certainly be suppressed (King et al. 2013). Electoral consequences are highly unlikely. The real selectorate is composed of party members and the winning coalition on which China's leaders actually depend are members of the Central Committee. The Chinese government is free to provide aid to any country it and its winning coalition choses without meaningful recrimination from its public.

[9] According to AidData, Ghana, Nigeria and Sudan are the biggest recipients of Chinese aid which goes primarily to infrastructure projects like oil pipelines: http://aiddata.org/. According to Transparency International, China's government ranks as highly corrupt (http://www.transparency.org/country#CHN).

China, of course, is not alone. Saudi Arabia, one of the top aid donors globally, also faces almost no pressure to reroute aid away from corrupt states. Elections in Saudi Arabia are held rarely (only three times in history) and only at the municipal level. Political parties are banned, and political dissent is a criminal act. The government enacts harsh restrictions on freedom of expression; tightly controls domestic media; and has repeatedly banned or harmed journalists who publish information deemed offensive to the regime. Although the royal family hosts occasional meetings for citizens to air grievances, that process is available to only a few and does little to foster genuine representation of the public more broadly. The relevant group of potential supporters is not the public but the royal family, and among them, mainly the senior princes in the innermost group. At that level of government, corruption remains a widespread problem, giving Saudi Arabia little incentive to divert aid away from other corrupt actors (Sonawane 2016).[10]

Third, the multilateral context, and the decision-making process within IDOs, matters. While the multilateral nature of negotiations can minimize strategic interests, state interests can still manifest themselves when powerful states or group of states are present or when member states have homogenous interests. Formally, IDO votes are weighted by donor contributions, which are highly correlated with their national incomes. Informally, donors usually operate by consensus, where the outcomes reflect compromise, though governments with structural power carry greater weight in the decision-making process (Thacker 1999; Stone 2002, 2004, 2008; Copelovitch 2010; Schneider and Tobin 2013).

While wealthy governments have a long history of giving at least some bilateral aid for their own strategic purposes, sometimes to highly corrupt or otherwise poorly governed states (Bueno de Mesquita and Smith 2009), their capacity to funnel aid to these recipients is diminished in a multilateral setting comprised of less corrupt donors.[11] Of course, powerful donor countries often use IDOs to advance their own political interests (Anderson et al. 2006; Kilby 2006, 2013; Dreher et al. 2009a; Lyne et al. 2009). However, the capacity for a single donor to capture an entire organization to foster its own interests in a corrupt recipient is weaker in a multilateral setting where there are multiple honest principals involved in allocation decisions that can block consensus (Rodrik 1995; Schneider and Tobin 2013).

A multilateral setting does not provide the same deterrent for a group of corrupt donors to allocate money to poorly governed recipients as it does for less corrupt donors. By definition, the governments of corrupt donors engage in dishonest or fraudulent behavior. Often, that entails bribery, backroom deals, and trading favors. One well known and widely documented example of IO-driven corruption is vote buying. Leaders representing one country offer material benefits, such as foreign aid or IMF loans, to leaders from another country in exchange for their vote in an IO (Dreher et al. 2009b; Lockwood 2013). Groups of corrupt donors are more likely to allocate multilateral aid to satisfy the interests of a single, or even multiple, donors in exchange for a return on the favor. Within corrupted IDOs, countries with greater domestic

[10] Recent work, however, indicates that Chinese bilateral aid is not likely to be more politicized than Western aid (Dreher and Fuchs 2015; Strange et al. 2017; Dreher, Fuchs, Parks, Strange, & Tierney, 2018).

[11] A related strand of the literature demonstrates that donors make use of these differences when deciding whether or not to delegate to those organizations (Winters 2010; Dietrich 2013, 2016; Schneider and Tobin 2016).

resources are also the most capable of engaging in quid-pro-quo exchanges and more likely to bias aid allocation toward their interests.

3 Anti-corruption mandates

A central part of our argument involves the enforcement of good governance claims and rules (we refer to these as mandates). We now consider our second conjecture, that the extent to which corruption factors into IDO allocation decisions depends more on the makeup of the donors than on the formal rules. *Less corrupt donors are more likely to enforce formal organizational rules designed to redistribute aid away from corruption. By contrast, anti-corruption mandates amount to cheap talk by corrupted IDOs; such rules will not deter them from allocating aid to the corrupt* (*Hypothesis 2*).

While it is beyond the scope of this paper to develop a full-fledged theory to explain the adoption of anti-corruption mandates, it is a fact that many IDOs have adopted such standards over the last few decades.[12] These mandates are, on paper, adopted in order to guide an organization's aid allocation strategy away from potential recipients with records of corruption. In 1998, shortly after Wolfensohn's impassioned speech, the ADB—an aid-giving organization composed mainly of less corrupt donors servicing developing countries throughout Asia—adopted a formal policy establishing a zero tolerance for corruption.[13] Today, these standards are enforced through the Office of Anticorruption and Integrity, which reports directly to the President of the Bank and operates as the focal point for monitoring member states' behavior. The ADB's anti-corruption activities are numerous and include education and training to disseminate the policy to staff, civil society and the private sector in order to detect, prevent and report corruption associated with any ADB projects.[14] The bank has routinely enforced its standards, banning both individuals and companies from its projects following the organization's annual check for corruption (ABC News 2014). In other words, the policy has been put into practice for proposed, ongoing and completed projects.

One might expect that only IDOs with very low levels of average IDO corruption adopt these mandates because they reflect the genuine preferences and intentions of members to steer clear of aiding corruption. This would make it hard to determine whether these mandates are endogenous to state preferences for good governance or if they actually shape IDO lending practices. Such mandates, however, are hardly the property of less corrupt IDOs. Quite to the contrary, in response to the rising focus on the issue and the rapid spread of anti-corruption standards, many highly corrupted IDOs have adopted organizational mandates concerning corruption. For these groups of states, it is relatively easy to adopt stated policies against corruption because they are unenforceable outside the IDO donor base. While the benefits of adoption could be

[12] For all IDOs in our sample we code whether the organization in a given year had a formal, and enforceable, anti-corruption mandate in place (0,1). Online Appendix A (available from the authors and on the *Review of International Organization*'s website) provides the data on mandates. Online Appendix C elaborates on the definition and coding protocol. See also Lohaus (2019) for a more general historical discussion of anti-corruption mandates in international organizations.

[13] In 2015, the top five ADB donors included Japan, Canada, the United Kingdom, Switzerland and the United States.

[14] See: https://www.adb.org/site/integrity/overview.

many, the costs of non-compliance are very low since such standards are self-enforcing (Lohaus 2019).

While many adopt formal rules against allocating aid to corrupt recipients, there is little reason to invest in any enforcement or punitive action against corruption in other states, nor is there reason to pressure potential recipient states to enact or implement anti-corruption policies (Hafner-Burton and Schneider 2019).[15] Corrupted donor organizations may adopt anti-corruption standards, but they are more likely to look the other way at the allocation stage because they too engage in unscrupulous political behavior that they neither want to draw attention to nor discipline.

The Caribbean Development Bank (CDB) is a prime example of corrupt donors crafting rules against corruption and then turning a blind eye at implementation. The CBD is a regional organization comprised of 19 states that are eligible to borrow funds from the Bank and also have voting rights, which entitles them to be a part of the decision-making process of the Bank. These states include Haiti, ranked 157th (out of 180) by Transparency International for perceived corruption, China (ranked 77th), Brazil and Colombia (tied for 96th), Mexico (ranked 135th), and Venezuela (169th) (Transparency International 2017). The Bank's stated mission is to support the reduction of poverty in the region through social and economic development. As part of that mission, the Bank established the independent Office of Integrity, Compliance and Accountability (ICA) to combat corruption and fraudulent practices. On paper, its efforts are quite extensive, working to "deter, detect, investigate and recommend sanctions for all integrity violations, including fraud, bribery and corruption."[16] In practice, the organization channels substantial resources into highly corrupt states (such as Haiti) with minimal sanctions or repercussions.

We expect such commitments, while on the rise, to amount to cheap talk within corrupted IDOs.

4 Research design

To test our theoretical arguments, we conduct a quantitative analysis using a dataset on the foreign aid allocations of 33 IDOs to over 140 recipient countries from 1998 to 2013. The unit of analysis is the IDO-recipient-year. The IDOs in our data set include organizations that provide non-concessional loans, concessional loans and grants, or technical assistance.[17]

4.1 Dependent variable

Our dependent variable is *Aid Receipts (log),* measured as the natural log of the aid commitments in constant (2011) U.S. dollars (plus one) that a given recipient state receives from each IDO. Data are from AidData (Tierney et al. 2011). We analyze

[15] This is consistent with Pevehouse (2002), who argues that if external guarantees and threats are not credible, IOs will no longer help to foster democracy.

[16] See: http://www.caribank.org/.

[17] The sample is based on the data availability. The latest AidData research release only covers aid allocation through 2013. A list of IDOs in our data set is in Online Appendix A.

commitment rather than disbursement data because the former take into account the overall decision-making process in donors whereas the latter are influenced by a variety of factors that are not connected to the political decision of aid allocation in the IDO (such as the absorptive capacity of the recipient government, implementation duration of the project, etc.).[18]

4.2 Main explanatory variables

We use three explanatory variables to test our argument. The first variable measures a potential *Recipient's Corruption* using annual data provided by the International Country Risk Guide (ICRG) to assess political risks associated with corruption within a country's political system, including financial corruption in the form of demands for special payments and bribes, excessive patronage, nepotism, job reservations, 'favor-for favors', secret party funding, and suspiciously close ties between politics and business. The ICRG's corruption measure registers small values for high corruption and large values for low corruption. Since we are interested in whether membership in less corrupted IDOs decreases aid flows to corrupt states, we calculate the inverse of the ICRG measure: *Recipient Corruption* ranges from 0 to 6, with 0 representing low corruption and 6 representing high corruption.[19]

The second explanatory variable is the *Average IDO Corruption* in any given IDO and year. To calculate the variable, we proceed in three steps:

1. For each IDO we derive the membership status of each state in each year. Membership data are from the Correlates of War project on International Governmental Organizations (Pevehouse et al. 2015).
2. To represent the members of each IDO that are most likely to be donors and carry decision-making power, we identify the top ten largest members within each IDO-year based on GDP. GDP data are from Graham and Tucker (2019).[20]
3. For each IDO-year we calculate the average corruption of the ten largest member states using *Recipient Corruption*, weighted by GDP (to take into account that countries with greater structural power should have a greater influence on the IDO's allocation decisions).

[18] Anti-corruption mandates are often dual focused on the prevention and prosecution of corruption in recipient countries. Available data on aid commitments best align with IDO policies that speak to the consideration of recipient corruption at the allocation stage. For example, the ADB's Office of Anti-Corruption and Integrity states "Management and staff will consider issues of corruption more explicitly in the formulation of the country strategy and program" (Asian Development Bank 1998). In the World Bank's updated Integrity Guidelines, a risk assessment relating to the potential occurrence of fraud and corruption is required before program initiation. Even where policies are more prosecutorial, provisions are explicit about how current allegations will block future commitments until complaints are resolved.

[19] There exist alternative corruption indicators, notably the corruption score of the World Governance Indicators (WGI), and Transparency International's corruption index (CPI). The correlation between these three indicators is very high (above 0.9), and we show in Online Appendix F that our main results are robust to using these alternative corruption indicators.

[20] Graham and Tucker's (2019) measures for GDP and population use data from the Penn World Table to supplement data missing from the World Bank's World Development Indicators.

Our measurement choices in steps 2 and 3 approximate the decision-making process within most IDOs as discussed above. Since aid allocation decisions are shaped by powerful donors and a norm of consensus, we use the ten wealthiest countries in each organization as a baseline. However, IDOs vary in their decision-making rules and the top ten is somewhat arbitrary. We also calculate *Average IDO Corruption* for the top 5, 15, 20 and all member states in order to ensure that our results are not driven by this particular operationalization (Online Appendix I). We weight the measure by differences in structural power within the group of ten in step 3 for similar reasons. Whether the decisions are made formally or informally, powerful states have more leverage to push the decision-making outcomes toward their preferred policies. While vote shares would provide an exact measure of formal decision-making power within an organization's governance structure, this information is not available for the entire cross-section of IDOs in our sample and its absence likely is nonrandom and correlated with IDO and recipient corruption.

Our measure of *Average IDO Corruption* varies both across IDOs and over time as a function of changing membership in IDOs, economic growth of member states, and changes in individual members' corruption scores. Figure 1 illustrates these trends for all IDOs in our sample with several organizations highlighted to demonstrate variation (solid lines): the Islamic Development Bank (IsDB), the Asian Development Bank (ADB), the European Union (EU), and the Caribbean Development Bank (CDB).

Third, we interact *Average IDO Corruption* with potential *Recipient Corruption* to analyze whether variation in donor corruption affects whether and to what extent corrupt countries receive aid.

4.3 Control variables

We control for a number of economic and political factors that are commonly included in models seeking explanations for foreign aid allocations. To capture the

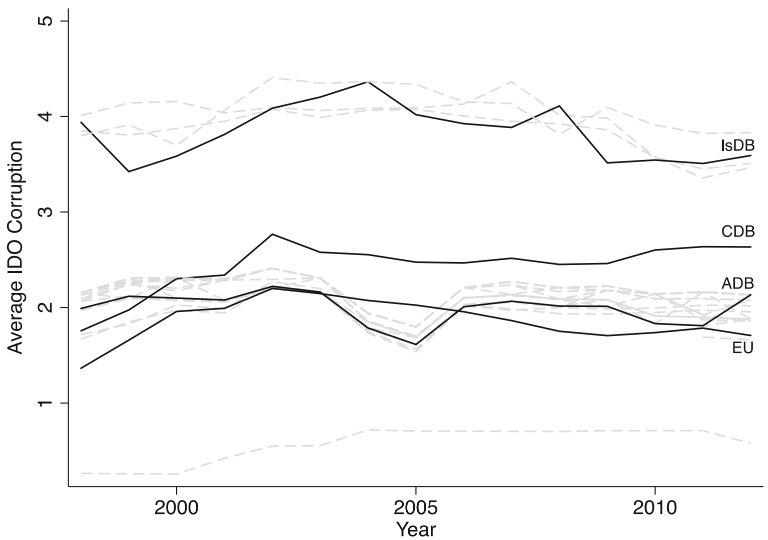

Fig. 1 Average IDO corruption in selected IDOs, 1998–2013

development needs of a recipient country we account for the recipient's logged Per Capita *GDP.* Data are from Graham and Tucker (2019). We measure the strategic importance of a recipient with several variables. One variable accounts for whether the recipient was a *Colony* of one of the top ten largest member states in the IDO. Data are from the Correlates of War Project (2016). We further control for the log of the *Average Distance* of the recipient country to the ten largest members in the IDO. Distance data are from Gleditsch and Ward (2001). We also measure the sum of imports and exports from the ten largest IDO members to the recipient as a proportion of the ten largest members' GDPs (*Trade/GDP*).[21] Data are from the IMF Direction of Trade Statistics. We expect that colonial relationships, geographic proximity, and higher trade volumes between donor and recipient countries correspond with higher IDO aid receipts. We control for the size of the recipient using logged *Population* (data from Graham and Tucker 2019), *Democracy* (Polity IV), the logged number of *Disaster Deaths* in the recipient, and the presence of *Civil Conflict* as measured by the Correlates of War Inter- and Intra-State Data Sets (Sarkees and Wayman 2010). Online Appendix B presents descriptive statistics for all variables.

4.4 Model estimation

We use the Tobit estimator for panel data to estimate our main regressions because our dependent variable is left-censored, rendering OLS parameter estimates inconsistent.[22] An alternative approach to deal with left-censoring, or selection bias, is to estimate selection models that take into account that the selection of aid recipients by IDOs may depend on variables that also determine the size of aid allocations. The appropriateness of a selection model depends on the existence of a valid exclusion restriction, which is extremely difficult to find in the case of aid allocations (Berthélemy et al. 2009). Berthélemy (2006) found that it is reasonable to assume that the selection bias is of second order because the correlation between the selection of aid recipients and aid allocation is not statistically significant.[23]

To account for unobservable temporal variation, we include year fixed effects. We also use IDO fixed effects in the main model because we are interested in the effects of corruption within IDOs over time. We demonstrate that the findings are robust to the inclusion of recipient fixed effects.[24] To ensure that the measures precede aid allocation decisions, the time-varying explanatory variables are lagged by one year. We estimate our results beginning in 1998, the year the first IDOs started to adopt anti-corruption mandates and an international norm against corruption emerged in the development

[21] For each variable, we isolate the top ten largest members within each IDO-year based on GDP. We then calculated the average distance from or trade with these top ten members.

[22] The use of Tobit estimation is consistent with the current standard in the aid allocation literature. See Alesina and Dollar (2000); Alesina and Weder (2002); Berthélemy and Tichit (2004); Bermeo and Leblang (2015); Bermeo (2017).

[23] See also Bermeo and Leblang (2015) and Neumayer (2003b) for an in-depth discussion of these issues.

[24] Note that the inclusion of fixed effects in Tobit models can lead to bias and incorrectly estimated standard errors. Monte Carlo simulations demonstrate that this problem is negligible in Tobit models, particularly as the frequency of censored observations grows, and if there are more than five time periods (Greene 2004).

community. We do not expect corruption to have had an influence on IDO aid allocation prior to this period.[25] Finally, because AidData includes transfers to developed countries we restrict the sample to recipient countries with GDP per capita less than $12,746.[26]

5 Empirical results

Table 1 presents the main results of our estimations. Model 1 presents our two main explanatory variables without their interaction. Model 2 adds the interaction and Model 3 presents our main model including the full set of control variables. Model 4 uses the unweighted calculation of *Average IDO Corruption*

The combined effect of the three main explanatory variables indicates that as average IDO corruption declines so does that organization's aid to more corrupt recipient countries. Since the interaction effect cannot be interpreted straightforwardly from the table, Fig. 2 graphs the marginal effects (solid line) together with 90% confidence intervals (dashed line) of *Recipient Corruption* on *IDO Aid Receipts* for different values of *Average IDO Corruption*.[27] The marginal values of *Recipient Corruption* are displayed on the y-axis; the values for *Average IDO Corruption* are displayed on the x-axis; and the grey bars below present a rug plot of *Average IDO Corruption* to illustrate the distribution of sample values.

For low levels of *Average IDO Corruption* (i.e., values less than 2.3), Fig. 2 illustrates that IDOs provide less aid to more corrupt recipients. For example, at an *Average IDO Corruption* score of 1.8 (e.g. CDB in 1998), a one-unit increase in recipient corruption decreases IDO aid allocations to that recipient by over 85%.[28] The more corrupt the average donor membership in an IDO, however, the less pronounced is the relationship. Substantively, as the Caribbean Development Bank approached higher values of *Average IDO Corruption* (e.g. 2.8 in 2002), a one-unit increase in recipient corruption removed any penalty, making the CDB's allocation decisions indifferent to recipient behavior.[29] For the most corrupt donors (e.g. 3.7 *Average IDO Corruption* for OPEC in 2010), we observe that IDOs provide more aid, by more than 100%, to recipients with higher levels of corruption.[30]

Our findings strongly indicate that IDO responsiveness to corruption concerns depends on their members' own quality of governance. Whereas groups of less corrupt donors are more likely to withhold aid from potential recipients embroiled in domestic corruption, groups of corrupt donors are not. In fact, at first glance they appear more likely to fill the void by providing aid to corrupt recipients. That effect, we speculate, is

[25] This is what we find when we estimate our model on the period 1984–1998. Results are available in Online Appendix M.

[26] According to the World Bank's definition of high-income countries. See: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups, last accessed: September, 2019.

[27] Our interaction figure is based on Model (3) of Table 1 and generated using the code provided by Matt Golder (http://mattgolder.com/interactions#articles, last accessed: November 2016). See also Brambor et al. (2006); Berry et al. (2012).

[28] 90% confidence interval (−1.20, −0.52).

[29] 90% confidence interval (−0.22, 0.50).

[30] 90% confidence interval (0.44, 1.67).

Table 1 Average IDO corruption and aid receipts, 1998–2013

	(1) Base	(2) Interaction	(3) Main	(4) Unweighted
Recipient Corruption (t-1)	−0.255	−2.587**	−2.665**	−2.152**
	(0.170)	(0.514)	(0.529)	(0.479)
Average IDO Corruption (t-1)	−9.705**	−13.886**	−13.783**	−18.809**
	(0.657)	(1.093)	(1.123)	(0.940)
Interaction Top 10 (t-1)		1.041**	1.003**	0.817**
		(0.217)	(0.222)	(0.203)
Colony			0.969	1.303**
			(0.596)	(0.591)
Trade (% GDP, t-1)			−22.389**	−23.980**
			(7.442)	(7.319)
Distance (log)			−1.917**	−2.011**
			(0.786)	(0.778)
Civil Conflict (t-1)			−1.119	−0.890
			(0.684)	(0.675)
Per Capita Income (log, t-1)			−3.638**	−3.501**
			(0.297)	(0.295)
Democracy (t-1)			0.150**	0.135**
			(0.039)	(0.038)
Population (log, t-1)			1.633**	1.572**
			(0.252)	(0.250)
Disaster Deaths (log, t-1)			0.016	0.034
			(0.053)	(0.052)
Constant	18.912**	28.628**	41.971**	62.901**
	(3.170)	(3.757)	(8.212)	(7.887)
IDO Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Wald Test	1971.413**	1989.576**	2069.581**	2486.430**
Observations	45,965	45,965	43,396	43,396

DV: Aid Receipts (log)

Standard errors in parentheses

likely not driven by a desire to aid corruption per se (i.e., is not causal) but rather to support political friends and allies, many of whom are corrupt. OPEC, for instance, has provided substantial aid to Ethiopia—a highly corrupt country according to Transparency International—likely not in an effort to fund further corruption but rather to alleviate famine caused by drought. We return to this discussion in greater detail in Online Appendix L to show that when we relax the linearity assumption, the findings are consistent with our main argument about a punishing effect among low corruption donors, and that the behavior of corrupted IDOs is not always correlated with greater

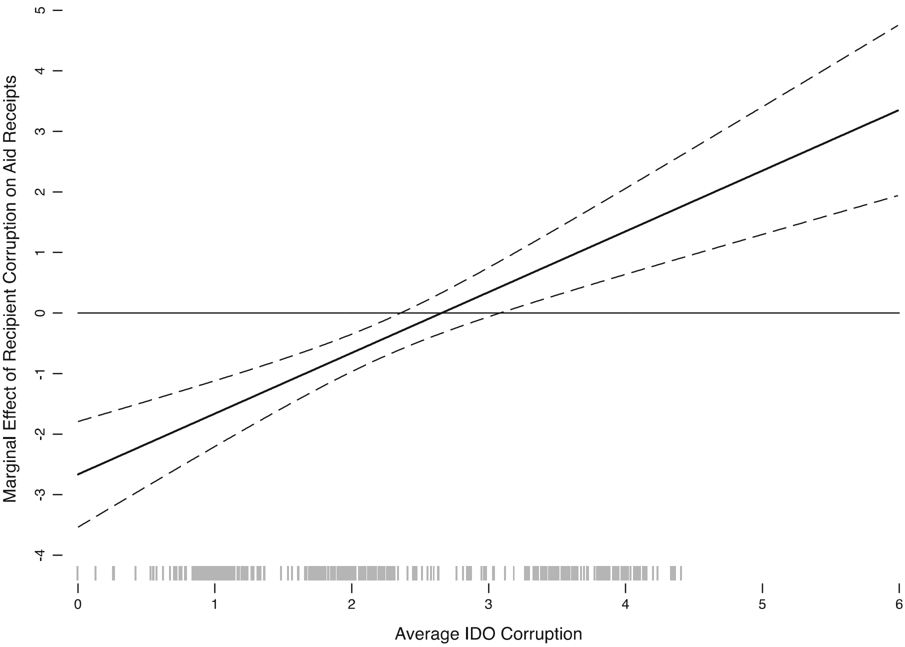

Fig. 2 Marginal effect of recipient corruption on aid receipts for different levels of average IDO corruption, 1998–2013

aid flows to corrupt recipients. In fact, the positive effect is driven by a very small set of observations, which do not amount to a general trend.[31]

We also find that strategic and non-strategic factors matter in IDO aid allocation decisions. Recipients with larger populations do receive significantly more contributions from IDOs. Recipients who are far away or trade more with important IDO members receive significantly less aid. IDOs do provide significantly more aid to recipients that are very poor or that have higher democracy. Colonial relationships, disasters, and civil conflicts have no effect (some of these effects are captured in the fixed effects). Even though these factors exert a significant influence on IDO aid allocation patterns, as the existing literature has established, a comparison of the strength of the effects from an estimation that uses standardized coefficients reveals that the composition of donor characteristics tends to have a *greater* substantive effect than most of the strategic variables. This implies that strategic motivations for aid allocation tend to be diluted in multilateral settings, and that the makeup of the organization may be just as, or in some cases more, influential.[32]

[31] More generally, our robustness checks indicate that the positive effect of IDO Member Corruption on aid allocations to corrupt recipients is not robust to a number of model specifications. Although the effect is not robust, it presents an interesting avenue for future research to investigate how IDOs composed of more corrupt members reach these aid allocation decisions. It is beyond the scope of this paper to do so, but one possible explanation for a positive effect could be in the rent-seeking behavior of corrupt donor governments who use regional IDOs to recoup some of the resources they contribute without being detected.

[32] Estimation results available upon request.

5.1 Mandates

A central part of our argument revolves around the fact that many IDOs, including those comprised of highly corrupt donors, have embraced the good governance movement's call to adopt anti-corruption mandates. This raises the key question whether such mandates are cheap talk or whether donors (including the corrupt) abide by their own rules. Are IDOs with anti-corruption mandates more willing to withhold aid to potential recipients with records of corruption? We conjecture that the answer is conditional on the membership: the extent to which corruption factors into IDO allocation decisions depends more on the makeup of the donors than on the formal rules.

To substantiate this claim, we collected original data on anti-corruption mandates in our sample of IDOs. Figure 3 illustrates that many organizations with highly corrupt donors have also adopted anti-corruption standards. Those IDOs with mandates (e.g. the European Bank for Reconstruction and Development (EBRD) after 1991) have similar average donor corruption to IDOs that have no anti-corruption mandates (e.g. the IBRD before 2010).[33]

To determine whether mandates deter aid to corrupt countries, we estimate our main model with a triple interaction between *Recipient Corruption*, *Average IDO Corruption*, and a dummy variable for whether the IDO had an anti-corruption *Mandate* or not (0,1) in any given year. Fig. 4 illustrates the marginal effects graphically.[34] The two lines represent the marginal effects of national corruption on aid allocation for different levels of average donor corruption for IDOs with and without mandates, respectively. We illustrate 90% confidence intervals around the marginal effects (grey-shaded areas).

Corrupt donors generally do not comply with their own anti-corruption mandates. At best, mandates only slightly dampen their substantial willingness to aid corrupt states despite the rules, and that effect is not statistically significant. For IDOs that have no anti-corruption mandates (upper line in Fig. 4), we observe that IDOs with high levels of average donor corruption (i.e. a value of 4.2 in the Arab Fund for Economic and Social Development during the early 2000s) increase their aid allocations to corrupt recipients by approximately 50% for each unit increase in recipient corruption.[35] That effect declines slightly for corrupted IDOs with a mandate, like the Islamic Development Bank after 2006, (lower line in Fig. 4) but only to 20% (and the confidence intervals suggest that the difference is not statistically significant).[36] By contrast, IDOs that are composed of the least corrupt donors (i.e. a value of 0.3 in the Nordic Development Fund) are likely to lower their aid by over 50% to potential recipient countries that experience a one-unit increase in national corruption.[37] Notably, this

[33] The variation for IDOs without mandates is larger than for IDOs with mandates and there are a number of IDOs that have no mandate but also very low levels of average donor corruption. While the distribution is bimodal, the average value of *Average IDO Corruption* for observations with (2.04) and without (1.88) a mandate is very similar. The fact that IDO-years with an anti-corruption mandate in place have a marginally higher corruption score is in line with our expectation that IDOs with more corrupt donors are just as likely to adopt anti-corruption mandates.

[34] We follow the method proposed in Brambor et al. (2006). Tabular and graphical results are reported in Appendices D and E respectively. We also split the samples by whether the IDO had a mandate or not; the results are reported alongside the triple interaction in Online Appendix D.

[35] 90% confidence interval (0.04, 0.94).

[36] 90% confidence interval (0.03, 0.37).

[37] 90% confidence interval (−0.65, −0.29).

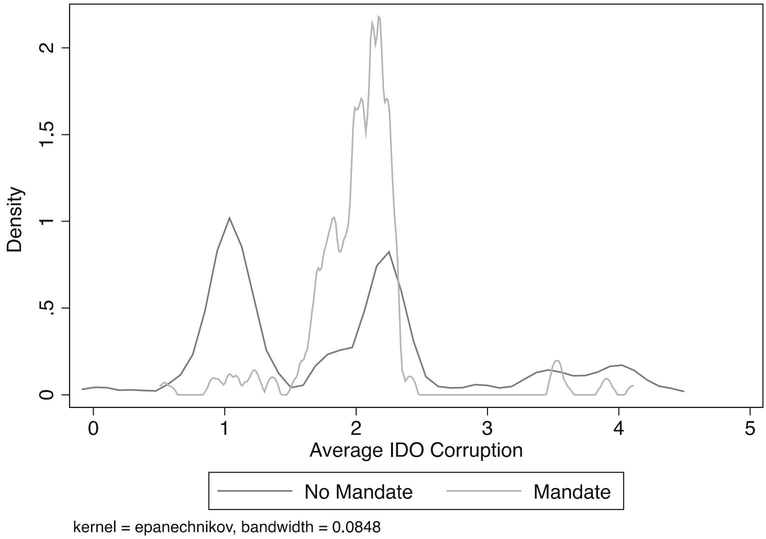

Fig. 3 Kernel density distributions of average IDO corruption by mandate, 1998–2013

effect holds regardless of the rules: even such IDOs that have not adopted anti-corruption mandates are reticent to provide aid to corrupt places when their principals tend to have low levels of corruption.

The findings are revealing. The most corrupted IDOs that have anti-corruption mandates nevertheless provide foreign aid to corrupt recipients. This renders such standards largely cheap talk in the most corrupt organizations. Meanwhile, less corrupt donors honor and enforce anti-corruption rhetoric and norms even without formally institutionalizing them. The rules, then, appear to have little independent effect on aid allocation decisions for either group.

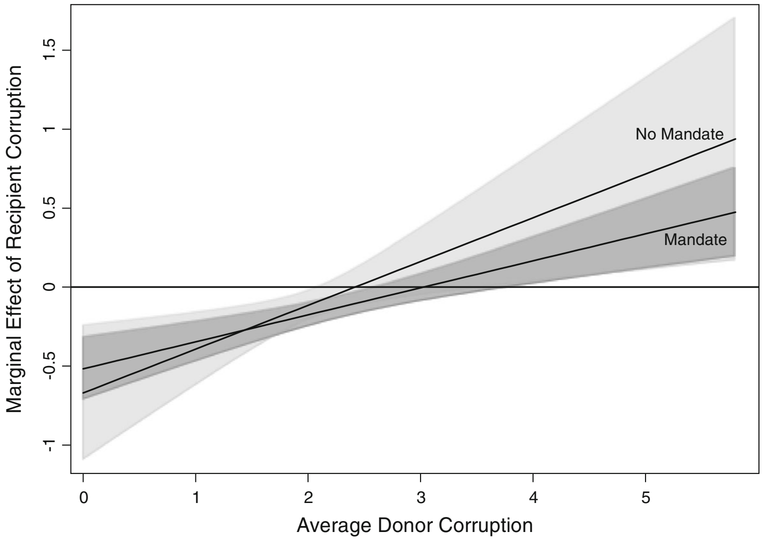

Fig. 4 Marginal effects in IDOs with ans without mandates, 1998–2013

5.2 Robustness checks

To ensure that the results are not dependent on our model specification choices, we conducted additional tests, which we discuss briefly here and report in full in the online appendix. First, Online Appendix F demonstrates that the findings are robust to using alternative measures of corruption, in particular Transparency International's Corruption Perceptions Index (CPI) score and the World Bank's World Governance Indicators (WGI) control of corruption score. We find a significant conditional impact of average donor corruption on the relationship between recipient corruption and IDO aid receipts. We also use different measures of good governance to analyze whether our findings are more generally applicable (Online Appendix G), including the World Bank's WGI indicators of *Voice and Accountability*, *Rule of Law*, *Regulatory Quality*, and *Government Effectiveness*. The results show that our findings on donor corruption carry over to other governance indicators as well, with the exception of *Rule of Law*. Online Appendix H presents models with additional control variables, including measures of infant mortality, U.S. military aid, interstate conflict, and income. We analyze whether the results are robust to alternative indicators of democracy, recalculate our IDO-level variables (in particular, *Colony*, *Trade*, and *Distance*) based on the top five donors in each IDO, include a count of IDO members, and show that our results for *Average IDO Corruption* are not driven by the average level of democracy within the membership of the IDO.

Online Appendix I analyzes the robustness of our results to averaging the top 5, top 15, and top 20 of the largest member states as defined by GDP. We also create the variable for all members in an IDO-year. The interaction is consistently significant for all member pools. Online Appendix J turns to analyzing the robustness of our results with respect to model specification and presents results adding recipient fixed effects, time-series cross-section estimators, a lagged dependent variable, and robust standard errors. We also present and discuss the results of a two-stage approach in Online Appendix K.

The multiplicative interaction effect that we graph in our main estimations assumes a linear interaction effect that changes at a constant rate with the moderator. To analyze whether relaxing this assumption changes our findings, we use flexible estimation to allow for nonlinear interaction effects (Hainmueller et al. 2019). The graph presented in Online Appendix L is remarkably similar to our main specification for IDOs with low donor corruption but reveals some interesting results with respect to four Middle Eastern IDOs, which all rank high on average IDO corruption, but tend to avoid funding corrupt recipients. The online appendix provides a discussion for why these effects may occur.

Our estimations are based on a sample of IDOs that have various characteristics. To analyze whether these characteristics affect our estimated relationship, Online Appendix M estimates the main model for subsamples, each excluding important types of IDOs: development banks, UN development institutions, and regional IDOs. The main results are robust. We also report estimation results that exclude particular groups of countries and observations from the sample (North America and Europe) and analyze alternative time frames.[38] Finally, Online Appendix N analyzes the robustness of our results to the exclusion of potential outliers.

[38] In line with the findings on multilateral aid in Winters and Martinez (2014), results for the type of aid are inconsistent and thus we do not report them here.

Overall, the robustness checks shed further light on the causal mechanisms and indicate that the results are robust, especially with respect to the negative effect at low levels of *Average Donor Corruption*. We further find that the positive effect at high levels of *Average Donor Corruption* depends on a small set of sample observations, which leads us to conclude that IDOs with relatively corrupt donors are simply turning a blind eye to the issue.

6 Conclusion

Aid allocation decisions have become highly controversial and politicized. As the good governance movement expands, examples of aid scandals proliferate. The British government has provided Pakistan hundreds of millions of pounds to fund education in the state of Punjab only to recently discover that the money has been used to fuel massive corruption (Chamberlain 2016). Canada gave many millions of dollars intended to help fund education in Kenya that corrupt officials inside the Ministry of Education instead siphoned off (O'Neill 2010). Meanwhile, USAID recently pulled the plug on cross-border foreign aid to Jordan and Turkey—intended to provide humanitarian relief in neighboring Syria—due to the revelation of corrupt practices, including bid-rigging, bribery and kickback schemes (U.S. Office of Inspector General 2016). All of these donor countries have good governance standards in place that should dampen aid to corrupt states in the first place.

Increasingly, this debate and the associated scandals apply not simply to wealthy Western donors but to the emergence of new development providers such as China—a corrupt country which accounts for a rising share of funds to many of the world's poorest and most corrupt places (Prizzon et al. 2016)[39]—as well as to the large supply of IDOs that provide a growing share of the financial resources. Some of these international development organizations are comprised of corrupt donors, and some of the most prominent—including the World Bank—have been repeatedly accused of engaging in corrupt lending practices. Such scandals fuel longstanding debates about the general effectiveness of foreign aid, and they raise deep concerns about whether even well intended or supposedly neutral donors are simply throwing money into the hands of corrupt politicians.

This paper is the first to our knowledge to stake the claim that the extent to which corruption factors into IDO allocation decisions depends more on the composition of the donors than on the organization's aid-giving rules or the donors' strategic interests in individual recipients. Organizations composed of highly corrupt donors are just as likely to adopt but much less likely to enforce anti-corruption standards as are organizations composed of less corrupt donors. Less corrupt donors, by contrast, punish states for corruption by withholding aid, and they do so with or without formalized anti-corruption rules in place. While strategic factors do shape aid allocation decisions, this study suggests that their importance is reduced in a multilateral setting where the composition of donors often plays a larger role. The implications for debates over foreign aid policy and good governance standards are substantial. Here, we briefly raise three.

[39] Recent work, however, indicates that Chinese aid is not likely to be more politicized than Western aid (Dreher and Fuchs 2015; Strange et al. 2017; Dreher, Fuchs, et al., 2018).

First, our findings contribute to a growing literature providing evidence that multilateral donors are far from neutral or de-politicized aid-givers (Dreher et al. 2009a, 2009b; Kilby 2013; Schneider and Tobin 2013). While it is beyond the scope of this paper to compare how corruption factors into aid allocation decisions by IDOs and bilateral donors, what is clear is that powerful donors can and do capture their IDOs' agendas, which helps explain why certain IDOs are punitive toward corruption while others are funneling money into very corrupt places, turning a blind eye to the problem. This finding suggests, perhaps not surprisingly, that some IDOs are likely to be much more effective in supporting economic development, while others are much less effective and, worse, perhaps even fuel corruption by supporting the groups at the source of the problem (Dreher et al. 2013; Dreher et al. 2018a). Our novelty lies in identifying a possible source of that variation—the composition of the donor base—which correlates with aid allocation decisions as much or more than some of the geopolitical factors that have long been central to the literature.

The second implication concerns the power of international law and regulatory standards more generally to shape good governance behavior. There is tremendous debate over whether international institutions can spread protections for good governance concepts and policies such as human rights, the rule of law, democracy, and civil society, and if so, how (Gilligan 2006; Hafner-Burton and Tsutsui 2005, 2007; Hafner-Burton et al. 2016; Simmons 2009; Neumayer 2005; Smith-Cannoy 2012; Hafner-Burton 2013). That debate has led to mixed and often contentious conclusions, with some arguing for the power of international legal standards to spread "good," while others argue against, or even identify a backlash effect (Landman 2005; Helfer and Voeten 2011). Despite this deepening debate over international governance more generally, and the notable proliferation of international anti-corruption mandates in particular, very little has been said about what role these mandates actually play, if any (Oehler et al. 2012).

Our research contends that, in the context of corruption, talk of good governance appears to be largely cheap. Groups of corrupt donors adopt anti-corruption standards that in theory should guide their IDO's allocation decisions away from sponsoring corrupt governments. Many, however, simply ignore the rules at will, which are unenforceable against donors. Less corrupt donors, by contrast, enforce these norms regardless of whether they have formalized them into rules. More generally, this suggests that compliance with international legal rules may be more a function of who is adopting those rules than what the rules say. In turn, this suggests a shift in the debate over good governance more generally toward a greater focus on the characteristics of the membership.

Although this article is not about the effectiveness of foreign aid, a likely implication is that a substantial amount of aid goes to corrupt places without real strings. Such aid is unlikely to be used by corrupt recipient governments to foster long-term sustainable development, and it may very well exacerbate corruption locally by providing the resources to fuel bad practices. If so, good governance standards may be on the rise but aid effectiveness in many places remains in question. International rulemaking is not solving the problem, which calls into question the general effectiveness of the good governance movement's regulatory strategy, at least in the context of corruption policy.

Finally, and more broadly, these findings speak to longstanding debates in other domains such as human rights, trade and the environment over whether international organizations should be inclusive—open to membership by many or even all states, including those with dubious track records—or kept exclusive—creating standards for membership based on national benchmarks for, and track records of, compliance with an organization's goals (Victor 2011). On one side of the debate is the view that inclusivity fosters a form of legitimacy that is central to the functioning of international organizations by bringing a wide range of states to the table, including those in violation of an organizational goal. Inclusion all but assures some degree of non-compliance, but it may also facilitate high-level dialogue, which in turn can stimulate compliance through processes of suasion, in-group dynamics or political pressure (Finnemore and Toope 2001). On the other side is the view that inclusivity can do just the opposite. A public track record of substantial noncompliance decreases the legitimacy and authority of the organization, undermines its credibility as a commitment device, and waters down its ultimate power to affect behavior (Hafner-Burton 2013).

In the case of foreign aid, the costs of inclusivity are now clearer: grouping together corrupt donors leads to flows of IDO aid to corrupt recipients that, by just about any theory or metric, are unlikely to efficiently or effectively achieve the goal of economic development, even when anti-corruption rules are in place. The most important lesson from this finding is that hope for the anti-corruption movement lies not so much in the rules IDOs adopt but rather in grouping together less corrupt donors. Creating more mandates, which remains a central goal of the good governance movement, likely will not change that fact.

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Affiliations

Lauren L. Ferry[1] · **Emilie M. Hafner-Burton**[2] · **Christina J. Schneider**[3]

1 Department of Political Science, University of Mississippi, Oxford, MS, USA

2 School of Global Policy and Strategy and Department of Political Science, University of California, San Diego, CA, USA

3 Department of Political Science, University of California, San Diego, CA, USA