

The Effect Of Foreign Aid on Corruption in Varying Regime Types

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Abstract

Over the past few decades, foreign aid has played an integral role in promoting development and alleviating poverty across the Global South, with large percentages of recipient countries GDPs being made up of foreign aid. However concerns have arisen about how effectively recipient countries use this aid, with one major concern being whether foreign aid inadvertently fuels corruption, and if so, whether this effect differs between democracies and autocracies. This study addresses these concerns by looking how the effects of receiving foreign aid on corruption differ by regime. To analyze this, I use a quantitative research design, employing a Difference-in-Differences (DiD) event study to analyze how corruption outcomes change in response to large surges in aid. The analysis is restricted to low-income countries situated in the Global South that receive at least 25% of their Gross National Income (GNI) in Official Development Assistance (ODA). The results show that autocracies receiving large amounts of aid tend to long term increases in corruption, while democracies show more moderate or inconsistent changes with increasing in corruption at first, but then stabilizing and decreasing corruption which can be caused by changing leaders due to voting cycles, or leaders lessening corruption in order to be reelected. Control countries, by contrast, maintain relatively stable levels of corruption over time. These patterns imply that regime type influences and shapes how aid is used and it's long term effects. These findings are essential for policymakers and development practitioners because by recognizing that regime type mediates the relationship between aid and corruption they can help improve the targeting and conditionality of foreign aid.

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Introduction

Foreign aid has long served as a cornerstone of international development strategy, with donors channeling billions of dollars annually to assist low and middle-income countries in addressing poverty, inequality, infrastructure gaps, and governance challenges. From the Marshall Plan to the Sustainable Development Goals, aid has been intended as a catalyst for both economic growth and institutional reform. Yet the effectiveness of aid remains deeply contested. While some scholars argue that aid can reinforce bad institutions, and increase corruption as a whole by encouraging behaviors such as targeting aid on voter areas while ignoring areas in need (Jablonski (2014)), or that aid increases corruption by increasing discretionary resources in weakly accountable states (Svensson (2000), Knack (2001)) while others suggest that donor intent affects the outcome of foreign aid so if donors utilize conditionality and other methods of control then the outcome of foreign aid would be positive (Bermeo (2011), Brown (2005)).

Two integral and frequently studied variables in this debate are the recipient's regime type and corruption. Democratic governments are often presumed to be more accountable to their citizens due to the need to appease their voter base and are subject to checks and balances that reduce the misuse of public funds, and furthermore democracies are believed to be more likely to allocate aid in ways that reflect public needs and developmental priorities. (Kono and Montinola (2009) , Kosak (2003)) However, autocratic regimes may lack institutional transparency and often face fewer constraints on executive power due to the lack of a need to appease the citizen base, creating opportunities for the misappropriation or politicization of aid resources (Svensson (2000), Bräutigam and Knack (2004))

While regime type and corruption are often examined independently, far less attention has been paid to how these two variables interact in shaping aid outcomes, and how the effect of receiving foreign aid on these two regime types vary when comparing the outcomes. Most analyses treat either aid or regime type as isolated explanatory variables while ignoring the ways in which they may jointly affect governance. This gap is problematic given that many aid-recipient countries differ along the democracy-autocracy spectrum, and may transition between these regimes over time. Without considering regime type as a factor, we risk overgeneralizing the impact of aid and failing to design policies that are tailored to political realities. By treating corruption and regime type not as isolated predictors but as interdependent variables, this study aims to uncover more nuanced pathways through which foreign aid influences governance and development.

This research aims to bridge that gap. By asking, “How do the effects of receiving foreign aid on corruption vary by regime type?” I investigate whether democratic and autocratic regimes experience different levels of corruption following large inflows of foreign aid. This is not only a theoretical question but a highly practical one for policymakers and international donors who are increasingly concerned with aid effectiveness. If aid is more likely to reduce corruption in democracies and worsen it in autocracies or vice-versa, then regime-aware strategies must become central to the design and implementation of foreign assistance programs.

My research demonstrates that the level of transparency and the degree of corruption in a government significantly shape how foreign aid is allocated in recipient countries. It shows how it is implemented, and ultimately impacts development outcomes. Specifically, it shows that governments with higher transparency and lower corruption tend to use foreign aid more efficiently and equitably, while those with weaker accountability structures often experience misallocation or misuse of funds. Furthermore, the effect of aid varies depending on whether a country is governed by a democratic or autocratic regime. While previous studies have explored corruption or regime type separately, my research bridges the gap by examining how both variables interact across different governmental systems to influence foreign aid outcomes. This information is crucial for scholars and policymakers for the development of economics, international relations, and public policy, because it informs for more tailored, context-sensitive aid strategies. Recognizing the role of transparency and corruption allows donor agencies to design conditionalities or monitoring mechanisms that reduce aid waste and increase efficiency.

As mentioned previously, the effect of aid varies depending on whether a country is governed by a democratic or autocratic regime. Autocracies, whose GDP is made up of greater than or equal to 25% foreign aid, tend to experience rising corruption levels after aid inflows, while democracies, with the same condition, show a much smaller rise in corruption. Control countries exhibit minimal change, supporting the interpretation that large aid spikes may catalyze different governance responses depending on regime constraints. While previous studies have explored corruption or regime type separately, my research bridges the gap by examining how both variables interact across different governmental systems to influence foreign aid outcomes.

This information is crucial for scholars and policymakers working in development economics, international relations, and public policy. By highlighting the moderating role of regime type, this paper

contributes to more tailored, context-sensitive aid strategies. Recognizing the interaction between aid and institutional quality enables donor agencies to design conditionalities or monitoring mechanisms that reduce aid waste and increase long-term effectiveness. As global aid budgets come under scrutiny and pressure for results intensifies, understanding how governance systems mediate aid's impact on corruption is more essential than ever.

Aid, Accountability, and Authoritarianism: A Regime-Based Review of Corruption Outcomes

Corruption has been a defining characteristic of contention in international politics for the past century. As foreign aid has been increasingly perpetuated throughout the world it is imperative that we see the correlation between aid and corruption in recipient countries in order to evaluate the impact of aid on corruption. These correlations are heavily contested with some such as [Qian \(2015\)](#) arguing that corruption increases with foreign aid as the dependence on the tax base decreases as governmental officials have less of a need to satisfy the tax base. This claim is further supported by [Ali et al. \(2019\)](#) when looking at a quantitative analysis of select Asian countries (Bangladesh, Sri Lanka, Singapore, and India) found that as foreign aid increased, so did the corruption perception index. On the other hand, those such as [Asongu \(2012\)](#) argue that foreign aid has a negatively correlated relationship with corruption as the amount of foreign aid decreases the amount of corruption when looking through a quantitative measure in 53 African countries. While authoritarian rule is heavy in Africa, the select Asian countries are all considered democratic accounting for the differences in these points of view.

When looking specifically at regime type, there are still many differences in points of view leading to multiple camps. The first camp being that foreign aid increases corruption in autocratic states and has little to no rise in democratic states, the second camp being that foreign aid harms both democracies and autocracies and lastly that it depends on the donor regimes intentions.

A substantial body of literature argues for the first of which foreign aid exacerbates corruption and reduces transparency in autocratic regimes, while having minimal or no effects in democratic ones. [Kono and Montinola \(2009\)](#) provides a key foundation for this view, in which they found that autocratic regimes are in a better position to “stockpile” foreign aid. This allows them to

withstand shocks and divert funds towards patronage and/or repression. They also found that in contrast democratic leaders are subject to greater institutional oversight and must spend aid more transparently, often immediately and with public accountability and communications. This leads to a limited amount of opportunities for misuse. This claim is also supported by [Nieto-Matiz and Schenoni \(2020\)](#) in which they demonstrated that aid can increase and solidify the survival of autocracies unless democratic donors exercise strong political leverage over recipients. In cases where such leverage is weak, autocrats are free to use foreign aid for themselves and consolidate/legitimize their power, deepening the systematic corruption. The authors further argue that most aid recipients are autocracies, and without credible conditionality, aid effectively becomes unearned income that they can use in favor for themselves with little regard to the unneeded taxpayers. Collectively, these works support the notion that in the absence of democratic checks and balances or external pressure, Foreign aid not only fails to reduce corruption in autocracies but actively enables and empowers it, contributing to increased authoritarian resilience.

The second camp contends that foreign aid generally undermines good governance regardless of regime type. Rather than improving political accountability and transparency, aid often fuels corruption, erodes institutional quality, and enables officials to ignore their tax-base. [Knack \(2003\)](#) argues that aid generates more corruption, and prevents new found democracies from strengthening as foreign aid weakens institutions, and increases corruption as governments have less of a reliance on their taxbase they feel less of a need to appease them. This leads to less of a regard for civil liberties, restricting countries for naturally developing into democracies, or propelling them back into autocracies. [Kaylitis and Vlachaki \(2012\)](#) similarly found and acknowledged that aid flows are associated with a decreased likelihood of democratization across regime types. [Bader and Faust \(2014\)](#) further emphasized that aid stabilizes regimes as it reinforces incumbent rule rather than allowing for the promotion of meaningful political change; collectively, these scholars argue that without strong accountability mechanisms, aid can undermine governance in both regime types.

Lastly there is a more nuanced view which emphasizes the impact of foreign aid is not strictly determined by the recipient regime, but instead by the donors intentions. These pieces of literature highlight the agency of donors in shaping governance through outcomes by utilizing conditionality, aid targeting, and long-term engagement. [Bermeo \(2011\)](#) argues that donor regime type matters, with democratic donors more likely to use aid as a tool to promote democracy, while autocratic or

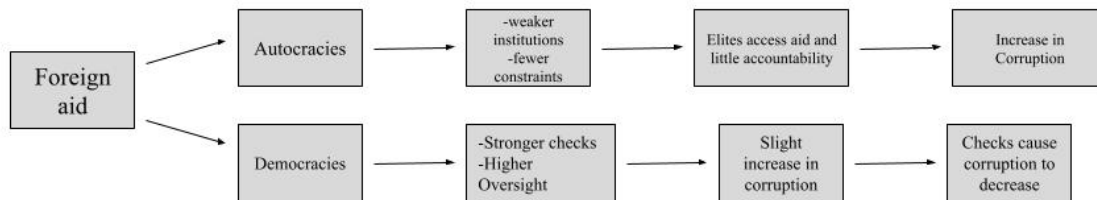
strategically motivated donors tend to overlook governance concerns. [Brown \(2005\)](#) also stresses the importance of donor intent, pointing out that donors frequently undermine democratic reform due to competing commercial, security, and strategic interests. His analysis shows that many aid efforts fail not due to inherent flaws in recipient regimes, but because of donor inconsistency, weak follow-through, and lack of transparency with how the conditionality of the aid is applied.

While each camp contributes important insights into the relationship between foreign aid and corruption, few studies fully integrate regime type, donor leverage, and transparency outcomes all together. This leaves open critical questions about how institutional structures and external donor pressures interact to shape aid effectiveness. Future research must bridge these perspectives to better understand when and why foreign aid curbs corruption in varying political contexts. As is the objective of this paper to answer the question of how transparency and corruption in the use of foreign aid differ between democratic and authoritarian regimes. This directly addresses this gap by examining how different political systems condition the use and misuse of aid. Where existing studies often focus on autocratic regime survival or democracy promotion, this research will center on corruption and transparency as the central dependent variables, allowing for a more grounded analysis of aid's real-world governance impacts and implications in terms of their variances. This approach contributes to the field by bridging insights to offer a nuanced understanding of aid management across regime types. It matters because foreign aid continues to be a primary tool of global engagement, yet its impact depends not just on intent but on how it is implicated and on whom. By identifying where and why aid promotes transparency, or enables corruption, this research can inform better donor strategies; this supports how we can be more accountable in terms of global aid practices in both democratic and authoritarian contexts.

Theory and Argument

This paper aims to examine how foreign aid influences corruption and transparency across different regime types, and whether this effect depends on a country's regime type. I argue that foreign aid has a higher chance in increasing corruption in autocratic regimes while having a little increase in democracies. My argument is based on how in autocracies there are weak accountability systems with limited oversight; allowing for leaders to divert aid for personal or political gain. However democracies typically have stronger institutions, such as elections, independent media, and civil

society organizations, which can monitor how aid is used and can limit corruption leading to less of a growth in corruption. Foreign aid is defined as Net Official Development Assistance (ODA) received as a percentage of Gross National Product (GNP), which reflects the amount of aid a country receives relative to the size of its economy in order to keep all of the country's aid on the same scale allowing for less error while analyzing my data. Furthermore corruption is measured using the Corruption Perceptions Index (CPI); This ranges from 0 (highly corrupt) to 100 (very clean). In addition, based on this framework, I have developed three hypotheses: (1) foreign aid increases corruption in all types of regimes, (2) the increase in corruption is more substantial in recipient autocracies than in recipient democracies, and (3) democratic recipient institutions reduce the extent to which aid contributes to corruption.



Methods

This study utilizes a multivariable quantitative, differences in differences approach, to examine the relationship between Official Development Assistance (ODA) inflows and corruption across countries within the Global South, where foreign aid flows are more concentrated and where governmental issues such as corruption are more prevalent. By focusing on the Global South, the analysis targets the contexts where aid is most likely to shape political outcomes and where variation in regime type and corruption levels is significant and relevant. The primary outcome variable is the Corruption Perception Index (CPI), a widely recognized measure that captures perceived levels of public sector corruption on a scale from 0 (highly corrupt) to 100 (very clean). In order to maintain consistency over time, all CPI data was scaled due to changed scoring methods post 2012. All pre-2012 CPI values were multiplied by ten to align with the post 2012 scale which allowed for valid comparisons.

In addition, in order to be able to categorize regime type all political regime data was sourced from the Varieties of Democracy (V-Dem) Core dataset. Countries were categorized as either democracies or autocracies based on their polyarchy index, with a cutoff at 0.5 used to classify regime type as this threshold, commonly used in literature (e.g [Kono and Montinola \(2009\)](#), [Lührmann \(2018\)](#)), reflects the midpoint of the 0-1 with the index running from 0, not democratic, to 1, democratic. This classification serves as a critical variable, allowing the analysis to differentiate effects based on political regime context. The treatment variable was defined by identifying the first year since 2005 when a country’s ODA inflows reached or exceeded 25% of GNI. Countries never reaching this threshold were assigned a synthetic treatment year, which allowed them to serve as controls within the event study framework.

Furthermore the ODA data was directly downloaded from the World Bank World Development Indicators (WDI) database, in which I focused on measuring net development assistance as percentage of Gross National Income (GNI) which allows for valid comparisons of economies despite the different sizes. The study period spans from 2003-2023 which captures recent decades of aid dynamics. The treatment variable was defined by identifying the first year since 2005 when a country’s ODA inflows reached or exceeded 25% of GNI. Countries never reaching this threshold were assigned a synthetic treatment year, which allowed them to serve as controls within the event study framework.

When combining all of these variables, a DID equation of

$$CPI_{it} = \sum_{k=-4}^{10} \beta_k \cdot \mathbb{1}(\text{EventTime}_{it} = k) + \alpha_i + \gamma_t + \varepsilon_{it}$$

was formed, where CPI_{it} is the corruption score for country i in year t , and $\mathbb{1}(\text{EventTime}_{it} = k)$ is an indicator for each year relative to treatment. Country fixed effects (α_i) and year fixed effects (γ_t) are included to account for time-invariant country characteristics and common shocks. Standard errors are clustered at the country level. Data is filtered to include only countries in the Global South that are low income. I did this to focus on countries with the greatest dependency on external financing and the most limited governance capacity, the sample was restricted to countries classified as ‘low income’ by the World Bank. This filter was applied using the income classification available in the World Development Indicators (WDI) metadata. By narrowing the analysis to low-income countries, the study focuses on the areas of the Global South most likely to experience acute governance impacts

from large aid inflows conventions across sources.

The event time was calculated as the difference between each observation year and the country-specific treatment year, which allowed for the construction of a time window from four years before to ten years after treatment. This event window was chosen to observe pre-treatment trends and post-treatment effects over a sufficient period of time. The data from the three sources, CPI, V-Dem, and ODA, was merged by ISO3 code (so all country names were standardized) and year to produce a harmonized data set for analysis. The data set was then grouped into three categories: democracies: whose GDP was made up of at least 25% foreign aid, autocracies: whose GDP was made up of at least 25% foreign aid, and control countries who never reach 25% of their GDP being made of foreign aid. The results were visualized using an event study plot (Figure A) that clearly depicts corruption trends over time relative to treatment, providing visual insights into how corruption perceptions evolve across different political regimes and treatment statuses.

While figure A presents the main event study results, showing the average treatment effect on corruption perceptions from four years before to ten years after countries received 25% ODA/GNI. To contextualize the treatment and support the credibility of the identification strategy, Figure B plots total ODA disbursements over time, while Figure C disaggregates these flows by sector (e.g., government, health, education). These visualizations show the difference in aid flows in order to explain the different patterns and time frames that corruption rises within the varying regime types .

To further explore mechanisms, Figure D examines the relationship between corruption and protest activity over time. Protest data was sourced from the Armed Conflict Location & Event Data Project (ACLED), and civil liberties measures were taken from V-Dem. The plot reveals that in democratic contexts, post-treatment declines in corruption are accompanied by declines in protest activity and modest gains in civil liberties. Suggesting that aid may enable governments to strengthen legitimacy. In contrast, autocracies show increases in protest activity alongside worsening corruption, implying that aid may be captured by elites and lead to governance failures or backlash.

However this research design rests on several assumptions and is subject to limitations. First, the Difference-in-Differences event study relies on the assumption of parallel trends, such as that treated and control countries would have followed similar paths in the absence of high ODA inflows. While country and year fixed effects help control for unobserved variations in trajectory, the assumption cannot be tested directly. Second, CPI is a perception-based measure, which may lag behind actual

corruption changes or be biased by media coverage and international scrutiny. Lastly, the study focuses only on low-income countries in the Global South, which improves internal validity but may limit the generalization of findings to more economically advanced or institutionally stable contexts. Future studies may be able to focus on a more wider pool of economic groups and be able to look at the different variations between the economic groups.

Overall when taken together, this methodology offers a framework for investigating the causal impact of large foreign aid inflows on corruption, while accounting for variation in political institutions. By using an event-study framework, scaling CPI consistently, controlling for country and time fixed effects, and disaggregating by regime type, the analysis reveals patterns that allow for deeper understanding in which the conditions under which foreign aid may reduce or exacerbate corruption in the Global South.

Research Design

This study’s research design is grounded in a Difference-in-Differences (DiD) event study framework, which allows for the estimation of the impact of high levels of Official Development Assistance (ODA) on corruption dynamics and levels in Global South countries over time. By using temporal variation in treatment timing, which is defined as the first year when a country’s net ODA inflows reach or exceed 25% of Gross National Income (GNI), this approach enables analysis of corruption outcomes before and after the onset of large aid inflows, allowing for further insight in the variation recipient regime-types experience while accounting for country-specific and temporal confounders through fixed effects.

The driving force of the analysis is presented in Figure A, which plots the event study estimates of the Corruption Perception Index (CPI) from four years prior to reaching net ODA inflows up to 25% of GNI up to ten years after reaching net ODA inflows of up to 25% of GNI, separated by regime type (democracies vs. autocracies). This figure visually depicts how corruption perceptions evolve relative to treatment timing and highlights heterogeneity in aid effects based on political regime.

To explain and contextualize the main findings, Figure B shows the total ODA disbursement trends, allowing for further explanation for the reasons why corruption grows at different paces in democracies

versus autocracies.

Further, Figure C breaks down ODA disbursements by sectors (such as governance, infrastructure, health, and education) as provided by OECD Creditor Reporting System (CRS), providing insights into the types of aid projects that countries received during the treatment window. By utilizing this we have further help in understanding potential pathways through which aid might influence corruption, with sectors like governance potentially having direct effects on institutional quality and corruption control.

Finally, Figure D investigates potential mechanisms by overlaying trends in corruption (CPI) with protest events (sourced from ACLED) over the event time window, separated by regime type. This figure helps to see how aid-induced changes in corruption may correlate to political stability.

Together, these figures form an analytical narrative that moves from identifying causal effects of large aid inflows on corruption (Figure A), through contextualizing those inflows in volume and sectoral terms (Figures B and C), to probing the political and social mechanisms that might drive observed changes (Figure D).

By integrating multiple data sources: including the CPI, Varieties of Democracy (V-Dem) indices, World Bank’s World Development Indicators (WDI) for ODA, OECD Creditor Reporting System (CRS) and Social Conflict Analysis Database (SCAD) by the Strauss Center for protest data. This research design enables further understanding of the complex relationships between foreign aid, regime type, governance outcomes, and societal responses within Global South low-income countries

Findings

Figure A shows the estimated effects on the CPI (corruption perceptions index) for treated democracies, autocracies, and untreated control countries over 14 year window spanning 4 years before the aid treatment, and 10 years after the aid treatment

In democracies (blue line in figure A), corruption worsened in the short term, with CPI scores falling by approximately 5 points in the two years following large aid inflows. This suggests that even in democracies, foreign aid can initially fuel misuse or rent-seeking, possibly due to the sudden influx of resources and weak initial oversight. However, in the longer term (years 3–10 post-treatment), CPI

scores increased by roughly 15 points, indicating a substantial reduction in perceived corruption. This reversal may reflect the ability of democratic institutions to self-correct, whether through lessening corruption in order to please voters base before voting cycles, changing leaders after a voter cycle due to corruption, or media scrutiny. Autocracies (green line in figure A), by contrast, had a slow decline in CPI scores. Corruption worsened by about 2 points in the first two years and continued to go on a downward trend, falling by an additional 8 points over the remaining eight years. Unlike democracies, there was no observable rebound of corruption levels. This pattern emphasizes the concern that in the absence of electoral incentives or institutional constraints, foreign aid may simply expand the rent pool available to entrenched elites leading to more corruption. This is consistent with findings from [Svensson \(2000\)](#) and [Knack \(2001\)](#), who highlighted the vulnerability of autocratic regimes to aid-related corruption due to weak enforcement mechanisms and limited transparency. Control countries, which did not experience large aid shocks, maintained relatively stable CPI scores throughout the 10-year period. This suggests that the observed corruption dynamics in treated countries are unlikely to be the result of global trends or unrelated domestic shifts.

To further contextualize these trends, Figure B provides some valuable insights showing how within the countries that reach 25% ODA of GNI that democracies have a higher and longer lag in foreign aid disbursement while authoritarian regimes have a shorter lag of disbursement of foreign aid possible due to the significantly smaller amount of bureaucratic check-points autocracies have. This leads to a critical insight in the sudden decrease in corruption that can be seen in Figure A when it comes to democracies. It leads to the possible implication that the aid is not really able to come in effect and affect corruption rates until later in time.

Figure C further deepens this discussion by revealing the trends in which autocracies versus democracies spend their aid. It can be seen that autocracies spend the biggest parts of their aid on crisis management (emergency food assistance, material relief assistance and services, STD control) while democracies spend ton public services and goverment (Road Transport, General Budget Support and Aid, Public Finance Management, and Primary Education) which is consistent with the findings of [Montiola and Easton \(2017\)](#).

Figure D then explains the trends that occurs in the relationship between CPI and civil unrest. It can be seen that in autocratic regimes, civil unrest spikes as corruption starts to grow. Despite this corruption continues to grow, as autocratic leaders ignore their tax base. On the other hand we are

able to see how when democratic regimes corruption starts to grow and civil unrest spike there is a sudden decrease in corruption as the democratic regimes listen to their tax/voter bases.

Discussion

This study finds that the impact of large-scale foreign aid inflows on corruption varies substantially by regime type and unfolds over time through distinct mechanisms. The DiD event study (Figure A) reveals two contrasting trends: corruption decreases in democracies after an initial spike, while in autocracies, corruption steadily worsens following the aid shock. The complementary figures (B, C, and D) help unpack why these patterns emerge and offer a more complex understanding of the underlying processes and mechanisms.

Figure B, which tracks aid disbursement timelines, provides a further understanding into the delayed effect of foreign aid in democracies. Among countries that reach the 25% ODA/GNI threshold, democracies exhibit longer aid disbursement lags compared to autocracies. While this lag initially appears as inefficiency, it shows bureaucratic safeguards and institutional checks and balances: such as budget reviews, legislative approvals, and monitoring frameworks. These mechanisms delay immediate outcomes but serve as checks that improve governance in the long run. This helps explain why the corruption improvement in democracies in Figure A is not immediate: due to the fact that the aid simply takes longer to be implemented.

Figure C, which examines aid by sector, clarifies why autocracies continue to see negative governance outcomes despite receiving such large aid inflows. Autocracies primarily channel aid into short-term or fungible sectors, such as humanitarian relief, where funds have less of a direct impact on governmental outcomes instead addressing more pressing demands. In contrast, democracies allocate a larger share of aid to governance-enhancing sectors such as public administration, education, and institutional reform. These sectors, although slower to show impact due to the long-haul changes they make, are more likely to influence the quality of governance and reduce corruption. This pattern explains why democracies experience sharper declines in corruption once aid is operationalized, while autocracies see smaller institutional change over a period of time.

Finally, Figure D links political incentives to governance outcomes by comparing trends in protest and riot activity. In democracies, increases in civil unrest follow the rise in corruption and coincide

with the subsequent decline in corruption levels. This suggests a responsive feedback loop, where citizens who are enabled by civil liberties and electoral accountability, pressure their governments to curb corruption. Autocracies, in contrast, also face rising protest levels but show no improvement in corruption. This reflects a key institutional difference: autocrats lack electoral pressure and are less responsive to civil unrest, relying instead on repression and further corruption to maintain control.

These findings have broader implications for how scholars and policymakers approach the topic of foreign aid effectiveness. They challenge the one-size-fits-all view of aid by showing that the regime context shapes how aid translates into governance outcomes. Readers should now think more critically about the political and institutional channels through which aid flows, not merely the volume of aid itself.

This study opens new paths for future research by suggesting that the sectoral allocation of aid and signs of civil unrest (like protest response) deserve more attention as potential factors of aid effectiveness. Further research could explore these channels in greater detail and extend analysis to other governance indicators such as transparency, institution size, and geopolitical context.

Despite the contributions of this study, there are several limitations. Most notably, the analysis operates at the national level and does not capture variations within countries, such as semi or fully autonomous regions, where corruption and aid implementation may diverge significantly. This article cannot answer how localized dynamics, such as state-level politics or urban-rural divides, change the effects of foreign aid. Future work could address this by replicating the design with subnational datasets or focusing on case studies.

Ultimately, the findings matter because foreign aid sits at the forefront of international development and diplomacy. In an era of heightened scrutiny over where taxpayer money goes, making this process effective, rather than enabling misuse and the growth of ideals opposite to which governments preach, is a strategic imperative. If aid is to be used as a lever to promote governance and reduce corruption, we must understand the conditions under which it helps rather than harms.

Together, these findings emphasize that foreign aid's impact on corruption is deeply conditional, not just on regime type, but on how aid is implemented, where it is allocated, and how governments respond to societal pressure. Democracies may be slower to implement aid and initially more prone

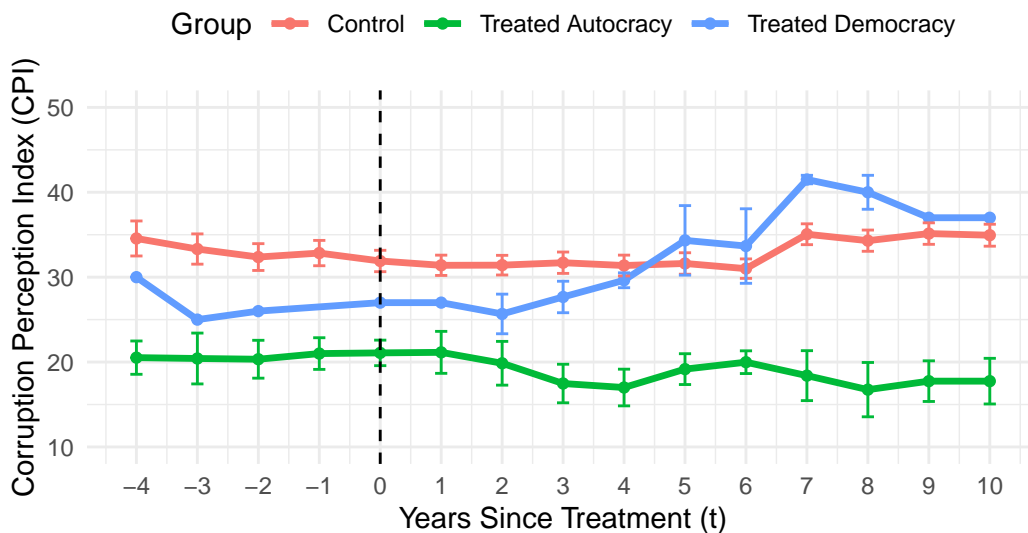
to rent-seeking, but institutional safeguards, voter responsiveness, and strategic sectoral investment eventually lead to improvements. Autocracies, lacking such features, not only disburse aid more rapidly and less transparently but also lack internal mechanisms to reverse governance decline.

These results have clear implications for donors: aid effectiveness depends not only on the amount given but also on the political context of the recipient and the sectors targeted. Supporting transparency, promoting democratic institutions, and aligning aid with long-term governance goals may enhance the developmental impact of aid and limit corruption. Conversely, aid to autocracies risks increasing poor governance and reducing aid's developmental value.

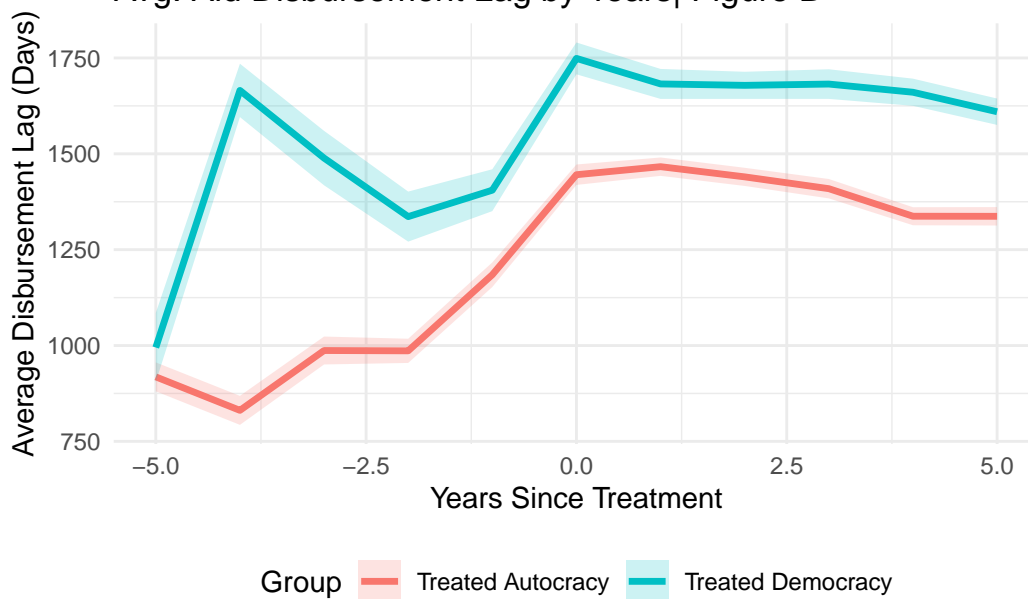
Figures

Impact of ODA $\geq 25\%$ on Corruption (CPI)|Figure A

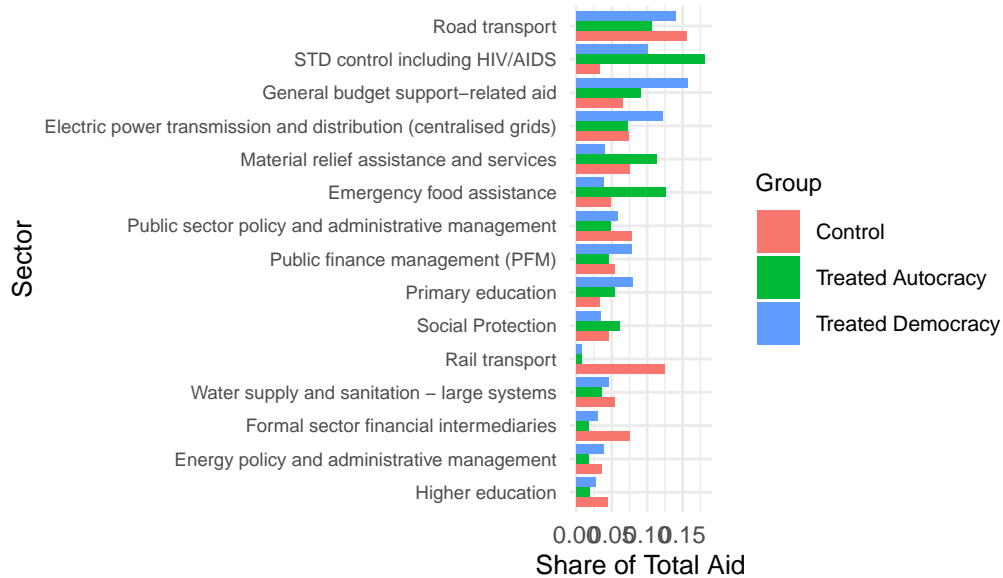
Global South|Scaled CPI (0–100), 0=Max corruption, 100=No corrup



Avg. Aid Disbursement Lag by Years| Figure B

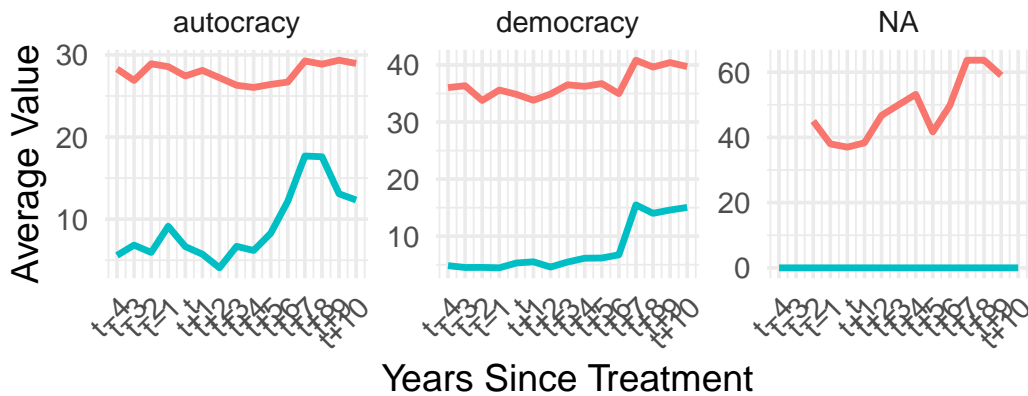


T15 Aid Sectors by Regime|Figure C



Impact of Foreign Aid on Corruption and Protes

Indicator — Corruption Perception Index (CPI) — Protest Events



1 0–100.100=no corruption 0=little to zero corruption; protest counts from SCAD.

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