Aiding the Virtuous Circle? International Development Assistance and Citizen Confidence in Government in Bangladesh

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Abstract

In areas of limited statehood, foreign development assistance often finances public goods and services. Do citizens attribute the presence of this development assistance to their government and thereby generalize about the legitimacy of their own government because of it? In an informational experiment embedded in a nationwide survey in Bangladesh, we find evidence in line with the argument that the presence of foreign aid signals government competence. The informational treatment effects are particularly large among the majority of respondents who perceive high levels of corruption in their country.

Key words

foreign aid, legitimacy, attribution, Bangladesh, information experiment

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In many of the poorest countries in the world, foreign aid inflows constitute a major proportion of government revenues and can be strikingly large relative to gross national income (GNI). For a number of sub-Saharan African countries (e.g., Burkina Faso, Malawi, Rwanda, Sierra Leone) and small island states (e.g., Kiribati, Micronesia), ODA as a percent of government expenditures was more than 50 percent over the period 2010-2014. For these same countries, ODA was equivalent to at least 10 percent of GNI and often several times that (World Development Indicators).

These high levels of foreign aid inflows are frequently described and analyzed under the rubric of aid dependence (see, e.g., Bräutigam 2000; Knack 2001; Bräutigam and Knack 2004). Scholars and practitioners concerned with aid dependence worry that high levels of aid inflows can create perverse incentives. Instead of directing aid to fill domestic spending gaps in response to citizen needs, government officials may end up responding to foreign aid donor demands. For example, they may embark on large infrastructure projects without accounting for operations and maintenance costs. Or they may allow parallel institutions to draw human resources away from the government. With regard to the lack of responsiveness that foreign aid is thought to engender in government officials, one Afghan observer writes, ‘Afghans elect their leaders in a democratic process to provide public goods for them; there is no point in elections if these goods are provided by foreign money’ (Samim 2016).

Further, it is unclear how citizens in areas of limited statehood (i.e., those places where the state lacks the ability to implement and enforce central decisions and/or exert a monopoly over the use of force (see Risse 2011; Schmelzle and Stollenwerk 2018)) react to the role played by external actors in the provision of goods and services as well as governance. It may be that, in areas of limited statehood, information about foreign aid flows leads citizens to form negative opinions about their own government. If citizens perceive foreign aid flows as indicating their own government is weak or incompetent, they may withdraw support from their government. The withdrawal of support, in turn, may impede the development of the desirable virtuous circle of state legitimation and service delivery described by Schmelzle and Stollenwerk (2018). In a world where individuals view their government’s receipt of foreign funding as indicative of limited state capacity, aid dependency and limited statehood may become self-reinforcing in equilibrium: unable to bring
citizens into compliance with revenue-generating mechanisms such as taxation, the state will remain dependent on foreign aid to finance public service provision and will remain limited in its ability to exert authority (Bräutigam and Knack 2004; Eubank 2012). In the virtuous circle model presented in Schmelzle and Stollenwerk (2018), it might be that attribution (Figure 1, box 3) to non-state actors causes the link between observed effectiveness in the realm of public service delivery (Figure 1, box a) and legitimacy (Figure 1, box b) to break down.

While this scenario is plausible, it is worth considering that the opposite reaction to information about foreign assistance may also be a possibility. For many citizens in areas of limited statehood, foreign or non-governmental financing is a way of life, a normal state of affairs (Brass 2016), where the absence, rather than the presence of foreign funding might suggest that something is amiss. In this world, the foreign funding directed at particular destinations or institutions might be a signal of competence and trustworthiness and be seen as attributable to the state (see Figure 1, box 3, in Schmelzle and Stollenwerk 2018). Once they observe it, citizens may respond to the delivery of foreign-funded services by generalizing (box 4) about the legitimacy of their government, plausibly leading them to more positively evaluate their own institutions.

In previous research, we find that information about foreign aid drives citizens of Bangladesh to express more confidence in their local governments (Dietrich, Mahmud, and Winters 2018). In this article, we explore this finding further, showing that the effect originates in changes in attitudes among individuals who are most concerned about the quality of governance in their country. This finding provides support for the theory that foreign aid can act as a positive signal, opening the door to the possibility that information about foreign aid flows can contribute to the development of a virtuous circle of governance within areas of limited statehood of the kind depicted in Schmelzle and Stollenwerk (2018).

**Information about Foreign Aid as a Signal**

How do people in areas of limited statehood react when they learn about external funding of basic services, delivered by non-state actors? How do these reactions relate to
the virtuous circle of performance and state legitimacy described in Schmelzle and Stollenwerk (2018)? This is a research domain where the most recent empirical evidence has challenged initial hypotheses.

In a number of older studies that reflect on foreign aid and non-state service provision in the developing world, authors have speculated that foreign aid inflows will be treated as a sign of government weakness: that citizens will interpret the need for foreign financing as a signal that the domestic government is not capable of running its own affairs.

Looking at sub-Saharan African countries, Bratton (1989) describes how post-colonial states initially tried to develop legitimacy through performance-based legitimation: ‘The legitimacy of African governments came to rest on their capacity to make good on promises of economic and social advancement’ (as quoted in Dolan 2016, 572). For Bratton (1989), the presence of external actors (specifically non-governmental organizations, NGOs) that are undertaking state-like activities are threats to the state because they call into question the capacity of the state for doing what states are expected to do (see also Fernando and Heston 1997).

This claim leads to the following empirical implication: if citizens view it as problematic when non-state entities do state-like things, then information about foreign aid flows should reduce citizen confidence in the state. This reduced confidence might, in turn, discourage citizens from engaging in the types of compliant behaviors (e.g., payment of taxes) that help to build and maintain states (Levi 1988; Schmelzle and Stollenwerk 2018). This logic involves both attribution and generalization, as conceptualized by Schmelzle and Stollenwerk (2018). Information about foreign aid encourages citizens to revise their attributions of credit for local public goods and services, taking credit away from their own government and giving it to external actors. While citizens might previously have generalized from their perceptions of effective service provision to give legitimacy to the state, they now might no longer do so, according to this chain of thought. At an extreme, citizens could understand external intervention as a generalizable signal of their own government’s weakness or fecklessness – and therefore interpret the information as indicating that the state lacks legitimacy.

Because of these ostensible risks, some scholars have argued that governments will eschew external interventions – large or small – in certain circumstances.ii Dreher (2004)
argues that leaders will avoid entering into IMF programs before elections because doing so sends a signal of incompetence that will hurt reelection chances. Carnegie and Dolan (2015) argue that some states will reject humanitarian aid flows – even when they need them – because the act of rejection sends a signal of competence to international actors. Ciocciari and Krasner (2018) describe how the foreign role in policing in Kosovo and Timor-Leste led those governments to become concerned about the potentially delegitimizing effects of continued foreign presence in such an essential area of state operation.

In the past several years, the field has begun to accumulate empirical evidence from individual-level survey data that lets us speak to this hypothesis found in the classical literature. That evidence suggests that the presence of foreign aid or information about foreign aid flows or non-government service delivery does not in fact signal government incompetence to individuals in aid-receiving countries. Sacks (2012), in a paper that focuses on how people react to non-state service delivery, finds that the local presence of NGOs is correlated with higher levels of confidence in government in Afrobarometer data. Dolan (2016) similarly finds that individuals in Kenya who are more aware of foreign aid express more trust in their government. Brass (2016), again focusing on non-state service delivery, uses a variety of methods to identify a similar relationship in Kenya, arguing that ‘NGOs support state capacity and along the way enhance state legitimacy in the eyes of the citizens’ (3).

In the experimental literature, Dietrich and Winters (2015) find that individuals in India who received information about the foreign role in funding and implementing a development program do not express statistically significantly different opinions about national government institutions or their effectiveness in the sector of the development program as compared to individuals who heard only about the development program (and therefore might plausibly have assumed it to be a government program). In Uganda, Baldwin and Winters (2018) find that information about a foreign-funded, NGO-run local development project leads to worse perception of local government performance but does not affect perceptions of other levels of government or citizens’ willingness to comply with the government.

One plausible reason for the positive findings across multiple contexts is that citizens understand foreign aid flows as a positive – rather than a negative – signal about
government quality. If individuals encountering information about foreign aid believe that donors are selective when it comes to choosing the destinations for their aid, then they might take the presence of foreign aid as an indicator that a national or local government is of sufficient competence to merit aid. That is, the existence of foreign aid flows could represent the endorsement of the local government(s) by important international actors and hence be a signal of quality.

In this alternative chain of logic, attribution and generalization work differently from the older hypothesis described above. Under the current logic, citizens attribute positive performance to their government *because* of the presence of external actors (instead of reattributing credit for performance for their government to external actors). That is, we expect them to positively update their beliefs about government performance in response to learning about external actors. The virtuous circle of governance is therefore one that associates performance with the ability of states to attract external actors to help provide services that otherwise might be the domain of the state.

If some citizens understand foreign aid flows as signaling government performance, we should be particularly likely to observe such reactions among the subset of individuals who have concerns about the quality of governance in their country. For individuals who think that governance is not problematic, there is no – or at least less – positive updating to do about the performance of government. On the other hand, for individuals who are concerned about corruption or other forms of poor governance in their country, they may be particularly responsive to signals that they can interpret as suggesting that things are improving or that their particular local governments are performing better than others. Therefore, we expect the positive effect of information about foreign aid flows to be concentrated among people who are concerned about corruption. In this subgroup people are more interested in receiving positive signals and have the most space for updating their perceptions about the government.

**Foreign Aid and Areas of Limited Statehood in Bangladesh**

To gain insight into how individuals react to information about foreign aid flows, we included an embedded experiment in a N=2,294 nationwide survey conducted in Bangladesh in September 2014. A full description of the survey methodology and results
from the experiment relating to attitudes toward the foreign donor can be found in Dietrich, Mahmud, and Winters (2018).

As described above, areas of limited statehood are those places where ‘central authorities (governments) lack the ability to implement and enforce rules and decisions and/or in which the legitimate monopoly over the means of violence is lacking, at least temporarily’ (Risse 2012, 702). The extent of statehood in Bangladesh has been a contested and politicized subject over time. At the moment of independence in 1971, the ability of the government in Dhaka to govern the country and to hold a monopoly over the means of violence in the country was thoroughly in doubt. The country had been devastated by the nine-month war of independence against Pakistan, which undertook a genocidal campaign against students, intellectuals, politicians, and civil servants. Ravaged by the war and home to endemic poverty, independent Bangladesh immediately became a major recipient of foreign aid. Nonetheless, famine struck the country in 1974, a striking representation of the state’s inability to provide for its citizens.

In 2005, when the Fund for Peace published its first Failed States Index (now known as the Fragile States Index), Bangladesh ranked 17th and was one of 33 states listed under alert status. Many in Bangladesh contested this classification, and yet even one Bangladeshi analyst arguing against the notion that the Bangladeshi state had failed acknowledged that ‘the state apparatus [was] increasingly weakening under the dead weight of multiple crises of governance’ and that ‘the obsolescence of almost all state institutions is more than palpable’ (Dowlah 2004 quoted in Riaz 2010, 242). Writing in 2010, Ali Riaz described Bangladesh as suffering from ‘unbridled corruption, poor governance, and confrontational politics … [and] the near absence of the rule of law and an ever weakening law enforcement apparatus, … unaccountable service providers, [and] insecurity of life and property’ (2010, 247). For 20 years between 1977 and 1997, the government wrestled with insurgency in the Chittagong Hill Tracts, and more recently, it has faced a number of Islamist attacks against individuals identified as overly Western in orientation; the state’s ability to bring the perpetrators of these attacks to justice has been limited (see the description in Dietrich, Mahmud, and Winters 2018). The capital city of Dhaka is known for crippling strikes that bring commerce and inter-personal relations to a halt by preventing transit from one neighborhood to the next. Although there has been some amelioration
of these problems over time – Bangladesh’s raw score in the Fragile States Index has improved every year from 2011 to 2017 – public service delivery in Bangladesh remains highly particularistic, rather than rule-bound, with over two-thirds of citizens reporting having paid a bribe in order to get access to public services (Transparency International Bangladesh 2016), and while the state is able to make its presence known throughout the territory of Bangladesh – as evidenced by the success of mobile courts, for instance (BRAC Institute of Governance and Development 2016) – it clearly faces trouble enforcing all of the rules and procedures generated at the center. Bangladesh is a country that experiences limited statehood across a number of sectors and that has experienced it in concentrated geographic areas like the Chittagong Hill Tracts, as well.

Given this slow trajectory toward consolidated and comprehensive statehood, the international development community has continued its support to Bangladesh. In the 1970s and 1980s, Bangladesh’s official development assistance (ODA) to gross national income (GNI) ratio averaged about 6.5 percent. In recent years, it has been closer to 1.5 percent, although this still means that ODA corresponds to an average of about 15 percent of government expenditures. Over the ten-year period from 2006 to 2015, there were six international donors that each provided over $1 billion worth of ODA to Bangladesh: the World Bank, the United Kingdom, the Asian Development Bank, Japan, the European Union, and the United States.

Indicative of the way in which foreign donors perceive the shortcomings of the Bangladeshi state, much of this foreign assistance has historically been given to non-government organizations as bypass aid (Dietrich 2013). Gauri and Galef (2005, 2046) describe Bangladesh as having ‘one of the largest and most sophisticated NGO sectors in the developing world,’ citing data that says there is at least one NGO in 90 percent of villages in the country and that the levels of foreign aid channeled to NGOs were consistently above 10 percent beginning in the mid-1990s (2046).

That many public goods and social services in Bangladesh are foreign-funded and provided by non-governmental organizations rather than by the state underlies the information experiment that we conducted. This form of aid delivery is common around the world (Dietrich 2013). Bypass aid is the type of foreign aid that citizens are most likely to physically encounter (e.g., in the form of built infrastructure or service delivery programs
in their local environments), and bypass aid often involves a branding component in which both the foreign donor and the implementing NGO try to convey their role in the project through visual markers. Examples of countries besides Bangladesh, where bypass aid, either delivered through NGOs or international organizations, makes up over 30 percent of foreign aid (OECD 2017) include the Democratic Republic of Congo, Haiti, Liberia, or Timor-Leste (all of which are studied in Ciorciari and Krasner 2018) among others. These countries are also considered to contain significant areas of limited statehood, as described elsewhere in this special issue. The recent experimental research reviewed above (Dietrich and Winters 2015; Baldwin and Winters 2018; Dietrich, Mahmud, and Winters 2018), all revolve around instances of bypass aid. We thus expect our findings to generalize to contexts where bypass aid is common and where the state lacks capacity to guarantee order and implement goods and service provision.

Further, our study provides evidence from a context where our experimental stimulus is likely to mirror experiences that our subjects could and do have in their every-day lives. We therefore expect the results to be generalizable to other contexts in which foreign aid is relatively dense and people learn about foreign aid through exposure to local-level, non-government-implemented development interventions. In addition, our study builds on the existing literature by looking at the subgroup effects described at the end of the previous section.

**Research Design**

The survey uses an information experiment. Respondents are randomly exposed to one of two descriptions of a local development intervention, the Smiling Sun Clinics. The Smiling Sun Clinics are a nationwide system of foreign-funded, NGO-implemented health centers. All respondents watch a one-minute video related to the clinics.

The control version of the survey makes no reference to the foreign funding and no explicit reference to the non-governmental management of the clinics. During the minute-long video, which advocates for pre-natal visits to the clinics, there is a static banner at the bottom of the image with the name and logo of the clinics. Respondents are then asked if they know where funding for the clinics comes from followed by several questions about the quality of the clinics and the way in which the government might seek financing for
them. Since the clinics are prominent and are visibly branded with the USAID logo, about 15 percent of respondents in the control condition correctly identified the clinics as funded by foreign aid even though we did not provide them with this information (see Dietrich, Mahmud, and Winters 2018, Table 1).

In the treatment version of the survey, respondents watch the same minute-long video, but this time, the banner at the bottom of the image features the USAID logo and the phrase From the American People (written in Bangla). After respondents are asked if they know where the funding for the clinics comes from, our enumerators directly tell the respondents that the United States has funded the clinics since 2007 and then ask the respondents why they think that United States provided the funding and if they think that it is good for Bangladesh to receive money from the United States. These questions help to ensure that respondents absorb the information that the clinics are funded by the United States. The remainder of the survey is the same for both the control and treatment groups.

The block of questions in the survey immediately following the informational treatment provides the outcome variables that we study here. We introduced the questions by saying: Consider the following institutions in Bangladesh and consider the people who lead these institutions. To what extent do you have confidence in them? Please think carefully and say if you have full confidence, partial confidence, or no confidence at all. We then asked about nine institutions: (1) banks and financial organizations; (2) NGOs; (3) the military; (4) the police; (5) the justice sector; (6) local (i.e., upazila) governments; (7) political parties; (8) the national government; and (9) local village leaders. We will examine all nine of these outcomes below.

This metric – levels of confidence in institutions – lies somewhere in between assessments of performance and assessments of legitimacy as depicted in the model found in Schmelzle and Stollenwerk (2018). On one hand, we do not directly ask about performance (i.e., about the likelihood that the relevant institutions will accomplish some task). On the other hand, we do not directly capture the existence or absence of a belief that rules produced by the institutions should be obeyed regardless of the coercive power of the institution (i.e., legitimacy as described in Tyler [2006]; and Levi, Sacks, and Tyler [2009], among others). As theorized by Levi, Sacks, and Tyler, who describe the legitimacy of
governments as originating in trust/confidence in government and perceptions of procedural justice related to the conduct of government, we propose that our measure is related to legitimacy in the sense that ‘[g]overnments that provide services and protections that bolster citizen welfare or are demonstrably developing the capacity to do so should be more likely to elicit the willing deference of citizens’ (2009, 356).

As described above, we expect to observe a stronger relationship between information about foreign aid and perceptions of government legitimacy among individuals who are more concerned about governance. To distinguish the group of individuals that perceive governance as lower quality in their country, we rely on the very first block of questions in the survey, which asks individuals about their perceptions of pressing issues in Bangladesh. Enumerators said to respondents: First, we would like to know about the issues in Bangladesh to which you attach most priority. For the following list of issues, can you tell me if you think it is (a) very important, (b) somewhat important, (c) somewhat unimportant, or (d) unimportant? We asked about poverty, inequality, natural disasters, health care, crime, corruption, and conflict. In the presentation of the results below, we compare individuals who described corruption as very important (70 percent of the respondents who provided a response to this question) to all other individuals who answered the question. We expect to see larger positive effects of the information about the external role in service provision among people concerned about governance.

Results

In the analysis, we describe overall differences in levels of confidence in various institutions between the control group and the group that received information about how U.S. foreign aid flows support local service delivery in Bangladesh. Then we present the conditional average treatment effects (CATEs) for the group of respondents very concerned about corruption and for the group of respondents less concerned about corruption and describe the difference between the treatment effects that we observe for these two groups. In all cases, we rely on difference-in-means tests for estimating the treatment effects, and then we use the randomization inference method described in Gerber and Green (2012) to produce a p-value for the statistic describing the difference between the two CATEs.
We present the results for the nine institutions about which we asked over three tables. In the first table, we show the results for broad categories of government institutions: the national government, the local government, and the village leader. In the second table, we show the results for somewhat more specific institutions: the justice sector, the police, and the military. In the third table, we show the results for the three non-governmental institutions about which we asked: political parties, banks/financial institutions, and NGOs. If the foreign aid information is signaling something about government quality, we do not expect to see the foreign aid treatment changing people’s perceptions of this last set of institutions.

With regard to village leaders it is somewhat unlikely that this terminology will cue the idea of ‘government’ in the same way that the phrases “national government” and “local government” will. Village leaders are likely to be elders from prominent families who are involved in mediating local disputes. It is unlikely that a village leader would hold an elected position in the official institutions that comprise the local government and so we anticipate that these phrases will cue different actors in the minds of respondents.

Looking first at the results for the overall sample with regard to the three broad categories of government, we see mixed results in Table 1. As reported in Dietrich, Mahmud, and Winters (2018), there is a positive and statistically significant effect of the foreign aid information on people’s perceptions of their local government. For the national government and the local village leader, however, information about foreign aid flows does not significantly affect our respondents’ confidence in those institutions. The baseline levels of support for the three institutions vary with the national government eliciting the most confidence and the village leader eliciting the least confidence. None approaches the maximum value of 3.0 (i.e., all respondents expressing full confidence in the institution), suggesting that the null results are not the product of ceiling effects.

In the subgroup results, we see what we would expect: the significant overall results for confidence in local government are concentrated among those individuals who perceive significant corruption in Bangladesh. While this conditional average treatment effect (CATE) is statistically significantly different from zero, it is not statistically significantly different from the CATE for respondents who perceive corruption as a somewhat less significant issue (p < 0.18). For confidence in the national government and the local village
leader, we continue to observe null effects in both subgroups. For all three outcomes reported here – and for the six outcomes reported in the subsequent two tables – the respondents who do not perceive corruption to be much of a problem also express higher levels of confidence.

In Table 2, we look at the effects of the aid information treatment on respondents’ confidence in three judicial sector institutions: the justice sector, the police, and the military. We find that the information about U.S. funding flowing to Bangladesh improves people’s perceptions of the justice sector and the police but not the military. The null effect for the military might be due to very high levels of confidence in this institution: 84 percent of our respondents express full confidence in the military. When we look at the two subgroups, we once again see evidence that the treatment effect for the justice sector originates in the group of respondents who perceive corruption as a very important issue in Bangladesh, although the CATEs for the two subgroups are not statistically distinguishable at conventional levels of uncertainty.

In Table 3, we find that the information about foreign aid flows does not affect respondents’ perceptions of non-state actors. For political parties, NGOs, and banks/financial institutions, neither in the overall data nor in either of the two subgroups do we see that the foreign aid information increases individuals’ confidence in these institutions. For these outcomes, the differences in the CATEs are in the opposite direction of the differences found in the other tables: if anything, the foreign aid information seems to improve perceptions of these non-government institutions among those respondents who are somewhat less concerned about corruption. But neither these CATEs nor the differences between them are statistically significant.

Only in two cases – the military (Table 2) and banks / financial institutions (Table 3) – is the level of confidence in the institution so high that we might be worried about ceiling effects. In both of those cases, there is no difference in baseline or treatment levels of confidence across the group of respondents who perceive corruption as a very important problem and those who do not.

In summary, we find that our foreign aid information treatment has statistically significant positive effects on the confidence that our respondents express in three of the nine institutions that we study: their local government, the justice sector, and the police. In
all three cases, these treatment effects disappear when we look only at those respondents who do not think that corruption is a very important issue in Bangladesh, although with the current statistical power available to us, we cannot say that the conditional average treatment effects are distinguishable across the two subgroups. In addition, the substantive effect sizes are limited even for the group among which the treatment effect is significant: less than one-tenth of one point on a three-point scale.

For six other institutions, we do not find statistically significant differences either in the overall data or among the subgroups that we study. For three of these institutions – political parties, NGOs, and banks/financial institutions – this is not a surprise: they are non-government institutions, and therefore foreign aid flows should not necessarily signal anything about their quality. The null finding for the military is likely due to the very high levels of confidence expressed in that institution in the baseline condition. We discuss the null findings for the other two institutions in the next section.

Should we understand these results as indicating that individuals are inferring good government performance from the presence of external actors and external funding in Bangladesh? One set of responses in the survey help us to believe so. Among the treatment group respondents, after exposing them to the information about foreign assistance, we asked them if it was good for Bangladesh to receive foreign aid. Respondents were almost universally positive. Of the 1,177 individuals in the treatment condition, 96 percent said it was good for Bangladesh to accept the money. Rather than being seen as something that might have deleterious consequences or that is indicative of failings on the part of the domestic government, Bangladeshis express widespread enthusiasm for foreign aid flows into their country.

**Discussion and Conclusions**

How does the presence of external actors affect the emergence of virtuous circles of governance in areas of limited statehood? Building on recent literature (Sacks 2012; Dietrich and Winters 2015; Brass 2016; Baldwin and Winters 2018; Dietrich, Mahmud, and Winters 2018), we propose that people might interpret foreign aid flows as a signal of government quality and that non-state performance effectiveness might thereby lead to legitimation of the state. Specifically, we believe that the presence of foreign aid might lead
individuals to attribute competent actions to their government. They might even generalize their response by attributing competence and performance to actors in sectors related to basic governance provision, such as security and justice. In both cases, the signal might help set in motion the virtuous circle of governance described in the introduction to this volume.

We also propose that such a signal will be more relevant for individuals who perceive problems with governance in their country than for those individuals who have a more sanguine opinion about governance. Such individuals might be more responsive to information that they can incorporate into virtuous circle of governance thinking. The main results and subgroup results that we find for people’s willingness to express confidence in the local government, the justice sector, and the police are in line with these hypotheses.

At the same time, however, we find that for other outcome variables, there is not a statistically significant treatment effect. For political parties, NGOs, and banks and the financial sector, we think of these findings as successful placebo tests.

That said, given that the Smiling Sun Clinics are run by non-governmental organizations, we might have expected to see similar treatment effects to those for local government institutions when respondents were asked about the NGO sector. It might be that respondents have firmer opinions about the NGO sector than they do about their local government or that they already assume that NGOs are receiving foreign aid, such that our informational treatment does not cause them to update their beliefs about NGOs. Given the levels of NGO activity in Bangladesh (and in other areas of limited statehood), further investigation of whether NGOs are viewed differently in the presence or absence of foreign funding is worthwhile and a natural future extension of this study.

In the case of the national government, the village leader, and the military, some additional explanation for the null findings is necessary. With regard to the military, we think that we likely are observing a ceiling effect: respondents in both conditions expressed full confidence in the military at very high rates. With regard to the village leader – the institution that alongside the police and political parties received the lowest rankings in terms of confidence – it is again plausible that individuals already have well-formed priors such that our informational treatment is not of sufficient strength to change the opinions that they express. This may also be the case for the national government. Since Bangladeshi
politics at the national level have been highly politicized in recent years, we expect people to have firm priors about their level of confidence in the national government, and it is understandable why our informational treatment will not signal new information to pro- or anti-government partisans in Bangladesh. In terms of the background concepts described in Schmelzle and Stollenwerk (2018), this would imply that there is less room for respondents to generalize (Figure 1, box 4) about national government performance from the information contained in our treatment. Local governments, on the other hand, are more heterogeneous in nature, allowing for a broader range of priors among respondents and therefore more latitude for changes in opinion.

Beyond the strength of individuals’ priors when it comes to specific institutions, it is also plausible that individuals react to the information about foreign aid flows by thinking about the presence of foreign-funded projects in their local communities and believing that the presence of such projects is a signal of their local government quality. In other words, the background concept of attribution (Figure 1, box 3 in Schmelzle and Stollenwerk 2018) might be crucial for explaining these different results. In Dietrich, Mahmud, and Winters (2018), we show that individuals who have previously used the Smiling Sun Clinics – the nationwide chain of health clinic franchises funded by USAID around which we base our informational intervention – react more strongly to the informational treatment when it comes to expressing confidence in their local government. Since these individuals have had contact with the health clinics, the new or reinforced knowledge that they are foreign funded might make them think that their local area has been chosen as a location for the clinics. It is plausible that they thought that the location of clinics was chosen because of the inherent quality of their local government institutions. In turn, respondents might be more willing to express confidence in these institutions when asked about them.

Despite the existence of statistically significant differences for some outcome variables, the overall changes in respondents’ confidence in institutions are limited. Information about foreign aid changes average opinions in the treatment group by less than one-tenth of one point on a three-point scale as compared to the control group. But even if only a small change, it also is clearly not a negative change. As such, it provides evidence against the concerns of those scholars who believe that foreign aid might be a signal of an incompetent government that would result in a loss of legitimacy. At a minimum, we are
quite confident in saying that our informational treatments do not reduce confidence in Bangladeshi government institutions.

These results suggest that external actors involved in public goods and service provision in countries that already have weak governments and where donors actively channel foreign aid through NGOs do not, in general, need to be concerned about delegitimizing the government through their presence. Indeed, they may even help to legitimize the government, contributing to the virtuous circle of governance, by publicizing some of their activities. Our results, therefore, speak to the discussion in Remmert and Walter-Drop (2018) about whether or not external actors can help – on average – to build state legitimacy. In contrast to the delegitimizing effects of distributive political decisions described in Mcloughlin (2018), securing foreign resources might even be particularly likely to help build perceptions of government performance (although not if foreign aid is used in a partial fashion).

We hasten to emphasize that these remain on average claims. Our results are based on providing people information about a respected, foreign-funded, non-government-implemented development project. The contribution by Ciorciari and Krasner (2018) describes several specific circumstances in which national governments worried (and perhaps rightfully worried) that the presence of external actors would delegitimize their activities. We are uncertain as to whether we would expect the same treatment effects that we observe here for projects in the security sector, for instance. We also think that negative information about foreign-funded or non-government-implemented projects might plausibly harm government legitimacy. We intend to investigate these issues in future work.

Finally, as Rubenstein (2018) importantly questions, the long-run equilibrium effects of this increased legitimacy might be bad if they lead to citizens withdrawing from monitoring and holding governments accountable. Our methodology allows us to observe a short-term effect of information exposure on opinions. The general equilibrium effects of actual foreign aid flows and actual non-government service delivery need to be studied in other ways.
References


Table 1. Responses to Questions about Confidence in Political Authorities.

<table>
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<tr>
<th>Outcome: Level of Confidence in ... (No, Partial, or Full)</th>
<th>Overall</th>
<th>Corruption Very Important Subgroup</th>
<th>Remainder of Sample</th>
<th>p-value for H0: No Difference between CATEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government</td>
<td>N =2,263</td>
<td>N=1,585</td>
<td>N=632</td>
<td>0.85</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>2.36</td>
<td>2.33</td>
<td>2.43</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.01</td>
<td>(0.03)</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.72]</td>
<td>[0.99]</td>
<td>[0.77]</td>
<td></td>
</tr>
<tr>
<td>Local Government</td>
<td>2.18</td>
<td>2.13</td>
<td>2.27</td>
<td>0.18</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.07</td>
<td>0.08</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.03)</td>
<td>(0.03)</td>
<td>(0.05)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.02]</td>
<td>[0.02]</td>
<td>[0.99]</td>
<td></td>
</tr>
<tr>
<td>Village Leader</td>
<td>1.96</td>
<td>1.91</td>
<td>2.07</td>
<td>0.19</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.01</td>
<td>0.02</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.03)</td>
<td>(0.04)</td>
<td>(0.05)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.99]</td>
<td>[0.54]</td>
<td>[0.27]</td>
<td></td>
</tr>
</tbody>
</table>

Cells present values, standard errors and p-values from difference in means tests comparing respondents exposed to information about foreign aid versus those in the control condition. The final column presents a randomization inference p-value for the difference between the two conditional average treatment effects (CATEs).
Table 2. Responses to Questions about Confidence in Political Authorities.

<table>
<thead>
<tr>
<th>Outcome: Level of Confidence in ... (No, Partial, or Full)</th>
<th>Overall</th>
<th>Corruption Very Important Subgroup</th>
<th>Remainder of Sample</th>
<th>p-value for H₀: No Difference between CATEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice Sector</td>
<td>N =2,263</td>
<td>N=1,585</td>
<td>N=632</td>
<td>0.45</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>2.33</td>
<td>2.28</td>
<td>2.44</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.09</td>
<td>0.09</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>(0.03)</td>
<td>[0.01]</td>
<td>[0.01]</td>
<td>[0.32]</td>
</tr>
<tr>
<td>Police</td>
<td>1.85</td>
<td>1.80</td>
<td>1.94</td>
<td>0.56</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.06</td>
<td>0.07</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.03)</td>
<td>[0.07]</td>
<td>[0.10]</td>
<td>[0.61]</td>
</tr>
<tr>
<td>p-value</td>
<td>[0.07]</td>
<td>[0.10]</td>
<td>[0.61]</td>
<td></td>
</tr>
<tr>
<td>Military</td>
<td>2.81</td>
<td>2.81</td>
<td>2.82</td>
<td>0.33</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.01</td>
<td>0.02</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>(0.03)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.58]</td>
<td>[0.35]</td>
<td>[0.66]</td>
<td></td>
</tr>
</tbody>
</table>

Cells present values, standard errors and p-values from difference in means tests comparing respondents exposed to information about foreign aid versus those in the control condition. The final column presents a randomization inference p-value for the difference between the two conditional average treatment effects (CATEs).
Table 3. Responses to Questions about Confidence in Non-State Actors.

<table>
<thead>
<tr>
<th>Outcome: Level of Confidence in ... (No, Partial, or Full)</th>
<th>Overall</th>
<th>Corrup-</th>
<th>Remain-</th>
<th>p-value for Ho: No Differe</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N =2,263</td>
<td>N=1,585</td>
<td>N=632</td>
<td></td>
</tr>
<tr>
<td>Political Parties</td>
<td>1.88</td>
<td>1.82</td>
<td>2.01</td>
<td>0.29</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.02</td>
<td>0.02</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.03)</td>
<td>(0.04)</td>
<td>(0.05)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.59]</td>
<td>[0.50]</td>
<td>[0.41]</td>
<td></td>
</tr>
<tr>
<td>NGOs</td>
<td>2.18</td>
<td>2.16</td>
<td>2.22</td>
<td>0.40</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.03</td>
<td>0.01</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.03)</td>
<td>(0.03)</td>
<td>(0.05)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.43]</td>
<td>[0.78]</td>
<td>[0.32]</td>
<td></td>
</tr>
<tr>
<td>Banks / Financial Institutions</td>
<td>2.71</td>
<td>2.71</td>
<td>2.71</td>
<td>0.47</td>
</tr>
<tr>
<td>Treatment Effect</td>
<td>0.02</td>
<td>0.01</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>(0.04)</td>
<td></td>
</tr>
<tr>
<td>p-value</td>
<td>[0.37]</td>
<td>[0.94]</td>
<td>[0.29]</td>
<td></td>
</tr>
</tbody>
</table>

Cells present values, standard errors and p-values from difference in means tests comparing respondents exposed to information about foreign aid versus those in the control condition. The final column presents a randomization inference p-value for the difference between the two conditional average treatment effects (CATEs).
We focus on how people will update their beliefs about domestic government institutions. In this special issue, Ciorciari and Krasner (2018) and Stollenwerk (2018) study the legitimacy of the external actors themselves, while Remmert and Walter-Drop (2018) describe some of the challenges for external actors that are actively seeking to build the legitimacy of the domestic state.

The specific foreign intervention that we study is a small one compared to those that we mention in this paragraph. We return to the issue of generalizing from our specific empirical case in the conclusion.

Dolan (2016) explicitly asks Kenyan respondents a question about the kind of governments to which foreign donors give aid. In contrast with the general theory advanced here, she finds that they are equally likely to say that foreign aid flows to effective governments as to ineffective governments. We do not ask a similarly direct question, so we cannot say whether the different results that we report are a product of using an indirect measure or because of contextual differences between Bangladesh and Kenya.

Data obtained through the OECD-DAC’s Query Wizard for International Development Statistics (https://stats.oecd.org/qwids/).

Our thanks to the editors for raising this possibility.

For the results reported here, we find almost identical results among people who report that health care is very important: the treatment significantly changes confidence levels for the local government, justice sector, and police. 80 percent of the sample says that health is very important; the set of people who say this, however, are not perfectly overlapping with the set of people who say that corruption is very important.