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Is Sunshine the Best Disinfectant? Foreign Direct Investment, the OECD Anti-Bribery Convention, and Local Corruption

Samuel Brazys
School of Politics and International Relations
University College Dublin

Andreas Kotsadam
Ragnar Firsch Centre for Economic Research

Abstract

A potential negative externality of foreign financial flows is on the local host political economy. Combining geo-referenced, foreign direct investment (FDI) data and household level surveys, this paper uses spatial-temporal techniques to assess if local FDI contributes to or mitigates corruption and if this relationship is conditional on engagement with the OECD's anti-bribery convention. We find broad evidence that FDI flows reduce some types of local corruption, but only when existing levels of corruption are high. Membership and enforcement of the OECD anti-bribery convention generally does not improve this performance but may influence FDI from these states locating to less corrupt locations. These results are robust to a number of alternative specification and estimation choices. Collectively, these results suggest that the "sunshine" effects of the professionalization and wealth mechanisms of FDI may reduce corruption, but regulatory pressure pathways do not.

Author Information

Samuel Brazys
School of Politics and International Relations
University College Dublin
samuel.brazys@ucd.ie

Andreas Kotsadam
Ragnar Firsch Centre for Economic Research
andreas.kotsadam@frisch.uio.no

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"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman."[2]

United States Supreme Court Justice Louis Brandeis (1914)

Introduction

Corruption has long been identified as one of the key contributors to economic and political underdevelopment (Mauro 1995; Gupta and Abed 2002). Corruption can take many forms, but it is mostly often styled as either "grand" or "petty" involving either systemic or individual exchanges, respectively. While the causes of corruption are numerous (Treisman 2007), much scholarship has been dedicated to considering how foreign non-commercial (official development assistance (ODA)) and commercial (foreign direct investment (FDI)) flows relate to corruption (Tavares 2003; Kowk and Tadesse 2006; Okada and Samreth 2012). However, ambiguity remains if these flows act as "sunshine", disinfecting the disease of corruption or if they simply serve as fuel for the fire by increasing the pot of resources to be skimmed. Understanding this impact is crucial to overarching questions of if and how foreign interventions facilitate or hinder economic and political development.

This paper takes advantage of two recent sea-changes in development studies to advance the literatures above. The first is the increased availability of high-quality, geo-referenced socio-economic data. This data has facilitated research utilizing spatial identification strategies to examine a wide range of both cross-national and sub-national development outcomes (Dreher and Lohman 2015; Van Weezel 2015; Civelli et al. 2017), including the impact of ODA on local corruption (Brazys et al. 2017, Isaksson and Kotsadam 2018). The second change is the emergence of important new actors in the development sphere. Understanding how these actors will shift the existing development landscape has been the focus of much recent research (Kim and Lightfoot 2011; Zimmermann and Smith 2011; Abdenur 2014; De Haan 2011; A. Strange et al. 2014; Dreher et al. 2018). These actors have often explicitly or implicitly eschewed the practices of traditional source countries (Kim and Lightfoot 2011) and, as such, provide a useful comparison to the practices of their more established counterparts. Together, these advances allow us both to test the impact of FDI on local governance with increased precision, but also allows us to examine if the effect is influenced by the characteristics of the source country.

[2] https://www.brandeis.edu/legacyfund/bio.html

Drawing on the existing literature on overseas flows and local corruption, the paper develops general theoretical expectations for how and why commercial flows might promote or mitigate local petty corruption along several dimensions. We explore arguments for FDI contributing directly to corruption experiences, but also indirectly by reducing the darkness in which corruption can flourish through *wealth* and *professionalization* effects.

Additionally, the paper investigates if FDI's impact on corruption might not be driven by source country heterogeneity. Specifically, we consider the corruption environment of the source country, but also explore if commitments via an international institution, particularly the OECD's Convention on Combating Bribery of Public Officials in International Business Transactions ("anti-bribery convention"), influence the effects of commercial flows on local corruption. We further delineate source countries based on the degree of implementation and enforcement of that institution. Briefly, the anti-bribery convention rests on extra-territorial application and enforcement of domestic anti-corruption laws. We also investigate how heterogeneous source-country *reputational* effects may influence corruption perceptions.

To test these arguments, the paper utilizes geo-referenced, project-level, FDI data sourced from the Financial Times fDi Intelligence "fDi Markets" database and from Transparency International on enforcement of the anti-bribery convention. We use these data to understand the determinants behind measures of local corruption reported in geo-referenced Afrobarometer household surveys. To analyze the data, we employ spatial-temporal identification techniques similar to that found in Knutsen et al. (2017). In particular, we distinguish between sites where projects are already being implemented at the time of a survey vis-à-vis those sites where a project has yet to (but will) be implemented. While it is important to note that FDI projects are not randomly assigned, this approach allows for an empirical approach that mitigates the endogenous selection effects of project sites. The paper finds that local FDI projects, generally, are associated with *decreased* corruption experiences and, to a more qualified extent, perceptions, but only when existing levels of corruption are high. Delving into characteristics of the FDI source countries, the paper finds consistent evidence that source country membership or adherence to the anti-bribery convention only impacts, if anything, the siting of FDI projects. Signing or enforcing the convention has little additional causal effect on decreasing corruption.

Overseas Flows and Corruption

The impact of overseas flows on host-country corruption is a well-visited topic in the political economy literature. Large literatures exist considering the impact of both aid (Charron 2011; Okada and Samreth 2012; Asongu and Nwachukwu 2014) and FDI (Kwok and Tadesse 2006; Jensen et al. 2010; Claassen et al. 2012; Dang 2013; Bojanic 2013; Pinto and Zhu 2016) on corruption at the country-level.[3] The findings in these literatures are both nuanced and often contradictory, with some evidence suggesting inward flows can increase corruption while others suggest no relationship or even a beneficial relationship wherein they reduce corruption. It is only more recently that scholars have begun to turn their attention to the localized impact of foreign flows on corruption. Recent papers have examined the proximate impact of natural resources (Knutsen et al. 2017) and foreign aid (Brazys et al. 2017; Isaakson and Kotsadam 2018) on local, petty, corruption. The findings from these papers are sufficiently qualified, although both of the latter find evidence that flows from China are associated with increased corruption.

FDI and local corruption – the "Sunshine" effect

In considering how FDI may impact local corruption, we utilize the distinction between corruption experiences and corruption perceptions (Olken 2009; Olken and Pande 2011; Donchev and Ujhelyi 2014; Gutmann et al. 2015; Belousova et al. 2016). While the former are always local, the latter may not be. Thus, our primary focus will be on corruption experiences, but we also theorize about how local FDI may influence both local and non-local corruption perceptions. Likewise, we delineate between petty and grand corruption, focusing on the former. While grand corruption, public diversion of funds, may have systematic development consequences, the petty corruption, individual bribes, often falls most heavily on the vulnerable in society (Richmond and Alpin 2013).

The first mechanism by which foreign flows may impact local corruption experience is via a resource or *wealth* effect. This effect may work in several ways. First, following Knutsen et al.'s (2017) logic, FDI could facilitate local economic growth which causes officials to increase their demands for bribes in-line with an increase in citizens' ability to pay. However, the wealth generated by FDI could alternatively induce a *substitution* effect by opening up new sources of rents (legitimate or not) for local officials. If these rents are sufficiently large and/or easy, they may increase the relative opportunity cost of seeking numerous, smaller, rents from local individuals. Thus, officials who can obtain rents elsewhere may reduce petty

[3] Two notable exception are Gueorguiev and Malesky (2012) and Malesky et al. (2015) where the former consider firm-level impact on corruption in Vietnam finding no impact of FDI on corruption and the latter conduct a firm-level, list, experiment in Vietnam finding that firm propensity to bribe depends on the openness and expect profitability of the sector they are attempting to enter.

bribe-seeking activity to minimize the consequences of being caught and held to account in this comparatively low-return activity.

The *wealth* effect may also, as Fried et al. (2010) suggest, lead to increased socio-economic status which makes individuals less vulnerable to demands for bribes. More recently, Peiffer and Rose (2018) argue that increased wealth allows individuals to substitute private for public services, thus reducing contact with the state and potential demands for bribes. In this way, wealth may *empower* local citizens to resist predatory behavior of the state.

However, foreign flows may also act on local corruption experiences in a more indirect way by altering local corruption norms (Gutmann et al. 2015; Isaksson 2015). Overseas actors may operate under a normatively different culture, or under domestic law with extra-territorial jurisdiction, which influences their overseas behavior with respect to corruption (Kaczmarek and Newman, 2011). The presence of a foreign firm can legitimate, undermine or alter prevailing local corruption norms which in turn alter the frequency of local corruption experiences, particularly if the investment dominates the local economy. In addition to altering officials' norms, the firm may also alter norms in the local economy through its interactions with local suppliers, distributors and subcontractors. Indeed, Kwok and Tadesse (2006) discuss demonstration and *professionalization* effects wherein business-culture and practices from MNCs spill over into the local business environment, either from local officials and firms emulating MNC practice or by MNCs professionalizing a local workforce. Their cross-country analysis supports the assertion that FDI can reduce host-country corruption.

We would argue that both the *professionalization* effect and the Fried et al. (2010) and Peiffer and Rose (2018) conceptualizations of the *wealth* effect share a common thread in that they decrease the opacity of the local environment. In the absence of an outside firm, local officials may be better able to act with impunity against local actors who might have little course of redress. However, the presence of a professionalized foreign firm may change this situation by bringing external scrutiny to local corruption practices. First, employees of foreign firms (be they local or foreign) may be empowered and protected by that firm in reporting corruption they experience in either their professional or personal capacities. Likewise, the Fried et al. (2010) argument of personal empowerment may increase individuals' confidence in resisting and reporting corrupt practices. Even if only a handful of individuals are empowered by either of the mechanisms above, the information asymmetry of who is empowered may mean that local officials are unsure which individuals are connected to foreign firms and/or otherwise empowered by the wealth effect of the FDI.

As the risk of having corrupt practices exposed by the "sunshine" of FDI increases, local officials may simply reduce their demands for bribe payments.

Turning to corruption perceptions, while personal experience with corruption is a major determinant of an individual's broader perception of corruption, hearsay of *other* corrupt practice may also impact those perceptions (Olken and Pande 2011). There are also other mechanisms which may cause individuals to perceive corruption even when they don't have direct experience, including demographic and/or economic characteristics (Belousova et al. 2016; Donchev and Ujhelyi 2014). Drawing on the "sunshine" logic above, the presence of a foreign firm may also local individuals to *perceive* that the local environment has become more transparent. Accordingly, we hypothesize that:

Hypothesis 1: Local FDI will lead to a decrease in local perceptions of corruption and corruption experiences.

Source Country Heterogeneity: Home practice and the OECD Anti-Bribery Convention

While the hypothesis above posits that FDI will decrease local corruption, this logic rests to some extent on an implicit assumption that FDI brings *anti-corrupt* practices and norms. However, if the FDI firms are themselves corrupt and/or are perceived as engaged in corrupt practices, then the general hypothesis may not hold. Accordingly, we develop expectation based on FDI source country heterogeneity. First, the *professionalization* effect suggests firms may bring their source country's corporate culture with them when engaging in business practice abroad (Kwok and Tadesse 2006; Hooker 2009). Firms that are used to bribery or extra-legal influence at home may be more likely to employ it abroad. Alternatively, firms that come from source countries where such practices are taboo will be unlikely to test the corruption waters overseas. If FDI does *not* empower local individuals then the "sunshine" logic will not hold, and, in fact, the corruption experience may worsen. Accordingly,

Hypothesis 2: FDI that is sourced from countries with a high(low) degree of internal corruption will increase(decrease) local experiences with, and perceptions of, local destination corruption.

Second, source country heterogeneity may not emanate from source country practices, but instead, a firm's home country institutions. Kwok and Tadesse (2006, p. 769) coined this mechanism as the "*regulatory pressure effect*." Perhaps the earliest and most prominent

example of this type of institution is the United States' 1977 Foreign Corrupt Practices Act (FCPA) (Sandholtz and Gray 2003). However, empirical studies of the FCPA generally conclude that its effectiveness has been, at best, limited. (Cragg and Woof 2002; Krever 2007). Despite this, the FCPA was largely the impetus for a multilateral effort which was realized via the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("anti-bribery convention"), which was signed in 1997 and entered into force in 1999. This international institution committed its signatories to adopt and enforce laws which sanction their firms for corrupt overseas activities. The convention's current signatories include all OECD states as well as 8 non-members. However, compliance with commitments made via international institutions is no sure thing (Simmons 1998; Risse 2004) and, indeed, evidence on compliance with, and effectiveness of, the anti-bribery convention is not definitive. While Cuervo-Cazurra (2008) finds that signatories reduced their investment to corrupt countries and D'Souza (2012) finds that signatories reduce exports to more corrupt countries, we are unaware of any research which suggests that FDI from signatory states reduces corruption in host countries.

While the focus of the anti-bribery convention is on stemming corrupt behavior of *firms*, the regulatory pressure may also prime the *professionalization* mechanism which in turn could lead to decreased local individual experiences with corruption. Indeed, the "sunlight" argument only works if the FDI firms are bring along good corporate practice which empowers local individuals and thus increases the riskiness of engaging in corruption. Accordingly, we hypothesize that:

Hypothesis 3: FDI from signatories to the OECD's Anti-Bribery Convention will lead to lower perceptions of, and experiences with, local corruption.

However, despite the tentative findings that the anti-bribery convention positively influences the behavior of FDI from source country signatories, there has also been widespread critique of the implementation and enforcement of the convention. In particular, the non-governmental organization Transparency International has charted implementation by signatory states since 2012 through its series of annual *Exporting Corruption* reports. These reports, which catalogue the number of investigations and cases brought under the convention by signatory state, paint a rather grim picture (Transparency International 2012, 2013, 2014, 2015). Their efforts suggest active enforcement by only a handful of states, while the bulk have failed, in part or in whole, to meet their commitments to the convention. Accordingly, if the effectiveness of the convention depends on the *enforcement* of its

provisions, then we would expect FDI from far fewer source countries to be constrained by these domestic regulations. Accordingly, we further hypothesize that:

Hypothesis 4: FDI that is sourced from countries without domestic anti-corruption laws for FDI will increase local experiences with, and perceptions of, local destination corruption.

Spatial identification of FDI's impact on local corruption

Data

Our data on corruption comes from household-level surveys from Afrobarometer that are geocoded by BenYishay et al. (2017). In analyzing corruption experiences we employ two questions where respondents are asked if they, during the past year, have 'had to pay a bribe, give a gift, or do a favor to government officials in order to' a) 'Avoid a problem with the police (like passing a checkpoint or avoiding a fine or arrest)', b) 'Get a document or a permit'. Based on these questions we construct two dummy variables indicating if the respondent has experienced the respective situations at least once during the past year. To assess corruption perceptions, we use measures where respondents are asked how many of the category of individual they think are corrupt. The answer categories are "None," "Some of them," "Most of them," or "All of them"; these variables range from 0 (None) to 3 (All). We investigate corruption perceptions of government officials, the police, judges, and tax officials.

The base for our explanatory variables is FDI data that comes from the Financial Times "fDi Markets" dataset. This data is a compilation of publicly sourced data on both greenfield and expansion of physical FDI projects and has been used in several recent studies (Gil-Pareja et al. 2013, Owen 2018). Amongst other fields, the data contain information on project source country, destination country/state/city, investment amount, jobs created and sector. The data is gathered from media sources, industry organizations, investment promotion agencies, market research companies and from the Financial Times' own newswires and sources. Projects are cross-referenced to multiple sources with preference for direct company sources. The data is utilized as primary source data on investment trends by the World Bank, UNCTAD and over 100 national governments.

In this paper, we utilize this data for fifty-six African countries. The data codes 9,684 greenfield or expansion FDI projects from 126 source countries from 2003 to 2017 with flows estimated at over $1,026 billion. While these data represent *positive* FDI inflows rather than

net FDI inflows we still compare them to official statistics as a validation measure. World Bank IBRD-IDA data records $612 billion in *net* FDI inflows from 2003 to 2016, compared to $1,008 billion in *positive* FDI inflows in the fDi Markets data.[4] Given the difference in the indicator, the data are of a similar order of magnitude. While the roughly $400 billion in difference seems a large figure for total disinvestment, some of the remaining difference may be accounted for the by fact that the amount of capital investment is estimated in the fDi Markets database for over 80% (7,920) of the project records. The estimating algorithm is not available to the authors, but the figures may indicate an overestimation bias for the capital investment amounts. Over time, the series' annual values have a correlation coefficient of 0.643 with a *p*-value of 0.013. The mean annual difference in the series is $28 billion. That this annual difference is relatively stable, with a standard deviation of $19 billion, is plausibly suggestive that the difference lies in the *net* vs *positive* distinction and a capital investment overestimation. While we think the figures are reasonably valid, given the discrepancy in the amount we focus primarily on *counts* of FDI projects rather than *amounts* of capital investment in the analyses below.

This FDI data is linked to repeated cross sectional Afrobarometer data based on spatial proximity. Specifically, the coordinates of the surveyed Afrobarometer clusters (consisting of one or several geographically close villages or a neighborhood in an urban area) are used to match individuals to the coordinates of FDI project sites which we place at the center of the city. We measure the distance from the cluster center points to the FDI project sites and identify the clusters located within a cut-off distance of at least one project site. Since this paper focuses on local impacts of FDI projects, we are relatively restrictive in terms of which projects we include, focusing on the 6,133 project records that specify the destination city. This level of precision is similar to categories used in other work that spatially identifies local corruption effects. Brazys et al. (2017) and Isaksson and Kotsadam (2018) both use precision categories 1 and 2 from Strandow et al. (2011) when investigating the impact of aid on local corruption. These categories correspond to an exact location (category 1), or, as 'near', in the 'area of', or 'up to' 25 km away from an exact location (category two). In our estimation sample we have a total of 101,792 respondents from 5 survey waves in 36 African countries over the period 2002-2015.

Unfortunately, we do not have sufficient granularity in our data to disentangle the *wealth* and *professionalization* mechanisms of the sunshine effect. As the Afrobarometer data is not a true panel, we cannot use measures of household income to test the wealth effect. Likewise,

[4] Available at: https://data.worldbank.org/indicator/bx.klt.dinv.cd.wd accessed September 6th, 2018

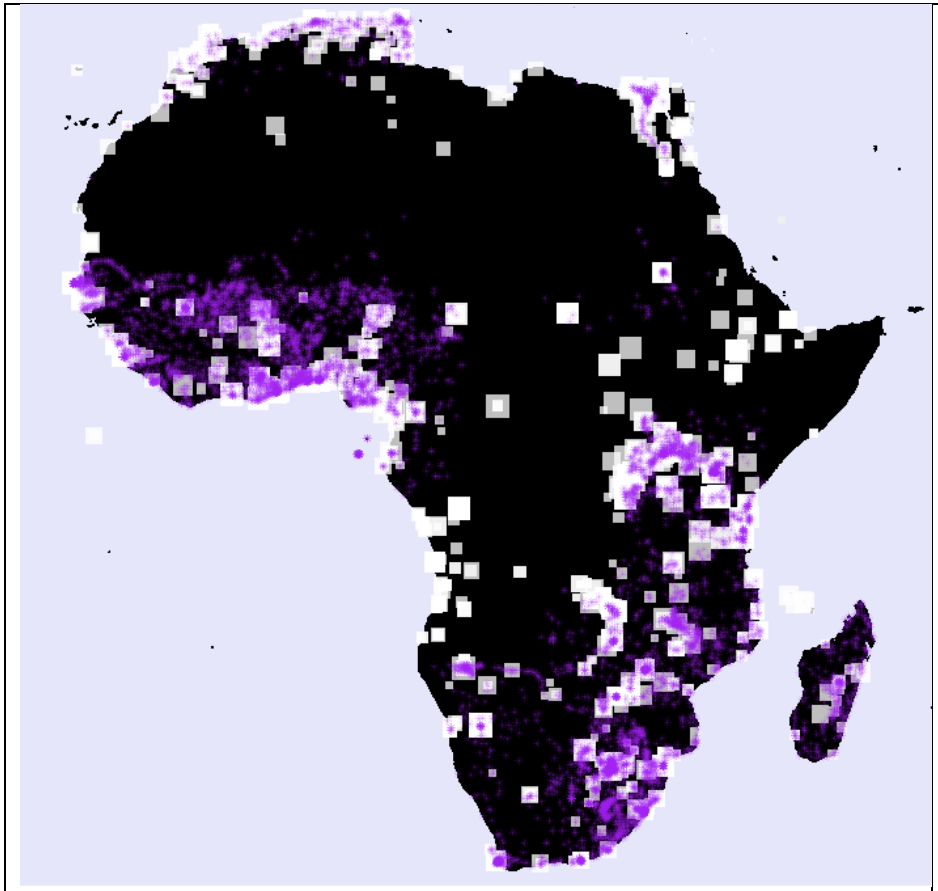

Figure 1: FDI and Respondent Locations

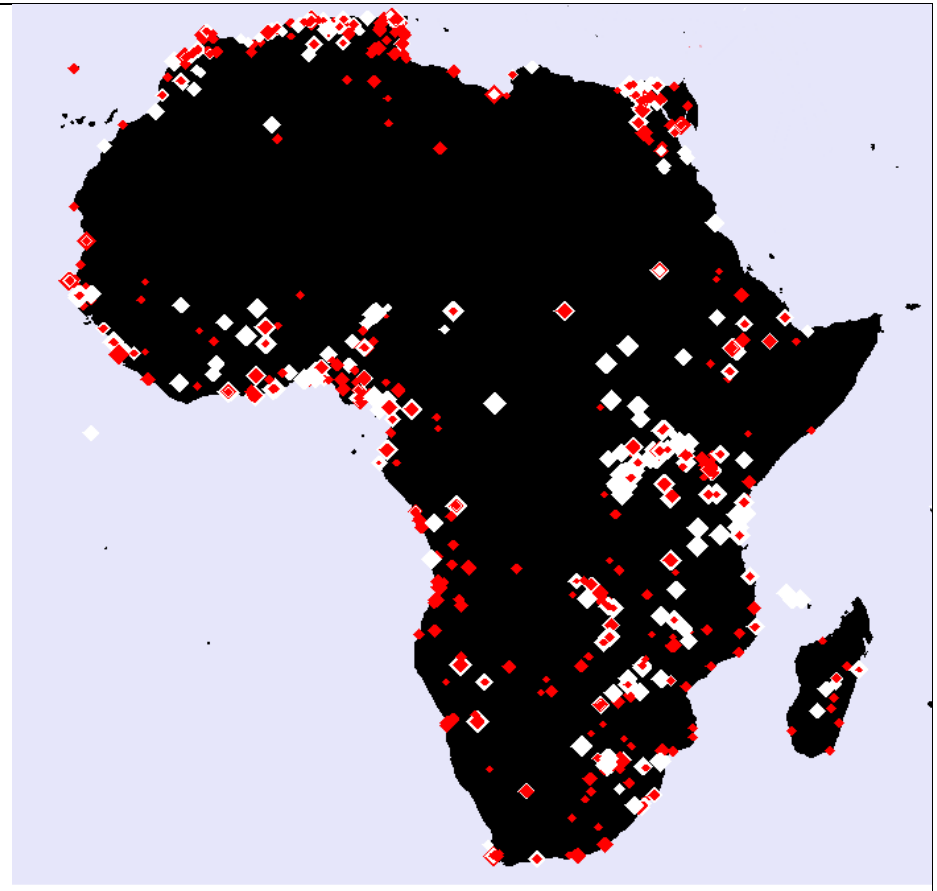

Figure 2: FDI and Anti-Corruption Convention Signatories

we have no location-specific measure that could capture firm professionalization or normative change. As such, in evaluating hypothesis 1, we are only able to observe how presence of local FDI influences local corruption.

However, unlike the *wealth* and *professionalization* effects we can directly evaluate our hypotheses on source country heterogeneity. To assess source country corruption, we utilize Transparency International's *Corruptions Perception Index* (CPI). We use this information to create an indicator of "high" and "low" corruption (*corr*) countries, differentiating states at the median CPI value in our collapsed sample. To assess the *regulatory pressure effect* of the OECD's Anti-Bribery Convention, we first create a binary indicator based on signatory (*sig)* status before using the Transparency International *Exporting Corruption* reports to again create a binary indicator of whether a state is considered an active enforcer (*enf*) or the convention, again splitting states based on the median of the weighted *Exporting Corruption* enforcement score.[5] When respondent clusters have more than one active project in the area, we generate the mean value of CPI and the proportions of anti-bribery convention signatories and enforcers.

We visualize our data in figures 1 and 2. In figure 1, we plot the respondent clusters (in purple), along with the locations of all FDI projects (white squares) where the size of the square indicates the corruption level of the source country, with larger squares indicating more corrupt source countries. Figure 2 drops the respondent sites but adds information on the anti-bribery convention signatory status of the source country (in red). These figures both display the spatial dispersion of our data, but also reveal some clustering of projects both by source-country corruption levels and anti-bribery convention signatory status.

Estimation strategy

Our spatial-temporal estimation strategy follows that used in Knutsen et al. (2017) and Isaksson and Kotsadam (2017, 2018).[6] In particular, we distinguish between sites where a project is under implementation and sites where the project had yet to be implemented at the time of the survey. The five Afrobarometer survey waves covered provide a unique opportunity to study the corruption experiences of African citizens over the recent decade. While the fact that the data does not have a panel structure hinders us from following specific localities over time, with this estimation strategy we can still compare areas before a

[5] As many of our respondent sites are proximate to multiple FDI projects, in the models below we average and/or calculate the proportion the source country characteristics for proximate FDI projects that were active as of the time of the survey response.
[6] See also Kotsadam and Tolonen (2016).

project has been implemented with areas where a project is currently under implementation, thus making use of the time variation in the data. Assuming that corruption is affected within a cut-off distance, our main identification strategy includes three groups of individuals, namely those 1) within 50 km of at least one active project site, 2) within 50 km of a project site that is yet to open, but not close to any active projects, and 3) more than 50 km from any project site. Our baseline regression is:

$$(1) \quad Y_{ivt} = \beta_1 \cdot active_{it} + \beta_2 \cdot inactive_{it} + \alpha_s + \delta_t + \gamma \cdot \mathbf{X}_{it} + \varepsilon_{ivt}$$

where the corruption outcome *Y* for an individual *i* in cluster *v* at year *t* is regressed on a dummy variable *active* capturing whether the individual lives within 50 kilometers of an active project, and a dummy *inactive* for living close to a site where a project will occur but is not yet implemented at the time of the survey. We further control for country fixed effects (α_s) and year fixed effects (δ_t). To control for individual variation in experiences with corruption, we include a vector $(\mathbf{X}_i)$ of individual-level controls from the Afrobarometer. Our baseline set of individual controls are age, age squared, gender, urban/rural residence. To account for correlated errors, the standard errors are clustered at the geographical clusters (i.e., at the enumeration areas which correspond to either a village, a town or a neighborhood).

Interpreting the coefficient on *active* (β_1) in isolation as capturing an effect of projects on local corruption would necessitate that the location of projects is not correlated with pre-existing local corruption levels. This is a very strong assumption seeing that corruption levels (and other factors correlated with corruption, such as population density, economic activity and infrastructure access) may influence project location decisions. Indeed, there exists a substantial literature which finds that corruption impacts local FDI decision (for examples see Campos et al 1999, Cole et al 2009; Godinez and Liu 2015).

However, including *inactive* allows us to compare active project sites to other areas selected as locations for projects, but where the projects were yet to be initiated at the time of the survey. That is, we can compare areas before a project has been implemented with areas where a project is currently under implementation, and not only areas close to and far away from project sites. For all regressions, we therefore provide test results for the difference between *active* and *inactive* (i.e. $\beta_1 - \beta_2$), giving us a difference-in-difference type of measure[7] that controls for unobservable time-invariant characteristics that may influence selection into being a project site.

[7] Comparing the difference between post-treatment individuals (with an active project within 50 km) and control individuals (with no project – active or inactive – within 50 km) with the difference between pre-treatment individuals

Being interested in whether FDI leaves a footprint on local corruption, we need to make an assumption about the geographical reach of this mark. If projects affect local corruption, individuals travelling to nearby market places and dealing with nearby local authorities are likely to experience the results. Individuals living sufficiently far from a project site, however, should not. As discussed in Knutsen et al. (2017), the appropriate cut-off distance from a project – within which an individual will be considered treated – is an empirical question, and a trade-off between noise and size of the treatment group. With a too small cut-off distance, we get a small sample of individuals linked to active and (in particular) inactive project sites. On the other hand, a too large cut-off distance would include too many untreated individuals into the treatment group, leading to attenuation bias. We follow Knutsen et al.'s (2017) use 50 km as the primary cut-off distance, but we also examine different radii as robustness checks below.

Results

FDI and corruption

The results partially support hypothesis 1, indicating that FDI decreases local corruption experiences, but not perceptions. In Table 1 we see the effects of FDI projects from all sources in the local area. Column 1 shows that the presence of at least one active FDI project in the vicinity reduces the probability of a respondent experiencing a police bribe by 0.011, a reduction of over 10% of the sample mean of 0.103. This difference-in-difference is statistically significant at the 5% level. Column 2 suggests a similar reduction of 0.013, again roughly 10% of the sample mean of 0.124, in the probability of paying a permit bribe, a result also significant at the 5% level. These results are consistent with the cross-country findings of Kwok and Tadesse (2006) who found a relationship between increased FDI and reduced corruption. While the difference-in-difference for all four corruption perceptions indicators (columns 3-6) is negative, none are significant at the 10% level or better. Of note, the coefficients on the *inactive* variable in all models suggest that in all instances FDI is more likely to be initially *sited* in more corrupt localities, a finding that initially appears to be at odds with literature that suggests that FDI prefers to locate to less corrupt countries.

We next turn to an examination of source country hetereogeneity in Table 2 to consider hypotheses 2 to 4. When separating source countries by *their* levels of corruption, we see

(with a yet inactive project within 50 km) and control individuals within the same country and year (due to country and year fixed effects).

that FDI from *high*-corruption source countries (columns 1-6), *reduces* both local corruption experiences and perceptions. In most instances the difference-in-differences are significant at the 1% level. In both instances of corruption experiences (columns 1 and 2), the magnitude of the difference is almost double that of the results from the full model. Like the findings above, FDI from these high-corruption source countries also *goes* to locations that have higher than average corruption. In contrast, FDI from low source-country corruption countries (columns 7-12) does *not* appear to reduce corruption experiences or perceptions. In fact, the difference-in-difference on corruption perceptions police (column 10) is *positive* and significant at the 5% level.[8] The stark difference, however, is that FDI from source countries with lower corruption levels, in all instances, does not *locate* to areas with higher levels of corruption.

We next examine the *regulatory pressure effect* via heterogeneous adoption and enforcement of the OECD anti-bribery convention. When only considering signatory status (Table 3), the results nearly mirror those of the high/low corruption distinction above. FDI from **non-**signatory states (columns 7-12) reduces both corruption experiences and perceptions. However, FDI from these states also locates to areas with higher levels of corruption. In contrast, FDI from signatory states (columns 1-6), in most instances, does not go to locations with higher than average corruption, but also does *not* reduce location corruption.[9]

Turning to the results for anti-bribery convention *enforcement* (Table 4), we see more nuanced findings. FDI from **non-**enforcer states (columns 7-12) does go to areas with higher levels of corruption, but no longer reduces corruption at the 5% level of significance in any model.[10] In contrast, FDI from anti-bribery convention enforcing states *does* reduce experiences of police bribes (column 1), even though existing levels of experience with police bribes is not significantly higher than average. This result is similar for permit bribes (column 2), although the difference-in-difference is only significant at the 10% level. With respect to corruption *perceptions*, FDI from enforcing states goes to more corrupt locations in all instances but does *not* reduce corruption perceptions.

[8] While the difference-in-difference for government officials (column 9) and judges (column 11) is positive and significant at the 10% level.
[9] The one exception being that this FDI does locate to areas with higher perceptions of corruption of government officials (column 3).
[10] Although the difference-in-difference is negative and significant at the 10% level for permit bribes (column 8) and perceptions of corruption of judges (column 11).

At first glance, the results on the impact of source-country corruption and the OECD anti-bribery convention seem counter-intuitive – it is mainly projects from high-corruption and **non**-signatories that broadly and markedly reduce local corruption outcomes. However, they make more sense when considered in tandem with the observation that that FDI from source countries with these characteristics also heads to more corrupt places to begin with. In almost all instances, there are only statistically significant reductions in corruption outcomes at locations with higher existing levels of corruption. To some extent, we take this as evidence of a regression to the mean effect – FDI normalizes the corruption environment without prejudice to the source country characteristics – but this only occurs if there is "room for improvement" based on the existing corruption environment.

The lack any impact from FDI from anti-bribery signatories, and the more quailed (vis-à-vis non-enforcer) impact of anti-bribery enforcer countries suggests that the *regulatory pressure effect* is subtler in changing the host-country corruption environment, if it does so at all. The presence of some results for anti-bribery convention enforcers suggests that there may be some qualitative difference on behavior between signing and enforcing the convention, but that this difference pales in comparison to the differences with non-signatory and non-enforcing states. Indeed, it has been shown that the effects of international institutions on state behavior can be largely heterogeneous depending on each state's domestic politics (Botcheva and Martin, 2001)

Where the *regulatory pressure effect* does seem to matter, however, is in the initial siting of FDI projects from signatory countries. That firms whose source countries are party to the anti-bribery convention appear to locate to less corrupt areas is quite reasonable given that locating to these areas entails a higher risk of running afoul of anti-bribery legislation and thus incurring sanctions associated with that behavior. Indeed, the finding that FDI from these source countries goes to (comparatively) lower corruption locations is strongly compatible with the country-level findings of Cuervo-Cazurra (2008).

Robustness Checks

We run several robustness checks to interrogate both our general and our source-country heterogeneity results. First, we investigate if our results are maintained when using a different cutoff point for distance. While our cutoff point of 50 km is based on the precision levels of our main outcome and explanatory variables, other studies using this technique have also investigated effects using a 25 km cut-off distance. Accordingly, we run the models above using that distance (Tables A1 to A4). Broadly speaking, the results are

Table 1: All FDI and Corruption Experience and Perceptions (50km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials
active50	0.006*	0.008**	0.076***	0.081***	0.052***	0.052***
	(0.003)	(0.004)	(0.010)	(0.011)	(0.010)	(0.011)
inactive50	0.017***	0.021***	0.083***	0.095***	0.074***	0.076***
	(0.005)	(0.005)	(0.013)	(0.014)	(0.013)	(0.016)
Observations	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.068	0.109	0.100	0.097
Baseline controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Difference in difference	-0.011	-0.013	-0.007	-0.014	-0.022	-0.024
F test: active-inactive=0	5.088	5.863	0.254	0.792	2.340	2.044
p value	0.024	0.015	0.614	0.373	0.126	0.153

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 2: FDI by corruption levels in source country and corruption experiences and perceptions (50km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highcorr	0.006	0.010**	0.035***	0.047***	0.014	0.029**						
	(0.004)	(0.004)	(0.012)	(0.013)	(0.012)	(0.014)						
inactive50_highcorr	0.026***	0.032***	0.081***	0.112***	0.084***	0.089***						
	(0.006)	(0.006)	(0.016)	(0.017)	(0.016)	(0.019)						
active50_lowcorr							-0.000	-0.000	0.067***	0.061***	0.054***	0.040***
							(0.004)	(0.004)	(0.011)	(0.012)	(0.012)	(0.013)
inactive50_lowcorr							-0.005	-0.005	0.029	0.008	0.014	0.013
							(0.006)	(0.007)	(0.018)	(0.020)	(0.020)	(0.025)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.068	0.067	0.108	0.099	0.096	0.082	0.067	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.020	-0.022	-0.046	-0.065	-0.070	-0.059	0.005	0.005	0.038	0.053	0.040	0.027
F test: active-inactive=0	9.659	11.277	6.235	10.400	13.320	7.317	0.454	0.381	3.705	6.164	3.580	1.046
p value	0.002	0.001	0.013	0.001	0.000	0.007	0.500	0.537	0.054	0.013	0.059	0.306

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (50km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highsig	0.003	-0.002	0.061***	0.062***	0.053***	0.026**						
	(0.004)	(0.004)	(0.012)	(0.012)	(0.012)	(0.013)						
inactive50_highsig	0.007	0.006	0.040**	0.026	0.027	0.035						
	(0.006)	(0.007)	(0.017)	(0.019)	(0.019)	(0.024)						
active50_lowsig							0.004	0.012***	0.045***	0.051***	0.019	0.044***
							(0.004)	(0.005)	(0.012)	(0.013)	(0.012)	(0.014)
inactive50_lowsig							0.020***	0.028***	0.083***	0.113***	0.085***	0.084***
							(0.006)	(0.006)	(0.016)	(0.017)	(0.016)	(0.020)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.067	0.108	0.099	0.096	0.083	0.068	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.005	-0.008	0.022	0.036	0.027	-0.009	-0.016	-0.015	-0.038	-0.062	-0.066	-0.040
F test: active-inactive=0	0.476	1.210	1.279	2.863	1.626	0.137	5.569	4.879	4.421	10.622	13.285	3.409
p value	0.490	0.271	0.258	0.091	0.202	0.712	0.018	0.027	0.036	0.001	0.000	0.065

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (50km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highenf	-0.005	-0.003	0.046***	0.035***	0.031***	0.015						
	(0.004)	(0.004)	(0.011)	(0.011)	(0.011)	(0.012)						
inactive50_highenf	0.009	0.009	0.055***	0.054***	0.038**	0.036*						
	(0.006)	(0.006)	(0.015)	(0.017)	(0.016)	(0.019)						
active50_lowenf							0.011***	0.011***	0.051***	0.067***	0.033***	0.049***
							(0.004)	(0.004)	(0.012)	(0.013)	(0.012)	(0.013)
inactive50_lowenf							0.019***	0.024***	0.059***	0.081***	0.073***	0.089***
							(0.007)	(0.006)	(0.018)	(0.019)	(0.019)	(0.024)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.067	0.108	0.099	0.096	0.083	0.067	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.014	-0.012	-0.009	-0.019	-0.008	-0.021	-0.008	-0.013	-0.009	-0.014	-0.040	-0.040
F test: active-inactive=0	5.038	3.083	0.298	0.985	0.187	0.929	1.151	3.358	0.186	0.399	3.406	2.320
p value	0.025	0.079	0.585	0.321	0.665	0.335	0.283	0.067	0.666	0.528	0.065	0.128

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

maintained. FDI appears to generally reduce both corruption experiences and perceptions, but only when existing levels of corruption are high. Again, FDI coming from low-corruption or anti-bribery signatory or enforcing source-countries broadly tends to go to areas that are no more corrupt than average. In contrast, FDI from high-corruption, or anti-bribery convention **non-**signatories or **non-**enforcers in all cases tends to go to higher corruption localities. The one notable difference is that the remaining substantive results change for anti-corruption convention enforcement (Table A4). FDI from **non-**enforcing states (columns 7-12) now displays reductions in both corruption perceptions and experiences, while FDI from enforcing states now no longer shows statistically significant reductions in corruption experiences (columns 1-2). Figure 3 shows the relationship between distance and bribe payments for active and inactive projects in more detail. We note that the levels of bribe payments are always lower in areas close to active projects than to areas close to projects that will be active in the future.

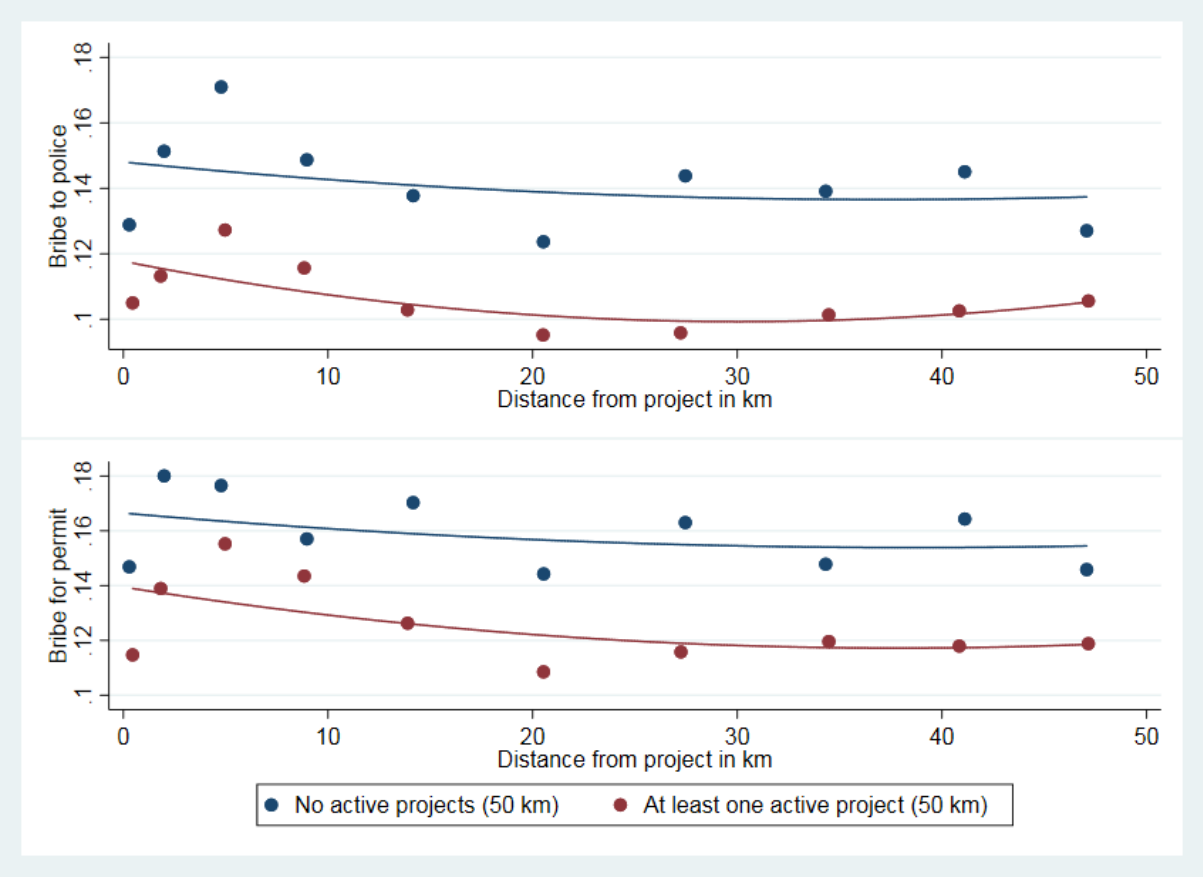

Figure 3: Coefficients on Bribe Payments at varying distances

Our second robustness checks are to employ non-linear estimators for our corruption experiences and perceptions models. We use a logit estimator for our binary experience models and an ordered logit estimator for our multi-category perception models. These

results are displayed in Tables A5 to A8 and substantively match the results from the linear models above.

Third, we check the robustness of our results to the spatial considerations of our data. While clustering our standard errors should account for any spatial shocks in the error term, there is still the possibility of spatial autocorrelation. If present, given the number of respondents per cluster, this autocorrelation should be far more prevalent within clusters as opposed to between clusters (or countries). To capture the potential for spatial autocorrelation in both, we employed mixed-effects multi-level models with clusters nested within countries (Tables A9 to A12). The results are substantively similar to those in most instances, but also suggest FDI has an effect of reducing some types of corruption perceptions (Table A9, columns 5-6).

Our final robustness checks investigate the robustness of our source country heterogeneity results. In the models above, we made our "high" and "low" cuts for corruption, and signatory and enforcement status based on median levels of those variables. However, as the majority of FDI projects in our data come from relatively developed, low-corruption, countries, the median of the CPI score in our sample is relatively large (where larger CPI scores indicate lower corruption), at 6.183. In terms of countries, this places the median of our sample between Cyprus and Israel. At that cut point, South Korea, Italy, Greece and Taiwan are all considered "high corruption" source countries. Likewise, the median proportion of anti-bribery convention signatories by location is 0.734, meaning that locations with higher shares than this are classified as "high signatory". However, there is some reason to think that adverse *demonstration* or *professionalization* effects will occur only when FDI is coming from very corrupt countries or, indeed, that the *regulatory pressure effect* only takes places when (nearly) all proximate projects are from anti-bribery convention signatories or enforcers.

Accordingly, we re-run the models, but this time classify our "high" and "low" source-country characteristics by taking cuts at the 90th percentile. For example, this bar includes South Africa, China, Brazil, Saudi Arabia and Greece as "high corruption" countries, but no longer classifies South Korea, Italy or Taiwan in that way. These cuts also effectively mean that respondent locations classified as "high" for the proportion of anti-bribery signatories have almost all projects from those countries. When classifying "high corruption" locations as those whose active FDI projects come from source countries who combined corruption ranks in the bottom 10th percentile (Table A13, columns 1-6), there are no longer statistically significant reductions in corruption across the spectrum of outcomes. Conversely, low-corruption source locations now display negative difference-in-differences for police and

permit bribes (columns 7 and 8) and perceptions of tax officials (column 12) that are significant at the 5% level. Likewise, it is now FDI projects from these low-corruption source countries (columns 7-12) that *locate* to more corrupt areas for nearly all outcomes, while projects from high-corruption countries now generally go to areas that are more similar to average levels of corruption.[11] Despite the grouping difference, our core result remains – FDI reduces corruption when it is sighted to locations with high levels of initial corruption. What our results suggest is that it is either areas with projects from countries in the 10th to 50th percentile of corruption that do much of the heavy lifting for the results and/or, more likely, it is the *respondent locations* with a *mix* of projects from high and low corruption source countries (whose averaged scores fall in a range from the 10th to 50th percentile) that drive the "high" and "low" corruption results in the main table and this robustness check.

Changing the high/low cuts also changes the results also change for anti-bribery convention signatories (Table A14), with statistically significant reductions in policy and permit bribes for FDI from signatory countries, although this FDI now locates to areas with higher than average corruption on those measures (columns 1 and 2). Likewise, there is no longer evidence that FDI from anti-bribery convention *enforcers* (Table A15) reduces corruption experiences (columns 1 and 2), but there is some evidence that it reduces corruption perceptions (columns 3-6), although for perceptions of corruption of government officials (column 3) and police (column 4) this FDI now also locates to areas with higher than average corruption. Unlike our analysis of the changed corruption results, we do see these results as more problematic for the findings in the main tables, particularly the result that FDI from anti-bribery *enforcers* reduces corruption experiences. These cuts create respondent locations where (nearly) all of the proximate FDI projects are from enforcing countries. Thus, if our mechanism is at work, this should have reduced noise and strengthened our result. What is consistent in these results, however, is that FDI from anti-bribery convention signatories and/or enforcers is less uniformly consistent in *locating* to areas of high existing corruption.

We also check our source country heterogeneity results by examining how we calculate project characteristics at the respondent level. As mentioned above, some respondents are near multiple (active) projects. In the models above, we calculated simple averages of source country corruption and simple proportions of anti-bribery convention signatories and enforcers. However, there is reason to think that that the impact of source-country

[11] With police bribes (column 1) being the one exception.

characteristics may depend on the relative size of the FDI project. Accordingly, we recalculate these measures based on weighting by project investment amount.

With respect to source country corruption (Table A16), the results are substantively similar. FDI from high-corruption source-countries (columns 1-6) both goes to high-corruption locations but also reduces corruption in all cases. Likewise, FDI from low-corruption source countries (columns 7-12) generally does not go to high-corruption locations, nor does it have any impact on corruption. The results on the anti-bribery convention signatories (Table A17) are also largely consistent with the main findings, with the notable exception that it is FDI from signatory countries that reduces corruption experiences (columns 1 and 2), although in both instances this FDI goes to locations with higher existing levels of corruption.

The project-size weighted results on anti-bribery convention enforcers (Table A18) mirror the result from Table 4 that FDI from enforcer countries reduces corruption experiences (column 1 and 2). However, unlike the results in Table 4, projects from enforcers (columns 1-6) now *locate* to areas with higher levels of corruption across all corruption measures. Conversely, FDI projects from **non**-enforcers (columns 7-12) now largely go to locations that are no more corrupt than average and only reduces corruption for the one outcome that is an exception to that finding, permit bribes (column 8). While this differs somewhat from our finding in Table 4 above, it is consistent with the regression to the mean effect wherein FDI only reduces corruption in areas where existing levels of corruption are high.

Discussion and Conclusions

The results above contain two headline findings. First, FDI reduces local corruption but, almost always, only when existing levels of corruption are high. This finding is consistent with existing cross-country evidence on FDI (Kwok and Tadesse, 2006). Second, locations with higher levels of existing corruption attract FDI from a more corrupt mix of source countries. The combination of these findings is suggestive that it is FDI from comparatively more corrupt countries that tends to reduce local corruption. While somewhat counter-intuitive, this result may point to some causal pathways as being more likely than others, despite the fact that we were unable to directly test the wealth and professionalization mechanisms. First, positive “wealth” effects from FDI are unlikely to depend on source country characteristics. If increased wealth either makes individuals more “difficult” targets for bribery and/or allows individuals to shift consumption from public to private services, then the supply of vulnerable briber payers may decrease, decreasing corruption. In both instances, corruption experiences may spill over to corruption perceptions.

Second, while one may tend to think of positive demonstration and professionalization effects only coming from firms from good governance environments, this may not need be the case. In line with theories of firm heterogeneity, firms that engage in FDI are likely to be more professionalized than their domestic counterparts, regardless of their home country corruption environment (Greenaway and Kneller, 2007). Thus, multinational firms even from corrupt countries may have good corporate practices which then induce positive demonstration and professionalization spillovers.

The results also offer more nuanced insights into the effects of the OECD's anti-bribery convention. While there is some evidence that FDI from convention signatories, if not enforcers, locates in less corrupt areas compared to FDI from non-members, there is not generalized evidence that FDI from member states reduces corruption. To the extent that some models find that FDI from anti-bribery signatory and/or enforcer states does reduce corruption, it is usually accompanied by a finding that FDI from these states also *goes* to more corrupt areas. As this finding is consistent with the main results and the results on source-country corruption, it is suggestive that it is the general wealth, demonstration or professionalization effects of FDI going to more corrupt areas that leads to a reduction in corruption, rather than the regulatory pressure effect of the anti-bribery convention.

Taken together, these results support trends in the literature for the need for nuanced and detailed investigations into the determinants of local corruption perceptions and experiences. Foreign flows may often dominate local societies and they can leave substantial impacts on the livelihoods and governance of the areas where they locate. Understanding what these impacts are, and how they might be influenced by national and international institutions, remains an important endeavor for understanding the linkages between development and governance. More detailed household and local level data that allows for a further unpacking of causal mechanisms would be a useful avenue forward in this research.

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Appendix: Data Sources and Collapsed Summary Statistics (at individual or cluster level) (from 50km Models)

Variable	Source	Max	Min	Mean	Std Dev.	Observations
Police Bribe	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	1	0	0.103	0.304	100,933
Permit Bribe	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	1	0	0.124	0.323	100,933
Government Officials	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	3	0	1.419	0.833	88,202
Police	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	3	0	1.580	0.896	91,682
Judges	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	3	0	1.296	0.881	85,402
Tax Officials	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	3	0	1.438	0.891	74,285
Age	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	130	18	36.89	14.62	100,691
Female	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	1	0	0.501	0.500	101,792
Urban	BenYishay et al. 2017 http://geo.aiddata.org http://www.afrobarometer.org	1	0	0.462	0.498	101,792
Active	https://www.fdimarkets.com/	1	0	0.370	0.483	101,792
Inactive	https://www.fdimarkets.com/	1	0	0.139	0.346	101,792
Source Country Corruption	https://github.com/datasets/corruption-perceptions-index	8.971	2.239	6.025	1.270	8,777
Anti-Corruption Signatory	https://www.oecd.org/daf/anti-bribery/WGBRatificationStatus.pdf	1	0	0.687	0.279	8,777
Anti-Corruption Enforcement (Trade Weighted)	https://www.transparency.org/exporting_corruption	7.892	0	3.567	1.434	8,777

Supplementary Appendix

Table A1: All FDI and Corruption Experience and Perceptions (25km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials
active25	0.004	0.011***	0.056***	0.063***	0.028***	0.046***
	(0.004)	(0.004)	(0.010)	(0.011)	(0.011)	(0.011)
inactive25	0.015***	0.023***	0.064***	0.078***	0.048***	0.077***
	(0.005)	(0.005)	(0.014)	(0.015)	(0.015)	(0.019)
Observations	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.067	0.108	0.099	0.097
Baseline controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Difference in difference	-0.011	-0.013	-0.009	-0.015	-0.020	-0.031
F test: active-inactive=0	3.453	4.314	0.310	0.745	1.460	2.497
p value	0.063	0.038	0.578	0.388	0.227	0.114

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A2: FDI by corruption levels in source country and corruption experiences and perceptions (25km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active25_highcorr	0.007	0.016***	0.037***	0.056***	0.011	0.044***						
	(0.005)	(0.005)	(0.014)	(0.014)	(0.014)	(0.014)						
inactive25_highcorr	0.029***	0.037***	0.082***	0.108***	0.066***	0.081***						
	(0.006)	(0.007)	(0.017)	(0.019)	(0.019)	(0.022)						
active25_lowcorr							-0.001	-0.001	0.046***	0.037***	0.029**	0.023*

							(0.004)	(0.005)	(0.012)	(0.013)	(0.013)	(0.013)
inactive25_lowcorr							-0.012*	-0.008	0.000	-0.011	-0.005	0.037
							(0.007)	(0.008)	(0.021)	(0.022)	(0.023)	(0.032)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.068	0.067	0.108	0.099	0.096	0.083	0.067	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.022	-0.021	-0.045	-0.052	-0.056	-0.037	0.011	0.007	0.046	0.048	0.034	-0.014
F test: active-inactive=0	8.215	7.663	4.582	5.089	5.988	2.238	2.108	0.710	4.282	4.021	2.064	0.185
p value	0.004	0.006	0.032	0.024	0.014	0.135	0.147	0.399	0.039	0.045	0.151	0.667

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A3: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (25km)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active25_highwgb	0.001	-0.001	0.045***	0.048***	0.035**	0.019						
	(0.004)	(0.004)	(0.013)	(0.013)	(0.014)	(0.014)						
inactive25_highwgb	0.002	0.009	0.032*	0.030	0.007	0.073***						
	(0.007)	(0.008)	(0.018)	(0.021)	(0.021)	(0.028)						
active25_lowwgb							0.005	0.015***	0.038***	0.045***	0.006	0.045***
							(0.005)	(0.005)	(0.012)	(0.013)	(0.013)	(0.013)
inactive25_lowwgb							0.024***	0.030***	0.071***	0.095***	0.072***	0.061**
							(0.007)	(0.007)	(0.019)	(0.019)	(0.019)	(0.024)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.082	0.067	0.067	0.108	0.099	0.096	0.083	0.068	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.001	-0.009	0.013	0.018	0.028	-0.054	-0.019	-0.015	-0.034	-0.051	-0.066	-0.015
F test: active-inactive=0	0.016	1.253	0.383	0.589	1.455	3.323	5.782	3.518	2.558	5.389	9.510	0.344
p value	0.900	0.263	0.536	0.443	0.228	0.068	0.016	0.061	0.110	0.020	0.002	0.557

Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

Table A4: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (25km)

VARIABLES	(1) Police	(2) Permit	(3) Governmen	(4) Police	(5) Judge	(6) Tax	(7) Police	(8) Permit	(9) Governmen	(10) Police	(11) Judges	(12) Tax

	bribes	bribes	t Officials		s	Officials	bribes	bribes	t Officials			Officials
active25_highenforce	-0.001	0.003	0.043***	0.036***	0.022*	0.023*						
	(0.004)	(0.004)	(0.012)	(0.013)	(0.012)	(0.013)						
inactive25_highenforce	0.003	0.003	0.013	0.002	-0.002	0.030						
	(0.007)	(0.007)	(0.017)	(0.019)	(0.019)	(0.024)						
active25_lowenforce							0.007	0.011**	0.036***	0.054***	0.016	0.041***
							(0.005)	(0.005)	(0.013)	(0.013)	(0.014)	(0.013)
inactive25_lowenforce							0.022***	0.035***	0.086***	0.119***	0.080***	0.098***
							(0.007)	(0.007)	(0.020)	(0.022)	(0.022)	(0.027)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.082	0.067	0.067	0.107	0.099	0.096	0.083	0.068	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.005	0.000	0.030	0.034	0.023	-0.007	-0.015	-0.024	-0.050	-0.065	-0.064	-0.058
F test: active-inactive=0	0.389	0.002	2.536	2.439	1.256	0.069	3.498	8.663	4.656	6.620	6.196	4.016
p value	0.533	0.968	0.111	0.118	0.262	0.793	0.061	0.003	0.031	0.010	0.013	0.045

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table A5: All FDI and Corruption Experience and Perceptions (50km) (non-linear estimators)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials
active50	0.071*	0.082**	0.178***	0.176***	0.121***	0.115***
	(0.038)	(0.035)	(0.024)	(0.023)	(0.023)	(0.025)
inactive50	0.156***	0.171***	0.185***	0.210***	0.164***	0.167***
	(0.045)	(0.041)	(0.030)	(0.031)	(0.030)	(0.035)
Observations	99,861	99,908	87,472	90,882	84,717	73,822
Baseline controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Difference in difference	-0.085	-0.089	-0.008	-0.034	-0.043	-0.052
Chi2 test: active-inactive=0	3.131	4.033	0.060	1.065	1.822	1.990
p value	0.077	0.045	0.806	0.302	0.177	0.158

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table A6: FDI by corruption levels in source country and corruption experiences and perceptions (50km) (non-linear estimators)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highcorr	0.095**	0.109***	0.080***	0.096***	0.030	0.056*						
	(0.044)	(0.041)	(0.028)	(0.028)	(0.028)	(0.030)						
inactive50_highcorr	0.227***	0.256***	0.177***	0.248***	0.183***	0.183***						
	(0.049)	(0.046)	(0.036)	(0.037)	(0.035)	(0.042)						
active50_lowcorr							-0.025	-0.021	0.158***	0.138***	0.128***	0.096***
							(0.043)	(0.041)	(0.026)	(0.027)	(0.027)	(0.028)
inactive50_lowcorr							-0.056	-0.063	0.064	0.020	0.031	0.044
							(0.064	(0.058	(0.043)	(0.044)	(0.044)	(0.055)

							)	)				
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.132	-0.147	-0.097	-0.152	-0.153	-0.127	0.031	0.042	0.094	0.118	0.097	0.053
Chi2 test: active-inactive=0	4.796	6.908	5.214	11.710	13.030	7.137	0.196	0.430	4.142	6.159	4.258	0.842
p value	0.029	0.009	0.022	0.001	0.000	0.008	0.658	0.512	0.042	0.013	0.039	0.359

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table A7: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (50km) (non-linear estimators)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highwgb	0.041	-0.013	0.149***	0.140***	0.126***	0.064**						
	(0.047)	(0.043)	(0.027)	(0.027)	(0.028)	(0.029)						
inactive50_highwgb	0.086	0.048	0.084**	0.065	0.059	0.086*						
	(0.061)	(0.056)	(0.041)	(0.043)	(0.042)	(0.052)						
active50_lowwgb							0.041	0.097**	0.099***	0.106***	0.043	0.090***
							(0.042)	(0.040)	(0.028)	(0.028)	(0.027)	(0.029)
inactive50_lowwgb							0.149***	0.209***	0.184***	0.246***	0.184***	0.175***
							(0.054)	(0.049)	(0.038)	(0.037)	(0.036)	(0.044)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.045	-0.061	0.065	0.075	0.067	-0.022	-0.108	-0.112	-0.085	-0.141	-0.142	-0.085
Chi2 test: active-inactive=0	0.408	0.866	2.024	2.518	2.037	0.151	3.260	4.117	4.259	11.667	12.831	3.280
p value	0.523	0.352	0.155	0.113	0.153	0.697	0.071	0.042	0.039	0.001	0.000	0.070

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A8: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (50km) (non-linear estimators)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highenforce	-0.066	-0.028	0.105***	0.076***	0.068***	0.035						
	(0.043)	(0.040)	(0.025)	(0.025)	(0.025)	(0.026)						
inactive50_highenforce	0.088*	0.078	0.125***	0.122***	0.079**	0.081*						
	(0.052)	(0.050)	(0.036)	(0.036)	(0.036)	(0.042)						
active50_lowenforce							0.128***	0.112***	0.119***	0.144***	0.081***	0.105***
							(0.042)	(0.040)	(0.028)	(0.027)	(0.028)	(0.029)
inactive50_lowenforce							0.135**	0.179***	0.125***	0.177***	0.168***	0.188***
							(0.058)	(0.052)	(0.042)	(0.042)	(0.042)	(0.052)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.154	-0.106	-0.020	-0.046	-0.011	-0.046	-0.007	-0.067	-0.007	-0.033	-0.087	-0.083
Chi2 test: active-inactive=0	6.458	3.451	0.251	1.230	0.072	0.956	0.011	1.257	0.019	0.476	3.295	2.173
p value	0.011	0.063	0.617	0.267	0.788	0.328	0.918	0.262	0.890	0.490	0.070	0.140

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A9: All FDI and Corruption Experience and Perceptions (50km) (multi-level mixed effects)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials
active50	0.006*	0.010***	0.081***	0.077***	0.050***	0.047***
	(0.003)	(0.004)	(0.010)	(0.010)	(0.010)	(0.011)
inactive50	0.017***	0.021***	0.084***	0.090***	0.082***	0.085***
	(0.004)	(0.005)	(0.012)	(0.013)	(0.013)	(0.016)
Observations	99,155	99,217	87,011	90,389	84,239	73,375
Number of groups	35	35	35	35	35	35
Baseline controls	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Difference in difference	-0.011	-0.012	-0.003	-0.013	-0.033	-0.038
Chi2 test: active-inactive=0	7.234	6.200	0.070	0.940	5.949	5.714
p value	0.007	0.013	0.791	0.332	0.015	0.017

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A10: FDI by corruption levels in source country and corruption experiences and perceptions (50km) (multi-level mixed effects)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highcorr	0.006	0.011***	0.033***	0.032***	0.000	0.020						
	(0.004)	(0.004)	(0.012)	(0.012)	(0.013)	(0.013)						
inactive50_highcorr	0.026***	0.035***	0.087***	0.115***	0.097***	0.097***						
	(0.005)	(0.005)	(0.015)	(0.015)	(0.016)	(0.019)						
active50_lowcorr							0.001	0.001	0.078***	0.073***	0.064***	0.041***
							(0.004)	(0.004)	(0.011)	(0.012)	(0.012)	(0.013)
inactive50_lowcorr							-0.002	-0.007	0.025	-0.001	0.014	0.026
							(0.006)	(0.006)	(0.017)	(0.018)	(0.018)	(0.024)
Observations	99,155	99,217	87,011	90,389	84,239	73,375	99,155	99,217	87,011	90,389	84,239	73,375
Number of groups	35	35	35	35	35	35	35	35	35	35	35	35
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.020	-0.023	-0.054	-0.082	-0.096	-0.076	0.003	0.008	0.053	0.073	0.050	0.015
Chi2 test: active-inactive=0	13.637	15.628	11.103	24.832	32.661	13.989	0.292	1.508	8.656	15.687	6.916	0.375
p value	0.000	0.000	0.001	0.000	0.000	0.000	0.589	0.219	0.003	0.000	0.009	0.540

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A11: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (50km) (multi-level mixed effects)

VARIABLES	(1) Police bribes	(5) Permit bribes	(9) Government Officials	(13) Police	(17) Judges	(21) Tax Officials	(25) Police bribes	(29) Permit bribes	(33) Government Officials	(37) Police	(41) Judges	(45) Tax Officials
active50_highwgb	0.003	-0.001	0.081***	0.072***	0.064***	0.038***						
	(0.004)	(0.004)	(0.012)	(0.012)	(0.013)	(0.013)						
inactive50_highwgb	0.005	-0.001	0.030*	0.020	0.030*	0.028						
	(0.005)	(0.006)	(0.016)	(0.017)	(0.017)	(0.022)						
active50_lowwgb							0.004	0.014***	0.036***	0.040***	0.008	0.027**
							(0.004)	(0.004)	(0.012)	(0.012)	(0.012)	(0.013)
inactive50_lowwgb							0.023***	0.034***	0.092***	0.112***	0.094***	0.104***
							(0.005)	(0.006)	(0.016)	(0.016)	(0.016)	(0.020)
Observations	99,155	99,217	87,011	90,389	84,239	73,375	99,155	99,217	87,011	90,389	84,239	73,375
Number of groups	35	35	35	35	35	35	35	35	35	35	35	35
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.002	0.000	0.051	0.051	0.034	0.010	-0.018	-0.020	-0.056	-0.072	-0.087	-0.077
Chi2 test: active-inactive=0	0.077	0.003	8.604	8.206	3.362	0.183	11.065	11.114	11.768	18.184	25.468	13.601
p value	0.782	0.956	0.003	0.004	0.067	0.669	0.001	0.001	0.001	0.000	0.000	0.000

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A12: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (50km) (multi-level mixed effects)

VARIABLES	(1) Police bribes	(5) Permit bribes	(9) Government Officials	(13) Police	(17) Judges	(21) Tax Officials	(25) Police bribes	(29) Permit bribes	(33) Government Officials	(37) Police	(41) Judges	(45) Tax Officials
active50_highenforce	-0.006	-0.003	0.050***	0.043***	0.038***	0.017						
	(0.004)	(0.004)	(0.011)	(0.011)	(0.012)	(0.012)						
inactive50_highenforce	0.008*	0.008	0.052***	0.051***	0.038**	0.047**						
	(0.005)	(0.005)	(0.015)	(0.015)	(0.015)	(0.019)						
active50_lowenforce							0.014***	0.017***	0.058***	0.060***	0.025**	0.043***
							(0.004)	(0.004)	(0.012)	(0.012)	(0.012)	(0.013)
inactive50_lowenforce							0.020***	0.027***	0.067***	0.081***	0.091***	0.097***
							(0.006)	(0.006)	(0.017)	(0.017)	(0.018)	(0.023)
Observations	99,155	99,217	87,011	90,389	84,239	73,375	99,155	99,217	87,011	90,389	84,239	73,375
Number of groups	35	35	35	35	35	35	35	35	35	35	35	35
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.014	-0.011	-0.002	-0.008	-0.001	-0.030	-0.007	-0.011	-0.009	-0.020	-0.065	-0.054
Chi2 test: active-inactive=0	6.581	3.525	0.010	0.224	0.001	2.073	1.352	2.833	0.291	1.285	12.463	5.196
p value	0.010	0.060	0.919	0.636	0.973	0.150	0.245	0.092	0.589	0.257	0.000	0.023

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A13: FDI by corruption levels in source country and corruption experiences and perceptions (50km) (alternative high/low cut)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highcorr	0.026**	0.022**	-0.034	-0.050**	-0.060***	-0.012						
	(0.010)	(0.011)	(0.024)	(0.023)	(0.023)	(0.026)						
inactive50_highcorr	0.018*	0.009	0.002	0.037	0.009	-0.029						
	(0.010)	(0.011)	(0.023)	(0.024)	(0.025)	(0.027)						
active50_lowcorr							0.001	0.005	0.080***	0.085***	0.058***	0.054***
							(0.003)	(0.004)	(0.010)	(0.011)	(0.010)	(0.011)
inactive50_lowcorr							0.013***	0.020***	0.089***	0.092***	0.079***	0.094***
							(0.005)	(0.005)	(0.014)	(0.015)	(0.015)	(0.018)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.066	0.107	0.099	0.096	0.083	0.067	0.068	0.109	0.100	0.097
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	0.007	0.013	-0.036	-0.087	-0.069	0.016	-0.012	-0.016	-0.009	-0.007	-0.021	-0.040
F test: active-inactive=0	0.300	0.886	1.133	6.955	4.195	0.206	4.928	7.719	0.355	0.157	1.736	4.336
p value	0.584	0.346	0.287	0.008	0.041	0.650	0.026	0.005	0.551	0.692	0.188	0.037

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A14: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (50km) (alternative high/low cut)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes l	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highwgb	-0.001	-0.006	0.020	0.012	0.013	0.006						
	(0.005)	(0.005)	(0.016)	(0.018)	(0.017)	(0.018)						
inactive50_highwgb	0.016**	0.016**	0.056***	0.040*	0.018	0.032						
	(0.007)	(0.008)	(0.020)	(0.022)	(0.022)	(0.024)						
active50_lowwgb							0.004	0.008**	0.063***	0.071***	0.044***	0.046***
							(0.003)	(0.003)	(0.010)	(0.010)	(0.010)	(0.011)
inactive50_lowwgb							0.012**	0.018***	0.063***	0.090***	0.082***	0.085***
							(0.005)	(0.005)	(0.015)	(0.016)	(0.015)	(0.020)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.067	0.107	0.099	0.096	0.083	0.067	0.068	0.109	0.099	0.097
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.017	-0.023	-0.036	-0.028	-0.006	-0.026	-0.008	-0.009	0.000	-0.019	-0.039	-0.039
F test: active-inactive=0	4.454	6.518	2.062	0.945	0.044	0.771	1.942	2.344	0.001	1.299	5.704	3.545
p value	0.035	0.011	0.151	0.331	0.835	0.380	0.163	0.126	0.978	0.254	0.017	0.060

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A15: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (50km) (alternative high/low cut)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes l	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highenforce	-0.004	-0.013***	-0.002	-0.031*	-0.024	-0.036*						
	(0.005)	(0.006)	(0.018)	(0.018)	(0.019)	(0.019)						
inactive50_highenforce	-0.000	-0.004	0.048**	0.047**	0.027	0.017						
	(0.007)	(0.007)	(0.019)	(0.019)	(0.019)	(0.022)						
active50_lowenforce							0.006*	0.011***	0.071***	0.084***	0.054***	0.060***
							(0.003)	(0.004)	(0.010)	(0.011)	(0.010)	(0.011)
inactive50_lowenforce							0.023***	0.031***	0.070***	0.087***	0.077***	0.098***
							(0.006)	(0.006)	(0.015)	(0.017)	(0.016)	(0.021)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.082	0.067	0.067	0.108	0.099	0.096	0.083	0.068	0.068	0.109	0.100	0.097
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.003	-0.009	-0.050	-0.078	-0.051	-0.053	-0.017	-0.020	0.001	-0.004	-0.023	-0.038
F test: active-inactive=0	0.188	1.074	3.966	9.592	3.822	3.686	8.037	9.955	0.004	0.042	1.753	3.015
p value	0.665	0.300	0.046	0.002	0.051	0.055	0.005	0.002	0.949	0.838	0.186	0.083

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A16: FDI by corruption levels in source country and corruption experiences and perceptions (50km) (project weighted characteristics)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes l	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highcorr_weighted	0.010***	0.011***	0.039***	0.033***	0.002	0.028**						
	(0.004)	(0.004)	(0.012)	(0.013)	(0.012)	(0.014)						
inactive50_highcorr_weighted	0.026***	0.033***	0.079***	0.108***	0.081***	0.088***						
	(0.006)	(0.006)	(0.016)	(0.018)	(0.017)	(0.020)						
active50_lowcorr_weighted							-0.004	-0.002	0.057***	0.067***	0.058***	0.036***
							(0.004)	(0.004)	(0.012)	(0.012)	(0.012)	(0.012)
inactive50_lowcorr_weighted							-0.003	-0.005	0.032*	0.014	0.020	0.015
							(0.006)	(0.006)	(0.018)	(0.019)	(0.019)	(0.024)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.068	0.067	0.108	0.099	0.096	0.082	0.067	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.016	-0.021	-0.040	-0.075	-0.078	-0.060	-0.001	0.003	0.026	0.052	0.038	0.020
F test: active-inactive=0	5.963	10.125	4.763	13.305	17.333	7.022	0.014	0.144	1.755	6.553	3.457	0.664
p value	0.015	0.001	0.029	0.000	0.000	0.008	0.906	0.704	0.185	0.010	0.063	0.415

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A17: FDI by source country anti-bribery signatory status and corruption experiences and perceptions (50km) (project weighted characteristics)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribes l	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highwgb_w	-0.008**	-0.004	0.054***	0.046***	0.058***	0.045***						
	(0.004)	(0.004)	(0.012)	(0.014)	(0.012)	(0.014)						
inactive50_highwgb_w	0.015**	0.017***	0.035**	0.026	0.022	0.046**						
	(0.006)	(0.006)	(0.016)	(0.017)	(0.017)	(0.022)						
active50_lowwgb_w							0.014***	0.014***	0.031***	0.043***	-0.005	0.011
							(0.004)	(0.005)	(0.012)	(0.012)	(0.013)	(0.013)
inactive50_lowwgb_w							0.013**	0.017***	0.084***	0.114***	0.088***	0.069***
							(0.006)	(0.006)	(0.018)	(0.018)	(0.018)	(0.021)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.067	0.108	0.099	0.096	0.083	0.067	0.067	0.108	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.023	-0.021	0.019	0.021	0.035	-0.001	0.001	-0.003	-0.052	-0.071	-0.092	-0.058
F test: active-inactive=0	12.164	8.680	1.041	0.969	3.247	0.001	0.010	0.167	7.238	12.392	22.277	6.231
p value	0.000	0.003	0.308	0.325	0.072	0.980	0.919	0.683	0.007	0.000	0.000	0.013

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table A18: FDI by source country anti-bribery enforcement status and corruption experiences and perceptions (50km) (alternative high/low cuts)

VARIABLES	(1) Police bribes	(2) Permit bribes	(3) Government Officials	(4) Police	(5) Judges	(6) Tax Officials	(7) Police bribesl	(8) Permit bribes	(9) Government Officials	(10) Police	(11) Judges	(12) Tax Officials
active50_highenforce_w	0.005	0.001	0.075***	0.079***	0.043***	0.046***						
	(0.004)	(0.004)	(0.010)	(0.011)	(0.011)	(0.012)						
inactive50_highenforce_w	0.015***	0.012**	0.096***	0.097***	0.080***	0.077***						
	(0.005)	(0.005)	(0.014)	(0.015)	(0.015)	(0.017)						
active50_lowenforce_w							-0.000	0.011**	0.010	0.012	0.019	0.014
							(0.005)	(0.005)	(0.013)	(0.014)	(0.014)	(0.014)
inactive50_lowenforce_w							0.011	0.030***	-0.019	0.013	0.003	0.020
							(0.009)	(0.010)	(0.021)	(0.023)	(0.024)	(0.035)
Observations	99,861	99,908	87,472	90,882	84,717	73,822	99,861	99,908	87,472	90,882	84,717	73,822
R-squared	0.083	0.067	0.068	0.109	0.099	0.097	0.083	0.067	0.066	0.107	0.099	0.096
Baseline controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Difference in difference	-0.010	-0.010	-0.021	-0.018	-0.037	-0.031	-0.011	-0.019	0.029	-0.001	0.017	-0.006
F test: active-inactive=0	3.423	3.204	1.890	1.098	5.098	2.733	1.278	3.661	1.435	0.003	0.385	0.025
p value	0.064	0.074	0.169	0.295	0.024	0.098	0.258	0.056	0.231	0.956	0.535	0.874

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1