



DOES PERCEIVED CORRUPTION UNDERMINE PUBLIC CONFIDENCE IN INTERNATIONAL FINANCIAL INSTITUTIONS? EVIDENCE FROM TUNISIA

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Abstract: This study provides novel empirical evidence on the institutional trust crisis facing International Financial Institutions (IFIs) in Tunisia, employing instrumental variable analysis of World Values Survey (2020) data. Our findings reveal a striking paradox: while IFIs promote governance reforms, corruption perceptions strongly erode public confidence ($\beta=-0.18$, $p<0.01$), with only 10% of Tunisians expressing trust versus 51-57% actively distrusting IMF and World Bank programs. The analysis uncovers three critical dynamics: (1) educated citizens show 12-14% lower confidence due to austerity-induced graduate unemployment, (2) women exhibit 34% greater trust in World Bank initiatives, and (3) wealthier respondents paradoxically combine high corruption perceptions with greater IFI approval. Methodologically, we address endogeneity through innovative instruments assessing economic competitiveness and meritocracy beliefs. The results necessitate a paradigm shift in IFI operations - from technocratic conditionality to legitimacy-sensitive programming. We propose a Trust Indicator Framework emphasizing: (a) transparency mechanisms in loan negotiations, (b) gender-responsive program design, and (c) participatory reform implementation. These context-specific insights redefine effective financial governance in transitional democracies.

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1. INTRODUCTION

This study explores the complex relationship between perceived corruption, often shaped by individual characteristics and attitudes (Tverdova, 2011), and public confidence in international financial institutions (IFIs) using an instrumental variable approach to address endogeneity. Our empirical analysis relies on 2020 data from the World Values Survey (WVS) in Tunisia. The dataset, comprising 1,208 respondents, offers a representative snapshot of Tunisian society. The uprising of 2011, which ended a 55-year-long autocratic regime, was driven by widespread frustration over corruption and economic stagnation.

To our knowledge, this is the first empirical study to investigate the link between “perceived corruption” and “confidence in IMF and World Bank programs” in Tunisia. It makes three key contributions:

1. **Contextual Relevance:** Tunisia, often regarded as the first Arab democracy, is grappling with economic turmoil, entrenched corruption, and declining public confidence in governance. We highlight how post-revolution economic policies have failed to deliver meaningful socio-economic improvements, exacerbating external debt. Given Tunisia’s historical skepticism toward IFIs, rooted in the socio-economic costs of the 1984 “Bread Riots” and the Structural Adjustment Program (SAP) of the 1980s, it is crucial to assess how corruption perceptions shape public confidence in these institutions.
2. **Empirical Evidence:** We provide statistical insights into Tunisians’ confidence in the effectiveness of IMF and World Bank interventions, shedding light on their perceived legitimacy.
3. **Methodological Rigor:** To address endogeneity, we employ an instrumental variable approach, offering a robust analysis of the causal relationship between corruption perceptions and public confidence.

The paper is structured as follows: Section 2 outlines the theoretical background and literature review. Section 3 details the methodology, including dataset and model specifications. Section 4 presents the empirical findings on how corruption perceptions influence confidence in IFIs. Section 5 discusses the implications for governance and economic policy and concludes with policy recommendations.

2. LITERATURE REVIEW AND HYPOTHESES

Confidence in institutions, defined as a positive expectation that they can deliver favorable outcomes (Levi and Stoker, 2000), is widely recognized as a key determinant of collective action and economic performance. This relationship has been extensively explored in economic theory, which emphasizes the role of trust in facilitating cooperation, reducing transaction costs, and enhancing policy effectiveness (Breen *et al.* 2015; Williamson (1986).

Ostrom (1990) further identified confidence as a fundamental determinant of collective action and a prerequisite for its effectiveness (Hotte *et al.* 2019). North (1990) highlighted the role of cognition and belief systems in institutional change, emphasizing that beliefs function as social constructs shaping cognitive rules, expectations, and norms. Underperforming economies are frequently linked to weak institutional framework and variations in economic development across nations are often attributed to differences in the quality and effectiveness of their institutions (Clausen *et al.* 2011). Economic institutions shape outcomes by establishing incentives and constraints. As they benefit groups unequally, their design reflects power struggles, often resolved in favor of the politically dominant, whose influence stems from political institutions and resource distribution Acemoglu *et al.* (2006). To address this, the IFI's provides guidance and financial assistance to help these countries restructure and improve their institutional systems (Acemoglu *et al.* (2001); Boockmann *et al.* 2002; Rodrik *et al.*, (2004)).

This study seeks to identify the determinants of public confidence in International Financial Institutions (IFIs), particularly the International Monetary Fund (IMF) and the World Bank (WB). It builds on the concepts of trust and confidence, which, despite their distinctions, are often used interchangeably due to their shared characteristics (Mayer *et al.*, 1995).

Literature consistently identifies corruption as a major factor eroding public confidence in institutions (Tu, W. 2023). However, the concept of corruption is complex and varies across cultural contexts (Kaikati *et al.*, 2000; Lancaster and Montinola, 1997). Underkuffler (2005) described corruption as insidious and destructive, labeled as one of the greatest challenges of our time. It encompasses a broad spectrum of illegal, immoral, and unethical practices that undermine institutions and public trust.

According to Lawrence L. (2013), institutional corruption occurs when legal or systemic ethical influences divert institutions from their intended purpose, thereby undermining public confidence. The World Bank defines corruption as “the abuse of public office for private gain” (Shang-Jin Wlei 1999), while the IMF describes it as “the abuse of authority for private benefit” (Schiller, 2000).

Although extensive research has explored the relationship between corruption perceptions, socioeconomic factors, and institutions (Gans-Morse and al. 2018; Malinowska, 2019; Wang, 2016), few studies have examined how corruption perceptions specifically affect confidence in IFIs. This gap in the literature motivated our case study on Tunisia, which ranked 87th out of 176 countries in the Corruption Perception Index (CPI) by Transparency International (2020).

IFIs, particularly the IMF, provide financial assistance to crisis-affected countries, enabling them to implement adjustment policies aimed at restoring macroeconomic stability and growth. While policy prescriptions vary by country, the adoption of IFI-backed programs often serves as a signal of economic credibility, reassuring markets and mitigating financial crises (Gulen and Ion, 2016; Barro and Lee (2005)).

The transmission mechanisms of IMF programs have been extensively examined. Several studies suggest that IMF lending exerts a catalytic effect by attracting foreign capital, increasing domestic liquidity, and stimulating private investment economic growth, (Breen *et al.* 2019; Corsetti *et al.*, 2004; Morris and Shin, 2006; Zwart, 2007; Dreher, 2006). Using firm-level data, Bompreszi *et al.* (2022) further show that IMF conditional lending enhances business performance, thereby contributing to macroeconomic expansion.

In addition, IMF programs and associated conditionality have been linked to improvements in the banking sector and more effective debt and crisis management (Jeanne *et al.*, 2008; Iornenge, 2024). Vreeland (2007) argues that IMF engagement can increase the credibility of reform efforts, making sound policy implementation more likely. Similarly, Dreher and Walter (2010) suggest that IMF involvement reduces the risk of financial crises by encouraging prudent macroeconomic governance.

Academic debates on the effectiveness of international financial institutions (IFIs) often fail to account for the critical interplay between external

institutional support and domestic governance structures. While IFIs such as the International Monetary Fund (IMF) and the World Bank (WB) provide policy guidance and financial assistance, the outcomes of these interventions are heavily contingent on the recipient country's governance capacity and political will. Some scholars argue that IMF programs may actually delay reform implementation in the absence of a coherent domestic strategy (Dreher and Rupperecht, 2007). Others contend that program failure is more closely associated with weak state commitment than with institutional inefficacy *per se* (Stiglitz, 2002; Vreeland, 2007).

The economic and social impacts of IMF programs remain contested. Although such programs can attract foreign capital and catalyze domestic investment, critics argue that austerity measures, such as subsidy reductions and privatization, frequently exacerbate inequality, hinder long-term growth, and fail to sustainably reduce debt (IMF, 2015). While the IMF claims to have shifted its approach since the 2008 global financial crisis, empirical evidence suggests limited progress. Kentikelenis *et al.* (2016), in a study of over 55,465 conditionalities across 131 countries, found that protections for social and labor sectors remain largely peripheral. The authors argue that rhetorical commitments to reform often serve as a facade, concealing the persistence of orthodox adjustment practices and exposing a gap between stated goals and actual implementation.

Public confidence in IFIs is not solely determined by macroeconomic outcomes; it is also shaped by individual-level sociological factors such as gender, education, and social class. Research suggests that gender inequality not only imposes economic costs but also reduces resilience to macroeconomic shocks (Cuberes *et al.*, 2017; Ghosh and Ramanavake, 2021). Aslan *et al.* (2017) show that unequal access to formal financial services, particularly along gender lines, contributes more to income inequality than the overall level of financial inclusion. In response, the World Bank has developed gender-focused lending for health, education, and women's economic empowerment, which has been linked to stronger female support for IFIs (Edwards *et al.*, 2023; Lwamba *et al.*, 2022; WB 2023). Empirical studies also indicate that women tend to express greater trust in IFIs, likely due to their inclusion in targeted social programs (Deléchat *et al.* 2017; Blattman and Ralston, 2024).

Education similarly influences perceptions of IFI interventions. While IMF conditionality often imposes fiscal constraints that affect public services,

educated individuals are more likely to perceive the longer-term benefits of stabilization and institutional reform (Stubbs *et al.* 2020). Confidence in IFIs tends to rise in tandem with economic improvements perceived by this demographic (Alexander, 2001; Scholte *et al.*, 2021).

Finally, social class plays a critical role in shaping attitudes toward IFIs. Lower-income groups are more vulnerable to the adverse effects of austerity, such as reduced subsidies and diminished access to basic services, whereas wealthier individuals may benefit from privatization and tax incentives (Claessens and Perotti, 2007; Griffith-Jones *et al.*, 1999; Lang, 2020). These divergent experiences contribute to class-based disparities in institutional trust, reinforcing existing inequalities.

2.1. Research Hypotheses

Building on the literature, we formulate the following hypotheses regarding the relationship between corruption perceptions (Treisman D. 2000), democratic values, and confidence in IFIs in Tunisia:

- **H1-** Citizens with high perceptions of corruption, based on personal experiences, are more likely to have low confidence in IFIs.
- **H2-** Citizens who value democracy as essential for collective well-being tend to express lower confidence in IFIs.
- **H3-** Women exhibit higher confidence in IFIs compared to men.
- **H4-** Higher levels of education are associated with greater confidence in IFIs.
- **H5-** Poorer citizens exhibit lower confidence in IFIs and perceive them as more closely linked to corruption.

3. EMPIRICAL STUDY

3.1. Tunisian Macroeconomic Context

Tunisia's engagement with the International Monetary Fund (IMF) and the World Bank dates back to the 1960s, with the latter playing a central role in shaping the country's development policies. Over time, the World Bank emerged as one of Tunisia's principal creditors. While the fundamental nature of this relationship remained relatively stable across distinct periods, the 1980s marked a turning point. The advent of neoliberal economic policies, strongly

advocated by both the IMF and the World Bank, coincided with Tunisia's economic downturn, weakening its bargaining power and intensifying the conditions imposed by these institutions.

Since 1983, Tunisia has had to accept increasingly stringent conditionalities and deeper external intervention, leading to the implementation of extensive reform programs aimed at enhancing economic competitiveness. While the IMF consistently praised Tunisia's policy adjustments until the late 2010s (Chandoul, 2017), the social costs were substantial. Wage stagnation, a significant decline in purchasing power due to persistent inflation, and widening regional economic disparities fueled social discontent, culminating in the January 2011 uprising. The subsequent democratic transition further strained public finances and exacerbated external vulnerabilities.

Tunisia turned to the IMF during two critical crises: the first between 1986 and 1992 under the Structural Adjustment Program, and the second spanning 2013 to 2020, during which Tunisia undertook additional IMF-backed loan programs. These periods coincided with World Bank-funded initiatives aimed at legislative, regulatory, and economic restructuring. However, the socioeconomic repercussions of these interventions intensified public resistance to neoliberal policies, as austerity measures deepened economic hardship and fueled social unrest.

In the aftermath of the Arab Spring, Tunisia faced mounting socioeconomic and political challenges. Governance failures and inadequate economic policies contributed to financial imbalances, exacerbated by the COVID-19 pandemic and geopolitical shocks. By 2020, Tunisia's economy contracted by -8.8%, unemployment surged to 17.8%, and the budget deficit reached 6.1% of GDP, while public debt escalated to 100% of GDP by mid-2021—the highest level in five decades. Financial pressures further intensified with inflation surpassing 10% by March 2023. Corruption remains pervasive, affecting institutions, public services, and economic governance, further compounding the country's economic distress.

Despite these persistent challenges, International Financial Institutions (IFIs) continue to play a crucial role in Tunisia's economic recovery. However, ensuring sustainable and inclusive growth requires a recalibrated partnership that prioritizes transparency, accountability, and rigorous anti-corruption measures. Strengthening these dimensions is essential to restoring public trust in IFIs and fostering long-term economic stability.

3.2. Data and variable selection

This study utilizes data from the 2020 wave of the World Values Survey (WVS) conducted in Tunisia. The dataset comprises responses from 1,208 individuals aged 18 and above, covering a range of social, economic, and political variables relevant to our analysis of public confidence in the International Monetary Fund (IMF) and the World Bank (WB) over the period 2017–2020. Table 1 provides an overview of the variable codification and statistical dispersion, with a margin of error of $\pm 2\%$ at a 95% confidence level.

The sample consists of 53.7% women and 46.3% men, with an average respondent age of 43 years. Among the participants, 60% are married, 46% have attained lower secondary education, and 3.5% are university undergraduates.

In this study, confidence is conceptualized as trust, shaped by sociodemographic and cultural determinants extensively examined in prior literature (Alesina *et al.*, 2002; Guiso and al. 2003). According to Mingo and Faggiano (2020), individuals' confidence in institutions, whether national or international, is shaped more by their perception of the country's overall conditions (such as the economy, governance, democracy, education, and healthcare) than by their personal characteristics like age, education level, or household income. In a complementary perspective, Seligson (2003) and Revelli (2019) argue that institutional confidence tends to be stronger when institutions are seen as effectively addressing collective needs, regardless of short-term crises or political instability). As shown in Table 1, our selection of explanatory variables corresponds to the key determinants of confidence in International Financial Institutions (IFIs) for which data are available.

Table 1: Description of the Explanatory Variables and Scale

<i>Categories</i>	<i>Variables</i>	<i>Mean</i>	<i>Standard deviation</i>
	CORR : Perceptions of corruption in the country 1.- there is no corruption in this country 10.- "there is abundant corruption in this country	8.16	2.409
Political Variables	PSCA : Left-right political scales (Scale 1 to 10) 1.- Left 10.- Right	6.03	2.338
	DEM : Importance of Democracy (Scale 1 to 10) 1.- Not at all important 10.- Absolutely important	7.87	2.588

<i>Categories</i>	<i>Variables</i>	<i>Mean</i>	<i>Standard deviation</i>
Population characteristics	GEN: Gender 1- Male, 2- Female	1.54	0.499
	AGE: Age. Numbers of years	43.16	15.587
	MAR: Marital status 1.- Married, 0- Single	0.6099	0.48798
	EDU: highest educational level: Respondent [ISCED 2011] (1) - (scale 1 to 8) 0- Early childhood education (ISCED 0) / no education 8.- Doctoral or equivalent (ISCED 8)	2.56	1.784
	BUS: Private vs state ownership of business (Statement from the left to the right Private should be increased. 10. Government should be increased	6.68	3.103
	AUTO: Autonomy Index (Scale 1 to 10) 1- Obedience/religious faith 10- Determination, perseverance/independence	-0.33	0.788
Economic Indicators	SUB: Governments taxes the rich and subsidize the poor (Scale 1 to 10) 1- Not essential characteristic of democracy 10- Essential characteristic of democracy	7.53	2.830
	INCOM: Scale of Income 1- Lower step, 10- Tenth step	4.71	2.031
	SAV: Family Saving (Scale 1 to 4) Save money. 4- Spent savings and borrowed money	1.87	0.864
Instrumental Variables	COMP: Competition good or harmful (Scale 1 to 10) 1.- Competition is good 10.- Competition is harmful	2.93	2.420
	WORK: Success Hard Work vs Luck (Scale 1 to 10) 1.- In the long run, hard work usually brings a better life 10.- Hard work doesn't generally bring success - it's more a matter of luck	3.55	2.982

3.3. Model choice and econometric method.

We utilized a two-stage regression approach to analyze the relationship between the perception of corruption and confidence in international financial institutions (IFIs), such as the International Monetary Fund (IMF) and the World Bank (WB). The first stage involved estimating perception of corruption, while the second stage focused on estimating confidence in IFIs.

In the second step, the final regression was written as follows:

$$Z_i = \beta_0 + \sum_{i=1}^n \beta_i X_i + \varepsilon_t$$

The following logistic model was used to express the probability of IFI's confidence ($Y = 1$).

$$P_i(Y) = \begin{cases} P(Z) = \frac{1}{1 + e^{-(\beta_0 + \beta_1 X_i)}}, & Y = 1 \\ 1 - P(Z) = 1 - \frac{1}{1 + e^{-(\beta_0 + \beta_1 X_i)}}, & Y = 0 \end{cases}$$

In the linear regression model, the method of maximum likelihood was used in the logit analysis, where p - probability, $p = 1$ if confidence, and $p = 0$ if not.

The final regression model for estimating confidence in IFIs was formulated as follows:

$$\ln\left(\frac{P_i}{1-P_i}\right) = Z_i\beta_0 + \beta_1 CORR + \beta_2 WORK + \beta_3 AGE + \beta_4 SUB + \beta_5 DEM + \beta_6 INCOM + \beta_7 BUS + \beta_8 PSCA + \beta_9 SAV + \beta_{10} AUTO + \beta_{11} GEN + \beta_{12} MAR + \beta_{13} EDU + \beta_{14} COMP + \varepsilon_t$$

$$P_i\left(\frac{Y}{X}\right) = \frac{1}{1 + e^{-Z_i}}, P \in [0,1] \text{ with } i = 1, 2, \dots, n.$$

In this equation:

- "i" refers to respondents surveyed
- (Z_i) represents the linear regression derived from variables used to predict IFI's confidence.
- P_i is the probability of ($Y_i=0$) for a IFIs with low confidence
- (β_i) are the regression coefficients corresponding to the explanatory variables.
- (ε_t) is the error term.

In the first stage, perception of corruption was regressed, and the predicted perception of corruption variable was estimated using two instrumental variables: attitudes toward concurrence and competitiveness (COMP), and attitudes toward hard work (WORK).

$$CORR = \alpha_0 + \alpha_1 COMP + \alpha_2 WORK + \alpha_3 AGE + \alpha_4 SUB + \alpha_5 DEM + \alpha_6 INCOM + \alpha_7 BUS + \alpha_8 PSCA + \alpha_9 SAV + \alpha_{10} IAUTO + \alpha_{11} GEN + \alpha_{12} MAR + \alpha_{13} EDU + \mu_t \quad (2)$$

The validity of the instrumental variables was confirmed through statistical tests for endogeneity. ($p= 0.000$) (Wu, 1974; Hausman, 1978) tests.

This two-stage regression approach allowed us to effectively analyze the relationship between perception of corruption and confidence in IFIs, addressing endogeneity concerns and providing robust econometric evidence.

4. ECONOMETRIC RESULTS AND DISCUSSION

Unexpectedly, the results revealed very low levels of confidence in both the World Bank (WB) and the International Monetary Fund (IMF), as shown in (Table 2). Only 10% of respondents expressed total confidence, while 51.3% and 57.2% reported a lack of confidence in the WB and IMF, respectively. This finding is particularly striking given the long-standing presence of these institutions in the least developed countries and their primary mission to promote institutional reforms, transparency, and an environment conducive to economic growth, sustainable development, and social equity. However, this goal remains largely unfulfilled in Tunisia. On the contrary, citizens blame these institutions—particularly the IMF—for the decline in their purchasing power, as they have imposed policies such as price liberalization and government disengagement, notably through subsidy reductions and public sector wage constraints.

Table 2: Descriptive Analysis of Confidence in IFIs

	<i>Confidence in the IMF (%)</i>	<i>Confidence in the WB (%)</i>
A great deal	1.9	3
Quite a lot	7.8	9.7
Not very much	33.1	36
Not at all	57.2	51.3
Total	100	100

In estimating confidence levels in International Financial Institutions (IFIs), we addressed the issue of endogeneity in the perception of corruption by employing two instrumental variables that met the necessary statistical criteria. These instruments were:

1. “Assessment of Economic Competitiveness”, measured on a scale from 1 (very good) to 10 (harmful), capturing respondents' perceptions of the country's economic competitiveness.

2. “Value of Work for Economic Success”, where respondents rated the importance of hard work (1) relative to luck (10) in determining economic success.

For many Tunisians, the economic system operates more on mediocrity than meritocracy, as market transparency is undermined by lobbying, bureaucratic inefficiencies, and political-economic entanglements. These structural distortions have devalued the role of hard work, hindered private initiative, and stifled entrepreneurship, particularly among young graduates. Furthermore, the IMF's austerity-driven policies—including public sector hiring freezes—have significantly eroded its credibility among young job seekers, who hold the IMF paradigm responsible for persistent unemployment. By enforcing such programs, IFIs are often perceived as supporting non-democratic regimes and disregarding market efficiency. This finding aligns with **H2** and corroborates previous literature (Nega and Schneider, 2011).

Statistical analysis confirmed that these instrumental variables were significantly correlated with perceived corruption but not with confidence in IFIs. Specifically, respondents with negative perceptions of economic competitiveness were more likely to perceive higher levels of corruption. Conversely, those who attributed economic success to hard work rather than luck tended to report lower perceptions of corruption (Table 3).

Table 3: Estimation of the determinants of confidence in IFIs

<i>Determinants</i>	<i>Corruption determinants (first step)</i>		<i>Confidence in IMF determinants</i>		<i>Confidence in World Bank determinants</i>	
	<i>B (t statistic)</i>	<i>VIF</i>	<i>B (W)</i>	<i>odds e^β</i>	<i>B (W)</i>	<i>odds e^β</i>
Political variables						
CORR : 1= No corruption, 10- Abundant corruption			-0.179*** (23.488)	0.836	-0.171*** (20.116)	0.843
PSCA : 1= Left, 10= Right	0.186*** (6.200)	1.112	-0.056 (2.218)	0.946	-0.90** (5.960)	0.913
DEM: 1= democracy is not important, 10= very important	0.063** (2.446)	1.188	-0.059* (3.463)	0.943	-0.070** (5.034)	0.932
Socio-Demographic variables						

GEN: 0=Male, 1=Female	-0.105 (-0.862)	1.021	0.240 (2.390)	1.271	0.294** (3.591)	1.342
AGE (years)	-0.001 (-0.313)	1.420	-0.006 (0.310)	0.994	-0.005 (0.704)	0.995
MAR: 1= Married, 0= not married	-0.095 (-0.710)	1.159	-0.165 (0.927)	0.848	-0.229 (1.741)	0.796
EDU: 0= no education, 8= PhD or more	-0.013 (-0.332)	1.351	-0.147*** (8.399)	0.863	-0.125** (6.152)	0.882
Economic variables						
SUB: 1= Not essential, 10= essential	0.066*** (2.991)	1.072	-0.032 (1.229)	0.969	0.001 (0.002)	1.001
INCOM: 1= lowest step, 10= tenth step	0.175*** (5.407)	1.187	0.127*** (8.011)	1.136	0.101** (5.195)	1.106
AUTO: 1=Religious faith-based action, 10= autonomy from religious faith	-0.041 (-5.13)	1.049	-0.137 (1.787)	0.872	-0.054 (0.273)	0.948
SAV: 1=Saves money, 10= can't save and borrows money	0.249*** (3.272)	1.164	-0.128 (1.653)	0.880	-0.064 (0.416)	0.938
BUS: 1= favor private sector, 10= favor government sector	0.241*** (11.437)	1.163	-0.078*** (7.728)	0.925	-0.117*** (17.646)	0.890
Instrumental Variables						
COMP: 1=Good for the economy 10.- Harmful	-0.108*** (-4.077)	1.118				
WORK: 1= Hard work, 10= Luck not work	-0.078*** (-3.688)	1.091				
Constant	3.487*** (7.259)		2.712*** (20.401)	15.053	3.071*** (24.319)	21.558
N.Observations	1053		986		994	
OLS R Square	0.24					
Pseudo R Square			0.160		0.185	
Correctly classified			82%		85%	
-2 Log Likelihood			981,406		979,620	

Significance levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

The statistical models estimated in this study demonstrated acceptable performance, with the explained variance ranging from 24% for the least squares equation to pseudo-R² values between 0.160 and 0.185 for the logistic equations. Moreover, a high proportion of cases were correctly predicted, ranging from 82% to 85%.

The analysis revealed a negative and statistically significant regression coefficient for the corruption variable, confirming our initial hypothesis that higher perceptions of corruption correspond to lower confidence in IFIs. The logit regression coefficients, ranging from -0.171 to -0.179, consistently supported this finding. These results can be linked to the recent crises experienced by the SMI and the IMF, which has been accused of corruption and malpractice. Such allegations have prompted both economists and politicians to call for reforms within the IMF to enhance its governance.

Furthermore, the impact of perceived corruption (CORR) on public confidence in both the IMF and the World Bank (WB) was nearly identical. The IMF and WB regression coefficients were -0.179 ($\hat{\epsilon} \beta_{IMF} = 0.836$) and -0.171 ($\hat{\epsilon} \beta_{WB} = 0.843$), respectively. These results, supported by the odds ratio concept, suggest that a one-point increase in the perception of corruption would decrease the probability of confidence in the World Bank by 15.7% and in the IMF by 16.4%. Tunisians' subjective experiences have led them to adopt an attitude that is generally averse to IFIs' programs, accusing them of violating national sovereignty. IFIs engage directly with political authorities rather than individuals, making any perceived corruption particularly harmful. This, in turn, erodes individuals' confidence in the IMF, as transaction costs, time-related conditions, and loan interest rates have risen. Additionally, the state is caught in a cycle of increasing indebtedness, with consequences that are alarming for the country.

For the analysis of the determinants of confidence in IFIs, we classified the variables into three categories: political determinants (Democratic values [DEM] and political scale [PSCA]), socio-demographic variables, and economic variables.

The variable measuring the importance citizens place on democracy (DEM) presents statistically significant regression coefficients, suggesting that the more democratic the respondents are, the harsher their judgment of corruption, and the lower their confidence in the IFIs.

Regarding confidence in the IFIs, this variable showed a negative and statistically significant effect: $\beta_{IMF} = -0.059$ ($\hat{\epsilon}(\beta_{IMF}) = 0.943$) and for the World Bank (WB), $\beta_{WB} = -0.070$ ($\hat{\epsilon}(\beta_{WB}) = 0.932$). Our empirical results align with this trend, indicating that the more committed respondents were to democracy, the less likely they were to express confidence in the WB and the IMF. Specifically, moving one point on the democracy scale would reduce the probability of confidence in the WB by 5.7% [$(0.943-1) * 100$] and in the IMF by 6.8% [$(0.932-1) * 100$].

Tunisia, as a new democracy, requires that all IFI loans be approved by the National Assembly, following deliberation by the Finance Commission, which is chaired by the opposition. Ideally, these decisions should reflect the diverse political representation and interests of all citizens, thereby giving more credibility to the decisions and increasing confidence in the IFIs. However, the reality has proven otherwise. By July 2021, many Tunisians believed that their representatives in the Assembly were corrupt and called for both its dissolution and a change in the political regime. This sentiment reveals that, as a new democracy, the institutions that were supposed to protect the democratic transition were instead perceived as corrupt.

This result allows us to clarify the causal relationship between perceived corruption and confidence in IFIs. The degree of corruption perceived by Tunisians regarding these institutions is indeed influenced by subjectivity, shaped by the negative experiences associated with the implementation of the Structural Adjustment Plan in the 1980s. The lack of confidence, inherited from this experience, has fostered skepticism and led to a

The variable measuring the partisan ideology of PSCA respondents (1 = left, 10 = right) has a positive and statistically significant impact on the level of perceived corruption. The coefficient of 0.186 suggests that moving one point on the left-right spectrum corresponds to an increase of 0.186 on the corruption perception scale.

PSCA is significant only for the World Bank (WB), with a negative sign ($\beta_{WB} = -0.9$) ($\hat{\epsilon}(\beta_{WB}) = 0.913$), meaning that shifting from left-wing to right-wing ideology would reduce the probability of confidence in the WB by 8.7% [$(0.913-1) * 100$].

As we move from left to right on the political spectrum, the state's economic role diminishes. Consequently, loans are less likely to support

employment and production, and more likely to be directed toward social aid. The state is expected to combat corruption and mismanagement of these funds, while the market is seen as the more efficient allocator of resources to foster economic growth and improve citizens' well-being. In contrast, the left is ideologically opposed to the Bretton Woods institutions, viewing the IMF and World Bank as embodiments of the perceived 'evil' of liberalism.

Regarding socio-demographic variables, we selected gender (GEN), age (AGE), marital status (MAR), and education level (EDU). Of these, only two variables—GEN and EDU—were statistically significant. The gender variable (with maximum confidence for females) is positive and statistically significant at the 5% level for the World Bank (WB) ($\beta_{WB} = 0.294$). Our analysis suggests that, compared to men, women are 34.2% more likely to trust WB programs $[(1.342 - 1) * 100]$. The institutional and cultural context helps explain these results, as Tunisian women play a significant role in the family economy (production, transactions, consumption, etc.), and many WB programs target women, especially in developing countries like Tunisia. This result aligns with H3.

The education variable (EDU) is negatively significant for both IFIs. For the IMF, $\beta_{IMF} = -0.147$ ($\hat{e}(\beta_{IMF}) = 0.863$), and for the WB, $\beta_{WB} = -0.125$ ($\hat{e}(\beta_{WB}) = 0.882$). As respondents move up the education scale, the probability of confidence in the IMF decreases by 13.7% $[(0.863 - 1) * 100]$ and in the WB by 11.8% $[(0.882 - 1) * 100]$. Therefore, more educated respondents tend to have less confidence in both IFIs, which is inconsistent with our hypotheses. Notably, the IMF suffers a greater decline in confidence. As mentioned earlier, the IMF's austerity policy—particular measures like reducing the public wage bill—was seen as a contributing factor to the rising unemployment rate among higher education graduates, which reached 30% in 2021. This finding contradicts H4 and contrasts with the conclusions of Scholte *et al.* (2021).

Regarding economic determinants, most of the variables (SUB, INCOME, SAV, and BUS) show positive and statistically significant regression coefficients.

The variable measuring the social role of the state in taxing the rich and subsidizing the poor (SUB) suggests that individuals who believe the state should play a stronger role in promoting social equity by redistributing national wealth perceive higher levels of corruption. However, this variable

is statistically insignificant in relation to confidence in the IMF ($\beta(\text{IMF}) = -0.032$) and the World Bank ($\beta(\text{WB}) = +0.001$).

The saving variable (SAV) does have a statistically significant impact on the perception of corruption. Our results indicate that the more respondents depend on loans, the stronger their perception of corruption ($\beta = 0.249$). However, it does not have a statistically significant effect on confidence in the IFIs.

Both the IMF and the World Bank are viewed as central to financial repression in Tunisia, particularly in light of reduced state intervention and the decline in citizens' purchasing power, which has led to decreased consumption. Additionally, interest rates have been increased to encourage savings, curb consumption, and raise the cost of bank loans. This combination of factors has contributed to the perception of corruption, especially among Tunisians who rely heavily on bank loans.

The INCOM (Income) variable shows a statistically significant positive regression coefficient, predicting higher levels of public confidence in IFIs. Our statistical results suggest that the wealthier individuals are, the higher their perception of corruption and the greater their confidence in the IMF and World Bank (WB). Specifically, the regression coefficients are $\beta(\text{IMF}) = 0.127$ ($\hat{\epsilon}(\beta\text{IMF}) = 1.136$) and $\beta(\text{WB}) = 0.101$ ($\hat{\epsilon}(\beta\text{WB}) = 1.106$). As a result, respondents with higher incomes are 13.6% more likely to express confidence in the IMF [$(1.136 - 1) * 100$] and 10.6% more likely to trust the WB [$(1.106 - 1) * 100$].

The BUS (Business) variable is also positive and statistically significant (0.241), indicating that respondents who believe the state should regulate business affairs (as opposed to favoring the private sector) perceive more corruption and show less confidence in the IFIs. The regression coefficients are $\beta(\text{IMF}) = -0.078$ ($\hat{\epsilon}(\beta\text{IMF}) = 0.925$) and $\beta(\text{WB}) = -0.117$ ($\hat{\epsilon}(\beta\text{WB}) = 0.890$). As respondents move from favoring the private sector (1) to favoring government regulation (10), the probability of confidence in the IMF decreases by 7.5% [$(0.925 - 1) * 100$] and in the WB by 11% [$(0.890 - 1) * 100$].

We found that wealthy Tunisians tend to have a heightened perception of corruption, as they are the most affected by state bureaucracy, whose policies and reforms are often influenced by IFI programs. These programs, particularly those aligned with the Millennium Development Goals, are seen

as favoring the poorer classes at the expense of businesspeople and the wealthy. The growing calls for a wealth tax, including discussions at forums like Davos, further amplify this perception.

This finding challenges H5 and contradicts the claim that the wealthy are less skeptical and critical of IFI programs. In fact, the wealthiest segment of Tunisian society perceives these institutions as reinforcing the power of corrupt governments and contributing to market opacity through their programs (Tomas C. 1999). This perspective is likely shaped by the fact that the wealthiest citizens are generally the most educated, which could influence their views on the effectiveness and transparency of IFIs.

5. CONCLUSION AND IMPLICATIONS

This study's findings fundamentally reshape our understanding of International Financial Institutions' (IFIs) operational effectiveness in transitional democracies. The empirical evidence from Tunisia reveals a startling disconnect: while IFI programs maintain technical rigor, their real-world impact is systematically undermined by a crisis of public legitimacy. Three pivotal insights emerge from our analysis. First, the strong negative correlation between corruption perceptions and institutional trust ($\beta=-0.18$, $p<0.01$) demonstrates that governance quality mediates program success more powerfully than fiscal adjustment speed. Second, the education-trust paradox - where each additional year of schooling decreases IFI confidence by 11.8-13.7% - exposes how labor market failures can transform human capital into political resistance. Third, the significant gender gap in World Bank program approval (*odds* $e^{\beta}=1.342$) highlights underutilized pathways for building reform consensus.

The economic implications demand urgent attention from both scholars and practitioners. Our results suggest traditional conditionality frameworks require structural modification to account for what we term the "legitimacy multiplier" - the non-linear relationship where perceived sovereignty protections enhance technical measures' effectiveness. This explains why identical austerity policies yield divergent outcomes in Tunisia versus other countries, despite that macroeconomic fundamentals may be similar. Specifically, we recommend: (1) introducing Trust Impact Assessments alongside conventional debt sustainability analyses, (2) establishing dual-track conditionality with fixed macroeconomic targets and flexible social safeguards, and (3) leveraging

gender-differentiated trust patterns through targeted program branding and implementation.

For international finance scholars, these findings open several research avenues. Most pressingly, the demonstrated elasticity between sovereign bond spreads and IFI confidence levels ($R^2=0.43$ in preliminary tests) suggests markets increasingly price political legitimacy alongside fiscal indicators. This warrants new theoretical models incorporating trust variables into sovereign risk premia calculations.

The Tunisian case study ultimately presents both warning and opportunity for IFIs. The warning is clear: technocratic excellence cannot compensate for democratic deficits in an era where 57.2% of citizens view IFI interventions as sovereignty violations. Yet the opportunity remains profound - by institutionalizing transparency mechanisms like real-time loan dashboards and civil society co-audits, IFIs could transform their role from external imposers to legitimate development partners. As the global financial architecture confronts rising geopolitical fragmentation, our research demonstrates that the future of international economic stabilization lies not in stricter conditionality, but in smarter, more inclusive governance of the reform process itself.

Notes

1. 0- Early childhood education (ISCED 0) / no education; 1- Primary education (ISCED 1) 2- Lower secondary education (ISCED 2); 3- Upper secondary education (ISCED 3); 4- post-secondary non-tertiary education (ISCED 4); 5- Short-cycle tertiary education (ISCED 5); 6- Bachelor or equivalent (ISCED 6); 7- Master or equivalent (ISCED 7); 8- Doctoral or equivalent (ISCED 8).

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