

# Transparency Squared: The Effects of Aid Transparency on Recipient Corruption Levels

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# Oxford Hypothesis

— [ “Corruption is primarily driven by the lack of information on aid data. If we can make aid more transparent, that would be the first step toward reducing corruption.”

— Kawusu Kebbay, Development Assistance Coordination Office, Sierra Leone at AidData Oxford, March 22, 2010

— [ “Transparency is vital to reducing corruption.”

— Daniel Kaufmann, Brookings Institution at AidData Oxford, March 22, 2010

# Rare Consensus

— [ Aid boosters (Bardar) and critics (Easterly) agree:

— Aid transparency  $\Rightarrow$  effectiveness  $\Rightarrow$  poverty reduction

— [ Transparency enables:

— Better coordination

— Donor specialization

— Budget planning

— More efficient stakeholder participation

— Better research

— Holding governments accountable

# Logical Next Question

- [ Donors have demanded less recipient corruption
- [ Recipients and NGOs have rejoined with calls for greater donor transparency
- [ We ask: Does donor transparency affect recipient corruption levels?

# Argument

Transparent Projects



Monitoring by NGOs,  
Media & Citizens



Higher Risk of  
Corruption Exposure



↓ Recipient Corruption Opportunities  
↓ Corruptible Aid from Donors

Non-Transparent Projects



Internal Monitoring Only

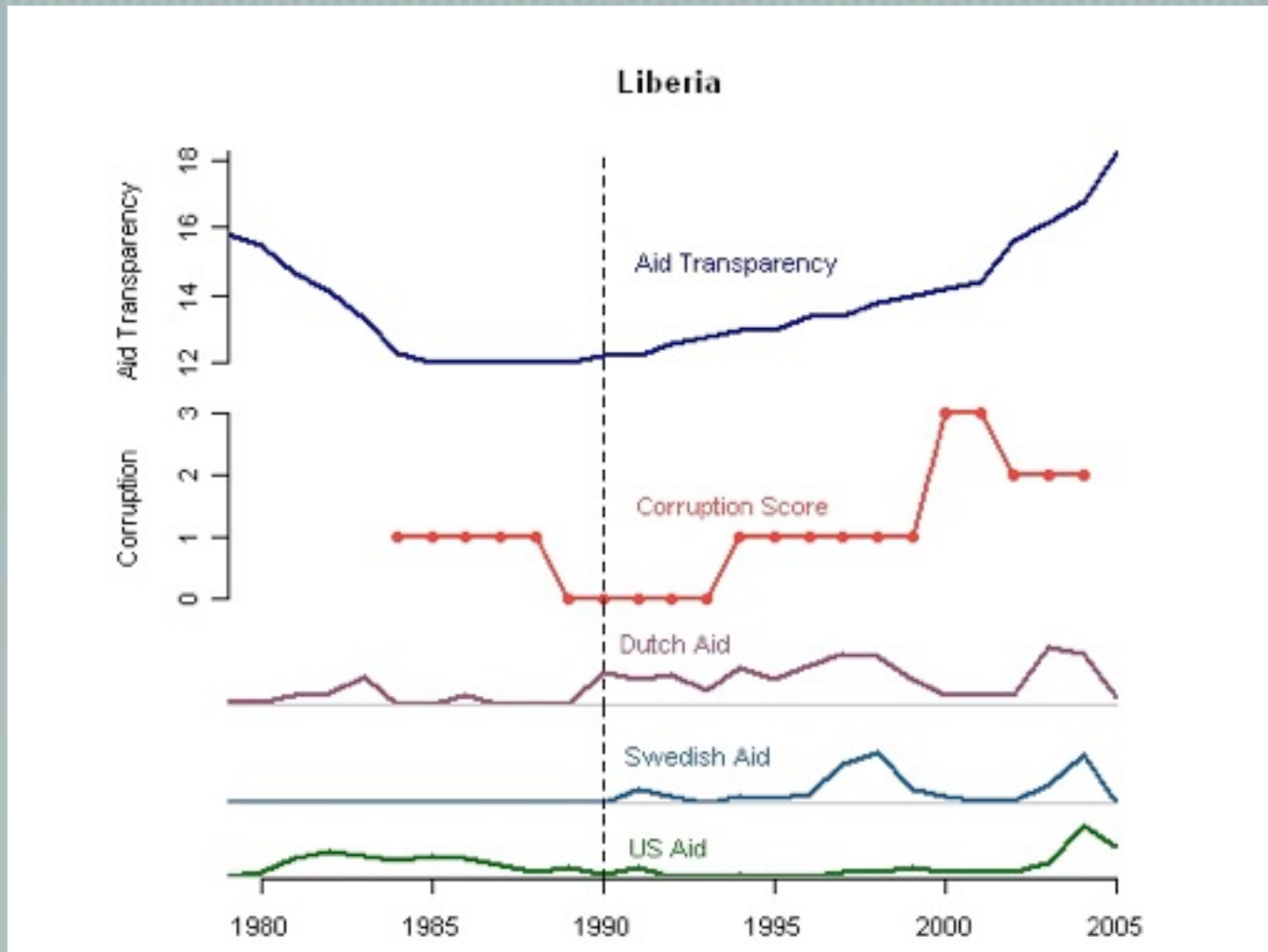


Lower Risk of  
Corruption Exposure



Local Anti-Corruption Efforts Stymied  
Corruptible Aid from Donors Enabled

# Example: Liberia



# Data & Measurement

- [ Years: 1989-2004

- [ Donor Transparency

- Count of median populated fields (of 55) in AidData 1.91

- 5-year moving average

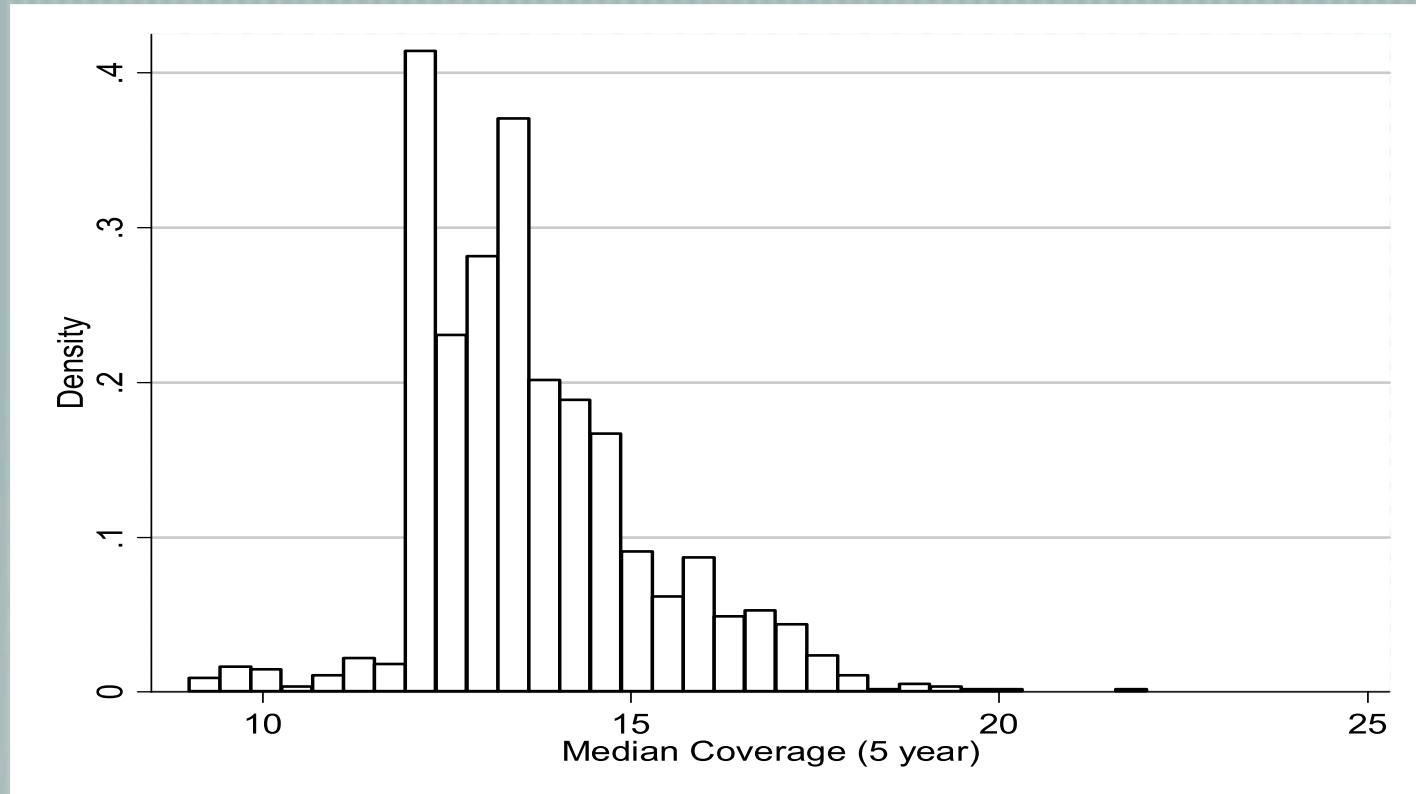
- [ Corruption

- ICRG perceptions of corruption

- 1-6 (1=most corrupt)

- 3-year moving average

# Coverage of Independent Variable



— [ Distribution of Median Coverage (5 year) for the 1313 recipient-year observations used in our sample.



# Methods

- [ Selection Problem

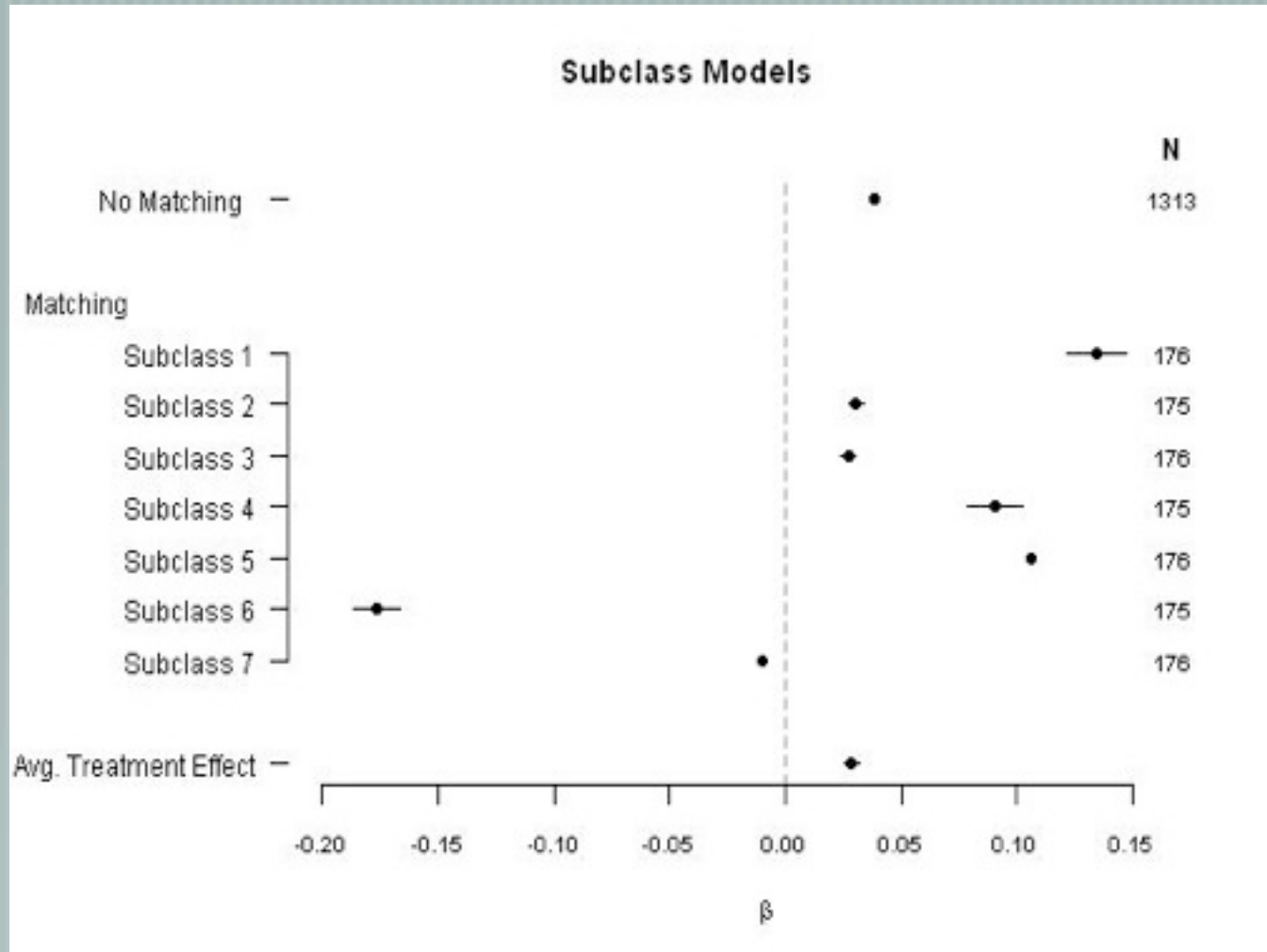
- Transparent donors may prefer less corrupt recipients
- Donors may give transparent aid to counter corruption

- [ Possible answer: condition on confounds

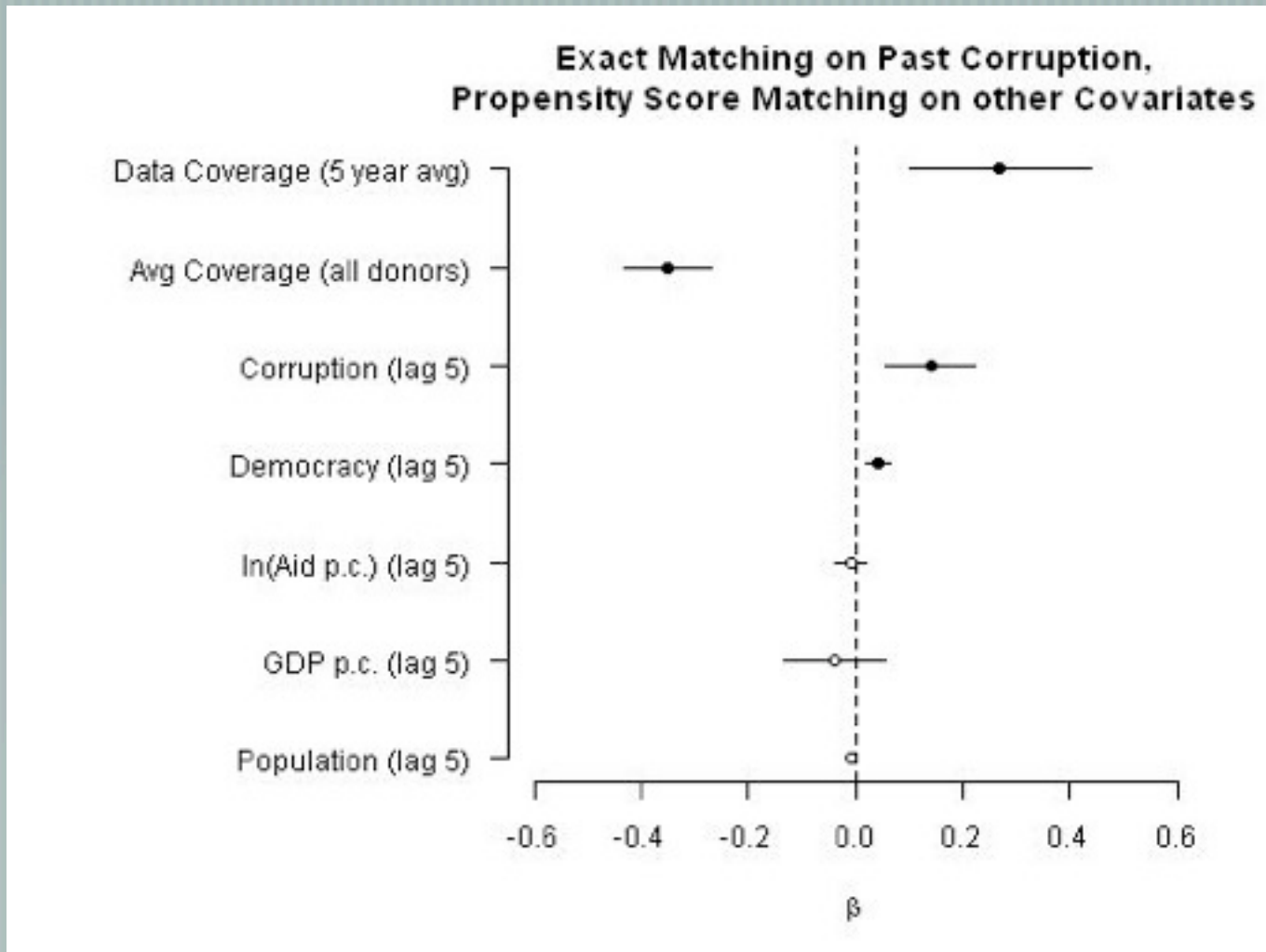
- Propensity score matching

- 1) Estimate likelihood of receiving transparent aid
- 2) Sort least to most likely to receive transparent aid
- 3) Separate into seven subclasses
- 4) Run seven different regressions
- 5) Combine results

# Results: Propensity Score Matching



# Results: One-to-One Matching



# Conclusion

- [ Results support the Oxford Hypothesis:

- Aid transparency decreases corruption

- [ More to do:

- Additional aid transparency proxies

- Multiple imputation for missing values

- Control for type of aid

- Control for level of aid dependence

- [ We join our voices to chorus:

- “More aid transparency”