

# International Development Organizations and National Corruption

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# Research Question

- Aid allocated to corrupted states reduces efficiency
  - Post 1998, push for the spread of good governance norms
- Unclear how recipient corruption affects allocation decisions and whether donors comply with anti-corruption mandates

⇒ Under what conditions do IDOs - many with formal anti-corruption mandates in place - take the corruption of potential recipients into account when making allocation decisions?

# IDO Member Composition

Argument: The composition of member states matters.

Possible mechanisms:

- Value the spread of similar governance styles
- Aid is controversial; Possibility of domestic backlash
- Multilateral setting can diminish national interests

IDOS composed of highly corrupted member states are as likely to adopt-but less likely to enforce - anti-corruption standards compared to organizations composed of more honest members, *ceteris paribus*.

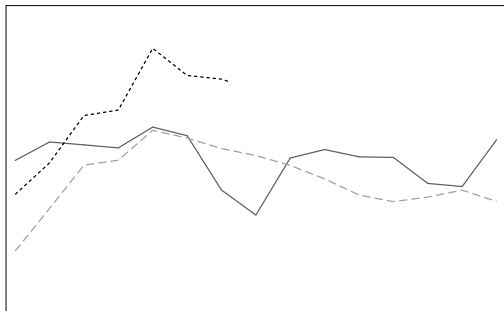
# Data

- Annual foreign aid allocations of 33 IDOs to over 140 recipient countries, 1998-2013 (log) (AidData)
- Corruption of donor and recipient states (ICRG)
  - Recipient corruption
  - Average IDO corruption
  - Recipient corruption  $\times$  Average IDO corruption
- Level of analysis: IDO-recipient-year
- Controls: GDP per capita, Colony, Avg. Distance, Avg. Trade, Population, Democracy, Civil Conflict, IMF Investment, Year
- Specification: Tobit

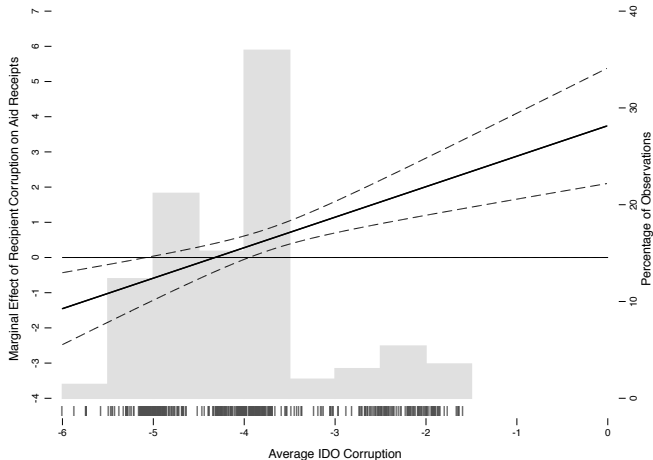
# Average IDO Corruption

## Definition:

- ① Derive membership status (Pevehouse et al 2015)
- ② Identify top 10 IDO members by GDP (Graham and Tucker 2016)
- ③ Calculate the average corruption of the top 10 member states, weighted by GDP (ICRG)



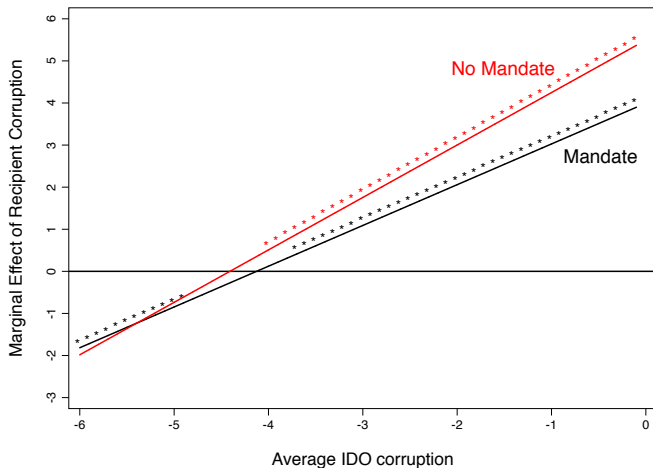
# Analysis



Marginal Effect of Recipient Corruption on IDO Aid Receipts for Different Levels of Avg. IDO Corruption, 1998-2013

Box Plots of Avg. IDO Corruption, 1998-2013

# Analysis by Mandate



Marginal Effect of Recipient Corruption on IDO Aid Receipts with and without Mandates, 1998-2013



# Conclusion

- The extent to which recipient corruption factors into IDO allocation decisions depends on member composition
- The composition of member characteristics tends to matter more than strategic considerations
- In IDOs composed of corrupt members, anti-corruption mandates are largely cheap talk
- Implications for how good governance standards are designed and institutionalized