

U4 Expert Answer



Literature review on costs of corruption for the poor

Query

Can you please provide a reading list or review of literature and resources on the costs of corruption to the poor?

Purpose

We are looking for relevant statistics, sources and literature on the costs of corruption, especially to the poor, for the preparation of a high level policy panel.

Content

1. Methodological challenges involved in measuring the costs of corruption
2. Estimations of the costs of corruption
3. Impact of corruption on poverty levels and exclusion
4. Impact of corruption on development outcomes and basic services
5. Impact of corruption on economic growth
6. Impact of corruption levels of aid

Caveat

A number of references listed in this document are taken from a previous U4 Expert Answer from 2007 entitled [Summaries of literature on costs of corruption](#) (on the links between corruption-poverty, corruption-instability, corruption-donor interventions).

Summary

It is widely recognised that corruption has economic, political and social costs. Quantifying these costs is however extremely difficult due to the methodological challenges inherent to the measurement of such a hidden phenomenon. In addition, corruption also has indirect and non-monetary costs that are difficult to define, identify and quantify.

This paper provides a non-exhaustive list of studies and statistics attempting to calculate global or national costs of corruption. It also presents a number of reports and papers exploring the link between corruption and poverty, looking specifically at the quality and integrity of basic services, the redistribution of wealth as well as the impact of corruption on economic growth, development and foreign aid.

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U4 is a web-based resource centre for development practitioners who wish to effectively address corruption challenges in their work. Expert Answers are produced by the U4 Helpdesk – operated by Transparency International – as quick responses to operational and policy questions from U4 Partner Agency staff.

1. Methodological challenges involved in measuring the costs of corruption

Quantifying the costs of corruption is extremely challenging. Many institutions have attempted to estimate the financial consequences of corruption but the methodologies used have often been questioned. This relative lack of reliable data is primarily due to the major methodological challenges inherent to measuring the costs of corruption, including challenges of definition and quantification. By nature, corruption occurs behind closed doors, which makes it difficult to collect "hard" data and evidence of incidence of corruption and its consequences. Corruption per se is also hard to define, as different phenomena are usually included under this umbrella definition.

There are also many externalities that stem from corruption, and that are often not factored into quantitative analyses, such as social, human or environmental costs. The challenge is therefore to identify 1) what to measure and 2) the nature of the corruption damage that one wants to measure, which is also typically extremely challenging to quantify, particularly when the focus is on specific populations and contexts.

This helpdesk answer provides a non-exhaustive list of (i) existing data and statistics regarding the costs of corruption to the poor, and of (ii) studies and paper relating to the corruption and its correlation to poverty.

2. Estimations of the costs of corruption

This section provides an overview of estimates of the costs of corruption, ranging from bribery to illicit financial flows. Illicit financial flows are closely linked to large-scale corruption, but go beyond the latter since corruption is only one possible predicate offense (for more information on the link between illicit flows and corruption please see this 2011 U4 report entitled [Corruption and illicit financial flows: The limits and possibilities of current approaches](#)) Given the challenges inherent to calculating global costs of corruption, this section also includes a list of studies providing estimation of the cost of corruption at the national and household level.

Global and regional estimates

The rationale for fighting corruption

OECD, 2013,
<http://www.oecd.org/cleangovbiz/49693613.pdf>

This background brief offers a comprehensive overview of widely accepted estimates of the costs of corruption:

- Estimates show that the cost of corruption equals more than 5% of global GDP (US\$ 2.6 trillion, World Economic Forum) with over US\$ 1 trillion paid in bribes each year (World Bank).
- Corruption affects economic growth and foreign investment: IMF research has shown that investment in corrupt countries is almost 5% less than in countries that are relatively corruption-free.
- The World Economic Forum estimates that corruption increases the cost of doing business by up to 10% on average. The significant impact of corruption on income inequality and the negative effect of corruption on income growth for the poorest 20% of a country have been proven empirically (Gupta et al. 2002).
- The World Bank (Baker 2005) estimates that each year US\$20 to US\$40 billion, corresponding to 20% to 40% of official development assistance, is stolen through high-level corruption from public budgets in developing countries and hidden overseas.
- Estimates of the monetary loss due to corruption vary, but are significant regardless of the source. The African Union (2002) estimates that 25% of the GDP of African states, amounting to US\$148 billion, is lost to corruption every year.

Illicit Financial Flows from the Least Developed Countries: 1990-2008 ([link](#))

UNDP/Global Financial Integrity, 2011

This United Nations Development Program (UNDP) commissioned report from Global Financial Integrity (GFI) on illicit financial flows from the Least Developed Countries (LDCs) finds that approximately US\$197 billion flowed out of the 48 poorest developing countries and into mainly developed countries, on a net basis over the period 1990-2008. Based on available data, African LDCs accounted for 69 % of total illicit flows, followed by Asia (29 %) and Latin America (2 %).

The study's indicative results find that illicit financial flows from the LDCs have increased from US\$9.7 billion in 1990 to US\$26.3 billion in 2008 implying an inflation-adjusted rate of increase of 6.2 % per annum. Conservative estimates indicate that illicit flows have increased from US\$7.9 billion in 1990 to US\$20.2 billion in 2008. The top ten exporters of illicit capital account for 63 % of total outflows from the LDCs while the top 20 account for nearly 83 %.

Illicit Money: Can It Be Stopped?

Baker, Joly, 2009

<http://www.gfintegrity.org/content/view/277/72/>

- According to the World Bank, illicit financial flows range from \$1 trillion to \$1.6 trillion annually, of which about half—\$500 billion to \$800 billion—comes out of developing countries.
- The authors attempt to calculate the difference between the estimated amounts of foreign aid and of illicit financial flows. Through the 1990s and into the current decade, overseas development assistance to poor countries has totalled about \$50 billion to \$80 billion a year from all sources. When compared to the World Bank's estimate of \$500 billion to \$800 billion of capital that is being sent illegally out of these same countries, this would mean that: for every \$1 handed out across the top of the table, financial institutions in developed countries have been receiving back up to \$10 under the table.
- This study also examines data on illicit financial flows from Africa for a 39-year range from 1970 to 2008, and finds that, over this period of time, the continent lost US\$854 billion in illicit financial outflows, as a conservative estimate. The report indicates that the amount of lost funds might be as high as US\$1.8 trillion.

Country level estimates

While it is difficult to assess the cost of corruption to the poor at the global level, a number of studies conducted by Transparency International's national chapters have provided evidence of the level and impact of corruption in regional and national contexts. It is commonly accepted that corruption hits the poorest fragments of the population the hardest since they are more dependent on basic public services and therefore are more exposed to bribery. In addition, the portion of income lost to corruption is higher when the household is poor.

Corruption in Service Sectors:

National Household Survey Bangladesh 2012

TI Bangladesh, 2012

<http://www.ti-bangladesh.org/files/HHSurvey-ExecSum-Eng-fin.pdf>

Transparency International's Chapter in Bangladesh has conducted 6 household surveys since 1997 to evaluate the level and trends in the forms of corruption that affects individuals, among which the poorest and most vulnerable. In its 2012 edition, TI Bangladesh found that 57,1% of the households of Bangladesh who had interacted with one or more of different public and private service sectors or institutions have been victims of corruption in one way or the other. Estimates from the survey shows that Taka 21,955 crores¹ (app. €2 billion) is lost annually to bribery or unauthorised payment.

People say corruption in Mexico is getting worse

Transparencia Mexicana, 2011

http://www.transparency.org/news/pressrelease/20110511_Mexico_worse

First launched in 2001, the 2011 National Index of Corruption and Good Governance surveys more than 15,300 households across Mexico. It measures how often Mexicans paid a bribe, or *mordida*, when accessing 35 public procedures and services ranging from waste collection to connecting electricity. The estimated costs of bribery exceeded 32 billion pesos (app. €2 billion) in 2010 – 5 billion more than in 2007. Mexican households reported more than 200 million irregular transactions when using these procedures and services, representing an additional 14% "tax" on top of the average household income in the country.

Africa Education Watch

Transparency International, 2010

http://archive.transparency.org/news_room/in_focus/2010/afri-can_education_watch#6

This report presents a regional overview of accountability and transparency in primary education management in Ghana, Madagascar, Morocco, Niger, Senegal, Sierra Leone and Uganda. This report shows that even though primary education is supposedly free and accessible to all, 44% of the surveyed households

¹ A crore is a unit in the South Asian numbering system equal to ten million.

paid illegal fees for their children to go to school. The average amount that parents report paying is US\$4.16 per child for one school year. In addition, parents report paying fees – legally or not – for textbooks, private tutoring, and exams. Reported abuses of power include systematic absenteeism and, to a lesser extent, sexual harassment.

India Corruption Survey

Transparency International India, 2008

http://www.transparencyindia.org/resource/survey_study/India%20Corruptio%20Study%202008.pdf

In 2008, Transparency International India conducted a survey, covering more than 22 000 households from all parts of the country, to measure the perception, experience and estimation of corruption and bribery in the country. The report finds that poor people have paid more than €120 million in bribes annually to access 11 supposedly free services, including health services, schools, and electricity and water providers.

3. Impact of corruption on poverty levels and exclusion

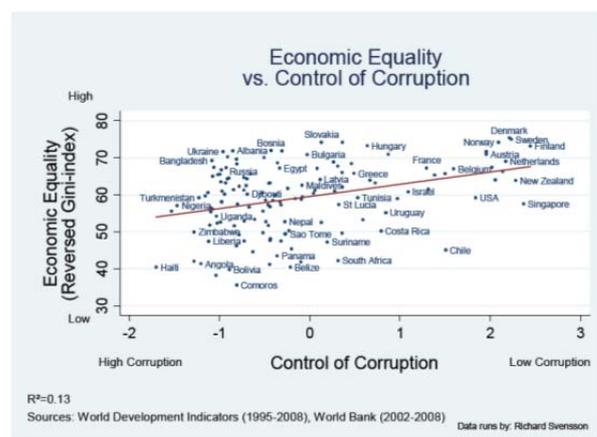
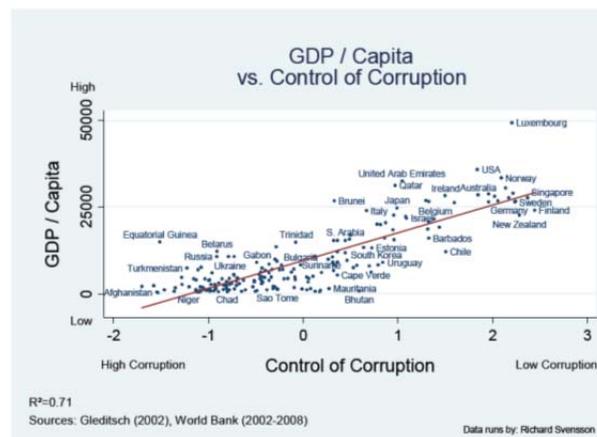
The studies featured below all indicate a strong correlation between corruption, poverty, and inequality. Moreover, the literature tends to agree that the poorest segments of the population are those who suffer the most from corruption and bribery, as they tend to be more vulnerable to bribe extortion and the amount of bribes represent a higher share of their income.

Correlates of Corruption

Rothstein, B.; Holmberg, S., 2011, The Quality of Government Institute (QoG)

http://www.qog.pol.gu.se/working_papers/2011_12_Rothstein_Holmberg.pdf

This paper demonstrates the correlation between control of corruption and GDP per capita, control of corruption and Human Development Index, as well as between control of corruption and levels of poverty, using various variables such as the World Bank Governance Indicators, UNDP Human Development Report etc. The researchers take an inverted approach, trying to see if reducing corruption lowers the level of poverty and inequality. The correlation between poverty levels and control of corruption is relatively weak but it is reinforced by the strong correlation between control of corruption and GDP per capita.



Exploiting the poor

Afrobarometer, 2012

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2168119

This paper develops a simple model of the relationship between poverty and corruption. The model suggests that poor people are more likely to be victims of corrupt behaviour by street-level government bureaucrats. Poor people often rely heavily on services provided by governments and are therefore more likely to be met by demands for bribes in return for obtaining those services. The authors test this proposition using micro-level survey data from the Afrobarometer and show that poor people are indeed much more prone to paying bribes to government officials. This suggests that the people who are worst off materially are also more likely to be victims of corruption.

Poverty and Corruption in Latin America: Challenges for a sustainable development strategy
 Carballo Ana Estefanía, 2010, Revista Opera-Universidad Externado de Colombia:
<http://www.redalyc.org/src/inicio/ArtPdfRed.jsp?iCve=67522631004>

This article finds a correlation between different poverty measurements and corruption indicators for 18 Latin American countries. Almost every regression ran in this research, with different datasets and specifications, as well as with direct and indirect measures of corruption reveal a significant positive relation between poverty and corruption levels. In some cases, as discussed in the previous section, the effects found were stronger, and clearer than in other cases. The extension of the Worldwide Governance Indicators (WGI)–Voice and accountability indicator is a clear example, showing the strongest effects in the relation between corruption and poverty levels in the region.

Corruption and the Costs of Redistribution: Micro Evidence from Indonesia
 Olken Benjamin A. , 2005, National Bureau of Economic Research: <http://economics.mit.edu/files/2914>

This paper examines the degree to which corruption in developing countries may impair the ability of governments to redistribute wealth among their citizens. Specifically, it examines a large anti-poverty program in Indonesia that distributed subsidised rice to poor households, estimating the extent of corruption in the program by comparing administrative data on the amount of rice distributed with survey data on the amount actually received by households. The central estimates suggest that, on average, at least 18 % of the rice appears to have disappeared. Using conservative assumptions for the marginal cost of public funds, the paper estimates that the welfare losses from this corruption may have been large enough to offset the potential welfare gains from the redistributive intent of the program. These findings suggest that corruption may impose substantial limitations on developing countries' redistributive efforts, and may help explain the low level of transfer programs in developing countries.

Does corruption affect income inequality and poverty? Economics of governance:
 Gupta Sanjeev, Davoodi Hamid, and Alonso-Terme Rosa, 2002
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=882360

This paper provides evidence that high and rising corruption increases income inequality and poverty. A worsening in the corruption index of a country by one standard deviation is associated with the same increase in the Gini coefficient of income inequality² as a reduction in average secondary schooling of 2.3 years. A one-standard-deviation increase in the growth rate of corruption reduces income growth of the poor by 7.8 %age points a year. The paper discusses several channels through which corruption may affect income inequality and poverty, for instance by negatively affecting economic growth, progressivity of the tax system, level and effectiveness of social spending, and formation of human capital. An important implication of these findings is that policies that reduce corruption will most likely reduce income inequality and poverty as well.

4. Impact of corruption on development outcomes and basic services

Several reports provide evidence of the negative consequences of corruption on quality of government, investments, and on the quantity and quality of basic services, which disproportionately affects the poorest, who heavily depend on them.

Therefore by affecting development outcomes, corruption is also likely to affect the ability of developing countries to reach the Millennium Development Goals (MDGs). For example, as the OECD 2013 report listed above mentions, "child mortality rates in countries with high levels of corruption are about one third higher than in countries with low corruption, and infant mortality rates are almost twice as high and student dropout rates are five times as high."

This section provides an overview of the correlation between corruption and human development, as well as a list of studies observing the impact and costs of corruption with regards to human development and the provision of basic services.

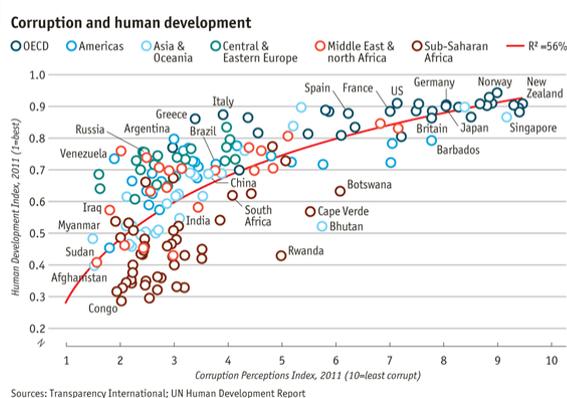
² The Gini Coefficient is a statistical indicator of income inequality ranging from 0 (perfect equality) to 1 (high inequality levels).

Corrosive corruption

The Economist, 2011

<http://www.economist.com/blogs/dailychart/2011/12/corruption-and-development>

The Economist analysed the connection between perceived levels of corruption and human development by comparing the scores of the TI's Corruption Perceptions Index (CPI) 2011 and the UN's Human Development Index results. The study shows that in countries ranked below 0.4 on the CPI (meaning the most corrupt countries), the correlation is quite weak but that there is a strong connection between higher levels of human development and lower levels of perceived corruption for the countries scoring above 0.4 on the CPI.



The anti-corruption catalyst: realising the MDGs by 2015

Transparency International, 2010,

http://www.transparency.org/whatwedo/pub/the_anti_corruption_catalyst_realising_the_mdgs_by_2015

This report demonstrates the correlation between levels of corruption and levels of illiteracy using data from 42 countries. It also touches upon the impact of corruption on the health sector, using the example of Liberia where investigators discovered a discrepancy of almost US \$4 million in unaccounted-for funds in the Ministry of Health and Social Welfare. The water sector is also affected; the study shows that the access to safe drinking water is negatively correlated with the level of bribery observed in a given country since corruption raises the price of connecting a household to the water network by up to 45 %. This estimation is based on research conducted in 51 countries. Corruption results in a lack of access to basic public services thus weakening poverty reduction efforts.

Costs of Corruption: Everyone Pays - And the Poor more than others (link)

Boehm, F., Joerges, J. 2008, GIZ

This paper argues that corruption should be understood as a direct threat to the aid effectiveness agenda and as a major stumbling block for achieving sustainable development. The authors support this argument by providing an overview of the various costs of corruption. The paper demonstrates that corruption negatively affects productivity and investment, and thus impedes economic growth; prevents public funds to be allocated to services that benefit the people, therefore altering the quality of basic services; hampers development, democracy and good governance.

Summaries of Literature on Costs of Corruption

Jennett, V. 2007, U4 Expert Answer, CMI,

<http://www.u4.no/publications/summaries-of-literature-on-costs-of-corruption/>

This 2007 U4 Helpdesk answer compiles studies and academic papers on the costs of corruption, with a focus on the human costs of corruption (personal suffering), the development costs (GDP growth, resources misallocated, etc) and the costs to business (increased risk, lost contracts, etc). The studies featured in this literature review suggest, among other things, that corruption reduces firms' sales growth and competitiveness; that corruption control reduces costs in the construction sector as it reduces missing expenditures; and that corruption deepens inequalities and raises the costs of accessing basic services, especially for the poorest.

Does Corruption Affect Health and Education Outcomes in the Philippines?

Azfar, O., Gurgur, T.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=723702

This paper examines the effect of corruption on health and education outcomes in the Philippines. It finds that corruption reduces the immunization rates, delays the vaccination of new-borns, discourages the use of public health clinics, reduces satisfaction of households with public health services, and increases waiting time at health clinics.

Corruption also has a negative effect on education outcomes: it reduces test scores, lowers national

ranking of schools, raises variation of test scores across schools and reduces satisfaction ratings. We also find that corruption affects public services in rural areas in different ways than urban areas, and that corruption harms the poor more than the wealthy.

Fighting Poverty and Corruption

Eberlei Walter and Führmann Bettina, 2004, GTZ:
<http://www.u4.no/recommended-reading/fighting-poverty-and-corruption-integrating-the-fight-against-corruption-into-the-prs-process/>

This study confirms the assumption that corruption, is a major obstacle for poverty reduction by diverting scarce public resources intended for development and explores whether, and if so how, the link between poverty reduction and the fight against corruption is included in the Poverty Reduction Strategies (PRS) of the poorest countries. The results of the study leave no room for doubt that the PRS approach offers key points of departure for the fight against corruption. Conversely, the fight against corruption is a precondition for the success of PRS. The study recommends that stronger emphasis be placed on these interrelationships in the development cooperation of donors and PRS countries.

5. Impact of corruption on economic growth

Many studies have demonstrated that corruption has a strong impact on poverty because it hampers economic growth. Contrary to the myth arguing that corruption "greases the wheels of growth", there is a broad consensus among experts that corruption is an obstacle to a sound economy partly because of its deterrent effect on foreign investment.

Evidence on the economic growth impacts of corruption in low-income countries and beyond: a systematic review

Ugur, M., Dasgupta, N. 2011, London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London,
<http://eppi.ioe.ac.uk/cms/LinkClick.aspx?fileticket=wrCtuggn-IQ%3D&tabid=3108&mid=5787>

This systematic review aims to provide comparable, reliable and verifiable estimates of the effect of corruption on economic growth. The review focuses on the impact of corruption on growth in low-income countries (LICs), but also provides evidence for a larger set of countries for comparative purposes. The study

finds that corruption has a negative effect on growth in low-income countries, concluding that, on average, a one-unit increase in the perceived corruption index is associated with 0.59 %age-point decrease in the growth rate of per capita income. The aggregate result is obtained after controlling for growth measures, corruption data sources and country types.

Global Anti-Bribery and Corruption Survey 2011 KMPG 2011

<http://www.transparency.org.uk/corruption/statistics-and-quotes/cost-for-developing-countries>

Corruption and bribery can have a negative effect on foreign investment, and therefore affect economic growth. For the purpose of this survey, KMPG polled 214 executives in the US and UK to identify trends and challenges with regards to corruption and compliance. The survey finds that 28 % of the executives opted not to do business in a country due to bribery and corruption issues.

How Does Corruption Influence the Effect of Foreign Direct Investment on Economic Growth?

Okada, K., Samreth, S. 2010, Graduate School of Economics, Kyoto University, Japan
http://mpra.ub.uni-muenchen.de/27572/1/MPRA_paper_27572.pdf

This paper investigates the effect of Foreign Direct Investment (FDI) on economic growth by employing the data of 132 countries for the period from 1995 to 2008, considering the role of corruption in each country as an absorptive factor. The study suggests that FDI has a positive effect on economic growth only in countries with low levels of corruption, (the threshold level of corruption separating the negative and positive effects of FDI on economic growth is approximately in the 10th %ile from the least corrupt countries).

Corruption And Foreign Direct Investment: What Have We Learned?

Zurawicki, L Habib, M., 2010, International Business & Economics Research Journal Volume 9, Number 7
<http://journals.cluteonline.com/index.php/IBER/article/view/593/579>

This paper provides an overview of the state of research on corruption and FDI. The authors look back over 25 years of research pertaining to corruption and

FDI and provide interesting findings on the negative effect of corruption on investment.

The authors refer to a number of studies conducted in the 1990s such as a 1997 one by Wei, demonstrating that high level of perceived corruption has a negative effect on incoming FDI comparable to an additional tax levied on investors. This is consistent with the findings from a 1999 Control Risks survey, which shows that almost 40 % of the polled firms would hold back from investing in a corrupt country. More recent studies take into account broader sets of governance indicators, as does Gani in a 2007 report providing strong confirmation that the rule of law, control of corruption, regulatory quality, government effectiveness, and political stability are positively correlated with FDI, and Sanyal and Samanta's 2008 study indicating that US firms are less likely to invest in countries where bribery, as measured by the Corruption Perceptions Index (CPI), is widespread.

Does corruption grease or sand the wheels of growth?

Meon P.G., Sekkat K 2005, Public Choice 2005 122: 69–97

<http://202.120.43.103/downloads2/b3b3faf7-922a-4168-bd30-3eb2dd4061cf.pdf>

This paper assesses the relationship between the impact of corruption on growth and investment and the quality of governance in a sample of 63 to 71 countries between 1970 and 1998. Like previous studies, the authors find a negative effect of corruption on both growth and investment. Unlike previous studies, they find that corruption has a negative impact on growth independently from its impact on investment. These impacts are, however, different depending on the quality of governance. They tend to worsen when indicators of the quality of governance deteriorate. This supports the "sand the wheels" view on corruption and contradicts the "grease the wheels" view, which postulates that corruption may help compensate bad governance.

6. Impact on the level of aid

Suspension or reduction of foreign aid is sometimes used by donors to respond to corruption scandals, and such actions can have significant consequences on low-income countries, especially on the most vulnerable groups in these countries. Empirical evidence of the negative impact of corruption on the level of donor

interventions is however lacking. Some studies even argue that aid to corrupt countries has increased, suggesting that corruption does not affect the amount of aid received by a country. There is however anecdotal evidence of the link between corruption and reduced aid volume. The literature overview suggested in this paper also covers aid fatigue more broadly and the correlation between corruption and aid modalities.

How Selective is Donor Aid? Governance and Corruption Matter and Donor Agencies Should Take Notice

Kaufmann Daniel, 2012, Brooking Institute:

<http://www.brookings.edu/research/opinions/2012/07/17-donor-aid-kaufmann>

This study looks at how much aid is going to the recipients with satisfactory, mediocre and unsatisfactory control of corruption using the most up-to-date and comprehensive foreign aid dataset available from the OECD Development Assistance Committee (DAC). It appears that over the years a lion's share of aid has been disbursed to countries facing serious corruption and governance challenges, such as Afghanistan, Iraq, Nigeria and the Democratic Republic of Congo. Moreover, aid selectivity with regards to corruption levels has tended to deteriorate, particularly in recent years. In the mid-1990s (1995-1998), countries on the two tail ends of governance performance (satisfactory and unsatisfactory corruption control) received nearly the same amount of aid (around \$16 billion, or about 30 % each of overall aid).

A joint response to corruption in Uganda: Donors beginning to bite?

De Vibe Maja, 2012 , U4

<http://www.u4.no/publications/a-joint-response-to-corruption-in-uganda-donors-beginning-to-bite/>

Given the stagnating trend on corruption in Uganda and the need to consolidate accountability reforms ahead of the inflow of oil revenues, international development partners developed a Joint Response to Corruption in early 2009. Among the four elements of the joint response, features "stronger responses", encouraging development partners to "bite" when they "bark", meaning that development partners ought to take concrete actions in context where corruption cases are flagged. A graduate response approach is envisaged, looking at traditional as well as "new" methods, including: "traditional" action such as the withholding funds (either in the sector, Joint Budget Support

Framework, or both); “new” responses, including action to track, freeze and recover illegally acquired assets in “home countries”; travel bans, etc.; and “reputational” responses such as raising the issue of lack of follow-up in multilateral and bilateral dialogue forums at national and international levels, etc. This paper also provides an example of a joint graduate response 2007 Commonwealth Heads of Government Meeting (CHOGM) in Kampala where development partners decided on a test collective cut of 10% of aid.

Does Corruption Cause Aid Fatigue?

Bauhr Monika, Nasiritousi Naghmeh, 2011, Quality of Government Institute

http://www.qog.pol.gu.se/digitalAssets/1357/1357855_2011_17_bauhr_nasiritousi.pdf

Does corruption reduce support for foreign aid? General explanations for aid fatigue, such as meagre development results and the perception that taxpayers' money is being wasted fail to solve what is referred to as the aid-corruption paradox, namely that the need for foreign aid is often the greatest in corrupt environments. Corruption can be seen as an external impediment on the effectiveness of aid, but also is an internal and important target of aid-driven efforts to improve governments. This paper explores the influence of corruption on support for foreign aid and conditions under which corruption causes aid fatigue. Building on studies of the motives for foreign aid and the social acceptability of corruption, the paper suggests that the relationship between corruption and aid fatigue substantially depends on fundamental beliefs about the role of foreign aid. The analysis builds on data from the 2009 Eurobarometer survey. The findings have implications for understanding the consequences of the remarkable increase in exposure of corruption in recent years, efforts to tackle global environmental challenges, and fundamental relationships between corruption and aid legitimacy.

Donor responses to corruption in deteriorating governance environments

Chêne Marie, 2008, U4:

<http://www.u4.no/publications/donor-responses-to-corruption-in-deteriorating-governance-environments/>

This paper suggests that suspending aid has been an option considered and implemented by various donors when faced with corruption scandals. It provides some examples of donors disengaging, suspending or reducing aid to a country on account of corruption, human right abuses or undemocratic regimes. These

cases have been extensively covered by the media, such as in Zimbabwe, Chad, Kenya, Uganda, Tanzania and Malawi. It also covers the difficulties faced by development agencies when disengaging from a country, be it political pressure due to the burden that aid withdrawal puts on certain segments of the population or the challenge disengagement creates for future disbursement capacity.

World Bank reassesses Uganda aid after graft allegations

Reuters, 2012

<http://www.reuters.com/article/2012/11/14/us-uganda-aid-idUSBRE8AD17G20121114>

Uganda's largest bilateral donor, the United Kingdom, alongside Norway, Ireland and Denmark, recently announced their suspension of aid after a report by the auditor general showed about \$13 million was embezzled by officials in the prime minister's office. The World Bank is currently also reassessing its assistance to the country. Uganda receives between \$350-400 million annually, of which \$100 million is direct budget support.

Millions in Education Money Stolen in Kenya

Voice of America, 2012,

<http://www.voanews.com/content/millions-of-dollars-of-education-money-stolen-in-kenya-140168523/160139.html>

This article describes an anecdotal but significant case of corruption influencing donor interventions. The Kenya Education Support Sector Program is a multilaterally funded programme (\$5,8 billion) launched in 2005 to ensure free primary education etc. in Kenya. In 2010, massive fraud in the Ministry of Education was unveiled and made donors pull out of the project. Moreover, the Kenyan government was asked to reimburse the donors for the fraud.