Prospectus: Corruption and Foreign Aid

Topic:

Rescuing developing countries from economic crisis has been a main concern of developed nations for a long time. Developed nations donate about 0.7% of their annual GDP to developing nations to assist with basic necessities (Acemoglu and A. Robinson). Even though currency has been flowing to these countries, there has been no real economic improvement in these countries. One of the major reasons why foreign aid fails is because of corrupt governments (Acemoglu and A. Robinson).  In fact, Harvard’s Alberto Alesina and University of Basel’s Beatrice Weder show that corrupt governments receive more aid than less corrupt governments, which leads one to wonder: does foreign aid actually encourage corruption?

Questions:

Questions I want to answer in this essay are: How do donors who discriminate against corrupt governments measure corruption? Has foreign aid supported or reduced corruption? If it has encouraged corruption, how so?  Does bilateral aid contribute more to corruption than multilateral aid?

I will be using two scholarly articles and an article written by Acemoglu and A. Robinson of *The Spectator* to answer my questions by providing credible evidence. The first source, written by Alberto Alesina and Beatrice Weder from Harvard and University of Basel respectively, answers the question: “Do Corrupt Governments Receive Less Foreign Aid?”  This paper is at the crossroads of two strands of literature (Alesina and Weder 5). One is the improved version about the determinants and effects of foreign aid summarized by the World Bank in 1998. It analyzes the topics of foreign aid and its association with wasteful public consumption and the effects of foreign aid and the adaptation of good policies by some countries. The second strand of the literature is about the measurement and consequences of corruption (Alesina and Weder). The second source by Keiske Okada looks at how foreign aid affects corruption using a “quantile regression method” (Keisuke Okada). The study done by Okada shows that foreign aid generally decreases the corruption level and its reduction affects countries with less corrupt governments. Furthermore, studies have shown that multilateral aid has a larger reduction impact on corruption, whereas bilateral aid has no effect (Okada). “Bilateral aid is assistance given by a government directly to the government of another country. This is usually the largest share of a country’s aid. It is often directed according to strategic political considerations as well as humanitarian ones” (Okada). In contrast, multilateral aid is assistance provided by governments to international organizations like the World Bank, United Nations and International Monetary Fund that are then used to reduce poverty in developing nations (Okada).

Thesis:

For an exceedingly long time, currency has flowed into developing nations to assist with economic crisis and provide basic necessities, yet we have seen few, if any economic improvements in these aid receiving countries. Foreign aid critics state that aid does not work and contributes to the growth of corruption. A study done by Keisuke Okada shows that foreign aid generally decreases the corruption level of governments in foreign aid receiving countries. In particular, multilateral aid has a significant reduction impact on corruption due to the aid not going straight to the governments.

Road Map: overview of the problem- introduce sources and evidence- main focus

I will start my essay with an abstract. Then provide my complex claim that is supported by multiple sources and evidence. My first paragraph is about corruption and my second paragraph uses a study done by the Humans Right Watch to make an argument to how foreign aid is being misused in Ethiopia. My second paragraph includes interviews that were conducted in Ethiopia and it brings a new perspective to my paper considering it is from the point of view of the poor people who are not getting any money. I present a counter argument and a conclusion at the end to make my paper strong.

Works Cited

Acemoglu and A.Robinson. "Why Foreign Aid Fails - and How to Really Help Africa." *The Spectator*. N.p., 22 Jan. 2014. Web. 11 May 2015. <<http://www.spectator.co.uk/features/9121361/why-aid-fails/>>.

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