ECONOMIC FINDING

Aid Fragmentation and Corruption

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When delivered by a single donor, development aid appears to curtail corruption, boost public opinion, and reduce conflict. But under donor fragmentation, the benefits of aid are significantly reduced.

From 2000 to 2012, official development assistance (ODA) to conflicted states grew more than 10% per year, and totaled over $450 billion, including $120 billion to Afghanistan and $80 billion to Iraq from the United States alone. Donor nations expect foreign aid to improve stability in fragile states, in addition to furthering development, but the effectiveness of such aid is far from certain.

One prevailing challenge for aid assistance is known as donor fragmentation, wherein a multiplicity of donors shares overlapping responsibilities within a common geographical area. Donor fragmentation is widely perceived to negatively moderate the effectiveness of aid and thereby limit the quality of institutions on a number of fronts, including coordination challenges, program redundancies, selection of inferior projects due to competition among donors, lax donor scrutiny, among others.

That said, the presence of multiple foreign donors can foster exemplary norms of professional conduct when aid provisions are maintained at relatively moderate rates and competition is not pronounced. Under these and other conditions, good conduct by donors is more likely to prevail and donor proliferation may actually strengthen institutions.

Until now, these issues have been subject to little empirical scrutiny. In this work, the authors use granular data from Afghanistan to offer the first micro-level analysis of aid fragmentation and its effects. The authors

Figure 1 · Spatial Distribution of Aid and Fragmentation

Notes: Subfigures map spatial distributions of sample-wide district averages of aid and fragmentation. Aid data are from NATO C3 Agency’s Afghanistan Country Stability Picture (ACSP). Each shade corresponds to one decile. Darker shades indicates higher deciles. Subfigure (b) depicts Donor Count measure of fragmentation.
results suggest that aid strengthens the quality of state institutions in the absence of fragmentation (that is, in the presence of a single donor). These benefits vanish, though, as the donor landscape becomes fragmented. Surprisingly, however, their evidence does suggest that donor fragmentation also positively affects institutions when considered at moderate levels of aid. The authors’ micro-level evidence therefore suggests the direction of fragmentation’s total effect depends on the volume of aid provision. Too much provision through too much fragmentation induces instability.

Figure 2 · Spatial Distribution of Corruption, Public Opinion, and Conflict

Note: Subfigures map spatial distributions of sample-wide district averages of corruption, public opinion, and conflict. Survey data are from the Afghanistan Nationwide Quarterly Assessment Research (ANQAR) surveys sponsored by ISAF HQ and Resolute Support HQ. Conflict microdata are provided by US Central Command. Each shade corresponds to one decile. Darker shades indicate higher deciles. All subfigures depict index averages of corresponding measures.