Fall 2-15-2023

Non-DAC Donors: A Better Alternative or Rather Corruption Stimulants?

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30.05.2023

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Thesis Proposal

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Spring 2023

Acknowledgments

I would like to sincerely thank my thesis advisor, Dr. Amr Adly, for his constant support, wisdom, and inspiration throughout my research process. I am truly grateful for his generosity with his time and knowledge, as well as how his insightful comments and constructive criticism helped to shape my work.

I would also like to extend my appreciation to my second advisor, Dr. Oliver Schlumberger, whose insightful remarks and criticism allowed me to improve my research question, methodology, and analysis. His knowledge and commitment to his profession have served as a constant source of inspiration for me.

I am also indebted to my second reader Dr. Reham ElMorally, who enthusiastically engaged with my work during my thesis proposal defense. Her feedback and recommendations made significant contributions to my research and I am sincerely appreciative of her assistance.

Last but not least, I want to express my gratitude to my family for their constant love, faith, and support throughout my academic journey. They have been a continual source of support and motivation for me, and without them, I would not have been able to get this far.

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List of Acronyms

ABC: Brazilian Cooperation Agency

DAC: Development Assistance Committee

CCM: Control of Corruption Measure

CPI: Corruption Perception Index

FIW: Freedom in the World Index

GE: Government Effectiveness Index

IMF: International Monetary Fund

MCC: Millennium Challenge Corporation

ODA: Official Development Assistance

OECD: Organization for Economic Cooperation and Development

OOF: Other Official Flows

PV: Political Stability and Absence of Political Violence/Terrorism Index

TUFF: Tracking Underreported Financial Flows

UAE: United Arab Emirates

WB: World Bank

1. Introduction

In the literature on development, many perspectives exist when it comes to figuring out which strategies serve best to foster development in developing countries. A famous existing narrative in the field of development claims that foreign aid, whether bilateral or multilateral, and the support of global financial institutions could be the solution for promoting development. Scholars, who belong to this school, such as Mahembe and Odhiambo (2019) and Arvin and Barillas (2002) perceive aid as a tool that could enable low-income countries to reduce poverty rates, improve their education and health sectors, and increase their economic performance hence leading to social and economic enhancements.

On the other hand, another large literature exists, that is highly critical of the former assumptions, and instead argues, that development aid, in most cases, prevents the receiving countries from achieving sustainable development. Hayter (1971), Kim and Garland (2019), for example argued that donors do not donate with the aim of benefitting the aid receiving nations but only to pursue their own political and economic motives, and therefore poor developmental progress should be expected in the receiving nation. Other critics of development aid, such as Charnoz and Severino (2007) explaied how aid has helped strengthen the dependence of low- and medium-income countries on Western donors and hence has served as an obstacle to development in their own countries. In fact, a lot of empirical proof backs the literature contesting development aid as a successful development strategy; multiple African and Southern Asian nations haven been receiving development aid from the traditional donors, who are part of the Organization for Economic Cooperation and

Development (OECD), since the end of the Second World War, however very poor, if any, developmental progress was reported (Ovaska 2003). Scholars were criticizing the members of the OECD, known as DAC donors, for not specializing and instead fragmenting their donations hence leaving space for corrupt officials in the receiving countries to exploit the donations.

Recently, a new type of donors has emerged, who are not part of the OECD, and therefore do not follow the same regulations followed by DAC donors, such as being selective and imposing conditions related to good governance. The emergence of these new donors, known as non-DAC donors, makes us, as political scientists ponder, could these newly emerged type of donors serve as a better alternative than the old traditional DAC donors, or are they equally poor, if not worse?

In this dissertation, I will be analyzing *if we could empirically demonstrate that countries receiving more development aid from non-DAC donors than DAC donors are over time characterized with higher levels of corruption.* I argue that development aid, which lacks conditionalities related to good governance and non-selectivity of donors could help and feed the persistence of corrupt regimes in aid receiving nations. Non-DAC development aid lacks conditionalities related to good governance and is non-selective. Therefore, I aim to explore whether the nations receiving high amounts of development aid from non-DAC, in comparison to other nations receiving high amounts of development aid from DAC donors, tend to become more corrupt over time. This being said, this dissertation entails two different testable hypotheses, which sound the following:

H1: The more non-DAC development aid predominantly non-DAC development aid receiving countries receive, the higher the levels of corruption they show;
H2: The less the development aid is selective and entails conditionalities related to good governance, the higher the corruption levels in the aid receiving country.
I plan to answer my research question by employing a quantitative method. To test both of my hypotheses, I will conduct 6 different simple linear regression models which entail the development aid flows between 2000 and 2020 to a sample of predominantly DAC and non-DAC development aid receiving nations and their corruption level indicators. This quantitative method aims to establish whether in fact a positive correlation between non-DAC development aid and high corruption levels in predominantly non-DAC development aid receiving countries exists. Additionally, it aims to explore whether non-DAC development aid, in comparison to DAC development aid, is characterized with higher levels of corruption due to DAC donors being more selective and attaching more conditionalities related to good governance than non-DAC donors.

It is crucial to acknowledge, that this dissertation does not argue, that DAC donors are necessarily doing a great job at enhancing social and economic development in their aid receiving nations; however, I aim to prove whether in fact non-DAC donors, due to their non-selectivity and lack of conditionalities related to good governance, could increase corruption levels in their aid receiving nations hence are even worse than the traditional DAC donors.

1.1 Methods

As previously mentioned, I plan to answer my research question by depending on a quantataive research method; by conducting six different simple linear regression models, I aim to demonstrate whether in fact there is a positive correlation between non-DAC development aid (my independent variable) and high corruption levels in aid receiving countries (my dependent variable). I have chosen four indicators to control for as they may affect corruption levels in my chosen experience sample. These indicators are the Human Development Index (HDI) by the United Nations Development Program, the Freedom in the World Indicator by Freedom House, The Government Effectiveness Indicator by the World Bank Group, and the Political Stability and Absence of Violence/Terrorism Indicator by the World Bank Group. The timeframe of my research is 2000-2022 as the early 21st century marks the start of the era in which non-DAC donors became important donors and have therefore gained a lot of attention from the international community.

Something to bear in mind here, is that non-DAC donors have unique qualities, that set them apart from traditional DAC donors, for example their development financial flows are mostly provided through primarily investing in projects related to infrastructure and extractive industries (Chahoud 2008). Additionally, their lack of transparency and reporting make it difficult to be able to know where exactly their development aid is flowing. Conversely, some non-DAC donors, such as Saudi Arabia and the United Arab Emirates, do sometimes report to the OECD and some other non-DAC donors, such as India and Qatar, release annual financial reports,

which document their aid activities over the years. These reports, despite not being as accurate and transparent as those of the OECD have enabled me to extract some of the data I needed for my research. It is important to acknowledge the fact that because of the lack of transparency and reporting of non-DAC donors, data gaps do occur in my research, however the reports I've accessed were the closest I could get to non-DAC aid documentation.

For the operationalization of corruption, I will depend on corruption measuring tools and indicators, such as Transparency International's Corruption Perception Index and the World Bank Control of Corruption Measure. Notice that a more detailed account for the methodology will be provided in chapter 4.

2. Conceptual Framework

2.1 Development Aid

First of all, I believe it is crucial to define what is meant by development aid, as it is the independent variable of my research. Development aid is one of the multiple forms of foreign aid that exist and could be provided by donors to aid receiving countries. Development aid, which is one of the best-known types of foreign aid, is concessional assistance provided to multilateral institutions and developing nations (those with per capita incomes below a regularly adjusted threshold) with the primary goal of advancing welfare and economic development in the receiving nation. Apart from development aid other forms of foreign aid exit, for example an important form of foreign aid is military aid, which could be provided in the form of military equipment to other countries. An additional form of foreign aid is debt forgiveness, which includes sums related to potentially enormous amounts of notional interest and penalty payments. An alternative famous form of foreign aid is humanitarian aid, which entails the donor providing a country in need with emergency reliefs in the form of food aid, energy aid or technical assistance. All of the other forms of foreign aid, that are not considered official development aid (ODA), are called other official flows (OOF) (OECD, 2023).

Something to bear in mind here, is that, as stated before, non-DAC donors are different than the traditional DAC donors, for example their development aid is mostly provided through primarily investing in projects related to infrastructure and extractive industries (Chahoud 2008). Additionally, their lack of transparency and reporting makes it difficult to be able to know where exactly their development aid is flowing. However, some non-DAC donors, such as Saudi Arabia and the United Arab

Emirates, do sometimes report to the OECD and some other non-DAC donors, such as India and Qatar, release annual financial reports, which document their aid activities over the years. These reports, despite not being as accurate and transparent as those of the OECD, have enabled me to extract some of the data I needed for my research. It is important to acknowledge the fact that because of the lack of transparency and reporting of non-DAC donors, data gaps do occur in my research, however the reports I've accessed were the closest I could get to non-DAC aid documentation.

2.2 Corruption

Corruption is an extremely complex phenomenon and multiple scholars have tried finding the most fitting definition for this complicated concept leaving us with multiple definitions to "corruption". Bussell (2015) noted that there are various approaches to precisely defining corruption, however, no definition can be utilized for all types of study. Therefore, it is crucial to first acknowledge the diversity and complexity of the concept at hand.

According to Transparency International corruption is defined as "the abuse of entrusted power for private gain" (Transparency International Website 2023), Transparency International also explained how the existence of corruption erodes the trust between the government and the people hence weakens democracy and development. This definition relies on the assumptions set by democratic scholars of the 18th century, like Rousseau, who highlighted how the legitimacy and power of the sovereign come from the people and their trust in the sovereign and the government,

therefore abusing this public power and trust is considered a corrupt act (Lui 2016). The Merriam-Webster Dictionary defined corruption as "dishonest or illegal behavior especially by powerful people, such as government officials or police officers" (Merriam-Webster Dictionary Website 2023). Moreover, Søreide (2016) highlighted how in order for corruption to take place at least one of the ends involved in the corrupt act needs to have some sort of control over something of value wanted or needed by the other party involved. This corrupt act would then lead to a gain for both ends, however resulting in unfairness for other people, who are not part of this trade or transaction.

What we can notice here, is that despite the existence of multiple definitions to the complicated concept of corruption, some similarities could be noticed; for example, mostly the act involves trading or offering something, that is of high value and is needed by the other party for private and personal gains. Moreover, it is emphasized how the corrupt act is always associated with immorality and betrayal of the trust and power given to the individual conducting the corrupt act. This is always the case, for instance, when looking into corrupt acts that involve government officials abusing their public power. Lastly, we can easily recognize, that the definitions highlight how by this corrupt act other innocent people get harmed due to the immorality and unfairness of the act and the abuse of public authority for the sake of serving private interests, since as previously mentioned, the gains of the corrupt act are personal and hence negatively affect other people.

This makes corruption extremely relevant to the study of development because, according to multiple scholars, its existence in a country is considered an obstacle to

economic and social development; for example after conducting qualitative methods to test the causal relationship between corruption and low economic growth, multiple authors such as Mauro (1995), Farooq, Shahbaz et al. (2013) were able to conclude, that in fact the existence of corruption hinders investment and economic growth. Additionally, by examining the cross-section data of 37 countries using the Gini coefficient as the measurement scale Gupta and Davoodi et al. (2002) noted that corruption has increased income inequality and raised poverty. These findings stress the cruciality of examining corruption and its stimulants in the field of development, which my dissertation aims to do.

Furthermore, it's important to understand how I will assess, whether in fact there is a correlation between non-DAC development aid and corruption levels in the recipient country. In other words, my dependent variable here is the corruption levels between 2000-2022 in the countries that I will include in the different regression models. I'm planning to depend on two indicators of corruption levels: The Corruption Perception Index (CPI) and the World Bank Control of Corruption Measure. It is important to bear in mind, that these indicators have multiple limitations; firstly, they aim to boil down an extremely complex phenomenon, like corruption, to only one score, which is methodologically problematic making the attempts rather an approximation. Moreover, the CPI does not measure corruption but rather perceptions of corruption, and of course perceptions could noticeably differ from reality. Lastly, the CPI is limited into measuring perceptions of public-sector corruption, while excluding the corruption that exists in the private sector, which highly affect the public sector

(Hough 2016). Despite the limitations, these two indicators are the closest we could get to operationalizing corruption and standardizing it across different national cases.

2.3 Conditionalities

Modern aid language refers to conditionality as a group of tactics that the donors might use to influence political and economic changes in recipient nations (Öhler, Nunnenkamp et al. 2012; Selbervik 1997; Selbervik 1999). In its traditional form, conditionality expressed the donor's economic and/or strategic interests in addition to demands or requirements to assure that the aid would be directed toward achieving the stated objectives; economic conditionalities could entail changing fiscal policies, such as reducing the budget deficit, require structural reforms, such as reforming tax systems and privatization policies, and a lot of times also require the receiving countries to implement market-oriented policy reforms, such as trade liberalization and the promotion of foreign investment.

Political conditionality was quickly added to economic conditionality. This relatively new conditionality, or second generation of conditionality, first appeared in the 1990s. According to Selbervik (1997), political conditionality made the implementation of political reforms in the recipient nations a requirement for receiving development funds. Demands for the second generation of conditionality were mainly focused on advancing goals related to human rights, democracy, and good governance. This means, that unlike economic conditionality, which targets policy change, political conditionality requires the recipient nation to undergo institutional changes.

Notice here, that, unlike the second generation of conditionality, the content or fulfillment of economic conditionalities is easily traceable, whereas conditionalities related to institutional reforms, for example are harder to trace and follow. One possible, but definitely not as accurate, way of tracing in how far the second generation of conditionalities get implemented is to trace the receiving nations' scores in the institutional areas that were targeted by the conditionalities; for example if the donations required democratic reforms one could trace the Freedom in the World Score of the receiving country over the years, In my case, I aim to discover a possible correlation between the lack of conditionalities related to good governance and high corruption levels, hence I'm tracing the CPI and the CCM of the targeted countries to identify whether in fact over time corruption levels have increased in predominantly non-DAC aid receiving nations.

Conditionalities could be applied on different levels, including the national level, the sectoral level, and the project level. The national level, for example, is where conditions pertaining to democracy and good governance are most frequently implemented. It is important to note here, that the implementation of economic conditionalities were more strictly supervised by donors in comparison to political conditionalities. Among other reasons, economic conditionalities were more easily supervised and also reflected strategic donor interests in the receiving nation hence were more overseen than political conditionalities (Calen, Gulzar et al., 2019). Moreover, Selbervik (1999) distinguished between ex ante and ex post conditionality, also known as ex status quo and ex post facto conditionality. Ex ante conditionality refers to the setting of specific goals (either political or economic in nature) as a

prerequisite for the establishment of an aid arrangement. Ex post indicates that a donor expresses in advance, that they expect certain set of conditions to be met, and that in case of not meeting these conditions certain consequences would follow. Selbervik (1977) added that the donor's response to the receiving country meeting or failing to meet the conditions set by the donor could either be applied in a positive or a negative sense; the positive sense would entail the donor rewarding the receiving country with additional aid, while the negative sense would entail the donor threatening the receiving country with reducing the aid flows or totally terminating the aid agreement in case conditions were not met.

DAC and non-DAC donors follow different rules when it comes to conditionality. Members of the OECD are expected to abide by a number of guidelines when providing aid. The 2005 Paris Declaration and the 2008 Accra Agenda for Action encapsulate these values. One of the guiding principles of these agreements is that aid recipients must pledge to "make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens" (Development Assistance Committee (DAC), 2005; 2008). However, despite being under the same umbrella, DAC donors seem to differ when it comes to choosing their aid allocations and in how far they care about the implementation of the conditions (see section 2.4). Nevertheless, despite the variations in strictness, DAC development aid always comes with conditions related to implementing good governance, human rights violations and/or economic policies, even if their implementation is not strictly supervised.

Conversely, when it comes to non-DAC donors, they are commonly known for providing aid without any conditions related to good governance or human rights violations, which they are also highly critiqued for. However, Gunderson (2021) noticed that non-DAC donors have their own ways and differ when it comes to applying conditions to their aid projects.

Since these donors do not belong to a specific organization, unlike the DAC donors, even more variations exist when it comes to their aid allocation and conditionality implementation (see section 2.4). Examples of conditions, that are attached to non-DAC donations entail access to resources in the recipient nation; since they see these resources as crucial for their own economic development, non-DAC nations like China may be more likely to seek access to natural resources in exchange for aid. It's common to refer to this kind of conditionality as "resource-for-infrastructure" (Song and Jun, 2020).

An additional type of non-DAC conditionality is diplomatic recognition through which non-DAC donors may demand that recipients to their aid back their geopolitical viewpoints in exchange for aid at organizations like the UN (Song and Jun, 2020). In addition to this, as non-DAC donors intensively fund large infrastructure projects, like ports, power plants and motorways, as a means of promoting economic development in their aid receiving nations, they sometimes require the recipient nations to award the contract of the project to a corporation from the donor’s nation in return for funding (Song and Jun, 2020).

It is important to note here, that conditionalities imposed by non-DAC donors were mostly systematically applied, for example, in 2004 China received access to

Angola's oil and gas resources after funding a 3 billion USD infrastructure project in the country (Brautigam and Tian, 2011). By a similar token, in 2009 China donated 1 billion USD to fund infrastructure projects in Ecuador, however most of the contracts were granted to Chinese companies (Liao et al., 2011).

This being said, we can easily identify how the conditionalities attached to non-DAC aid do not fall into the earlier categories of economic or political conditionalities, which are applied by DAC donors, as they do not require the receiving nation to undergo policy or institutional reforms. Moreover, it is important to be aware of the fact that non-DAC donors, unlike DAC donors, do not clearly distinguish between official development assistance (ODA) and other official flows (OOF) hence making their aid not easily distinguishable from credit and investment, as well as trade facilitation. I aim to elaborate more on this in chapter four.

What we can conclude here, is that conditionalities could be applied in different ways and could have different outcomes; they could have a positive effect on the receiving nation in terms of motivating the implementation of good governance, and they could be abused by the donors to pursue their own political or economic motives risking the achievement of development in the receiving nation. Additionally, I identified, that variations in regards to implementation of conditionalities do not just exist between DAC and non-DAC donors, however also within DAC and non-DAC donors (see section 2.4).

2.4 Aid Allocation

2.4.1 DAC Donors

Despite belonging to the same OECD community variations exist when comparing DAC donors' allocation patterns; Berthélmy and Tichit (2004) noted that some DAC donors, such as Spain, France and the United Kingdom, are highly interested in donating aid to their previous colonies. They added that the United States, despite not really focusing on the corruption levels in its recipient countries, tends to fund democracies rather than dictatorships. Conversely, Alesina and Weder (2002) recognized that Nordic countries tend to give aid to less corrupt countries. Nevertheless, despite the differences, DAC aid is always attached to conditionalities related to good governance, human rights protection and/or economic policies, even if their achievement is not always strictly supervised.

Furthermore, the previously noted patterns fall under the umbrella of aid being provided bilaterally, meaning directly from the donor to the recipient. DAC donors have an alternative way of providing aid, which is through one of the global financial institutions that exist, making the aid being provided multilaterally, meaning not directly from the donor to the recipient, but through a third mediator, like the International Monetary Fund (IMF) or the World Bank. Dreher, Nunnenkamp et al. (2011) explained how these institutions are viewed as stricter than bilateral DAC donors when it comes to enforcing conditionalities and being selective.

2.4.2 Non-DAC Donors

Non-DAC Donors due to not belonging to a shared community as DAC donors, are even more fragmented when it comes to their aid allocation. Neumayer (2003) explained that a more or less unified type of non-DAC donors consists of Middle Eastern and OPEC countries, like Saudi Arabia, the United Arab Emirates, or organizations like the Gulf Cooperation Council (GCC); these countries' development aid tends to be motivated by geographical or cultural proximity, hence targets neighboring or other Islamic countries in the Middle East, Asia or sub-Saharan Africa. Apodaca (2017) added that this group does not impose conditions related to good governance but claims trying to prevent corruption in the projects funded in the receiving nation; however Naim (2007) criticized this claim because, for example Saudi Arabia is criticized for not funding with the intention of helping the recipient countries but rather for pursuing its own political and economic interests. Moving on, Apodaca (2017) detected another homogenous group of non-DAC donors, which are European nations, that are not part of the OECD community, such as the Baltic countries; these donors tend to mimic the behavior of their neighboring European nations, that are part of the OECD community, and therefore apply to their aid conditions related to good governance and human rights.

The remaining group of non-DAC donors is extremely heterogenous and entails countries from Asia, like India and China and countries from South-America, like Brazil. Of this group of donors, India and China have attracted the most attention. Gunderson (2021) explained, that due to believing, that the donor and the recipient country should equally benefit from their relationship, and due to claiming, that the

self-determination and sovereignty of the receiving country should be respected, the Chinese think, that no conditions should be attached to the donations. Wan (2018), however argued that this is debatable because even though no conditionalities were imposed by the Chinese, in other cases related to Chinese loans, the Chinese government enforced full or partial control over some of the receiving countries' national assets undermining the Chinese claims to respect other states' sovereignty.

Another important aspect to be noted, is that non-DAC donors, unlike DAC donors, due to not belonging to the OECD, do not have the option to provide their aid through a mediator like the IMF or the World Bank, meaning that all of their aid is provided bilaterally and as previously highlighted by Nunnenkamp et al. (2011), bilateral aid tends to be less strict in imposing and supervising conditionalities.

In conclusion, variations exist between and within DAC and non-DAC donors, however, the literature has showed us, that DAC donors always impose conditionalities, despite not always being strict about them, and having the option to provide aid multilaterally to ensure the implementation of the conditions. Non-DAC donors, on the other hand, do not necessarily impose conditions related to good governance, therefore low motivation exists in the nations they fund to improve their governance or decrease corruption levels.

3. The Theoretical Chapter

3.1 Development Aid as a Developmental Strategy

Development aid and its effectiveness as a developmental strategy for aid receiving countries has always been a highly controversial topic; many scholars, such as Edmore Mahembe and Nicholas Odhiambo (2019) strongly argued that development aid is a good way to help developing countries in the Global South to get on their feet and eventually flourish socially and economically. Through conducting surveys in multiple African and Asian countries Mahembe and Odhiambo (2019) were able to conclude, that development aid and assistance of foreign donors, if directed correctly and efficiently, could have a very positive effect on the aid receiving nation and could in fact reduce poverty and increase income levels. Furthermore, according to Arvin and Barillas (2002) development aid spent on production and infrastructure in East Asian and Pacific receiving nations enhanced economic growth and was beneficial at reducing poverty, however specify, that better results were witnessed in democratic in comparison to authoritarian receiving nations. Such narrative has highly influenced policy makers in developing nations and consequently, aid to developing countries has been an increasingly essential aspect of contemporary international relations.

On the other hand, another group of scholars have highly contested the formerly stated assumptions; Hayter (1971) argued that developmental progress should never be expected as a result of foreign aid, as the donors primarily have their own economic and political motives in mind and hence care less for the achievement of development in the aid receiving nations. Kim and Garaland (2019) shared Hayter's

opinion, as they claimed, that Western donors providing aid have clear economic interests, which include promoting their own economic models in the aid receiving nations regardless of whether the implementations of these models will actually benefit the receiving nation or not. In addition to this, Charnoz and Severino (2007) feared, that development aid, instead of fostering development in the receiving nation, would create a dependent relationship between the donor and the aid receiving nation. Also, worth highlighting here is how one of the main reasons for why development aid is highly critiqued is the organization and characteristics of the donors of the aid. Tatjana Chahoud and Liya Palagashvili (2018) explained how traditional development aid channels, mainly being bilateral and multilateral donors, who are part of, and report to the OECD, are characterized with not specializing their donations towards effective development projects and instead fragment the aid. They emphasized how therefore the aid could be exploited by the corrupt officials in aid receiving countries hindering economic or social enhancements. Consequently, development aid as a successful developmental strategy has been highly discouraged in the literature on development.

Recently, a new type of donors has emerged, who, are not part of the traditional OECD. These donors, who are referred to as non-DAC donors, do not comply by the regulations of the OECD community and by time are becoming larger in number. Countries like China, India, Saudi Arabia, Qatar and Brazil are leading this new form of South-South Cooperation, which entails the donor to provide a lot of technical and social assistance, financial flows, mainly on infrastructure, and investment in extractive industries.

Once again, two famous narratives exist when judging upon the effectiveness of these new donors as development promoters; some scholars like Tatjana Chahoud and Liya Palagashvili (2018) argued that non-DAC donors are more effective aid channels than the traditional DAC donors because they are more cost-efficient and because their aid is less fragmented hence able to benefit the receiving country and help it develop socially. On the other hand, a very large literature exists arguing entirely against the former assumptions; scholars, such as Megumi Nishimura (2021) and Kharas (2007). Kharas (2007) explained that the lack of transparency of non-DAC donors leads to further aid fragmentation of the international aid architecture and creates a risk of multiple donors funding similar developmental projects hence undermining the chances of the receiving nation to undergo development.

Nishimura (2021) criticized non-DAC donors for not being selective; he highlighted how non-DAC donors tend to fund and help the persistence of undemocratic, oppressive and even sometimes genocidal regimes. As an example, he used Middle Eastern support to corrupt and undemocratic governments in Africa and the Middle East itself without imposing any conditionalities related to good governance, and how their aid is helping these corrupt nations survive instead of helping them to reform.

Obviously, the literature on these new types of donors is highly diverse, since it illustrates the division between authors and scholars being optimistic and believing, that these new donors could serve as a better alternative to the traditional donors and between others, like myself, who are rather sceptic about these new donors expecting them to be as poor, or even worse, than the traditional DAC donors. Given the

controversy and the inconclusiveness of these quantitative studies, my dissertation aims to explore the existence of a correlation between non-DAC development aid and high corruption levels in nations highly funded by non-DAC donors with the aim of establishing a mechanism that links the two variables in a nuanced manner.

3.2 Judgement Towards Non-DAC Donors

Due to non-DAC development aid lacking conditionalities related to good governance and being non-selective, this dissertation aims to explore whether one could demonstrate that non-DAC development aid enhances corruption in predominantly non-DAC aid receiving nations. This would possibly enable us to conclude that non-DAC donors are equally poor, if not worse, aid providers as the traditional DAC donors. As previously mentioned, when it comes to judging upon the effectiveness and efficiency of non-DAC donors to promote social and economic development in their aid receiving nations again two standpoints exist in the literature; scholars like Tatjana Chahoud (2008), Liya Palagashvili and Claudia R. Williamson (2018) argued that non-DAC donors' development aid is cost-effective, especially in comparison to DAC aid, and hence more beneficial for the receiving country. Palagashvili and Williamson (2018) explained how, unlike bilateral and multilateral DAC aid, non-DAC donors do not direct big sums of their donations to bureaucratic and administrational purposes as paying officials and staff, and as a result, southern actors' development cooperation efforts require less administrative preparation, are frequently less expensive, and are therefore more cost-effective.

Furthermore, Chahoud (2008) highlighted how non-DAC aid allocation is mostly motivated by geographical proximity or cultural similarity; for example, multiple Asian societies are highly funded by non-DAC donors in Asia, like China and India. Similarly, Saudi Arabia, Qatar and other Gulf Cooperation Council countries (GCC) provide big sums of development aid to Islamic Middle Eastern and African nations. Moreover, when it comes to Brazil, its development aid is very evident in the Latin American continent. Nishimura (2021) highlighted, that this motivation by language, cultural and geographical proximity has given better trade opportunities to fragile developing countries where DAC countries, particularly the US, had decreased their development aid assistance or lost interest in their investments, especially after the end of the Cold War. He further argues, that due to the similarity in language and/or culture between the non-DAC donors and their aid receiving partners it gives better chances for the aid receiving nations to develop economically and socially, as their southern donor has the know-how about the region, is well aware of the appropriate local technologies in compliance with the specific cultural and political conditions of the aid receiving nation, and, on top of all that, is willing to take on the possible risks to invest in the receiving country's challenging and demanding environment.

Adding to this, Chahoud (2008) highlighted how multiple non-DAC donors, due to attaching fewer and less strict conditionalities to their development aid, are perceived as respectful towards the self-determination and sovereignty of the receiving nation. It is crucial to know what principles most non-DAC donors follow, which are the ten Bandung Principles adopted by the first Africa-Asia Conference held in 1955 in

Indonesia. These were, and still largely remain, the guidelines for international policy making of the South or the so-called Non-Alignment-Movement, that emerged during the Cold War. Among the most important guidelines and principles are respect for sovereignty and territorial integrity of all nations, abstention from intervention or the interference of internal affairs of another country, and promotion of mutual interest and cooperation (Chahoud, 2008).

What is noticeable here is the emphasis on respect for sovereignty, and this is exactly what Chahoud has tried to highlight. The non-conditionality of non-DAC donations towards economic regulations or human rights violations might be frowned upon by the OECD community, but for the southern donors this is a sign of respect for the self-determination and sovereignty of the receiving nation. When it comes to imposing economic conditionalities southern donors believe, that their receiving partners know best about their economies and what would enable them to grow and flourish (Chahoud, 2008). Chahoud (2008) also explained how non-DAC donors recognized, how economic conditionalities imposed by DAC-donors did not show much success in receiving nations because they were incapable of judging what serves the aid receiving nations best, and therefore non-DAC donors chose to walk in a different path.

On the other end of the debate on the effectiveness of non-DAC donors, a large literature exits that does not perceive these newly emerged donors as a better alternative to the traditional DAC donors, and instead argues, that these new donors are actually equally poor donors, if not even worse. As previously mentioned, this

dissertation aims to explore whether non-DAC development aid is possibly associated with higher levels of corruption in the aid receiving nations, which could act as an obstacle to social and economic development in the receiving country.

Scholars, who are sceptic about non-DAC donors, argued, that these newly emerged donors are primarily motivated by their own economic, political and diplomatic interests and hence have no intention to witness actual developmental progress in the aid receiving nations (Naim, 2007), impose very few ex ante and ex post conditionalities and therefore feed corruption and bad governance in their aid receiving nations (Nishimura, 2021), and due to their lack of transparency and reporting fragment the aid architecture of the global donor community (Kharas, 2007).

Kharas (2007) and Nishimura (2021) are among the scholars who doubt the efficiency of these new donors. They argued contrarily that non-DAC development aid is actually extremely ineffective and incapable of promoting development in the nations receiving high amounts of non-DAC aid.

Kharas (2007) explained, that non-DAC donors, since not being part of the OECD community, do not report nor publicize their development aid activities making it harder for other donors to know what is exactly happening in the receiving developing countries. Kharas (2007) added, how this lack of transparency leads to further aid fragmentation of the international aid architecture and creates a risk of multiple donors, whether belonging to the OECD or not, funding similar developmental projects hence undermining the chances of the receiving nation to undergo development efficiently and effectively in multiple economic or social projects.

Kharas (2007) also mentioned that this lack of transparency and aid documentation increases the chances of the money landing in the wrong pockets; he explained how when the aid is not documented and reported, corrupt government officials could abuse their power and hence instead of using the money for its intended cause, abuse it for their own greedy and personal gains.

This means that in this case non-DAC aid, instead of promoting development in aid receiving nations, could actually, on the contrary, increase corruption levels in the aid receiving nations, which would act as an obstacle to development in the country.

Moreover, Nishimura (2021) criticized non-DAC donors for not being selective nor imposing conditionalities related to good governance; as previously mentioned, unlike DAC donors, non-DAC donors are not obliged to impose conditionalities, that promote good governance and effective institutional building in the aid receiving nations. Despite the fact that the imposed conditionalities through OECD countries on the quality of institutions are not always systematically applied (see chapter 2.3), it is still important to notice, that not applying conditions at all, that try to motivate the receiving nations to improve their institutions, could substantially increase corruption levels in the receiving nations. Nishimura highlighted how therefore non-DAC donors tend to fund and help the persistence of undemocratic, oppressive and even sometimes genocidal regimes. As an example, he uses Middle Eastern support to corrupt and undemocratic governments in Africa and the Middle East without imposing any conditionalities related to good governance, and how their aid is helping these corrupt nations survive instead of helping them to reform.

My dissertation aims to further investigate the previously stated arguments by trying to empirically demonstrate whether in fact, as a result of the lack of conditionality and non-selectivity of non-DAC development aid, one could recognize its correlation with high levels of corruption in predominantly non-DAC development aid receiving countries.

Moving on, it is important to notice here, that as previously stated, non-DAC donors promote their lack of conditionality and non-selectivity by portraying that this behavior is their way of showing respect to the self-determination and sovereignty of the recipient nations. They claim, that the receiving nations know best when it comes to their needs and hence donors should not interfere (Chahoud, 2008). Similarly, Gunderson (2021) added that the Chinese donors, for example believe that no conditions should be placed on donations because they believe that both the donor and recipient countries should benefit equally from their relationship and that the self-determination and sovereignty of the receiving country should be respected.

However Wan (2108) was highly skeptical about the previously stated assumptions. He highlighted, how even though mostly no conditions were placed by the Chinese in relation to their development aid, in other instances, not involving development aid but instead related to loans, the Chinese government imposed full or partial control over some of the receiving countries' national assets.

Moreover, as previously stated, non-DAC development aid is not just mostly attached to conditionalities related to donors accessing the receiving nations' natural resources, but also usually requires recipient nations to offer non-DAC donors' diplomatic recognition or to award companies from the non-DAC donor's country with trade

contacts in return for receiving the aid. (see chapter 2.3); for example, China gave billions of dollars to Angola to finance housing, transport, and other infrastructure projects. In return, China obtained oil contracts with Angola. Additionally, Angola's new airport and railway network renovation were both carried out with the assistance of Chinese firms (Song and Jun, 2020). Furthermore, China has been providing aid to a number of island states in the Caribbean in order to win their support at the UN on Taiwan-related matters. For instance, China provided the Dominican Republic, one of the few countries that recognize Taiwan, with a $3 billion development aid package in 2019 (Song and Jun, 2020). This definitely undermines non-DAC donors' claims for respecting the sovereignty and self-determination of their aid receiving partners.

Another crucial aspect that non-DAC donors receive a lot of critique for, is how their aid is highly motivated by their own economic, political and diplomatic interests; as previously mentioned, non-DAC donors mostly channel their aid towards extractive industries in developing countries (Brautigam, 2011; Naim, 2007). Recently, relations between large non-DAC donors, such as China, India and Saudi Arabia on the one hand, and Middle Eastern and African societies on the other, have seen a climax due to non-DAC donors highly funding a lot of projects in these nations targeting the extraction of energy and resources in these developing nations.

In return trade and economic relations have intensified between non-DAC donors and these resource rich nations. Scholars, such as Chahoud (2008) and Naim (2007), were sceptic about these new and recent aid relationships and claimed that the aim of the non-DAC donors could be motivated by pure economic interests, instead of aiming to promote development in the aid receiving nations. Naim (2007) used Saudi Arabia

and its relationships between its aid receiving countries in the Middle East and Sub-Saharan Africa, as an example. He argued that the Saudi government is not funding these nations with the intentions of helping them flourish socially and economically, but rather to satisfy its own economic and diplomatic interests.

Additionally, Chahoud (2008) feared the emergence of enclave economies in the developing nations, that are largely funded by non-DAC donors. She defines enclave economies as economies that witness growth in terms of economic numbers, however struggle at developing on the social level. Due to development not only being defined by economic growth, Chahoud (2008) argued that these nations are at risk of not being able to develop fully on both levels, economically and socially.

Furthermore, Mawdsley (2010) highlighted how Western donors fear that the increase of South-South Cooperation would tilt the economic hegemony away from Western DAC donors and by that enable aid receiving nations to move away from the Western economic standards. He adds, how most DAC-donors, when providing development aid impose conditions related to promoting liberal economic models and good governance. He emphasizes, how non-DAC development aid not just obstructs the promotion of good governance and liberal economies due to its lack of conditionalities, but additionally creates an alternative source of funding to aid receiving nations hence diminishing the power of DAC donors, who are trying to decrease corruption levels and promote liberal economic models in the aid receiving nations.

Moreover, Mawdsely (2010) added, that non-DAC development aid wouldn’t just only create an alternative source of funding for aid receiving nations, who do not want

to follow the usual conditionalities imposed by DAC donors, but would also push DAC donors to be less strict in regards to their conditionalities fearing, that their aid receiving partners would be less eager to receive aid from them, as now an alternative source of funding exists.

Dreher (2019) agreed with what Mawdsley (2010) said, as he argued, that non-DAC donors because of offering aid receiving nations the option to receive aid without undergoing reforms related to good governance and human rights are actually undermining the efforts of DAC donors, who are trying to decrease human rights violations and corruption levels in aid receiving nations.

This of course, is also debatable, because, as illustrated in section 3.3, traditional DAC donors, who have been proving aid since the mid-20th century, despite imposing conditionalities, have not been doing the best job in promoting good governance and fitting economic models for the aid recipient nations, however, what authors like Mawdsley (2010) and Dreher (2019) stated is that non-DAC donors are doing even worse than the traditional DAC donors in regards to trying to fight corruption and human rights violations.

In conclusion, it is noticeable how the literature with regards to non-DAC donors is also very inconclusive; there are scholars, who are being optimistic and believe, that these new donors could serve as a better alternative to the traditional donors. Such scholars believe, that non-DAC donors are more effective than DAC donors due to their cost-efficiency, their know-how and respect to the cultural and political conditions of the receiving nations and hence could serve as a better development aid source than the traditional DAC donors.

On the other hand, we have scholars, who like myself, are sceptic about these new donors expecting them to be poor, or even possibly worse aid channels than the traditional DAC donors. That is because of their non-selectivity, their lack of transparency, and their motivation to pursue their own economic, political and diplomatic interests undermining the effectives of their development aid in the aid receiving nations.

3.3 Development Aid and Corruption

One of the narratives on the topic at hand argues, that development aid has no significant effect on corruption levels in the aid receiving nations; Krasnik and Demuaki (2021) through studying 122 low-income and middle-income aid receiving countries from 2005-2017, and using the Corruption Perception Index as their dependent variables, were able to conclude that the relationship between aid and corruption is inconclusive. Similarly, through empirically studying the relationship between foreign aid and corruption levels in India, Kathkhate (1983) concluded, that foreign aid has no significant effect on corruption levels in the aid receiving countries; however, the author highlighted, that that the lack of a strong connection between the two variables did not guarantee that corruption did not exist. The research instead revealed that corruption may not have been increased by foreign aid but may have coexisted with it.

Additionally, Coveillo and Islam (2006) by measuring the effect of development aid on aid receiving countries' institutional quality indicators such as the International Country Risk Guide (ICRG), and using pooled data for non-overlapping five-year

time periods, which were supported by pure cross-section regressions and pooled yearly regressions for a broad panel of countries, realized, that development aid had no major effect on the quality of governance in the aid receiving nations. Ear (2007) shared Coveillo and Islam's (2006) opinion, and added that results are typically inconsequential and dependent on several criteria, such as the estimation and specification methods used.

On the other hand, two other famous narratives exist claiming a strong positive or negative relationship between development aid and corruption in aid receiving nations. To start off, numerous academics think that development aid has a good impact on governance and actually helps to reduce corruption in the aid receiving nations (Goldsmith, 2001; Tavares, 2003; Kilby, 2015; Beck and Maher, 2016). Development aid is perceived as enhancing international oversight and multiple conditionality measures that require aid receiving states to change their governance procedures to make them more effective and less corrupt (Nicholas, 2011). Additionally, Tavares (2003) argued that development aid offers know-how and hence helps aid receiving countries to strengthen their institutions and become more accountable, and therefore, lower levels of corruption would be associated with the existence of foreign aid. Kilby (2015) similarly argued for the effectiveness of development aid to decrease corruption levels in aid receiving nations. The author added that through its capacity-building programs, foreign development aid could raise public accountability, citizen involvement, and transparency, however specifies, that better results would be witnessed in countries with good governance. Likewise, Beck and Maher (2016), for example, claimed that foreign aid enhances transparency

as it allows for better media monitoring and reporting on governmental spending. They therefore argued that foreign assistance could also encourage cooperation between international and domestic organizations, boosting the effectiveness of anti-corruption campaigns.

Furthermore, Van Rijckeghem and Weder (2001) explained how development aid sometimes leads to the increase in income levels of official employees in the public sector, such as police officers or judges. This increase in income levels decreases the chances of state officials accepting briberies hence decreasing the level of corruption in the aid receiving nation (Van Rijckeghem and Weder, 2001). Another research by Chetan Gahte and Stephen Wright (2001), by studying the effect of foreign aid on India concluded, that foreign development aid can lead to stronger governance and steady economic expansions hence resulting in increased income levels, which will lead to lower levels of corruption in the aid receiving country; according to Ghate and Wright (2001), foreign aid can start a virtuous cycle where higher government spending will boost investments in the country resulting in higher income levels, which in turn lowers corruption.

Within the literature advocating for how the existence of foreign development aid has a positive effect on corruption levels in the aid receiving nations, a sub-category exists. This subcategory argues that development aid provided multilaterally has a more significant positive effect on the aid receiving nations' corruption levels in comparison to bilateral development aid.

In order to distinguish between multilateral and bilateral aid, Okada and Samreth (2012), who studied the period 1995–2009, employed a Quantile Regression

technique to test for various levels of corruption distribution. According to their research, aid provided by multilateral organizations, such as the World Bank or the International Monetary Fund, is more effective at combating corruption and has a stronger impact on nations with better polices than those with higher levels of corruption.

Furthermore, Nicholas (2011) argued that multilateral aid donors are stricter when it comes to supervising the implementation of conditionalities related to good governance. Therefore, they make sure that conditionalities related to institutional reforms are employed. Nicholas (2011) added that in this aid relationship a reputation is at stake for both ends; The aid receiving nations must implement at least basic reforms related to good governance else, they risk developing a bad reputation and losing future foreign aid from donors. Similarly, international institutions providing aid also need to be able to prove, that the conditionalities attached to their aid are being followed and lead to change in the countries they provide aid to (Nicholas, 2011). Therefore, better government quality and less corruption is expected to be witnessed in nations receiving high amounts of multilateral development aid.

Nicholas (2011) has empirical proof backing his arguments; depending on panel data from 1986 till 2006, and using the International Country Risk Guide and Transparency International's Corruption Perception Index as his dependent variables in the aid receiving nations, Nicholas (2011) was able to conclude, that an increase in multilateral aid before 1997 was associated with higher levels of corruption in the aid receiving nations, however, post 1997 onwards is associated with significantly lower levels of corruption. He explained, how the reason for this is, that 1997 marks the

beginning of the “anti-corruption-movement” (ACM), in which big international institutions pledged to try stopping the spread and increase of corruption in aid receiving nations hence became stricter in the implementation of conditionalities (Nicholas, 2011).

Furthermore, within the literature advocating for a positive effect of foreign development aid on corruption levels in the receiving nations some authors specify the sectors, which if targeted by foreign aid, would decrease corruption levels (Matoussi and Rachdi, 2017; Mabrouk, 2018; Guedri and Bedhiafi, 2019). After studying the relationship between corruption levels and development aid and selecting Tunisia between 2000 and 2014 as their case study Matoussi and Rachdi’s (2017) findings revealed that there is a higher likelihood that corruption in the Tunisian government will decline when development aid is directed to finance infrastructure and economic development initiatives, particularly in the agricultural sector. Contrarily, corruption tends to rise when aid is given to social programs like those in education, health care, and social services, especially in nations that lack experience implementing such initiatives. Nevertheless, the authors highlighted how the quality and effectiveness of the government which receives the aid plays a critical role as it is the one responsible for using the aid efficiently in ways that would benefit the country.

Guedri and Bedhiafi (2019) shared almost the same opinion as Matoussi and Rachdi (2017); according to their study, in which they also focused on Tunisia as their case study, development aid provided to Tunisia and directed to economic projects draws

less corruption than development aid directed towards social projects like education and health. Similarly, their study examined how the quality of institutions influence how development aid and corruption are related. Guedri and Bedhiafi (2019) implied that institutions can moderate the effect of foreign development aid on corruption; for instance, they argue that a robust judicial system and efficient government regulation can reduce the likelihood of corruption in projects sponsored by development aid.

On the other end of the spectrum, critics of development aid claim that aid has rather negatively affected aid receiving nations by impairing their institutions' quality and their capacity to mobilize their domestic resources, as well as by escalating corruption and rent-seeking behavior (Alesina and Weder 2002; Knack 2001; Moyo 2009; Krueger, 1974; Mauro, 1998). Alesina and Weder (2002) examined the relationship between foreign aid and corruption in a sample of 63 aid receiving nations between 1981 and 1995, and discovered that corruption level rises as foreign aid increases. Alesina and Dollar (2002) similarly argued that two thirds of the foreign funds end up in the hands of officials in the government, who then disperse them to the general public, which facilitates rent-seeking behavior hence increasing the levels of corruption in the aid receiving nation. Rent-seeking is the practice of using resources, such as time and money, to obtain a personal benefit from the government. This argument contends that receiving foreign aid may present chances for individuals to engage in rent-seeking behavior by using it for their own personal gain while disobeying their commitments to the state (Krueger, 1974).

Building on rent-seeking theory, Mauro (1998) argued that foreign aid can make more money available to political elites, which could boost their ability to engage in corrupt behavior like theft and bribery. Furthermore, Dollar and Pritchett (1998) similarly feared the abuse of corrupt government officials to foreign aid, especially when they are uncertain about the country's future aid flow status; the authors explain, that due to political elites not being certain about whether the country will receive aid in the future or not, they tend to over-extract rent from the current inflows before the aid inflows are reduced or cut.

Additionally, Dollar and Pritchett (1998) explained how development aid usually is directed towards state-operated enterprises and the public sector of the aid receiving nation. According to the authors, this leads to increased employment and subsidization of the public sector, undermining competition in the private sector. Dollar and Pritchett (1998) additionally argued that when private investment is replaced by public businesses, there is less pressure on the government to create institutions and processes that are transparent and responsible hence that the larger the public sector of the nation, the more room for corruption to take place.

Furthermore, Knack (2001) claimed that the more a nation is dependent on foreign aid, the more it is predicted for corruption levels to rise because it becomes less responsible for its own actions. He added that aid is predicted to essentially make up for and even fund bad economic policies and weak government institutions. Knack (2001) reached the conclusion, that more aid inflows result in worse governance and higher levels of corruption after looking at the impact of foreign aid on 80 different

countries between 1975 and 1995 using the International Country Risk Guide index as his dependent variable.

Similar to Knack (2001), Asongu and Jellal (2013) by examining the aid-corruption nexus for 54 African aid receiving nations, were also able to establish a correlation between foreign aid and corruption levels, however realized that higher levels of corruption are to be expected when the aid provided is channeled through government consumption. Nevertheless, they report, that this is not the case when development aid is channeled through private investments (Asongu and Jellal, 2013).

At last, another theoretical framework, that can be utilized to examine the relationship between foreign development aid and corruption levels in aid receiving nations, is the dependency syndrome theory (see section 3.1). As previously mentioned, in short, the dependency syndrome theory contends that the provision of foreign aid may result in a dependency situation between the donor nation and the receiving nation. Building on that, Mosley (1987) feared that as a result of this dependent relationship between the donor and the receiving nations, this would result in the receiving nation putting the interests of the foreign aid donor before those of its own people. The author further added that since the political elites are trying to continue the flow of foreign aid at the expense of their population, this could result in higher levels of corruption in the aid receiving country.

Likewise, Stijns (2006), due to believing that foreign development aid creates a dependent relationship between the donor and the receiving end, argued that this dependent relationship decreases the competitiveness of the receiving nation’s export sector since they rely on the donor’s foreign assistance inflows; according to Stijns

(2006) when a country is unable to export successfully, it becomes unduly dependent on foreign aid, which may cause corruption to increase.

As we can see, the literature on development aid and its effect on corruption levels in the aid receiving nations suggests, that there is a context-dependent link between foreign aid and corruption. The prevalence of corruption varies across countries and is influenced by a number of institutional, political, and cultural factors. As a result, the literature on the topic is divided into three fronts; one argues against the existence of a significant relationship between foreign aid and corruption. Another argues for a negative relationship between foreign aid and corruption levels in the receiving nation, and even specifies, that the aid when provided multilaterally has substantial effects on enforcing good governance and decreasing corruption levels, whereas a third front, argues that foreign aid for multiple reasons, is expected to increase corruption in the aid receiving nations.

To sum up, the presented arguments have highlighted the context-specific nature of development aid. They have revealed how the effect of the aid could depend on the type of donor who provided the aid and, on the government, who received the aid and what it chooses to do with the aid. This illustrates that aid selectivity and conditionalities related to good governance are significant for ensuring that the aid is efficiently used and thereby does not increase corruption levels in the country. Building on that, this dissertation aims to explore whether, in comparison to DAC donors, the newly emerged non-DAC donors due to their non-selectivity and lack of conditionality accelerate higher corruption levels in the countries they provide aid to. One a side note, if, as argued by some of the scholars cited above, we discover that

aid has no significant effect on corruption levels and it rather just co-exists with corruption, this would mean that aid is not necessarily developmentally effective as high levels of corruption often go hand in hand with weak aid effectiveness. In addition to this, it would emphasize the context-specific nature of aid hence highlighting the important role of the aid receiving government and how it will choose to use the aid. In other words, this would converge on how the quality of governance and the political stability of the aid receiving nation could possibly have a more significant effect in determining how the provided aid will affect corruption levels. As a result of this possible finding, we would be able to stress the significance of donor selectivity, in the sense of choosing to provide aid to countries enjoying higher levels of government efficiency and political stability, and its effect on corruption levels in the aid receiving nation. That is because, despite aid possibly having no significant effect on corruption levels, the context in which the aid is provided, meaning what the government decides to do with the aid, has a definite effect on corruption levels in the country.

3.4 The Effectiveness of Conditionality and Selectivity

As previously mentioned, conditionality is one of the main strategies, which donors employ to make sure their aid fulfils the objectives they set for it. Conditionality is the demand that recipient nations fulfil specific requirements before or after receiving help, such as economic, political or institutional policy reforms (see section 2.3).

When it comes to judging upon the effectiveness of development aid donors being selective and imposing conditionalities, whether related to good governance or economic reforms, again two narratives exist in the literature on the topic at hand; some scholars argue, that conditionalities imposed by foreign donors have no significant effect on the political, economic and social spheres in the aid recipient nations (Drazen, 2002; Vreeland, 2006; Di John, 2020; Crawford 1997), whereas other scholars do believe, that conditionalities imposed, under certain circumstances, could be effective and lead to positive effects in donor countries (Sedelmeier, 2008; Mosley et al., 2004; Kilby, 2015). The objective of this upcoming subchapter is to present a summary of the state of knowledge regarding the usefulness of conditionality and selectivity in international aid.

It is important to acknowledge, that this dissertation aims to demonstrate, whether the non-selectivity and lack of conditionality related to good governance of non-DAC donors could enable us to argue that non-DAC development aid is associated with high levels of corruption. This indicates that by definition, I argue that aid selectivity and conditionalities related to good governance are important in fighting corruption levels in aid receiving nations.

However, as the literature will show in the upcoming paragraphs, I'm well aware that not all conditionalities are effective. Moreover, it is essential to notice, that as previously shown, there are multiple forms of conditionalities, nevertheless this dissertation does not claim a correlation between conditionalities related to fiscal or monetary reforms and higher or lower levels of corruption. I argue, that there is in fact a correlation between the **lack** of conditionalities that aim to fight corruption in the

aid receiving nations and high corruption levels in aid receiving nations. In addition to this, I also claim a correlation between non-selectivity and high corruption levels. What is meant by donor selectivity is when donors choose to provide foreign aid based on a number of factors including the degree of political stability, economic and political freedom and the effectiveness of the governments in the receiving nations. This dissertation aims to test whether non-DAC donors, due to not taking any of the previous factors into consideration and instead choosing to fund corrupt and even sometimes failed governments, there is correlation between their development aid and the high corruption levels of the nations they intensively fund.

To start off, multiple analysts came to the conclusion that conditionality is ineffective and does not guarantee positive change in the aid receiving nations (Crawford1997; Dreher, 2009; Stone, 2004, Fielde and Hultman, 2019). Dollar and Pritchett (1998) are among the critics, who are skeptic of aid conditionalities; in the "Assessing Aid Report" (1998), they argued that traditional aid conditionalities frequently failed since aid was provided based on anticipated future improvements, which were mostly not met by the receiving nations hence diminishing the effectiveness of conditionalities. Likewise, when talking about IMF conditionalities, Drazen (2002) argued that aid receiving nations, once they receive the aid and money they need, become less eager or motivated to actually implement the agreed upon conditions, which were attached to the aid or loans. Additionally, Vreeland (2006) explained that when nations, who have received aid from the IMF do not follow the agreed upon conditions, they do not

necessarily get strictly punished by the IMF hence diminishing the power of conditionalities.

Furthermore, Öhler, Nunnenkamp et al. (2012) criticized conditionalities imposed on bilateral aid claiming, that when aid is provided bilaterally the donor country is sometimes lenient when it comes to conditionalities because it might be motivated by its own economic or political motives. Therefore, they concluded that multilateral aid, in comparison to bilateral aid, could be perceived as more effective in supervising the implementation of conditionalities. However, Stone (2004) counterargued the former argument claiming better effectiveness of conditionalities imposed by multilateral donors. The author explained how powerful countries, such as the United States have significant influence over international financial institutions, such as the IMF and the World Bank, and therefore, one could realize how for aid receiving nations, seen as crucial to the United States, conditions are noticeably weaker. Consequently, the author argued that conditionalities, whether imposed bilaterally or multilaterally, are not to be perceived as an effective tool for implementing change in aid receiving nations (Stone, 2004).

In addition to this, when talking about political conditionalities, which are related to promoting democracy, election and the respect of human rights Crawford (1997) after examining 29 cases in which aid sanctions were imposed as a result of not meeting the agreed upon political conditionalities, came to the conclusion that political conditionality is mostly ineffective and does not lead to substantial reforms in the aid receiving nation. Similarly, Fielde and Hultman (2019) discovered, that political aid

conditionalities meant to advance democracy and lessen human rights violations had no impact on how well human rights were treated in recipient nations.

Another group of scholars do not believe in the effectiveness of conditionalities claiming, that donor countries are not the best judges when it comes to the reforms in need of implementation by the recipient nations in order to flourish economically or socially. For example, Di John (2020) feared that donor countries would try to implement the identical reforms, which they have undergone, in the aid recipient nations believing that they would be equally successful. Di John (2020) explained that this "one-size-fits-all" approach is problematic and diminishes the uniqueness of each country's political, economic, social and cultural context, therefore argues, that self-tailored and self-determined policies towards achieving development are more effective that conditionalities.

Typical of scholarly debates, another contesting narrative exists completely undermining the former arguments and instead advocating for the effectiveness of conditionalities and selectivity, however specify the circumstances under which conditionalities would be effective. (Knack, 2021; Mosley et al., 2004; Kilby, 2015). Within this narrative multiple scholars claim, that conditionalities should be perceived as effective, as they were extremely efficient in the European Union membership enlargement strategy (Schimmelfennig and Scholtz, 2008; Sedelmeier, 2008); for example, Sedelmeier (2008) illustrated how multiple European countries due to wanting to become members of the EU have undergone numerous political, economic and social reforms proving the effectiveness of the ex post conditionalities imposed

by the EU. Building on that, the author expected donor conditionalities to be as effective.

Furthermore, scholars argued that conditionalities related to good governance could lead to lower levels of corruption in the aid receiving nation; Rhee and Yang (2018) discovered that economic conditionality imposed by the International Monetary Fund (IMF) has a positive effect on governance in recipient nations, notably in terms of reducing corruption levels. Similarly, Knack (2021) explained how only through the consequences of conditionality, could aid potentially enhance the standard of governance in the aid receiving nation. He added that conditionalities may boost the governments of aid receiving nations' motivation to carry out public sector reforms, which may result in lower levels of corruption.

In addition to this, Kilby (2015) highly promoted conditionalities, which focused on social programs, such as health and education spending. The author was able to conclude, that whereas economic conditionalities had mixed results, with some initiatives delivering the desired results and others leading to unintended negative effects, conditionalities targeting social programs successfully increased the recipient nations' pro-poor spending, especially in the health and education sector.

Öhler, Nunnenkamp et al. (2012) further added that aid effectiveness is dependent on the type of conditionality attached to the aid. They argued that ex-post conditionality is more effective than ex-ante conditionality. By examining the effectiveness of the Millennium Challenge Corporation (MCC), which was launched by the Bush administration in 2004 to provide development funds to 20 countries, who are strictly selected based on criteria related to political freedom, fiscal and trade policies, public

expenditures on health and education, and corruption levels, Öhler, Nunnenkamp et al. (2012) were able to conclude, that the MCC, which entailed ex-post conditionalities had very positive effects on the selected aid receiving nations. However, they displayed, the impact was greatest immediately following the MCC's announcement and diminished in the years that followed because of the delayed provision of the aid and selected nations fearing the termination of the program after elections.

Moving on, another group of scholars believes in the effectiveness of conditionalities, however specifies under which circumstances, this would be the case; Mosley et al. (2004) promote the effectiveness of conditionality, however emphasize, that reforms are more likely to be witnessed when directed towards less corrupt nations. The authors add that aid provided to corrupt nations could be mismanaged hence leading to negative effects in the receiving nation.

Burnside and Dollar (2000) similarly emphasized the importance of selectivity for the effectiveness of the conditionalities and hence argued, that development aid encourages reforms and change in the aid receiving nations that are rather characterized by enjoying good governance, yet they specified, that if the aid was mismanaged the aid and the conditionalities would be ineffective. Similar findings were made by Dreher and Langlotz (2015), who discovered that aid conditionality only works to promote favorable economic and social outcomes in nations with sound and strong institutions. Moreover, Dollar and Pritchett's "Assessing Aid Report"

(1998) had also proven, that the effect of the conditionalities highly depended on the quality of governance and institutions in the aid receiving nation.

As a result of the previous assumptions, multiple authors have advocated for foreign aid to be provided selectively to the nations enjoying strong and mature institutional capacities in order to ensure the effectiveness of aid conditionalities (Chauvet & Guillaumont, 2003; Kosack, 2003; Svensson, 1999a, 1999b); however, despite the results proving more effectiveness of aid and aid conditionalities in less corrupt nations, that own mature institutional capacities, according to Alesina and Weder (2002) there is weak evidence proving, that more bilateral or multilateral aid was given to less corrupt and efficient governments.

We can notice here, how this narrative highlights the importance of good governance and selectivity in order for conditionalities and aid intended goals to be achieved. Moreover, the previously presented scholars have emphasized how if mismanaged and received by corrupt or immature institutions the aid and conditionalities attached to it would be ineffective and additionally could increase corruption levels in the aid receiving nation (Burnside and Dollar, 2000). This is exactly what this dissertation aims to demonstrate; by arguing for the importance of selectivity and conditionalities related to good governance, I argue, that non-DAC aid due to not being selective nor imposing conditionalities related to good governance is associated with higher levels of corruption.

In short, we have been presented to the two present narratives, that exist when it comes to judging upon the effectiveness of conditionalities; one standpoint completely diminishes the efficiency of conditionalities claiming, that conditionalities

are ineffective because donors do not strictly supervise their implementation and because the donors sometimes do not know what conditions would best to foster development in the receiving nation; whereas another standpoint exists, in which this dissertation positions itself in, claiming that under certain circumstances conditionalities could in fact be effective and that the lack of conditionalities and selectivity could diminish the effectiveness of the aid provided by the donor and in fact lead to negative results such as increased corruption levels.

4. The Empirical Chapter

4.1 Data

4.1.1 The Independent Variable

When it comes to extracting the amount of aid data and the geographical allocation of these DAC donations per year between 2000 and 2020, it was easy to access the data because, as previously mentioned, DAC donors annually report all of their aid activities to the OECD. This being said, I was able to download the needed data for my research from OECD.STAT. Moreover, the OECD has multiple databases reporting amounts of DAC donations over the years; since I only focus on ODA and not OOF, I chose the database, which only reported DAC ODA allocations and activities over my specified time period being 2000-2020.

Moving on to accessing the annual amount of non-DAC ODA allocations between 2000 and 2020, as expected, it was more difficult to access the data. Unlike DAC donors, non-DAC donors do not belong to one entity to which they report their aid activities, therefore I had to choose some of the big non-DAC donors, being China, Saudi Arabia, Qatar, Kuwait, India and the United Arab Emirates, and try to look into different sources which would enable me to find out how much ODA they give out per year and where they allocate this ODA. The lack of transparency and reporting of non-DAC donors made it even harder to find accurate data hence some data gaps occurred. I extracted the non-DAC ODA aid allocations between 2000 and 2020 from datasets, published by AidData or from annual financial reports published by the foreign ministries of the non-DAC donors or by the main governmental development organizations of the non-DAC countries, such as the Saudi Fund for

Development, Qatar's Fund for Development, and Kuwait Fund for Arab Economic Development (For a detailed account of datasets and reports accessed and the data gaps that occurred, see appendix 1).

4.1.2 Dependent Variables

Since my dissertation aims to demonstrate whether there is an empirical correlation between non-DAC development aid and corruption levels in countries receiving high amounts of non-DAC development aid, I relied on two corruption indicators as being my dependent variables.

The first is the World Bank Group's Control of Corruption Measure. The World Bank publishes yearly along with the Control of Corruption Measure five other indicators being the Voice and Accountability Indicator, the Political Stability and Absence of Violence/Terrorism Indicator, the Government Effectiveness Indicator, the Regulatory Quality Indicator and lastly the Rule of Law Indicator. These six World Bank Group Governance Indicators aim to display the quality of governments in different countries over the years.

Based on my research scope, I chose the Control of Corruption Measure (CCM) as my first dependent variable. The score key of the Control of Corruption Measure ranges from -2.5, being extremely corrupt, to 2.5, being not corrupt at all. To access the scores of my chosen countries over my specified time period, I went to the World Bank Group's Databank, specified the needed timeframe and was able to download all of the scores.

The second dependent variable is, as previously mentioned, another measurement of corruption, which is Transparency International's Corruption Perception Index (CPI). Transparency International is an international civil society organization driving the fight against corruption. The organization creates anti-corruption tools and collaborates with other civil society organizations, businesses, and governments to put them into practice. An annual Corruption Perceptions Index (CPI) has been published by Transparency International since 1995. It also produces a Global Corruption Report to track corruption incidences and efforts made to combat corruption globally. Based on how corrupt their public sector is perceived to be, the Corruption Perceptions Index (CPI) annually assigns a ranking to nations and territories. It is a composite index, or combination of polls, that uses information about corruption gathered by numerous credible institutions.

It is important to notice here, that the score key and methodology of the Corruption Perception Index were changed within my specified research timeframe. Between 2000 and 2011 the score key ranged from 0, being very corrupt, to 10, being not corrupt at all. Starting 2012, Transparency International improved its research methods and tools to publish a better worldwide indicator of corruption. As a result of these changes and improvements, the score key changed to range from 0, being very corrupt, to 100, being not corrupt at all. According to Transparency International's website the two different CPI methodology editions are not comparable (Transparency International, 2012). This definitely affected the way I conducted my quantitative analysis, and I will elaborate more on that in my methodology description section (see section 4.2.1). Nevertheless, to access the needed data for my research,

whether before or after the change in methodology, it was easily detectable and downloadable from Transparency International's online database.

Even though both measurements serve as indicators of corruption, they do not capture the same dimensions. Given the amount to which public power is used for private benefit, encompassing both petty and grand kinds of corruption, the CCM measures the effectiveness of corruption control in the public sector. It assesses the effectiveness of anti-corruption initiatives as well as the standard of the institutions set up to prevent and combat corruption.

On the other hand, the CPI gauges perceived levels of public sector corruption, including both political and administrative corruption, based on estimates from experts and polls of businesspeople. While both indicators are crucial for assessing corruption, their methodology and focus are different. The CPI focuses on perceived levels of corruption, whereas the CCM focuses on methods to combat corruption. As a result, they do not capture the same dimensions of corruption hence are treated by me as two separate dependent variables.

4.1.3 The Control Variables

In order to be able to prove whether there is in fact a correlation between non-DAC development aid and high corruption levels in nations receiving high amounts of non-DAC development aid, I need to control for other variables that may also affect corruption levels. I chose four different control variables: The Human Development Index (HDI) by the United Nations Development Program, the Freedom in the World Indicator by Freedom House, The Government Effectiveness Indicator

by the World Bank Group, and the Political Stability and Absence of Violence/Terrorism Indicator by the World Bank Group.

I chose the Human Development Index as one of my control variables, because the HDI is a measure of average performance in significant areas of human development: a long and healthy life, therefore entailing the Life Expectancy Index and Life Expectancy at Birth Index, being educated and knowledgeable, hence including countries' expected years of schooling, means years of schooling and Education Index, and lastly, having a decent standard of living, therefore containing the GNI/capita and GNI Index. According to multiple scholars, poorer and less-developed nations tend be more corrupt (Mauro, 1995; Uslaner, 2005; Lambsdorff and Schulze, 1999), therefore I chose to control for poverty and development rates by choosing the Human Development Index as one of my control variables.

The score key of the HDI ranges from 0 to 1; if a country scores less than 0.55 then the country is characterized with low levels of development, if it scores between 0.55 and 0.699, then it is characterized with a medium level of development. Scores between 0.7 and 0.799 are characterized by high levels of development, scoring more than 0.799 means the country enjoys very high levels of development. The different scores over my specified timeframe were available on the website of the United Nation's Development Program.

Multiple studies have shown that levels of corruption are significantly higher in dictatorships in comparison to democracies (Mauro 1998; Treisman, 2007; Lambsdorff, 2007). Hence, I chose to control for regime type. I relied on Freedom

House's "Freedom in the World" index, which examines the election system, political plurality and involvement, government performance, freedom of expression and of religion, right to associations and organizations, the rule of law, and personal liberty and individual rights for each nation and territory. The score key ranges from 1 to 7: scores between 1 to 2.5 are considered free, scores between 3 and 5, as partly free, scores between 5.5 and 7 not free. An additional control variable I chose is one of the six Worldwide Governance Indicators released by the World Bank Group, being the Government Effectiveness Index. I chose to control for government effectiveness, as it is argued, that there is a strong correlation between weak and ineffective governments and high corruption levels (World Bank Group, 2018; United Nations Development Program, 2020). The government effectiveness index measures the quality of public services, civil service, policy formulation, policy implementation and credibility of a government's commitment to raise these qualities or keeping them high. The score key ranges from -2.5, meaning the government is not effective at all, to 2.5, meaning the government is very effective. The needed data is easily downloadable from the World Bank Group's online database; however, it is important to acknowledge, that before the year 2002, the World Bank Group released this indictor only every two years, therefore I do not have scores for the year 2001.

Lastly, I chose to control for political stability, as multiple scholars argue, that political instability is significantly positively correlated with higher levels of corruption (Treisman, 2000; Khan and Jomo, 2000). As an indicator for political stability I chose the Political Stability and Absence of Violence/Terrorism Index

elaborated by the World Bank Group. This indicator measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism. Just like the Control of Corruption Measure and the Government Effectiveness Index the score key of the Political Stability and Absence of Violence/Terrorism Index ranges from -2.5 to 2.5. A country scoring a -2.5 on this indicator means the country is extremely politically unstable, while scoring a 2.5 means the country indicates high levels of political stability and absence of political violence. Here again, I was able to download the data I needed from the World Bank Group's online databank, but just like the Government Effectiveness Index, before the year 2002 this indicator was only published every two years hence, I'm missing the data for the year 2001.

4.1.4 Case Selection

As previously stated, my methodology consists of two parts; a quantitative part by which I aim to empirically demonstrate whether there is a correlation between non-DAC development aid and high corruption levels in the countries receiving high amounts of non-DAC development aid, and a qualitative part, by which I aim to look more deeply into selected cases to be able to establish a mechanism. In this section I would like to explain and justify my case selection for my quantitative methodology part.

In my regression analysis, I included 21 nations. My case selection did not depend on how much of an aid-dependent country the country is, but on how far of a non-DAC

or DAC aid receiving nation the country is. In other words, the cases included in my regression analysis are not necessarily aid-dependent nations[1], however are ones of the most DAC or non-DAC development aid receiving countries.

It is important to acknowledge here, that all aid receiving countries receive aid from both types of donors, and that I would argue, that it is almost impossible to find a nation, that only receives aid from DAC or non-DAC donors. Based on the data I retrieved from the different databases, I calculated how much development aid each aid receiving nation received from DAC in comparison to non-DAC donors between 2000 and 2020. If the nation at hand had received more than an average of 70% of its development aid between 2000 and 2020 from DAC donors then I classified it as a DAC development aid receiving country, but if it had received more than 30% of its development aid between 2000 and 2020 from non-DAC donors, then I classified it as a non-DAC development aid receiving country.

There are three reasons justifying why my ratio is 70 to 30 rather not 50 to 50; firstly, unlike DAC donors, who have started providing aid since the 1950s and 1960s, non-DAC donors have a shorter history that started in the early 21st century. This being said, at the beginning non-DAC donors' development aid was perceived by aid receiving nations as less reliable in contrast to DAC development aid, and that is because non-DAC donors did not enjoy the same level of institutional capacity and experience, which DAC donors enjoyed (Overseas Development Institute, 2012). This

[1] Generally speaking, a nation is classified as aid dependent if foreign aid accounts for more than 25% of its yearly budget. This threshold may change, depending on the country's circumstances and the precise criteria employed by governments or international organizations (OECD, 2023).

being said, aid receiving nations were at first skeptical about non-DAC donors, hence it took them time to trust these newly emerged donors and accept their donations in high sums.

Secondly, the data on DAC development aid I have includes all different DAC donations provided by the 38 members of the OECD between 2000 and 2020. When it comes to the non-DAC donors included in my research, despite them being one of the most important non-DAC development aid providers, they are still definitely not 38 donors but only 6 donors. Lastly, as I have previously mentioned, there are big data gaps that occurred to me when retrieving the data on non-DAC development aid activity. For some major non-DAC development aid providers, like India or Qatar data is missing on how much aid they provided in some years.

This being said, I had to take into consideration all of the previous aspects ranging from difference in history and experience between the two types of donors to data gaps and availability and hence change the classification methodology accordingly. After my calculations the countries, that were chosen to classify as dominantly DAC development aid receiving countries are: Brazil, Cameroon, Ghana, India, Kosovo[2], Mozambique, Nigeria, South Africa, Tanzania and Vietnam. Whereas, the countries that were classified as dominantly non-DAC development aid receiving countries are: Angola, Burundi, Ivory Coast, Fiji, Kenya, Mauritania, Morocco, Somalia, Tunisia, Yemen, Zimbabwe.

[2] It is important to notice here, that Kosovo declared its independence from Serbia only in 2008, therefore data before 2008 on Kosovo is not available.

The timeframe of my research is the years 2000 through 2020. The reason I did not include a larger timeframe starting from the mid-20th century, despite the fact that DAC donors did start providing aid since the 1960s, is that non-DAC donors do not equally enjoy such big history as DAC donors. Non-DAC donors started drawing the attention of the international community around the beginning of the 21st century, therefore I have justifiably chosen the years 2000 till 2020 to be the timeframe of my research.

4.2 Methodology and Findings

4.2.1 Methodology

I have conducted six linear regression analysis models (see section 4.1.3). I aim to test whether non-DAC development aid is associated with higher levels of corruption **in comparison to** DAC development aid.

I had to create two different types of models with different cases; in the first type of models, which I call Non-DAC Models the independent variable was non-DAC development aid and the dependent variable was corruption levels in the countries I chose to represent a sample of dominantly non-DAC development aid receiving countries. In my second type of models, which I refer to as DAC Models, the independent variable is DAC development aid and the dependent variable is corruption levels in the countries I chose to represent a sample of dominantly DAC development aid receiving countries. In both models my control variables remained the same.

As the research timeframe of this dissertation is 2000 till 2020, I had to split the DAC and non-DAC regression analysis models in which in the dependent variable is the CPI into two; one covering the years 2000 till 2011 (before the change in methodology) and another one covering the years 2012 till 2020 (after the change in methodology). This split had serious effects on the significance of the findings, which will be elaborated on shortly. As a result of all this, I ended up conducting three different linear regression models for each donor group, one in which the dependent variable is the Control of Corruption Measure from 2000 till 2020, a second one in which the dependent variable is the Corruption Perception Index from 2000 till 2011, and a third one in which the dependent variable is the Corruption Perception Index from 2012 till 2020. Table 1 and table 2 below will provide a summary of what variables were included in each simple linear regression model I have conducted. The statistical software, that I have used to conduct the 6 simple linear regression models described below is IBM's SPSS Version 23.

Table 1: Summary of Variables in DAC Simple Linear Regression Models

	DAC Model 1	DAC Model 2	DAC Model 3
Independent Variable	DAC Development Aid	DAC Development Aid	DAC Development Aid

Dependent Variable	Control of Corruption Measure	Corruption Perception Index	Corruption Perception Index
Control Variables	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of Violence/Terrorism Index	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of Violence/Terrorism Index	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of Violence/Terrorism Index
Years covered	2000 - 2020	2000 – 2011	2012 - 2020
Countries Included in the Model	The countries chosen to represent dominantly DAC development aid receiving countries	The countries chosen to represent dominantly DAC development aid receiving countries	The countries chosen to represent dominantly DAC development aid receiving countries

Table 2: Summary of Variables in non-DAC Simple Linear Regression Models

	Non-DAC Model 1	Non-DAC Model 2	Non-DAC Model 3
Independent Variable	Non-DAC Development Aid	Non-DAC Development Aid	Non-DAC Development Aid
Dependent Variable	Control of Corruption Measure	Corruption Perception Index	Corruption Perception Index
Control Variables	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of	Human Development Index, the Freedom in the World Index, the Government Effectiveness Index and the Political Stability and Absence of

	Violence/Terrorism Index	Violence/Terrorism Index	Violence/Terrorism Index
Years covered	2000 - 2020	2000 – 2011	2012 - 2020
Countries Included in the Model	The countries chosen to represent dominantly non-DAC development aid receiving countries	The countries chosen to represent dominantly non-DAC development aid receiving countries	The countries chosen to represent dominantly non-DAC development aid receiving countries

4.2.2 Limitations

To start off, as I have mentioned in my section on data (see section 4.1), there are big data gaps, that I have faced when trying to retrieve the exact amounts of development aid provided by non-DAC donors. For example, I do not have the data needed to cover the development aid provided by China between 2018 and 2020, nor do I have the data needed to cover the development aid provided by India between 2000 and 2008.

Additionally, I do not have the data covering Qatar's aid activities from 2000 till 2009. This being said, I'm well aware of how these data gaps would affect the significance of my research. In fact, these data gaps were drastically highlighted in the non-DAC regression models in which the CPI was the dependent variable. As I have

mentioned above, the change in methodology of the CPI forced me to split the regression models of each donor group into one model covering he years 2000 till 2011 and another one covering the years 2012 till 2020.

As I will display shortly, due to the big data gaps this split had dramatic effects on the significance of the variables, whether the dependent or control variables, on the independent variable of the model at hand. I would strongly argue, that the reason behind this, is that splitting the model in two, one between 2000 and 2011 and another between 2012 and 2020, has deeply highlighted the data gaps that occur in each research timeframe. This being said, I choose to rely more on the patterns that arose after conducting the regression analysis models in which the Control of Corruption Measure was the dependent variable as these models do not significantly highlight the data gaps of the research. I will elaborate more on this in the upcoming section displaying my findings (see section 4.2.3).

In addition to this, I'm also aware, that my experience sample is understandably small; first of all, I did not include all non-DAC donors, I only chose 6 donors to represent all other non-DAC donors, however I the 6 donors I chose, which are China, India, Saudi Arabia, Qatar, Kuwait and the United Arab Emirates are considered the most important and significant non-DAC donors. An additional important non-DAC donor, which is missing from my research is Brazil, but unfortunately I could not find any annual reports published on the Brazilian Ministry of Foreign Affairs website nor did I find any databanks on the website of the Brazilian Cooperation Agency (ABC), which could provide me with the data I need. Furthermore, I'm aware of the fact, that the experience sample I chose to represent dominantly DAC or non-DAC

development aid receiving countries is also clearly small. I chose 11 countries to represent dominantly non-DAC development aid receiving countries and 10 countries to represent dominantly DAC development aid receiving countries. This being said, I'm aware, that I have to be careful with any generalizations that I may come up with as possibly outside my experience sample other patterns may occur, which could possibly contradict with my findings.

4.2.3 Findings

The first two regression models, that will be analyzed and compared are the DAC and non-DAC regression models, which include the Corruption Perception Index scores of the countries chosen to represent dominantly non-DAC or DAC development aid receiving countries as the dependent variable, and which cover the time period 2000 to 2011. In Table 1 and 2 these are DAC Model 2 and Non-DAC Model 2.

Table 3: Findings of DAC-Model 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.196	.105		30.509	.000
	Aid in USD	.000	.000	-.224	-2.288	**.024**
2	(Constant)	3.333	.206		16.178	.000
	Aid in USD	-3.189E-5	.000	-.050	-1.132	**.260**
	HDI	1.505	.350	.237	4.296	.000
	FIW	-.201	.031	-.393	-6.485	.000
	GE	.823	.148	.429	5.567	.000
	PV	.113	.059	.094	1.918	.058

a. Dependent Variable: CPI

In DAC-Model 2, before adding the Control Variables the equation looked the following:

Equation 1:

$$CPI = 3.196$$

This means that if DAC aid increases by 1 million USD the CPI would remain constant at 3.196. In this model the slope coefficient of aid is statistically significant (p-value equals 2.4%).; However, after adding the control variables, the equation totally changed and has also affected the significance of DAC development aid on the CPI of the countries in the model. After adding the control variables, the equation looked the following:

Equation 2:

$$CPI = 3.333 – 0.00003189\ DAC\ AID + 1.595\ HDI – 0.201\ FIW + 0.823\ GE + 0.113\ PV$$

As presented by equation 2, after adding the control variables the slope coefficient of DAC development aid decreased from 0 to – 0.00003189, which means that in the second equation DAC development aid decreases the CPI. In other words, in the second equation DAC development aid increases corruption levels in the countries included in the model, However the slope coefficient of DAC development aid changed from being significant in the first equation to being insignificant in the second one because its p-value is 26% (highlighted in bold), which is more than 5%. This being said, we cannot make assumptions on DAC development aid and its effect on the CPI in this model.

When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize that the HDI, the Government Effectiveness Index and the Political Stability Index lead to an increase of the CPI, meaning they decrease corruption levels, whereas the Freedom in the World Index decreases the CPI, meaning it increases corruption levels. The slope coefficients of all control variables are below 5% hence making them statistically significant for the model. We can hence conclude, that in this model DAC donors fund nations, that are more likely to be relatively developed, politically stable and have strong and effective governments to the extent of leading to an increase in the CPI score. However, we can also conclude, that DAC donors do not necessarily fund regimes, that are considered free by Freedom House because the Freedom in the World scores of the countries in the experience sample lead to a decrease in the CPI score.

Table 4: Summary of DAC Model 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.224[a]	.050	.041	.8138	.024
2	.910[b]	**.827**	.818	.3541	**.000**

a. Predictors: (Constant), AID in USD
b. Predictors: (Constant), AID in USD, PV, FIW, HDI, GE

As presented in Table 4, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 4 indicates, that in the 2nd equation of this regression model R-square is 82.7%; meaning that 82.7% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

Table 5: Findings of Non-DAC Model 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.642	.127		20.766	.000
	Aid in USD	.000	.000	.045	.415	**.679**
2	(Constant)	2.897	.587		4.933	.000
	Aid in USD	6.720E-5	.000	.030	.635	**.527**
	HDI	-.101	.978	-.010	-.103	**.918**
	FIW	.199	.049	.193	4.066	.000
	GE	1.274	.155	.789	8.226	.000
	PV	.257	.085	.198	3.034	.003

a. Dependent Variable: CPI

Table 5 displays the findings of Non-DAC Model 2, which is the regression model, that is comparable to DAC-Model 2. In non-DAC-Model 2, before adding the Control Variables the equation looked the following:

Equation 1:

$$CPI = 2.642 + 0.0000 \text{ Non-DAC AID}$$

This means that if non-DAC development aid increases by 1 million USD the CPI would almost remain constant at 2.642. In this model, the slope coefficient of aid is statistically insignificant with the p-value standing at 67.9%; however, just like the previous model, after adding the control variables the equation totally changed:

Equation 2:

$$CPI = 2.897 + 0.00006720 \text{ Non-DAC AID} + 0.101 \text{ HDI} + 0.199 \text{ FIW} + 1.274 \text{ GE} + 0.257 \text{ PV}$$

After adding the control variables, the slope coefficient of non-DAC development aid increased from 0.000 to 0.00006720, which means that in the second equation non-

DAC development aid increased the CPI more than in the first equation. In other words, in the second equation non-DAC development aid decreases corruption levels in the countries included in the model. However, the slope coefficient of non-DAC development aid in the second equation is still insignificant as it is in the first equation because its p-value is 52.7% (highlighted in bold). This being said, we cannot make assumptions with regards to non-DAC development aid and its effect on the CPI in this model.

When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize, that the Freedom in the World Index, the Government Effectiveness Index and the Political Stability Index increase the CPI scores of the countries in the model, meaning they decrease corruption levels, whereas the HDI decreases the CPI meaning it increases corruption levels. All slope coefficients of the control variables, with the exception of the slope coefficient of the HDI, are below 5% hence making them statistically significant for the model. This means we can conclude, that in this model non-DAC donors fund nations, that are considered free, politically stable and have strong and effective governments to the extent of increasing the CPI scores in the model.

Table 6: Non-DAC Model 2 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.045[a]	.002	-.010	.9090	.021
2	.920[b]	**.847**	.838	.3644	**.000**

a. Predictors: (Constant), AID in USD
b. Predictors: (Constant), AID in USD, PV, FIW, HDI, GE

As presented in Table 6, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 6 indicates, that in the 2nd equation of this regression model R-square is 84.7% meaning that 84.7% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

When it comes to comparing DAC Model 2 to non-DAC Model 2, it is important to notice, that we cannot compare nor make assumption about DAC/non-DAC development aid and its effect on the CPI scores of the experience sample in each model due to the insignificance of the slope coefficient of DAC and non-DAC development aid in both models.

Furthermore, we also cannot compare the HDI levels of both experience samples, as the slope coefficient of the HDI in Non-DAC Model 2 is insignificant. What we can, however, compare is the Freedom in the World Index, the Government Effectiveness Index and the Political Stability Index of the experience sample in both regression models. When looking at the slope coefficients of these indicators in both models we could recognize, that the slope coefficient of all of these indicators in Non-DAC Model 2 is higher than in the ones in DAC Model 2, in fact when it comes to the Freedom in the World Index the slope coefficient in DAC Model 2 is negative, whereas in non-DAC Model 2 the Freedom in the World Index slope coefficient is positive.

This means, one could argue, that between 2000 and 2011 non-DAC donors have funded nations, which were freer, more politically stable and had more effective

governments, than the nations, that DAC donors had funded in the same period. I would argue however, that we cannot fully rely on these two comparable regression models to come up with generalizations, highlighting one of the limitations of my research being the lack of data, especially between 2000 and 2011. I will elaborate more on this in my generalizability section (see section 4.2.4).

The two upcoming regression models, that will be analyzed and compared are the DAC and non-DAC regression models, which include the Corruption Perception Index scores of the countries chosen to represent dominantly non-DAC or DAC development aid receiving countries as the dependent variable, and which cover the time period 2012 to 2020, which is after Transparency International improved and modified the CPI research methodology. In Table 1 and 2 these are DAC Model 3 and Non-DAC Model 3.

Table 7: Findings of DAC Model 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	35.640	1.361		26.185	.000
	Aid in USD	-.001	.001	-.081	-.761	**.449**
2	(Constant)	42.880	3.625		11.829	.000
	Aid in USD	.000	.001	-.042	-.793	**.430**
	HDI	6.272	4.770	.096	1.315	**.192**
	FIW	-2.204	.200	-.505	-11.013	.000
	GE	6.399	1.388	.399	4.609	.000
	PV	1.920	.562	.185	3.417	.001

a. Dependent Variable: CPI

In DAC-Model 3, before adding the Control Variables the equation looked the following:

Equation 1:

$$CPI = 35.640 – 0.001\ DAC\ AID$$

This means that if DAC aid increases by 1 million USD, the CPI would decrease by 0.001. In this model, the slope coefficient of aid is statistically insignificant (p-value =44.9%). Just like in the previous regression models, after adding the control variables the equation has changed. After adding the control variables, the equation looked the following:

Equation 2:

$$CPI = 42.880 + 0.00\ DAC\ AID + 6.272\ HDI – 2.204\ FIW + 6.399\ GE + 1.920\ PV$$

As presented by equation 2, after adding the control variables the slope coefficient of DAC development aid increased from -0.001 to + 0.00. This means that, unlike in the first equation, here DAC development aid increases the CPI. In other words, in the second equation DAC development aid decreases corruption levels by 0.00, however the slope coefficient of DAC development aid in the second equation is still insignificant because (p-value equals 43%). This being said, we cannot make assumptions on DAC development aid and its effect on the CPI in this model.
When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize, that the Human Development Index, the Government Effectiveness Index and the Political Stability Index increase the CPI, meaning they

decrease corruption levels, whereas the Freedom in the World Index decreases the CPI, meaning it increases corruption levels.

The slope coefficients of all control variables, with the exception of the slope coefficient of the HDI, are below 5%, hence making them statistically significant for the model. This means we can conclude from this model, that DAC donors fund nations, that are considered politically stable and have strong and effective governments to the extent of increasing the CPI scores in the model, however also fund nations, that are not necessarily classified as free by Freedom House because the scores of the Freedom in the World Index of the experience sample in the model lead to a decrease in the CPI, which means they increase corruption levels.

Table 8: DAC Model 3 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.081[a]	.007	-.005	6.729	.449
2	.928[b]	**.861**	.852	2.581	**.000**

a. Predictors: (Constant), Aid in USD
b. Predictors: (Constant), Aid in USD, FIW, PV, HDI, GE

As presented in Table 8, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 8 indicates, that in the 2nd equation of this regression model R-square is 86.1% meaning that 86.1% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

Table 9: Findings of Non-DAC Model 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	26.219	1.313		19.970	.000
	Aid in USD	.002	.002	.125	1.131	**.261**
2	(Constant)	29.560	7.452		3.967	.000
	Aid in USD	.001	.001	.093	1.659	**.101**
	HDI	18.660	8.772	.201	2.127	**.037**
	FIW	-1.213	.762	-.165	-1.592	**.115**
	GE	8.583	1.805	.578	4.755	.000
	PV	-.048	1.025	-.004	-.047	**.963**

a. Dependent Variable: CPI

Table 9 displays the findings of the Non-DAC Model 3, which is the regression model, that is comparable to DAC-Model 3. In non-DAC-Model 3, before adding the Control Variables the equation looked the following:

Equation 1:

$$CPI = 26.219 + 0.002 \text{ Non-DAC AID}$$

This means that if non-DAC aid increases by 1 million USD the CPI would increase by 0.002, which means, that non-DAC development aid decreases corruption levels in the aid receiving nations, however the slope coefficient of non-DAC aid in this equation is statistically insignificant because p-value (highlighted in bold) is 26.1% which is more than 5%. After adding the control variables, the equation looked the following:

Equation 2:

$$CPI = 29.560 + 0.001 \text{ Non-DAC AID} + 18.660 \text{ HDI} – 1.213 \text{ FIW} + 8.583 \text{ GE} + - 0.048 \text{ PV}$$

As presented by equation 2, after adding the control variables the slope coefficient of non-DAC development aid decreased from 0.002 to 0.001, which means that in the second equation non-DAC development aid increases the CPI at a smaller rate than the one in the first equation. However, the slope coefficient of non-DAC development aid in the second equation is still insignificant because its p-value is 10.1% (highlighted in bold). This being said, we cannot make assumptions about non-DAC development aid and its effect on the CPI in this model.

When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize, that higher Human Development scores and the Government Effectiveness scores, increase the CPI in the model, meaning they decrease corruption levels, whereas the Freedom in the World Index and the Political Stability Index both decrease the CPI meaning they increase corruption levels. With the exception of the Government Effectiveness Index, the slope coefficients of all control variables are statistically insignificant to the model because their p-values are more than 5% (highlighted in bold). This being said, from this regression model we can only conclude, that non-DAC donors fund nations that have strong and efficient governments to the extent of increasing the CPI. I am aware that this finding goes against my argument claiming that non-DAC donors are non-selective, however I do not believe that this model is reliable enough for coming up with generalization. I develop this point further in section 4.2.4.

Table 10: Non-DAC Model 3 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change

1	.125[a]	.016	.003	8.862	.026
2	.896[b]	**.802**	.789	4.077	**.000**

a. Predictors: (Constant), Aid in USD
b. Predictors: (Constant), Aid in USD, GE, PV, HDI, FIW

As presented in Table 10, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 8 indicates, that in the 2nd equation of this regression model R-square is 80.2% meaning that 80.2% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

When it comes to comparing DAC Model 3 to non-DAC Model 3, it is important to notice, that we cannot compare nor make assumption about DAC/non-DAC development aid and its effect on the CPI scores of the experience sample in each model due to the insignificance of the slope coefficient of DAC and non-DAC development aid in both models. Furthermore, we also cannot compare the HDI scores, the Freedom in the World Index scores, and the Political Stability Index scores of the experience sample in both regression models. That is because in DAC Model 3 the slope coefficient of the HDI is statistically insignificant, and in Non-DAC Model 3 the slope coefficient of the HDI, the Freedom in the World Index and the Political Stability Index are all statistically insignificant.

These insignificant relationships prevent me from being able to compare and draw conclusions with regards to the indicators of the experience samples of each model; however in DAC Model 3 and Non-DAC Model 3 the slope coefficient of the Government Effectiveness Index is statistically significant, which allows me to

compare both slopes, and conclude that, between 2012 and 2020 in comparison to DAC donors, non-DAC donors have funded more effective and strong governments because the slope coefficient of the Government Effectiveness Index in Non-DAC Model 3 is bigger than the slope coefficient of the Government Effectiveness Index in DAC Model 3. In addition to this, we can conclude that both types of donors have funded governments that were effective and strong enough to the extent of increasing the CPI in each model, which means they resulted in lowering levels of corruption. Moreover, thanks to the statistical significance of the slope coefficient of the Political Stability Index and the Freedom in the World Index in DAC Model 3, one could argue, that between 2012 and 2020 DAC donors have funded government that were politically stable and did not suffer from political violence to the extent of being able to have a positive effect on the CPI and increase it hence decreasing corruption levels. However, they have also funded nations, that were not necessarily perceived by Freedom House as free, which has negatively affected the CPI hence has caused more corruption to occur.

Here again, I would argue, that the two previous regression models, are not fully reliable for generalizability; On the one hand, it is clear how multiple statistical insignificances preclude drawing conclusions and comparing both types of donors and their aid receiving nations. On the other, both models only cover the years 2012 through 2020, which again highlights the data gaps of the research and does not provide the full picture.

The last two regression models, that I have conducted and, will be analyzed and compared in short, are the DAC and non-DAC regression models, which include the Control of Corruption Measure scores of the countries chosen to represent dominantly non-DAC or DAC development aid receiving countries as the dependent variable, and which cover the time period 2000 to 2020. In Table 1 and 2 these are DAC Model 1 and Non-DAC Model 1.

Table 11: Findings of DAC Model 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.447	.043		-10.440	.000
	Aid in USD	-6.137E-5	.000	-.153	-2.128	**.035**
2	(Constant)	-.065	.067		-.969	.334
	Aid in USD	-4.336E-6	.000	-.011	-.435	**.664**
	HDI	.335	.100	.101	3.339	.001
	FIW	-.107	.008	-.408	-13.698	.000
	GE	.456	.039	.466	11.808	.000
	PV	.160	.018	.260	9.042	.000

a. Dependent Variable: CC

In DAC-Model 1, before adding the Control Variables the equation looked the following:

Equation 1:

$$CC = - 0.447 – 0.00006137 \text{ DAC AID}$$

This means that if DAC aid increases by 1 million USD, the Control of Corruption Measure would decrease by 0.00006137, i.e. non-DAC aid would increase corruption levels. In this model the slope coefficient of aid is statistically significant because p-value (highlighted in bold) is 3.5%, which is less than 5%. However, after adding the control variables the equation totally changed and the significance of DAC development aid on the Control of Corruption Measure has been affected. After adding the control variables, the equation looked the following:

Equation 2:

$$CC = -0.065 - 0.000004336\ DAC\ AID + 0.335\ HDI - 0.107\ FIW + 0.456\ GE + 0.160\ PV$$

As presented by equation 2, after adding the control variables the slope coefficient of DAC development aid decreased from - 0.00006137 to – 0.000004336, which means that in the second equation DAC development aid decreases the Control of Corruption Measure at a smaller rate than in equation 1. In other words, in the second equation DAC development aid increases corruption levels in the countries included in the model less than it does in equation 1, however the slope coefficient of DAC development aid changed from being significant in the first equation to being insignificant in the second one because its p-value is 66.4% (highlighted in bold). This being said, we cannot make assumptions on DAC development aid and its effect on the Control of Corruption Measure in this model.

When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize, that the HDI, the Government Effectiveness Index and the Political Stability Index lead to an increase of the Control of Corruption Measure,

meaning they decrease corruption levels, whereas the Freedom in the World Index decreases the Control of Corruption Measure, meaning it increases corruption levels. The slope coefficients of all control variables are below 5%, hence making them statistically significant for the model.

This means we can conclude, that in this model DAC donors fund nations, that are more developed, politically stable and have strong and effective governments to the extent of leading to an increase in the Control of Corruption Measure score. Nevertheless, we can also conclude, that DAC donors do not necessarily fund regimes, that are considered free by Freedom House because the Freedom in the World scores of the countries in the experience sample lead to a decrease in the CPI score.

Table 12: DAC Model 1 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	153[a]	.023	.018	.413326851788461	.031
2	.944[b]	**.891**	.888	.139459465234558	**.000**

a. Predictors: Constant, Aid in USD
b. Predictors: (Constant), Aid in USD, GE, PV, FIW, HDI

As presented in Table 12, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 12 indicates, that in the 2nd equation of this regression model R-square is 89.1% i.e. hence 89.1% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

Table 13: Findings of Non-DAC Model 1

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.736	.052		-14.109	.000
	Aid in USD	-9.760E-5	.000	-.086	-1.210	**.228**
2	(Constant)	-.829	.251		-3.299	.001
	Aid in USD	-4.132E-5	.000	-.036	-.929	**.354**
	HDI	1.537	.319	.288	4.821	.000
	FIW	-.073	.025	-.135	-2.971	.003
	GE	.373	.060	.387	6.194	.000
	PV	.133	.044	.189	3.056	.003

a. Dependent Variable: CC

Table 13 displays the findings of the last regression model, which is Non-DAC Model 1. This regression model, is considered the one comparable to DAC-Model 1. In DAC-Model 1 before adding the Control Variables the equation looked the following:

Equation 1:

$$CC = -0.736 - 0.0000976 \text{ Non-DAC AID}$$

This means that if non-DAC development aid increases by 1 million USD the Control of corruption Measure would decrease by 0.0000976, which means more corruption occurs. In this model the slope coefficient of aid is statistically insignificant because p-value (highlighted in bold) is 22.8% which is more than 5%; however, just like the previous model, after adding the control variables the equation totally changed. After adding the control variables, the equation looked the following:

Equation 2:

$$CC = -0.829 - 0.00004132 \text{ Non-DAC AID} + 1.537 \text{ HDI} - 0.073 \text{ FIW} + 0.373 \text{ GE} + 0.133 \text{ PV}$$

As presented by equation 2, after adding the control variables the slope coefficient of non-DAC development aid decreased from – 0.0000976 to - 0.00004132, which means that in the second equation non-DAC development aid decreases the Control of Corruption Measure at a smaller rate than in equation 1. In other words, in the second equation non-DAC development aid increases corruption levels in the countries included in the model less in comparison to equation 1; however the slope coefficient of non-DAC development aid in the second equation is still insignificant as it is in the first equation because its p-value is 35.4% (highlighted in bold). This being said, we cannot make assumptions in regards to non-DAC development aid and its effect on the Control of Corruption Measure in this model.

When it comes to looking at the effect of the control variables in the model on the CPI, we can recognize, that increases in the Human Development Index, the Government Effectiveness Index and the Political Stability Index increase the Control of Corruption Measure, meaning they decrease corruption levels, whereas the Freedom in the World Index decreases the Control of Corruption Measure, meaning it increases corruption levels. All slope coefficients of the control variables are below 5% hence making them statistically significant for the model making them extremely relevant to explaining the variation in corruption levels. We can hence conclude, that in this model non-DAC donors fund nations, that are considered developed, politically stable and have strong and effective governments to the extent of increasing the CPI scores in the model. They nevertheless also fund governments that are not necessarily considered free enough by Freedom House as the different Freedom in the World

Index scores have negatively affected the Control of Corruption measure in the model.

Table 14: Non-DAC Model 1 Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.086[a]	.007	.002	.581859823405467	.021
2	.869[b]	.756	.750	.291473176161680	**.000**

a. Predictors: (Constant), Aid in USD
b. Predictors: (Constant), Aid in USD, FIW, PV, HDI, GE

As presented in Table 14, the overall model is statistically significant with its p-value being 0.0000 (highlighted in bold). Moreover, table 6 indicates, that in the 2nd equation of this regression model R-square is 86.9%i.e. 86.9% of total variation in y (dependent variable) is explained by the explanatory variables (independent and control variables).

When it comes to comparing DAC Model 1 to non-DAC Model 1, it is important to notice that just as in all previously analyzed regression models, we cannot compare nor make assumption about DAC/non-DAC development aid and its effect on the Control of Corruption Measure of the experience sample in each model due to the insignificance of the slope coefficient of DAC and non-DAC development aid in both models.

What we can, however, compare are all control variable included in both models since they're all statistically significant in both models. When looking at the slope

coefficients of these indicators in both models we could recognize, that the slope coefficients of the Government Effectiveness Index and the Political Stability Index in DAC Model 1 are higher than those in Non-DAC Model 1. On the other hand, we can also easily identify, that the slope coefficient of the Human Development Index in Non-DAC Model 1 is higher than the one in DAC Model 2. Furthermore, despite the fact, that in both models the slope coefficients of the Freedom in the World Index are negative, the one in Non-DAC Model 1 is smaller than the one is DAC Model 1.
All of this means that based on these findings, one could argue, that between 2000 and 2020 non-DAC donors have funded nations, which were freer and more developed than the nations, that DAC donors have funded in the same period, whereas between 2000 and 2020 DAC donors have funded nations, which were more politically stable and had stronger and more effective governments, than the nations non-DAC donors have funded in the same period.
I would argue, that DAC Model 1 and Non-DAC Model 1 are the most reliable models of all 6 analyzed regression models, however I will elaborate more on this in my generalizability section (see section 4.2.4).

4.2.4 Generalizability

After displaying the different interpretations of the six different linear regression models, that have been conducted, it is time to make sense of these findings and come up with generalizations and what these generalizations mean for my hypotheses.

To start off, the findings, that are identical in the different comparable regression models and hence are reliable for coming up with generalizations are the following: When it comes to development aid, whether coming from DAC or non-DAC donors, in all different regression models the slope coefficient of aid was insignificant. This means, that we can safely argue that both, DAC and non-DAC development aid, have no significant effect on corruption levels in the countries receiving high amounts of DAC or non-DAC development aid.

Another conclusion we are able to reach after looking at the different regression models, is that between 2000 and 2020 DAC donors chose to intensively fund nations, which were not classified as free by Freedom House because in the three different DAC regression models, the slope coefficient of the Freedom in the World Index was negative, meaning it negatively affects corruption levels in the countries receiving high amounts of DAC development aid.

In addition to this, when comparing significant slope coefficients of the Freedom in the World Index in the different DAC and non-DAC regression models, we could recognize, that all significant FIW slope coefficients in the non-DAC models were higher than those in the DAC models. This means, we can argue that between 2000 and 2020 non-DAC donors were more selective than DAC donors and chose to fund countries that were freer than those funded by DAC donors. I am aware that this finding indicates some sort of selectivity of non-DAC donors. Nevertheless, I believe that this is not enough for us to conclude that non-DAC donors are as selective or more selective than DAC donors. The reason I say this is that when it comes to choosing to fund politically stable and effective governments my reliable findings

revealed how non-DAC donors did not necessarily do a great job. Therefore, I still argue that non-DAC donors are not necessarily selective. I will further develop this point in the upcoming paragraphs.

Moving on, since in all different regression models, whether the DAC or non-DAC ones, the significant slope coefficients of the Government Effectiveness Index and the Political Stability and Absence of Political Violence/Terrorism was positive, we can conclude that between 2000 and 2020 both types of donors have funded governments, which were effective and lacked political violence to the extent of positively affecting corruption levels; however which type of donor was more selective in that matter will be displayed shortly.

Lastly, an additional generalization we can come up with when looking at the significant HDI slope coefficients in the different DAC models, is that DAC donors chose to fund countries, that enjoyed a certain level of development, since all significant HDI slope coefficients were positive, meaning they decrease corruption levels. In addition to this, despite the insignificance of the HDI slope coefficient in non-DAC Model 2 and 3, when comparing the significant HDI slope coefficient in DAC and non-DAC model 1, we can generalize, that between 2000 and 2020 non-DAC donors have funded countries, that enjoyed higher levels of development than the nations funded by DAC donors in the same time period. The lower commitment of non-DAC donors to fund less developed nations reflects more clearly the arguments made by Naim (2007) and Chahoud (2008) claiming that non-DAC donors when providing aid tend to prioritize their own economic and political motives (see 3.2). This finding indicates that non-DAC donors choose to fund development projects in

countries that are economically and politically strategic instead of funding countries in most need, and that is because they forward their immediate economic and political motives and the advantages they would gain from this cooperation.

Now we have reached the part, in which I will display the findings, that are not identical in the different comparable DAC and non-DAC models. When comparing the different Government Effectiveness Index slope coefficients in the different models, we'll recognize, that in Non-DAC Models 2 and 3, the slope coefficient of the Government Effectiveness Index is higher than the ones in the DAC Models 2 and 3. Conversely, in Non-DAC Model 1, the Government Effectiveness Index is lower than the one in DAC Model 1. Despite the contradiction, I would argue, that in this case the findings of DAC and non-DAC Model 1 are more reliable than DAC and non-DAC Models 2 and 3. The reason behind this, is that in DAC and non-DAC Models 2 and 3 the time periods, which are covered are shorter, than the time period covered by DAC and non-DAC Model 1. This change in CPI research methodology has forced me to split my research timeframe into one covering 2000 till 2011 (before the change in CPI research methodology) and another one covering the years 2012 till 2020 (after the change in CPI research methodology). This split, has significantly highlighted the data gaps in my research (see section 6.1 and 4.2.2).
This being said, I would strongly argue, that DAC and non-DAC regression models 1 are more reliable and accurate to come up with generalizations than DAC and non-DAC models 2 and 3. Now going back to comparing the slope coefficient of the Government Effectiveness Index in the DAC and non-DAC models, I choose to rely

on the findings of the DAC and non-DAC Models 1, which display that between 2000 and 2020 DAC donors have funded governments, that are stronger and more effective, than the governments, which have been funded by non-DAC donors in the same time period.

Lastly, when looking at the slope coefficient of the Political Stability and Absence of Political Violence/Terrorism Index in the different regression models, again they are not identical. In Non-DAC Model 2, the slope coefficient of the PV is insignificant hence not comparable, in Non-DAC Model 3 the slope coefficient of the PV is higher than the one in DAC Model 3, and in DAC Model 1 the slope coefficient of the PV is higher than the one in Non-DAC Model 1. For the same reasons I have listed in the previous paragraph, I hold the findings of DAC and Non-DAC Model 1 as more accurate for generalizations, hence we can conclude, that between 2000 and 2020 DAC donors have funded governments, which were more politically stable, than those funded by non-DAC donor within the same time period.

After coming up with the previously stated generalizations, it is crucial to explain what these findings mean for my hypotheses. As mentioned at the beginning of the dissertation, I argued that in comparison to predominantly DAC development aid receiving countries, predominantly non-DAC development aid receiving countries tend to become more corrupt over time. The reason behind this argument is that non-DAC donors do not apply conditionalities related to good governance and are less selective than DAC donors. I have explained how this argument entails two testable hypotheses:

H1: The more non-DAC development aid predominantly non-DAC development aid receiving countries receive, the higher the levels of corruption they show; H2: The less the development aid is selective and entails conditionalities related to good governance, the higher the corruption levels in the aid receiving country.

After conducting the different regression models, I'm forced to reject H1, which claims the existence of a positive correlation between non-DAC development aid and high corruption levels in countries intensively funded by non-DAC donors due to the insignificance of the relationship in all different regression models, which were conducted.

On the other hand, I could accept H2, which argues that the less selective and conditioned is the development aid, the higher the corruption levels in the aid receiving country. Accordingly, there is sufficient evidence to support the part of my argument claiming that, in comparison to predominantly DAC development aid receiving countries, predominantly non-DAC development aid receiving countries tend to become more corrupt over time.

I'm able to accept this argument because when comparing the established generalizations in regards to DAC and non-DAC selectivity in the areas that are relevant to my selectivity argument (see section 3.4) we could recognize how DAC donors are more selective. When looking at the significant slope coefficients of the government effectiveness, political stability and economic and political freedom, we could notice, how in two out of these three sectors DAC donors scored higher than non-DAC donors.

Based on these findings we have concluded that, despite the fact that between 2000 and 2020 non-DAC donors have funded relatively freer governments than DAC donors, DAC donors have funded stronger, more effective and more politically stable governments within the same timeframe. Accordingly, I'm able to accept H2 and conclude that non-DAC donors lack applying conditionalities related to good governance and are less selective than DAC donors hence over time, in comparison to predominantly DAC funded countries, predominantly non-DAC funded countries would be characterized with higher levels of corruption.

5. Conclusion

For social progress, political stability, and economic development, corruption is a significant obstacle. It restricts prospects for investment and economic progress and jeopardizes the reliability of government agencies. This being said, scholars have tried to look into factors that could possibly increase corruption and by that hinder social, economic and political development from being achieved. As displayed by my theoretical chapter, development aid, especially provided by the newly emerged non-DAC donors, is sometimes thought of as a corruption stimulant as non-DAC donors are not selective and do not attach to their aid conditionalities related to good governance. That is why multiple critics argued that non-DAC donors help and even feed the persistence of corrupt regimes in the countries they intensively fund. The purpose of this dissertation was to empirically demonstrate whether in fact countries dominantly receiving non-DAC development, in comparison to other nations that dominantly receive DAC development aid, are characterized with higher levels of corruption. I argued that this should be the case due to non-DAC donors being non-selective and not attaching to their aid conditionalities related to good governance, whereas DAC donors are relatively more selective and do mostly attach to their aid conditionalities related to good governance.

I made it clear that this dissertation does not aim to praise DAC donors, however aims to prove that non-DAC donors are equally poor, if not worse, development aid providers as they increase corruption levels in the countries they fund.

After conducting six different simple linear regression analyses, I was able to conclude that there is no significant relationship between development aid, whether coming from DAC or non-DAC donors, and corruption levels in the aid receiving countries included in my research. This realization has forced me to reject H1 in which I claim a correlation between non-DAC development aid and high corruption levels in dominantly non-DAC aid receiving nations; however, my findings also revealed that other factors significantly affect corruption levels, such as political stability, political and economic freedom and government effectiveness. I recognized how between 2000 and 2020 DAC donors funded nations enjoying higher levels of government efficiency and political stability, however are less free than the nations dominantly funded by non-DAC donors. This realization has enabled me to accept H2 claiming a negative relationship between donor selectivity and conditionalities related to good governance and high corruption levels. Accordingly enabling me to conclude that non-DAC donors, due to being non-selective and their aid lacking conditionalities related to good governance, the countries they intensively fund would overtime be characterized with higher levels of corruption than the nations dominantly funded by DAC donors.

Furthermore, due to realizing an insignificant relationship between non-DAC development aid this has made me conclude that non-DAC development aid does not have an identical effect on corruption levels in all aid receiving countries, and that there are probably other factors that more significantly and directly affect corruption. Due to the findings of my quantitative method I was able to assume a

more direct and significant relationship between political stability, government effectiveness and corruption levels. In short, the determining factor is the context in which the aid is provided; if provided to a country that is politically unstable and has a weak government the aid could be abused and accordingly increase corruption, on the other hand, if the aid is provided to an efficient and stable government it could effectively use the development aid hence possibly decrease corruption levels. Hence, selectivity and conditionalities related to good governance and the supervision of the achievement of these conditionalities is critical and essential for helping aid receiving nations decrease their corruption levels. As a result of this, development aid would assist them in accomplishing economic and social development.

7. Appendices

This section displays the different datasets and annual financial reports I have accessed in order to extract the needed aid data required for my research. Additionally, it reveals the data gaps faced when trying to extract the needed data.

In order to extract Chinese development aid activity within my chosen timeframe, I depended on AidData's Global Chinese Development Finance Dataset Version 2.0; it lists all projects that have been known to have received official financial and in-kind commitments from China between 2000 and 2017 and have a development, commercial, or representational intentions. The dataset classifies the aid provided by China to three different types: ODA-like, OOF-like and Vague Official Finance. Since I only focus on development aid, I extracted the ODA-like activity of China over the years. Moreover, the database specifies the status of the financial flow, meaning whether the money was promised or whether it was actually provided to the country. For the sake of accuracy, I only included development financial flows, which were actually provided to the country and excluded the promised or pledged amounts. As previously mentioned, the database covers the time period of 2000-2017, I'm aware that three years of my specified research timeframe are missing, however this is the closest I could get to extracting Chinese development aid activity.

Moving on, when it comes to retrieving the development aid amounts and allocations of Saudi Arabia, I looked into Saudi Arabia's country profile on the OECD website. The website provided sources through which one could access Saudi

Arabia's aid activity, such as the website of the Saudi Fund for Development, the website of King Salman Humanitarian Aid and Relief Center (KSRelief) and the website of Saudi Arabia's Ministry of Foreign Affairs. I decided to neglect KSRelief as it targets providing different countries with humanitarian aid, which is not the focus of my research. Instead, I focused on the Saudi Fund for Development and the Saudi Arabian Ministry of Foreign Affairs. The Saudi Ministry of Foreign Affairs website does not give access to any annual reports, which document aid activity, however the Saudi Fund for Development publishes annual reports, which were available online, covering the period between the year 2002 and 2020. The reports mentioned how much development aid the Saudi government paid per year and also specified the geographical allocation of aid. Here again, a data gap occurs between the year 2000 and 2001 as no annual reports were available for these two years on the Saudi Fund for Development's website.

When it comes to accessing Qatar's development aid financial flows, again I looked into Qatar's country profile on the OECD website and the sources, which were provided as a possible way to access the country's aid activity was the website of Qatar's Fund for Development. When looking into their website, I realized that they published annual reports between 2016 and 2020 documenting Qatar's development financial flows all over the world between the mentioned timeframe. Additionally, I tried to look for other sources which could provide me with other information; Qatar's Ministry of Foreign Affairs did not provide any other information; however, I found an additional dataset, being AidData's Qatar TUFF (Tracking Underreported

Financial Flows) Donor Dataset, Version 1.0. This dataset thoroughly documents the aid transfers from 136 Qatari initiatives to 13 recipients in the Middle East and Africa between 2010 and 2013. It covers official development assistance-like flows, other official flows-like flows, as well as vague official finance. I only included ODA-like flows. I'm also aware of the huge data gap that I'm faced with as for Qatar I was not able to find sources that cover Qatar's development aid activities between 2000 and 2010, but unfortunately due to the lack of transparency and reporting of the country the previously mentioned datasets were the closest I could get to reporting their development financial flows over mt specified timeframe.

An additional non-DAC donor I included is the United Arab Emirates; the UAE's ministry of foreign affairs publishes annual reports which were available on their website and which reported all aid activity of the country over the years. Such reports were available for the years 2009 till 2020. The annual reports from 2009 to 2015 did not specify, whether the aid provided was for humanitarian or developmental reasons, which of course creates a possible problem of accuracy as I may have included sums of money, that were provided by the UAE to a country, however did not target developmental projects. Starting from the year 2016, the reports specified whether the aid was ODA or OOF. Once more due to the lack of reporting and availability of data a data gap occurs between the years 2000-2008.

As for Kuwait, the country's country profile on OECD's website provided two sources: Kuwait's Ministry of Foreign Affairs' website and the website of the Kuwait

Fund for Arab Economic Development. Kuwait's Ministry of Foreign Affairs' website did not direct me to any annual reports, which document the country's foreign aid activity, but fortunately on the Kuwait Fund for Arab Economic Development website I was able to access all annual reports from 2000-2020. The reports documented all development financial flows provided by Kuwait to different countries over the specified time period.

The last non-DAC donor I included was India; I was able to access only one annual report published by the Indian ministry of foreign affairs for the year 2020, however additionally I found another data set online being AidData's Indian Development Finance Dataset, Version 1.0. This dataset provides information on all Indian development cooperation projects recorded in official documents from India's Ministry of External Affairs (MEA) and the Export-Import Bank of India (Exim) between 2007 and 2014. It also classifies the aid into ODA-like flows, OOF-like flows, and vague official finance. I only included the ODA-like flows. Here again, I'm aware of the huge data gap I'm facing between 2000 and 2006 and again between 2015 and 2019 but unfortunately India was one of the most underreported countries hence preventing me from the retrieving the data I need.

An important aspect, that needs to be acknowledged is, that the aid, that was documented in the different datasets and annual reports were in different currencies, for example the annual reports of the Saudi Fund for Development reported the aid amount in Saudi Riyal, whereas some of the annual reports of the UAE's Ministry of

Foreign Affairs were in Dirham. In order to solve this currency issue, I converted all amounts into the USD exchange rate of the year the aid was provided in in order to unify the currency making it comparable for the research.

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