Detecting and Combating Corruption

Documenting corruption is the first step in fighting it, but corruption tends to be difficult to detect, especially at the highest levels of government. In a recent Policy Research Talk, economist Bob Rijkers highlighted new approaches to fighting corruption via three case studies: Tunisia under Ben Ali, customs in Madagascar, and financial flows into offshore financial centers known for bank secrecy following international aid disbursements. The case studies show how transparency and technology can be useful in detecting corruption, but broader systems of incentives and good governance are needed to address it systematically.

RESEARCH HIGHLIGHTS

✓ Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts
  This research documents that aid disbursements to highly aid-dependent countries coincide with increases in bank deposits in offshore financial centers known for bank secrecy and private wealth management. The findings are consistent with aid capture in these aid-dependent countries.

✓ Does Democratization Promote Competition? Indonesian Manufacturing Pre and Post Suharto
  Industries in which Suharto family firms had larger market share during his tenure exhibited improvements in broader measures of competition in the post-Suharto era relative to industries in which Suharto firms had not been important players.

✓ Technology, Taxation, and Corruption: Evidence from the Introduction of Electronic Tax Filing
Developing countries have increasingly adopted online submission of tax declarations to replace in-person submission to tax officials. This paper examines the impact of e-filing on compliance costs, tax payments, and bribe payments using experimental variation and data from Tajikistani firms.

✓ **Political Connections and Tariff Evasion: Evidence from Tunisia**


This paper presents evidence that firms owned by Ben Ali’s family were more likely to evade tariffs than other firms during his tenure.

✓ **Deterring Kickbacks and Encouraging Entry in Public Procurement Markets: Evidence from Firm Surveys in 88 Developing Countries**


In countries with more transparent procurement systems, firms are more likely to participate in public procurement markets. Firms also report paying fewer and smaller kickbacks to officials in countries with more transparent procurement systems, effective and independent complaint mechanisms, and more effective external auditing systems.

✓ **Are Politically Connected Firms More Likely to Evade Taxes? Evidence from Tunisia**


Tax, social security, and customs records for firms owned by former President Ben Ali and his family show that connected firms were more likely to evade taxes and more likely to report anomalously low sales when submitting a tax declaration.

✓ **All in the Family: State Capture in Tunisia**


This paper examines the relationship between entry regulation and the business interests of former President Ben Ali’s family using firm-level data from Tunisia. Although causality is difficult to establish, the results are consistent with the hypothesis that the Ben Ali family abused entry regulation for private gain at the expense of reduced competition.

✓ **Deals and Delays: Firm-level Evidence on Corruption and Policy Implementation Times**


The “grease the wheels” hypothesis contends that bribes act as speed money. This paper presents three testable predictions to show that corruption does not enhance efficiency.

To access the latest Policy Research Working Papers from the Development Research Group, click [here](#).

**UPCOMING EVENTS**
March 9: The Hidden Dimensions of Poverty: Description, Measurement and Action
March 10: Policy Research Talk: Democratizing Democracy
March 16–20: Land and Poverty Conference 2020 | Institutions for Equity and Resilience
April 21: Policy Research Talk: Electricity Availability and Economic Activity: Lessons from Developing Countries

To see more events, please click here.

SOCIAL MEDIA

In defense of the Gini Coefficient
Francisco Ferreira | Let's Talk Development, February 19, 2020
It has recently become fashionable to trash the world’s (hitherto) most popular measure of income inequality: the Gini Coefficient. Some of world’s best economists — including those leading the study of inequality today — are enthusiasts of the sport. Take for example, Anne Case and Angus Deaton’s January 27 column in Prospect. The characteristically well-written piece makes various excellent points. It notes that no single statistic can convey a full picture of inequality.
Read the blog

A beginner’s guide to doing/thinking about doing an RCT or field study in China
David McKenzie | Development Impact, February 18, 2020
It used to be that economics research papers on China were more common than those on India: Das et al. report that over the 20-years between 1985 and 2004, the top-5 economics journals published 39 papers on India, versus 65 on China. But my impression was that this pattern has greatly reversed with the rise of more fieldwork and impact evaluations, especially for graduate students. To investigate this, I used the AEA RCT registry (thanks to Keesler Welch for help on this) to see how many trials had been registered for each country: in total, there are 42 for China, compared to 175 for India and 120 for Kenya. The figure below shows the number by year, showing that China’s numbers grew much less in the mid-2010s than these other two countries.
Read the blog

Bank capital and risk in ECA ten years after the crisis
Deniz Anginer, Asli Demirgüç-Kunt, Davide Salvatore Mare | All About Finance, February 13, 2020
In a recent policy paper, we analyze the evolution of bank capital and capital regulations in Europe and Central Asia using data from the most recent Bank Regulation and Supervision Survey (BRSS) conducted by the World Bank (Anginer et al. 2019). We show three important developments over the past decade.
Read the blog

Policymakers need to focus on the quality and not just the quantity of services delivered
Deon Filmer, Adam Wagstaff | Let's Talk Development (2nd in a series of 13 insights from development economics), February 13, 2020
In both education and health, poor quality of service delivery is the key reason why service coverage does not necessarily
translate into better outcomes. We know this because research — much of it done at the World Bank — has zeroed in on the quality of service delivery.

Read the blog

The return to protectionism

Pablo Fajgelbaum, Pinelopi Goldberg, Patrick Kennedy, Amit Khandelwal | VoxDev, February 12, 2020

In a recent paper (Fajgelbaum et al. 2019), we estimate the impact of the trade war on the US economy. The aggregate annual loss to US consumers from higher import prices as a result of the trade war with China could be as much as $68.8 billion.

Read the article

Who gains from trade?

Erhan Artuc, Bob Rijkers, Guido Porto | Future Development, Brookings, January 31, 2020

The resurgence of protectionism has renewed interest in the gains from trade and how they are distributed. Identifying who gains and who loses from trade and by how much is of crucial policy interest, but often challenging because of a lack of suitable data. Information on exposure to trade-induced changes in consumer prices, wages, and returns to entrepreneurship is often hard to access, not available, or not sufficiently disaggregated to permit meaningful analysis.

Read the blog

Thirteen insights for successful development policies

Aart Kraay | Let’s Talk Development, January 30, 2020

What key insights have emerged from development economics in the past decade, and how should they impact the work of the World Bank? As we gear up for the final decade in which to achieve the sustainable development goals, we’ve been discussing this challenging question at the Bank’s research department. A new working paper published today Toward Successful Development Policies: Insights from Research in Development Economics captures 13 of the most significant insights in the world of development economics, which we will introduce over the coming weeks through this blog series.

Read the blog

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