

Abstract

This thesis estimates the capture of foreign aid in developing countries, where elites divert the aid intended for economic growth and poverty reduction to offshore bank deposits in tax havens. Using publicly available data, we analyze the relationship between aid disbursements and offshore deposits and find that while the aid capture persists since 1990, the enhanced financial transparency has had a diminishing impact. We also investigate the role of portfolio investment and corruption, emphasizing the importance of addressing these issues to ensure effective aid redistribution. Our findings suggest that the individuals benefiting from the flow of funds to tax havens during aid disbursements are likely ruling elites, highlighting the need for greater transparency in aid distribution.

JEL Classification F35, O19

Keywords aid capture, offshore bank deposits, foreign aid, financial transparency, tax havens

Title Effect of Enhanced Financial Transparency on Foreign Aid Captured by Elites