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### Monitoring Corruption: Evidence from a Field Experiment in Indonesia

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This paper presents a randomized field experiment on reducing corruption in over 600 Indonesian village road projects. I find that increasing government audits from 4 percent of projects to 100 percent reduced missing expenditures, as measured by discrepancies between official project costs and an independent engineers' estimate of costs, by eight percentage points. By contrast, increasing grassroots participation in monitoring had little average impact, reducing missing expenditures only in situations with limited free-rider problems and limited elite capture. Overall, the results suggest that traditional top-down monitoring can play an important role in reducing corruption, even in a highly corrupt environment.

#### 1. Introduction

Corruption is a significant problem in much of the developing world. In many cases, corruption acts like a tax, adding to the cost of providing public services and conducting business. Often, though, the efficiency

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