

Syllabus

International Development Policy (Internationale Entwicklungspolitik)

Winter semester 2020/21

(as of October 20, 2020)

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1. General information

1.1 Course content

This course offers insights into the politico-economic analysis of international development policies. Students will obtain an overview on the state of the art of empirical research on development aid and other international development policies. The course discusses the determinants of aid allocation, up-to-date methods for evaluating aid effectiveness at the macro and micro level, the role of conditionality, and potential reasons for the ineffectiveness of aid projects. It also covers non-state

development actors, international development organizations, and so-called new donors such as China and India. More specifically, the course covers the following topics:

Chapter 1	Introduction
Chapter 2	Determinants of aid giving
Chapter 3	Allocation of aid across countries
Chapter 4	International development organizations
Chapter 5	Emerging bilateral donors
Chapter 6	Non-state actors
Chapter 7	Allocation of aid within countries
Chapter 8	Aid effectiveness I (economic growth)
Chapter 9	Aid effectiveness II (health)
Chapter 10	Impact evaluations of development aid projects and programs
Chapter 11	Side effects of aid
Chapter 12	Migration
Chapter 13	Trade policy / Exam Q&A

1.2 Course goals

Students learn to analyze international development policies with politico-economic theories and empirical methods.

1.3 Prerequisites

There are no formal requirements but knowledge in the following areas is highly recommended: microeconomics, macroeconomics, econometrics, and development economics.

1.4 Credit points

6 ECTS-LP (lecture: 2 SWS; exercise session: 2 SWS).

1.5 Registration

Please register via FlexNow.

2. Course overview

2.1 Description of the teaching and learning methods

The lecture is supplemented by self-study based on provided materials and literature. The accompanying exercise session complements the lecture content. It provides a refresher for interpreting regression outputs. Research papers presented in the lecture will be discussed thoroughly with regard to content, methodology and their links to general debates in international development policy. The exercise session will also practice the writing of policy briefs to develop students' skills in policy analysis and communication. **The course language is English.**

2.2 Meetings

This course is planned to take place **on campus (ZHG104)** under the University's regulations and measures for protection against infection. We plan to **livestream** this class via Stud.IP so that you can also participate from home if you prefer. Please register on Stud.IP as soon as possible so that you will receive all information on digital meetings and on possible changes due to the current situation (coronavirus).

Lecture (*Vorlesung*):

- Every Tuesday, 10:00-12:00, Room ZHG104 or via Stud.IP/BigBlueButton
- Every Thursday, 16:00-18:00, Room ZHG104 or via Stud.IP/BigBlueButton
- First lecture: Tuesday, December 8, 2020
- Last lecture: Tuesday, February 9, 2021
- Prof. Fuchs will teach the Chapters 1-5, 7, and 12.
- Dr. Kaplan will teach the Chapters 1, 6, 8-11, and 13.
- There will be no lecture on Tuesday, December 22.

Guest lecture (*Vorlesung*):

- Digital Development Dialogue (3D seminar) by Heiner Janus (DIE) and Rahul Malhotra (OECD): "Aid Effectiveness for the Next Decade: How Will the Debate on Aid Effectiveness Evolve in the Upcoming Years?," January 28, 15:00-16:00 s.t., Room ZHG104 or via Stud.IP/BigBlueButton

Weekly exercise session (*Übung*):

- Every Monday, 14:00-16:00, Room ZHG104 or via Stud.IP/BigBlueButton
- First exercise session: Monday, December 14, 2020

- Last exercise session: Monday, February 8, 2021

Blocked exercise session for presentation of the policy reports (*Übung*):

- Friday, January 29, 9:00-18:00, only via Stud.IP/BigBlueButton
- Participation at the blocked exercise session is mandatory!

Q&A session/crash course prior to second exam:

- Tuesday, March 23, 13:00-17:00, only via Stud.IP/BigBlueButton

2.3 Examination and grading of the module

Due to the current situation, please register on Stud.IP as soon as possible so that you will receive all information.

The grading consists of two components:

- Final exam (duration: 90 minutes) [5C]
- Policy report (drafting, oral presentation, and discussion of another student's report) [1C]

Dates:

- First exam date: February 23, 2021, 11:00-13:00 (online)
- Second exam date: March 30, 2021, 10:00-12:00, (online)

2.4 Course materials

- We will read 1-2 research papers per lecture. The required readings are announced below.
- Supplementary course materials will be announced at the beginning of each lecture and/or published on Stud.IP.
- Exercise questions will be announced during the tutorial and/or published on Stud.IP.

Reading list:

[Note: Papers with a (*) are mandatory readings for the exam]

Chapter 1 Introduction (Fuchs/Kaplan)**Tuesday, December 8, 2020**

- Statement of the “problem”
- Stylized facts
- Writing policy briefs

Required reading:

Bruder, Martin, Jens Eger, Jörg Faust and Sebastian H. Schneider (2020). Public Opinion and International Solidarity in the Corona Pandemic. DEval Brief (April 2020). Bonn, Germany: Deval. Accessible via https://deval.org/files/content/Dateien/Evaluierung/Policy%20Briefs/2020/DEval_Brief_Covid_19_April_2020.pdf.

Scholz, Imme (2020). Beyond Vested Interests: Reforming International Co-operation post COVID-19. Development in Transition Blog. Paris, France: OECD. Accessible via <https://oecd-development-matters.org/2020/10/13/beyond-vested-interests-reforming-international-co-operation-post-covid-19/>.

Chapter 2 Determinants of aid giving (Fuchs)**Thursday, December 10, 2020***Required readings:*

- (*) Budjan, Angelika J. and Andreas Fuchs (2020). Democracy and Aid Donorship. Draft.
- (*) Milner, Helen V. and Dustin H. Tingley (2010). The Political Economy of US Foreign Aid: American Legislators and the Domestic Politics of Aid. *Economics & Politics* 22(2): 200–232.

Other references:

Cheng, Zhiming and Russell Smyth (2016). Why Give It Away When You Need It Yourself? Understanding Public Support for Foreign Aid in China. *Journal of Development Studies* 52(1): 53–71.

- Chong, Alberto and Mark Gradstein (2008). What Determines Foreign Aid? The Donors' Perspective. *Journal of Development Economics* 87(1): 1–13.
- De Mesquita, Bruce Bueno and Alastair Smith (2009). A Political Economy of Aid. *International Organization* 63(2): 309–340.
- Fuchs, Andreas, Axel Dreher and Peter Nunnenkamp (2014). Determinants of Donor Generosity: A Survey of the Aid Budget Literature. *World Development* 56: 172–199.
- Paxton, Pamela and Stephen Knack (2012). Individual and Country-level Factors Affecting Support for Foreign Aid. *International Political Science Review* 33(2): 171–192.

Chapter 3 Allocation of aid across countries (Fuchs)

Tuesday, December 15, 2020

Required readings:

- (*) Alesina, Alberto and David Dollar (2000). Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth* 5(1): 33–63.
- (*) Faye, Michael and Paul Niehaus (2012). Political Aid Cycles. *American Economic Review* 102(7): 3516–3530.

Other references:

- Hoeffler, Anke and Verity Outram (2011). Need, Merit, or Self-Interest—What Determines the Allocation of Aid? *Review of Development Economics* 15(2): 237–250.
- Kuziemko, Ilyana and Eric Werker (2006). How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations. *Journal of Political Economy* 114(5): 905–930.

Chapter 4 International development organizations (Fuchs)

Thursday, December 17, 2020

Required readings:

- (*) Kilby, Christopher (2009). The Political Economy of Conditionality: An Empirical Analysis of World Bank Loan Disbursements. *Journal of Development Economics* 89(1): 51–61.
- (*) Findley, Michael G., Helen V. Milner and Daniel L. Nielson (2020). The Choice among Aid Donors: The Effects of Multilateral vs. Bilateral Aid on Recipient Behavioral Support. *Review of International Organizations* 12(2): 307–334.

Collinson, Erin, Alysha Gardner, and Scott Morris (2019). ABCs of the IFIs: The World Bank. CGD Brief (October 11, 2019). Washington, DC: Center for Global Development. Accessible via: <https://www.cgdev.org/publication/abcs-ifis-the-world-bank>.

Other references:

Dreher, Axel, Jan-Egbert Sturm and James Raymond Vreeland (2009). Development Aid and International Politics: Does Membership on the UN Security Council Influence World Bank Decisions? *Journal of Development Economics* 88(1): 1–18.

Dreher, Axel, Jan-Egbert Sturm and James Raymond Vreeland (2009). Global Horse Trading: IMF Loans for Votes in the United Nations Security Council. *European Economic Review* 53(7): 742–757.

Dreher, Axel and Stefanie Walter (2010). Does the IMF Help or Hurt? The Effect of IMF Programs on the Likelihood and Outcome of Currency Crises. *World Development* 38(1): 1–18.

Dreher, Axel and Martin Gassebner (2012). Do IMF and World Bank Programs Induce Government Crises? An Empirical Analysis. *International Organization* 66(2): 329–358.

Lang, Valentin F. and Andrea F. Presbitero (2018). Room for Discretion? Biased Decision-making in International Financial Institutions. *Journal of Development Economics* 130: 1–16.

Chapter 5 Emerging bilateral donors (Fuchs)

Tuesday, January 12, 2021

Required readings:

(* Dreher, Axel and Andreas Fuchs (2015). Rogue Aid? An Empirical Analysis of China’s Aid Allocation. *Canadian Journal of Economics* 48(3): 988–1023.

(* Hernandez, Diego (2017). Are “New” Donors Challenging World Bank Conditionality? *World Development* 96: 529-549.

Lee, Jones (2020). China’s Belt and Road Initiative Is a Mess, Not a Master Plan. Foreign Policy (October 9, 2020). Accessible via: <https://foreignpolicy.com/2020/10/09/china-belt-and-road-initiative-mess-not-master-plan/>.

Other references:

Asmus, Gerda, Andreas Fuchs and Angelika Müller (2017). BRICS and Foreign Aid. AidData Working Paper No. 43. Williamsburg, VA: AidData at College of William & Mary.

- Dreher, Axel, Andreas Fuchs, Bradley C. Parks, Austin Strange and Michael J. Tierney (2018). Apples and Dragon Fruits: the Determinants of Aid and Other Forms of State Financing from China to Africa. *International Studies Quarterly* 62(1): 182–194.
- Dreher, Axel, Andreas Fuchs and Peter Nunnenkamp (2013). New Donors. *International Interactions* 39(3): 402–415.
- Fuchs, Andreas, and Krishna Chaitanya Vadlamannati (2013). The Needy Donor: An Empirical Analysis of India’s Aid Motives. *World Development* 44: 110–128.
- Horn, Sebastian, Carmen M. Reinhart and Christoph Trebesch (2019). China’s Overseas Lending. NBER Working Paper 26050. Cambridge, MA: National Bureau of Economic Research.

Chapter 6 Non-state actors (Kaplan)

Thursday, January 14, 2021

Required readings:

- (*) Acht, Martin, Toman Omar Mahmoud and Rainer Thiele (2015). Corrupt Governments Do Not Receive More State-to-State Aid: Governance and the Delivery of Foreign Aid through Non-state Actors. *Journal of Development Economics* 114: 20–33.
- (*) Metzger, Laura, Peter Nunnenkamp and Toman Omar Mahmoud (2010). Is Corporate Aid Targeted to Poor and Deserving Countries? A Case Study of Nestlé’s Aid Allocation. *World Development* 38(3): 228–243.

Other references:

- Ballesteros, Luis, Michael Useem and Tyler Wry (2017). Masters of Disasters? An Empirical Analysis of How Societies Benefit from Corporate Disaster Aid. *Academy of Management Journal* 60(5): 1682–1708.
- Dietrich, Simone (2013). Bypass or Engage? Explaining Donor Delivery Tactics in Foreign Aid Allocation. *International Studies Quarterly* 57(4): 698–712.
- Dreher, Axel, Peter Nunnenkamp and Hannes Öhler (2012). Financial Dependence and Aid Allocation by Swiss NGOs: A Panel Tobit Analysis. *Economic Development and Cultural Change* 60(4): 829–867.
- Fuchs, Andreas and Hannes Öhler (2020). Does Private Aid follow the Flag? An Empirical Analysis of Humanitarian Assistance. *World Economy*, forthcoming.
- Werker, Eric and Faisal Z, Ahmed (2008). What Do Nongovernmental Organizations Do? *Journal of Economic Perspectives* 22(2): 73–92.

Chapter 7 Allocation of aid within countries (Fuchs)

Tuesday, January 19, 2021

Required readings:

- (*) Briggs, Ryan C. (2017). Does Foreign Aid Target the Poorest? *International Organization* 71(1): 187–206.
- (*) Dreher, Axel, Andreas Fuchs, Roland Hodler, Bradley C. Parks, Paul A. Raschky and Michael J. Tierney (2019). African Leaders and the Geography of China’s Foreign Assistance. *Journal of Development Economics* 140: 44–71.

Other references:

- Asatryan, Zareh and Annika Havlik (2019). The Political Economy of Multilateral Lending to European Regions. ZEW-Centre for European Economic Research Discussion Paper 19-046. Mannheim, Germany: ZEW.
- Jablonski, Ryan S. (2014). How Aid Targets Votes: the Impact of Electoral Incentives on Foreign Aid Distribution. *World Politics* 66(2): 293–330.
- Öhler, Hannes, Mario Negre, Lodewijk Smets, Renzo Massari and Željko Bogetić (2017). Putting Your Money Where Your Mouth Is: Geographic Targeting of World Bank Projects to the Bottom 40 Percent. *PLoS ONE* 14(6): e0218671.

Chapter 8 Aid effectiveness I (economic growth) (Kaplan)

Thursday, January 21 2020

Required readings:

- (*) Galiani, Sebastian, Stephen Knack, Lixin Colin Xu and Ben Zou (2017). The Effect of Aid on Growth: Evidence from a Quasi-experiment. *Journal of Economic Growth* 22(1): 1–33.
- (*) Dreher, Axel and Steffen Lohmann (2015). Aid and Growth at the Regional Level. *Oxford Review of Economic Policy* 31(3–4): 420–446.
- Janus, Heiner, Hannes Öhler and Paul Marschall (2020). Bridging the Gaps: An Integrated Approach to Assessing Aid Effectiveness. DIE Briefing Paper 12/2020. Bonn, Germany: German Development Institute. Accessible via: <https://www.die-gdi.de/briefing-paper/article/bridging-the-gaps-an-integrated-approach-to-assessing-aid-effectiveness/>

Other references:

- Burnside, Craig and David Dollar (2000). Aid, Policies, and Growth. *American Economic Review* 90(4): 847–868.
- Clemens, Michael A., Steven Radelet, Rikhil R. Bhavnani and Samuel Bazzi (2011). Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth. *Economic Journal* 122(561): 590–617.
- Doucouliagos, Hristos and Martin Paldam (2008). Aid Effectiveness on Growth: A Meta Study. *European Journal of Political Economy* 24(1): 1–24.
- Doucouliagos, Hristos and Martin Paldam (2009). The Aid Effectiveness Literature: The Sad Results of 40 Years of Research. *Journal of Economic Surveys* 23(3): 433–461.
- Dreher, Axel and Sarah Langlotz (2020). Aid and Growth. New Evidence Using an Excludable Instrument. *Canadian Journal of Economics* 3(3): 1162–1198.

Chapter 9 Aid effectiveness II (health) (Kaplan)**Tuesday, January 26, 2021***Required readings:*

- (*) Kotsadam, Andreas, Gudrun Østby, Siri Aas Rustad, Andreas Forø Tollefsen and Hendrik Urdal (2018). Development Aid and Infant Mortality: Micro-level Evidence from Nigeria. *World Development* 105: 59–69.
- (*) Dykstra, Sarah, Amanda L. Glassman, Charles Kenny and Justin Sandefur (2019). Regression Discontinuity Analysis of Gavi’s Impact on Vaccination Rates. *Journal of Development Economics* 140: 12–25.

Other references:

- Mishra, Prachi and David Newhouse (2009). Does Health Aid Matter? *Journal of Health Economics* 28(4): 855–872.

Chapter 10 Impact evaluations of development aid projects and programs (Kaplan)

Thursday, January 28, 2021

Required readings:

- (*) Kaplan, Lennart, Jana Kuhnt, Katharina Richert and Sebastian Vollmer (2019). What Explains the Uptake of Development Interventions? Courant Research Centre: Poverty, Equity and Growth Discussion Papers 261. Goettingen, Germany: University of Goettingen.
- (*) Bold, Tessa, Mwangi Kimenyi, Germano Mwabu and Justin Sandefur (2018). Experimental Evidence on Scaling Up Education Reforms in Kenya. *Journal of Public Economics* 168: 1–20.

Other references:

- Dorsch, Michael, Cristina Corduneanu-Huci and Paul Maarek (2017). Learning to Constrain: Political Competition and Randomized Controlled Trials in Development. Working Paper. Available at: <https://thema.u-cergy.fr/IMG/pdf/2017-24.pdf>.
- Duflo, Esther, Rachel Glennerster and Michael Kremer (2007). Using Randomization in Development Economics Research: A Toolkit. *Handbook of Development Economics* 4: 3895–3962.
- Miguel, Edward and Michael Kremer (2004). Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities. *Econometrica* 72(1): 159–217.

Chapter 11 Side effects of aid (Kaplan)

Tuesday, February 2, 2021

Required readings:

- (*) Nunn, Nathan and Nancy Qian (2014). US Food Aid and Civil Conflict. *American Economic Review* 104(6): 1630–1666.
- Transparency International (2016). The Humanitarian Imperative: How Curbing Corruption Can Save Lives. Transparency International Policy Brief 01/2016. Berlin, Germany: Transparency International. Accessible via: <https://reliefweb.int/sites/reliefweb.int/files/resources/2016-policybrief1-humanitarianaid-en.pdf>

Other references:

- Bjørnskov, Christian (2010). Do Elites Benefit from Democracy and Foreign Aid in Developing Countries? *Journal of Development Economics* 92: 115–124.

- Christian, Paul and Christopher Barrett (2018). Spurious Regressions and Panel IV Estimation: Revisiting the Causes of Conflict. Working Paper. Available at <http://barrett.dyson.cornell.edu/files/papers/Spurious%20Regressions%20and%20Panel%20IV%20Estimation%20paper%20and%20appendix%20Dec%202018.pdf>.
- Collier, Paul and Anke Hoeffler (2002). Aid, Policy and Peace: Reducing the Risks of Civil Conflict. *Defence and Peace Economics* 13(6): 435–450.
- Crost, Benjamin, Joseph Felter, and Patrick Johnston (2014). “Aid under fire: development projects and civil conflict.” *American Economic Review*, 104(6): 1833-56.
- Gehring, Kai, Lennart Kaplan, and Melvin H.L. Wong (2019). China and the World Bank—How Contrasting Development Approaches Affect the Stability of African States. AidData Working Paper 70. Williamsburg, VA: AidData.
- Isaksson, Ann-Sofie and Andreas Kotsadam (2018). Chinese Aid and Local Corruption. *Journal of Public Economics* 159: 146–159.
- Kersting, Erasmus and Christopher Kilby (2014). Aid and Democracy Redux. *European Economic Review* 67: 125–143.

Chapter 12 Migration (Fuchs)

Thursday, February 4, 2021

Required readings:

- (*) Lanati, Mauro and Rainer Thiele (2018). The Impact of Foreign aid on Migration Revisited. *World Development* 111: 59–74.
- (*) Lanati, Mauro and Rainer Thiele (2018). Foreign Assistance and Migration Choices: Disentangling the Channels. *Economics Letters* 172: 148–151.

Other references:

- Dreher, Axel, Andreas Fuchs and Sarah Langlotz (2019). The Effects of Foreign Aid on Refugee Flows. *European Economic Review* 112: 127–147.

Chapter 13 Trade policy (Kaplan) / Exam Q&A

Tuesday, February 9, 2021

Required readings:

- (*) Cali, Massimiliano and Dirk Willem Te Velde (2011). Does Aid for Trade Really Improve Trade Performance? *World Development* 39(5): 725–740.

Other references:

- Baghdadi, Leila, Inmaculada Martínez-Zarzoso and Habib Zitouna (2013). Are RTA Agreements with Environmental Provisions Reducing Emissions? *Journal of International Economics* 90(2): 378–390.
- Hühne, Philipp, Birgit Meyer and Peter Nunnenkamp (2014). Who Benefits from Aid for Trade? Comparing the Effects on Recipient versus Donor Exports. *Journal of Development Studies* 50(9): 1275–1288.
- Pahl, Stefan and Marcel P. Timmer (2019). Do Global Value Chains Enhance Economic Upgrading? A Long View. *Journal of Development Studies* (2019): 1-23.
- Subramanian, Arvind and Shang-Jin Wei (2007). The WTO Promotes Trade Strongly, but Unevenly. *Journal of International Economics* 72(1): 151–175.

Note: Dates and contents subject to change!