

Syllabus

International Development Policy (Internationale Entwicklungspolitik)

Winter semester 2019/20

(as of December 8, 2019)

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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: Statement of the “problem” and stylized facts
Chapter 2	Determinants of aid giving
Chapter 3	Allocation of aid across countries
Chapter 4	Allocation of aid within countries
Chapter 5	Aid effectiveness I (economic growth)
Chapter 6	Aid effectiveness II (education and health)
Chapter 7	Side effects of aid
Chapter 8	Emerging bilateral donors
Chapter 9	Non-state actors
Chapter 10	International development organizations
Chapter 11	Trade policy
Chapter 12	Migration and humanitarian crises
Chapter 13	Long-run effects of colonialism
Chapter 14	Impact evaluations of development aid projects and programs

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

Lecture (*Vorlesung*):

- Every Monday, 14:00-16:00, VG 3.101
- Every Tuesday, 10:00-12:00, VG 3.102
- First lecture: Monday, December 9, 2019.
- Last lecture: Tuesday, February 4, 2020.
- Prof. Fuchs will teach the Chapters 1-4, 8, 10, and 12.
- Dr. Kaplan will teach the Chapters 5-7, 9, 11, and 13-14, as well as the exercise sessions.

Weekly exercise session (*Übung*):

- Every Thursday, 16:00-18:00, ZHG 004
- First exercise session: Thursday, December 12, 2019.
- Last exercise session: Thursday, February 6, 2020.

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

- Friday, January 31, 2020, 9:00-18:00, VG 3.103

2.3 Examination and grading of the module

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]

2.4 Course materials

- We will read two 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:

Chapter 1 Introduction: Statement of the “problem” and stylized facts

Required readings:

Fuchs, Andreas and Angelika Müller (2018). Democracy and Aid Donorship. Kiel Working Paper 2113. Kiel, Germany: Kiel Institute for the World Economy.

Chapter 2 Determinants of aid giving

Required readings:

Paxton, Pamela and Stephen Knack (2012). Individual and Country-level Factors Affecting Support for Foreign Aid. *International Political Science Review* 33(2): 171–192.

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.

Chapter 3 Allocation of aid across countries

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 Allocation of aid within countries

Required readings:

Briggs, Ryan C. (2017). Does Foreign Aid Target the Poorest? *International Organization* 71(1): 187–206.

Jablonski, Ryan S. (2014). How Aid Targets Votes: the Impact of Electoral Incentives on Foreign Aid Distribution. *World Politics* 66(2): 293–330.

Other references:

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 5 Aid effectiveness I (economic growth)

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.

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 (forthcoming). Aid and Growth. New Evidence Using an Excludable Instrument. *Canadian Journal of Economics*.

Chapter 6 Aid effectiveness II (education and health)*Required readings:*

- Dreher, Axel, Peter Nunnenkamp and Rainer Thiele (2008). Does Aid for Education Educate Children? Evidence from Panel Data. *World Bank Economic Review* 22(2): 291–314.
- Kotsadam, Andreas, Gudrun Østby, Siri Aas Rustad, Andreas Forø Tollefsen and Hendrik Urdal (2015). Development Aid and Infant Mortality. Micro-level Evidence from Nigeria. *World Development* 105: 59–69.

Other references:

- Birchler, Kassandra and Katharina Michaelowa (2016). Making Aid Work for Education in Developing Countries: An Analysis of Aid Effectiveness for Primary Education Coverage and Quality. *International Journal of Educational Development* 48: 37–52.
- Dykstra, Sarah, Amanda L. Glassman, Charles Kenny and Justin Sandefur (2015). The Impact of Gavi on Vaccination Rates: Regression Discontinuity Evidence. CGD Working Paper 394. Washington, DC: Center for Global Development.
- Michaelowa, Katharina (2001). Primary Education Quality in Francophone Sub-Saharan Africa: Determinants of Learning Achievement and Efficiency Considerations. *World Development* 29: 1699–1716.
- Mishra, Prachi and David Newhouse (2009). Does Health Aid Matter? *Journal of Health Economics* 28(4): 855–872.

Chapter 7 Side effects of aid

Required readings:

Nunn, Nathan and Nancy Qian (2014). US Food Aid and Civil Conflict. *American Economic Review* 104(6): 1630–1666.

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>.

Other references:

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

Collier, Paul and Anke Hoeffler (2002). Aid, Policy and Peace: Reducing the Risks of Civil Conflict. *Defence and Peace Economics* 13(6): 435–450.

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.

Kersting, Erasmus and Christopher Kilby (2014). Aid and Democracy Redux. *European Economic Review* 67: 125–143.

Chapter 8 Emerging bilateral donors

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.

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:

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.
- Horn, Sebastian, Carmen M. Reinhart and Christoph Trebesch (2019). China’s Overseas Lending. NBER Working Paper 26050. Cambridge, MA: National Bureau of Economic Research.
- Isaksson, Ann-Sofie and Andreas Kotsadam (2018). Chinese Aid and Local Corruption. *Journal of Public Economics* 159: 146–159.

Chapter 9 Non-state actors

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.
- 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.

Other references:

- 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.
- 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.
- Werker, Eric, and Faisal Z, Ahmed (2008). What Do Nongovernmental Organizations Do? *Journal of Economic Perspectives* 22(2): 73–92.

Chapter 10 International development organizations

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.
- 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.

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

Chapter 11 Trade policy

Required readings:

- Subramanian, Arvind and Shang-Jin Wei (2007). The WTO Promotes Trade Strongly, but Unevenly. *Journal of International Economics* 72(1): 151–175
- 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.

Chapter 12 Migration and humanitarian crises

Required readings:

Lanati, Mauro and Rainer Thiele (2018). The Impact of Foreign aid on Migration Revisited. *World Development* 111: 59–74.

Eisensee, Thomas and David Strömberg (2007). News Droughts, News Floods, and US Disaster Relief. *Quarterly Journal of Economics* 122(2): 693–728.

Other references:

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

Lanati, Mauro and Rainer Thiele (2018). Foreign Assistance and Migration Choices: Disentangling the Channels. *Economics Letters* 172: 148–151.

Raschky, Paul A. and Manijeh Schwindt (2012). On the Channel and Type of Aid: The case of International Disaster Assistance. *European Journal of Political Economy* 28(1): 119–131.

Chapter 13 Long-run effects of colonialism

Required readings:

Head, Keith, Thierry Mayer and John Ries (2010). The Erosion of Colonial Trade Linkages after Independence. *Journal of International Economics* 81(1): 1–14.

Lowes, Sara Rachel and Eduardo Montero (2018). The Legacy of Colonial Medicine in Central Africa. Working Paper. Available at: <https://scholar.harvard.edu/slowes/publications>

Other References:

Acemoglu, Daron, Simon Johnson and James A. Robinson (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review* 91(5): 1369–1401.

Chapter 14 Impact evaluations of development aid projects and programs

Required readings:

Miguel, Edward and Michael Kremer (2004). Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities. *Econometrica* 72(1): 159–217.

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.

Other references:

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.

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.

Note: Dates and contents subject to change!