

Sommersemester 2010 Masterseminar "Development Aid"

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Monday, 12th of April 16.00-18.00 Theologicum TO -133

Seminar:
Friday, 25th of June 9.00-18.00 Verfügungsgebäude - VG 2.106

Deadline for enrollment: Friday, April 30, 2010
Deadline for sign offs: Friday, April 30, 2010
Deadline for approval: Monday, May 10, 2010
Deadline for papers: Friday, June 18, 2010, 23:59

Please send an electronic version of your seminar paper (preferably pdf, otherwise Word) to your supervisor!

If you fail to meet this deadline, you fail the course!

After the deadline you will receive one of the papers written by another student as a paper for discussion. Please prepare a short critical review of this paper for the seminar meeting.

Grading will be based on:

Your seminar paper (60 percent)

Your presentation and Q&A session (15+10 minutes, 30 percent)

Your discussion of another paper (5 minutes, 10 percent)

Your participation during discussions (at the margin)

(You will only be graded when present during all presentations!)

Language: Papers have to be written in English.

Seminar meetings will take place in English.

Topics for “Development Aid”

I. Theories of Development Aid (Christian Bjørnskov)

1. Theories of Development Aid

Literature:

Abegaz, Berhanu, 2005, Multilateral development aid for Africa, *Economic Systems* 29: 433-454.

Radelet, Steven, 2006, A Primer on Foreign Aid, Center for Global Development Working Paper 92.

II. Aid Allocation (Hannes Öhler)

2. What determines the allocation of bilateral aid?

Alesina, Alberto and David Dollar, 2000, Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth* 5, 1: 33-63.

Berthélemy, J.-C., 2006, Bilateral Donors' Interest vs. Recipients' Development Motives in Aid Allocation: Do All Donors Behave the Same? *Review of Development Economics* 10, 2: 179-194.

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.

Thiele, Rainer; Peter Nunnenkamp and Axel Dreher, 2007, Do Donors Target Aid in Line with the Millennium Development Goals? A Sector Perspective of Aid Allocation, *Review of World Economics* 143, 4: 596-630.

3. What determines the allocation of multilateral aid?

Barnebeck Andersen, Thomas; Henrik Hansen and Thomas Markussen, 2006, US politics and World Bank IDA-lending, *Journal of Development Studies* 42, 772-794.

Dreher, Axel; Jan-Egbert Sturm and James Vreeland, 2009, Global Horse Trading: IMF loans for votes in the United Nations Security Council, *European Economic Review* 53, 742-757.

Dreher, Axel; Jan-Egbert Sturm and James Vreeland, 2009, Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics* 88: 1-18.

Frey, Bruno S. and Friedrich Schneider, 1986, Competing Models of International Lending Activity, *Journal of Development Economics* 20, 3: 225-245.

Kaja, Ashwin and Eric Werker, 2008, Institutionalized Insiders: Board membership and loan commitments at the World Bank, mimeo.

Kilby, Christopher, 2006, Donor Influence in MDBs: The Case of the Asian Development Bank, *Review of International Organizations* 1, 2: 173-195.

4. What determines the allocation of NGO aid?

Barr, A. and Fafchamps, M., 2005, A Client-Community Assessment of the NGO Sector in Uganda. *Journal of Development Studies* 42, 4: 611-639. 4

Dreher, Axel; Florian Mölders and Peter Nunnenkamp, 2007, Are NGOs the Better Donors? A Case Study of Aid Allocation for Sweden, KOF Working Paper 180, ETH Zurich, November 2007.

Dreher, Axel; Peter Nunnenkamp, Hannes Öhler and Johannes Weisser, 2009, Acting Autonomously or Mimicking the State and Peers? A Panel Tobit Analysis of Financial Dependence and Aid Allocation by Swiss NGOs, KOF Working Paper 219, ETH Zurich.

Fruttero, A., and Varun Gauri, 2005, The Strategic Choices of NGOs: Location Decisions in Rural Bangladesh, *Journal of Development Studies* 41, 5, 759-787.

Koch, Dirk-Jan; Axel Dreher, Rainer Thiele and Peter Nunnenkamp, 2008, Keeping a Low Profile: What Determines the Allocation of Aid by Non-Governmental Organizations? *World Development*, forthcoming.

Nancy, G. and B. Yontcheva, 2006, Does NGO Aid Go to the Poor? Empirical Evidence from Europe, IMF Working Paper 06/39. Washington, D.C.

Werker, Eric D. and Faisal Z. Ahmand, 2008, What Do Nongovernmental Organizations Do? *Journal of Economic Perspectives* 22, 2.

5. Is aid fungible?

Feyzioglu, T.; V. Swaroop and M. Zhu, 1998, A Panel Data Analysis of the Fungibility of Foreign Aid, *World Bank Economic Review* 12, 1: 29-58.

van de Walle, D. and R. Mu, 2007, Fungibility and the Flypaper Effect of Project Aid, World Bank Policy Research Working Paper 4133, Washington, D.C.

Van de Sijpe, Nicolas, 2007, Is aid fungible? Evidence from the education and health sectors, Centre for the Study of African Economies, mimeo.

III. Conditionality (Christian Bjørnskov)

6. A critical assessment of aid conditionality

Coate, Stephen and Stephen Morris, 1995, Altruism, the Samaritan's Dilemma, and Government transfer policy, *American Economic Review* 85, 1: 46-57.

Coate, Stephen and Stephen Morris, 1996, Policy Conditionality, PIER Working Paper 97-013.

Collier, Paul; Patrick Guillaumont, Sylviane Guillaumont and Jan W. Gunning, 1997, Redesigning Conditionality? *World Development* 25, 9: 1399-1407.

Dreher, Axel, 2008, IMF Conditionality: Theory and Evidence, KOF Working Paper 188, ETH Zurich.

Dreher, Axel and Nathan M. Jensen, 2007, Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions, *Journal of Law & Economics* 50, 1: 105-124.

Dreher, Axel and Roland Vaubel, 2004, The Causes and Consequences of IMF Conditionality, *Emerging Markets Finance and Trade* 40, 3: 26-54.

IV. Debt relief as a form of development aid? (Christian Bjørnskov)

7. How did heavily indebted poor countries become heavily indebted?

8. Does debt relief work?

Cassimon, Danny and Bjorn Van Campenhout, 2007, Aid Effectiveness, Debt Relief and Public Finance Response: Evidence from a Panel of HIPC Countries, *Review of World Economics*, 143, 4: 742-763.

Cordella, Tito; Giovanni Dell'Araccia and Kenneth M. Kletzer, 2003, Conditional Aid, Sovereign Debt, and Debt Relief, IMF, mimeo.

Daseking, Christina and Robert Powell, 1999, From Toronto Terms to the HIPC Initiative: A Brief History of Debt Relief for Low-Income Countries, IMF Working Paper 99/142.

Depetris Chauvin; Nicolas M. and Aart Kraay, 2007, Who Gets Debt Relief? *Journal of the European Economic Association* 5, 333-342.

Easterly, William, 2002, How did Highly Indebted Poor Countries Become Highly Indebted? Reviewing Two Decades of Debt Relief, *World Development* 30, 10: 1677-1696.

Hepp, Ralf, 2005, Health Expenditures under the HIPC Debt Initiative, University of California, Davis, mimeo.

Policy and Operations Evaluation Department, Netherlands Ministry of Foreign Affairs, 2003, Results of International Debt relief, 1990–1999, IOB Evaluations 292.

Michaelowa, Katharina, 2003, The political economy of the enhanced HIPC-Initiative, *Public Choice* 114: 461-476.

Moss, Todd, 2006, Will Debt Relief Make a Difference? Impact and Expectations of the Multilateral Debt Relief Initiative, Center for Global Development Working Paper No. 88.

Morrissey, Oliver, 2001, Pro-Poor Conditionality for Aid and Debt Relief in East Africa, CREDIT Research Paper 01, 15.

Sturzenegger, Federico and Jeromin Zettelmeyer, 2006, Creditors Losses Versus Debt Relief: Results from a Decade of Sovereign Debt Crises, mimeo.

V. Easterly vs. Sachs: Alternative Routes for Development? (Hannes Öhler)

9. Easterly vs. Sachs – A critical assessment of Sachs's proposals to save the world from poverty

10. Easterly vs. Sachs – A critical assessment of Easterly's critique of Sachs's proposals

Bajpai, Nirupam; Jeffrey D. Sachs and Nicole H. Volavka, 2004, Reaching the Millennium Development Goals in South Asia, CGSD Working Paper No. 17.

Easterly, William, 2008, Can the West save Africa? *Journal of Economic Literature*, forthcoming.

Easterly, William, 2006, Reliving the 50s: the Big Push, Poverty Traps, and Takeoffs in Economic Development, *Journal of Economic Growth* 11, 2: 289-318.

Easterly, William, 2006, The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good, New York: Penguin Books, Chapters 1-7.

Sachs, Jeffrey D., 2006, The End of Poverty: Economic Possibilities for Our Time, New York: Penguin Books, Chapters 12-14.

Sachs, Jeffrey D.; John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye and Gordon McCord, 2004, Ending Africa's Poverty Trap, *Brookings Papers on Economic Activity*, Issue 1, 2004: 117-240.

VI. Aid effectiveness (Krishna Chaitanya, Vadlamannati)

11. Does the effectiveness of bilateral aid depend on “good” policies?

Bjerg, Christina, Christian Bjørnskov and Anne Holm, 2010, Growth, Debt Burdens and Alleviating Effects of Foreign Aid in Least Developed Countries. Mimeo, Aarhus University.

Burnside, Craig and David Dollar, 2000, Aid, Policies and Growth, *American Economic Review* 90, 4: 847-868. 6

Dalgaard, Carl-Johann; Henrik Hansen and Finn Tarp, 2004, On the Empirics of Foreign Aid and Growth, *Economic Journal* 114: F191-216.

Doucoulagos, Chris and Martin Paldam, 2009, The Aid Effectiveness Literature – The Sad Result of 40 Years of Research, *Journal of Economic Surveys*.

Dollar, David and Craig Burnside, 2000, Aid, Policies, and Growth, *American Economic Review* 90, 4: 847-868.

Easterly, William; Ross Levine and David Roodman, 2004, Aid, Policies and Growth: Comment, *American Economic Review* 94, 3: 774-80.

Hansen, Finn and Henrik Tarp, 2001, Aid and Growth Regressions, *Journal of Development Economics* 64, 2: 547-570.

Nowak-Lehmann D., Felicitas ; Inmaculada Martínez-Zarzoso, Dierk Herzer, Stephan Klasen and Axel Dreher, 2009, The Search for a Long-run Aid and Growth Relationship: Pitfalls and Findings, mimeo.

Rajan, Raghuram G. and Arvind Subramanian, 2008, Aid and Growth: What Does the Cross-Country Evidence Really Show? *Review of Economics and Statistics* 90(4): 643-665.

12. Choosing the right outcome. Is bilateral aid effective after all?

Clemens, Michael; Steven Radelet and Rikhil Bhavnani, 2004, Counting chickens when they hatch: The short term effect of aid on growth, Center for Global Development Working Paper Number 44.

Dreher, Axel; Peter Nunnenkamp and Rainer Thiele, 2006, Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis, *Public Choice*, forthcoming.

Dreher, Axel; Peter Nunnenkamp and Rainer Thiele, 2008, Does Aid for Education Educate Children? Evidence from Panel Data, *World Bank Economic Review*, forthcoming.

Williamson, Claudia R., 2008, Foreign aid and human development: the impact of foreign aid to the health sector, *Southern Economic Journal* 75, 1: 188-207.

13. Is multilateral aid effective?

Dreher, Axel and Bernhard Boockmann, 2003, The Contribution of the IMF and the World Bank to Economic Freedom, *European Journal of Political Economy* 19, 3: 633-649.

Dreher, Axel, 2006, IMF and Economic Growth: The Effects of Programs, Loans, and Compliance with Conditionality, *World Development* 34, 5: 769-788.

Dreher, Axel and Martin Gassebner, 2008, Do IMF and World Bank programs induce government crises? An empirical analysis, mimeo.

Dreher, Axel and Stefanie Walter, 2008, Does the IMF Help or Hurt? The Effect of IMF programs on the likelihood and outcome of currency crises, KOF Working Paper 186, ETH Zurich.

Przeworski, Adam and James Vreeland, 2000, The Effect of IMF Programs on Economic Growth, *Journal of Development Economics* 62: 385-421.

Easterly, William, 2005, What did structural adjustment adjust? The association of policies and growth with repeated IMF and World Bank adjustment loans, *Journal of Development Economics* 76, 1-22.

VII. Reasons for the ineffectiveness of aid (Krishna Chaitanya, Vadlamannati)

14. Why is aid so ineffective? Commercial interests of donors

Nowak-Lehmann D., Felicitas; Inmaculada Martínez-Zarzoso, Stephan Klasen and Dierk Herzer, 2008, Aid and Trade – A Donor's Perspective, Ibero America Institute for Econ. Research (IAI) Discussion Papers 171.

Martínez Zarzoso, Inmaculada; Felicitas Nowak-Lehmann D., Stephan Klasen and Mario Larch, 2008, Does German Development Aid Promote German Exports? Ibero America Institute for Econ. Research (IAI) Discussion Papers 170.

15. Why is aid so ineffective? Political interests of donors

Alesina, Alberto and David Dollar, 2000, Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth* 5, 1: 33-63.

Barnebeck Andersen, Thomas; Henrik Hansen and Thomas Markussen, 2006, US politics and World Bank IDA-lending, *Journal of Development Studies*, forthcoming.

Dreher, Axel; Jan-Egbert Sturm and James Vreeland, 2006, Does membership on the UN Security Council influence IMF decisions? Evidence from panel data, KOF Working Paper 151, ETH Zurich.

Dreher, Axel; Jan-Egbert Sturm and James Vreeland, 2009, Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics* 88: 1-18.

Fleck, R.K., and Christopher Kilby, 2006, World Bank Independence: A Model and Statistical Analysis of U.S. Influence, *Review of Development Economics* 10, 2: 210-223.

Frey, Bruno S. and Friedrich Schneider, 1986, Competing Models of International Lending Activity, *Journal of Development Economics* 20, 3: 225-245.

Kaja, Ashwin and Eric Werker, 2008, Institutionalized Insiders: Board membership and loan commitments at the World Bank, mimeo.

Kilby, Christopher, 2006, Donor Influence in MDBs: The Case of the Asian Development Bank, *Review of International Organizations* 1, 2: 173-195.

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.

Neumayer, Eric, 2005, Is the Allocation of Food Aid Free from Donor Interest Bias? *Journal of Development Studies* 41, 3: 394-411.

Oatley, Thomas and Jason Yackee, 2004, American Interests and IMF Lending, *International Politics* 41, 3: 415-429.

Thacker, Strom, 1999, The High Politics of IMF Lending, *World Politics* 52: 38-75.

16. Why is aid so ineffective? Aid and side effects

Adam, C.S., Bevan, D.L., 2006. Aid and the supply side: Public investment, export performance, and Dutch Disease in low-income countries. *World Bank Economic Review* 20, 261-290.

Collier, P., Hoeffler, A., 2007. Unintended consequences: Does aid promote arms races? *Oxford Bulletin of Economics and Statistics* 69, 1-27.

Friedman, Milton. 1958. Foreign Economic Aid: Means and Objectives. *Yale Review*, vol. 47 (4), 500-516.

Knack, Stephen. 2001. Aid Dependence and the Quality of Government: Cross-Country Empirical Tests. *Southern Economic Journal*, vol. 68 (2), 310-329.

Knack, S., 2004. Does foreign aid promote democracy? *International Studies Quarterly* 48, 251-266.

Remmer, Karen. 2004. Does Foreign Aid Promote the Expansion of Government? *American Journal of Political Science*, vol. 48, 77-92.

Jakob Svensson. 2000. Foreign Aid and Rent-Seeking. *Journal of International Economics*, vol. 51 (2), 437-461.

Rajan, Raghuram G. and Arvind Subramanian. 2010. Aid, Dutch disease, and manufacturing growth. *Journal of Development Economics*, forthcoming.

VIII. Reform proposals for a more effective delivery of aid (Hannes Öhler)

17. Can selectivity make aid more effective?

Easterly, William, 2006, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, New York: Penguin Books, Chapter 11.

Jansen Hagen, Rune, 2004, Foreign Aid and Domestic Politics Implications for Aid Selectivity, Norwegian School of Economics and Business Administration, mimeo.

McGillivray, M., 2003, Aid Effectiveness and Selectivity: Integrating Multiple Objectives into Aid Allocations, *DAC Journal* 4, 3: 27-40.

Wane, Waly, 2004, The Quality of Foreign Aid – Country Selectivity or Donors Incentives? World Bank Policy Research Working Paper 3325.