



WHAT DETERMINES THE SUSPENSION OF BUDGET SUPPORT IN SUB-SAHARAN AFRICA?

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Introduction: key terms

- **Budget Support (BS):** design versus implementation
- **Suspensions:** “troubling events” and (diverse) donor reactions, go hand in hand with conditionalities

Introduction: rationale

Why look at BS suspensions? Impetus for the study and intended contribution

- detecting underlying patterns
- more nuanced understanding of sanctioning behaviour

Inputs for the study: what we drew on (1)

Insights from two bodies of literature

- economic sanctions – discipline and punish?
instrumental and expressive motives
- aid allocation – donor interests and recipient needs

Inputs for the study: what we drew on (2)

- **Case studies:**
- Ethiopia
- Rwanda
- Malawi
- Uganda

Inputs for the study: what we drew on (3)

Dataset

- this captures all BS commitments in Sub-Saharan Africa from 2000-2008
- a **suspension dummy** was then added

Descriptive Statistics (1)

Donor	n° of suspensions	Share of suspensions
AFDB	3	.0454545
Finland	2	.030303
Denmark	2	.030303
European Commission (EC)	5	.0757576
Finland	1	.0151515
Germany	2	.030303
IMF	2	.030303
Ireland	4	.0606061
Japan	1	.0151515
Netherlands	7	.1060606
Norway	5	.0757576
Sweden	6	.0909091
Switzerland	1	.0151515
US	1	.0151515
United Kingdom	17	.2575757
World Bank	7	.1060606

Descriptive Statistics (2)

Recipient	n° of suspensions	Share of suspensions
Benin	1	.0151515
Chad	2	.030303
Ethiopia	10	.1515152
Ghana	2	.030303
Kenya	2	.030303
Malawi	6	.090909
Mali	1	.0151515
Rwanda	7	.1060606
Senegal	1	.0151515
Sierra Leone	3	.0454545
Tanzania	17	.2575758
Uganda	11	.1666667
Zambia	2	.030303
Zimbabwe	1	.0151515

Variable name	Description	Source
Suspension	Dummy coded 1 if donor i suspended budget support in recipient country j at year t	Authors' own calculation
Nordic Plus	Dummy coded 1 if donor is a member of the likeminded donors (Denmark, Finland, Sweden, Norway, United Kingdom, Ireland, The Netherlands)	Authors' own calculation
Colonial tie	Dummy coded 1 if there exists a colonial tie between donor and recipient	IRIS
Pub. support for Aid	Index of public support for aid	Knack (2012)
D GDP growth	Donor annual GDP growth (in %)	World Development Indicators (WDI)
D aid share at t-1	Donor i's share in the total amount of aid recipient j receives at year t-1	Based on CRS
Number of BS donors	Number of budget support donors present in the recipient country	Authors' own calculation based on AidData
D gov. ideology	3-point variable for ideology of executive party in donor country	Beck et al. (2001)
democracy	Dummy coded 1 if recipient country j is considered a democracy	Cheibub et al. (2010)
Trans to auto.	Dummy coded 1 if recipient country j transitioned to an autocracy	Cheibub et al. (2010)
Ethnic frac.	Index of ethnic fractionalization	Montalvo and Reynal-Querol (2005)
Trend in corruption	Difference between control of corruption at time t-1 and control of corruption at time t	Based on World Governance Indicators
Trend in conflict	Difference between internal conflict at time t-1 and internal conflict at time t	Based on International Country Risk Guide (ICRG)
Trend in bur. qual.	Difference between bureaucratic quality at time t-1 and bureaucratic quality at time t	Based on ICRG
Trend in pol. stab.	Difference between political stability at time t-1 and political stability at time t	Based on Beck et al. (2001)
Aid over GNI at t-1	Total aid disbursed over GNI at year t-1	Based on CRS and WDI
Share of BS at t-1	Share of aid as budget support at year t-1	Based on CRS and Aiddata
log of R GDP/cap	Logarithm of recipient country GDP per capita	WDI
log of R population	Logarithm of recipient country population	WDI

Table showing explanatory variables and the source used

Model

$$suspension_{ijt} = \alpha X_i + \beta X_j + \delta X_{ij} + \gamma X_{it} + \theta X_{jt} + \varphi X_{jt-1} + \omega X_{ijt-1} + Y_t + u_{ijt}$$

$suspension_{ijt}$ is coded 1 if donor i decides to suspend budget support in recipient country j at year t .

Findings

- Number of BS donors +
- Deterioration in control of corruption +
- Aid dependence -
- Log of population +
- Ethnic fractionalisation +
- Share of BS +
- Colonial ties +

Potential future improvements:

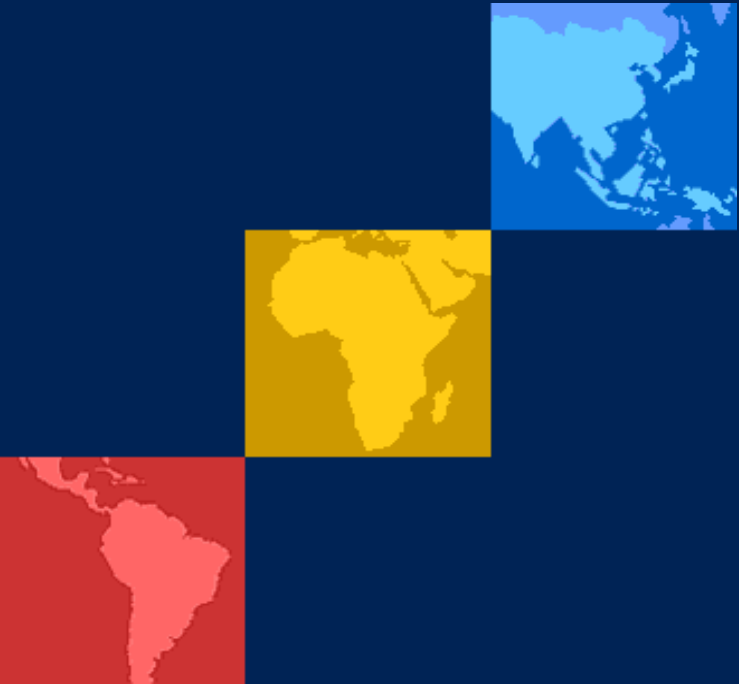
- Refining governance measures using polity and freedom house figures
- use bilateral trade flows (as a proxy for trade interests)
- use UN voting variable (to measure donor influence)
- use the different WBGI (all 6 of them to see how the model reacts)
- Use Heckman selection model, and include donor-year and recipient-year fixed effects

Conclusion

Measuring determinants of suspensions is possible and gives rise to interesting findings

Findings in turn give rise to new research questions:

- Effect of refining dependent variable (duration, volume, nature of rechanneling)
- zooming in on expressive aspect by looking in more depth at media coverage
- Bandwagon effect
- once more unto the breach, dear friends, once more...



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