

# Donor Political Economies and the Pursuit of Aid Effectiveness

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How to improve aid outcomes/results? How to manage risk of aid capture?

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- Bulldozer initiative in Bosnia (public-private partnership)



**The New York Times**  
“Bosnia Charging  
Business Barricades”

**FINANCIAL TIMES**  
World business newspaper.  
“Bosnia Bulldozing Trade Barriers”

**THE TIMES**  
“Bosnia harvests fruits of  
brighter future”



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Aid effectiveness means different things to different people



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# Interviewing officials

## Reaching Individuals (USG officials)

*If we want our food security program to lift 15 million people out of poverty in five years in a given country, then it is hard to turn the money over to the recipient government and expect them to reach the targets, especially when the government is corrupt and lacks absorptive capacity. [...] When we learn of severe corruption in government we turn to our NGOs to deliver our assistance. Or, alternatively, we work with multilateral organizations.*

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### Empowering the State (French official)

*But the goal of French aid is not to put up money to set up 1000 water taps in a given region. The way we think about development cooperation is linked to our national model about the role of the state in the economy and development more generally. [...] We believe that, in development, there has to be a collective solution, one that involves a state that is able to connect their citizens with functioning water taps.*

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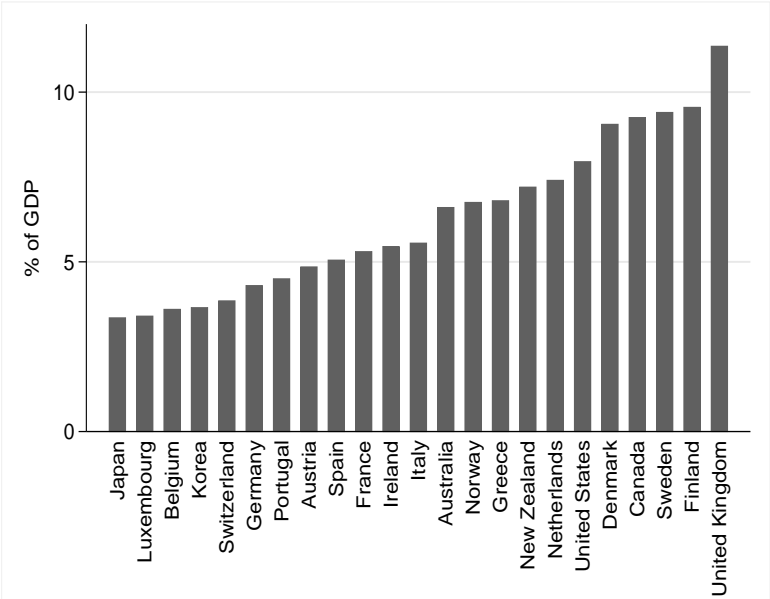
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# Measuring “national orientation” in goods delivery

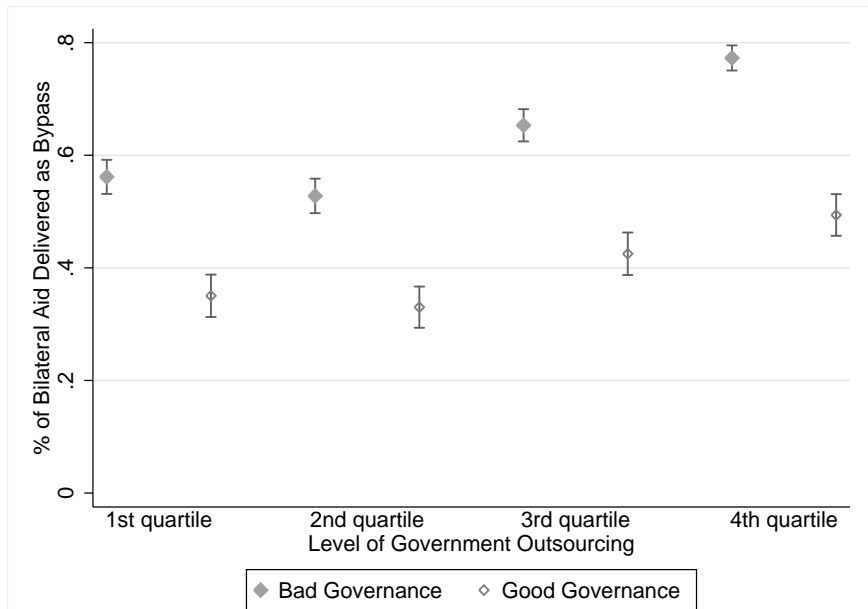
Domestic Government Outsourcing By Donor

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# Government Outsourcing and Aid Delivery Tactics



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- DV: **continuous** specification: proportion of aid delivered through non-state actors

# Sample

- 2005-2011
- Unit of analysis: dyad (OECD donor-recipient) year
  - ① 23 OECD donor countries
  - ② ODA eligible recipients



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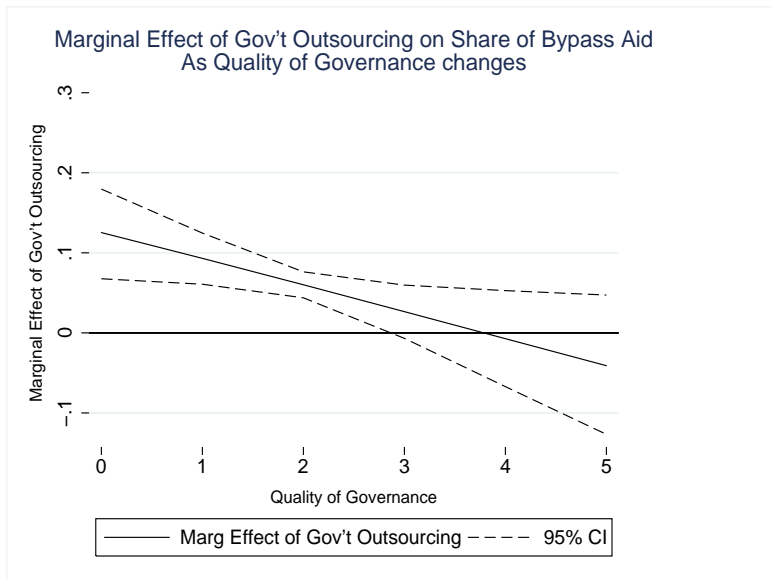


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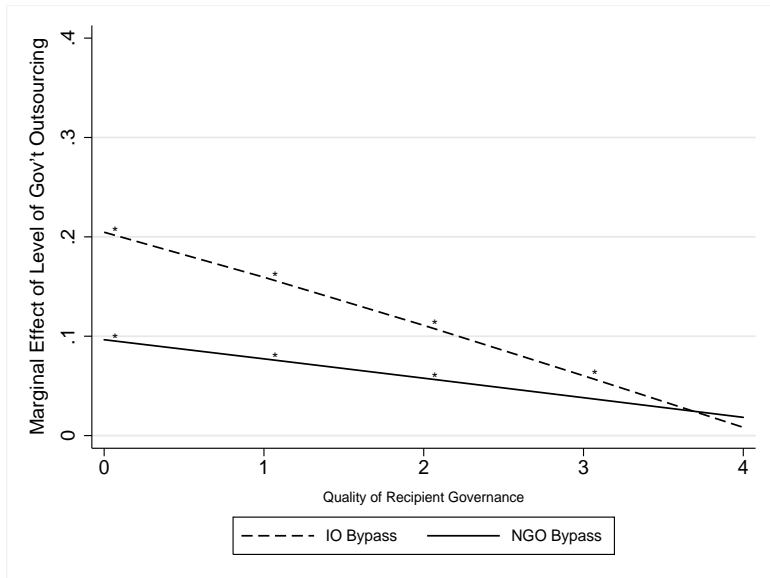
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- Aitchison's transformation:

$$A = \log\left(\frac{Bypass_{share}}{Government_{share}}\right); \text{ inverse: } Bypass_{share} = \frac{e^A}{e^A + 1}$$

# Marginal Effects



# Marginal Effects of Government Outsourcing on NGO and IO Bypass Across Levels of Governance



# Extensions

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**Left:** more engagement with/strengthening of public sector (e.g. Obama alters Pefpar focus to health systems, USAID Forward);

**Right:** more performance-orientation (e.g. Cameron, Merkel, Harper, Rheinfelt cut budget support)

# Conclusion and Implications

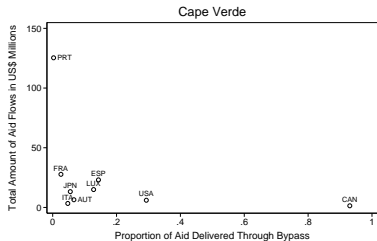
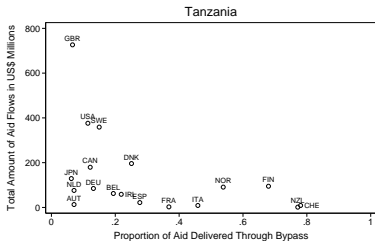
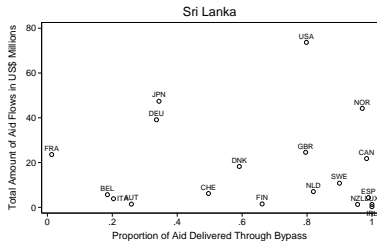
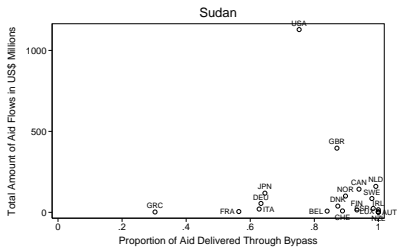
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- Implications for the study of governance, donor coordination, aid effectiveness, and leader survival

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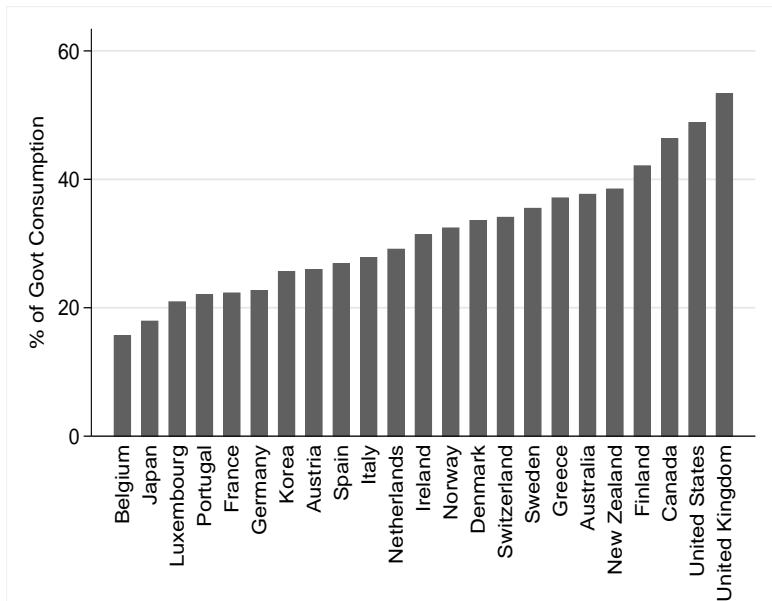


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Outsourcing / Government Spending By Donor

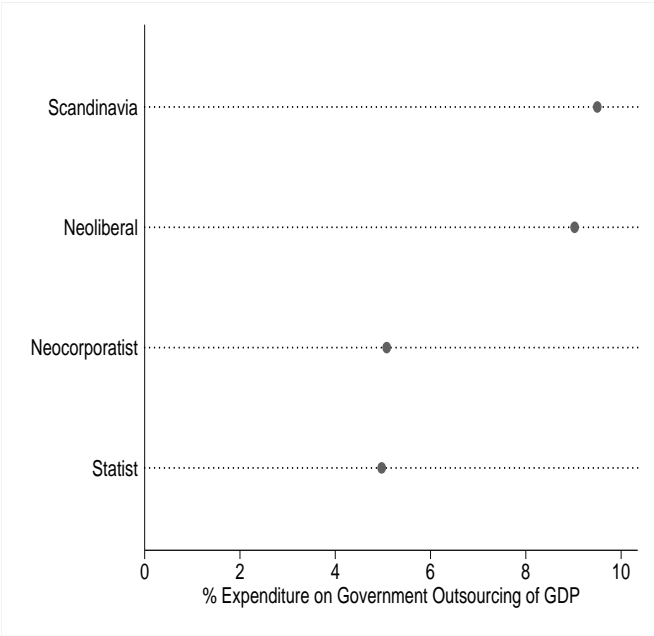
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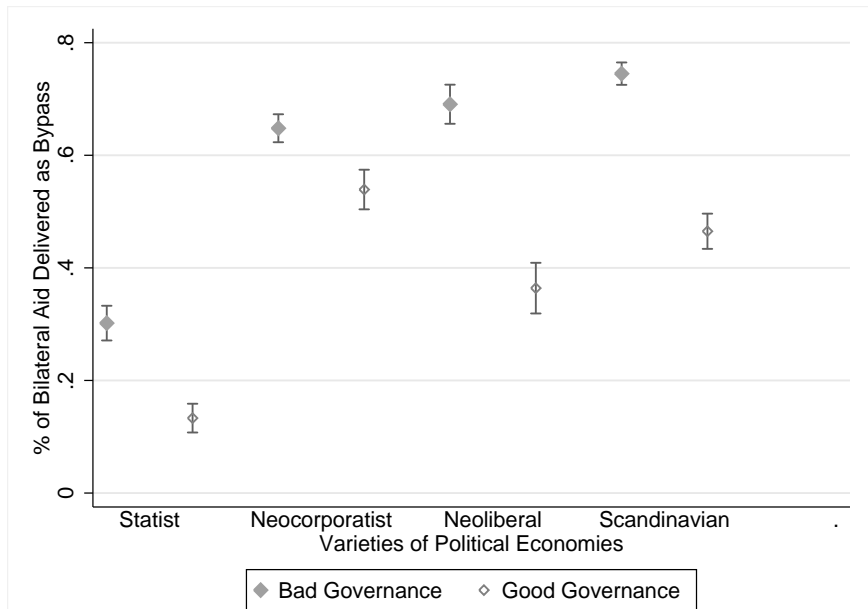


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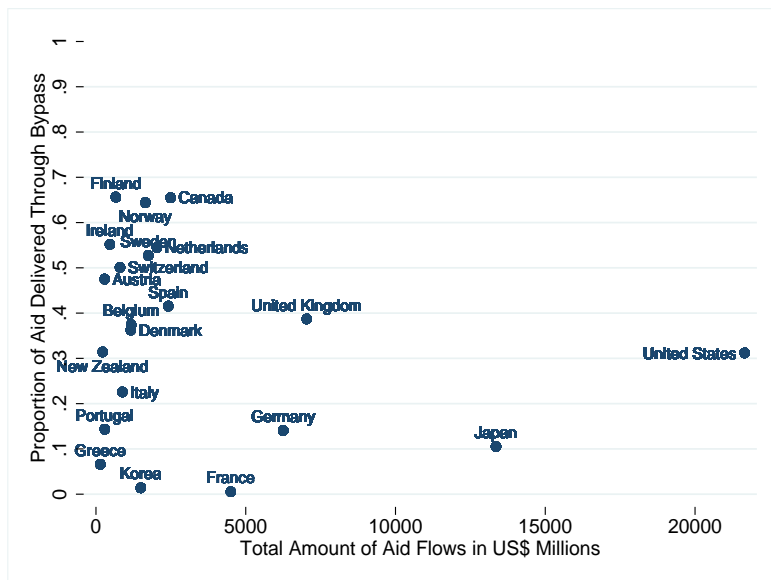
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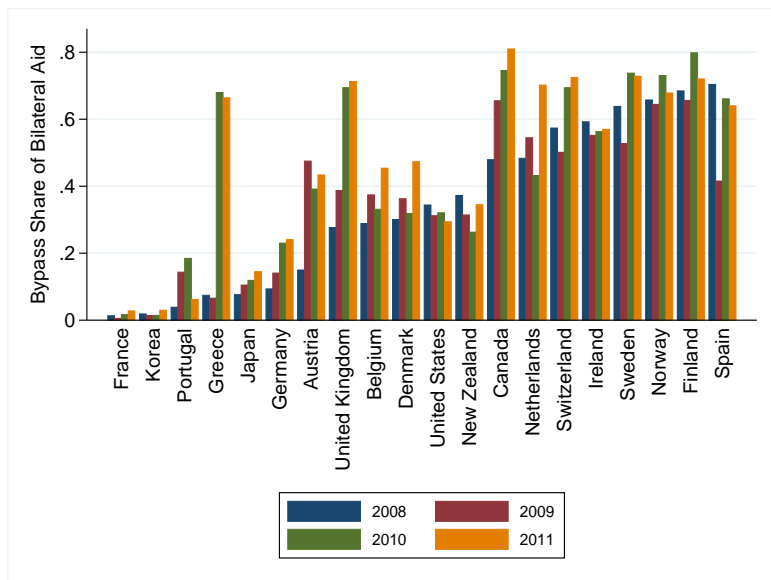
# Donor Political Economies and Aid Delivery Tactics



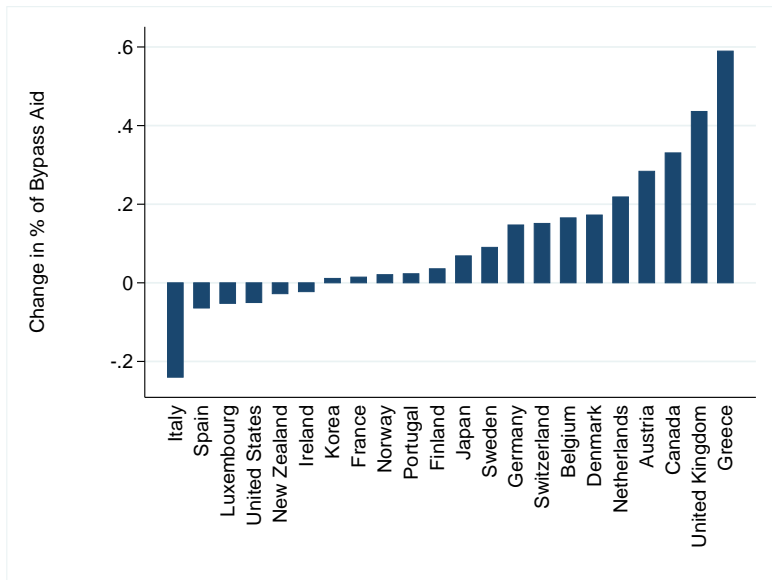
# Bypass Share Across Donor Countries 2009



# Bypass Across Donor Countries Across Time

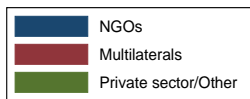
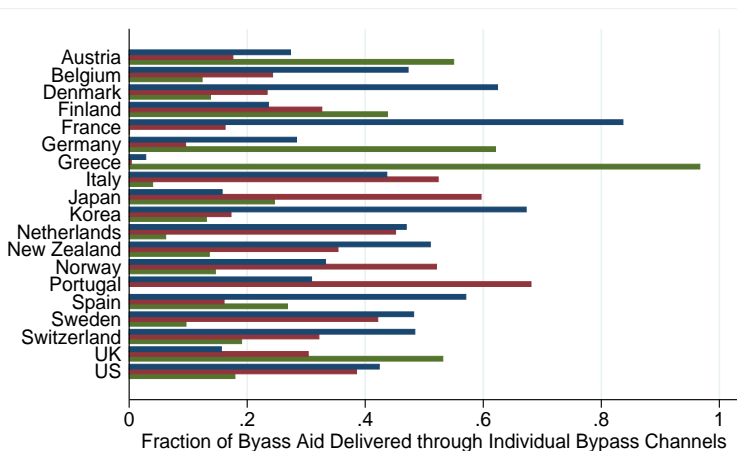


# Change in Bypass Across Donor Countries 2008-2011





# Distribution of Individual Bypass Channels



# Regression Results I

	Model 1 Bypass Share	Model 2 Bypass Share
Recipient Governance	-1.352** (0.30)	-0.241 (0.48)
Gov't Outsourcing		0.554** (0.14)
Gov't Outsourcing*Rec. Governance		-0.160** (0.07)
Major Power		-2.788** (0.19)
Natural Disaster Deaths	0.078** (0.04)	0.132** (0.04)
Civil Conflict	0.488** (0.22)	0.379 (0.25)
Trade	-0.134** (0.04)	-0.343** (0.05)
Total Aid	-0.039* (0.02)	-0.049** (0.02)
Social Sector Aid	-0.022** (0.01)	-0.039** (0.01)
Democracy and Governance Aid	-0.005 (0.01)	0.054** (0.01)
<hr/>		
N	10049	10049

\*  $p < 0.10$ ; \*\*  $p < 0.05$ . Model 1: Donor fixed Effects, year trend, other controls, and constant included but not reported. Model 2: Year fixed effects, other controls, and constant included but not reported. 2005-2011.