

d·i·e

Deutsches Institut für  
Entwicklungspolitik



Years | 1964 – 2014

German Development  
Institute

# The Domestic Politics of European Budget Support

**Svea Koch & Jörg Faust**

**JICA-RI/DIE Joint Workshop- the Politics and Impact of non-Coordination in  
International Aid**

**21 February 2014**

**Presenter: Stefan Leiderer**

# Research Context & Research Question



Variety of donor policies regarding BS led to severe harmonization problems



... barriers to “decentralized coordination” within European Development Policy

Which domestic factors in donor countries explain the variance of governments’ preferences regarding Budget Support ?

(& the subsequent harmonization problems)

# Why Budget Support?

# ... and why not?



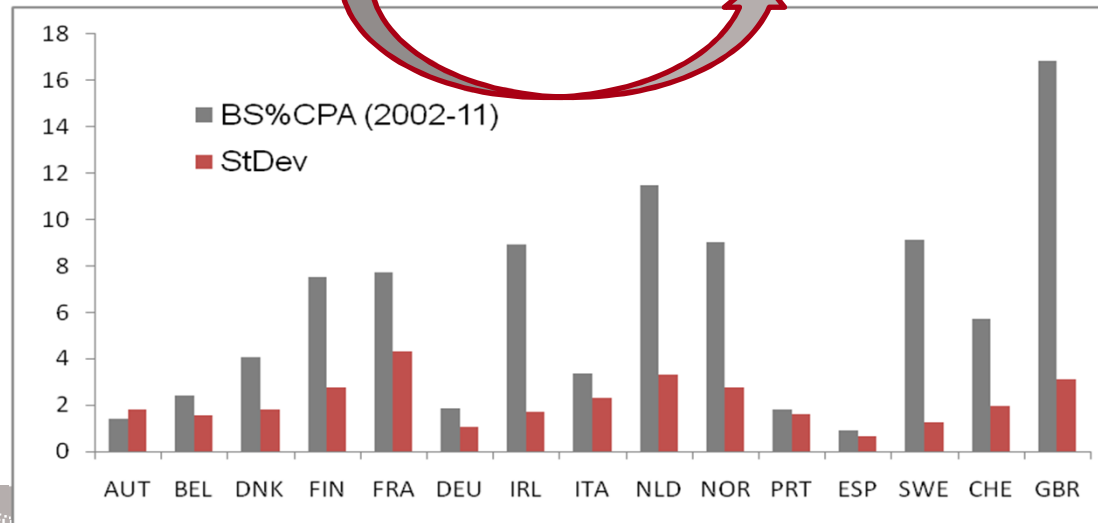
AID EFFECTIVENESS  
AGENDA

FIDUCIARY RISKS+ REGIME  
ENDORSEMENT



HARMONISATION  
EU DEVELOPMENT  
POLICY

DOMESTIC RISKS



# Harmonization and Coordination Problems



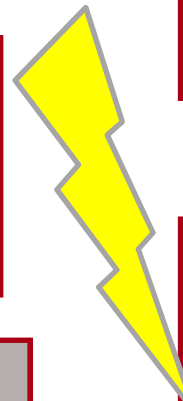
**Goal Hierarchy:** Different  
Emphasis on Governance Function

**Selectivity:** Different emphasis  
dynamic vs. threshold approach

**Conditionality:** Different emphasis  
on sanctioning violations of UPs

**Coordination Problems**  
among Europeans on the Ground

**Limited Effectiveness**  
Regarding Governance Function





## Are preferences regarding BS randomly distributed?

**NO !**

Governments have different degrees of risk aversion regarding the use of Budget Support

Ideology Matters

More conservative Governments → Less BS

Economic Context Matters

Economic Recession → Less BS

Governments face different degrees of opposition against the use of BS from actors within their particular aid system

Structure of Aid System → Project-based aid system → Less BS

# Mixed Methods Approach



## Large n-analysis (econometric approach)

- GBS annual disbursements of 15 European Donors during 2002-2011
- Panel Data (Prais Winsten w. fixed country effects controlling for time trends)
- Government ideology, Veto-Players, Economic Performance, Country Programmable Aid as independent variables

Supplemented by

## Small n-analysis (qualitative case studies)

Germany & UK as the biggest bilateral European Donors - Different BS policies

Across country comparison to trace the causal effect of aid system on GBS

Within country comparison to trace the causal effects of time varying variables, particularly the effect of government ideology

# Results of Large N-Analysis (2002-2011)



Government Ideology: significant & substantial effect

The more right-wing oriented a government, the less it spends on BS

Average effect:

1% increase of right-wing parliamentarians in government decreases BS disbursements by 1.1%

Domestic Economic Context: significant and disproportional effect

Average effect:

1% decrease in GDP pc leads to a 5.9% decrease of BS compared to a 1.1 decrease in CPA

Many significant and substantial country effects

→ Country structures matter

# Small N-Analysis: Germany and the UK



## Cross Country Comparison

### Germany:

- strong project oriented implementing agencies
  - corporatist NGOs (project oriented)
  - relatively weak ministry
- ➔ STRONG RESISTANCE AGAINST BS

### UK:

- no public implementing agencies
  - advocacy oriented NGOs
  - relatively influential ministry
- ➔ HIGHLY SUPPORTIVE OF BS

## WITHIN COUNTRY COMPARISON

### Germany:

2002-2005

*center-left government:*

Increasing Support for BS

2006-2009:

grand coalition

Constraints for Use of BS

2010-2013:

center-right government

Gradual Exit-strategy

### UK:

2002-09

Left /Labour

Strong Support for BS

2010-2013

Conservative /Tories & Liberals(2010-13)

More reluctant towards BS





- **Domestic Politics Matter** when it comes to explain variance of preference for BS among European governments (→ Ideological, Bureaucratic & Economic Factors)

- Those factors drive **weakness of donor harmonization**

.....pose systemic **constraints to the Europeanization** of Development Policy via „decentralized coordination“



Thank you



	<u>BS disbursements</u>	<u>CPA disbursements</u>
Right-Wing-Gov. Parliamentarians (%)	1% → -1,1 % ***	1% → 0,14 %
Country Programmable Aid (CPA)	1 % → 0,7% **	
GDP per capita (ln)	1 % → 5,9% ***	1 % → 0,97% **
Veto Players /Checks & Balances	1 → 0,14 %	1 → 0,02 %
... Country 1-15	6-7 country effects significant	7-8 country effects significant

## Government Ideology

a) Right Wing Party Parliamentarians belonging to a government party as a % of overall parliamentarians (World Bank Data Set on Political Institutions)

b) Ideology of Government as measured by Data of the Party Manifesto Project