

## Syllabus

# Empirical Analysis of Development Aid with Stata (Volkswirtschaftliches Hauptseminar)

B.WIWI-VWL.0044 | B.WIWI-VWL.0045 | B.WIWI-VWL.0046

Summer semester 2020

(as of April 10, 2020)

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## **1. General Information**

### *1.1 Course content*

The Sustainable Development Goals highlight Official Development Assistance (ODA) as one tool to promote development around the world. The provision of development aid to the world's less developed countries is, by many, perceived as being guided by humanitarian motives. At the same time, donor countries themselves can benefit from their aid deliveries to other countries. For example, aid can promote geostrategic interests, help buy political support in international organizations, boost exports, improve the donor country's image, and contribute to regime changes in recipient countries that could align with donor interests. In this seminar, students carry out their own original research to assess the drivers of donor countries' aid allocations across the developing world. To do so, they

collect data on aid commitments by one selected donor and run econometric regressions to study the cross-country correlates of this donor's aid allocation pattern.

### *1.2 Course goals*

The aims of this seminar are

- to deepen the knowledge of participants in development finance in general and in the allocation of development aid in particular
- to train participants to review the relevant literature, to critically reflect on it, and to undertake their own complementary empirical research
- to train participants to carry out a regression analysis in Stata
- to prepare a well-argued piece of research, well written and consistent in format
- to present the outcome of this research in class and to engage in a discussion with other students and the teaching staff
- to critically reflect on the research papers by other students.

### *1.3 Prerequisites*

Students should have completed the orientation phase (*Erster Studienabschnitt: Orientierungsphase*) and have passed the following courses:

- B.WIWI-VWL.0006 Wachstum und Entwicklung
- B.WIWI-VWL.0007 Einführung in die Ökonometrie

We recommend that students take the following class in preparation or as complement to the seminar:

- B.WIWI-VWL.0041 Einführung in die Entwicklungsökonomik

### *1.4 Credit points*

6 ECTS-LP

### *1.5 Registration*

Please register via FlexNow by **Thursday, April 30, 2020**. Attendance at the introductory meeting is compulsory for registration. The number of participants is restricted to 20.

## 2. Course overview

### 2.1 Description of the teaching and learning methods

The seminar meetings are supplemented by self-study based on the provided materials and literature. The introductory meeting briefly presents the state of the art of research on the allocation of development aid. By writing an empirical term paper on aid allocation, students demonstrate their ability to master empirical analyses in Stata and apply econometric methods to the study of development aid. By presenting the term paper, students demonstrate their ability to defend, but also to critically reflect upon empirical research. While knowledge on academic writing and econometric methods are prerequisites for this course, an accompanying Stata course will provide students with a refresher on the preparation of data sets and regression analysis using Stata. This exercise session is strongly recommended for students without significant previous experience with Stata. Students will have the possibility to attend two Q&A sessions to discuss problems and share experiences with their ongoing term project on May 11 and 25. **The course language is English.**

### 2.2 Scheduling

**IMPORTANT:** Due to the current situation (coronavirus), this course or parts of it will be offered online. Please register for the course on Stud.IP so that you receive all pertinent information in due time (e.g., registration, virtual meetings).

#### **Introductory Meeting (Thursday, April 23, 2020, 16:00-20:00, Oeconomicum - 0.168)**

- Introduction to the study of development aid and contemporary policy debates
- Allocation of replication papers (students must be present to register for the seminar and a maximum of 20 students can participate)

#### **Accompanying Stata Course Part 1 (Friday, April 24, 2020, 13:00-17:00, MZG/Blauer Turm - WiSoRZ MZG 7.153)**

- Stata at a Glance
- Data Import and Cleaning
- Descriptive Statistics and Graphs

#### **Accompanying Stata Course Part 2 (Monday, April 27, 2020, 16:00-20:00, MZG/Blauer Turm - WiSoRZ MZG 7.124)**

- Recap of Session 1 and Exercises
- Cross-Sectional Regressions

- Post-Regression Analysis
- Panel Data and Regressions

**Deadline for draft outline and introduction (Wednesday, May 6, 2020, 23:59)**

Please upload an electronic version of your draft outline and introduction (about 1.5 pages of introduction plus outline; use pdf format) on Stud.IP. The draft outline and introduction of all participants will be available on Stud.IP, so that each participant can prepare discussions of other draft outlines and introductions. Please prepare short critical reviews of the two draft outlines and introductions that are assigned to you for the seminar meeting (no written version required).

**Mid-term meeting (Friday, May 8, 2020, 09:00-18:00, Verfügungsgebäude - PIZ 5361 - VG 2.102)**

Each seminar participant presents his or her draft outline and introduction and comments on two other draft outlines and introductions. Presentations should take 6 minutes and discussions of other papers should not exceed 2 minutes (without slides). A maximum of 10 minutes is allotted for the following Q&A session and feedback on presentations.

**Stata Q&A Part 1 (Monday, May 11, 2020, 18:00-20:00, MZG/Blauer Turm - WiSoRZ MZG 7.124)**

- Interactive session discussing the problems that students have encountered in their research as well as best practices
- Supervised work on individual projects

**Stata Q&A Part 2 (Monday, May 25, 2020, 18:00-20:00, MZG/Blauer Turm - WiSoRZ MZG 7.124)**

- Interactive session discussing the problems that students have encountered in their research as well as best practices
- Supervised work on individual projects

**Deadline for final paper (Monday, June 29, 2020, 23:59)**

Please upload on Stud.IP an electronic version of your final paper (see guidelines below in Chapter 3; use pdf format) and your Stata files (do, dta, log). The research papers and replication data of all participants will be available on Stud.IP so that you can prepare discussions of other research papers. Please prepare short critical oral reviews of the two research papers that are assigned to you for the seminar meeting.

**Final meeting (Friday, July 3, 2020, 09:00-18:00, Verfügungsgebäude - PIZ 5361 - VG 0.110 and Saturday, July 4, 2020, 09:00-16:00, MZG/Blauer Turm - 9.111)**

Each seminar participant presents his or her research paper and comments on two other papers. Please prepare slides for your paper presentation. Presentations should take 15 minutes and discussions of other papers should not exceed 3 minutes (without slides). Nine minutes are allotted for the following Q&A session and feedback on presentations.

### 2.3 Examination and grading of the module

The grading consists of two components:

- Term paper [70%]
- Presentation of the term paper and peer discussions of two papers at the final meeting [30%]

Furthermore, participants must

- be present and actively participate during all seminar dates (with the exception of the accompanying Stata course)
- submit all written course requirements (draft outline and introduction, research paper) on time
- achieve a weighted average grade exceeding or equal to 4.0

### 2.4 Course materials

Research papers on aid allocation—examples:

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

- Faye, Michael and Paul Niehaus (2012). Political Aid Cycles. *American Economic Review* 102(7): 3516–3530.
- Fuchs, Andreas and Krishna Chaitanya Vadlamannati (2013). The Needy Donor: An Empirical Analysis of India’s Aid Motives. *World Development* 44: 110-128.
- 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.
- Maizels, Alfred and Machiko K. Nissanke (1984). Motivations for Aid to Developing Countries. *World Development* 12(9): 879-900.
- 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.
- Neumayer, Eric (2003). What Factors Determine the Allocation of Aid by Arab Countries and Multilateral Agencies? *Journal of Development Studies* 39(4): 134-147.
- Trumbull, William N. and Howard J. Wall (1994). Estimating Aid-allocation Criteria with Panel Data. *Economic Journal* 104(425): 876-882.

Recommended textbooks for those who need to build up Stata skills are:

- Cameron, Colin A. and Pravin K. Trivedi (2010). *Microeconometrics Using Stata* (revised edition). Stata Press.
- Kohler, Ulrich and Frauke Kreuter (2016). *Datenanalyse mit Stata: allgemeine Konzepte der Datenanalyse und ihre praktische Anwendung* (5th edition). Walter de Gruyter.

### 3. Research paper requirements

The length of the term paper must not exceed 20 pages. Main tables and main figures factor into the page count. The cover sheet, table of contents, list of figures, list of tables, bibliography and the appendix are excluded from the page count. Please use the following formatting: Font size: 12 pt, line spacing: 1.5 times, alignment: justification, margin (right, left, top and bottom margin): 2.5 cm each. Appendices may provide the details of the empirical approach, data sources, or some background tables and figures. Tables and figures that are essential for the research paper need to be included in the main text. Please make sure that you are consistent in your referencing and bibliography.

Every idea, statement or fact taken from the literature or any other sources must be appropriately cited. Quotes need to be indicated as such. Plagiarism is sanctioned with the grade 5 (failed). The general rules of the Faculty of Business and Economics apply. A signed declaration must be attached to each scientific work: “I hereby declare that I wrote this thesis paper independently, without assistance from external parties, and without use of other resources than those indicated. All information taken from

other publications or sources in text or in meaning are duly acknowledged in the text. I give my consent to have this thesis checked by plagiarism software.”

Use a referencing style that is in line with basic conventions in the economics literature. Always quote within a work using the same method. The Chair recommends the Harvard citation style (see information sheet [“Citation according to the Harvard system”](#)). All sources that you have quoted in the text must appear in the reference list. Everything that you have only read but not quoted in the text must NOT appear in the reference list.

A good research paper implies a clear initial presentation of the research question. Relevant concepts and theoretical approaches need to be adequately discussed. If applicable, the methodological choices need to be justified. The analysis needs to focus on the research question. The paper should end with a well-argued synthesis that supports the conclusions. A good research paper is also fluently written and is consistent in its form. Term papers need to be written in English. The work must be done independently by the student; the supervisor only provides advice on the outline and specific issues of the paper.

A complete set of Stata files consists of .dta, .do, and .log files. The Stata files you hand in should include a folder containing any original datasets you have downloaded and the final merged dataset as .dta files. There should also be a single .do file that describes how your data sources were merged and how your output (tables, regression results, graphs, descriptive statistics etc.) was derived from the original data. Make sure to add comments to specify which part of the code corresponds to which part of your paper. Finally, include the corresponding log-file in plain text format (not as .smcl).