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RESEARCH NOTE
INTRODUCING A NEW DATASET:
BUDGET SUPPORT SUSPENSIONS AS A SANCTIONING DEVICE:
AN OVERVIEW FROM 1999 TO 2014

Introduction

Budget Support (BS) is an aid modality whereby a donor provides direct financial assistance to the recipient government's budget¹ (Unwin, 2004). Though BS constitutes only a small part of total aid volumes, its symbolic function and potential (political) leverage far exceeds that of other aid modalities (De Haan and Everest Philips, 2007; de Renzio, 2006). BS is often interpreted/perceived as constituting a vote of trust in the incumbent government, as an endorsement of the policy and political choices taken by the incumbent recipient government. It is also directly tied in with the policy and political decision making arenas of a recipient country giving BS donors space to influence and negotiate with the recipient government regarding the national development goals, their translation into budget allocation decisions and the subsequent (governance) reforms necessary to achieve those goals. Access to policy and political dialogue thus comes with the use of BS (Koeberle et al., 2006; Stolk and van der Helm, 2007).

The many governance problems present in these recipient countries however quickly led donors to use BS as a sanctioning device. 'Troubling events' such as corruption scandals, human rights (HR) violations, electoral fraud... would lead to donors suspending BS (Hayman, 2011; Molenaers, 2012). The term BS suspension, as we will explain in detail, is used in this paper to refer to three different things: donors stopping, reducing or delaying BS disbursements in reaction to undesirable actions on the part of the recipient, which may (but does not necessarily) imply a cut in aid to that country.

Although many case studies have looked into BS suspensions² no systematic overview so far existed. This paper presents a newly composed dataset in which all³ BS suspensions are covered. We recorded 239 BS suspensions, in 40 recipient countries, by 18 donor agencies in the period 1999-2014. The dataset can be downloaded here: www.uantwerp.be/budget-support-suspensions

Construction of the dataset

Gathering the data on BS suspensions posed a substantial challenge because most donors tend not to systematically gather and/or publicize this highly sensitive information. We have extracted and triangulated factual information on suspensions from online news bulletins, newspaper clippings, donor reports, evaluation reports and peer-reviewed articles. One important source of information was the budget support evaluations that have been carried out over the years. Since aid predictability was one major expected advantage of using BS, many of these studies commented on the numerous instances where ‘troubling events’ had led to BS suspensions. Triangulating the information in these reports with scientific case studies on aid which reported on ‘conflicts between donors and recipients’, with newspapers and also donor documents gave us sufficient information to start constructing the dataset.

One major concern was that there may have been a number of suspensions that we failed to capture. We tackled this issue by presenting an initial version of our dataset to the OECD/DAC with the request to check with all DAC donors if the listed suspensions (as we defined them) were correct and whether there were any suspension instances we had missed⁴. We likewise cross-checked our initial list of World Bank suspensions with the World Bank’s Operations Policy and Country Services department. A number of donors (including some of the less transparent donors like Japan, Germany and Belgium) gave useful input which helped refine the dataset, and this supported our attempt to prevent our results being biased towards the more transparent donors. Yet, in spite of our substantial effort to ensure validity of the data, the possibility of some remaining exclusion and/or inclusion errors exists.

A note on terminology and a first aggregate picture

As already stated in the introduction, we use the term BS suspension to cover a variety of stated actions. A donor may decide:

- *to stop using BS altogether* thus fully abandoning the instrument in a given country (a drop of 100%)

- to decrease a given BS disbursement without fully abandoning the instrument in a given country (any drop)

- to delay BS disbursements (postponing a disbursement that was due either imminently or on a given future date until a later than foreseen date)

These actions may or may not influence the total aid volume disbursed in a given country and may or may not be linked to conditions for reinstating (full) BS. In some cases stopping, decreasing, or delaying BS leads to a de facto decrease of aid volumes in a given (and following) years. In many other cases, the aid volumes do not decrease as BS volumes are simply re-channeled through other modalities such as project support. Ideally the codification of BS suspensions should reflect this variety of sanctioning strategies including a diversification in terms of suspended volumes and the duration of the suspension. We have not been able to capture such detailed data and indeed it may not turn out to be readily available for each observation. We therefore use a dummy to code a BS suspension with BS donor-recipient-year combinations as our units of observation. That is, the BS suspension is coded 1 if donor i decides to suspend BS in recipient country j at year t .

Importantly, given our interest in the use of BS as a sanctioning device we only consider the suspensions that happen in reaction to a 'troubling event' (which we use to refer to both once-off occurrences or broader worry-some trends) in a recipient country. BS reductions, delays or stops which result from dynamics on the donor side (administrative problems or policy/political dynamics) are not taken up in our dataset.

In order to discern overall trends related to the reasons behind donors suspending BS we distinguish three types of suspension triggers and provide each one with a 'breach category label'. The label 'Democracy and Human Rights' is used when the reasons given for the suspension relates to recipient country regime issues such as coups, electoral fraud, the killing of a gay activist, violent repression of student demonstrations, as well as to foreign policy issues such as supporting foreign militia. The label 'Corruption' relates to both manifest incidences of corruption and donor concerns about lack of (or a downward trend in) transparency on the part of recipient countries in terms of their (mis)use of public finances. The label 'Macro-economic' relates to debt issues, concerns that particular budget allocation decisions were inappropriate, being off-track with IMF conditionalities etc.

A suspension can happen for more than just one reason. For example a corruption scandal and some (perceived) democratic deterioration may both figure as reasons for a suspension. Furthermore donors may also differ in labelling the reason for suspension. A case of electoral fraud may be labelled as a case of democratic deterioration by one donor,

while another considers it a case of corruption. In order to maximize consistency across cases we evaluated the reasons for suspension presented by the donors or those reporting on the donors' decisions and selected the appropriate breach label according to our definitions of the various categories⁵.

The pie chart (Chart 1) below provides an at-a-glance overview of overall donor reasons for sanctioning. Corruption and democracy and human rights together account for two thirds of all suspensions. In about 17% of cases donors refer to multiple (mixed) reasons for suspending BS.

-Chart 1 here -

When aggregating the mixed cases of BS suspensions into their constituent breach categories, the percentages change slightly: corruption then takes the lead at 42%, followed fairly closely by democracy and human rights (35%), and lastly macro-economic reasons (23%). More detailed information on the mixed cases can be found in table 1.

The significance of the democracy and human rights breach category (chart 1) is interesting. Given the skepticism toward BS by some donor publics and the technocratic focus of the modality, the significance of corruption and macroeconomic concerns respectively are perhaps not surprising. What is particularly striking though is that overall no less than 35% of all BS suspensions wholly or partially related to democracy and HR issues. This result clearly endorses the findings of those scholars who pointed to the 'political sensitiveness' of the modality in that the provision of BS suggested the endorsement of all policy choices of the recipient government, including regime issues (Dijkstra, 2012; Faust et al., 2012; Hayman, 2011).

An overview of BS suspensions is provided in Table 1 below, including the breach labels count. The 239 suspensions contained in our database cover a 15 year time span (1999-2014) and involve 18 different donors and 40 recipient countries (where a number of different donors suspend BS following a breach in a recipient country, this is counted as multiple suspensions since we work with donor-recipient-year combinations as our unit of observation). To contextualize these figures, the final four columns in the table list information on overall BS operations⁶. In terms of absolute numbers of suspensions, there is a peak in 2005 (the year of the Paris Declaration). But in relative terms (sanctioning rate), 2010 carries the highest suspension/BSflows incidence.

- Table 1 here -

Table 1 also shows a somewhat more detailed listing of the mixed cases. As highlighted in chart 1, 17% of the suspensions are connected to multiple breach categories. Most often corruption is mentioned alongside macro-economic or democratic/HR concerns.

Table 2 below shows a more visual picture over time. Suspensions were frequently motivated by concerns related to political regime issues and human rights.

-Table 2 here-

Zooming in on Budget Support suspenders and suspendees

1) Who are the biggest suspenders?

Table 3 lists the donors that have suspended BS in the period 1999-2014 and how this sanctioning relates to their overall BS flows. The top 4 ‘big suspenders’ who between them account for almost exactly half of all suspensions are the UK (14,6%), the EU (14,2%), the World Bank (10,9%) and Germany (10%). This absolute number of suspensions per donor (and the share of total suspensions this represents), however, does not tell us whether the donors that use BS as a sanctioning device most frequently are not in fact simply the ones that most frequently choose to channel part of their aid as BS and therefore have the most opportunity to suspend it. For this reason we also include a column which expresses suspensions relative to BS flows⁷.

-Table 3 here-

While the average is 8%, there are substantial differences between suspender donors. It is important to note, however, that the rate calculations are only as reliable as the (imperfect) data on BS flows⁸ and that since the BS flow figures furthermore collapse multiple forms of BS from one donor going to one country in a given year into one flow, the suspension rate is somewhat inflated.

There seems to be some variation between donors in terms of the reasons for which they are most likely to sanction. Table 3 shows that the World Bank is the only donor for whom macroeconomic concerns dominate when suspending, whereas the EU, the Netherlands and Sweden have mostly sanctioned for reasons related to democracy and human rights. In keeping with other findings on the importance of the corruption category, all other major donors mostly suspend due to corruption/ transparency-related concerns.

-Table 4-

2) Where have suspensions taken place?

The table below shows the countries where suspensions have taken place. 83% of suspensions recorded between 1999-2014 are in Subsaharan Africa, and two thirds of the remaining sanctions took place in Latin America. Uganda is the country where most BS suspensions have taken place, followed at a distance by Mozambique, Tanzania and Nicaragua. These top four suspendees in fact account for nearly half of all suspensions.

Again, our interpretation of the suspensions should be nuanced by looking at weighted figures, since absolute numbers do not reflect the fact that some countries may have been receiving BS from many different donors and over a longer period whereas others receive it from very few donors (and/or over fewer years). We therefore include, in the final column of the table, the rate at which recipients have been sanctioned, relative to the total BS flows⁹ received by that country (note however that this calculation only covers the period till 2011 since comprehensive data on BS flows after that date are not yet available). It is striking that in both Nicaragua and Uganda some form of sanction has been applied to no less than 43% of all BS flows in the last decade and a half.

-Table 5-

It should be borne in mind that the figures mentioned thus far are not weighted according to the number of ‘troubling events’ (breaches) that have taken place in a recipient country. Some countries may only have experienced one conflict with one or more donors, while others may have had several moments of crisis. Since an overview of the number of distinct breaches is itself illuminating (and helps contextualize our data), we provide one below¹⁰. The total number of breaches amounts to 104 with Uganda and Mozambique sharing the top spot in terms of having the highest number of breaches. When subdividing the breaches by category it becomes clear that once again corruption predominates: this is the case for four of the five countries with most breaches and for the majority of countries overall. The table also reveals some outliers: of the numerous breaches that have taken place in Rwanda and Nicaragua they are the only two countries who do not have one single corruption breach (whereas the average is 40% across all breaches and countries) – with only a single exception in each case it is democracy and human rights issues which most concern donors in those countries.

Conclusion

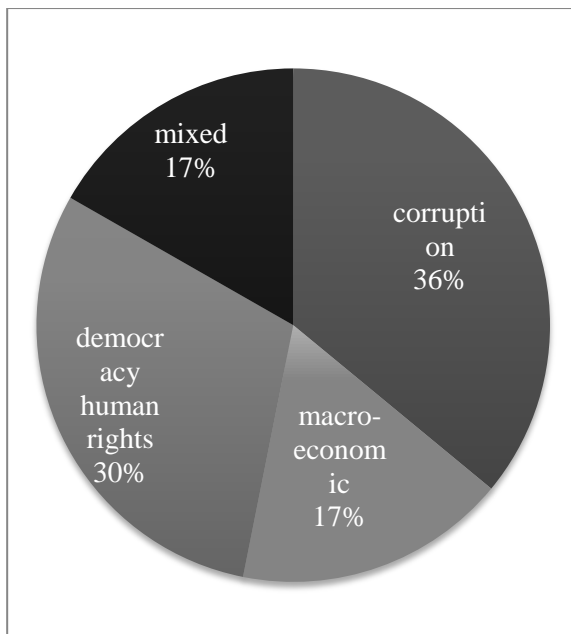
This research note serves to introduce a newly composed dataset on BS suspensions in the period 1999-2014. The dataset covers 239 BS suspensions, in 40 recipient countries and 18 donors. The descriptive statistics in this paper do not allow for causal/inferential claims, but they do raise interesting research questions: Are some donors more sensitive to democratic regress in recipient countries? What drives differentiated sensitiveness? Can we distinguish ‘donor sanction profiles’? Are suspensions tied in with certain breach labels actually in line with real regress tendencies in these areas? Which motivational factors push sanctions? This dataset provides a useful starting point for exploring these questions.

The dataset and the user guide can be downloaded here:

www.uantwerp.be/budget-support-suspensions

Charts and Tables

Chart 1: Suspensions by breach category, including mixed



Source: Authors

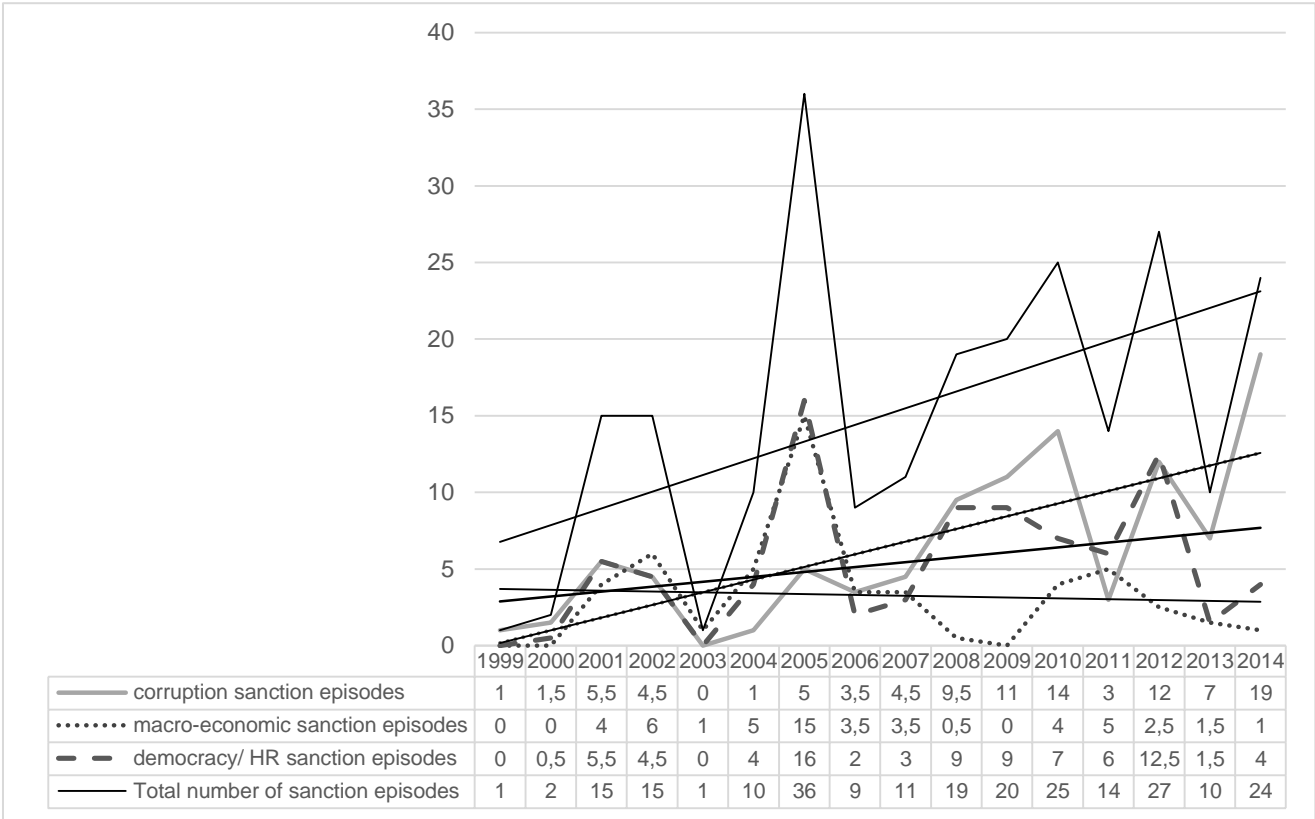
Table 1: Overview of total number of BS suspensions per year and by breach category*

Year	Total number of suspensions	corruption suspensions	corruption as % of total	macro-economic suspensions	macro-economic as % of total	democracy/ HR suspensions	democracy/ HR as % of total	BS_flows	Sanctioning rate	# BS donors	# BS recipients
1999	1	1	100%	0	0%	0	0%	193	0,5%	24	90
2000	2	1,5	75%	0	0%	0,5	25%	219	0,9%	25	98
2001	15	5,5	37%	4	27%	5,5	37%	252	6,0%	25	107
2002	15	4,5	30%	6	40%	4,5	30%	239	6,3%	23	102
2003	1	0	0%	1	100%	0	0%	310	0,3%	26	111
2004	10	1	10%	5	50%	4	40%	337	3,0%	27	113
2005	36	5	14%	15	42%	16	44%	321	11,2%	27	111
2006	9	3,5	39%	3,5	39%	2	22%	306	2,9%	27	97
2007	11	4,5	41%	3,5	32%	3	27%	258	4,3%	27	95
2008	19	9,5	50%	0,5	3%	9	47%	363	5,2%	28	117
2009	20	11	55%	0	0%	9	45%	163	12,3%	26	81
2010	25	14	56%	4	16%	7	28%	179	14,0%	23	81
2011	14	3	21%	5	36%	6	43%	181	7,7%	24	108
2012	27	12	44%	2,5	9%	12,5	46%	242	11,2%	25	93
2013	10	7	70%	1,5	15%	1,5	15%	249	4,0%	24	97
2014	24	19	79%	1	4%	4	17%	data not yet available			
TOTAL	239	102	43%	52,5	22%	84,5	35%	average 254	average 6%	average 25	average 102

Source: Authors Aid Data (for the years 1999-2011) and CRS (2012-2013)

* sanction episodes categorised as mixed (chart 1) are listed in the corresponding breach categories and divided across the two categories, hence the ",5" figures

Table 2: Trend in the number of BSS episodes over the last 15 years per breach category



Source: Authors

Table 3: Who suspends how often ?

Donor	Number of sanction episodes 1999-2014	% of Total sanction episodes	Average donor sanctioning rate 2000-2011*
UK	35	14,6%	14%
EU	34	14,2%	6%
World Bank	26	10,9%	9%
Germany	24	10,0%	10%
Netherlands	23	9,6%	13%
Sweden	21	8,8%	8%
Norway	18	7,5%	13%
AfDB	12	5,0%	7%
Denmark	11	4,6%	17%
Ireland	7	2,9%	5%
Switzerland	7	2,9%	11%
Canada	5	2,1%	3%
France	5	2,1%	2%
Finland	4	1,7%	8%
Belgium	3	1,3%	2%
(OTHERS)	4	1,7%	various
TOTAL	239	100%	8% (average for these donors)

Source: Authors

* 2011 is the end date used for the “rate” calculation in this and subsequent tables since this is how far AidData figures stretch. Note that the period included in this column covers approximately 75% of all suspensions.

Table 4: Donor reasons for suspending BS

Donors with more than five sanction episodes 1999-2014	Number of corruption sanction episodes	Corruption as % of this donor's total	Number of macro-economic sanction episodes	Macro-economic as % of this donor's total sanction episodes	Number of democracy/ human rights sanction episodes	Democracy/ Human Rights as % of this donor's total
UK	17	49%	8,5	24%	9,5	27%
EU	13,5	40%	6	18%	14,5	43%
World Bank	7	27%	11	42%	8	31%
Germany	10,5	44%	3,5	15%	10	42%
Netherlands	7,5	33%	4	17%	11,5	50%
Sweden	7	33%	6	29%	8	38%
Norway	9,5	53%	2,5	14%	6	33%
AfDB	5,5	46%	3	25%	3,5	29%
Denmark	6	55%	1,5	14%	3,5	32%
Ireland	3,5	50%	0	0%	3,5	50%
Switzerland	3	43%	2	29%	2	29%

Source: Authors

Table 5: Which countries get sanctioned the most?

Recipient country with more than five sanction episodes	Total number of sanction episodes 1999-2014	% of all sanction episodes this represents	Rate at which county is sanctioned (2000-2011)
Uganda	43	18%	43%
Mozambique	28	12%	19%
Tanzania	23	10%	10%
Nicaragua	20	8%	43%
Malawi	19	8%	28%
Mali	12	5%	2%
Rwanda	11	5%	16%
Ethiopia	9	4%	20%
Ghana	8	3%	8%
Zambia	8	3%	19%
Honduras	6	3%	21%
Madagascar	6	3%	19%
(OTHERS)	46	19%	various

Source: Authors

Table 6: Breaches per country

Countries with multiple breaches	Total number of breaches 1999-2014	Average number of sanction episodes per breach	Corruption breaches	Macro-economic breaches	Democracy/human rights breaches
Uganda	11	4	5	1	5
Mozambique	11	2	7,5	1	2,5
Tanzania	6	4	5	1	0
Rwanda	6	2	0	1	5
Malawi	6	3	3	1	2
Nicaragua	5	4	0	1	4
Ghana	5	1,5	2	3	0
Kenya	4	1	2	1	1
Honduras	4	1,5	1	2	1
Benin	4	1	2	1	1
Mali	3	4	2	0	1
Niger	3	1	1	0	2
(OTHERS)	36	1,5	11,5	12,5	12
Total	104	2,5 (average)	42	25,5	36,5

Source: Authors

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ENDNOTES

¹ Both ‘General Budget Support’ (GBS) and ‘Sector Budget Support’ (SBS) are forms of BS and share the characteristic that they are administered through the recipient government’s Finance Ministry or Treasury Department. From a technical financial perspective, there are no differences between GBS and SBS, because both are pooled with national revenues and thus fungible (Koeberle et al., 2006). We will therefore use the broad term Budget Support which in the remainder of this paper comprises both forms of BS.

² See for example Aalen and Tronvol, 2008; Beswick, 2011; Borchgrevink, 2008; Fisher, 2011; Furtado and Smith, 2007; Hackenesch, 2011; Portela, 2010; Resnick, 2011; Schmidt, 2011.

³ That is, as many as our exhaustive search allowed us to get enough clarity on to encode. Further caveats are listed both in this paper and in the User Guide which accompanies the dataset

⁴ While not all DAC donors responded, those that did considered most of our listings correct. Where the donor disputed a given listing (potentially an inclusion error), this was almost inevitably related to the donor considering the term “suspension” inappropriate for minor delays or reductions, despite the fact that we explained that the definition of a suspension we were using went much broader than “drastic” or “permanent” actions related to BS commitments or disbursements as long as the negative changes on the part of the donor were triggered by undesirable behaviour on the part of the recipient. In the handful of cases where we had missed a suspension (exclusion errors) this was usually because the data source from which the information was derived was internal to the donor.

⁵ Note that whenever two motivations were mentioned for a single suspension, they were counted as 0.5 in each of the two relevant categories.

⁶ BS flows are the number of donor-recipient combinations per year. In other words even where a donor gives a particular recipient both GBS and (potentially multiple forms of) SBS in a particular year, this only counts as a single flow. The subsequent columns on rates are calculated using the AidData information on BS (with the exception of 2012 and 2013 figures which, for this first table were calculated using the available CRS data since AidData doesn’t yet stretch that far. For both consistency and reliability reasons we will in subsequent tables only rely on AidData, even though this limits our date range a little. In any case 2000-11 covers three quarters of all cases so the sanctioning rate is unlikely to vary very much if it were to cover 1999-2013 .

⁷ In this table each BS flow unit represents a partner country that received one or more forms of BS (GBS or SBS) from the listed donor in a given calendar year.

⁸ For some of the donors who sent us comprehensive overviews of their BS operations (such as Sweden and the UK) we know that the Aiddata figures undercount total BS operations.

⁹ In this table BS flows are donor-year combinations, listed by recipient. Our use of a suspension dummy across the board (i.e. even in cases where we know from the microdata that the suspension only involved a partial, rather than a total withholding of BS) means that this remains a very rough (and again inflated) figure.

¹⁰ This is indicative only. Ascertaining the boundaries between discrete breaches is difficult without detailed microdata (something which is not readily or universally available) and we decided to err on the side of caution and didn't count breaches as separate if the available information was ambiguous on this count.