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## *ACKNOWLEDGEMENTS*

Before embarking on the doctorate, I was quite surprised by the frequent comments of several of my co-workers at the time who told me how the doctorate had been for them one of the most solitary periods of their lives. Like some sort of lonely ride, they used to tell me. I of course thought they exaggerated, since between classes, seminars, workshops, conferences, fieldtrips etc., it seemed to me that doctoral students have a lot of opportunities to interact with professors, experts, researchers, students, etc. And indeed, it may be that this is the case but once the thesis is finished, I have no choice but to admit that my former colleagues were right.

Nevertheless, although I have spent most of the time during the last two years confined with books and articles at the public libraries of Turin and surroundings, which I know better than those at my own home city, Bilbao, there is some people to whom I own too much.

I will start with Professor Francesca Pasquali, who gave me a course in Political Philosophy at the beginning of the Ph.D. in 2014, a period in which I slept very little commuting between my little town in Turin and Milan everyday. Professor Pasquali, to whom I am particularly grateful, owns a great deal of the merit of my thesis since without she knowing it, her understanding of philosophy and the way in which she teaches it, aroused in me an enormous curiosity for political and moral philosophy and for those thinkers—practically unknown to me until then—who have marked the way in which we today understand principles and values such as justice, solidarity and freedom. Without her, I would not have been able to scrutinize a discipline that I consider fundamental today to understand the problems of the world—especially those related to global poverty—and face them adequately.

Respecting the temporal sequence of the doctoral period, the next one on the list of people to whom I am immensely grateful is Professor Marco Giuliani, who have not only contributed substantially to my learning of another discipline, compared politics, but also supported me in all the inclinations that I had in relation to how to conduct my Ph.D., preferences that sometimes deviated substantially from the conventions of

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the University, such as following a multidisciplinary approach or undertaking a fieldwork in a country such as Rwanda, where the University of Milan had no previous institutional relations. Professor Giuliani with great respect and determination guided me through the process and gave me the confidence necessary for this thesis to be completed.

Now it is time for two Rwandan scholars: Professor Bititi Gisaro and Professor Mbonyinkebe Déo. After formalizing the corresponding arrangements with the University of Rwanda, Professor Gisaro was assigned by the University of Rwanda as my tutor or local coordinator for the research that I was conducting in Kigali. His instructive explanations about the workings of the Rwandan institutional framework as well as the dedicated support he offered me in arranging the interviews with the national authorities was priceless. Thanks to his personal contacts and his determination and commitment, I was able to conduct interviews with high-level authorities of the country that I could not otherwise been able to access.

Professor Déo's help was also of immense value. He was one of the first scholars that read carefully the draft of the article I wrote about the relationship between the government and the donors of Rwanda. His observations were crucial in order to properly focus the article, so that its conclusions were strictly derived from the methodology applied, avoiding biases and baseless assessments that would have eroded the paper's credibility and robustness. Beyond that, Professor Déo was a great help to understand a little more about the recent history of a country that has suffered the unimaginable and whose authorities since the genocide have been the object of both, great praises and acid criticisms.

During the last three years and some months, I have not only benefited from professors and academics. The group of colleagues of the 29<sup>th</sup> cohort of the Ph.D. on Political Studies is really fantastic. Both our laughter and enthusiastic discussions helped me to survive the large amount of intensive and sometimes intense courses at the beginning of the doctoral period. In particular, I want to thank Niccolò Donati, Pierre Van Wolleghem and especially my good friend Goran Filic for their friendship and for making me recall this period also for the fun we had.

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Now my family. My mother Mari Carmen, who has been following closely my progress and day-to-day challenges, she above all is my accomplice in that innate rebellion against the status quo that we both share, which, despite her advanced youth, emerges in almost every conversation that we have. She possesses the rare gift in our days of challenging energetically current establishments and institutions that, as we both think, could infinitely be more helpful to the poor and the vulnerable. My father, Josu, is another rebel, although perhaps he is not aware of it yet. While he has been a professor of ethics and moral philosophy for around 40 years, today at his mid 70s, he voluntarily devotes a full working day —except when I interrupt him to discuss philosophy— leading the NGO that he founded years ago to support immigrants in the city where he lives. Moreover, our long debates on morality and justification have been absolutely crucial to approach adequately and develop the main arguments of the normative chapter of this thesis. Both my parents cannot be but an inspiration for my work.

My brothers Iñigo and Josu have also been a great stimulus for me, as working hard in the things one believes represents a *motto* that they have applied in their lives in a silent but persistent way, showing to the ones that are close to them that going against the current is as hard as it is gratifying in the end.

Finally, my wife Itziar is the person to whom I wish to dedicate this thesis. The work I've done has benefited endlessly from her devotion and experience in the world of international cooperation; and her intuitions and common sense —infinitely more developed than mine— have helped me to shape several of the arguments that I put forward in the thesis in such a way that they keep displaying strength and determination but objectivity and sobriety at the same time. I think that her patience and support in many ways cannot be compensated in a live time. She and my sons, Eneko and Ander, are the engine of my work.



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## *LIST OF ABBREVIATIONS*

ACU	Aid Coordination Unit (ACU)
AEL	Aid Effectiveness Literature
BSHG	Budget Support Harmonization Group
CEM	Coarsened Exact Matching
CEPEX	Central Projects and External Finance Bureau (CEPEX),
CPAF	Common Performance Assessment Framework
CPI	Consumer Price Index
DAC	Development Assistance Committee
DfID	Department for International Development of UK
DoL	Division of Labor
DPAF	Donor Performance Assessment Framework
DPCG	Development Partners Coordination Group
DPCG	Development Partners Coordination Group
DPM	Development Partners Meeting
DPR	Development Partners Retreat
DPs	Development Partners
EDPRS-1	First Economic Development and Poverty Reduction Strategy of Rwanda
EDPRS-2	Second Economic Development and Poverty Reduction Strategy of Rwanda
EFU	External Finance Unit (EFU)
FE	Fixed Effects
GBS	General Budget Support
GMM	Generalized Method of Moments
GNI	Gross National Income
GoR	Government of Rwanda
HARPP	Harmonization and Alignment in Rwanda of Projects and Programmes Group

HDI	Human Development Index
HIPC	Highly Indebted Poor Countries initiative
IDA	WB's International Development Association
IFIs	International, Financial Institutions
IMF	International Monetary Fund
IPL	International Poverty Line
JGA	Joint Governance Assessment
LDCs	Least Development Countries
LMIC	Low Middle-Income Countries
MDGs	Millennium Development Goals
MINECOFIN	Minister of Finance and Economic Planning (MINECOFIN)
MINECOFIN	Ministry of Economic Planning and Finance of Rwanda
MINEDUC	Ministry of Education of Rwanda
NGOs	Non Governmental Organizations
ODA	Official Development Assistance
ODA	Official Development Assistance
OECD	Organisation of Economic Cooperation and Development
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
RAP	Rwandan Aid Policy
SBS	Sector Budget Support
SDGs	Sustainable Development Goals
SPIU	Single Project Implementation Unit
SWAp	Sector-Wide Approach
SWGs	Sector Working Groups
TSCS	Time Series Cross Sectional data
UMIC	Upper Middle-Income Countries
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WDIs	World Development Indicators, WB
WGI	Worldwide Governance Indicators, WB

## *INTRODUCTION*

According to the latest poverty estimates of the WB (WB) based on its new global poverty line launched in Oct 2015, out of roughly 7 billion people on the planet, 0.902 billion lived on less than US \$1.90 a day in 2012 (2011 PPP).<sup>1</sup> The same source indicates that more than two times that amount, over 2.1 billion, lived on less than US \$3.10 a day in the same year.<sup>2</sup> The Human Development Report issued in 2016 by the United Nations Development Programme (UNDP) extends a deeper sense of the existing poverty frames worldwide and stresses that in 2015, 795 million people suffered from chronic hunger, 11 children under age 5 died every minute and 33 mothers died every hour. It also underscores the fact that more than 660 million people do not have access to clean and safe drinking water, 780 million adults and 103 million young people (ages 15–24) are illiterate and only 27% of the world's population is covered by comprehensive social protection (UNDP 2015, p. 4, 20). These and other widely recognized sources demonstrate that today hundreds of millions of people do not meet universally recognized basic human needs for food, shelter, clothing and medical care.

But none of this is new. Unfortunately, poverty is a dramatic phenomenon with which humanity has been living throughout the annals of history. However, what it is in fact relatively novel is the awareness and vast knowledge that we possess about such

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<sup>1</sup> The \$1.9 (2011 Purchasing Power Parity, PPP) poverty line is equivalent to the previous \$1.25 (2005 PPP). Data retrieved from the WB Poverty & Equity Data, accessed on 28 July 2016 <http://povertydata.worldbank.org/poverty/home/>.

<sup>2</sup> The second poverty line of \$3.10 in 2011 PPPs is the equivalent to the previous \$2 dollar-a-day in 2005 PPPs. Data retrieved on 28 July 2016 from <http://www.worldbank.org/en/topic/poverty/overview>.

phenomena.<sup>3</sup> Today a great variety of informational sources flood the media offering meticulous details regarding the forms and impact of poverty on human lives. Data are widely available regarding where the people suffering from severe deprivation are located, their most pressing shortcomings and the situation in which they will probably end—premature death— unless they receive assistance.

And beyond that, we also know that, although it is a complex phenomenon, global poverty continues over the years even though its eradication is feasible. Although controversial at first sight, this assertion stems from a litany of facts that provide an objective sense of the relatively modest efforts required to end poverty through small reductions in global inequality. A few illustrative examples are offered for convenient reference. First, while the bottom half of the global population collectively owned less than 1% of total wealth in 2015, the richest 10% owned 88% of the world's wealth; moreover, the top percentile alone accounts for half of global assets.<sup>4</sup> Second, the 100 richest people increased their wealth by \$240 billion in 2012, an increase sufficiently large to end global poverty four times.<sup>5</sup> Third, global military spending in 2010 was 12.7 times higher than the total amount provided as Official Development Assistance.<sup>6</sup> Fourth, in an unprecedented level of state financial support, trillions of USD (mainly capital injections, toxic asset purchases, subsidized loans and debt guarantees) has been spent in large-scale taxpayer-funded bailouts to the banking system of the developed countries following the economic crisis of 2008, of which a

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<sup>3</sup> For “we”, I mean most of the people living in the developed world and many living in the developing countries who have access to the vast majority of the sources of information on the subject. This includes me as author of this research and probably also includes those who have the opportunity to read it.

<sup>4</sup> Credit Suisse's Global Wealth Report 2015, available at <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=C26E3824-E868-56E0-CCA04D4BB9B9ADD5>.

<sup>5</sup> Oxfam report 2013 *The cost of inequality: how wealth and income extremes hurt us all*, available at <https://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf>.

<sup>6</sup> United Nations' Office for Disarmament Affairs portal called *The World Is Over-Armed and Peace Is Under-funded*, available at <https://www.un.org/disarmament/update/20120830/>

small portion would suffice to provide enough economic stimulus to eradicate global poverty.<sup>7</sup>

In light of the large amount of data on the subject it becomes hard to defend the persistence of poverty as a result of the impossibility of finding the right path to eradicate it. The fact that a small fraction of the world's wealth would suffice to end the misery of hundreds of millions of people seems to indicate crudely that poverty is not related to scarcity but to political decisions that determine the distribution of power and resources. Many scholars have been analysing this issue over the years and while offering different routes to address world poverty, they concur that it is largely if not wholly preventable through appropriate efforts from developing and (especially) developed countries.<sup>8</sup>

Nevertheless, disagreement on this viewpoint is still frequent today. It is not unfamiliar that from numerous spheres of public life, particularly in developed countries, there transpires a certain degree of resistance to admitting the reversibility of poverty under the appropriate political will. Although this doctoral thesis and the arguments that are advanced here do not depend themselves on the acceptability of the notion that poverty is preventable, I think that it is important to pause for a moment on this assertion and critically examine the credibility of the main objections that are normally put forward in the debates on global poverty to dismantle the 'reversibility of poverty' argument. The reason that leads me to analyse and challenge such objections lies in the fact that the plausibility of the statement that global poverty persists even though it is preventable contributes substantially to recognize the advantages of following a multidisciplinary research route, such as the one pursued here, embracing various epistemological fields including moral philosophy. I will

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<sup>7</sup> See OXFAM calculations at <https://oxfamblogs.org/fp2p/the-global-bank-bailout-is-enough-to-end-thats-end-not-just-halve-world-poverty-for-50-years/>

<sup>8</sup> For various comprehensive analyses of global poverty that differ in terms of the causes of and proposals for eradicating poverty but that concur that poverty is avoidable, see, for instance, Sachs (2006), *The end of poverty: economic possibilities for our time*; Collier (2007), *The bottom billion: why the poorest countries are failing and what can be done about it*; or Pogge (2008), *World poverty and human rights*.

return to this point later, once the most recognized objections of the assertion that poverty is avoidable are briefly reviewed.

*Foreign aid intentionality and effectiveness*

First, if global poverty is understood as a phenomenon that persists even though it could be overcome with relative ease, then it is indirectly assumed that the efforts to eradicate global poverty undertaken to date – mainly through foreign aid as a key instrument – are, at best, unsuccessful.<sup>9</sup> Is this factual? Being an empirical matter, what can be said about aid effectiveness? Is foreign aid really contributing to the promotion of human development and diminishing poverty? On this front, although shocking to a certain extent, the truth is that there is high controversy and disagreement over the existence of empirical evidence that demonstrates positive effects of aid on growth. It is far from clear that foreign aid is capable of eradicating global poverty given the conventions and institutional framework in which nowadays the relations between countries are embedded. Moreover, an important part of the specialized literature on the issue has lately attracted great attention by stressing that aid not only does not help but instead harms developing countries (Dichter 2003; Calderisi 2006; Easterly 2002, 2007; Hubbard, et al. 2009; Moyo 2009).

This assertion should not be surprising, as numerous studies that analyse the drivers and determinants of aid unveil empirical evidence that implies that a framework that constitutes an opportunity for advancing the priorities and ideological interests of the donor countries coexists with altruistic motivations and often underpins the official international cooperation apparatus. Some of the main contributions in this area (i.e. aid allocation) include the important early work of Levitt (1968); and Dudley and Montmarquette (1976); later cross-country studies such as Maizels and Nissanke (1984); as well as more recent complex works using panel data sets such as Alesina and Dollar (2000), Neumayer (2003), Gates and Hoeffler (2004), Dollar and Levin (2006), Tezanos Vázquez (2008), Bueno de Mesquita and Smith (2010), Fuchs et al.

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<sup>9</sup> Note that foreign aid has been historically proclaimed by bilateral and multilateral cooperation institutions as the main tool to palliate poverty. A full argument on this issue is displayed in the next section.

(2012), Rounda and Odedokun (2013), among others; aside from the meta-studies of Doucouliagos and Paldam (2007, 2013).

Nevertheless, although the intentionality and effectiveness of aid have been greatly contested, there are also renowned scholars, such as Sachs (2006) or Collier (2007), who have made sound arguments to advocate in favour of foreign aid as a mechanism that, if adequately managed, is capable of generating growth and reducing poverty. Both Collier and Sachs (especially the latter) advocate for foreign aid as a tool that, although it requires some reforms to improve the way it is managed (particularly from the administrative viewpoint), can play a significant role in reducing global poverty.<sup>10</sup>

Hence, whether or not foreign aid is capable of contributing effectively to the eradication of global poverty is a long-debated topic. What it is certainly less open to debate and more factual is that approximately 1 billion people live today in extreme poverty and that ODA's intentions and merits are unclear after more than half a century of foreign aid. This scenario is compatible with the notion that poverty perseverates even though it could be prevented, which on the other hand would be more difficult to defend if ODA's merits and especially its intentions were indisputably clear. If such were the case, we could argue that the right tools are on the table and that it is a matter of time until poverty is finally ended. However, in light of the existing evidence, the realism of this scenario is highly questionable.

#### *Poverty is diminishing: a matter of celebration*

Another frequent objection to the assertion that poverty persists even though it could be prevented is centred in the first part of such a statement. Many claim that global poverty is not in fact persisting but rather is being greatly and progressively reduced. The institutions closely linked to international efforts, like the Millennium Development Goals (MDGs), often provide encouraging news on this front. They give vast credit to the national and international efforts driven by the MDGs in

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<sup>10</sup> To fully capture the contrasting findings of the Aid Effectiveness Literature, see the comprehensive analysis on studies related to aid published during the 2000s, undertaken by Engel (2014), 'The not-so-great aid debate'.

reducing poverty. The MDGs 2015 report, for instance, starts by asserting: ‘The global mobilization behind the MDGs has produced the most successful anti-poverty movement in history’.<sup>11</sup>

However, beyond this optimism, serious doubts have arisen regarding how far the world has come in reducing poverty. Some of these doubts that require particular attention take the form of technical concerns about the methodology used for counting progress in some of the MDGs, especially (but not only) in halving poverty. Let us stop here for a moment.

Counting the global poor entails technical difficulties and requires important conceptual and methodological decisions. For decades, such a task of great resonance has been placed within the scope of the WB, which through a money-metric approach—the International Poverty Line (IPL)—has offered over the years an optimistic dynamic picture of the advances against extreme poverty that has served as a reference point for assessing the progress made by global initiatives such as the MDGs or by multilateral institutions, like the UN or the WB itself (an entity that assesses its own performance).

The WB calculations present severe inconsistencies that have been exposed by experts and academics over the years (Reddy & Lahoti 2016; Stephan Klasen et al. 2015; Subramanian 2011, 2015; Reddy & Pogge 2010; Reddy 2008; Deaton 2003). These authors have revealed that among other shortcomings (e.g. poor survey coverage, lack of clarity in dealing with missing data, deficiencies in managing rural-urban variations, mistaken assumptions about the scope of poverty such as that there is no poverty in high-income countries, lack of equivalence between the different IPLs, and, among many others, lack of a sound conceptual justification of the decision to choose a money-metric approach in the first place),<sup>12</sup> the WB’s IPL is calculated using the purchasing power parity (PPP) exchange rate method, which establishes adjusted exchange rates to capture and control for differences in the purchasing power

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<sup>11</sup> Ban Ki-Moon, Secretary-General, UN, in the Preface of the Millennium Development Goals Report 2015.

<sup>12</sup> See for full details Reddy and Lahoti 2015.



of currencies in domestic markets over the years. This approach relies first (before the final conversion to the PPPs of a given year is performed) on the national Consumer Price Indexes (CPI), which are determined by the spending patterns of each country, considering therefore all goods and services consumed in them. This method is not then limited to the basic goods the poor need to survive, such as food, housing, clothing or medicines, but also includes in its calculations others services that might be cheaper in the developing world but not consumed at all by the poor. The basic necessities, such as food, due to the fact that they are marketable in the global economy, are not so relatively cheap in poor countries and they keep certain prices balanced all over the world. The CPI within the PPPs approach grants a great influence on the price of goods and services that are not necessities, with the establishment of the IPL, which as a result produces a far lower poverty line than it would produce if only basic goods were taken into consideration.<sup>13</sup> By following this approach, the WB is able to offer a positive picture on the progress being made to eradicate extreme poverty. Using the words of Reddy and Pogge (2010) ‘the Bank’s approach may have led it to understate the extent of global income poverty and to infer without adequate justification that global income poverty has steeply declined in the recent period’.

In addition to the major challenges to the generally accepted method that today measures progress against extreme poverty, there is another important element that diminishes the realism of those optimistic views that have been widely broadcast by key actors within the international cooperation arena.

The formal adoption of the MDGs represents an unprecedented event globally, mainly due to its universal and ambitious character.<sup>14</sup> For the first time, in 2000 the world’s governments agree on a short list of development goals to be met in a predefined time

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<sup>13</sup> The equivalent of the WB’s US \$1 a day poverty line in the US is US \$37.75 per person per month in 1999 and US \$49 in 2008, which exhibits the lack of realism of such a poverty line even to cover basic nutritional needs (Pogge 2008).

<sup>14</sup> General Assembly Resolution 55/2 of 8 September 2000, by which the United Nations Millennium Declaration is adopted as the outcome of the Millennium Summit of the United Nations, held at UN Headquarters from 6 to 8 September 2000.

frame, which was 1990–2015. However, the fundamental motives of the UN senior officials in proposing a retroactive starting point (1990) to measure advancement towards the MDGs and the reasons of the member states to agreed to it are not clear. Determining that the year to start counting progress is 1990 (a decade before the agreement on the MDGs itself) represents at the least an unconventional arrangement. Such an unusual and certainly unexpected measure, which breaks the basic logic underlying any reasonable target-setting method, could only be the result of thoughtful deliberations and reasonable arguments elaborated at the heart of the MDGs' inception process within the UN governing bodies. However, the corresponding justification for implementing such a measure is absent in the General Assembly (GA) resolutions related to the MDGs. It is absent in the resolution A/RES/55/2 of 8 September 2000<sup>15</sup> —the so-called Millennium Declaration— by which the General Assembly adopted the United Nations Millennium Declaration as the outcome of the Millennium Summit held at UN Headquarters in New York from 6 to 8 September 2000 (in which, by the way, 2015 is clearly stated as the expiration date for achieving the target of halving hunger) and it is also absent in the resolution A/RES/55/162 of 14 December 2000<sup>16</sup>, in which the GA requested the Secretary-General to prepare a long-term “road map” towards the implementation of the Millennium Declaration within the United Nations system.

Surprisingly, the first official document in which 1990 appears explicitly as the baseline to start counting progress towards the MDGs is the report of the Secretary-General (distributed on 6 September 2001 as requested by the GA in A/RES/55/162) entitled “Road map towards the implementation of the United Nations Millennium Declaration.”<sup>17</sup> It is in the Annex of the report where the first and only mention of this issue is included. It is worth quoting it:

*Annex (p. 55 of 58). “In order to help focus, national and international priority-setting goals and targets should be limited in number, be stable over time and communicate clearly to a broad audience. (...) For the purpose of monitoring*

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<sup>15</sup> A/RES/55/2, available at <http://www.un.org/Docs/asp/ws.asp?m=A/RES/55/2>.

<sup>16</sup> A/RES/55/162, available at <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/55/162>.

<sup>17</sup> A/56/326, available at <http://www.un.org/documents/ga/docs/56/a56326.pdf>.

*progress, the normal baseline year for the targets will be 1990, which is the baseline that has been used by the global conferences of the 1990s.”*

It is in the resolution A/RES/56/95<sup>18</sup> of 30 January 2002 when the GA endorses the proposal of the Secretary-General and recommends that the road map be considered as a ‘useful guide’ in the implementation of the Millennium Declaration. From that date, the period 1990–2015 was officially considered as the time frame for attaining the MDGs.

However, it is surprising that, not only is there a lack of information on the drivers behind the selection of such a peculiar baseline for the MDGs, but also that before the resolution A/RES/56/95 (the one in which the GA agrees on the Secretary-General’s ‘road map’ and makes the 1990–2015 time frame official) and even before the road map itself was distributed on 6 September 2001, some UN programmes had already adopted the baseline unilaterally. For instance, the second Human Development Report of 2001<sup>19</sup> was launched on 10 July 2001<sup>20</sup> and in its technical note 3 entitled ‘Assessing progress towards the MDGs for development and poverty eradication’, already states —without justification— that 1990 is the reference year to start measuring progress towards the MDGs (UNDP 2001, p. 247).

This fact contributes to strengthening the thesis that a small circle of UN senior officials leading the inception process of the MDGs quietly managed to uphold and institute 1990 as the baseline for the MDGs, this being a strategy for reporting a rosier picture in the future of the progress towards MDGs due to the fact that a large number of the targets had already been attained by the rapid economic growth of China and India during the 1990s (Curtis & Poon, 2009).<sup>21</sup>

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<sup>18</sup> A/RES/56/95, available at <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/56/95>.

<sup>19</sup> Available at [http://hdr.undp.org/sites/default/files/reports/262/hdr\\_2001\\_en.pdf](http://hdr.undp.org/sites/default/files/reports/262/hdr_2001_en.pdf).

<sup>20</sup> Available at <http://www.un.org/press/en/2001/undphdrconf.doc.htm>.

<sup>21</sup> See also Pogge (2004) to fully capture the implications of choosing 1990 as the reference year for the assessment of the progress made towards MDGs and in particular MDG-1 (Eradicate extreme poverty and hunger).

The evolution of global poverty over the last decades as well as the advances that have occurred, apparently as a result of the international community's cooperation, do not seem so optimistic when a detailed examination on the subject is performed. The picture becomes even less remarkable if it is acknowledged that from 2001 to 2011 nearly 700 million people emerged from extreme poverty (as the official money-metric methods optimistically indicate), but most only barely, as many still remain very close to the conventional thresholds. In 2011 for instance, 56% of the world's population was living precariously with an income between US\$ 2 to US\$ 10<sup>22</sup> per day and with high risk of coming back below the threshold.<sup>23</sup> Thus it is even more difficult to believe that the world is progressively overcoming global poverty.

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The facts that i) with relatively modest efforts from the developed part of the world, global poverty could be eradicated; ii) that the international foreign aid system is not exhibiting pure developmental intentions nor yielding clear positive results; and iii) that the pace at which world poverty is being reduced is, at best, far from ideal; all constitute controversial assertions that seem to find little space in the official and widely extended rhetoric on the subject, yet their factuality is more and more supported by empirical evidence.

Such evidence is at the core of the motivational forces driving the elaboration of this work, which is ultimately triggered by a genuine interest in understanding the underlying factors that allow around 1 billion people (possibly many more) to live precariously at the present moment. Moreover, such interest is nourished by the paradox that although it seems commonly agreed upon that global poverty does not

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<sup>22</sup> Note as a reference, that in the United States, the poverty line in 2011 was \$15.77 per day per capita for a household with four people.

<sup>23</sup> For further details see the Pew Research Center report entitled *A Global Middle Class Is More Promise than Reality* (2015) available at [http://www.pewglobal.org/files/2015/08/Global-Middle-Class-Report\\_8-12-15-final.pdf](http://www.pewglobal.org/files/2015/08/Global-Middle-Class-Report_8-12-15-final.pdf).

represent a desirable outcome in any society, the main instruments that have been put in place by the international community to eradicate it enjoy great legitimacy even though they do not exhibit nor clear results neither pure developmental intentions. A gap between reality and the traditional rhetoric on the topic seems to emerge when scrutinizing the international cooperation apparatus; a gap that can provoke some doubts not only about the adequacy of the current practices for fighting poverty but also regarding the normative grounds on which such practices rest.

Therefore, when the focus is placed on revealing to the extent possible the underlying factors that explain the persistence of poverty after almost seven decades of intense international cooperation, we can guide the analysis towards revealing the exact role that foreign aid plays in reducing poverty, a track that frequently captures the attention of development experts. But we could also think that some clues are to be found in another epistemological field: moral philosophy. Several experts and researchers have over the years uncovered the fact that in addition to eradicating poverty, other strategic factors have been determining the relationship between rich and poor countries. This relationship ultimately shapes the type and amount of assistance that the latter receive, which can lead to a suspicion that there are crucial challenges that need to be faced by revisiting the moral values that support such cooperation practices. Given the current state of affairs, the ethical framework that sustains the efforts addressed to the alleviation of global poverty seems to lack the strong pillars on which a compelling moral duty to eradicate global poverty could rest.

In my view, this shortfall should not be overlooked as an explanatory element for why the international cooperation system in place has not been able to eradicate world poverty once and for all. Slavery might serve as a handy analogy to clarify this point. None of the arguments that were deemed acceptable to justify slavery until the 18<sup>th</sup> century would find room in the moral conscience of women and men today. The practice of slavery is outlawed, unacceptable, reprehensible and simply morally wrong. However, poverty seems to enjoy a higher degree of tolerance and does not suffer the same moral rejection. We have been conscientiously cohabiting with global poverty for decades and the fact that the international cooperation system is openly questionable with regard to its intentions and merits appears to mirror that humanity so far has found difficulties in discerning a compelling moral obligation that

goes beyond national boundaries and directs us to unconditionally display the means of terminating poverty.

The underlying rationale for following a multidisciplinary approach in this work finds its roots in the above-mentioned argument. It is certainly relevant to dig deep, from an empirical perspective, into the dynamics that the current international cooperation apparatus triggers. However, it also seems unavoidable to dig into the moral values that sustain such international cooperation practices. The persistence of global poverty and the visible perseverance of an international architecture with dubious intentionality and a limited ability to play a fundamental role in the international order to terminate a tragedy that in light of the data available seems to be avoidable, suggests that revisiting our moral values could be of help.

As anticipated, these views can be controversial and those readers unable to concur on the previous points may nevertheless concede that it is reasonable to consider that in order to first understand and then challenge global poverty, in addition to looking at the policies displayed so far to terminate it, digging into the moral values that sustain the current aid system could also be productive. Hence, this doctoral thesis analyses the global poverty issue not only from a policy practice perspective (through quantitative and qualitative research) but also from a normative philosophical angle. The results of this multidisciplinary approach are exposed in the doctoral thesis — after a first descriptive chapter on ODA— in three chapters corresponding to the three approaches (quantitative, qualitative and normative), each reflected in an academic paper. Below, in the subsequent sections of this introduction, I describe more in detail the specific reasons for each approach as well as the methodology and results of the manuscripts that compose them.

### **Quantitative approach**

As anticipated, the effects of the main policy tools traditionally agreed upon by the international community to alleviate global poverty need to be scrutinized in order to understand their usefulness in light of the persistence of global poverty. But what are those policy tools in the first place? What kind of mechanisms does the world rely on in order to end global poverty? In this introduction, it has been advanced that ODA is

central to ending poverty, but why? On what basis it is considered ODA to be a crucial mechanism for fighting poverty?

For more than half a century, foreign aid, and specifically ODA, has been intensively proclaimed by the leaders of the world as a key device to eradicate global poverty. Every donor and multilateral institution proclaims a commitment to poverty reduction and there is little discussion about ODA being one of the key instruments for that purpose. Such emphasis on ODA is at the core of the constitutional documents of the international cooperation institutions, which claim to support and help developing countries through ODA. ODA is likewise at the top of the agenda of high-level global *fora* on the field of international cooperation. Among the UN global events and resolutions underscoring the centrality of ODA in the poverty reduction crusade are, for instance, the Millennium Summit (September 2000) in which representatives from 191 countries adopted the Millennium Development Goals (MDGs), explicitly highlighting the importance of ODA by including it in one of the eight goals.<sup>24</sup> Another historical example of the centrality given to ODA by the international community is the UN General Assembly 2626 resolution formally adopted in October 1970, which established the well-known target of raising ODA to 0.7% of donors' national income as a key strategy for tackling poverty.<sup>25</sup> These events are just two examples of the many occasions in recent history in which the central importance of ODA for fighting poverty is highlighted within the international cooperation arena.

With ODA considered crucial to fight against global poverty, what can be said about its effectiveness in pursuing such an endeavour? After seven decades of intensive foreign aid and trillions of USD provided, has ODA contributed to an increase in growth and welfare of the countries that have receive it over the years? And if it is such a good instrument, does ODA accomplish its main purpose under all kinds of circumstances or only when other elements/variables are present/absent?

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<sup>24</sup> MDG-8 — 'Develop a global partnership for development'— embodies a major call to the wealthy countries to intensify efforts in areas such as trade and debt relief in addition to providing more and better aid.

<sup>25</sup> "International Development Strategy for the Second United Nations Development Decade", UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.

Beyond the several in-depth assessments published in books during this and the previous decade mainly in the field of development economics to support or criticize formal foreign aid (see the previous section *Foreign aid intentionality and effectiveness* and footnote 10), econometrics has particularly received great attention as the discipline capable of providing adequate answers to the above questions. A large amount of econometric models has been developed since the 1960s in order to understand the effects of aid by comparing the behaviour of aggregate measurements of economic growth in a set of countries in light of the aid contributions they have received and while controlling for a set of covariates. However, this prolific and complex line of literature has produced more divergence than consensus. Many authors have devoted important efforts in this discipline only to disclose that there is no —or weak— statistical evidence that allows us to conclude that foreign aid produces positive effects on the growth of the countries that receive it. Bauer (2000), Easterly (2003), Rodmanm (2004), Doucoluliagos and Paldam (2009), Williamson (2009) and Rajan and Subramanian (2008, 2011) are just some examples of this large sceptical group. As discussed in the next chapter, some of the works undertaken within this group even suggest that aid can have negative effects on growth, pointing —among others— to the fact that foreign aid can lead to an appreciation of the real exchange rate, which reduces competitiveness of the tradable sectors in the recipient country, shrinking its manufacturing sectors, which ultimately has negative effects on overall growth (Rajan and Subramanian 2011).

By contrast, other authors like Hansen and Tarp (2000); Gomanee, Girma, and Morissey (2005); Clemens, Radelet, Bhavnani and Bazzi (2012); or Brückner (2013) imply by also referring to econometric analysis that aid has a positive and significant effect on growth.

The lack of conclusive empirical evidence on the macroeconomic effects achieved thorough foreign aid has characterized this line of research —contained in a large body of literature known as Aid Effectiveness Literature (AEL)— which is currently immersed in a situation of certain disrepute due to its inability to agree on convincing findings on the field of foreign aid.



Surely the difficulties and complexity inherent in the process of isolating the effects of aid on growth through econometric techniques have contributed to the generation of doubts about the ability of these techniques to provide conclusive results in one direction or another. The importance of adequately addressing, for instance, the endogeneity of the variables of aid and growth is one of the main challenges to face. Endogeneity makes reference to attributing causation from aid to growth when a positive correlation is observed between both variables, but what in fact motivated this positive correlation is not any effect of aid on growth but the desire of the donors to provide more help to successful recipient countries. The contrary can also occur: a negative correlation between aid and growth can be observed when donors address aid to the most impoverished countries, which should not allow us to establish a causal relationship between the two variables. Failing to control for endogeneity can clearly lead to wrong conclusions.

The heterogeneity of the countries compared in the econometric models is another issue that needs to be properly addressed. Unobserved heterogeneity is problematic as it implies that there are differences among countries that are not measured but that are, in fact, affecting the growth rates. Not taking into account specific relevant characteristics of the beneficiary countries leads to spurious estimations of the effects of aid on growth.

The range of techniques used in order to address these (and other) challenges in the field of econometrics is certainly wide, and not all roads have been regarded as technically correct, consistent or robust. Roodman (2007) for instance suggests that the results obtained by the AEL are quite sensitive to the methodological choices that the researchers adopt to confront those difficulties, which ultimately leads to different results about the effectiveness of aid.

In any case, the objective of the chapter of the thesis that addresses the issue of aid effectiveness following a quantitative approach (Chapter 2) is to contribute to clarifying the impact of aid on poverty reduction by using some innovative procedures in this particular field that can improve the chances of adequately overcoming not only the above-referred issues (endogeneity and heterogeneity) but also other challenges that this line of research faces. More specifically, Chapter 2 contributes in

three ways to strengthening the existing literature on the subject. First, the focus is specifically directed to the MDGs period in order to capture the extent to which the recent discussions and new approaches to foreign aid made a significant impact in terms of poverty reduction. This way of proceeding fills a gap in the existing literature, which lacks aid impact analysis focused just on the MDGs. Second, human development (as a proxy for poverty reduction) rather than economic growth is the outcome variable that is measured, therefore directing attention towards identifying the significance of aid as a possible explanatory factor of well-being variation in poor countries. This focus is coherent with the main discourse surrounding foreign aid, from which it is easily deductible that the ultimate aim of aid is to promote human development and reduce global poverty rather than to increase economic growth *per se*. Nevertheless, for the sake of comparison, the analysis is also performed using a macroeconomic indicator as the outcome variable. Third, this comparative study uses time-series–cross-section data from 143 countries over 30 years (1984–2013) and, in addition to the traditional parametric procedures, the fact that foreign aid has been extensively broadcast as an adequate “treatment” to remedy poverty, motivated me to consider matching techniques as potentially adequate tools to reduce heterogeneity and uncover the effects of foreign aid. Hence, unlike the vast majority of the literature in this field, the dataset used in this exercise is pre-processed by applying Coarsened Exact Matching (CEM) in order to facilitate comparison between countries in which foreign aid’s presence has been intense (treated) with those countries that although also poor, did not rely so much on foreign aid (non-treated).

The main findings of Chapter 2 are reflected in a paper that suggests that ODA negatively affects the human development (measured by UNDP’s Human Development Index) of those countries that have received aid intensively after the MDGs were agreed upon. Although it is beyond the scope of the analysis, the mechanisms underlying such results eventually point to the circumstance that being dependent on foreign aid appears to limit incentives for establishing sound fiscal systems as well as transparent and accountable institutions, and ultimately becomes a barrier to reform, which worsens the provision of public goods in fragile economies. Moreover, from a more economic viewpoint, as already mentioned, the negative effects of aid could be also alleged to derive from appreciation of the exchange rate that results from the massive inflows of foreign currency, reducing the

competitiveness of crucial economic sectors and their ability to export, similar to the resource-curse effect widely discussed in the development literature. The next descriptive chapter (Chapter 1) offers a review of the challenges that could explain the negative effects of intensive ODA, exposed in Chapter 2.

In any case, although the negative results emerge quite clearly from the model, we must consider some important elements before embracing such findings. As advanced before, the treatment of endogeneity is always complex and often controversial, which means that caution needs to be exercised in drawing causal inferences on the effects of ODA on welfare, as countries with a low level of human development could also be the ones that receive high levels of ODA from the donor countries (which is actually the case).<sup>26</sup> Hence, a negative correlation between ODA and the human development index cannot be directly translated into a causal mechanism (i.e. ODA producing negative effects on human development) unless endogeneity is appropriately controlled for. In this work, I have relied mainly on GMM for this purpose, which, although widely used in this field, it does also present its limitations.<sup>27</sup>

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<sup>26</sup> The DAC List of ODA Recipients, which is consistent with the UN and WB practices, recognizes three main categories that are eligible for receiving official aid: Least Development Countries, LDCs (48 countries where 954 million people live that are identified by the United Nations Economic and Social Council based on three criteria: per capita GNI, human assets and economic vulnerability to external shocks); Lower Middle-Income Countries and Territories, LMIC (36 countries where GNI per capita was between \$1,046–\$4,125 in 2013 and where 2,92 billion people live); and Upper Middle-Income Countries and Territories, UMIC (58 countries with a per capita of GNI \$4,126–\$12,745 in 2013 where 2,55 billion people live). Although bigger in absolute terms (633.718 vs. 485.722 mill US\$ ODA Net), the amount provided to MIC during 2000-2013 is substantially smaller in per capita terms (116 vs. 509 US\$ during the whole period). *Source: Author's elaboration based on OECD DAC statistics, DAC2a.*

<sup>27</sup> See for instance Rajan and Subramanian (2005) where the authors offer an analysis of the virtues and limitations of the two GMM modalities, difference-GMM estimator due to Arellano and Bond (1991) and the system-GMM estimator due to Blundell and Bond (1998).

Another aspect that needs to be carefully addressed before taking final conclusions from the study is that the econometric exercise performed here presents outliers. There are countries that have received great amounts of aid and that at the same time have shown important progress from a developmental perspective. Rwanda is one of those high aid-intensity recipient countries whose human development index has improved significantly in the period 2000–2013. This implies that Rwanda (among others) need to be studied in more detail in order to uncover the specific developmental dynamics that originated within its foreign-aid system. This subject is addressed in the second chapter of this thesis following a qualitative research route.

### **Qualitative approach**

Although from a Large-N perspective it may be plausible to think that in the long term, foreign aid produces effects that are actually in opposition to those needed to pull a country out of poverty (as follows from the second chapter), there are cases that do not fit such a hypothesis. If we observe the sample of 143 countries used in the previous section and concentrate in those countries whose improvements in human development are higher during the period 2000–2013 (as the evolution of their score in the HDI indicates), we can find 16 recipient countries with impressive increases above 0.1 points in the HDI. According to the hypothesis that claims that high levels of foreign aid can damage sustainable human development, those successful countries should barely rely on ODA to finance their own socioeconomic agendas. However, as Table 1 shows, among them, eight have been greatly supported by official aid, which is revealed by widely accepted indicators on the subject such as their high proportion of ODA / government revenues (above 60%) and of ODA/GNI (more than 10%). Moreover, Rwanda, the country that exhibits the most impressive increase in human development, is one of the countries that have received the largest amounts of aid. This seems to challenge the findings reached in the first chapter by showing how both, large amounts of ODA and progress in terms of human development, can coexist. Clearly, those eight countries enjoy not only large amounts of aid but also other elements, such as, determined governments that have made such growth possible. However, could it also be the case that aid has played a positive and even decisive role there? Is there in fact something else that the econometric model does not capture and that explains those cases?

**Table 1. Recipient countries with high increases in HDI.**

	<b>Country</b>	<b>I. Population</b> <i>(year 2000)</i>	<b>II. Total</b> <b>Increase HDI</b> <i>(2000–2013)</i>	<b>III. ODA</b> <i>US\$</i> <i>current prices</i> <i>total 2000–2013</i>	<b>IV. ODA</b> <i>US\$</i> <i>current prices</i> <i>annual average</i>	<b>V. ODA</b> <i>% GDP</i> <i>annual</i> <i>average</i>	<b>VI. ODA</b> <i>% Gov.</i> <i>revenue</i> <i>annual</i> <i>average</i>	<b>VII. ODA</b> <i>per capita</i> <i>annual</i> <i>average</i>	<b>VIII.</b> <b>High</b> <b>Aid-</b> <b>Intensity</b>
1	<b>Rwanda</b>	8.395.577	<b>0,177</b>	9.841.049.600	702.932.160	18,7	165,5	68,3	✓
2	<b>Timor-Leste</b>	853.585	<b>0,155</b>	3.258.550.016	232.753.568	37,4	177,7	230,5	✓
3	<b>Ethiopia</b>	66.024.199	<b>0,151</b>	34.389.049.344	2.456.360.704	12,8	99,2	29,8	✓
4	Angola	13.924.930	<b>0,149</b>	5.032.889.856	359.492.128	1,6	5,1		
5	<b>Zambia</b>	10.100.981	<b>0,138</b>	14.162.129.920	1.011.580.736	11,0	71,5	83,7	✓
6	China	1.262.645.000	<b>0,128</b>	14.088.999.936	1.006.357.120	0,1	0,4	0,8	
7	<b>Afghanistan</b>	20.595.360	<b>0,127</b>	52.939.612.160	3.781.400.832	38,4	656,6	138,2	✓
8	Botswana	1.755.375	<b>0,123</b>	1.857.420.032	132.672.856	1,2	4,1	68,6	
9	Mongolia	2.397.473	<b>0,118</b>	3.960.080.128	282.862.848	9,1	39,5	107,9	
10	<b>Cambodia</b>	12.222.871	<b>0,118</b>	8.646.230.016	617.587.840	8,2	104,5	44,8	✓
11	<b>Tanzania</b>	34.020.512	<b>0,112</b>	30.240.460.800	2.160.032.768	10,4	92,6	51,5	✓
12	<b>Mozambique</b>	18.275.618	<b>0,108</b>	23.546.390.528	1.681.884.928	21,8	174,9	75,7	✓
13	Azerbaijan	8.048.600	<b>0,108</b>	2.977.019.904	212.644.288	1,7	9,3	24,8	
14	Turkey	63.174.483	<b>0,106</b>	15.429.080.064	1.102.077.184	0,2	0,6	15,3	
15	Bangladesh	132.383.265	<b>0,105</b>	21.009.459.200	1.500.675.712	1,8	18,5	10,2	
16	India	1.042.261.758	<b>0,103</b>	25.772.570.624	1.840.897.792	0,2	1,1	1,6	

*Source: Author's elaboration based on World Development Indicators (WDI), UN and OECD/DAC*

The third chapter of the thesis rests on the conviction that focusing in detail on one or a small number of countries as the unit of analysis in this field of research—rather than on a Large-N sample— can substantially contribute to uncovering certain specific developmental dynamics resultant from the international cooperation practices that help to extract valuable and accurate findings concerning their role in reducing poverty. Moreover, in this particular thesis, complementing the econometric analysis with qualitative research appears to be unavoidable if we wish to contribute to elucidating how half of the best performers in terms of human development relied greatly on aid to finance their own development agenda, even though the findings of our econometric model based on a sample of 143 countries suggest that intensive aid does not help, but rather harms human development in the recipient countries.

Assessing the virtues of aid through Large-N statistical analysis is certainly crucial to facilitate comparison between countries and to produce broad findings that not only permit a general understanding of the trends but also contribute to substantiating a

theoretical framework that reflects the main relationships between key variables. However, they can be insufficient in this field, I believe, if not complemented with other methods. The main reason for such insufficiency resides in the fact that a large amount of elements at different levels —local, national and global—intervene in the international cooperation arena, and it is difficult, if not impossible, to capture all of them through large econometric regressions, no matter how sophisticated the models may be.

Qualitative methods instead produce detailed information on particular countries that augments the capability of understanding such cases. They are better fit for understanding particularities and uncovering crucial elements that play a substantive role in a specific context. However, although richer in contextual information, a qualitative route in this particular field also entails difficulties. It represents a laborious undertaking because it requires descending to the ground level and getting immersed in the natural settings of the phenomenon under analysis. In the foreign aid field, the large diversity of factors that intervene are immersed in highly complex and often ‘damaged’ contexts, which augments the difficulties in gathering primary data. Detailed information on the interactions between governments and donors, which is crucial to disentangle the effects and dynamics triggered by the cooperation system in place, is not always easily accessible.

Another familiar complication of a qualitative approach is the extrapolation of the results. The findings of a qualitative study cannot be extended to wider populations with the same confidence that quantitative ‘Large-N’ analyses can be. To establish, then, broad generalizations based on the discoveries of a case study is highly controversial. This point seems to diminish the capability of a qualitative approach to uncover valuable lessons regarding the dynamics underlying the aid apparatus and the effects of the foreign aid flows. Nevertheless, although it definitely represents an important limitation to keep in mind when going down the road of qualitative research, the fact that multiple aspects of the foreign aid systems (e.g. donors, international cooperation instruments, aid modalities, characteristics of the poverty frames, etc.) are similar (or even coincidental) in many recipient countries increases the usefulness of qualitative analysis in this field. The details and intricacies that they can uncover regarding the foreign aid dynamics in a particular context need to be

cautions and humble in their formulation but are nonetheless relevant for understanding what factors could be playing a crucial role in other recipient countries as well.

Moreover, I believe that it is important to complement quantitative studies with qualitative analysis at the ground level in this particular field, because an important portion of the findings of the econometric approach—including the findings presented in the first chapter — are quite shocking and contrary to the status quo, therefore they need to be considered at the ground level. As previously discussed, several quantitative studies linked to the foreign assistance literature by contrasting aid flows with macro-economic performance propose that the vast amounts of international aid provided so far has been shown to be ineffective in reducing poverty and generating growth in the recipient countries. These results, although vividly challenged within the same quantitative family, have managed to significantly permeate our current thinking. Few in the international cooperation field blindly support the notion that the international cooperation architecture is purely designed and implemented based on growth and development criteria. Scepticism of foreign aid's virtues has increased substantially in recent years and such scepticism continues to gain ground both inside and outside the international cooperation arena.

Hence, the eventual (negative) results that foreign aid might inflict in the recipient countries need to be tested at the ground level. Although this chapter cannot claim to reveal the specific causal relationship between aid and growth in the country selected (due to obvious limitations)<sup>28</sup>, it attempts to uncover central features related to the nature of the relationship between the international community and the government in place, as well as the scenarios that emerge from such a relationship.

A qualitative in-depth study of one of those high aid-intensity countries whose progress itself represents a challenge to the main hypothesis put forward in the first

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<sup>28</sup> A cause-effect analysis of the multiple aid modalities and the specific effect of each of them in the different socio-economic sectors of a given country requires a high volume of research resources to be implemented within a scenario of cooperation and opening of the national authorities.

chapter (i.e. intensive aid harms welfare) seems to be better fit than econometrics to expose the particularities that explain such paradoxical cases. Moreover, adopting a qualitative approach that focuses on the relationship between the government and the donors in a given country —like the one proposed here—presents, I believe, another important advantage: it allows one to find an intermediate level between Large-N studies and micro-level studies, such as project evaluations, where attention is placed on the specific contribution of an individual donor addressed to a particular country or region by using a certain cooperation instrument. The first approach (Large-N) is too broad and the second (evaluation reports) too specific. Looking at the dynamics between the donors and the government of the recipient country at the national level allows a certain balance to occur in terms of abstraction that permits an escape from specific particularities without sacrificing essential details regarding the national context in which the aid contributions are being implemented.

Finally, there is another relevant reason that possibly outweighed the others in the final decision for undertaking qualitative analysis in this field. Investigating the perverse consequences of poverty on human life, the (in)effectiveness of aid, the fragility of the governments of the recipient countries or the intentions of those who donate, is a line of work that can difficultly scape from performing grass-root research work. Such work not only enriches the researcher from a personal viewpoint but also affords her a certain level of legitimacy to discuss and assess poverty related issues or the measures put forward to resolve them. Capturing a first-hand sense of the subject, although not always easy, seems a task that is, in my view, hard to avoid when researching poverty related issues.

#### *Country Selection: Rwanda*

Since the genocide in 1994, Rwanda has gone through a period of impressive development, exhibiting not only annual economic growth rates above 7% but also important improvements in living standards (i.e. communications, infrastructure, health, education, gender). Out of the sample of 143 recipient countries examined in the first section of this thesis, Rwanda exhibits the most impressive increase in human development between 2000 and 2013 (from a score of 0.329 in 2000 to a score of 0.506 in 2013). Its poverty rate dropped from 59% in 2001 to 45% in 2011; and



between 2006 and 2011, 1 million Rwandans lifted out of poverty (UN MDGs Leaders Report 2014). Rwanda has been identified by the international community as one of the most successful countries in achieving the Millennium Development Goals.

In addition to the strong and decisive will of its government, Rwandan progress has been attained with the support of a significant amount of foreign aid. Rwanda is one of the countries that have received (proportionally) the largest amounts of ODA during the MDG period. Actually it occupies ninth place (among 143 recipient countries) in terms of the ODA/Government Revenue ratio with a total amount of 9.841 mill US\$ in the period 2000–2013 (Table 2).

**Table 2. High aid-intensity recipient countries (2000 - 2013)**

Country	I. Population (year 2000)	II. ODA US\$ current prices total 2000–2013	III. ODA % annual average	IV. ODA GDP per annual average	II. ODA % Gov. Revenue annual average	ODA Revenue
1	Afghanistan	20.595.360	52.939.612.160	38,4	138,2	656,6
2	Liberia	2.891.968	6.716.179.968	49,5	127,2	248,8
3	Burundi	6.674.286	5.627.310.080	27,1	46,8	198,2
4	Sierra Leone	4.139.757	5.487.219.712	21,0	74,5	196,3
5	Guinea-Bissau	1.273.312	1.411.900.032	15,7	68,1	191,4
6	Sao Tome and Principe	139.428	577.310.016	28,8	250,5	179,5
7	Timor-Leste	853.585	3.258.550.016	37,4	230,5	177,7
8	Mozambique	18.275.618	23.546.390.528	21,8	75,7	174,9
<b>9</b>	<b>Rwanda</b>	<b>8.395.577</b>	<b>9.841.049.600</b>	<b>18,7</b>	<b>68,3</b>	<b>165,5</b>
10	Congo, Dem. Rep.	46.949.244	32.944.150.528	15,5	40,5	159,5
11	Solomon Islands	412.336	2.681.679.872	31,8	378,1	141,1

Source: Author's elaboration based on World Development Indicators (WB) and OECD/DAC

Moreover, Rwanda has been one of the countries most actively promoting the MDGs inside and outside its borders. Its President Paul Kagame acted as co-chair of the UN Secretary-General's MDG Advocacy Group and he played a crucial role by actively advocating for the MDGs in the international cooperation arena and by accompanying the UN Secretary General to the most significant events related to the goals (e.g. the launch of the 2015 MDGs report).

Rwanda thus exhibited determination to fight poverty as well as impressive increases in human development during the MDG period, while at the same time receiving large amounts of aid during the same period. This seems to challenge the findings reached in the second chapter by showing how high aid-intensity countries can perform well in terms of human development. Additionally, the fact that Rwanda is widely claimed as a success story in the aid development field is crucial to having selected it as the case to be studied within this part of the thesis.

Nevertheless, as anticipated, the scope of this second section does not reach the core of the aid effectiveness literature, as it does not directly assess how effective the

different aid contributions that Rwanda has received over a certain period of time, have been in reducing poverty. In contrast, this study attempts to uncover the crucial features that sustain the relationship between the international community and the government in place in order to demonstrate the real nature of such a relationship, which can be a rich source of information to reveal the potential for foreign aid to achieve its purpose.

Although quantitative data on ODA flows between 2000 and 2015 are carefully examined in the paper that reflects the third chapter of this dissertation, a keen understanding of the relationship between donors and the government comes mainly from a succinct review of official statements and legal texts related to the aid management system established in the country, as well as from semi-structured interviews with key actors immersed in the Rwandan aid apparatus. More specifically, two main groups are targeted for the interviews —public institutions from the government of Rwanda and key representatives of international cooperation agencies (bilateral and multilateral)— which were conducted in May and June 2016 in close coordination with the School of Social, Political and Administrative Sciences of the College of Arts and Social Science at the University of Rwanda, which has been a valuable partner during this research.

The desk review and the semi-structured interviews uncover evidence that suggests that in contrast to the traditional, widely-accepted rhetoric within the international cooperation arena, in Rwanda, the relationship between the Government of Rwanda (GoR) and its development partners (DPs) has not been significantly affected by increased criticism addressed to the GoR in the field of civil liberties and political rights precisely by the same DPs that provide most of the resources. This seems paradoxical to a certain extent, as one would expect that in line with the major conventions on foreign aid, (eventual) deficits in basic forms of freedom should not be excluded from the developmental agenda in a given country. A commitment to such values is widely endorsed and reflected in most of the UN Resolutions including the Millennium Declaration (A/RES/55/2, 18 Sep 2000), which states in I.4. that ‘We [member states] rededicate ourselves to (...) respect for human rights and fundamental freedoms, respect for the equal rights of all without distinction as to race, sex,

language or religion and international cooperation in solving international problems of an economic, social, cultural or humanitarian character.’

Hence, although important steps towards greater socioeconomic progress are part of the recent history of Rwanda, the paper that reflects the third chapter of this dissertation shows that the high aid flows that the country receives are immersed in a development scenario where discussions about upholding adequate political rights and civil liberties seem to be displaced from the main political agenda. The paper also reveals that, in addition to the progress achieved under the GoR leadership, guilt from the unfortunate role that the international community played during the genocide exerts a significant influence on the current donor–government relationship. This guilt contributes substantially to explaining why, in Rwanda, the development partners have denounced signs of deficits in political rights and civil liberties, yet such concerns do not seem to transcend and affect their current relationship with the government in substantive ways nor the aid flows that support it.

What lessons can we draw from the results obtained in the study of Rwanda? Could we say that intensive flows of foreign aid offer better results in countries where civil liberties and political rights are claimed to be at stake? Let us stop here for a moment and look at the countries that, like Rwanda, have shown marked improvements in their HDI during the 2000–2013 period while at the same time received great amounts of foreign aid, such as Afghanistan, Cambodia, Ethiopia, Mozambique, Tanzania, Timor-Leste and Zambia. Table 3 reflects their score (jointly with the score of the other best performers during the MDG period) in widely recognized indicators of governance, such as those provided by Freedom House, The WB (Worldwide Governance Indicators) and the Polity IV Project of the Centre for Systemic Peace.

**Table 3. Freedom and democracy scores of countries with high increases in HDI***(Averages of the period 2000–2013)*

Country	I. Population (year 2000)	II. Total Increase HDI (2000–2013)	III. Average HDI (2000–2013)	IV. Political Rights (from 0 to 7)	V. Civil Liberties (from 0 to 7)	VI. Democr. Index (from -10 to +10)	VII. Voice and Accountability (from -2,5 to +2,5)	VIII. High Aid- Intensity	
1	Rwanda	8.395.577	0,177	0,415	6,2	5,2	-3,4	-1,28	✓
2	Timor-Leste	853.585	0,155	0,545	3,4	3,6	6,7	0,08	✓
3	Ethiopia	66.024.199	0,151	0,363	5,3	5,3	-1,6	-1,21	✓
4	Angola	13.924.930	0,149	0,461	6,0	5,1	-2,1	-1,19	
5	Zambia	10.100.981	0,138	0,490	3,6	3,9	5,6	-0,28	✓
6	China	1.262.645.000	0,128	0,661	7,0	6,0	-7,0	-1,56	
7	Afghanistan	20.595.360	0,127	0,407	5,8	5,9	-7,0	-1,36	✓
8	Botswana	1.755.375	0,123	0,627	2,4	2,0	8,0	0,53	
9	Mongolia	2.397.473	0,118	0,644	1,9	2,1	10,0	0,17	
10	Cambodia	12.222.871	0,118	0,540	6,0	5,1	2,0	-0,92	✓
11	Tanzania	34.020.512	0,112	0,434	3,7	3,1	-1,0	-0,26	✓
12	Mozambique	18.275.618	0,108	0,349	3,4	3,5	4,9	-0,12	✓
13	Azerbaijan	8.048.600	0,108	0,702	6,0	5,1	-7,0	-1,15	
14	Turkey	63.174.483	0,106	0,704	3,1	3,6	7,4	-0,16	
15	Bangladesh	132.383.265	0,105	0,507	3,6	4,0	3,9	-0,46	
16	India	1.042.261.758	0,103	0,538	2,0	3,0	9,0	0,39	

Source: Author's elaboration based on OECD/DAC (II and III); Freedom House (IV, V), measuring civil liberties and political rights in a one-to-seven scale, with one representing the highest level of civil liberties or political rights and seven the lowest; the democratization composite index of the Polity IV Project of the Centre for Systemic Peace (VI), which includes scores that range from +10 (full democracy) to -10 (full autocracy); Worldwide Governance Indicators of the WB (VII), measuring the dimension of governance called Voice and Accountability, which captures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media (it ranges from -2.5 to 2.5, with higher values corresponding to better governance).

Among the high-intensity aid recipient countries that have shown remarkable increases in human development since 2000, Afghanistan, Cambodia, Ethiopia and Rwanda score relatively low on the indicators disclosed in Table 3 that measure freedom and democracy. In contrast, Timor-Leste, Zambia, Tanzania and

Mozambique show substantial improvements in that area, which is reflected by higher scores on the above-referred indicators.

The picture is also divided if the focus is placed on the good performers that do not rely on foreign aid to finance their development agenda. Some countries present deficits in political rights and civil liberties such as Angola, Azerbaijan or China, and others like Bangladesh, Botswana, India, Mongolia or Turkey, although clearly a heterogeneous group, perform substantially better on that front.

Hence, caution is advised when extrapolating findings from the research performed in Rwanda with regard to the relationship between aid effectiveness and the degree of respect for political rights and civil liberties in a given recipient country, the same way that we need to be cautious about establishing a causal link between democracy and progress.

The debate concerning what produces better socioeconomic results (or what form of government makes foreign aid more effective) —whether democratic or autocratic regimes— is intense, controversial and far from new. Do free and fair elections contribute to overcoming the challenge of enduring poverty and extreme inequalities? Can we say for sure that a vibrant civil society contributes to building a political system that is more responsive to social needs, and therefore the aid poured into that country would be expended wisely, and (more importantly) that such aid would not stop the government from implementing reforms intended to meet those needs?

The answers to these questions are reflected in a large body of empirical literature, which unfortunately cannot be examined here but that, similar to the AEL, presents divergences and lacks conclusive findings.<sup>29</sup>

In any case, what the study performed in Rwanda actually does show us, is that in light of Rwanda being one of the most successful countries in terms of aid

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<sup>29</sup> For an overall analysis of such literature see Pippa Norris (2012) or the meta-analysis performed by Doucouliagos and Ulubasoglu (2008) that compares and examines 84 studies on the regime–growth relationship.

effectiveness and achieving the MDGs, it is paradoxical to observe how the same donors who have been extolling its achievements and providing Rwanda's government large sums of aid over the years, also claim (perhaps before smaller audiences) that the country presents important gaps in the defence of basic freedoms of its citizens. The study also shows how these contradictions, which the international community seems to tolerate in Rwanda today, rest on the regrettable role that the same international community played in the recent history of the country.

Upholding Rwanda as a successful model of international cooperation, aid effectiveness and human development in an attempt to support the current development paradigm fundamentally based on foreign aid, seems to be not so helpful, after all, once a detailed examination of the relationship between the government of Rwanda and its development partners is undertaken.

### **Normative approach**

As discussed in the previous summaries of the chapters devoted to quantitative and qualitative analysis (Chapter 2 and Chapter 3, respectively), there is empirical evidence that suggests that the merits and intentions of the current international cooperation apparatus and of one of the main mechanisms that it upholds—foreign aid—does not reflect the current existence of a compelling, undeniable and generally accepted moral obligation towards the poor. Recapitulating, from a macro perspective, the aims of ODA contributions are mixed and the findings regarding the effects of foreign aid on human development and poverty alleviation offer dubious conclusions, at best (Chapter 2). Beyond the macro level, when the analysis narrows to specific countries such as Rwanda that currently enjoy a great reputation as success stories in the field of aid effectiveness, the massive aid flows that it has received during the last two decades seem to be too much determined by past grievances rather than by human development ends, displacing from the debate between donors and government important considerations inherent in the notion of human development, such those that call for reasonable levels of political rights and civil liberties (Chapter 3).

Thus, I believe there are certain questions that inevitably emerge when carefully examining the issue of global poverty, questions that can only be adequately approached from the epistemological realm of moral philosophy rather than from the empirical sciences. If the world through its legitimate representatives does little to reduce global poverty while guaranteeing essential freedoms inherent to the human development notion, as the evidence seems to reflect, then what is it that prevents us from doing so? And delving even more into the essence of it: why in the first place should those who live a comfortable life undertake any effort, whether individually or through their legitimate representatives, to lift foreign strangers out from poverty? Is reducing poverty a moral duty? Is it a matter of justice?

The search for answers to these questions is not a new endeavour. From a moral perspective, judging inequalities among human beings has created over time a vast controversy among political and moral philosophers. Variation on the welfare of human beings can result from several factors, which —depending on the arguments put forward by different philosophers— has originated quite distinct theories of justice that offer different resolutions for how global poverty should be morally faced.

Moreover, beyond the theoretical debate, the way in which most people morally confront poverty and generally answer the above-mentioned questions —whether influenced or not by the different theories of justice—in my view affects how governments in the international and national institutional frameworks ultimately address the issue of global poverty. Although it is an empirical matter (which would require empirical work to be confirmed), the state of affairs seems to indicate that the current thesis supporting a general conception of global justice that radically rejects global poverty and prescribes a firm moral duty to eradicate it lacks, in my opinion, strength and plausibility. Given the evidence reviewed so far, it becomes difficult to defend the idea that today the world is immersed in a widely extended conception of justice that observes extreme poverty as a shameful outcome that we should all be strongly committed to fighting. The existence and perseverance of a visible gap between policy practice and what seems to be a generally accepted rejection of poverty suggests that such rejection to extreme poverty and its inhuman consequences coexists with a certain degree of tolerance of this tragic phenomenon. Although generally disliked and disapproved of, whether or not global poverty is being



diminished, whether or not the aid given is effective and whether or not our legitimate representatives are undertaking the urgently needed reforms in the global order to end poverty are issues that generally escape from our moral radar.

In any case, the intention of the fourth chapter of the thesis is far from uncovering through proper evidence the place that eradicating global poverty occupies in our morality, whether as a compelling moral duty of justice or just as an occasional voluntary act of generosity. The above argument simply demonstrates signs that are difficult to deny which suggest that the international cooperation apparatus shows certain deficiencies that would probably vanish if well-constructed and widely accepted arguments would sustain an unconditional and compelling moral duty of justice towards the poor. For some, including myself, searching and exhibiting those plausible arguments that shall display enough moral force to compel the world to act decisively against global poverty seems more needed today than perhaps anything else.

The enterprise of the paper that reflects the fourth block of this thesis (Chapter 4) requires then finding an adequate method to normatively assess a phenomenon like global poverty. In this particular field, political philosophers have devoted important efforts to examine the adequate elaboration of our moral judgments, offering quite distinct and differing positions along the foundationalist/coherentist divide. Foundationalists<sup>30</sup> depart from fixed, self-justifying foundational values as our moral tutors while supporters of a coherentist account of justification (in line with Goodman and later on with Rawlsian reflective equilibrium) propose instead a deliberative procedure that pursues consistency among principles and moral intuitions when performing moral judgments about particular events. The latter method relies more on the observation of reality and on the analysis of the moral intuitions subjacent to it, which although open to debate, seems to better satisfy our needs in this particular case. The reasons are briefly explained below.

Advocating for a duty to eradicate poverty as the right course of action represents essentially a normative proposal and as such, to validate or reject it simply by

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<sup>30</sup> See Timmons (1987), 'Foundationalism and the Structure of Ethical Justification'.

referencing the state of affairs entails difficulties. The extent to which, by looking at the state of affairs, we assume that such a duty is or isn't permeating in our moral beliefs can tell us many things but little about its rightness. However, a careful analysis of the moral judgements that we perform of cases with similar intrinsic characteristics to global poverty, can offer useful intuitions regarding not only the plausibility and acceptance of certain moral values, but also their reliability and justification (e.g. that the trade of human beings is wrong based on the idea that human beings cannot be equated to objects, is not only widely accepted but also morally justifiable). If those intuitions fit our case and moreover exhibit a high degree of coherence with principles that have been put forward by consistent and tenable theories of justice, then using them to judge our case gains in terms of justification and reliability.<sup>31</sup>

Although the inclusion of moral intuitions in the justification process of moral judgments is far from being an incontestable practice<sup>32</sup> it seems that the judgment process of global poverty can benefit from this kind of approach, particularly because beyond appealing to fundamental values (whose identification and justification shall in principle lead to significant difficulties linked to finding self-evident principles), the world outside reveals many features of our system of beliefs that cannot be left aside without putting ourselves at the risk of falling into some sort of hypocritical state. We are capable of easily, universally and incontestably judging certain events that possesses similar fundamental intrinsic features to global poverty. Eluding to analysing and inferring our moral intuitions and their underlying values on the issue of global poverty, can lead us to overlook valuable guidance. The magnitude of the problem of global poverty itself suffices to vindicate that we at least test the already articulated principles of justice against our moral intuitions here and there, in order to

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<sup>31</sup> For a defence of the epistemic authority of moral intuitions, see McMahan (2005) 'Moral Intuitions'.

<sup>32</sup> See for instance Brandt (1979) 'A theory of the Good and the Right', to capture the utilitarian critique to the moral intuitions; and G.A. Cohen (2008) 'Rescuing Justice and Equality', to see the critique to the Rawlsian reflective equilibrium as a constructivist approach.

offer an appropriate normative proposal that is consistent with our system of beliefs at different levels.

An attempt to follow the above-explained procedure is undertaken in the paper that reflects the fourth chapter of the thesis, which is ultimately inspired by the perceived deficit of plausible arguments that shall display enough moral force to compel the world to act decisively against global poverty. More specifically, the paper departs from the distinction between negative duties to do no harm and positive duties to help, a distinction that is widely used when judging the enforceability of moral obligations towards the poor. This categorization has frequently served to delineate the boundaries between morally enforceable obligations (negative duties) and other responsibilities that are closer to a voluntary rather than an obligatory act (positive duties).

Well-known cosmopolitan philosophers like Thomas Pogge have adopted such framework by considering that the international system is organized to maintain the privileges of the most powerful and the richest nations of the world, which clearly damages the poor; therefore, eradicating poverty is to be regarded as a duty derived from the universal right not to be harmed (Pogge 2002). At the other end of the spectrum, contemporary communitarians such as David Miller, embedded in an attempt to justify the fact that the duties of distributive justice are owed first to co-nationals, advocate for the existence of a moral duty towards the global poor only if global poverty is caused by wealthy countries—which is dubious according to his views—in which case, helping the poor would represent a compensation for the damaged inflicted (Miller 2007).

These are just two examples that reflect the weight that the divisions between positive/negative and perfect/imperfect moral duties exhibit within the global justice debate, which I claim, presently, they have lost their sense. Moreover, I also claim that such obsolete divisions have contributed over the years to upholding another even more problematic stance in this field: the individualistic approach to global poverty. For adherents of the do-no-harm attitude as our moral tutor, while global poverty represents a terrible event, it nevertheless does not impose any duty on citizens of the developed countries or on their legitimate representatives, unless this last group is

revealed to be responsible for it. Hence, the eradication of global poverty is left as an issue that, beyond some official aid, ultimately depends on the mercy of Good Samaritans and their individual donations. Even for utilitarian philosophers such as Peter Singer—who advocate for a (positive) moral duty to help the poor based on the ability to help (to maximize welfare) rather than on the eventual harm that the developed world might have inflicted on the poor—relies greatly on this individualistic approach to global poverty centred fundamentally on (individual) donations.

After challenging the previous deeply ingrained approach to facing poverty, I argue in the paper that although the poor can benefit from random and independent contributions of individuals, treating donations under the individualistic approach as the main route to eradicating global poverty is absurd. Departing from this point, I also claim that we are perfectly capable today of redirecting such a route and plausibly justifying the existence of a (positive) moral obligation to eradicate global poverty, if the individualistic approach to global poverty is dropped from the public discourse and replaced by a collective and institutional perspective.

In contrast with the individualistic approach, a collective and institutional perspective would fundamentally confront global poverty coherently with its nature and intrinsic features by proposing adequate transformations in the world order. Failing to banish the individualistic approach from the development agenda could, in my view, substantially erode the apparent efforts that are being addressed at the highest level of international diplomacy, as seen in the Sustainable Development Goals, which appear to be underpinned by a moral proposition that in principle dictates collective action, unconditionally and unavoidably, against global poverty.<sup>33</sup>

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<sup>33</sup> Seventeen goals with 169 targets that cover a broad range of sustainable development issues, approved in September 2015 by the UN General Assembly as a follow-up to the MDGs established in 2000. See the official UN site for the SDGs

<https://sustainabledevelopment.un.org/>

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## ***CHAPTER 1. OFFICIAL DEVELOPMENT ASSISTANCE (ODA): CONCEPT, ORIGINS, EVOLUTION AND LATEST CHALLENGES***

What exactly is ODA and why it has become so relevant in the international cooperation arena? In what ways is ODA different from other contributions and international financial flows? Which events in the recent history have been particularly relevant in shaping the existing modalities and volumes of ODA? Which countries traditionally provide more ODA and which countries receive more? What are the main challenges in the field of foreign aid and what trends can be envisaged?

These questions need to be clarified at least to a certain degree before undertaking any well-versed attempt in social sciences to uncover —through qualitative and/or quantitative research— to what extent ODA is a policy tool that is in fact producing its (theoretically) expected results. Properly defining, dissecting and contextualizing ODA is also highly advisable if a normative / philosophical study is under way (as it is the case here) that ultimately seeks to advocate for certain moral stands regarding the current international cooperation practices. We can hardly claim to propose a more coherent and adequate moral framework in the field of global justice if we do not first carefully examine the political instruments like foreign aid that today enjoy great support and resonance in the fight against global poverty. This chapter is devoted to such an endeavour (i.e. examining foreign aid) by building on the existing body of knowledge in this field.

### **ODA's Definition**

For some time, ODA has had a special place in the global agenda that shapes the relationship between the poor and rich countries of the planet. As argued in the introduction of this dissertation, the discourse and rhetoric that is often associated with the international cooperation field, as well as the content of many global events,

multilateral agreements and UN resolutions are equally strong testimony of the importance of ODA in international relations. But what exactly is ODA? In what way is it different from other international financial flows?

The currently accepted definition of ODA, which was proposed in 1971 by the Development Assistance Committee (DAC) of the OECD says that

*“ODA represents those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are: i) provided by official agencies, including state and local governments or by their executive agencies; and ii) each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).”*<sup>1</sup>

The definition provides some important features of ODA that compel further examination. First of all, it emphasizes that for a financial contribution to be considered ODA, it needs to be addressed to a recipient country or territory that is included in the *DAC List of ODA Recipients*.<sup>2</sup> This list —revised every three years by the DAC— includes all the low- and middle-income countries that find themselves below a threshold on gross national income (GNI) per capita defined and reported yearly by the WB. The Least Developed Countries (LDCs) as defined by the United Nations are directly included in the list. The G8 members, EU members or countries with a firm date for entry into the EU are directly excluded. The latest list of ODA recipients is effective as of 1 January 2015 for reporting on 2014, 2015 and 2016 ODA flows and it covers a wide range of countries divided in the four categories: i) LDCs: 48 countries, ii) Other Low-Income Countries (per capita GNI ≤ \$1045 in 2013): 4 countries; iii) Lower Middle-Income Countries and Territories (per capita GNI \$1046 - \$4125 in 2013): 36 countries; and Upper Middle-Income Countries and

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<sup>1</sup> Definition available at

<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>  
(accessed on 7 October 2016).

<sup>2</sup> Available at <http://www.oecd.org/dac/stats/daclist.htm> (accessed on 10 October 2016).

Territories (per capita GNI \$4126 - \$12745 in 2013): 58 countries.<sup>3</sup> There are currently 146 recognized recipient countries out of 195 countries in the world, which shows the broad scope of the list and how a large spectrum of contributions within the international cooperation arena can meet the criteria of being addressed to a recipient country.

Secondly, the definition also draws attention to the fact that an official contribution can be reported as ODA if it is addressed bilaterally from government to government or multilaterally, through an ODA-eligible international organisation (multilateral agencies, NGOs, networks and Public-Private Partnerships). Similar to what happens with the “*DAC List of ODA Recipients*”, the “*DAC list of ODA-eligible International Organisations*” is periodically reviewed (yearly) by a DAC internal committee (DAC Working Party on Statistics), which assesses proposals from new international organisations to join the list by applying some general criteria, such as having a mandate and objectives aligned with the promotion of economic development and the welfare of developing countries; or other more specific requisites such as for instance having an annual budget exceeding USD 50 million (applicable only to international NGOs).<sup>4</sup>

In the third place and connected to the previous point, the definition of ODA underscores —after stressing the official character of the aid (which has to come from governmental instances)— that its main objective must be the promotion of the economic development and welfare of developing countries. This requirement is at the core of the ODA definition and it constitutes a decisive criterion for determining

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<sup>3</sup> DAC List of ODA Recipients Effective for reporting on 2014, 2015 and 2016 flows, available at <http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf> (accessed on 7 October, 2016).

<sup>4</sup> The General Methodology followed by the DAC Working Party on Statistics to review the List of ODA-Eligible International Organisations is available at <http://www.oecd.org/dac/financing-sustainable-development/documentupload/DAC%20list%20of%20ODA-eligible%20international%20organisations%20-%20May%202016.pdf> (accessed on 7 October, 2016).

ODA eligibility. However, as will be discussed in the next chapter of this dissertation, this feature has been a source of great controversy. In order to briefly synthesize such controversy, it would be fair to say that although the idea that ODA principally pursues growth and welfare of developing countries dominates the traditional rhetoric and discourse within the international cooperation arena, not many experts on the subject blindly support that such a requirement be satisfied.

Finally, the definition refers to the concessional character of ODA as the main feature in realizing its aspirations of truly favouring developing countries in comparison with other international transactions and financial flows. Although this is another essential feature of ODA, it has not escaped controversy either. According to the ODA definition, if a concessional loan fulfils the requirement of having a grant element of at least 25% (calculated at a rate of discount of 10%) it qualifies as ODA. However, it is not only the grant component but the full face value of the loan in the year it is disbursed what is traditionally recorded as ODA, clearly overstating the total amount of aid provided. Moreover, a significant reverse flow (i.e. money paid from the developing countries to the donors in the form of interest payments on ODA loans) is traditionally ignored in the statistics. Net ODA figures subtract repayments made by recipient countries, but only account for principal repayments and not for interest repayments, which leads to an overvaluation of net ODA contributions. Thus, it is estimated that as result of such dealings, the net value of ODA loans is overstated by approximately \$5 billion per annum (Tew 2015).

Recently though, at the OECD-DAC High Level Meeting of 15-16 December 2014, all stakeholders agreed on the need of modernise such procedures, by undertaking reforms that actually suppose the biggest change in the way ODA has been measured since 1960, when it was recorded for the first time. With the new system, which will become the norm of reporting ODA from 2018 onwards (ODA for 2015 to 2017 will be reported using both systems), only the grant element of a loan will be recorded as ODA rather than its full face value. This new instruction not only provides a fairer picture of donors' efforts but it also favours countries most in need as it is being supplemented with new concessionality thresholds. Thus, under the new procedures, in order for a loan to an LDC to be reportable as ODA, it requires a grant component of 45% while only a 15% and 10% grant components are required for LMICs and

UMICs, respectively (until now the threshold has been 25% for all countries). The discount rates for calculation of the present value of the concessional have also been modified and adapted to each country category. From a discount rate of 10% for all, the new system moves towards rates of 9%, 7% and 6% for LDCs, LMICs and UMICs respectively.<sup>5</sup> This clearly improves the current situation in terms of fairness and accountability as, differently from before, donors who now provide softer loans will be able to register higher amounts of ODA. Nevertheless, there are still some risks associated with the new norms that would need to be closely monitored, specially those associated with the explicit incentive to provide loans rather than grants to LDCs, which if not carefully managed can lead to an unsustainable increase of their debt (Tew 2015).

Hence, ODA's definition provides some essential information on its main attributes. It clarifies who the donors (members of the DAC/OECD) and the recipients of ODA are.<sup>6</sup> It also stresses the concessional character of ODA and reveals its official nature or, in other words, the fact that ODA is a governmental policy tool deployed to fight poverty with the money of the taxpayers of the most developed countries in the world. Such features differentiate ODA from other forms of cooperation also measured by the OECD, such as Other Official Flows (OFFs), where providers and recipients are the same as with the ODA but the contributions do not primarily pursue development (often commerce and/or exports) therefore do not meet the concessional criteria (25% of grant element);<sup>7</sup> or Private Flows, which include any contribution out of private sector resources, whether for commercial purposes, such as financial flows at market

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<sup>5</sup> Further information and details available at OECD website <http://www.oecd.org/dac/financing-sustainable-development/concessional-sovereign-loans.htm> (accessed 7 November 2016).

<sup>6</sup> Although the definition does not explicitly point out who the providers of ODA are, it is implicitly understood that the donor countries are actually the same DAC members, currently 29, which according to the OECD/DAC meet the following criteria: "*existence of appropriate strategies, policies and institutional frameworks that ensure capacity to deliver a development co-operation programme; an accepted measure of effort; and the existence of a system of performance monitoring and evaluation*". See <http://www.oecd.org/dac/dacmembers.htm> (accessed on 10 September, 2016).

<sup>7</sup> See <https://data.oecd.org/df/other-official-flows-oof.htm> (accessed 10 September 2016).

terms (foreign direct investment); or for developmental purposes, such as private grants by nongovernmental organisations (the remittances by migrants are also registered under Private Flows).<sup>8</sup>

In general terms, ODA's definition ultimately reveals that ODA is the official response of the rich part of the world to those who suffer poverty. However, although quite clear and comprehensive, the definition itself is rather general and does not reveal in full the reasons that have put ODA at the top of the global agenda. Hence, in order to offer additional insights on what ODA represents and why it has become a key policy at the international level, it is necessary to examine the origins and evolution of ODA within the international relations field.

### **ODA's Origins**

It is widely accepted that the beginnings of ODA can be found in the conjunction of various elements and historical events that were triggered after World War II, some of which must be stressed and briefly explained to better understand the ODA foundational pillars:

#### *The United Nations System*

The post World War II period witnessed an extraordinary upsurge of institutions at the global level that waved the flag of preserving peace and promoting social and economic development for the most impoverished countries in the world, leading to the birth of the United Nations System. Thus, in 1945 the Charter of the United Nations (UN) was drawn up and signed by 50 countries that —as the Preamble of the Charter underscores— agree to “save succeeding generations from the scourge of war, to reaffirm faith in fundamental human rights and to promote social progress and better standards of life in larger freedom”.<sup>9</sup>

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<sup>8</sup> See <https://data.oecd.org/drf/private-flows.htm#indicator-chart> (accessed 10 September 2016).

<sup>9</sup> Available at <http://www.un.org/en/sections/un-charter/preamble/index.html> (accessed on 11 October 2016).

This commitment to socioeconomic cooperation at the international level is particularly relevant for understanding the emergence of official forms of foreign aid, such as ODA. The creation of several international agencies and global programmes that pursued the mandate of promoting growth and welfare especially of those countries that need it most, relied greatly on official foreign aid to sustain their operations. Thus, in 1945, right after the signature of the UN Charter, the Food and Agriculture Organization (FAO) was founded at a conference in Quebec, Canada, with the objective to “free humanity from hunger and malnutrition, and to effectively manage the global food system”.<sup>10</sup> The following year the International Labour Organisation (ILO), became the first specialised agency of the UN, pursuing “social justice and internationally recognized human and labour rights”.<sup>11</sup> Soon after, other UN specialised agencies were created, such as the United Nations Educational, Scientific and Cultural Organization, UNESCO (1946); the World Health Organization, WHO (1948); and the World Food Programme, WFP (1963). In 1966, the United Nations Development Programme (UNDP) was created as one of the leading international programmes to reduce poverty and promote economic and social development especially of the most impoverished countries of the world. All of these budgets comes from assessed contributions paid by all their member countries based on their capacity to pay (ODA mostly) as well as from voluntary contributions from members (also ODA) and other partners.<sup>12</sup>

The spirit behind the emergence of the aforementioned institutional network was specifically reflected in Article 1 of the first chapter of the UN Charter:

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<sup>10</sup> Extracted from FAO website <http://www.fao.org/world-food-day/2016/history/en/> (accessed on 7 November 2016).

<sup>11</sup> Extracted from ILO website <http://www.ilo.org/global/about-the-ilo/mission-and-objectives/lang--en/index.htm> (accessed on 7 November 2016).

<sup>12</sup> Further details available at the UN Department of Management website <http://www.un.org/en/hq/dm/budget.shtml> (accessed on 7 November 2016).

*“The Purposes of the United Nations are: (...) To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character (...)”*<sup>13</sup>

Hence, the multilateral system that surfaced after World War II giving shape the United Nations was the scenario chosen by the leaders of the world for establishing goals and targets towards socioeconomic development and poverty alleviation. Within the UN institutional framework, the countries through their representatives adopted the most relevant and ambitious agreements and treaties in the field of international development cooperation, with foreign aid and ODA in particular as one of its cornerstones. For instance the well-known target of raising ODA to 0,7% of donors’ national income was formally approved in October 1970 at the heart of the UN General Assembly, which adopted the 2626 Resolution underscoring that *“Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0,7% of its gross national product at market prices by the middle of the Decade”*.<sup>14</sup> The UN Millennium Development Goals are another prominent example of the UN serving as the global platform to establish commitments towards increasing ODA to pursue socioeconomic development and poverty reduction targets.

Moreover, in addition to its consensual abilities in the international cooperation arena, the UN System has also played and continues to play a direct and increasing role in the implementation of ODA. Between 2006 and 2010 for instance, donors relied substantially on the multilateral system, —where the UN Funds and Programmes play a significant role— which received foreign aid flows representing 40% of gross ODA (OECD 2012).<sup>15</sup>

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<sup>13</sup> Extracted from the site of the United Nations devoted to the Charter of the UN <http://www.un.org/en/documents/charter/>

<sup>14</sup> “International Development Strategy for the Second United Nations Development Decade”, UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.

<sup>15</sup> According to the 2012 DAC Report on Multilateral Aid, between 2006 and 2010, 81% of the multilateral aid can be broken down as follows: the European Development Fund (EDF)-



### *The Marshall Plan*

The history of ODA is also linked to the history of the Organisation for Economic Co-operation and Development (OECD) and hence to the European Recovery Programme commonly known as the Marshall Plan.

The OECD was created in September 1961 as a global effort to consolidate a stable and flourishing international order in the aftermath of the World War II. The historical speech of U.S. Secretary of State George Marshall at Harvard University on 5 June, 1947 is today considered to be the ideological pillar of the OECD. The speech of liberal nature advocated for the “revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist”.<sup>16</sup> Such speech represented the initial steps of the post-war plan to support Europe in its recovery, the so-called Marshall Plan, which also led to the creation of the Organisation for European Economic Co-operation (OEEC), the predecessor of the OECD.

The OEEC emerged in Paris in April 1948 from a European countries’ conference, where the participating states aimed to establish the proper tools to allow Europe to work on a joint recovery programme and to supervise the distribution of aid coming from the US through the Marshall Plan. Although OEEC did not last long (less than a decade), it was a central institution that led to the foundation of the OECD, where the US and Canada joined the former OEEC member states. The establishment of the Development Assistance Group (DAG) in the final days of the OEEC, which shortly after became —within the OECD— the Development Assistance Committee (DAC),

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plus-European Union (EU) budget (36%); International Development Association (IDA) (22%); UN Funds and Programmes (9%), the African and Asian Development Banks (AfDB and AsDB) (5% and 3%), and the Global Fund to Fight AIDS, Tuberculosis and Malaria (7%). Only 19% of total multilateral aid was allocated to the remaining 212 multilateral organizations, funds or trust funds. In 2012, the contributions of the donor community to the whole multilateral system represented 40% of gross ODA (OECD 2012).

<sup>16</sup> Extracted from the text of the speech available at <http://www.oecd.org/general/themarshallplanspeechatharvarduniversity5june1947.htm>

mirrored the convention of its member states <sup>17</sup> to help less-developed countries and improve their situation by increasing economic, financial and technical assistance. <sup>18</sup>

Moreover, article 1 of the OECD Convention provides that members will ‘contribute’ to sound economic expansion in non-member countries in the process of economic development.<sup>19</sup> Thus, after almost a decade in which multiple efforts were undertaken by the members of the DAC to provide aid to under-developed countries, in 1969 the Committee finally adopted the concept of “Official Development Assistance” separating ODA from "Other Official Flows" (OOF). ODA was then defined as those official transactions made with the main objective of promoting the economic and social development of developing countries, through grants or loans that are deemed "concessional in character" and include a grant element of at least 25%. Later, in 1972 the DAC agreed on a firmer definition still applicable today that was analysed in the previous section.

Thus, it is plausible to assume that the impulse of the Marshall Plan was the catalyst for the OEEC, which led to the creation of the OECD as well as to the formation of the breeding ground that enabled ODA to emerge as a formal international effort underpinned by a sense of global solidarity that compels the richest countries of the world to assist poorer countries.

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<sup>17</sup> In 1948, the member states of OEEC were Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, and Western Germany, with Canada and the United States of America as Associate Members. Both were integrated, jointly with Spain, in 1961 at the creation of the OECD.

<sup>18</sup> Resolution of the Common Aid Effort, adopted by the Development Assistance Group, 29 March 1961, London.

<sup>19</sup> Extracted from the text of the OECD Convention, available at <http://www.oecd.org/general/conventionontheorganisationforeconomicco-operationanddevelopment.htm>

*Economic and Geopolitical Interests*

Although less openly recognized than solidarity and altruism as triggers of ODA, it is generally accepted that one of the key drivers of ODA's emergence was the need to create a formal vehicle to channel the colonial powers' developmental priorities and main concerns in their respective overseas territories (Führer 1994). The need for the colonial powers to work on this front was already revealed in the late 1940s. Thus, in 1949, at the threshold of the independence for several colonies, the OEEC established the Overseas Territories Committee, consisting of Belgium, France, the Netherlands, Portugal and the United Kingdom, vested with the responsibility for collecting and analysing data regarding the economic and social development of their respective overseas territories. Although OEEC's first objective in 1948/1949 was to prepare the European Recovery Programme as discussed above, this new Committee represented the first formal attempt to follow up on the interests of colonial powers in relation to their overseas territories. The reasons behind this growing interest are quite intuitive. The deprived economic conditions of the colonial empires after World War II converted the overseas territories into attractive markets for European exports. The US also shared this strong interest, as the colonies themselves could become markets for US exports and capital, as well as ideal locations for the production of strategic materials that could meet North American needs. In any case, developing a cooperation mechanism (based on official foreign aid flows) that operated within the overseas colonial territories was not only a deliberate tool for the US and colonial powers to see their economic objectives realised. ODA is also considered to be a strategic move of such powers towards the prevention of the ex-colonies from becoming a playground for communism. Thus, stopping the spread of communism became an important incentive, particularly for the US, to provide ODA to the European colonies, which between 1948 and 1952 received around 6% off the funds related to the Marshall Plan (Schreurs 1997).

The relative importance of each of the aforementioned factors in triggering the emergence of ODA and its surrounding institutional framework are subject to debate. In the context of the UN and international cooperation agencies, it is more common to hear the argument of solidarity and fraternity among countries as the basis for the emergence of ODA, while historians and development economists are more inclined

to list strategic and geopolitical reasons to explain what led the richest countries of the world to formalize a political instrument such as ODA. In any case, it is not the objective of these paragraphs to favour one or another but to expose some factual historical events that were intertwined in the breeding ground from where ODA emerged. The same objective is maintained for the next section, which examines the evolution of ODA over the years exposing key historical episodes and highlighting data on volumes, modalities, main donors and recipients in order to further contribute to the establishment of a comprehensive knowledge about ODA that can serve as a solid contextual background for the research carried out in the subsequent chapters of this dissertation.

### **ODA's evolution – a brief historical review**

As underscored above, ODA as a new category of international financial flows began to be measured and published by the OECD/DAC in 1960, when the members of the DAC agreed to report on an on-going basis their disbursements of ODA.<sup>20</sup> Nevertheless, the significance of governmental foreign aid in the global scene finds its roots earlier. In the previous period extending from the end of World War II and the beginning of the decade of the 1960s, a series of important global events—which are examined in this section—greatly extolled the role of official aid in international relations, culminating with the cementation of a wide-extended rhetoric that enacts ODA as an essential tool for the development of the poorest countries of the world.

The endorsement of the Universal Declaration of Human Rights (UDHR) represents one of these crucial historical episodes. Amid the great boiling of international programs, agencies and organisations oriented to reduce poverty and promote growth linked to the United Nations system in the aftermath of the World War II (such as the UN agencies mentioned in the previous section or the Breton Woods financial institutions), the UN proclaimed the UDHR in the year 1948 (GA Resolution 217),

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<sup>20</sup> The original members of the Development Assistance Group (DAG) established in January 1960 as the prelude of the DAC (October 1961) are Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, the United States and the Commission of the European Economic Community. Japan and the Netherlands join the DAG in July 1960.

establishing an unprecedented regulatory and ethical reference of global scope. As Article 1 of the UDHR underlines, the commitment to a set of fundamental human rights to be universally protected is underpinned by the idea that all human beings are equally worthy in dignity and rights, independent from the nation they belong to. This notion is relevant for our discussion on ODA as it ultimately constitutes an encouragement of comfortable states in the world to provide aid to those countries that encounter difficulties in ensuring human rights due to their impoverished situation. It is no surprise that the aid programmes of bilateral and multilateral cooperation agencies often appeal to the moral duty that derives from committing to the UDHR as a fundamental motive for assisting countries in need. Within the international cooperation rhetoric, the protection and fulfilment of human rights became a major driver to mobilize official foreign aid.

Hence, the efforts to institutionalize enhanced aid programmes at the global level did not wait and the importance that official foreign aid acquired in the international arena during those years was reflected not only at the multilateral level —with the emergence of several agencies to fight poverty through to the donors’ contributions— but also at the domestic level. The US for instance started in 1950 the implementation of an ambitious international cooperation programme: the popular “Point Four” of the presidential inaugural address of President Truman, which served as the basis for the foundation of the US Agency for International Development Agency (USAID).<sup>21</sup> Point Four programme was built on the notion that poverty represents a handicap and a threat both to the poor countries and the more prosperous ones. Moreover, far from the exploitation intentions of the old imperialism —as emphasized in Truman’s discourse— the programme was wrapped in a message of denunciation of the misery of the poor and solidarity with those who suffer, ultimately pursuing efforts to help nations develop.<sup>22</sup> In the same vein, the UK and the Commonwealth at the time launched the Council for Technical Co-operation in South and South-East Asia,

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<sup>21</sup> See USAID History at <https://www.usaid.gov/who-we-are/usaid-history> (accessed on 7 November 2016).

<sup>22</sup> Truman’s inaugural address of 20 January 1949 available at [https://www.trumanlibrary.org/whistlestop/50yr\\_archive/inagural20jan1949.htm](https://www.trumanlibrary.org/whistlestop/50yr_archive/inagural20jan1949.htm) (accessed on 7 November 2016).

known as the “Colombo Plan”, which ultimately pursued the economic and social advancement of South and Southeast Asia through the transfer of capital, technology and knowledge.<sup>23</sup>

Possibly one of the most notorious efforts in the field of foreign aid during that time was the initiative the World Council of Churches advanced to the international community in 1958 to transfer to developing countries at least 1% of the national income of developed nations as grants and concessional loans in order to help poor countries overcome their disadvantaged situation. Appealing to the generosity of the rich countries, the proposal was shared with the UN, which recommended its implementation through the 1960 General Assembly resolution (Resolution 1522 XV, 15 December 1960). Appealing to a sense of fraternity among countries, the 1% initiative resonated greatly within the international cooperation arena and time has shown that although the significance of such a proposal in terms of implementation has been limited, it served as a first step in establishing the well-known 0,7% target for aid.<sup>24</sup>

Thus, a sense of solidarity to assist developing countries in fighting poverty impregnated the discourse within the international cooperation field at the time and appears to be the engine that propelled development aid within the global agenda. However, political experts and development economists often make reference to the Cold War and the process of decolonization in Asia and Africa as key explanations for the outstanding increase of ODA and its rapid ascent to the top of the agenda of national and international institutions. They often claim that such a convulsive and transitional period of global transformation was perceived as an opportunity not only to exert influence (mainly by the US) through foreign aid over the newly formed states and align them towards a vision of free economic settings but also to cope with

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<sup>23</sup> See <http://www.colombo-plan.org/index.php/about-cps/history/> (accessed on 7 November 2016).

<sup>24</sup> See the official document from the Development Co-operation Directorate of the OECD/DAC DCD/DAC(99)27, p.28. Extract available at <https://www.oecd.org/dac/stats/documentupload/OnePercentTarget.pdf> (accessed on 18, November 2016).

economic interests derived from the attractiveness of the markets for European exports of the newly independent states (Krueger 1993; Fuhrer 1994; Griffiths 1997; Tarnoff and Lawson 2009).

Thus, a careful examination of this first part of the history of foreign aid as well as the specialized literature related to it appears to demonstrate the existence of certain controversy related to the apparent breach between the ‘aid rhetoric’ —progressively developed within the international cooperation apparatus across the notions of solidarity and fraternity among countries— with the policy practice of aid giving, which is often argued to primarily serve the economic and strategic interests of the strongest countries in the world. Moreover, over the years it has become increasingly obvious that there was a gap in the emerging international foreign aid system between public discourse and policy practice, a gap that for some prevails throughout the entire life of ODA. Analysing the gap by looking carefully at aid providers and recipients is at the core of the next section.

#### *DAC/OECD dataset: donors and recipients*

From the time donors began officially reporting ODA figures in 1960 and the OECD/DAC initiated efforts to publish them year by year, studying and examining the aid flows —including donor motivations and aid effectiveness— became a common practice within the field of development economics and international relations. The next chapter of this dissertation offers some detailed insights into the specialized literature on such topics. In this section however, the focus is placed on reviewing who the main donors are over the years, in which context they acted, to which countries they often addressed ODA and what kind of ODA volumes they provided, in order to better understand the different ODA trends as well as the challenges that the current aid architecture faces.

Among the rich information that the OECD/DAC dataset offers about ODA, it shows that from 1960 to the present, the key ODA providers have remained almost invariable. As Table 1 shows, the US undisputedly occupies the first place of total ODA ever provided in absolute terms, almost doubling the second biggest donor, Japan. Germany, France and the UK occupy the third, fourth and fifth places,

respectively. Together these five countries have contributed 66% of all official development assistance provided since 1960.

In any case, before analysing ODA from a provider-recipient perspective in the context of the CAD countries, it is important to highlight that —as Table 1 reveals— in addition to the traditional donors that comprise the DAC/OECD group, the exceptionally high oil prices experienced during the 1970s generated unprecedented revenues to oil-exporting countries, which became large contributors of foreign aid not only to other countries —mainly in the Middle East— but also to the international financial system. Thus, in the 1970s and 1980s non-DAC donors provided USD 40,9 billion and USD 49.5 billion, respectively, which represented 23,8% of all official aid in the 1970s and 12,4% in the 1980s. Non-DAC donors did not recover those high levels of ODA until the 2010s. The main three non-DAC donors were Saudi Arabia, the United Arab Emirates and Kuwait, which in the 1970s provided USD 20 billion, USD 11,7 billion and USD 5,2 billion, respectively. As briefly mentioned, the main destination of the ODA given by those countries was the Middle East region, showing a limited commitment with the LDCs. 10% of the total non-DAC ODA has been destined to the LDCs, showing a peak during the 1980s (15,6%) and its lowest level during the MDGs period 2000-2014 (6,5%).<sup>25</sup>

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<sup>25</sup> Data extracted on 10 November 2016 from OECD.Sta



**Table 1. ODA Net Disbursements, Current Prices, US Dollar, Millions (DAC1)**

	1960s	1970s	1980s	1990s	2000s	2010	2011	2012	2013	2014	2015	MDGs	TOTAL
<b>1 United States</b>	34.637,10	40.103,30	83.814,00	95.968,24	199.220,64	29.656,36	30.966,21	30.652,38	31.266,66	33.095,50	31.076,17	385.933,92	<b>640.456,56</b>
<b>2 Japan</b>	2.257,90	12.294,40	52.498,37	111.758,80	101.465,58	11.057,74	11.086,18	10.604,51	11.469,09	9.266,29	9.320,24	164.269,63	<b>343.079,10</b>
<b>3 Germany</b>	4.362,80	15.415,26	36.700,88	66.641,70	88.530,01	12.985,36	14.092,94	12.939,49	14.228,26	16.566,20	17.779,27	177.121,53	<b>300.242,17</b>
<b>4 France</b>	8.450,50	13.430,46	38.527,29	72.782,35	83.534,04	12.915,10	12.997,24	12.028,27	11.338,93	10.620,32	9.225,98	152.659,88	<b>285.850,48</b>
<b>5 United Kingdom</b>	4.532,97	9.738,93	19.255,28	32.322,97	84.024,68	13.052,97	13.832,36	13.891,44	17.871,35	19.305,70	18.699,94	180.678,44	<b>246.528,59</b>
<b>6 Netherlands</b>	786,63	6.267,73	16.370,63	28.444,48	48.030,62	6.357,31	6.343,96	5.522,84	5.435,45	5.572,97	5.812,62	83.075,77	<b>134.945,24</b>
<b>7 Canada</b>	1.202,62	7.298,15	16.393,54	21.557,85	30.224,21	5.214,12	5.458,56	5.650,26	4.947,24	4.240,04	4.287,22	60.021,65	<b>106.473,81</b>
<b>8 Sweden</b>	436,09	4.873,68	11.001,13	18.806,81	31.533,79	4.533,49	5.603,12	5.239,79	5.827,29	6.232,72	7.091,91	66.062,11	<b>101.179,82</b>
<b>9 Italy</b>	902,85	2.096,13	17.048,99	25.999,87	31.090,46	2.996,39	4.325,97	2.737,13	3.430,07	4.009,18	3.844,41	52.433,61	<b>98.481,45</b>
<b>10 Norway</b>	134,76	1.841,57	6.801,55	12.359,34	26.108,42	4.371,56	4.755,59	4.752,99	5.581,36	5.085,94	4.277,76	54.933,62	<b>76.070,84</b>
<b>11 Australia</b>	1.157,71	3.986,28	7.978,63	10.336,43	17.714,97	3.826,10	4.982,91	5.402,70	4.845,55	4.382,42	3.222,45	44.377,10	<b>67.836,15</b>
<b>12 Spain</b>	0,00	0,00	2.232,86	12.925,96	34.465,03	5.949,46	4.173,11	2.037,33	2.348,09	1.876,83	1.603,77	52.453,62	<b>67.612,44</b>
<b>13 Denmark</b>	182,83	2.054,83	5.995,14	15.018,18	21.247,56	2.871,24	2.931,13	2.692,59	2.927,46	3.003,27	2.565,56	38.238,81	<b>61.489,79</b>
<b>14 Belgium</b>	884,41	3.232,68	5.572,31	8.481,45	16.961,52	3.003,93	2.807,41	2.314,86	2.299,54	2.448,02	1.894,38	31.729,66	<b>49.900,51</b>
<b>15 Switzerland</b>	123,58	977,25	3.792,50	9.429,10	15.032,98	2.299,95	3.050,95	3.052,13	3.200,12	3.521,94	3.537,73	33.695,80	<b>48.018,23</b>
<b>16 Finland</b>	37,00	398,65	2.991,14	5.053,56	7.633,98	1.332,95	1.406,04	1.319,71	1.435,36	1.634,57	1.291,53	16.054,14	<b>24.534,49</b>
<b>17 Austria</b>	85,53	663,42	2.202,97	3.788,78	10.510,86	1.208,42	1.111,37	1.105,75	1.171,49	1.234,52	1.207,47	17.549,88	<b>24.290,58</b>
<b>18 Korea</b>	0,00	0,00	91,32	1.408,17	5.066,79	1.173,79	1.324,59	1.597,45	1.755,38	1.856,73	1.911,00	14.685,73	<b>16.185,22</b>
<b>19 Ireland</b>	0,00	85,46	430,37	1.353,13	7.295,66	895,15	913,56	808,36	845,85	815,79	718,26	12.292,63	<b>14.161,59</b>
<b>20 Portugal</b>	0,00	0,00	300,45	2.439,16	4.589,16	648,96	707,82	580,78	488,32	430,23	305,73	7.751,00	<b>10.490,61</b>
<b>21 New Zealand</b>	83,70	411,15	727,96	1.162,73	2.233,49	342,22	424,15	449,10	457,31	506,14	437,99	4.850,40	<b>7.235,94</b>
<b>22 Greece</b>	0,00	0,00	0,00	729,72	4.006,12	507,72	424,77	327,41	239,07	247,44	282,20	6.034,73	<b>6.764,45</b>
<b>23 Luxembourg</b>	0,00	0,00	95,80	686,49	2.590,39	402,69	409,24	399,03	429,32	423,22	361,40	5.015,29	<b>5.797,58</b>
<b>24 Poland</b>	0,00	141,71	120,48	42,55	1.838,10	377,75	417,47	421,06	487,12	451,84	442,35	4.435,69	<b>4.740,43</b>
<b>25 Czech Republic</b>	0,00	0,00	0,00	76,21	1.225,72	227,56	250,46	219,63	210,88	212,15	201,62	2.548,02	<b>2.624,23</b>
<b>26 Slovak Republic</b>	0,00	0,00	0,00	7,36	410,50	73,71	86,02	79,68	86,04	83,21	85,77	904,93	<b>912,29</b>
<b>27 Slovenia</b>	0,00	0,00	0,00	0,00	271,66	58,60	62,77	58,45	61,55	61,54	62,41	636,98	<b>636,98</b>
<b>28 Iceland</b>	0,00	0,00	0,00	50,04	269,75	28,75	25,57	26,12	34,91	37,33	39,08	461,51	<b>511,55</b>
<b>DAC</b>	<b>60.258,98</b>	<b>125.311,04</b>	<b>330.943,59</b>	<b>559.631,43</b>	<b>877.126,69</b>	<b>128.369,35</b>	<b>134.971,47</b>	<b>126.911,24</b>	<b>134.719,07</b>	<b>137.222,05</b>	<b>131.586,22</b>	<b>1.670.906,09</b>	<b>2.747.051,13</b>
<b>MULTILAT. (EU)</b>	<b>0,00</b>	<b>5.560,34</b>	<b>18.135,55</b>	<b>46.167,49</b>	<b>90.246,12</b>	<b>12.746,70</b>	<b>17.390,53</b>	<b>17.479,05</b>	<b>15.959,20</b>	<b>16.451,10</b>	<b>13.848,01</b>	<b>184.120,71</b>	<b>253.984,09</b>
<b>NON-DAC</b>	<b>297,61</b>	<b>40.886,63</b>	<b>49.568,93</b>	<b>22.780,13</b>	<b>39.987,68</b>	<b>6.527,59</b>	<b>8.881,09</b>	<b>6.223,87</b>	<b>16.384,56</b>	<b>24.671,98</b>	<b>10.830,51</b>	<b>113.507,28</b>	<b>227.040,58</b>
<b>ALL DONORS</b>	<b>60.556,59</b>	<b>171.758,01</b>	<b>398.648,07</b>	<b>628.579,05</b>	<b>1.007.360,49</b>	<b>147.643,64</b>	<b>161.243,09</b>	<b>150.614,17</b>	<b>167.062,83</b>	<b>178.345,13</b>	<b>156.264,74</b>	<b>1.968.534,09</b>	<b>3.228.075,81</b>

Source: author's elaboration based on OECD/DAC data extracted on 20 Oct 2016 from OECD.Stat (2015 are preliminary values).

During the 1960s, the US in particular not only provided more than half of all bilateral ODA but also held a prominent position in the multilateral arena particularly in the International Financial Institutions (i.e. WB and International Monetary Fund), which reveals its global leadership role in the post-war period and its capacity to influence the progression of the ‘underdeveloped’ (to use the terminology of the time) newly independent states. As Table 2 reveals, during the early years of ODA, US strongly assisted countries such as India and Pakistan, which were its important allies during the Cold War. Later, it addressed large amounts of aid to Israel, which received more than 14% of all ODA provided by the US during the 1980s (USD 43.5 billion). Currently, in spite of the fact that the US foreign aid received by Israel since 1997 is not computed as ODA but as Official Aid, Israel is still the second largest recipient of all net ODA disbursements from the US between 1960 and 2015 after Egypt, and by far the top recipient of US ODA per capita.

Since 11 September 2001, the war on terrorism seems to often determine the destiny of US foreign aid, as large amounts of ODA are disbursed to key partners in such endeavours, such as Pakistan and Jordan (Tarnoff 2009). Iraq and Afghanistan though, have been the largest beneficiaries of US aid during the entire MDGs period, receiving above 16% of the total US aid flows between 2000 and 2015. By contrast, the group of Least Development Countries (of which by the way Afghanistan is part) have received just 15,2% of all ODA ever provided by US. Generally, as Table 2 shows, the US has historically directed ODA to countries and regions where it has strategic interests related to its national security or the security of its partners. The latter has allowed US foreign assistance to be frequently seen as an extension of its national foreign policy, complementing other instruments such as diplomacy, defence or the U.S. trade policy. The US has also been often criticized for its low commitment to globally agreed targets like the 0,7%. In 2015, the US provided USD 31.1 billion in net ODA (OECD/DAC preliminary data), which represented 0.17% of GNI. Although it is the largest provider in terms of volume, the US is the 20th largest DAC provider in terms of ODA as a percentage of GNI.

Japan, by contrast, seems to allocate more ODA to those countries with extensive — existing or potential— commercial ties to Japan within its neighborhood in East Asia.

The second-largest donor started humbly in the international cooperation arena by allocating some limited amounts of official foreign aid in the 1950s, once it regained sovereignty and gradually recovered from the devastation it suffered during World War II.<sup>1</sup> Until the mid-1960s most of those outflows took the form of reparations and other payments to compensate for Japan's role during the war, to countries such as Indonesia, the Philippines or Myanmar (Burma) among others. India is another country that has received large amounts of ODA from Japan since the 1960s as a way to safeguard India's iron ore supply, which is aligned with the objective explicitly emphasized by Japan authorities through their internal regulations: to give aid for export promotion and securing raw materials (Takagi 1996, p.29). Before becoming the largest donor by the end of the 1980s, Japan also directed large sums of aid to countries bordering areas of conflict (e.g. Pakistan, Thailand and Turkey) in order to protect the country from vulnerabilities such as those witnessed during the first oil crisis in 1973 (Takagi 1995). During the 1990s Japan's aid represented 20% of all the ODA provided by the DAC members while the US, the second-largest donor at the time provided 17,1%. Japan's ODA portfolio during that period was heavily focused on loans (48,6% of Japan Net Disbursements at current US dollar prices). Precisely, 52,6% of all loans of the DAC members during the 1990s were Japanese while Germany or France, the second and third largest loan providers represented 13,6% and 13,3% respectively. Such ODA was addressed mainly to Japan's well-known neighbors in East Asia, with Indonesia and China receiving the largest shares (almost 10% each). During the 2000s Japan was consolidated as an important aid provider favoring countries such as Viet Nam (8,1%), Iraq (6,3%), India (4,3%), Afghanistan (2,7%), China (2,5%) and Myanmar (2,2%). Similar to the US and to the majority of the DAC members, its support towards the LDCs has been rather limited over time (14,4% of all its ODA). Moreover, like the US, its commitment to the 0,7% ODA/GNI target is rather low. In 2015, Japan provided USD 9.3 billion in net ODA (OECD/DAC preliminary data), which represented 0.22% GNI, positioning Japan as the 18th largest DAC provider in terms of the ODA/GNI ratio.

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<sup>1</sup> Following the terms of the Potsdam Declaration, Japan was ruled under the Supreme Commander of the Allied Powers since its surrender in World War II in August 1945 until April 1952, when the San Francisco Peace Treaty took effect and Japan regained its sovereignty.

Germany is the third largest donor in the history of ODA with USD 300.000 million (net contributions at current prices) provided from 1960 until 2015. The country started offering foreign aid in the late 1950s after it regained its full sovereignty (1955) and started progressively to recover from the devastation suffered during World War II thanks to the massive aid flows that came from the US Marshall Plan. During the first years, Germany pursued its aid policy in order to cultivate a good image internationally by offering its cooperation to almost every developing country applying what has been labeled as a ‘watering-can approach’ (Ashoff 2012). Progressively, Germany has become well known in the international cooperation arena for a long historical tradition of favoring especially middle-income countries, such as India, China and Indonesia who typically are the top recipients of German foreign aid (3,8%, 2,4% and 1,6% of total volume of ODA respectively). LDCs by contrast have received just 15,2% of total German ODA since 1960. The country also addressed large amounts of aid to Israel (USD 9.700 million or 2%) due to the grievances from the past and to Egypt (2,5%) and Turkey (2%) for economic and geopolitical reasons, which reveals that for Germany, strategic and political motives also matter in the field of foreign aid (Nunnenkamp and Ohler 2011).<sup>2</sup> In any case, Germany has managed to become one of the most significant donors worldwide due to a steady process of professionalization of its aid apparatus in spite of the fact that during the 1990s, an important decline in Germany’s ODA/GNI ratio reflected to a certain extent, the relatively low importance given by the general public and politicians to international cooperation matters at a time when domestic issues (e.g. Germany’s reunification) captured most of the attention (Ashoff 2012). Although it never reached the 0,7 % target, Germany provides important levels of ODA/GNI. In 2015 for instance, Germany’s ODA net contributions amounted USD 177.121 million, the third largest contribution after US and the UK which represented 0.52 % of Germany’s GNI and a 25.9% increase in real terms from 2014, as a result of mainly an increase in donor refugee costs (OECD/DAC preliminary data).

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<sup>2</sup> Nunnenkamp and Ohler (2011) find evidence that political interests are associated with the allocation of German foreign aid independent of the dominant colour of the German parliament in place (whether socialist or conservative).

As briefly mentioned before, ODA from France and Britain has traditionally been addressed to their former colonies where they maintain strategic and commercial interests. France's ODA in particular is generally perceived as a policy instrument oriented towards increasing the French influence and spread French culture especially in West Africa. Thus, during the 1960s, almost one third of French aid was addressed to its former colony Algeria (independent since 1962), where France held significant interests including French-owned petroleum extraction and pipelines. Until the 1990s, half of French bilateral ODA was directed to 15 countries, all of them former colonies.<sup>3</sup> Similar to Germany, France also experienced a sharp drop of its ODA rates in the 1990s (specifically at the second half), showing a particular decline of ODA contributions to sub-Saharan Africa (Gabas 2005), where France has historically pursued a long-term strategy of influence. In other regions such as Latin America or Asia, France has maintained a low profile except for its overseas territories of New Caledonia, French Polynesia and Wallace and Fortuna in Asia, which have historically received large amounts of French ODA.<sup>4</sup> In the 2000s France, like many other donors, was strongly motivated by global security concerns to the point that Iraq was the largest recipient of French aid in the year 2007 and the 4th largest recipient during the entire decade of 2000s (USD 2.814 million). LDCs ultimately received 17,8% of all French foreign assistance since 1960. Although also committed to the target of the 0,7% ODA/GNI, French net ODA contributions in 2015 amounted 9.2 billion USD which just represented just 0.37% of its GNI (preliminary OECD/DAC data).

The ODA allocated by the UK follows a similar pattern to that of France with regard to prioritizing its former colonies as the main destination of aid. In fact, 78,3 % per cent of all the bilateral ODA ever provided by the UK has been addressed to the countries of the Commonwealth, concentrating it on few countries especially at the

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<sup>3</sup> Algeria, Burkina Faso, Cameroon, Central African Republic, Côte d'Ivoire, French Polynesia, Gabon, Madagascar, Mali, Morocco, New Caledonia, Niger, Republic of Congo, Senegal and Tunisia.

<sup>4</sup> New Caledonia and the French Polynesia represent the fourth and fifth largest recipients of the overall French foreign aid since 1960 (they received net contributions of USD 12.991 and 12.882 million at 2014 constant prices, respectively).

beginning of the history of ODA. Thus, during the 1960s just three countries received approximately one third of all the British foreign aid: India (16,9%), Kenya (9%) and Pakistan (4,9%). During the 1970s and 1980s the main recipients of British aid did not change much, with India, Bangladesh and Kenya always at the top of the list, followed usually by traditional UK recipient countries such as Pakistan, Sri Lanka, Tanzania and Zambia. Things changed, however, with regard to the British aid in the late 1990s when the Labour party came to power in 1997. The Department for International Development (DFID) was created and with it the aim of the British foreign aid policy shifted from promoting commercial and political interests towards other purposes more sensitive to poverty alleviation (Morrissey 2005). Consequently, aid allocations towards Africa increased substantially and countries such as Nigeria, Ethiopia, Tanzania, D.R. Congo, Ghana, Uganda, Malawi, Sudan, Mozambique, Kenya, Sierra Leona, Zimbabwe and Rwanda became large recipients of British ODA in the 2000s, obtaining ODA levels above USD 1 billion during the whole MDGs period (2000-2015) with some countries receiving much larger allocations such as Nigeria (USD 8,5 billion), Ethiopia (USD 4,5 billion) or Tanzania (USD 3,8 billion). Iraq and Afghanistan also became important recipients of UK aid, especially after the invasion of Iraq (third and sixth largest recipients of UK assistance during the 2000s), which reveals the importance for the UK of the stabilization of the Middle East region. In any case, under DFID, aid seems to have evolved over the years towards policies more inclined to serve the needs of the poorest countries. ODA's volume has also grown substantially, moving from USD 32,3 billion in the 1990s to USD 84 billion in the 2000s. Moreover, according to preliminary data of the OECD/DAC, in 2015, the UK provided USD 18.7 billion in net ODA —mainly grants—, which represents 0,71% of GNI, making the UK one of only six DAC members to have met the UN target of 0,7% of ODA/GNI.<sup>5</sup> Still, LDCs have received just 20% of the total British foreign assistance.

Although the contributions of countries such as the Netherlands, Sweden or Norway appear less remarkable in terms of volume (sixth, eighth and tenth largest donors in

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<sup>5</sup> Only Denmark, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom spent more than 0,7% of their national income in aid in 2015. The UK met the target for the first time in 2013.

terms of net contributions, respectively), they have earned a good international reputation for traditionally responding amply to challenges such as the UN target of 0,7%. Sweden and the Netherlands became the first countries to meet the target in 1975. Norway and Denmark reached it in 1976 and 1978, respectively, and all four have surpassed the target every year since, often generously. Sweden for instance provided USD 7.1 billion in net ODA in 2015 (OECD/DAC preliminary data) representing 1.4% of GNI, which positions it as the largest ODA provider in terms of ODA/GNI. With regard to Norway, it has spent about 1% of GNI on ODA every year since 2009. In 2015, Norway provided USD 4.3 billion —100% grants— in net ODA (OECD/DAC preliminary data), which represented 1.05% of GNI (the second largest provider in terms of ODA as a percentage of GNI). The Netherlands also scores notably in this area. In 2015, the Netherlands provided USD 5.8 billion in net ODA (OECD/DAC preliminary data), which represented 0,76% of its GNI.

But did aid from these countries reach the poorest? How do they distribute their ODA? If they are analysed individually, it can be observed that the case of Netherlands is actually closer to that of the other colonial powers. During the 1960s and the 1970s, the largest amounts of Dutch aid were clearly reserved for its former colonies, Indonesia, Suriname and the Netherlands Antilles. All three together received 61,9% of all Dutch ODA in the 1960s and 25,6% in the 1970s and they are among the five largest recipients of all Dutch aid ever provided (with India and Tanzania joining that group). In the 1980s, Netherlands had already increased the focus of its aid to countries such as Tanzania where it holds important commercial interests (fourth, third and first largest recipient in the 1980s, 1990s and 2000s, respectively). It nonetheless also addressed strong support to other African countries such as Ghana, D.R. of Congo, Mozambique, Sudan and Ethiopia where it holds less ties, particularly during the MDGs period (2000-2015). Some authors see this as a signal of the progressive “humanitarianisation” (in opposition to commercialization) of Dutch foreign policy that started a bit earlier (Hoebink 1999; Schulpen 2005).

As for Sweden, a country with no colonial heritage, it is generally considered as one of the few countries in the world —together with Norway— that are clearly distinguished in international cooperation arena as providers of ‘large amounts of

aid, little tying and basically no explicit aid objectives apart from the reduction of poverty' (Danielson and Wohlgemuth 2005, p.518). In any case, the amount of ODA addressed to the LDCs from these countries does not differ much from the proportion provided by the rest. With the exception of Norway—which has provided 25,3% of its total aid to the LDCs—the others contributed approximately with one-fifth of their overall ODA to the LDCs (the Netherlands 18%, Sweden 20,5%), similarly to the other largest donors like the US, Japan, Germany, France or Italy, which gave to the LDCs 15,2%, 14,4%, 15,2%, 17,8% and 18,6%, of their total ODA respectively. Other countries like Australia and Spain are even below those proportions (13,2% and 8,8%, respectively).

More over, most donor countries have not escaped to the shift of the cooperation paradigm witnessed globally during the 1990s—packaged under the label of the 'Washington Consensus'— which has affected their development cooperation policies with more or less strength.<sup>6</sup> Since the 1990s, political liberalism has come increasingly to the forefront of political thinking and the classical incentive to provide foreign aid 'just because assisting human beings in distress represents a moral obligation', began to coexist openly (whether harmonious or not is a matter of debate) with a growing emphasis on tying aid to liberal political ideas (Stoke 2005). As a result, the 1990s did not represent a good decade in the international cooperation field. Not only the share of national income devoted to ODA but also the net ODA disbursements of most donors declined substantially. Important donors such as the US started progressively to reduce their contributions right after the end of the Cold War (from USD 11.3 billion in 1990 to USD 6,8 billion in 1997). Other key donors such as Japan, Germany, France and Canada reduced their respective aid flows a little later, from 1995 until the early 2000s. The UK kept a modest but steady level of ODA during the whole decade (averaging USD 3,2 billion per year). Overall, the contributions from DAC countries decreased from total net disbursements of USD 54.329 million in 1990 to USD 48.659 million in 1997, the year in which the aid

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<sup>6</sup> The Washington Consensus refers to the set of policy measures and reforms for developing countries proposed by the US Economist John Williamson in 1989 that comprise the neoliberal thinking of the main IFIs based in Washington such as the International Monetary Fund and WB, as well as by the US Treasury Department during the 1990s.



flows hit bottom. The detriment of ODA net disbursements from DAC countries is even more noticeable if it is analysed in terms of GNI percentages. In 1990, ODA made up 0,32 % of DAC countries' GNI, shrinking to 0,22 in 1999 (0,21 in 1997).<sup>7</sup> But the 1990s challenges do not end here. The bilateral flows to the poorest countries, the LDCs, have also declined from the previous decade (from 18.7% in the 1980s to 16,1% in the 1990s with years such as 1999 where the contributions to the LDCs just represented just 14,3% of the net disbursements of all DAC members together). In particular, official aid to African countries was reduced substantially. Total disbursements to African countries including bilateral —DAC and non-DAC— and multilateral allocations were USD 26.2 billion in 1990 and fell to USD 15.47 billion in 2000.<sup>8</sup> Moreover, during this period aid was claimed to be 'disappointingly unpredictable with far reaching adverse consequences for the promotion of realistic sustainable development' (UN 2002, p. 89).

Generally, such a critical trend witnessed during the 1990s is explained not only as a result of the emerging liberal paradigm but also in terms of the end of the Cold War in 1989 and with it, one of the major political drivers of ODA. Hence, the emptiness in terms of geopolitical strategies that the end of the Cold War left on the global scene resulted in less ODA as such a vacuum needed yet to be filled by countries forging new agendas within a novel scenario of growing globalization and more severe competitiveness (Takahashi 2002). In any case, this period has raised serious concerns about the real commitment of the developed countries to fight poverty and assist developing countries in distress. What is certainly paradoxical about it, is that the 1990s also correspond to a time in which a conceptual shift in the international cooperation debate emerged with great resonance towards a more altruist, generous and human centric notion of development. Notable and largely applauded events such as the Rio Earth Summit of 1992 set ambitious, unprecedented goals to fight poverty. It also strongly embraced concepts such as sustainable development, which represented a turning point in the universal approach to global poverty. Agenda 21, which globally addressed the new approach, called intensively on the international

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<sup>7</sup> Data extracted on 09 November 2016 from OECD.Stat

<sup>8</sup> Data extracted on 09 November 2016 from OECD.Stat

community to provide financial resources to developing countries in order to achieve such global sustainable development.

A few years earlier, in 1990, the UN also proposed a new groundbreaking way of measuring development: the human development index, which introduced a novel approach for advancing human well-being. This new human centric vision was inspired by Amartya Sen's capabilities approach, in contrast to the traditional way of measuring progress and development by emphasizing the need to focus on the ends (capabilities, access to welfare) over means. It ultimately claimed that the target of the international community in the field of international development should be 'expanding the richness of human life, rather than simply the richness of the economy in which human people live'.<sup>9</sup>

The 1990s were born with a new discourse within the international relations arena filled with enthusiasm and a whole set of new ideas and concepts. These enhanced the moral weight of addressing global poverty with a higher degree of commitment and determination by appealing to notions related to our universal human condition. However, a careful examination of reality reveals that during these years, the altruistic arguments embraced by key national and global actors to justify and encourage more and better aid veiled other interests advanced by the same actors that ultimately prevailed and resulted in weaker foreign aid policies. It is to a certain extent shocking to hear the representatives of major donors and international institutions pleading for solidarity and highlighting the need for more aid precisely when a considerable reduction of ODA was taking place not only in overall volume but also the aid addressed to the poorest countries. Hence, although it remains to be seen (until time allows adequate evaluation of the current period), policy practice and public discourse finds its biggest disparity during the 1990s decade.

As discussed in the next chapter, ODA re-emerges strongly in the 2000s at the global level and it does so as a consequence of the wide recognition of previous failures, in addition to the fact that foreign aid is signalled as one of the key pillars for the achievement of the new global target: the MDGs. In contrast to the 1990s, aid

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<sup>9</sup> Extracted from <http://hdr.undp.org/en/humandev> (accessed on 9 November 2016)

certainly increases during the 2000s. From USD 559,6 billion in the 1990s, ODA grew to USD 877,1 billion in the 2000s and even to USD 1.671 billion if we consider the whole period 2000-2015. Another positive note of these years is that LDCs receive a greater portion of the aid flows. During the MDGs period (2000-2015) LDCs obtained almost 20% of all net disbursements of the DAC members (27,8% if only bilateral contributions are considered) which, although not extraordinary, represent the highest proportion of official aid ever given to the poorest countries of the world. Moreover, the 2000s also correspond to a period of abundant celebrated initiatives to address a widely extended concern related to the dubious quality of the foreign aid and its corresponding (in)effectiveness. As reviewed in the next chapters of this dissertation, the series of high-level fora on aid effectiveness organized by the OECD in Rome, Paris, Accra and Busan in 2003, 2005, 2008 and 2011, respectively, address such concerns. Hence the 2000s represent an optimistic decade for international cooperation, although the realism behind the great successes globally broadcasted in relation to the progress made by the international community in fighting extreme poverty is certainly debatable. As argued in the introduction, a careful examination of the established procedures to report and measure global poverty seems to reveal serious incongruities between political rhetoric and actual performance, even during this new millennium.

In any case, the concerns that have historically driven the aid policy of the main donor countries are mixed and seem to be associated with altruistic motives as well as to self-interests of various kinds depending on the donor country. It may not be accurate to assert that a sense of solidarity has been completely absent from the underlying factors that determine the aid policy of major aid providers; or to say that public attitudes in developing countries have not been in favour of providing development assistance. But it is possibly even less accurate to say that there is no evidence — some of it has been exhibited in this section— revealing that beyond fighting poverty, the particular interest of the donor countries surfaces clearly when the origins and destinations of ODA are analysed (Table 2). Geo-political interests, commercial and trade relations as well as perceived national security matters represent factors that have affected the volume and direction of the official aid flows throughout the history of ODA.

The controversy behind the underlying motivations of donor countries is neither new in the specialized literature nor represents today the only challenge that is faced in the field of foreign aid. Briefly reviewing those challenges is the purpose of the last section of this chapter.

Table 2. Largest recipients of ODA from the major OECD/DAC donors (DAC2)

	1960s	1970s	1980s	1990s	2000s	MDGs (2000-2014)	Total
<b>1. US</b>	India (20) Vietnam (9,2) Pakistan (8,6) Korea (6,7) Brazil (5,5) <i>LDCs (6,7)</i>	Mult. (26) Israel (8,7) Vietnam (7,5) India (5) Egypt (4,2) <i>LDCs (10)</i>	Mult. (26,5) Israel (14,4) Egypt (12,1) El Salvador (2,7) Bangladesh (1,9) <i>LDCs (11)</i>	Mult. (26,4) Egypt (12,8) Israel (10,1) Haiti (1,5) El Salvador (1,5) <i>LDCs (11,3)</i>	Iraq (14,6) Mult. (14,2) Afghanistan (5,3) Egypt (2,6) Colombia (2,3) <i>LDCs (20,6)</i>	Mult. (14,4) Iraq (9,8) Afghan. (6,4) Pakistan (2,2) Ethiopia (2,2) <i>LDCs (24,1)</i>	Mult. (17,4) Egypt (5,4) Israel (5,1) India (4,6) Iraq (3,9) Pakistan (3,2) Viet Nam (2,8) Afghanistan (2,7) <i>LDCs (15,2)</i>
<b>2. Japan</b>	Indonesia (20,9) India (18,4) Philippines (13,8) Korea (12,5) Myanmar (8,6) <i>LDCs (10,1)</i>	Mult. (25,8) Indonesia (15,7) Korea (10,4) Philippines (6,6) India (4,5) <i>LDCs (11,9)</i>	Mult. (31,8) Indonesia (8,1) China (7,7) Thailand (5,4) Philippines (5,1) <i>LDCs (15)</i>	Mult. (23) Indonesia (9,2) China (9,2) Philippines (4,9) India (4,7) <i>LDCs (10,5)</i>	Mult. (28,4) Iraq (7,5) China (6,5) Viet Nam (6,3) Indonesia (3,3) <i>LDCs (12,7)</i>	Mult. (30) Viet Nam (8,1) Iraq (6,3) India (4,3) Afghan. (2,7) <i>LDCs (18,2)</i>	Mult. (26,9) Indonesia (6,9) China (5) India (4,6) Philippines (4) Viet Nam (3,7) Pakistan (2,6) <i>LDCs (14,4)</i>
<b>3. Germany</b>	India (17,1) Israel (14,3) Pakistan (6,3) Turkey (5,5) Brazil (3,7) <i>LDCs (11,3)</i>	Mult. (31,3) India (4,9) Turkey (3,8) Israel (3,3) Egypt (3,2) <i>LDCs (15,6)</i>	Mult. (32,2) Turkey (3,8) Egypt (3,3) India (3,2) Indonesia (2,9) <i>LDCs (19,5)</i>	Mult. (35,7) China (4,7) Egypt (4,3) India (2,1) Ex-Yugoslavia (2) <i>LDCs (15,5)</i>	Mult. (37,9) Iraq (6,7) Nigeria (3,4) China (2,8) Cameroon (2,3) <i>LDCs (13,2)</i>	Mult. (35,5) Iraq (4,1) China (2,9) Afghan. (2,4) Nigeria (2,1) <i>LDCs (13,6)</i>	Mult. (32) India (3,8) Egypt (2,5) China (2,4) Israel (2,1) Turkey (2) Iraq (1,7) <i>LDCs (15,2)</i>
<b>4. France</b>	Algeria (29,8) Morocco (3,4) Senegal (2,3) Madagascar (2) Tunisia (2) <i>LDCs (11,6)</i>	Mult. (19,5) Algeria (6,8) New Caled. (5,1) Morocco (4,4) F. Polyn. (4,3) <i>LDCs (21,9)</i>	Mult. (22,8) F. Polyn. (5,6) New Caled. (5,2) Morocco (3,5) Senegal (3,3) <i>LDCs (22,8)</i>	Mult. (23,4) Côte d'Ivoire (5,1) New Caled. (4,9) F. Polyn. (4,8) Egypt (3,9) <i>LDCs (19,2)</i>	Mult. (33,7) Nigeria (16,5) Mayotte (3,1) Côte d'Ivoire (3) Iraq (2,8) <i>LDCs (16,5)</i>	Mult. (34,9) Côte d'Ivoire (3,2) Morocco (3,1) D.R. Congo (2) Congo (1,9) <i>LDCs (15,2)</i>	Mult. (23,9) Algeria (5,9) Côte d'Ivoire (3,4) Morocco (3,3) New Caled. (2,7) French Polyn. (2,7) Cameroon (2,2) Senegal (2) <i>LDCs (17,8)</i>
<b>5. UK</b>	India (16,9) Kenya (9) Pakistan (4,9) Malawi (4,3) Tanzania (4,2) <i>LDCs (25,7)</i>	Mult. (35,7) India (14,9) Kenya (2,8) Bangladesh (2,4) Pakistan (2,3) <i>LDCs (15,3)</i>	Mult. (42,8) India (6,8) Bangladesh (3,2) Sudan (2,6) Kenya (2,4) <i>LDCs (18,3)</i>	Mult. (44) India (4,1) Bangladesh (2,7) Tanzania (2,1) Zambia (2) <i>LDCs (17,4)</i>	Mult. (34,3) Nigeria (6,9) India (4,9) Iraq (3,1) Tanzania (2,7) <i>LDCs (21,3)</i>	Mult. (36,8) Nigeria (4,7) India (4,1) Ethiopia (2,3) Bangladesh (2,3) <i>LDCs (21,1)</i>	Mult. (34,8) India (7,4) Nigeria (3) Kenya (2,4) Tanzania (2,2) Bangladesh (2,2) Pakistan (2,2) Malawi (1,7) <i>LDCs (20)</i>
<b>6. Netherlands</b>	Indonesia (30,5) Suriname (18,8) N. Antillas (12,5) Mult. (10,1) India (7,1) <i>LDCs (0,4%)</i>	Mult. (30,4) Indonesia (10,5) Suriname (9,1) India (7,2) N. Antillas (6) <i>LDCs (13 %)</i>	Mult. (29,5) Indonesia (6) India (5,9) N. Antillas (4) Tanzania (3,7) <i>LDCs (22,4%)</i>	Mult. (30) N. Antillas (3,2) India (2,3) Tanzania (2, 3) Bangladesh (2,1) <i>LDCs (19,2%)</i>	Mult. (27,4) Tanzania (2,3) Indonesia (2,2) Ghana (2) Afghanistan (1,8) <i>LDCs (21%)</i>	Mult. (27,9) Afghanistan (1,6) Tanzania (1,6) Ghana (1,5) D.R. Congo (1,4) <i>LDCs (17,9%)</i>	Mult. (28,4) Indonesia (3,9) India (2,6) Suriname (2,6) N. Antillas (2,5) Tanzania (2,3) Bangladesh (2) <i>LDCs (18%)</i>

*CHAPTER I. OFFICIAL DEVELOPMENT ASSISTANCE (ODA): CONCEPT, ORIGINS,  
EVOLUTION AND LATEST CHALLENGES*

	1960s	1970s	1980s	1990s	2000s	MDGs (2000-2014)	Total
<b>7. Canada</b>	India (41,3) Pakistan (16,7) Mexico (5) Sri Lanka (3) Nigeria (1,8) <b>LDCs (4)</b>	Mult. (35,3) India (11,5) Pakistan (6,2) Bangladesh (5,6) Tanzania (2,3) <b>LDCs (16,5)</b>	Mult. (35,7) Bangladesh (5,1) Pakistan (3) India (2,7) Tanzania (1,9) <b>LDCs (18,6)</b>	Mult. (32,1) Bangladesh (3) China (2,5) Egypt (1,8) Indonesia (1,3) <b>LDCs (13,5)</b>	Mult. (26,6) Afghanistan (3,6) Iraq (2,3) Haiti (2) Ethiopia (1,8) <b>LDCs (21)</b>	Mult. (26,4) Afghanistan (3,4) Haiti (2,8) Ethiopia (2) Ghana (1,6) <b>LDCs (22,9)</b>	Mult. (30,1) India (4,5) Bangladesh (3,2) Pakistan (3) Tanzania (1,6) Ghana (1,4) Haiti (1,4) Afghanistan (1,4) <b>LDCs (18)</b>
<b>8. Sweden</b>	Mult. (34,8) Pakistan (11,8) India (10,4) Ethiopia (9) Tanzania (6,3) <b>LDCs (19,9)</b>	Mult. (39,2) Tanzania (8,7) India (8,4) Viet Nam (8,4) Bangladesh (4,1) <b>LDCs (22,7)</b>	Mult. (31,5) Tanzania (7,3) India (6,3) Viet Nam (5,5) Mozambique (4,7) <b>LDCs (25,6)</b>	Mult. (29,1) Tanzania (4,2) Mozambique (4) India (2,7) Viet Nam (2,2) <b>LDCs (22)</b>	Mult. (30,9) Tanzania (2,8) Mozambique (2,4) Afghanistan (1,4) W.B. /Gaza (1,4) <b>LDCs (19,2)</b>	Mult. (31,6) Tanzania (2,3) Mozambique (2,1) Afghanistan (1,7) D.R. Congo (1,5) <b>LDCs (18,1)</b>	Mult. (32) Tanzania (4,2) Mozambique (2,9) India (2,7) Viet Nam (2,6) Ethiopia (1,7) Bangladesh (1,5) Kenya (1,5) <b>LDCs (20,5)</b>
<b>9. Italy</b>	ExYugosl. (22,8) Egypt (16,7) Somalia (12) Indonesia (7,4) Turkey (5,3) <b>LDCs (22,6)</b>	Mult. (67) Pakistan (5,5) Indonesia (4,9) Somalia (3,7) Ethiopia (2,3) <b>LDCs (8,5)</b>	Mult. (41,3) Somalia (6,2) Ethiopia (4,6) Mozambique (3,8) Tanzania (2,7) <b>LDCs (30,2)</b>	Mult. (47,1) Egypt (4,7) Mozambique (3,1) Albania (2,4) Ethiopia (2,3) <b>LDCs (17,3)</b>	Mult. (62) Iraq (8,1) Nigeria (4) Mozambique (2,7) Ethiopia (1,7) <b>LDCs (13,7)</b>	Mult. (64,4) Iraq (5,7) Nigeria (2,8) D.R. Congo (2,2) Mozambique (2,1) <b>LDCs (12,2)</b>	Mult. (50,5) Somalia (3,1) Egypt (2,7) Ethiopia (2,6) Mozambique (2,5) Iraq (2) Ex-Yugoslavia (1,7) D.R. Congo (1,3) <b>LDCs (18,6)</b>
<b>10. Norway</b>	Mjmultilateral (36,9) India (16,1) Nigeria (10,6) Kenya (7,7) Korea (6,1) <b>LDCs (10,5)</b>	Mult. (47,2) Tanzania (7,9) India (6,1) Bangladesh (5,2) Kenya (4,7) <b>LDCs (22,6)</b>	Mult. (41,6) Tanzania (8,4) Bangladesh (4,3) Kenya (3,7) Mozambique (3,6) <b>LDCs (26,3)</b>	Mult. (31,1) Tanzania (5,2) Mozambique (4,6) Zambia (3,3) Bangladesh (3) <b>LDCs (29,4)</b>	Mult. (26,6) Tanzania (2,8) Afghanistan (2,7) WB/Gaza (2,7) Sudan (2,4) <b>LDCs (25,8)</b>	Mult. (25,6) Afghanistan (2,7) WB/Gaza (2,5) Tanzania (2,5) Mozambique (2) <b>LDCs (23,7)</b>	Mult. (31,5) Tanzania (4,6) Mozambique (2,9) Zambia (2,3) Bangladesh (2,2) India (1,8) WB/Gaza (1,7) Afghanistan (1,5) <b>LDCs (25,3)</b>
<b>11. Australia</b>	Papua N.G. (69,5) India (7,4) Mult. (5,6) Indonesia (3,6) Malaysia (2,1) <b>LDCs (2,3)</b>	Papua N.G. (57) Mult.s (16) Indonesia (7,3) Bangladesh (2,9) Thailand (1,6) <b>LDCs (5,9)</b>	Papua N.G. (32) Mult. (28,7) Indonesia (6,5) Malaysia (3,2) Thailand (2,2) <b>LDCs (9,9)</b>	Mult. (24,6) Papua N.G. (22,6) Indonesia (8) China (3,9) Philippines (3,8) <b>LDCs (10,9)</b>	Mult. (17,2) Papua N.G. 14,2) Indonesia (9,8) Solomon Is. (5,6) Iraq (4,8) <b>LDCs (18,5)</b>	Mult. (16,5) Papua N.G. (12,2) Indonesia (10) Solomon Is. (5,1) Iraq (3) <b>LDCs (19,9)</b>	Papua N.G. (28,2) Mult. (19,5) Indonesia (8,2) Solomon Is. (2,5) Philippines (2,4) Viet Nam (2) Bangladesh (1,8) China (1,5) <b>LDCs (13,2)</b>
<b>12. Spain</b>	-	-	Mult. (28,3) Ecuador (2,4) Venezuela (1,6) Cuba (1,3) Equ. Guinea (1,1) <b>LDCs (3,1)</b>	Mult. (35,1) China (6,5) Mexico (5) Morocco (3,8) Indonesia (2,3) <b>LDCs (7,3)</b>	Mult. (36,8) Nicaragua (4,2) Guatemala (2,6) Honduras (1,9) Peru (1,9) <b>LDCs (9)</b>	Mult. (39,8) Nicaragua (3,4) Guatemala (2,2) Peru (1,8) Honduras (1,6) <b>LDCs (9,9)</b>	Mult. (37,8) Nicaragua (2,7) Morocco (2,1) China (2) Guatemala (1,7) Bolivia (1,6) Peru (1,6) Honduras (1,6) <b>LDCs (8,8)</b>

**Source:** Author's elaboration based on OECD/DAC figures. The percentages in brackets are calculated over the aggregates of Net ODA contributions in constant prices of 2014 extracted on October 2016 from OECD.Stat.

## ODA's Challenges

Overall, the least developed countries as a group have received bilaterally one-fifth (18.1%) of all cumulative ODA resources from the DAC countries since 1960. Additionally, LDCs have also received support from DAC members through the multilateral system in place, which has channelled almost one-third of DAC ODA (29,3%). Although certainly higher than the bilateral support, the proportion of the multilateral ODA addressed to the LDCs represents only the 39,6%, which augments the total LDC's share of DAC aid to 29,7% (11,6% more). The ODA from the non-DAC countries is even less committed with the LDCs, which just received 10% of all non-DAC cumulative aid. To reach a final figure, if the total amount of cumulative ODA ever provided is considered (DAC and non-DAC, bilateral or multilateral) the LDCs' share of it amounts 27,6%.<sup>10</sup>

As mentioned in the introduction of this dissertation the LDCs are a group consisting of 48 countries with a total population of around 1 billion and representing the poorest and weakest segment of the international community (approximately 75% of their populations live in poverty). The 48 LDCs on the list are the result of a careful examination performed every three years by the United Nations Economic and Social Council (ECOSOC)<sup>11</sup> through recommendations addressed by its subsidiary Committee for Development Policy (CDP),<sup>12</sup> based on three criteria: per capita GNI,

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<sup>10</sup> Data extracted on 11 November 2016 from OECD.Stat

<sup>11</sup> ECOSOC, one of the six main organs of the UN established by the UN Charter in 1946, is comprised by 54 member Governments that are elected by the General Assembly based on geographical representation for overlapping three-year terms, in order to act as the principal body for coordination, policy review, policy dialogue and recommendations on economic, social and environmental issues. Extracted from ECOSOC <http://www.un.org/en/ecosoc/about/index.shtml>

<sup>12</sup> Twenty-four members who are nominated by the UN Secretary-General and appointed by the ECOSOC for a period of three years comprise the CDP, whose main function is to provide inputs and independent advice to the ECOSOC on emerging cross-sectorial development issues focusing on medium- and long-term aspects. The Committee is also responsible for reviewing the status of LDCs and for monitoring their progress after

human assets and economic vulnerability to external shocks.<sup>13</sup>

LDCs have been the focus of the international community since the time this group was recognized by the UN General Assembly in 1971. The identification of this relatively small category of the very poorest and structurally weakest countries in the world is underpinned by the acceptance of the international community that these countries deserve specific attention. Although to reverse the poor performance of LDCs the UN has advocated for several efforts on various fronts—including policy reforms of the recipient countries—a number of its resolutions stressed the urgent need to increase the amount of ODA addressed to this group. There is an extensive global agreement to allocate more ODA for LDCs.

However, despite the fact that poverty eradication is consistently invoked as the main reason for providing foreign aid, a careful examination of the destination of the aid flows exhibits one of the greatest challenges that ODA faces today, which affects its credibility, and it is derived from ODA's limited commitment to the poorest of the world. The aid distribution reflects that donors often provide more ODA to wealthier countries than to poor ones. As briefly reviewed here, considerable evidence reveals that aid providers have used ODA as a means of pursuing objectives linked to their particular interests in different fronts. Although the rhetoric in which aid is packaged makes emphatic allusions to the fight against poverty as the main driver of ODA, an examination of the volume and direction of the aid flows over the years does not help support such an argument.

As asserted in the introduction of this dissertation, beyond the preliminary impressions that could be derived from the review undertaken here on aid volumes and destinations, there is a prolific empirical literature that also stands out for the recognition that in fact not only developmental purposes but also the self-motivations of donor countries determine foreign aid allocations. Tezanos Vázquez (2015)

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graduation from the category. Extracted from UN DESA  
<http://www.un.org/en/development/desa/policy/cdp/>

<sup>13</sup> Further details on the specific criteria for inclusion and graduation from the LDC list can be found on the website of the specific UN Office for LDCs <http://unohrlls.org/about-ldcs/>



recently performed a detailed review of such literature extracting a set of features that shape the aid allocation pattern in recent times. These reinforce the insights advanced here, such as: that foreign policy interests strongly influence, particularly, but not only, bilateral aid allocations; or that ‘middle income countries receive disproportionate amount of resources —relative to their aid needs— owing to the donors economic and political interests, and the historical and cultural links’ (Vázquez 2015, p.105). While a greater concern seems to have surface for reducing poverty since the agreement on the MDGs, Tezanos Vázquez also underlines that the recent studies on aid allocation converge as well in identifying that beyond fighting poverty, “international security” and donor’s immigration interests are new factors affecting the current allocation of foreign aid.

Interlinked with the issue of the mixed motivations behind the provision of ODA lays another of the great challenges that the credibility of the formal aid apparatus faces today, which is its real impact in fighting poverty. As argued in the introduction of this dissertation, the lack of conclusive empirical evidence on the overall relationship between aid and growth has eroded to a certain extent the trustworthiness of ODA as an adequate policy tool to fight global poverty. In this regard, it is a fact that the specialized literature on aid effectiveness is more divided on its fundamental conclusions than the literature on aid allocation, which at least concurs on attributing to geopolitical and economic interests of the donor countries more weight on the decisions to allocate aid than government representatives often admit publicly.<sup>14</sup> As Sogge puts it at the beginning of a recent work, ‘it is a truth almost universally acknowledged that a donor with money to spend will do so primarily in pursuit of its own interests’ (Sogge 2015, p. 280), being the identification of such interests at the core of the disputes in this field. In the case of the aid effectiveness literature, such level of consensus does not exist, which, in my view, although it represents already bad news, they are not unexpected. Finding uncontested evidence to show that overall development aid generates growth in the recipient countries is far from being an easy task. Thus, the fact that over the years political scientists and development economists

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<sup>14</sup> See the introduction of this dissertation for a general view of relevant authors throughout the history of ODA that both support and deny the existence of evidence of a positive impact of foreign aid on growth.

do not agree on the fundamental aspects of the aid-growth link has generated certain degree of skepticism that has possibly surpassed academics, policymakers and aid practitioners. But as anticipated, this should not be a surprise for anyone, given the fact that aid allocation criteria are often a mix of altruistic and self-interest motivations. To pursue at the same time both development goals linked to the recipient countries as well as donor's foreign policy goals can certainly be difficult and even contradictory (see for instance Isenman and Ehrenpreis 2003). Under such circumstances, it should not be totally strange that ODA's ability to reduce poverty is shadowed by other competing goals. In any case, it is beyond the scope of these paragraphs to illustrate these views, which have been recurrently exposed by several authors, in particular by skeptics of the current aid system (cited in the introduction to this dissertation).

From a macroeconomic point of view, beyond the structural problems of donors' motivations and aid effectiveness there are other specific challenges faced by the current formal aid system that require at least a brief review.

Tied aid is one of the concerns that has captured most of the attention of the aid institutional framework (e.g. OECD/DAC), especially after the termination of the Cold War and, with it, the geopolitical interests associated with such a conflict, which left an empty space in the agenda of the major aid providers, quickly fulfilled by other motivations. One of them, tied aid, represents nothing but an exercise of strategic donor behavior, which essentially consists of favoring the donor country's own economic interests by limiting the implementation of aid contributions through requirements such as buying goods and services from the aid-provider country.<sup>15</sup> The OECD/DAC intensified its efforts of untying aid particularly during the 2000s in correspondence with the widely visible fact (also highlighted in the Paris Declaration on Aid Effectiveness) that 'removing the legal and regulatory barriers to open competition for aid funded procurement, generally increases aid effectiveness by reducing transaction costs and improving the ability of recipient countries to set their

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<sup>15</sup> See the various definitions related to tied aid (i.e. tied aid loans, tied aid credits, untied aid, partially untied aid) that OECD/DAC provides in its glossary of statistical terms, available at <https://stats.oecd.org/glossary/index.htm> (accessed on 17 November 2016).

own course'.<sup>16</sup> Although such efforts have unequivocally resulted in a progressive reduction of tied aid (only 14% of the overall ODA from DAC members was reported as tied aid by the OECD/DAC in 2014), it still represents a large proportion of the ODA portfolio of key donor countries. For instance, from the total ODA bilateral commitments made in 2014 by the US, 37% were reported as tied aid. In addition to the ODA from the EU institutions (21% tied in 2014), other DAC countries such as Austria, Czech Republic, Korea, Poland and Portugal relied greatly on these kinds of practices in 2014 (34%, 53%, 37%, 91% and 81%, respectively).<sup>17</sup>

Political conditionality is another challenge that aid faces. Possibly, it represents one of the most discussed issues by academics and policymakers in the field of aid effectiveness. It even conformed its own strand within the aid effectiveness literature largely—but not only— thanks to the significant contribution in 1997 of the WB economists Craig Burnside and David Dollar. In their seminal work 'Aid, policies and growth'—reviewed in the next chapter— Burnside and Dollar argued in favour of the existence of a positive and significant impact of aid on growth, provided that such aid is delivered to countries with sound policies (i.e. trade, fiscal, monetary). After this contribution, linking aid to countries with good policies became the *credo* first within the multilateral aid system and afterwards within the bilateral donor community. The *ex ante* conditionality that characterized the 1980s was then substituted by an *ex post* conditionality, allocating the aid selectively to those countries that are well governed rather than to those that promise such good governance for the future, thus mitigating, at least to a certain extent, the problem of aid fungibility, that is, the risk of the aid being used for purposes that are different from those originally set (Alonso 2005).

The work of Burnside and Dollar (1997) also stimulated the aid effectiveness literature and many authors began to challenge the study by raising evidence of methodological shortcomings (see for instance Hansen and Tarp 2000, Guillaumont and Chauvet 2001, Easterly et al., 2004, Rajan and Subramanian 2005, to cite some studies) and ultimately exposing the need for a different aid allocation approach that

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<sup>16</sup> Figures extracted from OECD/DAC website on untied aid <http://www.oecd.org/dac/untied-aid> (accessed on 17 November 2016).

<sup>17</sup> Data extracted on 17 November 2016 from OECD.Stat (DAC7b).

does not castigate fragile and conflict-affected countries with poor governance and institutions, where aid might be less effective but eventually more needed. The debate is still open and although the use of conditionality as a political tool within the aid system represents a controversial issue, it must be acknowledged that the debate and the current practices on this regard have evolved substantially over the years. The new millennium has come with wide recognition of the importance of democratic values and respect for human rights as guarantors of inclusive socio-economic growth capable of effectively combating extreme poverty. Against this background, the so-called second generation of political conditionalities is framed by authors such as Molenaers et al. (2015) as the ‘allocation and use of financial resources —not only foreign aid—to sanction or reward recipients in order to promote democratic governance and human rights’. Although the new conditionalities are grounded in a possibly wider consensus regarding the negative effects of bad institutions and governmental practices (e.g. corruption and patronage), the same authors recognize that there is little convergence between government representatives, aid practitioners and civil society organisations regarding core questions related to political conditionality, including the legitimacy of interfering in the developing countries’ internal affairs (Molenaers et al. 2015).

The eventual negative impact of aid on the fiscal regimes of the recipient countries represents another challenge for foreign aid. This issue, which has been also widely discussed within the aid effectiveness literature (under a strand called fiscal response literature) is centered on analyzing empirically how aid provokes higher spending patterns within the government of the recipient countries and at the same time reduces tax revenues (see for instance the early work of Griffin, 1970; Boone, 1996; or Remmer, 2004). Hence, a typical finding from the fiscal response models is that aid tends to undermine tax efforts. However, recent research on the topic points out that an often claimed general negative effect of aid on tax regimes depends on the underlying political economy of the aid-recipient country and the relationship that it establishes with the donor, highlighting the complexity of the impact of aid on taxes, which is not fully captured by the simple and recurrent crowding-out effect (Mosley 2016).

Another important issue that requires the attention of those interested in the challenges that foreign aid faces today is related to the so-called Dutch disease effect of aid. The search for empirical evidence that uncovers the eventual negative effects that aid can provoke in the form of the Dutch disease (i.e. reduction of the competitiveness of key productive sectors within an economy due to an appreciation of the real exchange rate resultant from aid inflows) started in the 1990s with some studies that have exposed the aid induced macroeconomic risks associated with Dutch diseased like Younger (1992) analyzing the case of Ghana or Vos (1998) examining the issue in Pakistan, among other studies. Presently, the issue is particularly familiar in the field of aid effectiveness thanks largely to the comprehensive econometric analysis undertaken by Rajan and Subramanian (2011), who found that aid inflows produce systematic adverse effects on a country's competitiveness —visible in the lower relative growth rate of exportable industries— mainly due to the real exchange rate appreciation induced by aid.

Using a sample of 32 countries for the 1980s and 15 countries for the 1990s, Rajan and Subramanian employed simple OLS estimation as well as an instrumentation strategy (in order to tackle reverse causality)<sup>18</sup> to uncover the negative impact of aid on the relative growth of exportable sectors which, as they claim, represents a major concern in the field of development even though most developing countries rely greatly on the agriculture rather than in the industrial sector, appealing to the fact that many countries that have experienced rapid economic growth also presented such sector composition in their early stages of development. Although the evidence that arose from the study clearly depicts the negative macroeconomic effects of aid throughout history, Rajan and Subramanian also underline that those findings do not suggest that such adverse effects on competitiveness cannot be avoided. Actually, several authors have argued that Dutch disease-related issues within the aid field should not constitute a matter of concern if aid flows are accompanied by adequate

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<sup>18</sup> The dependent variable in the study of Rajan and Subramanian (2011) is the annual average growth in value added in industry *i* in country *j* and they estimate the coefficient of the interaction between exportability and aid as the explanatory variable for the performance of the industry. However, it could also be the case —and that is why the results need to be tested using an instrumentation strategy— that low industrial growth is primarily because countries present already overvalued exchange rates, precisely the countries that receive larger amounts of aid.

macroeconomic policies in the aid-recipient countries. Adam and Bevan, already in 2004, argued that beyond the conventional demand-side Dutch disease effects that are present in the short-run, aid flows addressed to finance public infrastructure can produce large medium-term welfare gains (Adam and Bevan 2004). More recently, Fielding and Gibson argued instead that the way to mitigate Dutch disease effects (which they assume to happen when aid raises consumer expenditure), is to direct aid for investments in the traded goods sector, which jointly with a relatively high level of productivity in the non-traded goods sector depreciates, according to the authors, the real exchange rate (Fielding and Gibson 2012).

Furthermore, Mavrotas (2015), who undertakes a succinct review of the different studies that illustrate the extent to which adequate macroeconomic policies can mitigate Dutch disease effects, he concludes by highlighting the importance of not underestimating such negative effects, particularly under an eventual scenario of scaling up aid.

Finally, one of the major concerns raised in the field of foreign aid is the insistence (particularly but not only in the academia), on assessing ODA's effectiveness fundamentally from an economic point of view. The macroeconomic aid-growth nexus not only finds plenty of technical difficulties to capture achievements within the human development domain (see for instance Mavrotas and Nunnenkamp 2007); it also can be highly questioned regarding its pertinence to function as the main indicator of aid effectiveness. If ODA is justified as a political tool that primarily pursues the eradication of poverty in those countries where the majority of its inhabitants live in absolute deprivation, then the effective reduction of poverty is the fundamental criterion that should be considered when making assessments about the relevance of foreign aid. The aid-growth approach lacks coherence with the main discourse surrounding foreign aid, from which it is easily deductible that the ultimate aim of aid is to promote human development and reduce global poverty rather than to increase economic growth *per se*. Today, the notion that economic growth automatically leads to poverty reduction and to improving the quality of life of the inhabitants of developing countries has proven to possess little empirical foundation, yet experts and policymakers seem to rely greatly on such a notion. The next chapter of this dissertation further develops on this issue.

In short, ODA is consolidated as one of the most relevant dynamics in international relations and beyond that, as the undisputed global standard for measuring donor efforts in fighting poverty and supporting developing countries. Presently, the centrality that ODA has been gaining in the international relations field is reflected in the latest international efforts to fight global poverty. The approval by the UN General Assembly of the Sustainable Development Goals (SDGs) in September 2015 as a follow-up to the MDGs reinforces the current foreign aid practices by resting on a widely accepted and extensively broadcasted belief that the MDGs and its inherent mechanisms, such as the foreign aid system in place, have been a success (see the introduction for further discussion).

However, in light of the challenges reviewed in this section, ODA's capacity to maintain such a status in the global sphere should be reassessed. And even beyond the challenges considered here, the perseverance of extreme poverty after decades of intensive foreign aid—volume and discussions—and the concerns raised by several authors (revised in the introduction) related to the inability of the widely-accepted methods—linked to the aid apparatus—to actually present the real extent of poverty in the world, add to the evidence that points to the aid system as a component of the current development paradigm, a paradigm that, although well settled today, it requires not only a substantive but also a normative reconsideration that restores the coherence between public discourse and policy practice in this field.

In any case, clearly the relationship between the most developed countries and the developing countries represents a complex area of study where the gaps and gray empirical and theoretical areas that persist have been and still are the fuel for tenacious discussions. Hence, after exploring some of the basic features of ODA, the three papers presented in the next chapters intend to humbly contribute to such discussions from different epistemological fields.

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## **CHAPTER 2. THE EFFECTIVENESS OF THE OFFICIAL DEVELOPMENT ASSISTANCE (ODA) — QUANTITATIVE APPROACH**

***“Aid effectiveness during the MDG period:  
a human development perspective”***

*The success of the international community — inspired by the MDGs — in alleviating global poverty has not gone unnoticed in the media worldwide. However, by analysing the effects of the vast amounts of Official Development Assistance (ODA) after the Millennium Declaration (September 2000), this work claims that the outcomes that have apparently occurred as a result of the aid flows do not seem so remarkable. On the contrary, the results of the new econometric route proposed here indicate that official foreign aid negatively affected the welfare of those developing countries that received it intensively after the MDGs were agreed to.*

### **Introduction**

For more than half a century, foreign aid and specifically Official Development Assistance (ODA) has been proclaimed by the leaders of the world as the main device for eradicating global poverty. This great emphasis can be clearly observed during the aftermath of the Millennium Summit (September 2000), where representatives from 191 countries adopted the Millennium Development Goals (MDGs). ODA represents a pillar of the MDGs and its importance is explicitly reflected in one of the eight goals. MDG-8, entitled ‘Develop a global partnership for development’, embodies a major call to the wealthy countries to undertake crucial efforts in areas such as trade and debt relief in addition to providing more and better aid. Likewise, the central role given to foreign aid during the 2000s is also reflected in the various global initiatives to improve its effectiveness, such as the series of High Level Fora on Aid Effectiveness organized by the Organisation for Economic Co-operation and

Development (OECD) that took place in Rome, Paris, Accra and Busan in 2003, 2005, 2008 and 2011, respectively. The participating world leaders in those events (from donor and recipient countries) reaffirmed the high relevance of foreign aid and developed a new set of plans and strategies with the intention of making it more efficient.<sup>1</sup> In parallel, ODA's new impetus after 2000 is also reflected quantitatively: total foreign aid from 1960 up till 2014 amounts to approximately US\$2.61 trillion. Since the Millennium Declaration, ODA amounts to US\$1,53 trillion, which is more than half of all the official aid given since the OECD/DAC started recording it in 1960.<sup>2</sup>

However, despite the importance attached to ODA in this new era of foreign aid, numerous studies before and after the year 2000, have offered conflicting results regarding whether ODA contributes to increasing growth in the recipient countries. The lack of conclusive empirical evidence on the outcomes that have been achieved through foreign aid has characterized a large body of literature known as Aid Effectiveness Literature (AEL), which is currently immersed in a situation of certain disrepute due to its inability to provide convincing findings on the field of foreign aid.<sup>3</sup>

The objective of this work is to strengthen the AEL by illustrating the impact of aid on poverty reduction through some innovative procedures. More specifically, the paper contributes in three ways to the AEL. First, the focus is specifically directed to the MDGs period in order to capture the extent to which the new approaches to foreign aid made a significant impact in terms of poverty reduction. Second, human development (as a proxy for poverty reduction) rather than economic growth is selected as the outcome variable, in order to be coherent with the main discourse

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<sup>1</sup> OECD website for the High Level Fora on Aid Effectiveness

<http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm>

<sup>2</sup> Figures referred to Net ODA contributions from DAC countries in thousands of millions. The year 2015 is excluded due to the absence of the data. Extracted on 28 Oct 2016 from OECD.Stat [DAC2a].

<sup>3</sup> See for instance Askarov and Doucouliagos (2014) or Engel (2014) for a succinct revision on the literature.

surrounding foreign aid, from which it is easily deductible that the ultimate aim of ODA is to reduce global poverty rather than to increase economic growth *per se*. Third, this comparative study uses time-series–cross-section data and unlike the vast majority of the literature in this field, the dataset used is pre-processed by applying a matching technique in order to facilitate comparison between countries.

Aligned with some of the last results obtained in the AEL (Bauer 2000, Easterly 2003, Rodmanm 2004, Doucoluliagos and Paldam 2009, Williamson 2009 and Rajan and Subramanian 2008, 2011), the findings here suggest that it is far from clear that foreign aid contributes to augmenting the levels of human development in the recipient countries. The results obtained suggest just the opposite and exhibit a significant negative correlation between ODA and the wellbeing of the citizens of the recipient countries particularly during the MDG period.

The paper is organized as follows: the first section scans the main findings on the motivations and effectiveness of foreign aid. The second section describes and justifies the innovative methodology procedures employed in this work to estimate the effects of aid on human development during the period of interest. Before some final considerations, the third section portrays the findings of the investigation.

### **Aid motivations and aid effectiveness**

Almost every donor and multilateral institution proclaims a commitment to poverty eradication through ODA. Such pledge is not only part of the general discourse but is also specifically reflected at the core of the constitutional documents of the main cooperation institutions at the national and global level.<sup>4</sup>

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<sup>4</sup> List the times that ODA appears in the founding and strategic documents of multilateral and bilateral development cooperation agencies would be tedious and possibly inefficient. To grasp the centrality of ODA in the international cooperation arena, see for instance its current definition provided by Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) where the main donor countries are represented:

‘ODA is defined as (...) each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b)

Nevertheless, in practice, the Development Assistance Committee (DAC) of the OECD have been questioned with respect to its development intention. Several studies undertaken during the 2000s revealed that economic, political, and sometimes military-strategic interests of donors play a significant and even dominating role in determining the direction and amount of international aid. Alesina and Dollar (2000) for instance point out in a seminal work on the subject that in addition to former colonies, donors give more aid to countries that are geographically closer to them and to those that import a higher share of their exports. Along the same lines, Neumayer (2003) confirmed that when it comes to bilateral aid allocations, economic, political, and sometimes military-strategic interests of donors play a significant and even dominating role in determining the direction and amount of international aid. More recent studies confirm the above and provide empirical support for the hypotheses that aid budgets are not exclusively centred on developmental problems but on strategic issues. For instance, Fuchs et al. (2012) in a comprehensive analysis of aid budget literature, examined the determinants of the development aid efforts of 22 DAC members over the period from 1976 to 2011 and identified through fixed effects regressions that several factors, such as the creation of an independent aid agency, peer effects (influence of neighbour countries), terror incidents and imports from developing countries, among others, are the main determinants of the ODA. Similarly, Round and Odedokun (2013), through an extensive panel data-based study, (using statistics for 22 donor countries from the last three decades), suggested again that a broad range of economic and political factors appear to explain the variations in aid efforts (e.g. donor income, peer pressure and the relative size of government; and military adventurism).

Things do not change substantially in terms of aid motivation when it comes to multilateral aid. As some noteworthy works reveal, the development banks focus generally on big infrastructure projects that are on the top of their agenda for development assistance and which are not necessarily linked to sustainable development goals (Neumayer 2003). With regard to the United Nations (UN), old and new literature converges on the idea that, excepting humanitarian aid, ODA is

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is concessional in character and contains a grant element of at least 25% (calculated at a rate of discount of 10%)', available at <http://www.oecd.org/dac/stats/34086975.pdf>



often distributed in response to strategic concerns. In 2010 Bueno de Mesquita and Smith presented a study that comprehensively summarised the broad recent literature on the subject, illustrating how some countries use aid disbursements and their position at the International Financial Institutions (IFIs), such as the WB and IMF, to attain their own foreign policy goals and influence voting in the United Nations. Moreover, they highlight evidence that shows how the nations elected to the UN Security Council generally receive greater development assistance (in exchange for their support to donors to attain policy goals).

In this particular scenario in which the intentions behind the political practice of giving foreign aid seem to differ from the public discourse, the positive impact of ODA has also been empirically analysed and questioned. To see this, the large literature on the subject needs to be briefly revised, which depending on the economic theories underlying the empirical analysis addressed by each particular work, it is usually divided into three generations of studies (Hansen and Tarp, 2000; Alonso, 2005; Doucouliagos and Paldam, 2009; and Tezanos, 2010). Some authors also distinguish a fourth generation to better reflect the latest trends (Arndt et al., 2010).

#### *AEL first generation*

The first generation includes those studies developed mainly during the second half of the 1960s and first half of the 1970s. Labelled as “gap models” they analyse how foreign aid can overcome the different constraints (or fill the gaps) faced in the path of economic development. At the initial stage, the studies were theoretically underpinned by the so-called *Harrod-Domar model*<sup>5</sup>, which in short explains economic growth as a function of the level of savings and productivity of capital in a given country. This implies that growth depends on the quantity of labour and capital. Assuming that the labour force is abundant in developing countries, the model suggests that the absence of investments is the main constraint for economic growth. Thus, underdevelopment falls into the following vicious cycle: lack of income limits the amount of domestic savings, which at the same time limits the consequent

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<sup>5</sup> Developed independently by the economists Roy F. Harrod in 1939 and Evsey Domar in 1946

accumulation of capital through investments. This vision, embraced by economists like Paul Rosenstein-Rodan or Harvey Leibenstein among others, centres the aid effectiveness research on the relationship between aid and savings, and implies that the solution to underdevelopment lies in increasing the domestic capital formation rate through external aid (filling the gap of savings).

In 1966, Chenery and Strout (1966) introduced a new gap in the model as a potential constraint to economic growth thus giving birth to the “two gaps” model. This new constraint is the foreign exchange gap, which refers to the capacity of low-income economies to finance their imports. The way foreign aid affected both savings and imports became the focus of analysis. In any case, the two-gap model was not different from the Harrod-Domar’s in its underlying assumptions, as both models place the focus on investments as the trigger of growth.

The core economic theory of this generation represents an optimistic vision for resolving impoverishment and poverty. The studies developed adopted the idea that injections of external aid into a country will unequivocally lead to investments and capital accumulation, which coupled with abundant labour capital, would break the vicious circle of underdevelopment and generate a sustainable economic growth. It was shown later, during the 1970s, that unfortunately the realism of this understanding of the economy is weak.<sup>6</sup>

Interestingly, the so-called *Pearson Report*,<sup>7</sup> which inspired the adoption by the international community of the 0.7 per cent GNP target, was influenced by this optimistic vision (Alonso 2005). Thus, the enthusiastic idea of overcoming

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<sup>6</sup> See Tezanos (2010) for a succinct analysis of the method, authors and critics of the First Generation studies.

<sup>7</sup> The so called “Pearson Report” is a report entitled “Partners in Development” delivered on September 15, 1969 by the Former Canadian Prime Minister and Nobel Peace Prize winner Lester B. Pearson jointly with seven prominent international figures (which became known as the Pearson Commission), at the request of Robert S. McNamara, then-President of the WB, to review the previous 20 years of development assistance, assess the results, and make recommendations for the future. Extracted from the UNESCO Courier February 1970, available at <http://unesdoc.unesco.org/images/0005/000567/056743eo.pdf>

underdevelopment in poor countries by complementing internal savings with external aid was a key pillar of the reasoning that led the world at that time to establish the target of 0.7 per cent for foreign aid as the quantitative goal for resolving global poverty.

As already mentioned, the empirical studies undertaken within this generation were mainly focused on measuring the relationship between aid and national savings; and the majority of them failed to find any significant link between them. In 2000 the economists Henrik Hansen and Finn Tarp undertook an in-depth revision of the whole aid-savings literature. They examined a sample of 41 aid-savings regressions and they could not find any evidence for a direct positive impact of aid on growth (rather than investment). However, the regressions analysed did reflect the fact that aid leads to an increase in total savings, although not by as much as the same aid flow. Therefore, they concluded that a conception of aid's macroeconomic impact based on the aid-savings-growth link is not tenable (Hansen and Tarp 2000).

#### *AEL second generation*

The second generation of the empirical literature devoted to uncovering the degree of effectiveness of foreign aid was mainly developed during the 1980s and early 1990s. The large amount of studies produced by this generation was focused on estimating the direct link between aid and growth or, in some cases, between aid and investments, avoiding intermediate steps like in the first generation (savings). In any case, emphasis was still placed on capital accumulation as the main factor to trigger growth. Thus, the underlying economic theory was consistent with the *Harrod-Domar model* and with the posterior *Solow-Swan neoclassical model*.<sup>8</sup>

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<sup>8</sup> Developed in 1956 independently by the economists Robert Solow and Trevor Swan, the Solow-Swan model, also known as the neo-classical model, is considered an extension to the Post-Keynesian Harrod-Domar model, as it aggregates labour as a factor of production, considering the relationship between capital and labour not fixed as in the Harrod-Domar model. So, in the Solow-Swan model, substitution among production inputs is allowed.

The studies addressed during this period were abundant and unfortunately not homogeneous in their results, although a detailed examination undertaken again by Hansen and Tarp (2000) on this literature resulted in higher optimism than before. Looking at the *aid-investment* link, Hansen and Tarp made an analysis of 18 cross-country *aid-investment* studies and concluded that aid does enhance investment. Moreover, they also focused on the *aid-growth* link through the analysis of 21 reduced form regressions and the results they obtained imply that there is also a positive link between aid and growth (although in this case only whenever there is also a positive link between savings and growth).

Still, it must be underscored that several aid-growth studies of this generation failed to find any significant positive relationship between aid and growth, but an important portion of these studies was blamed for not fulfilling the minimum technical requirements to adequately run the models. In those studies, although the aid coefficient was not significant, neither was the savings coefficient. This inconsistency provoked a certain inclination to undermine the portion of the literature that suggested insignificant impact of aid on growth, as it seemed that there was a need to improve the specifications of their models.

The work of Paul Mosley (1987) was quite influential during this period. Mosley drew the attention of researchers in this field to the so-called *micro-macro paradox*, which reflects the apparent divorce in terms of aid effectiveness between the positive results obtained at the micro level and the inconclusive and diverse findings at the macro level. Although he was also criticized for having an inappropriate underlying structural model, the echo of Mosley's analysis suggests that this generation of studies, especially the ones focused directly on the aid-growth link, cannot offer final definite results one way or the other.

In the *praxis*, the international cooperation architecture at that time was heavily influenced by the IMF and WB doctrine of *conditionality*. The severe economic imbalances underlying the external debt crisis that most of the developing countries were experiencing, was considered a clear indicator of their poor economic performance. The international community response, as pointed out by Alonso (2005), was to create the Structural Adjustment Programmes (consisting of loans with

strong conditionality clauses inspired by liberal ideology, attached to them) that the WB and the IMF offered to those countries facing severe economic problems. Aligned with the IMF and the WB, the donor community also started to impose *ex-ante* conditionality to their aid as an attempt to push the governments of the recipient countries to adopt more sound political practices as well as to reduce the risk of their using the aid for different purposes than the ones originally defined.

### *AEI third generation*

The emergence of new theories of growth (more aligned with consideration of the economic and institutional environment of the countries) and the availability of panel data in the 1990s stimulated the development of a new and more sophisticated line of research to measure aid effectiveness. This new brand of study was aware of the weaknesses of previous generations and began to contemplate the relationship between aid and growth as non-linear. The endogeneity of aid was also considered more carefully, as the idea became quite plausible that the aid flows were addressed to those countries facing more acute problems, or in the other extreme, to countries doing particularly well, which in any of those cases would generate a spurious correlation between aid and growth.

This third generation offers the largest and most heterogeneous group of cross-country regression studies. Some of them have attracted particular attention. For instance, using data on aid flows directed toward 96 countries between 1971 and 1990, Peter Boone (1996) undertook a controversial empirical test, which suggested that aid does not significantly increase investment or growth, but it does increase the size of government (Boone 1996). Boone's results challenged the general trend of the results obtained in the aid-investment literature and it was revised by several scholars - such as Tsikata and Hansen and Tarp (2000) - who noted the presence of certain shortfalls in Boone's statistical procedures, diminishing the credibility of his work. Another seminal work is the one developed by the WB economists Craig Burnside and David Dollar (1997), using a sample of 264 observations that covered 56 countries over five periods, from 1973 to 1993. For the first time, Burnside and Dollar included an interaction term between aid and economic policies in the regression in order to represent nonlinearity in the aid-growth relationship. The coefficient of the

aid-policy interaction term was found to be significant, a fact which served to support the arguments that attribute efficiency to aid when it is delivered to countries with sound policies. The new WB doctrine was based on those findings, abandoning the previous doctrine of the *ex-ante* conditionality. It seemed more effective to help those countries with an already sound and healthy policy framework instead of supporting those who promise to have it. Thus, *ex-ante* conditionality was substituted by *ex-post* conditionality and aid was reserved for those countries with good policies in place.

Nevertheless, the work of Burnside and Dollar has also been severely criticized. From a statistical viewpoint their results seemed to be fragile on various fronts: Hansen and Tarp (2001) replicated the exercise and uncovered the fact that the non-linear relationship between aid and growth was better expressed by introducing a squared aid term rather than an interaction aid-policy term. Easterly et al. (2004) also found in a posterior analysis that the results of Burnside and Dollar suffered important variations when the dataset was slightly altered by expanding the years and the countries. In addition to Boone (1996) and Burnside and Dollar (1997) this generation also received important contributions from Hadjimichael et al. (1995) who undertook a particularly well-known study, as they were pioneers in the inclusion of a squared aid term in the regression that captured the fact that aid generates a positive but decreasing impact on growth.

#### *AEL fourth generation*

Scepticism about aid's aggregate impact on growth was gaining strength in the literature. The work of Rajan and Subramanian (2008) is illustrative of this trend. After correcting for endogeneity, the authors considered the effect of aid over various time periods from 1960 to 2000 in a sample that comprises all developing countries which have received aid during the post-war period and for which data are available. They also distinguished aid by type (i.e. economic, social, food) and sources (i.e. bilateral, multilateral). Using both cross-sectional and panel data, the authors found little robust evidence of a positive (or negative) relationship between aid inflows and economic growth, regardless of the estimation approach, the time period and the type of aid. Going even further, Djankov et al. (2008), using data for 108 recipient countries from the period 1960 to 1999, concluded that being dependent on foreign

aid appears to result in worsening democratic institutions, similar to the *resources curse* effect, widely analysed in the development literature.<sup>9</sup> Another relevant study, which headed in the same direction was the one conducted by Doucouliagos and Paldam (2009), who examined 97 econometric studies through three meta-analyses.<sup>10</sup> After the broad effort they undertook, the authors could find no evidence that aid translates into improved welfare for the citizens of the countries that receive it.

Still, probably the most challenging recent analysis of aid effectiveness is the work of Dambisa Moyo (2009), “Dead Aid”, which —although not relying on econometric techniques— focuses on the vicious circle of aid dependency and compares African countries that have rejected the aid route and prospered with those that have become aid-dependent and seen poverty increase. Moyo’s arguments imply not only a lack of effectiveness of aid but also that aid has actively contributed to poverty and the failure of African nations to become economically viable and successful.

The opposing views in this field and an increasingly deteriorating confidence in the econometric models progressively opened the door for alternative mechanisms to assess aid effectiveness that move from revealing the macroeconomic impact of aid to analysing specific micro and meso outcomes, thus shifting the focus from the question *does aid work?* to the question *when does aid work?* (Temple, 2010). This implies descending to the ground level and disentangling the effects produced by the diverse types of aid in various socio-economic contexts. Hence, escaping from a perspective

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<sup>9</sup>The term *resources curse*, also known as the *paradox of plenty*, was coined by British economist Richard M. Auty in 1993 to refer to the paradoxical phenomenon of how countries with abundant natural resources often develop economically more slowly than others with fewer resources. A subset of the curse, the well-known *Dutch Disease*, refers to how an increase in revenues from natural resources (or inflows of foreign aid) will make a given nation's currency stronger compared to that of other nations, resulting in exports becoming more expensive and imports becoming cheaper and therefore making the manufacturing sector less competitive, as happened in the Netherlands after the discovery of large natural gas fields during the 1960s.

<sup>10</sup> Meta-analysis is a statistical technique that combines the findings obtained from independent studies within a field of research, in order to find out if there is a convergence of the results of a given literature.

of aggregate growth economics, other relevant authors of this period such as Collier (2007) focus attention on the constraints and obstacles that a country faces in its path to development (e.g. war or corruption) and considers the role of various policy instruments — of which aid is just one — to overcome those constraints.

### **Method.**

The econometric techniques devoted to representing aid's effect on growth have evolved and improved substantially since the origins of ODA. Departing from the gap models inspired by the Harrod-Domar linear model, the econometric studies linked to the AEL have progressed towards more sophisticated non-linear models that deal better with endogeneity and unobservable heterogeneity. Nevertheless, divergence in the results prevails and statistical issues are still at the fore of the arguments that most researchers put forward when they criticize previous work in this field, raising thoughtful doubts even about the capacity of the econometric discipline to fully capture foreign aid's impact on the recipient countries.

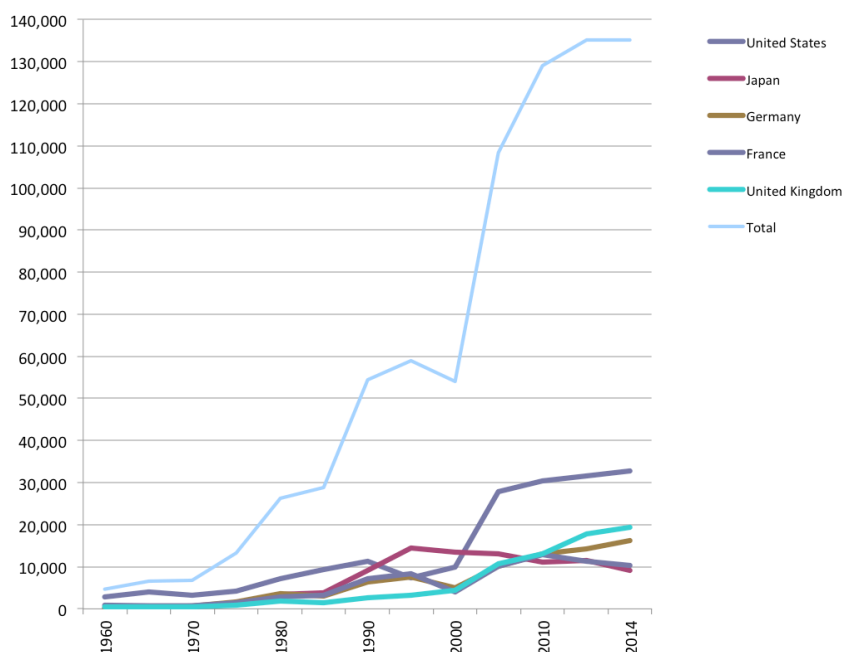
As advanced in the introduction, there are three novel elements that puts forward this work in order to contribute to a more effective search through econometric models of the true impact of the official development assistance by adding consistency to the results: the period of analysis, the indicator chosen to measure aid effectiveness and the data pre-treatment procedure proposed.

### *Time period*

After going through a critical phase during the 1990s, ODA re-emerges strongly in the 2000s as a consequence of the wide recognition of foreign aid as one of the key instruments for the achievement of the MDGs. Figure 1 reflects graphically the unprecedented increase of ODA after the year 2000, maintaining an outstanding high progression until the global economic crisis of 2008.



**Figure 1. Total disbursements of main DAC donors at current prices**  
*US dollar, millions [DAC1] - (1960 - 2014)*



Source: author's elaboration based on OECD/DAC figures

The confidence displayed in foreign aid after the year 2000 goes beyond the traditional donors and extends to other emerging economies, which also showed prominent increases in their contributions, driven as well by the growing enthusiasm surrounding the MDGs. Additionally, foreign aid was being promoted from unusual fronts and even leading figures in the art and music industry were advocating intensively for more and better aid.<sup>11</sup>

Now that the MDGs' period has expired (December 2015), the level of achievement towards the MDGs has been evaluated, mainly positively. We have witnessed in repeated occasions how prominent actors representing relevant institutions at the international arena claim that the MDGs have been the engine of profound improvements in the well being of the most disadvantaged people in the world. In this regard, the Millennium Development Goals Report 2015 begins by asserting, "The

<sup>11</sup> During the 2000s, celebrities such as Bob Geldof, Bono, Angelina Jolie, Anny Lennox or George Clooney (among may others) have been intensively advocating for more and better in global policy-making circles.

global mobilization behind the Millennium Development Goals has produced the most successful anti-poverty movement in history”.<sup>12</sup>

Nevertheless, in addition to several technical concerns about the methodology used for counting progress in some of the MDGs, serious doubts have also been raised regarding how far the world has come in meeting the eight goals as, in instances where it is proclaimed that they have been attained, a big part of the triumph could be easily attributed to the rapid economic growth of China and India during the 1990s, rather than to the merits of MDG-oriented activities (Curtis & Poon, 2009).

In light of the discrepancies mentioned above, this work aims specifically to assess the extent to which, in the golden era of foreign aid, the augmented ODA flows since the Millennium Declaration have contributed to increasing the welfare of the citizens of those countries receiving it. This way of proceeding fills a gap in the existing literature, which lacks aid impact analysis at the macro level focused just on the MDGs. To accomplish this, it seems apparent that the focus of the research should be on the whole period agreed to serve as the basis for achieving the MDGs: 1990–2015. However, 2000 is chosen here as the starting point for two reasons. First, as discussed before, the renewed impulse given to ODA is directly linked to the Millennium Declaration momentum (2000). From that point, ODA not only enjoys unprecedented increases in quantitative terms but also becomes a central matter within the global dialogue on sustainable development and poverty eradication. Therefore, it is difficult to attribute merits to the new approaches in ODA if aid flows from other periods are mixed into the analysis. Second, the lack of clarity about the drivers behind the selection process of such a particular baseline for the MDGs (1990) is surprising and it contributes to strengthening the thesis that a small circle of UN senior officials who led the inception process of the MDGs, selected the year 1990 as a strategy for reporting in the future a rosier picture of the progress towards MDGs.<sup>13</sup>

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<sup>12</sup> Ban Ki-Moon, Secretary-General, UN, in the Preface of the Millennium Development Goals Report 2015.

<sup>13</sup> See Pogge (2004) to capture the implications of choosing 1990 as the reference year for the assessment of the progress made towards MDG-1; and see Fehling et al. (2013) for a range of

*Outcome variable*

Finding variation produced by aid in the per-capita Gross National Income (GNI) is normally the target in the AEL. However, it appears that a contradiction surrounds such approach: today it is widely accepted that aid effectiveness refers to the ‘impact that aid has in reducing poverty, increasing growth, building capacity, and accelerating achievement of the Millennium Development Goals set by the international community’.<sup>14</sup> Therefore, the ‘economist’ approach to measuring aid effectiveness can be presumed to rely on the idea that economic growth automatically leads to poverty reduction and to improving the quality of life of the inhabitants of developing countries. However, this notion has proven to possess little empirical foundation.<sup>15</sup>

The Human Development Index (HDI) appears to be a better indicator, as it is more apt to capture improvements in human welfare and poverty alleviation, which represents the ultimate goal that the international community has set for ODA. The HDI, which was originated by the UNDP (1990) as part of its first annual Human Development Report,<sup>16</sup> is composed of three factors equally weighted: life expectancy (as a proxy for the quality of the health system), education (through an indicator of literacy and another of school enrolment) and income. Hence, the index, originally inspired in Amartya Sen’s capabilities approach, contrasts the traditional way of measuring progress and development by emphasizing the need to focus on the ends (capabilities, access to welfare) over means.

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important concerns regarding the MDGs, including limitations in their formulation process, structure, content and implementation.

<sup>14</sup> Extracted from the definition of Aid Effectiveness provided by the WB. <http://data.worldbank.org/topic/aid-effectiveness>

<sup>15</sup> For instance, as argued in the HDR 1990, the difference between the HDI and other economic measurements is clearly exposed when we observe that several countries perform considerably worse on their human development ranking than on their income ranking, showing that they have yet to translate their income into corresponding levels of human development.

<sup>16</sup> Further information on the reports can be found at <http://hdr.undp.org/en>.

*Data pre-processing matching techniques*

In parallel to the apogee of multivariate regressions as a reliable tool for modelling relationships between variables, matching techniques have been progressively gathering more attention among scholars. Their growing popularity relies not only on their intuitive explanatory power but also on the claim that they overcome some of the shortcomings of regression analysis. More specifically, in an attempt to simulate random experiments, matching techniques can inherit, at least to a certain extent, some of the benefits that random experiments offer, such as their ability to estimate causal effects (Rubin, 1974). By balancing the data, matching methods can also reduce model dependence or, in other words, the influence exerted on the econometric models by the multiple and difficult-to-track choices of the researchers who develop them. As Ho et al., (2007, p. 231) put it ‘the advantage of matching is that it is relatively robust to small changes in procedures and produces a data set that is by design less sensitive to modelling assumptions’.

In particular, the main advantage that ‘matching’ offers in the field of aid effectiveness, is that it increases the reliability of the comparison between countries by guaranteeing that the focus of the analysis is placed on those countries that present similar characteristics, excluding others that although being also aid recipient countries, they exhibit substantial differences in key attributes. This is an important advantage due to the fact that actually more than 150 countries with their own peculiarities have received aid during the MDGs period and when such a large number of heterogeneous countries is compared, it is complicated to attribute to foreign aid (and not to other factor) a causal effect in the wealth variation that they have displayed. This way, matching methods mimic random experiments and as Rosenbaum and Rubin (1983) underline, by adjusting for differences in the covariates, matching removes bias in comparisons.

There are however two important challenges to face if ‘matching’ is to be used to measure aid effectiveness. First, in order to perform a proper ‘match’, the comparison between treated and non-treated must be performed based on the pre-treatment characteristics of the countries. Therefore, a clear differentiation between the pre-

treatment and the treatment periods is required, which is difficult to obtain in this particular field of research, as a certain amount of aid has always been provided since the end of the Second World War. Nevertheless, a precise cutting-off point in ODA's life can easily be identified in the year 2000. As stressed in the previous sections, since 2000, not only has more aid been provided but also (in theory) better aid, as the actors involved in the foreign aid apparatus are supposedly observing a new set of principles discussed and agreed to in the series of High Level Fora on Aid Effectiveness organized during the 2000s. Hence, although aid was present before, measuring its effectiveness from the year 2000 is theoretically consistent and also statistically feasible through matching techniques by considering the period previous to that year as the pre-treatment period.

The second issue is that, generally, matching techniques require that single observations —country/year in our case —, match in order to perform adequate comparisons among treated and non-treated groups. However, for obvious reasons, it is Time Series Cross Sectional (TSCS) data the one that is often utilized in this line of research and, as Nielsen and Sheffield emphasize (2009) the 'double dimensionality' — unit of analysis and time — is the key feature that characterizes TSCS data. Failing to recognize the latter by focusing on the country/year observations instead of on the panel not only challenges the very same decision of utilizing panel data in the first place, but can also lead to statistical problems such as pruning observations within the same country's time series or to matching one country with itself at different years.<sup>17</sup>

To avoid these issues, 'matching' is applied in this work on the observations that precede the year 2000, and specifically on the 5 previous years (1995-1999) after averaging the variables and transforming the subset of the panel 1995-1999 in a cross-country dataset.<sup>18</sup> Afterwards the 2000-2013 subset of the data, which maintains its panel structure, is pruned according to the results obtained in the matching process, keeping in the panel dataset only those countries that preserve similar covariates in

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<sup>17</sup> See Young (2008) for an applied example and Nielsen and Sheffield (2009) for the theoretical analysis.

<sup>18</sup> See Simmons and Hopkins 2005 for a similar procedure.

the pre-treatment reference period and avoiding the difficulties mentioned above related to disregarding the panel structure of the data.

### **Data and empirical results**

The dataset consists of a panel of 143 countries that received ODA during the 30-year period 1984 - 2013, for which data on aid flows and HDI rates are available. Hence, as indicated before, the dependent variable is represented by the HDI.

With regard to the aid flows, they are represented by the traditional indicator used in the AEL, *Net ODA* (as a percentage of GNI), which is compiled by the DAC/OECD and reflects the net transfers made by official agencies of the members of the DAC, by multilateral institutions and by non-DAC countries to promote development and welfare in developing countries.

Inspired by the literature on the subject, the control variables included in the models are: gross capital formation as a percentage of GDP (**gcf**), extracted from the World Development Indicators (WBI) of the WB in order to reflect how much of the new value added in the economy of a given country is invested rather than consumed; government revenues, excluding grants, as a percentage of the GDP (**govrev**), extracted from the International Centre for Tax and Development in order to expose the governmental performance in terms of fiscal policies; foreign direct investment (**fdi**) and oil rents (**oil**) both extracted from the WB dataset and expressed as percentages of the GDP; a measure of the restriction of freedom in a given country (**cl**), extracted from the Freedom House, whose annual scores are expressed on a one-to-seven scale, with one representing the highest level of civil liberties and seven the lowest; a composite index that reflects the degree of democratization of a given country (**polity2**), extracted from the Polity IV Project of the Centre for Systemic Peace, which includes scores that range from +10 (full democracy) to -10 (full autocracy); and a measure of the quality of the institutions (**wgi2**) extracted from the Worldwide Governance Indicators (WGI) of the WB for the period 2000 - 2013 (averaging all the indicators but one, 'voice and accountability, in order to avoid duplications with the already included measure of lack of freedom).

*Table 1. Descriptive Statistics*

VARIABLES	(2) mean	(3) sd	(4) min	(5) max
Human Development Index	0.57	0.15	0.14	0.9
GDP pc Growth (% Annual)	2.02	7.13	-65	141.6
Aid (Net ODA % GNI)	7.6	11.6	-2.6	242.3
Gross Capital Formation (% GDP)	23.4	11.9	-2.4	219.1
Government Revenues (% GDP)	21.4	10.2	1.5	91.1
Foreign Direct Investment (% GDP)	3.8	8.07	-82.8	173.4
Oil Rents (% GDP)	5.4	12.2	0	78.2
Lack of Civil Liberties	4.07	1.68	1	7
Index of Democracy	0.91	6.7	-10	10
Institutional Quality (WGI2)	-0.370	0.696	-2.153	1.907

Number of countries 143

From analysis of the descriptive statistics, it can be appreciated the great variability that the dependent variable (HDI) exhibits in the whole dataset. Additionally, the extreme values that some of the variables display reveal the occurrence of certain atypical circumstances that some of the countries of the sample went through. The 65% decrease of GDP per capita for instance, reflects the critical situation of Iraq in 1991 due to the Gulf War; and the 141.6% increase of the same indicator mirrors the heavy foreign investments produced in Equatorial Guinea since the discovery of oil and gas in the 1990s and 2000s, which is also reflected in the maximum values of the gross capital formation (219%) and oil rents (78.2%) indicators. Concerning the negative minimum value of gross capital formation (-2.4%) it corresponds to Sierra Leona in 1997, which, immersed in a civil war since 1991, suffered in May 1997 a military coup d'état that put Johnny Paul Koroma in control of the country and its assets (diamond mines), producing this negative effect. The high negative value that the ratio of government revenue exhibits at its minimum level (-82.89 % GDP) is also exceptional. It is related to Liberia in 1996, a country that was immersed at the time in

the final but most destructive part of the so-called First Liberian Civil War that severely punished the country from 1989 to 1997.

### *Model specification*

The following equation, in which countries are indexed by  $i$  and time by  $t$ , describes the model:

$$y_{it} = \alpha_0 + \beta A_{it} + \delta z_{it} + \alpha_i + \phi_t + \varepsilon_{it}$$

where  $y_{it}$  stands for the scores in HDI,  $A_{it}$  represents the aid flows (Net ODA as a percentage of the GNI),  $z_{it}$  represents the control variables,  $\alpha_i$  represents country fixed effects,  $\phi_t$  is a time dummy variable and  $\varepsilon_{it}$  is the error term.

### *Fixed effects*

Fixed effects (FE) models have been used abundantly in the aid-growth literature, as they are rightly grounded on the notion that certain time-invariant factors within the recipient countries may impact the predictors and/or the outcome variable (HDI in this case). The FE analysis here is performed for two periods of time: 1984-2013 and 2000-2013. Moreover, in addition to using annual observations, the regressions for the 30-years period 1984-2013 are run using 5-years averages of the data (controlling for each resultant period through dummy variables) in order to reduce eventual cyclical effects and measurement error that are common when dealing with long time period datasets. Besides, the variable Net ODA as a percentage of GNI is included in the regressions by using its contemporaneous value but also, separately, its value lagged 1 year, in order to be able to capture the eventual positive effects of ODA in the HDI that could begin to be noticeable the year after the aid contributions have arrived.

Finally, the regressions are also run maintaining the same predictor variables but using GDP pc annual growth rate as the dependent variable. This allows comparison of results between both routes, that is the ‘economicist’ route and ‘welfarist’ route, in



order to uncover the potential positive effects of aid that are captured by the HDI but not by GDP pc growth rate, or vice versa.

The first FE regressions performed for the full period 1984 - 2013 comprised by annual observations of 143 foreign aid recipient countries (Table 4) estimates that the ODA contributions of both the current and the past year produce significant negative affects on the HDI. The aid-squared term is also significant but positive, which suggests that the negative effects of ODA on welfare decrease progressively with the levels of aid. In contrast, the coefficients of both, the current and lagged value of ODA (in both, the annual and the 5-years averaged panel) is statistically significant when the outcome variable is the GDP pc annual growth rate. These results are to a certain extent expected, as they show how increases in foreign aid can improve economic performance measured by macroeconomic indicators such as the GDP pc growth rate, but at the same time decrease welfare, confirming that economic growth cannot be translated automatically into human development.

The coefficients of most of the control variables within the ‘welfarist’ models (1, 2, 3) are significant and exhibit the expected correlation with human development. Thus, increases in government revenues and gross capital formation produce positive effects in the outcome variable (HDI). Likewise, higher levels of democracy and civil liberties affect human development positively. These results are confirmed in all ‘welfarist’ models (using the current value of ODA, the lagged value of ODA or utilizing the dataset comprised by 5 years averages).

However, when time fixed-effects are controlled for in the 5 years averaged dataset (model 4), some unexpected results arise: foreign direct investments, oil revenues and the index of democracy now present significant but negative signs. This appears to indicate two things: first, in the long run, increases of internal sources of financing, such as government revenues or gross capital formation, seem to be more effective in raising welfare than external sources, which can even be harmful if not appropriately managed (foreign direct investments and oil rents). Second, the negative and significant coefficient of the index of democracy (at the 0.1 level) could reflect the good performance in welfare terms of several autocracies during the 2000s, like Oman, Azerbaijan or Morocco, whose improvements are reflected in their respective

Human Development Indexes. Caution is nevertheless advised when extrapolating findings on this front, as there is currently an intense debate regarding what produces better socioeconomic results, whether democratic or autocratic regimes, which, similarly to the AEL, presents important divergences and lacks conclusive findings.<sup>19</sup>

### *System GMM*

Nevertheless, as anticipated before, endogeneity constitutes an important difficulty in this field, which can diminish the robustness of the results obtained through FE regressions, which occasionally include lagged values of the endogenous variables to overcome it. Although in this work aid has been lagged one year (seeking theoretical consistency though, rather than as an attempt to resolve the potential endogeneity issue), it is arguable the extent to which by including in the model the variable ODA lagged, endogeneity is reduced and causal inference improved.<sup>20</sup>

In this field of research, the Generalized Method of Moments (GMM) panel estimators appear to be the ones better prepared for dealing adequately with the endogenous character of some of the AEL's regressors, at least in short panels (Hansen and Tarp, 2001; Roodman, 2004, Dalgaard et al., 2004). By first-differencing the equation, the first method in which this technique ramifies — called *first-difference GMM*, developed by Holtz-Eakin, Newey and Rosen (1988) and later by Arellano and Bond (1991) — basically specifies the model as a set of equations in which the instruments utilized in each equation (one for each year) include suitable lags in differenced form of the endogenous variables.

Blundell and Bond developed the second method in 1998, called *system GMM*, which is the one selected for this study. By transforming the model in a system of equations, in first-differences and also in levels, Blundell and Bond propose to instrument the endogenous variables in the first-difference equations with lags of their levels and in

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<sup>19</sup> See for instance Przeworski and Limongi (1993).

<sup>20</sup> See Bellemare et al. (2015) for a recent analysis on lagging variables in a context of endogeneity.

the level equations with lags of their first- differences, providing a richer set of instruments to face endogeneity than first-difference GMM.<sup>21</sup>

However, system GMM entails some difficulties too: the results that it produces are highly sensitive to the number of lags selected by the researcher to instrument the endogenous variables. To avoid arbitrariness on this front, in this work lags 2 and longer are specified for the transformed equation and lag 1 for the levels equation, which is the standard treatment proposed by the literature (Rodman, 2004). Furthermore, as usually performed in this field, the Hansen J test of over-identifying restrictions is employed to test that the instruments are exogenous; and the Arellano–Bond test for autocorrelation of the residuals AR(2) is used to guarantee that the second lags of endogenous variables are appropriate instruments for their current values.

Finally, being GMM estimators designed for situations with ‘small T, large N’ panels, they have been applied here on the panel 1984 - 2013 but with 5-years averages (T=6, N=143); and for the second period 2000 - 2013 with 2 years average (T=7, N=143).

The results of the panel 1984 - 2013, presented also in table 2 (models 5 and 10), confirm the previous findings and indicate that increases in ODA provoked decreases in the human development indicator. However, only increases in gross capital formation produce benefits for HDI (the other coefficients are not significant). In the ‘economicist’ growth model (10), the system GMM regression fails to reflect any significant relationship between ODA and GPC growth pc.

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<sup>21</sup> See Blundell and Bond (1998) for further details on the advantages of system GMM over first-differences GMM.

**Table 2. Fixed-effects and GMM regression (Period 1984-2013)**  
 Dependent variable: HDI (1, 2, 3, 4, 5) and GDP growth pc (6, 7, 8, 9, 10)

VARIABLES	(1) Country FE (current aid)	(2) Country FE (lagged aid)	(3) Country FE (5 years ave)	(4) Country Time FE (5 years ave.)	(5) Sys GMM (5 years ave.)	(6) Country FE (current aid)	(7) Country FE (lagged aid)	(8) Country FE (5 years ave.)	(9) Country Time FE (5 years ave.)	(10) Sys GMM (5 years ave.)
Aid (ODA % GNI)	-0.00248*** (0.000279)		-0.00442*** (0.000624)	-0.00099*** (0.000192)	-0.00757*** (0.00191)	0.00193 (0.0442)		0.0533** (0.0195)	0.105*** (0.0245)	0.109 (0.153)
Aid <sup>2</sup>	1.30e-05*** (2.30e-06)		3.00e-05*** (4.44e-06)	2.26e-06 (1.72e-06)	4.75e-05*** (1.68e-05)	-0.000348 (0.000436)		-0.000564 (0.000419)	-0.00112 (0.000595)	-0.00124 (0.00151)
Aid (Lag 1 ODA % GNI)		-0.00205*** (0.000341)					0.114*** (0.0322)			
Aid (lagged 1 year) <sup>2</sup>		1.15e-05*** (1.61e-06)					-0.000387 (0.000304)			
Gov. Revenue (% GDP)	0.00146*** (0.000440)	0.00154*** (0.000430)	0.00200* (0.000817)	0.000418** (0.000105)	0.00217 (0.00481)	-0.00271 (0.0337)	0.00842 (0.0335)	-0.0663 (0.0646)	-0.111 (0.0619)	0.154 (0.166)
Gross Cap Form. (% GDP)	0.00145*** (0.000355)	0.00154*** (0.000387)	0.00198** (0.000616)	0.00148*** (0.000160)	0.00296** (0.00147)	0.164*** (0.0286)	0.157*** (0.0278)	0.162*** (0.0128)	0.168*** (0.0169)	0.266*** (0.0770)
Foreign Direct Inv. (% GDP)	0.000405 (0.000572)	0.000460 (0.000674)	0.00162 (0.00108)	-0.000829*** (0.000190)	0.000258 (0.00192)	0.0141 (0.0694)	0.0207 (0.0675)	0.239*** (0.0418)	0.203*** (0.0317)	0.0692 (0.110)
Oil Rents (%GDP)	0.000574 (0.000444)	0.000691 (0.000407)	0.000425 (0.000432)	-0.000854* (0.000349)	-0.00235 (0.00292)	0.130** (0.0533)	0.142*** (0.0511)	0.206*** (0.0102)	0.174*** (0.0190)	-0.0384 (0.117)
Index of Democracy	0.00241*** (0.000743)	0.00245*** (0.000727)	0.00313** (0.000834)	-0.00129** (0.000347)	0.000528 (0.00703)	0.0524 (0.0409)	0.0408 (0.0465)	0.124* (0.0525)	0.0886 (0.0747)	0.400 (0.377)
Lack of Civil Liberties	-0.00868** (0.00363)	-0.00863** (0.00355)	-0.00893 (0.00445)	-0.00639*** (0.00158)	-0.0418 (0.0408)	-0.385* (0.219)	-0.378 (0.240)	0.259 (0.293)	0.381 (0.319)	1.315 (0.831)
Dummy (1989 - 1993)				0.0221*** (0.000910)	0.636*** (0.231)				-0.615** (0.157)	-13.88** (5.567)
Dummy (1994 - 1998)				0.0443*** (0.00100)	0.637** (0.248)				0.105 (0.199)	-13.50** (5.468)
Dummy (1999 - 2003)				0.0678*** (0.000980)	0.637*** (0.243)				0.307 (0.246)	-13.46** (5.260)
Dummy (2004 - 2008)				0.0949*** (0.00110)	0.651** (0.254)				1.977*** (0.445)	-12.58** (5.547)
Dummy (2009 - 1013)				0.120*** (0.00113)	0.677** (0.264)				0.365 (0.360)	-14.72** (5.776)
Observations	2,114	2,105	530	530	530	2,329	2,321	581	581	581
Number of groups	119	119	123	123	123	123	123	124	124	124
Country FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	NO	NO	NO	YES	YES	NO	NO	NO	YES	YES
R-square	0,295	0,282	0,408	0,800	-	0,086	0,099	0,310	0,354	-
Hansen J-test	-	-	-	-	0,297	-	-	-	-	0,168
AR(2)	-	-	-	-	0,131	-	-	-	-	0,388
# lags	-	-	-	-	2 onwards	-	-	-	-	2 onwards
# Instruments/ # Groups	-	-	-	-	42/123	-	-	-	-	42/124

Notes: Fixed-Effects regressions: Driscoll and Kraay standard errors in parentheses.<sup>1</sup> Constant Term not reported. System GMM: endogenous variables: aid, aid<sup>2</sup>, foreign direct investment. GMM standard errors in parentheses incorporate the Windmeijer's finite-sample correction for the two-step covariance matrix.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

<sup>1</sup> Driscoll and Kraay (1998) standard errors are robust to general forms of spatial and temporal dependence (heteroskedasticity and autocorrelation). See Hoechle (2007).

*Period 2000-2013*

When keeping the same sample of 143 countries but reducing the panel to 14 years (2000-2013) the results of the fixed effects regressions, displayed in Table 3, are close to the previous exercise, especially in what refers to our variable of interest: formal foreign aid, whose contributions, whether lagged or contemporaneous, are negatively correlated with human development and positively correlated with economic growth. This relationship emerges in all fixed effects regressions. Additionally, the coefficients of gross capital formation, index of democracy and lack of civil liberties behave also similarly in both panels (1984-2013 and 2000-2013).

Nevertheless, some significant differences arise now with regards to the long panel: during the period 2000-2013 increases in the foreign direct investments reveal significant decreases in human welfare (models 1, 2, 3, 4), whereas in the panel 1984-2013 the coefficient of FDI was not significant. In contrast the same increases in the foreign direct investments level do not produce (as before) any significant effect in economic performance (models 5, 6, 7, 8). This is quite unexpected due to the fact that economic theory and empirical evidence have traditionally underlined the beneficial effects of FDI on host countries. However, it seems that the positions that point to the potential risks that FDI can present in extractive economies with fragile institutional frameworks if certain conditions are not met, have some credit and denote the need for further research on this particular front.

Another relevant difference is that, although more government revenues continue to expose increases in HDI (models 1, 2, 3), they do the opposite in relation to GDP growth per capita if the dataset is averaged 2 years and time is controlled for (model 7 and 8). This is also unexpected as economic growth is often associated to sound fiscal policies and therefore to consistent government revenues. A possible explanation of such negative relationship between government revenues and economic performance, which requires also further research, might be that when governments in developing countries succeed in providing basic goods and services, public resources are invested in sectors where economic returns only emerge (if they do) in the long run.

In any case, when System GMM is performed (table 4), the results above find less support than before. Increases in foreign aid keep exhibiting negative effects in welfare when lags 2 and longer are specified for the transformed equation and lag 1 for the levels equation (model 1), as per the standard treatment of endogenous variables (aid, aid squared and foreign direct investment, in our case). However, such approach seems to produce a high number of instruments (42) that led to objectionable results in the Hansen test of over identification (0,035 in model 4), which can be indicative of bias coefficient estimates.<sup>1</sup> Hence, in order to reduce the number of instruments and improve the results of the tests, the maximum lags are limited to 4 and 3 respectively. If the maximum is set to 4, then the aid coefficient maintains its negative sign but loses significance (model 2). However, if the maximum is set to 3, then the aid coefficient becomes strongly significant (model 3), uncovering certain sensitivity of the results to the number of lags set for the endogenous variables.

Summarizing, in the period 1984-2013, a negative impact of aid is well captured by an indicator of welfare such as the HDI. However, when focusing on the period 2000-2013, we can observe the same relation between aid and HDI, but this time system GMM suggests to be cautious with the findings and invites to explore further routes that shall strengthen the results. Pre-treating the data through CEM is one of them.

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<sup>1</sup> See Roodman (2008) to capture the dangers associated with having many instruments relative to observations.

**Table 3. Fixed-effects (Period 2000-2013)**  
Dependent variable: HDI (1, 2, 3, 4) and GNI growth pc (5, 6, 7, 8,)

VARIABLES	(1) Country FE	(2) Country FE (Lagged aid)	(3) Country FE (2 years ave.)	(4) Country Time FE (2 years ave.)	(5) Country FE	(6) Country FE (Lagged aid)	(7) Country FE (2 years ave.)	(8) Country Time FE (2 years ave.)
Aid (ODA % GNI)	-0.000933*** (0.000185)		-0.00138*** (0.000248)	-0.000715*** (0.000118)	0.0543* (0.0292)		0.0899** (0.0247)	0.0426* (0.0181)
Aid <sup>2</sup>	4.82e-06*** (1.12e-06)		7.47e-06*** (1.72e-06)	5.54e-06** (1.65e-06)	-0.000286 (0.000181)		-0.000493 (0.000270)	-0.000117 (0.000265)
Aid (Lag 1 ODA % GNI)		-0.000873** (0.000293)				0.127*** (0.0379)		
Aid (lagged 1 year) <sup>2</sup>		4.84e-06*** (9.09e-07)				-0.000716** (0.000263)		
Gov. Revenue (% GDP)	0.00167*** (0.000394)	0.00165*** (0.000366)	0.00211*** (0.000487)	7.85e-05 (0.000178)	-0.0223 (0.0467)	-0.0204 (0.0480)	-0.0752* (0.0329)	-0.0846** (0.0307)
Gross Cap Form. (% GDP)	0.00174*** (0.000301)	0.00183*** (0.000318)	0.00192*** (0.000292)	0.000614** (0.000177)	0.230*** (0.0367)	0.227*** (0.0301)	0.145** (0.0413)	0.146*** (0.0233)
Foreign Direct Inv. (% GDP)	-0.00126*** (0.000300)	-0.00131*** (0.000356)	-0.000774** (0.000252)	-0.000708* (0.000337)	-0.156 (0.0985)	-0.154 (0.0883)	-0.0101 (0.0792)	-0.0376 (0.0789)
Oil Rents (%GDP)	0.000297 (0.000554)	0.000305 (0.000550)	0.000830** (0.000318)	-2.31e-05 (0.000106)	0.296** (0.102)	0.299** (0.101)	0.342** (0.112)	0.243* (0.101)
Index of Democracy	9.79e-05 (0.000439)	0.000120 (0.000448)	0.000340 (0.000678)	-0.000516** (0.000172)	0.0461 (0.0345)	0.0334 (0.0407)	0.0478 (0.0332)	0.0901*** (0.0208)
Lack of Civil Liberties	-0.00873* (0.00468)	-0.00889* (0.00482)	-0.0126** (0.00464)	-0.00338*** (0.000468)	-0.572 (0.338)	-0.468 (0.372)	-1.224*** (0.302)	-0.411* (0.193)
World Governance Ind.	0.00976 (0.00629)	0.00822 (0.00628)	0.00946 (0.00573)	0.0162*** (0.00233)	-0.0821 (1.021)	-0.147 (1.038)	-0.247 (0.474)	0.523 (0.410)
Biennium 2002-03				0.0108*** (0.000342)				0.618*** (0.0568)
Biennium 2004-05				0.0235*** (0.000460)				1.889*** (0.148)
Biennium 2006-07				0.0368*** (0.000569)				2.298*** (0.259)
Biennium 2008-09				0.0483*** (0.000738)				-0.757*** (0.124)
Biennium 2010-11				0.0600*** (0.000595)				0.943*** (0.228)
Observations	896	897	548	548	932	932	569	569
# Groups	113	114	113	113	116	117	116	116
Country FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	NO	NO	NO	YES	NO	NO	NO	YES
R-square	0,3105	0,308	0,355	0,862	0,114	0,129	0,137	0,254

Driscoll and Kraay standard errors in parentheses. Constant Term not reported.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 4. System GMM (Period 2000-2013 with two years averages)**  
 Dependent variable: HDI (1, 2, 3) and GNI growth pc (4, 5, 6)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Aid (ODA % GNI)	-0.00228* (0.00136)	-0.00211 (0.00138)	-0.00274*** (0.000942)	0.0782 (0.0652)	0.0508 (0.0762)	0.00542 (0.134)
Aid <sup>2</sup>	8.56e-06** (3.83e-06)	8.00e-06* (4.66e-06)	1.09e-05*** (2.83e-06)	-5.55e-05 (0.000403)	2.41e-05 (0.000398)	0.000545 (0.000954)
Gov. Revenue (% GDP)	0.00249 (0.00223)	0.00231 (0.00265)	0.00229 (0.00552)	-0.361* (0.206)	-0.265 (0.240)	-0.670** (0.308)
Gross Cap Form. (% GDP)	-0.000604 (0.00111)	-0.000553 (0.00192)	-0.00120 (0.00349)	0.0131 (0.117)	-0.000309 (0.125)	0.0723 (0.204)
Foreign Direct Inv. (% GDP)	-0.000543** (0.000223)	-0.000536 (0.000357)	-0.000483 (0.000315)	0.0265 (0.0454)	0.0395 (0.0465)	0.118 (0.0765)
Oil Rents (%GDP)	-0.000763 (0.00143)	-0.000408 (0.00152)	-0.000982 (0.00173)	0.252* (0.142)	0.243 (0.151)	0.0221* (0.124)
Democratization Index	-0.00969** (0.00490)	-0.00901* (0.00469)	-0.00693 (0.00932)	0.00447 (0.384)	0.0578 (0.377)	-0.0572 (0.448)
Lack of Civil Liberties	-0.0538 (0.0424)	-0.0439 (0.0405)	-0.0262 (0.0450)	-0.241 (2.035)	-0.232 (1.852)	-0.499 (2.449)
World Governance Ind.	0.129 (0.0919)	0.145* (0.0835)	0.154* (0.0807)	6.269 (4.863)	5.529 (5.036)	7.048 (7.037)
Biennium 2002-03	0.839*** (0.142)	0.810*** (0.154)	0.775*** (0.154)	11.97 (9.126)	10.16 (9.418)	17.43** (8.306)
Biennium 2004-05	0.851*** (0.140)	0.821*** (0.154)	0.792*** (0.158)	13.45 (9.336)	11.60 (9.668)	19.62** (8.596)
Biennium 2006-07	0.859*** (0.139)	0.830*** (0.154)	0.798*** (0.164)	14.10 (9.509)	11.98 (10.02)	20.38** (8.922)
Biennium 2008-09	0.878*** (0.141)	0.848*** (0.157)	0.811*** (0.166)	11.30 (9.559)	9.263 (9.892)	17.93** (9.023)
Biennium 2010-11	0.892*** (0.143)	0.861*** (0.159)	0.824*** (0.168)	12.64 (9.638)	10.37 (10.09)	18.51** (9.047)
Observations	548	548	548	569	569	569
# Groups	113	113	113	116	116	116
Country FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Hansen J-test (chi <sup>2</sup> )	0,852	0,928	0,755	0,035	0,037	0,128
AR(2)	0,982	0,802	0,684	0,789	0,707	0,577
# lags	2 onwards	2-4	2-3	2 onwards	2-4	2-3
# Instruments / # Groups	42/113	39/113	33/113	42/116	39/116	33/116

Endogenous variables: aid, aid<sup>2</sup>, foreign direct investment. GMM standard errors in parentheses incorporate the Windmeijer's finite-sample correction for the two-step covariance matrix.  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### Coarsened Exact Matching

The class of matching techniques labelled 'monotonic imbalance-reducing methods', such as the Coarsened Exact Matching (CEM) proposed by Iacus et al. (2011) is chosen for this work due to the fact that, differently from other matching techniques such as propensity score matching, CEM places balance at the core of its procedure, enabling the user to choose beforehand the desirable level of balance between treated and non-treated groups. Moreover, after pre-processing data, CEM allows the researcher to keep using the most suitable statistical method of her choice.



Ultimately, by controlling for confounding covariates, CEM increases the robustness of parametric techniques, as it facilitates comparison between countries where foreign aid's occurrence has been intense (treated) with those countries, which although also poor relied less on foreign aid (non-treated) by choosing beforehand an adequate balance between treated and non-treated groups.

To apply CEM, first the treated and non-treated countries need to be clearly separated. Foreign aid however does not denote a standard homogeneous practice for all recipient countries, which suggests that rather than binary or categorical, aid is better represented as a continuous variable. Within the terms of this research, however, it is decided to consider aid also as a binary variable, as we can easily distinguish between those countries in which aid has been a pillar of their development strategy from those that didn't follow an aid-centric development model. Table 6 and 7 show the two groups: high aid-intensity recipient countries (40) that present proportions of ODA that exceed 50 per cent of their governmental revenue; and low aid-intensity recipient countries (81), where the proportion of ODA related to government revenues is inferior to 30 per cent. Hence, to operationalize ODA as a binary variable, the dataset is reduced from 143 to 121 and those countries placed at the middle of the range (30 - 50% ODA/Gov. Rev.) or those who lack of data on government revenues have been excluded from the analysis.<sup>2</sup>

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<sup>2</sup> More specifically, this procedure removes nine countries – Armenia (37,8%), Bolivia (31,1%), Djibouti (45%), Georgia (33%), Honduras (30,5%), Kyrgyz Republic (41.4%), Mongolia (39,5%), Senegal (46,3%) and Togo (39,5%) – from the sample, as they are placed in between both groups and their inclusion could diminish the strength of the findings. In addition, thirteen countries (Palau, Cabo Verde, Montenegro, Bahamas, Cyprus, Israel, Rep. Korea, Kuwait, Qatar, Singapore, Cuba, Turkmenistan and Thailand) are also excluded from the sample due to lack of consistent data on government revenues.

**Table 5. High aid-intensity recipient countries (2000 - 2013)**

	Country	ODA Mill US\$ (current prices)	Annual ODA*	ODA (% GDP)*	ODA (% Gov. Revenue)*
1	Afghanistan	52.939,6	3.781,4	38,4	<b>656,6</b>
2	Liberia	6.716,2	479,7	49,5	<b>248,8</b>
3	Burundi	5.627,3	402,0	27,1	<b>198,2</b>
4	Sierra Leone	5.487,2	391,9	21,0	<b>196,3</b>
5	Guinea-Bissau	1.411,9	100,8	15,7	<b>191,4</b>
6	Sao Tome and Principe	577,3	41,2	28,8	<b>179,5</b>
7	Timor-Leste	3.258,6	232,8	37,4	<b>177,7</b>
8	Mozambique	23.546,4	1.681,9	21,8	<b>174,9</b>
9	Rwanda	9.841,0	702,9	18,7	<b>165,5</b>
10	Congo, Dem. Rep.	32.944,2	2.353,2	15,5	<b>159,5</b>
11	Solomon Islands	2.681,7	191,5	31,8	<b>141,1</b>
12	Niger	7.557,5	539,8	13,1	<b>115,2</b>
13	Uganda	19.205,6	1.371,8	12,0	<b>111,6</b>
14	Cambodia	8.646,2	617,6	8,2	<b>104,5</b>
15	Malawi	10.115,5	722,5	21,1	<b>103,8</b>
16	Madagascar	8.540,5	610,0	10,1	<b>103,1</b>
17	Burkina Faso	11.093,5	792,4	12,0	<b>100,3</b>
18	Ethiopia	34.389,1	2.456,4	12,8	<b>99,2</b>
19	Haiti	12.006,6	857,6	13,9	<b>95,6</b>
20	Central African Rep.	2.218,1	158,4	9,6	<b>93,6</b>
21	Tanzania	30.240,5	2.160,0	10,4	<b>92,6</b>
22	Lao PDR	4.987,4	356,2	9,9	<b>92,0</b>
23	Eritrea	2.696,9	192,6	17,5	<b>90,1</b>
24	Guyana	1.874,9	133,9	10,7	<b>82,9</b>
25	Mali	11.529,0	823,5	12,3	<b>76,7</b>
26	Gambia, The	1.250,8	89,3	11,5	<b>76,0</b>
27	Zimbabwe	6.647,5	474,8	6,2	<b>74,9</b>
28	Chad	4.980,1	355,7	6,3	<b>72,1</b>
29	Zambia	14.162,1	1.011,6	11,0	<b>71,5</b>
30	Comoros	586,1	41,9	9,7	<b>70,5</b>
31	Ghana	17.416,2	1.244,0	8,1	<b>68,8</b>
32	Vanuatu	909,4	65,0	12,6	<b>68,5</b>
33	Tajikistan	3.830,7	273,6	9,1	<b>66,9</b>
34	Nicaragua	10.334,0	738,1	10,9	<b>60,8</b>
35	Mauritania	4.368,6	312,0	12,3	<b>57,7</b>
36	Benin	6.521,5	465,8	9,1	<b>54,3</b>
37	Bhutan	1.405,2	100,4	10,1	<b>54,1</b>
38	Tonga	581,0	41,5	13,0	<b>53,2</b>
39	Nepal	8.458,2	604,2	5,7	<b>52,7</b>
40	Guinea	3.628,2	259,2	6,5	<b>52,0</b>

\*Average per annum

Source: Author's elaboration based on World Development Indicators (WB) and OECD/DAC

**Table 6. Low aid-intensity recipient countries (2000 - 2013)**

Country	ODA Mill US\$ (current prices)	Annual ODA Mill US\$ (current prices)*	ODA (% GDP)*	ODA (% Gov. Revenue)*
1 Cameroon	10.859,1	775,7	4,4	<b>28,5</b>
2 Moldova	3.619,6	258,5	6,5	<b>25,9</b>
3 Dominica	325,8	23,3	5,5	<b>24,2</b>
4 Albania	4.548,0	324,9	4,2	<b>23,2</b>
5 Papua New Guinea	5.200,0	371,4	5,5	<b>23,0</b>
6 Bosnia and Herzegovina	7.983,3	570,2	5,5	<b>22,9</b>
7 Sudan	18.544,6	1.324,6	3,4	<b>22,4</b>
8 Jordan	11.651,9	832,3	5,1	<b>21,3</b>
9 Serbia	15.994,1	1.142,4	5,4	<b>21,2</b>
10 Kenya	18.736,2	1.338,3	4,3	<b>19,8</b>
11 Côte d'Ivoire	11.733,7	838,1	3,9	<b>18,8</b>
12 Bangladesh	21.009,5	1.500,7	1,8	<b>18,5</b>
13 Iraq	67.044,5	4.788,9	9,5	<b>17,2</b>
14 Vietnam	35.300,4	2.521,5	3,3	<b>15,7</b>
15 Lesotho	2.002,2	143,0	8,8	<b>15,5</b>
16 Sri Lanka	8.232,2	588,0	2,0	<b>15,4</b>
17 Macedonia, FYR	3.113,3	222,4	3,6	<b>14,9</b>
18 Congo, Rep.	4.779,2	341,4	4,3	<b>14,0</b>
19 Pakistan	28.360,0	2.025,7	1,5	<b>12,1</b>
20 Maldives	597,7	42,7	2,8	<b>11,9</b>
21 St. Vincent and the Grenadines	222,7	15,9	2,5	<b>11,4</b>
22 Suriname	886,2	63,3	2,4	<b>10,3</b>
23 Guatemala	4.892,8	349,5	1,1	<b>10,3</b>
24 Lebanon	7.338,6	524,2	1,9	<b>10,3</b>
25 Namibia	2.829,8	202,1	2,7	<b>9,9</b>
26 El Salvador	2.994,9	213,9	1,2	<b>9,6</b>
27 Azerbaijan	2.977,0	212,6	1,7	<b>9,3</b>
28 Seychelles	330,3	23,6	2,7	<b>8,4</b>
29 Fiji	848,6	60,6	2,1	<b>7,8</b>
30 St. Lucia	291,0	20,8	1,9	<b>7,7</b>
31 St. Kitts and Nevis	184,1	13,1	2,0	<b>7,3</b>
32 Belize	294,6	21,0	1,7	<b>6,8</b>
33 Yemen, Rep.	6.075,9	434,0	2,1	<b>6,3</b>
34 Swaziland	808,0	57,7	2,0	<b>5,8</b>
35 Nigeria	32.549,1	2.324,9	1,5	<b>5,6</b>
36 Uzbekistan	2.817,2	201,2	1,1	<b>5,4</b>
37 Angola	5.032,9	359,5	1,6	<b>5,1</b>
38 Tunisia	6.654,9	475,3	1,3	<b>5,1</b>
39 Egypt, Arab Rep.	20.708,6	1.479,2	1,1	<b>4,8</b>
40 Morocco	14.060,4	1.004,3	1,4	<b>4,7</b>
41 Antigua and Barbuda	110,7	7,9	0,8	<b>4,5</b>
42 Paraguay	1.218,2	87,0	0,7	<b>4,4</b>
43 Botswana	1.857,4	132,7	1,2	<b>4,1</b>
44 Kazakhstan	3.002,6	214,5	0,4	<b>4,1</b>
45 Peru	5.551,2	396,5	0,5	<b>4,0</b>
46 Mauritius	1.108,3	79,2	0,9	<b>3,5</b>
47 Philippines	5.526,0	394,7	0,4	<b>3,4</b>
48 Ecuador	2.560,4	182,9	0,4	<b>2,9</b>
49 Equatorial Guinea	393,0	28,1	0,6	<b>2,9</b>
50 Indonesia	15.292,1	1.092,3	0,4	<b>2,6</b>
51 Bahrain	382,8	76,6	0,7	<b>2,5</b>
52 Dominican Republic	1.803,9	128,9	0,3	<b>2,2</b>
53 Jamaica	788,5	56,3	0,5	<b>2,0</b>
54 Colombia	10.239,2	731,4	0,4	<b>1,7</b>
55 Syrian Arab Republic	6.908,6	493,5	0,4	<b>1,5</b>
56 Gabon	741,6	53,0	0,5	<b>1,4</b>
57 Ukraine	5.601,9	622,4	0,4	<b>1,4</b>
58 Slovenia	239,2	79,7	0,4	<b>1,3</b>
59 Croatia	1.623,7	147,6	0,3	<b>1,3</b>

Country	ODA Mill US\$ (current prices)	Annual ODA Mill US\$ (current prices)*	ODA (% GDP)*	ODA (% Gov. Revenue)*	
60	India	25.772,6	1.840,9	0,2	<b>1,1</b>
61	Malta	34,0	11,3	0,3	<b>1,1</b>
62	South Africa	11.913,9	851,0	0,3	<b>1,0</b>
63	Costa Rica	547,5	39,1	0,1	<b>0,9</b>
64	Oman	815,0	74,1	0,2	<b>0,9</b>
65	Barbados	100,0	9,1	0,2	<b>0,8</b>
66	Panama	425,8	30,4	0,1	<b>0,8</b>
67	Algeria	3.507,0	250,5	0,2	<b>0,8</b>
68	Uruguay	376,0	26,9	0,1	<b>0,6</b>
69	Belarus	898,2	99,8	0,2	<b>0,6</b>
70	Turkey	15.429,1	1.102,1	0,2	<b>0,6</b>
71	China	14.089,0	1.006,4	0,1	<b>0,4</b>
72	Malaysia	1.268,1	90,6	0,1	<b>0,4</b>
73	Chile	1.381,9	98,7	0,1	<b>0,3</b>
74	Iran, Islamic Rep.	1.701,0	121,5	0,1	<b>0,3</b>
75	Argentina	1.464,6	104,6	0,0	<b>0,3</b>
76	Venezuela, RB	801,0	57,2	0,0	<b>0,2</b>
77	Brazil	6.193,5	442,4	0,0	<b>0,1</b>
78	Mexico	3.734,7	266,8	0,0	<b>0,1</b>
79	Libya	1.063,2	118,1	0,3	<b>0,1</b>
80	Saudi Arabia	4,6	0,6	0,0	<b>0,0</b>
81	Trinidad and Tobago	36,5	3,3	0,0	<b>0,0</b>

\*Average per annum

Source: Author's elaboration based on World Development Indicators (WB) and OECD/DAC

Once the treated and control groups are differentiated, CEM is applied to the observations that precede the year 2000 and specifically on the 5 previous years (1995-1999), averaging first the variables and hence transforming the subset of the panel 1995-1999 in a cross-section dataset.<sup>3</sup> Simmons and Hopkins (2005) follow a similar approach; however, after averaging the pre-treatment covariates they calculate a propensity score in order to perform propensity score matching by estimating the probability that each unit receives treatment, which presents difficulties in guaranteeing any level of imbalance reduction.

CEM is then applied to the resultant cross-section dataset (121 countries) by selecting certain plausible cut-off points to coarsen the following variables: government

<sup>3</sup> Values from the closest years to the period 1995-1999 have been used to complete the cross-sectional dataset, thus avoiding missing values (this has been performed in 6 cases for the variable government revenues, in 8 for the variable gross capital formation and in 5 for the foreign direct investment variable).

revenues, gross capital formation, foreign direct investment and lack of civil liberties.

More specifically:

- Government revenue (excluding grants) is a continuous variable that reflects the soundness of the fiscal policy of a given country, moving in this sample between a minimum of 3.1 (Afghanistan 2002) and a maximum of 70% (Iraq 2004). The cut point selected is 15% of GDP, as below that point countries can present difficulties in sustaining a stable and autonomous capacity to finance their respective development agendas.
- Gross capital formation as an indicator of the level of capital injected into a given economy to support growth and development presents in the sample a minimum value of 3.9% GDP (Sierra Leona 1995-1999) and a maximum of 179% (Equatorial Guinea 1995-1999). CEM is applied to this variable by forming three different groups: low (3% - 15%), medium (15% - 25%) and high gross capital formation levels (above 25% of GDP).
- Foreign direct investment, which in the sample moves along a continuum that goes from -4.17% GDP (Gabon 1995-1999) to 72.4% (Equatorial Guinea 1995-1999) also presents three blocks: countries that receive little foreign direct investment ( $< 0.5\%$ ), countries with medium levels (between 0.5% and 5%) and countries that receive high quantities of foreign direct investment ( $> 5\%$  of GDP).
- Lack of civil liberties: this indicator of freedom from government interference is expressed on a one-to-seven scale, with one representing the highest level of civil liberties and seven the lowest. The cut point is placed at 4.5, dividing those countries that score high or medium on civil liberties (1-4) from those that present limitations on this front (5-7).

Tables 7 and 8 show the two resultant groups, treatment and control, after applying CEM and controlling for the above-mentioned pre-treatment covariates of the 1995 - 1999 panel that comprises 121 countries. The resultant dataset is composed of 78 countries (28 treated and 50 non-treated).

**Table 7. Treatment group after applying CEM**  
 (Covariates from the 1995-1999 period)

Country	Gov. Revenue (% GDP)	Gross Capital Formation (% GDP)	Foreign Direct Investment (% GDP)	Lack of Civil Liberties (1 - 7)
1 Benin	14,5	18,8	1,3	3
2 Bhutan	19,8	38,8	0,1	6
3 Burkina Faso	12,2	23,7	0,4	4
4 Central African Republic	8,4	11,1	0,6	4
5 Chad	7,3	16,7	2,1	5
6 Comoros	12,5	17,5	0,2	4
7 Eritrea	31,8	31,8	10,8	5
8 Ethiopia	13,2	20,0	1,6	5
9 Gambia, The	12,6	5,7	1,2	5
10 Ghana	12,4	22,0	2,0	3
11 Guinea	10,9	20,4	0,7	5
12 Guinea-Bissau	7,3	19,5	1,4	5
13 Guyana	20,1	30,2	8,0	2
14 Madagascar	9,8	13,0	0,6	4
15 Malawi	20,0	13,9	1,1	3
16 Mali	13,9	21,7	1,7	3
17 Mauritania	20,1	16,9	0,3	5
18 Mozambique	10,4	21,2	3,4	4
19 Nepal	9,7	24,6	0,3	4
20 Nicaragua	16,7	25,2	4,2	3
21 Solomon Islands	18,6	6,9	2,3	2
22 Tajikistan	11,9	20,7	1,5	6
23 Tanzania	11,0	17,8	2,8	4
24 Tonga	21,0	23,5	0,2	3
25 Uganda	10,8	17,4	2,5	5
26 Vanuatu	20,6	19,5	10,2	3
27 Zambia	19,3	15,0	4,2	4
28 Zimbabwe	26,2	18,3	2,4	5

**Table 8. Control group after applying CEM**

*Covariates from the 1995-1999 period*

Country	Gov. Revenue (% GDP)	Gross Capital Formation (% GDP)	Foreign Direct Investment (% GDP)	Lack of Civil Liberties (1 - 7)
1 Albania	16,2	18,0	2,1	5,0
2 Angola	40,9	31,2	14,9	6,0
3 Antigua and Barbuda	17,3	39,3	5,1	3,0
4 Azerbaijan	15,7	29,4	18,6	4,0
5 Bangladesh	9,0	20,7	0,2	4,0
6 Barbados	25,2	12,1	0,6	1,0
7 Botswana	39,6	27,6	1,5	2,0
8 Cameroon	13,0	14,5	0,8	6,0
9 Chile	20,6	25,8	6,9	2,0
10 Congo, Rep.	25,7	29,2	7,3	5,0
11 Costa Rica	14,2	18,0	3,6	2,0
12 Dominica	22,7	29,1	9,9	1,0
13 Dominican Republic	12,0	20,1	2,9	3,0
14 Ecuador	14,3	20,5	2,6	3,0
15 Egypt, Arab Rep.	28,9	19,8	1,1	5,0
16 El Salvador	11,9	16,9	2,4	3,0
17 Equatorial Guinea	19,1	179,9	72,5	7,0
18 Guatemala	10,0	15,2	1,2	4,0
19 Iran, Islamic Rep.	20,9	32,7	0,0	6,0
20 Iraq	70,5	29,1	-0,1	7,0
21 Jamaica	23,0	29,0	3,7	2,0
22 Jordan	26,7	26,5	2,3	4,0
23 Kenya	20,6	16,8	0,5	5,0
24 Lebanon	16,7	30,3	7,0	5,0
25 Lesotho	50,8	62,4	30,2	4,0
26 Malta	25,3	23,0	8,6	1,0
27 Mauritius	18,5	26,4	0,8	2,0
28 Mexico	13,2	19,8	2,5	4,0
29 Morocco	24,5	24,2	0,1	4,0
30 Nigeria	22,1	7,7	3,7	3,0
31 Oman	27,0	17,0	0,4	6,0
32 Pakistan	13,6	17,7	1,1	5,0
33 Panama	16,7	27,1	7,6	2,0
34 Saudi Arabia	28,3	19,9	0,5	7,0
35 Serbia	12,8	14,7	0,9	4,0
36 Seychelles	37,7	35,8	8,4	3,0
37 Slovenia	28,2	26,3	0,9	2,0
38 Sri Lanka	17,7	25,4	1,3	4,0
39 St. Kitts and Nevis	24,1	43,0	9,4	2,0
40 St. Lucia	23,5	23,4	8,3	2,0
41 St. Vincent and the Grenadines	24,2	31,8	17,5	1,0
42 Sudan	6,5	15,4	1,5	7,0
43 Suriname	23,6	18,3	-1,5	3,0
44 Swaziland	24,6	17,2	3,9	5,0
45 Syrian Arab Republic	25,7	22,6	0,9	7,0
46 Trinidad and Tobago	25,8	25,9	10,1	2,0
47 Tunisia	22,3	24,7	1,8	5,0
48 Turkey	19,7	23,3	0,4	5,0
49 Vietnam	20,6	28,0	7,5	7,0
50 Yemen, Rep.	27,3	22,4	-3,1	6,0

Afterwards, the 2000-2013 subset of the data, which maintains its panel structure, is pruned according to the results obtained after coarsening the variables and applying CEM, thus keeping only those 78 countries that preserve similar covariates in the pre-treatment reference period (1995-1999).

With this new configuration of the dataset (78 countries) the fixed-effects and System GMM regressions are run again considering the same set of covariates as before: ODA, its squared term, ODA lagged 1 year, gross capital formation, government revenue, foreign direct investment, oil rents, lack of civil liberties, the index of democratization, lack of civil liberties and a measure of institutional quality. Tables 9 and 10 show the new results, which are aligned with the previous findings, increasing their robustness.

In the fixed effects regressions (table 9), the ‘welfarist’ models (HDI as a dependent variable) keep exhibiting negative and significant coefficients of ODA for the current year and for the year before, confirming the adverse influence that increases of foreign aid exert on human development (models 1, 2, 3, 4). In contrast, such an influence is not exercised within the ‘economicist’ models, which, differently from the previous analysis, fail now to uncover any significant relationship between ODA and economic growth (models 5, 6, 7, 8).

However, after applying CEM, foreign direct investment rates and the oil rents do play a strong significant role in improving the economic performance of the recipient countries within the period 2000-2013 (models 5, 6, 7, 8). Before applying CEM, FDI and GDP growth pc were not significantly related. In any case, the indicator of human development seems not to benefit from such increases. This seems to be aligned with the idea that although foreign investments in theory are crucial to financing the development agenda of a country, improvements in welfare are not automatically generated from those increases as, in addition to foreign investments, human development requires adequate social policies and accountable government spending practices. Hence, if foreign investments do not meet certain conditions, they can even produce harmful effects in terms of wellbeing of the majority of the population (models 3, 4). The latter strengthens the thesis that good economic performance and human development do not always move hand by hand



Reversely, the coefficient of the indicator of gross capital formation is positive and strongly significant in the welfarist models capturing the foreseen equivalence between fixed investments and human development. However, the GDP pc growth rate does not benefit from such increases, as the coefficient is not significant.

These results though need to be analysed with caution due to the fact that when performing *system GMM* (table 10) and controlling for endogeneity, the coefficients of foreign direct investment, oil rents and gross capital formation are not significant in neither the welfarist nor the economicist models.

However, what system GMM does confirm clearly, is the robustness of one of the previous findings: increases in formal foreign assistance produce reductions in human development during the MDGs period. Although with lower significance levels ( $p < 0.05$  and  $p < 0.1$ ), those results are also corroborated if first-difference GMM is applied over the same dataset instead of system GMM (table 11).

CHAPTER 2. THE EFFECTIVENESS OF THE OFFICIAL DEVELOPMENT ASSISTANCE (ODA) —  
QUANTITATIVE APPROACH

**Table 9. Fixed-effects after CEM (2000-2013)**  
Dependent variable: HDI (1, 2, 3, 4) and GNI pc (5, 6, 7, 8)

VARIABLES	(1) Country FE	(2) Country FE (Lagged aid)	(3) Country FE (2 years ave.)	(4) Country & Time FE (2 years ave.)	(5) Country FE	(6) Country FE (Lagged aid)	(7) Country FE (2 years ave.)	(8) Country & Time FE (2 years ave.)
Aid (ODA % GNI)	-0.00143** (0.000480)		-0.00297** (0.000903)	-0.000900*** (9.39e-05)	0.0533 (0.0908)		0.0582 (0.0742)	0.0301 (0.0810)
Aid <sup>2</sup>	1.00e-05 (6.60e-06)		3.18e-05** (9.68e-06)	1.20e-06 (2.28e-06)	0.00136 (0.00257)		0.00152 (0.00229)	0.00137 (0.00233)
Aid (Lag 1 ODA % GNI)		-0.00209*** (0.000610)				0.149 (0.108)		
Aid (lagged 1 year) <sup>2</sup>		2.90e-05** (9.94e-06)				-0.00121 (0.00231)		
Gov. Revenue (% GDP)	0.00138*** (0.000391)	0.00133*** (0.000344)	0.00190** (0.000523)	1.30e-05 (0.000145)	-0.111** (0.0468)	-0.105** (0.0415)	-0.157** (0.0465)	-0.169* (0.0732)
Gross Cap Form. (% GDP)	0.000917*** (0.000256)	0.00092*** (0.000261)	0.00133*** (0.000261)	0.000469*** (7.77e-05)	0.101 (0.0684)	0.0992 (0.0618)	0.0966 (0.0689)	0.107 (0.0736)
Foreign Direct Inv. (% GDP)	-0.000713 (0.000408)	-0.000706 (0.000406)	-0.000854** (0.000225)	-0.000707*** (6.77e-05)	0.130*** (0.0329)	0.124*** (0.0285)	0.175*** (0.0241)	0.132*** (0.0198)
Oil Rents (%GDP)	0.000215 (0.000539)	0.000260 (0.000520)	0.000443 (0.000310)	-0.000143 (0.000168)	0.334*** (0.0774)	0.336*** (0.0753)	0.410*** (0.0718)	0.343*** (0.0729)
Index of Democracy	0.000928 (0.000656)	0.000841 (0.000651)	0.00140 (0.000912)	-0.000108 (0.000249)	0.0791 (0.0556)	0.0963 (0.0556)	0.0666 (0.0455)	0.101 (0.0545)
Lack of Civil Liberties	-0.00640 (0.00579)	-0.00690 (0.00597)	-0.0108* (0.00506)	-0.00206 (0.00148)	-1.003* (0.473)	-0.937* (0.473)	-0.940 (0.477)	-0.301 (0.402)
World Governance Ind.	0.000703 (0.00413)	-0.00344 (0.00579)	-0.000647 (0.00463)	0.0237*** (0.00465)	1.655 (1.644)	2.186 (1.404)	1.131 (1.689)	2.057 (1.099)
Biennium 2002-03				0.0125*** (0.000302)				0.427** (0.139)
Biennium 2004-05				0.0263*** (0.000428)				1.477*** (0.113)
Biennium 2006-07				0.0405*** (0.000573)				1.822*** (0.213)
Biennium 2008-09				0.0524*** (0.000592)				-0.258 (0.268)
Biennium 2010-11				0.0627*** (0.000572)				0.901* (0.395)
Observations	518	520	314	314	546	547	330	330
# Groups	64	64	64	64	67	67	67	67
Country FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	NO	NO	NO	YES	NO	NO	NO	YES
R-square	0,152	0,156	0,249	0,887	0,139	0,1415	0,246	0,3057

Driscoll and Kraay standard errors in parentheses. Constant Term not reported.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 10. System GMM after CEM (2000-2013)**  
 Dependent variable: HDI (1, 2, 3) and GNI pc (4, 5, 6)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Aid (ODA % GNI)	-0.0286*** (0.00627)	-0.0281*** (0.00756)	-0.0283*** (0.00818)	-0.483 (0.631)	-0.526 (0.674)	-0.512 (0.757)
Aid <sup>2</sup>	0.000482*** (0.000139)	0.000469*** (0.000162)	0.000447*** (0.000155)	0.00994 (0.0135)	0.0103 (0.0140)	0.00965 (0.0154)
Gov. Revenue (% GDP)	0.00103 (0.00467)	0.00188 (0.00606)	0.00425 (0.00426)	-0.353 (0.225)	-0.276 (0.273)	-0.351 (0.314)
Gross Cap Form. (% GDP)	-0.00392 (0.00404)	-0.00400 (0.00427)	-0.00515 (0.00545)	-0.0671 (0.289)	-0.0652 (0.251)	-0.106 (0.281)
Foreign Direct Inv. (% GDP)	0.00365 (0.00340)	0.00372 (0.00348)	0.00489 (0.00502)	0.224 (0.146)	0.236 (0.168)	0.228 (0.204)
Oil Rents (%GDP)	-0.00103 (0.00228)	-0.00152 (0.00300)	-0.00117 (0.00273)	0.253 (0.218)	0.252 (0.201)	0.300 (0.224)
Index of Democracy	-0.0166** (0.00769)	-0.0166** (0.00762)	-0.0173** (0.00812)	-0.211 (1.286)	-0.266 (1.464)	0.355 (0.979)
Lack of Civil Liberties	-0.0617 (0.0617)	-0.0682 (0.0712)	-0.0904 (0.0789)	-0.824 (6.488)	-1.323 (6.785)	3.445 (4.981)
World Governance Ind.	0.0608 (0.192)	0.0342 (0.230)	-0.00559 (0.220)	5.754 (11.25)	5.599 (9.434)	13.03 (11.20)
Biennium 2002-03	1.033*** (0.201)	1.029*** (0.217)	1.056*** (0.201)	16.84 (21.35)	17.43 (24.44)	3.343 (15.09)
Biennium 2004-05	1.048*** (0.204)	1.044*** (0.216)	1.064*** (0.197)	18.53 (21.37)	18.98 (24.51)	5.679 (14.89)
Biennium 2006-07	1.042*** (0.206)	1.038*** (0.222)	1.060*** (0.204)	18.55 (21.26)	18.77 (24.58)	5.594 (14.93)
Biennium 2008-09	1.049*** (0.201)	1.045*** (0.217)	1.075*** (0.206)	16.77 (22.00)	17.09 (25.36)	2.998 (15.43)
Biennium 2010-11	1.055*** (0.201)	1.049*** (0.219)	1.086*** (0.206)	17.61 (22.42)	17.83 (25.70)	3.240 (15.95)
Observations	314	314	314	330	330	330
# Groups	64	64	64	67	67	67
Country FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Hansen J-test (chi <sup>2</sup> )	0,674	0,583	0,838	0,085	0,062	0,120
AR(2)	0,559	0,543	0,835	0,789	0,718	0,473
# lags	2 onwards	2-4	2-3	2 onwards	2-4	2-3
# Instruments / # Groups	42/64	37/64	33/64	42/67	39/67	33/67

Endogenous variables: aid, aid<sup>2</sup>, foreign direct investment. GMM standard errors in parentheses incorporate the Windmeijer's finite-sample correction for the two-step covariance matrix.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 11. First-difference GMM after CEM (2000-2013)**  
 Dependent variable: HDI (1, 2, 3) and GNI pc (4, 5, 6).

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Aid (ODA % GNI)	-0.00347** (0.00168)	-0.00430** (0.00189)	-0.00425* (0.00256)	-1.169 (0.828)	-1.279 (1.027)	-0.972 (1.286)
Aid <sup>2</sup>	5.38e-05 (5.01e-05)	4.56e-05 (5.46e-05)	4.15e-05 (6.12e-05)	0.0245 (0.0215)	0.0220 (0.0308)	0.0117 (0.0301)
Gov. Revenue (% GDP)	0.000177 (0.00106)	0.000221 (0.000810)	0.000716 (0.00169)	-0.328 (0.217)	-0.146 (0.312)	-0.101 (0.702)
Gross Cap Form. (% GDP)	-8.07e-05 (0.000675)	-0.000153 (0.000453)	4.12e-05 (0.000763)	0.202 (0.238)	0.132 (0.333)	0.00956 (0.425)
Foreign Direct Inv. (% GDP)	-6.40e-05 (0.000446)	-0.000103 (0.000448)	-0.000344 (0.000675)	0.0176 (0.145)	0.0203 (0.149)	-0.0425 (0.187)
Oil Rents (%GDP)	-0.000527 (0.000705)	-1.94e-05 (0.000775)	-0.000192 (0.000585)	0.603*** (0.196)	0.725** (0.287)	0.819** (0.341)
Index of Democracy	0.000463 (0.00305)	-0.00104 (0.00239)	0.00130 (0.00429)	0.470 (1.188)	1.115 (1.944)	2.215 (2.830)
Lack of Civil Liberties	-0.0118 (0.00754)	-0.00565 (0.00666)	-0.0103 (0.0124)	-0.434 (3.914)	1.183 (5.078)	4.985 (4.449)
World Governance Ind.	-0.00144 (0.0557)	0.0580 (0.0424)	0.0305 (0.0594)	8.155 (17.78)	17.68 (31.92)	24.81 (24.36)
Biennium 2002-03	-0.0500*** (0.0123)	0 (0)	-0.0428*** (0.0137)	0 (0)	0 (0)	0 (0)
Biennium 2004-05	-0.0339*** (0.00887)	0.0164** (0.00659)	-0.0290*** (0.00772)	0.223 (1.890)	-0.170 (1.884)	0.263 (2.992)
Biennium 2006-07	-0.0223*** (0.00339)	0.0262*** (0.00973)	-0.0211*** (0.00361)	-0.960 (2.533)	-2.428 (3.302)	-2.649 (6.333)
Biennium 2008-09	-0.00951*** (0.00257)	0.0394*** (0.00913)	-0.00830*** (0.00237)	-2.709 (2.374)	-4.102 (3.167)	-4.950 (6.582)
Biennium 2010-11	0 (0)	0.0489*** (0.00953)	0 (0)	-2.499 (2.547)	-4.209 (3.535)	-5.370 (7.149)
Observations	250	250	250	263	263	263
# Groups	61	61	61	64	64	64
Country FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Hansen J-test (chi <sup>2</sup> )	0,419	0,647	0,377	0,589	0,683	0,672
AR(2)	0,767	0,276	0,357	0,535	0,658	0,528
# lags	2 onwards	2-4	2-3	2 onwards	2-4	2-3
# Instruments / # Groups	30/61	27/61	21/61	30/64	27/64	21/64

Endogenous variables: aid, aid<sup>2</sup>, foreign direct investment. GMM standard errors in parentheses incorporate the Windmeijer's finite-sample correction for the two-step covariance matrix.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

### ***Final considerations***

The decade of 2000s is the golden decade of development aid. From the beginning of this millennium, ODA not only enjoys unprecedented increases in quantitative terms but also becomes a central matter within the global dialogue on sustainable development and poverty reduction. Moreover, the approval by the General Assembly of the Sustainable Development Goals (SDGs) in September 2015 as a follow-up to the MDGs represents an example of the reaffirmation on the current foreign aid practices. The global endorsement of the SDGs is claimed to rest on the firm belief that the MDGs and its inherent mechanisms, such as the foreign aid system in place, have been a success.

Shockingly, the results of specialized research on this area have revealed that the architecture of aid is not purely designed and implemented based on growth and development criteria. In addition, the lack of conclusive positive empirical results on the effects achieved through aid impregnates the Aid Effectiveness Literature, of which an important part has recently gained great attention by stressing that aid not only does not help but instead harms developing countries (Easterly 2006, Moyo 2009).

The econometric route followed in this work is coincident with the latter and assigns strong significance to ODA as a factor that negatively affected human development during the period 2000 - 2013 in those countries that received it intensively. Although beyond the scope of this work, the mechanisms underlying such findings appear to point to the fact that being dependent on foreign aid can limit the incentives for establishing sound fiscal systems, transparent and accountable institutions and ultimately becomes a barrier to reform, which all together worsen the provision of public goods in fragile countries. Moreover, on a more economical note, the negative effects of aid on developing countries can be also produced due to appreciations of the exchange rate that results from the massive inflows of foreign currency, reducing the competitiveness of crucial economic sectors and their ability to export, similarly

to the resources curse effect or the Dutch Disease widely discussed in the development literature.<sup>4</sup>

But the outcomes obtained here might also suggest the need to follow other research routes. How aid is provided and the conditions and surroundings of its implementation in each particular case seem to be elements that cannot be left aside. This becomes particularly important if, as it is the case, there are countries that present relevant improvements in human development and at the same time received important amounts of foreign aid during the MDGs period. From this standpoint, I believe that more qualitative research is needed in order to contrast and complement the traditional econometric studies undertaken on the macro level, which, as happens in this particular study, they progressively uncover a tension between the current enthusiasm that foreign aid enjoys on one side and the effects that it produces on the other.

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<sup>4</sup> See Rajan and Subramanian 2009 for further elaboration on the adverse effects of aid on a country's competitiveness.

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**CHAPTER 3. RWANDA, A SUCCESS CASE FROM THE AID-EFFECTIVENESS  
PERSPECTIVE — QUALITATIVE APPROACH**

***“Rwanda’s foreign aid system: a blend of exemplarity and guilt”***

*In this article I attempt to better understand how the relationship between the Government of Rwanda (GoR) and its development partners (DPs)<sup>1</sup> has been shaped since the 2000s. To do so, I analyse the evolution of the institutional framework established to manage foreign aid and regulate the interaction between government and donors. I also examine the general attitudes of the DPs in light of both praise and criticism they have directed towards the GoR.*

*In contrast to the traditional rhetoric of multilateral institutions and international cooperation agencies, the link GoR-DPs and the aid flows that support it have not been significantly affected by increased criticism of the GoR in the field of civil liberties and political rights, although such criticism often comes from the same DPs that provide most of the resources. The evidence uncovered from semi-structured interviews conducted with donors, government officials and members of civil society suggest that the following two elements combined provide the best explanation for such a paradox: the progress achieved in the country under the GoR leadership (exemplarity) and the unfortunate role of the international community during the genocide in 1994 (guilt).*

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<sup>1</sup> In Rwanda, the term ‘development partners’ (DPs) is used to refer mainly to multilateral and bilateral donors, but also to the international and national NGOs and the private sector operating in the country. Since donors play by far the most significant role within the DP group, in the article I use both terms – DPs and donors – interchangeably.

### Introductory remarks

The genocide that devastated Rwanda in 1994 has attracted special attention from scholars and researchers who have devoted significant efforts to better understanding its roots as well as the institutional and socioeconomic factors surrounding the country's recovery in its aftermath.<sup>2</sup> The genocide, which took the lives of around one million people, occurred before the eyes of the world powers, whose representatives, impassive at the time, merely evacuated their personnel from the country and left the Rwandans to the mercy of the madness unleashed by a part of the population. Although in this article I do not attempt to explain or provide details on the role of the international community at the time – easily available elsewhere<sup>3</sup> – I believe that it is important to emphasize its unfortunate role due to its relevance and centrality when attempting to understand how the relationship between the GoR and its DPs has been forged.

The current government finds its origins precisely in those fateful days, when the Rwandan Patriotic Front (RPF) headed by Major General Paul Kagame (now President) overthrew the previous government and ended the genocide. Since then, two presidential elections have taken place, in 2003 and 2010, with landslide victories for the RPF and its leader Kagame.

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<sup>2</sup> Among the vast literature on the subject, the historian Alison de Forges and the journalist Philip Gourevitch are two authors who have contributed greatly to reporting and analysing the genocide and its aftermath. See for instance de Forges, *Leave None to Tell the Story* (1999) and Gourevitch, *We Wish to Inform You that Tomorrow We Will be Killed with our Families: Stories from Rwanda* (1998).

<sup>3</sup> For a detailed idea of the role of the international community at the time see Roméo Dallaire, *Shake Hands with the Devil: The Failure of Humanity in Rwanda* (2003); Linda Melvern, *A People Betrayed: The Role of the West in Rwanda's Genocide* (2000); and Alan Kuperman, *The Limits of Humanitarian Intervention: Genocide in Rwanda* (2001). See also Peter Uvin, *Aiding Violence: The Development Enterprise in Rwanda* (1998) for a comprehensive analysis on the effects of international development aid in Rwanda in pre-genocide times.

The 22-year-period of the present government has been marked by economic success. Rwanda's impressive growth rates averaging about 8,5% per year over the last 15 years, are the result of sound macroeconomic policies, ambitious structural reforms and high public investment levels addressing key socioeconomic sectors such as health and education (Clark 2014). The positive economic performance was maintained in 2015, with a GDP growth of 6.9%, 'buoyed by strong construction and services activity with agriculture and manufacturing also performing well.'<sup>4</sup> Such continued progress in Rwanda, the most densely populated country in Africa, enhances the reputation of the GoR, which is perceived at the international level as a strong and resolved administration that advanced this small, landlocked country from an extremely difficult situation and converted it into a showcase of success within a regional and global context.

But the GoR has also generated doubts regarding its commitment to basic human rights. During the 2000s, several NGOs and activists frequently denounced constraints suffered by opposition parties, press and civil society.<sup>5</sup> In the 2010s, representatives of countries that have traditionally supported the GoR have also begun to deliberately note certain sacrifices made in post-genocide Rwanda in terms of political rights and civil liberties.<sup>6</sup>

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<sup>4</sup> IMF Mission to Rwanda from March 22– April 5, 2016 (End-of-Mission press release No. 16/151).

<sup>5</sup> See for instance Human Rights Watch (2001, 2003, 2004, 2007, 2010) or Amnesty International (1997, 2004, 2005, 2010, 2011).

<sup>6</sup> Most of the concerns raised by the donors regarding constraints of political rights and civil liberties take the form of political statements launched by their authorities in the capitals and their representatives in Rwanda. Some recent examples are i) the open letter of 11 Dec 2015 from European Union heads of mission in Rwanda marking Human Rights Day 2015, ii) the Declaration of 3 Dec 2015 on constitutional review in Rwanda by the High Representative of the Union for Foreign Affairs and Security Policy on behalf of the EU, or iii) the press statement on 2 Jan 2016 of the spokesperson of the Bureau of Public Affairs of the US government on the same topic. All statements are available at the corresponding websites of the respective institutions (EU-Rwanda and Embassy of US-Rwanda).

This article does not propose to delve into the economic development that Rwanda has achieved under the leadership of its current government or to discuss the concerns raised regarding the government's means of achieving such development. Moreover, although centred on the aid system in place, it does not attempt either to provide a detailed picture of the multiple forms of aid directed to Rwanda or to uncover their particular contribution to the reduction of poverty. Instead, the purpose here is to identify the fundamental features of the government–donor relationship from its inception in the 2000s until today. This is relevant, I believe, for two main reasons: first, such a relationship represents a significant pillar of donors' decisions on aid flows. Hence, when donors and governments find themselves immersed in an atmosphere of open cooperation and transparency, sharing core values and fundamental principles, the support from the international community tends to be closer to the forms and volumes desired by the recipient country. Second, the bonds between donors and governments can also affect the strength and legitimacy of the latter at the national and international levels, which can ultimately represent a valuable asset for the governments in attaining their own development goals.

Therefore, the relationship between governments and donors not only reveals likely future aid flows but also provides a sense of an increased capacity of the governments to attain their own development objectives, if such a relationship becomes a solid partnership. In this regard, it is important to highlight that a virtuous relationship between development partners and the government can only be justified on the basis of a firm commitment to improving the living conditions of the people in need within an environment where human rights and basic liberties are respected.<sup>7</sup> All donors

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<sup>7</sup> This commitment is reflected in most of the UN Resolutions including the Millennium Declaration (A/RES/55/2, 18 Sep 2000), which states in I.4. that “*We [member states] rededicate ourselves to (...) respect for human rights and fundamental freedoms, respect for the equal rights of all without distinction as to race, sex, language or religion and international cooperation in solving international problems of an economic, social, cultural or humanitarian character.*” Specifically in what refers to the foreign aid field, such commitment is reflected for instance in the Declaration of the Fourth High Level Forum on Aid Effectiveness, held in Busan, Republic of Korea, in 2011. The declaration identifies in its third point that “*promoting human rights, democracy and good governance are an integral part of our development efforts.*”

proclaim such commitment through the aid they provide, which ultimately is nothing but a public source that must comply with the criteria derived from said commitment.

In Rwanda, the development partners have denounced signs of deficits in political rights and civil liberties, yet such concerns do not seem to transcend and affect their current relationship with the government in substantive ways. Finding plausible explanations for this is at the core of this work. Through semi-structured interviews with representatives of donor organizations, government and civil society, this article points to — as the main explanation — the economic success attained after a tragedy which could have been easily avoided with help from the international community. Hence I argue here that both the “exemplarity” (of the achievements attained by the GoR) and “guilt” (from the moral deficit exhibited by the international community during the genocide) are embedded in the predominant rhetoric in Rwanda, shaping the relationship between the GoR and its development partners and displacing to a certain extent other considerations related to democracy and freedom.

The article is organized as follows: the next (second) section describes the methodology followed. The third section offers a brief analysis of the global context in which the Rwandan aid system has been forged, signaling key principles upon which the GoR has relied significantly. Before the final remarks, the fourth section examines the sequence of GoR legal texts, institutions and official aid flows to Rwanda since the year 2000, highlighting the main events that have shaped the relationship between donors and government. This section contains the core elements that help me to argue that the relationship between the donors and the government is sustained by two mutually accepted beliefs: exemplarity (of the achievements of the GoR) and guilt (from the donors’ side). The combination of both elements confines the relationship in purely developmental matters, displacing other concerns.

### **Methodology**

Acknowledging upfront that it would be naive not to realize that often the conditions in which the donor–government relationship is produced are far from ideal, this work attempts to analyze the grounds on which such relations rest in Rwanda, as well as to uncover to what extent the criticisms to the GoR in areas such as political rights and

civil liberties have affected the attitude and *modus operandi* of the same development partners that have raised such concerns.

If certain governmental actions challenged by the international community have affected donor attitudes and ultimately their relationship with the GoR in any way, we should see evidence of such effects through various indicators, starting from ‘soft’ measures, such as i) an increased number of official statements raising donors’ concerns or ii) shifts of the contributions made by donors towards less discretionary modalities; and then moving towards more determinative measures such as iii) establishing positive conditionality (tying aid to improved political rights and civil liberties) or iv) challenging more openly the government’s position. Cutting aid or accelerating an exit strategy would be the most extreme reaction from the development partners’ side.

Although measuring these effects seems obvious and quite straightforward, extracting cause–effect mechanisms from the descriptive narrative that would imply a link between both variables (governmental action and donors’ attitudes) is complex and requires a careful analysis of the evolution of the government–donor mutual relationship as well as how such an association is affected in light of the actions of one or the other. This work relies on a process-tracing methodology because it allows for such analysis by focusing on how those variables inter-develop over time. Process tracing investigates trajectories of change and in this particular work is used to reveal causation based on a detailed scrutiny of the mechanisms that connect specific events immersed in a temporal sequence related to both — GoR actions and donors’ attitudes.<sup>8</sup> This method demonstrates that the donors’ attitudes are caused by, and the current relationship between the donors and the government is supported by, not only the successes of the latter but also grievances from the past.

In addition to an exhaustive desk review of national plans, strategies, legal documents, UN resolutions, formal statements and aid flows, this work relies on semi-structured interviews as the main source of primary data. In total, 20 interviews were

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<sup>8</sup> For a detailed analysis on process tracing and how to apply it, see for instance, Bennet, 2008, 2010; Checkel 2008 or the practical guide of Beach and Pedersen, 2013.



conducted in Rwanda between May and June 2016, mainly with representatives of bilateral and multilateral cooperation agencies but also with senior government officials and key representatives of Rwandan civil society. Respondents were selected according to one principle: to cover the maximum range possible of donors based in Rwanda as well as of government officials dealing with foreign aid.<sup>9</sup> In addition, as mentioned, a small number of workers and coordinators of secular and religious organizations based in the country were also interviewed.<sup>10</sup> The latter were selected depending on the opportunities offered to me during the fieldwork in Rwanda. The final sample comprising the three groups is representative of the actors involved in the process of interest to this work plus it allows for some opinions from the civil society, which aggregates consistency to the findings.

Before contrasting the views of the interviewees in light of how both variables (government action and donor attitudes) have evolved since the year 2000, it is important first to place the evolution of Rwandan foreign aid system within a wider context.

### **Rwanda and the global dialogue on poverty alleviation**

The GoR has strongly embraced the global initiatives that have emerged since the 2000s aimed at reducing global poverty, promoting sustainable development and improving the efficiency of the fundamental instruments that the international community has agreed as suitable for achieving such goals.

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<sup>9</sup> Out of 20 interviews, 12 were conducted with senior representatives from bilateral and multilateral organizations based in the country, including the 10 biggest donors (except one from the US, which declined the invitation to be interviewed, and the Global Fund, which is a technical multilateral organization that had provided aid since 2003 to combat HIV and malaria). Four interviews were conducted with government officials from the Ministry of Finance and Economic Planning, the Ministry of Foreign Affairs, the National Bank of Rwanda and the University of Rwanda.

<sup>10</sup> Four interviews were conducted with coordinators of civil society organizations, two Rwandan and two international.

For Rwanda's leaders, as well as for the leaders of many other countries, the formal adoption of the Millennium Development Goals (MDGs) in 2000 was particularly relevant. The MDGs represent a unique episode in the global diplomatic arena as, for the first time, the government representatives of the countries of the world agreed on a short list of ambitious targets to be met in a predefined time frame (1990–2015). The MDGs forged such unprecedented global consensus around eight key development priorities that has become the universal response to global poverty in recent years, guiding the development agenda at the international and national levels since they were formalized in September 2000.

In this particular regard, Rwanda has possibly been one of the countries more actively promoting the MDGs inside and outside its borders. Its president, Paul Kagame, is a keen advocate of the MDGs.<sup>11</sup> In 2010, Kagame was appointed co-Chair of the UN Secretary-General's MDG Advocacy Group – first with Julia Gillard, Ex-Prime Minister of Australia and latter with Erna Solberg, Prime Minister of Norway – due to his noteworthy leadership in supporting the implementation of the MDGs. Since then, the Rwandan president has played a prominent role at the international arena mobilizing global attention for the MDGs and presiding with the UN Secretary General over several significant MDG-related events, such as the launch in January 2015 of the '*HeForShe IMPACT 10X10X10*' pilot initiative at the World Economic Forum in Davos, Switzerland to promote gender equality; or the Global Launch of the 2015 MDGs Report in Oslo, Norway, July 2015, to mention two recent events.

Beyond the MDGs, the current Rwandan government has also actively participated and supported the series of high-level fora on aid effectiveness organized by the OECD in Rome, Paris, Accra and Busan in 2003, 2005, 2008 and 2011, respectively. Those events have attracted great attention globally, mainly due to the wide recognition that the effectiveness of foreign aid must improve substantially. Such acknowledgment is supported by specialized studies on the subject. Moreover, the lack of conclusive empirical evidence on the outcomes achieved through the vast amounts of foreign aid provided since World War II has not only pervaded the

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<sup>11</sup> Paul Kagame has been President of Rwanda since April 2000. Between 1994 and 2000 he acted as Vice President and Minister of Defense.

specialized literature on the topic, but also the international cooperation system in place, whose key actors have been well aware of the need for improving aid effectiveness.

Thus, Rwanda has been actively involved in the high-level fora of aid effectiveness and paid heed to the global agreements they reached, where delegates from donor and recipient countries based the formulation of new principles towards effective aid on a joint understanding of the idea that aid was not producing the developmental results everyone wanted. These plans and strategies suggest a comprehensive set of measures that, if adopted by both donors and recipient countries, would result in a substantially higher effectiveness of aid in terms of improved wellbeing for the recipient countries' citizens.<sup>12</sup>

Particularly, the High Level Forum on Joint Progress towards Enhanced Aid Effectiveness (Harmonisation, Alignment, and Results) that took place in Paris, France, 2005 has been widely acknowledged as the crucial starting point in building the necessary solid, balanced and productive relationship between donors and recipient countries that was lacking at the time. The well-known Paris Declaration, outlined five fundamental principles to substantially improve the quality and effectiveness of foreign aid, grounded in the notion that developing countries must take the lead in paving the road of their own development and in the mutual understanding that donors and recipient countries must hold each other accountable for their own commitments.<sup>13</sup>

The also widely recognized Accra Agenda for Action (AAA) adopted at the Third High Level Forum on Aid Effectiveness in Accra, Ghana on February 2008, underscores the significance of the Paris Declaration principles and after performing a

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<sup>12</sup> See the OECD link for the High Level Fora on Aid Effectiveness

<http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm>

<sup>13</sup> The five principles of the Paris Declaration are i) *ownership* of developing countries to set their own development strategies, ii) *alignment* of donor countries behind these objectives, iii) *harmonisation* of donors' foreign aid to avoid duplication, iv) *results-oriented* approach and v) *mutual accountability*.

preliminary assessment of the advances made towards them, stresses the need to further improve in areas such as ownership of recipient countries, and establishment of solid partnerships between developing and developed countries and the delivery of results.

The fourth and last of the high-level fora on aid effectiveness, which took place in Busan, Republic of Korea, in November 2011, culminated in the Busan Partnership for Effective Development Co-operation. The agreement increases the scope of the previous ones and for the first time it includes emerging donors such as Brazil and China while pointing to the need to extend the principles of aid effectiveness to other development actors, such as the civil society and the private sector. Along with enabling the local civil society to undertake its own development work, fighting corruption and ensuring transparency, by both donors and recipient countries, were central issues in the discussions held in Busan.

Rwandan leaders participated actively in the fora of aid effectiveness and they took seriously the task of adapting the principles and measures agreed to at these events to the Rwandan reality, exhibiting great determination. Hence, in light of principles such as ownership, harmonization and accountability, the GoR has undertaken a number of important efforts to improve the foreign aid management apparatus of Rwanda since the Millennium Declaration (September 2000). These have transformed the *modus operandi* of the DPs and shaped the relationship between them and the GoR. The next section provides a summary of how such a framework has evolved over the years.

### **Aid management in Rwanda (2000–2015)**

#### ***2000–2004***

In July 2000, shortly before the Millennium Declaration (September 2000) and shortly after Paul Kagame took the oath of office as President of the Republic of Rwanda (April 2000), the GoR launched a piece of legislation that from a strategic and planning viewpoint exerted possibly the greatest influence on the country's future: *Vision 2020*. Following a national consultative process conducted between

1998–99, this keystone document outlines the main development aspirations of the GoR and depicts the future of Rwanda as a self-sustainable middle-income country, recognized in the region as a telecommunications hub rather than as a subsistence agro-based economy dependent on foreign aid. The short document, inspired by the economic success of the East Asian ‘tigers’, starts with a critical analysis of the socioeconomic context of the country at the time and proposes six pillars on which the GoR rests its aspirations for Rwanda: i) good governance and a capable state, ii) human resources and knowledge, iii) a private sector-led economy, iv) infrastructure development, v) productive and market-oriented agriculture and vi) regional and international economic integration. Among the ambitious targets for 2020 based on these pillars are a GDP per capita of \$900; a reduction in the incidence of poverty from 60% to 25%; an increase in life expectancy from 49 years to 65 years; and an increase in adult literacy from 48% to 90% (GoR 2000).

Vision 2020 is a crucial piece of legislation in that it paved the way for the elaboration of the National Poverty Reduction Strategy Papers (PRSPs), which integrate the medium-term programmes in which the long-term Vision 2020 is rooted. Thus, Rwanda’s first PRSP was published in 2002 (with an interim in 2000), after consultations with civil society, representing the first comprehensive and well-articulated development plan for the country. It pursued the main objective of successfully managing the transition of the country from its emergency status to a new stage of social development and economic growth, and it included specific socioeconomic targets such as ‘fee-free’ primary education for all Rwandans and reduced prices for critical drugs to treat HIV/AIDS (GoR 2002).

Additionally, the PRSP was endorsed by the International Financial Institutions (IFIs) and served as a decisive instrument for the eligibility of Rwanda for debt relief in the framework of the enhanced Heavily Indebted Poor Countries (HIPC) initiative.<sup>14</sup> In April 2005, the International Monetary Fund (IMF) and the WB’s International Development Association (IDA) agreed that Rwanda had done enough to reach the

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<sup>14</sup> Rwanda reached its decision point in December 2000.

‘completion point’ under the enhanced HIPC initiative and, as a result, a total amount of debt, estimated at 1.4 billion USD from all of Rwanda's creditors, was cancelled.<sup>15</sup>

Thus, in addition to the new Constitution of Rwanda of 2003,<sup>16</sup> Vision 2020 and the PRSP became the most important pieces of legislation of the first half of the 2000s. They served as points of reference not only to all Rwandans but also to the international development partners who saw in those texts solid government tools that reinforced the national capacities to adequately manage the diverse developmental efforts that were undertaken in the country at the time. As a result, Rwanda’s main aid management institutions were established and operationalized, sheltered not only by the pillars of Vision 2020 and the PRSP but also by the principles advocated at the major global events organized by the OECD to increase aid effectiveness (Rome 2003 and Paris 2005), which called for stronger leadership from the recipient countries regarding their own development. Following such a vision with impetus and determination, the GoR established two crucial institutions to deal with donors: the Development Partners Meeting (DPM) and the Development Partners Coordination Group (DPCG).

The DPM was made official in 2000 as an annual high-level event where the GoR and its development partners have the opportunity to openly discuss issues of common concern. Yet the meeting finds its origins in the donor roundtables that had been taking place since 1995 in order to mobilize the financial resources urgently required for the reconstruction and rehabilitation of the country after the genocide. The meetings, though, began gradually shifting the core of the deliberations towards discussions on policies, strategies and development programmes to underpin the

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<sup>15</sup> See IMP Press Release No. 05/84 available at <http://www.imf.org/external/np/sec/pr/2005/pr0584.htm>

<sup>16</sup> The current Constitution of Rwanda that replaced the Constitution of 1991 was adopted by referendum on 26 May 2003 and amended also by referendum on 18 December 2015 in order to shorten presidential terms from seven to five years (after 2024) and allows President Kagame to run in 2017, exceptionally, for another seven-year term and two more five-year terms after that.

sustainable growth patterns of the country rather than to address emergency relief. The last DPM was held in 2010.

The Development Partners Coordination Group (DPCG), also established in 2000, is the highest-level coordination body in Rwanda, responsible for overseeing the entire foreign aid apparatus and over time, it became the main forum for holding discussions between DPs and the GoR on more specific and landed issues related to the progress of the country.

Additionally, the GoR established Sector Working Groups (SWGs), which are technical fora where the GoR and DPs discuss different matters related to the particular sectors (e.g. education, agriculture, health, transport) in order to better implement the national strategic plans and development programmes. SWGs are co-chaired by the Permanent Secretary of the relevant line ministry and a representative from the lead donor agency.<sup>17</sup>

The DPM, DPCG and SWGs were instrumental in gradually bringing aid coordination under the government's leadership. The dialogue space that such institutions provided was an excellent platform for sharing and promoting the planning tools that the GoR had developed in order to articulate the country's socioeconomic developmental strategies—Vision 2020 and PRSP. Those strategies advocated for more foreign aid, in particular to rebuild and strengthen the government capacities. The strategies were developed within a philosophy that advocates for no one but the government to be in the 'driver's seat' of the vehicle that leads the country towards its own development. The Rome Declaration of February 2003 strengthens such a vision and advocates clearly for 'harmonizing the operational policies, procedures, and practices of the institutions of the donor community with those of partner country systems to improve the effectiveness of development assistance, and thereby contribute to meeting the Millennium Development Goals.'<sup>18</sup>

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<sup>17</sup> Extracted from the DPs web portal at <http://www.devpartners.gov.rw/>

<sup>18</sup> See Rome Declaration on Harmonisation available at <http://www.oecd.org/dac/effectiveness/31451637.pdf>.

General Budget Support (GBS) is the aid modality that the GoR understood as the one that better realizes the above-discussed philosophy. GBS is channeled directly to the governments' national budget rather than to specific programmes or projects. It originated in the late 1990s as a vehicle to support the governments of the recipient countries in realizing their national development strategies (PRSPs) rather than financing externally driven initiatives. GBS contributions are then allocated as the governments —inspired by their PRSPs— see fit, using their own procurement and accounting systems (Purcell et al. 2006).

During this period (2000-2004), the donor community in Rwanda was widely satisfied and impressed with the advances made by the GoR. GBS was first supported by the UK's Department for International Development (DFID) in 2000 and the Swedish International Development Cooperation Agency (Sida) in 2001, followed later by the European Commission (EC) in 2003 and the WB (WB) in 2004.<sup>19</sup>

The GoR's vision was finding progressive support on this front (GBS), which culminated with the signature of the Partnership Framework for Harmonisation and Alignment of Budget Support between the Government of Rwanda and its development partners in 2003.<sup>20</sup> This represented an attempt to implement the Rome Declaration in Rwanda and shift the aid paradigm towards a more efficient form of aid: budget support. GBS is meant to achieve greater sustainable impacts on poverty reduction by empowering recipient countries and at the same time reducing the transaction costs of the traditional aid modalities. The Budget Support Harmonization Group (BSHG) and the Harmonization and Alignment in Rwanda of Projects and Programmes Group (HARPP) were created in 2003 as subgroups of the DPCG in the wake of such partnership agreements, dividing Rwandan development partners into those who share the government views on the virtues of GBS and those who although also compliant with the Rome Declaration, prefer to continue with a more

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<sup>19</sup> See the Joint Evaluation of General Budget Support - Rwanda country report, conducted by Ray Purcell, Catherine Dom and Gaspard Ahobamuteze, available at [http://ec.europa.eu/europeaid/how/evaluation/evaluation\\_reports/reports/2006/705\\_rw\\_en.pdf](http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/2006/705_rw_en.pdf)

<sup>20</sup> Signed in November 2003 by the UK, the EC and GoR, and endorsed by the WB, the AfDB and Sweden.



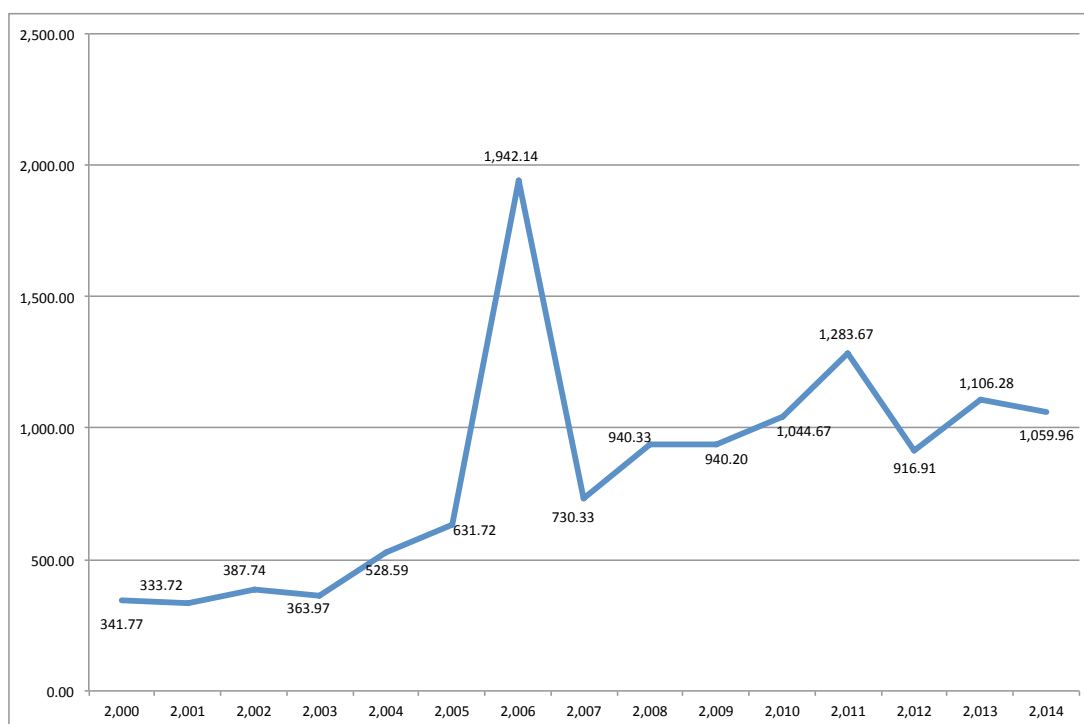
programmatic approach to aid. Later it became clear that the BSHG was successful in attracting the GoR's attention and remained operative until May 2013 when it was discontinued following certain events of a global scope that will be discussed later. HARPP was disbanded in 2006 (Versailles 2012).

### *Aid flows*

Both Vision 2020 and the PRSP were elaborated within a chaotic developmental environment in the country, where several donors plus a large number of NGOs were financing and implementing —with no coordination whatsoever— multiple programmes and projects to support and further develop the country based on their own understanding of what should or should not be prioritized in Rwanda at the time.

Vision 2020 and the PRSP responded to the intentions of the GoR to take control of all the efforts being undertaken at the time (especially before 2000) to put Rwanda on the development track. In parallel to the emergence of a new long-term vision for Rwanda, during this period (2000–2004), the total net of official foreign aid that the country received reached the important figure of 1,815 billion USD, with an average of 0,363 billion per year, which represented 20,3% of Rwanda's GNI (average per year).

**Figure 1: Total gross ODA disbursed to Rwanda between 2000–2014, USD million [DAC2a]**



**Note:** The 2006 peak reflects the debt forgiveness as a result of the enhanced HIPC Initiative equivalent to 1.331 million USD. The net amount of ODA disbursed in 2006 (subtracting debt relief and repayments of principal of loans) amounts to 603 million USD.

As Figure 1 shows, Rwanda was progressively consolidating a slightly upward trend in aid contributions during this period (culminating in 2004), when overseas development assistance (ODA) net inflows amounted to almost half a billion USD. This positive trend was parallel to the regulatory efforts that the GoR was undertaking at the time, with donors providing not only more aid but also aid in the form that the GoR preferred (GBS, which is more discretionary). As Table 1 reflects, between 2000 and 2004 (when a large number of policies and legal documents in the development field were adopted), general budget support disbursements —which had started in 2000 — increased progressively reaching up to 26% of total aid flows in 2004. Coincident also with the priorities of the GoR for foreign aid, grants constituted the most frequent aid modality of that period.

**Table 1: Key ODA figures**

	2000	2001	2002	2003	2004	Source
<b>Total ODA Gross [1]</b>	341,77	333,72	387,74	363,97	528,59	OECD DAC2a
<b>Total Grants</b>	266,93	241,10	293,59	319,23	427,51	OECD DAC2a
<b>ODA Gross Loans</b>	74,84	92,62	94,15	44,74	101,08	OECD DAC2a
<b>Total GBS Disburs. [2]</b>	13,68	37,44	32,48	34,18	129,67	Purcell et al. 2006
<b>GBS as a % of ODA</b>	4,0	11,7	8,66	9,57	25,91	Purcell et al. 2006
<b>Grants as a % ODA</b>	78,10	72,25	75,72	87,71	80,88	OECD DAC2a
<b>Donors providing GBS</b>	DFID	DFID, SIDA	DFID, SIDA	DIFID, SIDA, EC	DIFID, SIDA, EC, WB	Purcell et al. 2006

[1] Total ODA Gross reflects the total amount disbursed over a given accounting period, without subtracting any repayments of loan principal or recoveries on grants received during the same period (OECD DAC statistics).

[2] General Budget Support here reflects what Purcell et al. call Partnership General Budget Support (PGBS), which excludes EC Structural Adjustment Facility (SAF) programmes and some WB policy lending programmes prior to 2004, which, although also nonproject funding, were not so aligned with the government's priorities expressed through the poverty reduction strategies and were a little distant from the harmonizing procedures greatly advocated in the international arena at the time (Purcell et al., 2006 p. 12–13).

During the period 2000–2004, mainly four multilateral institutions —the International Development Association of the WB (IDA/WB), the European Commission (EC), the African Development Fund (AfDF) and the Global Fund, which started in 2003— and 7 bilateral donors —UK, USA, Netherlands, Belgium, Germany, Sweden and France— provided ODA to Rwanda. They covered 80,4% of total ODA gross disbursements during the five-year- period (2000–2004). Table 2 shows the different contributions made by each development partner, with the IDA/WB and the EU in the lead, followed by UK and US.

**Table 2: ODA total, gross disbursements USD million (DAC2a)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
<b>IDA/WB</b>	37,19	65,43	87,02	40,53	157,48	<b>387,65</b>
<b>EU Institutions</b>	49,75	45,24	41,72	54	65,9	<b>256,61</b>
<b>United Kingdom</b>	52,67	36,76	52,63	42,88	58,18	<b>243,12</b>
<b>United States</b>	22,93	31,08	46,37	52,58	50,32	<b>203,28</b>
<b>Netherlands</b>	20,42	19,16	19,61	23,05	25,5	<b>107,74</b>
<b>Belgium</b>	16,03	11,55	21,61	20,81	18,96	<b>88,96</b>
<b>AfDF</b>	4	16,31	18	15,01	24,02	<b>77,34</b>
<b>Germany</b>	13,77	14,59	10,75	13,87	16,6	<b>69,58</b>
<b>Sweden</b>	14,63	8,43	15,58	13,14	8,47	<b>60,25</b>
<b>France</b>	12,69	10,61	9,27	10,94	10,7	<b>54,21</b>
<b>Global Fund</b>	-	-	-	2,11	21	<b>23,11</b>

Summarizing, during the first half of the 2000s, a comprehensive strategic framework was developed and adopted in Rwanda that forged a new relationship between donors and national authorities based on the mutual recognition that the GoR leads the development agenda of the country. Although perhaps a little surprising and sudden for some donors, the determination and ownership shown by the GoR during this period were generally welcomed and it laid the groundwork for a new aid landscape that not only pleased the development partners but also demonstrated its capacity to satisfy the GoR aspirations for more discretionary resources. Many respondents from the DPs and GoR commented in general terms that the 2000s, and particularly the early years of that decade, correspond to a period of enormous structural progress by the GoR on several fronts including the regulatory framework and the aid management system. They correspond to the years when the ‘seed of exemplarity’ was planted.

### **2005–2009**

The second half of the 2000s was a time for consolidating and deepening the leadership of the GoR. In the field of foreign aid, this period was marked by the creation of the External Finance Unit (EFU) in 2005 as the key GoR entry point for external financing. The EFU, which the international community soon found to be a central Rwandan institution, provides donors with guidance on how best to align their aid to GoR priorities. Before its creation, Rwanda relied for aid-related matters on the

Central Projects and External Finance Bureau (CEPEX), set up in 1998 as a semi-autonomous entity under the Minister of Finance and Economic Planning (MINECOFIN). CEPEX possessed a wide mandate. It was in charge of preparing the national budget, supervising public investment and coordinating foreign aid. Such a broad mandate resulted in some coordination problems between line ministries and MINECOFIN (Versailles 2012a). Furthermore, CEPEX was also responsible for recording external assistance, but in this case, it struggled with shortages of skilled personnel and was unable to build a comprehensive aid flow picture (Purcell et. all 2006).

After the creation of the EFU in 2005, CEPEX (discontinued in 2010) maintained a role in the foreign aid scenario, but was limited to dealing with project management-related issues, leaving to the EFU the key responsibilities of mobilizing external resources to complement the national budget and managing coordination with development partners (Versailles 2012b). Thus, by concentrating aid management within the EFU, the GoR raised the profile of those matters related to budget support by linking it to the National Budget. Moreover, the development partners established, from 2005 to 2008, an Aid Coordination Unit (ACU) in the Office of the UN Resident Coordinator —financed by DFID, Sweden, the Netherlands, UNDP, Canada, Switzerland and Belgium— to strengthen the national capacities for effective aid management and in particular to ensure that governmental bodies such as the EFU had enough support for their optimal functioning.<sup>21</sup> As before, the development partners were amply satisfied and their relationship with the GoR was becoming stronger.

In 2005 the GoR also instituted a new high-level political space oriented towards increasing the coordination capacities of the government. This new space took shape as a senior-level two-day retreat, where key national and international actors involved in Rwanda's development had the opportunity to strengthen their relationships and discuss coordination, harmonization and alignment initiatives to increase aid

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<sup>21</sup> See UNDP *Rwanda Annual Report 2007* available at <http://www.rw.undp.org/content/rwanda/en/home/library/annual-reports/undp-annual-report-2007.html>

effectiveness. The so-called Development Partners Retreat (DPR) was hosted for the first time in February 2005 in Gisenyi, Rwanda and still continues to take place annually. The twelfth DPR was held in February 2016 in the Rubavu district, chaired by the Minister of MINECOFIN. Seventy representatives of the GoR, multilateral and bilateral development partners and missions, representatives from the private sector, as well as international and local NGOs attended.<sup>22</sup>

The first outcomes of the above-mentioned government initiatives were quickly revealed. In July 2006, the Cabinet endorsed a crucial piece of legislation in the aid management field: the Rwandan Aid Policy (RAP). The new policy was developed in the context of the Paris Declaration (2005) and placed particular emphasis in underscoring the principle of national ownership of development activities. This perfectly coincided with the main vision that the GoR had promoted in the previous period. Thus, taking shelter in the agreements already reached at earlier high-level events on aid effectiveness, RAP became the main guiding framework for all development partners in the country. It clearly reflected the GoR preferences regarding the different foreign aid modalities and effusively encouraged donors to provide un-earmarked GBS (followed by Sector Budget Support) rather than the traditional programmatic foreign aid. It again underscores the governmental preference for grants rather than loans. The GoR also made it clear through the RAP that aid must be aligned with the government priorities and that it should be channeled using national systems and procedures, raising its concern over off-budget, uncoordinated and non-planned aid practices, which should be discontinued (GoR 2006).

Although covering a broad set of economic and social dimensions, the Economic Development and Poverty Reduction Strategy (EDPRS-1), adopted in 2007 just after RAP, represents another crucial step towards the realization of the government development programme. The EDPRS-1, which grew out of the Rwanda's PRSP of 2002, represents a medium-term policy framework that covers the five-year period

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<sup>22</sup> See MINECOFIN coverage of the event, available at [http://www.minecofin.gov.rw/index.php?id=12&tx\\_ttnews%5Btt\\_news%5D=486&cHash=939ab35eae87674273ff46407aae4da](http://www.minecofin.gov.rw/index.php?id=12&tx_ttnews%5Btt_news%5D=486&cHash=939ab35eae87674273ff46407aae4da)

2008 to 2012, for achieving not only the country's long-term aspirations —first reflected in Vision 2020— but also the MDGs. In particular, the EDPRS-1 proposes three flagship programmes where the GoR focused its efforts during the period of its implementation: i) a public investment programme called *Sustainable Growth for Jobs and Exports* aimed at reducing the operational costs of business, increasing their innovation capacity and improving their access to a strengthened financial sector, ii) *Vision 2020 Umurenge*, a set of public works, credit packages and direct support to the poor in rural areas in order to increase their productive capacity, and iii) governance by building on Rwanda's reputation as a country with a low incidence of corruption and a comparative regional advantage in “soft” infrastructure. Additionally, the EDPRS incorporates a number of crosscutting issues that include gender, HIV, the environment, social inclusion and youth (EDPRS 2007).

The EDPRS-1 is built on the understanding that the achievement of the development goals that it foresees requires a scaling up of foreign aid. In this regard, the EDPRS emphasizes that its successful implementation will depend, to a great extent, on the continued support of Rwanda's ‘aligned’ development partners. Specifically, it highlights the fact that aid given in the form of budget support would best ensure alignment, while reducing the transaction costs associated with project-based aid. It further anticipates that the use of the sector-wide approach (SWAp)<sup>23</sup> would be extended as a way of ensuring leadership by national institutions, higher coordination and harmonization of donor procedures and increased use of local systems within the different stages of the aid management cycle. Thus, EDPRS-1 reinforces the directive that all aid needs to be aligned with the priorities already set out in the RAP document.

In any case, although certainly instructive and useful for underpinning the GoR's development vision, RAP was conceived by nature as a general document that does not go into much detail about how the different aid modalities should be managed or

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<sup>23</sup> SWAp is a country-led, results oriented framework that emerged in the 2000s in order to strengthen ownership of the aid recipient countries, as it brings together DPs to coordinate aid within a sector under the government leadership and utilizing national systems and procedures.

how the different actors should be involved. The Rwanda Aid Policy Manual of Procedures, first written in 2008 and adopted by the Cabinet in February 2011 filled that gap and became a crucial reference text that guides the implementation of the 2006 Aid Policy by offering details on the different procedures. It is worth mentioning that possibly the most innovative reform proposed in the 2011 version of the manual is the creation of the Single Project Implementation Unit (SPIU) within MINEDUC, to establish a body to guide the design and implementation process of projects and programmes in Rwanda. The SPIU was conceived of as a host to all project management phases (initiation, planning, execution, monitoring and control and termination). Therefore, although remaining firm in its preference for aid in the form of GBS, the GoR also aimed to improve the quality of traditional programmatic aid by developing guidelines and management systems that also regulated such modality.

The Aid Policy Manual of Procedures was ultimately pursued in order to improve transparency and accountability with regard to the management of foreign aid, and at the same time increase efficiency and country ownership by ensuring not only that the appropriate GoR institutions were involved at the right stages of the aid management cycle but also that the donors adhere to the Rwandan Aid Policy principles. It ultimately contributed to the completion of an exemplary regulatory framework in the field of aid management.

#### *Aid flows*

This period (2005-2009) started on the right foot. In April 2005, IMF and IDA/WB agreed that Rwanda had made enough effort to reach its completion point under the enhanced HIPC initiative (decision point reached in December 2000) and, as a result, the total amount of debt from all of Rwanda's creditors, estimated at 1.4 billion USD in nominal terms, was cancelled. This achievement was the result of the reformist efforts undertaken by the GoR during the previous period (2000-2004). As a senior



staff from the WB emphasized at the time, ‘it reflects major and sustained efforts to improve the delivery of social services and other reforms over several years.’<sup>24</sup>

One of the most relevant consequences of the HIPC process was that those development partners that had been providing debt relief were now able to augment other modalities of un-earmarked aid such as GBS (Purcell et al. 2006). Thus the picture ahead was promising for the government, which materialized in substantial increases of more discretionary forms of ODA.

Figure 1 exhibits the upward trend of aid contributions that started during the previous period. It also reflects the prominent increases in ODA that the country was receiving annually. During this five-year-period (2005–2009), Rwanda received total gross disbursements of 5.185 Mill USD, 2.6 times more than during the previous period (1.956 million USD); and the yearly average of net aid (excluding debt relief and repayment of loans) doubled, from 362.962 million USD in the period 2000–2004 to 754,028 in the following five years.

Additionally, the GoR began receiving aid in the form that it preferred. The volume of budget support (General and Sectorial) increased rapidly during these years. In 2010 for instance it was more than double than in 2007. Some DPs significantly increased their contributions under this modality, such as the European Commission from 23% in 2008 to 70% in the fiscal year 2009–2010, the WB from 37% to 83% and Germany from 0% to 57%.<sup>25</sup>

The main donors did not change with respect to the previous period. The same 11 donors were now covering 86,5% of total ODA gross disbursements over the five-year period (2005–2009).

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<sup>24</sup> Pedro Alba, WB's Country Director for Rwanda in 2005, see IMF Press Release No. 14/564 available at <http://www.imf.org/external/np/sec/pr/2014/pr14564.htm>

<sup>25</sup> Official Development Assistance (ODA) Report developed by EFU/MINECOFIN for the Fiscal Year 2009/2010, available at <http://www.devpartners.gov.rw/index.php?id=68>.

**Table 3: ODA Total, Gross Disbursements USD million (DAC2a)**

	2005	2006	2007	2008	2009	Total
<b>IDA/WB</b>	130,06	933,57	100,97	140,18	113,83	<b>1418,61</b>
<b>AfDF</b>	42,83	354,21	70,77	66,49	67,36	<b>601,66</b>
<b>United States</b>	57,13	77,59	90,76	117,38	145,9	<b>488,76</b>
<b>United Kingdom</b>	81,95	95,4	94,94	99,88	89,85	<b>462,02</b>
<b>EU Institutions</b>	92,25	67,69	79,77	105,71	104,51	<b>449,93</b>
<b>Global Fund</b>	29,98	52,28	37,41	81,56	80,92	<b>282,15</b>
<b>Belgium</b>	27,4	36,24	42,69	65,42	82,36	<b>254,11</b>
<b>Netherlands</b>	28,41	24,65	27,84	38,77	54,22	<b>173,89</b>
<b>France</b>	12,78	103,54	6,54	5,16	4,62	<b>132,64</b>
<b>Germany</b>	18,5	19,39	23,08	24,58	44,16	<b>129,71</b>
<b>Sweden</b>	23,4	17,48	21,8	14,4	13,35	<b>90,43</b>

The GoR efforts to establish a stable regulatory framework and appropriate spaces for dialogue with development partners paid off. Donors recognized such efforts and put Rwanda at the top of the list of aid recipient countries in the region. In 2008 and 2009 Rwanda was ahead of all its neighbor countries in aid per capita (96 and 93 USD, respectively).

Nevertheless, at the end of this period, concerns emerged among the international community about the role that the GoR had played in the conflict in its neighbor, the Democratic Republic of the Congo (DRC), which affected moderately the aid flows. On 12 December 2008, a group of experts on the DRC under the mandate of the Security Council Committee issued a report (S/2008/773)<sup>26</sup> alleging that the GoR was providing support to armed rebels in the DRC. Such allegations led to Sweden and the Netherlands suspending some aid contributions in the form of GBS, which, although small in amount, represented a gesture of global resonance.<sup>27</sup>

Except in these two cases, Rwanda received an extensive amount of (discretionary) aid during this period as a result of a wide recognition within the international

<sup>26</sup> Available at

<http://www.securitycouncilreport.org/un-documents/document/DRC%20S%202008%20773.php>.

<sup>27</sup> Sweden stopped a planned 14.5 million USD budget support payment and the Netherlands reneged on 4.2 million USD.

community of the progress achieved by its government. This led to Rwanda being considered a privileged recipient country, coining the name ‘aid darling.’<sup>28</sup> One respondent from an influential Rwandan civil society organization with enough perspective to comment on that period, referred to those days as the ‘*flourishing era of the Rwandan aid management system.*’<sup>29</sup>

### **2010–2014**

Once the new institutions, rules and regulations in place had proven to be optimal for the realization of the GoR development vision (as reflected in the aid contributions received thus far), this period (2010-2014) is characterized as the right time to put in place a set of new practices that ensure full compliance. All Rwandan development partners would be immersed in a relation of mutual cooperation and trust with the GoR while clearly and transparently adhering to such a regulatory framework. That was the *leitmotiv* of the political efforts undertaken during this period, which at the same time were perfectly aligned with the Paris Declaration that highlights the importance of the principles of ownership and mutual accountability between donors and recipient countries.

Thus, in 2009 in Rwanda, the GoR and its development partners launched a mutual accountability agenda resulting from a close and extensive consultative process, which was oriented towards generating greater trust and confidence among all development actors.<sup>30</sup> The Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF) are the result of this exercise.

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<sup>28</sup> For further details on ‘aid darlings’ and ‘aid orphans’ in the Great Lakes Region see Marysse et al. (2007).

<sup>29</sup> Interview with representative from civil society, 10 June 2016, Kigali.

<sup>30</sup> As Versailles (2012c) underscores, the process of building a mutual accountability framework in Rwanda within the foreign aid field took more than three years of extensive negotiations between the GoR and its development partners, which resulted in a quite sophisticated CPAF and DPAF process.

DPAF reviews the performance of bilateral and multilateral donors against a set of established indicators on the quality and quantity of aid addressed to Rwanda, while the CPAF reviews the level of achievement of EDPRS outcomes against a set of agreed indicators. In short, DPAF monitors donors' performance vis-à-vis their own commitments and CPAF allows donors to hold the GoR accountable regarding their progress towards achieving the goals outlined in the EDPRS (Versailles 2012c).

One of the most relevant and promising steps towards greater accountability took place in Rwanda just before the launching of DPAF and CPAF: the Joint Governance Assessment (JGA), which is a governance scrutiny carried out by independent experts under the leadership of a steering committee comprised of representatives of the GoR and its development partners. The JGA originated in the Development Partners Meeting of 21–23 November 2006, where President Kagame himself proposed the initiative in response to widespread recognition that the dialogue on governance between the GoR and donors could improve substantially. Hence, the JGA was meant to benefit the country by strengthening the relationship among all development actors (Williams et. al 2009). Specifically, it undertook an assessment on governance performance by analyzing commonly agreed indicators in order to build consensus not only on Rwanda's governance challenges but also on how to address them.

Although the idea was conceived in 2006, the first JGA was developed for the year 2007, and endorsed by the Cabinet in the fall of 2008. The report covered three broad subject areas: i) Ruling Justly, ii) Government Effectiveness and iii) the Investment Climate; and although the exercise was positively assessed by the parties involved, it also presented important challenges derived not only from the difficulties of quantifying some aspects of governance but also from the sensitivity of some of the issues under discussion. In short, the JGA concluded that Rwanda had made impressive progress in governance since the 1994 genocide although it identified remaining challenges in the three areas mentioned. Specifically, the report highlights several broad tasks that require particular attention: i) institutions need to be further strengthened and rules-based governance more rigorously enforced; ii) vertical accountability between government and citizens needs to be strengthened, along with iii) transparency and access to reliable information, which are essential to nearly all aspects of good governance (GoR 2008).

Later, in 2011, an extensive report was published, headed by the same Joint Governance Assessment Steering Committee, which reviewed the 2007 JGA, to consolidate a common understanding on the state of governance in Rwanda as well as to strengthen the methodology proposed to monitor progress (GoR 2011). This revision praises the commendable progress in fostering peace and reconciliation, in restoring law and order and in democratization and sustained economic growth. It also points to some areas where there is room for further improvement, such as the citizens' appreciation of the role of civil society and the media.

Although the JGA was originally intended to be an ongoing process –a point on which the 2011 revision insisted by recommending reviewing the exercise on a periodic basis–, the document published in 2011 was the last report on the issue. One of the respondents who remembers the exercise well, explains that the JGA started to reflect an incipient disagreement on certain issues related to governance, which was becoming palpable between the government and donors. In his own words, *'it was very difficult to make everybody happy. The DPs were not satisfied with the results, which led to disagreement and ultimately to end of the JGA process.'*<sup>31</sup> Another respondent from the government also highlighted that the discontinuation was the result of an agreement reached between donors and the government proposed by the latter to separate political issues from development matters.<sup>32</sup> In any case, the discontinuation of the practice seems to represent a step back in the relationship between donors and the government, as it provided a unique open space for frank discussions on governance related matters, which are sometimes sensitive and often remain outside the debate.

In addition to the principles of national ownership and mutual accountability, the GoR entered in the 2010s decade with the concern that although Rwanda has attracted a quite respectable number of important donors, they were not equitably distributed across the different socioeconomic sectors of the country. Donors were often concentrating their contributions on certain sectors (such as health or education) while

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<sup>31</sup> Interview with the coordinator of a civil society organization, 10 June 2016, Kigali.

<sup>32</sup> Interview with a government official, 7 June 2016, Kigali.

exhibiting limited engagement on others. This is how the GoR broached the concept of the Division of Labor (DoL) in the Development Partners Retreat of February 2010 as well as in subsequent bilateral meetings between MINECOFIN and individual donors. In July of the same year, a national plan on donor division of labor was presented and endorsed at the DPCG by the development partners, improving the coordination of donors and avoiding duplications or donors financing the same thing twice (GoR 2013).

The most comprehensive regulatory effort of this period was launched in 2013 and comprised all of the initiatives discussed thus far including the performance assessment frameworks (DPAF and CPAF) and the DoL: the Second Economic Development and Poverty Reduction Strategy (EDPRS-2), which the Rwandan Cabinet approved on May 2013 after one year of wide consultations with the public and development partners. The EDPRS-2 was built on optimistic views regarding the results thus far achieved with the previous EDPRS-1. This new national strategy that covers the period 2013–2018, which is also inspired by Vision 2020, has been elaborated around four thematic areas: i) economic transformation, ii) rural development, iii) accountable governance and iv) productivity and youth employment. In contrast with the previous strategy, EDPRS-2 is embedded in a transformative message in which the GoR makes clear its desire to reduce its reliance of foreign aid and to bet on the private sector as the engine for the country's development. Strengthening the private sector is thus at the core of the strategy, as in the absence of aid, it would allow the GoR to maintain its high public investment levels, which are still required to meet the ambitious goals that the EDPRS2 proposes, such as reducing poverty from 44.9% in 2013 to below 30% by 2018 (GoR 2013).

### *Aid Flows*

Although the increases of gross contributions are not consequential, Figure 1 reveals that the overall positive trend in terms of aid flows remains during this third period under study (2010–2014). Between 2010 and 2014, total gross disbursements were equivalent to 5.411,5 million USD, slightly above the previous five-year period (5.185 million USD). However, if analysis is shifted to the net disbursements (instead of focusing on the gross disbursements) one can observe that the yearly average was

actually higher over the last five years (1,058.5 million USD per year during 2010–2014) than during the previous ones (754 million USD per year during 2005–2009). The main reason is that once most of the debt was relief under the enhanced HIPC Initiative, almost all bilateral donors and US in particular increased their contributions, substantially augmenting the net aid flows that the country received.<sup>33</sup> Hence, there is a shift of ODA from multilateral towards bilateral contributions, which represents an important influx of new resources to the country.

Concerning the main development partners, as before, the same group of donors has been providing strong support to Rwanda during this period, covering 85% of all gross disbursement.

**Table 4: ODA Total, Gross Disbursements USD million (DAC2a)**

	2010	2011	2012	2013	2014	Subtotal
<b>IDA</b>	146,00	291,32	98,07	156,98	204,63	897
<b>United States</b>	140,88	178,1	159,76	155,99	159,98	794,71
<b>Global Fund</b>	142,9	127,33	146,95	111,21	136,76	665,15
<b>United Kingdom</b>	106,17	136,71	64,67	162,54	79,17	549,26
<b>EU Institutions</b>	104,35	93,63	91,16	120,67	94,27	504,08
<b>AfDF</b>	44,28	86,86	50,04	49,66	62,96	293,8
<b>Belgium</b>	70,48	76,75	53,5	47,58	42,19	290,5
<b>Netherlands</b>	39,43	47,46	37,03	49,58	50,66	224,16
<b>Germany</b>	48,71	47,75	32,47	28,15	35,77	192,85
<b>Sweden</b>	25,22	33,25	14,61	29,68	39,09	141,85
<b>France</b>	5,99	7,95	8,68	7,89	7,24	37,75

Nevertheless, in spite of the fact that overall aid flows continue to reflect an optimal relationship between Rwanda and its development partners, during this period, a number of events affected this relationship and to a certain extent, the amounts of aid provided.

First, for the first time, the United Nations—through the Office of the UN High Commissioner for Human Rights (OHCHR)—launched a detailed mapping exercise

<sup>33</sup> In the five-year period from 2010 to 2014, countries such as the United States provided a total of 795 million USD, far more than the 489 million USD disbursed during the previous five years (2005–2009). [OECD/DAC statistics].

of the violent incidents occurring in the period between March 1993 and June 2003 in the territory of the DRC. A draft of the report (finalized and made official only in October 2010) was leaked to the press in August 2010,<sup>34</sup> containing serious allegations of the direct involvement of the GoR in massive killings during the years of conflict in the Democratic Republic of Congo.<sup>35</sup> Although such a report had resonance in the mass media, it did not affect the aid contributions.

Some other controversial cases that raised concerns among the DPs took place during the presidential elections of 2010 such as the case of Victoire Ingabire<sup>36</sup> or the assassinations of relevant public figures in Rwanda. DPs such as the EU released an official statement calling for the GoR to investigate the murders and ‘*restore a secure political environment conducive to an open, public and democratic debate, and to ensure the free expression of opinions.*’<sup>37</sup> Nevertheless, the aid flows were not affected and, on the contrary, they kept growing and surpassed for the first time, the figure of 1 billion USD in 2010 and 2011.<sup>38</sup>

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<sup>34</sup> *Le Monde* revealed a draft of the report prepared by the Office of the United Nations High Commissioner for Human Rights (OHCHR) on 26 August 2010, available at [http://www.lemonde.fr/afrique/article/2010/08/26/l-acte-d-accusation-de-dix-ans-de-crimes-au-congo-rdc\\_1402933\\_3212.html](http://www.lemonde.fr/afrique/article/2010/08/26/l-acte-d-accusation-de-dix-ans-de-crimes-au-congo-rdc_1402933_3212.html).

<sup>35</sup> The full final Report of the Mapping Exercise documenting violations of human rights and international humanitarian law committed within the territory of the DRC between March 1993 and June 2003 is available at

<http://www.ohchr.org/EN/Countries/AfricaRegion/Pages/RDCProjetMapping.aspx>

<sup>36</sup> See European Parliament resolution of 23 May 2013 on Rwanda: the case of Victoire Ingabire (2013/2641(RSP)).

<sup>37</sup> Statement of Catherine Ashton, the spokesperson of the High Representative of the Union for Foreign Affairs, on the murder of a Rwandan politician (16 July 2010, A 138/10).

<sup>38</sup> Two months after the statement cited previously (see note 37), the EU Commissioner for Development, Andris Piebalgs, visited Rwanda and signed €52 million financial agreements on regional cooperation and governance. He declared: “*One week after global leaders reaffirmed their ambition to achieve the Millennium Development Goals, I have chosen to visit Rwanda, which is one of the few African countries to be ‘on track’ towards their achievement. It proves that we can do it, and I want to see what concrete impact EU aid has had on the ground. Rwanda also showed that in a peaceful context and with stable*



However, in the fall of 2012, the rampant escalation of ODA that Rwanda was experiencing at the time stopped due to allegations made by the United Nations about the GoR providing military support to the militia group M23 in the North Kivu province of the DRC.<sup>39</sup> Several donors, such as the UK, reduced *ipso facto* their budget support for the same year and, consequently, total gross disbursements to Rwanda dropped from an unprecedented high of 1,283.67 million USD in 2011 to 916.91 million USD in 2012.<sup>40</sup> As mentioned, the aid modality that was affected by the cuts was GBS and donors such as the UK that ultimately were willing to maintain their commitment to the country,<sup>41</sup> decided to reorganize their development aid and channel a greater part of it through “targeted financial aid” or other forms closer to the traditional programmatic aid such as a modality called “payment by results.”<sup>42</sup>

This event represents an inflexion point in Rwanda’s aid management and resonated within the DPs and the GoR. Government officials and civil society representatives

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*institutions, aid can act as a catalyst to create an environment for sustainable and inclusive economic growth*" (EC press release 29 September 2010), available at [http://europa.eu/rapid/press-release\\_IP-10-1206\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-10-1206_en.htm?locale=en).

<sup>39</sup> UN Security Council *Report of the Group of Experts on the Democratic Republic of the Congo*, 15 Nov 2012 (S/2012/843).

<sup>40</sup> On 30 November 2012, two weeks after the UN Security Council issued the final report of the Group of Experts on the Democratic Republic of the Congo (S/2012/843), the UK froze some pending disbursements to the GoR and did not release a £21 million payment of general budget support, which was due in December. See the DFID statement of 30 November 2012 available at <https://www.gov.uk/government/news/rwanda-uk-freezes-budget-support-to-government>.

<sup>41</sup> In March 2013 £16 million of this aid was reprogrammed, channeled through projects rather than as direct budget support. See the DFID Ministerial Statements of 1 March 2013, available at <https://www.gov.uk/government/speeches/statement-from-justine-greening-on-aid-to-rwanda>.

<sup>42</sup> Targeted financial aid is disbursed using the government systems (as it is implemented by the government) but it targets specific needs within specific sectors. “Payment by results” is also integrated into the government systems but it is triggered (through reimbursement) only when the foreseen outputs are implemented.

who were interviewed commented that the sudden reduction of aid contravened to a certain extent the principles agreed upon at the global fora on aid effectiveness. It reduced predictability and affected the capacity of the government to implement the national development plans and strategies, they claimed, indicating that DPs were mistakenly mixing political events with development.<sup>43</sup> Donors in general, expressed their concerns about the aid being expended in military activities.

Nevertheless, although some donors cancelled and reprogrammed their contributions, the above-mentioned events did not escalate and the positive atmosphere was quickly restored. On 18 October the same year, shortly after the UN report was leaked to the press, 148 out of 193 member states of the UN General Assembly voted for Rwanda for a two-year tenure as a non-permanent member of the Security Council. The Assembly was immersed in a climate of high tension between Rwanda and the DRC. Nevertheless, Rwanda got enough support in the first ballot to obtain the seat on the Security Council reserved for the African regional block, surpassing Tanzania (3 votes) and the Democratic Republic of Congo (1 vote).

In spite of the allegations, the GoR possessed an overall good international reputation built over the years and backed by the macroeconomic stability of the country and its outstanding growth rates. Hence, after the 2012 aid drop, on April 2013 Rwanda became the first country in East Africa to turn to international markets to raise funds by launching a \$400 million 10-year bond. The low interest rate levels in the developed world coupled with the success story of the socioeconomic recovery of Rwanda attracted many investors which made the bonds about eight times oversubscribed. Moreover, although foreign assistance slightly decreased in 2012, the aid flows increased again in 2013 and 2014, surpassing one billion USD each year (1,106.28 and 1,059.96, respectively).

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<sup>43</sup> Interview with a government official 7 June 2016, Kigali. Interview with a civil society representative, 10 June, Kigali.

*From 2015 onwards*

In more recent times the event that has captured possibly most of the attention of the development partners in Rwanda is the referendum held on 18 December 2015 to amend the Rwandan constitution and introduce exceptions to presidential term limits. Most of the DPs have raised concerns in this regard, pointing to lack of transparency regarding the procedures related to the plebiscite.<sup>44</sup>

Nevertheless, whether those concerns will affect in any substantive way the current relationship between the GoR and the donors or the volume/conditions under which aid is addressed to Rwanda in the following months/years is something that seems unlikely. All the interviewees expressed in one way or another that those concerns and the ones expressed in the past have had no such. To explain this, the interviewees submit two lines of argumentation.

Representatives of the development partners, government officials and members of the civil society, all highlight the exemplarity of the GoR in rebuilding the country after the genocide and establishing a comprehensive and coherent regulatory and institutional framework to coordinate and optimize the development efforts undertaken in the country. The words “exemplarity,” “impressive,” “success,” and even “miracle” emerge frequently in the interviews to reflect the progress made under the leadership of the GoR. Specifically, in the aid sector such praise is extended to the sophisticated and at the same time effective system in place. To describe it, the interviewees use adjectives such as “efficient,” “effective,” “accountable,” and “transparent.”

In addition to the “exemplarity argument,” another explanation clearly emerges from the interviews held with the DPs —especially but not only with bilateral donors— which is elaborated not as a standalone argument but as a factor that complements the

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<sup>44</sup> See for instance the Declaration of 3 Dec 2015 by the High Representative for Foreign Affairs and Security Policy on behalf of the EU or the press statement on 2 Jan 2016 of the spokesperson of the Bureau of Public Affairs of the US government.

other argument (exemplarity). Both together better explains why the relationship GoR–DPs is not significantly affected by increased criticism of the GoR in the field of civil liberties and political rights. This second argument refers to the unfortunate role that the international community played before and during the genocide in 1994. There is now enough evidence to document how the UN and the international community failed to meet minimal human values and moral standards in Rwanda. Several authors have directed important efforts to carefully unveil the details that demonstrate the deliberate lack of involvement by the international community in preventing or stopping the genocide.<sup>45</sup> Thanks to them, today we know that UN inaction was rooted in deliberate policies forced upon the UN Security Council, mainly by the United States<sup>46</sup> and the UK,<sup>47</sup> wrapped in an atmosphere of general confusion within the Security Council. We also know that the Secretary General at the time, Boutros Boutros-Ghali, refused to suspend a tour in Europe when the genocide started, seen by many as something inexplicable and irresponsible (Malvern 2000, p. 158). We know as well that the world had enough information about the unchecked militarization of Rwanda during the years before the genocide and about the preparations of the mass killings by radical factions of Juvénal Habyarimana’s military forces (*interahamwe*) before the massacre started.<sup>48</sup> We know as well that the

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<sup>45</sup> See for instance Dallaire (2003), Melvern (2000) and Kuperman (2001), op cit. note 3.

<sup>46</sup> The United States was reluctant to participate in new peacekeeping operations after what happened in Somalia on October 1993 in the Battle of Mogadishu, widely covered by the global media, where 18 American soldiers lost their lives in a mission that was perceived by many as a failure and that provoked considerable criticism of the Clinton Administration (Malvern 2000, p.130; Kuperman 2001, p.50).

<sup>47</sup> The UK’s position, represented in the UN Security Council by Ambassador David Hannay, was to not reinforce UNAMIR and to argue that the Arusha accords should be complied with. Later in his memoirs Hannay claimed that the Security Council members, and particularly the UK, lacked crucial information on what was happening at the time in Rwanda. Only later would it be known that the British had first-hand information on how events were unfolding thanks to the British high commissioner in Uganda (Malvern 2000, p. 130–131).

<sup>48</sup> Kuperman (2001) describes rigorously the large amount of cables and reports circulating among UNAMIR (Kigali) and senior UN representatives and Ambassadors during the months/days before the genocide. Particularly, Kuperman offers details on Dellaire’s cable of

International Force sent on 9 April 1994, which jointly with the blue helmets already in the country was considered big enough to have prevented tens may be hundreds of thousands of killings, was sent by France (two contingents of 190 and another of 400 heavily armed troops) just to evacuate expatriates, a total of 3,900 of 22 nationalities in four days (Malvern 2000, p.162, 170). And among many other disconcerting details that are far beyond moral acceptability, we also know that most countries resisted calling the mass killings what they were—genocide—in order to justify their lack of engagement.<sup>49</sup> As General Dallaire, the Commander of the UN Peacekeeping Force in Rwanda (UNAMIR) noted, *“The international community, of which the UN is only a symbol, failed to move beyond self-interest for the sake of Rwanda. While most nations agreed that something should be done, they all had an excuse why they should not be the ones to do it. As a result, the UN was denied the political will and material means to prevent the tragedy”* (Dellaire 2003, p. 516).

The embarrassment about and guilt over such a recent episode in the history of humankind has been expressed by leaders all around the world,<sup>50</sup> urging a moral pardon in an attempt to restore trustworthiness on a global institutional order, which will have difficulty regaining credibility among the Rwandan people.

The absence of moral authority in the international community to require that the government carry out demands on issues pertaining to the field of justice and morality is a belief that is deeply embedded in Rwandan politics and social life. A respondent from the DPs argued that there are thresholds that are very high in Rwanda because of those historical reasons, which as a result leave little room for challenging the official

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11 January 2011 to the UN Headquarters reporting paramilitary training and extermination squads (Kuperman, 2001, p.102).

<sup>49</sup> Particularly striking was the resistance of Madeleine Albright, the U.S. permanent representative to the UN, and David Hannay, her British counterpart, to use the term “genocide” until de facts were fully evident (Dellaire 2000, p. 364).

<sup>50</sup> Among many others, these sentiments were expressed by Bill Clinton, in a visit to Kigali in 1998; Kofi Annan in 1999 on behalf of the United Nations; the Belgian Prime Minister Guy Verhofstadt in Kigali, April 2000; and most recently by the UN Secretary General Ban Ki-moon in Kigali 16 April 2014 during the memorials for the genocide.

narrative.<sup>51</sup> The fact that the international community ignored Rwanda in such difficult times reinforces the current official positions and ultimately releases the GoR from any perceived obligation to attend to concerns raised by its DPs, no matter how much support it might receive from them. Another one of the interviewees from an international religious organization based in the country stressed that the present GoR has every right to challenge to a certain extent the concerns of the donors and address them by saying “*you abandoned us in 1994 so don’t tell us what to do now.*”<sup>52</sup>

### **Final considerations**

Not only the socioeconomic performance but also the exemplarity of the aid management system put in place by the GoR have made it possible today for many in the international cooperation field to refer to Rwanda as a success story of post-conflict reconstruction. This is crucial for understanding the current proactive and solid relationship between the GoR and its DPs. However, it is not sufficient to fully explain why concerns raised by the donors about shortfalls in political rights and civil liberties, do not substantially affect their relationship with the GoR or the aid flows that support such a relationship. As the evidence from the interviews reveals, the dramatic past of Rwanda and in particular the lack of morality exhibited by the international community before and during the genocide, has contributed to shaping the current cooperative framework between the GoR and the DPs, which is focused on purely developmental matters (i.e. health, education, infrastructure) and displaces other considerations related to political rights and civil liberties.

It would not be accurate though to assert that indifference to issues on political rights and civil liberties prevails among the international community. In addition to an increased number of concerns expressed through formal statements, since 2012 DPs have progressively adjusted their aid modalities and moved them away from highly discretionary forms of aid (today Rwanda does not receive GBS for instance and most of the aid is transferred through modalities that could fall under traditional project

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<sup>51</sup> Interview with a representative from the DPs, 7 June 2016, Kigali.

<sup>52</sup> Interview with a missionary worker, 3 June 2016, Kigali.

support).<sup>53</sup> Moreover, some interviewees consider that those “soft measures” are at this point the right and only strategy available for pursuing greater achievements in the field of political rights and civil liberties in Rwanda. Only by maintaining our bonds with the government, they assert, are we capable of contributing to improvement of things on that front. Using the words of a respondent from the development partners, “*the statements [raising concerns] made are often an invitation to be more open and ready to dialogue.*”<sup>54</sup> Furthermore, given the volatility of the region, some interviewees also highlighted the importance of maintaining the current stability in Rwanda, which, according to them, argues in favour of keeping a soft approach to concerns about civil liberties and political rights in the country.<sup>55</sup>

In this work I have tried to reveal the pillars that sustain the current development cooperation framework in Rwanda, which presents some particularities that make it unique. Whether this framework, whose prospective for changing in the short/medium term appears limited, will lift many Rwandans out of poverty and transform Rwanda into the middle-income country envisaged by its leaders backed by the DPs, is something that remains to be seen. Let us hope that we will see it.

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<sup>53</sup> Interview with a government official, 7 June 2016, Kigali.

<sup>54</sup> Interview with the head of a cooperation agency, 31 May 2016, Kigali.

<sup>55</sup> Interviews with the heads of cooperation agencies, 9 June 2016, Kigali.

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## **CHAPTER 4. MORALITY AND GLOBAL POVERTY — NORMATIVE / PHILOSOPHICAL APPROACH**

### ***“Overcoming the paradigm of the do-no-harm motto: the nonsensical individualistic moral framework to global poverty”***

*It seems reasonable to assert that it is good and generous to reduce global poverty and to help those most in need, but do we possess a moral duty to act in this way? The search for answers to the preceding questions is clearly not new and is particularly familiar to moral and political philosophers, who have contributed in important ways to this search by deepening the traditional division between negative moral duties to do no harm and positive moral duties to help, generally providing to the former — negative duties— a stronger defense regarding their enforceability and capability to become our main moral guide.*

*Nevertheless, given the perseverance of poverty, it seems worthwhile to intensify the pursuit of sound arguments that invite us to revise the pillars on which moral standards often rest. In this paper, I advance the claim that we are capable of rebuilding such pillars and justifying plausibly the existence of a (positive) moral obligation to eradicate global poverty grounded on the maxim of helping rather than not harming, if we abandon the commonly practiced method of embracing moral intuitions founded on arguments that wrongly place the burden of eradicating global poverty on individuals.*

## Introduction

Today hundreds of millions of people do not meet universally recognized basic human needs for food, shelter, clothing and medical care.<sup>1</sup>

Although it is commonly agreed that the latter does not represent a desirable outcome, from there it does not seem to follow an equally wide, extended understanding of justice that prescribes a firm and unavoidable positive moral duty, extensible to all human beings, to eradicate global poverty. An indicator of this lack resides in the fact that global poverty perseveres over time even if its eradication is feasible. Although controversial at first sight, this assertion stems from a litany of facts that provide an objective sense of the relatively modest efforts required to end poverty through small reductions in global inequality. Some illustrative examples are offered for convenient reference. First, while the bottom half of adults collectively own less than 1% of total wealth in 2015, the richest 10% own 87.7% of all assets.<sup>2</sup> Second, the 100 richest people increased their wealth by \$240 billion in 2012, an increase sufficiently large to end global poverty four times over.<sup>3</sup> Third, global military spending in 2010 was 12.7 times higher than the total amount provided as Official Development Assistance (ODA).<sup>4</sup> These facts show that poverty is not about scarcity but about policies and distribution. Poverty is not about aptitudes but about attitudes.

Nevertheless, the acceptability of this starting point (i.e. global poverty persists even though its eradication is feasible), which is of an empirical nature, requires an

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<sup>1</sup> In 2015 836 million people are living in extreme poverty on less than \$1.25 a day worldwide (see the *Millennium Development Goals Report 2015*) available a

t [http://www.undp.org/content/undp/en/home/mdgoverview/mdg\\_goals](http://www.undp.org/content/undp/en/home/mdgoverview/mdg_goals)

<sup>2</sup> Credit Suisse's *Global Wealth Report 2015*, available at <https://publications.credit-suisse.com/tasks/render/file/?fileID=F2425415-DCA7-80B8-EAD989AF9341D47E>

<sup>3</sup> Oxfam report 2013 *The Cost of Inequality: How Wealth and Income Extremes Hurt Us All*, available at <https://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf>

<sup>4</sup> OECD, Official Development Assistance 2014, available at <http://www.compareyourcountry.org/oda?cr=oeed&lg=en>

additional defense, as it implicitly contains some controversial assumptions. First, if global poverty is understood as an event that lasts over time even though it could be overcome with relative ease, then it is indirectly assumed that the efforts to eradicate global poverty undertaken to date – mainly through foreign aid as the key instrument – are, at best, unsuccessful. But is this true? Is the international foreign aid apparatus, nothing but a colossal and intricate global mechanism whose fruits in terms of poverty reduction are far away from the optimism of the discourse that surrounds it? On this front, the truth is that a lack of positive empirical results on the effects achieved thorough aid characterizes a large body of literature known as Aid Effectiveness Literature (AEL).<sup>5</sup> Moreover, an important part of that literature has lately attracted great attention by stressing that aid might not only not help but eventually harm developing countries (Easterly 2006, Moyo 2009).<sup>6</sup> This is not surprising as empirical evidence also suggests that a framework that constitutes an opportunity for advancing the priorities and ideological interests of the donor countries often underpins the official international cooperation apparatus.<sup>7</sup> In any case, whether foreign aid is more or less efficient is a controversial and long-debated topic. What is less open to debate and more factual is that global poverty persists and the ODA's intentions and merits are unclear after more than half a century of intensive foreign aid.

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<sup>5</sup> To fully capture the contrasting findings of the AEL, see the recent work of Askarov and Doucouliagos (2014), 'Development aid and growth in transition countries', or the comprehensive analysis of books related to aid published during the 2000s, undertaken by Engel (2014), 'The not-so-great aid debate'.

<sup>6</sup> The notion of aid used here is the one used by the prolific 'Aid Effectiveness Literature' (AEL), which normally measures the efficiency of aid flows known as Official Development Assistance (ODA) provided by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD):

'ODA is defined as (...) each transaction (...) which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective, and b) is concessional in character and contains a grant element of at least 25% (calculated at a rate of discount of 10%)' (<http://www.oecd.org/dac/stats/34086975.pdf>).

<sup>7</sup> See for instance Fuchs et al. (2012) 'Determinants of donor generosity: A survey of the aid budget literature'.

This leads to a second frequent controversial assumption derived from our starting point: global poverty perseverates. Many claim though, that it is progressively being reduced. The institutions closely linked to international efforts like the Millennium Development Goals (MDGs) often provide encouraging news on this front. They give vast credit to the national and international efforts driven by the MDGs in having made a profound difference in people's lives. The MDGs 2015 report, for instance, begins by asserting: 'The global mobilization behind the MDGs has produced the most successful anti-poverty movement in history'.<sup>8</sup> However, beyond this optimism, serious doubts have risen regarding how far the world has come in reducing poverty: first, there are severe technical concerns about the methodology used for counting progress in some of the MDGs<sup>9</sup> and second, even if we rely on such methods, the number of poor persons in sub-Saharan Africa, the region where most poor people live, has increased from 1981 to 2010 (from 205 million to 414 million).<sup>10</sup> Moreover, in instances where the MDGs have been attained, there are solid grounds to believe that a big part of the triumph can be easily attributed to the rapid economic growth of China and India during the 1990s rather than to the merits of MDG-oriented activities (Curtis and Poon 2009). Therefore, the evolution of global poverty over the last decades as well as the advances that have apparently occurred as a result of international cooperation, do not seem so rosy when a detailed analysis on the subject is performed. The picture becomes even less remarkable if we acknowledge that from 2001 to 2011 nearly 700 million people emerged from extreme poverty (as the traditional methodologies to count the poor seem to indicate), but most of them only barely, as many still remain very close to the conventional thresholds of extreme poverty. In 2011 for instance, 56% of the world's population was living precariously

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<sup>8</sup> Ban Ki-Moon, Secretary-General, UN, in the Preface of the *Millennium Development Goals Report 2015*.

<sup>9</sup> See Pogge (2004) "The First United Nations Millennium Development Goal: A cause for celebration?" for a detailed analysis of the methodological shortcomings of counting the progress of MDG-1.

<sup>10</sup> See the WB note "The State of the Poor: Where Are the Poor and Where Are They Poorest?" available at

[http://www.worldbank.org/content/dam/Worldbank/document/State\\_of\\_the\\_poor\\_paper\\_April17.pdf](http://www.worldbank.org/content/dam/Worldbank/document/State_of_the_poor_paper_April17.pdf)



with an income between USD 2 to USD 10<sup>11</sup> per day, which makes it difficult to believe that the world is progressively overcoming extreme inequalities and global poverty.<sup>12</sup>

Finally, if we decide to credit the idea that ODA is the road to terminating global poverty, when we examine carefully what happened on that front, we observe that the average formal contributions of the developed countries to alleviate global poverty in 2014 amounted to 0.29% of the donor countries' GNI, which is quite distant from the 0.7% widely advocated by the UN. This amount is not helpful for defending the persistence of poverty as a result of the impossibility of finding the right path to eradicate it.<sup>13</sup>

In spite of the above, disagreement is frequent over the idea that global poverty perseveres even though it could be eradicated, because ultimately, assuming the above, implies accepting that our moral standards leave much to be desired today. In any case, if such a point is conceded, the endeavor of unveiling a moral framework capable of justifying a compelling and compulsory positive moral duty to eradicate global poverty gains even more sense and relevance. To expose the moral motives that should drive the developed side of the world to eradicate global poverty becomes—if the starting point of this essay is conceded—the most important obstacle that remains to be surpass.

But to uncover plausible moral proposals on this front, we must first overcome the commonly practiced method of subtracting moral intuitions from pictures of reality that wrongly place the burden of eradicating global poverty on individuals. Exposing the latter is the main purpose of this work.

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<sup>11</sup> Note as a reference that in the United States, the poverty line in 2011 was \$15.77 per day per capita for a household with four people.

<sup>12</sup> For further details, see the Pew Research Center (2015) report entitled *A Global Middle Class Is More Promise than Reality* available at [http://www.pewglobal.org/files/2015/08/Global-Middle-Class-Report\\_8-12-15-final.pdf](http://www.pewglobal.org/files/2015/08/Global-Middle-Class-Report_8-12-15-final.pdf)

<sup>13</sup> OECD, *Official Development Assistance 2014*, available at <http://www.compareyourcountry.org/oda?cr=oeed&lg=en>

**Negative versus positive duties.**

Are the citizens of affluent countries who live a comfortable life morally obligated to assist distant strangers in great need?

Most today would agree that every person has a fundamental right not to be harmed. However, can we resolve that people possesses a similar fundamental right to be helped when they need it? Today it seems central to distinguish between negative duties to do no harm and positive duties to help when judging the enforceability of moral obligations. That approximation to the subject enjoys wide acceptance, not only in the philosophical realm but also within the international cooperation arena. Such an approach has permeated the global justice debate since its inception, giving shape to a categorization of duties that differentiates between those that are perfect and determinate (negative) from those that in contrast are imperfect, ambiguous and often highly demanding (positive). This categorization has frequently served to delineate the boundaries between morally enforceable duties (negative duties to do no harm) and other responsibilities that are closer to a voluntary rather than an obligatory act (positive duties to help).<sup>14</sup>

However, this differentiation is progressively diminishing in applicability and realism. Citizens in wealthy countries leading ordinary lives and following, in principle, the ‘do-no-harm’ attitude as traditionally conceived, might incur what Judith Lichtenberg describes as ‘New Harms’ (Lichttenberg 2014, p.73), as today, trivial things such as the goods and services we consume in our regular life can affect others far away, often negatively. The phenomenon of climate change represents possibly one of most

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<sup>14</sup> In close parallel to the division between negative and positive duties, the distinction between duties derived from justice (perfect duties) and duties derived from virtue (imperfect duties) has been intense. The perfect duties (normally negative duties not to harm) are usually considered more specified and connected to stronger coercive forms of accomplishment than the imperfect duties, although, as noted by Murphy (2014), philosophers such as Amartya Sen have recently advocated for a different understanding of such imperfect duties, which confers on them a more solid and enforceable moral weight.

effective exemplifications of how our actions can affect people living thousands of miles away and also even future generations. Current consumption patterns, particularly (though not exclusively) in the energy sector, exact severe damage to our planet, thus negatively affecting both living and unborn people. Moreover, among the living, the poorest in developing countries are the ones who most suffer from the effects of climate change, as destructive natural disasters punish socially and economically vulnerable individuals with particular severity. Within the climate change debate, as Henry Shue observes, ‘the distribution of the dangers bears no relation to the distribution of the benefits’ (Shue 2015, p.5), thus exposing that wealthy countries, where unsustainable consumption and production patterns prevail, enjoy high living standards while contributing tremendously to climate change, whose most devastating effects are suffered by poor people in distant regions. The consequences of climate change on our moral standards and attitudes regarding persons far away, both physically and temporally, are therefore significant and a thoughtful discussion of these consequences—that will possibly disrupt our current moral attitudes—is pressing and unavoidable.<sup>15</sup>

Although such a discussion cannot be held here, I hope that the brief overview offered above shows that the New Harms (retaining Lichtenberg’s term) oblige us to redraw the boundaries that determine the degree of enforceability between the traditional understanding of negative and positive moral duties. It is no longer morally sufficient to live an independent life without disturbing our neighbors or interfering negatively in their lives. Broader social and institutional arrangements characterize this new era of globalization and, as Samuel Scheffler (1995) has already reminded us, the normative significance of the new global interdependencies must reshape the responsibilities of individual agents.

The collision of lifestyles in Western developed economies with the development paths of poorer countries supports the normative position that upholds the existence of a firm moral duty to eradicate global poverty based on the widely accepted attitude of ‘do-no-harm’. The position is aligned with strong arguments advanced by

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<sup>15</sup> For a complete analysis, see Henry Shue (2015) “Distant Strangers and the Illusion of Separation: Climate, Development, and Disaster”.

cosmopolitan philosophers such as Thomas Pogge, who claims that the global institutional architecture has been developed and maintained by wealthier nations for their own benefit, by imposing a set of rules upon the poorer nations that ensure that global resource transfers proceed not from the rich to the poor, but in the opposite direction. As long as the international system is organized to maintain the privileges of the most powerful and the richest nations of the world, Pogge follows, ending the resulting poverty frames can no longer be accomplished by a sense of justice supported by charitable values and humanitarian sentiments. Rather, eradicating poverty is to be regarded as a duty derived from the universal right not to be harmed (Pogge 2002).

For many readers, the arguments provided so far may suffice to uphold a moral duty to help the poor and to positively answer the question posed at the beginning of the argument (i.e., are citizens of affluent countries morally obligated to assist distant strangers in need?). For others, instead, a moral duty to eradicate global poverty cannot be justified using the argument of breaching a negative duty to do no harm, as the role of wealthy nations in historically producing global poverty is far from clear, they claim, and it cannot be demonstrated.

However, beyond the previous discrepancy which arises from different understandings of the causes of global poverty, I believe that it would be disappointing if we could not construct arguments of enough moral force to uphold a duty to help the poor even when it is unclear whether global poverty has been caused by comfortable citizens in rich countries or by these countries' legitimate representatives. It seems to me morally insufficient that in order to confront pressing challenges such as global poverty, we must rely exclusively upon the notion of 'compensation' (not-to-harm attitude) as our sole moral guide. And it is even more disappointing if it becomes feasible to articulate a plausible and theoretically consistent moral framework that is capable of justifying an obligation to eradicate global poverty not from a negative but from a positive duty perspective. This essay attempts to uncover such a framework by sifting the focus from an individualistic to a collective approach to global poverty, but first, the constraints that a positive moral duty to eradicate global poverty often finds in political philosophy need to be briefly recalled.

### Why not just a duty to help *per se*?

For adherents to the do-no-harm attitude as our moral tutor, while global poverty represents a terrible event, it nevertheless does not impose *per se* any duty on citizens of the developed countries or their legitimate representatives, unless this last group is revealed as responsible for it. Independently from how damaging global poverty might be for the ones suffering it, why should individuals who are not responsible for that situation bear the burden of solving such a large, complex tragedy? On which moral grounds is eradicating global poverty their responsibility?

Let us review the above inquiries in light of our intuition and ordinary moral judgments. Few individuals would be inclined to condemn a person for failing to help others if providing the aid would cause the person to incur severe difficulties. However, if tragic circumstances affect a person or a group and the act of assisting does not negatively impact the normal course of life of the helpers or of others, it seems that a duty to help necessarily emerges. An example that supports the inclination to justify an obligation based on such reasoning is the widely extended legal concept of a ‘duty to assist’ or ‘duty to rescue’. This concept specifies that a person can be held liable for failing to help another person in peril unless doing so would put herself or others in danger. The duty to rescue, whenever rescuing is feasible, seems to wield moral force, and countries including France<sup>16</sup>, Germany<sup>17</sup>, Italy<sup>18</sup>, Norway<sup>19</sup> or Spain<sup>20</sup>, among others, have already adopted legal sanctions that require citizens to assist people in distress.

This notion of helping shares similarities with the utilitarian conception of justice, which proposes that whenever someone can be helped without sacrificing anything of comparable moral importance, helping that person or group of persons is the right

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<sup>16</sup> Art 223-6 Code Penal

<sup>17</sup> § 323c Strafgesetzbuch 1871

<sup>18</sup> Art 593 Codice Penale 1930

<sup>19</sup> Art 387 Straffeloven 1902

<sup>20</sup> Art 195 Código Penal Nuevo 1996

course of action. The utilitarian stance is wholly familiar today by virtue of philosophers such as Peter Singer and, although plausible at first sight, for many scholars this stance represents too extreme a moral position. Hence, numerous critiques of the utilitarian account have emerged over the years claiming that the utilitarian requirement for individuals to tackle pressing global challenges such as global poverty are too demanding, to the extent of contravening basic notions of individual freedom and autonomy.

Interestingly, in Singer's famous example of a child drowning in a shallow pond (Singer 1972), 'demandingness' seems to be the pivotal issue in our moral judgments. The evident minimal amount of costs involved to save the child is the element that led Singer to establish a sharp obligation to act in such a case. If, changing the circumstances of the example, the situation where such that providing assistance would imperil the rescuer, then the obligatory character of helping would lose its moral force. The point here is that intuitively, the demandingness of helping people in dire peril seems to exhibit moral weight in the process of assessing the extent to which helping becomes obligatory or in contrast supererogatory. Therefore, it is quite plausible to believe that we are inclined to morally condemn individuals if they refuse to help another person in acute peril (i.e., facing possible death) due to trivial reasons. By contrast, few individuals would morally censure a person who does not help another if the act of helping puts her in peril.

What can be inferred from the previous moral intuitions? In the end is it all about the costs of providing the assistance? And if that is the case, at what level do we set the limits that would be bearable to aid people in distress? Judith Lichtenberg, in *Distant Strangers* (2014), developed a proposal oriented towards avoiding the extreme positions that this problem leads us to. Hence, concerned about the contemporary philosophical treatment of the subject of global poverty, which either puts us in a very demanding position (if we follow utilitarian views as the ones proposed by Singer) or release us from any duty with respect to the global poor (if we follow a strict libertarian approach to global justice sustained solely by negative duties), Lichtenberg advocates for a 'reasonable' middle ground where far from being permissible with poverty, 'demandingness' does not suffocate our moral sense on the subject. To put it in her own words, 'a valid morality must be much more sensitive to demandingness

considerations than traditional moral theories (whether in their usual consequentialist or deontological guises) have been.’ (Lichtenberg 2014, p. 17). Lichtenberg’s arguments unveil the acceptance and importance of the notion of ‘demandingness’ when deliberating about positive moral duties towards global poverty.

Nevertheless, demandingness does not seem to be the only consideration found in the literature that constrains the scope of positive moral duties towards the global poor. Other considerations also emerge, such as ‘proximity’, which seems to have an important effect on how we conceive of a moral duty to help others. We appear to be more inclined to assist others when they are nearby and less concerned with people’s circumstances in places faraway.<sup>21</sup> Hence, living close to persons with the same individual goals, values, aspirations and interests, which are often linked to self-realization and/or improvements in several aspects of life (i.e., profession, leisure time, etc.) but not close enough to people dying for lack of food or medicine, appears to make us morally insensitive to global poverty. But does the difference between near and far really account for our different judgments regarding moral duties?

Frances Kamm (2000) has developed possibly one of the most elaborate and plausible arguments advocating the moral worth of distance in our judgments to help, challenging the consequentialist proposal of Singer, which, as discussed, specifies a moral duty to assist others regardless of their location so long as nothing of comparable moral importance is sacrificed in providing the aid. In general terms, the main argument that Kamm utilizes to challenge the utilitarian line of thinking refers to inconsistencies in the methodology that it employs. Singer’s analogy between the East Bengal people at the edge of life and death at the beginning of the 1970s and the child drowning in a pond intends to show that essentially both cases should receive equal

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<sup>21</sup> Note that although it is becoming increasingly present in the developed world, extreme poverty nevertheless exacts the most devastating effects on its victims in places far removed from wealthy countries. In this regard, the United Nations Food and Agriculture Organization (FAO) estimates that of the 805 million people suffering from chronic undernourishment during the period 2012–2014, 791 million live in developing countries. See FAO, IFAD and WFP (2014) *The State of Food Insecurity in the World 2014. Strengthening the enabling environment for food security and nutrition*. Rome: FAO, available at <http://www.fao.org/3/a-i4030e.pdf>.

moral judgement, as the only difference among them, which is the geographical distance between the helper and the victim, is morally trivial. According to Kamm, this analogy exhibits procedural irregularities. Beyond distance, Kamm claims, other differences of moral importance between the two cases make them incomparable, like the nature of the event and the proximity to the threat. In contrast to the famine case, which represents a structural problem, the illustration of the drowning child belongs to a category of accidental events in which, according to Kamm, it is plausible to think that distance matters morally and triggers a compelling duty to ‘rescue the victim’ (to use her own terms). If I am close to a person in acute peril and more specifically the threat that makes the person a potential victim, Kamm endorses the belief that I am obliged to display the means to save her, an obligation that would not arise if I were located far from the threat, like in the (structural) case of the famine.

Kamm’s work has sparked numerous critical reactions, which in several cases have led to refinements of her account. Ignieski (2001) for instance, claims that rather than proximity itself, the factor that our minds consider to be the source of a duty to help is the degree of determinacy of the situation that links helper to victim. In other words, the extent to which an individual can react in a determinate way to end a particular peril is crucial, according to Ignieski, in defining the degree to which that person is morally obliged to help.

A common feature of the accounts of Kamm and Ignieski is that the act of helping becomes morally compelling when we deem that it can bring a particular peril to an end (whether due to the nearness of the helper to the peril that threatens the victim, or because the scene is sufficiently explicit to indicate a determinate course of action to solve the peril, or both). In other words, we feel obliged to help others when it is apparent that we are capable of completing the task for which our help was intended, which is to end the threat and save the person. This is consistent with the account put forward by Kamm, because her qualified notion of nearness ultimately reflects the capability of the helper to end the threat that acutely endangers the victim, which is the element that constitutes the source of our moral inclination to raise a duty to help. Similarly, the notion of “completeness” elaborated here is likewise consistent with Ignieski’s interpretations of a duty to rescue because her understanding of ‘determinacy’ describes the capacity of the helper to choose a specific course of



action available to her that can end the threat. In both cases and in other attempts to intuitively justify the moral worth of distance (as a proxy for determinacy, as Ignieski would emphasize), the importance of being able to bring the particular peril to an end seems to tip the balance in favour of a moral obligation to act. Hence, it seems plausible to infer that when the act of helping can succeed at low costs, the moral obligation to help increases unquestionably (as in the case of the drowning child), though this increase does not seem to occur if overcoming the critical situation is not in the hands of the helper, even if her assistance could ameliorate the threat (as in the famine case).

In sort, the literature on morality and global justice has perceived several reasonable intuitions regarding the boundaries that a positive moral duty to help apparently possesses. Not only the idea of demandingness (of the assistance) but also the qualified concepts of nearness (between helper and threat) and determinacy (and completeness, a concept I believe grasps the essence of both former concepts) challenge the plausibility of upholding a compelling and unconditional positive moral duty to eradicate global poverty.

However, I think that the idea that a duty to end poverty depends considerably on the above concepts (whichever better fits our intuitions) is nothing but the result of applying an inappropriate method of deliberation. The methodological problem rests basically on a traditional individualistic approach to global poverty that considers private individual donations the route to end it, as reflected in the illustrations of reality upon which the moral proposals are often put forward. Would the notions of demandingness, nearness, determinacy or completeness be significant at all if the burdens of eradicating global poverty were placed far away from the shoulders of comfortable citizens in wealthy countries? I do not think so.

### **The ‘individualistic’ approach to global poverty**

It is generally recognized that global poverty is a highly complex phenomenon involving a large number of actors. Due to its intricacy, few individuals would deny that, beyond private or public contributions, eradicating poverty requires implementing institutional reforms and improving the regulatory framework at the

global level as well as at the national level in both developing and developed countries. Immersed in an attempt to emphasize the centrality of such structural changes, an important segment of the specialized literature on international cooperation claims that the official international cooperation aid system—more committed to transfers of resources rather than structural changes—does not help but rather harms developing countries. These recent positions have led to an intense debate in which the extremes, although distant on their views regarding aid effectiveness, converge in the recommendation that governments and institutions at the national and global levels should undertake structural transformations that allow the progressive end of poverty.

Surprisingly, the most common proposals regarding the moral obligations that global poverty imposes on affluent people rely most often on insights derived from arguments that focus on the monetary resources that affluent individuals should (or should not) transfer to the most needy as a vehicle to consummate their moral duties towards them. The donations of individuals living in wealthy countries have become the metric of our morality. To observe this, let us focus for instance on Singer's normative proposal in his already-discussed seminal work "Famine, Affluence, and Morality". Not giving privately to relief funds (with the Bengali crisis in the background) is, for Singer, morally unacceptable, as we should be doing all that we can to prevent famine and starvation. In Singer's words, 'if it is in our power to prevent something very bad from happening, without thereby sacrificing anything morally significant, we ought morally, to do it' (Singer 1972, p. 231).

My main objection to Singer's proposal and to other proposals that follow the same route is not its motivation or ambition, which I strongly endorse, but the character of the acts that he claims embody his moral proposition. Donating privately constitutes a central pillar to Singer and, as he notes, claiming that tragedies such as global poverty are primarily governmental responsibilities is nothing but a frequent justification for not donating, which according to Singer is a sterile route for addressing the problem. Singer's proposal is far from representing a widely accepted position, but not because of the transaction currency he has chosen to realize the moral duty (individual contributions), but because of the economic sacrifices that comfortable citizens should make in terms of donations. Other less controversial proposals in this field continue to

employ the same individualistic approach to global poverty, yet they impose less demanding requirements on individuals. For instance, as already advanced, Lichtenberg advocates for establishing ‘reasonable’ limits to what is required from ordinary persons with regard to the global poor, to whom we still possess a moral obligation, although according to Lichtenberg less demanding than what Singer proposes.

Far from revisiting all of the stances that move along the continuum between moral proposals of the Singer type that are deemed too demanding, and minimalist libertarian stances that exempt us from any positive obligation to help the poor, the above discussion simply pursues to uncover the tremendous support received by an individualistic monetarist approach to moral duties regarding eradicating poverty. In the end, those moral proposals that move in the range mentioned above provide significant weight to the individual efforts translated in donations and financial contributions that people who enjoy a certain socioeconomic comfort, should or should not make towards the world's poor.

Nevertheless, no matter how much support it may receive, this method is misleading and I believe that it should be abandoned. Moral intuitions that focus on the amount of money that an individual is plausibly willing to transfer to the poor can reflect neither the real burden that properly addressing an issue such as global poverty implicates to individuals, nor indicate the moral importance that eradicating poverty possesses for them. A fuller argument follows.

Briefly consider, for instance the substantial transformations that occurred in the modern welfare states of Western societies over the last century and in particular the unprecedented growth of the welfare regimes after the Second World War. The explanatory models of such social advancements are numerous and often divergent in what refers to identifying the key factors involved in achieving greater and more stable safety nets for the citizens of developed countries. The main reason for such variety of explanations in general terms is that welfare is a highly complex matter in which institutions and collective actors’ preferences intermingle within a multidimensional and intricate political space. In that scenario, how to reach an adequate balance between economic efficiency and social justice has characterized

most of the discussions surrounding the origins and evolvments of the welfare state which at the end is considered as the authority or organized power capable of offsetting pure market forces and protecting individuals and families from diverse contingencies such as sickness, unemployment or old age.<sup>22</sup>

Hence, from a moral viewpoint, it seems plausible to maintain that advances in the welfare state have rested considerably on the widely held belief that protecting the most vulnerable individuals and groups in a given society through a collective effort is morally commendable. The latter can then be considered an important element in fueling the interactions that led to the consolidation of the different welfare regimes, which have become more or less ‘*de-commodifying*’ depending on the historical political roots of each particular country.<sup>23</sup>

Consider now a figurative case in which the core moral discussion to justify progressive health and pension schemes within any state is shifted from a collective understanding of the endeavor of building a welfare regime—in which the burden of the endeavor rests primarily on the interactions between institutions and different interest groups—to the individual realm, and more specifically, to the economic efforts that any given person should make to the health and pension systems without knowing either how others will act or the scope of her efforts. Which intuitions regarding our moral duties towards the consolidation of a progressive welfare regime could result from such an approach?

In the figurative case described above, it would not be unusual if the notions of demandingness, nearness, determinacy or completeness featured strongly in the

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<sup>22</sup> For further details, see for instance the influential classical social democratic views on the origins of the welfare state such as Asa Briggs (1961) ‘The Welfare State in Historical Perspective’.

<sup>23</sup> For a detailed analysis of the types of welfare states depending on the degree of decommodification of an economy (the extent to which individuals in a given society can rely on public services such as unemployment protection or universal health care instead of on the labor market), see the seminal work of Gøsta Esping-Andersen (1990), *The Three Worlds of Welfare Capitalism*, which serves as the starting point for most specialized literature in this field.

deliberations on moral duties towards the establishment of a welfare system, as the realization of such duties might imply transferring large proportions of one's income in a climate of uncertainty regarding what our peers do or the scope of our accomplishments. Thus, the moral intuitions derivable from such scenario would likely support normative proposals that are reluctant to impose large burdens on regular citizens to assist other vulnerable compatriots. In the individualistic terms briefly described, no society would progress much in building a welfare regime or in undertaking any other endeavor of a collective nature, because transitioning to healthcare or pension systems requires above all institutional reforms. Although these systems could also benefit from random and independent donations of individuals, treating donations as the pillar of developing the welfare state is nonsensical.

### **The collective institutional approach to global poverty**

The previous brief analogy claims to highlight the fact that any debate on legitimate moral requirements should not be divorced from the nature of the subject that it is supposed to tackle with the moral proposals resultant from such debate. In other words, deliberations regarding what should or should not be morally required of comfortable individuals in order to challenge pressing problems such as global poverty should be framed in coherence with the nature of the problem at hand and within the range of possibilities that have reasonable potentiality to resolve the issue.

In the earlier case of welfare systems, considerations regarding how to reach such a welfare state that would depart from the individualistic approach presented above (i.e. relying on the random voluntary contributions of individuals as the engine of such collective effort) are far removed from the most intrinsic features of the welfare system itself. Hence, a line of reasoning that justifies moral duties to tackle pressing issues through insights gained from a misguided understanding of the means to resolve such issues is at best meaningless.

While it is true that by donating to effective organizations, today one person can save one life and even a thousand lives, unfortunately it is also true that extreme poverty is deeply embedded in numerous societies. Although the outstanding work of certain altruistic organizations and the valuable contributions of committed individuals are

beneficial in particular cases, they do not provide a stable and sustainable solution possibly even to those who punctually benefit from the help. Poverty is already an intrinsic and deeply ingrained feature in several areas of the world that have enjoyed large amounts of different types of aid.<sup>24</sup> The persistence of poverty for generations despite this aid implies that eradicating it requires modifying political and social structures at the national and international levels. These structural changes demand close interactions between governments and institutions rather than donations from individuals to altruistic organizations (e.g., nongovernmental organizations, nonprofit associations), which are certainly welcome but whose ability to enact structural changes at the national or global level is certainly limited.

As commented in several parts of this essay, it is hard to refute that in order to eradicate global poverty, significant institutional transformations at the national and global levels are more indispensable than private donations. Giving the fact that those transformations can only be accomplished by understanding such endeavor as a collective rather than individual enterprise, it is perplexing that an individualistic approach to poverty dominates the normative discussions that are oriented to uncovering our moral duties on this front.

But, what does the fact that focusing on private contributions does not constitute an adequate strategy to eradicate poverty implicate in terms of our morality? Does the acceptance of collective transformative measures as indispensable routes to effectively eradicate global poverty erode or dissipate individual moral obligations in this field? And in case we abandon the individualistic approach, what form should moral duties adopt?

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<sup>24</sup> The least developed countries (LDCs) consisting of 48 countries with a total population of around 1 billion and representing the poorest and weakest segment of the international community (approximately 75 per cent of their population live in poverty), have received from developed countries 1.17 trillion US dollar in 2013 constant prices, since 1960. The African continent where 34 LDCs are currently located, received 1.57 trillions US dollar (data extracted from OECD.stat, Aid ODA disbursements to countries and regions [DAC2a]).

If we agree that it is morally unacceptable to tolerate a tragedy such as global poverty when it can be overcome with relative ease, then the recognition of collective transformative measures as the unique route to effectively eradicate global poverty should not diminish in anyway the moral duties that individuals possess on the matter. Rather, this emphasizes that those duties should be realized not through private donations but by addressing the necessary efforts that trigger such collective enterprise. More specifically, such individual moral duties are realized by pushing the issue of global poverty to the top of the political agenda of our legitimate representatives through the democratic means available to us. This should not be strange by now, as political pressure has been successfully exerted in the past on multiple occasions (i.e. for instance, once again, to constitute the modern welfare regime that characterizes Western economies).

Explicitly and actively demanding an institutional order that will implement the appropriate policies oriented towards eradicating global poverty implies the adoption of a wide variety of individual actions ranging from voting for political coalitions that give priority to poverty eradication, to other forms of activism ultimately oriented towards making our moral concerns visible to the democratically elected representatives. Likewise, on the road to exercising such a moral obligation, more efforts than voting or becoming a vigorous activist may be required, such as paying more taxes or getting less social benefits. In any case the burdens on individuals under a collective approach to global poverty would never be even close to those bizarre and sterile requirements derived from a moral framework that holds private donations from Good Samaritans as the means to eradicate global poverty.

Moreover, such a collective understanding protects a compelling positive moral duty to eradicate global poverty from notions like demandingness, nearness, determinacy or completeness, which, although plausible under an individualistic conception of the means, lose realism under a collective approach. The moral duty is still individual and it triggers individual actions as discussed above but oriented towards displaying the necessary collective means to eradicate global poverty. If the discussion of the means to eradicate global poverty is addressed through an individual orientation then it should not be strange that the moral intuitions derived from such deviations offer proposals that often suffocate individuals, as the requirements of them and the

achievements of the support they could offer are blurred, uncoordinated, unsustainable and ultimately unsuccessful. We have seen already how an individualistic approach to global poverty leads to refinements of moral prescriptions by including in their deliberations notions such as demandingness, nearness, determinacy or completeness which in the end do nothing but lead to a deep scepticism about the existence of positive moral duty to help the poor and ultimately to a not-to-harm attitude as our sole moral guide. Hence, any moral proposals sustained by forged pictures of reality, such as those pictures that place eradicating global poverty at the mercy of random and uncoordinated private donations, lacks not only accuracy but also legitimacy, as these pictures do not reveal the actual burdens involved in solving the issue.

Returning to the previous analogy that links the pursuing of the welfare state to the pursuing of a world free from extreme poverty, some might be inclined to claim that such an analogy suffers from a methodological bias, as the two cases compared are not, in fact, comparable. Countries are embedded in particular cultural conventions and enjoy legitimate institutions that are able to elicit and sustain the rights and duties that govern the behavior of their citizens. However, at the international level, the appropriate institutional framework is absent, therefore a collective effort at the global level comparable to that at the country level is simply not achievable.

This claim is certainly debatable and although its full examination is beyond the scope of this essay, I will provide below a brief argument against that line of reasoning.

The post-World War II period witnessed an extraordinary upsurge of institutions at the global level that has continued until today. The representatives of the countries of the world, particularly of powerful countries, have been leading a broad and complex institutional network for seven decades now, giving shape to multiple institutions that have developed the existing regulatory framework that governs the relations between states, enterprises and individuals. Such an institutional framework, which is ultimately driven by the member states through their corresponding governmental representatives, seems as capable of maintaining the procedures and conventions resulting from its own action as it is of transforming them. So, nowadays it is difficult to argue that multilateral institutions such as the World Trade Organization (WTO),



the European Union (EU) or the multiple organs and agencies that comprise the United Nations, are incapable of affecting, for instance, the international commerce and the trade rules around the world as well as the production and consumption patterns that take place within the states, just to name a few major issues that can impact the fate of a country. The international institutional and regulatory framework might lack some of the features that its analogous at the national state enjoy in terms of legitimacy and enforceability but still it seriously affects countries and their inhabitants.

To be more specific and grounded in the global poverty issue that concerns us, some particular enquiries are offered here as illustrations that underline the ability of the institutional global order to fight poverty efficiently: is it not for instance the case that, in the framework of the above-mentioned multilateral institutions, the legitimate representatives of democratic and developed states could perfectly agree on improving international rules to corner and punish those multinational enterprises that shift profits to jurisdictions with lower or no tax rates through what is called transfer mispricing? Such practices create extremely perverse effects in the fiscal systems of those countries in which the multinationals that implement them produce or sell, seriously jeopardizing the ability of such countries (often developing countries) to follow their own path of sustainable growth.<sup>25</sup>

Or in a more positive note, was it not the will and determinacy of the representatives of the European institutions—those of the European countries as well—that improved the transparency of the existing international regulatory environment in the field of natural resources exploitation, where since June 2013, large extracting and logging companies are required to publish their payments to the national authorities in the countries in which they operate? This new measure contributes substantially to incremental transparency in a way that clearly benefits the inhabitants of resource-rich developing states enabling them to hold their governments and institutions accountable, which is undoubtedly an important step in an effective fight against

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<sup>25</sup> See Brock, G. and Pogge, T. 2014. “Global Tax Justice and Global Justice” for a succinct overview of tax abuse and its normative insights.

poverty.<sup>26</sup>

The list of examples that disclose the extremely powerful and influential character of the current institutional global order exceeds the two illustrations offered here, which claim simply that poverty is not the result of scarcity, bad luck or negligence of the poor. Poverty eradication inevitably requires altering the existing institutional and regulatory framework at the national and global levels and performing changes at such levels is and has always been a matter of attitude rather than aptitude.

In any case, disagreement on the position defended above, which is frequent, cannot erode the main point behind the analogy presented here, as the analogy or any other argument in the essay does not build on such a position. The fact that the absence of progress in introducing the structural changes required to end global poverty might be appropriately explained by alluding to a lack of either legitimacy or the capability of the existing global institutional framework is certainly a crucial issue in deliberations on how to adequately pursue global justice, but irrelevant to our discussion on moral duties. If an improved global order is to be required so be it, but it does not change the collective nature of the issue at hand. A plausible and adequate moral framework cannot be justified by relying on forged pictures of reality such as those that illustrate the eradication of global poverty as an issue that ultimately depends on the mercy of Good Samaritans. Such a misconception did not take place in relation to the emergence of welfare systems nor should it transpire in discussions related to other endeavors of a collective and institutional nature such as the eradication of global poverty.

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<sup>26</sup> For further details, see Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, available at [http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index\\_en.htm#cbr-payments](http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm#cbr-payments)

### **Final considerations**

In this work I have argued that global poverty represents a human tragedy that persists despite the fact that it can be identified and remedied. The degree of tolerance that global poverty experiences represents under these views one of the largest moral failures in human history.

Simply stated, we ought to eradicate global poverty because its effects on human beings are devastating and because we can easily overcome it if such a goal is properly framed as an endeavor of a collective and institutional nature. Those elements together (i.e. the fact that something is devastating along with the fact that we can solve it satisfactorily) trigger clear and compelling positive moral duties in other aspects of our lives and there is no reason why they cannot trigger the same imperative positive moral duties in the case of global poverty.

Today we are witnessing the consolidation of widely broadcast international efforts that, in principle, reflect a growing awareness that global poverty is a morally charged subject and that the greater the degree of tolerance we exhibit in relation to it, the greater the wrong we are committing. The approval (September 2015) by the General Assembly of the Sustainable Development Goals (SDGs) as a follow-up to the MDGs established in 2000 is a clear example of this awareness. The endorsement of such goals by the leaders of the world seems to rest (or at least that is how it is broadcast) on a firm belief that belonging to a particular community in virtue of one's birthplace should not affect the life prospects of a person, particularly if those prospects are constrained by poverty frames. If such constraints occur, humanity and in particular wealthy countries already possess sufficient reasons to act, not because they provoked the poverty (which could nevertheless also be the case), but because tolerating global poverty is morally unacceptable.

These international efforts also underscore the institutional and collective nature of the endeavor of eradicating global poverty. However, the success of the international agenda in achieving such a target is at risk of colliding with significant obstacles, particularly if certain individualistic views discussed here are not exiled from the

social and political spheres, thus enabling the structural transformations at the national and international levels that are urgently required to eradicate global poverty.

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## *CONCLUDING REMARKS*

Establishing final conclusions in the field of poverty and aid effectiveness is not an easy task. If we start from a pure macroeconomic perspective in order to disclose the effects of foreign aid, then the controversy is laid out clearly. On this regard, some authors have developed sophisticated econometric models that suggest that aid augments growth. In contrast, the models undertaken by other scholars imply just the opposite, or they simply indicate that there is not enough evidence to state that aid has positive (or negative) effects on economic growth. Moreover, if we focus —also following an econometric approach— on indicators of human development to measure aid effectiveness, as has been done in Chapter 2, then we again find that aid does not produce the expected results. But that is not conclusive either. From a country-driven analysis, such as the one conducted in Rwanda in Chapter 3, we can observe that a sophisticated and well-managed aid system like the Rwandan one seems to be capable of improving the well-being of its population at the same time displacing other considerations deeply ingrained in the human development notion. So, can we rely on the current foreign aid system as an adequate vehicle for promoting human development and overcoming global poverty?

Actually, it is hard to conclude one way or another. More research on specific country cases would certainly contribute to unveiling to what extent foreign aid is capable of transforming the reality in which people living in deprivation are immersed. In any case, given the evidence raised so far, I am inclined to think that the central role that foreign aid occupies today in the international cooperation debate can overshadow the urgent need to undertake structural transformations of the world order. The risk I perceive is that the current optimistic discourse sponsored by key international actors that broadcast good progress in fighting poverty through mechanisms such as ODA, can serve (and I am afraid it does) as a justification and defence for the status quo and ultimately for the principles governing the current global market economy and its

common practices. However, these practices are, in my view, precisely the ones that need to be transformed in some way in order to reduce extreme inequalities and fight adequately against global poverty.

I have also encountered another riddle in my attempts to better understand why poverty persists, which represents a dilemma that is often left aside in the political and public debate. Such a riddle is related to the moral pillars that sustain our attitudes when facing a phenomenon such as poverty. The puzzle can be summarized as follows: it seems commonly agreed that poverty does not represent a desirable outcome in any society. Although differing possibly on the moral grounds, people reject and condemn human misery. Moreover, it is also generally acceptable that the undertaking of some efforts by wealthy countries towards eradicating extreme poverty at the global level is the right thing to do. A sense of concern for the worst-off is a widespread value and a world without extreme poverty seems to be part of a universally endorsed ideal. However, in spite of this general moral consensus, the main tools displayed by the international community (i.e. ODA) do not exhibit either a clear commitment or successful results. What does explain this wide and quite visible gap between what seems to be the general moral stance against poverty and policy practice in this field? Have the governments and institutions in the West been moving away from the moral standpoint of the majority of the citizens that they represent or, by contrast, do governments reflect our moral values through their current policies?

The above enquiries are intriguing and, certainly more empirical research would contribute to uncovering to what extent such a gap between widely extended moral attitudes and the current policy practice is factual and responds to a reality in the field of global poverty. Anyhow, as argued before, I am inclined to think that although today there are widely accepted and compelling moral reasons to reject global poverty and consider it unjust, we are not yet embracing a notion of justice that encompasses the need to help the poor as a demanding and pressing moral duty. Although most citizens in wealthy countries condemn extreme poverty and appreciate political measures to eradicate it, the perseverance of an international architecture with dubious intentionality and limited ability to play a fundamental role in the international order to eradicate global poverty, suggests in a way that the status quo is



tolerable. If that were not the case, more than seven decades seems to be enough time for the citizens in comfortable countries to progressively exert pressure on elected government officials to the point that they would undertake straightforward strategies for eradicating global poverty.

In the long run, it seems that stronger and more decisive efforts against global poverty could emerge more easily if humanity had no doubt about the existence of a moral obligation that dictates the prevention of any person being caught in a state of permanent and abject deprivation. That is why I have put forward a normative proposal within this doctoral thesis (Chapter 4) that advocates for the existence of such a firm positive moral obligation to eradicate global poverty, which, although possibly not fully embraced today, rests on principles that are strongly rooted in our morality. The normative chapter also claims to show that the arguments underpinning some individualistic views, although widely entrenched, contain debatable moral prerogatives that have prevented us from embracing an unconditional obligation to eradicate global poverty.

It seems that currently, in the fight against poverty, we are trapped in an armoured political framework where the chances for the status quo to be prolonged are certainly higher than the chances for addressing structural transformations that permit ending poverty once and for all. Hence, given the present situation, which proposals or initiatives might make the most sense for adequately tackling global poverty while preserving certain levels of coherence and moral consistency?

If anything is open to debate, it is the question presented above; and in this regard, I hope that the three chapters presented in this thesis might contribute to better preparing us to answer such question. Thus, some key features of the international aid apparatus emerge from the three papers that could help to make proposals for the future: the fact that the international foreign aid system in place is not exhibiting pure developmental intentions nor yielding clear positive results (Chapter 2); that purported successful countries in this field have developed—in the framework of a strong partnership between government and donors—foreign aid systems that displace to a certain extent fundamental discussions on upholding values that are strongly entrenched in the notion of human development (Chapter 3); and that an

honest and coherent moral stance to confront global poverty could greatly benefit from a shift towards a collective/institutional approach to poverty (Chapter 4). These are all controversial assertions derived from the papers included in this thesis, assertions that find little space in the official rhetoric on the subject, despite their factuality increasingly being supported by empirical evidence and sound reasoning.

Returning to the enterprise of envisaging judicious proposals that allow advancement in the fight against poverty, I believe that the three points outlined in the previous paragraph push us to think that much of the pending work remains to be done in the developed part of the world. It seems unlikely, and to some extent impossible, that the legitimate representatives of rich countries would exhibit determination and coordination in the fight against global poverty if the citizens they represent do not conceive of poverty eradication as a moral obligation. In other words, we must first consider that tolerating global poverty today is immoral given the (highly presumable) fact that its eradication is feasible through appropriate policy reforms that would not substantially change the life course of any people but the poor.

I will offer some examples that illustrate the kind of policy reforms that would greatly reduce the current poverty levels and whose adoption will not diminish in any substantive way the well-being of the people living comfortably. Take for instance some of the *production-selling* practices often witnessed in the multinational corporation environment. The legitimate representatives of democratic and developed states could perfectly agree on improving international rules to corner and punish those multinational enterprises that shift profits to jurisdictions with lower or no tax rates through what is called transfer mispricing. Such practices create extremely perverse effects in the fiscal systems of many developing countries, seriously jeopardizing their ability to follow their own path of sustainable growth.<sup>1</sup>

Consider also the protection that developed countries often exert over key productive sectors in their own economies. The governments of the most powerful countries in

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<sup>1</sup> For a succinct analysis on the topic, see Pogge and Brock (2014) ‘Global Tax Justice and Global Justice’, *Moral philosophy and politics*, Vol. 1, issue 1. For an extensive discussion and different reform proposals., see the recent work of Pogge and Mehta (2016) *Global Tax Fairness*, Oxford: Oxford University Press.

the world could easily agree to increase the opportunities for developing countries to participate in the global economy (rather than to displace them from it), by discontinuing deeply ingrained practices of subsidizing their industries, usually at the primary productive sector. Undoubtedly, less support to the firms operating in such sectors in the developed world would in many ways favor the economies in developing countries.

Another example: it is not beyond the scope of the governments of developed countries to act decisively against tax haven jurisdictions that protect through bank secrecy the holders of illicit financial flows, whose existence is particularly damaging for the already fragile economies of the developing countries.

The list of examples that disclose the extremely powerful and influential character of the current institutional global order (shaped by the governments of the developed world) greatly exceeds the illustrations offered here, which only claim to show that beyond foreign aid (which is quite insignificant if it is compared to the sort of resources implicated in the examples provided), there are transformations in the world order that need to be undertaken to end global poverty, which seem fair and will not presume substantial changes in the life of regular people within the developed world.

Global poverty is avoidable and to demonstrate it widely is, in my view, of great importance. Naturally, improving the current international aid system to make it more efficient is also relevant, although focusing too much on aid—to the extent that such focus displaces an honest and realistic debate on how eradicating global poverty is feasible by transforming certain established patterns in the world order— entails serious risks. First it deviates attention and blocks urgently needed reforms by perpetuating the status quo. Second, it erodes the ability to construct a global ethic that prescribes how to face global poverty adequately and coherently.

Diminishing the fact that poverty eradication is feasible with enough political will— by undertaking policy reforms rather than through foreign aid— ultimately leads to the view of poverty as a tragedy whose eradication can only rest on the good will of Good Samaritans. Thus, far from exhibiting the enormous benefits that some political reforms would bring to poor countries, the official rhetoric seems to be focused on

highlighting the positive progress obtained from combating poverty through foreign aid. This prolongs the current aid-practices and deflects a great amount of the responsibility to eradicate global poverty towards the individuals through their ability to provide arbitrary donations to complete the task. Helping the poor then becomes an act of benevolence, charity or solidarity, rather than a moral obligation derived from a sense of global justice that recognizes the feasibility of ending poverty and dictates collective action towards that aim through the available institutional framework.

Once the fight against poverty is accommodated within the individual realm, it becomes difficult and counterintuitive, as discussed in the Chapter 4, to grant the status of moral obligation to the act of helping others, as such an obligation would imply disproportionate efforts among those individuals who help. Lichtenberg and other philosophers have already devoted important efforts to revealing the wide recognition of the notion of ‘demandingness’ when deliberating about positive moral duties towards the poor. They show that a sound and acceptable moral stance against global poverty should not suffocate individuals and therefore such a stance ought to avoid too-demanding prescriptions on what individuals should do to fight it.

If it is widely discussed and openly recognized that not only would eradicating poverty not suffocate anyone, but it just requires relatively modest efforts if the individualistic approach is abandoned and substituted by reasonable structural transformations in the world order, then the conventional conception of global poverty within the scope of charity or altruism loses moral weight and the idea of a ‘duty’ to help the poor by promoting policy change gathers strength.

The main point I seek to articulate is that today we find ourselves immersed in a development paradigm that is intensively reinforced by the main actors involved in it, who devote outstanding efforts to widely spreading praise and compliments to an international cooperation system whose achievements are highly debatable (to put it mildly). Such a paradigm relies greatly on the current ODA practices complemented by a conception of the means that puts too much weight on individual donations, avoiding addressing the macroeconomic transformations that are urgently needed to end global poverty.

Therefore, all those targeted efforts —whether from the public or private space— that promote an open and objective examination of the achievements in relation to poverty alleviation, and that attempt to show that poverty is a political problem with an affordable political solution, are in my opinion indispensable today. They could lead to achieving greater public awareness in developed countries about the fact that poverty is stoppable and that the degree of tolerance that such preventable tragedy experiences represents possibly one of the largest moral failures in human history. Attaining such general awareness is possibly the only route to compel our legitimate government representatives —mainly but not only in the developed world— to trigger the reforms needed and ultimately overcome the current development paradigm.



## ***APPENDIX. INTERVIEWS' TRANSCRIPTS.***

### **- Interview 1 -**

**Date and time:** 19 May 2016, 12:20 hrs. (25 min).

**Interviewer:** Asier Erdozain

**Interviewee:** #1 Civil Society

**Interview Setting:** Offices of interviewee

#### ***[Start of the Interview]***

***Interviewer:*** *As an NGO based in Kigali you receive funding from donors. Could you elaborate about that?*

**Interviewee:** Normally, international NGOs, when they operate at the country level, what they do seeking funds by presenting projects to donors. Most of our funding comes from USAID, DFID, EU and ASDI. Those are our main donors, who support our projects through grants.

***Interviewer:*** *Is this kind of aid directly implemented by your organization?*

**Interviewee:** Yes, we implement it, but some donors offer their funding through the Government of Rwanda. So for instance USAID signs a grant agreement with the Ministry of Finance and Economic Planning of Rwanda on annual basis and lets say that USAID provides 18 Million USD to the Government. What happens next is that we, as NGOs, compete for part of those resources, which ultimately is government money.

***Interviewer:*** *So the aid modality is general budget support, so it is like if you work with the government.*

**Interviewee:** Well, I think that every donor has its own policies. Some give money like the US government but not as direct budget support but through different

institutions. There are others that earmark part of the funding that they provide to the government for the civil society including both national and international NGOs. In any case, the GoR still signs for it. So we are accountable to the government.

*Interviewer: When you implement those projects earmarked for the civil society, how do you report the implementation?*

**Interviewee:** We report both to the donor and to the government of Rwanda. We provide reports to an institution in Migration responsible for international NGOs and we need to have an agreement with the right ministry. For instance, if we are doing something about food security, I am supposed to have an agreement with the Ministry of Agriculture. So they know what we are doing and we can work together. We are responsible for the donor but also for the government. I think that Rwandan Government is very clear in saying “look, we are the drivers here” and you have then to fit into government priorities rather than we sitting down and saying ok, I would like to do a, b, c, etc. Some times you have to present your work to the Districts for example, and they have to agree on what you want to do and confirm that it is within the national priorities like the Vision 2020, the EDPRS or the DDPs (District Plans), so they tell us, are you sure that what you want to do is aligned with the DDPs of the District? So there is close collaboration with the government.

*Interviewer: So how would you define briefly the relationship with the GoR?*

**Interviewee:** I think that it is a very good process although not always smooth, because some times there are disagreements with the government, normal tensions, but we are accountable and we know that we have to work together. There is no choice, actually.

*Interviewer: In the country, there are various official spaces meant to congregate development partners (meaning donors, civil society and private sector) and the GoR. I am talking about the Development Partners Coordination Group and the Development Partners Retreat. Do you feel integrated in such institutions?*



**Interviewee:** Not really. I think that they are held at a certain high level. First, It is only for those countries that are giving direct budget support. Besides the participants have the level of Ambassadors and as an Honorary Consul I have not such capacity of negotiation.

*Interviewer: So would you say that there are two kinds of prerequisites to attend those events, which are 'level' and also the fact that the participating donor is providing direct general support?*

**Interviewee:** Yes, exactly.

*Interviewer: I would like to talk a little about the topic of accountability, which represents a hot issue since the Paris Declaration. In Rwanda, as you know, a large package of measures to increase mutual accountability between donors and the GoR has been implemented. Actually, I can think now of two tools: the Donor Performance Assessment Framework and the Common Performance Assessment Framework, the first one for the donors to measure if they accomplish their commitments and the second one for GoR to measure its progress towards the EDPRS. How do see those exercises? Are they reaching international NGOs like yours?*

**Interviewee:** I do think first of all that those processes are very important for both the donors and GoR. I think that there must be accountability mechanisms in place to see where exactly the donor money goes, which is ultimately citizen's money of the donor countries. Furthermore, I see that accountability is also important for the Government, as it must look at these resources carefully, because this money might have also some attachments (conditionality). But one think though that I feel that is really missing is the involvement of the civil society. The people are not involved in these decisions, which I feel that it is really not correct. I think that yes, it is good for the two parties (donors and GoR) to have discussions but what about the people? What about their perspectives about where the money should go? Are they given enough space? I think that there should be another level of accountability for civil society so it can provide inputs about how this donor money should be spent. I think this is missing in Rwanda.

**Interviewer:** *So if we now go to the street and ask regular people about those mechanisms and the results that they produce people would not know...*

**Interviewee:** I think they have no idea. I feel that there should be another side level that is really different from these two (donors, GoR) where civil society is given the opportunity to say what it sees, to express their priorities, so that they are really involved into the decision-making process of how much and where the money goes.

**Interviewer:** *Even being coordinating an international NGO, don't you feel that you have certain advocacy capacity with regards to the accountability mechanisms?*

**Interviewee:** No, not at all. I could have advocacy on other issues more linked to the implementation of our projects. Nevertheless, I think that recently the EU is reviewing the involvement of the civil society into the aid effectiveness debate. I think this is a starting point. Even beyond the EU, other donors should think of how to involve people in all those accountability mechanisms before coming up with proposals on how they operate, their composition, etc.

**Interviewer:** *In addition to Vision 2002 and the first PRSP, two main development strategies have been launched by the GoR in recent years: EDPRS-1 (2008-2012) and EDPRS-2 (2013-2018). From one to the other, it can be perceived a shift in discussion. From a demand to the donors to scale up aid (EDPRS-1) the GoR moves towards reducing aid dependency and rely more in the private sector (EDPRS-2). Can you perceive that such strategy is being implemented?*

**Interviewee:** I think that the strategy of the GoR is a good one. We have been depending on aid at some level and at certain point you ask yourself for how long this should keep happening. If you look at the global economic trends, there are a lot of issues going on in the world and whether you like it or not, at some point aid needs to go away. Besides, the countries that have been the traditional donors are facing their own challenges as well. Aid might then be diverted to their own security, prevent terrorism, etc. So I think that it is a good strategy for the GoR to think, ok, how could we really cover our development without aid? But one thing is to have a strategy and another thing is to achieve it. It takes time. The private sector is very weak. When you

look at it, you can see that it is not strong and the taxation bases are weak to sustain the economy. So it is a good strategy to see where I want to be in the coming years, but it really requires hard work and it will take a lot of time....it is not easy.

*Interviewer: But can you perceive that the GoR is putting forward measures within the regulatory framework to reduce aid dependency and bet for the private sector?*

**Interviewee:** Well, the economists generally promote to develop strong industries and private sector to be able to generate jobs for people to pay taxes to cover some of public expenses. I think that it is not something that easy but I can see where the GoR wants to be in the coming years. But I have a feeling that it is going to take more time than they think, because there are so many other factors, for instance Rwanda is a landlocked country, where improving the energy and transport sectors are big challenges, so the economy is still moving and I can see some progress.....and I also know that there are so many reforms, but I am not very sure that these reforms are going to achieve the goals.

*Interviewer: Ok, coming back to the aid apparatus, what would you say that are the main strengths and challenges of the current aid apparatus in the country?*

**Interviewee:** I think that the strongest point is the accountability mechanisms of the GoR that are really transparent concerning when the donor funding is going. The level of corruption is very minimum and I am not saying that there is none but it is minimum and at least you could be sure that the aid money is making a difference on somebody's life. We have seen so many positive indicators of poverty reduction, so life is generally improving, kids going to school, etc. There are these indicators that show you that people is moving from one level to another and I think that is a key factor to see how aid has been effective in this country.

I think the main challenge is the kind of space that you give to other people to give inputs on the priorities. It is always the GoR and I think less attention is paid to the civil society, who is also keen on providing inputs. Moreover, It think that some donors have put aside some basket funding for civil society to address issues that probably they are not address with the government. Nevertheless, the Government is

really accountable and it is quick even quicker than civil society in many ways, and this is what makes a truly difference. In other countries where I worked it is not like that. Here, the GoR is quicker than ourselves sometimes.

Another challenge is that often aid is really conceived by the donor community and I think that making priorities of the donor priorities and fitting them to the people priorities is always very challenging. Donors have their own agenda and we can see how they shift over and over... because if your true intention is to lift people out of poverty, why should your strategy keep on changing? This means that for donors there are certain things, they have their own agenda that they support. Sometimes the agenda of the donor countries is not fitting well, which can generate problems. That is my perception.

*[End of the Interview]*

- Interview 2 -

**Date and time:** 31 May 2016, 16:30 hrs. (35 min).

**Interviewer:** Asier Erdozain

**Interviewee:** #1 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities? And in particular, what do you think that are the pros and cons of General Budget Support (GBS) for the GoR and for the development partners?*

**Interviewee:** GBS is an interesting aid modality for the GoR, although it requires more efforts from the side of the government, as it needs more interaction before and during the process of its implementation with the donors (it needs to be accountable and proving progress to its development partners). Additionally the government uses its own administrative systems. Instead, with regards to the 'old-fashion' programmatic aid, the biggest part of the weight of its design and implementation falls on the shoulders of the donors who chose such modality.

The GBS is interesting for donors as well, because it buys you a place at the table with government's officials, allowing you to have a more comprehensive dialogue with them, thing that you difficulty can achieve with programmatic aid, at least in areas which are not linked to the specific projects and programmes that you fund.

*Interviewer: The way you put it, it looks like the GoR would prefer other types of aid rather than budget support, but from several official documents it seems that it is budget support what the GoR do prefers.*

**Interviewee:** Yes, they do prefer it because it can be included within the budget cycle [*meaning that they have more control over it*], but it certainly requires more efforts from the GoR, who uses its own administrative mechanisms to implement it, such as

tenders, audits etc. There is work involved which they perform for other components of their budget as well.

*Interviewer: What is the preferred aid modality for the organization that you represent?*

**Interviewee:** It is budget support.

*Interviewer: What do you perceive as the general trend?*

**Interviewee:** Many step away from budget support due to the events of 2012 [*UN allegations of involvement of the GoR in supporting the M23 rebel group in DRC*], mainly for political reasons. At that time the GoR precisely because of donors reducing their contributions under that modality, discontinued the Budget Support Harmonization Group, where the donors providing budget support were represented and could discuss. The thing though is that BS allows you to have a more intense dialogue with the GoR, which others aid modalities do not facilitate. In any case Sector Budget Support is possibly what we will see more often in the future because it is focused, and it still facilitates dialogue.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss matters of common concern. Could you please further elaborate on how those two institutions/practices do contribute to host an open and frank dialogue? What are their strengths and weaknesses?*

**Interviewee:** Those spaces provide a forum to talk and discuss issues with the GoR. The problem is that many donors do not want to discuss openly and publicly their own development agenda.

*Interviewer: Is there also room in Rwanda for bilateral discussions with the government?*

**Interviewee:** Yes there is but it is more difficult to obtain. We sometimes have a bilateral dialogue with the GoR.

*Interviewer: And how do you perceive the interaction with the GoR? Is the GoR sensitive to such dialogue, whether collectively or bilaterally?*

**Interviewee:** Yes the GoR is sensitive although there are certain subjects that you can discuss with the GoR but those discussions are not necessarily going to permeate, such as dialogue related to a stronger role of the civil society in the political life. There are some donors for instance, that channelize their aid through NGOs and that certainly faces scrutiny from the government side.

In short, when a political element is mixed with the cooperation for development, then things get more complicated. The government is in the driver's seat but when political issues get mixed with cooperation issues, then the government drives just half a car [*donors may affect the work*].

*Interviewer: In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms and to what extent they exert influence on the donors and the government modus operandi?*

**Interviewee:** The Rome, Paris, Accra and Busan agendas are very relevant and they have raised some principles such as accountability and ownership that have given shelter to the GoR when forging the current aid system, although as before, certain political issues are out of the discussion.

*Interviewer: I have noticed that recently the EU has issued various statements raising concerns on areas related to civil liberties (freedom of expression) and political rights (Referendum on amending the constitution). What are the repercussions of such concerns in terms of aid, if any? Would you say that the current relationship with the GoR is impermeable to such events?*

**Interviewee:** Unless you are immersed in a context in serious disarray, 'stop and go' is not an option. There are opinions and warnings expressed in public and in private but you cannot just interrupt the cooperation in an ad-hoc way, the statements made are often an invitation to be more open and ready to dialogue. Moreover, cooperation does buy you a 'ticket at the table'. Too easily stopping cooperation could hamper the possibility of further dialogue. Moreover, there are contracts and commitments that, as a donor, you must honour, which additionally may have legal consequences when interrupted. Extreme care must be taken.

*Interviewer: But is there something in the middle between a 'stop and go' approach and a 'business as usual' approach?*

**Interviewee:** Having a political dialogue possibility makes everything already different from "business as usual". Issues can be raised which does mean that business is simply not "as usual". For future arrangements clearly you can change their shape and volume, but you need to be careful with the ongoing ones. Additionally we are all faced with our control structures assessing the situation and which can highlight issues that may require modifications in the aid strategy in terms of modalities or volume.

*Interviewer: The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. Have you perceived such a change in any way? Do you think that it is realistic?*

**Interviewee:** I have perceived it but I do not think that it is realistic at the speed desired by the GoR. According to some recent analysis of the WB and the IMF, if Rwanda is to become a middle-income country by 2020, its GDP needs to grow at 12-14% and this is not happening. Today is growing at 7%, which is still remarkable.



***Interviewee:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges on this particular front?*

**Interviewee:** If you want to become a middle-income country as the government wants, you need to lift people out of poverty to make this sustainable. You need to offer better paying jobs for the poor and this eventually requires that the urbanization rate needs to increase. To attract people to cities, jobs must be there and these can come from the private sector (which prefers to operate in an urban environment).

***Interviewer:** Yes, but you can also achieve economic growth and macroeconomic stability (that of a middle-income country) and at the same time produce great inequalities. So, do you perceive that the government possess a pro-poor agenda?*

**Interviewee:** Yes I do.

***[End of the Interview]***

- Interview 3 -

**Date and time:** 1 June 2016, 11:00 hrs. (50 min).

**Interviewer:** Asier Erdozain

**Interviewee:** #2 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is the one preferred by the Government?*

**Interviewee:** Budget Support of course. With BS the government makes the decision of where to use the money and they can put it in those sectors that fit their priorities. It happens the same with other recipient countries.

*Interviewer: Which aid modality the agency that you represent prefers?*

**Interviewee:** Generally, we want to know where we put our resources. When you provide funding under the modality of budget support we also like to put some resources as technical support, so you have experts involved, which are some sort of guarantee that the money is well used. So after the Paris Declaration we decided to put more resources in General Support. However, now we do prefer to finance development cooperation projects so we know exactly which initiatives we are supporting.

*Interviewer: What do you think that the tendency for the future will be on regards to aid modalities?*

**Interviewee:** Officially, there is a general discourse to provide budget support, but for bad reasons I believe, meaning that some donors prefer budget support because the government does not possess enough capabilities to follow up sectorial support or the implementation of programmes and projects.

There is a contradiction here. On one side, the GoR enjoys a good reputation as an effective and results oriented government, however on the other side there are limited capacities to implement and follow up projects. There is a gap between discourse and reality in what refers to the capabilities of the government.

**Interviewer:** Which aid modality do you believe that ultimately satisfies better the needs of the Rwandan people?

*Interviewee: After all, Rwanda is very centralized country and I think that it is better to reach directly the local level, but I have to admit that the system is too complex to be effective.*

**Interviewer:** The Development Partners Support Group (DPSG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Could you please further elaborate on how those two institutions/practices do contribute to host an open and frank dialogue? Do the dialogue hosted permeate the GoR?

**Interviewee:** I am a bit sceptic on how productive the dialogue really is. The mechanisms established in Rwanda for Donor-Government dialogue, do not often exist in other countries and it is a good think that it happens here in Rwanda. I appreciate to have the opportunity to meet with ministers and permanent secretaries from the government as well as with my colleagues from the international community. However I think that we face always with the same problem. During the meetings, normally senior officials of the GoR come up with presentations that provide some indications on a broad perspective of what the government has achieved and wants to achieve. The development partners of course, we try to convey some messages, but at the end I think that everything is kind of a theatre where every one plays its part and ultimately noting really changes. It is good of course to have those spaces for information but we are talk there about a general picture with no precision whatsoever. Besides, what happens in Rwanda is not the result of a co-decision. The GoR implements and we put part of the money.

These committees and mechanisms look good before an international audience. But the thing is that the GoR is really working on its image. This is a full time job for many people here. Even the president himself spends a lot of time at international events forging a good image of its government. It is not an accident that the GoR is very successful in raising foreign aid.

***Interviewer:** Can you think of any other space where such dialogue government-donors is produced?*

**Interviewee:** Here in Rwanda is relatively easy to have meetings with ministers and permanent secretaries, which on the other hand, it does not mean that you will get you answers, but it is easy to talk. The GoR knows what to say because they have a very good knowledge of how the aid sector works at the international level. They provide information and although key things can be missing we, as donors, can report to our capitals and to our Head Quarters. Facilitating timely reporting to the donors ultimately benefits the GoR and I think that it is all part of its strategy to build a good image.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms?*

**Interviewee:** The GoR masters very well these tools. Some are reliable and undoubtedly can produce improvements. However, at the same time they are part of the game of building the image. It is at the end, politically correctness what matters.

In any case, I know that in Rwanda ministers and permanent secretaries are very capable. The high rank civil servants are excellent here (another thing is what happens below them. There is a big gap between them and the rest).

***Interviewer:** I have noticed that recently the EU and other key donors have launched various statements raising some concerns on areas related to civil liberties - freedom*

*of expression as well as on political rights (Referendum). What are the repercussions of such concerns in terms of aid if any?*

**Interviewee:** There is an official rhetoric of good reputation but many know that the present government is not a democratic government. The international community accepts this the same way that it accepts it in other countries too.

*Interviewer: But why here the gap between discourse and reality seems bigger? Do you think that eventually the unfortunate and regrettable role of the international community during the genocide of 1994 plays a part?*

**Interviewee:** Yes that clearly affects the relationship, as well as the fact that as donors, we need success stories. After all, the large volume of funding poured in Rwanda requires that we explain our taxpayers that the aid is working.

*Interviewer: The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. Have you perceived such a change in any way?*

**Interviewee:** The GoR really wants more private investments and become less dependent on international aid. But at this stage the government is not getting the results they anticipated. They expected more investors coming but that is not happening as they thought it would. For instance the GoR broadcast an image of Rwanda as an IT hub in the region. However there is a huge gap until that happens and probably investors perceive that.

*Interviewer: The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges on this particular front? Do you think that they have a clear pro-poor agenda?*

**Interviewee:** Yes I think that to a certain extent the GoR has a pro poor agenda and they have achieved some good results in sectors such as health, education and

environment. There are some improvements that cannot be denied. The official speech on the achievements though is much more beautiful than the reality is. For instance, the government put a lot of efforts on basic education and they built a lot of schools but there is still plenty room for improvement (teachers, etc.).

At the end, Rwanda is a small country which is much more manageable than many of its neighbours, but in any case, it would be unfair to say that there are no good results achieved so far that to a certain extent have improved the life of the poor.

***[End of the Interview]***

- Interview 4 -

**Date and time:** 2 June 2016, 10:20 hrs. (42 min.).

**Interviewer:** Asier Erdozain

**Interviewee:** #1 - Government Officials

**Interview Setting:** Offices of the interviewee

**Data collection method:** recording

*[Start of the Interview]*

*Interviewer: As you know, currently aid contributions arrive to Rwanda under different modalities: General Budget Support, General Sector Support and the traditional project aid. How do you perceive the different aid modalities and what are Rwandan government preferences on this front? Why?*

**Interviewee:** I think, the first element that needs to be considered to see the effectiveness of aid in reducing poverty in Rwanda is the following: African countries have received a lot of aid during the last 20 years but when you read the numbers in terms in poverty reduction, Africa is still the poorest continent. When you analyse the literature on the subject, you understand that the effectiveness of the aid depends on the governments of the countries towards the aid is addressed and in particular, on how the leadership of the countries is committed to develop it. At the end of the day, aid is like any other sources such as loans for instance: it is ultimately money, but money to do what? That is why Rwanda is a very good model. The government of Rwanda and its leadership clearly has been driving this country towards reducing poverty, towards solving the problems of the population. The aid received has to be seen in that framework, the framework of a government that has developed plans, policies, objectives and the aid is just coming to help implement those policies and plans. For us, if you have the aid as budget support or as a project, this is not a problem because the aid is designed to solve specific problems of the population. This money that we are receiving is coming to the government framework. If it is a project, the project is designed by the government to solve existing problems, so it really does not matter how the aid comes. That is why Rwanda is very interesting case. Here what I am trying to say is that you can have two countries for instance, one receives 100

and the other 50 but precisely it is the second country the one that achieves better results reducing poverty. My point is that aid is money but money to do what and in what context. If you read the literature you will find out that when you observe a corrupt country, aid will not solve the problems of the population. Good governance is very important to see a good impact of aid. In this context, project or budget support, there is not much difference. When you have a good government, the partners that have placed their confidence on the government of Rwanda, they think that, you, as government, have your plans and we, as partners, decide together how to allocate those resources according to the plans of the government. That is what is making the difference in Rwanda.

***Interviewer:** When we talk about programmatic aid, donors normally play a more active role in the whole project cycle. Budget support instead, is given to the government, who is the one deciding where and how to implement those funds. It involves parliament scrutiny as well it implies using the government own administrative mechanisms. From your answer, I can deduct that as long as there is a good government in place that knows well what to do with those resources, and possess long terms plans and strategies such as in Rwanda Vision 2020 and the EDPRS I and II, then you could envisage a good use of those resources under the leadership of the government.*

**Interviewee:** That is a very important point. In some countries donors may say, ok, if it is about budget support we are sure that things will go right because the parliament is involved but if we bet for individual projects, then we are not so sure. However, when the government is serious and credible, donors will not have this kind of doubts. This issue is not there. I have a paper published by the WB that analyses how leadership affects socio-economic development and these issues were analysed to some extent. If the government is not credible, the donors will not contribute with aid flows.

***Interviewer:** Actually, the period that I am looking at in terms of aid flows is 2000-2015 and when you look at the curve, you can see that the growing tendency of aid contributions that Rwanda was experiencing since 2000 stops in 2012 due to some political issues at the time, showing as well a shift from budget support to projects. I*



*am asking the question of the aid modalities here in Rwanda because it seems that according to government official documents and legal texts, general budget support presents some advantages over project budget support in terms of strengthening national capacities such as using the institutions and mechanisms of the country (tender, audits, etc.). It seems preferable budget support over individual projects...*

**Interviewee:** My point of view is that in a country like Rwanda, budget support or projects is the same thing. You can see that those two are different in countries with weak institutions, meaning that they do not have the capacity of designing and implementing projects. In our case, the government designs all these projects, and I think that we have very strong and efficient institutions in this country. For example we have resources coming from aid to support the health sector. The projects are designed and implemented by the Ministry of Health with the support of donors. The important thing here is the quality of leadership of Rwanda, which has been able to create ownership by developing sound policies and good institutions capable of implementing projects. In the case of Rwanda the GoR did a very good job as well establishing mechanisms to follow up the projects that have been implemented. If we have good institutions, good policies, feedback mechanisms and accountability, the aid can come through budget or in the form of projects. It does to really make a difference.

**Interviewer:** *The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010 provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those committees are useful?*

**Interviewee:** They are extremely important. They have increased the confidence between the GoR and the Development Partners (DP). It also has increased ownership. DP have a very important role in Rwanda. In general they are very happy because they have been participating even in the discussion of the government programme. That is extremely important. You probably won't find the same situation in many African countries. The government of Rwanda prepares policies and strategies, then it discuss with development partners and each of them decide where they can support in order to get a particular impact. These committees have created

even ownership for the development partners too. This signs that you have a mature and a responsible government. We do not have anything to hide. Everything is on the table. When donors decide to finance something, we discuss about the plan together.

*Interviewer: So there is certain level of co-planning.*

**Interviewee:** Yes, that is why we call them development partners. In other countries we see things differently. Donors say what they want to achieve with their funding by imposing conditionality, even though sometimes, what they want is not in the government vision.

*Interviewer: In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms? To what extent they have generated substantive modifications (if any) in the modus operandi of the donors and of the GoR?*

**Interviewee:** First of all you need to put those instruments on the context of accountability, and Rwanda had already embraced accountability independently from the aid sector. If I use public resources I must be accountable. That is why we started initiatives such as 'imihigo' at different levels [*performance contract system introduced in by Ministry of Local Government, MINALOC, as a restored tradition of accountability where two parties agree to work towards a stated goal*]. Those are tools of accountability at different levels for performance. You have been asked to do a set of things that you have to answer for. This a philosophy, it is a character. It is part of the culture of leadership of this country. If we go back to the relation with the development partners, the relation is customized within that principle because we know that we need to be accountable when receiving resources form these partners. On the other side they also need to be accountable because it is an agreement. There is reciprocity. So the tools are very important and they have been developed in a context in which we already had the character of accountability immersed on our ways of doing things.

**Interviewer:** *What do you think about accountability towards the civil society?*

**Interviewee:** Let me again put this in context, because when you do research and you have a picture of something today, you know that the picture is different if you are in Rwanda or if you are in Italy for instance. Vision 2020 was built thanks to the contribution of all citizens including civil society. The discussions around Vision 2020 took 2 or 3 years. In the paper that I made reference before, I have shown that the policy of decentralization was very efficient in two ways. First, the policy allowed to be sure that people are responsible in the implementation of the different policies, but they are also responsible in designing policies, which respond to their own needs. This is working very well. People could say that if the mayor in certain village is not performing then the mayor will go. When you look at political economics, they are about inclusive development, which means that development cannot be achieved if everybody is not include. It is impossible. I think that sometimes we, as Africans, tend to take the definition of Europeans and Americans about how the society is organized but this is extremely dangerous. You cannot have a model fitting everybody because people are different. To be honest with you, we need to have a system that allows population at the different levels including civil society to play their role; otherwise you could never achieve high growth and poverty reduction at the same time. In Africa you can find countries with even higher growth than the one achieved in Rwanda but inequality is there. Poverty is very high.

**Interviewer:** *So to certain extent, civil society has capacity to participate actively in public affairs.*

**Interviewee:** Yes, at the district level and also at the national level. You can notice that in the meetings we have in the framework of 'umushyikirano' [known as the National Dialogue Council, it is an annual forum that brings together leaders and citizens to discuss the country's development] or 'umwiherero' [translated as "retreat", refers to a tradition in Rwandan culture where leaders gather in a secluded place in order to reflect on issues affecting their communities and finding solutions to regular problems]. I remember that recently in one of the meetings where all leaders participated, President Kagame himself requested to the representative of Transparency Rwanda, which is one of the most powerful civil society organizations

in the country, to be there and give her own vision about corruption and about her views on the performance of the leaders.

*Interviewer: You would tell to all those that claim a lack of capacity of the civil society to express their concerns that this is not the case in Rwanda.*

**Interviewee:** To be honest with you, I think that this is not case here. Look for instance these people that are telling stories. I think that they are living because of that. If they would say that everybody is working perfectly, they would not have salaries. I would be very happy to see that they say the same about other countries such as Italy, USA, etc. But they come to Rwanda showing proof. What I am saying is that in all countries, starting from the big ones, there is still work to do, because life is not static, life is dynamic. The reality of today is different from the reality of tomorrow.

*Interviewer: The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. Do you perceive that things are moving in that direction?*

**Interviewee:** As an economist and professor, my personal views are the following: since 2008/2009, the global economy is facing serious challenges due to a global financial crisis. This has not ended yet. According to my own analysis of the subject, we should not expect to have the global economy improving until the next two or three years. Secondly, we have been seeing even changes in terms of the capacity of the donors to continue supporting Africa. Donors have their own problems and their economies are going very bad. See for example the EU or the Eurozone. You can listen grexit and now brexit. We cannot rely on aid to sustain our future. Besides, at certain level of economic development, we need to be sure that the private sector is playing a leading role. You cannot have an economy based in the government for more than 30 years. This cannot be possible. I think the shift you have seen is due to sustainability. It goes beyond aid. We need the private sector playing its role. The government has to analyse what are the main challenges that the private sector faces

today, trying to see how the private sector could play a key role in the economic development.

*Interviewer: But do you perceive such shift, because aid is still large.*

**Interviewee:** Yes but when you put the aid on the percentage of GDP it has been declining. If you observe the private sector in Rwanda, since the last three years the average loan to the private sector from the banking system has increased by around 20% on annual average. You can see the private sector picking up now in this country. If you go around Kigali you can appreciate new industries. FDI in different sector is also growing. This is the way of supporting and sustaining the good results that we had.

*Interviewer: The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. Does the GoR has a pro-poor agenda?*

**Interviewee:** Yes it has. During the World Economic Forum on Africa 2016 organized here in Kigali, people had discussed about the SDGs. If you take the SDGs and observe them in light of the Rwandan national policies, you can see that they have been already included in our plans and strategies. If you analyse the EDPRS-II the content of the SDGs is already there. What is important here is the capacity of the government for reviewing policies. Normally they have a duration of 5 years and after those 5 years you need to revise what do had do and what you need to improve vis a vis the objectives. And then you design another set of policies for another period. All our policies are aligned with the SDGs. Take for instance the issue of financial inclusion. If you read EDPRS, you can see that it was planned to have 100% of the people of this country accessing finance services by 2020. Today we have a survey that is done every 5 years to see where we are. Finiscop, who is the international firm that does the survey for most African countries, launched the last report on Rwanda few months ago showing that we already exceeded in meeting the target that we had for 2017, as we are now at 18,89 %. All our policies are designed to achieve SDGs in order to achieve pro-poor growth.

*Interviewer: What are under your views the challenges that this country will face in the following years?*

**Interviewee:** My answer is very simple. It is the external sector, exports and imports. We still need to have more import for economic development. So we are going to have the challenge of trade balance deficit, which affects the exchange rates and the inflation rates. To solve this we need to be sure that we are increasing domestic production. We have promoted for example the cement sector, which is mainly for domestic consumption so we can stop importing it. So we have different projects that are already starting to produce good results in terms of increasing domestic production to cover domestic demand, reducing imports. And where we have more production we try to export also, particularly to the region, because that is also another aspect that the government is considering. We have very high demand in the region. If we focus in the regional demand we would not face some challenges derived from exporting coffee to Europe or to USA where the economy is not going so well. If you can produce cement, maiz or other goods, the region needs that and that is the demand we can focus on.

*[End of the Interview]*

- Interview 5 -

**Date and time:** 2 June 2016, 18:00 hrs. (38 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #2 - Civil Society

**Interview Setting:** Apartment of the interviewee

**Data collection method:** Recording

*[Start of the Interview]*

*Interviewer: Are you familiar with the efforts undertaken by the international community here in Rwanda to contribute to the development of the country?*

**Interviewee:** Yes, I've gotten to know quite a lot of NGOs over here. I also follow the news frequently and I am aware of the amount of aid that the country is getting. There is a lot of money coming in to support big projects here. For what I have seen I think that aid has been well used. I think that the President has used all the aid wisely to develop this country, which after 22 years from the Genocide is now in a remarkable place. I also see in him somebody who has an interest from the heart in the poor. I think here in Kigali we are in a quite developed city but if you go outside you can have a sense of the true Rwanda where you can find a lot of poverty, people in difficulties living from subsistence farming. But I see a government trying to use money to get electricity out there, to have primary education available, access to health insurance, etc. We also know that he stopped down corruption, so you got a country now, which is safe and secure. Obviously it's had a lot of aid but you can also see many investors coming to Rwanda.

*Interviewer: You have talked about the performance of the GoR. What do you think about the international community? Are they visible here?*

**Interviewee:** Yes, I would say that there is a big expats community that has been growing. If you walk around Kigali you can see many international organizations around. I guess the difference now from 10 years ago is that the government is trying to reduce its dependency on aid and rely much more on other sources such as the

private sector. We know that Kagame wants to have a middle income city where people is able to earn jobs, earn money, pay taxes, get resources into the economy. I think that is encouraging to see a government that wants to reduce its reliance on aid. I also think that after 1994 a lot of aid came to Rwanda from the US and UK because the West realized how they behaved, so a lot of money has come in. And I think that it has been used well.

*Interviewer: What under your views are the existing spaces available for the Rwandan civil society to express their concerns? Do you think that they have access to the government?*

**Interviewee:** If you see how Rwandan society is structured, first provinces, then districts, then sectors, then cells and finally villages (*imudugudus*), you notice that Rwanda is decentralized. At each level you have leaders and regular people has an opportunity within the sectors and cells to meet and talk to them. I know that after '*umuganda*' [*compulsory community work that takes place normally during the morning of the last Saturday of each month*] they have meetings. I would say that people here are well aware of what the government is doing. At the local level I think that they can see what is going on.

*Interviewer: As you probably are aware of, the current GoR has been criticized for issues normally related to civil liberties and political rights. What is your perception about such criticism?*

**Interviewee:** I know that Kagame gets a lot of criticism from the West, such as that there is no freedom of speech in Rwanda. What I learnt in Rwanda is that people here do not question leadership, whether it is the president, the manager or the teacher. I think that it is a cultural thing. On regards to freedom of press, when I look at the *The New Times* [*English speaking newspaper of national scope*] it seems to me that there is a fair amount of comments about the government and about what is going on. Certainly you do not find that criticism that you get in Europe or in the UE. They wont question Kagame but as I said it could be a cultural thing. Then I also heard stories of fear. I have been told that it is not good for me to talk about politics to Rwandans unless I got into a conversation with them.



We know that Kagame is going to stand for a third term. For what I have seen the referendum has been fair and democratic and he did not get involved as far as I can tell. He got a high percentage of votes. Obviously there is no alternative and the people cannot see anybody else. Rwandans cannot imagine life without him at the moment. I think they would be in fear of what would happen if he were no longer here. It would be good if there would be evidence of a successor and also of opposition parties and I think that this is going to be the test of his next term.

I can also say that what I have seen in Rwanda is a sense of suspicion and distrust among people but I think that this probably comes from the genocide. People do not talk a lot publicly because there is probably a lot going on in the inside.

Also I think that when you live here you see a different side of it. I know that there is a lot of criticism coming from the West but how many of these people have actually lived here or worked here? And then you see the remarkable transformation of this country, which has only happened because of strong leadership. I think that people need strong boundaries here. If they step out of the line they will be punished but I think possibly Rwanda has needed that sort of discipline. In any case, I think that there are a lot of good things about being in Rwanda.

*Interviewer: Most of the concerns raised lately come from the donor community based here in Rwanda. However, on the other side the formal relationship donors-government as well as the aid flows do not seem to be very much affected. What do you think that explains that?*

**Interviewee:** I guess that if you look at what is happening in other African nations and compare that with what is happening here, you see that there are a lot of opportunities here. Foreign investment as well as the aid that has come here is being used wisely to develop the country. Rwanda could become a model for Africa. Actually, I think that Kigali has already become a model city. It is safe, secure, clean, orderly and it is already attracting new hotels and businesses. Probably this is not going on anywhere else in Africa.

Nevertheless, I guess that despite all the progress that is going on in Kigali, you can still see a country in which you find a lot of problems in rural areas where there is a huge need for aid support.

In any case, to start an NGO here you need to define hierarchical targets, goals, aims and if you do not achieve those goals then you could be out. It is similar to the government initiative “*imihigo*” [*performance contract system introduced in 2010 by Ministry of Local Government, MINALOC, as a restored tradition of accountability where two parties agree to work towards a stated goal*]. Also, I know that Kagame meets regularly with all the leaders to look at what they have achieved and if they didn't perform then he wants to know why.

So ultimately, is aid coming to Rwanda because donors know that it is going to be better used and because they also know that it is not going to go to a corrupt government? Yes I think that is the case.

*Interviewer: I get your point and I think that it is very valid. The international community needs exemplarity and good results and the present Rwandan government certainly has provided them. Additionally, I would like to know your views on the eventual impact on the relationship donor-government of another element, which is the unfortunate role of the international community during the genocide. Do you think that a sense of guilt from the donors 'side impregnates the current relationship, which provides to the government more room for manoeuvre?*

**Interviewee:** It is true. The world ignored Rwanda. A lot of people in Europe and in the US did not even know where Rwanda was before the genocide. Rwanda had no strategic importance with no oil and no gas. Bill Clinton admitted that it was probably the worst mistake of his presidency not to get involved in Rwanda during the genocide. After what happened in Somalia in October 1993 when 18 US soldiers were killed, US government refused to intervene. The UN would not even recognize that it was genocide until it was too late already. Yes there is guilt.

In 1994, when we saw the killings on television, we could not understand what was going on. We were used to conflict in Africa so we did not pay too much attention. I

think that after the genocide US, UK and other countries, they realized that they've made a terrible error ignoring Rwanda. They have the sense that if they would be involved they could have saved so many lives. I think that the money that has come in is "guilt" money but it is also true that they could invest it for few years and then get away and go somewhere else, but they kept investing. See for instance the case of Clinton, Blair and others such as Rick Warren that have been supporting Kagame for his successful government. Kagame built a team of people around him. The international community has seen the way Kagame has rebuilt the country, which was totally devastated 20 years ago. There was nothing left. It is remarkable how it is now. But this has required somebody who has vision, who is been determined and yes Kagame is a military leader but I think that in Rwanda, that type of leadership is probably needed to rebuild the country. Besides now people do not talk about ethnicity. They are all Rwandans.

I have to admit that sometimes it annoys me when I see this criticism from the West. If you look carefully to what is happening there, we see that we are not much better. Kagame says to the international community, "you abandoned us in 1994 so don't you tell us what to do" and I think that he makes that very clear. And if these donor countries want to continue giving aid, why not? They could stop. If you look for instance to some literature on the subject of aid such as "Dead Aid" (Dambisa Moyo 2009) you can see that Africa is rich in resources and in human capital and when you have countries that are using abundant aid they are not necessarily able to grow and developed. What this government wants to achieve here is to build a country self-sustainable and self-reliant, and then you can say goodbye to the aid.

*Interviewer: Now moving to the last part of the interview, the last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs and in short, to improve the living conditions in the country. What do you think that are the greatest challenges of the GoR on this particular front for lets say the following 10 years?*

**Interviewee:** I think that the big challenge is that a large part of the population is young people and you have a lot of unemployment among them. So there is a danger of the rich getting richer and the poor may be not. This divide could lead to social

unrest. I think that what happens is that the young people had been let down by the education system in Rwanda. The system is theory-based learning and it has not produced many young people with really creative skills, which can think for themselves, which can think outside the box. So the good jobs are going to the Ugandans and Kenyans who are much better educated. I know that the government has introduced this year a new school curriculum, which is more creative-based at the practical level. It places the focus more on vocational training, which I think that it is good because most people want to go to the University and get a degree but afterwards they do not find a job and they do not have skills for technical works so this is a big challenge. Rwanda needs well-educated young people.

And another thing is that there must be a change of mind-set and Kagame has insisted a lot on this point. Working with Rwandans you can see that they are lovely people but they are not creative thinkers, they do not show initiative and they respond to order. I do not feel that they are aspirational. Of course this is not everybody but generally it gets difficult to get people to change. So I think that there is a problem that maybe is due to culture, mind-set and also may be due to an overreliance on aid. *“Muzungu”* means money [*muzungu is a term used nowadays regularly in Rwanda to refer to foreigners white people. It posses certain burlesque connotation as it refers to “those spinning around on the same spot or that often became lost”*]. If you try to teach people that when you get involved in microfinance or in small businesses, they are being given money not to have it but to give it back, that is a challenge. I think that education has been a big problem here and it has let a lot of people down and they recognize that. Also it hasn't help 5 years ago that they've changed from French speaking to English speaking. All the teachers at school they were French-Congolese and they had to go. Afterwards they had to bring in English speaking Ugandans. I think also that Rwanda has a lack of good teachers, the teach training has been very poor. So that has to change and that is going to take time. Besides, the country is still traumatized from the genocide. There are a lot of good things also out there but I think that Rwanda is always still going to be largely an agriculture-based economy. The people who set up small business down in the rural areas, all what they know is farming. So for them to think in any other small business that has nothing to do with agriculture or cattle is going to be difficult. Now I learnt that the GoR is going to ban the import of second hand cloths. That is going to have a huge impact in people's life

because so much of them rely on selling those clothes. The idea behind is that the government wants to build a textile industry here. Rwanda needs industries, jobs, etc. They have a lot of challenges.

*[End of the Interview]*

- Interview 6 -

**Date and time:** 6 June 2016, 10:00 hrs. (38 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #2 - Government Officials

**Interview Setting:** Offices of the interviewee

**Data collection method:** Recording

*[Start of the Interview]*

*Interviewer: Are you familiar with the efforts undertaken by the international community here in Rwanda to contribute to the development of the country?*

**Interviewee:** Yes I am.

*Interviewer: Are you familiar with the different aid modalities such as budget support (discretionary aid that goes directly into the government budget) or programmatic aid? Is this something that reaches regular people?*

**Interviewee:** No I do not think so. I do not think that the technical side is something that people know. Perhaps end users or collaborators as agents of government ministries have some knowledge of it.

*Interviewer: The official aid in this country has growth quite impressively from 350.000 Mill USD in 2000 to 1 billion in 2010, and it has kept those levels until now. It presumably reflects a kind of strong relationship between the GoR and the donors. How do you perceive that relationship anyway?*

**Interviewee:** I perceive it as very strong and very favourable certainly from my dealings with government ministries and with the donor community. It is a very positive relationship at sector reviews for instance, where the representative of those agencies and the representatives of the ministries and often the ministries themselves are sitting side-by-side co-chairing meetings. I attended many roundtable meetings

with people from the ministries and people from the donor community, who have as much voice around the table as anybody else. There is a lot of time spent trying to understand different peoples positions. So I would say it is very positive. At the social level people get on very well, so the social interactions around meetings is very easy. There is no tenseness at all in meetings. People seem to genuinely know each other.

***Interviewer:** There is a widely extended opinion that the accountability between the government and the donors is high as well as that their relationship is close (as you just described). How do you perceive the relationship between the GoR and the civil society in what referrers to aid and development programmes. Do you think that the civil society in general feels satisfied with the level of accountability and eventually with the level of participation in public life?*

**Interviewee:** I think first of all that you have to break down what you mean by accountability. There are various tools for being accountable, such as programme accountability, fiscal accountability and accountability of outcomes. One of the domains of accountability that is often forgotten is moral accountability. That is not really measured and I do not think that it is really valued by the international community and yet in Rwanda I find that there is a huge amount of emphasis on all levels of accountability including moral accountability. It makes reference to your attitude, it is your approach, it is the word that you give, it is the actions that transpire from that word, that you are held to account for. I firmly believe that what you see in Rwanda is a genuine engagement by people. People do not say things lightly and they do not promise things that they can't deliver. They follow things through. But in terms of accountability beyond that, we as agencies and institutions within the government are all accountable. As an institution we are accountable to the line ministry, individuals are accountable to the people within that ministry and beyond; and within our organization there are different levels of accountability. In order to be accountable you could simply say to people, we are implementing this programme and you have to demonstrate that you have implemented it. All the accountability measures are achieved then, but it tends to be much more consultations down the way in Rwanda than people might imagine and certainly by the time the donors and the ministries are communicating about outcomes or budget expenditures, there's been a lot of consultations down the way and then feedback back up the way. So I think that it is a

very cooperative collaborative way of working, differently from somebody who sits some distance away from the ultimate decision makers.

***Interviewer:** If one looks at the trajectory of the relationship between the GoR and the donors, it can be observed that there is a point of inflexion in 2012 in what refers to aid flows due to certain events that transcended to the international community regarding the eventual implication of the GoR in conflicts at neighbour countries. How do you perceive these concerns and how do you think that they affect the relationship?*

**Interviewee:** I think the people who were interacting —the representative of the donor communities—are not political leaders. They are not political agents in anyway. Then it comes back to moral accountability. They have a moral obligation to continue the flow of work to the poorest and most vulnerable. I think there is a lot of misconceptions about the way that donor money can be manipulated, not only in Rwanda but also in many countries in the world. You might not like a country stands on human sexuality but does that mean that you withdrawn funding to a remote community of women trying to make a living out of growing coffee. That is not an example for Rwanda of course. I think that donor agencies working with the ministries in Rwanda have to maintain high levels of moral accountability even though the politics might seem to be going a little crazy around. But I do not sense any tension at all [donors-government]. People here to make the most of what they got, knowing that ultimately they are serving the ordinary people that live in this nation.

***Interviewer:** Most of the concerns rose lately on political rights and civil liberties come from the donor community based here in Rwanda. However, on the other side the formal relationship donors-government as well as the aid flows does not seem to be very much affected (To address such concerns, in other countries donors have used tools such as “positive” accountability for instance). This paradox is at the core of the research that I am undertaking. One element that certainly explains it is the exemplarity and good results achieved by the present government. In combination with the “exemplarity” factor, I would like to know your views on the eventual impact on the current relationship donor-government of another element, which is the*



*unfortunate role of the international community during the genocide. Do you think that a sense of guilt from the donors 'side—due to the moral deficit that they exhibited in 1994—, affects the current relationship, providing eventually more room for maneuverer to the GoR to a certain extent?*

**Interviewee:** There is a very simplistic level, which is that at the end of the day in terms of accountability, the donor and aid community know that whenever they put money into Rwanda it gets used for the purpose for which it is intended. And that to me seems to be the biggest and most profound part of the whole accountability equation and the relationship. I think conditionality in other countries is largely because the donor and the international communities know that there is corruption. They are then trying to ensure that the money goes where it is suppose to go but they know that is difficult. In Rwanda things are very different. There is a high intense level of scrutiny and accountability on all money that is spent. Rather than trying to redress wrongs form 22 years ago or become more moral because they weren't terrible moral, I do not sure that this is part of the discourse or narrative. I think donor communities conceive the very tangible benefits that are accruing in Rwanda. Ultimately, the population is the target of this government, which is obsessed with [improving the life] of every member of the population, every member of the community.

**Interviewer:** *The firs EDPRS-1 (2008 - 2012) is built under the understanding that the achievement of the development goals that it foresees requires a scaling up of foreign aid. This is a period coincident with a lot of advances from a regulatory framework perspective in the aid-managing sector. The EDPRS-2 (2013 - 1017) contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Do you perceive in the current policies that the government is distancing itself from aid and searching other routes such as strengthening private sector, increasing exports, etc.? Did you perceived in the first place such sift?*

**Interviewee:** I think that anybody visiting Rwanda or watching Rwanda in the news or living in Rwanda perceives that shift. A huge amount of effort, work and emphasis has been put on to self-reliance and independence, by looking at what can we do as

institutions to maximize efficiency, reduce inefficiency, achieve greater cost-effectiveness, generate income, engage with the private sector, etc. Those are dominant things. It is not rhetoric at all.

I think the government as all governments receiving aid is intensively scrutinized and overly criticised. But if you read the New Times everyday and you engage with people working in the public sector here then you will know that the government is making a shift to being independent. It is about dignity. It is about the government's moral responsibility. If the money does not come here it can go there. And that is the wonderful thing about discretionary aid: that the ministers we'll be in conversations such as "we don't need to rely on money so much in this sector anymore, we can now focus that money into another sector that needs it more". Why should any country in the world mop up the amounts of aid that they do and there are other countries and other peoples in the world whose need at a particular point in time is may be greater.. The GoR exhibits a huge amount of responsibility both within the country to its people but also to its neighbours and to the community beyond. The mantra of self-reliance is firmly rooted in the nation's cultural and historical values. It is not an arrogant attempt to shake off imperialism but it is an intense and important part of people's integrity. And this is not just a cover for other things that are not happening. This is genuine. We aim to be more self-reliant. As a public institution we do not want to rely on external flows of money that is seen as aid. We want to rely on flows of money that it is seen as collaborative in the sense of research and development.

*Interviewer: There is something that I still cannot explain fully from your answers. In which context then you put for instance all those critiques that have been raised by the donor community? I am asking that because they might have to a certain extent effects in the aid flows, which is the centre of my research topic. I am not focused on confirming or deny criticism or confirming or denying progress but to understand what triggers differences in aid volumes and modalities in Rwanda as well as what shapes the GoR-donors relationship. Here it can be observed in the last years that although concerns have been raised, beyond some shift from budget support (discretionary aid) towards project support, still the aid and the bonds government-donors are not very much affected, which as already mentioned, is paradoxical.*

**Interviewee:** Yes as you say it is a paradox but the levels of engagement are may be qualitatively different. And you talk about contextualize it but how do the donor and the international communities contextualize it?, because they got many competing demands in the global north: they've got the demands of emigration, of juggling money as to how they prioritize countries and projects within countries. Are they going to focus their aid into one or two countries or are they going to focus their aid in particular areas? Does the reduction in discretionary aid mean that people are doing very well on coming to the end in dependence on aid? . I think that you are suggesting that a reduction in discretionary aid suggests that there is a problem in the aid relationship and I am not sure that is the case. A lot of the decisions made about aid, I do not think that have anything to do with Rwanda. I think that they have more to do with the complexities of funding in the countries that give the aid. They have as much to do with the problems in the countries themselves as they do with those countries relationships with all of the other countries that they have historical aid and links with. I think that a lot of contextualizing needs to be done on that regard. That is why you are doing the Ph.D. and I guess you are not going to get the answer from any single person otherwise there would not be a Ph.D. topic [*laughs*].

If some donor countries will make an issue and will base their decisions in concerns that they have in the recipient countries, then that is terribly insincere of these countries. The United States or the European countries they are not giving money or they are imposing conditionality or they are stopping the aid flows because they have concerns about injustices in the particular recipient countries [*figurative*]. I do not think that it is that simple at all. They may have concerns about injustices and they haven't done anything about it and then when they discover it, they have to spend some of their aid budget on managing the micro crisis in their own part of the world, and then they kick in and say, we've heard this issues with injustices for a long time [*figurative*]. The people who make these decisions are human beings making decisions at the same kind of level as they will make decisions within their own families. They will help uncle Joe and pay off the mortgage of his house but he just started beating up his wife, but he provide a home for the kids so lets keep going, oh Gosh he just lost his job, we can't afford to help ankle Joe anymore so lets just pull out the fact that we know that his is beating up his wife [*figurative*]. It is that kind of staff and I do not think that the people making the decisions have any less emotion or

irrationality or self interest that anybody making a decision at any other level. What we know is that we are seeing huge changes in the society in this country as a result of the very positive relationships with donors over a long number of years and I am sure that they will continue for long time.

*Interviewer: The GoR has shown the same great interest in the SDGs as it did in the MDGs to improve the living conditions in the country. What do you think that are the greatest challenges on this particular front?*

**Interviewee:** I think that climate change is one huge challenge. This country as any other country cannot work in isolation trying to control for instance the spread of diseases, insect vector diseases, etc. Dealing with such issues is very difficult for a small land-lock country surrounded by countries with a much larger land mass so that is really an issue. Climate change for instance has also a really impact on growing seasons and resilience of crops, so we have a strategy to grow a particular productive crop with a high level of micronutrients. We discovered that the growing season has been wiped out by climate change.

I think that those are real challenges that the government is taking very seriously but one of the things that I believe will result in success in this country unlike any other country is the intense levels of coordination between ministries and agencies and institutions within those ministries. Look at the way in which the ministerial sector clusters work trying to ensure success, trying to ensure tangible results, trying to ensure that things move as quick as possible and as efficiently as possible. I think that in life relationships are crucial but the single most important feature of the relationships is consistency. What countries that are implement real and dramatic change that impacts on people lives do need is consistent relationships with their development partners. And who wants a development partner or what individuals wants a sponsor who might change their mind for one week to the next? We are here for the long call and if we agree on what we are trying to achieve then consistence in paramount, is key. People will always have their differences but they can still be consistent in the way they respond to one another. They can make a moral commitment as much as financial commitment. They can stop the money if they want of course. That is the power that people have. But I think that they would be probably

breaking some kind of code or moral commitment and that is something that they are not prepared to discuss. Maybe it is just about power at the end of the day, but what we are looking forward to is consistency in the way people approach their relationships. What you see in the leadership of this country is total commitment and consistency and that is surely lacking in many other countries in the world. We are into a good thing. The rest of the world knows that we are into a good thing and I believe that at the end of the day that is what people value.

*[End of the Interview]*

- Interview 7 -

**Date and time:** 7 June 2016, 9:30 hrs. (40 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #3 - Government Officials

**Interview Setting:** Offices of the interviewee

**Data collection method:** recording

*[Start of the Interview]*

*Interviewer: Could you tell me about the different aid modalities that Rwanda receives from the donor community?*

**Interviewee:** Currently we have two main modalities. I could actually say that exists three of them, but today we receive aid only in two ways: first we have budget support. We used to have General Budget Support (GBS) but we have now Sector Budget Support (SBS) only. The budget support used to include GBS and SBS. GBS is disbursed to the state treasury and the funds are not earmarked to any sector. But that is no longer there. There is SBS and then we have programme or project. In some instances we have also basket funds, which is used for emerging opportunities or specific interventions that need a big number of donors. Currently those are the main modalities that we are using.

*Interviewer: What is the proportion?*

**Interviewee:** The project support is the largest. We, as government prefer budget support because it gives us flexibility in terms of allocation and allow us to look at different priorities from a governmental perspective. It gives us flexibility in where we can allocate these resources. In contrast however, projects have specific activities to be financed and we do not have such flexibility.

*Interviewer: If you look at the trend since 2000, budget support at one point was being provided in higher proportion and then it decreased.*

**Interviewee:** Yes, that is true. There are political reasons behind that shift. For instance, in 2012 some donors stopped their aid because allegations of the GoR supporting rebel groups in Eastern DRC. That was the reason put forward by the donors. Some donors used to say that they were not sure if the GoR was using this money to support those rebels. That concerns GBS but if you look at SBS it is clear that the funding goes to a specific sector and we make reports to show the expenditures. We also show the expending lines of that money and we show the results.

I think that it is a general willingness for the donor community to abandon GBS and shift to SBS not only in Rwanda but also in many other countries. That is something that we do not have control of.

The other reason that explains why we do prefer GBS is because this modality is associated with low transaction costs. If you give a 100 Million USD for 10 projects, the cost associated to implementing 10 projects will not be as high as a budget support operation. But that is how it is, project support currently dominates and I think that it comes from the point that most donors want to know which specific activities they are financing and also to increase their visibility.

*Interviewer: I have seen the Division of Labour regulation, which organizes the Sector Budget Support by regulating such kind of aid in a way in which it is well distributed among all sectors according to their needs. Even in this case, project support dominates?*

**Interviewee:** Yes, there are some donors that they do not even provide budget support at all. Using budget support is an aid effectiveness principle linked to the Paris, Accra and Busan declarations where the country systems are used. For instance, disbursing aid using the national treasury is one way of using the country systems. But when you disburse using a project modality, you use different ways for disburse the funds: you can use reimbursement, you can open a special account or you can use direct payment. Having those small accounts are not like managing one account. The associated transaction costs are bigger. And again it does not give to the recipient

country the flexibly in the allocation. That is the challenge we are facing with the project modality.

On the other hand, from the donors side, they want visibility. If they are financing a hospital or a road for instance, they put a sign mentioning that they financed it.

***Interviewer:** The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. How do you perceive in general the relationship between the GoR and its DPs within those spaces?*

**Interviewee:** I think that there is a good relationship. There are those times when the things are not going so well but they come to their normal state. The main forum that brings together GoR and DP and the most regular one is the DPCG. It brings together permanent secretaries from different ministries and heads of cooperation and missions from the donor community. They discuss on general issues regarding aid effectiveness and donor-funded initiatives. They discuss issues that are not specific to any sector but that are crosscutting and that can be discussed at a strategic level. And if there are some other specific sector issues that need to be discussed by the GoR and DPs, which are beyond the sector level, they can also be discussed in the DPCG. It meets quarterly.

Then we have also the DPR once per year, where progress in terms of the implementation of the different initiatives that we agreed as DPs and GoR is presented and discussed. We also discuss more broadly about issues related to aid effectiveness, for instance how donors are respecting the aid effectiveness principles. We use some tools as the DPAF (Donor Performance Assessment Framework) for that.

Additionally, at the sector level, there are sector working groups and there are joint sector reviews, forward and backward: looking forward at the plans and budget for the next fiscal year and looking backward at the implementation of the previous fiscal year.



**Interviewer:** *Do the donor participates at the sectorial level?*

**Interviewee:** Yes, those groups are co-chaired by a government representative and a donor that works in that particular sector.

**Interviewer:** *So the interaction is intense.*

**Interviewee:** Yes, and then we have also bilateral meetings. We conduct what we call Country Portfolio Performance Reviews which allows us to help to resolve those issues related to each donor in the implementation of specific bilateral programmes.

**Interviewer:** *We were talking before about a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). A little earlier to the launching of DPAF and CPAF, it took place one important effort: the Joint Governance Assessment (JGA). It was particularly relevant because it allowed for discussions on matters related to development but also to governance, which sometimes are issues that are not debated due to their sensitivity. This exercise was discontinued. What do you recall about this exercise?*

**Interviewee:** The knowledge I have is that the GoR and donors agreed that issues related to development cooperation be discussed in those other forums that we have mentioned. We wanted to separate political issues from development cooperation. Development cooperation, which is in the mandate of MINECOFIN is coordinated by the Minister. The DPCG is chaired by the Permanent Secretary of MINECOFIN, and the DPR by the minister himself. But, beyond the development cooperation, there is a wider cooperation framework and the Ministry of Foreign Affairs is leading that part. If there are issues related to governance, there are different other forums or channels within that ministry. The Ministry of Foreign Affairs conducts periodic meetings with Head of diplomatic missions to discuss such issues.

In Rwanda we also have the *Rwandan Governance Board*, which is central in this topic of governance. They conduct studies and assessments; and I think that they also maintain meetings with the donors. They develop as well an assessment to the government that they present to the donor community.

*Interviewer: The same donors that are very active in Rwanda have lately raised concerns on issues related to political rights and civil liberties. However, on the other side the formal relationship donors-government as well as the aid flows does not seem to be very much affected. This paradox is at the core of the research that I am undertaking. How do you perceive it?*

**Interviewee:** In my opinion, in every relationship there can be sometimes tensions and everything is not always perfect. Those situations will always be there but the important thing is how to handle them. If you can sit together and see how to resolve those issues, that is the best way to go. Of course there might be some difficult ones but as partners we, the GoR, always bring on board donors to understand which issues they have and discuss how they can be resolved.

Without specifying any donor, I think that some donors might have also interests other than development cooperation. You might not be aware of them because they are not visible and they are difficult to define but they are always there. Sometimes this can drive to suspend aid. That happens sometimes. But the important thing is that I think that the donors always come back because their money is well spent. When they allocate money to Rwanda, they see results.

*Interviewer: One element that certainly explains why they always come back is the exemplarity and good results achieved by the present government. In combination with the "exemplarity" factor, I would like to know your views on the eventual impact of another element, which is the unfortunate role of the international community during the genocide. Do you think that a sense of guilt from the donors' side—due to the moral deficit that they exhibited in 1994— affects to a certain extent the current relationship?*

**Interviewee:** I think there is recognition from the international perspective that there should be a separation between development cooperation and politics. If you are

interested in development and you spend your money in Rwanda, you will see development happening. You finance a road, you will find the road. You finance a hydroelectric plant, you will see it. The value for donor money in Rwanda is high, and the reason of that is accountability. In this country everyone is accountable. Even myself. I do performance contracts. I sign every fiscal year “*imihigo*” [*performance contract system introduced in 2010 by Ministry of Local Government, MINALOC, as a restored tradition of accountability where two parties agree to work towards a stated goal*]. This accountability and transparency leads to those results that we are talking about. If I am supposed to do something and I do not deliver I have to explain it and if I do not meet certain targets I may be fired. This applies to the highest levels in this country.

The donors also get pride when they see that they have financed something that has improved the lives of people. They get a story to tell to their taxpayers in their countries. In Rwanda 1 million people were lifted out of poverty and I think that this is the main factor that is driving the donors. And again, we have as well the Public Finance Management Systems. Planning is very clear. Budgeting is very clear. We involve even the donors through those sector working groups I was telling you about before. Even at the project level. How the money is spent is very clear. We have in place an Integrated Financial Management Information System which does not allow us to prepare any payment that wasn't planned and budgeted before. At the end we also prepare the financial reports showing how aid money has been spent. And the audit is also there. And the mistakes that might have happened are corrected and those who are implicated are punished. Besides the ombudsman also is in place. All those mechanisms give the confidence to the donors that their money is well spent. They can track how it is used.

*Interviewer:* As you mentioned, the donor countries must explain to their constituencies how and to whom they provide aid and when they raise those concerns we discussed, I guess that they must also explain that. So in any case, in addition to accountability and exemplarity of the GoR in many aspects, I wanted your opinion about if the moral deficit that donors exhibited in 1994 affects the current relationship, as it automatically left donors without any moral position to say anything about how the GoR governs Rwanda.

**Interviewee:** One think is the approach of the GoR due to the history of this country. There are certain principles that we will not go beyond. Because of our history, we will not break them. For example, some donors want to impose conditionality, which cannot work here, because we know the implications. For instance, recently, a donor wanted us to implement some social and environmental safeguards and they wanted to include indicators as for example, which category of tribe is benefiting from the project. They insisted on that. But because we know our history we cannot accept it. If they want to stop, we are ready because the burden it will produce is bigger than the money that they want to give us. So the history also dictates Rwanda to accept some things and not to accept some others by all means.

*Interviewer: The first EDPRS-1 (2008 - 2012) is built under the understanding that the achievement of the development goals that it foresees requires a scaling up of foreign aid. The EDPRS-2 (2013 - 2017) contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Could you elaborate about this shift?*

**Interviewee:** I think that one of the principles that even our President tells to the donor community is “Yes we want aid but we do not want aid for ever”, because the essence of aid is to help you to move from one step to another. It is not to make you a permanent recipient. So that is why EDPRS-2, given the vision 2020, focuses more on economic transformation. We are reducing poverty but we also want economic transformation. We want to increase our exports, strengthen our productive sectors and attract investors. And you cannot do that if you do not have roads, electricity or water. Nevertheless, we are not abandoning the social agenda, because there are some social protection mechanisms such as the “*Vision 2020 Umerenge Programme*” [VUP is one of the poverty alleviation programs initiated by the GoR under the EDPRS-1 in 2007 that targets particularly the extreme poor around three components: public works, credit packages and direct support to improve access to social services] and the “*ubudehe*” initiative that allows us to categorize families according to their needs [The word Ubudehe refers to the long-standing Rwandan practice of collective action and mutual support to solve problems within a community. Today, the concept is used

*for a development programme whereby citizens are placed into different categories that inform the level of support families receive through government social protection programmes]. The EDPRS-2 is focused on economic transformation that leads to increase self-reliance. We want the private sector, national or international, to take a leading role. Rwanda is open for competition.*

***Interviewer:*** *The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges on this particular front?*

***Interviewee:*** I think that there are many areas where we have to focus. As already mentioned we need to focus on economic transformation. The purpose is to help people to get off-farm jobs such as jobs in the industrial or service sectors. Our economy is based on agriculture but now services are picking up so it is a sector that it is growing. Besides the agriculture sector is vulnerable to seasons. Therefore, our challenge is to increase the exports and we need to develop the skills of the people for that to happen.

The main principle about Rwanda development agenda is that the people of Rwanda are our main resource. That is our main capital. So we have to develop skills and skills that are needed on the market. Bringing up this new productive sectors and people having skills, will both together help to increase entrepreneurship. Government wants to invest 1 dollar and at least attract 2 dollars from the private sector. The government wants to help but the main role is now for the private sector.

***[End of the Interview]***

**- Interview 8 -**

**Date and time:** 7 June 2016, 15:00 hrs. (30 min.).

**Interviewer:** Asier Erdozain

**Interviewee:** #3 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: Could you tell me about the different aid modalities that your organization prefers?*

**Interviewee:** Until 2012, we used to rely on GBS combined with some elements of project support. This changed in 2012 after some concerns were raised internationally regarding the involvement of the GoR in the DRC.

After that, we moved to other forms of aid. We did our last general disbursement in 2014 as we agreed in coordination with the government to shift to other modalities, such as for instance “targeted financial aid”, which still is disbursed using the government systems (as it is implemented by the government) but it targets specific needs within specific sectors.

We also support the government through other forms closer to the traditional programmatic aid such as a modality called “payment by results”, which is also integrated in the government systems but it is triggered only when the outputs foreseen are implemented (reimbursed). These forms of aid are normally accompanied by complementary technical assistance (consultants, experts).

In summary, half of our current aid, although tied to specific initiatives, reaches Rwanda through the state treasury and relies on the government mechanisms. Third parties implement the other half, such as Special Purpose Vehicle, which guarantees and independent body to undertake the activities.

**Interviewer:** *The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. How do you perceive such spaces? Do they allow for exercising certain degree of advocacy?*

**Interviewee:** Yes, I think that there is advocacy capacity for donors to influence the government especially in those areas in which the government is already championing. Hence, for instance in the field of service delivery, which is one of the strong areas, the government is open to have discussions and to work proactively with us. There are also other cases in which we, the donors, manage to put into the agenda certain issues related to development that we consider important and that they might not be a priority of the government at the time. Usually, the GoR is open to discuss such issues and there are good chances that they are included into their priorities.

In contrast, there are other areas, such as the space that the civil society has in Rwanda to participate in public life, in which there is less room for discussion. I even perceive that the space for dialogue in those particular areas is progressively getting narrower.

**Interviewer:** *What about discussions about political governance in particular?*

**Interviewee:** Our country looks at governance issues from a different section in our government but the way I see it is that the spaces for dialogue are limited.

**Interviewer:** *The same donors that work here in Rwanda have lately raised concerns on issues related to political rights and civil liberties. However, on the other side the formal relationship donors-government as well as the aid flows does not seem to be very much affected. How do you perceive this?*

**Interviewee:** We as a donor have adopted certain regulation that oblige us to assess every year every country according to a set of indicators such as the performance of the government in reducing poverty, accountability of the government, political and civil rights, etc. The way it works is that some indicators can compensate others so if

one country scores very high in one indicator such as economic performance or pro-poor agenda, then this can compensate other indicators in which the score is substantially lower such as civil liberties or political rights, which is the case of Rwanda.

Besides, we have an obligation with the people so we cannot punish them because we might have concerns about the way the government deals with certain issues.

***Interviewer:** As you mentioned, Rwanda scores high in many aspects related to socio-economic performance. Actually it is widely accepted the exemplarity of the GoR on that regards. However the concerns raised are also there. This paradox is at the core of the research that I am undertaking. One element that can explain it is that the exemplarity and good results achieved by the present government weight more than the concerns. I would like also to know your views on the eventual impact on the current relationship donor-government of another element, which is the unfortunate role of the international community during the genocide. Do you think that the moral deficit that was exhibited in 1994 affects the current relationship, providing eventually more room for maneuverer to the GoR to a certain extent?*

***Interviewee:** I think that there are issues that as part of the international community we cannot discuss in this country because we have forfeited the right to talk about them. So yes, I believe that the genocide is a part of the history in this country that plays an important role in shaping the current relations between donors and the international community.*

On this regard, I believe that in this country, there are thresholds [*of flexibility with the GoR*] that are very high because of those historical reasons. Moreover, there is no room for challenging the official narrative otherwise you can be charged with genocide denial.

***Interviewer:** The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is*



*at the core of the strategy. What do you think that are the main challenges on this particular front?*

**Interviewee:** Certainly we are progressively financing more projects oriented to strengthen the private sector in this country, as the government demands them. However, we are also keeping an important part of our aid focused on basic issues such as health and education because we understand that there is still progress to make in those fronts. There are risks of moving to fast and leave aside those important sectors.

**Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges that the government will face in the future?

**Interviewee:** Over ambition can be a challenge. As mentioned before, there are important things to achieve in basic sectors that still need greater focus. As the saying goes "don't try to run unless you can walk".

Beyond that I think that there is also a medium long-term risk of instability due to deficits in civil liberties and political rights.

***[End of the Interview]***

- Interview 9 -

**Date and time:** 9 June 2016, 10:00 hrs. (25 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #4 - Government Officials

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer:* How do you perceive the different aid modalities and in particular, which one do you think that it is the best for the Government?

**Interviewee:** Receiving foreign aid is good but we need to understand why we could not be self-sufficient when promoting our own development. Instead of being supported regularly by donors, we need to find our own means to move forward. What our development partners do for our government is good as they support us but we need to be self-sufficient at one point.

*Interviewer:* The Development Partners Coordination Group (DPSG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Could you please further elaborate on how those two institutions/practices do contribute to host an open dialogue? Does the dialogue hosted permeate in the GoR?

**Interviewee:** My point of view is that those spaces guarantee accountability. All participants know that we as a government have something to say, something to give, something to show. Those spaces are very positive as they encourage everyone to be more productive in the work they do. Ultimately they are useful tools that help everyone to do better. They are good forum for discussion.

*Interviewer:* There have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment

*Framework (DPAF) and the Common Performance Assessment Framework (CPAF).  
What are in your opinion the virtues of such mechanisms?*

**Interviewee:** I am not really very familiar with those mechanisms so I cannot comment.

*Interviewer: I have noticed that recently the Development Partners have issued various statements raising some concerns on areas related to civil liberties and political rights. What are the repercussions of such concerns in terms of the relationships of the GoR with the development partners?*

**Interviewee:** Rwanda as a sovereign country has the right to make its own decisions and our donors do not dictate our internal affairs.

*Interviewer: Of course, actually what I am interested in knowing is if those concerns affect in any way the relationship donor-government.*

**Interviewee:** In my opinion, those concerns do not affect our relationship with the donors. We have very good relationships with bilateral and multilateral donors.

*Interviewer: The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. Have do you perceive such a change?*

**Interviewee:** the macro-economic strategy of Rwanda aims in the long run to decrease excessive dependence on foreign aid; there is a program in place called VUP - Vision 2020 Umurenge programme. It is the second flagship of EDPRS; it accelerates the rate of poverty reduction by promoting pro-poor components of the national growth agenda. This will be achieved by releasing the productive capacity of the poor in rural areas through a combination of public works, promotion of cooperatives in private sector, credit packages and direct support. In the end, these people graduate and move from one category of poverty to another, that is most poor to poor and then to rich-to-be.

***Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges for the GoR on this particular front?*

**Interviewee:** The implementation of the MDGs faced several challenges and many countries did not manage to achieve all the set goals. However, the lessons learnt during the implementation of the MDGs should help countries implement the SDGs. Achieving our vision is possible with hard work a dedication of our people with the support of our friends. We can achieve what we need to do if we work together.

***[End of the Interview]***

- Interview 10 -

**Date and time:** 9 June 2016, 14:00 hrs. (45 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #4 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one is preferred by your organization?*

**Interviewee:** In the past, we used to provided GBS in partner countries but our position on that front has changed. We learnt that when you provide just budget support you lose sight of what really happens on the ground. In Rwanda, we combine SBS with other aid modalities, such as projects.

On the other hand, SBS has its advantages in that it allows you, as donor, to maintain a closer dialogue with national authorities. A combination of SBS and programmatic aid is possibly the best option, as while we maintain the dialogue with the government, at the same time we have a better understanding and a deeper knowledge of reality acquired through the projects we fund; knowledge that contributes substantially to feed such dialogue.

*Interviewer: So the decision to discontinue GBS and shift towards other modalities that are less discretionary and closer to specific sectors and activities is technical or political?*

**Interviewee:** General and Sector Budget support lost their attractiveness in the view of Parliament when some concrete examples and evaluations conducted at the field level showed it did not always bring about the results expected. Furthermore, this modality appeared difficult to use in situations of human and political rights violations by the recipient governments. Hence our parliament has decided that we in

general need to move from discretionary aid to a modality more tied to specific sectors and projects. The evidence on the achievements of (general) budget support is mixed to a certain extent though. We have seen successful stories but the trend is to move away from GBS.

Nevertheless, in Rwanda, the decision to temporarily stop SBS has been political and we currently work with a combination of SBS and programmatic aid.

***Interviewer:** The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Could you please further elaborate on how those two institutions/practices do contribute to host an open and frank dialogue? Do such dialogue permeate in the GoR?*

**Interviewee:** Here in Rwanda there is plenty of space for very open dialogue although only for those topics that are not considered internal matters by the government. There are some issues that can be discussed and others that cannot. Of course as donors, we try to get more space for dialogue but we also use the one that we have and often we manage to include issues in the government's agenda.

And there are disputes too. For instance, the government wants us to be reliable in terms of predictability, but often there are delays in the implementation (expenditures) that are the result of national procedures rather than DP procedures, slowing things down. We as DPs want to be involved in the planning of the national budget so we ensure that realistic targets in terms of implementation are there in order to avoid such disputes and negative consequences for Rwanda as well as the DPs (accountability to parliament).

But in general, we are satisfied with the way those committees and meetings work. The atmosphere is very good and the staff from the government is usually constructive and open to critical remarks.

***Interviewer:** What about issues related to governance?*

**Interviewee:** There are some spaces where good governance and human right issues are discussed with the government, such as the opportunity for dialogue that the Cotonou agreement offers every year. Besides, as a donor that provides SBS to the Justice sector, we possible are capable of getting more attention on certain issues than other donors, although we are very careful with those spaces of dialogue in order to preserve them.

*Interviewer: Recently the Development Partners have issued various statements raising some concerns on areas related to civil liberties and political rights. What are the repercussions of such concerns in terms of the relationships with the development partners? Do they affect the modus operandi of the same DPs?*

**Interviewee:** I think that being friends with Rwanda is key due to the situation in the region. If you analyse the situation in the East African community plus DRC, the stability in Rwanda contributes substantially to the stability of the region. Besides, the risk is very high if you, as donor, leave. It is certainly better to find a way to pass your message without leaving. You would never be able to change anything in this country if you stop the dialogue with the government. Stop and go is not the best option.

*Interviewer: Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time exert certain influence in the way the relationship with the GoR is shaped?*

**Interviewee:** Yes, I certainly think so but it is not the only reason. Many good things have been attained here (exemplarity) plus the stability of the region is important.

*Interviewer: The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. Have do you perceive such a change?*

**Interviewee:** When we first heard from the Rwandan government that they wish for Rwanda to become a middle income country and the GoR was going to move away

from aid and bet for a stronger private sector, we tried from here (Rwanda) to convince our parliament back in our country that although independency from aid is a good thing to pursue, today it is not realistic that Rwanda can manage without aid. We told our capital that we have to look for an exit strategy, but at this stage it is imperative to maintain our aid commitment with the country. Even the IMF is telling donors not to move away from aid too quickly. So for us now, Rwanda is in a transition stage, which means that we will try to move from an aid relation to a trade relation but that is going to take time. Although it is true that the government is addressing efforts to strengthen the private sector, the public sector is still the engine of the economic growth in Rwanda.

***Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges for the GoR on this particular front?*

**Interviewee:** The GoR is taking very seriously the domestication of the SDGs and from our side the UN is dealing with it now. Most of the indicators of the SDGs are already considered in the national plans and strategies of the GoR.

Rwanda is an example of inclusive growth although inequality somehow seems to be increasing. There are certainly challenges ahead but the GoR has in my view an honest pro-poor agenda although they might have their own ways to put it forward.

***[End of the Interview]***



- Interview 11 -

**Date and time:** 9 June 2016, 16:00 hrs. (35 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #5 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities?*

**Interviewee:** I think that among budget support and project support, ideally a combination of both is the best option. Actually, those donors that can provide budget support complement those that cannot. It mostly depends I think on the level of expertise and capacity that the different donors have displayed at the field level. If you have not the capacity to implement projects on the ground, you may move towards budget support. Nevertheless, I believe that budget support is becoming more and more uncommon among donors. There are accountability and scrutiny issues, sometimes driven by public pressure, involved in the modality of budget support that possibly make the traditional project approach more attractive. In any case, in Rwanda, concerns regarding corruption are not really a reason to move away from budget support, as has happened in other countries.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat (DPR) established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Could you please further elaborate on how those two institutions/practices do contribute to host an open and frank dialogue? Do the dialogue hosted permeate in the GoR?*

**Interviewee:** I am aware that from the development partner's side, there are good coordination mechanisms in place to prepare for those meetings. We, the development

partners, gather monthly to discuss issues that affect all of us and when the time comes, we prepare well for the DPCG and DPR in a coordinated way.

Concerning the DPCG and DPR, I believe that they work relatively well. I believe that they are useful meetings in which often we manage to put certain important issues in the agenda of the government; as for instance happened recently with nutrition related issues. We ultimately can see the results.

Additionally, we (the organization/agency/country that the interviewee represents) particularly have a lot of bilateral meetings with the government that help us to advance discussions on specific issues, building on the DPCG forum.

The challenge of those spaces is that when something is not a priority for the government, then the dialogue can be more difficult. In any case, for us, those spaces are an effective entry point and at the same time we find in them certain flexibility as we decide somehow our level of participation.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms? Do you think that they affect the modus operandi of the GoR and of its DPs?*

**Interviewee:** Yes I think they do. (The Division of Labour in Rwanda is a clear example of how the GoR puts this into practice.)

***Interviewer:** The Development Partners have issued recently various statements raising some concerns on areas related to civil liberties and political rights. What are in your views the repercussions of such concerns in terms of the relationships donors-government?*

**Interviewee:** I think that most of those issues are serious issues but if you look at the history of this country and also to what is going on in the region, that can help to

contextualize why eventually the relationship donor-government and the aid flows are not substantially affected by those concerns. Besides, if you push the issue further and undertake stronger measures, probably many people would be nervous with the potential results.

Moreover, the GoR has achieved a lot of things in many fronts. However the buzz of such success can deviate the attention to the fact that there is still a lot to do. We as development partners need to continue supporting Rwanda in basic sectors to guarantee that the progress continues.

And as anticipated, there is another important point to consider, which is the regional stability. The situation in many countries in the region is precarious and the stability of Rwanda is important from that regional perspective.

***Interviewer:** Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time could exert certain influence in the way the relationship with the GoR is shaped?*

**Interviewee:** I have heard that argument before as the primary reason of why donors are not putting stronger pressure on the GoR and I think that it might play a role. However, we cannot underestimate that having stability in the region is crucial at this point. It might be a pragmatic position but I believe that there is fear of the potential scenarios that could result from putting too much pressure or adopting radical measures. Besides, we as development partners have been working with the GoR to build a success story in Rwanda for quite a number of years now. We might not be happy with everything that happens but being consistent at this point and maintaining the support and the relationship is possibly the best route to follow.

***Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges for the GoR on this particular front?*

**Interviewee:** The GoR has shown a strong commitment with the poor. Today they are proud of what they have achieved and they should be. Particularly on regards to the “domestication” of SDGs, the GoR is also doing an admirable exercise and the UN is supporting that. Most of the SDG indicators match already with targets and goals that the GoR has already defined within its national plans and strategies. Now, how to achieve those targets is another challenge and I guess that it would be important for the GoR and the DPs to secure the progress achieved in basic sectors.

*[End of the Interview]*

- Interview 12 -

**Date and time:** 10 June 2016, 14:00 hrs. (60 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #3- Civil Society

**Interview Setting:** Offices of the interviewee

**Data collection method:** Notes

*[Start of the Interview]*

*Interviewer: Are you familiar with the efforts undertaken by the international community in Rwanda to contribute to the development of the country?*

**Interviewee:** Yes, I am. Due to my personal experience, I have got the chance to learn about the aid management field from various angles, such as from the government, donors and civil society organizations.

My perception according to my experience is that aid comes with conditionality and the GoR has been trying to meet those conditions. Rwanda has been always using the money wisely to meet people's needs. Moreover, it has also been very systematic, effective and efficient implementing foreign aid.

But what happens is that the donors come to the country with different interests as well as preferences to work in certain areas. If you let the donors act freely, then certain problems can arise. What the government has been systematically doing with foreign aid is implementing it according to the Paris declaration. And beyond that, the reports are very clear indicating that aid has been used well.

Moreover, when it comes to other important aspects, such as the integration process of the EAC or the International Conference for Peace and Security in the Great Lakes Region, Rwanda has been always ahead, signing and implementing the plans. Rwanda possesses very effective governance.

*Interviewer:* How do you perceive the evolution of the relationship between the donors and the government since the 2000s?

**Interviewee:** After the genocide, we were declared a failed state. We started to reconstruct this country from a “minus” situation. Saying that we started from “zero” would not be realistic. At the time, there was nothing but emergency and humanitarian aid and in 2000 things weren't different but we knew that we needed to move from an emergency to a development stage. And that was not easy. How are you going to put resources to build a road when you know that people are dying from hunger? It was a critical moment.

Besides, another characteristic of that period is that aid came scattered with no coordination whatsoever. And in addition we had still risks of destabilization from insurgency coming from our neighbour DRC.

In any case, donors as anticipated were not coordinated at all and worst, they were not predictable. They had a lot of flexibility to operate as they see fit, but when you come up with foreign aid that is not predictable, stable or even sufficient to pursue the targets that it attempts to achieve, then that can be problematic and certainly it brings difficulties to the government to implement its own development agenda. Not only the government but also donors have obligations and the Poverty Reduction Strategy Paper was a crucial exercise (2002) that oriented efforts to coordinate the aid and promote more aid on budget as the best route to attain the government aspirations reflected in Vision 2020.

Another crucial point was EDPRS-1 in 2007. It was based on the pillars of capacity building, coordination and mutual accountability between government and donors. This period (2005-2010) was a great period in terms of establishing a sound regulatory framework as well as a strong partnership with donors. This period 2005-2010 represents the flourishing era of the foreign aid management system.

However, when the EDPRS-2 was launched in 2012, the civil society started to ask why some development partners started to mix development issues with political issues. This can be appreciated clearly when in 2012 some donors stop their

disbursements due to allegations of the involvement of the GoR in supporting rebel groups in DRC. But not only in that case. We have seen this kind of external “politization” of aid quite often. We have seen that mixture (political and development issues) in other occasions, for instance, with the imprisonment of Victoire Ingabire Umuhoza, or with the BBC case or even more recently with the referendum. Some development partners get involved in those issues, which are internal and have nothing to do with development aid. Is it about politics or is it about reducing poverty?

Such disagreement between the DPs and the GoR was visible if you look at a particular exercise called the Joint Governance Assessment (JGA), which was a governance scrutiny carried out under the leadership of a steering committee comprised by the GoR and its development partners. After the second report issued in 2011, the exercise was discontinued because it was very difficult to make everybody happy. The DPs were not satisfied with the results, which led to disagreement and ultimately to the discontinuation of the JGA.

But the major source of disagreement of this period (2010-2014) was the alleged involvement of the GoR in supporting the M23 rebel group in DRC. That showed how aid was externally politicized.

And I am also aware of other kind of criticism raised by the DPs, which makes reference to the lack of freedom of assembly and freedom of expression here in Rwanda and of course there is room for improvement, but here in Rwanda the only issue that is non-debatable is when it comes to the genocide. You cannot deny, downplay, revise, relativize or diminish the importance of that unfortunate part of our history. That space is closed.

*Interviewer: Do you think that DPs move in that space?*

**Interviewee:** Yes I think so. Look at the events we mentioned before such as the imprisonment of Victoire Ingabire Umuhoza or others like the conflict of LIPRODHOR (Rwandan League for the Promotion and Defense of Human Rights).

Those were controversial cases but donors clearly intruded confirming their attempts to make aid political.

*Interviewer: As we have been discussing, most of the concerns raised lately come from the donor community based here in Rwanda. However, on the other side the formal relationship donors-government as well as the aid flows does not seem to be very much affected. I know that the present Rwandan government certainly has provided good results in many fronts, but besides such exemplarity, do you think that a sense of guilt from the donors due to the unfortunate role of the international community during the genocide affects the current relationship?*

**Interviewee:** I was not aware that the relationship was so good and the aid flows so high. But, no I do not think that such argument of guilt plays any role. I have never heard of that before. The government is effective and that is why donors stay. Besides, look for instance at the EU. They do not behave, as they would feel guilty. Recently they performed a mapping of the NGOs in this country and the outcome is that we need to reconstruct the civil society here, like if something would be wrong with the government or with the current civil society organizations. The EU created a new fund for reconstructing the civil society here even knowing that we already have a fund for strengthening the existing organizations. If you want to improve something you do it from the inside. That approach makes me think that maybe the EU has its own agenda here. For what purpose they want that money?

We in Rwanda are the drivers of our own development and that should be clear to our development partners.

*[End of the Interview]*



- Interview 13 -

**Date and time:** 10 June 2016, 17:00 hrs. (25 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #4 - Civil Society

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: Are you familiar with the efforts undertaken by the international community here in Rwanda to contribute to the development of the country in terms of donors, funding, etc.?*

**Interviewee:** Not much really. But due to my activity here, I know about the amounts of foreign aid that comes into the country. And I also know about some of the development partners established here such as UNDP, DFID and the EU.

*Interviewer: How do you perceive the relationship between the GoR and its Development Partners?*

**Interviewee:** I am not really familiar with that.

*Interviewer: What under your views are the existing spaces available for the Rwandan civil society to express their concerns? Do you think that they have access to the government?*

**Interviewee:** We do have a national dialogue here in Rwanda where the civil society takes part. When we have findings on areas that need improvement, we publicly publish them and advocate for things to be better. We can do that through the platform of the civil society or individually. Particularly, we are really active in what refers to improve transparency in Rwanda.

When we raise issues, our findings are always based on facts. And this is a challenge here in Rwanda, as the civil society not always possesses the means to raise factual findings and elaborate arguments based on them. We, as civil society, are involved in the dialogue but we have our limitations.

*Interviewer: As you probably you are aware of, the current GoR has been criticized for issues normally related to civil liberties and political rights. What is your perception about such criticism?*

**Interviewee:** I think that there is a political agenda behind such criticism. In our neighbour countries there have been important crisis and you do not see that criticism to emerge in those countries as it happens here in Rwanda.

In Rwanda after the genocide things were extremely difficult and I do not know really what this people [those development partners that raise criticism] want from us.

*Interviewer: Most of the concerns raised lately come from the donor community based here in Rwanda. However, on the other side the formal relationship donors-government as well as the aid flows does not seem to be very much affected. What do you think that can explain that?*

**Interviewee:** I do not know about that.

*Interviewer: Now moving to the last part of the interview, the last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs and in short, to improve the living conditions in the country. What do you think that are the greatest challenges of the GoR on this particular front for lets say the following 10 years?*

**Interviewee:** I know that the government needs resources but I am sure that we will perform well. Rwanda has been always the best pupil in the class. In any case, as a poor country of course there are challenges to face but we also have a strong political will. We will succeed...

**Interviewer:** Being a civil society organization, what do you think that could be improved from the government side to attain such goals?

**Interviewee:** We do not need to focus on the government. We ourselves are the ones who need to improve. Besides, I have never felt intimidated and I never perceived any resistance from the government to collaborate.

*[End of the Interview]*

- Interview 14 -

**Date and time:** 13 June 2016, 14:00 hrs. (45 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #6 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is the best one for the country?*

**Interviewee:** Ideally, I believe that at the moment the best would be Sector Budget Support (SBS). In the past we provided General Budget Support (GBS) but we moved back to more classical modalities such as project aid and SBS.

*Interviewer: What are the donors doing these days?*

**Interviewee:** Similar to us (SBS and project support). The days of GBS are over.

**Interviewer:** What do you think that is the tendency for the future?

**Interviewee:** I think that the current scheme will stay.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do they contribute to host an open and frank dialogue? Do you perceive that the dialogue hosted permeates in the GoR?*

**Interviewee:** I think that there are certain things that are difficult to debate with the GoR in such fora. It is difficult to discuss them in public and I believe that they prefer to hold that dialogue bilaterally and in a small group (us and the Permanent

Secretaries of the line ministries). I believe that one of reasons for that to happen is cultural. Rwandans and possibly many Africans in general won't stand critique in public. It is some sort of face-saving. They would admit many things in private but when it comes to discuss publicly, things become more difficult.

But also there is another element interplaying here. When in 2012, the DPs suspended aid due to certain allegations, the GoR became very angry. They got hard feelings on us and I believe that this is also a factor that explains why now the dialogue is less fluid. We do not have the right to discuss issues related to the planning of the national budget because there is no GBS involved. We only have partial access to the budget in what refers those sectors in which we are involved. Recently we received the Budget Framework Paper but that contains only incomplete information. The GoR claims that the reason for sharing with us partial information is that they cannot provide to us more information than the information that they provide to the Parliament. Of course our natural reaction is that they should then provide more information to their Parliament, but the truth is that parliamentarians obviously do not demand it. On this point, we face the political culture of the country. We would like to participate more and understand what is behind the decisions taken by the government to prioritize this or that sector instead of others. However this is not happening. And I believe that they know to a certain extent that they are not being accountable to us. They give us data related to the sectors in which we are involved and I believe that this situation finds its roots in the aid cuts of 2012.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms? To what extent they have generated substantive modifications (if any) in the modus operandi of the donors and of the GoR?*

**Interviewee:** Those instruments are very helpful, specially the DPAF. But they need to evolve as the aid modalities are also evolving. We need to revise the indicators to make them meaningful and updated to the current circumstances.

There are, however, certain governmental tools linked to the DPAF that need further improvement such as the Development Aid Dataset (DAD). When we compare our data with the one that DAD offers, we discover that there are often deviations, quantitative and qualitative. Quantitative because numbers on disbursements do not always match and qualitative because sometimes they consider certain contributions as SBS but we consider them under the project support umbrella. Often those are minor things but if you put all together they create us some difficulties.

***Interviewer:** I have noticed that lately the Development Partners have issued various statements raising concerns on areas related to civil liberties and political rights, but on the other hand the relationship between the donors and the government as well as the aid flows that support it, do not seem to be significantly affected. Why?*

**Interviewee:** The thing is that if you look at different dimensions you come to different conclusions. We, as DPs, are happy with the socioeconomic progress but we are not as happy with issues related to human rights. It is a mixed picture.

From a developmental viewpoint, I can say that we, as DPs, like to see countries in which their governments know what they want to achieve, and certainly the GoR knows what it wants. Furthermore we appreciate countries that implement what they want and Rwanda tries hard to implement it. Rwanda is one of those few countries where there is no project pipeline. They implement almost everything that they plan. If there are problems from the implementation side, those problems are often due to us, DPs, or to consultants or providers of services coming from outside, but not because of the GoR. From a development perspective it is extraordinary to work here.

Now, if we talk about free media, human rights, pluralism of political ideas, I believe that there is room for improvement in Rwanda. What you see in this country is for instance that the President publicly has stated in several occasions that he appreciates what the DPs are doing to help Rwanda but he also underlines frequently that DPs should not tell the government what to do. He stresses that he would rather like to see investments (local and foreign) than ODA..

The thing is though, that today around 34% of the national budget is paid by the DPs but I believe that the government do not trust the DPs. What happened in 2012 has taught that lesson to the GoR. They believe that they have to rely on themselves. They do not want anymore to be dependent on aid.

***Interviewer:** In addition to the exemplarity factor, Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time exert certain influence in the way the relationship with the GoR is shaped?*

**Interviewee:** Yes, I think so, but not only because of what happened before and during the genocide but also because of the fact that right after the genocide, the international community was focused on supporting the refugees in DRC where you could find perpetrators from the genocide. The government, who was asking for more help at that time, was upset also with that.

It is deeply ingrained in Rwanda to believe that you cannot trust the donors as they first abandon us and then address their support in the wrong direction.

Besides Rwandan people want to do things on their own. They are very proud and put emphasis on self-reliance. They want to be the model to follow instead of following the model of others. And if you read about the past of this country and go back to even the colonial times, you could perceive that kind of good organization and sentiment of self-reliance too.

***Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges for the GoR on this particular front? Is there a pro-poor agenda in this country?*

**Interviewee:** Yes there is. You can see from the data of the last household survey that before, there was growth without poverty reduction in Rwanda but now the government has changed that. The GINI coefficient has decreased considerably in the last few years and I believe that the data used for the GINI calculations is trustable.

Although sometimes I believe that there are some difficulties to get macro data on time due to the government reluctance to share it.

In any case, concerning the SDGs, certainly the President has made public a “social contract” (commitment) with the Rwandan population to increase growth, reduce poverty and provide security.. So yes, I think that there is a pro-poor agenda on-going in Rwanda. Poverty reduction has taken place.

*[End of the Interview]*



- Interview 15 -

**Date and time:** 13 June 2016, 16:00 hrs. (35 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #7 - Development Partners (former government official)

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is the best one for the country?*

**Interviewee:** Actually, each of the aid modalities has its own advantages. I think though, that the best modality is General Budget Support (GBS), because it gives to the government greater flexibility to plan and also because it is good for macroeconomic management.

Currently, between 30 to 40% of the budget is composed by aid contributions. If such amount would be GBS, the government would have flexibility to use those funds and compensate for the scarcity of foreign exchange resources. It would definitely help to breach the current account deficit because GBS is directly disbursed to the national treasure. Additionally, GBS promote the country management systems.

However, GBS also presents a disadvantage: lack of predictability. In 2012 there were aid shortages. Some DPs suspended aid on unsubstantiated grounds. This was a shock because the GoR did not expect it. Hence, this disadvantage is translated in the fact that the donors can decide over issues of national importance and it can create serious difficulties to the government.

Before those events unfolded, the political dialogue between the government and the DPs in Rwanda was more fluent. Within the Budget Support Harmonisation Group (BSHG) donors were able to discuss the budget and exchange views on the CPAF. That was an advantage for the DPs. However, when that group was discontinued after

the events of 2012, the dialogue was shifted to the Sector Support Groups which is less strategic and more focused on specific sector-related matters. The dialogue now is not as strong as it used to be.

Nevertheless, after the aid shock of 2012, the government realized that SBS is a preferable modality as it is less volatile and more predictable. Besides, it also comforts the DPs as they know exactly where their money is spent.

Project support is good too but I do not think that it is the best effective tool in the aid management field. It is not fungible, it has a lot of inherent transaction costs and it makes macro economic management very difficult. If you think of it, the government today has a lot of challenges with the balance of payments. There are many contractors and as long as project support does not enter into the national treasure, it cannot help on that front.

*Interviewer: What do you think that the tendency for the future will be on regards to aid modalities?*

**Interviewee:** I think that, in the future, we will see more project support, because of the growth trajectory of the country. In Rwanda, there are on-going structural transformations which will require more investment projects.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those two institutions/practices do contribute to host an open and frank dialogue?*

**Interviewee:** They are very useful. Donors and government discuss strategic issues in those fora, which set the development agenda of Rwanda.

*Interviewer: In line with the Paris Declaration, there have been a number of efforts in*

*the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). What are in your opinion the virtues of such mechanisms? How do you perceive them?*

**Interviewee:** The CPAF is no longer active as it was created for the budget support group. The EDPRS Policy Matrix has substituted the CPAF, shifting the analysis to the sector instead of conducting an overall examination like before (with the CPAF).

*Interviewer: I have noticed that lately the Development Partners have issued various statements raising concerns on areas related to civil liberties and political rights, but on the other hand the relationship between the donors and the government as well as the aid flows that support it, do not seem to be significantly affected. Why?*

**Interviewee:** We are not political but we follow what happens at that level. In my opinion, the GoR is doing the right thing. The GoR has undertaken the most ambitious reforms in Public Management ever. Resources are being used wisely for the intended purposes and the corruption in Rwanda is limited. The vision of the GoR is very clear and they know where they want to be in the future.

Some of those political statements show concerns but overall, the DPs do a comprehensive assessment of the government and the fact is that the result is very positive.

*Interviewer: In addition to the exemplarity factor, Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time exert certain influence in the way the relationship with the GoR is shaped?*

**Interviewee:** May be somebody could think like that but not me. Currently there is a strong engagement of the DPs. Nevertheless, I understand that the events of 2012 were very painful for the government and they show how aid is a political instrument. That is why GBS was discontinued, because it is very volatile and can cause trouble to the government.

**Interviewer:** *The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. How do you perceive such a change?*

**Interviewee:** Reducing aid dependency is very important. A country must build its own capacity for development and potentiate its own domestic resources, by promoting the private sector and attracting foreign direct investment. Now Rwanda is moving towards an economic transformation and for that it needs to reduce its dependency on aid.

**Interviewer:** *What do you think that are the greatest challenges for the GoR in the future?*

**Interviewee:** There are enormous challenges ahead. Rwanda is a landlocked country in a tough neighbourhood. But the main challenge I think is to improve the competitiveness of the economy. Removing or reducing the costs of doing business is crucial. Energy tariffs in Rwanda for instance, are two times bigger than in the neighbour countries and we are all competing for the same investors. Rwanda also needs to improve the skills of people from both the offer and the demand. Develop entrepreneurship is key.

***[End of the Interview]***

- Interview 16 -

**Date and time:** 14 June 2016, 9:00 hrs. (30 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #8 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is the best one for the country?*

**Interviewee:** Certainly, GBS is best for the Government as it provides the necessary degrees of freedom to manage their own finances and implement the national development plans and strategies. However, GBS requires accountability mechanisms in place that are clear for both, government and donors, in order to guarantee that the funding is not address to other activities different form development initiatives (e.g. to fund an army for instance). Another issue that we know now is that before 2012, in occasions, the banks in which GBS was deposited, placed the aid funds in overnight investment operations, which is something problematic. Nevertheless, GBS has been discontinued and DPs address their aid through other less discretionary mechanisms.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those two institutions/practices contribute to host an open and frank dialogue?*

**Interviewee:** No, I do not think so and I also (as DP) take my bit or responsibility on that. In any case, the format is not conducive to host open and frank discussions and neither are the attitudes of one or the others. I do not feel that I can propose changes or challenge the *status quo* in those fora. I am aware that there are cultural roots and

reasons behind this lack of fluid dialogue and also the fact that Rwanda has to a certain extent an authoritative government.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). How do you perceive them?*

**Interviewee:** The intention is very good but the outcome is below the expectations. I do not have a solution for this but I think that we have to engage in discussions that improve those mechanisms. For instance, for them to be effective you need a secretariat that helps to push the agenda forward but we all (DPs) are very busy around the table and the GoR has the intentions but not the means.

Moreover, in Rwanda the number of donors is quite low if we compare it with other countries, and yet we are involved in so many mechanisms to improve coordination that at the end we lose time. We certainly need to revise those mechanisms.

***Interviewer:** I have noticed that the Development Partners have been progressively issuing since 2010 statements raising some concerns on areas related to civil liberties and political rights, but on the other hand they do not seem to affect substantially the donor-government relationship or the aid flows that support it. Do you also perceive this kind of paradox? And why do you think that are the causes of it?*

**Interviewee:** Yes, I certainly perceived it and we (the DP that the interviewee represents) are not exception in what regards to such paradox. We have differentiated discourses on different areas and that needs to improve. In the public discourse it is important to show certain coherence. The communication strategy needs to be calibrated and I am very well aware that often our capitals and HQs push as towards a discourse that it not clear.

As for the reasons of such paradox, I believe that the exemplarity showed by the GoR plays its part. But also we have to consider the shame around the international community due to what happened in 1994. I believe that we have witnessed in history other unfortunate events where the international community did not hold the standards

expected but we cannot based our relationship on those past grievances, although here in Rwanda, that still happens to a certain extent.

I am in a position to make a comparison, which might not be very politically correct, but I will do it just for the sake of clarifying my point. If we look at the Palestine case for instance, we have seen an unquestionable exemplar progress undertaken by the Government of Israel in terms of democracy as well as in many other developmental aspects. However, they have infringed the international conventions in multiple occasions and the international community, in light of the progress made and of the dramatic history, have not said anything serious about it. Although at a different scale, I have noticed a lot of similarities here in Rwanda.

But what I lack here is transparency with regards to the rational behind such attitude. In Rwanda, Kagame is going to be president again and we, as DPs, might raise some concerns about it, but nothing really is going to change with respect to our relationship with the government or the aid flows that support it. All that we care now in Rwanda is stability in the country due to the volatile situation of the region. We should communicate clearly to our constituencies all this issues but this openness is not happening, possibly because it is too risky in terms of the potential reaction of the people in the West and the repercussions that this would have for the governments in office.

***Interviewer:** The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. How do you perceive such shift?*

**Interviewee:** I perceive that the GoR has already seen the limits of international cooperation and foreign aid and that can explain such shift.

Moreover, I also think that there is a paradox on what Rwanda wants to do as a country and its international commitments. The national agenda is above the SDGs and that is paradoxical, because the GoR needs the resources to pursue its goals but at the same time it does not want to be questioned regarding what to do. Besides, currently in the West, there are competing priorities at the global level, which

definitely can have an impact on the aid flows to the country, and the GoR knows it. That shift from scaling-up aid to reduce aid dependency obeys to those factors.

*Interviewer: The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. Is there a pro-poor agenda in this country?*

**Interviewee:** Yes, I think that in general there is a pro-poor agenda in the social realm (e.g. health, education) but I have my doubts that the great national objective of transforming Kigali in a service hub will produce pro-poor effects.

*[End of the Interview]*



- Interview 17 -

**Date and time:** 15 June 2016, 10:20 hrs. (75 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #9 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer:* How do you perceive the different aid modalities and in particular, which one do you think that is best for Rwanda?

**Interviewee:** I believe that the aid modalities have to be mixed. Each Development Partner (bilateral, multilateral, NGOs, Foundations, etc.) has its own policies and the corresponding instruments regarding how they provide resources to any aid recipient country. So the aid landscape is normally mixed.

Having said that, the preference of each one would depend on the particular context in which aid is provided and here, in Rwanda, we know the advances made by the GoR in the aid management regulatory framework. The President stands for managing the aid correctly and transparently and the corresponding accountability mechanisms have been put in place. That has encouraged donors to provide in Rwanda Sector Budget Support.

Furthermore, the system in place has greatly contributed to the progress that we can easily witness everywhere in Rwanda. It is real progress, which is commendable if we acknowledge where Rwanda was not long ago. Hence, I think that GBS could be a very useful modality for countries like Rwanda but not necessarily for other countries where the accountability mechanisms are not in place. Here in Rwanda the funds have been very well used thanks to those mechanisms.

To implement the aid flows bilaterally through the traditional programmatic aid can also be useful under certain circumstances, although there is always the risk that

donors' interests underpin the aid contributions. Donors can be interested for instance in promoting democracy and you cannot stop them from pouring some resources in the country for that purpose. We can find examples of what traditionally has been coined as "tied aid", which under my views, today, it is still present in the aid landscape. In occasions for instance we have witnessed in Rwanda donors promoting certain initiatives externally driven which do not really permeate in the institutional fabric of this country.

Summarizing, if I would a government representative, while recognizing the merits of bilateral aid under certain circumstances, I would prefer GBS; but before, I would put the corresponding accountability mechanisms in place.

***Interviewer:** The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those two institutions/practices contribute to host an open and frank dialogue?*

**Interviewee:** What I can tell with confidence is that the GoR has put in place strong mechanisms that promote the interaction with DPs and ultimately improve aid effectiveness. That includes the fora you mentioned (DPCG and DPR), which I held them very high for donor-government coordination. I can also say that they function fundamentally in a context of "ownership", as this country is particularly keen to own its own development process.

If you look individually to the different tools in place, you can find for instance mechanisms such as the Division of Labor, which is really a very efficient regulation that pursues to coordinate the efforts undertaken by the DPs and distribute the aid that they provide optimally among the different socioeconomic sectors (3 per donor).

The DPCG for instance has also been functioning very well. In the past we faced some disturbances due to certain political events that took place in 2012, but they have been already overcome. Such events led the donors to stop providing aid under the modality of GBS. Consequently the Budget Support Harmonization Group

(composed by those DPs that provided GBS) was unfortunately discontinued. The GBS was an excellent forum for political exchange and strategic discussion between DPs and the GoR.

In any case, after that, the terms of reference of the DPCG have been revised and currently it works very well. Some times, the administrative processes and secretarial tasks inherent to the functioning of the DPCG take a little more time than expected but they have substantially improved lately and some DPs are working hard to keep improving the secretariat.

*Interviewer: I have noticed that the Development Partners have been progressively issuing since 2010 statements raising some concerns on areas related to civil liberties and political rights, but on the other hand those concerns do not seem to affect substantially the donor-government relationship or the aid flows that support it. Why do you think that are the causes of it?*

**Interviewee:** The way I look at this issue, is that the GoR and particularly the President has made special efforts to adequately separate development issues from political matters. Development and politics have been very well separated here, but some DPs are ideological about some events and do not separate them so clearly.

*Interviewer: Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time exert certain influence in the way the relationship with the GoR is shaped?*

**Interviewee:** That could be part of it, yes, but certainly the way this government functions and how it manages the aid effectively and transparently is very important. If you look around Rwanda to its neighbour countries, you would realize that there is something very positive going on here.

Besides, there is another factor, which is that DPs, occasionally they do not have the skills to manage some of the events that could be to a certain extent sensitive. The President of Rwanda is very responsive and you do not have to be ideological when looking at certain issues, but in contrast, you should keep the engagement level

through an open and flexible dialogue, which ultimately will lead you further, but for that you need certain skills.

***Interviewer:** The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. What do you think that are the greatest challenges for the GoR on this particular front?*

**Interviewee:** This country has serious challenges ahead. From the economic viewpoint, there is a gap to cover between imports and exports, which require that the productivity in the country improves substantially and at the same time, the capacity of attracting external resources augments.

In the realm of politics, I believe in the model of the GoR, but I think that it needs now to be very well managed and start offering progressively the possibility for a transition, which is multidimensional, towards more liberalism. The succession in Rwanda is multidimensional and it needs to be carefully managed, as still there are ethnic considerations involved in this country that should never be underestimated.

In any case, Rwanda is already immersed in a positive trajectory of progress and effective management, which I believe, that will continue in the future.

***[End of the Interview]***

- Interview 18 -

**Date and time:** 15 June 2016, 12:00 hrs. (30 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #10 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is best for Rwanda?*

**Interviewee:** I think that to choose between one or another aid modality is a context-dependent issue. When you find a country or sector with a very clear plan and strategy and, moreover, with reliable fiduciary systems in place, then General Budget Support is probably the best option.

Nevertheless, as anticipated, foreign aid is a context specific issue. We, for instance, provide aid in various forms, depending on the context and on the nature of the purpose pursued. Hence, there are some issues involved in deciding the appropriate aid modality, such as the sector and the maturity of the programme in which aid is provided, etc. The latter is relevant to provide aid in one-way or another (sometimes through modalities closer to Sector Budget Support and in other occasions through modalities closer to the traditional project funding aid).

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those two institutions/practices contribute to host an open and frank dialogue?*

**Interviewee:** From my long experience in the international cooperation field, I can say that what I have seen here in Rwanda in terms of coordination mechanisms, I

haven't seen it anywhere else. The mere existence of those spaces for dialogue is already something commendable. The GoR takes very seriously the task of improving its coordination with the DPs, and for what I have seen, those platforms work very well.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF) and the Common Performance Assessment Framework (CPAF). How do you perceive them?*

***Interviewee:** Again, I haven't seen anything like that before. I believe that those tools are very useful as they help to increase accountability and transparency. We, as donors, also need to be accountable and predictable; and certainly those tools are a contribution for that to happen.*

***Interviewer:** I have noticed that the Development Partners have been progressively issuing since 2010 statements raising some concerns on areas related to civil liberties and political rights, but on the other hand those statements do not seem to affect substantially the donor-government relationship or the aid flows that support it. Do you also perceive this kind of paradox? And if yes, why do you think that are the causes of it?*

***Interviewee:** Today, I believe that it is a reasonable and widely extended understanding that donors do not only work in those countries where things go well in the field of democracy and freedom. Besides, a dollar goes a very long way in this country, meaning that you see results here, and in this line of work, everybody wants to see results. We as DPs need showcases, success stories.*

***Interviewer:** Do you think also that the tragic events of 1994 and the unfortunate role of the international community at the time might have exerted certain influence in the way the relationship with the GoR is shaped? Some respondents consider that this could have played a role in Rwanda, like in other parts of the world where past grievances have played a significant role in shaping the relationship between their governments and the international community.*

**Interviewee:** I am not saying that such element does not play a role, but certainly I believe that the exemplarity and good results offered by the GoR weight heavily in the donors' decisions to maintain a good relationship with the GoR and keep high aid flows.

**Interviewer:** *The EDPRS-2 contains a transformative message from which the GoR displays its desire to reduce its reliance of foreign aid and bet for the private sector as the engine of the country's development. Hence, strengthening the private sector is at the core of the strategy. How do you perceive such a change?*

**Interviewee:** The people that run this country are very smart and they know very well that depending highly on aid is risky. I really think that they mean what they say when they propose to decrease their dependency on foreign aid. However, in reality, I haven't seen a significant decrease of foreign aid and I do not think that the GoR is at this point ready to move forward without aid. I do perceive though, that aid is moving more towards loans rather than to grants but I believe that it will take time to the GoR to get rid of aid dependence.

**Interviewer:** *The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. Do you perceive a pro-poor agenda in this country?*

**Interviewee:** Yes, absolutely. We know very well who the poor in this country are. They live in rural areas, they work in the agricultural sector, they have big size families and they have limited education (if any). This government is certainly focused on extend education and improve productivity in the agro sector. And most people already have been lifted out of poverty because of that. We have seen basic services being offered to the poor, cash transfers, etc. Those efforts are not perfect but they are much better than what I have seen in other places.

**[End of the Interview]**

- Interview 19 -

**Date and time:** 15 June 2016, 14:15 hrs. (60 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #11 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer:* How do you perceive the different aid modalities and in particular, which one do you think that it is best for Rwanda?

**Interviewee:** From the GoR perspective, the best modality is Sector Budget Support. However, from our perspective (DPs), we find it difficult to get, in a transparent way, the composition of the national budget. We know that about 30% goes to health and education but, for instance, we do not know how much money goes to the army, to the police or to the intelligence services. The GoR tends not to be transparent in what refers to the overall budget, but also when it goes down to the sectors we still find difficulties. The GoR raise sovereignty issues to justify its lack of transparency and that leave us with not much room for manoeuvre. The conversations around these issues are not really taking place.

Hence, from a DP perspective and having the sense that we only get partial information, I would go for the classic programmatic approach, and even there, we face difficulties. You can find for instance that the mechanisms of implementation related to one project are changed unilaterally from one day to the other. Today you report to certain institution in what refers to a particular initiative and the day after the counterpart changes and you find that have nothing to say about it.

*Interviewer:* The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common



*concern. Do you think that those two institutions/practices contribute to host an open and frank dialogue?*

**Interviewee:** No they don't. Actually, there is just a limited number of items where we can discuss and adjust things. I have the general impression that such fora is just for the GoR to explain us (DPs) what is going on and where things are headed. Moreover, you can perceive that there is certain reluctance to speak. It exists little space in such fora to confront the national authorities (in the spirit of partnership). If you do that (confront them), you will get the official line and you will be reminded sooner than later that the GoR does things in its own way. No doubt that we can do nothing but admire the GoR for what it has achieved so far but it is also a fact that about 40% of the national budget is provided by the DPs. I believe that there should be a greater openness to our views. It should be a little bit of give and take.

*Interviewer: In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF). How do you perceive those efforts?*

**Interviewee:** As DPs, I am happy to get information and I appreciate systematic work although those tools do not leave room for discussion and often we are surprised of what we get.

*Interviewer: I have noticed that the Development Partners have been progressively issuing since 2010 statements raising some concerns on areas related to civil liberties and political rights, but on the other hand those concerns do not seem to affect substantially the donor-government relationship or the aid flows that support it. Do you also perceive this kind of paradox? And if yes, why do you think that are the causes of it?*

**Interviewee:** One dilemma in this line of work is related to how to manage development and political issues and define which one precedes the other in terms of national priorities. DPs often place politics before development and can use development for political purposes. Which goes first is possibly open to debate.

In any case, here in Rwanda we also find strong guilt from the international community due to the grievances of the past. This also operates in the way the relationship between donors and government is shaped, as it contributes substantially to consolidate the current relational framework in which we, the DPs, find ourselves confined. Additionally, one has general admiration of what has been achieved in Rwanda (which is another important factor to understand the current bonds GoR-DPs) and we all need successful stories, although certainly more needs also to be done here.

**Interviewer:** *In light of all that we've discussed, what are the main challenges that you think that the GoR will face in the medium term?*

**Interviewee:** The socioeconomic model in place is challenging. Social expenditure is high in Rwanda (health, education, etc.) and given the fact that we are in a country with growing population, with no more arable lands, and where the tendency of foreign aid is to progressively being reduced, whether people start paying for those services or the government must subsidize them (which is challenging). Let's say that the low hanging fruit has been already picked which makes now things even more difficult. Increasing production in agriculture is a challenge the same way that it is challenging to augment exports. Besides, it is not clear that the market in Rwanda is progressively becoming more open to real competition. Lack of transparency also operates at that level.

Beyond the socioeconomic model, political stability is also a challenging here, particularly in terms of political succession.

***[End of the Interview]***

- Interview 20 -

**Date and time:** 15 June 2016, 16:30 hrs. (35 min.)

**Interviewer:** Asier Erdozain

**Interviewee:** #12 - Development Partners

**Interview Setting:** Offices of the interviewee

**Data collection method:** notes

*[Start of the Interview]*

*Interviewer: How do you perceive the different aid modalities and in particular, which one do you think that it is best one for Rwanda?*

**Interviewee:** We used to provide Budget Support to the GoR and we stopped that due to political reasons. Now we try to balance our partnership with the government by working with other national actors as the civil society and the private sector.

Nevertheless, in general terms, budget support is a modality that works optimally when the government is efficient, effective and appropriate accountability measures are in place. Here in Rwanda, as anticipated, we do not provide nor General Budget Support neither Sector Budget Support but for political reasons. We focus mainly on other forms of aid that can be included under the umbrella of the traditional programmatic aid. But of course, under ideal circumstances, I believe that GBS is preferable because it strengthens national ownership in many ways.

*Interviewer: The Development Partners Coordination Group (DPCG) established in 2000 and the Development Partners Retreat established in 2010, provide a space to the GoR and development partners to discuss development matters of common concern. Do you think that those two institutions/practices contribute to host an open and frank dialogue?*

**Interviewee:** I think that the DPCG for instance, is too big to generate and open, frank and transparent dialogue. It is no the right format for that to happen. But at the

same time is important to have those meetings. The government can express their views and share their plans with us in an organized way and that is certainly useful.

The DPR is also important. I believe that the dialogue host there is more relaxed too.

The sector review groups are relevant too. Their effectiveness differs though from one sector to another, depending generally on who is the person co-chairing them from the government side. Nevertheless, we, the donors, would like to have the Forward Looking Joint Sector Review meetings earlier in the year in order for our views, comments and questions to have an impact on annual sector plans, priorities and budgets. Now they are held in June, which is far too late.

***Interviewer:** In line with the Paris Declaration, there have been a number of efforts in the country to improve mutual accountability between GoR and donors, such as the Donor Performance Assessment Framework (DPAF). How do you perceive them?*

**Interviewee:** In a way it is useful. It is always interesting to see how the government judges us (as DPs). However, I do not understand or agree with all of it. Sometimes I also find it quite complex, especially in what refers to the reporting lines within the government in relation to the work that we are supporting. Besides, there is another factor to consider. When you provide support through project aid, then the GoR is not in a position to measure the effectiveness of such aid as it is directly disbursed and implemented by other national actors such as civil society organization. In any case, those tools (DPAF) are another proof of the strong independence and ownership of the government, who, lets put it this way, do not say yes to everything.

***Interviewer:** I have noticed that the Development Partners have been progressively issuing since 2010 statements raising some concerns on areas related to civil liberties and political rights, but on the other hand they do not seem to affect substantially the donor-government relationship or the aid flows that support it. Do you also perceive this kind of paradox? And if yes, why do you think that are the causes of it?*

**Interviewee:** Rwanda certainly is a bit of a special case. There is a success story behind the economic and social development experienced in the country but at the

same time there are questions regarding human rights, democracy and openness. For DPs that put human rights at the top (and reflect such priority in they aid flows), it is not always easy. We can report good results on economic and social development but we cannot do the same when it comes to political rights and civil liberties.

However I have to say that we do promote a dialogue with the GoR on those sensitive issues. We consider that socioeconomic progress and human rights goes hand by hand and we have addressed efforts in Rwanda to accompany the government in the road of signing the corresponding conventions that promote such union. And we do it in a smooth and natural way. We do not try to push things. But, of course, there are some difficulties there.

However I do not perceive the latter as paradoxical. I have seen governments that are authoritative and inefficient but when you see a government such as the one leading Rwanda, that it is authoritative but very successful at the same time, then the way you assess the situation changes.

Besides, often some difficulties of working here come from the same DPs and not only from the GoR. We (the D that the interviewee represents) put together development and human rights but not all do the same. It is not surprise to see DPs that separate development from politics and I believe that this contributes to create some difficulties. But in any case, we certainly try to discuss those issues with the GoR. We try to give that fight.

***Interviewer:** Do you think that the tragic events of 1994 and the unfortunate role of the international community at the time exert certain influence in the way the relationship with the GoR is shaped? Some respondents consider that this could have played a role in Rwanda, like in other parts of the world, where past grievances have played a significant role in shaping the relationship between their governments and the international community.*

**Interviewee:** Yes it could also happen here to some extent.

**Interviewer:** *The last Development Partners Retreat held in February 2016 in the Rubavu district was markedly influenced by discussions on the 'domestication' of the SDGs. How do you perceive this process?*

**Interviewee:** The GoR is definitely doing its homework from the poverty alleviation perspective, although the GoR is not very inclusive. It is paradoxical to certain extent.

Concerning the SDGs, the GoR has undertaken jointly with some DPs, an intense effort on "domesticating" the SDGs by performing a gap analysis that contrast the SDGs targets against the national targets, identifying those SDGs that are yet to be included within the national development framework. I am sure that all SDGs will be very well integrated.

**Interviewer:** *In light of all that we've discussed, what are the main challenges that you think that the GoR will face in the medium term?*

**Interviewee:** One challenge is sustainable economic development. Almost 40% of the government budget is today financed by the DPs. Moving from foreign aid to other sources is certainly going to be a challenge.

Democratic development is another challenge. We could face 17 more years with the current President in office and one could fear that staying in power could become more important than developing the country. Hopefully, Kagame is different from other rules...

**[End of the Interview]**