

# Donor Motives

## An Empirical Study of the Motives Behind Foreign Aid Allocation for Ten OECD Countries

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## Abstract

The foreign aid sector is expanding each year, distributing hundreds of billions of USD per year to the least developed countries of the world. Meanwhile, extensive research has found that aid is not an efficient way to stimulate economic growth in the recipients. Neither is it an effective way to increase long-term sustainable development. While a major debate is going on regarding what actions can be taken to increase the efficiency of foreign aid, a parallel discussion is going on regarding whether the motives of the donor countries are complicit in making the aid inefficient. This thesis examines the contemporary discourse on motives behind foreign aid allocation and puts together an analytical framework for distinguishing between humanitarian, developmental and strategic motives. This framework is used to interpret the results of an empirical study covering two groups of donors; five donors that have previously been found to prioritize their own interests over those of the recipients, and five donors with a more altruistic profile within the literature on the topic. The results of this study corroborate those findings, while emphasizing the impact of colonial- and regional ties for both groups of donors.

**Keywords:** Foreign Aid; ODA; Donor Motives

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# 1 Introduction

## 1.1 Research Problem

A majority of the earth's population living below the poverty line are concentrated in a number of poor countries, and while the rich world has seen decades of great growth, the least developed countries (LDCs) have fallen behind. These states – many former European colonies – have gone through waves of starvation, civil wars and state failures. While the globalization of the world has made development and growth possible for some countries, it has also made it harder for citizens in those countries to ignore the misery and poverty that is taking place in other parts of the world. (Collier, 2007) This has been a major motivation behind increasing aid flows from the West to the Rest, although studies have found less noble motives to be influential in the allocation of foreign aid.

The contemporary aid industry is facing criticism from two main sides; the nationalistic movements that has grown over the last decade, which argues that rich countries should use their money to help its own citizens rather than people in other parts of the world; as well as a group of people arguing that the current aid industry is a new form of colonialism which is actually causing poverty and stagnation in the recipient countries. Researchers belonging to the latter group have found that aid has been distributed according to the donor's political and strategical needs rather than the needs of the recipients, which has caused aid-dependency in countries that were economically viable a few decades ago. (Barthel *et al.*, 2014; Browne, 2006; Moyo; 2009)

Considering the size of foreign aid flows and the fact that it is being paid by taxes from the citizens in donor countries, the claim that aid is actually being used to promote the foreign policy and interests of the donors should be of interest for those citizens. Moreover, being a supplier of foreign aid contributes to the image of the donor and affects the diplomatic relationships between countries, making research into the motives of different states an important part of foreign intelligence. Furthermore, a huge discussion regarding the efficiency of foreign aid has been taking place over the last couple of decades. The Global Goals is a current aid initiative run by the United Nations (UN) that focuses on increasing the standard of living for all people on the globe (Global Goals, 2018a). Studies finding that member countries of the UN are using their aid in ways that are counterproductive to this cause should be of interest for the other members.

## 1.2 Research Objective

The aim of this thesis is to take a closer look at the motives behind foreign aid from the perspective of the five largest donors – France, Germany, Japan, the United Kingdom (UK) and the United States (US) – as well as a group of five smaller donors that have a more neutral and altruistic profile – Denmark, the Netherlands, Norway, Sweden and Switzerland. This will be done through an empirical study of the net official development assistance (ODA) distributed by each donor between the years 1980-2015, in the light of several relevant indicators of their underlying motives. The relevance of these variables and the results of the empirical study will be discussed in the light of the current discourse on the subject of foreign aid as foreign policy.

## 1.3 Research Questions

- (i) What patterns of donor motives can be found within each group of donors?
- (ii) What conclusions can be drawn regarding the motives behind the allocation of ODA for each of the chosen donors?
- (iii) Do the findings in this study fit the results from previous literature on the subject?

## 1.4 Structure of the Thesis

Section two of this paper presents the results and patterns found in previous research within the discourse. The third section discusses and defines foreign aid and the possible motives behind its allocation. Section four introduces the methodology and discusses the data used, as well as the expected results of the study. This is followed by the fifth section, where the results are displayed and analyzed using the analytical framework. The last section of the paper answers the research questions of the thesis, before a short discussion regarding potential topics for further studies on the subject.

## 2 Previous Literature

In Bandyopadhyay and Vermann's (2013) research paper, they discuss the discourse on donor motives. Although the official aim of foreign aid donors has been to focus on development in poor countries, strategic motivations have always had an indisputable impact on aid distribution. Strategically motivated aid has been found to be connected to increases in exports to recipients, to the preventive measures against the mobilization of terrorist organizations in those countries, as well as to the geopolitical relationships between donors and recipients. Further, the authors bring up the fact that studies have found that large donors often give more aid to former colonies and countries with which it shares common interests, for example states that have similar voting patterns within the UN. Development focused aid, on the other hand, has been identified as being allocated towards recipients that make progress within their democratic institutions, such as liberalization measures. Countries that suffer from conflicts are also likely to receive more aid. The authors further discuss the relationship between the ideology of the donor country and the total amount of aid donated, where more conservative governments have been found to provide less aid.

In their study, Barthel et al. (2014) found that aid allocation by countries belonging to the Organization for Economic Co-operation and Development (OECD) is highly affected by whether the recipient country has a domestic market that the donors are interested in entering. For such a recipient, strategic donors will compete for access to the market by using aid – meaning that it is a zero-sum game and the amount provided by one donor will have a positive effect on that provided by another. Hence, the total amount of aid allocated to enhance the donors' export markets will pool to certain countries in a larger extent than can be explained solely by the size of the exports to the recipient. The authors found that this pattern was substantially more prevailing in strategically motivated donors than in more altruistically profiled ones.

In her 2007 article regarding Sweden's position as a humanitarian leader, Carlson-Rainer brings forth a number of strategic reasons for smaller countries to be committed to promoting development measures across the globe. These include the fact that a small country with a relatively small size and weak military is more vulnerable to negative international trends, making them reliant on soft power. In contrast, a large country with a substantial military has other alternatives when it comes to stabilization efforts.

Browne (2006) found that developmental aid allocation does not match the developmental needs of the recipients – it is not correlated with human development, income levels in the country or their level of democracy. Rather, he found that aid is distributed according to “factors of commercial, geopolitical, strategic/security or historical importance to donors” (ibid, 9). This is in agreement with the general consensus within the discourse on foreign aid that donors use foreign aid as a part of their foreign policy, to promote the interests of the donors themselves (Barthel et al., 2014). A large number of previous studies have found a positive correlation between aid allocation and exports between donor and recipients, especially for the five largest donors in terms of dollars spent (Barthel et al., 2014; Claessens et al., 2009; Berthélemy, 2006; Hoeffler & Outram, 2011). These large donors have previously been put in contrast to more altruistically attentive donors, a pattern that will be followed in this study.

### 3 Analytical Framework

This chapter introduces and defines foreign aid, before going into a deeper discussion about the possible motives behind the distribution of aid. These motives are discussed in the light of previous research on the subject, and presents several potential indicators for them. These motives will be the basis for the analysis of the results, which will be discussed both on group- and country level.

#### 3.1 Defining Foreign Aid

The discourse on foreign aid is divided on a number of issues. There is not a universal consensus regarding the motives of donors in their foreign aid policies, whether it is given out of altruistic concerns or if it stems from the donor's self-interests (Bueno de Mesquita & Smith, 2007). Neither is there a general agreement regarding whether foreign aid is an efficient way to increase growth – or even if economic growth is what the aid should be targeting (Garzes-Ozanne, 2011). One thing that is clear is that aid-flows from rich to poor countries are considerable – in 2017, official foreign assistance totaled 146.6 billion US dollars (OECD, 2018a).

Morgenthau (1962) describes foreign aid as being: *“the transfer of money, goods and services from one nation to another”* (ibid, 301) which is in line with the general discourse on foreign aid, although too broad to use as an actual definition of the concept. Todaro and Smith (2003; 647-648) defines foreign aid as *“any flow of capital to low development countries (...) that meet the following criteria: the reason for giving aid should not be commercial; and the interest rate and repayment period should be less stringent than if the loan was given by commercial reasons.”* This agrees with the definition by Perkins *et al.* (2006; 521): *“foreign aid consists of financial flows, technical assistance, and commodities given by the residents of one country to the residents of another country, either as grants or as subsidized loans.”* The UN divides its multilateral assistance into two categories: capital- and technical assistance. Technical assistance is defined as the transfer of knowledge, which is done by, for example, making available volunteers or expert consultants for the receiving country. Capital assistance comes in the form of financial and material aid. (The Nordic UN Project, 1990).

This paper will use the OECD definition of official development assistance as its definition for foreign aid:

Official development assistance (ODA) is defined as government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded. Aid may be provided bilaterally, from donor to recipient, or channeled through a multilateral development agency such as the United Nations or the World Bank. Aid includes grants, "soft" loans (where the grant element is at least 25% of the total) and the provision of technical assistance. The OECD maintains a list of developing countries and territories; only aid to these countries counts as ODA.<sup>1</sup> (OECD, 2018b)

Now that a definition of aid has been established, there is a need to discuss how it is distributed to the recipients. There are generally two channels for a state to use: it can either give the aid directly to the recipient state – bilaterally – or send it through an international organization – multilaterally. Bilateral aid, which is also known as Country Programmable Aid (CPA), gives the donor more control over what the money will be spent on, making it easier to use aid strategically to influence the recipient nation. This, because it is substantially harder for a donor to get aid based on their own interests through the voting systems in a larger organization with many donors. The structure of the multilateral system favor recipient nations where the donors' interests overlaps, which often means that resources are made available for those who need it the most – the poorest countries. (Briggs, 2017) One way to get around this is to give tied aid through multilateral organizations. This means that the donor decides for what projects and in what way the money should be spent – they can, for example, demand that the recipient should use the money to buy goods or services from companies based in the donor country, which is a way to stimulate their own export industry. Studies has found that tying aid increases the overhead costs, making the projects up to 30 percent costlier and hence decreasing the efficiency of the aid. (Barthel *et al.*, 2014; OECD, 2018c) At the same time, the effect on the prestige, or 'stock of goodwill' received by donors who give a large amount of untied aid have been studied, and it shows that having an altruistic profile can itself be strategic in terms of soft power (Arvin & Baum, 1997).

In addition to tying the aid, assistance can also be given through project aid or as budget support. In the former, the donor controls where and how aid is used, for example by providing public goods such as schools or roads in poor areas. This is a way to make sure that the assistance reaches the poor, instead of ending up in the pockets of the already rich and powerful elites in

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<sup>1</sup> A complete list of nations and territories considered to be developing countries by the OECD during the period studied can be found in Appendix A.

the recipient country. The difference between tied aid and project aid is that the recipient of project aid does not necessarily have to spend the money on goods produced by the donor country. Budget support, on the other hand, has the advantage of having less overhead, making it possible to do more with less. Looking at assistance supplied by the World Bank, it is more common to see project aid in countries with worse governance, while budget support is more common in states with a stable government. The logic behind this is that donor controlled project aid should be less exposed to political influence by a corrupt recipient government, although recent studies have shown that donors are not always able to prevent this. (ibid) Within this thesis, foreign aid and ODA will be used interchangeably.

### 3.2 A Brief History of Foreign Aid

The modern foreign aid sector was born after the Second World War as a collaboration between the US and Western European countries, with the aim to rebuild Europe after the war. Yet, soon the attention turned towards the large number of new states that were born during the decolonization wave that started in the mid-50s. The official aim of foreign aid has changed over the years, influenced by the state of the world economy and different economic theories. In the 60s, the focus of development assistance was to promote industrialization in newly independent states, which generally had a large endowment of unskilled labor and small amounts of physical capital. In the 70s, the projects' focus shifted towards poverty prevention, splitting the ODA between infrastructural and agricultural development projects. The growth of the donor countries' economies during this decade caused aid spending to increase rapidly, to the point where the LDCs' accumulated debt threatened the stability of the world economy. This led to a restructuring period, but by the end of the eighties, LDC debt had surpassed one trillion USD and no real results had been seen in the form of economic growth or poverty reduction in the recipient countries. Consequently, since the 90s, the agenda for foreign assistance has turned towards building stable institutions in the recipients. The explanation to the previous decades of failure was stated as bad governance and corruption within the recipient countries. (Moyo, 2009)

### 3.3 Donor Motives Behind Foreign Aid

In his 1962 article, Morgenthau describes six distinct categories of foreign aid, and while they all have different aims, they may be deliberately masqueraded as each other. Morgenthau's six categories of foreign aid are:

- **Humanitarian aid**  
aimed at reducing human suffering after natural disasters or conflicts
- **Subsistence aid**  
covers any deficits in the recipient's national budget, in order to stabilize the state and avoid issues such as revolutions and breakdowns of order within it. The backside of this kind of aid is that an unpopular and inefficient government could be able to stay in office instead of being overthrown, leaving room for a better alternative
- **Prestige aid**  
cheap aid, which is intended to increase both the donor and recipient's prestige, while not making any real differences to the recipient. Can easily be mistaken for some other type of aid, causing the donor to either spend too much or decline giving aid because they assume it would be ineffective, missing out on cheap prestige points
- **Economic development aid**  
the aim of economic development aid is to stimulate growth and sustainable development in the recipient nation
- **Military aid**  
could be in the form of materiel, training for soldiers or boots on the ground
- **Bribes**  
nowadays frequently disguised as one of the other forms of aid, as it is, if not illegal, then at least frowned upon. This causes problems with the agreements of terms, as both parties must pretend that there is no quid pro quo. Lobbying is a legal present-day form of bribery that is common both within countries and in some multilateral organizations

In their research paper, Bueno de Mesquita and Smith (2007) discuss the literature on aid, and conclude that research on the subject is focused around two separate themes: developmental aid as a part of the donor's foreign policy, and humanitarian aid with altruistic motives. This study will try to differentiate between purely political motives and aid aimed at social, economic and political development in the recipient country. Therefore, the motives behind foreign aid will be divided into three categories: humanitarian-, developmentally- and strategically motivated aid. The net ODA used in this study includes both bilateral and multilateral aid, as well as humanitarian and 'developmental' aid (Browne, 2006).

### 3.3.1 Humanitarian Motives

As has been mentioned briefly, altruistic humanitarian aid is aimed at helping people in urgent need – for instance, civilians caught in the middle of a conflict or the population in a region that has recently been hit by a natural disaster. These are some of the most vulnerable groups in the world, and the assistance is usually short-term and can come in the form of health care, food and nutrients or shelter. The motives for countries to make available humanitarian aid could be moral – the wish to end human suffering, either because it is 'the right thing to do' or due to pressure from its citizens – or political – both in regards to prestige among other donors and to

prevent the crises from spreading to their own country. There is also pressure from the large number of IGOs and non-governmental relief agencies active throughout the world. (Slim, 1988) This thesis will not focus on humanitarian aid – however, it is important to discuss and control for it as it is included in the ODA distributed by the donor countries. The variables used to do this is the occurrence of disasters in the countries as well as the life expectancy at birth.

### **3.3.2 Strategic Motives**

Strategically motivated aid is given in order to further the donor's political agenda, including gaining support for the nation's interests or furthering trade relationships with the recipient country (Bueno des Mesquita & Smith, 2007; Bandyopadhyay & Vermann, 2013). One of the most common indicators for studies on strategic motives is the trade relationship between donor and recipient. As has been mentioned previously, there has been an abundance of empirical studies done on the size of the export industry of the donor countries and its correlation with aid disbursements (Barthel *et al.*, 2014; Claessens *et al.*, 2009; Berthélemy, 2006; Hoeffler & Outram, 2011). This study aims to catch this relationship, as it might indicate either that the donors are using tied aid, or that aid is being used to establish political ties with the recipient. Having great trade relationships with other countries is a great advantage for the donor either way, while tied aid is a clear sign of strategic motives, as the donor prioritizes the stimulation of their own industry over the efficiency of the aid project. The data does not include how large the share of tied aid is, however, a large correlation between trade and aid could indicate the use of tied aid. As previous studies have found that larger donors are more prone to use tied aid, this will also be taken into consideration in the discussion of the results.

The correlation between imports and aid has not been researched to the same extent as exports, but a good trade relationship between recipient and donor should stimulate the import in a similar way as that of exports – discounting for the proportion of increases in exports that is related to tied aid. One could argue that the relative size of exports and imports could give a hint about the magnitude of the tied aid, but as previous studies have shown, there are a multitude of variables that has an impact on trade – for example the interests of other donors to enter the same markets (Barthel *et al.*, 2014). Instead, imports will be discussed as an indicator of the donor's interest in the natural resources of the recipient.

Another factor that has previously been brought forth to discuss the donors' potential strategic motives behind foreign aid is geopolitical relationships (Bandyopadhyay & Vermann, 2013). This will be investigated in the light of the geographical regions where each donor and group

of donors are sending their aid, as well as the colonial history of donor and recipient. Relatively large endowments of aid to regions closest to the donors could indicate that it is done due to either political ties or a wish to stabilize their closest neighbors. Similarly, unproportionable large amounts of aid directed at former colonies could be motivated by the political ties that has been established historically between former colonial rulers and their colonies over the years, a dependency of their natural resources or factors such as similar culture, religion and language.

### **3.3.3 Development Motives**

Development aid is, in contrast to strategical aid, motivated by ambitions to create change in the right direction for the recipient – such as increasing economic growth, reducing poverty, promoting gender equality and democratization. This, even though multiple studies (Browne, 2006; Bueno des Mesquita & Smith, 2007) have shown that aid does not target those who needs it the most and that there is no clear correlation between foreign assistance and development.

One of the first – and still among the most predominant – goals with foreign aid over the years has been to stimulate growth in poor countries. Different economic theories have encouraged different explanations of what causes an economy to grow, which means that the actions taken by concerned parties have varied over the years. Regardless of what strategy has been taken, aid aimed at creating growth should be allocated towards LDCs with a low growth rate.

Another major target has been to reduce poverty, which is a prevalent problem for a substantial part of the population living in the LDCs. A donor which is interested in creating lasting development and increased standards of living for the population in a developing nation should aim their aid towards countries that are poor. There are a number of possible measures for this, one being GDP per capita. The relevance of using this measure is that it can be used as an indicator of how much disposable wealth that is available within a country each year. Further, the positive correlation of life expectancy at birth and GDP per capita can be used as an indicator of economic equality, as the quality of life increases when the country becomes richer.

Democratization has been an important part of the Western countries' foreign policies for the last century, especially during to the last couple of decades' focus on good governance. Many Western donors have vowed to use their ODA to promote democratization, hence, a country that has been successful in liberalizing the state and taking steps towards free and fair elections should receive more aid than an authoritarian state. It is hard to rate the actual level of democracy in a country, as the definition is vague and 'freedom' is not something that can easily be measured. What can be done is investigating a number of indicators for democracy, for

example human rights and access to the political arena in the country. These investigations are often qualitative and based on the stated experience of the citizens in a country, which makes it harder to accurately compare the democracy level between countries. It is, however, a thoroughly researched field. (Haerpfer *et al.*, 2009)

Gender equality and women's rights have been flagships of the Nordic countries and their foreign policy. As it has been established that donors use foreign aid as a part of their foreign policy, states which are more equal should receive more aid from donors with such a focus. In other words, a donor that wants to promote women's rights in the LDCs should allocate more aid to countries which are taking steps towards gender equality. One of the most common indicators for this is women's access to education, which in most countries has been restricted due to historical gender roles. Other feasible indicators include women's access to political power and the possibility for them to own property.

#### **3.3.4 Other Motives**

Another motive behind aid that is worth mentioning is the heavily criticized so-called White Man's Burden – the notion that the 'developed West' should save the 'backwards Rest'. The critique has been aimed mostly at the fact that it mirrors the imperial view that the citizens of poor countries cannot take care of themselves, and need 'civilized westerners' to save them. (Easterly, 2006) This can be seen in the difference between the post-war aid to Europe and to the other continents. In the former, the client country decided what measures they were interested in taking, and then financed it with taxes or subsidized loans from the donor countries. This way, both parties of the transaction gained from it and the supply of foreign assistance followed market demand in the recipient state. In contrast, non-European countries were given pre-financed assistance based on projects decided by the donor countries. This, despite the fact that most recipients were economically viable at the time of decolonization, meaning that they had the means to finance their own development. A major disadvantage of pre-financed aid is that it is hard for the recipient country to refuse, while it creates a situation where the government become financially dependent on foreign aid rather than taxes, meaning that the incentive to conform to donor wishes is greater than that of its own population. (Browne, 2006)

#### **3.3.5 Discussion on Categorizing Motives**

While it at times can be easy to see what kind of donor motives are being dealt with, other times it is not. One reason behind this could be the lack of transparency, or the fact that some decisions

are based on more than one motive. One example of aid that is hard to categorize is aid aimed at counterterrorism, which may be done from the perspective of the donor country's national security rather than those who fall victim to it within the recipient country (Dietrich, 2016; Savun & Tirone, 2018). According to Savun and Tirone (2018), foreign aid has been the United States' preferred tool for counter terrorism since the attack on New York in 2001. In other words, strategical allocated aid is often hidden behind developmental or humanitarian motives, which can make it hard to distinguish between them.

Similar problems in categorizing arise due to the issue of efficiency. Although this thesis is not focused on efficiency, it is still crucial to take into account when discussing donor motives. Because, while it may be stated that donors to different extent give aid which in the long run furthers their own self-interests, they can – and presumably do – still believe that the policies implemented are necessary for development in the recipient state. If a nation expects that a certain aid project that is in line with their own interests will increase the recipient's economic growth or reduce poverty, should it be classified as development- or strategically motivated? One already mentioned example of this is that, during the post-war era, the Nordic countries started to promote their social and economic model abroad, the same way that the US and Soviet promoted their ideologies in newly sovereign states during that same time. While the donors supposedly believed that their model and projects would help the recipient nations to develop, if successful, the donors would benefit from the fact that it is easier to establish good relationships and trade agreements with countries that are similar in regards to ideology and policies. (Meffe, 2015) Further, any measures taken to stimulate economic growth in the LDCs could be seen as strategical for the donors, as it creates or expands potential markets for companies based in the donor countries.

The life expectancy at birth, which is used as a complement to the disaster variable for humanitarian motives can be argued to cover development motives as well – as it is an indicator for the quality of life in the recipient. Therefore, it will be discussed from both points of view. When interpreting the variables, it is important to keep in mind that aid can be allocated to a country that is not doing well, in order to encourage change, or it can be awarded to countries that have fulfilled some goal that is decided by the donor – whether it is based on the development in the country or the fact that it has opened up its trade to the donor (Molenaers, Dellepiane & Faust, 2015).

## 4 Research Design

This section will present the chosen regression model and variables. It will also discuss how the data was selected and how each indicator will be interpreted, before a short summarization of the expected results for the two groups of donors.

### 4.1 Methodology

The regression model used is the Ordinary Least Squares (OLS), which will be used to test whether the correlation between the dependent and independent variables can be determined to be positive or negative. As the aim of this thesis is to draw conclusions from the behavior of 10 donors over 35 years, this study will use cross-sectional time-series data – or panel data – in the regression. Due to the issue of autocorrelation between the years examined, the results will be clustered around an individual ID number given to each recipient. The reason for using clustered standard errors is that we are interested in looking at the variation within each recipient. Further, fixed effects will be used to control for factors that do not change over time. This means that all factors that are not included as independent variables are assumed to be constant during the whole period, hence all variance in the sample is presumably caused by the control variables. This might cause problems with the explanatory value of the regression, as it does not consider that some factors are hard to control for, which creates a problem if some of the factors that are assumed to be fixed have an impact on the distribution of the ODA. The regression will be adjusted for heteroscedasticity, as there is not an assumption that the variance in the error term is constant over time. (Studenmund, 2011)

### 4.2 Regression Variables

#### 4.2.1 Aid Disbursements (aid)

The dependent variable used in the regression will be the net ODA distributed from donors to recipients for each year during the period in question. The data is collected from the OECD (2018d) and states the aid in terms of millions of US dollars. As has been previously stated, the term ODA includes both bilateral and multilateral aid, which means that the significance of each variable might be understated in this study. This, because multilateral agencies have their own foreign policy, and any untied aid given through such organizations will be split by the donors. In other words, the multilateral untied aid will water down any causal relationships between bilateral aid and the variables chosen in this study, possibly making it harder to see

them. While this will cause a similar problem for all donors, those who are prone to give more untied aid will be affected to a higher extent than countries which focus more on tied aid.

#### **4.2.2 Trade Variables (exp, imp)**

Export and import patterns will be used to discuss how strategical aid is used to further trade between donors and recipients. The data which shows exports and imports in billions of US dollars is collected from the World Integrated Trade Solution, which is a part of the World Bank (2018a). Both variables are chosen as indicators of whether the donor is using aid to increase its position as a trading partner of the recipient. Meanwhile, a correlation between exports and aid will be used to indicate the use of tied aid, and increased imports following increased aid disbursements will spark a discussion regarding the donor's interest in the natural resources of the recipient. The expected outcome of this is that countries that have previously been found to be more strategically motivated will have a more substantial positive correlation between trade and aid, while more altruistically focused donors will have no correlation.

#### **4.2.3 Economic Growth (growth)**

The economic growth of the recipient will be based on the growth rate of their Gross National Product (GDP). The data is collected from the World Bank (2018b), and shows the aggregated value added from all domestic industries in addition to taxes, while deducting subsidies. It does not take into account the depreciation rates of capital and natural resources. The annual growth is stated as a percentage of the total GDP the previous year, and is based on a constant local currency. One of the main goals of foreign aid over the years has been to stimulate economic growth in the recipient countries. This measure should, according to the mission statements of most donors, show a negative correlation between the sum received and the growth in each recipient. However, many studies on the subject have shown that this seldom is the case, with varying explanations to why. Therefore, it would be expected that there will be no or a very low negative correlation between the two.

#### **4.2.4 Poverty (GDPcap)**

While not a perfect tool for measuring poverty, a country's GDP divided by its population size is a common measure for how rich a country is. The data is collected from the World Bank (2018c) and is given in terms of thousands of current US dollars. One should expect a negative correlation between GDP per capita and aid, as most money should be allocated to the poorest countries. However, as have been mentioned previously, this is not in accordance with the findings in most studies made on foreign aid. It will still be included, as it is an important

measure of the economic wellbeing of the recipient. The expected outcome of controlling for this variable is that it should be more significant in donor countries with an altruistic profile that focus on development rather than its own political interests.

#### **4.2.5 Gender equality (gend)**

Gender equality is a part of the global goals, and has been a focus of the development organizations for decades (Global Goals, 2018b). The data used in this paper is the rate of which women has completed primary school, and is collected from the World Bank. More exact, it measures “*the number of new entrants (enrollments minus repeaters) in the last grade of primary education, regardless of age, divided by the population at the entrance age for the last grade of primary education,*” excluding dropouts from that year (World Bank, 2018d). The expected outcome is that gender equality has a positive correlation to aid, especially for the Nordic countries, which are known advocates for women’s rights. For the larger donors which have previously been found to promote their domestic interests rather than development, the correlation is estimated to be slightly positive or non-existent. A negative correlation would indicate that the donor targets countries where women receives less education.

#### **4.2.6 Democracy Variables (CL, PF)**

The level of democracy in the recipients is based on Freedomhouse’s annual Freedom in the World survey<sup>2</sup> which was first compiled in 1972 (Freedomhouse.org, 2018). The data is based on two indicators; the Political Freedom (PF) and the Civil Liberties (CL) of the population, which together give us the country’s Freedom Status that year. These variables are based on a scale of seven, where seven signifies the highest restriction to the citizens’ freedom. In order to distinguish between CL and PF, one can think about CL as representing the human rights of the citizens, while the PF is more connected to the democratic institutions in the country. As the donors used in this study are all democracies with the stated aim of promoting democratization and human rights in the recipient nations (Haerpfer *et al*, 2009), there should be a negative correlation between PF, CL and aid received. A positive correlation between aid and PF or CL would indicate that the donor promotes authoritarian governments over democratic ones.

#### **4.2.7 Natural Disasters (disaster\_dum)**

This data is collected from the Emergency Events Database (EM-DAT), which is provided by the Center for Research on the Epidemiology of Disasters (CRED). The data is collected from

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<sup>2</sup> A description of how the data from these surveys will be used is found in table B1 in Appendix B

institutions, governments, NGOs, insurance companies and researchers, and in the case of contradictory reports, an internal ranking system of the reliability of the source at CRED is used. The dataset used in this study is based on the roughly 7000 natural disasters reported for the recipient countries during 1980-2015, and includes epidemics, droughts, earthquakes, floods and storms. In order to be categorized as a disaster, there must be at least ten reported casualties, at least one hundred persons must be affected, the government must have declared a state of emergency or there must be a call for international assistance by officials in the country. Only events where one of these criteria is true is included in the EM-DAT.

This variable will be used to control for humanitarian aid, as a substantial part of such aid is distributed to these kinds of emergencies. This will be done by creating a dummy variable which will indicate whether a natural disaster took place within the recipients during any given year. However, it does not consider the number of disasters in a single year or the severity of each disasters. The disaster variable is expected to have a positive correlation to aid, as humanitarian aid should be allocated toward countries in which the population need short-term assistance.

#### **4.2.8 Life expectancy at birth (life)**

The expected lifespan of a person born in the recipient country is a way to control for quality of life. The World Bank (2018e) is the source for the data, and it calculates the expected average age reached by individuals born in the recipient country at current conditions – for each year studied. This variable can be an indicator for two different motives. A negative correlation to aid allocation would indicate that donors assign aid to regions where people are dying young – whether it is due to inadequate health care, conflicts, starvation or other reasons. This is an indicator of humanitarian motives, as humanitarian crises has a negative effect on the life expectancy at birth in a country. On the other hand, a positive correlation might be caused by progress in sustainable development, leading to increased aid flows as a reward. While this means that no general expected results can be stated regarding this variable, it is more likely to have significance in either direction for the group of small donor countries than the large ones.

#### **4.2.9 Population (pop)**

This variable will control for whether aid allocation is affected by the size of the population in the recipient country. The data which comes from the World Bank (2018f) states the population in terms of billions and includes everyone living in the country regardless of legal status during each year in question. This variable is not an indicator for one of the motives, but makes an interesting addition in the discussion of whether the allocation patterns differ between the two

groups. One expectation of the results is that small donors give more aid to small countries, as that is where their ODA might have the biggest impact. This, because the relative size of the aid to the recipient's total GDP affects its relative impact on the recipient's economy.

### 4.3 Other Variables

In addition to the variables being used in the panel data regression, two additional variables will be interpreted and discussed, in order to get a deeper insight into strategical motives that cannot be included in the regression. These are the geographical location of the recipient as well as previous colonial relationships to the donors. It is interesting to discuss their effect on the distribution of aid, as previous research has found them to play a role (Bandyopadhyay & Vermann, 2013). The data will be displayed in two diagrams per variable, stating the mean amount of aid allocated to the countries within each region as well as the mean of the aid distributed to former colonies of certain rulers. One of the diagrams will show the mean total distribution for each region/colonial ruler, while the other shows the mean distribution between 1980-2015. These variables will be presented below.

#### 4.3.1 Geographical Location

This variable indicates in which region the recipient country is located. The regions used within this study are based on information provided by the World Bank (2018g).<sup>3</sup> The expected outcome is that the donors will give more to recipients in regions close to home or in which they are stakeholders – the US is expected to allocate a considerable part of their aid to the Middle East and North Africa (MENA) due to their interference in the region, the European countries are expected to give more aid to their former colonies or countries that are close to home, and Japan is expected to spend money in Asia.

#### 4.3.2 Colonial Ties

ICOW Colonial History Data (Hensel, 2018a) has been the source for the colonial ties used within this study. One issue with looking at colonial ties is that borders and populations have changed over time, and that some regions have been controlled by multiple colonial rulers. For the purpose of this study, the donor's status as a former colonial master will be based on the present status of their former colonies – mainly whether they are currently labeled as a developing nation by the OECD. In other words, Denmark will be labeled as neutral rather than

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<sup>3</sup> A list of these regions can be found in table B2 in Appendix B. The regional belonging for each recipient is clarified in Appendix A.

as a former colonial ruler despite centuries of colonizing Iceland, as Iceland is currently not qualified as a recipient of foreign aid.

The dataset states the premier colonial ruler, which is defined by Hensel (2018b; 2) as “*the colonial or imperial power that was most responsible for shaping the development of the entity (or entities) that became this modern state.*” Recipients which have not been controlled by a colonial ruler will be labeled “Neutral”, while recipients which have been controlled by a country that is not one of the chosen donors studied in this thesis will be labeled “Others.” It would be expected that a donor that is classified as a previous colonial ruler would give more aid than a neutral donor to their previous colonies, while they would give less aid than a neutral donor to countries that used to be colonized by another power. A neutral donor would be expected not to base their aid on colonial ties.

#### 4.4 Limitations in the Data

There are a number of possible cases of multicollinearity in this study, as different factors within a country affect one another – a country which suffers from low life expectancy due to conflicts or disasters is likely to have low GDP growth and GDP per capita levels; the geographical location of a recipient is likely to correlate with colonial relationships; regions with a low life expectancy is less likely to have developed strong democratic institutions and gender equality; and the political freedoms and civil rights are likely to rise and fall at the same time in a country. Likewise, good trade relationships between a donor and recipient might cause both exports and imports to increase, and they might correlate more with aid allocation in recipients in which the donor has colonial or regional ties. In other words, it is possible that several these variables interact with each other, which means that the significance of the regression might be understated. This will be discussed further in the descriptive statistics section. On the other hand, leaving out relevant variables can cause serious problems for the result of the regression by creating a bias in the sample. (Studenmund, 2011) The rest of this section will discuss some potential omitted variable biases that might arise, as well as the limitations in the data chosen.

One important limitation is that there is no distinction between tied and untied aid, or between project aid and budget support. This means that the multilateral aid for some donors will be based on the foreign policy by the organization, while for other donors, a substantial portion of their multilateral aid will be based on their own foreign policy. Similarly, the lack of information regarding the multilateral and bilateral portions of each donors’ ODA means that the portion of potential development- or strategically distributed aid is ambiguous. However, it

is better to include than to exclude, given the fact that some strategic aid is given multilaterally. While it might ‘water down’ the significance of some variables for donors which do not use tied aid, it should give a higher significance for the strategical variables in donors which are prone to tie their aid. The Center for Comparative and International Studies (CIS) has a comprehensive database for tied aid from 1990-2012, which would have been interesting to include in this research project. This was ruled out as it would have taken a substantial amount of time to collect and make sense of the data, since it was arranged per recipient project rather than recipient country.

Most limitations in the dataset chosen for this essay are based on the limitation of time to find and make sense of the data. Other times, it is based on incomplete or a lack of accessible data for specific factors. One such factor is aid aimed at conflict areas, which will not be included. This might cause an omitted variable bias in the regression. To get around this, the variable for life expectancy at birth is included to catch some of the effects that conflicts have on aid distribution. It will also account for the severity of the disasters that have hit the recipients during the years observed. Another difficulty is to collect data that gives the full picture of the historical ties between modern states, which is a limitation in the dataset that is important to be aware of. To catch all relevant colonial ties, the ICOW database have an additional variable for the colonial ruler at independence, which would be interesting to discuss as it is the most recent tie between colony and ruler. However, this variable has not been included in this study because of its multicollinearity with primary colonial ruler.

Another possible omitted variable which would have been interesting to include is the political ideology of donors and recipients. While previous research has shown that the political ideology of the donor does affect how much aid is provided, it would be interesting to control for if donors give aid to recipients with the same ideology to a higher extent than to countries with other ideologies. The reason to why it is not included in this study is the lack of quantitative data on the subject, and the limitation in time hindered the possibility to collect this data through qualitative means. While this would be an interesting indicator for strategically motivated aid, the chance of this causing a substantial bias in the sample is small, as there should be some collinearity between ideological ties and trade, democracy level and colonial history.

One last additional omitted variable that has been found to affect aid allocation is the strategical competition over recipient markets that was found in the research by Barthel *et al.* (2014). Although it could have increased the explanatory value of this study, it has been excluded due to the time limitation and complexity of the data collection. The trade variables used will, most

likely, catch some of the bias, as they presumably correlate to some extent. Another variable that might catch this is the regional data, as it shows the size of the aid flows to different regions. This makes it possible to see if many donors are allocating large amounts of aid to certain regions in the same years. Although not conclusive evidence of strategic aid competition, it might shed some light on the aid distribution patterns that exists.

## 4.5 Selection of the Data

**Table 4.1: Description of the data<sup>4</sup>**

<i>Variable</i>	<i>Description</i>	<i>Source</i>	<i>Units</i>	<i>Expected result large donors</i>	<i>Expected result small donors</i>
<i>aid*</i>	Total aid allocated to the recipient during the year in question	OECD	\$ millions		
<i>exp</i>	Total exports from the donor to the recipient during the year in question	World Bank	\$ billions	+	
<i>imp</i>	Total imports from the donor to the recipient during the year in question	World Bank	\$ billions	+	
<i>growth</i>	GDP growth	World Bank	% of constant local currency		-
<i>GDPcap</i>	GDP per capita	World Bank	\$ thousands		-
<i>gend</i>	Primary school completion rate for women	World Bank	% of relevant age group		+
<i>CL</i>	Civil liberties	FreedomHouse	1 – 7		-
<i>PF</i>	Political freedom	FreedomHouse	1 – 7		-
<i>disaster_dum</i>	indicates if the recipient was hit by a disaster during the year in question	EM-DAT	0 – 1		+
<i>life</i>	Life expectancy at birth	World Bank	Years		+/-
<i>pop</i>	Population size	World Bank	Billions	+	-

*\* dependent variable*

The results of previous studies have been the basis for the selection of donors in this thesis. The largest donors in terms of millions of dollars given is the United States, followed by Germany, the United Kingdom, Japan and France (OECD, 2018b). Most of these countries have a history of imperial behavior, and have been accused of using their donations in pursuit of promoting their own foreign policy. These countries will be compared to five small donors that are

<sup>4</sup> Note that the large donor group is not expected to be affected by the development variables, hence there are no expected results for these variables, and vice versa for the small donor group

reviewed as humanitarian powers which main aim is to meet the recipient countries' needs. (Barthel *et al.*, 2014) Most of these countries are topping the list of aid as a share of their GDP, namely Sweden, Norway, Denmark and the Netherlands. Switzerland is included even though they have been falling behind in the race for ODA as a share of GDP, as their neutral status and geographical location makes an interesting addition to the small donors. (OECD, 2018b) Since 2012, the United Arab Emirates have surpassed most European donors in regards to aid as a share of GDP. They have, however, themselves been recipients of aid for most of the period this study, which limits the number of possible observations. Another contemporary leader in aid donated that will not be included in this study is China. This choice was made as China lacks transparency, and there is an issue of reliable data. It would, however, be an interesting topic of discussion for further studies.

The selection of years studied is based on the data available. With the exception of the gender equality variable, most other indicators have trustworthy data from around the 1980s, some from the 1990s. The aim has been to collect a dataset that is as extensive as possible.

As table 4.1 shows, most of the data has been collected from the World Bank. This, because they have a comprehensive and internationally trusted databank. The data on gender equality is the odd one out, as not all countries have data for all years, especially not during the first decade of the period studied. The choice to use the OECD data for the aid flows was made as they have an extensive dataset of bilateral and multilateral aid which includes tied aid and excludes military assistance. The EM-DAT database is known for being the most extensive database for disasters, and is created for research projects such as this one. Both Freedomhouse's democracy data and the ICOW colonial dataset are trusted sources of qualitatively collected data that would have been hard to find elsewhere.

## 4.6 Descriptive Statistics

As table 4.2 below displays, the number of observations for the large donors lie between 19 537 and 30 276, and as the dependent variable has 23 483 observations, it presents a rich dataset which increases the likelihood of significance in the regressions. The one exception to this is the data for gender equality, which has the low number of 13 481 observations. The lack of gender variable observations causes a problem for the regressions, as it limits the number of observations for each donor substantially.<sup>5</sup>

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<sup>5</sup> The summary statistics for both groups combined can be found in table B3 in Appendix B

**Table 4.2: summary statistics for the group of large donors**

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>aid*</i>	23 483	46.717	188.376	-1187.08	13599.2
<i>exp</i>	19 537	1.267	7.105	0	240
<i>imp</i>	19 537	1.750	13.060	0	500
<i>growth</i>	25 199	3.801	7.242	-64.047	149.973
<i>GDPcap</i>	25 492	4.406	8.274	0.065	94.004
<i>gend</i>	13 481	76.348	28.876	3.880	188.669
<i>CL</i>	23 992	4.044	1.763	1	7
<i>PF</i>	23 992	4.083	2.091	1	7
<i>disaster_dum</i>	30 276	0.477	0.50	0	1
<i>life</i>	27 231	64.214	9.681	27.536	84.278
<i>pop</i>	28 779	29.861	127.093	0.007	1400

\* *dependent variable*

The small donors have a lower number of observations that lie between 16 185 and 26 892, with the exception of the gender variable which only has 12 542 observations. With 17 621 observations of the dependent variable, the dataset for these countries is also large enough for conclusions to be drawn from the results.

**Table 4.3: summary statistics for the group of small donors**

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>aid*</i>	17 621	11.705	23.163	-325.28	457.81
<i>exp</i>	16 186	0.156	0.864	0	52
<i>imp</i>	16 185	0.172	1.161	0	47
<i>growth</i>	23 201	3.842	7.245	-64.047	149.973
<i>GDPcap</i>	23 406	3.414	6.054	0.065	94.004
<i>gend</i>	12 542	74.904	29.126	3.880	188.669
<i>CL</i>	22 229	4.132	1.712	1	7
<i>PF</i>	22 229	4.167	2.045	1	7
<i>disaster_dum</i>	26 892	0.523	0.499	0	1
<i>life</i>	25 482	63.689	9.669	27.536	84.278
<i>pop</i>	26 082	32.844	133.143	0.007	1400

\* *dependent variable*

Due to the low number of gender variable observations – and because of issues with collinearity – the gender variable will be omitted, and the consequence of this choice will be discussed below. The distribution of all variables is positively skewed, with aid and growth being the only variables which have negative values. The standard deviation of the distribution is generally low, except for the size of the population and the GDP per capita, both which are to be expected in countries of widely different sizes.

**Table 4.4: correlation matrix for all donors and recipients**

<i>Variable</i>	<i>exp</i>	<i>imp</i>	<i>growth</i>	<i>GDPcap</i>	<i>gend</i>	<i>CL</i>	<i>PF</i>	<i>disaster dum</i>	<i>life</i>	<i>pop</i>
<i>exp</i>	1									
<i>imp</i>	0.854	1								
<i>growth</i>	0.02	0.036	1							
<i>GDPcap</i>	0.1	0.08	-0.06	1						
<i>gend</i>	0.09	0.071	-0.33	0.373	1					
<i>CL</i>	-0.01	0.026	0.087	-0.21	-0.306	1				
<i>PF</i>	-0.02	0.023	0.093	-0.171	-0.294	0.915	1			
<i>disaster_dum</i>	0.06	0.051	0.032	-0.262	-0.173	0.056	0.016	1		
<i>life</i>	0.11	0.086	-0.041	0.495	0.782	-0.286	-0.273	-0.191	1	
<i>pop</i>	0.25	0.314	0.103	-0.056	0.051	0.074	0.033	0.145	0.039	1

The highest correlation is, as expected, between the democracy variables followed by the trade variables. These are high enough to have the potential to create issues with significance for the variables in the dataset, which means that no conclusions can be drawn. Therefore, the variable for civil liberties will be dropped, leaving PF to pick up the correlation for both freedom indicators. The positive correlation between the trade variables causes the same issue. Consequently, imports will be dropped, leaving the export variable to represent total trade between donors and recipients.

The positive correlation between life expectancy at birth and gender equality is similarly anticipated, so is the negative correlation between these variables and the democracy- and disaster variables. Likewise, life expectancy is lower in disaster-prone areas, and general development – such as gender equality measures – are less likely to be prioritized. The most problematic correlation of these is between gender equality and life expectancy, which will disappear as we drop the gender variable. This means that life expectancy is expected to pick up a major part of the gender equality correlation, hence the expected positive correlation of women’s rights on aid will work in the opposite direction of the expected negative correlation of the quality of life.

#### 4.7 Expected Results

The expected outcome of this study is that it will confirm the results of other research on the subject – that the group of large donors will show a higher tendency to allocate aid according to their self-interests, while the small donors will show a higher correlation between their ODA distribution and the developmental indicators. Further, donors with a colonial history are expected to allocate more aid to their former colonies than other recipients, while the neutral

donors should not base their ODA distribution on colonial ties in any extensive capacity<sup>6</sup>. They might, however, be impacted by factors such as language and religion in the recipients, which are directly connected to the former colonial ruler. The Nordic countries are anticipated to show a similar pattern of aid allocation to each other, as they have very similar institutions and historical ties to the rest of the world. Based on the previous studies by Barthel *et al.* (2014) strategic aid is expected to pool towards certain countries, which might show up in the discussion of aid based on regional- or colonial ties.

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<sup>6</sup> A list of each donor's colonial heritage and expected motive can be found in table B4 in Appendix B

## 5 Empirical Results and Analysis

This section is divided into two parts, based on the two groups of donors. The first part will present the regression results and empirical analysis of the large donors, both as a group and for each country. The second part focuses on the small donors, where they are discussed on group – and country level. In addition, The Nordic countries are also discussed as a group, as this has been the focus of previous studies within the discourse<sup>7</sup>.

### 5.1 Large Donors

**Table 5.1: regression results for the large donors**

	<i>France</i>	<i>Germany</i>	<i>Japan</i>	<i>UK</i>	<i>US</i>
<i>exp</i>	7.033*	0.914*	-10.66***	-8.067**	1.339*
<i>growth</i>	0.08	-0.223	-0.184	0.065	0.08
<i>GDPcap</i>	0.586	-0.705	-4.991*	-2.929**	-12.12
<i>PF</i>	-2.996	-1.911	4.347	-2.799	-1.703
<i>disaster_dum</i>	-2.082	1.214	1.36	-1.436	-11.81
<i>life</i>	-0.379	-0.236	1.459	3.645**	12.30**
<i>pop</i>	-0.07	0.241***	-0.265	1.104**	0.327
<i>N</i>	2644	3295	3342	2517	2842
<i>Adjusted R<sup>2</sup></i>	0.301	0.316	0.396	0.395	0.465

\*  $p < 0.05$       \*\*  $p < 0.01$       \*\*\*  $p < 0.001$

#### 5.1.1 Discussion of the Large Donors as a Group

The large donors have in previous studies been found to have strategical and political motives behind the distribution of their aid, and one expectation were that there would be a pattern of aid allocated in accordance to promoting their trade relationships to the recipients. The regressions for each country do, however, show that this pattern is not followed by all large

<sup>7</sup> The regressions for each donor can be found in Appendix C, the graphs over the regional data in Appendix D and the colonial data in Appendix E, in alphabetical order

donors. While France, Germany and the US do have positive correlation patterns to exports, the opposite relationships are found in Japan and the UK. Meanwhile, the development indicators were not expected to affect aid distribution in a major fashion. One could argue that this hypothesis is supported by the general results in this study, which indicates that there is little regard for humanitarian needs within this group of donors. The exceptions to these rules are the negative correlation for GDP per capita in Japanese and British aid distribution, as well as the correlation between aid allocation and life expectancy for the UK and the US.

This group was also expected to allocate their aid based on colonial ties or regional interests. On the group level, we can see that all large donors have distributed a substantial amount of their aid to the MENA region since the beginning of the US' War on Terror. As the ODA data does not include military aid, these results indicates that all large donors are allotting a large amount of aid to the region based on humanitarian, developmental or strategical motives. Two other main regions where the large donors' aid is pooling is South Asia and Sub-Saharan Africa. Both these regions are home to a substantial proportion of the world's poor population, which could be one reason behind the distribution. Another potential reason is the competition over export markets and natural resources, as three of the donors were found to allocate their aid in accordance to trade relationships. The two European colonial powers in the group, France and the UK, do distribute most their aid to former colonies. While being labeled colonial rulers in the ICOW data, the results of this study implies that the US and Japan are more focused on regional than colonial ties with their recipients. Both Germany and Japan show a tendency to focus their aid on former Dutch colonies. The overall trend of the data is that countries which give a substantial part of their foreign aid to Dutch colonies also favors South Asian countries. This correlation might be caused by the fact that the Netherlands have had a major colonial presence in the region. The increase in US aid to former British colonies correlates to the US invasion in the Middle East, and is most likely a result of that.

### **5.1.2 Discussion of Each Large Donor Country**

On the donor level, France<sup>8</sup> is found to promote trade and their colonial ties, while the growth and population size are found to have no impact on the aid allocation. Meanwhile, neither humanitarian or developmental variables have influenced the distribution pattern. Germany<sup>9</sup> has also had a pattern of using aid to improve their trade relationships, and has been particularly

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<sup>8</sup> See table C2 in Appendix C

<sup>9</sup> See table C3 in Appendix C

interested in neutral and Dutch former colonies. Their regional focus has changed over time, with European aid dominating the first decades – which is in line with the expected results of this study – while MENA-aid has taken over since the beginning of the 21<sup>st</sup> century. Similar to France, neither humanitarian or developmental indicators seems to have had an impact on their ODA allocation. These results indicate that France and Germany have acted in accordance with the expectations – that they have based their ODA distribution on purely strategical grounds.

The United States<sup>10</sup> was also found to favor trade relationships with the recipients over other possible motive indicators. Their positively correlated life expectancy variable indicates that the US use their aid to reward heightened quality of life in the recipients. Although the life expectancy variable is an indicator for development motives, the US' trade promotion together with their substantial focus on the MENA region indicates that the main motive behind US aid is to promote their strategical goals.

Japan<sup>11</sup> has been found to have a negative correlation between aid and both exports and GDP per capita, meaning that they have allocated their aid in accordance to the poverty of the recipient, while recipients with which they have good trade relationships with have been disadvantaged. No other developmental or humanitarian factors were found to have a significant impact on the distribution, although the geographical location of the recipients has had a substantial effect. The interpretation of the Japanese motives behind aid is that they do have a focus on development, although they limit their ODA to strategic regions. This is an example of a situation where it is hard to distinguish between the underlying motives, as it is a combination of the two.

The UK<sup>12</sup> has over the observed period had a negative correlation with GDP, life expectancy and the population size. These are all indicators for development aid, which is the opposite of what was expected. The negative correlation between aid distribution and exports is also unexpected, as this implies that recipients are economically hurt by having good trade relationships with the UK. British aid distribution is clearly impacted by regional *and* colonial ties, with the UK's own former colonies as the predominant recipients of their ODA, which is connected to the large streams of aid aimed at South Asia and Sub-Saharan Africa. Hence, the

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<sup>10</sup> See table C10 in Appendix C

<sup>11</sup> See table C4 in Appendix C

<sup>12</sup> See table C9 in Appendix C

results indicate that the motives behind British aid is a combination of developmental aid directed toward strategically chosen recipients.

## 5.2 Small Donors

**Table 5.1: regression results for the small donors**

	<i>Denmark</i>	<i>Netherlands</i>	<i>Norway</i>	<i>Sweden</i>	<i>Switzerland</i>
<i>exp</i>	3.122	1.055	8.284	0.573	-0.067
<i>growth</i>	0.002	0.229	0.070	0.025	0.033
<i>GDPcap</i>	-0.583*	-1.655**	0.426	-0.649**	-0.649**
<i>PF</i>	-1.593*	-2.288	-0.628	-0.732	-0.116
<i>disaster_dum</i>	1.379	1.074	0.669	0.296	-0.536
<i>life</i>	0.239	-0.445	-0.112	0.693**	0.127
<i>pop</i>	-0.117**	-0.134	-0.011	-0.141**	-0.057**
<i>N</i>	1893	2328	2078	2277	2708
<i>Adjusted R<sup>2</sup></i>	0.772	0.316	0.562	0.679	0.475

\*  $p < 0.05$       \*\*  $p < 0.01$       \*\*\*  $p < 0.001$

### 5.2.1 Discussion of the Small Donors as a Group

The expected motives of the small donor group were that they should promote development and that humanitarian issues should play an important role in the allocation of funds. The regressions show that this has been the case for three donors in particular: Denmark, the Netherlands and Sweden. These show a negative correlation between aid and GDP per capita, indicating that the aid is flowing toward poor countries, with Danish and Swedish aid being significantly impacted by other development factors as well. All in all, these three countries have a clear pattern of developmental motives, while no conclusions can be drawn from either Switzerland or Norway. Further, the population variable indicates that the correlation between population size and aid distributed is negative for Denmark, Sweden and Switzerland, and while statistically insignificant, the possible positive effect on aid from an increased population size is marginal for both the Netherlands and Norway. This is in line with the expectation that small

donors give more aid to small recipients – possibly because their aid has a greater impact in such countries.

None of the small donors were found to use aid to promote their trade relationships, which is what was expected. Neither regional- nor colonial relationships were expected to play a substantial role in aid allocation, although the Netherlands' position as a former colonial ruler was expected to cause them to divert from the rest of the group. Regardless, the results show that all small donors favored South Asian recipients, with Sub-Saharan Africa as the second largest recipient region for all but one. The data also show that the amount of aid distributed to the MENA region increased for all donors in the wake of the US intervention of the region. The colonial data shows that there are two distinct patterns for the small donors. The Nordic countries have all favored former British colonies in their aid distribution, and recipients with a neutral status were found to be the second largest receiver for all of them. Meanwhile, the Netherlands and Switzerland have allocated a substantial amount of their aid toward former Dutch colonies, while aid to countries with other labels have been distributed evenly. These results are the opposite than what was expected, apart from the Netherlands. While trade have not been a deciding factor, regional and colonial ties have most definitely played a role in aid allocation during the observed period – which as an indicator of strategical motives.

## **5.2 2 Discussion of Each Small Donor Country**

Another expectation of this study was that the subgroup of Nordic countries should follow a similar pattern of motives behind foreign aid. It can be argued that this is true, as both regional and colonial relationships are very similar for all three countries. The lack of significance found in the regression for Norway<sup>13</sup> excludes them from the discussion about the regression variables, but both Sweden<sup>14</sup> and Denmark<sup>15</sup> were found to have similar negative GDP per capita and population correlations. Denmark also showed a clear negative correlation to the democracy variable, and the result indicates that their largest possible negative correlation to disasters occurring in the recipients is negligible – both results are in line with what was expected. Sweden, on the other hand, was found to have a positive life expectancy variable, which indicates that they promote factors such as increased gender- and economic equality and increased access to health care – in other words, overall higher quality of life for the population.

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<sup>13</sup> See table C6 in Appendix C

<sup>14</sup> See table C7 in Appendix C

<sup>15</sup> See table C1 in Appendix C

The study did, however, find that economic growth is not a prioritized factor, in either direction, as the confidence interval for the variable is closely distributed around zero. While the regression for Norwegian aid did not have any significantly correlated variables to their aid distribution, some of the results are still interesting to discuss due to the distribution of the 95% confidence interval. For example, the growth and disaster variables have such low values as their highest possible negative correlation that neither has the capacity to affect the distribution in any major way. At the same time, the PF variable has a low possible positive impact on aid, and the population size has only got a marginal potential effect on aid in either direction. While knowing that this does not prove that development motives are behind Norwegian aid, it shows that the variables cannot take values that are the opposite to what was expected. The fact that no relationship was found between aid and trade for any of the Nordic donors is in line with the expectations on this subgroup. The discrepancy between the expected neutral distribution regarding colonial history and the actual results could be the result of factors such as culture and language, or the relationship between the Nordic countries and the UK. It might also be affected by former British colonies being poorer or more unequal than recipients with other colonial ties. However, considering that aid provided to those recipients is more than double in size than what any other group receives, it would be hard to argue that it is purely based on developmental motives. All in all, these donors seem to distribute their aid in accordance to developmental goals in general, while prioritizing recipients with colonial ties to the UK.

In regards to the result of the regression for the Netherlands<sup>16</sup>, the GDP per capita correlation is in line with developmental motives. Their low potential positive correlation between life expectancy and aid indicates that if they base their aid on the standard of living in the recipients, they do it from a humanitarian motive standpoint, meaning aid is distributed to countries where the population die young. As has been discussed, the colonial data shows that a large majority of Dutch aid is allocated to recipients with which they share colonial ties. The regional data supports this, as most aid is allocated to South Asia and Sub-Saharan Africa. Overall, it could be argued that the Netherlands, similarly to the Nordic countries and some of the large donors, allocate their aid in consonance with developmental needs, while allowing strategical motives dictate which regions and recipients to favor.

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<sup>16</sup> See table C5 in Appendix C

The last country to be discussed is Switzerland<sup>17</sup>. Their regression show a negative correlation to the population size in the recipient, indicating that they are prone to allocate their aid toward small recipients. The rest of the variables are harder to discuss, as all but the disaster variable has low possible significance for the Swiss aid distribution. Their aid allocation toward South Asia has been remarkably higher than to other regions during the entire period, with a few exceptions. Their second largest recipient region is Europe and Central Asia, which were allotted a substantial portion of Swiss aid during the first years observed. This is most likely caused by the fact that their neutral status during the war made it possible to provide aid for the post-war rebuilding of Europe. Colonial history does not seem to have had a substantial impact on Swiss aid. This, even though former Dutch colonies have received the most aid on average. The trend for these countries over the years shows that this is mostly based on a few major spikes of aid, which do not correlate with any movements within the regional data. Hence, the explanation is uncertain. Apart from these spikes, flows have been distributed in an equal manner regardless of colonial ties. Overall, while it is hard to draw any conclusions regarding Swiss aid motives due to the ambiguous results of the regression, the patterns found in this thesis is that geographical location and size of the population do have some impact. It would be ill-advised to claim strategical or developmental motives from the results – instead, further studies on Swiss aid motives are encouraged.

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<sup>17</sup> See table C8 in Appendix C

## 6 Conclusion

This empirical study of donor motives has used a rich database to establish whether a number of indicator variables have had an impact on the distribution of foreign aid from ten OECD countries. It found a pattern that generally concurs with previous studies on the subject, while highlighting the unexpected influence regional and colonial ties have had on the group of small donors. This section will conclude the results of the study by answering the research questions and discussing possible future studies on the subject.

- (i) What patterns of donor motives can be found within each group of donors?

The general pattern of the large donor group is that they are driven by strategic motives, both regarding promoting their trade interests over development needs and the colonial- or regional ties between donor and recipient. The small group, on the other hand, were found to promote development and allocate their aid in accordance to the development indicators, although being impacted by the colonial history and geographical location of the recipients.

- (ii) What conclusions can be drawn regarding the motives behind the allocation of ODA for each of the chosen donors?

The study of France, Germany and the United States strongly indicates strategic motives behind their aid allocation. The United Kingdom, Denmark, Sweden and the Netherlands distributed their aid in accordance to development needs within strategic motivated nations, while Japan has a similar distribution pattern within strategic regions. As the lack of significance for the regressions of Norway's and Switzerland's aid allocation makes it hard to draw conclusions regarding them, further studies are needed on these two countries. Both were, however, found to favor recipients based on either geographical location or colonial history.

- (iii) Does this fit the results from previous literature on the subject?

The group of large donors' strategic use of aid allocation is in line with previous studies. The small donors' main focus on development needs was expected, although the results indicating that they base their ODA distribution on regional or colonial factors were not.

In the light of these results, future studies that could complement this could feature the inclusion of new variables or more observations. For example including data from the World Value Survey database, which is based on qualitatively collected data and is established "*to help scientists and policy makers understand changes in the beliefs, values and motivations of people throughout the world*" (World Values Survey, 2018). It would also be interesting to look at CPA distributions instead of ODA, to see if it can increase the explanatory value of the regressions or whether it changes the regional or colonial distribution in any way. Another

possible way to build on this study is to include more donors – a review of all OECD countries could bring a greater understanding of the motives behind aid from the OECD in general. Other possible future studies on the subject could research whether aid motives within countries or groups of countries have changed over time.

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# Appendices

## Appendix A

### List of Recipient Countries and Their Regional- and Colonial Statuses

<b>Recipient</b>	<b>Primary Colonial Ruler</b>	<b>Geographical Region</b>
Afghanistan	United Kingdom	Middle East & North Africa
Albania	Other Colonial Ruler	Europe & Central Asia
Algeria	France	Middle East & North Africa
Angola	Other Colonial Ruler	Sub-Saharan Africa
Anguilla	Neutral	Latin America & Caribbean
Antigua and Barbuda	United Kingdom	Latin America & Caribbean
Argentina	Other Colonial Ruler	Latin America & Caribbean
Armenia	Other Colonial Ruler	Europe & Central Asia
Aruba	Neutral	Latin America & Caribbean
Azerbaijan	Other Colonial Ruler	Europe & Central Asia
Bahamas	United Kingdom	Latin America & Caribbean
Bahrain	United Kingdom	Middle East & North Africa
Bangladesh	United Kingdom	South Asia
Barbados	United Kingdom	Latin America & Caribbean
Belarus	Other Colonial Ruler	Europe & Central Asia
Belize	United Kingdom	Latin America & Caribbean
Benin	France	Sub-Saharan Africa
Bermuda	Neutral	Latin America & Caribbean
Bhutan	United Kingdom	South Asia
Bolivia	Other Colonial Ruler	Latin America & Caribbean
Bosnia and Herzegovina	Other Colonial Ruler	Europe & Central Asia
Botswana	United Kingdom	Sub-Saharan Africa
Brazil	Other Colonial Ruler	Latin America & Caribbean
British Virgin Islands	Neutral	Latin America & Caribbean
Brunei Darussalam	United Kingdom	East Asia
Burkina Faso	France	Sub-Saharan Africa
Burundi	Other Colonial Ruler	Sub-Saharan Africa
Cape Verde	Other Colonial Ruler	Sub-Saharan Africa
Cambodia	France	East Asia
Cameroon	France	Sub-Saharan Africa
Cayman Islands	Neutral	Latin America & Caribbean
Central African Republic	France	Sub-Saharan Africa
Chad	France	Sub-Saharan Africa

<b>Recipient</b>	<b>Primary Colonial Ruler</b>	<b>Geographical Region</b>
Chile	Other Colonial Ruler	Latin America & Caribbean
China	Neutral	East Asia
Colombia	Other Colonial Ruler	Latin America & Caribbean
Comoros	France	Sub-Saharan Africa
Congo	France	Sub-Saharan Africa
Cook Islands	Neutral	East Asia
Costa Rica	Other Colonial Ruler	Latin America & Caribbean
Côte d'Ivoire	France	Sub-Saharan Africa
Croatia	Other Colonial Ruler	Europe & Central Asia
Cuba	Other Colonial Ruler	Latin America & Caribbean
Cyprus	United Kingdom	Europe & Central Asia
Djibouti	France	Sub-Saharan Africa
Dominica	United Kingdom	Latin America & Caribbean
Dominican Republic	Other Colonial Ruler	Latin America & Caribbean
DR Congo	Other Colonial Ruler	Sub-Saharan Africa
East Timor	Other Colonial Ruler	East Asia
Ecuador	Other Colonial Ruler	Latin America & Caribbean
Egypt	Other Colonial Ruler	Middle East & North Africa
El Salvador	Other Colonial Ruler	Latin America & Caribbean
Equatorial Guinea	Other Colonial Ruler	Sub-Saharan Africa
Eritrea	Other Colonial Ruler	Sub-Saharan Africa
Ethiopia	Neutral	Sub-Saharan Africa
Fiji	United Kingdom	East Asia
French Polynesia	Neutral	East Asia
Gambia	United Kingdom	Sub-Saharan Africa
Georgia	Other Colonial Ruler	Europe & Central Asia
Ghana	United Kingdom	Sub-Saharan Africa
Gibraltar	Neutral	Europe & Central Asia
Guatemala	Other Colonial Ruler	Latin America & Caribbean
Guinea	France	Sub-Saharan Africa
Guinea-Bissau	Other Colonial Ruler	Sub-Saharan Africa
Guyana	United Kingdom	Latin America & Caribbean
Haiti	France	Latin America & Caribbean
Honduras	Other Colonial Ruler	Latin America & Caribbean
Hong Kong	Neutral	East Asia
India	United Kingdom	South Asia
Indonesia	Netherlands	East Asia
Iran	Neutral	Middle East & North Africa

<b>Recipient</b>	<b>Primary Colonial Ruler</b>	<b>Geographical Region</b>
Iraq	Other Colonial Ruler	Middle East & North Africa
Israel	Other Colonial Ruler	Middle East & North Africa
Jamaica	United Kingdom	Latin America & Caribbean
Jordan	Other Colonial Ruler	Middle East & North Africa
Kazakhstan	Other Colonial Ruler	Europe & Central Asia
Kenya	United Kingdom	Sub-Saharan Africa
Kiribati	United Kingdom	East Asia
Kosovo	Other Colonial Ruler	Europe & Central Asia
Kuwait	United Kingdom	Middle East & North Africa
Kyrgyzstan	Other Colonial Ruler	Europe & Central Asia
Lao PDR	France	East Asia
Lebanon	Other Colonial Ruler	Middle East & North Africa
Lesotho	United Kingdom	Sub-Saharan Africa
Liberia	Neutral	Sub-Saharan Africa
Libya	Other Colonial Ruler	Middle East & North Africa
Macau	Neutral	East Asia
Macedonia, FYR	Other Colonial Ruler	Europe & Central Asia
Madagascar	France	Sub-Saharan Africa
Malawi	United Kingdom	Sub-Saharan Africa
Malaysia	United Kingdom	East Asia
Maldives	United Kingdom	South Asia
Mali	France	Sub-Saharan Africa
Malta	United Kingdom	Middle East & North Africa
Marshall Islands	United States	East Asia
Mauritania	France	Sub-Saharan Africa
Mauritius	France	Sub-Saharan Africa
Mayotte	Neutral	Sub-Saharan Africa
Mexico	Other Colonial Ruler	Latin America & Caribbean
Micronesia	United States	East Asia
Moldova	Other Colonial Ruler	Europe & Central Asia
Mongolia	Other Colonial Ruler	East Asia
Montenegro	Other Colonial Ruler	Europe & Central Asia
Montserrat	Neutral	Latin America & Caribbean
Morocco	France	Middle East & North Africa
Mozambique	Other Colonial Ruler	Sub-Saharan Africa
Myanmar	United Kingdom	East Asia
Namibia	United Kingdom	Sub-Saharan Africa
Nauru	Other Colonial Ruler	East Asia

<b>Recipient</b>	<b>Primary Colonial Ruler</b>	<b>Geographical Region</b>
Nepal	Neutral	South Asia
Netherlands Antilles	Neutral	Latin America & Caribbean
New Caledonia	Neutral	East Asia
Nicaragua	Other Colonial Ruler	Latin America & Caribbean
Niger	France	Sub-Saharan Africa
Nigeria	United Kingdom	Sub-Saharan Africa
Niue	Neutral	East Asia
North Korea	Japan	East Asia
Northern Mariana Islands	Neutral	East Asia
Oman	Other Colonial Ruler	Middle East & North Africa
Pakistan	United Kingdom	South Asia
Palau	United States	East Asia
Panama	Other Colonial Ruler	Latin America & Caribbean
Papua New Guinea	United Kingdom	East Asia
Paraguay	Other Colonial Ruler	Latin America & Caribbean
Peru	Other Colonial Ruler	Latin America & Caribbean
Philippines	Other Colonial Ruler	East Asia
Qatar	United Kingdom	Middle East & North Africa
Rwanda	Other Colonial Ruler	Sub-Saharan Africa
Saint Helena	Neutral	Latin America & Caribbean
Saint Kitts and Nevis	United Kingdom	Latin America & Caribbean
Saint Lucia	United Kingdom	Latin America & Caribbean
Saint Vincent and the Grenadines	United Kingdom	Latin America & Caribbean
Samoa	Other Colonial Ruler	East Asia
Sao Tome and Principe	Other Colonial Ruler	Sub-Saharan Africa
Saudi Arabia	Other Colonial Ruler	Middle East & North Africa
Senegal	France	Sub-Saharan Africa
Serbia	Other Colonial Ruler	Europe & Central Asia
Seychelles	United Kingdom	Sub-Saharan Africa
Sierra Leone	United Kingdom	Sub-Saharan Africa
Singapore	United Kingdom	East Asia
Slovenia	Other Colonial Ruler	Europe & Central Asia
Solomon Islands	United Kingdom	East Asia
Somalia	Other Colonial Ruler	Sub-Saharan Africa
South Africa	United Kingdom	Sub-Saharan Africa
South Korea	Japan	East Asia
South Sudan	United Kingdom	Sub-Saharan Africa
Sri Lanka	United Kingdom	South Asia

<b>Recipient</b>	<b>Primary Colonial Ruler</b>	<b>Geographical Region</b>
Sudan	United Kingdom	Sub-Saharan Africa
Suriname	Netherlands	Latin America & Caribbean
Swaziland	United Kingdom	Sub-Saharan Africa
Syrian Arab Republic	Other Colonial Ruler	Middle East & North Africa
Tajikistan	Other Colonial Ruler	Europe & Central Asia
Tanzania	United Kingdom	Sub-Saharan Africa
Thailand	Neutral	East Asia
Togo	France	Sub-Saharan Africa
Tokelau	Neutral	East Asia
Tonga	United Kingdom	East Asia
Trinidad and Tobago	United Kingdom	Latin America & Caribbean
Tunisia	Other Colonial Ruler	Middle East & North Africa
Turkey	Neutral	Europe & Central Asia
Turkmenistan	Other Colonial Ruler	Europe & Central Asia
Turks and Caicos Islands	Neutral	Latin America & Caribbean
Tuvalu	United Kingdom	East Asia
Tu+165:774valu	United Kingdom	East Asia
Tuvalu	United Kingdom	East Asia
Uganda	United Kingdom	Sub-Saharan Africa
Ukraine	Other Colonial Ruler	Europe & Central Asia
United Arab Emirates	United Kingdom	Middle East & North Africa
Uruguay	Other Colonial Ruler	Latin America & Caribbean
Uzbekistan	Other Colonial Ruler	Europe & Central Asia
Vanuatu	United Kingdom	East Asia
Venezuela	Other Colonial Ruler	Latin America & Caribbean
Vietnam	France	East Asia
Wallis and Futuna	Neutral	East Asia
West Bank and Gaza Strip	Neutral	Middle East & North Africa
Yemen	United Kingdom	Middle East & North Africa
Zambia	United Kingdom	Sub-Saharan Africa
Zimbabwe	United Kingdom	Sub-Saharan Africa
Gabon	France	Sub-Saharan Africa
Grenada	United Kingdom	Latin America & Caribbean

## Appendix B

### Explanatory Tables for the Data Section

**Table B1: Freedom of the world survey periods**

<b>Period under review</b>	<b>Period this will represent within this study</b>
1980	1980
January 1981 – August 1982	-
August 1982 – November 1983	-
November 1983 – November 1984	1984
November 1984 – November 1985	1985
November 1985 – November 1986	1986
November 1986 – November 1987	1987
November 1987 – November 1988	1988
November 1988 – December 1989	1989

*Since 1990, the surveys have reviewed one calendar year at a time, but the previous issues had different cutoffs. This study will not use the data from 1981, 1982 and 1983 due to the ambiguous cutoffs. The table above shows how the data from the ambiguous years will be interpreted.*

**Table B2: Regions of the world**

Europe and Central Asia
Latin America and Caribbean
Middle East and North Africa
East Asia and Pacific
North America
South Asia
Sub-Saharan Africa

*World Bank (2018g)*

**Table B3: Summary statistics for all donors**

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>aid*</i>	41 104	31.708	144.233	-1187.08	13599.2
<i>exp</i>	35 723	0.764	5.315	0	240
<i>imp</i>	35 722	1.035	9.722	0	500
<i>growth</i>	48 400	3.821	7.243	-64.047	149.973
<i>GDPcap</i>	48 898	3.931	7.313	0.065	94.004
<i>gend</i>	26 023	75.652	29.016	3.880	188.669
<i>CL</i>	46 221	4.086	1.739	1	7
<i>PF</i>	46 221	4.124	2.069	1	7
<i>disaster_dum</i>	57 168	0.499	0.5	0	1
<i>life</i>	52 713	63.960	9.679	27.536	84.278
<i>pop</i>	54 861	31.279	130.011	0.01	1400

\* *dependent variable*

**Table B4: Description of the donors**

<i>Donor</i>	<i>Label</i>	<i>Expected motive</i>
<i>Denmark</i>	neutral	development
<i>France</i>	colonial ruler	strategical
<i>Germany</i>	neutral	strategical
<i>Japan</i>	colonial ruler	strategical
<i>Netherlands</i>	colonial ruler	development
<i>Norway</i>	neutral	development
<i>Sweden</i>	neutral	development
<i>Switzerland</i>	neutral	development
<i>United Kingdom</i>	colonial ruler	strategical
<i>United states</i>	colonial ruler	strategical

*The table above shows the ten donor countries to be studied, as well as their historical colonial label and expected motive, based on previous studies.*

## Appendix C

### Regression Results for all Donors, in Alphabetical Order

**Table C1: Regression of Denmark's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	3.122	0.164	-1.297	7.541
<i>growth</i>	0.002	0.931	-0.462	0.050
<i>GDPcap</i>	-0.583	0.046	-1.155	-0.011
<i>PF</i>	-1.593	0.026	-2.993	-0.194
<i>disaster_dum</i>	1.379	0.057	-0.044	2.802
<i>life</i>	0.239	0.212	-0.138	0.646
<i>pop</i>	-0.117	0.005	-0.198	-0.036
<i>N</i>	1893			
<i>Adjusted R<sup>2</sup></i>	0.772			

**Table C2: Regression of France's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	7.033	0.024	0.942	13.123
<i>growth</i>	0.08	0.551	-0.185	0.346
<i>GDPcap</i>	0.586	0.523	-1.226	2.398
<i>PF</i>	-2.996	0.172	-7.307	1.314
<i>disaster_dum</i>	-2.082	0.649	-11.093	6.930
<i>life</i>	-0.379	0.412	-1.288	0.531
<i>pop</i>	-0.07	0.642	-0.366	0.226
<i>N</i>	2644			
<i>Adjusted R<sup>2</sup></i>	0.301			

**Table C3: Regression of Germany's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	0.914	0.037	0.057	1.770
<i>growth</i>	-0.223	0.460	-0.818	0.372
<i>GDPcap</i>	-0.705	0.575	-3.182	1.772
<i>PF</i>	-1.911	0.284	-5.423	1.601
<i>disaster_dum</i>	1.214	0.592	-3.250	5.678
<i>life</i>	-0.236	0.662	-1.300	0.829
<i>pop</i>	0.241	0.000	0.117	0.365
<i>N</i>	3295			
<i>Adjusted R<sup>2</sup></i>	0.316			

**Table C4: Regression of Japan's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	-10.66	0.000	-13.701	-7.626
<i>growth</i>	-0.184	0.478	-0.694	0.326
<i>GDPcap</i>	-4.991	0.041	-9.775	-0.206
<i>PF</i>	4.347	0.674	-16.023	24.717
<i>disaster_dum</i>	1.36	0.652	-4.594	7.314
<i>life</i>	1.459	0.218	-0.872	3.789
<i>pop</i>	-0.265	0.745	-1.868	1.339
<i>N</i>	3342			
<i>Adjusted R<sup>2</sup></i>	0.396			

**Table C5: Regression of the Netherlands' aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	1.055	0.441	-1.644	3.754
<i>growth</i>	0.229	0.053	-0.003	0.461
<i>GDPcap</i>	-1.655	0.003	-2.724	-0.585
<i>PF</i>	-2.288	0.219	-5.949	1.374
<i>disaster_dum</i>	1.074	0.172	-0.473	2.622
<i>life</i>	-0.445	0.083	-0.949	0.059
<i>pop</i>	-0.134	0.062	-0.276	0.007
<i>N</i>	2328			
<i>Adjusted R<sup>2</sup></i>	0.316			

**Table C6: Regression of Norway's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	8.284	0.532	-17.900	34.467
<i>growth</i>	0.070	0.429	-0.106	0.248
<i>GDPcap</i>	0.426	0.593	-1.147	1.999
<i>PF</i>	-0.628	0.216	-1.629	0.372
<i>disaster_dum</i>	0.669	0.160	-0.268	1.606
<i>life</i>	-0.112	0.701	-0.688	0.464
<i>pop</i>	-0.011	0.633	-0.058	0.035
<i>N</i>	2078			
<i>Adjusted R<sup>2</sup></i>	0.562			

**Table C7: Regression of Sweden's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	0.573	0.723	-2.625	3.772
<i>growth</i>	0.025	0.600	-0.068	0.117
<i>GDPcap</i>	-0.649	0.007	-1.122	-1.766
<i>PF</i>	-0.732	0.132	-1.687	0.224
<i>disaster_dum</i>	0.296	0.427	-0.439	1.031
<i>life</i>	0.693	0.001	0.271	1.115
<i>pop</i>	-0.141	0.003	-0.232	-0.050
<i>N</i>	2277			
<i>Adjusted R<sup>2</sup></i>	0.679			

**Table C8: Regression of Switzerland's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	-0.067	0.732	-0.456	0.321
<i>growth</i>	0.033	0.230	-0.019	0.079
<i>GDPcap</i>	-0.649	0.804	-0.295	0.380
<i>PF</i>	-0.116	0.850	-0.693	0.571
<i>disaster_dum</i>	-0.536	0.212	-1.534	0.344
<i>life</i>	0.127	0.509	-0.231	0.464
<i>pop</i>	-0.057	0.002	-0.095	-0.022
<i>N</i>	2708			
<i>Adjusted R<sup>2</sup></i>	0.475			

**Table C9: Regression of the United Kingdom's aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	-8.067	0.004	-13.50	-2.634
<i>growth</i>	0.065	0.580	-0.166	0.295
<i>GDPcap</i>	-2.929	0.007	-5.034	-0.824
<i>PF</i>	-2.799	0.488	-10.758	5.161
<i>disaster_dum</i>	-1.436	0.665	-7.976	5.104
<i>life</i>	3.645	0.001	1.440	5.850
<i>pop</i>	1.104	0.002	0.428	1.780
<i>N</i>	2517			
<i>Adjusted R<sup>2</sup></i>	0.395			

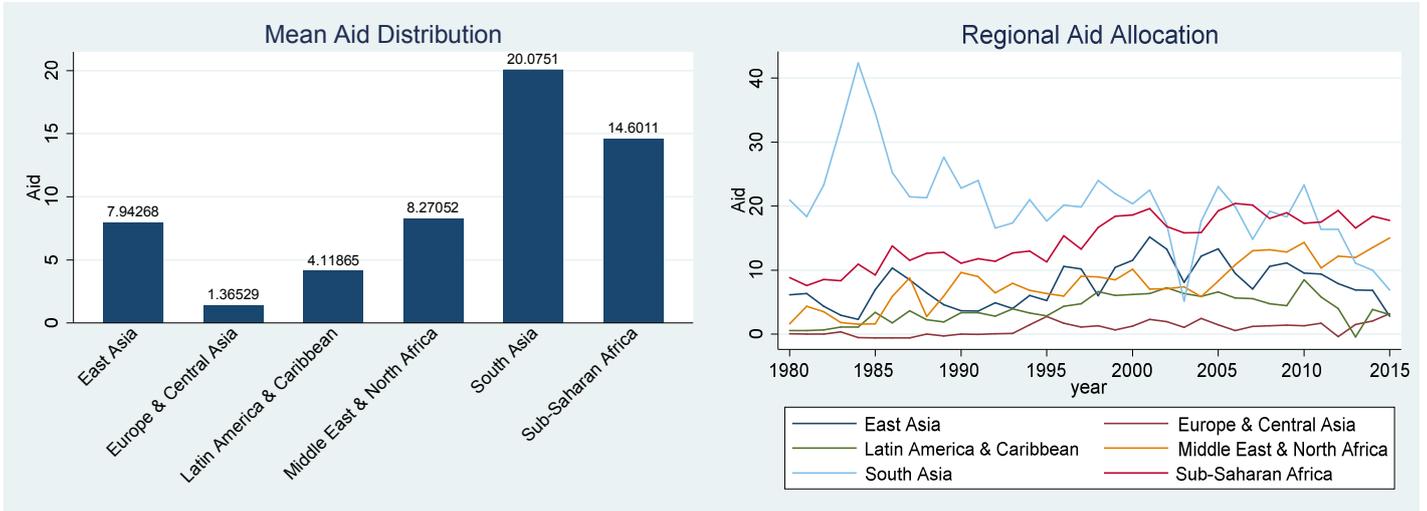
**Table C10: Regression of the United States' aid distribution**

	<i>Coefficient</i>	<i>P&gt; t </i>	<i>95% confidence interval</i>	
<i>exp</i>	1.339	0.032	0.115	2.564
<i>growth</i>	0.08	0.836	-0.683	0.843
<i>GDPcap</i>	-12.12	0.153	-28.797	4.556
<i>PF</i>	-1.703	0.830	-17.318	13.912
<i>disaster_dum</i>	-11.81	0.553	-51.099	27.477
<i>life</i>	12.30	0.001	5.063	19.528
<i>pop</i>	0.327	0.633	-1.025	1.680
<i>N</i>	2842			
<i>Adjusted R<sup>2</sup></i>	0.465			

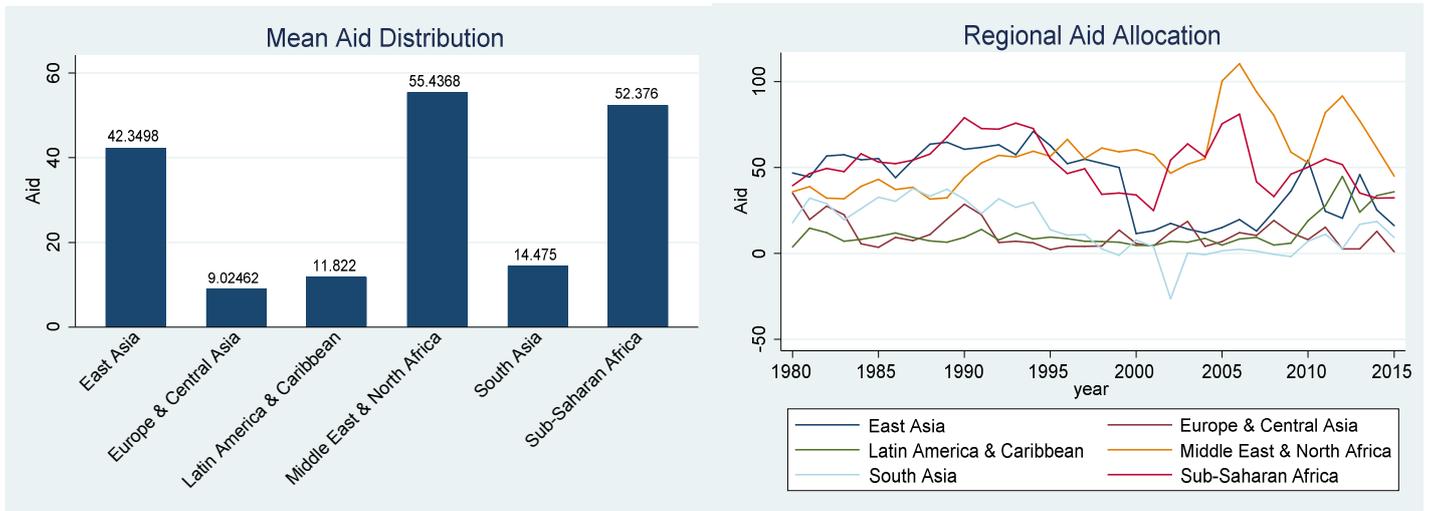
## Appendix D

Explanatory Graphs of the Regional Data for all Donors, in Alphabetical Order

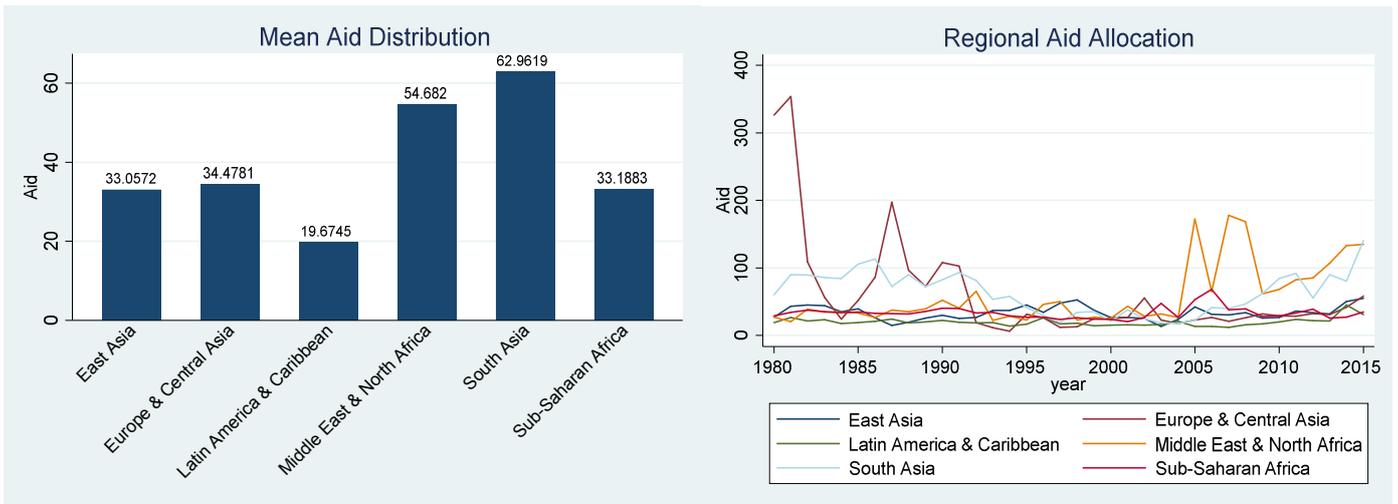
**Table D1: Denmark's aid distribution to each region, total and over time**



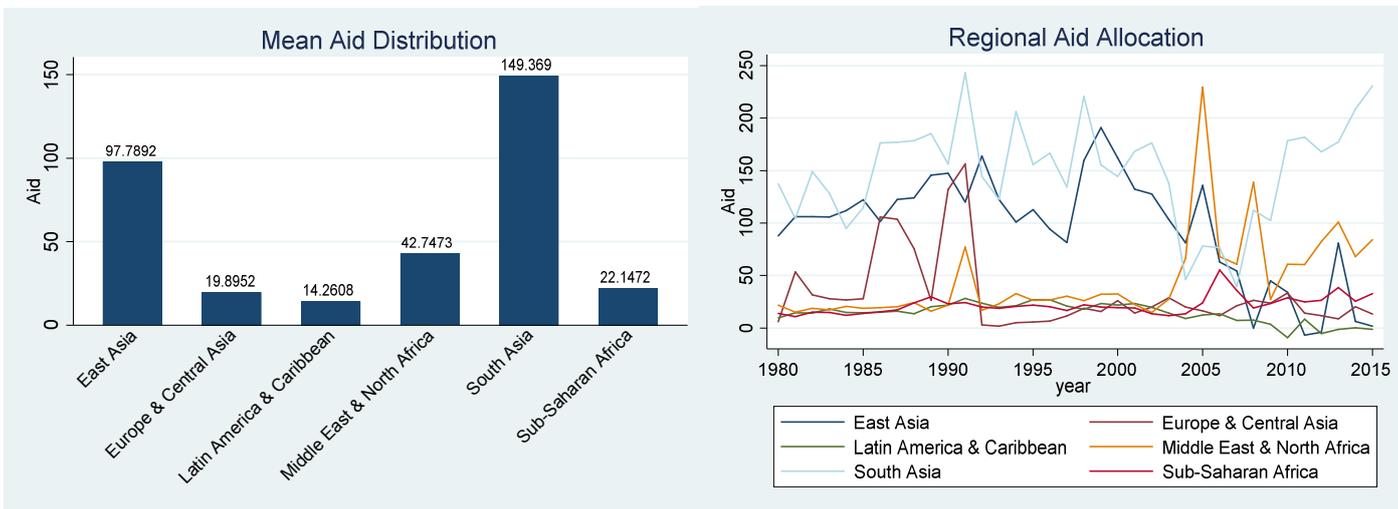
**Table D2: France's mean aid distribution to each region, total and over time**



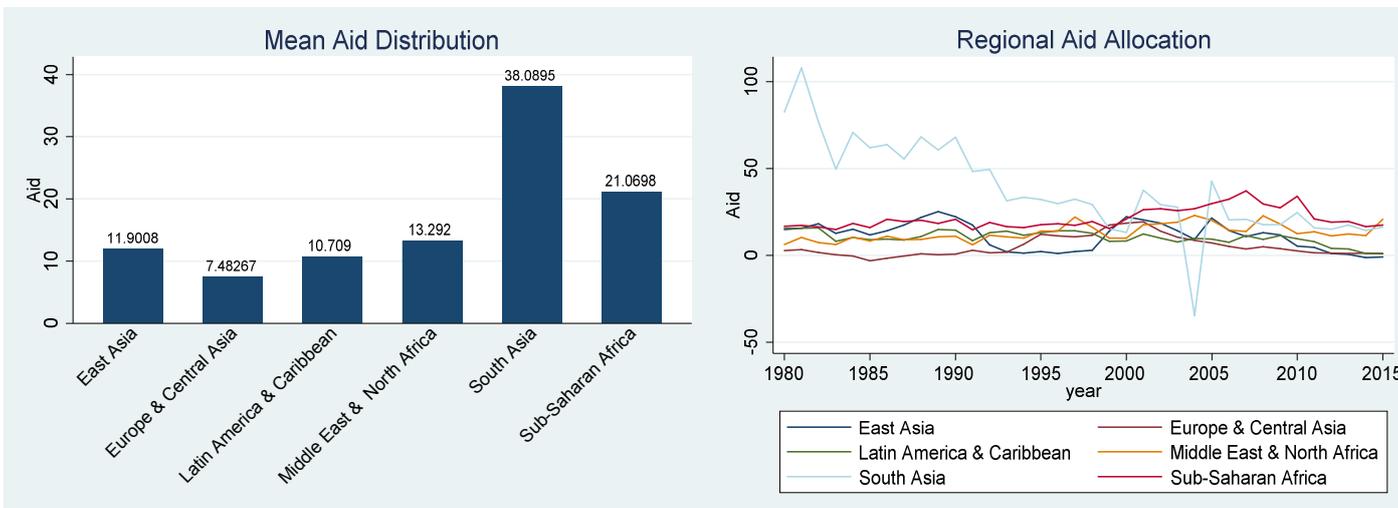
**Table D3: Germany's mean aid distribution to each region, total and over time**



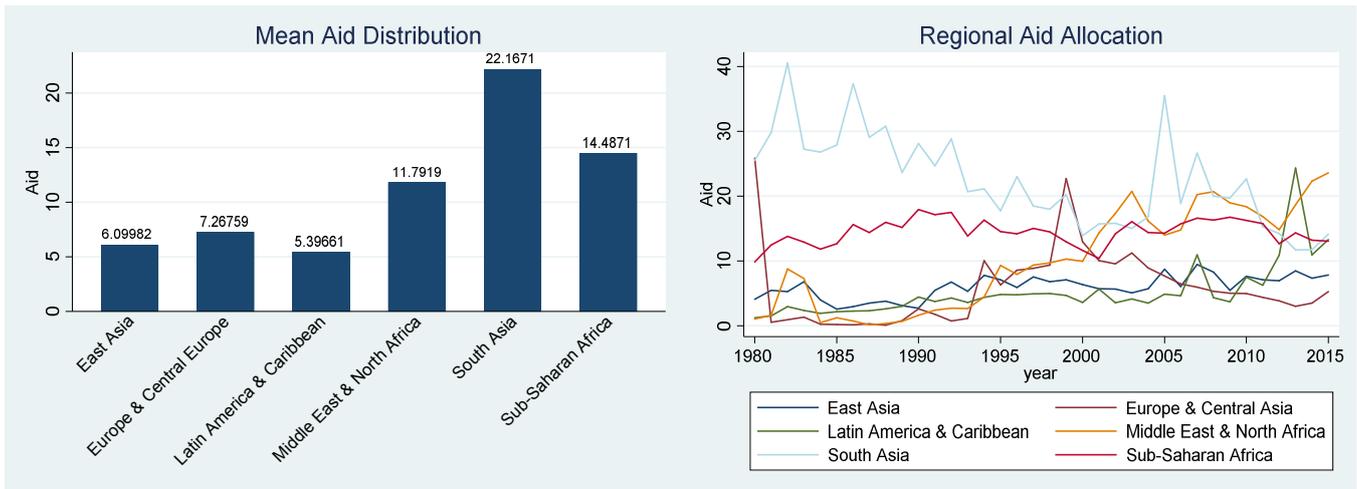
**Table D4: Japan's mean aid distribution to each region, total and over time**



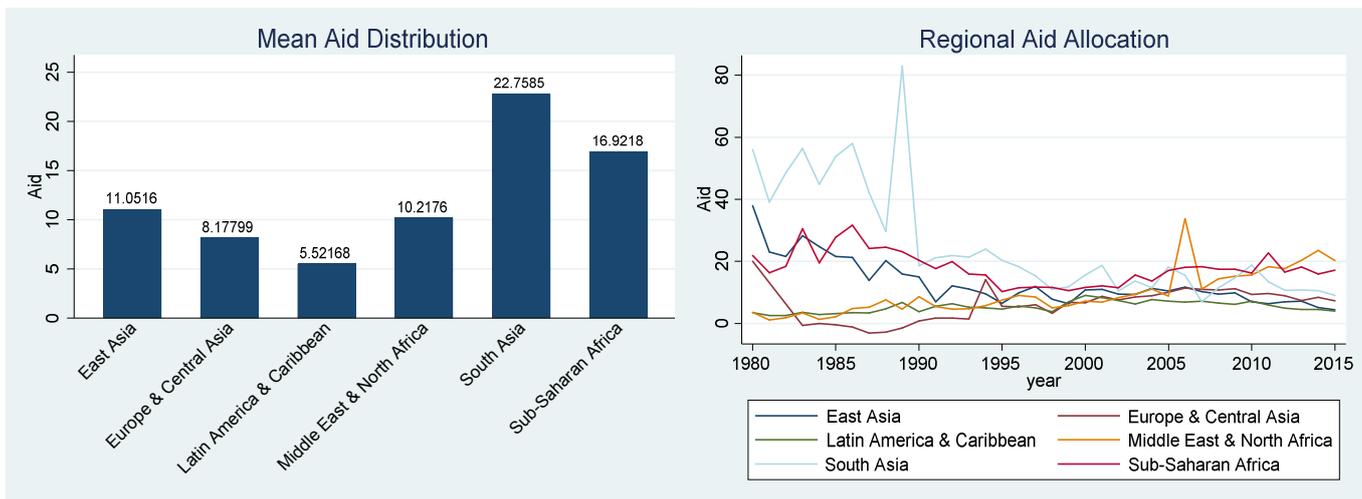
**Table D5: The Netherland's mean aid distribution to each region, total and over time**



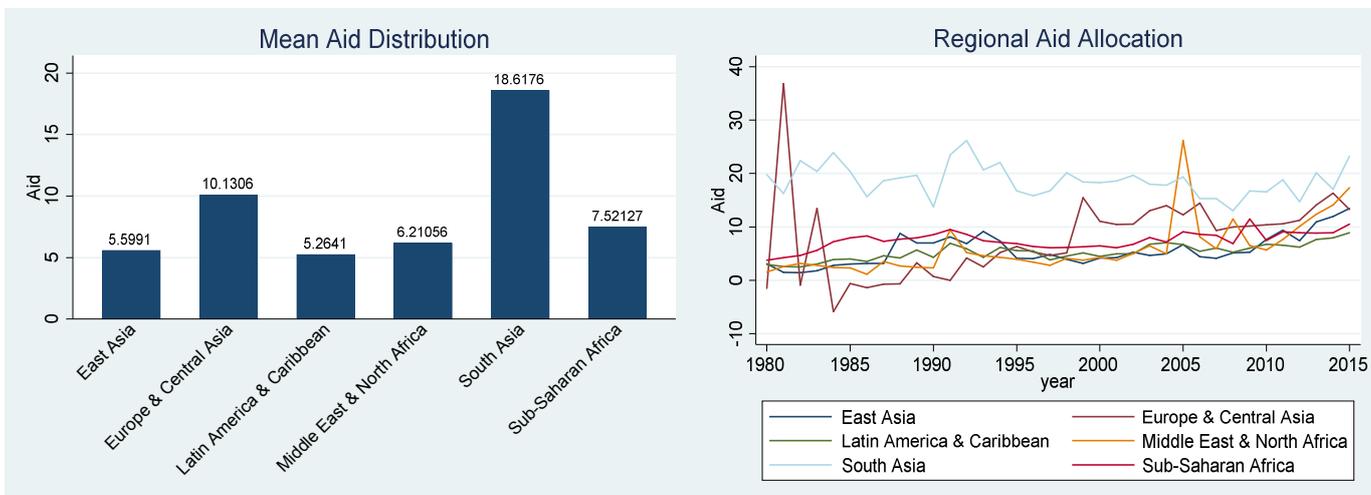
**Table D6: Norway's mean aid distribution to each region, total and over time**



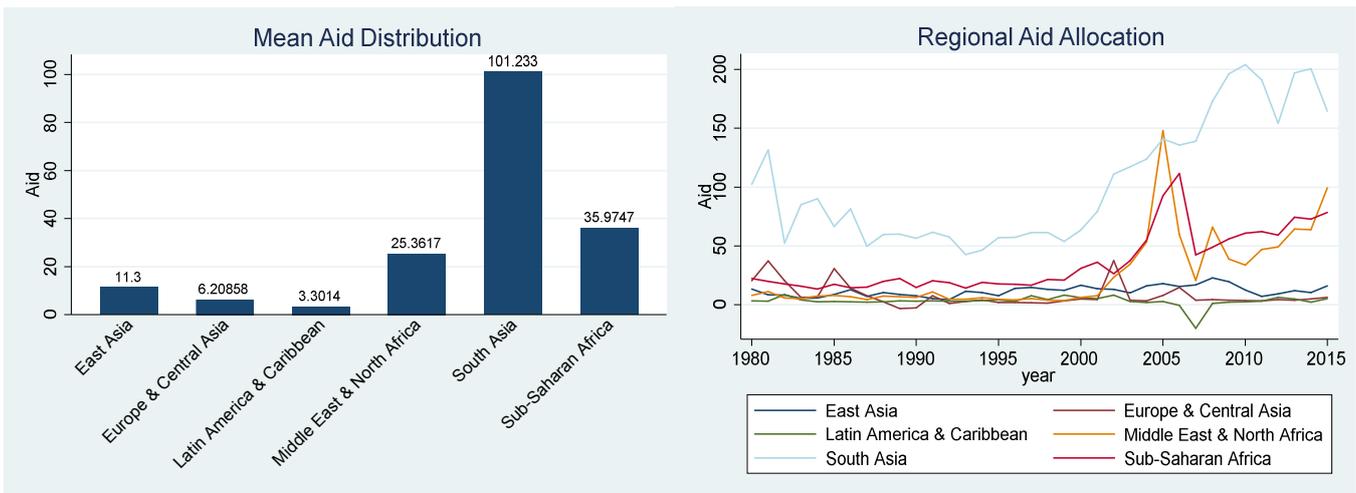
**Table D7: Sweden's mean aid distribution to each region, total and over time**



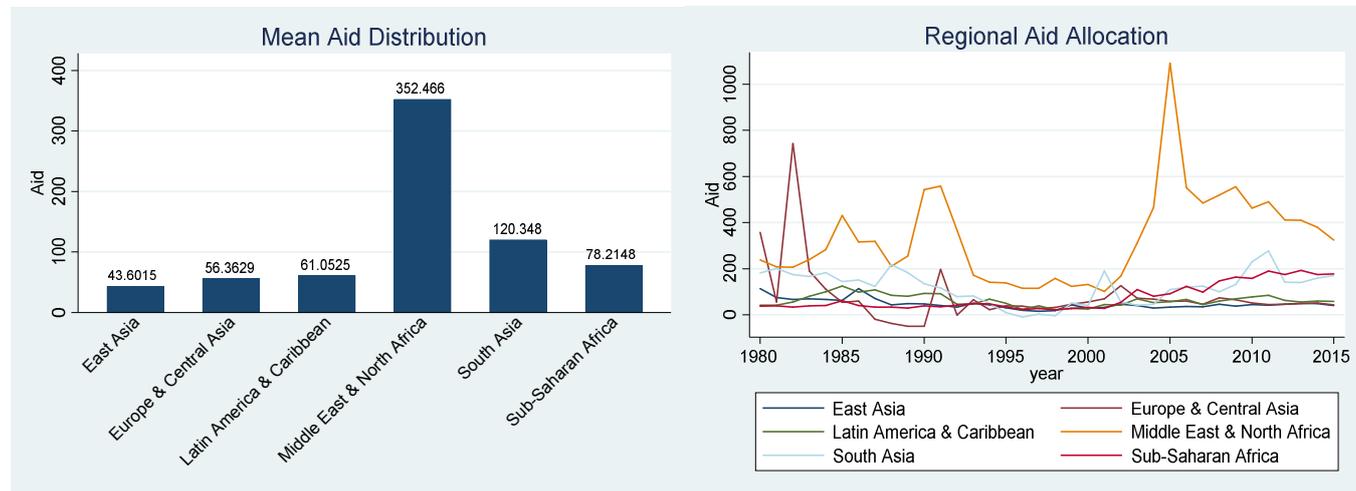
**Table D8: Switzerland's mean aid distribution to each region, total and over time**



**Table D9: United Kingdom's mean aid distribution to each region, total and over time**



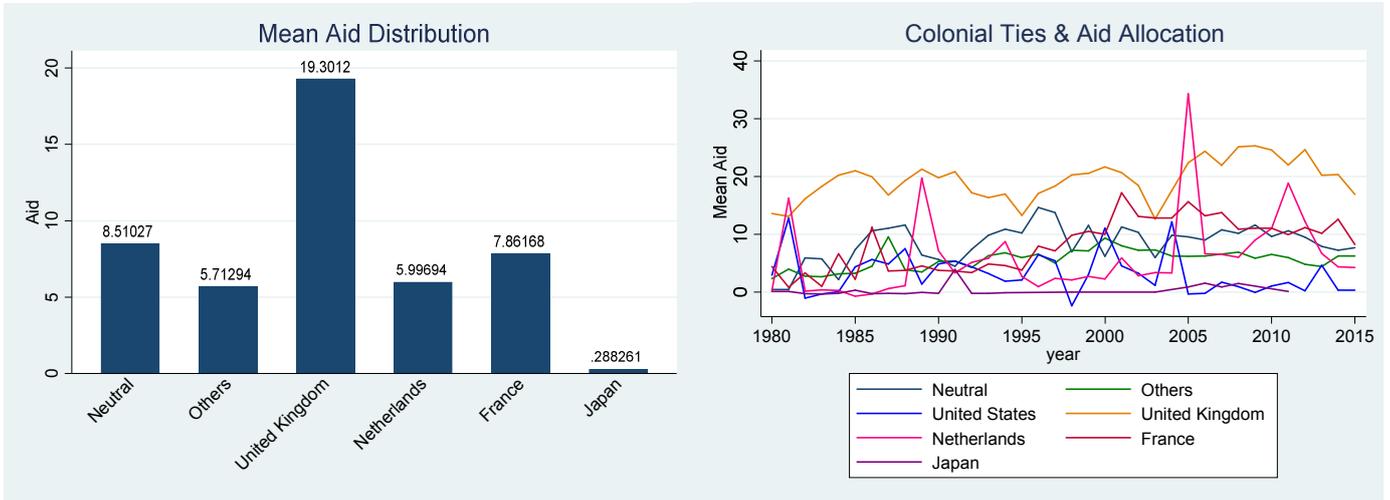
**Table D10: United States' mean aid distribution to each region, total and over time**



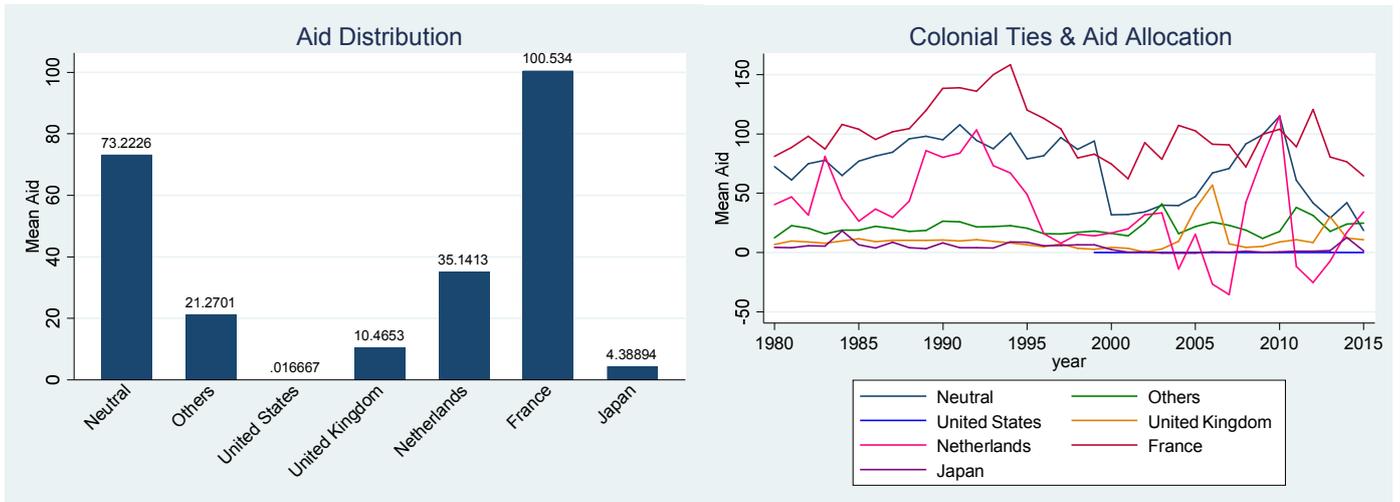
# Appendix E

## Explanatory Graphs of the Colonial Data for all Donors, in Alphabetical Order

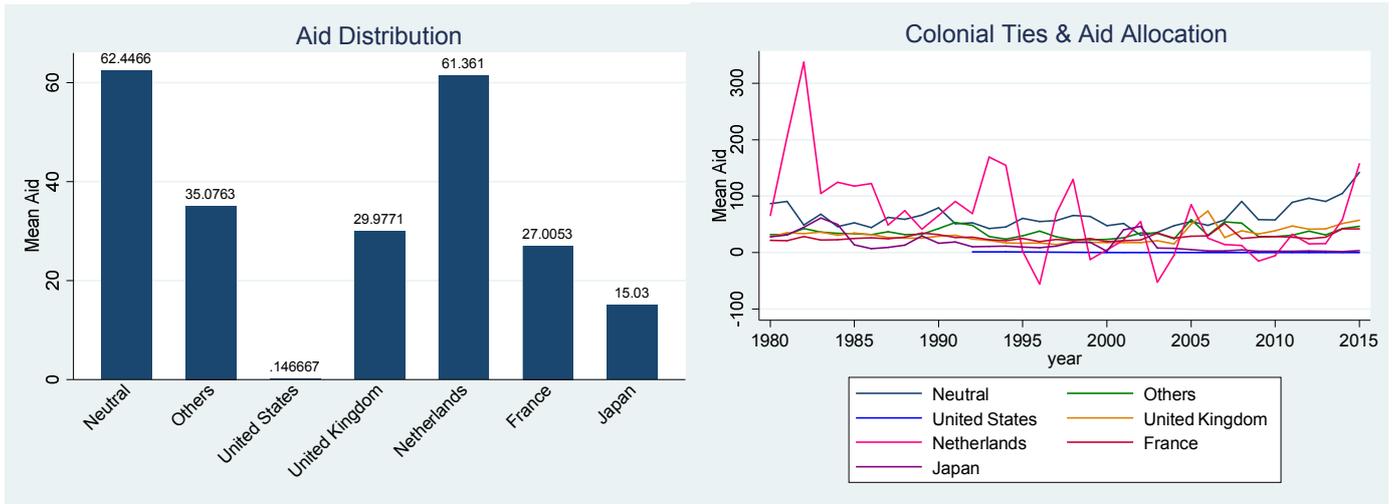
**Table E1: Denmark's mean aid distribution according to colonial ties, total and over time**



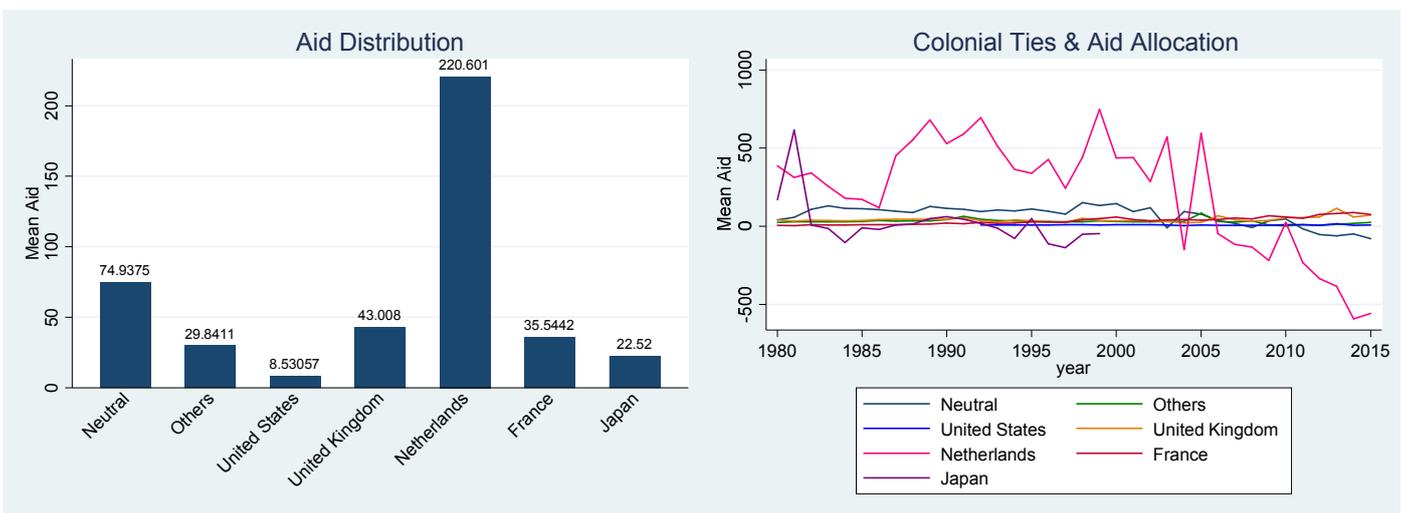
**Table E2: France's mean aid distribution according to colonial ties, total and over time**



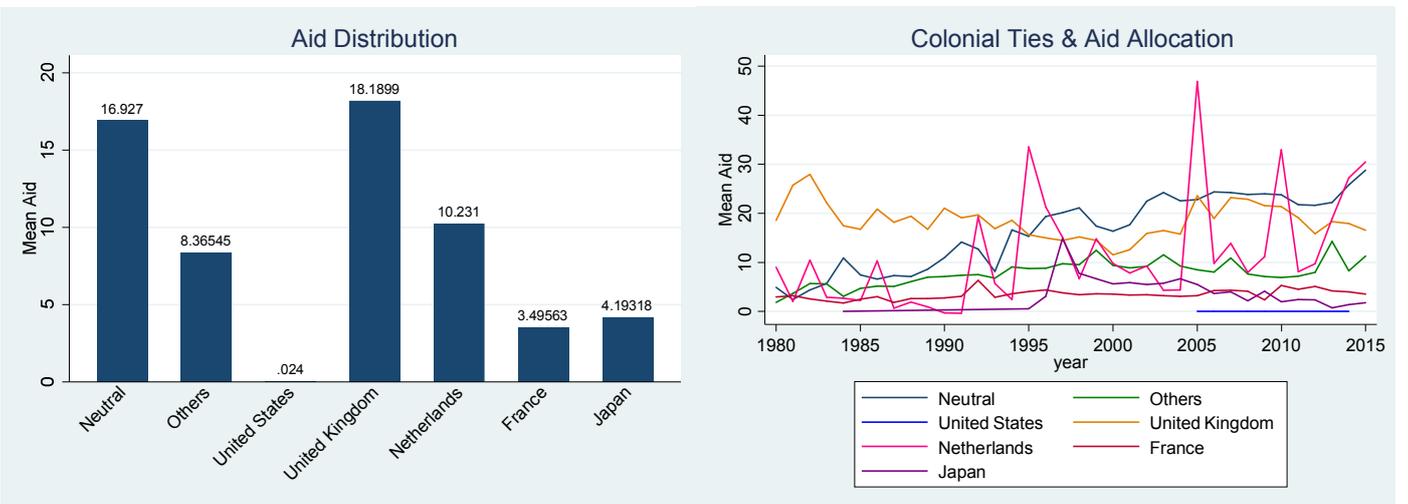
**Table E3: Germany's mean aid distribution according to colonial ties, total and over time**



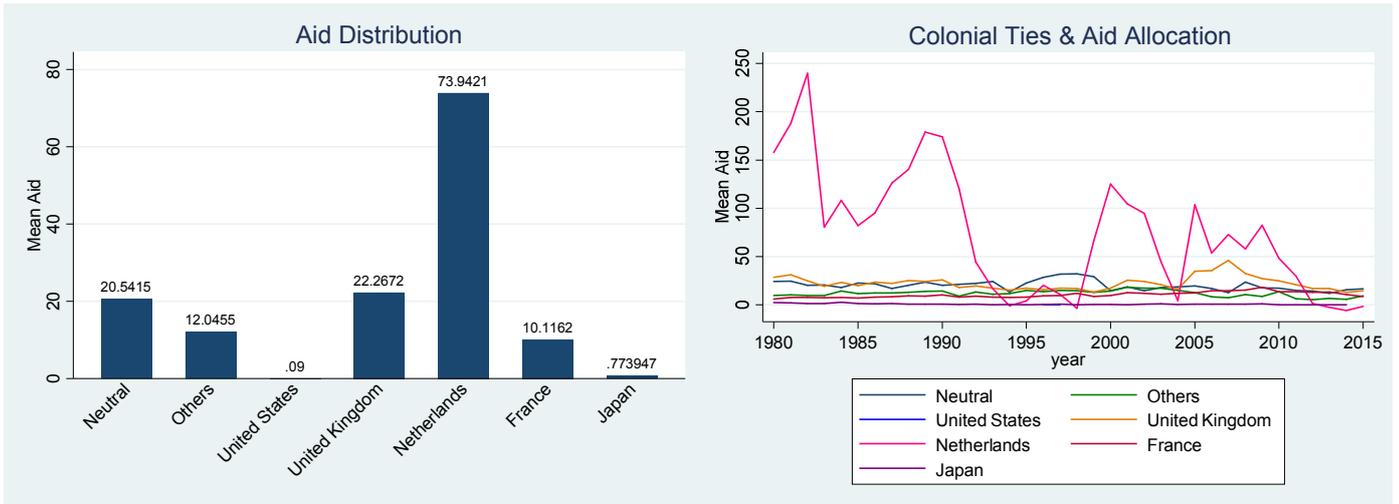
**Table E4: Japan's mean aid distribution according to colonial ties, total and over time**



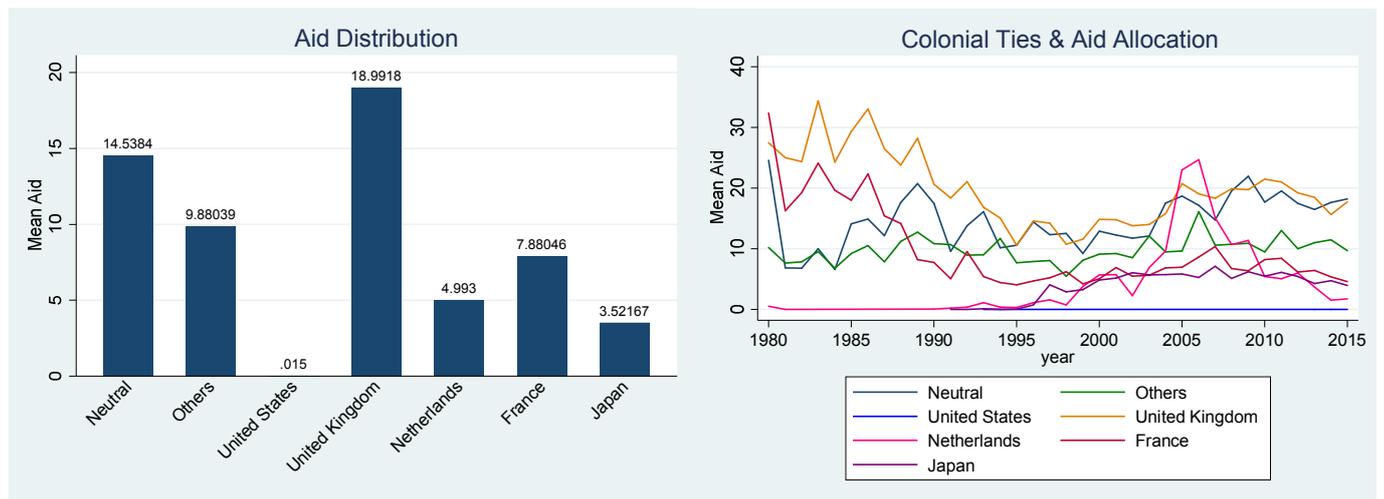
**Table E5: The Netherlands' mean aid distribution according to colonial ties, total and over time**



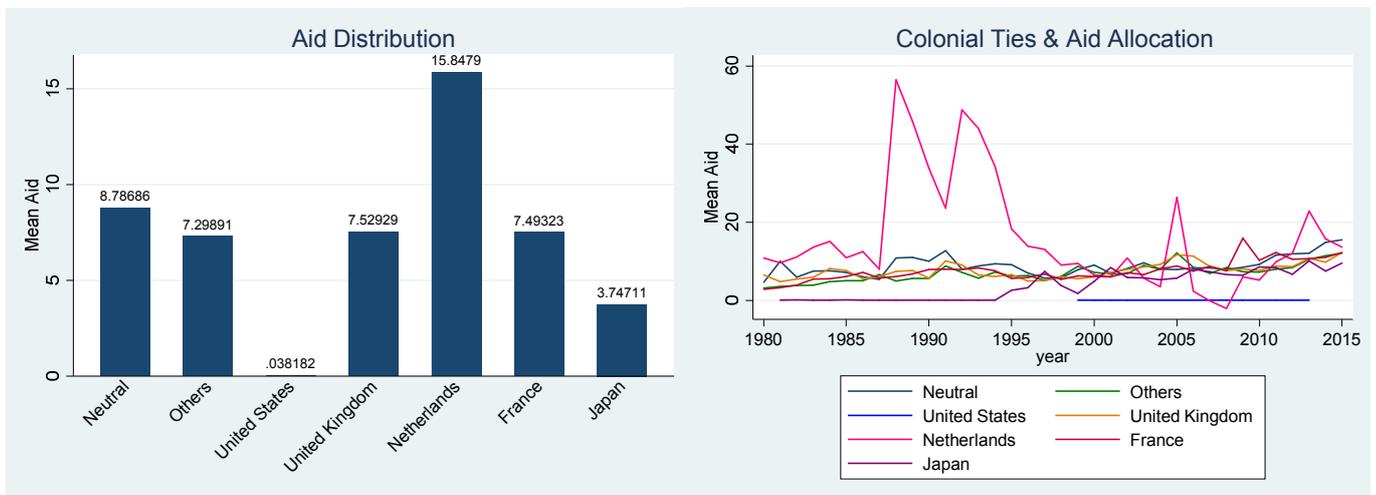
**Table E6: Norway's mean aid distribution according to colonial ties, total and over time**



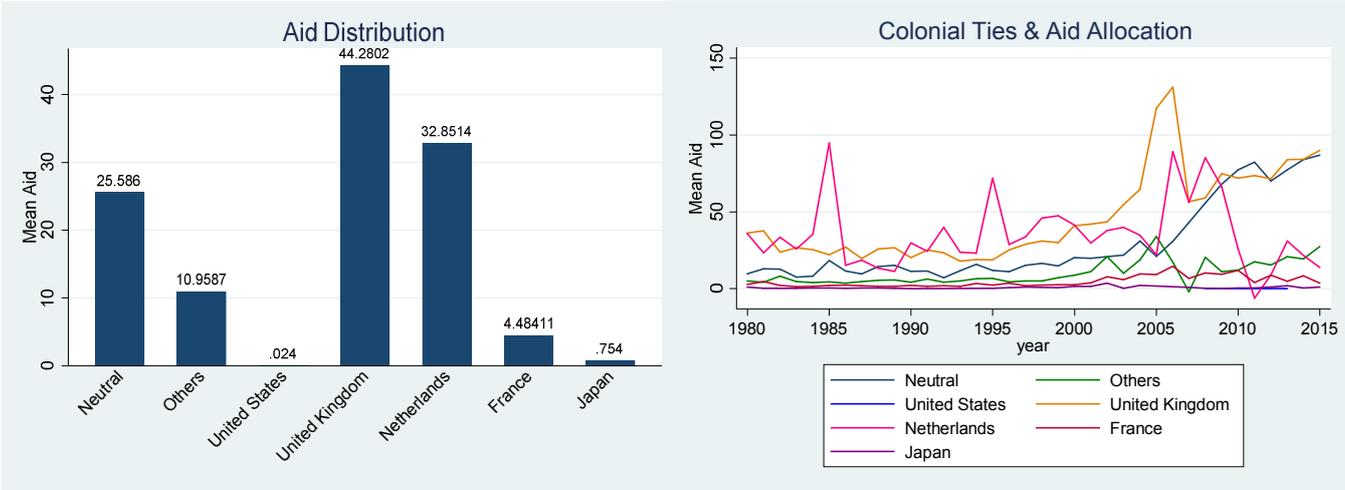
**Table E7: Sweden's mean aid distribution according to colonial ties, total and over time**



**Table E8: Switzerland's mean aid distribution according to colonial ties, total and over time**



**Table E9: The United Kingdom's mean aid distribution according to colonial ties, total and over time**



**Table E10: The United States' mean aid distribution according to colonial ties, total and over time**

