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# **Do changing patterns of governance affect Swedish aid?**

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## **Abstract**

The aim of the study “Do changing patterns of governance affect Swedish aid?” is to examine if changes in governance in recipient countries of Swedish bilateral aid matter to Swedish aid and can cause changes in it. The procedure has been to first explain governance and its components and then the Swedish development and aid system is presented to give a framework to the study. The distribution of aid is afterwards studied by surveying the 15 countries that receive the most in 1995, 2000 and 2005. The governance components are thereafter analyzed in these countries to see if differences in governance between them can explain differences in aid level. Further, it is examined if changes in governance cause changes in aid per capita. Results showed that differences and development in governance could not explain aid differences and did not cause changes in aid per capita. The conclusion is that governance seem until now only matter marginally.

Key words: Governance, governance component, Swedish aid, development, poverty.

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## List of abbreviations

DAC	Development Assistance Committee
1GHR	First generation human rights
2GHR	Second generation human rights
GNI	Gross national income
GNP	Gross national product
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ISO	International Organisation for Standardization
KKZ	Kaufmann-Kraay-Zoido-Lobatón
LDC	Least Developed Country
LMIC	Low Middle Income Country
MADCT	More Advanced Developing Countries
NGO	Non governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLIC	Other Low Income Country
PGD	Policy for Global Development
Sida	Swedish International Development Cooperation Agency
UMIC	Upper Middle Income Country
UNDP	United Nations Development Programme
WB	World Bank
WBI	World Bank Institute

# 1. Introduction

Governance has since the mid 90's got an increased importance in development and aid context. Good level of governance is claimed to be decisive for development of a country and for the effectiveness in aid. It is therefore associated with later year's aid selectivity and effectiveness of aid. Sweden is in this matter no exception and the Swedish aid system has experienced reforms to increase effectiveness of aid. The system is characterized by an expressed willingness of fighting poverty and contributing to development, which it does with many goals, policies and demands to both Sweden itself as a donor, and to receiver countries. Many of the demands have a relation to promoting democratic principles and governance. The reforms of the Swedish aid system points to intents of integrating governance as a mean of control in aid. The aid system does nevertheless encounter difficulties that may prevent an effectiveness of it, as for example many broad goals with too much flexibility and no priority between them. It can appear to be that it has improved and been simplified by the introduction of one single goal instead of the old ones (6), but the question is if this actually not clarifies the mentioned flaws in it. The aid system is also very rigid and complicates the integration of changes. According to Swedish aid policy factors like democracy, governance and human rights are important to the development of a society and for the effectiveness of aid. Then, is it really that Sweden takes into consideration improvements or deteriorations in these factors in recipient countries, or is it actually more about rhetoric and a well articulated aid policy?

The aim of this study is to see if changes in governance in recipient countries of Swedish bilateral aid, can affect and cause changes in Swedish aid. It is to see if Swedish aid really is receptive to factors like governance. The theory used in the study is primarily theory about governance and the governance definition used is the World Banks. The governance components in the definition are then used to analyse recipient countries governance status and its development between two different years. The results in the study are associated with the fact that governance is something relatively new in aid context, which explains why it is difficult to already find clear effects of governance in aid.

The study is composed by 5 different chapters, the structure and procedure is as follow. First, in chapter 1, governance and its relation to the development field is explained and then in chapter 2 the Swedish aid system is presented and its changes over time from the mid 90's to

the 2000's. Chapter 3 studies the distribution of Swedish aid during the years 1995, 2000 and 2005 by looking at the 15 countries that receive the most. Possible similarities between the recipient countries and reasons behind the results are also discussed. Further, in chapter 4 it is studied if these countries overall governance situation and their differences can explain the differences in aid level between them. It is also examined if changes in governance can affect aid per capita. Discussion and conclusions are presented in the final 5<sup>th</sup> chapter.

The sources to the data used are the Organisation for Economic Co-operation and Development (OECD), the World Bank and Swedish International Development Cooperation Agency (Sida). The information about Swedish aid policy and system comes both from Sida and the Ministry for Foreign Affairs. The time studied in the paper is delimited to 1995, 2000 and 2005 for the distribution of Swedish aid and the years of 2000 and 2005 for the governance analysis in the recipient countries. For the examination of the distribution, were these years selected because they could give a clearer picture of the aid development in time. For the governance analysis the mentioned years are selected because only later years are relevant for the study of governance in development context. The study does not discuss or examines the different countries individual aid plans made by Sida or how the unobserved components model is used to construct the six aggregate governance indicators. That means that how estimates used in governance analysis are calculated is not studied. For this information it is recommended to read the latest World Bank report on aggregate and individual governance indicators.



## **2. What is governance?**

Governance is defined differently according to the source that studies it, but the definitions are more or less similar. Governance can be understood as a complex system of interlinked factors in a society that determines that particular society's functioning and composition of institutions and traditions. Three different definitions will be presented here from three different organisations with important research in the area. In this paper it is the World Bank definition that will be used and therefore more deeply explained than the other two.

### ***- United Nations Development Programme (UNDP).***

Governance according to the UNDP is the way a society organizes itself to make and to implement decisions. It is a system of values, policies and institutions by which a society manages its social, economic and political affairs. It does this through interactions within and among the civil society, state and the private sector. Through these mechanisms citizens and groups can exercise their rights and obligations because they serve as limits and frameworks in the society. Governance with all its dimensions operates therefore in every level of human enterprise.<sup>1</sup>

### ***- The European Commission.***

Governance is about the ability of the state to serve the citizens. It is about rules, processes and behaviours used to express interests, management of resources and the exercise of power in a society. Major issues to handle in governance are the way public functions are carried out, public resources are managed and public regulatory powers are exercised. Governance can also be explained as a measure of stability and performance of a society. Governance develops to good governance when factors as human rights, democracy, rule of law, civil society, etc. are respected and protected.<sup>2</sup>

### ***- World Bank.***

According to the World Bank (WB) governance can be explained as formal and informal institutions and traditions that determine how authority is exercised for the common good in a country. The researchers in the topic include three different dimensions:

1) The process by which a government is selected, monitored, held accountable and replaced.

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<sup>1</sup> Suthers & Nahem (2004) p.2.

<sup>2</sup> Ibid., p.2.

- 2) The government's capacity to formulate, implement and enforce good policies and regulations and manage resources efficiently.
- 3) The respect of citizens and the state for the institutions that govern economic and social interactions among them.<sup>3</sup>

There exists many indicators on various dimensions of governance, most of them measured in qualitative units and produced by many different organizations such as development agencies, multilateral organizations, risk-rating agencies, etc. All these indicators seem in spite of their quantity to point out some broad concepts in governance. Therefore the WB has added two measurable concepts to each of the three dimensions leaving a total of six governance components that captures the economic, political and institutional dimension of governance:

- Voice and external accountability.
- Political stability and lack of violence, crime and terrorism.
- Government effectiveness.
- Regulatory quality.
- Rule of law.
- Control of corruption.<sup>4</sup>

*Voice and external accountability:* Is seen as the extent to which the citizens of a country are able to participate in selecting their government, their freedom of expression, freedom of association and a free media.

*Political stability and lack of violence, crime and terrorism:* These are perceptions of the possibility that the government of a country will be overthrown, destabilized by unconstitutional means or violence.

*Government effectiveness:* Seen as the quality and delivery of public services, civil services and their independence from political pressure. It is also bureaucracy, the quality of policymaking and policy implementation by the government, as well as the credibility of the government's commitment to it.

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<sup>3</sup> Kaufmann (2004) pp. 3-4, Kaufmann, Kraay & Zoido-Lobaton (2000) p.10; and Sudders & Nahem (2004), p.2.

<sup>4</sup> Kaufmann (2004) pp. 3-4, Kaufmann, Kraay & Zoido-Lobaton (2000) pp.10-11.

*Regulatory quality:* Is the ability of the government to formulate and implement good policies and regulations that also permit and stimulate development in the private sector.

*Rule of law:* Include parts of law and order. It is the extent to which agents have confidence in the rules of society, the quality of contracts and their enforcement, confidence in the police and courts, in the protection of property rights, etc.

*Control of corruption:* The extent to which public power is used for private interest and gain. This means all forms of corruption such as “state capture” by a country’s elite, grand corruption and petty.<sup>5</sup>

## **2.1 Possible factors behind the growing importance of the concept of governance**

Conditions for development are thought to be many but there does not exist a homogeneous answer to how a country should develop. Examples of prerequisites for development can be natural resources, capital, technology, human capital, cooperation, etc. Altogether they create the characteristics of each society and the development process. That means that every society could have its own development path.<sup>6</sup> Aid and governance have become two factors that are often used together and are thought to affect each other in some extent and affect development. Aid is then a tool and not the only and decisive factor to succeed with development. Roughly speaking it can be said that the importance of the concept of governance has developed over time since its beginning in the mid 1980’s. During the 80’s and previous years, aid was given very much on political grounds in accordance to the two political blocs defined by the cold war. An example of this was that democratization processes or adoptions of democratic institutions could be interpreted as signs of joining the western bloc. Historical facts as countries colonial legacy, could also influence aid patterns during the 1980’s, but began to lose some significance in the 1990’s in exchange of donors’ self-interest in commercial relations with the recipient countries.<sup>7</sup> This does not mean that colonial past is insignificant in present relationships of bilateral aid between countries. After the end of the

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<sup>5</sup> IBRD/World Bank (2006), pp.2-3; Kaufmann (2004), pp.3-4.

<sup>6</sup> Törnquist (1996), pp.17, 18, 27.

<sup>7</sup> Berthélemy & Tichit (2003), pp.15-16.

cold war aid donors generally began to condition aid with the need to have positive results in the recipient countries social performance. Good economic performance was a beneficial factor for receiving aid.<sup>8</sup> Other important factors to consider when giving aid were human rights and their condition in the recipient country. Donor countries could freeze these assets if the protection and conditions for human rights were worsened. This is called “negative conditionality” and was strongly criticised by undeveloped countries who considered this to be a lengthening of colonial behaviour.<sup>9</sup>

At present it is debated whether selectivity in aid has increased and possible motives behind this new trend. It is thought that this trend began to appear in the 90’s. It has been noticed that during the period of 1984-1989 there did not exist any notable relationship between multilateral aid, nor bilateral aid, and rule of law or property rights (governance components). Aid was instead often given to countries with poor performance in governance. This had changed to the opposite during the measurement of the period of 2000-03 when suddenly these two components had experienced a growing importance in aid giving, both in the context of multilateral and bilateral aid. The measurement also showed a difference between multilateral and bilateral aid giving: Multilateral aid was found to be more selective than bilateral aid because it seemed to have a stronger relationship with both democracy and rule of law, whereas bilateral aid was thought to have a weaker relationship to democracy and no significant relationship to rule of law.<sup>10</sup>

It is also believed by some that the increased selectivity in aid was influenced by a World Bank view expressed in a study where it was pointed out that allocation of aid would have greater impact on poverty reduction if it was given to poor countries with strong economic institutions and policies. This was reinforced by the Monterrey Consensus, evolved in a United Nations Conference on Financing for Development in Monterrey, Mexico 2002, where it was stated that developing countries own institutions and policies are vital to sustained development. Good governance and sound policies were two factors with importance for effectiveness in aid. This argument is believed to have evidence in specific country cases and project level-studies. According to data on World Bank projects there are greater possibility to predict results in projects if there exists some signs of rule of law/property rights and

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<sup>8</sup> Ibid., p.20.

<sup>9</sup> Novak (2003), pp.44-45.

<sup>10</sup> Dollar & Levin (2006), p.2036.

political institutions in a country.<sup>11</sup> This is evidence that shows possible reasons behind why donors may choose to put more attention to these factors. Aid is also thought to be more effective and achieve greater results if there is a deep analysis of each country's specific institutional environment and its challenges, because of each country's particular combination.<sup>12</sup>

Another possible explanation behind a growing importance of governance is the fact that less than twelve years ago there did not exist belief in the possibility to measure a thing such as governance or corruption. In later years the World Bank with help from other organisations have developed aggregated governance indicators that covers more than 200 countries and are based on several hundred variables obtained from institutions around the world. These World Bank indicators, named the Worldwide Governance Indicators, cover the six above mentioned components of governance.<sup>13</sup> Further, it is examined if there are overlaps and links between governance and human rights and their possible effects in development. Many important governance aspects are implicit human rights, both civil and political rights (so called first generation human rights) and socio-economic rights (so called second generation human rights). This is discussed further later on in the paper.

## **2.2 Governance indicators**

What is an indicator? An indicator can be explained as: "A device for providing specific information on the state or condition of something". Examples of indicators are: measure, barometer, index, sign, standard, guide, point of reference, benchmark, etc. As can be noticed, an indicator does not have to be expressed in numeric form. The "Freedom in the World"-indicator, established by Freedom House<sup>14</sup>, is an example of a non-numeric indicator that classifies if a country is free, partly free or not free. Indicators used to measure governance therefore express the condition of governance in a country.<sup>15</sup>

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<sup>11</sup> Ibid., p. 2034.

<sup>12</sup> Kaufmann, Kraay & Zoido-Lobaton (2000), p.12.

<sup>13</sup> Kaufmann (2005), p.41.

<sup>14</sup> Freedom House is an independent non-governmental organization that supports the expansion of freedom in the world.

<sup>15</sup> Sudders & Nahem (2004), p.3.

One of the most frequent used indicators in governance is the already mentioned Worldwide Governance Indicators developed by a research program of the World Bank. They were developed in the late 1990s and are sometimes called the “KK” or “KKZ” indicators, referring to their researchers and founders Daniel Kaufmann and Aart Kraay. These indicators have been published since 1996 and help to analyse the quality of governance in about 200 countries.<sup>16</sup> To present governance estimations of different countries a model called the unobserved components model is used. The indicators allow to compare the same components between countries, or to compare the 6 components in a country and over a period time.

In the Worldwide Governance Indicators the aggregated indicators are the important. An important reason is that aggregate indicators are believed to give more information than an individual indicator but also because it is impossible and misleading to try to explain a complex thing as governance with only one measure. The six aggregate indicators are able to give more information because they compile information from different sources and because they are based on several hundred of variables that show peoples’, enterprises’ and experts’ perception of different governance issues. Perceptions data, or so called subjective data, is used as a reliable data because of the thought that if questionnaires are well formed people (non-experts) most often answers referring to own lived experiences. Perception data is sometimes also considered to be controversial. In a research made in Africa about possible differences in opinion between experts and common people about corruption, the conclusions were that experts systematically overestimated the incidence of corruption and their estimations were not fit in the reality of the country in question. The experts’ opinions were also often associated with the common perception about corruption found in global indicators and were at the same time based on an implicit cultural perception of the country in question. In the case of Africa the cultural perception was that things were made “the African way”. This conveyed to an overestimation in people’s tolerance for corruption and an underestimation in their appreciation for good governance.<sup>17</sup> This means that experts’ statement and subjective indicators should be taken with caution. The aggregate indicators should also be used with caution because of the always implicit margin of error in the estimates. In the KK indicators these margin of error are always pointed out for the purpose of being considered when analysing a state of governance in a country. If the margin of errors is omitted in spite of its existence, it can give a false image of precision and exactness in the

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<sup>16</sup> IBRD/World Bank (2006), p.1.

<sup>17</sup> Mireille & François (2006), pp.31-32.

measuring. Margins of error are to be understood as a proof of the difficulty in measuring governance.<sup>18</sup>

The process of gathering information to compile the Worldwide Governance Indicators can in broad outline be described in the following way: The 25 different organisations gather information with the 31 different sources (survey and polls) that provides information from hundreds of questions on governance. Each question is fit to one of the six dimensions in accordance with the purpose of what to measure before making an accumulation of the information. An example of this can look as the following table 1 picked out from a IBRD/World Bank information booklet.<sup>19</sup>

*Table 1: Mapping individual questions to aggregate indicators.*

QUESTION FROM INDIVIDUAL INDICATOR. <i>From expert assessments</i>	AGGREGATE INDICATOR TO WHICH THAT QUESTION CONTRIBUTES.
Are civil liberties and political rights respected?	Voice and accountability
How does risk of political violence influence government?	Political stability and absence of violence/terrorism
How strong are public institutions and the quality of the civil service?	Government effectiveness
How prevalent are unfair competitive practices?	Regulatory quality
Is the judicial process swift and fair?	Rule of law
To what extent do politicians engage in corruption and nepotism?	Control of corruption

Source: IBRD/World Bank (2006), p.16. The example here shows only a part of the real table.

Governance indicators are used for, among other things, policy making and to inform users on different aspects in a society such as the business environment in a country or allocation of public funds. The indicators are often used by different types of actors as governments, aid-donors, development agencies, non-governmental organisations, academic institutions and the private sector.<sup>20</sup> For different users there exist different interests in analysing a country, which means that not all users have to use aggregate indicators when looking at governance. For

<sup>18</sup> IBRD/World Bank (2006), pp. 2, 9, 13, 15, 18.

<sup>19</sup> Ibid., p.16.

<sup>20</sup> Sudders & Nahem (2004), p. 3.

people analyzing a specific country it can sometimes be useful to handle more specific indicators and variables.<sup>21</sup>

## **2.3 Some results in international governance research**

Good governance and sound policies are claimed to give better development outcomes. It appears to be a large causal effect going from improved governance to positive development results and it is agreed upon that good governance and the quality of institutions matters for sustainable economic development. It has been found that an improvement of governance by one standard deviation makes in the long run income raise three times more, affecting hereby even other factors in society. It can therefore be said that an improvement in governance has an exponential development on social factors: A reduction of high levels of corruption leads to increase in per capita income, reduction of infant-mortality and an augmentation in literacy rate.<sup>22</sup> This means that countries' institutions, their quality, and governance are decisive factors for development outcomes.

### **2.3.1 Governance and human rights**

At present there are studies that try to find if there are any links between governance and other important factors such as human rights. In a study made by the World Bank Institute (WBI) it was investigated whether there are any links between human rights, governance and development, and if there exists any connections in the achievement between the first generation human rights, Civil and political rights (1 GHR), and the second generation human rights, Socio-economic rights (2 GHR).<sup>23</sup> The specific questions were: Are there links between 1 GHR and 2 GHR, and are there links between these two and governance in a narrow sense (rule of law and corruption)? Governance becomes synonymous with 1 GHR because of implicit civil and political rights in some of the 6 components such as Voice and accountability and rule of law. The WBI study found that economic development does not automatically embrace and protect human rights. It showed that 1 GHR has effects on 2 GHR,

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<sup>21</sup> IBRD/World Bank (2006), p.18.

<sup>22</sup> Kaufmann, Kraay & Zoido-Lobaton (2000), p.12; IBRD/World Bank (2006), p.1.

<sup>23</sup> From now on in the text, the two generations of human rights will mostly be called by their abbreviations: 1 GHR and 2 GHR.



and that 1 GHR can not be considered as luxury goods: Governance (synonymous with 1 GHR) could lead to increased income (synonymous with 2 GHR), but increased income did not lead to better governance. An “automatic virtuous circle” where higher incomes were automatically developed into improved governance was not found. This is the first link and could depend on possible levels of corruption in a society. Corruption is associated with a lack of respect for 1 GHR (synonymous with governance). Increased income level could in that case not lead to improved governance because of the corruption or state capture that permitted certain groups in the society to impede redistribution of income and a more equal development. Defective respect for civil and political rights or governance, affects the outcomes and performance in socio-economic rights with a parallel reduction in them and increased inequality. This can be regarded as yet another link between governance (synonymous with 1 GHR) and socio-economic factors (2 GHR) and how they affect each other. A possible relation between increased incomes to improved governance can for the reason of the obstacle of possible corruption not be entirely rejected. Inequality in possession of resources and income is not considered to be a positive condition for development.<sup>24</sup> Another important fact is that rich and developed countries do not necessarily have the best quality of governance. This is considered to be a myth because there are countries outside the OECD that score higher in components of rule of law and control of corruption than developed countries.<sup>25</sup>

Continuing, when looking at project level, the WBI study found that results and returns were better if civil and political rights were respected. Respect for civil and political rights and no corruption are interpreted as stability in a society and are beneficial for the economy and development. This stability and rights presuppose democracy for being able to be respected. Democracy has not found to be a threat to neither an economy nor to society as a whole. The same principle applies to human rights.<sup>26</sup> Therefore good governance is not only supported by development agencies and co-operation between countries, but also by international financial institutions. Yet there are examples of opposite experiences and statements of relationships between corruption, civil liberties and economic recovery in some countries, even if this economic boom has changed in its longstanding. An example of this situation can be found in the economic development of Taiwan, South Korea and Singapore. The rights that have been

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<sup>24</sup> Kaufmann (2004), pp. 2, 7-9, 13, 15-16.

<sup>25</sup> IBRD/World Bank (2006), p.3; World Bank (2007), News and Broadcast, p.1.

<sup>26</sup> Kaufmann (2004), pp. 2, 7-9, 13, 15-16.

violated in this context are civil and political human rights (1 GHR). Singapore is an example of a country with good control of corruption, but with a low degree of civil liberties and the governance component of voice and accountability. These countries have managed to control corruption and bring a certain level of socio-economic development in spite of violating civil and political rights. It can then be stated that democracy and human rights are not necessary prerequisites for an economic development, in the short run. But for development in the long run and for sustainable development, it does not seem true that democracy and human rights will not be needed. Why and how these countries have developed has not yet been established or more closely studied, and it can depend on entire different factors maybe particular to their societies. This situation has neither been the most common development process in the world and it can therefore not be stated that violation of human rights is the necessary thing, nor was the key factor to the socio-economic development in these countries.<sup>27</sup> To sum up, the economy can not automatically give rise to governance or human rights, but governance and human rights can help an economy and society to develop in the long run.

### **2.3.2 The declaration on the right to development**

A practical problem with having two different generations of human rights is the difference in demand to adopt them and the struggle against giving priority and protection to only one of them. Both generation human rights are regarded as indispensable, mutual reinforcing and impossible to follow if they do not exist at the same time. Why there exists two different generations of human rights is because of historical differences in perspectives over what actually constitutes a human right. It has been argued that social and economic rights are programmatic rights and not human rights and can therefore not be justified. Because of the differences in perspectives it was decided by the United Nations to adopt two different conventions, one for civil and political rights (ICCPR) and one for economic, social and cultural rights (ICESCR). Most countries decided to ratify both because of their mutual reinforcement, but not all did. In the 80's a declaration on the right to development was adopted by the General assembly. This declaration puts together, for the first time, both generations of human rights and includes obligations to both individuals and states and it is both an individual and a collective right. Development can therefore be regarded as a process of where human rights are realized.<sup>28</sup>

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<sup>27</sup> Donnelly (1999), p. 618; World Bank (2007), News and Broadcast, p.1

<sup>28</sup> Novak (2003), pp.43-45, 78-83.

### 3. Swedish aid

Sweden has given aid since the 1950's and has often been seen as a country with a serious commitment to fighting poverty and injustice. It has been, and still is, considered to be a "soft donor" that does not appear to use aid to achieve other purposes than the explicit one of fighting poverty.<sup>29</sup> Swedish aid is also considered, as with the rest of Nordic aid, to be significantly less influenced than the average by commercial interests.<sup>30</sup> Sweden has neither an aggressive trade policy nor a colonial history and it lacks important links to developing countries before starting giving aid in the 50's in comparison to other donor countries like France, United Kingdom, etc. that give important amounts of aid to former colonies. This is sometimes argued as an advantage for Sweden when selecting partner countries because it has not got remorse of having hindered the development in another country, or having to be preoccupied of losing old geopolitical power in a region if it does not give aid.<sup>31</sup> The Swedish system has yet its own deficiencies and the Swedish aid pattern has developed differently during periods although remaining more or less the same with respect to its purpose of fighting poverty.

The structure of Swedish aid system has changed some during the last 15 years. Swedish aid, or so called Official Development Assistance (ODA) is at present monitored by the Ministry for Foreign Affairs in cooperation with the Swedish International Development Cooperation Agency (Sida) and the Exports Credits Guarantee Board. Sida channelled approximately 60 % of the Swedish aid in 2005 and is an important actor in the monitoring task of aid, specially the bilateral aid.<sup>32</sup> One important modification internationally in development co-operation has been the Paris Declaration in March 2005, where developing countries were given more autonomy over their own development and aid co-operation with other countries. Developing countries committed themselves to work for improving democracy and fight against poverty in their societies, and the declaration has given undertaking to both donor countries and receivers in issues of development and governance.<sup>33</sup>

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<sup>29</sup> Danielson & Wohlgemuth (2005), p.518; Danielson (1999), p.270.

<sup>30</sup> Berthélemy (2006), p.22.

<sup>31</sup> Danielson (1999), p.264.

<sup>32</sup> Sida, "How Sweden and Sida work with international development cooperation", [www], visited 2007-02-01

<sup>33</sup> Regeringskansliet, "Ett effektivare utvecklingssamarbete", [www], visited 2007-01-05.

### 3.1 Swedish development co-operation during the mid 1990's

During the beginning of the 1990's Swedish economy went through difficult times. This had repercussions in the management and upholding of Sweden's international relations and commitments. The moral reasons and solidarity behind the giving of aid were still present in Sweden but the public interest was not as strong as back in the 60's. Sweden had supported many countries in their struggle for independence but with the end of Cold War it seemed that global politics went into a new period. The mid 1990's therefore became a time of change. The aid system was reorganized and resources were cut down. Sweden was until that time one of Development Assistance Committee's (DAC) most generous donors with respect to the level of ODA.<sup>34</sup> Sweden had a target of devoting 1 % of GNP to the aid budget. In 1995 this had to be reduced to 0.89 % of GNP and descended to 0.7 % in 1997. It was yet stated that this was a temporary change and the target of 1 % was a measure that was going to be reopened. The increasing refugee costs in Sweden during those years were also decided to be reported as ODA and led not surprisingly to a decline in the part of aid available for traditional bilateral development cooperation.

The changes were planned to lead to an improvement in effectiveness. It was thought that a reorganisation of the system could make the system easier to understand both for other donors and receivers of aid. This would therefore facilitate aid work and expected results. The reorganisation of the system implied an abolishment of different development institutions that worked more or less independently from the government, merging them instead into one single authority – Swedish International Development Agency (Sida). The Ministry for Foreign Affairs was also reorganized in a way, making aid and development cooperation a part of its policy and responsibility. The approach given to aid was reformulated so that it would be easier to deal with cross-cutting issues as poverty and gender, but the primary focus continued to be to improve the world's poorest people's life standard.<sup>35</sup> This purpose is not unique for Sweden; other countries have the same aim. This may be because most countries are members of the United Nations, where this goal is a general goal for everybody, or perhaps because of a convergence in aid policies among donor countries. This is an issue

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<sup>34</sup> DAC is a specialised committee in the OECD. There are several committees where member countries meet to advance ideas and review progress in specific policy areas.

<sup>35</sup> OECD, "Sweden. Development Co-operation Review (1996)", [www], visited 2007-02-02.

debated at present.<sup>36</sup> The Swedish parliament set out different goals (formally six) that together would work for a reduction in poverty. Four of these were:

- Democratic development and society.
- Rational use of natural resources with responsibility to the environment.
- Economic and political autonomy.
- Equality between men and women.(Introduced in 1996)

The Swedish aid system went through self-examination of earlier work and results, and found deficiencies in the used approaches. What changed during the mid 90's in aid policy were not exactly the goals, but the approaches used to achieve them. To improve aid effectiveness, those had to be redone too. One important change was that Sweden had to be demanding with the need of sound economic policies in the receiver country before giving aid, but also demanding in work results as evidence of attempts for improving development. With Sida the line of action in fighting poverty was remade and deep country analysis were introduced. This way the fight against poverty in a country is strategically and specifically made for each country. In this task there is also large focus on governance issues such as democracy and human rights where Sida tries to cooperate with non-governmental organisations (NGOs) that work with this in the field. This is a way to better reach out to the inhabitants in a society. The work comprises both informing people on their rights but also help governments to protect those rights.<sup>37</sup> Sida states that it is difficult to know if Swedish aid has helped to increase respect for human rights and the difficulty that exists in trying to measure results in this field.<sup>38</sup>

It is important to mention that sometimes it appears to be some contradictions between Swedish aid policy and other Swedish policies through its membership in the European Union. An example of this is the sector support in aid where Sweden helps to develop a sector, for example the industrial sector or agricultural sector, but at the same time it protects its agriculture through the Common agricultural policy (CAP) preventing foreign products to compete with the European.<sup>39</sup>

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<sup>36</sup> Danielson & Wohlgemuth (2005), p.520

<sup>37</sup> OECD, "Sweden. Development Co-operation Review (1996)", [www], visited 2007-02-02.

<sup>38</sup> Sida, "Mänskliga Rättigheter och Demokrati", [www], visited 2007-03-31.

<sup>39</sup> Danielson (1999), p. 277-282.

### 3.2 Swedish development co-operation in 2005

Sweden is still internationally considered to be a respected donor, both because of its ODA volume but also because of its commitment. Swedish aid is characterized by having a local presence in many countries thanks to its decentralized operations in the field. The aid reached once again better shares of GNP after the 1990's and was 0.79 % in 2003. In 2006 it had once again reached the target of 1 %.<sup>40</sup> Despite the strong support to the aid system by the Swedish people, they want straight answers and results from authorities working in development cooperation with other countries. This means that aid work must be more transparent and effective for it to continue to get funds and taking an important place in Swedish international politics.

During 2005 18 % of the assistance was destined to NGOs that cooperates with Sida in the field. Least developed countries and low income countries continued to be the largest receivers of Swedish bilateral aid. In fact it was as much as  $\frac{3}{4}$  of ODA and most of them were African countries. In spite of this it has been noticed a desire of spreading aid geographically, loosing by this focus in the selectivity and implementation that is believed to give better results. This idea appears in some way to be supported by the Ministry for Foreign Affairs which seems to want to increase Swedish presence worldwide.<sup>41</sup>

Swedish aid has also been influenced by the new policy introduced by the parliament in December 2003 – Policy for Global Development (PGD). The PGD is a policy taken by the parliament to permeate the entire government work and politic. It is not a policy intended to only be used in contexts of aid. The general purpose of the policy is to make all different areas in politics to participate and be active parts in creating a fair and sustainable global development. The policy is imbued by two different perspectives: the rights perspective and a perspective seen through the “eyes of the poor”. The rights perspective takes point of departure in people's right to have a worthy life without poverty, to live in a democratic society with equality between men and women and with respect for children's rights. These are all governance issues. The perspective seen through the eyes of the poor means that politics must in a larger extent try to take as point of departure poor people's reality,

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<sup>40</sup> Regeringskansliet, ”Internationellt Utvecklingssamarbete” [www], visited 2007-01-05.

<sup>41</sup> OECD, “Sweden (2005), DAC Peer Review: Main Findings and Recommendations”, [www], visited 2007-02-02.

experiences and need. The purpose of PGD is to give a comprehensive view about development. It is believed that it has to set in front that poverty is not only an issue of scarcity or lack of monetary and physical resources but also a lack of possibilities, security, rights and persons missing power over their own lives. The PGD has given development co-operation one single goal of contributing to create conditions for poor people so they can be able to improve their life standards. The PGD has eight fundamental outlines that show what is intended with development co-operation, four of these are (together they can be more or less considered as governance issues):

- Respect for human rights.
- Democracy and good governance.
- Equality between men and women.
- Social development and security.<sup>42</sup>

In spite of rearranging the system back in the 90's and making the Swedish aid system more understandable, it still continues to be a relatively confusing system with many policies and guiding principles to follow. A DAC review illustrated this with saying it was as a "forest of policies". Another problem is the loss of focus in projects and work because of the field operators (an example are the embassies) multiple purposes and lack of enough resources for fulfilling all these. It appears to be related to the purpose of letting developing countries to "own" and control more of the way aid should be used in their country, but seems to make instead the decentralisation from Sida in Stockholm to the field operators too large. It is therefore mentioned in reports from OECD that result based management and feedback between the different institutions in the Swedish aid system need to improve.<sup>43</sup> Another important problem is the broad goals used to fight poverty: they give possibility to flexibility but risk ending up in passivity and being content with almost every result that seems to point in the right direction. It seems that all goals are equally important and no priority can be made among them. They are interdependent and therefore equally important, but is it realistic to think that they all can be achieved at the same time? And that all aid projects will have the capacity to develop them? Should it not be possible to negotiate which goal you could meddle with, within a margin decided in advance, in exchange of achieving a larger result in another

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<sup>42</sup> Regeringskansliet, "Global utveckling och bistånd" [www], visited 2007-01-05.

<sup>43</sup> OECD, "Sweden (2005), DAC Peer Review: Main Findings and Recommendations" [www], visited 2007-02-02.

goal? Or, can it even be so that in occasions the goals have conflicted with each other because they are too broad? This may be related to the complex and extent poverty definition used by Sweden, which perhaps gives a more realistic and true picture of poverty, but that is more difficult to reach in practice.<sup>44</sup>

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<sup>44</sup> Danielson (1999), p.276; Danielson & Wohlgemuth (2005), pp.534-536, 539-540.



## 4. Distribution of Swedish aid

Looking now at the destinations of Swedish aid during the years 1995, 2000 and 2005 it can be confirmed that the least developed countries are one of the largest receivers of Swedish aid (See p. 18). These three different years have been chosen because 1995 was the year when Sida was created, 2000 because a 5-year long period is reasonable to look after possible changes and 2005 because it is the latest year with most reliable data.

### 4.1 Receivers of Swedish ODA by income group

Classifying receivers by their belonging to different income groups (million USD) during these three different years looks like Table 2.

*Table 2: Classification of receivers of aid by income group (USD m).*

Donor: Sweden						
Recipient	1995	Share, %	2000	Share, %	2005	Share, %
LDCs, Total (Least Developed)	356,47	30,0	339,01	27,3	638,77	28,3
LMICs, Total (Low Middle Income)	236,9	19,9	262,1	21,1	365,11	16,2
OLICs, Total (Other Low Income)	188,31	15,8	135,43	10,9	232,16	10,3
UMICs, Total (Upper Middle Income)	58,41	4,9	48,37	3,9	37,09	1,6
MADCT, Total (More Advanced Dev.)	0,49	0,0	0,33	0,0	..	..
Part I Unallocated by income	348,63	29,3	456,34	36,8	982,77	43,6
Developing Countries, Total bilateral ODA	1189,21	100,0	1241,58	100,0	2255,9	100,0
ODA, Total	1703,96	100,0	1798,95	100,0	3361,7	100,0
Bilateral ODA share(%) of total ODA		69,8		69,0		67,1

When looking at the table it can be noticed that the largest receivers most of the time have been least developed countries (LDCs) and Part I Unallocated by income<sup>45</sup>. LDCs were the largest receivers in 1995 but have declined and fluctuated some the following years (2000 and 2005). The group has yet had a stable development without remarkable changes in its share. The countries belonging to this income group are mostly located in Africa and Asia. The classification used here is established by a list made by the Development Assistance

<sup>45</sup> "Part I" stands for Developing countries.

Committee (DAC) at OECD.<sup>46</sup> This shows that Swedish aid goes regionally most of the time to the African and Asian continent, in 1995 it was 30 % of bilateral ODA and in 2005 it was almost 28 %. Does this meet the criteria of both the PGD with its embedded governance issues and fighting poverty, or only fighting poverty? How is the overall governance situation in the African continent and the Asian continent? It is quite hard to tell anything about the other large receiver namely Part I because it is not specified who exactly the receivers are. This share has although grown during the measured 10 years. In 1995 its share was almost as big as LDCs but grew then steady and was almost 14 % bigger in 2005 than in 1995. Has this possibly anything to do with the increasing geographical spreading of Swedish aid?

Low middle income countries (LMICs) are on average the third largest receiving group of Swedish aid. In this group the belonging countries are more geographically spread around the world than the LDCs. It is therefore possible to find many Latin-American countries as Brazil, Colombia, Cuba, El Salvador, Guatemala, etc. but also Asian, African and European countries such as Albania and Belarus. This group's share augmented some units between the years of 1995 to 2000 but declined then in 2005. The group Other Low Income Countries (OLICs) represented almost a sixth of the bilateral ODA in 1995 and declined to one tenth of bilateral ODA in 2005. The only Latin-American country in this group is Nicaragua; the rest are in Africa and Asia. Some of them are also old colonies, like India or Côte d'Ivoire and Vietnam. Upper Middle Income Countries (UMICs) declined markedly when comparing the three different years, where 1995 had the largest of shares. While as More Advanced Developing Countries (MADCT) already received very little in share of Swedish bilateral ODA and declined even more making data non-available in 2005.

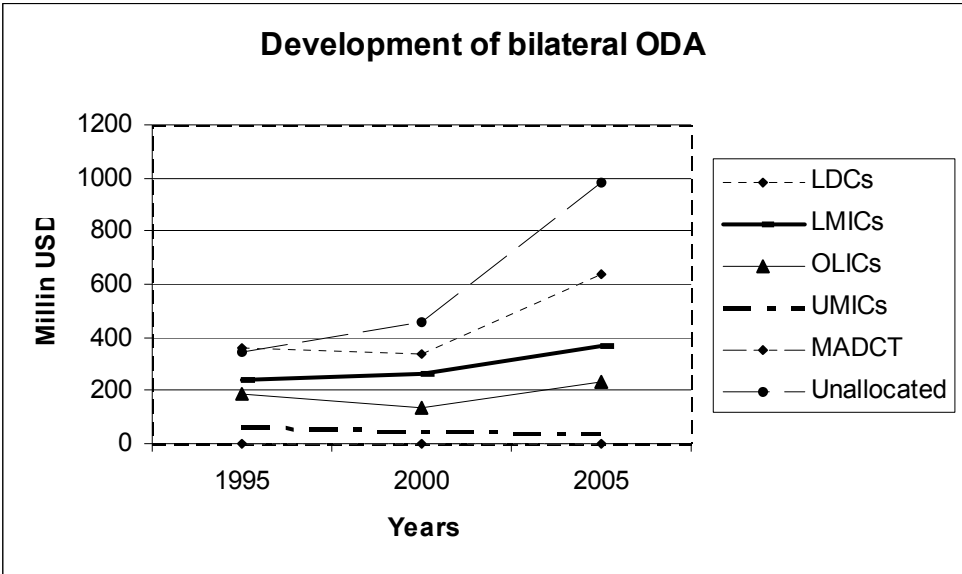
In sum it can be said that aid was better distributed between the different country groups in 1995 and most groups were more or less equally big even if the two largest receivers easily were noticed among them. In 2000 there was a small increase of concentration between the groups and reductions in some of them too. It can be said that aid is more concentrated to three groups – LDCs, LMICs and Part I - instead of six groups. In 2005 the concentration to two groups among the six is more marked: LDCs gets 28,3% of ODA and Part I gets 43,6%, while the other three groups (three groups because the fourth, MADCT, does not have available data) get on average 9,3 % each of ODA. Further, it is important to mention that the

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<sup>46</sup> OECD, "DAC list of ODA recipients as at 1 January 2005", [www], visited 2007-02-19.

group Part I is the one that has increased the most, that means that aid is more concentrated to this group, where the receivers are rather unknown. This could mean that concentration in aid giving has augmented to a country income group, but aid could in practice have been more geographically spread because of the type of aggregated country group that Part I is. The aid distribution pattern can be illustrated as done in Figure 1. This shows more clearly the development that different countries by income groups have had. LDCs and Part I are as mentioned the two largest receivers. Part I, is named “Unallocated” in the graph. It is worth mentioning that MADCTs line in the graph is not so visible since the values were too small and goes therefore along the time-period axis (X).

Figure 1: Development of bilateral ODA by country income group.



Revising the composition of Swedish aid in following Table 3 it is possible to see that bilateral ODA has fluctuated around 65 % to 70 % during these years. Looking at the proportions of ODA to GNI it is possible to see the reduction in the 90’s to 0,77 % as a consequence of the mentioned reorganization of the Swedish aid system and cut downs. In the 2000’s this number is rising once again.

*Table 3. Compositions of Swedish aid during the years of 1995, 2000 and 2005.*

Swedish aid						
Year	1995	Share, %	2000	Share, %	2005	Share, %
ODA	1703,96	100	1798,95	100	3361,68	100
Bilateral ODA	1189,24	69,8%	1241,53	69,0%	2255,85	67,1%
ODA % of GNI	0,77		0,8		0,94	

## **4.2 Top 15 countries with most generous bilateral Swedish ODA (1995, 2000 and 2005)**

Looking instead more deeply to whom the receivers actually are, it is possible to find 15 countries that receive most of Swedish bilateral aid. This is observed in the same years as before: 1995, 2000 and 2005. To begin, a table (Table 4) with all three different years and the 15 largest receivers and their shares is showed so comparisons can easier be made as well as changes in time become more visible. The receivers are in descending order with the country that receives the most as the first placed country in the table in each corresponding year. Afterwards each year will be studied with illustrative charts showing again the countries in descending order in accordance to how much aid (expressed in %) they get.

The table (Table 4) is self-made, with data taken from an OECD database named Development Database on Aid from DAC Members and the dataset used is DAC 2a: Official Development Assistance (ODA) - Disbursements by recipient and type. The unit of measure used in “ODA Total Net” is million USD. ODA is here defined as flows to development countries and multilateral institutions provided by official agencies.<sup>47</sup> In the table the selected receivers of aid are only countries.

<sup>47</sup> OECD, “Development Database on Aid from DAC Members: DAC online”, DAC 2a: Official Development Assistance (ODA) - Disbursements by recipient and type [www], visited 2007-02-22, 2007-02-23.

Table 4: 15 largest receivers of Swedish ODA during the years of 1995, 2000 and 2005.

Donor: Sweden								
ODA (OA) Total Net, Current prices (Million USD)								
Recipient	1995	Share %	Recipient	2000	Share %	Recipient	2005	Share %
Mozambique	54,15	4,6	Tanzania	63,54	5,1	Tanzania	91,81	4,1
India	51,5	4,3	Mozambique	46,27	3,7	Mozambique	79,25	3,5
Tanzania	45,25	3,8	Honduras	41,69	3,4	Ethiopia	68,37	3,0
Ethiopia	39,06	3,3	Viet Nam	37,32	3,0	Sri Lanka	51,72	2,3
Bosnia-Herzegovina	38,33	3,2	Serbia & Montenegro	33,54	2,7	Uganda	47,93	2,1
Viet Nam	33,96	2,9	Nicaragua	33,32	2,7	Bosnia-Herzegovina	46,88	2,1
Zambia	32,41	2,7	Palestinian adm.areas	32,41	2,6	Sudan	45,49	2,0
Nicaragua	31,82	2,7	South Africa	32,36	2,6	Afghanistan	44,22	2,0
Zimbabwe	28,98	2,4	Bangladesh	31,85	2,6	Kenya	42,12	1,9
Iraq	28,46	2,4	Bosnia-Herzegovina	23,89	1,9	Viet Nam	41,93	1,9
Angola	26,52	2,2	Uganda	22,65	1,8	Nicaragua	40,91	1,8
Bangladesh	26,45	2,2	Namibia	21,06	1,7	Palestinian adm.areas	36,87	1,6
Uganda	25,31	2,1	Ethiopia	20,72	1,7	Serbia & Montenegro	35,47	1,6
Bolivia	22,84	1,9	Zambia	19,11	1,5	Zambia	34,2	1,5
Kenya	19,77	1,7	Bolivia	18,8	1,5	Ghana	26,68	1,2
Total share (15 recipients)		42,4	Total share (15 recipients)		38,5	Total share (15 recipients)		32,5
Developing Countries, Total	1189,21	100,0	Developing Countries, Total	1241,58	100,0	Developing Countries, Total	2255,9	100,0

Source: OECD Stat.

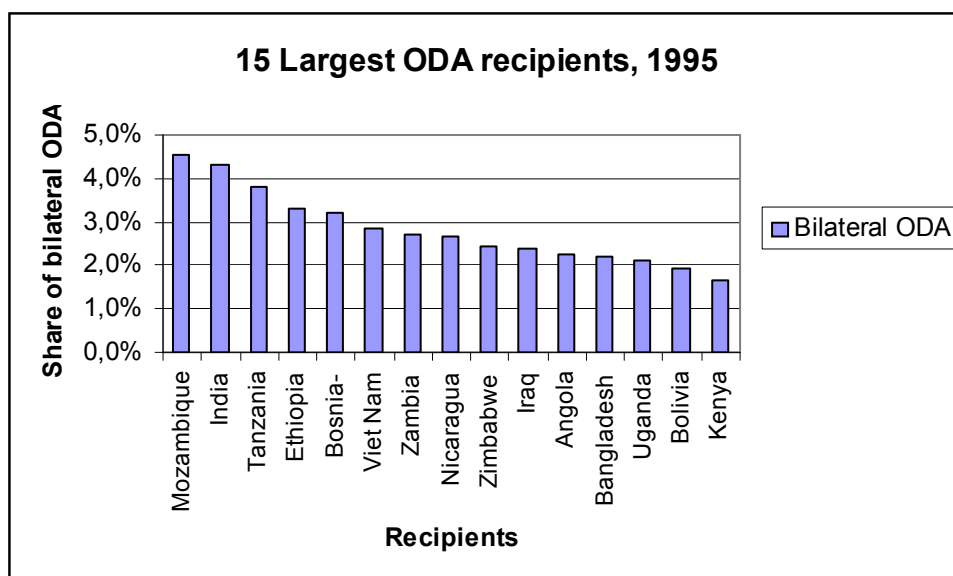
Looking at the general picture of the total share of the 15 most favoured recipient countries of aid it is possible to see that it has decreased during the years from being 42,4 percentage points to 32,5 %. This could be associated with the critic on Swedish aid made by DAC in 2005 on an increased geographical spreading of aid (See p. 18) when comparing to that, in opposition, it is observed that developing countries total has instead increased in absolute numbers, but not in proportion to total Swedish aid (See table 3)

The overall changes in who is receiving aid these different years show variation even if not remarkable. A rather big number of these 15 receivers are included in all three selected years while their position varies. That means that there are not many new countries introduced in this ranking even with the time period of 10 years. Among the “constant” receivers are Mozambique and Tanzania that also are among the top 3 receivers of aid. Their quota has not changed much in these years and lies approximately on average on 3,9% respectively 4,6%. The third position in each year has varied quite more: Tanzania occupies it in 1995, Honduras in 2000 and Ethiopia in 2005.

#### 4.2.1 Top 15 receivers in 1995

Starting with the receiving countries of 1995 it is possible to identify 5 different countries that will have disappeared from the ranking in 2000. These 5 receivers are India, Zimbabwe, Iraq, Angola and Kenya.

Figure 2: 15 Largest ODA recipients, 1995.



India is considered to be one of the oldest Swedish partner countries in development cooperation and goes all the way back to the 50's. Possible explanations to why India fell off this ranking could be related to that India is considered to be a fast growing economy in spite of high level of poverty. It is in fact the world's 4<sup>th</sup> largest economy expressed in PPP-terms. India and Sweden have also difference in opinion in different issues as nuclear power and its development.<sup>48</sup> In democratic terms India is quite stable and has an independent court system, which can be interpreted as good factors in acceptable levels of governance. Development cooperation with Kenya started in the 1960's after its independence from being a British colony. Kenya was strongly criticized by international donors, including Sweden, in the 90's because of its violations of human rights. Swedish aid is although motivated by fighting poverty and helping a democratic development in the country, but aid was reduced after 1995 and augmented again in 2005. Sweden supported the struggle for independence in Angola and was one the largest donors to this country during its civil war. Swedish aid was reduced

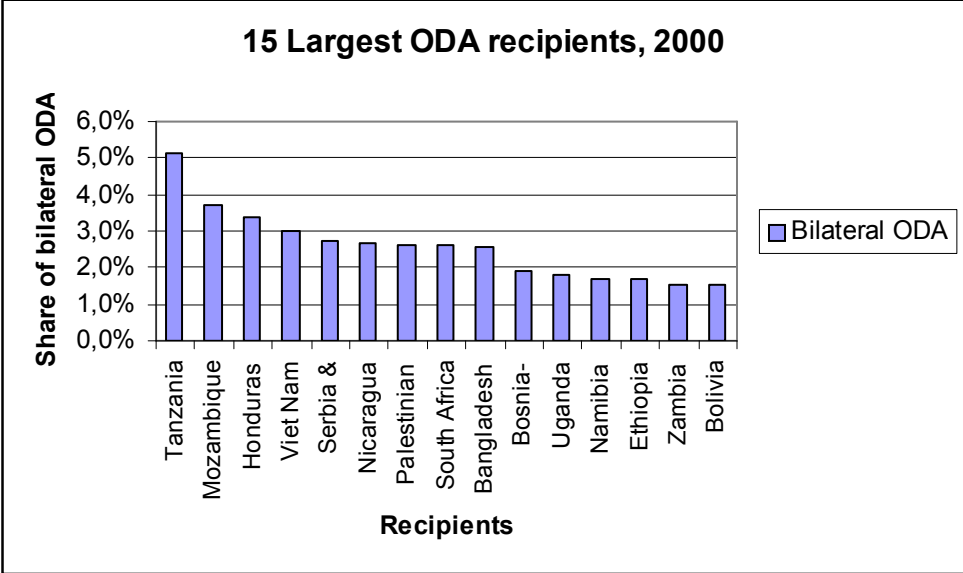
<sup>48</sup> Regeringskansliet (2007), "Länder och regioner", [www], visited 2007-03-07.

because of Angola’s strong economic development. It is unfortunately also a country with problems of violation of human rights, corruption, HIV, weak democracy and important natural resources that complicates the situation. Zimbabwe has a similar history to Angola in its relations with Sweden. Sweden supported the country in its struggle for independence and had development cooperation with Zimbabwe during the 80’s and 90’s, but was not included among the top 15 in 2000. This has possible explanations in a worsening situation of the country in aspects of democracy, human rights violations and economic crisis. In 2001 Swedish bilateral aid was considerably cut down by the Swedish government in response to the critical situation. Further is Iraq that has received humanitarian aid after the Gulf war in 1991 and is therefore among the 15 receivers in 1995.<sup>49</sup>

**4.2.2 Top 15 receivers in 2000**

Observing the countries in 2000 it will look little different from 1995. The countries that differ in 2000 from the top 15 in 1995 are Honduras, Serbia & Montenegro, Palestinian administrative areas, South Africa and Namibia. The remaining 10 are the same as in 1995. The graphical illustration of 2000 largest (15) receivers looks like the following chart.

*Figure 3: 15 Largest ODA recipients, 2000.*



<sup>49</sup> Regeringskansliet, "Länder och regioner", [www], visited 2007-03-07; Sida, "Länder", [www], visited 2007-03-07.

Honduras has had development cooperation with Sweden since the 1980's when it was included in the aid to the region, but it was not until the tropical storm Mitch in 1998 that Swedish aid increased specifically to this country. It is because of this that Honduras is found at the third position in 2000. It has also become one of the prioritized countries for Swedish aid in Latin America, together with Nicaragua and Bolivia. Swedish ODA in Honduras is directed to fight poverty, promote democracy, socio-economic development and respect for human rights. Serbia & Montenegro enters the top 15 because of the war in the 90's in the Balkans and got an extensive development cooperation programme with Sweden. Serbia & Montenegro (now two countries after the separation in 2006) also had, and still has, important trade relations with Sweden.

About the Palestinian administrative area and aid destined to it, it is difficult to find information in Swedish sources for aid and development but according to the OECD/DAC this area do enter the largest receivers of aid in 2000. Namibia was one of the countries that entered the top 15 in 2000. Namibia was supported by Sweden in its fight for independence (1990). When this was achieved the support was transformed to bilateral aid and it was accorded that ODA gradually was going to be reduced in parallel with Namibia's economical development to a middle-income country. Sweden also supported South Africans struggle against apartheid. This support started in the 60's and continued after the ending of apartheid in 1990. In 1994, with Nelson Mandela elected president, Sweden and South Africa decided to work regularly in development cooperation and in other areas such as trade, democracy and peace. South Africa is one of Sweden's most important export markets in Africa.

It is important to point out that Tanzania and Mozambique are still at the top but with inverse order if comparing to the ranking in 1995. This time Tanzania has a share of 5,1% and Mozambique has 3,7%.<sup>50</sup>

#### **4.2.3 Top 15 receivers in 2005**

In 2005 the pattern is repeated again: 5 countries make entrance among the top 15, while the other 10 remain the same. The 5 new countries are Sri Lanka, Sudan, Afghanistan, Kenya and Ghana. Tanzania is still number one with 4,1% and Mozambique is second largest with 3,5%.

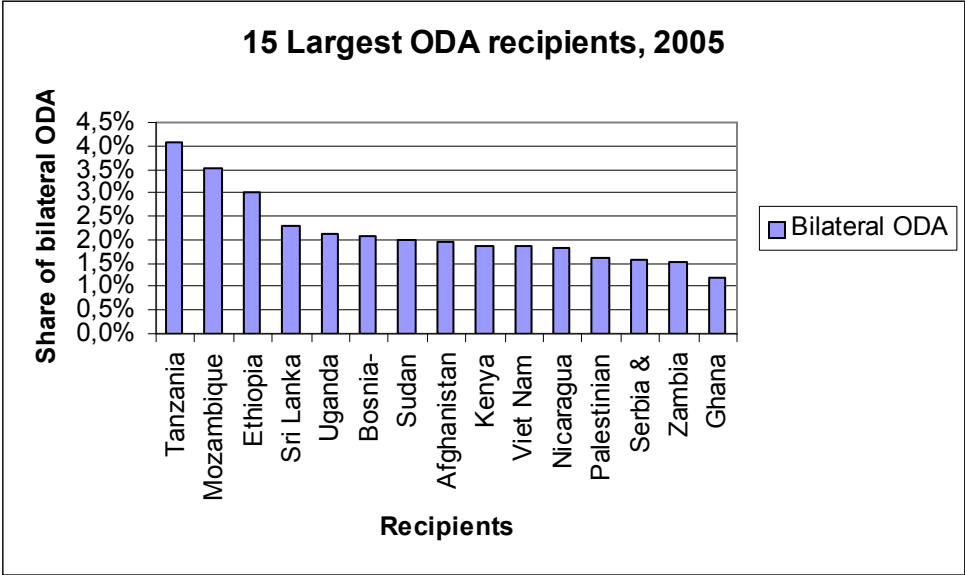
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<sup>50</sup> Ibid.



Sri Lanka comes in fourth place with 2,3%. This sudden entrance of a new Asian country among the top 15 can be related to the natural disaster of the Tsunami in 2004. Sri Lanka is not considered to be among the poorest countries in Asia: It has a relatively high educated population and good health service, but the tsunami left almost 1 million people homeless besides already having an old internal armed conflict in the country. Swedish aid is therefore directed to reconstruction and support to civil society. Bilateral relations between the countries are not yet new; they have existed in almost 40 years. The chart for the year of 2005 looks the following way.

Figure 4: 15 Largest ODA recipients, 2005.



Further, Sudan is positioned in seventh place with 2,0% soon after Bosnia-Herzegovina. Sudan has the latest two decades had an armed conflict that devastated the country. In 2003 a new conflict between rebels started in Darfur. Swedish aid is destined to humanitarian aid and reconstruction of the country, as well as diplomatic efforts to end the conflicts. Afghanistan is another country with big damages in both the society and infrastructure after 2001's American armed intervention as well as a decade (80's) with other armed conflicts. Sweden gives aid to Afghanistan in form of humanitarian aid, reconstruction and peace process, education and supporting women's development. A practical problem of this development cooperation is that the Afghanistan government is weak and lacks the capacity to channel big amounts of aid. Sweden and Afghan relations extend back to the early 80's. Kenya re-enters the top 15 after being among them in 1995. As mentioned Kenya had a worsening situation in many governance issues as democracy, corruption and deep violations of human rights, which led to

a reduction in aid from many donors. Even Sweden reduced its aid to Kenya. In 2002 this country went through a regime change that gave confidence to donors, including Sweden. Ghana is the fifteenth country in the ranking with a share of 1,2% of bilateral ODA. Swedish relations to Ghana are more directed to trade and the promotion of export. This is important to Swedish export and big Swedish companies like Volvo, ABB and Atlas Copco that have important relations to this country.<sup>51</sup>

### **4.3 What have all these 15 countries in common?**

To sum up it can be said that there are 10 constant countries and only 5 countries are changed in each year. The 10 constant countries are more or less the same every year, showing by this stability in relations between Sweden and some of its development cooperation partners. What is new about the 10 constant countries is their position in the top 15. This shows continuity in Swedish aid giving.

Among the constant countries are Ethiopia, Tanzania and Mozambique that also are at the top 3 every year (except Ethiopia). Their relations to Sweden are among the oldest in Swedish development cooperation, exactly 40 years old in the case of Tanzania and 32 years with Mozambique. The cooperation began during their struggle for independence (Mozambique) and after independence (Tanzania). Ethiopian and Swedish relations can be considered as the oldest extending back to 1860's with the Swedish missionaries, besides being Sweden's first development cooperation country in 1954. It is thought that the close relationship between the two countries is a possible consequence of Sweden's non-colonial background. Another African country that has received Swedish aid after its independence in 1965 is Zambia.

Vietnam and Bangladesh are among the Asian countries with old and quite stable relations with Sweden. Vietnam is included in all three years and has received Swedish support since the 1960's that was related to the strong opinion against the Vietnam war in Sweden. Development co-operation with Vietnam started in the 80's. Bangladesh has been a development cooperation partner since its independence in 1971. In the Latin American region are Bolivia, Honduras and Nicaragua prioritized countries. Bolivia is considered to be

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<sup>51</sup> Ibid.

the poorest country in South America and has received bilateral Swedish aid since the late 80's. Swedish Sida has also a cooperation agreement with Bolivia including a regional office in the country's capital. Nicaragua instead has had Swedish support since the Sandinistas revolution in 1979 when this revolution tried to fight the military dictatorship in Nicaragua. In the European region are Serbia & Montenegro and Bosnia-Herzegovina two partners in development cooperation that made it to the top 15 in the 90's and 2000's. During the 90's the region was in a difficult armed conflict and many refugees moved to Sweden. Nowadays these two countries have developed positively. The refugees in Sweden make also an important reason for maintaining good relations with this region.

It is possible to see that Sweden has helped many countries in their fight for independence or soon after them achieving independence. This is clearer in the African region where many countries were fighting for independency from colonial powers in the late 1950's and 1960's, a time where Sweden began to support many of these countries. Examples of this are Tanzania, Mozambique, Zambia, etc. The same pattern can be found in the Latin American region, or more specifically in Central America where Nicaragua fought against the dictatorship and got support from Sweden. This pattern of giving aid and to who, goes along with claims that Swedish aid has for some times been associated with political ideologies and not always with only fighting poverty. It was the pattern that characterized the cold war and its polarization. The pattern shows also that it can be quite hard to become a partner country in Swedish development cooperation, but when you already are, it is difficult not to continue being it. This is clear in the case of many African countries that in spite of worsening situation in different development aspects have continue receiving aid. Swedish partner countries are taken care of with ambitions of stable and long-lasting relations. This means that looking at the overall governance situation in the long run, it should have varied a lot. But it is important to remember that governance was not an important issue before the 90's. When looking at the table and data for 2000 and 2005 it is possible to see countries that have received less aid than before because of violations of human rights, corruption and weak democracy. Perhaps there is a connection between how Swedish aid is distributed and governance in the receiver country?

## **5. Governance and aid in Swedish development policy**

It has been seen that the regions most benefited of Swedish aid in terms of quotas in proportion to total bilateral ODA, are Africa and Asia. It was also possible to identify a group of “constant” receivers of aid. Among these constant (Constant because they appeared in 1995, 2000 and 2005) countries were Tanzania, Mozambique and Ethiopia. One of the purposes of this chapter is to study if the differences in level of aid to the different countries have anything to do with their governance level and its development. In other words: Can differences in aid levels between countries be explained by differences in governance status? And, can changes in governance affect aid? Why this is interesting to know is because when observing that 10 countries out of the top 15 are constant<sup>52</sup>, it becomes interesting to see how the overall governance status is in these countries. How is it really possible that 60% of the top 15 rests more or less stable during time? Is it only due to that Sweden takes good care of its relations to undeveloped countries? Or, do they all show progress in governance issues so they fit Swedish aid policy? Is there maybe more focus in one governance aspect than another to decide whether to continue giving aid, raising it or maybe reducing it?

### **5.1 Changes in governance components between the years of 2000 and 2005**

By using the KKZ-charts from the World Bank it is possible to study the overall situation in the 6 different governance components in different countries. The countries studied here are the top 15 of 2005 but also includes the 5 differing countries from 2000 (Honduras, Bangladesh, South Africa, Bolivia and Namibia).<sup>53</sup> The years of study here are 2000 and 2005. To understand why this selection of years it is important to recall what has been said in chapter 1 about the growing importance of the concept of governance in aid contexts. It is said that it's associated with the increasing selectivity in aid that began to appear in the 90's and that before this time it did not appear to exist a relationship between aid and governance components. In opposition to this, results from measurements in 2000-2003 showed a growing importance of governance in aid giving. Therefore it is more appropriate to study the

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<sup>52</sup> The *number* of countries is the constant part, which means that's not always the same countries.

<sup>53</sup> "Differing" in the sense of comparing the countries in 2000 with the ones in 2005. Palestinian adm. areas are excluded from this charts because of the lack of data.

years of 2000 and 2005, than studying years in the 90's. Besides that there is proximity in time to the introduction of the PGD in Sweden in 2003. The 2000's are here considered as key years for aid policy permeated by governance issues and human rights in the policy's general goal. The charts used for the chapter are found in appendix 1 and they are necessary to understand what the tables inform. It was also necessary to study each governance component since there do not seem to exist an aggregated general measure that covers all 6 components and gives the status of governance in country.<sup>54</sup> The countries showed in the tables for the governance components are the ones that appear to have had a more clear change between the years and that fits the chapter's purpose of analysing if there are possible links between governance and levels of aid. Therefore there is a different number of countries in each table.<sup>55</sup> The comparison between the country positions is for the period between 2000 and 2005 and is expressed in the tables as "Countries that have improved" and "Countries that have worsened". The countries actual position in the figure is the (blue) line and corresponds to the year of 2005, the black dots are for their position in the year of 2000. The positions in the charts are explained by the Y-axis where there is a range between -3 and +3, with +3 being "High" or the most desired value synonymous with good levels, and -3 being "Low" or a bad value for the status of a governance component. Sweden has been included in the charts to make it more illustrative about the differences that can exist between countries in their status of different governance aspects. Remember that a developed country do not necessarily score higher in the components just because they are developed, but in general the 6 components altogether can in average score better or be better positioned than in many undeveloped countries.

### **5.1.1 Voice and Accountability**

The first component to be analyzed is Voice and Accountability.<sup>56</sup> This component can be considered as synonymous to interpretations of democracy because of the issues it comprises. In a rough description it is about freedom of expression and association and citizens' right to elect a government. The components situation is as follow.

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<sup>54</sup> For further information on limitations when measuring governance see "On Measuring Governance: Framing Issues for Debate" by Daniel Kaufmann and Aart Kraay.

<sup>55</sup> The countries are selected by the author of this study. The selection is therefore not based on a particular scientific criterion.

<sup>56</sup> The complete definitions of the components are made in chapter 1.

*Table 5: Changes in Voice and Accountability.*

<b>Voice and accountability 2005</b>	
<i>Countries that have improved since 2000</i>	<i>Countries that have worsened since 2000</i>
Afghanistan	Zambia
Uganda	Tanzania
Kenya	Honduras
Serbia & Montenegro	South Africa
Ghana	

The figure shows a smaller spread of the countries positions. In general it can be said that the figure is dominated by a trend of improvement by most countries in this component, than by deterioration in it. The countries with impairment show this marginally or in small extent, except Honduras that is the country in the figure that more visibly have experienced deterioration. The range (Y-axis in the figure) where the countries were positioned has changed from soon below -2 and 1 in the year of 2000, to -1,3 to soon below 1 in 2005.<sup>57</sup> That means that the development of the component has taken place between these intervals. Further, it is possible to speculate of an overall improvement from 2000 to 2005 with regards to the original lowest position -2, to -1,3. Looking at countries that have improved are, among others, Afghanistan and Kenya, two countries with different problems: Afghanistan with a weak state and Kenya with human rights violations. They are in the 8<sup>th</sup> and 9<sup>th</sup> position respectively in the top 15 in 2005. Serbia and Montenegro has also improved. Tanzania and Mozambique have instead worsened, but are still the 1<sup>st</sup> and 2<sup>nd</sup> largest receivers in 2005 with relatively much bigger shares than all the other receivers. South Africa has also deteriorated, but is known for being an important market for Swedish export and therefore maybe prioritized. Honduras has as mentioned a clear deterioration, but is a pronounced priority among Latin American countries for Swedish aid.

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<sup>57</sup> All these are approximations of what can be read in the Y-axis in the figures. It is important to look at the figures to understand the description.

**5.1.2 Political Stability**

The component of Political Stability can be summarized as the possibility of “coup d’état” and destabilization of society by unconstitutional means or violence.

*Table 6: Changes in Political Stability.*

<b>Political Stability 2005</b>	
<i>Countries that have improved since 2000</i>	<i>Countries that have worsened since 2000</i>
Afghanistan	Bangladesh
Sri Lanka	Ethiopia
Serbia & Montenegro	Bolivia
Zambia	Honduras
Namibia	Nicaragua

This figure has more spreading between the countries and there are some considerable improvements (Namibia and Zambia). Here too are the improvements in the countries a more dominant trend than the deterioration, although these are clear too looking at specific cases as Honduras, Bolivia and Bangladesh. The range where the countries were positioned has changed from -2,7 and 0,3 in the year of 2000, to -2,3 and 0,5 in 2005. Honduras also continues to deteriorate in this component and had a better position in the year of 2000, where it had the 3<sup>rd</sup> position in the ranking of top 15 receivers. Ethiopia did also worsen in political stability but improved instead its position in the top 15 from the 13<sup>th</sup> place in 2000 to the 3<sup>rd</sup> in 2005. Nicaragua is another Latin American country that impaired, but is a constant receiver of Swedish aid among the top 15 in the years of 1995, 2000 and 2005. Namibia improved; as well Zambia, with the difference that Namibia lost position among the top 15 and Zambia had unchanged position and share from 2000 to 2005.

**5.1.3 Government Effectiveness**

Government Effectiveness is the credibility of a government in its commitment to the society and the quality and delivery of public service. It can be interpreted as the quality of bureaucracy.

Table 7: Changes in Government Effectiveness.

Government Effectiveness 2005	
Countries that have improved since 2000	Countries that have worsened since 2000
Sudan	Ethiopia
Serbia & Montenegro	Zambia
Mozambique	Bangladesh
South Africa	Bolivia
	Honduras
	Uganda

There is less spread between the countries in this component. There are some improvements in some countries, but mostly there are deteriorations in this component. The range where the countries were located in 2000 was between -1,5 and 0,5 and in 2005 it was instead -1,2 and 0,7. Looking at the comparator year of 2000 illustrated as black dots, it is possible to see that there is a general, although rather small, impairment of this component. Sudan has experienced an improvement in this component and is among the top 15 receivers in 2005. In opposition to this is Serbia & Montenegro that also have had an improvement in government effectiveness from 2000 to 2005, but is instead descending both in placement and share among the top 15. Ethiopia has considerably worsened in this component but has ascended in position and share among the top 15 in 2005 to a 3<sup>rd</sup> place. The same situation can be found in Uganda that also has improved its position among the top 15, but has deteriorated its government effectiveness. Zambia is unchanged in share and position but has worsened in the status of the governance component between 2000 and 2005.

#### 5.1.4 Regulatory Quality

The governance component Regulatory Quality is a governments' ability to formulate and implement good policies and regulations.



*Table 8: Changes in Regulatory Quality.*

Regulatory Quality 2005	
<i>Countries that have improved since 2000</i>	<i>Countries that have worsened since 2000</i>
Bosnia-Herzegovina	Ethiopia
Serbia & Montenegro	Tanzania
South Africa	Bangladesh
	Zambia
	Mozambique
	Bolivia
	Honduras
	Nicaragua

In this chart there is more spreading between the countries in their development of positions from 2000 to 2005. That could mean that the differences between them were possibly bigger in 2000 (look at the black dots) than in 2005. It seems that there has been a general deterioration of this governance component from 2000 to 2005 by most countries; some few have in opposition improved (Serbia & Montenegro, Bosnia-Herzegovina and South Africa). The change of range in time is minimal and it seems that the countries are more or less between the same values: -1,7 and 0,7 both in 2000 and 2005. Among the improved countries is South Africa that is no longer included among the top 15 in 2005. Bosnia-Herzegovina and Serbia & Montenegro, also improved in regulatory quality and are among the top 15 in 2005 but with changed positions and shares: Bosnia-Herzegovina has stepped up from being 10<sup>th</sup> to 6<sup>th</sup> largest recipient of Swedish ODA and with increased share from 1,9% to 2,1%; and Serbia & Montenegro has descended in position from being 5<sup>th</sup> in 2000 to 13<sup>th</sup> in 2005. Some countries, like Nicaragua, have both had deterioration in this governance component and a reduction in share of aid, therefore also in position. In Nicaragua's case it went from 6<sup>th</sup> to 11<sup>th</sup> in the ranking of 15. It is important to point out that the top 3 - Ethiopia, Tanzania and Mozambique - of the top 15 in 2005 are among the ones that have worsened in regulatory quality, but have not changed in positions, except Ethiopia. These countries have had rather big aid quotas both in 2000 and 2005. Ethiopia even got increased aid from Sweden.

### **5.1.5 Rule of Law**

The governance component Rule of Law is about the extent to which people have confidence in the formal rules of society (parts of law and order), the police and courts, property rights and enforcement of contracts.

*Table 9: Changes in Rule of Law.*

<b>Rule of Law 2005</b>	
<i>Countries that have improved since 2000</i>	<i>Countries that have worsened since 2000</i>
Afghanistan	Sudan
Serbia & Montenegro	Ethiopia
Nicaragua	Tanzania
Vietnam	Namibia
Sri Lanka	

There is a rather small spread of country positions with some few exceptions. Most countries have experienced melioration in their position in this component, so it can be said that in general there have been an improvement in rule of law. Some countries have although worsened in this component, Namibia being the most obvious one in the chart. Ethiopia has also worsened in this governance aspect, but as mentioned with the past described governance components this country has got a better position in 2005 and share of aid, than in 2000 where it had better status in rule of law. Serbia & Montenegro, Nicaragua and Vietnam have all better levels of rule of law in 2005 than in 2000, but have also experienced a reduction in both share of aid and position. The range has changed from -2,3 and soon below 1 in 2000, to be between -1,7 and soon above 0 in the year of 2005. This confirms that rule of law has in general improved (Went from -2,3 to -1,7) in the worst country status of this component, but has not progressed in the countries that had better positions in 2000 (The best score in 2000 being soon below 1 and in 2005 being soon above 0). The countries have come more close to one another in the level of development in this component.

### **5.1.6 Control of Corruption**

The last component is Control of Corruption. This component is about the extent to which public power is used for private interest and gain. Corruption is as mentioned what is believed to be in the way of respecting human rights and impeding a more general economic development of a society.

*Table 10: Changes in Control of Corruption.*

<b>Control of Corruption 2005</b>	
<i>Countries that have improved since 2000</i>	<i>Countries that have worsened since 2000</i>
Afghanistan	Bangladesh
Tanzania	Ethiopia
Nicaragua	Mozambique
Serbia & Montenegro	Sri Lanka
	Namibia

The figure shows improvement in many countries, others unchanged and some with deterioration. The spread is more notable. The range has changed from -1,7 to soon above 1 in the year of 2000, to be between -1,3 and 0,5 in 2005. The two most clear worsening countries in this component are Ethiopia and Namibia. Ethiopia's position in the top 15 is better in 2005 than in 2000, and Namibia is not included in the ranking in 2005. Sri Lanka experienced a reduction in this component but became a prioritized country for Swedish aid after the Tsunami in 2004. Mozambique is another important receiver with poor position in controlling corruption. This component has not progressed much since 2000 when comparing the ranges.

In sum it can be stated that among the studied countries, the ones that overall have showed best results<sup>58</sup> in all governance components are Afghanistan, Serbia & Montenegro, Sri Lanka and South Africa. The countries with opposite result, which is with an overall worsening situation, are Ethiopia, Bangladesh, Honduras and Bolivia. It is also important to point out that this does not always seem to have a relation to the countries positions in the top 15 aid ranking from 2000 to 2005.

## **5.2 Differences in level of aid, are they due to differences in governance?**

The purpose of this chapter is as mentioned to study if differences in levels of aid can have something to do with differences in governance. Analyzing the different components of governance and their changes give different possible answers and no clear-cut ones. The tendencies appear to be that there is no direct pattern that points to an existing relationship between these two. The tendencies are also rather contradictory and it does neither seem to exist a determined pattern that could answer the question. This observation does not mean that it is the only possible answer and no other one can be found. It is important to remember that the importance of governance in development and aid contexts is something quite new and therefore it can be difficult to find results from recent data that points to an effect from governance to aid. So far, in this study it has been found 4 different possible patterns in Swedish development cooperation and governance changes.

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<sup>58</sup> Looking at how many times they have been included in the tables and under what classification, better or worse.

The first pattern can be exemplified by Ethiopia and Tanzania which are countries that appear to have an overall poor level of governance according to the results in the previous tables. The results were dominantly of a deterioration of the governance components in 2005 in relation to the comparator year of 2000. In spite of this situation these two countries are placed in the top of the top 15 recipient countries. They have also important relations to Sweden that goes back in time and makes them among the oldest development cooperation partners of Sweden. This first pattern points to: Bad governance can lead to increased aid.

The second pattern can be described by the situation with the three prioritized Latin American countries: Bolivia, Honduras and Nicaragua. These countries have negative development in some of their governance components, such as political stability, government effectiveness and regulatory quality. The only country that made it to the top 15 in 2005 is Nicaragua, assuming therefore that Bolivia and Honduras got reduced aid and descended in position. This second pattern points to: Deterioration in governance leads to a reduction in aid.

The third pattern can be explained by the development in governance of Serbia & Montenegro. This country has developed positively in all components between the years of 2000 and 2005, but has experienced a reduction in its share of aid and has therefore also lost in position from the 6<sup>th</sup> place in 2000 to the 13<sup>th</sup> place in 2005. This third pattern shows: Positive development in governance leads to a reduction in aid.

The fourth pattern is exemplified by Zambia. Zambia has had varying results in the development of the governance components. Mostly, they have developed negatively to deterioration. In spite of this is the position of Zambia among the top 15 (14<sup>th</sup>) unchanged between 2000 and 2005, as well as its share of aid. The fourth pattern points to: An overall deterioration of governance does not necessarily lead to changes in aid.

To sum up it can be stated that differences in levels of aid can not be explained by differences and development in governance.

### 5.3 Governance and aid per capita

It has until now been studied if differences in aid level can be explained by differences in governance and its development. Here it will be examined if changes in governance can cause changes in aid per capita. For investigating this, aid per capita is studied in selected countries for the years of 2000 and 2005 and in every governance component (6), making it therefore necessary to create 12 different figures. The reason to the election of years is the same as in the rest of the chapter: governance is a concept that has got an increased importance in later years, and therefore should recent years as 2000 and 2005 be studied. Aid per capita is measured by dividing the bilateral aid (USD) to a country by its population. The aid divided here is for the two years of 2000 and 2005 set out in the table of top 15 ranking used in chapter 4. The population data used here corresponds to different years, mostly to the year of 2004 but do vary some depending on the date of the latest population data. The sources of information for population data and aid are Sida and OECD. The points in the figures belongs each one of them to a country, the same countries as in the top 15 in 2005 including also the 5 differing countries from 2000 (Honduras, Bangladesh, South Africa, Bolivia and Namibia). For the different countries in the figures it has been used abbreviations from International Organization for Standardization (ISO) to make the figures more understandable (See appendix 2). Not all the 19 countries that appear in the figure will be commented because of the need to delimit in the study.

Observing first the two figures of Voice and Accountability for 2000 and 2005, this is possible to find:

- NAM. Unchanged governance, reduction in aid per capita.
- HND. Deterioration in governance, reduction in aid per capita.
- BOL. Deterioration in governance, unchanged aid per capita.
- NIC. Unchanged governance, increased aid per capita.
- BIH. Improvement in governance, increased aid per capita.
- SCG. Improved governance, unchanged aid per capita.

Observing now Political Stability for 2000 and 2005, this is possible to find:

- NAM. Improved governance, reduction in aid per capita.
- HND. Deterioration in governance, reduction in aid per capita.

- NIC. Deterioration in governance, increased aid per capita.
- ETH. Deterioration in governance, unchanged aid per capita.
- MOZ. Improvement in governance, increased aid per capita.

Observing now the figures of Government Effectiveness for 2000 and 2005, this is possible to find:

- NAM. Deterioration in governance, reduction in aid per capita.
- ZAF. Improvement in governance, unchanged aid per capita.
- NIC. Unchanged governance, increased aid per capita.

Observing now the figures of Regulatory Quality for 2000 and 2005, this is possible to find:

- NAM. Unchanged governance, reduced aid per capita.
- HND. Deterioration in governance, reduced aid per capita.
- NIC. Deterioration in governance, increased aid per capita.

Observing now the figures of Rule of Law for 2000 and 2005, this is possible to find:

- NAM. Deterioration in governance, reduction in aid per capita.
- BOL. Deterioration in governance, unchanged aid per capita.
- BIH. Improvement in governance, increased aid per capita.
- SCG. Improvement in governance, unchanged aid per capita.

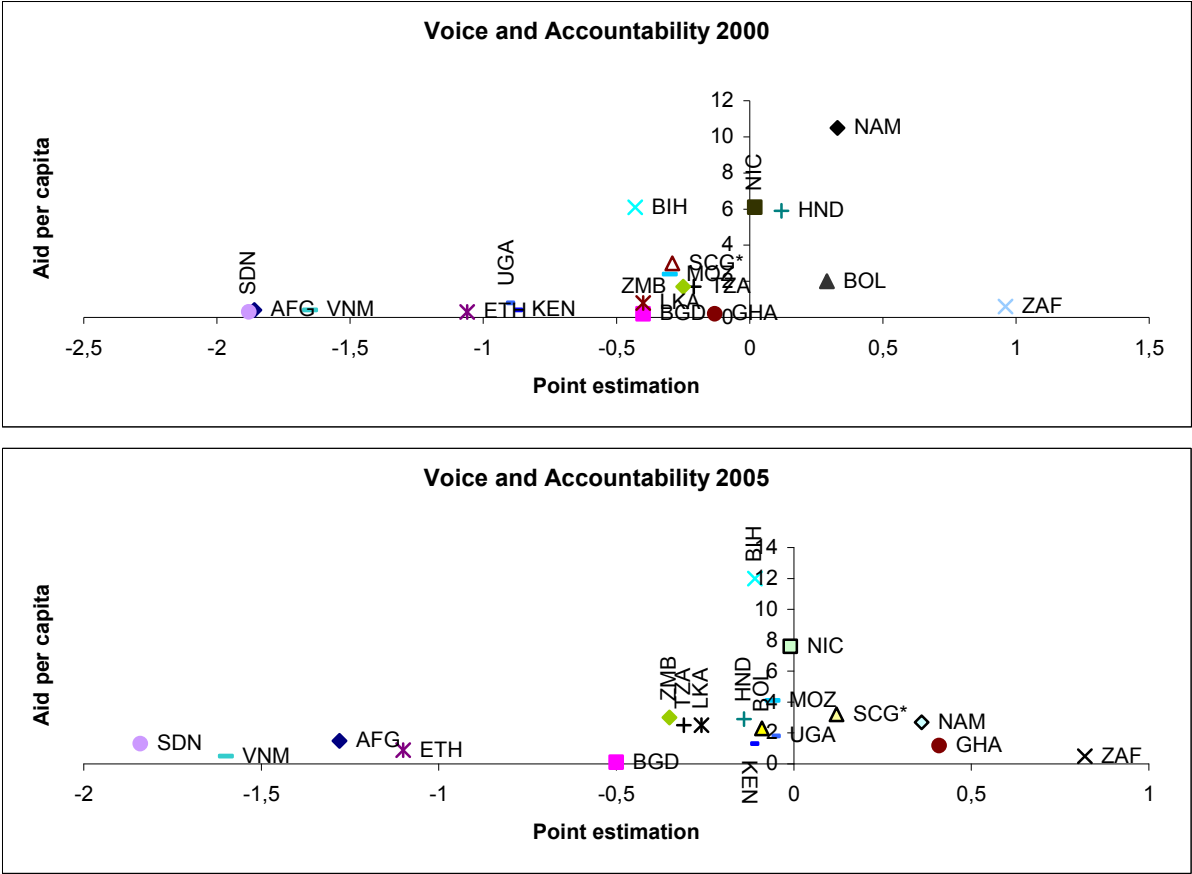
Observing now the figures of Control of Corruption for 2000 and 2005, this is possible to find:

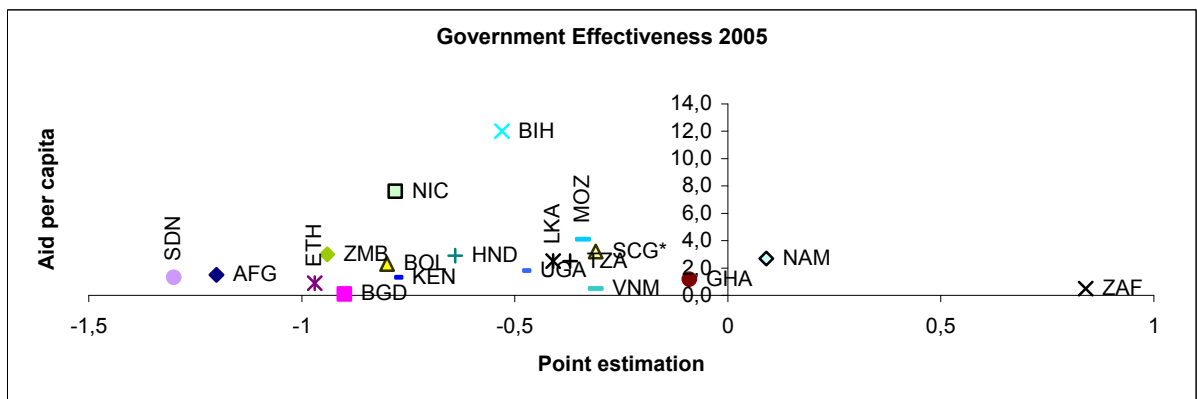
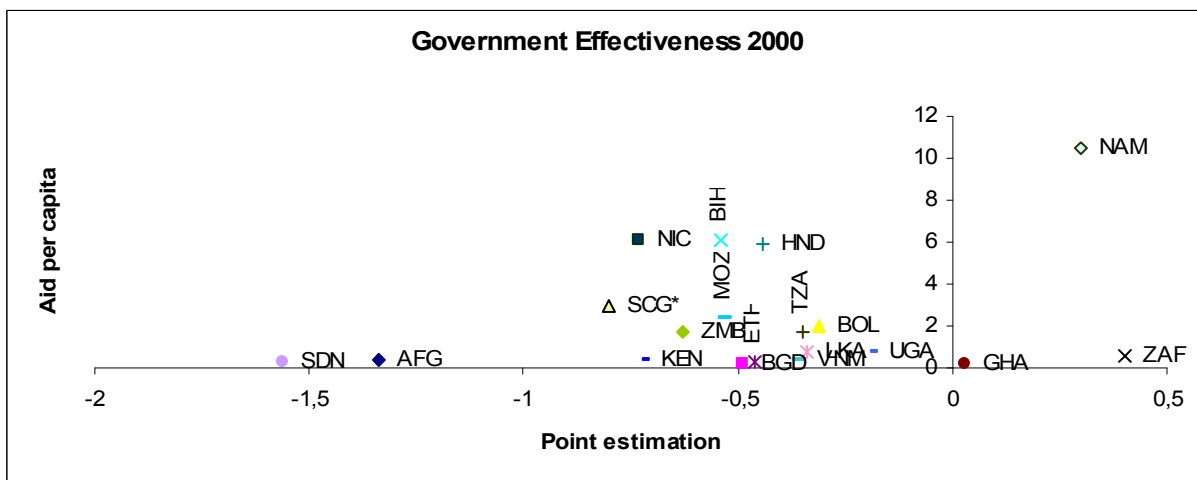
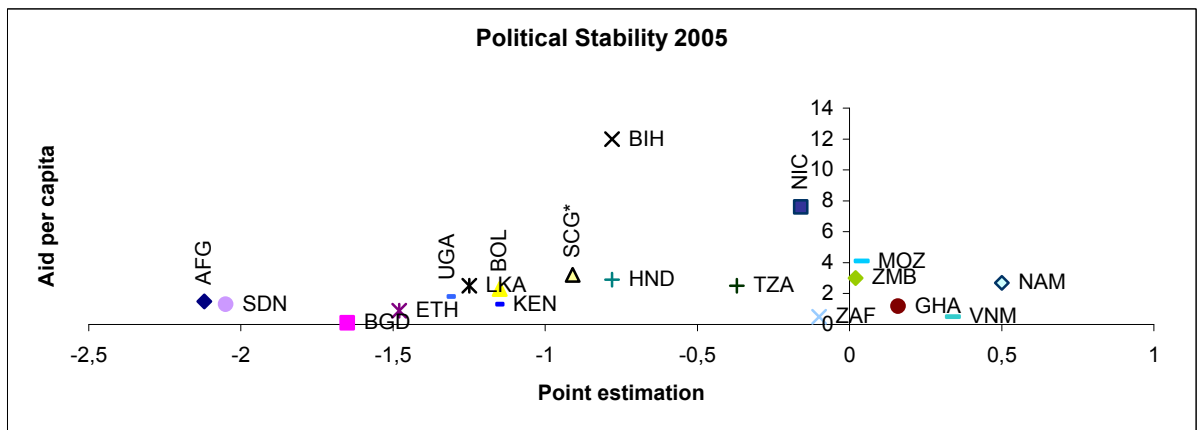
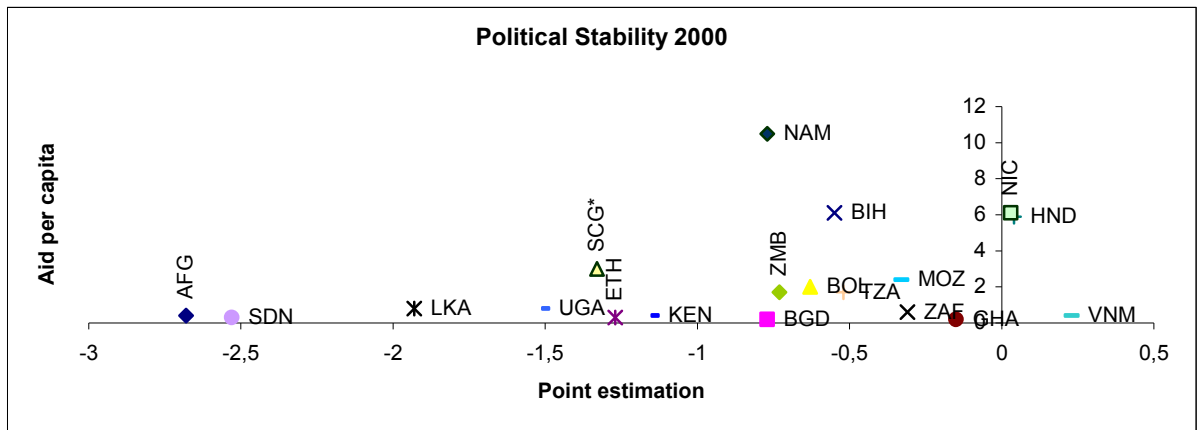
- NAM. Deterioration in governance, reduction in aid per capita.
- BIH. Improvement in governance, increased aid per capita.
- LKA. Deterioration in governance, increased aid per capita.
- HND. Unchanged in governance, reduction in aid per capita.

It can be concluded that there do not exist straight answers here either. Deterioration in governance appears not automatically lead to increased aid per capita, a reduction in it or even a change in it. The same is for an improvement in governance. Unchanged governance has also showed to have different effects in aid per capita, sometimes it increases it and sometimes it reduces it. Could it be so that one governance component is of more importance

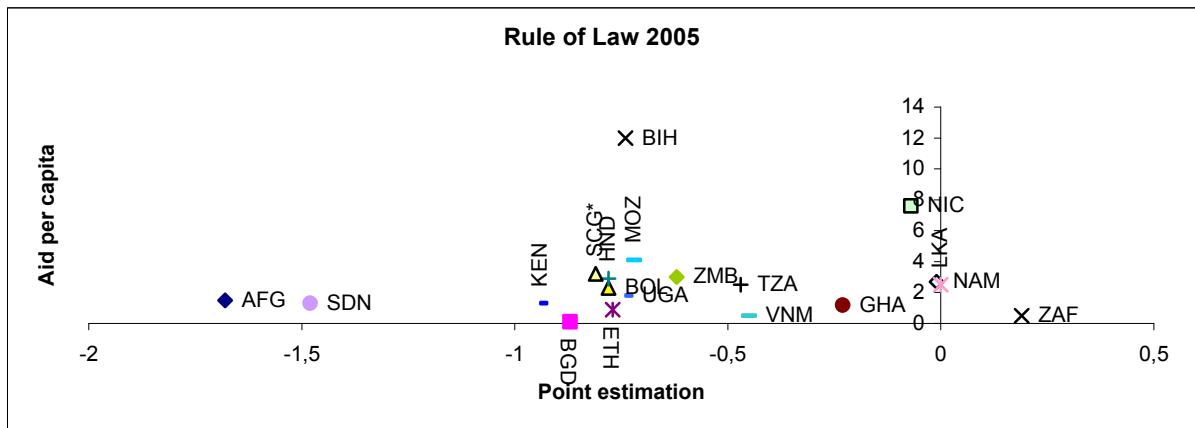
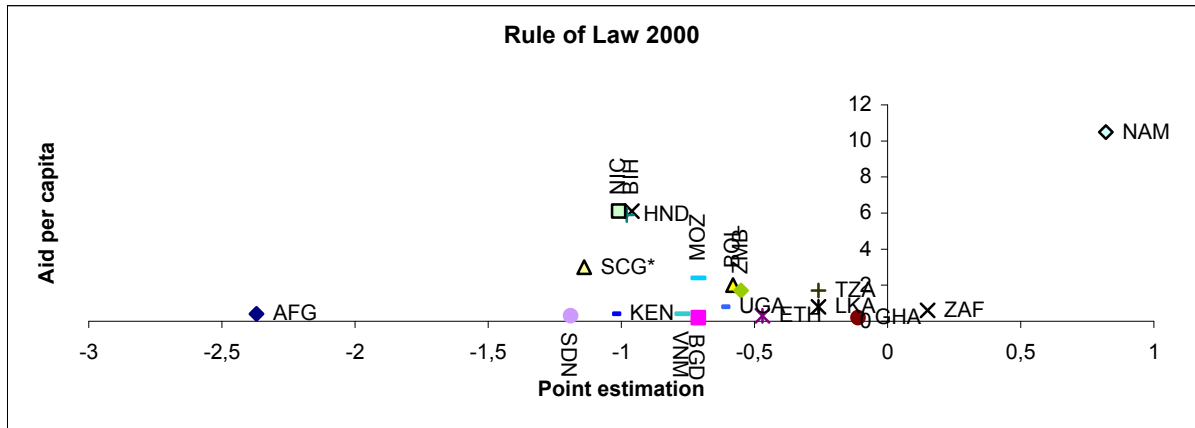
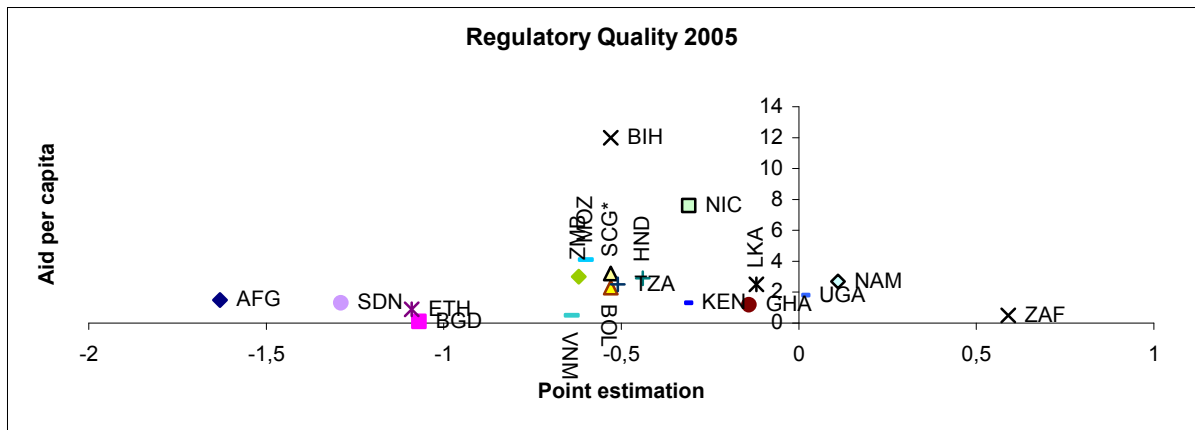
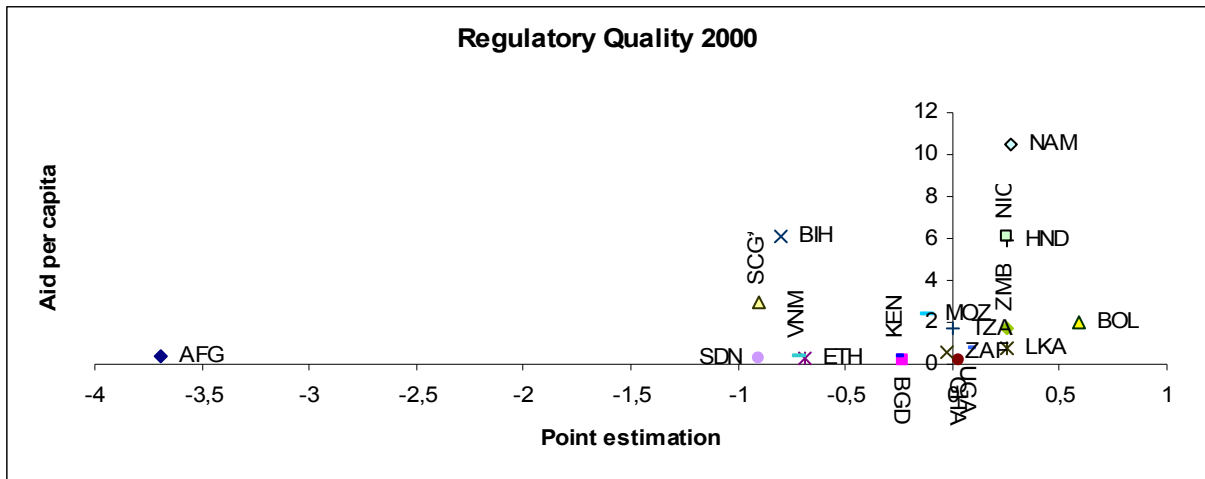
than another and maybe therefore every component shows different trends? If so, could this possibly be done consciously? If there are not any clear patterns or effects between changes in governance and aid, what can then possibly affect aid? One hypothesis could be poverty in a country, which always will be a strong reason for giving aid. However, this would have to be tested to see. In that case could income per capita maybe be of matter to aid (See appendix 3). Compare then the case of Serbia & Montenegro with their improved governance, increased income but reduced aid, with Ethiopia's deterioration in governance, low income but increased aid.

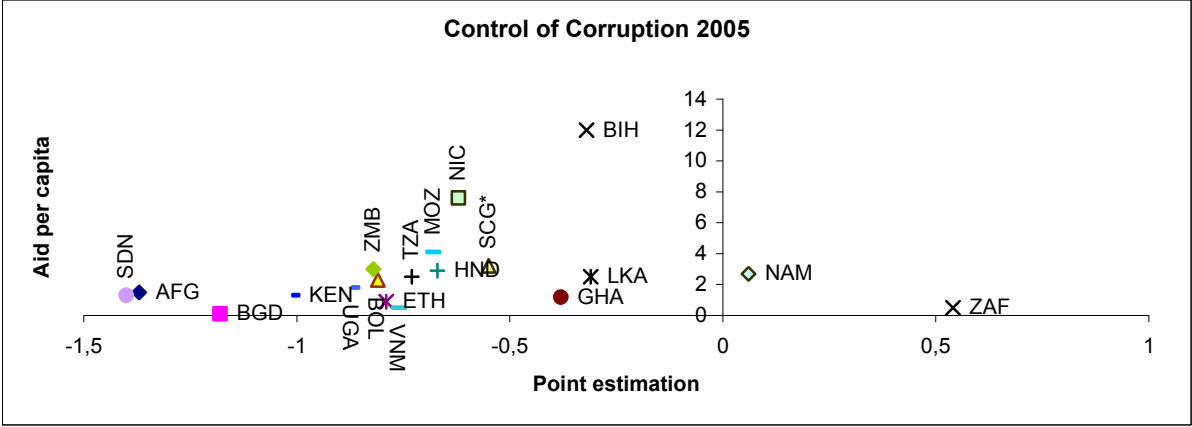
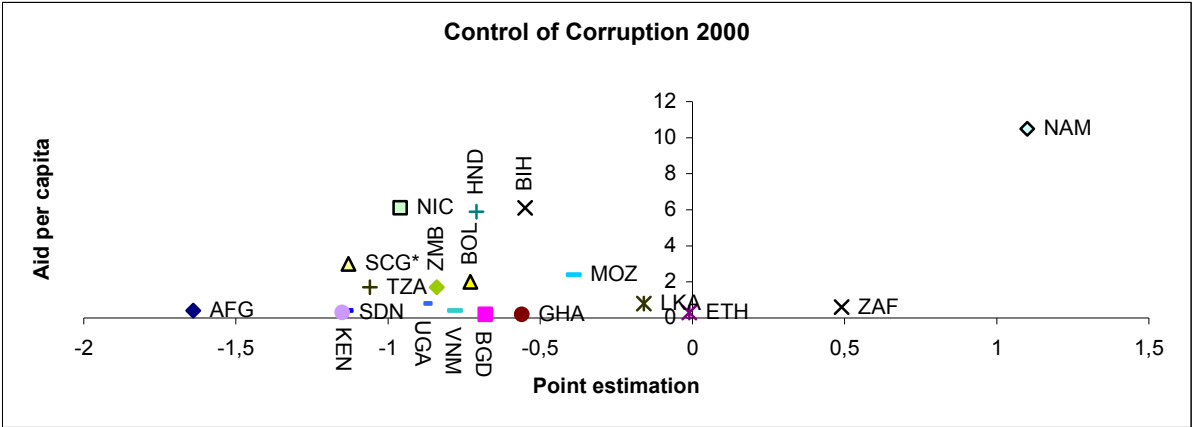
Figure 5: Governance components and aid per capita in 2000 and 2005.











## 6. Discussion and conclusions

The purpose of this study is to see if changes in governance can affect aid. The reason behind the purpose is that there has been an increased selectivity in aid in recent years that is associated with an increased importance of the overall governance status in receiver countries. Sweden is no exception and has reformed its aid policy and system to adjust more to the new demands in the area and to increase effectiveness in aid. It was therefore interesting to see if these new thoughts and demands are followed by donor countries themselves in aid giving. It is at present too soon to possibly identify clear results and answers when governance accrued importance in this context is something that has appeared in later years. This does not mean that it is too soon to start looking where patterns already are starting pointing to. The governance definition used is the World Bank's where it is possible to interpret that it assumes and discuss governance in a positive sense, saying that it is how authority is exercised "for the common good". In opposition to this is the definition by the European Union that makes a difference between governance and good governance, assuming that not all levels of governance are acceptable. The results of the study should not be taken as exclusively; other answers could possibly be found if every receiver country and its belonging country strategy were studied in detail. A general conclusion is that it is difficult to implement theory in practice such as indicators and governance components. Indicators are only tools and not something that should or could exclude deep analysis of situations and countries. They can help to give a general picture and should be combined with other analysis. There are also imprecision with the KK-indicators and components that should be regarded when using them, as for example the mentioned margin of error and the risks within using perception data even coming from experts. Remember the study about experts perception of corruption in Africa. Another explanation to why it is difficult to find results that give straight answers is that there exists other factors that make it difficult to isolate the effects of governance on aid, as for example income per capita in partner countries.

Sweden is internationally considered to be a "soft donor" and a respected one, with its aid regarded as having sincere intentions of promoting development and fight poverty. The 90's characterized the aid system with a reformation with the intention of simplify and making it easier to understand for all involved. Sweden did not change the goal but the approach, and the parliament adopted broad goals that together would work for reducing poverty and

Sweden would also adopt a more demanding position in development cooperation. The system was again modified some in 2003 with the approval of the Policy for Global Development (PGD) by the parliament, which left the development cooperation with one single goal. Despite the reformations the Swedish aid system continues to be a “forest of policies”. Swedish aid has had signs of wanting to spread geographically besides being rigid in who is prioritized to receive Swedish aid. The spread was noticed when studying the total for the 15 countries that descended over time which implied smaller shares of aid for each country and, thereby a growing distribution of aid on more countries. This has not caused big changes among which countries are receivers of Swedish aid: the changes of countries among the top 15 during these years are small and is constituted by a third of the countries that falls off the ranking between the years. This shows signs of continuity, no radical changes and of rigidity in the system. That means that Sweden is stable in its priorities of partner countries in spite of fluctuations in their development and governance status. This is evidence of the difficulty in “quitting” being a Swedish partner country, which means that it is difficult for Sweden to count away a country. An example is Mozambique, Ethiopia and Tanzania that have old relations to Sweden since the 50’s. Another result that was noticed here is that the largest receivers of Swedish aid were the LDC’s.

Deficiencies in the Swedish aid policy and system can be illustrated and simplified by dividing it into two different epochs in Swedish aid politics: before the PGD and after the PGD. Before the introduction of the PGD in 2003, Sweden had six different broad goals that together were aimed to work for reducing poverty in partner countries. The six goals were broad and interdependent, making it therefore impossible to prioritise among them. They gave because of this a possibility to flexibility but risked ending up in passivity because of the broad frames in which results could be accepted. That made it also easier to be content with almost every result from development co-operation. The aim of achieving the goals altogether seems also to be too high. It is unrealistic to think that all goals could be achieved at the same time (because of the non-priority). Negotiations of goals to meddle with to achieve better results in another goal do not seem to have occurred. Another question to ask is whether the goals never conflicted with each other because of their big aims and vague definitions? Looking then at the time after the PGD’s introduction and its single broad goal for development co-operation makes other problems appear. If the PGD is a policy that is supposed to imbue the entire government work for making it possible to achieve global development, always taking consideration to the eight main outlines that show what

development co-operation aims, based on the two different perspectives, then Sweden has to increase its requisites for what aid will be destined to in its partner countries. This way to shape the Swedish policy and work must imply more demands on the aid policy. Is this demand then supposed to only be directed to the Swedish part of aid work? Is this not traduced in more demands to what the partner countries actually do for its common good and what they respect? This question is based on the assumption that it otherwise would be ineffective and meaningless for Sweden to intend to respect issues as democracy, governance and human rights if its partner countries are allowed to do whatever they want. For the new Swedish aid policy to succeed, the partner countries have to intend to respect the same things, meaning that the conditions for receiving Swedish aid would have to be raised. How will then possible requisites be claimed by Sweden? And how will Sweden react if there appear differences in what a partner country actually does? The single goal is all-embracing and extent, giving once again great flexibility which could complicate the situation if Sweden has to be more demanding.

It has been studied if there are some possible explanations to the differences in aid levels between Swedish partner countries by looking at the governance development in the different countries. For this it was necessary to study each governance component since there does not seem to exist an aggregated general measure that covers all six components and gives the status of governance in country. The analysis of the different governance components, their changes over time in each country and the differences in aid level among them showed different and contradictory results. Contradictory in the sense that the patterns could even be in opposition to each other and that there did not exist any pattern that could answer how things matters and what has possibly been intended by Swedish aid policy. The four different patterns that were identified here pointed at different directions. These were:

- Deterioration in governance can lead to increase in aid (The case of Tanzania and Ethiopia).
- Deterioration in governance leads to a reduction in aid (The case of Nicaragua, Bolivia and Honduras).
- Positive development in governance leads to a reduction in aid (The case of Serbia & Montenegro).

- Deterioration of governance does not necessarily lead to changes in aid (The case of Zambia).

Together this points to the conclusion that differences in level of Swedish aid to countries cannot be explained by differences or changes in governance. Changes in governance can neither cause changes in aid per capita, according to the results from the figures. They did not give any straight answers and the results pointed at different directions.

If differences in aid levels cannot be explained by changes in governance and if changes in governance do not appear to affect aid per capita, does governance actually matter to aid? Or are there other factors that possibly could matter more? Maybe factors like poverty? Until now, by looking at the results of the analysis of governance and aid, it does not seem to be that demands in Swedish aid policy are carried out because the aid levels and differences between them do not reflect this. Could maybe the historic aim of fighting poverty be an explaining factor of why some countries continue to get greater shares of aid than others in spite of deterioration in other factors like governance? If this is the case, does it in the end actually matter to have an aid policy with goals and demands? It is here important to remember that bad levels of governance are often associated with poverty and that governance is something that recently has started to affect aid context and thinking, consequently also with effects and changes that are hard to find and define. The Swedish aid system is as mentioned before very rigid, making it even more difficult to identify possible changes in aid giving.

Sida states the importance of respecting human rights, the difficulty in measuring results, and that if a country should develop negatively then aid either can be heavily reduced or changed in direction. Is it ever discussed if aid should be stopped when there are worsening situations? Spontaneously it does not seem certain that Sweden would actually cut off aid totally to a country even with negative development in governance, recalling that governance comprises factors as democracy (Voice and political stability) and human rights (Rule of law). It does therefore not appear to exist any priorities in the demands either, just like with the goals. Maybe then what formally has been established in the aid policy do not matter so much in the end, when remembering that the overall and historical goal of Swedish aid has been to fight poverty, and poverty will always be a good reason for giving aid, and for a country to receive aid, regardless of overall governance status. All this gives raise to a new question: Is it in aid

policy, actually only about a rhetorical change and not a truthful change of the actual work made and to be done? The aid policy has goals and therefore also demands, but maybe the demands are not actual demands since it seems that Sweden gives rather big space for flexibility in how a country can develop? Just like with the flexibility in the overall goal of the PGD and the old six goals of the policy where it did not appear to exist priorities. One of the possible explanations to these deficiencies can be the difficulty that exists when working with indicators and theories: It is hard to measure governance when there are many indicators to take consideration to. The results can conclude that governance do until now only seem to play a marginal role in aid giving.

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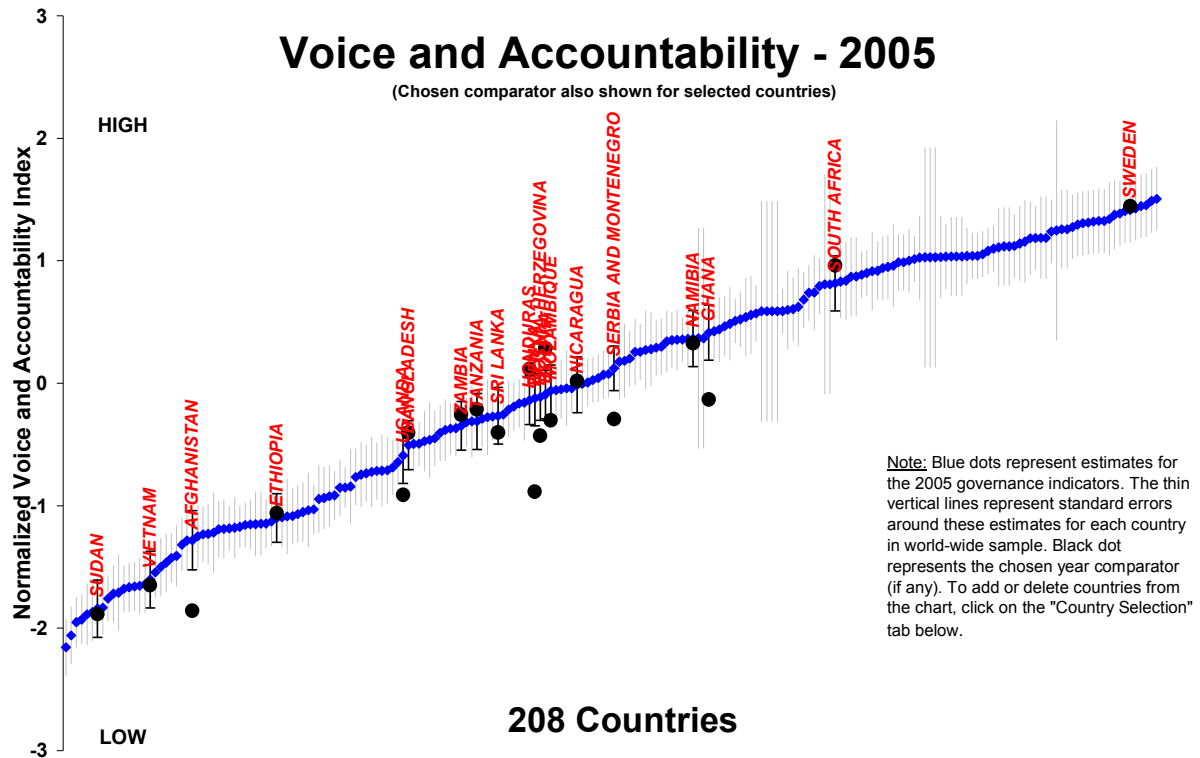
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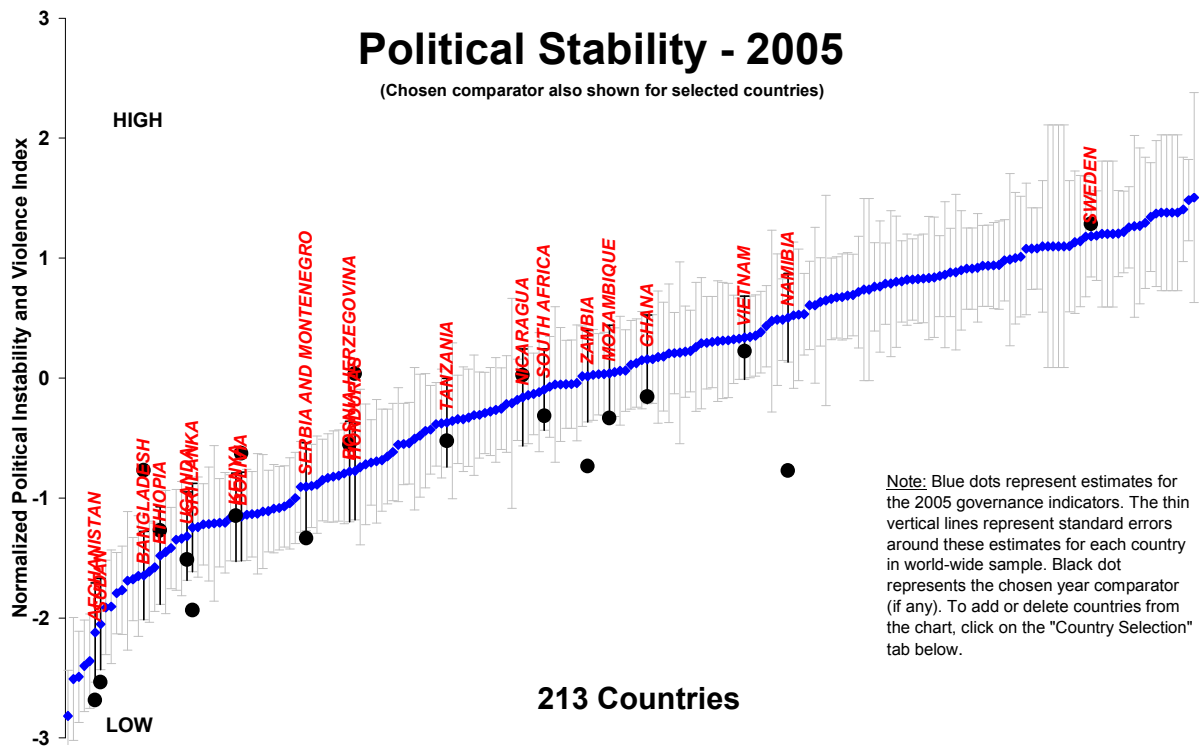
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visited 2007-03-20.

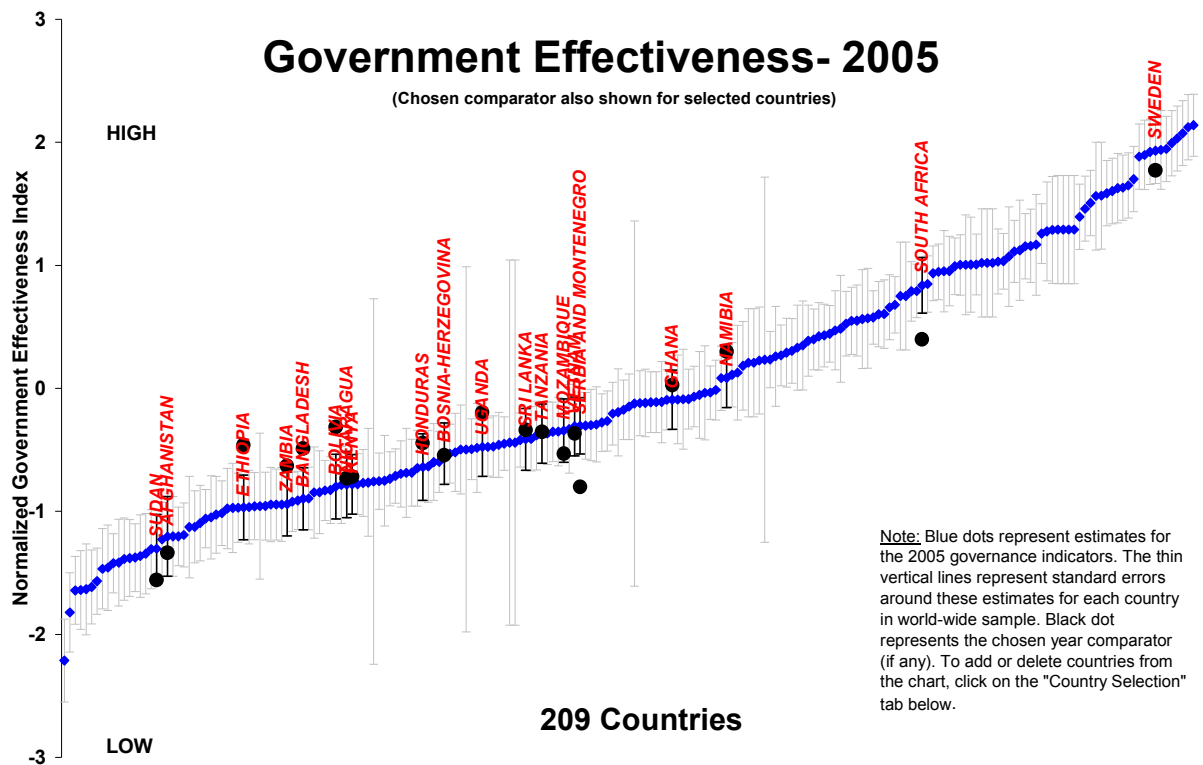
# Appendix 1. KKZ charts.



Source: "Governance Matters V: Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.  
**Disclaimer:** The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The aggregate indicators in no way reflect the official position of the World Bank, its Executive Directors, or the countries they represent. As discussed in detail in the accompanying papers, countries' relative positions on these indicators are subject to margins of error that are clearly indicated. Consequently, precise country rankings should not be inferred from this data.

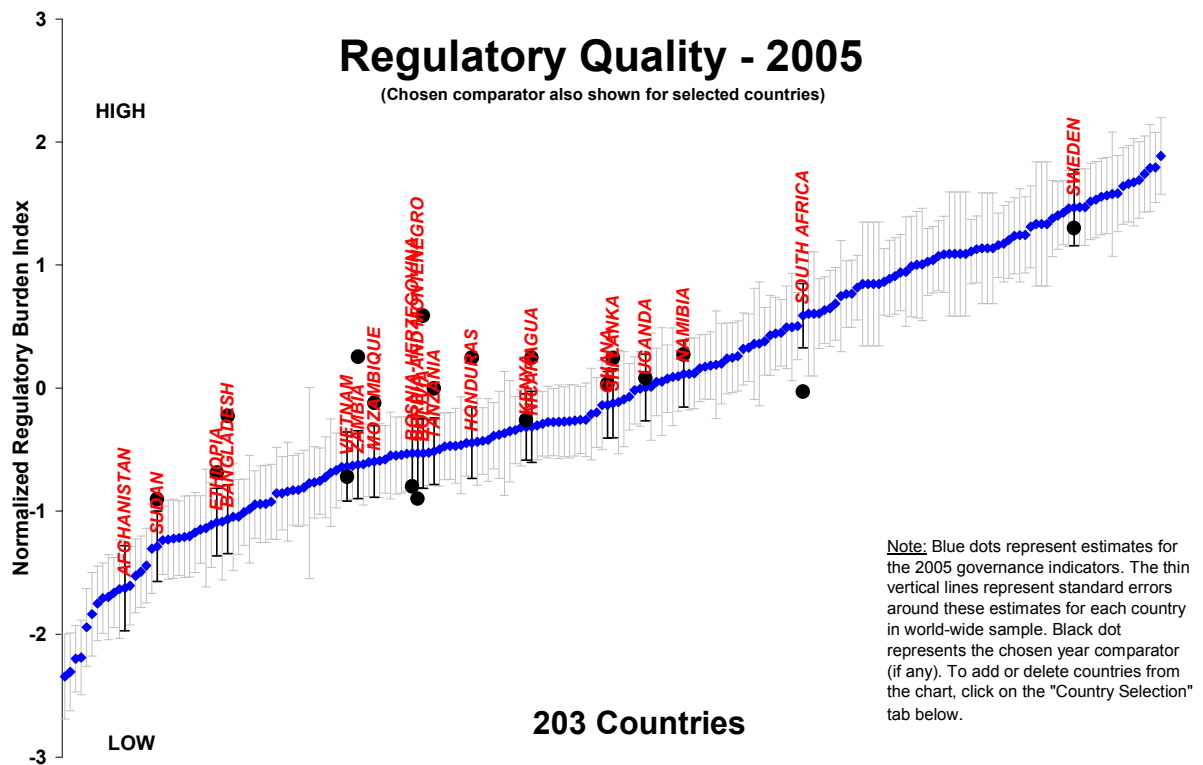


Source: "Governance Matters V: Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.  
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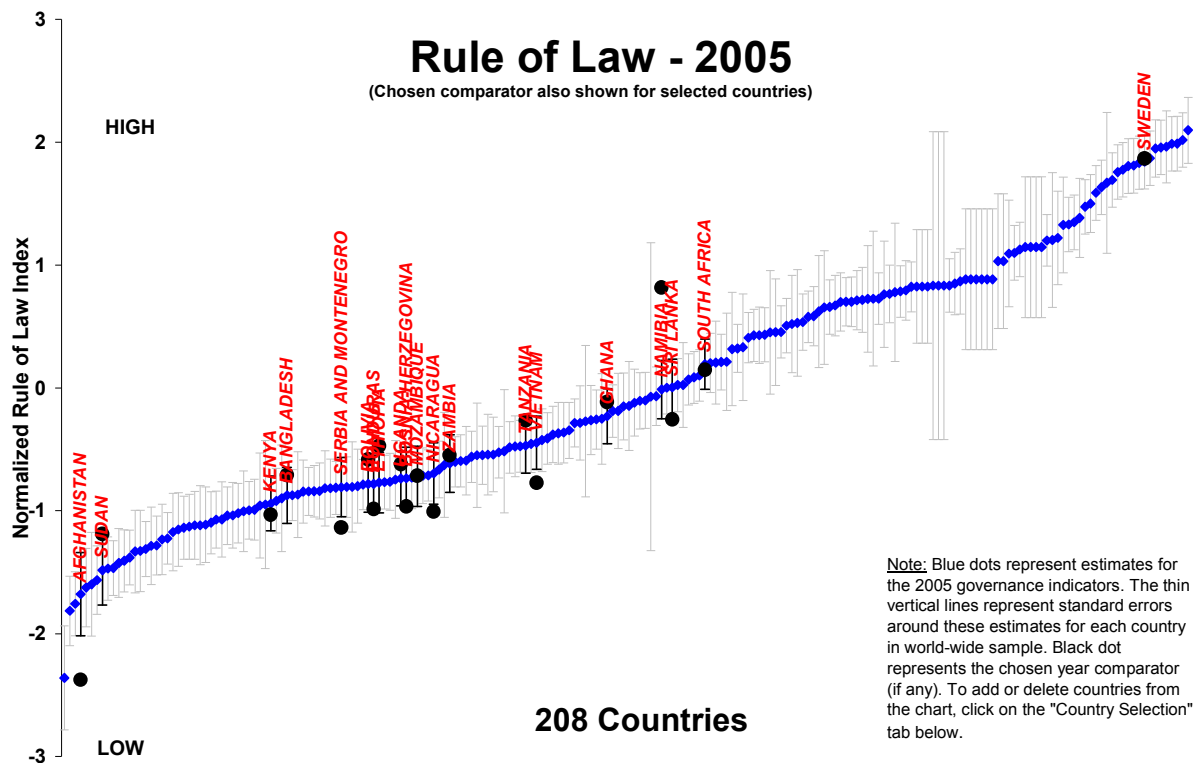
Source: "Governance Matters V: Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.

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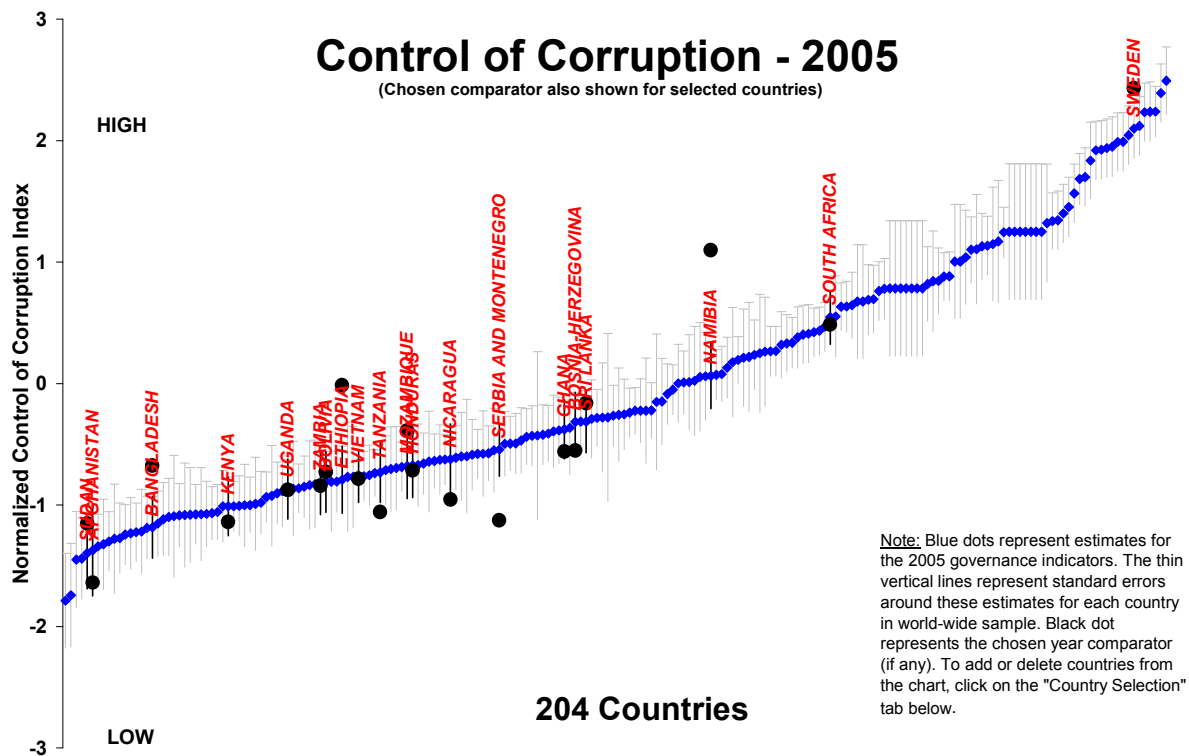
Source: "Governance Matters V Governance Indicators for 1996-2005 " by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi.

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## Appendix 2. Country name codes.

Afghanistan	AFG
Bangladesh	BGD
Bolivia	BOL
Bosnia-Herzegovina	BIH
Ethiopia	ETH
Ghana	GHA
Honduras	HND
Kenya	KEN
Mozambique	MOZ
Namibia	NAM
Nicaragua	NIC
Serbia & Montenegro	SCG
South Africa	ZAF
Sri Lanka	LKA
Sudan	SDN
Tanzania	TZA
Uganda	UGA
Vietnam	VNM
Zambia	Zmb

### Appendix 3. GNI per capita for the years 2000 and 2005 (Current US\$).

<b>Countries</b>	<b>2000</b>	<b>2005</b>
Afghanistan	..	..
Bangladesh	390	470
Bolivia	1000	1010
Bosnia-Herzegovina	1290	2440
Ethiopia	130	160
Ghana	330	450
Honduras	860	1190
Kenya	430	530
Mozambique	210	310
Namibia	1870	2990
Nicaragua	750	910
Serbia & Montenegro	1250	3280
South Africa	3050	4960
Sri Lanka	810	1160
Sudan	310	640
Tanzania	260	340
Uganda	260	280
Vietnam	380	620
Zambia	290	490