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Swedish and international foreign aid's impact on democratization processes

A qualitative study on Botswana and Uganda

by

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Abstract: Democracy promotion has received increased attention within development cooperation during the 21st century. The purpose of this study is to investigate foreign aid's impact on democratization processes. Previous similar studies have mostly conducted quantitative methods or qualitative methods investigating foreign aid's impact on economic outcomes. This study conducts a qualitative method and investigates previous theories and empirical evidence on foreign aid and democratization processes, particularly investigating the impact of Swedish foreign aid in Botswana and Uganda. The paper finds conflicting evidence of the effectiveness of foreign aid in facilitating democratization processes. The evidence suggests that Swedish and international foreign aid have had a positive impact on the ongoing democratization processes in Botswana whereas it has had little effect in stopping a democratic backslide in Uganda. The paper's findings suggest that the domestic environments in recipient countries greatly impacts the effectiveness of foreign aid.

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1 Introduction: Democracy and foreign aid

1.1 Research problem

This paper aims to determine the impact of foreign aid on democratization processes by investigating the cases of Botswana and Uganda. There has been a growing discussion concerning the efficiency, accuracy and durability of international foreign aid. EBA (2017) identified several important areas where more research is needed. This includes how discontinued foreign aid impacts local institutions and societies and whether foreign aid tends to meet the actual needs in recipient countries or not. A debate concerning the increased focus on democracy-building within international development work has further sparked attention.

The motivations and objectives of foreign aid have changed throughout its history. Some advocate poverty alleviation whereas others promote capacity building. There is, furthermore, a shifting trend from mainly tackling macroeconomic imbalances and advocating for trade liberalization to highlighting institutional reforms, women's rights and democracy-building in development work.

Following a period of vast democratic progress in many countries after the cold war, the trend is beginning to shift as authoritarian rule is on the rise (Freedom House, 2021). Other scholars emphasize that developing countries have made great advances after decolonization (Nilsson and Sörlin, 2017). Hydén and Kristensen (2019) argued that Swedish development aid directed to strengthen democracy-building must be re-examined. Conventional strategies need to be reconsidered as Sub-Saharan African countries face great challenges with complex histories, colonial pasts and current geopolitical developments impacting local institutions, cultural practices and social structures. Wishful thinking of developing countries simply lagging behind but eventually "catching up" with the Western democratic model must be evaluated. The western democratic model is, moreover, receiving increased competition worldwide from other ideologies and growth strategies, for example from the so-called East-Asian growth miracle (Nilsson and Sörlin, 2017).

While there is abundant research on aid effectiveness, the role of foreign aid in democratization processes deserves more attention. This is particularly relevant given the increased focus on democracy-building in development cooperation today. Much of previous research on the matter has conducted quantitative methods using large data samples or qualitative methods investigating foreign aid's impact on economic outcomes. Few attempts have been made to investigate and compare the specific examples of foreign aid impacting democracy in Botswana and Uganda.

Botswana and Uganda have vastly different histories with varying democratic and institutional backgrounds. The countries do, however, share the similarities of being important recipients of Swedish foreign aid for an extended time. Sweden's long commitment to both Botswana and Uganda makes relevant policy documents, evaluations and country strategies easily accessible, adding empirical evidence to the study. Botswana, described as a "donor darling," began receiving Swedish aid in 1966, the same year as gaining independence. Sweden was, additionally, one of the first countries to sign government agreements on development cooperation with the country. Uganda has also had a long history of receiving foreign aid, being one of the top recipients of Swedish foreign aid when reaching the 21st century (Odén and Wohlgemuth 2011). Swedish foreign aid is of extra interest to analyze as Sweden is one of the largest donor countries in the world in proportion to the size of its economy. The country has, additionally, expressed high ambitions and confidence in promoting democracy, human rights and gender equality abroad (Gisselquist et al, 2020; Jerve and Slob, 2008; Odén and Wohlgemuth 2011).

1.2 Aim and scope

Gisselquist et al (2020) conducted a meta-study on the effectiveness of Swedish and international foreign aid. Drawing upon 90 studies and data from 138 countries from 1995 to 2008, the authors found a significant positive impact of foreign aid on democratization processes. The purpose of this thesis is to, via a qualitative method, further examine the relationship by studying two important recipient countries of Swedish aid more closely. This is done by conducting a review of previous theories and analyzing empirical evidence on Swedish and other countries' or organizations' development assistance's ability to improve democratization processes. Previous theories and evidence will be evaluated and compared

with the country cases of Botswana and Uganda. Investigating the examples of Botswana and Uganda allows the paper to examine the impact of foreign aid on both an ongoing democratization process in Botswana and its effectiveness in stopping a democratic backslide in Uganda. The paper will contribute to research by assessing the effectiveness of foreign aid in two countries with very different institutional, political and historical contexts. The findings of this study should be considered useful for future policymaking within development work in Sub-Saharan Africa and beyond.

The research question of the paper is: *How has international foreign aid impacted democratization processes in Botswana and Uganda, looking particularly at Swedish aid?*

1.3 Outline of the thesis

The paper is divided into 8 chapters. Chapter 2 reviews existing theories on the impact of foreign aid on democratization processes, including institutional, agency-based and structuralist theories. Chapter 3 describes the method and identifies the limitations of this study. Chapter 4 provides a historical overview of Swedish and international foreign aid. Chapter 5 and 6 present the country cases of Botswana and Uganda. Chapter 7 studies the evidence from previous chapters to answer the research questions and chapter 8, lastly, concludes the main findings and provides recommendations on future studies.

2 Effects of Swedish and international foreign aid on democratization processes

2.1 Analytical framework of Gisselquist et al (2020)

Gisselquist et al (2020) have written an influential paper investigating the effectiveness of foreign aid on democratization processes. The paper was produced on behalf of the Swedish Expertgruppen för biståndsanalys, EBA, (the Expert group for aid studies). EBA is a Swedish government committee with the mandate to independently evaluate and analyze Sweden's international development assistance. Gisselquist et al's (2020) report included data from 138 countries from 1995 to 2008. The authors used several advanced econometric methods and conducted a thorough systematic literature review of previous papers employing quantitative methods. 90 studies, published between 1990 and 2020, were evaluated in the literature review. The report used the varieties of Democracy, the V-dem index, to evaluate democratization processes.

Gisselquist et al (2020) assessed three different definitions of foreign aid.

1. *Development aid* which includes all types of development cooperation.

2. *The limited definition of democracy aid* including aid specifically targeting pro-democracy actors and institutions.

3. *The extensive definition of democracy aid* including all activities within OECD Development assistance committee's 5 code system of government and civil society organizations. This includes, apart from the components in the limited definition, aid distributed to police, meteorological services, prison management and fire and rescue services.

2.1.1 Results indicating the importance of foreign aid

The report written by Gisselquist et al (2020) found evidence of both Swedish and international foreign aid having a small, but significant, positive impact on democratization processes in recipient countries. No evidence of foreign aid harming democratization was found. Swedish foreign aid was, additionally, found to be slightly more effective compared to international foreign aid on an aggregated level.

In detail, 64 of the 90 papers revised by Gisselquist et al (2020) investigated development aid's (*development aid according to definition 1, see the previous page*) impact on democratization processes. 39 out of these found a solely positive impact of development aid on democratization processes whereas 30 papers found, a somewhat, negative impact. Several papers did, however, conclude that aid can have both positive and negative effects. 32 of the 90 papers investigated foreign aid specifically targeting democracy-building activities (*democracy aid according to definitions 2 and 3, see the previous page*). 26 of these found a positive effect of foreign aid on democratization processes whereas 9 found negative effects.

In summary, 81% of the papers found a positive impact of democracy aid on democratization processes whereas 61.5% of the papers found a positive impact of conventional development aid on democratization processes.

2.2 Theories on democratization processes and foreign aid

Foreign aid's impact on democratization processes can be analyzed and categorized into agency-based, institutional and structuralist theories according to Gisselquist et al (2020). The theories have different focus areas but occasionally overlap. This chapter will further investigate the three different theories by incorporating Gisselquist et al's (2020) findings with other authors' and papers' conclusions.

2.2.1 Institutional theories

After reviewing vast literature, Gisselquist et al (2020) summarized institutional theories as concepts assessing the role of formal and informal institutions in democratization processes.

Institutions include political parties, electoral institutions, civil society, media institutions, juridical institutions, rule of law, civil society organizations and human rights commissions.

Gisselquist et al (2020) stated that the recipient country's institutions impact the ability of a country to make efficient use of foreign aid. The authors, additionally, found that foreign aid is more efficient at facilitating ongoing democratization processes supported by inclusive institutions compared to halting a democratic decline in a country with exclusive institutions. Gisselquist and Nino-Zarazua (2021) further stated that foreign aid targeting technical assistance has historically had a great positive impact on democracy-building by improving education, human capital and rule of law.

Other influential institutional economic papers have also highlighted the importance of institutions in the role of international development and democratization processes. Acemoglu and Robinson (2012) wrote the book "Why nations fail" touching upon the topic of extractive versus inclusive institutions. The authors concluded that the quality of a country's institutions determines long-term economic growth. They argue that inclusive political institutions are institutions that guarantee property rights and proper contract enforcement for all. This spurs competition, economic growth and democratization in the long run. Differently, extractive institutions are controlled by a small elite that holds all political and economic power. The political elite is likely to prioritize policies that safeguard their monopoly, hurting the economic and democratic development in the long run.

Acemoglu and Robinson (2012) argued that foreign aid's ability to facilitate democracy, for example through foreign aid, depends on the country's institutions. Foreign aid is likely to fail in facilitating democratization processes if the recipient country holds extractive institutions. The political elite will exploit the financial aid in a way that further consolidates their political and economic power. This, since they are most likely not interested in giving up their power. Moreover, poor quality institutions with high levels of corruption, political patronage and inefficient public management system are likely to reduce the quality of the development projects and make inefficient use of financial aid, making it more difficult to facilitate democratization processes. Acemoglu and Robinson (2012), further, stated that domestically initiated institutional reforms must be conducted if a country is to improve its democracy significantly. Solely relying on foreign aid to enable democracy is not enough.

Another influential institutional paper related to democratization processes and foreign aid is “A conceptual framework for interpreting recorded human history” written by North et al (2009). The paper outlined different social orders impacting social development. In a limited access order, the political elite extract rents, have exclusive property rights and monopoly on violence. Through these tools, the elite manipulates the economy and political system, control the population and limit violence. As a consequence, a limited access order decreases market power for the non-elite actors and discourages investments. Differently, an open-access order encourages economic and political competition allowing for different political and economic organizations. This enables a democratic and competitive society including broad public participation. A democratization process does not endanger the political elite’s power in an open-access order as it relies on economic and political competition.

North et al (2009) stated that very few countries have managed to transform into open access orders. Foreign aid, targetting limit social orders, with the ambition to facilitate democracy usually fails. This since the political elite risks losing its economic and political power if transforming into an open access order.

Rodrik (2008) wrote an influential paper regarding implementing “best-practice” institutions. The author argued that externally driven policies must take country-specific factors into account. So-called best-practice solutions are not suitable for all examples. Instead, country-specific long-term government failures, domestic contract enforcement and economic factors must be considered. No “best-practice” solutions apply to all cases. Rodrik’s (2008) paper is relevant to structuralist theories concerning democratization processes and foreign aid. The author argued that externally driven policies and development projects funded by international donors must take country-specific factors into account and adapt their foreign aid accordingly.

2.2.2 Structuralist theories

After reviewing vast literature, Gisselquist et al (2020) summarized structuralist theories as ideas highlighting the role of economic and social development in democratization processes via improved education, health, welfare system, industrialization and financial development. (Gisselquist et al, 2020).

Gisselquist et al (2020) concluded that development aid (*aid according to definition 1 from chapter 2.1*) positively impacts the recipient country's economic and social development, having a long-term positive impact on democracy. This by educating and improving the economic standard of the citizens and enabling them to challenge traditional roles and authorities and engage in greater public participation.

Mwenda (2006) assessed the importance of domestic economic growth in democracy building. The authors found that many Sub-Saharan African countries' economic issues have internal causes and cannot be solved with increased foreign aid. Instead, the countries must step away from aid dependence and increase their domestic revenues to improve economic, social and democratic development, adding further evidence to structuralist theories.

Moss et al (2006) stated that a government that raises a proportional part of its revenue from foreign aid and fails in facilitating domestic economic growth becomes less accountable to its citizens. If a country is dependent on foreign aid instead of domestic revenues, the political elite has fewer incentives to invest in the country's welfare system. Lacking a proper welfare system risks disabling economic and social development and in the long run hurting democratization processes.

2.2.3 Agency-based theories

After reviewing vast literature, Gisselquist et al (2020) summarized agency-based theories as ideas highlighting the importance of specific actors in democratization processes. This includes the political elite, political parties and civil society organizations. Moreover, training programs for political actors and institutional reforms enabling power-sharing are important according to the ideas. These factors influence democratic transition, survival or consolidation. (Gisselquist et al, 2020).

As a consequence of the above-mentioned actors influencing governance, Gisselquist et al (2020) argued that foreign aid should target agents interested in democracy building. The authors, further, stated that aid to non-governmental actors decreases the risk of authoritarian leaders, less interested in democratic change, misusing the aid.

Kono and Montinola (2009) provided insights on agency-based theories by investigating the relationship between foreign aid and the political elite's ambition to consolidate its power.

The authors found evidence of long-term foreign aid helping authoritarian leaders to consolidate their power and hinder democratization processes. Financial aid over a comprehensive time enables authoritarian governments to stockpile aid, use it for future negative shocks and include it in the long-term budgets, without considering the public's current needs. Kono and Montinola (2009) argued that to avoid facilitating authoritarian rule, donors should, therefore, limit foreign aid to autocratic leaders to short-term emergency assistance. This gives the domestic authoritarian political elite less influence over the incoming financial support and limits their ability to misuse the aid and consolidate their power.

Wright (2009) investigated democratic conditionality related to foreign aid. According to the author, foreign aid conditional on democratic improvements is less likely to have beneficial results if the political elite does not believe that it has the public's support. Leaders are less likely to allow a transition into democracy if they do not believe that they can win a future election.

Gibson et al (2015) investigated the effectiveness of foreign aid in funding technical assistance and training programs on public participation and democracy. The authors found evidence of foreign aid, financing technical assistance and training programs for the non-political elite, to improve democracy building. This by reducing Sub-Saharan African leaders' patronage resources and giving the public greater economic and political rights, enabling power-sharing according to agency-based theories.

3 Method

The paper is conducting a qualitative approach and comprehensive literature study by assessing previous theories and empirical evidence on Swedish and international foreign aid and its impact on democratization processes. The recipient countries of Botswana and Uganda will further be examined, assessing their economic, institutional and political development as well as their history of receiving Swedish and international foreign aid. The main source of theory on foreign aid and democracy is retrieved from the influential paper written by Gisselquist et al (2020). The paper's findings, in combination with additional sources of theories on economic growth, institutions, democracy and foreign aid, are applied to the country cases. This, with the ambition to improve the understanding of foreign aid's impact on democratization processes and serve as helpful advice for future policy recommendations and implementations

Devajaran et al (2001) conducted a study, on behalf of the World Bank, where the authors investigated the impact of foreign aid on economic reforms in the recipient countries. The paper has provided a great frame of reference for this study. Devajaran et al (2001) conducted a qualitative approach and investigated ten case studies in Sub-Saharan Africa. The authors compared the findings from the country cases with the World bank's country policy institutional assessment framework. Three different country categories were deployed: Post-socialist reformers, mixed reformers and non-reformers. This paper, similarly, compares different Sub-Saharan African countries with varying economic and political backgrounds, to assess the effect of foreign aid on a certain outcome.

The papers of Kruse (2016) and Rakner (1996) have, furthermore, provided useful frames of reference for this paper. The papers separately investigating the impact of foreign aid in Botswana and Uganda on certain outcomes. Kruse (2016) conducted a qualitative method and investigated Swedish aid's impact on economic growth in Botswana. Rakner (1996), similarly, employed a qualitative method and investigates the connection between economic growth and foreign aid in Uganda. The papers of Kruse (2016) and Rakner (1996) are further elaborated on in chapters 5-6.

This paper will employ a framework, similar to the previously successful methods from Devajaran et al (2001), Kruse (2016) and Rakner (1996), and further the research by comparing the effectiveness of foreign aid to Botswana and Uganda on democratization processes.

The study will assess both international and Swedish foreign aid. Swedish foreign aid is of extra interest to investigate as the country has been highly active and influential in international development programs in both Botswana and Uganda over an extensive period. This enables the study to investigate Sweden's specific development and country strategies. Sweden was one of the first countries to engage in official aid programs with both Botswana after independence and in Uganda after President Museveni gained power in 1986. Sweden is, additionally, one of the largest donor countries in the world in proportion to the size of its economy and has expressed a high ambition of promoting democracy in its foreign policy, adding extra empirical evidence. Investigating Swedish foreign aid enables this paper to investigate the impact of foreign aid thoroughly and assess if the increased ambition from western countries to promote democracy in recipient countries works. Swedish foreign aid is further elaborated on in chapter 4.

The country cases of Botswana and Uganda are, furthermore, of specific interest to investigate. The comparison allows the study to assess the impact of foreign aid in an ongoing democratization process as well as in a country under democratic decline. Botswana has been described as a "donor darling" and received vast foreign aid after independence. The country has, furthermore, been praised for its unconventional growth journey different from the traditional approach of "good economics." Instead, Botswana's inclusive institutions have been praised as a core factor behind the success. The country has, furthermore, held elections since independence and been praised for its democratic journey. Uganda has, differently, been burdened by military coups and political turmoil after independence. The country has historically had high levels of corruption and suffered from political patronage. Despite the initial democratic improvements after President Museveni gained power, the country has gradually entered a period of democratic decline. The country cases are further elaborated on in chapter 5-6.

3.1 Limitations of the study

The methodology of the paper holds certain limitations. Firstly, obtaining a causal relationship when conducting a qualitative method with two country cases with different backgrounds is less likely. When conducting a qualitative approach, the study, furthermore, becomes heavily dependent on the existing literature and previous research, which could have certain biases.

It would be beneficial for the study to include country cases with similar backgrounds to Botswana and Uganda that, differently, have not received foreign aid. This would further allow the study to assess the actual effect of foreign aid, in an on/off context. This would, however, exceed the scope of the paper and possibly lead to problems of scarce literature, as there are very few countries with similar backgrounds to Botswana and Uganda that have not received any foreign aid.

Notwithstanding the above criticism, employing a qualitative approach on country cases is an established framework and has been conducted in previous research, including by Devajaran et al (2001), Kruse (2016) and Rakner (1996), as mentioned in the previous section. While the method has certain limitations, it allows insights on specific examples and to investigate complex relationships in a detailed setting which is beneficial when exploring new topics. Assessing a broad literature base, including findings of quantitative studies, further ensures the validity of the study.

3.1.1 Issue of endogeneity

A possible issue of endogeneity could occur when assessing the relationship between foreign aid and democracy. Botswana has been described as a “donor darling” in the revised literature. The country is believed to have attracted the international community’s attention due to its economic and democratic progress after independence. There is, hence, a risk of an endogenous relationship where Botswana’s democratic status has had an impact on the amount of incoming foreign aid.

In Uganda, foreign aid increased after President Museveni gained power. The assessed literature suggests that the country received increased amounts of foreign aid due to the initial economic and democratic progress. The initial improvements did, however, stop and a period

of democratic decline followed. Despite the democratic decline, foreign aid continued to be directed to the country which speaks against an initial endogenous relationship. It is, furthermore, possible that Uganda received increased foreign aid due to the country entering a period of political stability after several successive coups and civil war, rather than due to specific democratic improvements. Many international donors struggled to operate in the country during the political turmoil before 1986.

Many of the quantitative methods, assessed by Gisselquist et al (2020), deployed instrumental variables to avoid a possible endogeneity bias. When conducting regressions with instrumental variables, the vast majority of the studies still found significant results which strengthen the validity of their findings. Hence, the issue of endogeneity should be considered. It does, however, not rule out the theoretical findings concluded in this paper.

4 A historical review of Swedish and international foreign aid

4.1 Swedish foreign aid policy

Swedish foreign aid began receiving increased attention in the 1950s with the national fundraising campaign *Sverige hjälper* (Sweden helps). The project became the commencement of Sweden's modern foreign aid policy. *Sverige hjälper* (Sweden helps) consisted of two main fundraising campaigns, in 1955 and 1961, which were heavily supported by the government, Swedish industry and civil society organizations. (Nilsson and Sörlin, 2017).

In the 1960s, Sweden increased its efforts to become a more prominent actor on the international development scene despite its small size (Nilsson and Sörlin, 2017). Several initiatives by the Swedish prime minister Tage Erlander were introduced. The Swedish government proposition (1962:100) known as *Biståndsbibeln* (The aid bible) outlined Sweden's new strategy and goals concerning foreign aid. Sweden's lack of colonial past and foreign policy principle of neutrality was highlighted as advantages when building trust and partnerships with newly founded countries (Nilsson and Sörlin, 2017).

The main motives behind Sweden's increased efforts within international development cooperation and foreign aid, initiated by the Swedish government proposition (1962:100), remain debated. The political order of the 1960s was highly impacted by the cold war and is argued to have shaped Sweden's international development strategy. The importance of Sweden strengthening its position in the post-colonial world was also of importance. The Swedish government proposition (1962:100) declared three motives behind the increase of Sweden's international presence in the context of foreign aid: *1. International solidarity and humanitarian goals 2. foreign policy objectives 3. Trade and global business opportunities*. Odén and Wohlgemuth (2011) highlighted the importance of *motive 1: International solidarity and humanitarian goals*. The authors argued that Sweden had a great ambition of exporting the Nordic welfare system and strengthening the political and economic

independence of previous colonies. Nilsson and Sörlin (2017), slightly differently, emphasized *motives 2. and 3 in their report: Foreign policy objectives and Trade and global business opportunities*. Spreading solidarity and increasing business opportunities should, however, not be seen as conflicting goals according to Nilsson and Sörlin (2017).

It can, furthermore, be concluded that Sweden's foreign aid policy has historically been influenced by the current political and economic environment, world order and academic findings. From the 1950s to today, emphasis has changed from helping the poorer to "catch-up" to a more complex and widespread focus, focusing on climate, migration, security, capacity building, human rights and democracy. In the 1960s, a particular large emphasis of international foreign aid was on improving economic growth and battling overall poverty. During the 1970s, schemes battling inequality received greater attention. The policies of the 1980s, furthermore, focused on tackling macroeconomics imbalances and structural adjustment programs (Odén and Wohlgemuth, 2011). As the cold war reached its end and the Soviet Union collapsed, democracy promotion received increased attention. In the mid-1990s, aid targeting democracy building and conflict prevention amounted to 25% of the total Swedish foreign aid (Odén and Wohlgemuth, 2011).

The Swedish parliament introduced a new strategy for global development named *Politik för global utveckling PGU* (Policies for global development) in 2002, which included clarifications on Sweden's international development and foreign aid policy. According to the Swedish government proposition (2002:03:122), Sweden was to promote fair and sustainable development including democracy and good governance, respect for human rights, equality and economic development. It, additionally, stressed international solidarity, democracy, human rights and gender inequality as prioritized sectors (Molander, 2016).

Today, International development assistance takes up 1% of Sweden's GDP, which is considered an ambitious target, especially compared to the share of foreign aid during the 1950s which amount to around 0.1% of the country's GDP. Amongst all OECD members, Sweden together with Luxembourg, the Netherlands, Denmark and Norway, have made the largest contribution to foreign aid as of total GDP (Nilsson and Sörlin, 2017).

Swedish foreign aid is today divided into two main fields, humanitarian aid and long-term international development projects (Molander, 2016). International development projects

serve to tackle long-term structural issues whereas humanitarian aid is to be distributed during and after humanitarian disasters and emergencies.

60 % of Sweden's international development aid is budgeted for bilateral projects whereas 40% is budgeted for multilateral cooperation. Sida is responsible for the bilateral international development aid whereas multilateral cooperation is administrated and channeled via the Swedish Ministry for Foreign Affairs (Sida, 2021a).

There are currently 36 countries receiving bilateral aid from Sweden. The Swedish government proposition (1962:100) stated Sweden should direct its bilateral aid to a smaller group of recipient countries to guarantee the effectiveness of the outcome. Which countries to engage in partnership with have been chosen depending on the need for financial aid in the recipient country, aid effectiveness, foreign policy and commercial opportunities (Odén and Wohlgemuth, 2011). Uganda is one of the top recipients of Swedish democracy aid (Gisselquist et al, 2020) whereas bilateral aid to Botswana from Sweden was phased out in 1998 (Embassy of Sweden in Botswana, 2021).

As highlighted in this chapter, Sweden has a very ambitious foreign aid commitment in proportion to its budget. Both the objectives and areas of focus of Swedish aid have, however, changed over time.

4.2 The evolution of foreign aid in Sub-Saharan Africa

The long-term effectiveness of foreign aid in Sub-Saharan Africa has been heavily discussed, with empirical evidence suggesting both sufficient and insufficient results. Over time, country ownership of reforms and coherence has been viewed as crucial to make efficient use of foreign aid in the region (Molander, 2016). The Paris declaration on aid effectiveness (2005) declared that development programs must be constructed and performed in close dialogue with the recipient countries. The declaration outlined that foreign aid has not reached its full potential due to lack of national ownership, high administration costs and external ideas being implemented without considering the local context. Another factor highlighted as important for guaranteeing effective use of foreign aid in Sub-Saharan Africa is domestic institutions in recipient countries. Institutional failure, including corruption, poor governance and budget failures, was stressed as specific causes of concern by the IMF (2002). IMF's (2002) report

brought forward several country examples where budgeted and actual government expenditure differed vastly (IMF, 2002).

In the long run, countries with poor institutions are likely to fail in sustaining successful outcomes of development projects. The millennium development goals, MDGs, set in 2000, therefore, emphasized the importance of international donors assisting Sub-Saharan African countries in developing institutional capacities, including administrative and management capacity. Good institutions, according to the IMF (2002), include, having both stable macroeconomic and social sector policies (IMF, 2002).

Structural adjustment programs conducted by the IMF and World Bank in Sub-Saharan Africa have shared similar trends with conventional foreign aid distributed by donor countries. The structural adjustment program initially focused on tackling macroeconomic imbalances, removing trade barriers and opening up developing countries for international trade. These structural adjustment programs have, however, been reformed over time. In the last 20 years, the programs have increased their focus on social and inclusive economic development as well as institutional building, including good governance, country ownership and increased flexibility (Swaroop 2016).

Over the last 25 years, western foreign aid in Sub-Saharan Africa has also been met with increased competition from China. Instead of conventional foreign aid projects, Chinese state and private companies have conducted large investments, without “political strings” attached. Hydén and Kristensen (2019) and other influential authors have highlighted the risk of these new forms of FDI decreasing the incentives for African countries to meet democratic standards encouraged by western donors.

In summary, the effectiveness of foreign aid in Sub-Saharan Africa is a constant debate. What does remain certain is that the roles of democracy, country ownership and institutional capacity have become increasingly current.

5 Country case: Botswana

Botswana is a small landlocked country located in southern Sub-Saharan Africa. The country was a previous British colony and is rather culturally homogenous with its largest ethnic group, the Tswana people, consisting of around 80% of the population (Fearon, 2003)

After independence from the British in 1966, Botswana was one of the poorest countries in the world (Jerve and Slob, 2008). 50% of the government spending was financed by the United Kingdom the year after independence. Investments from the British during the colonial time had, furthermore, been low. Botswana's infrastructure and education system were therefore highly undeveloped, only having two secondary schools at the time of independence (Lewis, 2020).

The country's growth journey, post-independence, has been praised by many scholars and politicians around the world. Botswana increased its economic growth quickly with an average GDP growth rate from 1965 to 1998 of 7.6%. The country gained middle-income status in 1992 and upper-middle-income status in 1998 (Acemoglu et al, 2003). Although its remarkable growth journey, the country does still experience societal challenges such as recurrent outbreaks of the HIV/AIDS pandemic and economic inequalities (Lewis, 2020).

5.1 Democracy and political stability in Botswana

Botswana has held democratic elections since the year of independence in 1966 (Acemoglu et al, 2003). Ranked 33rd worldwide on the Economist Intelligence Unit's (2020) democracy index in 2020, the country is categorized as a flawed democracy. In comparison with its neighboring countries, the country position itself well on the democracy ranking. Zimbabwe is ranked 127th and categorized as an authoritarian regime, Zambia 99th (hybrid regime), Namibia 58th (flawed democracy) and South Africa 45th (flawed democracy).

The Botswana Democratic Party, BDP, was founded in the 1960s and has ruled the country since independence and never lost an election. Concerns over the country lacking a credible opposition does, however, remain (Acemoglu et al, 2003).

A historically perceived unity amongst the civil society and Tswana tribes has formed the modern Botswana of today and enabled political stability according to Campbell and Tlou (1997). The ruling BDP party has managed to further the country's cohesion by attracting both the educated high-income urban population, traditional tribes and poorer households from the rural areas, resulting in fewer conflicts and political stability (Lewis, 2020). Historically, tribes in Botswana have collaborated against perceived foreign enemies. Different Tswana tribes, for example, had a tradition of cooperating when fighting perceived invaders during the 19th century, including Zulu kingdoms and Afrikaaners (Campbell and Tlou, 1997).

5.2 Botswana's economic development

There are several components and historical factors behind Botswana's rapid growth according to (Acemoglu et al, 2001). The political stability has enabled the country to preserve and develop an effective bureaucracy, good governance and public management system. The government has, furthermore, conducted large investments, with help from foreign aid, in the infrastructure, education and health sector. Great investments in the infrastructure have enabled the country to extract large revenues from the domestic diamond industry (Acemoglu et al, 2001).

Botswana has also had a meritocratic system and relatively low levels of corruption. To benefit from the increased investments and revenues, the demand for a skilled workforce increased rapidly after independence. To meet the demand, the government took a pragmatic approach and engaged in partnerships with foreign expertise. The number of foreign skilled labor in the government amounted to 31% in 1966 and 9% in 1975, with the absolute numbers remaining constant. The figures were significantly higher within technical occupations, 51% in 1996 and 29% in 1975. Large parts of the foreign workforce were initially funded with foreign aid (Rakner, 1996).

5.3 Botswana's institutions

Evidence suggests that Botswana's inclusive institutions have played a significant role in the country's development by encouraging investments, providing political stability, constraints on the political elite and stimulating public participation in decision making. In the long run, this has to facilitate democracy building, economic growth and given the ruling party, BDP, increased legitimacy (Acemoglu et al, 2003).

5.3.1 Institutions' impact on the economic development

Seidler (2010) argued that Botswana's followed a rather unconventional growth path and that the growth journey did not solely rely on "good economics" such as macroeconomic reforms and trade liberalization. Instead, the author declared Botswana's institutions as the main factor behind the rapid growth, similar to Acemoglu et al's (2003). Acemoglu et al (2003) ran a regression controlling for institutions' impact on GDP growth. For the case of Botswana, protection against expropriation risk and constraints on executives were deployed as instrumental variables for property rights to measure the inclusiveness of the country's institutions, retrieving a positive significant impact on Botswana's economic growth.

Botswana's prosperous diamond and mineral industry has undoubtedly contributed to the country's economic growth. The inclusive institutions have, through good governance, democracy, relatively free media and transparency, facilitated peaceful and prosperous exploitation. This by limiting corruption and rent-seeking activities within the industry (Sebudubudu, 2011).

5.3.2 Institutions' origin, development and impact on democracy

By summarizing previous research, this paper has found three main factors behind Botswana developing inclusive institutions.

Firstly, Botswana has had a long history of inclusive institutions, including the pre-colonial Tswana institutions. The Tswana institutions, such as the *kgotlas*, have traditionally enforced constraints on the ruling elite and supported wide-ranging public participation. The *kgotlas* are traditional public forums and assemblies where questions of public concerns are

discussed. They have historically served as an advisory institution for the public to hold the political elite accountable and exercise their democratic rights. (Lewis, 2020). Confining the power of the elite has forced political leaders to seek public consensus and to comply with the economic interest of a wider crowd of actors (Seidler, 2010). Guaranteeing strong property rights and preventing extractive rents from the government has also been in the interest of powerful tribal chiefs and cattle owners, further spurring inclusive institutions (Acemoglu et al, 2003).

Secondly, the British colonial empire had a relatively minor impact on Botswana's institutions. With Botswana's small population, the incentives for the British to extract taxes and exploit a larger labor force were smaller. The British, therefore, implemented less extractive institutions and had a smaller interest in reforming the Tswana system (Acemoglu et al, 2003). The pre-colonial tribal institutions were, therefore, preserved and the British institutions were somewhat adapted to the local environment. Local customs and courts were for example integrated into the colonial judiciary system. The transition to independence was, additionally, conducted in a relatively peaceful manner (Seidler, 2010). However, the British minor interest in Botswana also had negative consequences on the economy as the colonizers conducted very few investments in the country. Botswana was, for example, left with only 12 km of paved road upon independence (Acemoglu et al, 2003).

Thirdly, Botswana's prosperous diamond industry has further refined the inclusive institutions, as large revenues from the industry have reduced the need for the ruling elite to enforce extractive rents on the public. Differently from many other developing countries with an abundance of natural resources, Botswana managed to avoid a resource curse and successfully extracted minerals and utilized the revenue to fund their development programs and institutions (Acemoglu et al, 2003).

5.4 Foreign aid to Botswana

Botswana was one of the highest recipients of foreign aid after its independence in 1966 (Jerve and Slob, 2008), with half of the country's budget relying on grants from the United Kingdom during the first year. Several new aid agreements with foreign countries, including Sweden, Norway and Germany, were signed closely after independence. In total, foreign aid

increased by 7,5 times during the first ten years after the country gained sovereignty (Rakner, 1996).

Notwithstanding foreign aid to Botswana being large in absolute terms, foreign aid has historically not constituted a greater part of the country's GDP over time. The country became budgetary self-sufficient in 1973. In 1971, foreign aid amounted to 5% of the total gross national product. In 1987, the figure peaked at 8%, decreasing to 3% in 1993 (Rakner, 1996). This despite Botswana being the fourth-largest recipient of international foreign aid around the year 1990. (Jerve and Slob, 2008).

The country has historically been described as a “donor darling.” Botswana's relatively low levels of corruption and efficient public management system, have, made the country attractive for foreign donors and enabled an inclusive distribution of aid (Jerve and Slob, 2008). Botswana's Ministry of finance and economic development has been responsible for integrating foreign aid into the national development budget and thereby securing country ownership of the development projects. The ministry has generally been successful in identifying priority areas and distributing foreign aid in partnership with donors (Lewis, 2020).

Foreign aid has, furthermore, played a significant role in the initial economic growth and strengthened the country's institutions after independence. It helped to fund investments in the mining and diamond industry as well as technical assistance and the hiring of foreign expertise. Both these factors have been highly important for Botswana's initial growth process (Rakner 1996). Foreign aid has also contributed to a more equal income distribution by targeting both the rural and urban populations and financing social services such as education, healthcare and water supply (Sebudubudu, 2011).

Evidence suggests that the positive impact of foreign aid, and specifically Botswana's strong country ownership of development projects, have strengthened the government's legitimacy. The ruling party, BDP, has been given credit for development programs, moreover allowing their electoral success. Foreign aid to Botswana has, however, also been met with criticism for being excessive. This has eventually led to Botswana graduating from foreign aid (Rakner, 1996).

Apart from financial assistance directed to improving the country's economic development, Botswana has received a limited amount of democracy aid to further strengthen the country's democratic institutions (Lotshwao, 2014).

5.4.1 Swedish foreign aid to Botswana

Sweden began providing aid to Botswana in 1966 after the country's independence. The initial development aid from Sweden mainly consisted of granting scholarships to students and funding local schools. The first comprehensive government aid agreement between Sweden and Botswana was signed in 1971, second after the United Kingdom (Jerve and Slob, 2008).

According to the Embassy of Sweden in Botswana (2021), Sweden's foreign aid programs' main objectives in Botswana have traditionally been to reduce domestic poverty and increase Botswana's economic independence. The initial aid agreement signed in 1971 focused on further improving the education system, facilitating rural water supply, small-scale industry development and district development (Rakner, 1996). Scandinavian donors, including Sweden, have, furthermore, increased their focus on institution building and supporting women over time. Swedish aid has also served to decrease Botswana's dependence on the previous apartheid regime of South Africa (Rakner, 1996).

Western donors have traditionally shared similar liberal values as the government of Botswana which has made the partnership compatible. At the year of 1996, around 85% of the bilateral aid came from Germany, Norway, Sweden, the United Kingdom and the USA. Few socialist countries, on the contrary, engaged in development projects with Botswana (Rakner, 1996). Sweden has praised Botswana's constitution for safeguarding civil rights, an independent justice system and civil control over the military as well as the country's success in coupling GDP growth with democracy (Swedish Ministry for Foreign Affairs, 2009).

5.4.1.1 Graduating from Swedish foreign aid

The bilateral foreign aid from Sweden decreased as Botswana gradually outgrew its dependence on foreign aid. The geopolitical importance of Botswana for western countries had also decreased as the apartheid regime in South Africa was removed in 1994. Sweden started to restructure its development program in 1994 and had phased out its aid programs in

1998, resulting in Botswana becoming the first Sub-Saharan African country to graduate from Swedish foreign aid (Jerve and Slob, 2008).

The exit of Swedish aid was considered successful despite Botswana's government initially being skeptical of the discontinued foreign aid. Jerve and Slob (2008) stated that Sweden had set up realistic timeframes and conducted careful and mutual planning with the recipient organizations in Botswana. The country's large domestic revenue and well-functioning public financial system upon departure also enabled the process (Jerve and Slob, 2008).

Partnerships such as technical assistance, training programs and assistance in helping to battle the HIV/AIDS epidemic, as well as support through multilateral co-operations, do however remain (Jerve and Slob, 2008). New broader cooperation schemes between Sweden and Botswana were signed in 1998 with the ambition to deepen the bilateral relationships between the countries, under Sweden's strategy *Politik för global utveckling PGU* (Policies for global development), previously discussed in chapter 4.1 (Swedish Ministry for Foreign Affairs, 2009).

The PGU strategy outlines that Sweden should promote fair and sustainable development including democracy and good governance, respect for human rights, equality and economic development. Within the framework of democracy and human rights, Sweden aims to strengthen Botswana's institutions and civil society, increase transparency and decrease corruption. The Swedish government have, similarly to previous aid agreements, emphasized the need for future collaborations to have equal country ownership (Swedish Ministry for Foreign Affairs, 2009)

6 Country case: Uganda

Uganda is a landlocked country located in East-Central Sub-Saharan Africa. The country received its independence from the British in 1962. The initial period of independence included political stability and significant economic growth. This changed in 1971 as a military coup took place, and Idi Amin gained power. The country was forced into political turmoil, mismanagement and a collapsed economy, followed by several successive coups and armed rebellions across the country (Kruse, 2016).

The National resistance movement, NRM, led by Yoweri Museveni gained power in 1986 after an armed conflict with the previous government. The first election, after the NRM took power, was held in 1996 and was won by Yoweri Museveni Museveni. NRM's first period of governance included pro-market reforms and political liberalization. The country grew between 8-11% during NRM's first years of power and the initial political and economic renewal was highly praised by western countries. When reaching the 21st century, the previous applause from the western world stopped, simultaneously as corruption, authoritarian rule and instability increased. Over time, the country has also faced increased problems with inflation and unemployment (Barkan, 2011).

6.1 Democracy and misrule

Uganda was ranked 98th on the Economist Intelligence Unit's (2020) democracy index in 2020, categorized as a hybrid regime. Postcolonial Uganda is according to Barkan (2011) a typical example of a country ruled by "one-man" authoritarian leaders, with domestic examples of Idi Amin, Milton Obote and most recently Yoweri Museveni.

President Museveni was initially regarded as a democratic force and praised by many western leaders. After gaining power in 1986, President Museveni and the NRM conducted economic and democratic reforms to enable political and economic stability. President Museveni has, however, remained in power until today and increased his authoritarian rule over time. The

president has been accused of staying in power for too long and mismanaged the succession, causing political instability. (Barkan, 2011).

The first election after President Museveni gained power was held in 1996, which he also won. The election was, however, a non-party election where only government-approved candidates were allowed to compete. The first multi-party election was held in 2006, as a result of a revised constitution. President Museveni won both the election in 2006 and the following ones in 2011, 2016 and 2021. As President Museveni has continued to win the elections, NRM and the President have further consolidated their power (Kruse, 2016). The elections in 2006 and 2011 were described as “free” but not “fair” by Barkan (2011). A report from the Swedish Ministry for Foreign Affairs (2018) further stated that the elections in 2016 failed to meet essential democratic principles in line with the EU’s election observation mission’s findings.

President Museveni gained 58% of the votes in the 2021 election. The opposition leader Bobi Wine did, however, expose great weaknesses in Museveni's power. Bobi Wine’s party National Unity Platform, NUP, officially received 34% of the votes. Foreign election observation missions, including the EU’s election observation mission, have however expressed concerns over election fraud, arbitrary arrest of opposition leaders and argued that the real share of votes for the NUP to be underestimated. Several opposition leaders were, jailed or put under house arrest before or after the election. Great clampdowns on media and civil society were also conducted before the election. The lack of legitimacy in the 2021 elections, additionally, risks increasing political instability and spurring future conflicts according to experts (Abrahamsen and Bareebe, 2021).

Political patronage, corruption and political monopoly have also become increasing problems in Uganda according to Abrahamsen and Bareebe (2021). The government holds strict power over the military and police simultaneously as the opposition is disorganized and underfinanced. Controlling both the military, keeping the opposition weak and systematic political patronage have served as tools for the government to consolidate its power (Abrahamsen and Bareebe, 2021). The anti-corruption institutions have failed to expose vigilantes with Uganda as the country is ranked 142nd on the Transparency International’s (2020) Corruption perceptions index.

Increased corruption has, additionally, had negative spill-over effects on the welfare system in the country. Reinikka and Svensson (2004), for example, investigated Uganda's sizable education budget from 1991-1995. 20% of total public expenditures were marked for education. However, only 13% of the education budget reached the schools according to the investigation. The rest was absorbed by local officials and politicians, highlighting a corrupt public management system.

The Swedish Ministry for Foreign Affairs (2018) highlighted the risk of uneven distribution of income and increasing unemployment (see section 4.2.2 for more) having negative impacts on the political stability of the country. Poorer conditions for the citizens are threatening the legitimacy of the government and thereby increasing future political stability.

The government of Uganda has also been criticized for increase repression based on gender, sexual preferences and disabilities (Thapa, 2015).

6.2 Uganda's economic development

Uganda's main source of revenue is retrieved from services, most notably telecommunications, wholesale and retail trade. A significant part of the labor force additionally works within agriculture (Kruse, 2016).

The economic reforms implemented by president Museveni after gaining power were initially successful and received great attention from the IMF, World Bank and the international community (Mwenda, 2006). The growth has, however, failed in benefitting all groups of society and certain regions. Northern Uganda, previously, impacted by conflicts has missed out on much of the growth. (Kruse, 2016). The welfare and social service sector have, additionally, been weakened over time (Sida, 2021b) simultaneously as the country has been hit with high inflation (Barkan, 2011).

To reform the economy and support long-terms poverty eradication, a new national policy framework for economic development was launched in 1998: The poverty eradication action plan, PEAP. The project was coordinated jointly by the Ministry of Finance, Planning and Economic development and international development actors. The PEAP was to focus on improving multiple country factors including economic management, production,

competitiveness, disaster management, governance, conflict resolution, governance and human development (Kruse, 2016).

The plan was reformed in 2007 as Uganda outlined the goal of reaching middle-income status in 2037 and reducing dependence on foreign aid. This was to be done with investments in the oil and gas industry and other infrastructure projects. Concerns over poor and extractive institutions halting successful exploitation of the oil industry have, however, been raised. This in combination with substandard infrastructure and a poor education system is likely to keep the country's economic growth dependent on foreign aid (Kruse, 2016).

6.3 Uganda's institutions and civil society

Despite initial improvements after President Museveni gained power, Uganda's economic and political institutions have become more authoritarian and extractive over time. President Museveni aimed to reform Uganda's institutions after gaining power in 1986 with his political party, the NRM, playing a key role in the transformation. The NRM expressed an ambition to strengthen key political institutions on a regional and district level and to facilitate the growth of an independent civil society. President Museveni's long-term governance has, however, had a different outcome. The government implemented several controversial reforms prior to the election in 1996, transforming NRM into the sole political platform in Uganda, where approved candidates could compete without allowing other political parties. A minor reformation of the constitution did, however, take place in 2005 which opened up for the first multi-party election in 2006. (Barkan. 2011).

The Swedish Ministry for Foreign Affairs (2018) has praised the civil society of Uganda for its democratic efforts. Sweden has, moreover, criticized the government for limiting freedom of speech and persecution of the opposition as the government has consolidated its power in the country's institutions. It has been increasingly difficult for civil society to voice its opinion and institutionalized corruption has become a national problem (Sida, 2021b). Increased poverty, notwithstanding economic growth, has further spurred distrust for the country's exclusive institutions (Barkan, 2011).

6.4 Foreign aid to Uganda

Uganda began receiving foreign aid after its independence in 1962. The major, initial, focus from international donors was on improving health, education and the agriculture industry. Many international donors did, however, leave the country after Idi Amin seizing power through a military coup in 1971. The international community returned once the country entered a period of political stability after President Museveni gained power in 1986. This enabled an environment where the international community could engage in long-term development projects and not solely provide humanitarian aid (Barkan, 2011).

The International assistance to Uganda was initially considered a success resulting in rapid economic growth. President Museveni, moreover, managed to implement the macroeconomic policies recommended by the IMF and the World Bank rather successfully (Brown, 2005). The government was praised for great ownership commitment and coordination of development projects funded by international donors (Kruse, 2016).

Over the years, foreign aid has continued to constitute an important revenue for the government. Uganda has traditionally been a top recipient of foreign aid including long-term development work and budget support from western organizations and countries, including Sweden. Furthermore, the World Bank and IMF have provided the country with debt relief. (Babyenda, 2014). From 1990 to 2006, Uganda received foreign aid amounting to 11% of its GDP on average, peaking at 19% in 1992 (UNU-WIDER, 2013). 30% of the annual budget and 70% of the development budget are approximated to have been funded by foreign aid from 2009-2015 (Kruse, 2016).

International support has, however, been criticized for failing to achieve long-term results. Many scholars have argued that excessive and misdirected foreign aid practices have made Uganda dependent on financial aid. Foreign aid has historically financed social services, education, healthcare, infrastructure investments and other necessary government schemes. This has created a dysfunctional economy and governance. President Museveni has been criticized for using domestic revenues to preserve his power with large investments in the military sector, deprioritizing the welfare sector and democratic reforms (Barkan, 2011; Mwenda, 2006).

Mwenda (2006) argued that Uganda's heavy reliance on international financial assistance postponed necessary economic reforms, including tax reforms. Receiving debt relief and budget support have reduced the transparency and accountability of the government. In the long run, it has created an unsustainable economy and spurred corruption. Continuous debt relief has moreover enabled the government to borrow more money. The borrowing has become an "unearned" source of revenue decreasing the government's accountability and undermining democratization.

Babyenda (2014), furthermore, argued that foreign aid had failed in boosting the economy of Uganda. The author emphasized the importance of Uganda finding sustainable domestic revenues and avoiding an unhealthy dependence on international assistance. Mwenda (2006) stated that foreign aid has enabled President Museveni to stay in power, as the continuous financial aid has made up for the government's failure in generating internal revenues.

Tangri and Mwenda (2006) raised the risk of international donors being reluctant to insert pressure on the government as it would risk decreasing the legitimacy of foreign aid. Uganda had initially been portrayed as a role model of Sub-Saharan African governance and denouncing them could risk weakening the legitimacy of previous development projects according to the authors. To promote democracy, Mwenda (2006) argued that international donors should stop foreign aid to the government.

As the corruption scandals increased, the previous "love affair" between President Museveni and the international community came to an end in the early 2000s. International investigations found evidence of mismanagement, political patronage and corruption related to foreign aid projects. In combination with the government's increased authoritarian rule and democratic decline, many of the international donors began re-structuring their aid and prioritizing support to non-state actors instead of the government. The investigations indicated that the government was failing in taking sustainable ownership, coordination and alignment of development projects.. (Kruse, 2016). Several country's completely stopped aid marked for budget support (Barkan, 2011).

6.4.1 Swedish foreign aid to Uganda

Uganda has over the last 30 years been one of the main recipients of Swedish foreign aid, with an additional increase in the early years of the 2000s. The first development cooperation between the countries was established in 1986 after President Museveni gained power. After 2015, Uganda became one of the top recipients of specific democracy aid from Sweden. (Gisselquist, 2020: Government Offices of Sweden, 2021: Odén and Wohlgemuth 2011). Apart from Sweden's effort in funding bilateral and multilateral projects, a report from the Swedish Ministry for Foreign Affairs (2018) also highlighted the importance of the EU's commitment to Uganda.

The development cooperation between Sweden and Uganda initially focused on emergency and rehabilitation aid, under the so-called "Uganda model". Uganda became a program country of Swedish aid in 1991. The initial ambition was to support economic reforms, democracy, budget expenditures, social infrastructure and rural development (Kruse, 2016).

Sweden did, however, share the international community's growing skepticism regarding increased corruption and the democratic decline in the country. Sweden, therefore, began to reduce its budget support to the government in 2005, highlighting the government's poor capacity and increased corruption related to aid projects. There had also been great concerns over fraud related to the electoral preparation in 2005 as well as increased conflicts in northern Uganda. Sweden's direct cooperation with and payments to the government seized in 2012 as a result of numerous violations of human rights, weak democratic leadership and institutional corruption. Instead, the Swedish increased its support to the civil society and private sector (Kruse, 2016).

The latest bilateral aid agreement signed between Uganda and Sweden stretches from 2018-2023 and includes 2.4 billion SEK (Swedish Ministry for Foreign Affairs, 2018). Swedish aid to Uganda in 2020 amounted to 645 million SEK where 590 million SEK was directed to long-term development projects and 55 million SEK to humanitarian aid (Sida, 2021b).

Sweden's thematic priorities for foreign aid to Uganda are *1. Human rights, democracy, equality and rule of law. 2. Environment, climate and sustainable development. 3. Health and sexual and reproductive health and rights 4. Research cooperation* (Sida, 2021b). The Swedish Ministry for Foreign Affairs (2018) has further emphasized that recipient ownership is crucial if the ongoing development projects with Uganda are to be successful, as this has

previously failed. Ownership is to include civil society and the private sector (The Swedish Ministry for Foreign Affairs, 2018).

Shrinking political influence and repression on Uganda's civil society have made Swedish democracy aid increasingly important according to the Swedish Ministry for Foreign Affairs (2018). The increased co-operation with the private sector and civil society organizations serve to increase the knowledge and capacity within the civil society. The projects aim to increase political participation and dialogue as well as decreasing corruption. The civil society's important role in countering the ongoing persecution of the HBTQ community has, moreover, been highlighted by the Swedish Ministry for Foreign Affairs (2018).

7 Discussion

The first part of this chapter compares country cases of Botswana and Uganda with Gisselquist et al's (2020) main findings to investigate the impact of Swedish and international foreign aid on democratization processes. The second part continues the analysis by incorporating additional literature presented in chapter 2.2 relevant for institutional, agency-based and structuralist theories.

7.1 Foreign aid's impact on democratization processes

1. Gisselquist et al (2020) found evidence of foreign aid having a small but positive impact on democratization processes in recipient countries.

Evidence from this paper suggests that Swedish and international foreign aid have played an important role in Botswana's economic and democratic development and hence had a positive impact on the country's democratization process. The study does, differently, not find much evidence of Swedish or international foreign aid having a significant positive impact on any democratization process in Uganda.

2. Gisselquist et al's report (2020) found evidence of democracy aid having a stronger impact on democratization processes compared to conventional development aid.

It cannot be concluded that democracy aid (*aid according to definitions 2 and 3 from chapter 2.1*) has been more effective compared to conventional development (*aid according to definitions 1 from chapter 2.1*) in facilitating democratization processes aid in the examples of Botswana and Uganda.

Botswana received most of its foreign aid in the 20th century. At that time, specific democracy aid did not constitute a significant part of Swedish or international development strategies. Instead, Botswana mostly received conventional development aid which successfully facilitated democracy-building.

Uganda has, differently, received vast democracy (*aid according to definitions 2 and 3 from chapter 2.1*) during the 21st century, being one of the top recipients' of Swedish democracy aid. As stated above, this paper finds little evidence of foreign aid, including democracy aid, having a significant positive impact on democratization in Uganda.

3. Gisselquist et al (2020) found evidence of the recipient countries' domestic environment impacting the results. The authors, furthermore, argued that the results of foreign aid vary depending on which domestic actors receiving the aid.

The evidence from this study is in line with Gisselquist et al's (2020) findings. Botswana has had a favorable domestic environment and local actors making efficient use of Swedish and international foreign aid. This includes an efficient public management system counteracting corruption and facilitating efficient bureaucracy. The country has also been praised for its ownership of the development projects and successfully managing to integrate foreign aid into national development plans.

Uganda has, differently, suffered from an inefficient public management system and high levels of corruption. The evidence from this paper suggests that the unfavorable domestic environment counteracted Swedish and international foreign aid's ambition to facilitate a democratization process. Swedish and international foreign aid was initially distributed to state actors. The government of Uganda has been reluctant in conducting inclusive country ownership and including civil society in the development projects, having negative impacts on the country's democracy. If re-directing foreign aid to non-governmental actors will improve democracy remains to be seen.

4. Gisselquist et al (2020) found evidence of foreign aid being more suitable at facilitating an ongoing democratization process compared to stopping democratic backslide.

Botswana has had a long tradition of inclusive social and political institutions and the country's democratization process started before incoming foreign aid reached its peak. Uganda has differently experienced a democratic backslide after initial improvements when President Museveni gained power. The findings from this study are in line with Gisselquist et al's (2020) conclusion suggesting that Swedish and international foreign aid assisted in facilitating an ongoing democratization process in Botswana whereas it failed to stop a democratic backslide in Uganda.

6. *Gisselquist et al (2020) found no evidence of foreign aid harming democratization processes.*

Evidence from this study suggests that foreign aid has created an “unearned revenue” for Uganda’s government. This has made the political leaders less accountable and increased corruption. The “unearned” revenue is also argued to have delayed necessary economic and political reforms. Foreign aid has assisted in financing social services whereas a significant part of domestic revenues have been used on military spendings and further consolidating President Museveni’s power. Hence, there is a risk of Swedish and international foreign aid having harmed the democratic development in Uganda differently from what Gisselquist et al (2020) suggest.

7.2 Different perspectives on democratization and foreign aid

7.2.1 Institutional theories

Botswana has had a long history of inclusive institutions. These have influenced the democratization process over time and helped to shape the modern democracy of today. The traditional formal and informal institutions have put constraints on the ruling elite and encouraged public participation from the civil society. A light colonial rule from the British, moreover, helped to preserve the pre-colonial inclusive institutions. Modern leaders have been successful at incorporating the pre-colonial institutions into the modern institutions, facilitating rule of law, meritocratic culture and relatively low level of corruption. The lack of a credible opposition does, however, remain as an argument against Botswana having inclusive institutions.

Swedish and international aid to Botswana have strengthened the development of modern institutions and democracy following institutional theories. This by financing capacity-building schemes and development projects as well as initial budget support. Swedish and international foreign aid have also funded technical assistance and education in Botswana, which has boosted human capital and rule of law, having a positive impact on democratic institutions according to Gisselquist and Nino-Zarazua’s (2021) findings. Evidence suggests

that foreign aid has both increased the quality of the institutions and the people's trust in them.

Uganda has differently had a history of institutions impacted by political turmoil, corruption and electoral fraud, highlighting the country's failure in developing democratic institutions. The political elite has, further, strengthened its exclusive institutions by cracking down on the underfinanced civil society and opposition.

Evidence indicates that Uganda's poor and extractive institutions have harmed Swedish and international foreign aid's ability to facilitate a democratization process following institutional theories. Political patronage, institutional corruption and conflicts have distorted the democratization process. Implementing "best-practice" solutions in Uganda has not been successful, following Rodrik's (2008) argumentation. The author argued that institutional and economic reforms must be adapted to country-specific factors. Swedish and international donors' new strategy of directing foreign aid to strengthen civil society institutions and the private sector might have the potential for future success.

The evidence further suggests that foreign aid has prolonged the survival of non-democratic institutions in Uganda. This with budget support and financial grants paid to the government. The direct support to the government has, however, gradually been phased out as Swedish and international foreign aid have been redirected to civil society and non-governmental institutions.

Both the case of Botswana and Uganda shed light on Acemoglu and Robinson's (2012) findings concerning the impact of institutions on economic development and democracy building. Development aid to Botswana was effectively utilized by the high-quality domestic institutions. Swedish and international foreign aid further strengthened the already existing inclusive institutions following Acemoglu and Robinson's (2012)'s theories, further enabling democracy. Differently, evidence suggests that Uganda's extractive institutions exploited Swedish and international foreign aid without engaging in democratization processes under Acemoglu and Robinson's (2012) theories. A public management system suffering from corruption and poor efficiency further reduced the positive impact.

North et al's (2009) argument concerning institutional social orders also holds evidence when assessing the impact of Swedish and international foreign aid on democratization processes in Botswana and Uganda. Botswana has had fairly inclusive institutions, similar to an open-

access order, presented by North et al (2009). The incoming foreign aid has strengthened the already existing inclusive institutions of Botswana and benefitted both the political elite and population, similar to open access order. The political elite of Uganda is differently dependent on political patronage, corruption and enforcing rents on its citizens to maintain economic and political power, similar to limited access order. Foreign aid, which potentially could have enabled a transition into an open access order in Uganda, has instead been used to consolidate the power of the political elite. Allowing foreign aid to finance a democratization process would threaten the current political monopoly held by the elite following North et al's (2009) theory.

7.2.2 Structuralist theories

Botswana has been praised for its remarkable growth journey. With initial poor conditions after independence, including low levels of education and a poorly developed infrastructure, the country has rapidly increased its economic and social development. This with help of a prosperous diamond industry, vastly improved education system, efficient public management and bureaucracy as well as non-extractive institutions.

The evidence further suggests that the social and economic development have increased the legitimacy of the governing system and enabled political stability. It has further allowed an influential civil society to prosper, challenge the political authorities and engage in mass political participation, differently from the underfinanced civil society in Uganda. Hence, evidence from this paper suggests that an endogenous democratization process driven by economic and social development has taken place in Botswana.

This paper finds evidence suggesting that Swedish and international foreign aid have facilitated the democratization process in Botswana under structuralist theories. Foreign aid has helped Botswana to fund its infrastructure investments, rural development projects, education system and institutional improvements. In summary, development aid has played an important role in facilitating the economic and social development in the country, and in the long run the democratization process. It should, however, be emphasized that Botswana still battles with inequalities and more is to be done.

Differently, Uganda has failed to promote a social and economic development similar to Botswana, despite initial improvements after President Museveni gained power. The

country's growth journey has lacked inclusiveness and been slowed down by political patronage, corruption and high inflation. Moreover, the government has been accused of failing to provide its citizens with basic social services and political conflicts have spurred inequalities between different regions. Economic mismanagement has incited increased anger towards the government and contributed to political instability. The underfinanced civil society has not been able to challenge the traditional political elite or engage in decision-making, which is important to spur democracy according to structuralist theories.

Evidence suggests that Uganda has developed an unhealthy relationship with foreign aid and as a consequence failed to solve its internal problem, following Mwenda's (2006) theories. Instead of conducting necessary economic reforms such as reforming the tax system and investing in social services, the government has prioritized domestic revenues for other sectors, including investing heavily in the military. Swedish and international foreign aid have helped to finance the welfare sector, spurring aid dependence and a dysfunctional economy dependent on "unearned" revenue.

Moss et al (2006) also elaborated on the danger of aid-dependence and poor economic growth slowing down democratization processes. The authors' arguments hold for the case of Uganda as a proportional part of the country's revenue still comes from foreign aid. This has made the political elite less accountable to its citizens and decreased the incentives to invest in social services and the welfare system, having negative effects on economic and social development and in the long run democracy-building, following structuralist theories. The decision from Swedish and international actors to redirect their support to the private and civil society sector could have positive effects on democracy-building in the future.

7.2.3 Agency-based theories

In Botswana, government actors have embraced the development of inclusive institutions, by incorporating pre-colonial inclusive institutions, which encourage broad public participation, into modern governance. A well-integrated and significant civil society has also contributed to the consolidation of democracy, in line with agency-based theories underlining the importance of actor-driven democratization processes. It should, however, be emphasized that the country still lacks a credible political opposition.

Foreign aid has assisted in the development of inclusive institutions, enabling power-sharing according to agency-based theories. The successful domestic country ownership of development projects has, furthermore, increased the domestic political actors' legitimacy and thereby also their democratic governance. The domestic political actors have, furthermore, been given credit for the economic success, facilitated by foreign aid, further increasing their popularity and enabling political stability.

Botswana, moreover, used a significant part of the Swedish and international foreign aid to fund technical assistance programs. This has increased the skill and power of the private sector and civil servants, furthering power-sharing between the political elite and the public. The beneficial impact of training programs in Botswana follows Gibson et al's (2015) conclusion, regarding the importance of strengthening the role of the non-elite to further democratization processes.

The political elite in Uganda has, differently, set up extractive institutions and counteracted democratization processes and power-sharing. Civil society actors have for long been suppressed with shrinking political influence simultaneously as the political elite has consolidated its power through corruption and political patronage.

This study finds evidence of Swedish and international foreign aid unintentionally helping the political elite to preserve their authoritarian rule and consolidation of power. A significant part of Swedish and international foreign aid were initially directed to budget support and similar direct support to the government. This is argued to have helped the government to cover up for the lack of domestic revenues and consolidate their power following Kono and Montinola's (2009) arguments.

Wright (2009), further, highlighted the risk of failed conditionality when distributing foreign aid in authoritarian regimes. The fact that authoritarian leaders are less likely to be willing to conduct democratic reforms and give up their power must be considered when distributing foreign aid. Wright's (2009) concern is highly relevant in the example of Uganda as evidence suggests that president Museveni exploited foreign aid to strengthen his power instead of conducting democratic reforms.

Swedish and international donors' decision to shift from supporting government actors to distributing foreign aid to non-governmental actors might improve power-sharing and democracy in the future according to agency-based theories.

8 Conclusion

The purpose of this study was to conduct a thorough comparison of previous literature and theory to investigate the effectiveness of foreign aid in facilitating democratization processes. Much of previous studies on similar topics have conducted quantitative methods or qualitative methods investigating foreign aid's impact on strict economic outcomes. This paper has conducted a qualitative method by investigating previous theories and empirical evidence on foreign aid and democratization processes, particularly investigating the impact of Swedish foreign aid to Botswana and Uganda. Botswana and Uganda are both located in Sub-Saharan Africa but have vastly different political and institutional settings. Botswana has often been described as a Sub-Saharan role model of economic and democratic growth whereas Uganda has been largely impacted by political conflicts and totalitarian rule. Assessing Botswana and Uganda's economic, institutional and political development in relation to foreign aid and democracy enable this study to assess various perspectives and contribute to further understanding of a complex issue.

The study has found conflicting evidence of the effectiveness of foreign aid in facilitating democratization processes in Uganda and Botswana, both contradicting and confirming previous research including the paper by Gisselquist et al (2020) written on behalf of the Swedish government committee *Expertgruppen för biståndsanalys* (The expert group for aid studies) EBA. The evidence suggests that foreign aid, particularly Swedish foreign aid, have had a positive impact on democracy-building in Botswana whereas it had little effect on an aggregated level in Uganda.

In Botswana, Swedish and international foreign aid have successfully supported the development of inclusive modern institutions inherited from pre-colonial eras. The foreign aid has, furthermore, helped to legitimize democratic governance and supported a successful economic and social development, which according to evidence has been crucial for the domestic democratization process. In Uganda, much evidence suggests that foreign aid has failed to facilitate a democratization process and, to some extent, strengthened the authoritarian rule. The study finds evidence of foreign aid becoming an "unearned" revenue in Uganda, making the political elite less accountable to its people. Sweden and the international

community have, however, over time reduced their financial aid to the government of Uganda and redirected their support to the civil society and private sector. If that will enable long-term democratic improvements remains to be seen.

The study has some possible limitations. Conducting a comparative qualitative study on two different country cases could decrease the likelihood of finding a causal relationship. The paper is also dependent on the findings and validity of previous studies which could have certain biases. It would, additionally, be beneficial for the analysis to include country cases, with similar backgrounds to Botswana and Uganda, but that differently have not received foreign aid. Lastly, A possible endogenous relationship between democracy and foreign aid must be considered.

Although this study was conducted in one specific setting, the paper has found evidence that should be considered for future policy-making. The paper's findings suggest that the domestic environments in recipient countries greatly impacts the effectiveness of foreign in facilitating democratization processes, similar to the report written by Gisselquist et al (2020). Foreign aid is found to have been successful at improving existing democratization processes but failed in stopping democratic backslide, in line with Gisselquist et al's (2020) findings. Internal factors such as domestic institutions, economic structures, civil society and the ruling political elite are all suggested to have impacted democratization processes, similar to what previous literature on institutional, structuralist and agency-based theories have found. Finally, it should be noted that this paper indicates the importance of historical factors. These conditions cannot be duplicated but important lessons can be learned.

The effectiveness of foreign aid and its role in democratization processes will continue to be discussed. Future research should investigate specific aid modalities' impact on democratization processes. This includes analyzing specific support to electoral activities, free media and women's rights. Swedish foreign aid was, according to Gisselquist et al (2020), found to be slightly more effective compared to overall international foreign aid. Further investigating the different impacts of Swedish versus international foreign aid would be of interest.

As concluded in this report, democracy and institutional building have become increasingly current topics within development assistance. Previous trends have included tackling

macroeconomic imbalances and trade liberalization. More research within future trends of international development would also be beneficial to ascertain aid effectiveness.

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