



Official Development Assistance (ODA): Are There Correlations Between ODA and Corruption in Sub-Saharan Africa?

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Official Development Assistance (ODA):
Are There Correlations Between ODA and Corruption in Sub-Saharan Africa?

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Abstract

Taking a broad-brush view of the past 60 years of official development assistance (ODA) in Sub-Saharan Africa (SSA), leading to a decision that ODA is a total failure for all SSA countries, is both misleading and unsupported by credible evidence. It discredits the good that has been achieved in African countries like Botswana, where genuine interest in sustainable development between recipient and donor nation (e.g., Botswana and United Kingdom) resulted in numerous desired outcomes. However, it must also be said that sustainable development through ODA in many SSA countries has been disappointing.

Historically, ODA funds were given by the donor directly to a developing country. But ineffective ODA is a problem that must be looked at from two prisms: (1) ineffective ODA as a result of rampant corruption among African state government leaders (recipients), and (2) detrimental trading practices by wealthy Western donor nations.

This thesis addresses ODA from the perspective of what makes ODA ineffective, and what are the major impediments still apparent today. Some critics suggest that SSA countries have not been given sufficient funds by donor nations to spur sustainable development; other critics allege that the funds dispersed by wealthy Western nations for the past 60 years were wasted to begin with and not needed—leading to the further assumption that such unneeded funding disappeared into the bank accounts of African leaders to enrich their personal fortunes. Although there is no definitive way to conclude whether one set of critics or the other is right, each has played a part in the overall systemic failure of ODA for countries in sub-Saharan Africa.

Dedication

This thesis is dedicated to all Africans whose dreams are to see a better tomorrow through improved governing systems that place the well-being of all citizens as a priority. Both now and in the future, it is those change agents and advocates (private citizen of the world, or sustainable-development-driven communities) that are committed and earnestly interested in bringing sustainable change to the people of Africa.

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Last but not least, I owe the largest debt of gratitude to my family for persevering with me. No words are sufficient to express my appreciation to my lovely wife, Ashtar Admassu. She is the rock of our family. Her unconditional love and care for all of us, and especially for our beloved children, Amirah and Elias, freed me from worry so I could focus on the research.

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Glossary of Acronyms

AfDB	African Development Bank Groups
AU	African Union
AUC	African Union Commission
COMESA	Common Market for Eastern and Southern Africa
COMWARN	Conflict Early Warning System
CPI	Corruption Perceptions Index
CPPI	COMESA Peace and Prosperity Index
DAC	Development Assistance Committee (part of OECD)
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
IFF	Illicit Financial Flows
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
LDI	Liberal Democracy Index (V-Dem)
MDG	Millennium Development Goals
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PERI	Political Economy Research Institute
PPP	Purchasing Power Parity
PTA	Preferential Trade Area
SADC	South African Development Community
SSA	Sub-Saharan Africa
SVA	Structural Vulnerability Assessment [system]

TI	Transparency International
UKAID	United Kingdom International Development Agency
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa

Chapter I

Introduction

Foreign aid has at times been a spectacular success—and an unmitigated failure.
— World Bank, 1998

There is no doubt that foreign aid has the potential to be a force for good where it is implemented diligently and utilized appropriately for its intended purposes. The successes achieved through the Marshall Plan (1948–1952), which rescued and rebuilt European nations after World War II, as well as the role of official development assistance (ODA) in the economic development of many Asian countries from the 1960s onward, are prime examples of what can be achieved through effective and sustainable development that meets its objectives.

The same cannot be said when it comes to most African nations. Despite large sums of ODA given to Africa over the last six decades, and contrary to conventional belief that such aid is beneficial, ODA in sub-Saharan Africa (SSA) countries has been generally characterized as a failure. When confronted with bleak outcomes that could be described as abnormal, atypical, or asymmetrical to the norms of effective development, the obvious question is: what are contributing factors or causes that hinder effective and sustainable development in these SSA countries?

Defining ODA

The core principle on which ODA is founded is the pursuit of effective and sustainable development to under-developed regions and nations of the world. The sustainable development manifesto is expressed well by the Organization for Economic Co-operation and Development (OECD): “Better policies for better lives.” That is its core mission statement with an emphasis on promoting policies that improve the economic and social well-being of people around the world (2019a, p.1). However, the reality of translating into action and achieving the desired outcome of that mantra seems to be far from being realized in the case of SSA countries.

The general understanding and almost universally agreed consensus by world foreign-aid scholars and aid communities is that the role of ODA in SSA has been lackluster and apathetic. The degree to which ODA fails to address the core issues of effective and sustainable development has caused outrage to those who are concerned and have followed the longstanding and chronic history of African underdevelopment.

For many decades, the lack of effective and sustainable foreign aid development in SSA has been frequently debated among media outlets and in printed scholarly works. Sub-Saharan African nations have become an example of ineffective development because ODA has performed more poorly in Africa than in any other region of the world.

One impediment to effective and sustainable development is corruption. Mark Robinson (1998) identifies corruption as a significant problem for development, underscoring corruption as a destabilizing force because it undermines development institutions and erodes trust between governing authorities and citizens. In this thesis, I explain the role of corruption in greater detail. I discuss how capital flight and illicit

financial flows (IFFs) frustrate local development by siphoning off resources intended for infrastructure and public services. Corruption weakens the legitimacy of states and negatively impacts the credibility of international aid agencies that distribute foreign aid.

Sub-Saharan Africa has received foreign aid for many decades, but despite this assistance, SSA countries remain ranked among the most poor in the world. This paradox bewilders many foreign aid experts and continues to be a hotly debated topic in any discussion of SSA. It is fair (and appropriate) to critique, argue, and question whether official development assistance (ODA) has met its stated primary objective of promoting effective and sustainable development in SSA with which states were expected to break free from the grip of poverty. By all accounts, the objective of effective and sustainable development in SSA is either unacceptably low or nonexistent. Some suggest that the role of ODA in SSA seemed to miss decades of opportunities for transformational development. The fact that Africa as a whole, and SSA in particular, is at the center of continuous development debate in the 21st century, is indicative of a lack of both desired and necessary progress.

At its core, persistent poverty in Africa cannot be blamed on a lack of resources—either Africa’s own natural resources or sources of foreign development aid. I believe the rampant poverty in Africa, especially in SSA countries, stems from corrupt African regime leaders who seek such aid in the name of assisting the poor, then pocket the monies for their own personal benefit and deposit it into banks in other countries. This key point will be explored in this thesis, and is corroborated by other research studies including Ajayi & Ndikumana, 2014; Kar & Leblanc, 2013; Ndikumana & Boyce, 2012; Ndikumana, Boyce, & Ndiaye, 2015; and UNECA, 2015.

Millennium Development Goals

Where underdevelopment persists as a cyclical occurrence, debilitating poverty is the norm, not the exception. A report co-authored by UNECA, AU, AfDB, and UNDP (UNECA, 2015), surveyed the progress of the 2015 Millennium Development Goals (MDGs), finding that poverty levels were highest in SSA countries compared to other regions of the world, as shown in Figure 1. The proportion of population living below a Purchasing Power Parity (PPP) of US\$1.25 in SSA countries is especially low. In 1990, 57% of the population of SSA lived below poverty line—the highest of all other regions of the world.

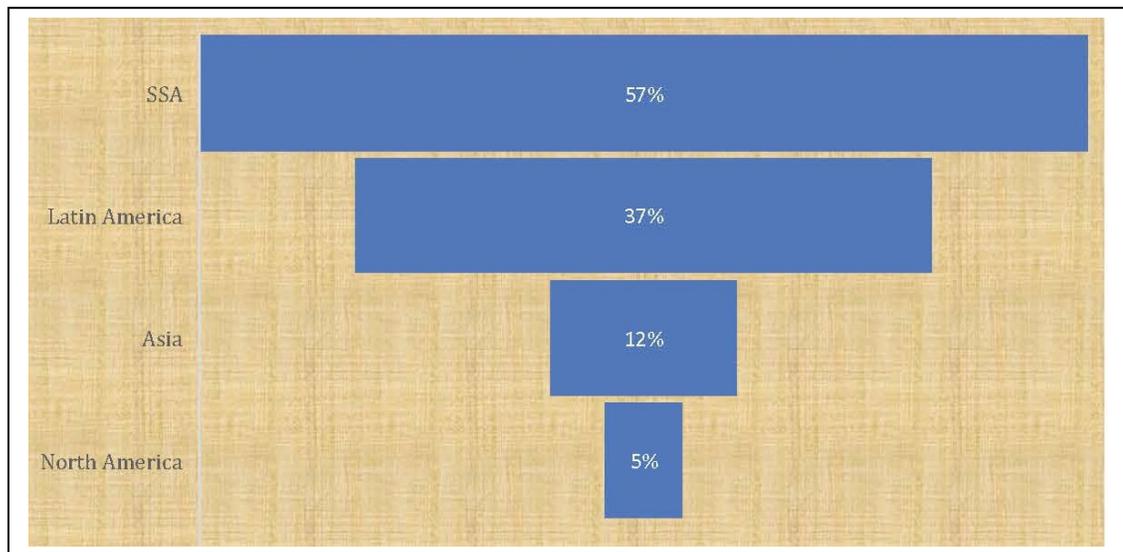


Figure 1. World Poverty Levels (1990).

Source: UNECA, MDG Report 2015, p. 2.

Between the launch and completion of MDGs from 2000 to 2015, significant achievements were made in combating corruption and thereby reducing poverty to some degree worldwide. Nevertheless, SSA countries still remain the poorest regions of the

world (UNECA, 2015, xiii). A plausible explanation for this dilemma may be the fact that combating corruption and reducing poverty in African countries varies disproportionately. As explained in the following, while some African countries made positive headway in reducing poverty, others face sizably increased poverty levels.

The 2015 MDG report shines important light on progress made in terms of combating and reducing poverty since the MDGs were launched. In the wake of the launch, several major methods for poverty reduction were implemented. Furthermore, where ODA was apportioned on the basis of need and prudently used for the intended purposes, there were positive successes. The report acknowledged substantial progress in reducing poverty in some SSA countries, but also admitted the slow pace and susceptibility to shocks that could reverse development gains. As shown in the 2015 MDG report (UNECA, 2015, p. 3), there are 24 SSA countries showed varying degrees of poverty reduction. Only Gambia, with 32% poverty reduction in five years, met the 2015 MDG target of 28.25% reduction over 15 years.

While Gambia enjoyed exceptional poverty reduction, several more countries were commended for positive performances: Burkina Faso, Ethiopia, Malawi, Niger, Swaziland, Tanzania, and Uganda substantially reduced poverty in their respective countries, although they failed to meet the MDG target by varying percentage points. Setbacks occurred as well. Among 30 SSA nations, 6 countries failed to reduce poverty. Kenya performed the worst, with an increase in poverty of 28.4%; Zambia was a close second with an increase of nearly 20%.

Such performances raise a key question: why does performance vary so much in countries that are top recipients of ODA for numerous consecutive years? The hallmark

of successful development is a reduction in poverty. For example, in Kenya, poverty has increased despite a considerable influx of ODA. In comparison, Ethiopia (also an ODA recipient) is an example of successfully reducing poverty. In instances where a country regresses or fails to register meaningful poverty reduction, negative factors such as corruption in relation to ODA received by that country merit a close analysis.

In the Case Studies chapter of this thesis, I present two comparative case studies, each case comparing two countries to determine within each pair the respective failure or success. That will enable me to refute or endorse the effects of ODA on poverty in these four countries as it relates to the receipt of ODA. Was there a relationship between the amount of ODA received and the growth or reduction of poverty during the period 2000 to 2015?

Thesis Objectives

The prevalence of under-development and the abject cycle of poverty in SSA countries are mainly the result of unsustainable development hindered by factors such as corruption in ODA. The objectives of this research are (1) systematically investigate and measure the overall impacts of poor ODA governance systems on both donor and recipient governments, which enable corruption, and (2) examine and compare the impact of corruption within ODA interactions, and how those interactions can hinder economic development in a country. I hypothesize that such hindrances impeded effective ODA in SSA countries, thus becoming a barrier to the nations' development during the 2000 to 2015 timeframe.

Chapter II

Definitions of Key Terms

Capital Flight: Defined as “a residual of the Balance of Payments consisting of discrepancies between recorded foreign exchange inflows and recorded uses of these inflows. Capital flight represents outflows of financial resources from a country in given periods that are not recorded in official government statistics. (Ndikumana, Boyce and Ndiaye, 2015, p. 2)

COMESA: (Common Market for Eastern and Southern Africa): Formed in 1994 to replace what was then known as the Preferential Trade Area (PTA) established in 1981. Today COMESA is a collection of 21 African member states tied by a treaty to cooperate in developing their natural and human resources for the good of all their people. It promotes a wide-ranging series of objectives which include the promotion of peace and security in the region (COMESA, 2019b, pp. 1-2).

Corruption: Transparency International (TI) defines corruption as the abuse of entrusted power for private gain. This definition applies to both the public and private sectors. Using its Corruption Perception Index (CPI), TI measures levels of corruption in a given country or sector (TI, 2018).

CPPI (COMESA Peace and Prosperity Index): An index developed by COMESA through consultations with member-state experts, including Regional Economic Representatives from the East African Community, Economic Community of West African States, Intergovernmental Authority on Development, and the

African Union Continental Early Warning System. As a measure of progress toward the goals of peace and prosperity, CPPI possible outcomes are assessed by four pillar indicators, namely: Peace, Health, Wealth. and Trade Openness (Etyang & Chinemhute, 2016).

Good Governance: The International Fund for Agricultural Development (IFAD, 1999) defines good governance in relation to development as “the manner in which power is exercised in the management of a country’s economic and social resources for development.” Accountability, transparency, rule of law, and participation are the hallmarks of good governance.

Human Development Index (HDI): Roser (2019) describes the HDI as a composite of statistics that measures key dimensions of human development: a long and healthy life measured by life expectancy, access to education measured by expected years of schooling, a decent standard of living measured by income per capita.

Illicit Financial Flows: The High-level Panel on Illicit Financial Flows, formed in 2012 by the ECA and the AUC, defines illicit financial flows (IFF)s as money that is illegally earned, transferred, or utilized (UNECA, 2012, p.1).

Odious Debt: A debt that occurs when a despotic regime contracts debt not for the needs or interests of the state, but to strengthen and hold on to power by suppressing insurrection or uprising. Although not used for public good or economic development, it is nevertheless incurred on behalf of the entire state. Ndikumana and Boyce (2011) define *odious debt* as “public debts but private assets” whereby a large accumulation of external wealth by corrupt leaders of Africa stunts any

economic development by draining resources for debt-service payments. From Africa's perspective, odious debts occur when African governments borrow money from a foreign government and the incoming money fuels capital flight out of Africa in the form of debt-service payments. Such capital flight causes millions of African to be deprived.

Official Development Assistance (ODA): Defined by the OECD Development Assistance Committee (DAC) as government aid that promotes and specifically targets the economic development and welfare of developing countries. The DAC adopted ODA as the “gold standard” of foreign aid in 1969, and it remains the main source of financing for development aid.

Organization for Economic Co-operation and Development (OECD): An international organization that works to build better policies for better lives. As stated on their website: “Our goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. We draw on almost 60 years of experience and insights to better prepare the world of tomorrow” (OECD, 2019a).

Chapter III

Literature Review

Most literature reviews of ODA revolve around three paradigms: (1) aid is ineffective, (2) aid works sometimes, and (3) specific aid works at specific times. During my research, I continually encountered one or more of the three paradigms. The first two are broadly discussed in this paper, as they represent two sharply opposing and polarizing worldviews of ODA. In fact, the underlying persuasion of these schools of thought covers the spectrum from “no more foreign aid” to “doubling foreign aid.” Those who support “no more aid” base their argument on the premise that “aid is ineffective,” while the camp that calls for “doubling foreign aid” does so on the basis that “specific aid works at specific times.”

A logical counter-argument to “no more aid” is “more aid”—with a caveat that those who call for more foreign aid do so because they believe that the reason why foreign aid did not deliver the desired economic success was because the aid was not sufficient to result in effective and sustainable development; also because the implementation was not aligned and tailored in accordance with the economic needs of the specific region. The view of “more aid” to SSA countries is championed by Jeffery Sachs (2005) along with other prominent advocates such as Joseph Stiglitz (2002). Both Sachs and Stieglitz called for doubling foreign aid to regions of sub-Saharan Africa based on the premise that not enough has been given for an effective and sustainable development to be attained in SSA countries. They also highlighted some rare but real

successes achieved in certain sectors because of ODA, particularly in the area of health, which I will discuss later in the thesis. While the two schools of thought debate the rationale behind “more aid” and “no aid,” there is a common belief on which both camps agree: that ODA tinged with corruption adversely impacts sustained development and makes it unfeasible.

Before delving into the views of these two opposing perspectives, I should acknowledge that there is a third perspective advocated by academics and researchers. One is Paul Collier, author of *The Bottom Billion* (2007). Collier asserts that geography, conflict, and bad governance are the primary traps contributing to keeping SSA countries poor. He admits that aid is not a panacea, but he believes that certain kinds of aid, delivered in certain ways, can help combat poverty. This third view of ODA is a less vocal and more middle-of-the-road approach compared to the two opposing schools on which I focus here in greater detail.

There were a number of early critics of foreign aid to Africa. One was Farah Abuzeid (2009), who pointed out that the “big push” argument portrays aid as a necessary catalyst that leads to growth. But, while initiating an upward path to economic development, it did not produce the desired outcome (p. 17). Moreover, the development assistance provided to SSA countries often has not effectively produced sustainable development. Ahmad Abubakar (1989) noted that Africa’s socioeconomic crisis actually continued to worsen after ODA was put in place. In a 2014 article titled “Why Foreign Aid Fails and How to Really Help Africa,” Daron Acemoglu and James Robinson argued that huge flows of aid appeared to have done little to change the development trajectories of poor countries, especially in SSA. Anup Shah (2014) suggests that the root of ODA

ineffectiveness in SSA is aid donors and recipient governments are guilty of culpable neglect of both the quantity and quality of ODA in relation to meeting its desired objectives of effective and sustainable development. Another perspective, detailed by Helmut Fuhrer (1996), questions the very idea of a possible economic breakthrough in SSA, similar to the Marshall Plan. He suggests that expecting to replicate similar development in Africa through the use of ODA is excessively optimistic (pp. 4-5).

Behind these pessimistic assessments of Africa's prospects for more development through ODA is the widespread notion that SSA countries are mired in perpetual corruption because of bad governance. Certainly, underdevelopment woes in Africa are multifaceted and have lingered for far too long. What are the responsibilities and obligations that will bring about ODA delivery and success in SSA countries?

One of the most debilitating and paralyzing problems is the domino effect of corruption. There are numerous books and articles on the topic of corruption by scholars such as George Ayittey (2009), Angus Deaton (2013), William Easterly (2005), and Dambisa Moyo (2009). Their common theme of refuting ODA as an ineffective means of development stems from the allegation that for the last 60 years large amounts of foreign aid have been wasted or embezzled by dysfunctional regimes. In their view, doubling or even quadrupling aid will not work. The view that bad governance leads to rampant corrupt practices by the governments of SSA countries that have received aid, is widely shared. Larry Diamond (2005), Richard Joseph and Alexandra Gillies (2009), and Vijay Mekhan (2002) are among many who believe ODA will not be effective and sustainable until the problem of corruption is seriously combated.

A survey conducted by Lepapa (2017) highlights the challenges and obstacles that concern African nations. In the survey, corruption as a consequence of poor governance was the most problematic. Many see corruption as endemic in much of Africa, permeating all facets of life from simple things like access to medical care, schools, and jobs to the award of contracts and use of public resources. Corruption is blamed for great inequalities both in access to government services as well as opportunities for investment with local and foreign firms. Moreover, where corruption is rampant, misappropriation of public funds is a common practice, often at the expense of the majority of the population.

In relation to ODA's possible connection with corruption as a factor limiting effective and sustainable development in Africa, George Ayittey (2009) casts blame squarely both on African elites and successive governments. He also holds accountable aid donors in the rich nations of the world. He states: "Africa is poor because of its dysfunctional, kleptocratic regimes that have disorganized its societies, and Western countries and their aid vehicles have been unwittingly complicit in this" (pp. 1-3). The larger questions are: To what degree are these claims verifiable? What are the costs incurred and opportunities lost when measured in relation to development?

Numerous other studies identify corrupt ODA interactions as deterrents to development. One is a World Bank policy research paper commissioned by Princeton University, as reported by Burnside and Dollar (2004). Their findings demonstrate that "in Sub-Saharan Africa, 84% of opinion makers agreed with the statement that 'because of corruption, foreign assistance to developing countries is mostly wasted'" (p. 3). A more recent study on the negative effects of corruption on ODA was commissioned by the European Union to estimate the cost of corruption in developing countries, including

SSA. The 2015 findings revealed that in the 50-year history of ODA in Africa, in excess of \$1 trillion dollars was believed have to been squandered through corruption. The study specifically highlights capital lost in the form of Illicit Financial Flows (IFF). The estimated loss has been researched and corroborated by Kar and Cartwright-Smith (2010), Kar and LeBlanc (2013) of Global Financial Integrity (GFI) as well as by High Level Panel on Illicit Flows from Africa (2015).

Chapter IV

Research Methodology

In addition to the literature review discussed earlier, my research focused on the relationship between ODA and sustainable development. Were higher levels of ODA associated with increased CPPI and IIAG from 2000 through 2015? I also examined the drivers of sustainable development within COMESA and SSA as whole. The drivers identified in the literature review include Capital Flight, Illicit Financial Flows (IFFs), and the Corruption Perception Index (CPI)

Possible correlations between ODA and corruption are evaluated through key factors that affect sustainable development. Both adverse and favorable effects of these factors were identified and quantified by measuring and scoring methods that are discussed in the Ibrahim Index of African Governance (IIAG) and the COMESA Peace and Prosperity Index (CPPI).

Two case studies are presented, highlighting two sets of countries, either to point out conditions under which ODA worked to create effective development, or the circumstances in which ODA was not effective in producing increased development. The case studies are important for understanding and evaluating positive as well as negative roles that foreign development aid may have played. Through the case studies, I summarize the genesis and current standing of national development in SSA countries which could be attributed to the role played by ODA, both positive and negative.

The first case study compares Botswana and Democratic Republic of Congo (DRC); the second case study compares Ethiopia and Kenya. Three of these four SSA nations—DRC, Ethiopia, and Kenya—are COMESA member states, while Botswana is not. I make this statement to clarify that my selection of the four countries in the case studies and the conclusions drawn thereafter were not limited solely to the 21 COMESA member nations but can apply to nearly all SSA countries (except where data collection is impossible). By comparing and contrasting the case studies vis-a-vis the role of foreign development aid role in SSA, evidence-based assessments were obtained.

Based on my findings, I produced a plausible analysis that substantiates or disproves the positives and negatives of ODA. For instance, in the case of Botswana and DRC, the aim is to consider the development dichotomy between those two countries through the lens of foreign development aid. While ODA is credited for Botswana's current development standing, the same cannot be said for DRC. The question is why? The most plausible answer is that while Botswana was able to utilize ODA to achieve its development potential as a result of its functioning institutions, DRC mismanaged and failed to utilize ODA for its intended purposes because of the country's dysfunctional institutions. To ascertain or to refute commonly referenced claims as to why ODA failed to work in DRC while it became a positive force for Botswana's remarkable development, it is necessary to further investigate the institutions of both nations, with a specific focus on drivers of development such as capital flight, Illicit Financial Flows (IFFs) and Corruption Perception Index (CPI), among other factors that will be addressed in this thesis.

The second case compares the rate of poverty reduction in Ethiopia and Kenya with respect to the 2000-2015 Millennium Development Goals (MDGs). This sheds light on the possible role of ODA to either directly effect changes or indirectly impact agents of change that set the stage for sustained development to take root. The two countries, Ethiopia and Kenya, appear to have achieved two different and opposite results. In the case of Ethiopia, the desired outcome of reducing poverty is achieved to a satisfactory degree, while disappointing and regressive results are recorded in Kenya.

Chapter V

Brief History and Current Situation of ODA in Africa

According to Stephen McCarthy (1994), the origins of ODA can be traced to the colonial period, i.e., the early 1900s. The development activities of colonial powers in their overseas territories specifically refers to the British Colonial Development Act of 1929, which provided grants and loans to colonial governments to meet their infrastructural needs as well as enabling them to pay their imports (pp. 12–22).

Foreign aid began following World War II, instituted under the auspices of the United Nations to encourage international cooperation that would create economic stability in countries on the periphery of the then Communist bloc. It began with the specific objective of rebuilding and recovering Europe from the brink of disaster. The mission undertaken by the Marshall Plan is possibly one of most successful development programs ever accomplished. As Vishnu Padayachee (2010) describes it, the Marshall Plan allowed the transfer of massive amounts of aid from the United States to Europe. The objective was clearly stated: to help restore prosperity in war-affected European countries in order to prevent them from turning communist. The Marshall Plan accomplished its objective of rebuilding war-ravaged regions of Europe by removing trade barriers and modernizing industries (pp. 171–182). If we establish as precedent the Marshall Plan with its resulting U.S. development assistance to European nations, the only conclusion that can be made is that foreign aid is beneficial.

The OECD's intent for establishing ODA as means of helping under-developed nations of the world through the assistance of rich Western nations was seen as a noble cause—and it ought to be understood as such, in many respects. The large sums of money dispensed since 1960 to Africa by rich Western nations for development purposes is one of many confirming signs that the intention and principal objective of ODA via OECD to some degree appears to replicate the developmental successes obtained by the Marshall Plan in Europe.

The Current Situation of ODA in Sub-Saharan Africa

In his 2007 book, *The Bottom Billion*, Paul Collier (2007) indicates that Sub-Saharan Africa has attracted substantial amounts of foreign aid over the years because it is the home of most of the “bottom billion” people in the world. By OECD estimates (2011), the amount of aid flowing into SSA in 1980 rose from 3.4% to 16.3% by 1995. From 2000 to 2007, approximately one-third of overall net ODA was dispensed in SSA, while the region that includes SSA countries received—and continues to receive—the highest ODA in the world. The OECD's Development Assistance Committee (DAC) indicates that while the need for ODA has been decreasing in many regions of the world, the need for such aid has increased in SSA at an even larger percent. For instance, during 1978 and 1979, ODA was 29%. By 2008–2009, that number almost doubled, to 41% (OECD, 2011).

Given ODA's history of poor, ineffective, and unsustainable development in SSA countries, it is of paramount importance to determine potential impediments such as corruption. This thesis explores possible correlations between aid and corruption, as well

as corruption in the forms of capital flight and illicit financial flows. My research is corroborated with empirical data that confirms what has been investigated by many experts in the field of foreign aid.

Scrutinizing recent allocations of ODA to African nations may help explain the impacts of such aid on a specific country in relation to the level of aid received. African countries are usually listed on the basis of development aid received (from most to least) annually over an extended number of years. The OECD 2019 edition of “Development Aid at Glance: Statistics by Regions” (2019b) is one document I considered. While the report mainly highlights the top ten aid recipient African nations, it is useful to investigate the level of aid received by almost all African countries.

My research explored this topic deeply, seeking to understand what the level of development aid really means for each African country. The net amount of aid received is evaluated in terms of net ODA per capita in U.S. dollars, using two distinct methods: (1) by calculating net ODA received in a specific year/population of country in the same year; or alternatively, (2) the percentage of ODA received determined by net ODA/GNI. These two methods of evaluating ODA better explain real ODA received by a country rather than merely the amount. For this task, Table 1 ranks African nations 1 through 55, in descending order from most aid to less aid, showing net aid received in 2016. Then, each country’s level of net received aid is examined by ODA per capita (US\$) and net ODA/GNI (%).

Table 1. ODA to African Countries.

Rank	Country	ODA (millions of 2016 constant USD)	Net ODA per Capita in US\$ in 2106 Constant	Net ODA/GNI (%)	ODA (%) 2010-2017
1	Ethiopia	4,074	39.8	5.6%	7.1%
2	Nigeria	2,498	13.4	0.6%	4.7%
3	Tanzania	2,318	41.7	4.9%	5.3%
4	Kenya	2,188	45.6	3.1%	4.9%
5	Egypt	2,130	22.2	0.6%	
6	Democratic Republic of Congo (DRC)	2,102	26.7	6.1%	5.7%
7	Morocco	1,992	56.9	2.0%	3.2%
8	Uganda	1,757	42.3	7.4%	3.3%
9	South Sudan	1,587	132.3	64.4%	2.5%
10	Mozambique	1,529	53.1	14.2%	3.7%
11	Ghana	1,316	47	3.2%	2.9%
12	Malawi	1,241	68.6	23.5%	2.1%
13	Mali	1,208	67.1	8.8%	2.3%
14	Somalia	1,184	82.7	17.6%	2.1%
15	South Africa	1,180	21.1	0.4%	2.4%
16	Rwanda	1,147	96.4	13.9%	2.1
17	Burkina Faso	1,027	55.2	9.2%	2.0%
18	Zambia	964	56.7	4.7%	1.9%
19	Niger	951	46	12.8%	1.7
20	Liberia	815	177.2	44.8%	1.6
21	Sudan	811	20.3	0.9%	2.5%
22	Cameroon	757	32.9	2.4%	1.4%
23	Burundi	742	70.7	24.7%	1.0%
24	Senegal	737	47.8	5.2%	1.8%
25	Sierra Leone	693	93.7	21.9%	1.2%
26	Zimbabwe	654	40.4	4.4%	1.5%
27	Tunisia	627	57	1.6%	1.4%
28	Chad	624	43.1	6.8%	1.0%
29	Madagascar	622	25	6.5%	1.1%
30	Cote D'voire	616	25.7	1.7%	2.2%
31	Guinea	555	44.8	6.4%	0.9%
32	Central African Rep.	501	108.9	28.5%	0.7%
33	Benin	493	45.2	5.7%	1.1%
34	Mauritania	294	73.5	6.4%	0.6%
35	Angola	207	7.1	0.2%	0.6%
36	Guinea-Bissau	197	109.3	16.3%	0.2%
37	Djibouti	187	187	10.5%	0.3%
38	Libya	179	29.9	0.5%	0.4%
39	Namibia	170	85.1	1.5%	0.4%
40	Togo	165	21.7	3.6%	0.5%
41	Algeria	158	3.9	0.1%	0.3%
42	Eswatini	147	-	-	-
43	Cabo Verde	113	113	7.2%	0.4%
44	Lesotho	112	56.2	4.3%	0.4%
45	Saint Helena	106	?	?	0.2%
46	Gambia	92	45.9	9.8%	0.3%

Rank	Country	ODA (millions of 2016 constant USD)	Net ODA per Capita in US\$ in 2106 Constant	Net ODA/GNI (%)	ODA (%) 2010-2017
47	Botswana	91	45.3	0.6%	0.2%
48	Congo (DRC)	88	17.6	1.2%	0.5%
49	Eritrea	67	-	-	0.2%
50	Comoros	54	67.1	8.6%	0.1%
51	Sao Tome & Principe	47	0	13.2%	0.1%
52	Gabon	42	20.8	0.3%	0.2%
52	Manutius	42	42	0.3%	0.2%
53	Equatorial Guinea	7	7	0.1%	0.0%
54	Seychelles	6	0	0.4%	0.0%
55	Mayotte	-	-	-	0.1%

Source: OECD, 2019c, 7.

Picking the top 10 or 20 African countries by order of net ODA received appears to be routine practice. Although that rationale can be understood to some degree, it is doubtful such listings tell the whole story of the real amount of ODA received by each country. It is true that the listed top 10 to 20 countries have received large amounts of ODA, and the rankings reflect that. There is no doubt that with more aid, effective and sustainable development could be obtained. However, if one considers aid only by amount received, questions immediately arise:

- Does more ODA mean better development? The answer is both yes and no. There is no evidence that countries receiving more aid registered better development results than ones that received less ODA. Democratic Republic of Congo (DRC) is a prime example. Although it has been among the top 10 ODA recipients for years, nevertheless development is declining because of factors such as rampant corruption. Most countries in the top 10 can be implicated for the same reason. As I will explain in my case studies, where Ethiopia and Kenya are seeking to reduce poverty through

the use of foreign aid, ODA appears to have boosted Ethiopia's reduction of poverty by a significant rate while Kenya sees continuing regression.

- The best measure of any aid is one that is normalized by the population of that nation, otherwise known as ODA/Capita. As Table 1 showed, the findings using this criterion are mixed. In fact, some of the top ODA recipients rank very low.
- Overall net ODA versus ODA/GNI, as indicated in Table 1, shows the top ODA recipient countries appear to maintain higher percentages although in slightly varying numbers—except for Ethiopia, which maintains the top rating of 7.1%. However, in an analysis based on ODA/GNI, even though a country ranks high in an overall receipt of ODA (e.g., Nigeria), in a ODA/GNI calculation ODA becomes insignificant.

There are arguments on both sides that the dilemma of African development may not be resolved with more aid. What is important, however, is that foreign aid has been a force for good in some areas thus far, such as combating diseases.

Easterly (2005) suggests that efforts by Western aid to grow African economies are counterproductive. Figure 2 shows the negative correlation of more aid in relation to economic growth, Easterly asserts that the notion of more aid for economic development is a false hope, and stresses his point by specifically referring to the G-8 Summit of July 2005 where those countries agreed to double their aid to Africa. He produces what appears to be concert evidence. In spite of aid rising steadily at double or even triple rates through years, the growth of African Gross Domestic Growth (GDP) remained at zero, as shown in Figure 2. Rising doubts and questions about the effectiveness and viability of

ODA, among many development experts in SSA countries, stem from findings such as the one by Easterly.

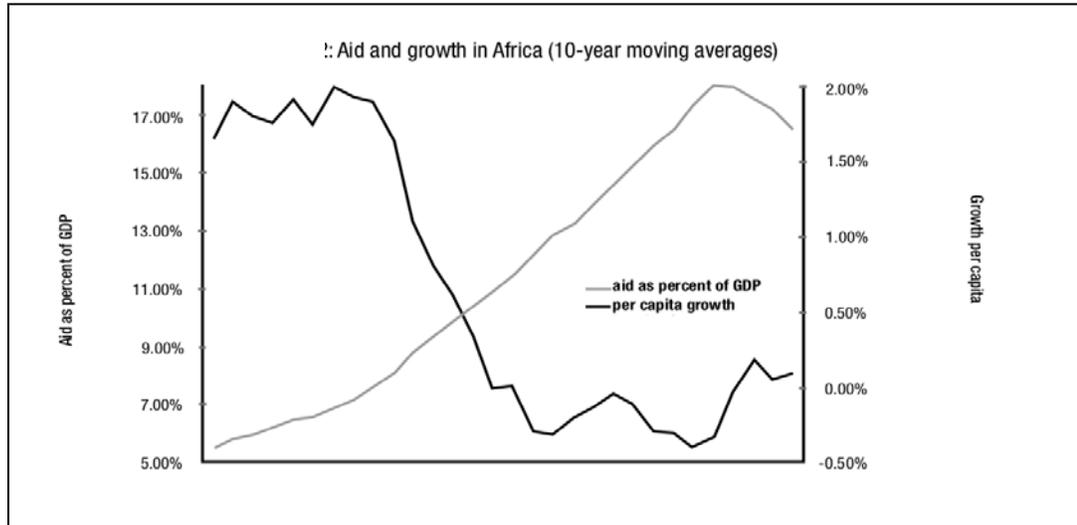


Figure 2. Aid and Growth in Africa.

Source: Easterly, 2005, p. 3.

Despite the good intentions of donor countries, ODA is often regarded as wasted on corrupt recipient governments. The case of ODA's ineffectiveness is summed up well by David Leonard and Scott Strauss (2003), who highlight the core problem:

Western aid is sometimes thought of as a restorative response to colonialism and the slave trade. However, Africa's high level of ODA has effectively extended the colonial pattern of governance. Now as it was then, a state's survival depends less on socially embedded institutions and more on external funding. Policies are oriented toward external, not internal, sources of power, and states operate on "shoestring" budgets, subject to all misunderstandings and fickleness of the West's relationship to sub-Saharan. (p. 30)

While the role of ODA in SSA as a positive force for development is disputed based on well-founded and credible findings, there are also points that can be made in its defense. Perhaps no one is a better advocate or champion of substantially increased ODA

to developing countries than Jeffrey Sachs (2005), who fervently defends and believes in the mission of ODA. He does so on the basis of what has been already accomplished and with an optimism for what it is possible to achieve in the future through sustained ODA. However, even Sachs admits that the last 60 years of ODA have been a failure in many parts of SSA, leaving those countries trapped in extreme poverty. Nevertheless, he still maintains his belief in continuing to provide (even increase) foreign aid to poor countries. Despite his critics' suspicion and misgivings that ODA could be a means for developmental success in SSA, Sachs' belief does not seem to waver. By continuing to argue for doubling development aid to Africa, Sachs maintains his belief and remains convinced that the successes obtained, for example in Asia, through foreign aid also could be possible in SSA if ODA is increased and used to target sectors of development.

Furthermore, Sachs points to success stories that have occurred as a result of development assistance:

- economic growth in China, India, and South Korea after public investment in their health, education, and infrastructure;
- the Green Revolution of the 1960s, which enabled Asian countries to feed themselves, reduce diseases, and eradicate smallpox;
- widespread immunization coverage, malaria control, programs in support of oral rehydration to fight death from diarrhea;
- slowing population growth by offering family planning methods; and
- South Korea, Malaysia, and Thailand manufacturing successes that grew out of U.S and Japanese aid to their core infrastructures and technologies.

In a 2014 article titled “A Case for Aid,” Sachs likens past successes in Asia to what appears to have been replicated in Africa during the MDG efforts from 2000 to 2015. However, Sachs rejects Easterly’s 2006 suggestion of “no more aid,” as misguided. Sachs characterizes it this way:

As experience demonstrates, it is possible to use our reason, management know-how, technology, and learning by doing to design highly effective aid programs that save lives and promote development. This should be done in global collaboration with national and local communities, taking local circumstances into account. The evidence bears out this approach. (2014, p. 1)

While aid is one among several means of development, it is not the only factor, albeit a key factor for developing countries. With respect to SSA, Sachs acknowledges that the past ineffectiveness of ODA was due to lack of the conjunction of sound economic policies, transparency, good governance and the effective development technologies both by recipient and donor nations. Sachs believes that post year 2000, SSA regions have shown dramatic success that can be attributed to the scale up of aid and he lists the following improvements in several public health areas. In the public health sphere in recent years (2000s), up to 10 million people infected with HIV receive lifesaving medicine, tuberculosis patients are being treated and cured in line with a global reduction of 45% in tuberculosis mortality rate since 1990. He also credits the decline in maternal mortality rate (annual female deaths per 100,000 live births) 850 in 1990 to 740 in 2000 and 500 in 2010 to the increase and accessibility of foreign aid.

It worth noting that with respect to the effectiveness of ODA in some targeted sectors of development there are some evidence that show positive trends. The reducing rate of child mortality is one such positive outcome of ODA in SSA. Estimations of child mortality developed by United Nations Inter-Agency Groups such as UNICEF, WHO,

World Bank, and the UNDESA Population Division show that the child mortality rate has in SSA nations dropped remarkably between 1990 and 2018. For example, estimates developed by the UN Inter-agency groups report show that child mortality (under five years of age) dropped to 77 in 2018 from 179 in 1990 (World Bank, 2019, p.1).

Recently it appears that foreign development aid is producing some positive results when it targets need in a specific sector. In sectors such as education, agriculture, sanitation and infrastructure significant positive changes have occurred. A possible linkage can be made between utilizing aid for a specific need in a specific sector and tackling over-arching problems like reducing poverty. The 2000-2015 MDGs of reducing poverty in SSA was credited with decreasing poverty to 48.4% in 2010 from 58% in 1999, which would not have been possible without the injection of development aid to sectors of development on the basis of need.

Whereas positive trends such as child mortality rate reduction are positive effects of ODA and should be marked as a success, it by no means implies that ODA has been effective and sustainable in Africa to the level it needs to be. There are multifaceted problems that hinder effective and sustainable development from taking root in Africa. Of the numerous challenges Africa faces with respect to development is corruption.

Corruption: The Major Challenge

Corruption is a grave problem that hampers development in Africa. It has been and continues to be debilitating to any efforts toward effective and sustainable development in sub-Saharan Africa. In this thesis, I argue that among other factors,

corruption undermines and usurps desired positive developmental outcomes that could be achieved through ODA in SSA.

Since chief objective of this thesis is to establish whether there is a correlation between ODA and corruption, providing a brief synopsis of what corruption is and how it is measured and specified is paramount. Forms of corruption, such as Capital Flight and Illicit Financial Flows, will also be discussed.

Among many working definitions, Transparency International (2018, p.1) defines corruption simply as “the abuse of entrusted power for private gain.” Depending on its reach and the damaged caused by it, corruption could be classified as petty or grand. However big or small its beginning may be, when corruption takes root, becomes malignant, and metastasizes, it erodes the fabric of societies or people’s trust in political and economic systems, institutions, and the people who lead those institutions. The immediate and long-term effects of corruption are costly and can be tackled only when there is a governance system with sound institutions. Through the years, it is evident that developing countries with good governance and functioning institutions have been able to combat corruption and are able to utilize foreign development aid for sustained development.

African governance systems can be measured and scored by three measures. The first two measures could be classified as specifically Africa-oriented that are uniquely able to help us assess and understand African governance systems and their institutions in relation to foreign development aid.

The first two measures of governance are: (1) the Ibrahim Index of African governance (IIAG), and (2) the COMESA Prosperity & Peace Index (CPPI). Another

important and more universally applied method of assessing effectiveness of ODA comes from measuring corruption in an aid recipient country through a method know as Corruption Perception Index (CPI), which establishes a possible correlation between amount of ODA and level of corruption.

Ibrahim Index of African Governance

The Ibrahim Index of African Governance (IIAG) is comprised of four major categories as presented in Figure 3 below.

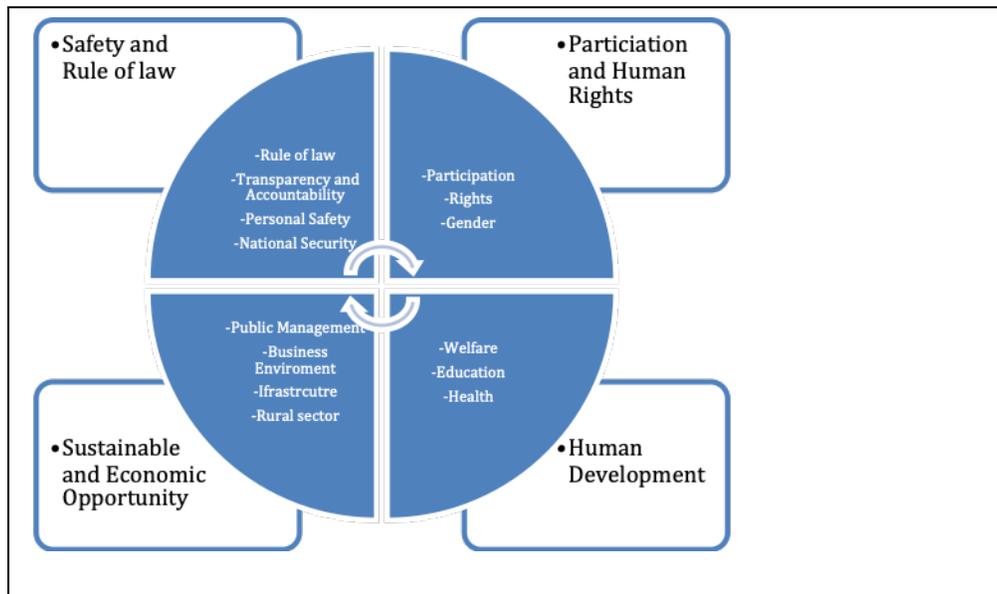


Figure 3. Four Categories of the Ibrahim Index.

Source: Ibrahim Foundation, 20128, p. 1

Further subsections in the figure specifically capture the role played by good governance in fostering and furthering effective the sustained development required in SSA nations. These subsections are: (1) safety and rule of law, (2) participation and human rights, (3) sustainable economic development, and (4) human development

The IIAG is useful for assessing and analyzing development in Africa. Since it began publishing data in 2007, the IIAG has been instrumental in providing a quantifiable measure and monitoring governance performance for African nations. IIAG defines governance as: “The provision of political, social and economic public goods and services that every citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens” (2018, p. 7). IIAG works in close collaboration with key African economic institutions such as the Economic Commission for Africa (ECA). For example, both place particular focus on participatory governance systems with functioning institutions as solid foundations for an economic and social development.

Given IIAG’s general interest in the overall development of Africa and its particular focus and expertise in the area of governance, I have decided to incorporate the four components of IIAG’s governance criteria into one corresponding sub-section. Assessing and analyzing ODA through the lenses of these governance tools as outlined and described by IIAG is, I believe, key to untangling some of the puzzles of the African development problem as a whole, and in particular that of the SSA countries. The selected IIAG tools will be discussed fully in the analysis section of this thesis.

COMESA Peace and Prosperity Index

The COMESA Peace and Prosperity Index (CPPI) is another set of specifications designed to assess potential development in various arenas. CPPI was designed by the Common Market for East and Southern African (COMESA). COMESA is one of the eight African regional economic communities formed on the basis of economic ties and

trading relationships among 21 member states. Etyang, Chinemhute and Abdulkadir (2016) note that the formation and economic collaboration of economic communities like COMESA depend on the peace and security that community members can foster and maintain. The formation of such regional economic communities could be a promising remedy for sustainable development. The central role of peace and security by furthering harmony among those nations is vitally important.

Recognizing this fundamental role, COMESA established its Conflict Early Warning System (COMWARN) in June 2009. As highlighted by the United Nations Security Council's 2010 report, COMWARN responds to the COMESA mandate of conflict prevention through preventive diplomacy. The mandate is carried out by focusing on the structural factors of conflicts. The creation of a Structural Vulnerability Assessment (SVA) system helps equip COMESA to respond early to threats of destabilizing forces in any form that could result in disruption of economic development. (UN Security Council, 2010, p. 7). The benefits of early warnings of conflict and violence through SVAs is used commonly in Africa. In the case of COMESA, SVAs are vital for detecting pitfalls that hinder COMESA's broad objective of economic development or prosperity. As such, desired outcomes can be measured by CPPI as well as their drivers. In the analysis section of this thesis, CPPI components are outlined and the purpose of each component is detailed in an accompanying table.

Measuring Corruption

Measuring corruption with complete accuracy may not be possible given its complex nature and various definitions of corruption in different regions of the world.

Thus, the Corruption Perception Index (CPI) method is among the best tools for measuring corruption with some degree of accuracy. CPI is the measuring tool utilized for scoring SSA countries. Since its launch in 1995, the CPI has been widely used and considered a gold standard for measuring the scale (recently from 1 to 100) and magnitude of corruption (%) in a country. While lower percentiles indicate how corrupt a given country or territory is thought to be, countries scoring anywhere close to a 100% are deemed relatively corruption free.

CPI data from 1995 onward of some 180 countries and territories including African countries can be accessed at Transparency International (2018). According to the most recent Transparency International CPI, in Africa, there are only 8 countries among 49 that scored above 43 out of a possible 100. The top scorers include Seychelles (66), Botswana (61), and Cape Verde (57). Sub-Saharan countries are among the lowest score with an average of 32 out of 100 (TI, 2018, pp. 1-2).

Chapter VI

ODA Disbursement and Development in SSA Nations

From the 1960s onward, official development assistance to Sub-Saharan African nations from Western donor countries has been provided based on the premise of promoting economic development and welfare. Therefore, ODA's possible impacts (positive or negative) in SSA countries should be evaluated in conjunction with stated objectives: the level of economic development achieved, as measured by GDP, GNI, and FDI; and the general welfare of a nation's population as measured by HDI.

ODA is one aspect of the broad development schemes in SSA, whose purposes are economic development and fostering general welfare, and there is no doubt that ODA has long been associated with development in Africa. ODA still plays a major role in the development of SSA, more than in any other region of the world. It is generally agreed that SSA receives the highest proportion of ODA even as it remains the poorest region of the globe. Figure 4 below gives the distribution of ODA while highlighting the fact that among the poorest ODA recipient nations, SSA nations received 35% of total ODA in 2011.

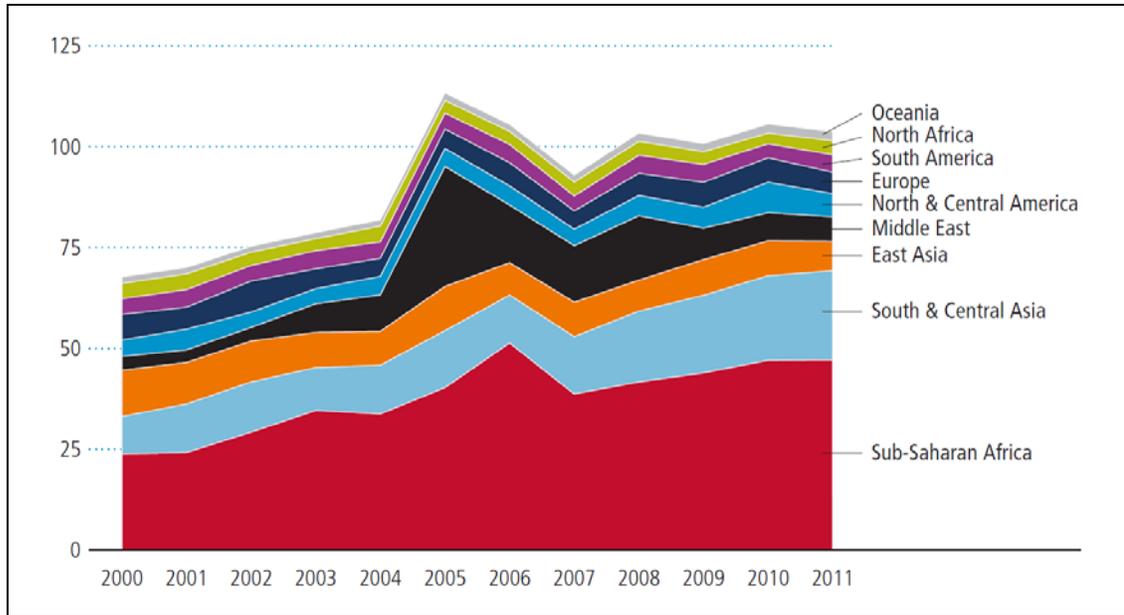


Figure 4. Global Aid Trends, 2014.

Source: Invest to End Poverty, 2014, pp. 1-2.

Table 2 below presents two aspects of ODA: (1) the aggregate amount of net ODA received by SSA nations; and (2) ODA as measured by GDP, GNI, and FDI. While the focus is on the time period of ODA relative to effective and sustainable development between 2000 and 2015, the table also shows the overall trends of ODA in relation to development in SSA nations as whole, which helps to capture the genesis of ODA in full. Table 2 also shows that the net ODA based on population percentage remains at high levels. Although it is possible to document year-by-year results of net ODA relative to GDP and GNI, I documented the results in 10-year intervals.

Table 2. ODA Received in SSA Countries.

Year	Net ODA received US\$ (bil)	GDP in current US\$ (1960-90, in bil; 2010, 2017 in tril)	GNI in current US\$ (1960-90 in bil; 2010, 2017 in tril)	FDI net inflows (US\$, bil)	Net ODA/GNI (%)	Net ODA/Population (%)
1960	597,350	29.879	25.798	-	2.316%	2.63%
1970	1.173	64.364	58.704	706,578	1.998%	4.04%
1980	7.722	271.253	250.918	251,665	3.077%	20.15%
1990	17.842	337.823	318.274	1.228	5.606%	35.02%
2000	13.058	396.946	378.082	6.875	3.454%	19.63%
2010	44.363	1.553 tril	1.307 tril	32.941	3.393%	51.05%
2017	49.274	1.691 tril	1.636 tril	28.723	3.013%	45.51%

Sources: Table compiled by thesis author from World Bank data.

The trend in amounts of net ODA received by SSA nations from the OECD Development Assistance Committee (DAC) is shown in Figure 5 below. The figure shows net ODA/GDP trends from 1960 to 2010, capturing actual values and historical data. Such a tool might also be useful for forecasting and projections.

According to 2020 World Bank information, the 2011 ratio of ODA to GDP was 3.6%. This percentage is similar to the ODA/GNI percentage shown in Table 2 above. Although net ODA/GNI or ODA/GDP ratios were at their highest in the mid-1990s, in both cases the trend shows the percentage generally receding from 2000 to the present day.

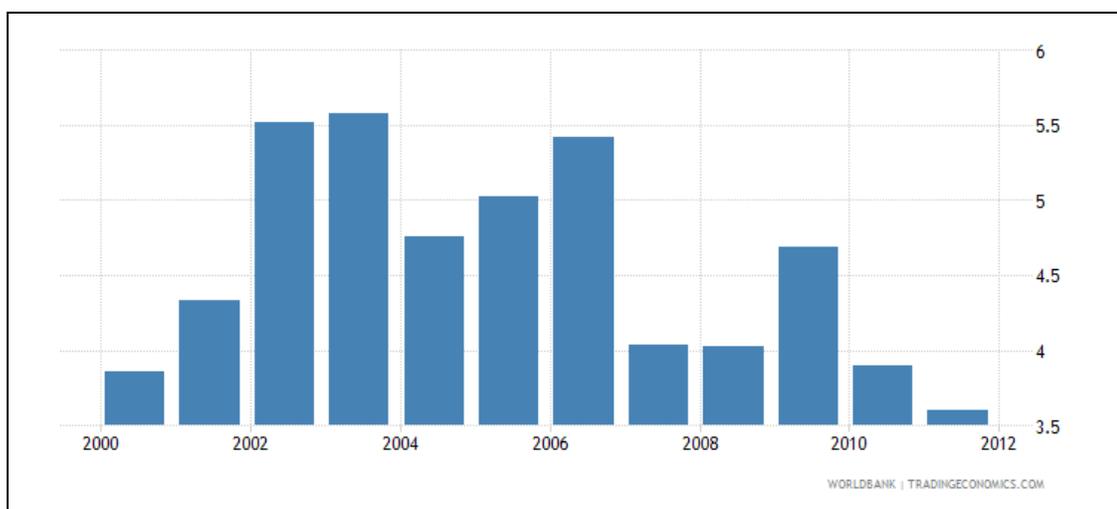


Figure 5. Net ODA received (% of GDP) from DAC in SSA.

Source: World Bank, 2017e.

The effectiveness of foreign development aid could be measured by the three components of the Human Development Index (HDI). The three components measure a nation's or a region's well-being, which can then be analyzed. The three components are:

- a long and healthy life as measured by life expectancy
- access to education as measured by the number of schooling years, and
- a decent standard of life based on one's gross net income.

I focused on child mortality rate, primary school enrollment rates, and life expectancy rate as the hallmarks of whether foreign development aid is effective. Using the HDI, I tabulated (1) life expectancy at birth, total average years; (2) primary school enrollment (% gross) 1970 to 2017, and (3) the mortality rate of children under 5 years of age per 1000 between 1990 and 2018. All three factors were assessed in relation to ODA received during the same time period based on the same 10-year interval. The results are

presented in two tables: Table 3(a) ODA/HDI (includes life expectancy and primary school enrollment), and Table 3(b) ODA/HDI (includes mortality rate). The information is presented in this manner because the results for mortality rates is presented in five-year intervals, while the other two factors are presented in ten-year intervals.

Table 3(a) ODA/HDI: Life Expectancy and School Enrollment.

Time Period	Net ODA received (current US\$ billions)	Life expectancy at birth (annual average)	Primary school enrollment (% of gross)
1960	597,350	40.4	-
1970	1.173	43.3	54.2%
1980	7.722	48.4	77.3%
1990	17.842	50.2	72.6%
2000	13.058	50.5	82.1%
2010	44.363	56.7	97.4%
2017	49.274	60.9	97.9%

Sources: World Bank, 2019(a).

Table 3(b) ODA/HDI: Mortality Rate

Period	Net ODA received in current US\$ (billions)	SSA Mortality rate under 5 years old per 1000
1990	17.842	180
1995	18.637	171.9
2000	13.058	152.8
2005	32.839	125.4
2010	44.363	101.3
2015	45.797	84.8
2017	49.274	79.9

Source: World Bank, 2019(b).

Based on these figures and tables, it is clear that SSA nations have received more ODA than other developing nations of the world. From an economic growth perspective that takes into consideration GDP, GNI, and FDI as predictors of success, the decade-by-decade increase of ODA parallels real growth in those three areas (i.e., GDP, GNI, and

FDI). However, it is difficult to ascertain just how much of the ODA can be attributed to increased growth in those areas. Foreign aid development could be credited in the area of human development in SSA nations more than anything else. It is clear that medical services provided by ODA have saved and improved millions of African lives. The results shown in Tables 3(a) and 3(b) reflect those successes, which might not have been realized were it not for ODA. However, despite some meaningful successes that could rightfully be attributed to high levels of ODA in the SSA region as a whole and among individual SSA countries, dependence on ODA is also Africa's biggest problem in terms of its future development prospects.

Chapter VII

Two Case Studies

In this chapter, I present two comparative case studies. The first study compares ODA for Botswana and the Democratic Republic of Congo; the second compares ODA for Ethiopia and Kenya. In each case, by comparing two countries, I seek to determine if there was a relationship between the amount of ODA received and the growth or reduction of poverty during the period 2000 to 2015.

The hallmark of successful development is a reduction in poverty. For example, in Kenya, poverty has increased despite a considerable influx of ODA. In comparison, Ethiopia (also an ODA recipient) has successfully reduced the level of poverty. In instances where a country regresses or fails to register meaningful poverty reduction, negative factors such as corruption relative to ODA received by that country merit a close analysis.

Such comparisons raise a key question: Why does performance vary so much in countries that are among the top recipients of ODA for a number of consecutive years?

Case Study #1:

Democratic Republic of Congo and Botswana

It is apparent that since independence was achieved by DRC and Botswana in the 1960s, the countries have followed different developmental paths as demonstrated by their economic standing at present. While both enjoy rich and abundant natural resources, their governance systems and how their national institutions function in the effort to advance development through ODA could not be more different. Over the past six decades (1960-2020) the developmental undertakings of each country have resulted in diverging economic status between the two countries that can be attributed to institutions that may or may not be suitable for effective development. In many cases plausible explanations, corroborated by evidence, are provided as reasons why one country succeeds in sustained development goals while the other regresses. In this case, according to the Ibrahim Index of African Governance 2018, the overall governance ranking for Botswana ranks it as one of the top five best African countries, while DRC ranks in the bottom at 47 out of 54 (Ibrahim Foundation, 2018, p.16).

In economic terms, it is important to point out that Botswana and DRC are 2 among 15 SSA countries that belong to the South African Development Community (SADC) which is composed of economic communities that strive for regional integration by promoting peace and security and paving the way for sustainable development. Although both DRC and Botswana enjoy considerable natural resources endowment, and while both countries are members of the same regional economic development agency, their dissimilar development records seem to shed light on the fundamentally basic institutions that can shape the economic pathway of a community or nation.

In order to show how divergent DRC and Botswana are with respect to foreign development aid as a catalyst—especially in the case of Botswana—I analyzed both countries using the lenses of GDP per capita (Table 4), the Corruption Perception Index (Figures 6a and 6b), net ODA received on a yearly basis (Table 5), the Human Development Index, V-Dems scoring and confidence, and the Global Peace Index. The comparisons highlight the stark differences and their possible consequences.

Table 4. GDP per capita

<i>GDP per Capita (\$US (millions))</i>		
<i>Year</i>	DRC	BOTSWANA
<i>2018</i>	561.770	18,528.967
<i>2017</i>	467.074	17,784.856
<i>2016</i>	471.319	17,314.780
<i>2015</i>	497.317	16,724.518
<i>2014</i>	486.787	17,092.122
<i>2013</i>	457.964	16,310.103
<i>2012</i>	424.600	14,558.066
<i>2011</i>	387.082	13,383.603
<i>2010</i>	334.022	12,964.351
<i>2009</i>	298.620	12,007.232
<i>2008</i>	327.564	13,158.849
<i>2007</i>	286.330	12,409.298

Source: World Bank, International Comparison Database, 2018

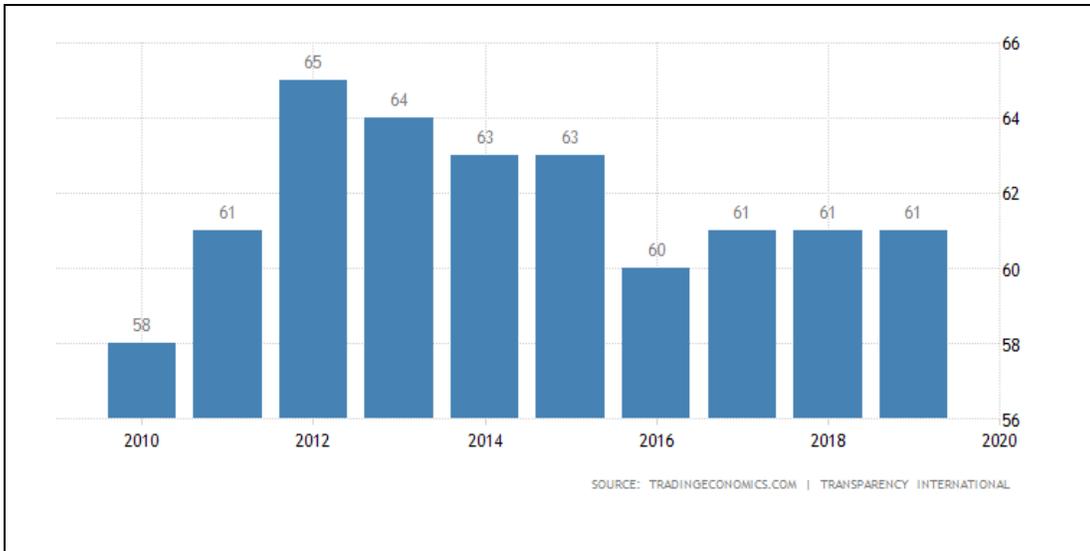


Figure 6a. Corruption Perception Index (CPI) for Botswana, 2010-2018.

Source: Trading Economics. (2020). Botswana Corruption Index. Retrieved from <https://tradingeconomics.com/botswana/corruption-index>.

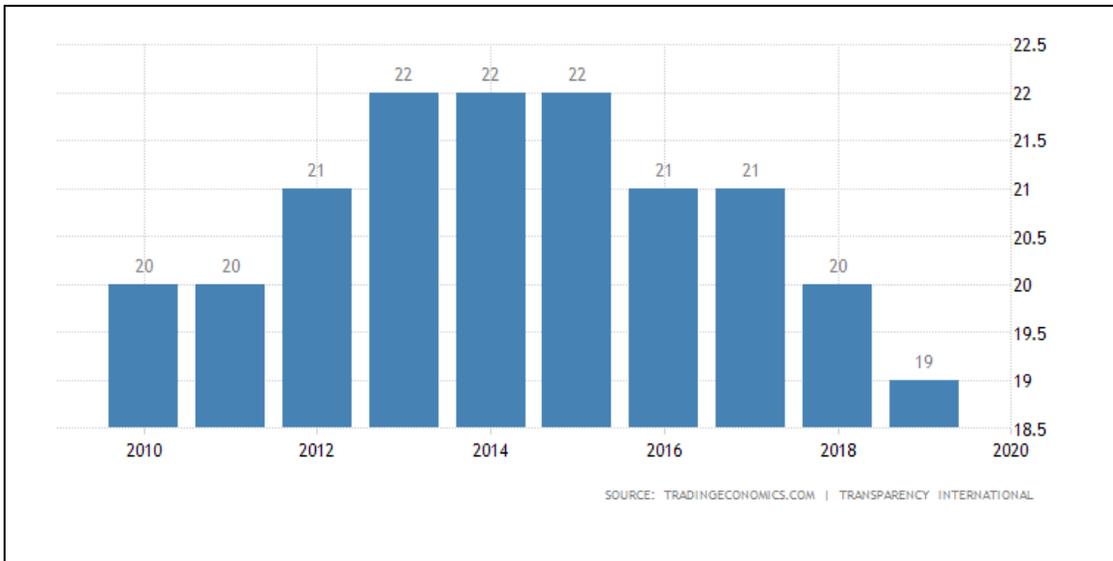


Figure 6b. Corruption Perception Index (CPI) for DRC, 2010-2018.

Source: Trading Economics. (2020). Congo Corruption Index.

Table 5. Amounts of Net ODA Received, 2007-2017.

YEAR	BOTSWANA (US\$ MIL)	DRC (US\$ BIL)
2017	102,050,000	2.243
2016	90,570,00	2.102
2015	65,540, 000	2.588
2014	99,370,000	2.159
2013	107,370,00	2.328
2012	73,070,00	2.588
2011	118,500,000	4.978
2010	154,670,00	3.203
2009	282,350,00	2.222
2008	723,100,00	1.589
2007	105,610,000	1.264
TOTALS	324,820,560	27.264

Source: World Bank, 2017(e)

The Human Development Index comparison of Botswana and DRC is based on data from the 2017 UNDP report, along with the SSA average score (Table 6). The Human Development Index ranks 189 countries.

Table 6. HDI Rankings, 2017.

	HDI value	HDI world rank	HDI Africa rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling
Botswana	0.717	101	5	67.6	12.6	9.3
DRC	0.457	176	41	60.0	9.8	6.8
SSA	0.537	—	—	60.7	10.1	5.6

Sources: UNDP, 2017; Wikipedia, 2018.

V-Dems: Scoring and Confidence

Varieties of Democracy (V-Dem) is an approach to conceptualizing and measuring democracy. To do this, V-Dem uses five principles of democracy: Electoral, Liberal, Participatory, Deliberative, and Egalitarian (V-Dem, 2020b, p. 1).

One of V-Dem's main findings analyzes the world's nations in terms of liberal and electoral democracy. Countries are listed by their standing in 2008 compared with their 2018 standing, as shown on V-Dem's Liberal Democracy Index (LDI). V-Dem's scoring and confidence methods range from the Top 10 (best) to the Bottom 10 (worst). Using V-Dem's methods of scoring and confidence, Botswana and DRC ranked at opposite extremes, with Botswana falling in the top 20% to 30% (Figure 7a), while DRC falls in the bottom 10 to 20 percent (Figure 7b) (V-Dem, 2020a, pp. 10-12).

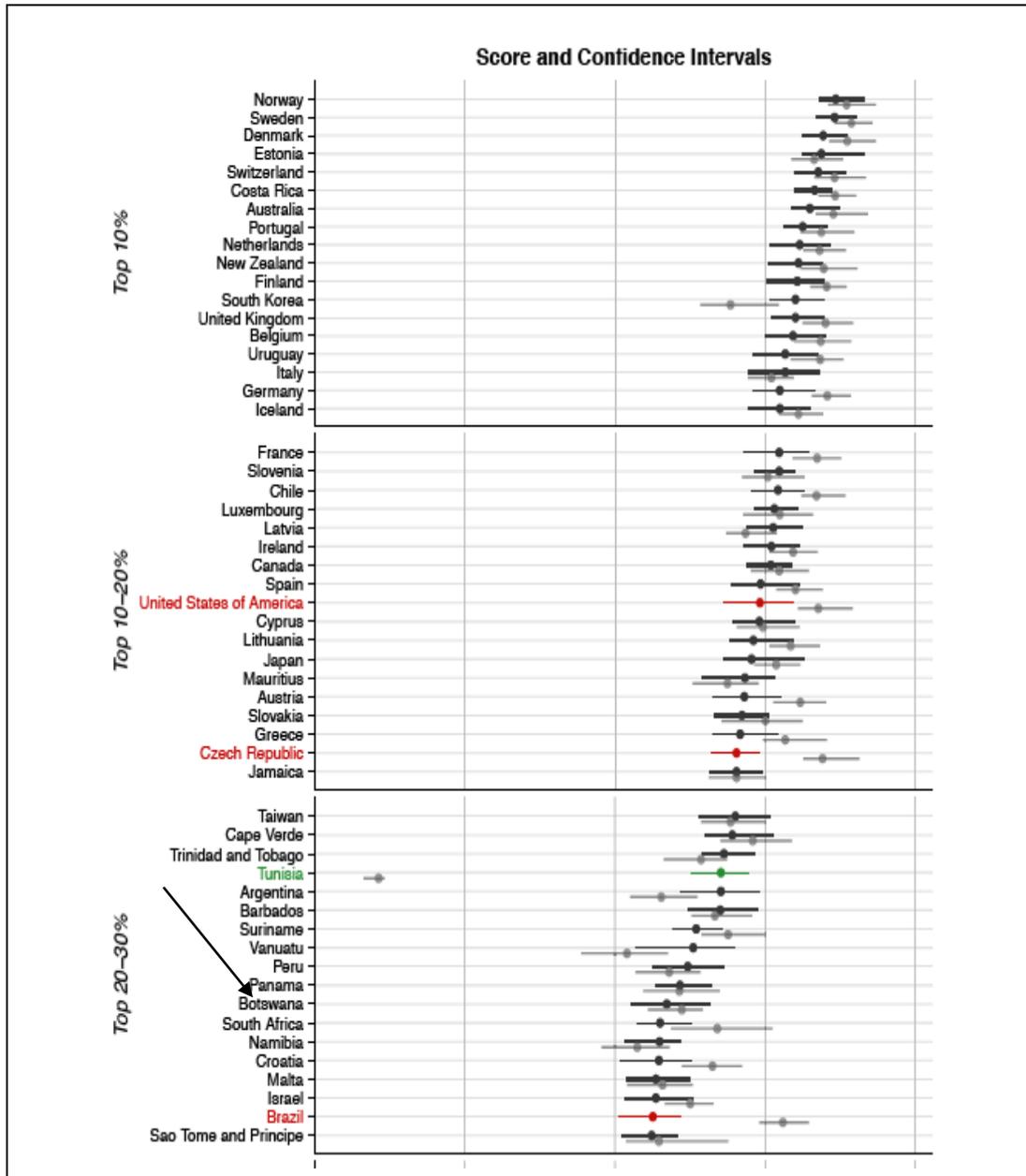


Figure 7. Botswana Ranking in the LDI.

Source: V-Dem, 2020a.

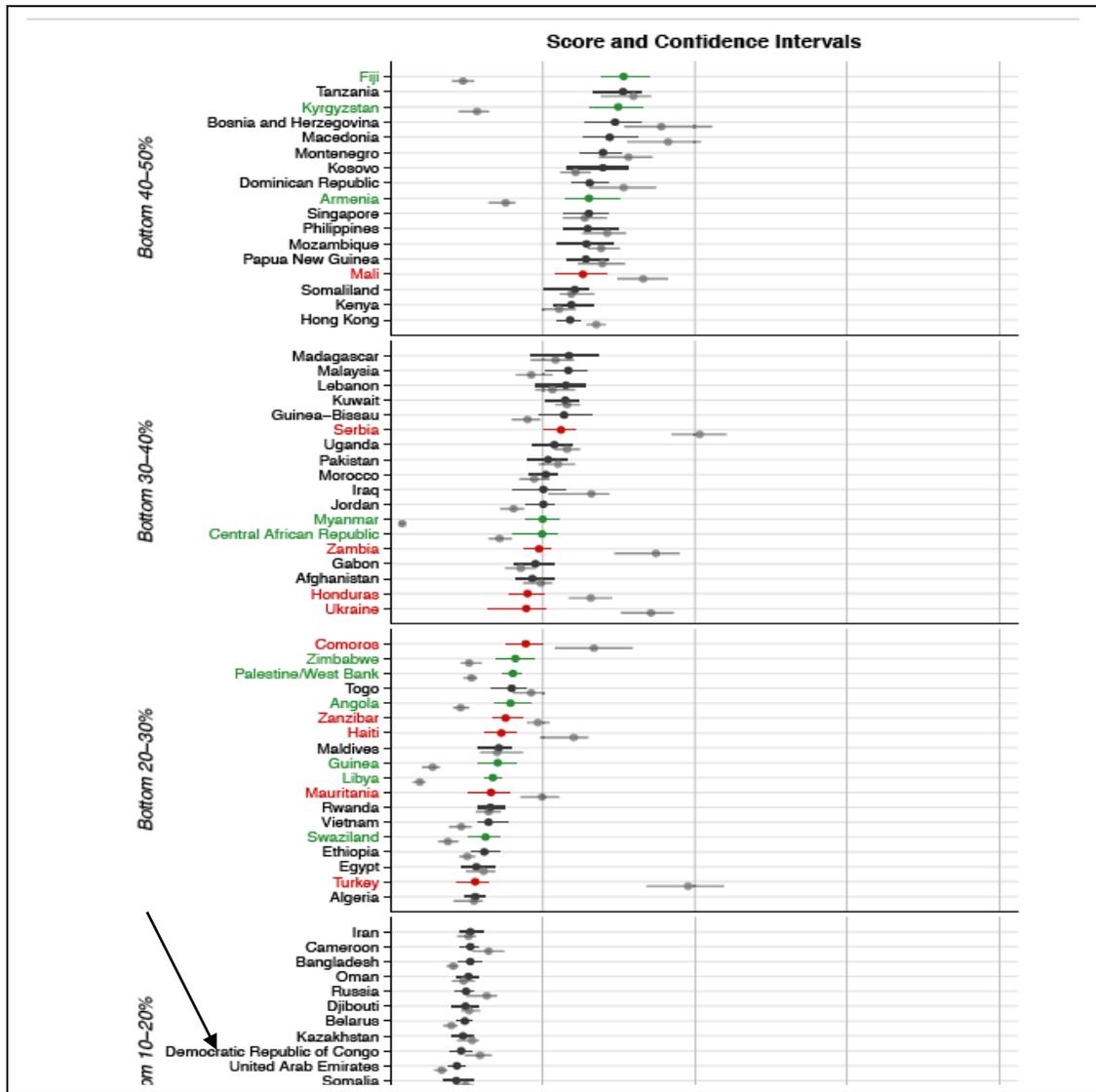


Figure 8. DRC Ranking in the LDI.

Source: V-Dem, 2020a.

Global Peace Index

The opposite extremes of the V-Dem findings are similarly corroborated in the 2018 Global Peace Index (GPI) where again Botswana and DRC are far apart in ranking. In what is termed the “Global State of Peace,” the GPI scores and ranks 163 countries. Taking GPI’s scoring and ranking methodology, in 2018 Botswana was in the group of high-scoring countries, with a score of 1.659 and a global ranking of 29/163 (Table 7). By comparison, DRC was one of the very low-ranking countries with a score of 3.251 and a global rank 156/163 (Table 8).

Table 7. Global Peace Index: Botswana Ranking.

RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE
1	Iceland	1.096	↔	29	Botswana	1.659	↓ 4	57	United Kingdom	1.876	↓ 6
2	New Zealand	1.192	↔	30	Spain	1.678	↓ 10	58	Montenegro	1.893	↑ 5
3	Austria	1.274	↑ 1	31	Latvia	1.689	↑ 1	59	Timor-Leste	1.895	↓ 5
4	Portugal	1.318	↓ 1	32	Poland	1.727	↑ 1	60	Vietnam	1.905	↔
5	Denmark	1.353	↔	33	Estonia	1.732	↑ 3	61	France	1.909	↓ 5
6	Canada	1.372	↔	34	Taiwan	1.736	↑ 3	62	Cyprus	1.913	↑ 3
7	Czech Republic	1.381	↔	35	Sierra Leone	1.74	↑ 5	63	Liberia	1.931	↑ 27
8	Singapore	1.382	↑ 3	36	Lithuania	1.749	↑ 2	64	Moldova	1.939	↔
9	Japan	1.391	↓ 1	37	Uruguay	1.761	↓ 2	65	Equatorial Guinea	1.946	↓ 7
10	Ireland	1.393	↑ 2	38	Italy	1.766	↑ 1	66	Argentina	1.947	↑ 8
11	Slovenia	1.396	↓ 1	38	Madagascar	1.766	↑ 4	67	Sri Lanka	1.954	↑ 5
12	Switzerland	1.407	↓ 3	40	Costa Rica	1.767	↓ 6	68	Nicaragua	1.96	↑ 7
13	Australia	1.435	↔	41	Ghana	1.772	↑ 6	69	Benin	1.973	↑ 12
14	Sweden	1.502	↔	42	Kuwait	1.799	↑ 5	70	Kazakhstan	1.974	↓ 2
15	Finland	1.506	↑ 3	43	Namibia	1.806	↑ 7	71	Morocco	1.979	↑ 4
16	Norway	1.519	↔	44	Malawi	1.811	↑ 8	72	Swaziland	1.98	↓ 2
17	Germany	1.531	↔	45	UAE	1.82	↑ 12	73	Oman	1.984	↓ 11
17	Hungary	1.531	↓ 2	46	Laos	1.821	↓ 2	74	Peru	1.986	↓ 1
19	Bhutan	1.545	↑ 5	46	Mongolia	1.821	↓ 1	75	Ecuador	1.987	↓ 8
20	Mauritius	1.548	↓ 1	48	Zambia	1.822	↓ 7	76	The Gambia	1.989	↑ 35
21	Belgium	1.56	↔	49	South Korea	1.823	↓ 6	77	Paraguay	1.997	↓ 8
22	Slovakia	1.568	↑ 3	50	Panama	1.826	↓ 4	78	Tunisia	1.998	↓ 7
23	Netherlands	1.574	↓ 1	51	Tanzania	1.837	↓ 2	79	Greece	2.02	↔
24	Romania	1.596	↑ 3	52	Albania	1.849	↑ 7	80	Burkina Faso	2.029	↑ 14
25	Malaysia	1.619	↑ 4	52	Senegal	1.849	↑ 9	81	Cuba	2.037	↑ 8
26	Bulgaria	1.635	↑ 2	54	Serbia	1.851	↑ 1	82	Guyana	2.043	↔
27	Croatia	1.639	↑ 4	55	Indonesia	1.853	↓ 2	83	Angola	2.048	↑ 9
28	Chile	1.649	↓ 5	56	Qatar	1.869	↓ 26	84	Nepal	2.053	↑ 4

Source: GPI Index, 2018.

Table 8. Global Peace Index: DRC ranking.

RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE	RANK	COUNTRY	SCORE	CHANGE
84	Trinidad & Tobago	2.053	↑ 11	113	Thailand	2.259	↑ 7	141	Palestine	2.621	↑ 3
86	Mozambique	2.056	↓ 6	114	Tajikistan	2.266	↑ 3	142	Egypt	2.632	↓ 2
87	Macedonia (FYR)	2.058	↑ 16	115	Djibouti	2.269	↓ 5	143	Venezuela	2.642	↓ 2
88	Haiti	2.064	↓ 1	116	El Salvador	2.275	↑ 1	144	Mali	2.686	↓ 1
89	Bosnia & Herzegovina	2.065	↓ 3	116	Guinea-Bissau	2.275	↑ 5	145	Colombia	2.729	↑ 1
90	Jamaica	2.068	↑ 3	118	Honduras	2.282	↓ 10	146	Israel	2.764	↓ 1
91	Dominican Republic	2.073	↑ 9	119	Turkmenistan	2.283	↓ 3	147	Lebanon	2.778	↔
92	Kosovo	2.078	↓ 15	120	Armenia	2.287	↓ 7	148	Nigeria	2.873	↑ 1
93	Bangladesh	2.084	↓ 10	121	USA	2.3	↑ 1	149	Turkey	2.898	↓ 1
94	Bolivia	2.092	↓ 9	122	Myanmar	2.302	↓ 15	150	North Korea	2.95	↔
95	Gabon	2.099	↓ 12	123	Kenya	2.354	↑ 3	151	Pakistan	3.079	↑ 1
96	Cambodia	2.101	↓ 18	124	Zimbabwe	2.326	↓ 1	152	Ukraine	3.113	↑ 2
96	Guinea	2.101	↓ 1	125	South Africa	2.328	↓ 1	153	Sudan	3.155	↑ 2
98	Jordan	2.104	↑ 4	126	Rep of the Congo	2.343	↑ 2	154	Russia	3.16	↓ 1
98	Togo	2.104	↓ 32	127	Mauritania	2.355	↔	155	Central African Rep	3.236	↑ 1
100	Papua New Guinea	2.109	↓ 3	128	Niger	2.359	↓ 2	156	Dem. Rep Congo	3.251	↓ 5
101	Belarus	2.112	↓ 2	129	Saudi Arabia	2.417	↑ 1	157	Libya	3.262	↑ 1
102	Georgia	2.13	↑ 4	130	Bahrain	2.437	↑ 2	158	Yemen	3.305	↓ 1
103	Rwanda	2.14	↑ 1	131	Iran	2.439	↓ 2	159	Somalia	3.367	↔
104	Lesotho	2.144	↓ 13	132	Azerbaijan	2.454	↑ 2	160	Iraq	3.425	↑ 1
104	Uzbekistan	2.144	↓ 3	133	Cameroon	2.484	↓ 2	161	South Sudan	3.508	↓ 1
106	Brazil	2.16	↑ 1	134	Burundi	2.488	↑ 5	162	Afghanistan	3.585	↔
107	Uganda	2.168	↔	135	Chad	2.498	↑ 3	163	Syria	3.6	↔
108	Kyrgyz Republic	2.181	↑ 4	136	India	2.504	↑ 1				
109	Algeria	2.182	↓ 3	137	Philippines	2.512	↓ 1				
110	Cote d' Ivoire	2.207	↑ 9	138	Eritrea	2.522	↓ 3				
111	Guatemala	2.214	↑ 3	139	Ethiopia	2.524	↓ 6				
112	China	2.243	↑ 3	140	Mexico	2.583	↑ 2				

Source: Global Peace Index, 2018.

Analysis of Democratic Republic of Congo

Dan Snow (2013) writes that the DRC is one of the richest countries in the world in terms of its indigenous natural resources. However, a combination of factors but primarily corruption, have turned DRC into one of the poorest and lowest-ranking nations on the planet. With natural riches that include cassiterite, coltan, copper, diamonds, ivory, rubber, timber, tin, water, the minimum expectation would be a nation that is economically self-sufficient. But instead of self-reliance, the DRC has been and remains

characterized by a legacy of brutal colonizers (1885-1964) and by the authoritarianism of successive so-called “freedom fighter” regimes (1965 to present).

At the Berlin Conference of 1884, the country then known as Zaire and now DRC and its people have gone through ordeals of pillaging and plundering that were then and are today still being orchestrated by the political oppression of wide-ranging criminals who behave with absolute impunity. Two of perhaps the most distressing time periods in the history of DRC were (1) the inhumane and brutal rule of King Leopold II of Belgium (1885-1908), and (2) Mobutu Sese Seko’s (1965-1997) corrupt and iron-fisted dictatorial and tyrannical regime. Both exemplify all that is wrong with DRC today.

During the era of King Leopold II, the king seized then-Zaire as his own personal property with no regard for the habitants. He amassed a vast personal fortune while never once setting foot on Congolese soil. Even after the king’s passing, the Belgian Congo rulers at that time used slave labor to plunder the country’s native supplies such as rubber, ivory, and timber, until the mid-1960s when independence was finally gained.

M. W. Kodi (2008) underscores the unfortunate realities as a result of the perpetual lack of accountable institutions and governing systems that remained after independence. Kodi makes special note of the mismanagement and gross negligence by different rulers. He points out that from the Belgium colonial system to the Mobutu regime, and thereafter to the presidencies of both Kabilas, these predatory regimes have can only be characterized by greed, rampant corruption, and massive violations of human rights (Kodi, 2008, pp. 1-15).

The authors Steve Askin and Carol Collins (1993) single out Mobutu as exceptionally driven by greed and impunity, more so than other African dictators, in his

drive to enrich himself by any means possible at the expense of the country. The authors further explain that Mobutu's greed and unequalled corrupt regime is similar to that of King Leopold. Like the king, Mobutu and his family, along with his political and business allies, effectively secured monopoly control of key sectors of the DRC economy. A sustained period of institutionalized corruption and misappropriation of state-owned resources became the norm in Mobutu's tyrannical regime. Author R. Hodess (2004) cites Mobutu as the third most corrupt leaders in the world behind former President Suharto of Indonesia and former President Ferdinand Marcos of the Philippines. By Hodess' account, Mobutu is believed to have stolen or siphoned some US\$5 billion. A looting of such scale is unconscionable in a country like DRC where the average GDP per capita at that time was barely \$100. Ndikumana and Boyce (2000) confirm the state in which DRC finds itself because of the absolute disregard for human development and the massive thievery that took place under Mobutu's tyrannical regime alone. The authors state:

During the dictatorship of Mobutu Sese Seko, Congo (or Zaire, as Mobutu renamed the country) accumulated a public external debt of roughly \$14 billion. At the same time, Mobutu and his associates extracted wealth from the country. By 1990, real capital flight from Zaire amounted to \$12 billion. With imputed interest earnings, the accumulated stock of Zairian flight capital was nearly \$18 billion. Congo's successor governments may be able to repudiate liability for the Mobutu regime's debts on the basis of the doctrine of odious debt. Creditors could then seek to recover their losses by identifying and impounding flight capital which was extracted from the country. (p. 1)

Mobutu's regime ended a few decades ago. However, the legacy of economic damage left behind has a negative impact on DRC today. As many have said, including Ndikumana and Boyce, after Mobutu was deposed DRC was left in complete disarray, saddled with poverty, and one of the highest debt-burdened countries among all the

world's developing nations. The research by Ndikumana and Boyce (2012) regarding capital flight from 33 SSA countries ranks DRC as one of the worst among African countries, with a loss of US\$33.9 billion (p. 9). Further, DRC's continued underdevelopment is associated directly and indirectly with successive regimes that left the nation worse off following each failed regime.

Tamina (2015) describes DRC as a nation subjected to successive conflicts, weak governing institutions, economic mismanagement, endemic and widespread corruption which has penetrated all levels of society. A prime example is a recent report of cobalt mining that uses child labor to the benefit of well-known world companies. Recently a landmark legal case was launched by a Washington, D.C. human rights firm based on findings that involve large technology companies such as Apple, Dell, Google, Microsoft, and Tesla, among others (Kelly, 2019). As the article points out, at the center of the lawsuit is the insatiable demand for cobalt, which can be exploited by foreign organizations in collaboration or with the knowledge of governments that turn a blind eye. Cobalt is essential for powering rechargeable lithium batteries used in millions of products. Instead of being a force for good by improving the lives of local Congolese people, the companies are accused of aiding and abetting in the deaths and serious injuries of Congolese, including children, in the interest of making profit. While more than 60% of cobalt comes from DRC, the country is one of the poorest in the world, with most of its population living in poverty and enduring continual cyclical conflicts. Instead of providing a means of enhancing the lives of the Congolese people, the extraction of precious metals like cobalt has led to human rights abuses and environmental destruction—classic characteristics of corruption.

Analysis of Botswana

After 80 years as a British protectorate, Botswana became independent on September 30, 1966. For some time thereafter, Botswana remained as poorly developed as other SSA countries and among one of the poorest countries in the world. Like many countries post-independence, Botswana relied on grants from Britain for its development spending and to sustain its budgets.

However, decades later, Botswana began to sustain one of the world's highest economic growth rates. As noted by Van de Walle, Carlson, and Somolekae, Botswana's economic development path began with virtually no infrastructure, few productive assets, and a mostly uneducated populace. However, the authors stress that Botswana was perhaps unique among other African countries in the extent to which aid was centrally managed and fully integrated into a national development planning and budgeting process (Van de Walle, Carlson, & Somolekae, 1997).

Botswana's transformation from one of the poorest, low-income countries in the world, to an upper-middle-income country, can be attributed to its commitment to good governance. Botswana consistently ranks as one of the top countries in Africa for implementing the indicators of good governance. For instance, according to Transparency International's 2008 Corruption Index, Botswana was the least corrupt country in the SSA region, ranking 36. In the 2018 CPI survey of 180 countries, Botswana ranks second (61/100) to Seychelles, which ranks number one in Africa with a score of 66/100. Internationally, Botswana ranks 34 among 180 countries (Transparency International, 2018).

Explaining Botswana's success, Lewis (2005) points out that Botswana has come to be known as the "African exception," because its record of economic growth and political democracy contrasts starkly with virtually all other parts of SSA. This can be attributed to how the nation's founders built the country on a culture of democratic development. The cornerstone and propelling force of Botswana's stable economic development emanates from the decision to establish a multi-party democratic system based on a theme of economic development that includes all citizens. The importance of multi-party democracy in Botswana is underscored in the 2008 United Nations Research Institute for Social Development (UNRISD) report which spells out multi-party democracy as implemented in Botswana as a prerequisite for real development. The following brief summary explains what is at the center of Botswana's economic success:

The constitution at independence established a multiparty and non-racial democracy, which maintains basic freedom, basic rights including property rights with an independent Judiciary. One of the most significant features of competitive politics in Botswana is the peaceful co-existence between the ruling party which controls the central government and the major opposition party which has tended to control the local governments in the capital city and in some other major towns of the country. Botswana is also known as the least corrupt African state with a relatively participatory and transparent political system with roots stemming from the country's traditional Tswana custom. Botswana's democracy has survived and continued to grow, while many sub-Saharan African countries that gained independence in the 1950s and 1960s soon abandoned multi-party democracy after independence and some countries, such as Angola and Mozambique, did not give democracy a chance. . . . Thus, democracy, political stability, rule of law, transparency, and participatory political process are the political factors that seem to have contributed to the success and sustainability of development effort. (pp. 1-11)

Observers noted that Botswana's record of 60 years of stable economic growth has few parallels in the modern history of Africa. One remarkable achievement worth noting is the fact that Botswana has not succumbed to the "resource curse," which has

derailed the economic development of other resource-rich countries like Equatorial Guinea, Nigeria, and DRC. Botswana's exceptional record of growth, coupled with reduced dependence on foreign aid, occurs mainly because of growth-promoting economic policies pursued by the country.

When conducting research into the development of Botswana relative to ODA into the country, it was apparent that the country consistently performs positively, unlike many of the other SSA countries. It is a good example of ODA working successfully to achieve its goals of bringing effective and sustainable development to the country.

Furthermore, Botswana's development has been successful because of its abundant natural resources and not only the result of a good governance system. As shown in the analysis of DRC, having natural resources is no guarantee of developmental success. A well-functioning governance system is equally important. Therefore, Botswana's better-than-average economic performance can be attributed both to its abundant natural resources and to its successful governance systems.

I do not wish to minimize or discount the importance of natural resources as key elements for economic development. In fact, natural resources are highly essential. However, considering the economic development contrast between Botswana and DRC today—where natural resources are abundant and yet there are such different development outcomes—it is apparent that Botswana's sustained economic growth stems primarily from functioning and development-oriented institutions as compared to DRC.

Botswana's achievements in the arena of trading is another example that can be attributed to the leadership system of development practiced in the country. As a result of its well organized and development-oriented governance system, Botswana became less

dependent on ODA, and its strong institutions and wise use of natural resources is what made that possible. Today, Botswana's enjoys excellent trade relations with the rest of world because of strong policies that favor and protect the country's interest.

Botswana is on the verge of determining its own destiny by dictating the terms of trade deals rather than becoming beholden to handouts from Western nations. A 2016 BBC news video by Lerato Mbele (2016) documents the achievement of self-reliance in terms of Botswana's ability to process its products and dictate the terms of trading in the global market. Progress like this is hailed as vital for building confidence that leads to sustainable development. Citing the development of Botswana's tremendously beneficial diamond processing, Brook (2012) endorses the idea that Botswana's diamond pipeline (fully controlled processing from start to finish) represents the mark of development sustainability.

In many ways, Botswana is a role model to be emulated by other African nations. Its effective development, spurred primarily by foreign development aid, should serve as a lesson from which other countries can learn. Defying tyranny by African elites is a requirement if other African countries are going to a step forward and achieve similarly positive development.

Case Study #2: Ethiopia and Kenya

This case study compares the efforts undertaken by Ethiopia and Kenya to reduce poverty during the period 2000 to 2011. In particular, the Millennium Development Goals (MDGs) 2000-2015, designed by world leaders at the United Nations to reduce poverty and improve lives, can be characterized as development endeavors that have been carried out with the aid of ODA since the 1960s. Before assessing the circumstances that played an important role in how Ethiopia and Kenya addressed their respective poverty reduction campaigns, I provide a brief account of both countries in relation to ODA and other development ties they share.

For the past 60+ years, both Ethiopia and Kenya have been recipients of ODA. Both are also members of a regional economic organization known as the Common Market for Eastern and Southern Africa (COMESA). Consequently, both countries are expected to abide by guiding COMESA principles in matters relating to the conduct of development initiatives necessary for sustaining development. Given several similarities between the two countries in the sphere of development, one would expect that both countries would produce similar outcomes in areas such as poverty reduction, one of the markers of sustainable development.

That was not the case. With respect to the MDG poverty reduction campaign of 2000 to 20215, in which both Ethiopia and Kenya participated, the performance by each country was distinctly different. Ethiopia's performance was heralded as a success and in line with ODA objectives; Kenya performed worst of all African countries even though it received sizable amounts of ODA and was believed to have a better standing than Ethiopia in many development indicators. For instance, the Ibrahim Index for African

Governance (IIAG) ranks Kenya ahead of Ethiopia in all categories it considers to be markers of effective development. The ranking of both countries is shown in the following Table 9, measured by IIAG factors during 2008 to 2017 of the 54 African nations.

Table 9. Kenya and Ethiopia Rankings Based on IIAG Factors.

Category	Kenya's rank among 54 African countries	Ethiopia's rank among 54 African countries	Time frame
Overall Governance	11	35	2008-2017
Safety and Rule of Law	27	38	2008-2017
Participation and Human Rights	22	44	2008-2017
Sustainable economic Opportunity	8	20	2008-2017
Human Development	7	20	2008-2017

Source: Ibrahim Foundation, 2018, pp. 16, 26, 36, 48, 62.

Since Kenya's ranking is higher than Ethiopia, one would also expect a better outcome from Kenya in terms of poverty reduction. However, actual reduction of poverty in Kenya has been disappointing. An MDG 2015 report shows that with a 28.4% poverty *increase*, Kenya is the worst-performing country in Africa, whereas Ethiopia has *reduced* poverty by almost 25% (Africa Development Bank, MDG Report, 2015).

As Cilliers (2015) observed, disappointing results such as those recorded by Kenya, affect the credibility and sustainability of economic growth. Cilliers believes

endemic poverty is one of the biggest challenges facing Africa (pp. 1-2). Therefore it is highly concerning when African countries do not take advantage of poverty campaigns such as the 2000-2015 MDGs to reduce poverty by some reasonable percentage. Two key areas offer answers to these unexpected poverty campaign results and the reasons behind it: (1) amounts of ODA received, and (2) corruption.

Amounts of ODA Received

Ethiopia and Kenya have been and still are recipients of some of the largest amounts of ODA among African countries. Ethiopia appears to have received more ODA than Kenya during the 2000-2015 time period of the MDGs. Table 10 below shows net ODA reflecting the amounts received by each nation.

Table 10. Ethiopia and Kenya, Net ODA/GNI Received, 2000-2015.

Year	Ethiopia (Net ODA/GNI)	Kenya (Net ODA/GNI)
2000	8.406	4.087
2001	13.491	3.68
2002	16.99	2.98
2003	18.944	3.548
2004	18.18	4.111
2005	15.601	4.039
2006	13.348	3.656
2007	13.217	4.179
2008	12.243	3.802
2009	11.803	4.821
2010	11.585	4.093
2011	10.965	5.907
2012	7.965	5.288
2013	8.173	6.068
2014	6.462	4.393
2015	5.03	3.891

Sources: World Bank, 2019c, 2019d.

Corruption

The second element that has an impact on the reduction of poverty is corruption, which is a great concern for both Ethiopia and Kenya, as it hinders each nation's development efforts. There is a continually rising corruption trend in Kenya compared to that of Ethiopia in 2010 through 2018, as shown in Figures 9 and 10. The data suggest there is a greater problem with corruption in Kenya, with the Corruption Perception Index ranks Kenya lower than Ethiopia. Lower CPI scores indicate a prevalence of corruption that impedes effective development and poverty reduction.

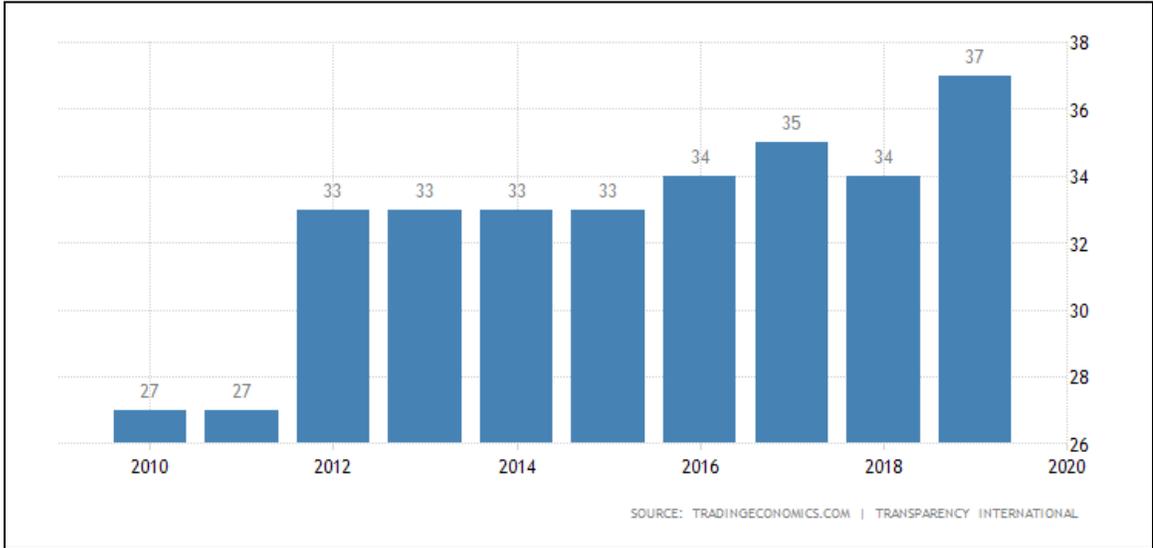


Figure 9. Ethiopia, Corruption Ranking, 2010-2018 (based on CPI).

Source: Trading Economics website, 2020.

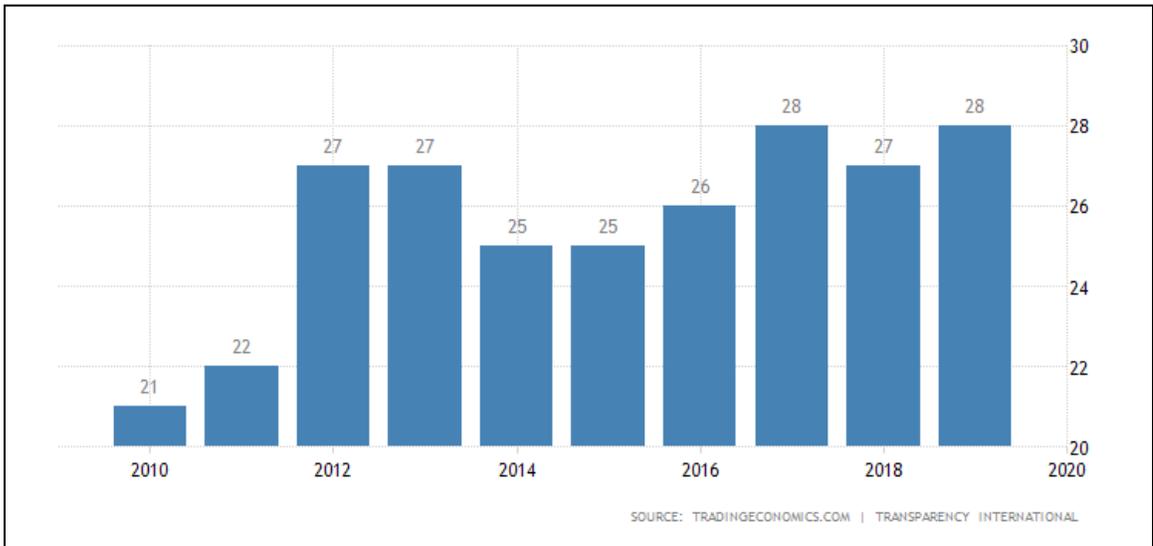


Figure 10. Kenya, Corruption Ranking, 2010-2018 (based on CPI).

Source: Trading Economics website, 2020.

Summary

While higher levels of ODA received during the poverty reduction campaign (2000–2015) may be considered a factor, the fact Ethiopia has a less-corrupt institution should not be ignored. By all accounts, Kenya’s record of combating poverty is disappointing. Furthermore, Kenya’s unacceptably high increases in the rate of poverty cannot be attributed to insufficient foreign aid. Thus when Kenya, like Ethiopia is one of the top aid recipients in SSA countries, citing a lack of ODA as an excuse for a 28.4% increase in the poverty rate may in fact suggest that Kenya has a corruption problem. On other hand, Ethiopia’s success with reducing poverty may suggest that a sizable sum of ODA is beneficial—if it is used for the intended purpose and contributes to less corruption.

The 2014 report of Ethiopia’s progress toward meeting the MDGs reveals that among the eight MDGs, Ethiopia has met the criteria for five:

- eradicating extreme poverty and hunger,
- achieving universal primary schools,
- promoting gender equality,
- reducing child mortality, and
- combating diseases, including HIV/AIDS and malaria.

Ethiopia has demonstrated a good measure of success in reducing poverty, which is cause for celebration by the world. In addition to having fewer corrupt institutions, it is also clear that Ethiopia has forged strong global partnerships for development. This fact was stated in the Millennium Development Goals Ethiopia 2014 report (African Development Bank, 2015, xiii-xvii).

Chapter VIII

The Impacts of Corruption on ODA in SSA Countries

The reality of ODA's legacy in Africa is apparent: it has not achieved its development potential, mainly because of corruption. Recognizing the negative role of corruption that impedes the development of SSA countries, this chapter focuses on corruption, capital flight, and IFFs and the means of measuring them through the use of the Corruption Perception Index (CPI).

In the post-Colonial period, foreign aid meant for developing African countries was infested with endemic corruption orchestrated by successive authoritarian or dictator governments for more than 60 years. It can be argued that the resulting ineffectiveness of ODA could not have happened without some degree of complicity between corrupt governments and the rich nations providing some amount of aid. This theory is highlighted by Healey and Robinson: "International society is at least partly responsible for perpetuating the underdevelopment of the empirical state in Africa by providing resources to incompetent or corrupt governments without being permitted to ensure that these resources are effectively and properly used" (1994, pp. 71-82).

It is difficult to point at Western nations as bearing some responsibility for Africa's under-development problems. However, claims of complicity by donors in wealthy Western countries, in what can be characterized as aid-for-profit relationships, carry some merit, especially when looked at through the lens of a 2014 article by Mark Anderson. In the article, "Aid to Africa: Donations from West mask US\$60 billion

looting of the continent,” Anderson presents evidence of capital flows out of Africa versus inflows of aid into Africa: “The report says that while Western countries send about US\$30 billion in development aid to Africa every year, more than six times that amount leaves the continent, ‘mainly to the same countries providing that aid’” (Anderson, 2014).

Numerous entities have focused on corruption as a hindrance to economic growth and poverty reduction. For example, in its executive summary of the “Global Corruption Barometer, Africa 2019,” Transparency International emphasizes that corruption is a major hurdle to economic growth, good governance, and basic freedoms such as free speech or citizens’ right to hold their governments accountable (Transparency International, 2019, pp.1-3).

One person who has closely observed corruption as an impediment to sustainable development is former UN Secretary-General Ban Ki-moon. According to Ban, corruption eats up about 30% of all development assistance or aid money, simply never making it to the final destination where it is most needed (Ban, 2012).

The World Bank Group has also identified corruption as a major challenge hindering its goal of eradicating poverty by 2030. In its 2016 World Bank study, last updated in October 2018, fighting corruption was underscored as a top priority (World Bank Group, 2018, pp. 1-4).

In a 2018 briefing titled “Combating Corruption” the World Bank Group characterizes corruption as deadly. It considers corruption to be a major barrier to achieving its proposed goal of ending extreme poverty and boosting and creating shared

property among 40% of the poorest populations of developing nations (World Bank Group, 2018, p. 1).

Similar concerns about corruption have been expressed by the International Monetary Fund (IMF), which considers corruption to be “macro-critical” to its mandate of achieving macroeconomic stability. IMF emphasizes that corruption impedes the conduct of efficient and sound budgetary and monetary policy by weakening financial oversight and thereby curtailing inclusive economic growth (IMF, 2016, pp. 1-2). In an online fact sheet dated March 27, 2019, IMF states that corruption occurs when there is a lack of a good governance institution in a country or organization. Corruption can become a day-to-day phenomenon because of poor governance systems. IMF notes: “Poor governance offers greater incentives and more opportunities for corruption that which is the abuse of public office for private gain. Corruption undermines the public’s trust in its government (IMF, 2019, p. 2).

The United Kingdom International Development Agency (UKAID), in an article titled “Why Corruption Matters: Understanding Causes, Effects, and How to Address Them,” conducted a 2015 study on corruption and ODA. In the study, it observed that, on average, corruption increases the cost of doing business in developing countries by up to 10%. The 2015 analysis identifies bribery as major form of corruption in SSA, standing at 22.3%; also that 43.6% of firms identify corruption as a major constraint. The analysis states that 27.7% of firms expected to give gifts or bribe public officials. SSA countries are the second-highest region manifesting this form of corruption, following the Middle East and North Africa region, where bribery amounts to 37.7%, with 60% of firms

reporting bribery as a major constraint, and 35.8% of firms expected to give gifts to public officials (UKAID, 2015, pp. 40-42).

An investigative report dated January 20, 2020, reveals how the daughter of former Angola President Isabel dos Santos (dubbed “Africa’s richest woman”) built a US\$2.2 billion empire—largely at the expense of Angola’s poor. This example epitomizes what has taken place throughout the continent for so long, exemplifying the pervasive nature of corruption in Africa that is real and deeply rooted. In what is termed the “Luanda Leaks,” the leaked documents brought to light the magnitude of this corruption. Richard Bilton reported the full extent of this corruption on BBC’s *Panorama* program (Bilton, 2020). This revelation exposes the longstanding occurrence of corruption as practiced in Africa with impunity by the elite who are closely connected to power and the powerful. This example serves as a segue into another form of corruption: capital flight.

Capital Flight and ODA

Capital flight occurs when assets and capital are shifted out of one country and into another. Capital flight occurs typically—and disproportionately—out of a developing country with a relatively weak currency and into an advanced economy that uses a high-value currency such as the US dollar, the European Union euro, or the British pound. Given the poorer economic standing of SSA nations and the weak structure of their government systems, the effects of capital flight there can be especially devastating. The loss of such monies adds another layer of difficulty to a nation’s efforts to achieve sustainable development and reduce poverty.

Studies of numerous countries were conducted over many years, establishing the fact that capital flight outstrips any of the standard forms of development assistance received by African nations from wealthy Western nations. Research institutes such as the Political Economy Research Institute (PERI) at University of Massachusetts-Amherst, are among those providing documented estimates. A study done by PERI established that between 1970 and 2015—a period of 46 years covering some 30 African countries—the combined amount lost in the form of capital flight outstripped the debt owed by those countries (US\$496.9) and the amount of ODA received (US\$991.8) (Iorio, 2019) (see Table 12 below). Between 2000 and 2015, high levels of capital flight played a role in holding back Africa, with the end result that many SSA countries failed to achieve their MGDs.

Table 11. Capital Flight from Africa, 2015.

Country	Total capital flight (US\$ billions)	Ratio to GDP (%)	Stock of capital US\$ (billions)	Debt stock (US\$ billions)	Net external asset (US\$ billions)
Algeria	141.5	85.3	206.0	4.7	201.3
Angola	60.9	52.9	63.7	28.0	35.8
Botswana	3.6	24.9	2.1	2.1	(0.0)
Burkina Faso	2.0	19.4	3.5	2.6	0.9
Burundi	5.1	181.8	5.8	0.6	5.2
Cameron	42.9	138.8	57.5	6.6	50.9
Congo, DR	19.0	50.1	35.7	5.4	30.2
Congo Rep.	59.9	705.9	59.8	3.9	55.9
Cote d'ivoire	32.0	97.3	64.9	10.0	54.9
Egypt	31.3	9.9	85.8	46.6	39.2
Ethiopia	32.9	52.1	37.2	20.4	16.8
Gabon	23.5	172.3	25.3	4.3	21.0
Ghana.	29.8	79.9	32.1	20.7	11.4
Kenya	19.1	30.0	29.4	19.1	10.3
Madagascar	11.3	98.7	20.0	3.0	17.0
Malawi	9.7	150.5	12.4	1.7	10.6
Mauritania	2.8	58.2	5.9	3.7	2.2
Morocco	115.9	114.6	162.5	43.0	119.5
Mozambique	13.4	90.6	17.0	10.1	6.9
Nigeria	340.3	68.8	411.0	29.0	381.9
Rwanda	17.7	213.7	24.9	2.2	22.6

Country	Total capital flight (US\$ billions)	Ratio to GDP (%)	Stock of capital US\$ (billions)	Debt stock (US\$ billions)	Net external asset (US\$ billions)
Seychelles	3.8	272.5	4.4	2.7	1.6
Sierra Leone	28.4	674.0	30.5	1.4	29.1
South Africa	198.5	62.5	183.6	173.9	45.7
Sudan	31.8	40.0	45.9	21.4	24.5
Tanzania	29.5	63.0	41.2	15.0	26.2
Tunisia	27.7	64.3	63.3	27.4	8,9
Uganda	21.1	83.7	23.3	5,8	17.5
Zambia	25.2	118.8	37.4	8.8	28.7
Zimbabwe	3.4	21.2	13.2	8.7	4.5
30 countries TOTAL	\$1,384	65.6%	\$1778.2	\$496.9	\$1,281.3

Source: PERI, 2018, p. 7.

Sustained capital flight, which can occur either slowly or rapidly, curtails many opportunities for sustainable development, especially in most SSA countries. Capital flight prevents development from taking root by draining economic resources, weakening a country's currency, hurting the domestic banking sectors, undermining public investment, and hampering the ability of a government to increase real GDP. Figure 9 shows the effects of capital flight from African countries.

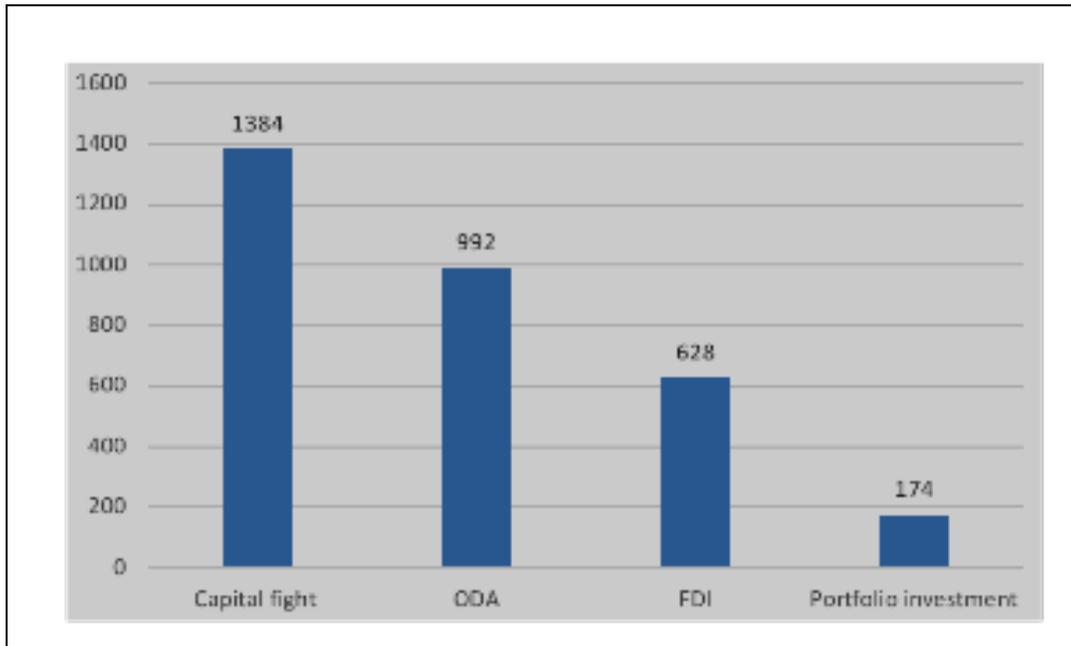


Figure 11. Capital Flight from Africa

Source: PERI, 2018. p. 9.

Illicit Financial Flows and ODA

Illicit financial flows (IFFs) are another form of, indeed a byproduct of, corrupt practices, and its negative impact is equally as consequential as that of capital flight.

Figure 12 illustrates the inflows and outflows into and out of SSA. The figure shows that SSA receives from Western nations in the forms of ODA, foreign direct investment (FDI), and other loans in an annual amount of US\$134 billion. It also shows that by comparison the outflows from SSA nations is disproportionality higher, more than US\$192 billion. The gap between inflows and Outflows is \$58.6 billion. Thus:

$$\text{Gap (G)} = \text{Outflows (O)} - \text{Inflows (I)}$$

Therefore: \$192.3 - \$133.7 = \$58.6 billion.

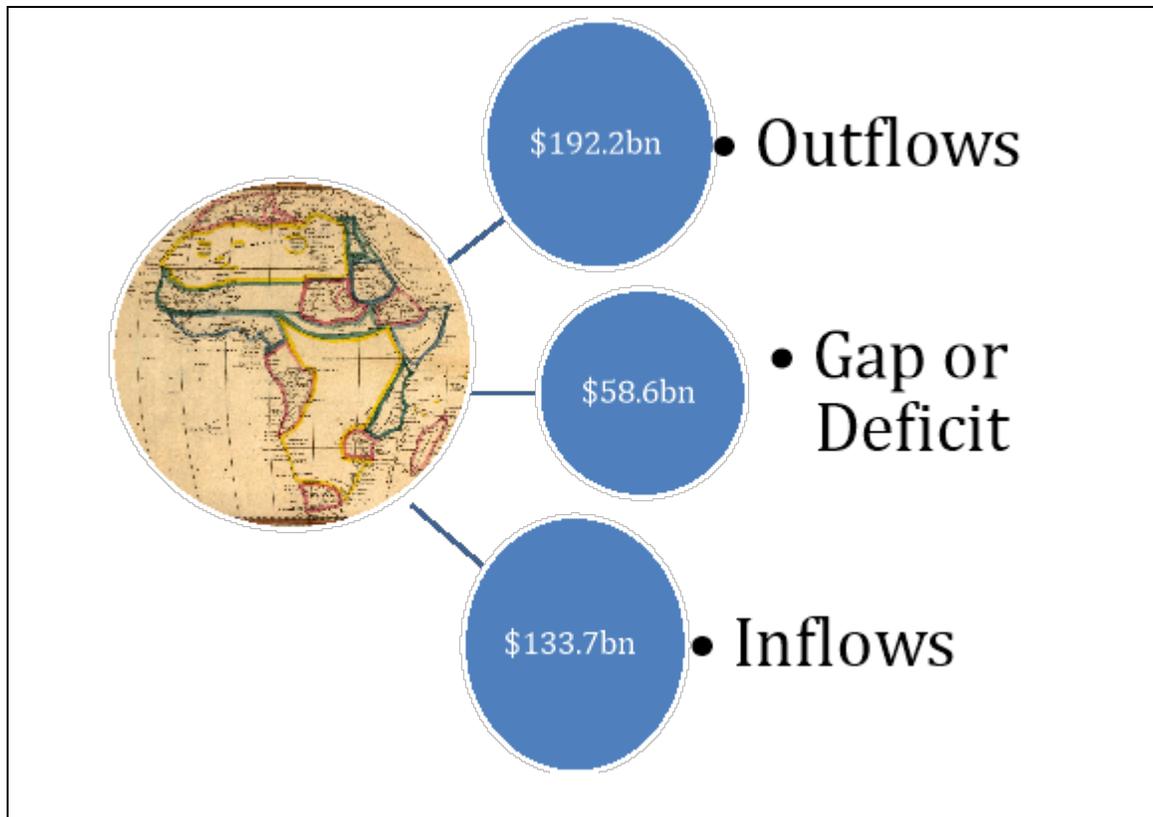


Figure 12. Inflows vs. Outflows = Deficit.

Source: Global Policy Forum, 2014.

Figure 13 below illustrates the findings of a 10-year study by Global Financial Integrity between 2003-2012. It highlights that development aid coming into Africa is negligible in comparison to what Africa loses in the forms of capital flight and illicit financial flows.

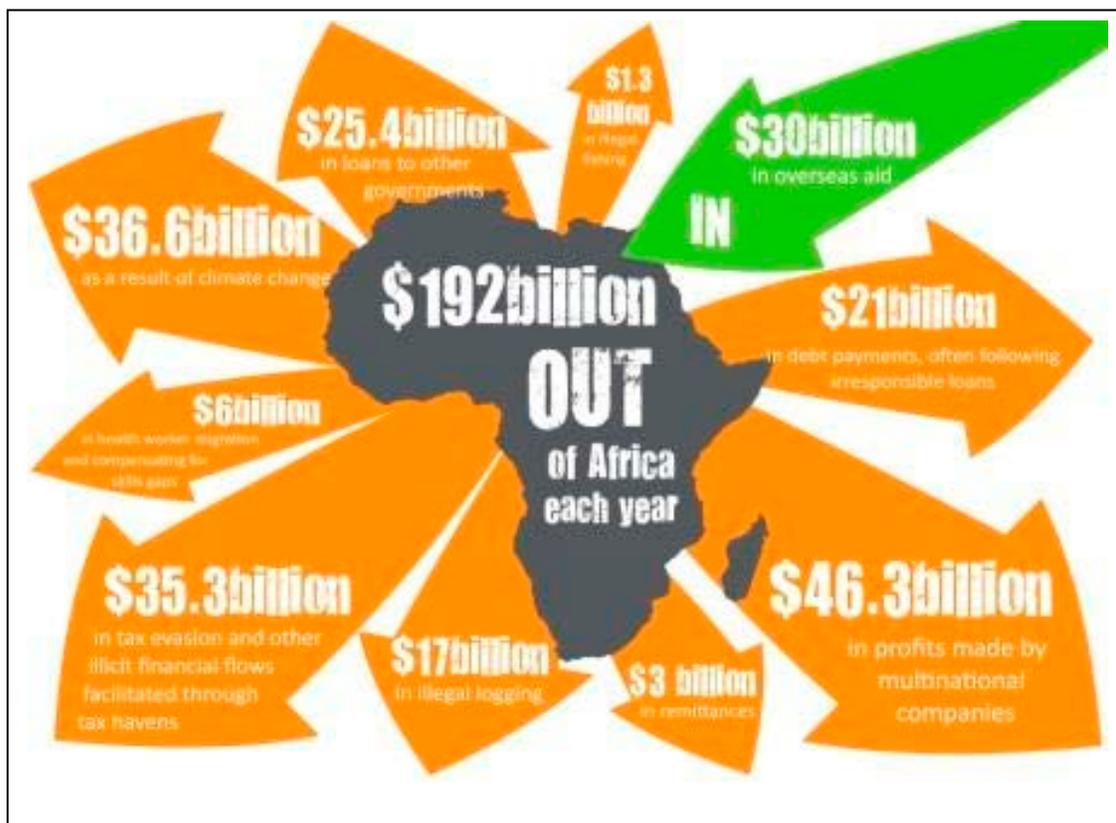


Figure 13. ODA Inflows Compared to IFFs Outflows.

Source: Global Policy Forum, 2014

Table 12 shows that IFFs far exceed other forms of development. It illustrates how far Africa is behind in terms of sustainable development, based on tools that compare what has been lost through either capital flight or IFFs.

Table 12. IFFs Compared to Other Forms of Development.

IFFs	ODA	FDI	GDP	Ratio of IFFs to GDP
\$528.9 bn	\$348.2 bn	\$284.1 bn	\$9, 565.4 bn	5.53 5%

Source: Spanjers, 2015, pp. 1-3.

Ndikumana and Boyce (2012), among others, have concluded that unless there are African leaders who demonstrate the genuine characteristics of good governance (i.e., rule of law, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency, accountability, and participation) and wealthy Western donor nations that work together in a true development partnership, the cycle of dependency will remain. If SSA nations are to have good governance, Africa has to become a creditor instead of a debtor.

Chapter IX

Conclusion and Recommendations

Given the problematic state of ODA in the countries of Sub-Saharan Africa over the last six decades, it seems warranted to question the viability of ODA as means of effective and sustainable development. On one hand, some criticize ODA as inefficient because too little has been given and more is needed. On the other hand are others who argue that ODA has been squandered and no more aid should be made available. However polarizing such views may appear, both pose valid concerns that require a deeper examination and evaluation of ODA in Sub-Saharan Africa.

From a personal point of view, I agree with those who advocate for more ODA for SSA. Indeed, some degree of good has occurred especially in the health sectors: fighting malaria, HIV/AIDS. From a more general, long-term, and practical standpoint, the underdevelopment in Africa as a whole and SSA countries in particular has not happened solely because the continent did not receive sufficient ODA.

As repeatedly stated throughout this thesis, perhaps the single element missing in African nations throughout the past six decades—and still remains deficient today—is sound and coherent governance systems that create an environment for institutions that is conducive to effective and sustainable development. Without well-functioning institutions, led by transparent and accountable leaders, the doubling, tripling and even quadrupling of ODA to SSA countries will be futile—unless there are strong institutions that root out the major causes of African underdevelopment like corruption, manifested

primarily in capital flight and illicit financial flows. Arguments over “too little” or “too much” ODA are not beneficial to SSA’s long-term development sustainability. If effective and sustainable development is to be desired for Africa’s long-term well-being, poor governance that breeds rampant corruption needs to seriously be addressed.

As estimated by a 2002 African Union study and reiterated in 2018 by Vera Songwe, Executive Secretary of UNECA, corruption is believed to cost Africa US\$148 billion yearly through various fraudulent activities representing some 25% of Africa’s average GDP. Citing former South African President Mbeki’s High-Level Panel on IFFs, Songwe stressed that due to IFFs alone Africa loses between US\$50 and US\$80 billion yearly (2018, pp. 1-2).

The severity and costly nature of corrupt practices like IFFs is obvious, and it is the driving force behind net loss of vital resources as IFFs grow at much faster pace over time. In a joint report issued by the African Development Bank and Global Financial Integrity, in the 30 years between 1980-2009, it estimated that Africa lost between US\$1.2 and US\$1.3 trillion through IFFs alone. These losses due to IFFs serves as a prime example of how devastating and debilitating the impact of such losses can be in the long term, and its implications continue to hinder potential development. Furthermore, (GFI, 2014). By all accounts, losses such as cited above represent far more outflows than what was given to SSA in the form of ODA—a fact that underscores the importance and heightened urgency for equipping SSA nations to fight corruption.

If one considers the plausible possibility of sustainable development in Sub-Saharan Africa, I agree with the World Bank’s African Chief Economist, Albert Zeufack’s (2018) assessment:

To accelerate and sustain an inclusive growth momentum, policy makers must continue to focus on investments that foster human capital, reduce resource misallocation and boost productivity. Policymakers in the region must equip themselves to manage new risks arising from changes in the composition of capital flows and debt. (p. 1).

Recommendations

On the basis of my research findings and analysis, I recommend the following five core elements for achieving and maintaining effective and sustainable development:

1. *Foreign development aid should be term limited and development performance conditioned.* For too long, ODA in Africa has been taken for granted by most African leaders as a source of revenue. This approach to governance has led to a perpetual mentality of dependency. In turn that dependence creates a tendency for African leaders to become less accountable to their constituents and instead to focus on possible aid from wealthy donor countries.
2. *A culture of good governance is paramount.* As repeatedly emphasized by the Ibrahim Index of African Governance, sound governance systems that are built on functioning institutions are vital for Africa's development. Building and maintaining functioning institutions is one mark of sound governance, but for ODA to be effective, sound governance is also needed. Among the signatures of sound governance, IIAG (2018) lists the following: rules of safety and laws, human rights, sustainable economic opportunity, spheres of human development. Practical application of these key ingredients in a country is one measure of governance functionality.

3. *Accountability and transparency in ODA with respect to Receiver and Donor are vital.* Vera Songwe (2019), in an article for the Ibrahim Foundation, notes: “Rules of law, transparency and accountability are key to improving public governance in Africa.” Likewise, building a system governed by accountability and transparency between donor and receiving nations can significantly improve development outcomes.

The role of accountability and transparency in promoting good governance is one of the benchmarks of successful and sustainable development (OECD, 2014, p. 25). The OECD graphic shown in Figure 12 illustrates the components of successful development and their interactions.

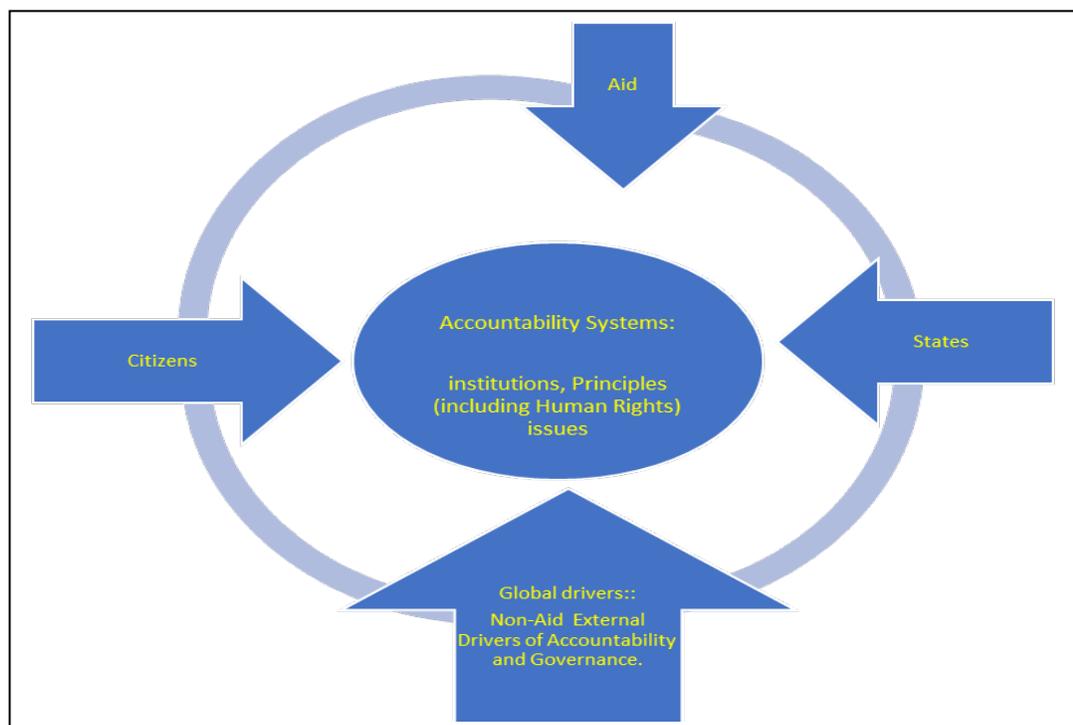


Figure 14. Components of Accountability Systems.

Source: OECD, 2014, p.25.

4. *The CPPI index should be applied in order to measure development in Africa, specifically the effectiveness of ODA.* A system like CPPI, which measures development and takes into consideration the role of peace and security, is fundamental. The four-part CPPI interprets and forecasts structural vulnerability ratings by highlighting core indicators or explanatory variables on the basis of their results. Measuring these components is beneficial in multiple ways. By considering peace and security at their initial stages of development, the likelihood of detecting threats to development is high. Another mechanism, such as COMESA’s Structural Vulnerability Assessment (SVA), is also useful for diagnosing development drivers.

To better understand and verify the foundations of effective development, a measuring mechanism is needed that analyzes development based on the following COMESA CPPI factors shown in Table 13.

Table 13. COMESA Prosperity Index (CPPI).

Component	Description
Peace	Inverse of peak intensity HIIK conflict scales.
Health	Inverse of child mortality
Trade Openness	Trade (% GDP)
Wealth	GDP per Capita (PPP)

Source: Etyang & Chinemhute, 2016, p.7.

Final Thoughts

In an effort to combat corruption throughout Africa, the United Nations Commission for African (UNCA) and the African Union Board on Combating Corruption have joined together to improving governance in Africa. They issued a statement that “Corruption remains the most daunting challenge to good governance, sustainable economic growth, peace, stability and development in Africa,” and also asserted that “While corruption is a global phenomenon, the impact is felt more in poor and underdeveloped countries, where resources for development are unduly diverted into private hands, which exacerbates poverty” (UNECA, 2016, pp. 1, 3). In light of evidence presented in this thesis, pointing out the deleterious effects of corruption in African development, there is considerable urgency to fight the root causes of corruption in Africa through multi-prong, anti-corruption mechanisms.

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