

How Does Official Development Aid Affect the Foreign Policy of the Recipient?

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ODA is usually thought as a form of humanitarian aid from a developed country to a less developed country. The purpose of my research is to discover whether ODA manipulates change within the foreign policy of the recipient. My research is relevant and may help discover the real motive behind giving ODA thus, challenging the U.S. to give ODA according to need and not self-interest. I will perform a comparative case study analysis on three similar countries to better understand the U.S.'s distribution of ODA. In my research, I found that the U.S. does influence the recipient's foreign policy. I also found that ODA can have no effect on the recipient country's foreign policy. Therefore, whether the U.S.'s motives regarding ODA are all according to self-interest is inconclusive.

Introduction

The purpose of official development aid (ODA) is to improve the quality of life in developing countries, with money serving as the catalyst for development. At least this is the expectation many experts criticize whether ODA is beneficial for developing countries or if it just makes them dependent on developed countries and their money. Another criticism of ODA is one that my paper focuses on, the motivations behind aid; is it based off of self-interest? Or need?

This specific type of aid has been around since the late 1960's and is seen frequently today between developed countries and developing countries (OECD). ODA is given by the members of the development assistance committee (DAC) (OECD). Members of the DAC include developed countries who according to their GDP and the size of their economy are doing well and feel a responsibility to support the less developed countries (OECD).

The recurring question throughout my paper is: how does official development affect the foreign policy of the recipient? Research and history show that most countries are rational actors who act in their self-interest. This paper focuses on challenging that theory, and discovering whether the incentives of ODA are humanitarian, or focused on the self-interest of the donor. Foreign policy is extremely important to a country, regardless of its size or age, every country has a foreign policy. A country's foreign policy is dependent on its relationship with itself and the rest of the international community. Foreign policy outlines the agenda of its future goals regarding themselves and their alliances. The way a country executes its foreign policy sets the preface for interaction with other countries in the international community, and how they are viewed. Part of a country's foreign policy is aid, ODA is a bilateral transaction which is given

from one country to another (OECD). The official description of ODA states that the distribution of its aid is driven by the humanitarian needs of the world (OECD). According to the World Bank and the OECD, the purpose of ODA is meant to alleviate development delay, but my paper tests the validity of this statement (OECD).

Many countries which receive ODA are dependent on the yearly distribution of money, many experts criticize ODA due to the inverse relationship ODA is thought to have with developmental progress in recipient countries. My paper is dependent and works with the idea that ODA is distributed based off of egoistic interests of the donor, which in this case is the U.S.

Dependency theory states that developed countries make it so that developing countries rely on them for economic prosperity (*Britannica*). Therefore, through ODA first world countries make it so that developing countries will always be reliant on them, since they are not incentivized to make innovative products. Developed countries were able to transition their economies to ones which are focused on making and exporting high ticketed items. Meanwhile, developing countries stay in their realm of agriculture, supplying developed countries like the U.S. with low-ticketed items. In essence, developing countries lack growth developmentally, ODA is meant to improve the gap between the developed and the less developed countries. Instead of closing the gap ODA eliminates the need or incentives to create high ticketed items at a domestic level. My paper will go into more depth regarding dependency theory and its correlation to ODA in future sections.

My paper will supply an empirical analysis of the motives behind rich countries contributing to ODA. Specifically, tying the interest of the donor and comparing it to the effects ODA has on the foreign policy of the recipient. This paper will focus on The United States' foreign policy and how it uses ODA as a means to further their interest internationally. The U.S.

advocates democracy and that is no surprise when looking at history, specifically during the Cold War. The U.S. rushed copious amounts of money to Europe to motivate democracy after the war when Europe was vastly destroyed and weak. After Europe was left in shambles, it had to reconstruct itself which is why the U.S. supported Europe in their efforts to rebuild. Russia was also doing this throughout Eastern Europe, and like the U.S. they also expected those whom they helped to in return adopt their ideology. While the U.S. was advocating for democracy, Russia advocated for communism and as they expected to the recipient countries adopted their ideologies.

The spread and maintenance of democracy continues to be a main objective throughout U.S. foreign policy and ODA is used to incentivize developing countries to maintain their democratic regime or adopt the ideology. As history shows money can be used to purchase alliances and ODA is no different. Money today provides the same incentives as it did during the Cold War. As stated previously, alliances are central throughout the international community, they are relationships which are beneficial for trade, defense, and global prosperity.

Democratic peace theory as defined by Oxford Reference is, “The idea that democratic states are more peaceful in their external relations and never (or almost never) fight each other” (Oxford Reference). This a theory which the U.S. uses to justify its motives to increase democracy and a reason why it is such an essential part of its foreign policy. The United States sees any ideology other than democracy as a national threat of its national security. ODA is used by the U.S. as a way to motivate developing countries to maintain their democratic regimes because according to the democratic peace theory, democracies are less likely to fight with each other and therefore, a wider scope of peace among the international community would be a direct result of more democracy.

In my paper, I will use three case studies and look at the amount of ODA by each country received over time to understand its effects on the foreign policy of the recipient. Within my research I will look at the U.S.'s motives to give aid and compare them to the changes over time within the foreign policy of the recipient. In my research, I will choose three countries which are similar in region, GDP per capita, and population. It will be evident when there is a difference of ODA distribution from the U.S. to countries which are developmentally very similar.

This paper is not meant to create a generalization but it will include diverse arguments with theories which explain the motives behind U.S. ODA distribution and foreign policy change of the recipients. As this paper continues, I will share different theories from past literature which explore past U.S. ODA giving patterns and include my own theories and ideas. By using three case studies I will be able to at the end of this paper answer my research question of whether ODA affects the foreign policy of the recipient country.

LITERATURE REVIEW

This literature review will focus on Official Development Aid (ODA) and it will examine the relationship between the donor country and the recipient country. To be specific, I will be focusing on the effects ODA has on the foreign policy of the recipient country. In reviewing this literature, I focus on the following:

- Reviewing the countries who give ODA;
- Examining the process of distribution of ODA;
- Looking at the effects ODA has on the recipient country;
- Evaluating the effects of ODA on the recipient's foreign policy.

Donor Countries; Who are They?

According to The Organization for Economic Cooperation and Development's (OECD) website, ODA is defined as government aid "that promotes and specifically targets the economic development and welfare of developing countries"(OECD 2019). Aid can be distributed bilaterally, directly from the donor to the recipient; or it can be dispersed through a multilateral development and welfare agency like the World Bank or United Nations (OECD 2019). To be considered ODA two things are necessary: 1) aid has to go towards promoting economic development and welfare development as its foremost purpose; 2) and it is given in the form of a rate or allowance and holds a grant component of at least 25% (Riddell, 2008). ODA is a collection of 29 member states (not including the UN) who are considered developed based off their Gross Domestic Product (GDP) (Rudel, 2005).

What classifies a country as being developed? According to a 2014 United Nations report, "countries have been classified by their level of development as measured by per capita gross income (GNI)" (United Nations 2014). The World Bank established a classification table which is "estimated using the World Bank Atlas Method" (United Nations 2014). In 2014, the World Bank decided that countries whose GNI are above \$12,615 are high-income countries (United Nations 2014). According to the OECD's website, donors of ODA are expected to devote 0.7% of their gross national product to ODA (OECD 2019). Although the United Nations expects 0.7% of member countries GDP it was not adopted by some of the members of ODA, for example the United States who thinks it is unfair to base it off the earnings of a country (OECD 2019). Since this paper focuses on the ODA given from the United States it is important to acknowledge that out of the 29 member states the U.S. has one of the largest GDP's. This means that 0.7% of the U.S's GDP would be substantially larger than all of the member states ODA

required amount. The U.S. feels this is unfair which explains why the U.S. has never given 0.7% of their GDP towards ODA (OECD 2019). But according to the OECD, the U.S. remains to be the country who gives the most amount of aid even without following the 0.7% rule (OECD 2019).

Distribution of ODA

The distribution of ODA is given to countries according to their status; least developed countries, low-income countries, lower middle-income countries, etc. (OECD 2019). A list is developed by the OECD every three years which catalogues all of the recipient countries eligibility to receive aid in the form of ODA (OECD 2019). Foreign aid dates back to the end of World War II in 1948 with the creation of the Marshall Plan.

According to, *Pivotal Politics – The Marshall Plan: A Turning Point in Foreign Aid and the Struggle for Democracy* by Alexander D. Weissman, “The European Recovery Plan was an economic stimulus program that injected over \$13 billion into the struggling economies of Western Europe” (p.111). The European Recovery Plan or ERP marked a turning point in American foreign policy, it was a complete opposite approach to the one the U.S. adopted during WWI (p.111). Instead of a foreign policy of isolationism, the U.S. shaped its foreign policy to be focused on “multilateralism or international cooperation in economic and diplomatic affairs” (p.111). Since the transition of an isolationism foreign policy to a multilateralism foreign policy the U.S. has maintained the responsibility of providing aid as a way of securing democracy. During this time contemporary foreign policy was focused on aiding the reconstruction of Western Europe and containing the spread of communism (p.113).

Under President Harry Truman, the Marshall Plan was created and established to aid the reconstruction of Europe. By helping Europe, the U.S. expanded its influence of democracy and

incorporated a free market economy while eastern Europe did the opposite (p.115). The purpose of this information is to show that the U.S. does not give free money without anything in exchange. The reconstruction in Europe increased the size of the U.S. economy through the free market system, but not only did it assure economic prosperity, it ensured it through a lifetime of democracy. Even during this time, aid was not distributed for the sole purpose of ameliorating a country's lifestyle, it was given through self-interest intentions.

ODA is meant to benefit developing countries and in the past it has had shown beneficial results. According to the article, *Need, Merit or self-interest – What Determines the Allocation of Aid?* “previous studies into aid allocation have concluded that foreign aid is allocated not only according to development need but also according to the donor self-interest” (p.1). This article provides insight on the allocation of ODA and how donors choose countries according to their own foreign policy, “the majority of work in this area (foreign aid allocation) has claimed that donor self-interest plays a large role in determining how much aid a country receives, potentially undermining the efficiency of development aid” (p.3). As experts before, the motivation behind my research is understanding whether ODA is provided with the idea of improving development or whether other motives including self-interest drive the allocation of aid.

Table 1: Top 10 Recipients of DAC Aid (Millions \$US)

Cold War 1980-1989		Post-Cold War 1990-2000		War on Terror 2001-2004	
Egypt	26,320	Egypt	46,117	Iraq	14,299
India	25,349	Indonesia	26,898	Pakistan	7,717
Indonesia	22,503	China	24,945	Indonesia	7,159
Israel	20,743	India	18,963	China	6,936
China	15,851	Israel	17,773	DRC	6,574
Bangladesh	15,317	Philippines	16,158	India	5,944
Pakistan	12,683	Thailand	13,010	Afghanistan	5,262
Philippines	11,624	Bangladesh	10,352	Vietnam	4,123
Tanzania	9,721	Vietnam	9,637	Russian Fed.	4,006
Turkey	9,454	Tanzania	9,156	Serbia&Mont.	3,518

Source: OECD Online Statistics

Looking at the table above you can see a chart provided by the OECD which shows the top ten recipients of DAC aid in dollars. For the purpose of my research I will focus on the data during the Post-Cold war time period, 1999-2000. “Egypt and Israel, which had global ranking of 98th and 23rd out of 208 in terms of GDP per capita in 1990, received large volumes of foreign aid during all periods” (Hoeffler et al p.4). The large amounts of aid can be accounted for by the U.S., who has in the past and continues to be a large adherent of Israel and Egypt. This chart shows the distribution of aid is not based off a focus of development. Instead, this chart proves that the dispersal of aid is focused on U.S. interest and foreign policy. Over 40 percent of U.S. bilateral aid goes to Israel and Egypt alone, and they are not amongst the neediest or least developed countries in the world (p.4).

This paper will also look at the elements of developing countries which attracts donors of ODA; whether it be raw materials, trade policies, or other self-interest motives. According to, *Distributions of Official Development Assistance Among Developing Country Aid Recipient*, by Don B. Clark he states that while ODA is distributed based on need and level of development, previous experts have noticed a pattern of allocating ODA for other reasons other than development (p.189). “Economic, political, or strategic interest of donors often dominate concerns of equity in aid disbursement decisions.” (Clark,189) Clark explains that while under the criteria for ODA may state a country with developmental setbacks as ideal for the distribution of aid, it is not the priority of the donor. There is no guarantee that the poorest countries will receive ODA, because the distribution of aid is so aggressively intertwined with the self-interest of the donor (p.190). According to Clark ODA is intended to,

relieve poverty by assisting the process of social change through the support of money, Finance additional imports to provide resources in short supply, and to promote needed policy reforms, and contribute to a country's long-term economic development p.191.

Although Clark outlines the purpose of aid, development economist Vernon W. Ruttan argues that these outcomes are not what motivate donors.

According to, *Why Foreign Economic Assistance?* By Ruttan there are two main reasons which explain why donors provide aid; one being that providing aid creates a hero complex which therefore, justifies the economic and self-interest benefit (p.418). For example, by providing aid the donor country stimulates its own economy by importing its goods and services with a subsidy, this will therefore, strengthen the economic bond on the recipient and the donor (p.418). Ruttan's second point states that donor countries might stem from the guilt of previous oppression done to recipient countries earlier in history (p.419). Ruttan calls this an "ethical responsibility" (p.419) because at one point the donor country abused the recipient country and through aid are compensating for the exploitation.

The motives behind ODA have been long disputed and the primary question is whether aid is distributed on the basis of contributing to society. Or whether it is driven behind an egotistic mindset. This calls for there to be two major questions according to Berthelemy (2006), is the distribution of ODA based on the need of the recipient or on the self-interest of the donor? According to Berthelemy, "aid allocation literature has converged toward models in which both egoistic and altruistic behaviours are combined in aid allocation decisions" (p.179). Recent experts have accepted this theory due to the apparent correlation, but this cannot be said without further comparative research. One cannot take the example of a specific donor and recipient, and apply it at an aggregate level of all donors; this will result in an ecological fallacy. According to

Berthelemy's paper, he realized a trend; all donors but one was using ODA to reinforce economic ties with the recipient; specifically ties which benefit the donors trade alliances (p.180). Berthelemy states, "the least egoistic ones, take some care of the neediest recipient countries" (p.191), this allowed Berthelemy to conclude, while this may be a huge incentive for donors this does not mean all donors are alike. Usually, the neediest countries are facing monumental quandaries regarding their political structure, and economic stability. Factors like these make a country less attractive to donors because of the amount of instability within the country. These types of insurgencies are not fixable by night, and require copious amounts of time and resources, which usually only developed countries can provide. This creates a long-term investment where in the short run you are pouring in resources and in the long run you may get your investment back, but it is never a sure possibility.

Berthelemy also draws attention that while some countries are likely to give more, like the Nordic countries this does not require all DAC countries to give the same amount (p.193). Meanwhile, Berthelemy points out that the interest does not always revolve around economic gain but for a country as advanced as the United States political power is far more important (p.193).

Effects ODA has on the Recipient

As stated earlier in my paper, ODA is expected to close the gap between developed countries and developing countries. In the article, *Uncertainty of Aid Inflows and the Aid-Growth Relationship* the authors analyze the impact of ODA on development and growth. Authors of the article, Lensink and Morrissey focus on the importance of understanding the effects aid has on the developmental growth of the recipient. They state that it is important for two reasons: "first, it contributes to understanding *how* aid impacts an economy. Second,

findings on the relationship will influence aid policy” (p.2). By receiving ODA the developing country is given the monetary resources to ameliorate and enhance itself as a country. According to Lensink and Morrissey (1999) they viewed ODA as negatively affecting developing countries because of the lack of overall change throughout the economic development of the recipient (p.2). They insisted that ODA actually just aided corruption within developing countries, thus ODA acting as a backwards effort of improving conditions in the third world.

According to, *Japan’s Philosophy of Self-Help Efforts in International Development Cooperation: Does it work in Africa*, by Nobuhide Sawamura ODA can make development stagnant for the recipient country (p.29). The OECD measures the effectiveness of ODA through a criteria which measures the recipient country sense of ownership (p.29). This article uses Japan as an example of a donor country regarding giving ODA because of its unique philosophy of aid (p.37). The article describes Japan’s way of giving ODA as, “a strong respect for autonomous development and the encouragement of self-help efforts” (p.37).

Usually, ODA is given by a country with a superior economy to another country whose economy is not as developed. This results in an unbalanced relationship which is seen within the West through its aid allocation. Countries like the U.S. give aid with expectations of a form of ownership purchased by the donating of ODA (p.38). Japan views its relationship with recipients of its ODA as partners, they are viewed as equals which eliminates the pressure of ownership (p.38). Recipients of Japanese ODA are expected to help themselves and are motivated to be innovative, this results in an incentivized recipient which allows for real developmental growth to happen (p.38). According to Jin (2012) based on the perspective of the researcher one can measure the effectiveness of ODA or the lack thereof by looking at a recipient country’s GDP, GNI, and GNI per capita and establishing it as the dependent variable (p.143).

Since these are all variables which can be operationalized one can establish the effectiveness of ODA depending on how much their GDP/GNI increase or decrease (p.144). Although, this is not the only way of measuring the effects of ODA, another way is by monitoring the Human Development Index (HDI) of the recipient country or the poverty index which is designed by United Nations Development Program (UNDP) (p.144). Jin examines various past studies regarding ODA and its effects on the recipient country, the conclusions were diverse (p.144). According to Jin's findings past research showed a negative, positive, and no relationship when correlating ODA and its effects (p.144).

Article, *Aid Policies and Growth: In Search of the Holy Grail* by John Hudson and Paul Mosley, introduces an idea which includes rewarding states which create policies toward development growth through ODA from the U.S. (p.1023). "The main role of aid in stimulating economic growth is to supplement domestic sources of finance such as saving, thus increasing the amount of investment and capital stock" this is the main idea behind aid but Hudson and Mosley make it clear that not all aid fall under this description, like ODA (p. 1024). Hudson and Mosely after doing their research concluded that ODA is effective for developing economies only when political environment is sound (p.1024). Hudson and Mosely stated that the success of ODA and it actually benefitting the recipient was contingent on whether the state was in a good political environment. One which adds to capital stock, including human capita (further education), and therefore increasing the recipient country's overall output (p.1026). Drabek and Payne stress that government transparency of the recipient country is monumental for the allocation of ODA (P. 777). According to their article, *The Impact of Transparency on Foreign Direct Investment*, if there is no transparency then there is a large possibility of the donor country assisting the recipient country with corruption within the state (p.778). This led Drabek and

Payne to conclude that ODA is driven by corruption and the allocation of aid is based off of the transparency of the recipient country (p.780). ODA has shown to improve the gap between developed countries and developing countries, but many experts remain skeptical of whether it actually benefits the recipient country.

The Effect ODA has on the Foreign Policy of the Recipient

As I have stated previously, donors' motives go further than just giving money to developing countries with the idea that it will help improve their economic standing and lifestyle as a whole. Aid essentially, should be provided to those who need it, but ODA has not been provided according to the need of developing countries. Instead, "the overall allocation of aid is not only influenced by humanitarian and development considerations, it is also determined and shaped by the political, commercial, and strategic interest of donors" (Riddell, 2008). *Foreign Aid as a Foreign Policy Tool* states that the last of the qualities donor countries have, is the humanitarian one (p.11).

Apodaca states that the driving force of ODA is the strategic and commercial interest of donor countries (p.1). Once the recipient countries become used to ODA and rely on the aid, the donor country can use the aid as a deterrent (p.1). The reliance on ODA by the recipient countries causes for vulnerability and it becomes easily for the donor country to manipulate the recipient to execute its self-interest. The foreign policy of a country outlines its behavior towards other countries in the international community. The foreign policy of a country summarizes its goals and ambition regarding its economic, social, and political prospects. Advancing one's foreign policy is very important for a country and a way one can do that is through diplomacy, cooperation and association agreement, trade, economic sanctions, military force, and the use of foreign aid (p.2). A U.S. foreign policy specialist stated: "Foreign aid is a

particularly flexible tool – it can act as both a carrot and stick, and is a means of influencing events, solving specific problems, and projecting U.S. values” (Tarnoff & Lawson, 2016, p. 1).

ODA is a way of pursuing a country's foreign policy and therefore it would be naïve to think that as a donor country pursues its own foreign policy that in the process it doesn't affect the recipient's foreign policy. By being a donor country and giving money through ODA there might not be physical expectations in return, but the accentuation of favors from the recipients is part of the transaction. According to Lancaster (2007) foreign aid has become a norm within the international community, rich countries are expected to provide to alleviate the lack of economic development and foster improvement (p.3).

Experts among the subject of foreign aid have determined that donor countries provide aid according to their self-interest, and thus, the neediest countries do not receive the most amount of aid (p.20). According to Bigsten, Platteau, and Tangstan (2011), they estimated that if the European Union redistributed their aid to benefit the neediest countries and ameliorate the amount of poverty of the recipient, they would have to reallocate \$19 billion of the \$27 billion that EU gives in aid. By doing this the EU would moderately improve poverty in the recipients of ODA. But the EU does not do this regardless of its benefits because they are distributing their ODA according to the economic and political advances that improves their overall standing. That is what is most important to the EU, rather than improving poverty abroad.

Another quality that countries look for when allocating their aid is the geopolitical standing of a recipient country. Del Biondo (2014) pointed out that the U.S. distributes its aid according to the country which aid in their advances to improve U.S. national security (p.15). They do this by providing ODA to countries which have antiterrorist programs because this benefits the U.S. to deter future problems developing countries (p.18). For example, during the

Cold War the U.S. provided ODA as a tool to contain communism and promote democracy in developing countries (Apodaca p.5). Spreading democracy and containing or decreasing the presence of communism is part of the U.S.'s foreign policy which is why ODA is allocated to countries which strengthen the presence or standing of the donor country.

ODA is also focused on recipient countries which advances the donor countries economic interest (p.10). Under these circumstances ODA would be used to open opportunities for multinational countries to do business in the recipient country and thus, benefitting overall the donor country (p.10). Recipient countries which are open to foreign investment are more appealing to donor countries because this opens more opportunities for trade (p.11). A donor countries which has invested copious amounts of ODA into a recipient country will continue to provide the recipient country ODA even if it is in a lot of debt , because if they default this would have a direct impact in the donor country's economy (p.12).

Trillions of dollars have been contributed to ODA, despite the profuse amount of money provided to the developing world, yet they continue to be behind developmentally. Since ODA is distributed with interest of the donor country it is not as beneficial to the recipient countries as it could be. The OECD provides a different mission statement regarding ODA, they do not include that ODA is a part of the donor country's foreign policy. If ODA was distributed as said in the OECD mission statement, then ODA would be a lot more beneficial in regards to development and progress.

Why ODA Contributes to the Dependency Theory and the Democratic Peace Theory

Dependency Theory

Dependency theory is a theory which came from the economist Raul Prebisch. Article, *Raul Prebisch and the Origins of the Doctrine of Unequal Exchange* by Joseph L. Love wrote,

The perception of the international economic system as one of industrial center and agrarian periphery, in which former dominates the latter, has had a tremendous influence in the analysis of underdevelopment; the significance of the idea is impossible to gauge because its acceptance is still expanding. (p.45)

Official development aid from the U.S. works in conjunction with the dependency theory because it uses money to make the recipient submissive or accommodative to the foreign policy of the U.S. The origins of this theory include the unfair transaction of goods and services, where an industrialized country buys the raw resources from the developing country, makes minor advances and sells it back to the developing country for more money. My research does not include resources which are bought and then resold for more, my research focuses on aid like ODA which makes the peripheral countries dependent to the donor; in this case the U.S. As mentioned by Love the acceptance of this idea “is still expanding” today, developed countries are using money to influence the decisions and foreign policy of the underdeveloped (p.45).

Prebisch, the Argentinian economist thought that the best solution to this uneven exchange was to cut manufactured imports into Argentina. In the 1930's Argentina became more self-sufficient, and “was experiencing a phase of industrial development” (Love, 51). Since Argentina limited the amount of manufactured goods, they were able to learn how to make complex goods on their own making them less dependent on the developed countries. This is relevant to my research because this shows that with less or without foreign intervention developing countries are able to become more autonomous, challenging and incentivizing inventors in the country to provide innovation for their country.

Democratic Peace Theory

Article, *The Flawed Logic of Democratic Peace Theory* defines democratic peace theory as, “The claim that democracies rarely fight one another because they share common norms of live-and-let-live and domestic institutions that constrain the resource to war” (p.585). This is relevant to my research question because it explains the adamant attitude the U.S. has over protecting and securing democracy. Democracy is a staple in the foreign policy of the U.S. and any country which goes against this ideology is seen as a threat to the country’s national security. With that being said this does not mean that all of the U.S.’s allies are democratic countries, they are not. Friendships with other countries are welcomed, but it is more likely according to the democratic peace theory that two democratic countries hold a better alliance than with a country that is not democratic.

This theory is meant to explain the motivations of the U.S. to secure democracy all over the world. ODA is just one of the ways which the U.S. motivates other countries to maintain or adopt this ideology. The U.S. is allied with most democracies, what does this mean? Usually, when two countries are allies they will participate in trade together, treaties together, and will defend each other. This creates an intertwining of affairs which makes it extremely difficult or inconvenient for both countries to go to war. It is more likely for them to solve the quandary peacefully, rather than with war.

Theoretical Framework

The theory that I develop seeks to make the connection of how the giving of ODA creates a dependency between the donor of the aid and the recipient of the aid. Most literature is written on the theory which assumes that donors of ODA give aid to benefit their self-interest. A lot of variables that researchers focus on are the economic incentives, political incentives, and social

incentives. Their research fails to connect the incentives of the donor to the overall big picture which rejects convergence theory and welcomes dependency theory. By using Apodaca's research which demonstrates all the different incentives that donors have to give ODA to specific recipient countries, I will explain how the incentives contribute to a larger idea which are meant to control the development of the recipient country and maintain them dependent on the donor.

ODA is meant to be distributed to developing countries which are behind economically and developmentally. Logically, ODA would have the most positive effect if it is distributed money to the neediest countries. Although, that is not the case, donor countries pick specific recipients which they want to allocate their money to. Instead of giving it to the most neediest, donors focus on giving ODA to countries which would best advance their interest. Apodaca summarizes the copious research done by experts and their theories and put it into one cohesive paper. She begins by comparing the different finding of experts which establish its positivity or negativity based on the conclusions of their research (p.1).

Apodaca uses information from The World Bank to accentuate the lack of efficiency when distributing the aid to therefore go into all of the different motives that countries have (p.8). Apodaca's first hypothesis is that developed countries contribute to ODA because it is an international norm (p.5). Aid allocation is an expectation that is given by the international community once a country is categorized as developed (p.5). It is a standard which has been accepted as a humanitarian characteristic or guideline of all first-world countries (p.5). The idea behind this norm is meant to alleviate the lack of development to thus, close the gap between the donor and the recipient.

Apodaca's second theory includes the giving of ODA to specific states which the donor country knows can benefit their political or economic standing in the future (p.6). Apodaca's

example is the European Union which is an economic market meant to unite European countries and their economies to benefit their own (p.6). Out of the 27 billion dollars the EU gives out in aid, 70% of that aid is not given to the neediest country (p.7). The explanation behind this specific action is donor countries don't really care about improving the gap of developing countries and developed countries. The motive behind their donations are truly driven by their self-interest and what they can get out of it. Countries that rank low on the Human Development Index (HDI), or have a poor GDP per capita are the countries that should be receiving ODA. Countries that are in such a large furrow do not attract developed countries and their money because the receiving country does not have the ability to improve the donor countries political and economic standing. Countries choose not to optimize their ODA because according to Apodaca, the real reason of aid is meant to improve overall the donor country and if the recipient country benefits in the process than that is just an add on (p.10).

Apodaca's third hypothesis is donors choose who to give ODA according to their geographical interest (p.5). By providing aid to an area which is close in proximity to a country which the donor might not have the best relationship opens the doors for the donor country to establish a military base in the recipients country (p.5). ODA can also be seen as a way to enforce alliances, by a country giving ODA it would be very irrational for the recipient country to act in opposition of the donor country. Since most state actors are considered to be rational, they understand that some sucking up has to be done in order to maintain the influx of free money (p.7). ODA is also a part of the donors country's foreign policy, which one can understand impacts directly the motives behind giving money to a specific recipient.

Apodaca's fourth hypothesis is that ODA is a way to further the economic interest of a country (p.12). By providing ODA to a country the recipient might feel more inclined to

manipulate its laws to favor multinational corporations of the donor country, or subsidize the donor's domestic firms (p.12). ODA incentivizes for a favorable climate which attracts donor countries to invest in the recipient country (p.12). According to Apodaca, data shows that a lot of ODA goes towards middle-income economies which takes away from the neediest countries (p.13).

Apodaca's last hypothesis focuses on the theory that donors attribute to ODA for the sole purpose of projecting a good image to the international community and gaining prestige from donating (p.14). Some states place more importance as being seen as the generous global citizens than a country that focuses on enforcing power within the international community (p.14).

The purpose of Apodaca's paper was to examine all of the motives which donor countries relate to and incentivize them to provide ODA to developing countries. By grouping all of these theories together, I found it very insightful and convenient. The one thing this paper lacks to do is provide an overall hypothesis using all of the theories previously stated. By the end of this paper I will provide the reader with my own theories and ideas which touches among; ODA., foreign policy, dependency theory, and the democratic peace theory.

Hoeffler and Outram designed a study to understand the motives of donor countries to participate in ODA. What they wanted to understand is whether the incentives of ODA were focused on the humanitarian aspect of helping third world countries or if it was self-interest motivating the allocation of ODA. Hoeffler and Outram's results showed "that roughly half of the predicted value of aid is determined by donor specific effects. Of the remaining variation, recipient need accounts for 36 percent and donor self-interest for about 16 percent" (p.2). From the resulting data Hoeffler and Outram realized that perhaps past researchers have overestimated

the importance of donor self-interest (p.3). Hoeffler and Outram wanted to confirm this conclusion so they looked at a recent study by researchers Berthelemy and Tichit (2004) which “sought to address some of the econometric problems in the estimations of aid allocation models” (p.179). A data set for the 1980 and 1990 decades were used, covering 137 recipient and 22 donors (p.180). They first created an equation which determined the probability of receiving aid, and then a linear model which represented aid commitments (p.181). The conclusions that arose from their study were the following: “providing aid to a recipient may influence the recipients attitude in favor of the donor” (p.183). They also continued to describe the conditionalities of their finding, they found that donors usually provide assistance to “like-minded, or at any rate who are potential political allies” (p.183). Berthelemy and Tichit (2004) found,

...that most donors behave in a rather egoistic way: not only those donors who have particular political linkages with some categories of recipient countries utilize their official development assistance to reinforce such ties, but also all donors target their assistance to the most significant trading partners. Nevertheless, most donors, take some care of the neediest recipient countries. Moreover on average, donors target recipients with better governance indicators such as democracy or absence of violent conflicts.

p.193

Since the conclusion of Berthelemy and Tichit reflects prior literature, I first must acknowledge that yes, most donor countries provide aid according to their self-interest. Second, I must take into consideration and understand that each incentive is dependent on the donor country and what their foreign policy is. Third, I feel it is important to emphasize that donors through ODA are executing their foreign policy and therefore, directly affect the foreign policy

of the recipient. Thus, I hypothesize that through ODA and the manipulation of the recipient's foreign policy that this is all part of the bigger picture which is promoting dependency theory and the democratic peace theory. By using previous literature in conjecture with my own ideas I have established these four hypotheses. The following set of hypotheses will be tested by the proposed research:

- *Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.*
- *Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.*
- *Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.*
- *Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.*

These four hypotheses are the questions that I will answer by the end of my paper. In my methodology section I will go further in explanation to describe how I plan on either proving or disproving each of these hypotheses. I will establish a comparative case study which will use three case studies to determine whether each hypothesis is valid or invalid. This will be done using factors of measurements which will help me come to a conclusion regarding soundness of each hypothesis.

METHODOLOGY

My paper is focused on whether Official Development Aid (ODA) affects the foreign policy of the recipient. The goal of the methodology section is to properly outline the independent variable, dependent variable, and the control variables of my project. Understanding these

variables is essential to the framework of the development of my research question. I will establish three case studies for the purpose of my research, each country will be chosen according to the control variables which will be explained later in this section.

Independent Variable

My independent variable is official development aid, this variable will vary depending on the case study country. Each country's ODA amount will vary, no country will have a similar pattern of ODA received over time. I will use graphs provided by the World Bank which show the amount of aid given over a long period of time (Net Official Development Assistance and Official Aid Received (Current US\$)). I will retract a graph for each of the case study countries which will show the amount of ODA they received from the U.S. from 1996 to 2017.

Dependent Variable

My dependent variable is the affect ODA has on the foreign policy of the recipient. Therefore, my dependent variable also includes the amount of change. I will explain later in this section, how I will measure the change caused by the giving of ODA.

Control Variables

The variables which I am controlling for are; GDP per capita, population, geographical location, and time period. I will also include that all three of my case studies must be considered developing, this I feel is obvious but I just want to make it clear. I will now explain why it is imperative for my research to control for these variables. GDP per capita for all three countries are among very similar ranges, this is because if all three countries are equally productive regarding their economic output as a country, then the amount of ODA distributed to them should not differ much. I also control for population throughout my paper, the reason is similar to why I controlled for GDP per capita. I wanted all three countries to have similar output and

similar population because in essence they would be similar in a productivity sense. I also controlled for location, natural disasters do happen therefore, I wanted to make sure that all three countries were very close in proximity. That way, if a natural disaster does happen, or another unpredictable event happens, the effects will be seen in all three countries. Lastly, time period, I have chosen to conduct all research post-Cold War era. This is to reduce the amount of selection bias in my research and to make sure that I am able to provide transparent data which is not swayed by a time of ideology pressure. This is also how I will control for historical impediments which could affect my research and lead to false or manipulated conclusions.

How I Measure Change in Foreign Policy

As mentioned earlier in this section, I will use and provide graphs from the World Bank which show ODA given to each recipient country over time (Net Official Development Assistance and Official Aid Received (Current US\$)). I will use these graphs and compare them to my three factors of measurement which help me understand the extent which ODA affects the foreign policy of the recipient. Lastly, I will use my three factors of measurement to place each case study country on a three-point scale. Receiving the score of one means, that the ODA amount given to the case study country had no impact on the foreign policy of the country. A score of two signifies that ODA amount over time did impact the foreign policy of the recipient country. Receiving a score of three indicates that the amount of ODA received correlated copiously to change within the foreign policy of the recipient.

The three factors of measurement which I will use throughout my research is; trade agreements with the U.S. and the recipient country, military accommodation from the recipient country (this includes bases, and military support from the recipient country), and the percentage of coincidence which the recipient country voted with the U.S. in the United Nations.

To properly understand the relationship between my case studies and ODA it is necessary that I find similarities and differences from each country's foreign policy and how it correlates with the donor country's interests. My three case studies are: El Salvador, Honduras, and Nicaragua. I choose these three countries because they followed the parameters necessary for my research to be properly conducted. All three countries are similar in GDP per capita, population, and are neighboring countries in the continent of Central America. All three countries have also been given the designated title of developing by the OECD. I will compare ODA amount over time and look for correlation regarding my factors of measurement, I will be able to measure the difference in ODA amount using a dollar value over time. After determining all of these factors and collecting data I will be able to place each country on a three-point scale.

Overall, these case studies will help me answer my research question of whether ODA affects the foreign policy of the recipient. Also, it will allow me to conclude and state whether each of my hypotheses were proved or disproved by the research found.

Variation is key in my research, I will look intensely in the similarities and differences in ODA given. I expect that because my case studies are so similar that it will be obvious for me as the researcher and you as the reader to be able to come to a conclusion regarding the motivation behind the ODA. Also, the differences within ODA in all three case studies will show me that I have to research what happened in that specific year for ODA to go up/down. That is where my factors of measurements come into use, I will see if there is any correlation to my three factors of measurement which will then allow me to place each case study on my three-point scale.

CASE STUDIES

In my research, it is my goal for the independent variable and the dependent variable to have variation throughout all of the case studies. In all three case studies, no country's overtime

ODA amount is identical, and change within the foreign policy of each country will fluctuate as well. In the contrary, I will carefully watch my control variables to make sure that throughout my research they remain persistent. All three case studies are required throughout this paper to have similar, GDP per capita, population, geographical location, and all research must be allocated from a post-Cold War time period.

As I mentioned earlier in my paper the three countries which I have selected to be the case studies are: El Salvador, Honduras, and Nicaragua. As stated in my methodology section, I will use three factors of measurement to gauge the affects ODA has on each case study's foreign policy. The three factors of measurement are: trade agreements between the U.S. and the recipient country, military accommodation (this includes military bases in the recipient country), and United Nations voting coincidence (shows the percentage which the recipient country has voted alongside and in agreement with the U.S).

My three case studies are all located in the continent of Central America, this will allow my countries to be similar in culture, and ultimately, similar in economic productivity. It is important to acknowledge that each country is its own sovereign body this allows for, and welcomes variance throughout each case study. The foundation of my research is outlined to resemble a most similar systems design. Each case study is similar in culture and region, but different in regards to ODA amount received and the extent of foreign policy change.

Each case study was selected because of its similar GDP per capita, population, and close proximity geographically, therefore the amount of ODA allocated to each country should theoretically be similar.

El Salvador

The current population of El Salvador is 6.378 million people as of 2017 (*World Bank*). El Salvador is the smallest country in Central America, but it is the most populated when taking into consideration its size and how populated it is (*Central Intelligence Agency*). Out of the seven Central American countries, El Salvador has the fourth largest economy in the region (*Central Intelligence Agency*). During the global recession, the real GDP of the country contracted, but since then there has been an economic growth of 2.4% (*Central Intelligence Agency*). In 2006, El Salvador was the first country to endorse the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), which created economic ties between the U.S. and countries in Central America (*Central Intelligence Agency*). This treaty is especially important to my research because it is an agreement between The United States and the developing countries of the region of Central America. Later in my case study analysis section I will go into depth to see if this treaty correlates to higher ODA numbers from the U.S.

Trade Agreements Between El Salvador and the U.S

The CATA-DR is an agreement between the U.S., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic. The goal of this treaty is, “promote stronger trade and investment ties, prosperity, and stability throughout the region” (*United States Trade Representative*). The combined countries are the U.S. 16th largest good partner in regards to trade (*United States Trade Representative*). Since all three of my case studies are a part of this trade agreement, it might skew my data due to an increase of American interest in the economic prosperity of the three countries. But it could also show an inverse relationship, data could show that the U.S. was not influenced due the establishment of the treaty. The main goods in trade are raw materials like: sugar and ethanol (*United States Trade Representative*). In 2001, there was

an earthquake in El Salvador along with two hurricanes in 1998 and 2005, this played a major role in El Salvador not being able to pay its external debt and relying on the U.S. for aid (*United States Trade Representative*). The GDP per capita of El Salvador in 2017, was \$8,000 which is a small increase from the GDP per capita of 2016 \$7,900 (*United States Trade Representative*).

Military Accomadations between the U.S. and El Salvador

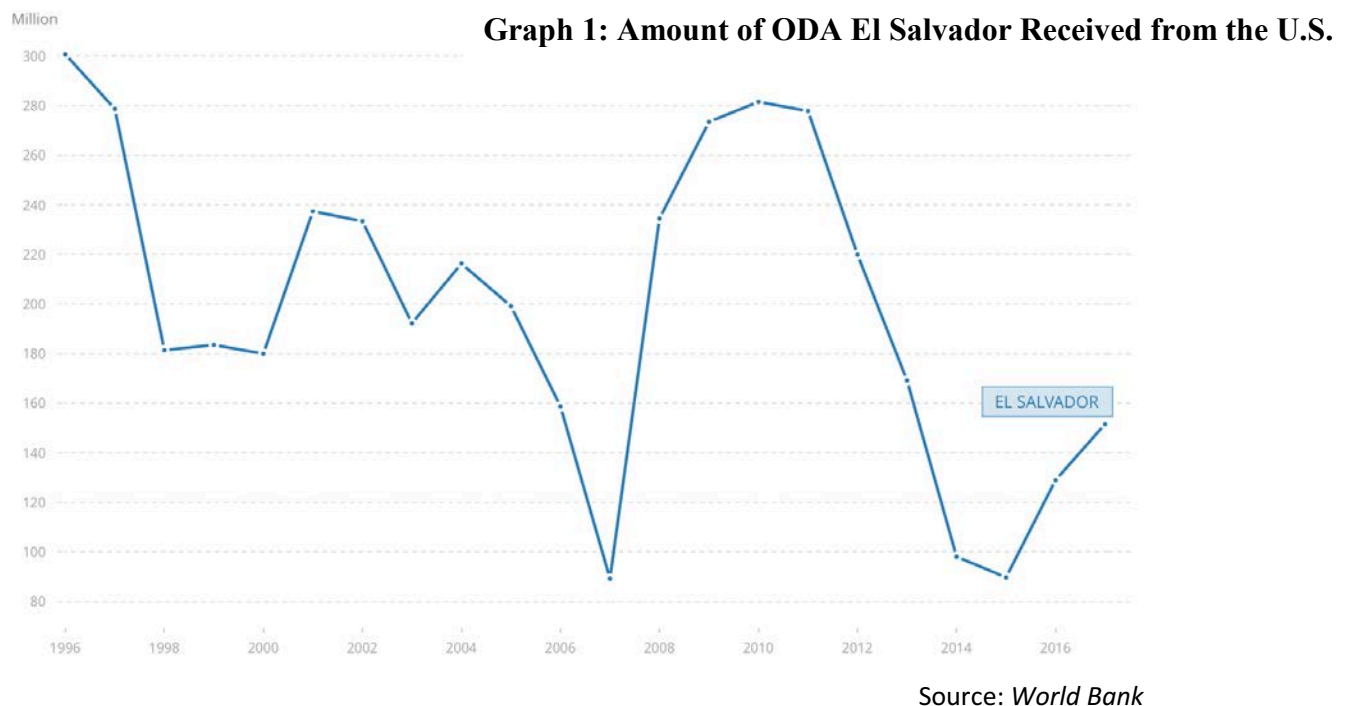
From 1980 to 1989, the U.S. government provided El Salvador with a total of \$958 million dollars (*Office of U.S. Government Accountability*). This money went towards ammunition, fuel, medical supplies, aircraft and vehicle maintenance (*Office of U.S. Government Accountability*). During the American-Iraqi conflict El Salvador sent over 3,000 troops from 2003 to 2007 to Iraq (*Office of U.S. Government Accountability*). El Salvador did this to aid the U.S., this was seen as a symbolic commitment and alliance from the part of El Salvador (*Office of U.S. Government Accountability*). Meanwhile, Honduras and Nicaragua both sent soldiers to aid the U.S. in Iraq, but after receiving a lot of criticism at the domestic level, both countries pulled back their troops (*Central Intelligence Agency*). In 2000, the U.S. was granted access to a base in Comalapa, El Salvador (*Central Intelligence Agency*). This was a direct effect of the U.S. military leaving Panama in 1999, it was essential for the U.S. to have access to a base in Central America so they could directly against illicit drug trafficking missions (*Central Intelligence Agency*).

United Nations Voting Coincidence with the U.S.

According to the 2017, *United Nations Report* of voting coincidence in regard to U.S. voting, El Salvador received a 23% voting coincidence with the U.S. which is low when compared to Western European countries who received a high of 58% (*U.S. Department of State*). United Nations data regarding how El Salvador voted in comparison with the U.S. is

scattered which is why in my case studies analysis section, I will provide a chart demonstrating voting coincidence with the U.S. over time.

Graph 1, which is depicted below shows the distribution of ODA in El Salvador from 1996 to 2017 (*World Bank*). I choose the year 1996 because it is post-Cold War, this means that I will avoid selection bias due to the heightened amount of ODA given during the time of the Cold War. Graph 1 is from the World Bank, and its purpose is to show the maximum points of ODA received and the lowest amount of ODA received from 1996 until 2016. My research will study the change in high to low; or low to high and correlate these changes to the foreign policy of El Salvador.



In 1996, the amount of ODA El Salvador received was at a record high of a total of 300 million U.S. dollars, but as you can see on the graph it was cut in half in 1998 (*World Bank*). In 1998, El Salvador along with most Central American countries were affected by a hurricane during this year (*Central Intelligence Agency*). Hurricane Mitch was a catastrophe in Central

America causing copious of deaths within the region (*Central Intelligence Agency*). According to the Office of the United States Trade Representatives, the U.S. only has one trade agreement with El Salvador and as mentioned earlier it is the CATA-DR, this trade agreement was established in 2006. As you can see on the graph El Salvador was receiving a declining amount of ODA during this time.

The next factor of measurement is military accommodation, as mentioned previously El Salvador granted the U.S. to have a military base in Comalapa, El Salvador (*Central Intelligence Agency*). Referencing back to graph 1 ODA received by El Salvador was stable from 1998 till 2000 (*World Bank*). In the year of 2000, which is when the U.S. was granted its base, the ODA received by El Salvador increased by 75% (*World Bank*). According to my hypothesis, if military accommodation increased, so would the amount of ODA given by the U.S. to the recipient country. This case study and data support my hypothesis, because it shows that when El Salvador allowed the U.S. to implement a military base the amount of ODA increased by 75% (*World Bank*).

Honduras

Honduras is one of the poorest countries in Central America, more than half of the population lives in poverty (*Central Intelligence Agency*). There is a large gap between the rich and the poor of Honduras along with a very high unemployment rate (*Central Intelligence Agency*). As of July 2018, Honduras's population was recorded as 9,182,766 (*Central Intelligence Agency*).

Trade Agreements Between Honduras and the U.S

Honduras depends largely on the economic treaty with the U.S., the CATA-DR, it helped motivate foreign direct investment within the developing country along with trade of

goods and services between the U.S. and Honduras (*Central Intelligence Agency*). Honduras is a country with copious amounts of political instability, political insecurity, corruption, and crime which discourages investors (*Central Intelligence Agency*). There has been a steady increase in GDP growth rate, although it has not been enough to improve the living conditions of the 65% living in poverty (*Central Intelligence Agency*). As of 2017, Honduras's GDP per capita was \$5,600 which has been steadily increasing since 2014 (*Central Intelligence Agency*).

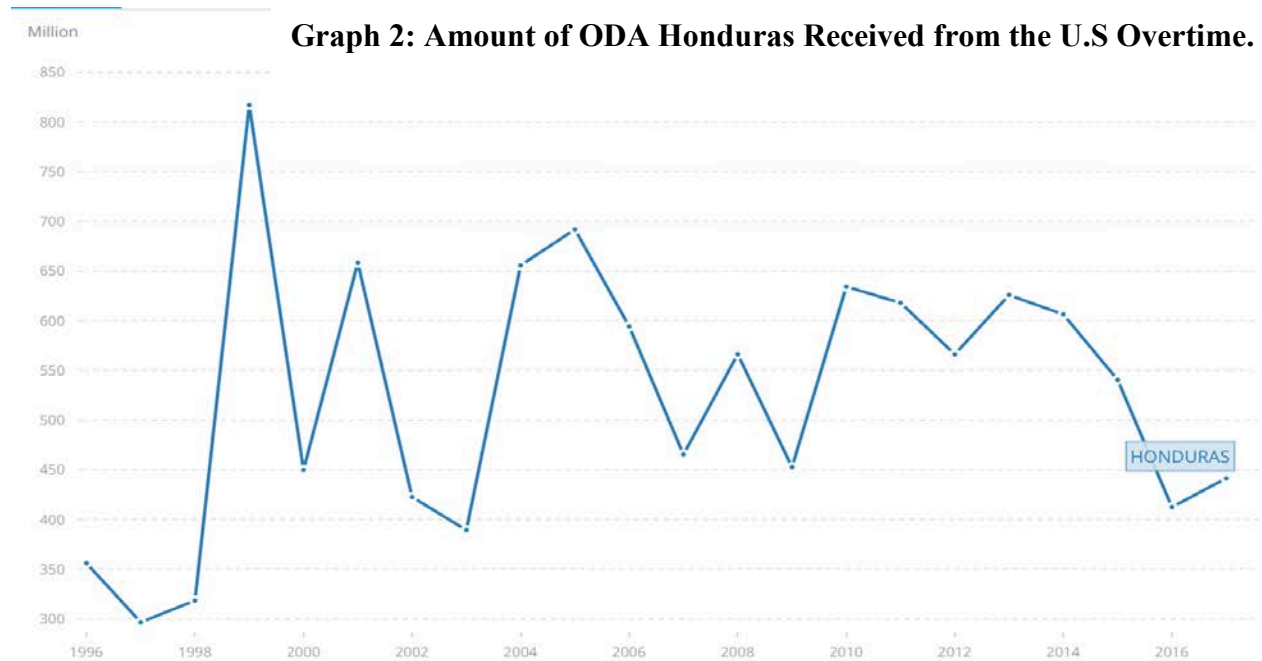
Military Accommodations between the U.S. and Honduras

Honduras and its neighbor, El Salvador were in dispute of a border which the U.S. had to intervene and motivate a settlement between the two countries (*Central Intelligence Agency*). The International Joint Commission (IJC) awarded most of the land in dispute to Honduras, during this dispute the U.S. increased its aid to Honduras, in exchange Honduras allowed the U.S. to establish a permanent or semi-permanent military base (*Central Intelligence Agency*). This base was used to execute the foreign policy of the U.S., the base is currently used as a launching port for humanitarian aid and provides a U.S. military presence in Central America (*Central Intelligence Agency*). Honduras's constitution does not allow a permanent foreign presence in the country which is why Honduras granted the U.S. with a semi-permanent presence through a base (*Central Intelligence Agency*). Soto Cano Air Force Base received U.S. presence in 1983, as an exchange of military aid to Honduras (*Central Intelligence Agency*). This base was especially important to American foreign policy due to the end of the Cold War and the expansion of communism, it was imperative for the U.S. to have a presence in Central America (*Office of U.S. Government Accountability*).

United Nations Voting Coincidence with the U.S.

In 2017, Honduras received a 35% in regards to voting coincidence which is low when comparing it to the voting coincidence of Western European countries (*U.S. Department of State*). UN data shows that during some years the voting coincidence of Honduras is higher than others (*U.S. Department of State*). In my case study analysis I will provide a chart with Honduras' UN votes and its level of voting coincidence with the U.S. over time.

Graph 2 is from the World Bank and shows ODA given overtime by the U.S. to Honduras. As stated prior, the purpose of this graph is to show the pattern of ODA given to Honduras over a long period of time. This way it easiest for the reader of my research to see the fluctuations in ODA.



Source: World Bank

Time period is included in my control variables, I have chosen post-Cold War time period to avoid selection bias. In 1998, Central America was affected by a hurricane which

caused many deaths within the continent (*Central Intelligence Agency*). Honduras was the most impacted by hurricane Mitch which therefore, explains the high ODA amount given to Honduras in 1998. (*World Bank*). Honduras is an ally with the U.S. and in 2003, Honduras sent troops to Iraq to aid the U.S. with the invasion in Iraq (*Central Intelligence Agency*). According to graph 2 located above, ODA increased right after 2003, and remained high until 2005 which is when Honduras withdrew its troops due to high criticism from the Honduran public (*World Bank*).

In 2006, the CATA-DR was established which as mentioned previously it is a trade agreement between the U.S. and Central American countries. Graph 2 shows a decline in ODA given to Honduras in 2006, but in 2007, a year after the treaty was implemented ODA began to increase once again (*World Bank*).

Nicaragua

Nicaragua as of 2018, has a population of 6,085,213 people (*Central Intelligence Agency*). Nicaragua is also considered one of the poorest countries in Central America (*Central Intelligence Agency*). Nicaragua depends copiously on its neighboring country Costa Rica for seasonal labor, there about 300,000 Nicaraguans living in Costa Rica legally (*Central Intelligence Agency*). Nicaraguan men migrate seasonally to Costa Rica to harvest fruits and coffee (*Central Intelligence Agency*).

Trade Agreements Between Nicaragua and the U.S

Nicaragua's main exports are: beef, coffee, and gold all items which are sold in the CATA-DR (*Office of U.S. Government Accountability*). In 2006, when the trade agreement was established Nicaragua was able to expand their exports and agricultural opportunities by creating economic ties with its neighboring countries and the U.S (*Office of U.S. Government Accountability*). Nicaragua's GDP growth rate has varied a lot, in 2017, they had a 4.9% growth

rate which is not sufficient enough to make a large impact on the population (*Central Intelligence Agency*). GDP per capita has increased slowly since 2015, in 2017, the World Bank recorded a GDP per capita of \$5,900 (*World Bank*).

Military Accomadations between the U.S. and Nicaragua

Nicaragua since its independence has faced multiple quandaries of armed conflict, rebellion, and various corrupt leaders (*U.S. Department of State*). Since Nicaragua faced so many internal governmental quandaries the U.S. gave copious amounts of ODA prior to 1996 (*U.S. Department of State*). I cannot include this data in my research because this is before my controlled time period, this data although appears relevant is not relevant for the purposes of this paper.

Nicaragua has a flawed electoral process which has afforded away all of its power to the hands of the current president and his wife (*U.S. Department of State*). There are profuse amounts of corruption due to the dictatorship of President Ortega and Vice President Murillo (*U.S. Department of State*). ODA has been used differently in the situation of Nicaragua, instead of the U.S. using ODA as a way of incentivizing the President to seize the corruption, the U.S. has pulled back and has redirected its aid (*U.S. Department of State*). By redirecting the ODA that usually goes to Nicaragua, the U.S. hopes that this will force the President and Vice President of Nicaragua to change its regime and therefore, its foreign policy. The dictatorship that is present in Nicaragua has affected the trade relationships with other Central American countries and the U.S.

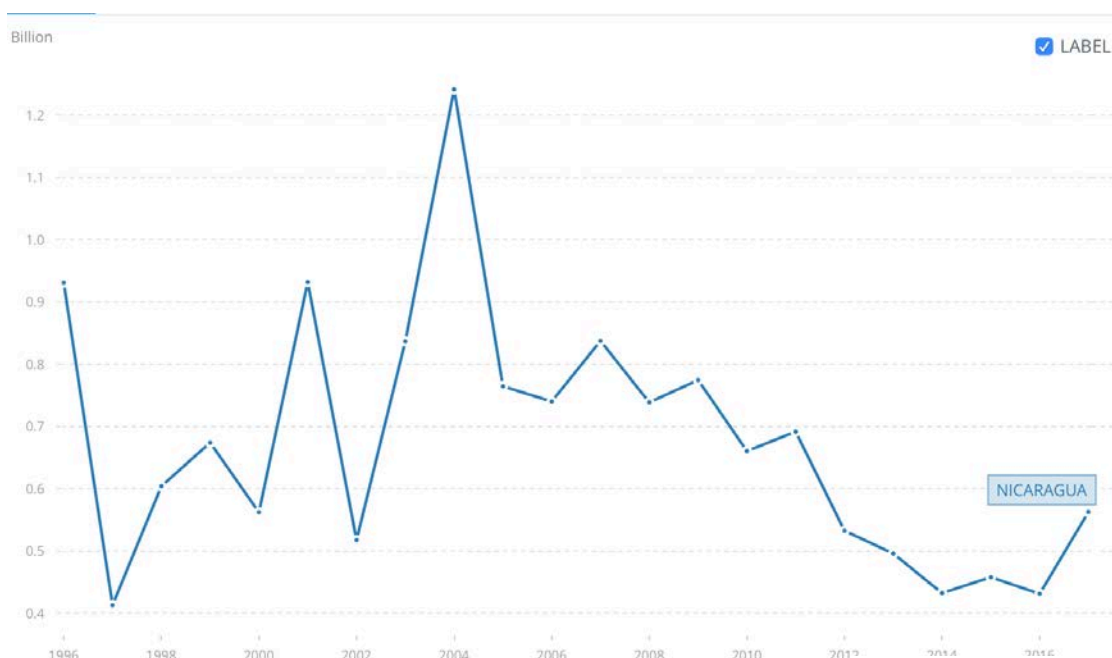
United Nations Voting Coincidence with the U.S.

It is important for me to emphasize the inverse relationship ODA has with Nicaragua. Instead of the traditional giving ODA and expecting something in return, the U.S. is using ODA

as an inverse approach. By cutting ODA, it will essentially force its government to change its regime to a regime that reflects one more like the U.S. (*U.S. Department of State*). According to the 2017, *United Nations Report* of voting coincidence in regard to U.S. voting, Nicaragua coincidence vote percentage was 18% (*U.S. Department of State*). Nicaragua has the lowest coincidence rate than all three case studies. According to, *The Voting Practices in the United Nations 2012 Report*, Nicaragua voted with the U.S. during important votes a total of 0% (*U.S. Department of State*). In 2014, The United Nations Report, stated that Nicaragua voted with the U.S. 33%, and in 2016, a total of 16.7% (*U.S. Department of State*). Data shows that voter coincidence between the U.S. and Nicaragua has always been low in comparison to other Central American countries who usually vote in coincidence with the U.S. an average of 60%.

United Nations data regarding how Nicaragua voted in comparison with the U.S. is scattered which is why in my case studies analysis section, I will provide a chart demonstrating voting coincidence with the U.S. over time.

Graph 3: Amount of ODA Nicaragua Received from the U.S. Overtime



Source: World Bank

Graph 3 is from the World Bank and shows ODA given by the U.S. to Nicaragua. As stated prior, the purpose of this graph is to show the pattern of ODA given to Nicaragua over a long period of time. Nicaragua is also a member of the CATA-DR trade agreement with the U.S. This agreement as stated before was very important and successful for both Nicaragua and the U.S. Nicaragua entered this trade agreement in 2006 which explains the increase in ODA given to Nicaragua.

According to graph 3, ODA increased in 2006 which is when the CATA-DR was established and when Nicaragua joined this can explain the increase in ODA (*World Bank*). There has been a steady decrease in ODA to Nicaragua from the U.S. throughout the years. This is because Nicaragua has a very anti-democratic president. The U.S. has been decreasing ODA as a way to force the dictator of Nicaragua to be more democratic.

There are no military ties between Nicaragua and the U.S. which means there is no military accommodation for the U.S. from Nicaragua. Since ODA to Nicaragua has been steadily decreasing, this could be directly correlated with the lack of U.S. support from the country (*World Bank*). Graph 3 is from the World Banks and shows ODA given by the U.S. to Nicaragua.

All three countries have a long history of receiving ODA from the U.S., nonetheless data shows not all three countries receive the same amount during the same time. U.S. ODA varies throughout the years, it is my intention to find a correlation if there is one, between ODA and the foreign policy of the recipient. The next section of my research will include all four of my hypothesis and data will show whether they are supported or nullified.

CASE ANALYSIS SECTION

The goal of my research is to determine whether or not official development aid has an effect on the foreign policy of the recipient country. In the previous section of my paper, I stated my case studies and the position which they took in regards to my factors of measurement:

United Nations coincidence votes with the U.S., military accommodation, and trade agreements.

In this next section I will take my findings and compare them to my hypotheses to determine whether they support or nullify my hypotheses. As a refresher, I will rewrite my hypotheses so that it is easier on the reader to understand this next part of my case analysis section:

- *Hypothesis 1:* As ODA increases the recipient country is more likely to vote in the UN like the U.S.
- *Hypothesis 2:* As ODA increases the recipient country is more likely to have trade agreements with the U.S.
- *Hypothesis 3:* As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.
- *Hypothesis 4:* As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.

At the end of this paper, as the researcher I will be able to go through each of the hypotheses and be able to provide a qualitative explanation as to why the hypotheses are valid or invalid.

El Salvador

Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.

My first hypothesis states that as ODA increases the recipient country will be more likely to vote in favor or like the U.S. in the UN. According to, *The Voting Practices in the United Nations 2014 Report*, in 2014, El Salvador voted with the U.S. during important votes only a total of 60% (*U.S. Department of State*). This data shows that El Salvador was receiving an increasing amount of ODA during 2014, a total of 95 million U.S. dollars (*World Bank*). In 2015, ODA received by El Salvador decreased to 90 million U.S. dollars (*World Bank*), *Voting Practices in the United Nations 2015 Report*, show that El Salvador voted with the U.S. during important votes a total amount of 58% which is a 2% decrease from 2014 (*U.S. Department of State*). Since there was a decrease in voting coincidence and as a result a decrease in ODA given to El Salvador my hypothesis is supported.

Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.

My second hypothesis states that as ODA increases the recipient country is more likely to have trade agreements with the U.S. As mentioned previously, the only trade agreement between the U.S. and El Salvador is the CATA-DR (*Central Intelligence Agency*). This agreement was established in 2006 with not only El Salvador, but most countries in Central America. In my case studies section, I noted that in 2005 El Salvador was receiving 200 million U.S. dollars of official development aid (*World Bank*). According to my hypothesis, once the CATA-DR was finalized ODA would have increased due to the increase of trade agreements. That was not the case, in 2006 after the CATA-DR was confirmed, ODA decreased to 160 million U.S. dollars (*World Bank*). Instead of increasing there was a 20% decrease in ODA for El Salvador, therefore El Salvador does not support my second hypothesis.

Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.

My third hypothesis states as ODA increases it is more likely that the recipient is accommodating of U.S. military interest. In the year 2000, the U.S. was given permission from the El Salvadorian government to establish a military base in Comalapa, El Salvador (*Central Intelligence Agency*). From 1998 to 2000 ODA given to El Salvador was stable, they were receiving about 180 U.S. dollars (*World Bank*). In 2000, ODA began to increase, which is the same year El Salvador granted the U.S. to place a base in their country. A year after the base was placed in Comalapa, ODA given to El Salvador increased to almost 240 million U.S. dollars, an increase of about 60 million U.S. dollars (*World Bank*). Since an increase of ODA was recorded after there was military accommodation between the U.S. and El Salvador my third hypothesis is supported.

Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.

My fourth hypothesis says that as ODA increases, the foreign policy of the recipient will resemble the foreign policy of the U.S. I now have to place El Salvador on my three-point scale determining its level of foreign policy change. Since two out of my three hypotheses were supported I will give El Salvador a total of two out of three. Two on my three-point scale means that a country has had some foreign policy change due to the increase or decrease in official development aid.

Honduras

Hypothesis one: As ODA increases the recipient country is more likely to vote in the UN like the U.S.

According to, *The Voting Practices in the United Nations 2013 Report*, Honduras voted with the U.S. regarding important votes a total of 66.7% (*U.S. Department of State*). In 2013, Honduras received a total of 625 million U.S. dollars, in 2014, ODA decreased to about 600 million U.S. dollars. My hypothesis states, as the receiving country votes more like U.S. their ODA amount increases. In 2014, voting coincidence with the U.S. increased from 66.7% in 2013 to 80.3% (*U.S. Department of State*). That is approximately a 20% increase in voting coincidence, according to my hypothesis this would mean that Honduras would receive an increase in their ODA since they vote accordingly with the U.S. That was not the case, ODA did not increase as a result of voting more like the U.S., in fact ODA actually decreased therefore, hypothesis one was not supported by Honduras.

Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.

Honduras also participated in the CATA-DR treaty, they joined the treaty in 2006 along with most Central American Countries (*Central Intelligence Agency*). The purpose of this treaty was to ignite economic trade between the U.S. and Central American countries. According to my hypothesis as more trade agreements are made with the U.S. then the recipient country will see an increase in ODA. In 2005, Honduras was receiving almost 700 million U.S. dollars of ODA, but in 2006 that number decreased (*World Bank*). In 2006, Honduras received a total of almost 600 million U.S. dollars through ODA, that is almost 100 million less than the previous year (*World Bank*). Therefore, Honduras does not support hypothesis two because ODA did not increase as a result of there being more trade agreements between the U.S. and Honduras.

Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.

In 2003, Honduras sent troops to Iraq as a way to support the U.S. in their efforts of invading Iraq (*Central Intelligence Agency*). This is a form of military accommodation, Honduras was not told to send troops but made the sovereign decision to support the U.S. as an ally. According to my hypothesis recipient countries are incentivized to accommodate to the needs of the U.S. since they are the donors of ODA. In 2003, Honduras received a total of almost 400 million U.S. dollars, but in 2005, Honduras made the decision to retrieve their troops because of domestic criticism (*Central Intelligence Agency*). In 2005, ODA increased to about 700 million U.S. dollars, that is almost double the amount Honduras was receiving in 2003 when they had troops in Iraq (*World Bank*). Honduras does not support hypothesis three, because ODA increased after Honduras was less accommodating to the military needs of the U.S.

Hypothesis Four: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.

After researching and comparing my findings to the factors of measurements, I have found that only one of the three hypotheses were supported. Placing Honduras on my three-point scale it would receive a one. This means that Honduras' foreign policy was barely affected by whether ODA from the U.S. increased or decreased.

Nicaragua

Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.

According to, *The Voting Practices in the United Nations 2012 Report*, The United Nations recorded that Nicaragua voted in coincidence with the U.S. during important votes a total of 0% (*U.S. Department of State*). That means that Nicaragua never voted with the U.S., it is imperative to point out that Nicaragua has gone through and is going through political

instability. The U.S.'s foreign policy includes spreading democracy and Nicaragua is not very democratic which would explain why Nicaragua did not vote like the U.S. In 2012, Nicaragua received about .5 billion U.S. dollars regardless of whether it voted like the U.S. (*World Bank*). In 2014, according to the United Nations Report, it shows that Nicaragua voted with the U.S. 33%, and the ODA amount they received was .45 billion U.S. dollars (*U.S. Department of State*). There was an increase in UN voter coincidence with the U.S. from 2012 to 2014, but according to my hypothesis since there was a voter increase there should have an increase in ODA. This was not the case, ODA amount given to Nicaragua decreased, Nicaragua therefore does not support my first hypothesis.

Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.

Like El Salvador and Honduras, Nicaragua is also a member of the CATA-DR agreement with the U.S. This is a trade agreement between the U.S. and Nicaragua which is meant to promote trade and overall stimulate the economies of the countries who are members. Nicaragua joined this trade agreement in 2006, along with many other Central American countries. In 2006, Nicaragua received .75 billion U.S. dollars through official development aid (*World Bank*). In 2005, they received .77 billion U.S. dollars of ODA, which shows in 2006 when the trade agreement was established instead of an increasing ODA amount it actually decreased (*World Bank*). Nicaragua therefore does not support my second hypothesis.

Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.

Nicaragua has a very different government regime when compared to the U.S., they welcome a more anti-democratic ideology rather than the U.S. who is focused on the spread and

protection of democracy. Since these two countries foreign policy goals are the opposite there is zero military accommodation from the part of Nicaragua. Ultimately, my hypothesis states that as ODA increases the recipient country will be more open to the needs of the donor country in regards to military interest. Since 2004, ODA given to Nicaragua has been steadily decreasing, this has to do with the U.S. using ODA as a way to restrict and motivate a regime change in Nicaragua. This developing country is not doing very well so the U.S. knows how dependent Nicaragua is to ODA, by reducing the amount the U.S. is ultimately forcing Nicaragua to change or at least the U.S. hopes Nicaragua's president changes. Since ODA is decreasing throughout Graph 3, my hypothesis states that the recipient country will be less inclined to accommodate to the donor's needs. In the case of Nicaragua, the U.S. takes a different approach they decrease amount of ODA to therefore, incentivize change towards democracy. Nicaragua therefore disproves hypothesis three.

Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.

After comparing all of my findings for Nicaragua and comparing it to the factors of measurement, I will now place Nicaragua on a three-point scale. This scale determines the length at which the recipients country's foreign policy was affected by the amount of ODA given from the U.S. Since zero of my hypothesis were supported, I have to conclude that Nicaragua does not fall into my three-point scale. Ultimately, their foreign policy does not show any correlation with amount of ODA given to them by the U.S.

CONCLUSION

RESULTS

Official development aid is bilateral aid which is given from one country to another (*OECD*). Usually, this aid is seen as given from a developed country to a developing country which could use monetary assistance to improve its quality of life as a country (*OECD*). As mentioned prior my paper focused on the motivations of the donor countries, and whether they gave aid based off of humanitarian needs of self-interest needs. My research focused on the amount of ODA received over time, I compared the maximums amount of aid received and the least amount of aid received. The fluctuations of ODA given to each of my case studies were vital for me, because as the researcher I wanted to see the effects ODA had on the recipients foreign policy. I choose three case studies in the same region with similar GDP per capita, population, and geographical location. I did this because as their economies, culture, and population size is similar, one would expect for my case studies to receive very similar amounts of aid. As you saw throughout my paper, this was not the case.

In my research I choose three factors of measurement to evaluate the influence ODA had over the recipient country's foreign policy. Those factors of measurement are: UN voting coincidence with the U.S., military accommodation, and trade polices within the recipient country and the donor. Below I will display a chart for each case study, including all four hypothesis and whether they were supported or nullified.

Chart 1: Conclusions of Hypotheses for El Salvador

El Salvador	Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.	Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.	Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.	Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.
Was it supported or nullified?	Supported	Nullified	Supported	Supported

Chart 2: Conclusions of Hypotheses for Honduras

Honduras	Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.	Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.	Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.	Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.
Was it supported or nullified?	Nullified	Nullified	Nullified	Nullified

Chart 3: Conclusions of Hypotheses for Nicaragua

Nicaragua	Hypothesis 1: As ODA increases the recipient country is more likely to vote in the UN like the U.S.	Hypothesis 2: As ODA increases the recipient country is more likely to have trade agreements with the U.S.	Hypothesis 3: As ODA increases it is more likely that the recipient is accommodating of U.S. military interest.	Hypothesis 4: As ODA increases the foreign policy of the recipient will resemble the foreign policy of the U.S.
Was it supported or nullified?	Nullified	Nullified	Nullified	Nullified

As the charts display each hypothesis and whether it was supported I am able to conclude that out of the three case studies, El Salvador shows to be influenced by ODA from the U.S. the most.

LIMITATIONS

Throughout my research there were a lot of scholarly articles which pondered over the theory that the U.S. does not give aid regarding need. I could not find any research on theories or project outlines which challenged the factualness of this theory. The three case studies were very limited in one factor of measurement, that was the trade policy factor. Each country only had one trade agreement with the U.S., although, this was helpful it would have been more beneficial for my research for there to had been more trade agreements. Specifically, agreements which are bilateral and do not include other countries from the same region. The research on military accommodation was also very limited, I did find some information regarding military bases and troops sent abroad, but that was after very extensive research which took a lot of time. Also, my three factors of measurement were very limiting and there is no factual way finding out whether ODA that year spiked or decreased ODA due to an added military base, or similar UN vote.

RECOMMENDATIONS

To those who are stimulated by this topic and hope to research ODA and the motives behind it I recommend using three countries who are politically stable, and have a democratic ideology. Although Nicaragua is currently politically against the U.S.'s democratic ideals I was able to learn that through the restriction of ODA, ODA can be used as tool to force a country to comply to U.S. requests. The U.S. decreased ODA overtime to Nicaragua, a very economically poor country to twist its arm as an attempt to promote change.

The three case studies I choose were very similar, but the amount of ODA they received varied completely. I also recommend using more factors of measurements, three were not enough. Using more factors of measurement would allow for the researcher to be able to say confidently, whether foreign policy changed due to an increase or decrease in ODA.

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