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The George W. Bush Administration's Aid Strategy and Its Impact on Development in Sub-Saharan Africa

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A minor dissertation submitted in partial fulfillment of the requirements for the award of the degree of Masters of Social Science of International Relations

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COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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ABSTRACT

Much of Sub-Saharan Africa economically and democratically lags behind the rest of the world. Many wealthy countries have worked to speed up Africa's development through the use of foreign aid. The George W. Bush Administration utilized aid in their efforts to help eliminate poverty and deepen democracy. They disbursed aid through a novel government agency named the Millennium Challenge Corporation (MCC). This thesis gauges the usefulness of the MCC and measures its impact on economic and democratic development in Sub-Saharan Africa. To provide an assessment of the MCC, I examine the association between foreign aid disbursed by the MCC and resulting economic and democratic development. The conclusions are drawn by employing a quantitative methodology using difference of means analysis and bivariate analysis. The empirical research suggests that aid disbursed through the MCC is producing only slight economic and democratic growth. I conclude the study with a case study that corroborates the empirical findings. This study brings into question the general effectiveness of foreign aid and further suggests that Africa may need another solution to underdevelopment that may go beyond the reach of aid planners.

CHAPTER ONE

INTRODUCTION & LITERATURE REVIEW

“When nations close their markets and opportunity is hoarded by a privileged few, no amount—no amount—of development aid is ever enough. When nations respect their people, open markets, invest in better health and education, every dollar of aid, every dollar of trade revenue and domestic capital is used more effectively”

-- President George W. Bush

1.1 The Problem

Sub-Saharan Africa is simply undeveloped in comparison to much of the world. Plagued by poverty, disease, conflict and poor governance, sub-Saharan Africa (SSA) has not participated in global economic and democratic growth to the same degree as other regions. The statistics are stunning showing that the absolute number of people below the \$1-a-day poverty line has been steadily rising in recent years (Chen & Ravallion 2007). SSA's lagging economic development and disappointing democratic record have resulted in strong calls for international assistance. Ardent efforts are being made by many wealthy countries to lift developing countries out of poverty and into prosperity. Similarly, strong democratic states have sought ways to produce and strengthen democracy throughout SSA. A popular means of support for development is through the use of foreign aid. In the past fifty years, over US \$1 trillion in development aid has been given by rich countries to African governments (Moyo 2009). Have these enormous sums of aid resulted in an improved economic and democratic situation for Africa? In an effort to answer this question, this study addresses the intersection of foreign aid and development.

In a world where globalization abounds, it is undeniable that development and politics are intricately connected. These two areas of study also intersect under the topic of aid. The Official Development Assistance (ODA) to SSA has nearly tripled since the year 2000. The United Nations, the World Bank, non-governmental organizations (NGO) and celebrities have prompted wealthy countries to dramatically increase the amount of aid they give to poor countries. And, it has worked by bringing ODA to its highest levels ever.

During the George W. Bush Administration the United States intended for aid to assist developing states to exit poverty and enter the global economy as strong democratic states.

The Bush Administration's plans for development fall under the foreign policy plan dubbed the freedom agenda. The freedom agenda encompasses a number of policy initiatives, but its main tenants are democracy promotion, security maintenance and foreign assistance.¹ Under the belief that a close correlation exists between economic development and growth in democracy, the Bush Administration made development through aid an important part the freedom agenda. This is evidenced by their tripling of humanitarian and development aid to the continent of Africa. They vowed to invest more than \$9 billion dollars by 2010 (Fletcher 2006). The United States' reasons for acting to reduce poverty are manifold; the meeting of people's basic needs such as food, health care, education and nominal material comforts. Its work to promote and deepen democracy has its roots in the basic principle that freedom (through democratic governance) "is the right and the capacity of all mankind" as trumpeted by President Bush in a speech to the National Endowment for Democracy.²

Since 2004 the United States has shifted its overall strategy for aid implementation. The Bush Administration concluded that aid is most effective in reducing poverty and producing stronger democracies when it is given to responsible governments that are eager to liberalize their economies, improve their governance, and care for their citizens. The institution that the Bush Administration pioneered to administer aid accordingly was the Millennium Challenge Corporation (MCC). The MCC is a United States government aid agency that rewards countries that govern justly, invest in their people and foster economic freedom. The responsibility for development is placed squarely on the developing country itself. While the MCC operates on a global scale, I will look to its work in SSA. Since its inception, the MCC has committed over \$3.7 billion dollars to countries in SSA. Although massive amounts of aid are being administered through the MCC, few studies have examined its effectiveness in promoting development.

In this thesis quantitative and qualitative methods are used to evaluate the MCC and its impact on development as measured by economic and democratic growth. I ask three particular questions that are designed to deliver an empirical assessment of the MCC: 1) Is there a demonstrable link between the incentive of aid and development in SSA; 2) Is there a demonstrable link between the monitoring and evaluation of aid compacts and development in

¹ For an explanation of President Bush's Freedom Agenda, see ([http://www/georgewbush-whitehouse.archives.gov/infocus/freedomagenda](http://www.georgewbush-whitehouse.archives.gov/infocus/freedomagenda))

² For full text of President Bush's speech to the National Endowment for Democracy on November 6, 2003, see (www.ned.org/events/anniversary/20thAniv-Bush.html)

SSA; and 3) Is there a demonstrable link between the size of the aid disbursement and development in SSA? For further elaboration, I expound on particular MCC activities through a case study and identify patterns and generalizations from which I reach two important conclusions: 1) The Bush Administration and the MCC used aid to strike a political balance between compassion and US economic interests and; 2) President Bush and the MCC used aid to create ideal governments and prepare poor countries for future development.

The dependent variable of development will be operationalized by economic growth and democratic growth. The economic indicator of growth will be measured by change in GNI per capita. The change in Freedom House ratings of Political Rights and Civil Liberties will be used to measure democracy. These indicators are widely recognized as reliable measures of economic and democratic growth.

1.2 Significance of the Study

The MCC is a rarity among aid agencies. Its strict criteria and selectivity set it apart from other government agencies or NGOs that distribute aid according to need or on a conditional basis. Its novel approach to development is rooted in the notion that well governed, democratic states offer the best context in which aid can produce positive results. Only after a country meets the established criteria to the satisfaction of the MCC will it receive a development grant worth unfettered millions of dollars. Without liberal economic policies and a commitment to democracy, countries need not apply. While this approach to foreign aid is not new from a theoretical perspective, the MCC is one of the first aid agencies to actually distribute aid according to this paradigm. Furthermore, relatively very little research has been conducted on aid's impact on democracy within a state. This year, the MCC reaches its fifth anniversary. The anniversary provides a good opportunity to give an initial assessment of the MCC's progress in achieving development in SSA.

1.3 Literature Review

The political science and economic literature on aid and development is expansive. The literature reviewed here will highlight a set of literature regarding the impacts of aid followed by a set of literature identifying obstacles to development. I will begin with a brief theoretical background of aid.

Many proponents of aid argue that it is justified chiefly on moral grounds. It is argued that it is responsibility of the wealthy to give money to lesser-developed countries. The Kennedy Administration established the moral case for aid during the cold war era when President Kennedy said, “We pledge our best efforts to help them (the poor) to help themselves, ...not because the Communists may be doing it, not because we seek their votes, but because it is right”(Riddel 1987). Politicians push their legislatures for more aid funding calling it a moral imperative and the “opportunity and challenge of our generation” (Easterly 2006), while rock stars popularize aid and ask, “Do we have the will to make poverty history?” (Bastable 2005). In this case, the appeal for aid is based on the principles of morality and altruism. Others argue the case for aid to compensate countries that are at a perceived disadvantage due to capitalism, trade or globalization. John Rawls contractual theory of justice suggests that economic inequalities should be arranged so that they are “to the greatest benefit of the least advantaged” (Rawls 1973). Rawls would advocate aid, or redistribution of wealth through direct monetary transfers between states, as a fair and reasonable way to give individuals in poor countries, what Rawls termed their “right to resources” (Riddel 1987).

In addition to aid simply being the right thing to do, proponents advocate that aid is indispensable for the development of poor and democratically unconsolidated countries. The world’s poorest countries can only escape their circumstances with the help of the wealthy. The costs of infrastructure are too great and the capital needs are too large for a developing economy to mature on its own. Power, communications, port facilities, roads and other pieces of national infrastructure “set the framework” for making economic activity possible (Krauss 1984). The well-known Harvard economist, Jeffery Sachs, describes aid as essential to helping the world’s poorest onto the first rung of the economic ladder. Aid proponents insist that large sums of capital are needed to increase participation of private capital in the development process.

However, while opponents of aid do not doubt the motivation for aid or the need for capital; they question aid's effectiveness in promoting national development. Most empirical analyses on the effectiveness of aid can be categorized as belonging to one of two groups - aid optimists or aid pessimists. Overall development is a common goal between both groups. Ending hunger, improving education, building infrastructure and achieving economic solvency are mutual goals, but optimists and pessimists regard aid's role in achieving these

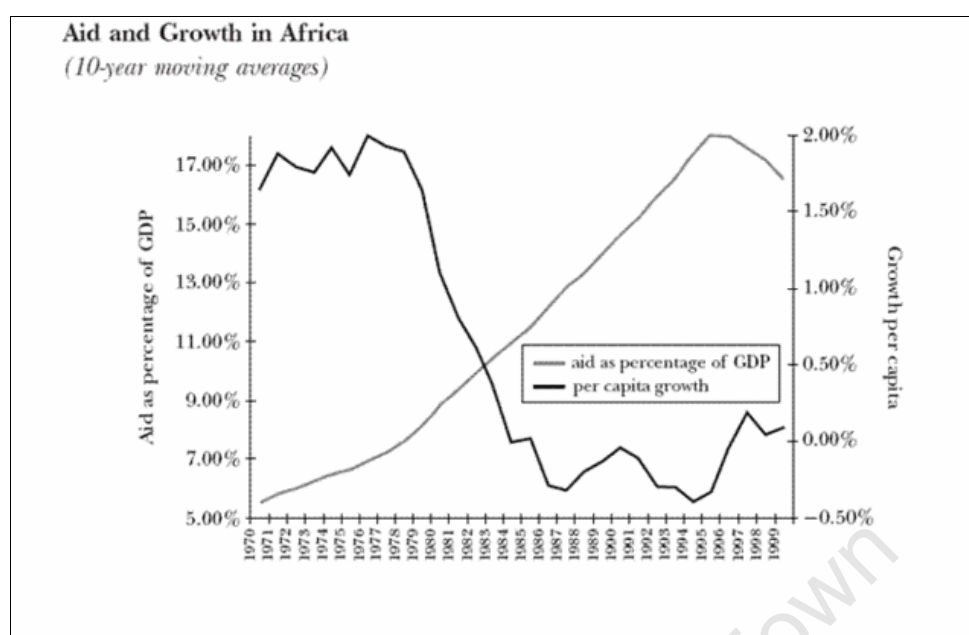
goals differently.

1.3.1 Aid Pessimists

At its core, foreign aid is a discussion about the principle of government intervention in economic matters. John Stuart Mill advocates governmental restraint in matters of the economy when he writes, “the great majority of things are worse done by the intervention of government”. He continues by writing, “...people understand their own business and their own interests better, and care for them more, than the government does, or can be expected to do” (Mill 1994). This follows that aid is ineffective because economies cannot be centrally planned. Markets are made up of millions of individuals each making decisions that they believe are in their best interests. For the same reason that Adam Smith's invisible hand of self-interest makes a free market successful, economic planner's distribution of aid will also be unsuccessful. Because economies are complex and multi-faceted, economic controls tend to obstruct progress rather than resulting in economic advances. Therefore, critics suggest that aid fails for the same reasons that other centrally planned economies have failed in the past.

Possibly an aid pessimist strongest argument is that aid is not effective in producing economic growth. They claim that wealthy, good intentioned countries ultimately have little to show for their efforts and expenditures. Figure 1 shows the correlation William Easterly found between aid and growth. Easterly found that an increase in aid negatively impacts economic growth (Easterly 2006). With the understanding that most foreign aid expenditures have not performed well in the latter part of the 20th century, scholars and economists have searched for ways to make aid more effective.

Figure 1: Aid and Growth in Africa (10-year moving averages) (Easterly 2003)



1.3.2 Aid Optimists and Aid Effectiveness

A significant amount of recent research has studied the impact of aid on countries with good governance. Governance can be defined as “a set of values, policies and institutions by which a society manages its economic, political, and social processes at all levels through interaction among government, civil society, and private sector” (Cheema 2000). Governance is a complex concept with many components. One of the most important components is that of the role that institutions play in encouraging growth and strengthening democracy. I look to the work of Stephen Kosack (2003), Douglas North (1990), and Francis Fukuyama (2004) to make sense of the use of institutions to encourage growth and deepen democracy. This literature provides relevance to the MCC’s use of aid to build institutions.

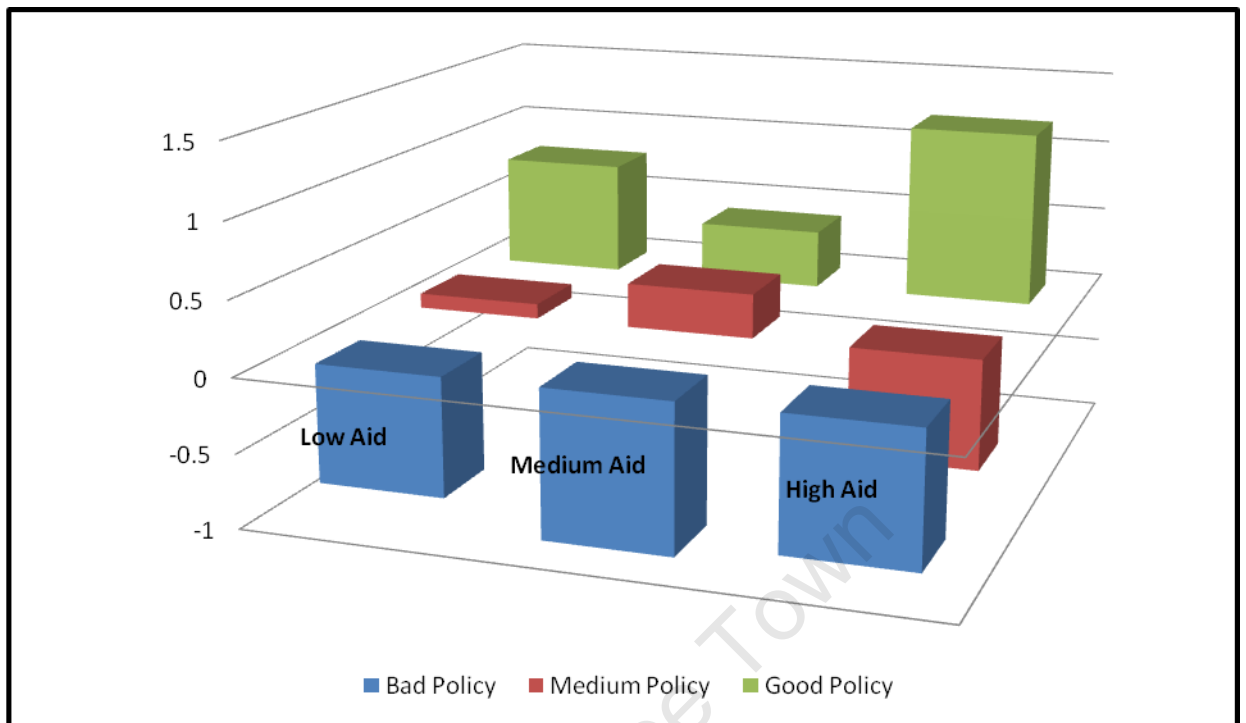
Kosack finds that aid is more effective when combined with efforts to encourage democratization – a model that the MCC has followed implicitly. More particularly, he finds a positive and highly significant relationship between aid and quality of life (using the Human Development Index as a measurement of quality) when the recipient country is democratic. Is the prevalence of democracy the key to making the best use of aid in terms of development – both economic and democratic? Douglas North's primary claim is that institutions or institutional change can affect the performance of economies. North further suggests that institutions structure incentives in human exchange whether political, social or economic. His work provides a basis for the notion that institutions can influence the level of a country's

democracy. Fukuyama suggests that strengthening a state's ability to plan and execute policies, maintain transparency and enforce laws is paramount for a developing economy or fledgling democracy. For example, the MCC's aid to Benin, in large part focuses on strengthening the system of justice aiming to improve arbitration, mediation and conciliation. In Ghana and Mozambique, the MCC is working to strengthen the policy and regulatory framework of the government agencies responsible for land control ensuring more efficient and secure access to land. In all these cases the MCC emphasized the importance of institutions in achieving economic and democratic growth.

A litany of studies has tested the impact of aid on economic growth and democracy. Economic studies have tested aid's ability to attract investment (Rosenstein-Rodan 1961), generate economic growth (Burnside & Dollar 2000), and provide capital (Youngson 1987). Scholars have searched for political phenomena linked to aid, such as various correlations between aid and democracy (Finkel et al. 2006), (Djankov et al. 2006), (Svensson 1999), governance (Hansen & Tarp 2000) and quality of life (Kosack 2003). For purposes of this thesis, particular attention will be given to literature surrounding the correlation between aid and economic growth and aid and the strengthening of democracy within a state.

The idea that aid works more effectively in achieving economic growth when provided to states with liberal economic policies and healthy governance was initially propagated by a study conducted by Craig Burnside and David Dollar. Their study provided a new model for measuring aid effectiveness by searching for a correlation between foreign aid and growth rates in developing states. This correlation has been tested before; however, Burnside and Dollar tested aid recipients that had good policies (defined by things such as low budget deficits, free trade policies, and low levels of corruption) and bad policies. The economists found that if wealthy countries are "selective" when choosing countries to give aid to and select only countries with quality institutions, they yield better results (Burnside & Dollar, 2004). Figure 2 shows the results of the Burnside Dollar (2000) study.

Figure 2: Per Capita GDP Growth in Low Income Countries with Good Policies (Burnside & Dollar, 2000)



Since the Burnside and Dollar (2000) study, many papers have reacted to their results, including Hansen and Tarp (2000), Dalgaard and Hansen (2001), Guil-lamont and Chauvet (2001), Collier and Dehn (2001), Lensink and White (2001) and Collier and Dollar (2002). These studies react to the Burnside and Dollar study, by introducing other variables such as terms of trade shocks, and shocks of environmental factors. Some of these papers confirm the message of Burnside and Dollar that aid only works in a good policy environment; while others find that an aid-growth link exists regardless of the policies of a country (Figure 2). Initially, the Burnside Dollar study appeared promising, but other scholars have since replicated their research with more thorough, updated data and found a less convincing correlation between aid and good economic policies in generating growth. A study conducted by Easterly, Levine and Roodman (2003) is often cited for its contradictory findings to Burnside & Dollar (2000). Their study uses the same specification as Burnside & Dollar (2000), but adds more data that had since become available. They found that the coefficient on the crucial interaction between aid and policy was insignificant and found no support that aid works in a good policy environment (Easterly, Levine & Roodman 2003).

Other studies focus on aid's intention to influence a nation's level of democracy. This

type of aid, aptly named democracy and governance aid was found to have an impact. Finkel et al. found that foreign aid targeted at improving democracy and governance has a positive effect (2008). Their study attempted to determine the impact of U.S. democracy assistance on democracy-building world wide between 1990 and 2003. They found that for every \$10 million of additional dollars of U.S. democracy assistance, a country experienced .25 units of growth on the Freedom House index in a given year. Bollen, Paxton and Morishima (2005) found that aid, with the particular focus of strengthening democracy accomplished this to a small effect. Svensson (1999) focuses on aid and democracy, but only to the extent that aid more readily achieves economic growth in states with higher degrees of political and civil liberties.

The literature that directly provides an assessment of the MCC is sparse. The most influential is a study conducted by Johnson and Zajonc (2006) that analyzed the MCC aid as an incentive to pursue good policies. Their findings showed that potential recipients of MCC funds improve 25 % more indicators after the MCC incentive was offered than before it (Johnson and Zajonc 2006). While it is conceivable that policies and institutions were improved through the incentive of a multi million-dollar grant, it is not clear what affect foreign aid had on democracy. Johnson and Zajonc (2006) make no claim as to what impact, if any, MCC aid has had on long-term growth rates or poverty eradication.

1.3.3 Obstacles to Development

A number of variables are attributed to the hindrance of development. On this topic, I tap the most recent literature that names particular development “traps”. Paul Collier specifies four particular hindrances to development, namely, conflict, natural resources, geography, and governance. Collier attributes these four traps to lack of development of Africa's poor countries. (2007) I briefly elaborate on each trap and their significance to development.

Conflict

A severe challenge to development in SSA is the prevalence of political instability and violence. For instance, it is estimated that 40% of SSA has experienced a least one period of civil war in the last 40 years (Elbadawi 2000). The prevalence of political instability and the fact that the world's poor are centered in SSA is not likely to be a coincidence. The paradigm can be reversed as well to suggest that countries with high levels of poverty are more likely to experience political instability and violence (Elbadawi 2000). Political instability and violence

have dramatic consequences for a country's economy and for democracy's survival. While any type of instability or domestic conflict may have an adverse effect on a country's rate of development, a civil war may have a particularly nasty effect. A typical seven-year civil war is projected to leave a country 15% poorer than it would have been (Collier 2007). In addition to a 15% drop in productivity, civil war's costs are likely to continue through economic depression and disease. By definition, a civil war is a reversal of democratic principles. When a country reverts to civil war, the warring factions bypass the democratic decision making process. In contrast, greater levels of political democracy and civil liberties have been associated with lower risk of severe conflict (Fearon & Laitin 2003).

Natural Resources

The abundance of natural resources within a developing country intrinsically seems beneficial and conducive to development. However, when a valuable natural resource (or various natural resources) makes up a substantial part of a country's GDP, it tends to inhibit both economic and democratic growth. Economists have termed this paradox the "Dutch Disease," after the effects of the North Sea gas on the Dutch economy. The concepts behind the "Dutch Disease" refer to the apparent relationship between the exploitation of natural resources and decline in other sectors of a country's economy. The resource exports cause a country's currency to rise against other countries making manufacturing exports less competitive in international trade. In addition to hindering exports, natural resources are prone to booms and busts. A couple of examples of natural resource booms and subsequent busts come to mind including the Kenyan coffee bean boom 1976-79³, and the 1986 Nigerian oil bust⁴. Any economist or investor will agree that the "Dutch Disease," and volatility in commodity prices inhibit economic growth. Furthermore, the economy of a country is healthier and stands a better chance for development when its markets are diversified and its economic and political future predictable. It is very probable that a country's economic growth largely depends on the presence of natural resources. Dependency on natural resources has been proven bad for democratic growth. Developing countries rich in valuable natural resources are prone to a system of patronage and rents causing democracy to be thwarted. Political scientists have presented empirical evidence suggesting a robust and negative correlation between the presence of a sizable natural resource sector and the level of democracy in Africa (Jensen, Wantchekon 2004). Rents and other forms of corruption

³ The price of coffee quadrupled from 1976-79 following a frost damaged Brazilian coffee crop.

⁴ In less than twelve months, world crude prices fell more than 60%.

certainly disrupt democratic development, thereby further counteracting the benefits of an aid package.

Geography

Geographical conditions can be a considerable obstacle to growth, and hinder the effectiveness of aid. Economic development requires commerce; commerce requires the movement of products from one location to another. This basic notion in trade has dramatic implications for poor, landlocked countries with harsh terrain. In this situation where a country has challenging geographic qualities, large-scale trade is often inhibited by lack of ports, politically unstable neighbors, no navigable rivers and overall high transport costs. These costly attributes make economic development all the more difficult to achieve. Adam Smith cited by Sachs (2006) recognized the role high transport costs played in development when he said,

As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland part of the country (Sachs 2006).

Governance

Finally, governance has inherent implications bearing on growth. As seen by much of the literature regarding governance, economic and democratic development requires a government oriented towards development. Economist and social scientists have learned that certain policies and institutions are more conducive to development than others. In above paragraphs I have covered governance extensively and will continue to elaborate throughout this study.

CHAPTER TWO

RESEARCH DESIGN

2.1 Introduction

The Bush Administration utilized the MCC to disburse U.S. billions in aid. As previously mentioned, the MCC selected countries that met a strict set of criteria. It is this program for which this study intends to produce a summative evaluation and provide further information on the general effectiveness of aid. During this evaluation I will quantitatively and qualitatively address the worth and performance of this particular disbursement of aid by the U.S.

The larger concept of MCC foreign aid can be divided into three separate independent variables measuring incentive, monitoring, and size. Through three levels of quantitative analysis I analyze: 1) the impact of the incentive of MCC on political and economic development; 2), the impact of the MCC's monitoring component on political and economic development; and 3) the impact of the absolute size of the MCC grant on political and economic development. I identify four distinct groups of countries within SSA that are measured throughout the three analytical levels. These groups have important differences in levels of wealth and quality of governance. The four groups of countries include: 1) all countries in sub-Saharan Africa (SSA); 2) countries that have a decent chance of qualifying for MCC aid (Eligible); 3) countries that are either too wealthy, too despotic, or legally prohibited by the U.S. Congress to qualify for a MCC grant (Ineligible) and; 4) countries that eventually qualified for and were selected to receive aid disbursements from the MCC (MCC). In essence, these groups are designed according to whether or not a country is eligible for a MCC grant. The (MCC) countries are generally low to middle income countries with Freedom House scores ranging between 5 and 1. Below, I provide more details on the analytical structure of the experiment involving the incentive, monitoring and size of MCC aid.

To determine whether the incentive of MCC aid prompted development, I consider the experience of three different groups of countries between 2004 and 2006. First, I consider the impact of the MCC incentive on (Eligible) countries. Second, I consider the impact of the

incentive on (Ineligible) countries, and lastly on (MCC) countries. The comparison among these three groups will render data useful for determining if the incentive of MCC aid generated political and economic development.

Since the MCC has an extensive monitoring and evaluation component to each compact, it is also important to measure the impact of monitoring on development between 2006 and 2008. For this empirical step, I consider the groups (Eligible) and (Ineligible) and (MCC). Does the possibility of losing a portion or all of the committed funds help keep development on track? These tests will determine whether countries tend to backslide following aid disbursements or if the threat of losing the grant is strong enough to keep development on track.

To determine whether the absolute size of the MCC grants matter in terms of development, I analyze ODA data on three sets of countries. First, I analyze the group (SSA) followed by (Eligible) and, finally, (MCC) between 2005 and 2008. This empirical analysis will test if gradations in the size of aid produce any correlations to development. Table 1 summarizes which country-group is considered in conjunction with each independent variable.

Table 1: Samples Considered Under Independent Variables

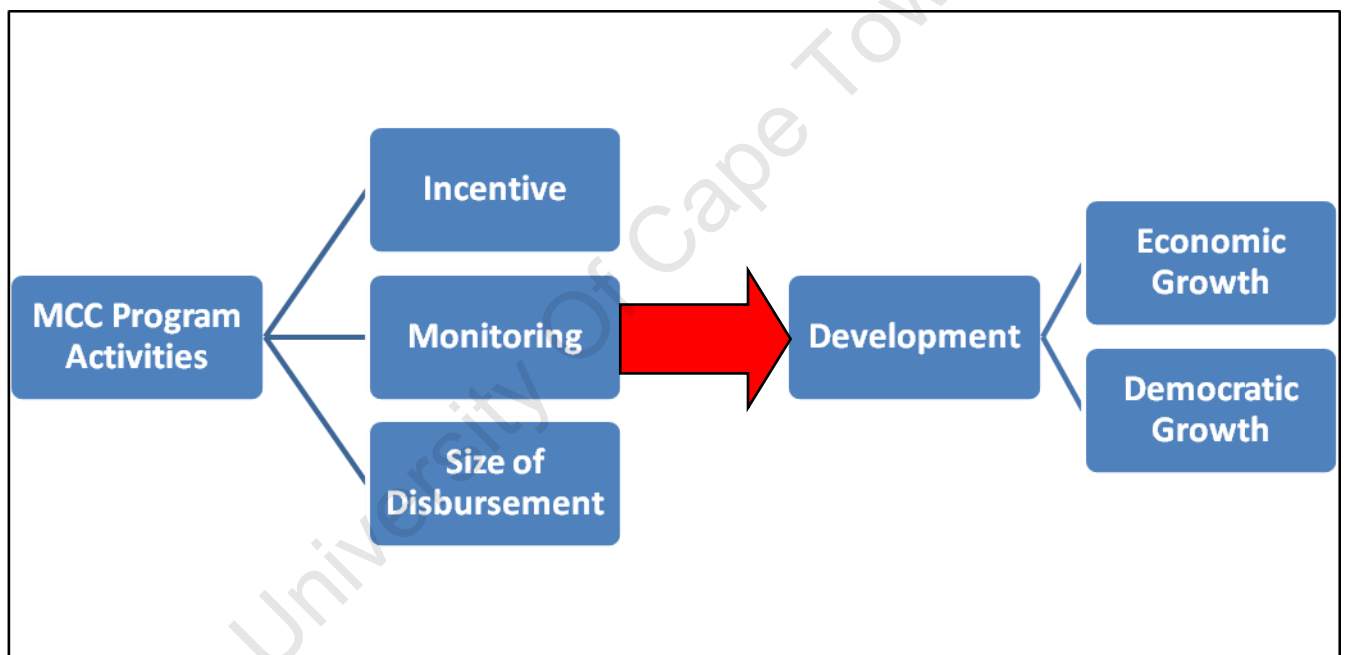
| <u>Incentive</u> | <u>Monitoring</u> | <u>Size</u> |
|------------------|-------------------|-------------|
| Eligible | Eligible | SSA |
| Ineligible | Ineligible | Eligible |
| | MCC | MCC |

2.2 Research Methodology

To provide an overall assessment of the MCC, I examine the association between foreign aid disbursed through the MCC and development through a quantitative methodology using two types of statistical analysis: difference of means analysis and bivariate analysis. First, I will test whether the difference between the average (mean) change in economic growth and change in democracy of the four country groups are statistically significant. The statistical tool I use is Analysis of Variance (ANOVA) that tests whether the means of several

groups are all equal. Since the dependent variable is comprised of two indicators (economic growth and democratic growth), I examine each of the difference of means separately. I perform this type of analysis on the independent variables of incentive and monitoring. I then conduct a bivariate analysis on the size of aid disbursed through the MCC and change rates in economic development between 2005 and 2008 across the three samples of (SSA), (Eligible) and (MCC). I end with a case study that looks at the first three aid investments of the MCC in SSA. Through this case study, I search for patterns among the MCC's three initial investments and draw generalizations based in the theory of realism. These generalizations assist in delivering a full evaluation of the MCC and comprehensively consider whether or not the MCC was successful as an aid agency.

Figure 3: Relationship of the Independent Variable on the Dependent Variable



2.3 Research Question

This evaluation study analyzes the impact of MCC aid on development. The primary research question of this study asks: What is the impact of aid disbursed through the MCC on economic and democratic development in SSA?

The answer to this question logically leads the reader to judge whether the money devoted through development aid and distributed along the criteria set out by the MCC produces sufficient results to justify the program's continuation. Furthermore, it will speak to

the overall validity of foreign aid as an agent of developmental change.

2.4 Expectations

Generally speaking, I expect to find an overall significant, but weak relationship between MCC aid and development. However across the different tests of the independent variables of incentive, monitoring, and size, I expect varied results. Theoretically, the MCC group should perform the best during each test. The literature on the MCC incentive found that potential recipients of MCC aid performed better than a control group measured after the formation of the MCC (Johnson & Zajonc 2006). Their study attributes this quicker developmental pace to the higher quality of policies within the countries selected by the MCC.

A crucial component (and a significant expense) of the MCC aid compacts is the monitoring and evaluation of the progress and performance of each country. The threat of losing a compact is real. This is evidenced by the recent retraction of remaining part of Madagascar's compact in response to the recent coup d'état in 2009. In testing the effect of monitoring on development, I, again, expect that the MCC countries will perform better than other sub-Saharan African countries. Since the threat of losing a compact is real and not an empty threat, it is realistic to think that monitoring may have a true impact on development.

Finally, I expect to find that the relationship between absolute size of MCC aid and development to be weak and insignificant. A brief survey of the past forty years of aid has shown that less aid could actually mean more growth for Africa. The literature also suggests that larger amounts of aid can actually damage an economy and slow overall development. Larger amounts of aid have also been shown to have negative macroeconomic impacts. Aid, if not managed correctly, can negatively affect prices and incentives. With large inflows of aid, Dutch Disease becomes a concern, which, in turn, may have harmful impacts on exports and other sectors. For these reasons, I do not anticipate that the size will positively impact development. I am particularly skeptical that the indicator of economic development will show promising results. However, it is possible that countries bettered themselves democratically to qualify for the MCC grant.

2.5 Hypotheses

Based on the research conducted in the literature review and the above expectations, I postulate four hypotheses. The first is a general hypothesis and is followed by three specific hypotheses. From the second and third hypotheses, I explore further suppositions.

1. There is no relationship between foreign aid disbursed through the MCC and development from 2005-2008. This hypothesis will act as the null hypothesis on which the p values produced by the ANOVA tests will be based.
2. There is a relationship between the incentive of MCC aid and political and economic development.
 - a. The effectiveness of the incentive of MCC aid on economic growth will be statistically weaker than that of democratic growth.
 - b. Under the incentive, countries later receiving a disbursement of aid will develop at a quicker pace than those not receiving aid.
3. There is a relationship between MCC monitoring of aid and development.
 - a. The effectiveness of MCC monitoring on economic growth will be statistically weaker than that of democratic growth.
 - b. During MCC monitored time frame, countries that have received a disbursement of aid from the MCC will develop at a quicker pace than those not receiving aid.
4. There is a relationship between the size of the MCC aid disbursement and development.
 - a. The larger the size of the aid disbursement the greater the rate of development will be.
 - b. The larger the size of the aid disbursement the slower the rate of development will be.

2.6 The Data Set

The database I formulate is derived from several sources for the purposes of this analysis. For the variable of MCC aid, I access the documented disbursements of aid recorded by the MCC published on the MCC website. For the most reliable results, I only consider aid that has reached a country in the form of a disbursement as opposed to combining the disbursements and contract commitments. I feared that my empirical results would be contaminated if contract commitments were added to aid totals. For total disbursements of Official Development Aid, I collect data on all countries in SSA from the Organization for

Economic Cooperation and Development (OECD/ Official Development Aid data set (2005, 2006, 2007, 2008). To determine the change in economic growth, I gather GNI per capita data between 2004 and 2008 from the World Bank (2004, 2005, 2006, 2007, 2008). To determine change in democracy, I access the Freedom House scores of each country between 2004 and 2008 (2004, 2005, 2006, 2007, 2008).

Throughout the qualitative section, I rely on a conglomeration of indicators and data sources including the Heritage Foundation index of economic freedom (2009), the World Bank logistics index (2007), and the World Bank indicator of control of corruption (2004, 2008). I also rely heavily on the MCC website for details about particular MCC-related activities in Cape Verde, Madagascar, and Zambia (MCC 2009).

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CHAPTER THREE

CONCEPTUAL AND DESCRIPTIVE FRAMEWORK

3.1 Introduction

The impetus for the MCC can be linked to the economic study conducted by Craig Burnside and David Dollar entitled “Aid, Policies and Growth” (2000). The two economists summarize their findings by saying, “We find that aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies, but has little effect in the presence of poor policies” (Burnside & Dollar 2000). It is apparent that this study along with other supporting studies helped form a basis for the foreign aid policy of the Bush Administration. President Bush noted in a speech on March 14, 2002:

Yet many of the old models of economic development assistance are outdated. Money that is not accompanied by legal and economic reform is oftentimes wasted.... Sound economic policies unleash the enterprise and creativity necessary for development. So we will reward nations that have more open markets and sustainable budget policies, nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery.⁵

Two years after the speech, the Millennium Challenge Corporation began operations with the task of administering five billion dollars in foreign aid. According to Johnson and Zajonc (2006), the formation of the MCC represents the most significant shift in United States foreign aid policy since President Kennedy signed the Foreign Assistance Act of 1961 resulting in the formation of the United States Agency for International Development (USAID). Additionally, the five billion dollar program for which the MCC is responsible represents a 50% increase in aid to Africa. Major foreign aid initiatives like these warrant greater academic attention and wider statistical analysis.

This thesis asks whether the aid administered by the MCC has outwardly achieved development in SSA. In this chapter, I discuss the goals, objectives, and eligibility

⁵ For the full text of President Bush’s speech of March 14, 2002, see (<http://www.whitehouse.gov/news/releases/2002/03/2002/0314-7.html>).

requirements of the MCC, and I give descriptions of the three variables of incentive, monitoring and size of aid disbursement along with their economic and democratic contexts. Finally, I give aid (the independent variable) and the country's economic and democratic development (the dependent variable) operational definitions.

3.2 MCC Goals, Objectives and Eligibility Requirements

The MCC has two goals: 1) Reduce poverty through economic growth and; 2) Deepen democracy (MCC 2004). While reducing poverty is the MCC primary goal, building stronger democracies is an important underlying theme especially in the larger context of the Bush Administration's Freedom Agenda. Ultimately, the contention is that economic prosperity results from democratic freedom – an idea that has been studied in depth.⁶

To be considered eligible for a grant, countries must meet three requirements. First, countries must have a per capita income equal to or lower than \$3,855. Second, countries must not be ineligible to receive U.S. assistance under the Foreign Assistance Act of 1961 (amended as the "Foreign Assistance Act") or other provision of U.S. law (MCC 2009). Third, countries must show a commitment to good governance, economic freedom, and investments in their citizens. For the purposes of this study, the countries with a Freedom House rating of seven are not considered eligible. Countries that lack freedom and openness are often despotic and unlikely to respond to any aid that requires good governance for eligibility. A complete list indicating which countries are eligible and ineligible are found below.

⁶ For example, Morton Halperin, Joseph Siegle and Michael Weinstein in their book *The Democracy Advantage* claim that democracies do a better job than authoritarian governments in creating economic prosperity.

MCC Eligible Countries in SSA

- | | |
|--------------------------------|---------------------------|
| 1. Angola | 19. Lesotho |
| 2. Benin | 20. Liberia |
| 3. Burkina Faso | 21. Malawi |
| 4. Cameroon | 22. Mali |
| 5. Cape Verde | 23. Mozambique |
| 6. Central African Republic | 24. Namibia |
| 7. Chad | 25. Niger |
| 8. Comoros | 26. Nigeria |
| 9. Congo, Republic | 27. Papua New Guinea |
| 10. Dem. Republic of the Congo | 28. Rwanda |
| 11. Djibouti | 29. Sao Tome and Principe |
| 12. Eritrea | 30. Senegal |
| 13. Ethiopia | 31. Sierra Leone |
| 14. Gambia | 32. Tanzania |
| 15. Ghana | 33. Togo |
| 16. Guinea | 34. Uganda |
| 17. Guinea Bissau | 35. Zambia |
| 18. Kenya | |

MCC Ineligible Countries in SSA

- | | |
|----------------------|------------------|
| 1. Botswana | 9. Seychelles |
| 2. Cameroon | 10. Somalia |
| 3. Chad | 11. South Africa |
| 4. Cote D'Ivoire | 12. Sudan |
| 5. Equatorial Guinea | 13. Swaziland |
| 6. Eritrea | 14. Zimbabwe |
| 7. Mauritania | |
| 8. Mauritius | |

Sixteen policy indicators of country performance guide the MCC selection process. The governing board of the MCC selects compact-eligible countries based on three broad policy categories: Ruling Justly, Investing in People, and Encouraging Economic Freedom (MCC 2004).

The Ruling Justly category includes assessments that measure

- Civil Liberties (Freedom House)
- Political Rights (Freedom House)
- Voice and Accountability (World Bank Institute)
- Government Effectiveness (World Bank Institute)
- Rule of Law (World Bank Institute)
- Control of Corruption (World Bank Institute)

The Investing in People category includes assessments that measure

- Immunization Rates (World Health Organization)
- Public Expenditure on Health (World Health Organization)
- Girls' Primary Education Completion Rate (UNESCO and World Bank)
- Public Expenditure on Primary Education (UNESCO and national sources)
- Natural Resource Management (CIESIN and YCELP)

The Encouraging Economic Freedom category includes assessments that measure

- Business Start-Up (IFC)
- Land Rights and Access (IFAD and IFC)
- Trade Policy (Heritage Foundation)
- Regulatory Quality (World Bank Institute)
- Inflation (IMF)
- Fiscal Policy (National Sources; cross-checked with IMF) (MCC 2004)

Selected countries that meet the above criteria then identify their own priorities for achieving sustainable economic growth. Countries are encouraged to develop a plan for growth by canvassing community groups and business leaders. This method allows for

maximum participation. The country then develops a comprehensive proposal that incorporates the input of the community groups. The MCC emphasizes the necessity for partnership during the five-year MCC compact requiring countries to set up their own local MCC accountable entity to manage and oversee all aspects of implementation.

The MCC has been functioning for five years, with over \$3 billion dollars in expenditures and commitments in SSA. Now, the task at hand is to empirically test only for results produced by the MCC aid program. Through these findings I hope to deliver a better assessment of the MCC's productiveness as an instigator of development. The economic and institutional literature makes the MCC program seem promisingly productive in achieving development within a country. If institutions are improved, is a state more likely to spur on its economy and strengthen its democracy? Does aid, such as that administered by the MCC become effective in the presence of good governance? These are questions that this thesis hopes to answer with quantitative and qualitative analysis in the following paragraphs.

3.3 Economic and Democratic Context

Economic and democratic context is needed to determine the impact of the MCC. A contextual basis will help to control for the overall trends of economic and democratic development in SSA. To fully comprehend the importance of context, one need only look back to the world economic crisis that happened in the fall of 2008. Economic shocks can have many ramifications for foreign aid and development in general. This is particularly true for developing countries with fragile political and economic situations (Collier & Dehn 2001). Of course, hundreds of factors are associated with economic growth. Similarly, many different factors are associated with democratic development and consolidation. In this section, I will provide economic and democratic context for the two periods of time under consideration in this study. I will begin by addressing the context of the period between 2004 and 2006 followed by the period between 2006 and 2008 thus covering the entire time frame considered in this study. In these two periods, I consider the economic and democratic conditions among all countries in SSA, non-MCC countries and MCC countries between 2004 and 2008.

Between 2004 and 2006 all countries in SSA increased in wealth. As shown in Figure 4, average national GNI levels rose and nearly every country increased in wealth. SSA and non-MCC countries grew at approximately the same rate. However, the MCC countries

participated to a lesser extent in GNI growth. This is not surprising since many of these countries are in a low-income category and have less wealth to begin with. In SSA the average national GNI per capita grew by 37.5% and non-MCC average national GNI per capita grew by 39.8%. MCC grew at a slightly slower pace averaging 31.7% growth in GNI per capita.

Between 2006 and 2008, a similar pattern of growth occurred as shown in Figure 5. The average GNI per capita of Sub-Saharan African countries grew 32.2% and the average GNI per capita of non-MCC grew 33.2%. The GNI per capita of MCC countries grew slightly slower averaging 30.2% growth.

Figure 4: GNI Growth 2004-2006 (World Bank 2009)

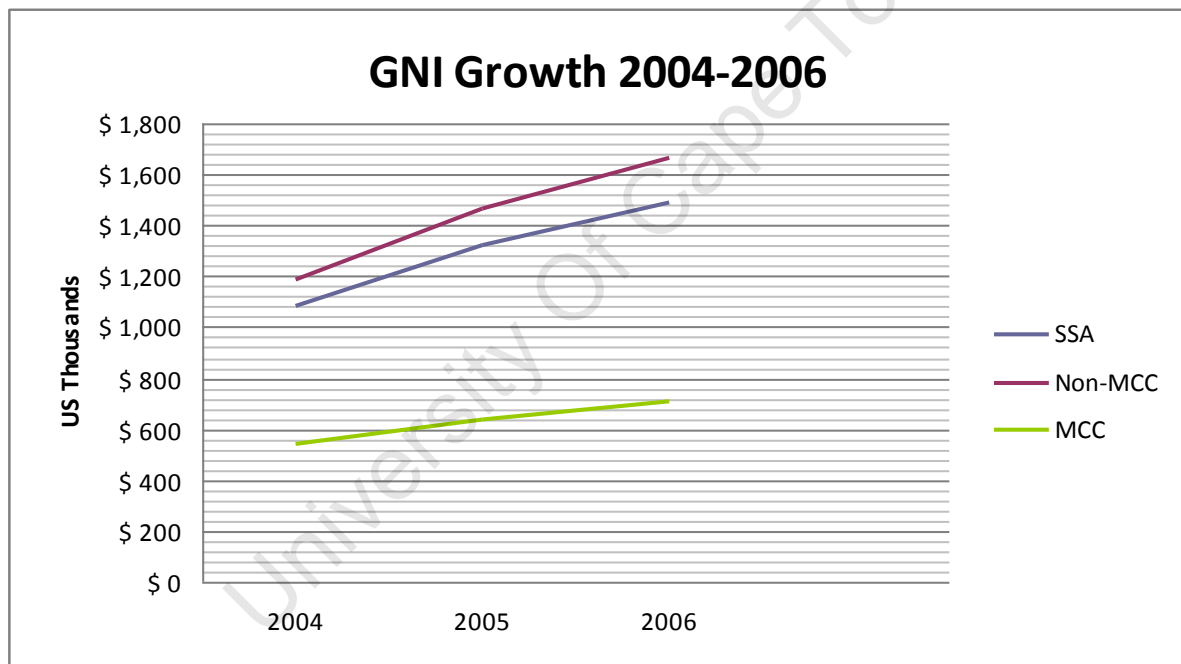
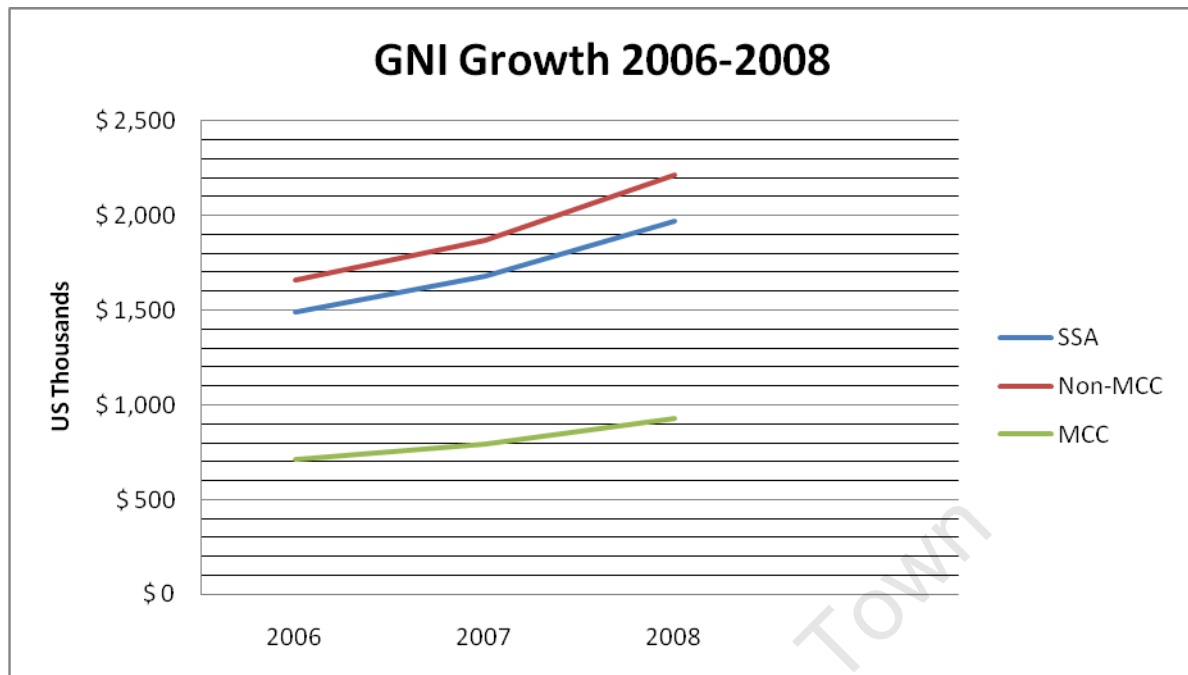


Figure 5: GNI Growth 2006-2008 (World Bank 2009)



To determine regional democratization trends, I measure the average levels of democracy using the Freedom House index.⁷ Once again, I compare the general trend between SSA, non-MCC countries, and MCC countries. By doing this, regional trends become clear. It is evident from Figure 6 that all three groups increased their level in democracy between 2004 and 2006. On average, countries in SSA decreased by .1, and MCC countries decreased by .2 on the Freedom House scale. On average, non-MCC countries remained virtually unchanged. Figure 7 shows that SSA and MCC countries became more democratic while non-MCC countries became slightly less democratic. On average, both SSA and MCC countries decreased by .1, and non-MCC countries increased by .075 on the Freedom House scale.

⁷ Note: Freedom House scores countries on a scale of 1-7, with 1 being the most democratic category and 7 being the least democratic category.

Figure 6: Regional and MCC Freedom House Averages 2004-2006 (World Bank 2009)

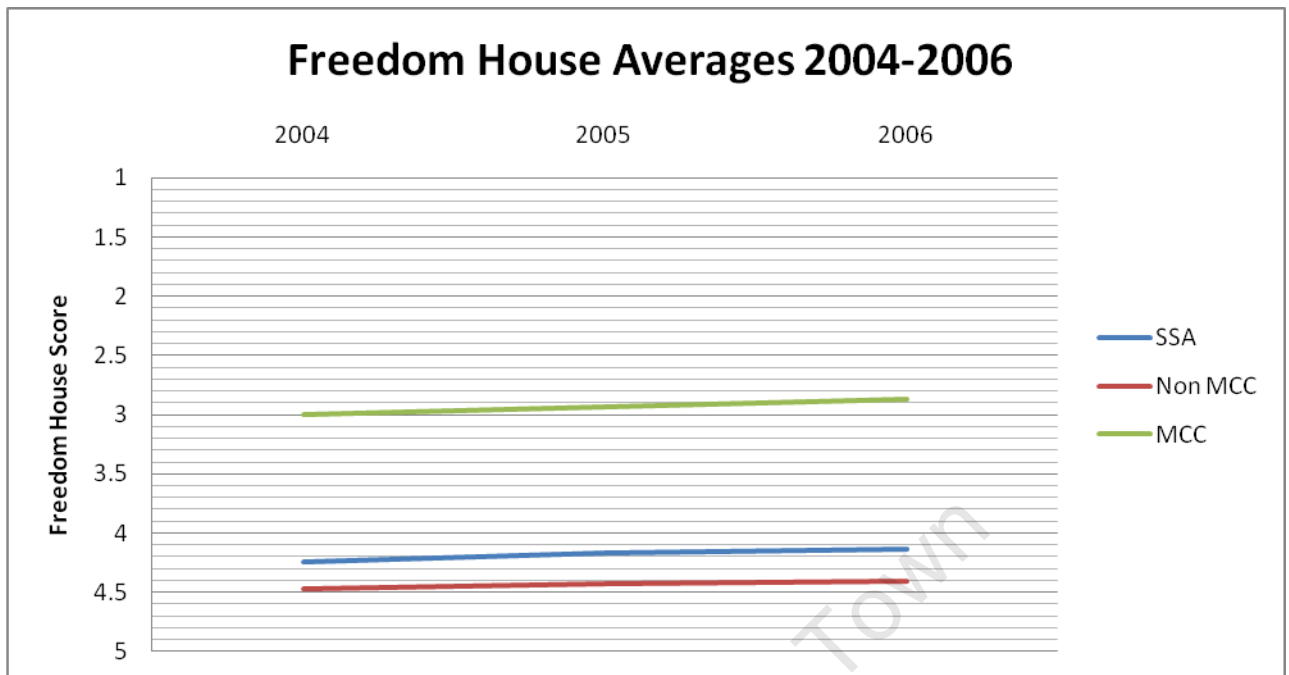
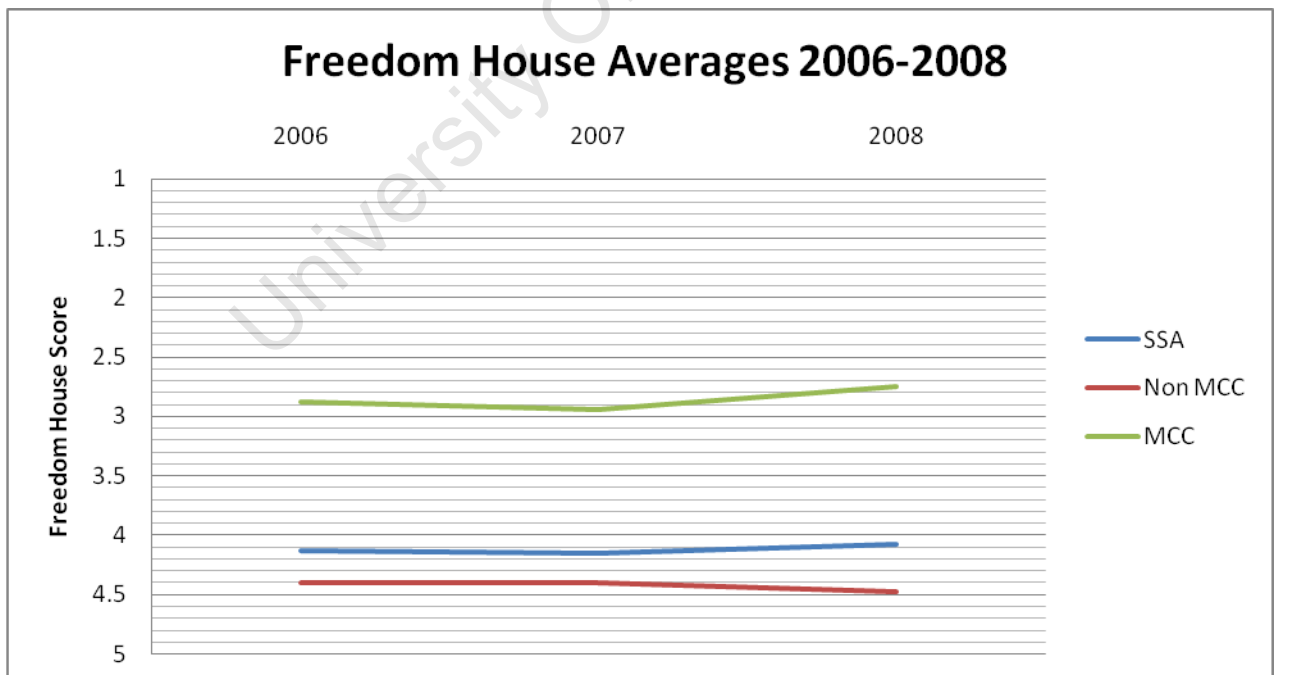


Figure 7: Regional and MCC Freedom House Averages 2006-2008 (World Bank 2009)



3.4 The Dependent Variable: Development

Since development can be understood in a variety of ways, I draw upon the terminology contained in the United Nations (UN) Millennium Development Goals (MDGs). The MDGs are a set of eight general goals established by the United Nations Development Program that seek to end poverty and achieve international development by 2015.⁸ The UN MDGs understand development to be, in part, a reduction in poverty and positive growth in democratic principles and practices. Therefore, for the purposes of this thesis, development will be conceptualized by economic growth and democratic growth. These two conceptualizations of development emphasize the important national characteristics of wealth (and the provision of basic needs) and democracy (political freedom) needed for a state to move towards development. Most important, this conceptualization of development captures the MCC's goals of poverty reduction and democratic deepening, and it allows for a quality assessment of the aid program.

3.4.1 Economic Growth

The MCC's primary goal is the reduction of poverty through overall economic growth. I operationalize economic growth by measuring Gross National Income (GNI) per capita growth in several country-groups during three separate time periods. These periods correspond with the MCC incentive of aid, monitoring of aid, and absolute size of aid. Using GNI per capita growth to indicate economic growth is a sound measure of a country's economic situation. According to the World Bank Development Report (2008), GNI per capita is the dollar value of a country final income divided by its population. The GNI gives an accurate reflection of the average income of a country's citizens. Measuring GNI per capita growth provides a national economic assessment, but also captures the standard of living enjoyed by the average citizen. In this study, I draw GNI data from the World Bank Development Report issued each year.

3.4.2 Democratic Growth

The MCC engages in a mission of poverty reduction in a manner that strengthens and deepens democracy. In assessing the MCC's success in accomplishing this, I will use Freedom House to measure democracy within each MCC country. Freedom House provides professional ratings to measure the extent of democracy using two scales, “political rights”

⁸ For an entire list of the United Nations Millennium Development Goals, see (<http://www.un.org/millenniumgoals/>).

and “civil liberties”. They apply their efforts to nearly 200 countries and territories every year since 1972 (Freedom House 2009). Attempting to quantify democracy has proved extremely difficult and controversial, particularly since scholars lack a consensus on the definition of democracy, its measurements, and its indices. The Freedom House political rights index measures the degree to which

- the authorities are elected,
- campaigning and elections are fair,
- there is freedom of political organization,
- there is opposition power,
- there is freedom from domination by powerful elites,
- there is reasonable self-determination for minorities .

The civil liberties index measures the extent to which

- there is freedom of belief and expression,
- there are associational and organizational rights,
- the rule of law prevails and human rights are respected,
- personal autonomy and economic rights are respected (Freedom House 2009)

The combination of “political rights” and “civil liberties” scores measures democracy as a whole. The Freedom House scale complies with Robert Dahl's criteria for polyarchy. In brief, Dahl assigned a precise definition of democracy or in his term, polyarchy. He described polyarchy using seven attributes: 1) elected officials; 2) free and fair elections; 3) inclusive suffrage; 4) the right to run for office; 5) freedom of expression; 6) alternative information; 7) associational autonomy (O'Donnell 2001). Dahl continues by saying that a country is a pluralist democracy if it is a democracy in the sense of polyarchy and important organizations are relatively autonomous. These conceptualizations of democracy will manifest themselves in the MCC indicators.

3.5 The Independent Variables: Incentive, Monitoring, and Size of Disbursement

The criteria for determining eligibility for a MCC grant are clear, and the concepts utilized by the MCC to encourage development are equally transparent. The MCC's conceptual path for the development of a poverty stricken country is intricate and

multifaceted. However, three main elements comprise the engines for the goal of development. The three elements are incentive, monitoring, and the very large size of the actual aid given through the program. Through these three elements, I will empirically test the MCC's usefulness in generating development. These three elements are unique to the MCC as an aid agency. Generally speaking, the incentive for reform has never been so strong, the monitoring and evaluation of each aid investment has never been so thorough, and the amounts of aid administered through the MCC are unprecedented in size. In the following paragraphs, I explore these three elements in depth and provide the necessary economic and democratic context needed for further evaluation.

Incentive

Using aid as an incentive for reform is not a new phenomenon. The Reagan Administration insisted on reform in return for aid calling for a recipient country to “put its own financial and economic house in order” (Bovard 1986). The aid programs of the 1980's became inundated with these types of conditionalities. Despite the Reagan Administration and other administration's fervent calls for reform, little change was seen through the use of aid as an incentive. Paul Collier notes one of these failures with the example of Kenya's reform commitments to the World Bank in return for aid. Over a fifteen-year period, Kenya made five separate reform commitments, but broke its commitment each and every time (Collier 2007). Even today it is common for aid agencies such as the World Bank or the International Monetary Fund to assign aid before any reforms are made or policies improved. But, this type of *ex ante* conditionality differs from the MCC approach. Recognizing the unproductiveness of these types of conditionalities, the MCC devised another novel structure to use aid as an incentive for reform. The MCC has implemented *ex post* rewards for reform, meaning that aid is given only after reforms are implemented. The MCC ideally advertised millions of dollars in aid to those countries that meet the criteria outlined above. Theoretically, *ex post* aid should produce far-reaching impacts with less risk before any aid disbursements. Even though MCC is still in its infancy, some argue that it has already been successful in improving economic and democratic institutions as previously noted in the literature review. In fact, it is a stated objective of the MCC to improve these policies and institutions before any aid is committed. Some scholars are referring to the democratic reform that occurs in anticipation of aid an “MCC effect”. The “MCC Effect” refers to the phenomenon of countries strengthening their own democratic institutions in an effort to qualify for millions of dollars of untied aid. It is true that in some cases the incentive is strong enough to prompt developing countries to

reform their institutions before the US Government gives away a penny. Again, Johnson and Zajonc (2006) make the observation that MCC candidate countries are more likely to improve their performance on policy and institutional indicators writing that, “Overall, candidate countries reformed approximately 25 percent more indicators after the creation of the MCC than before it, compared to poor non-candidate countries.” Their initial assessments of the MCC’s incentive structure suggest that countries respond to incentive with real reform. Nearly three years after their study, I look for evidence that shows whether or not the MCC incentive of millions in aid is still producing development in SSA.

Monitoring

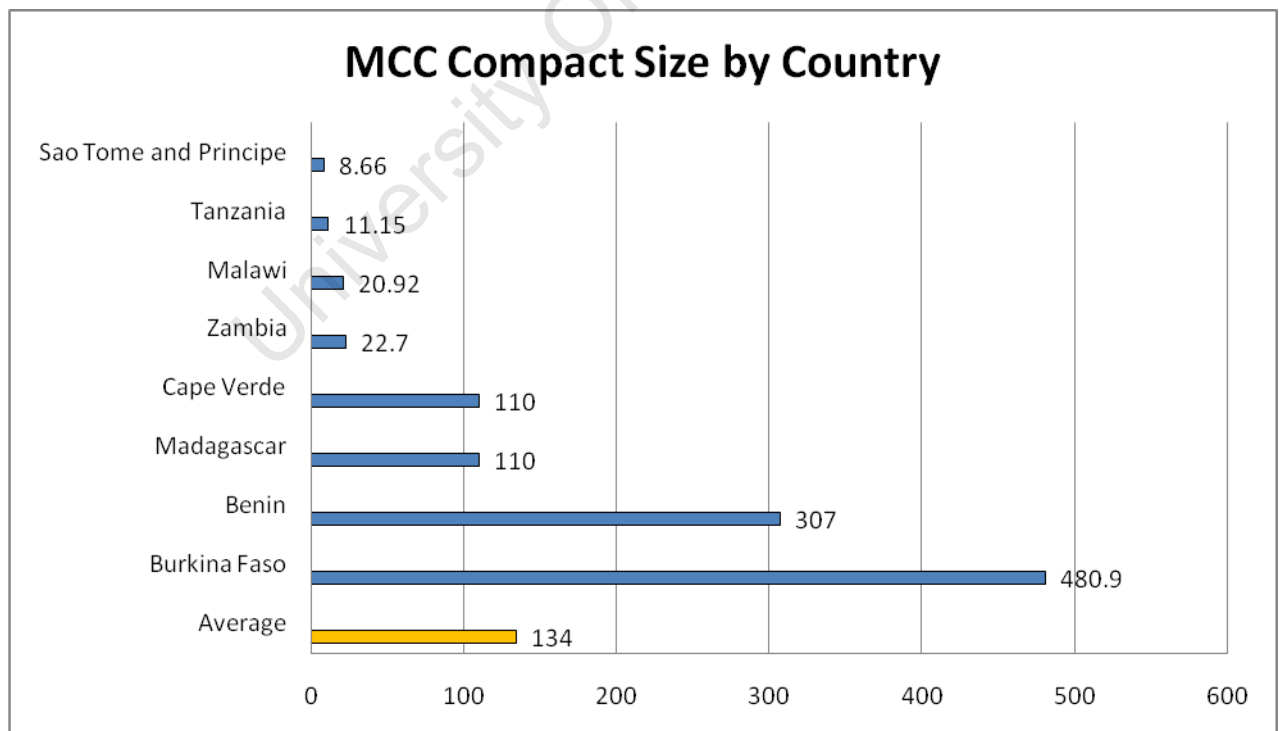
Traditionally, aid agencies have ignored systems that monitor and evaluate the productiveness of aid disbursements. But, prior experience points to the desperate need for some type of accountability when dealing with aid. A study conducted by the World Bank found that 85% of aid was used for purposes other than that for which they were initially intended, often redirected to unproductive and undemocratic ventures (Moyo 2009). Further research by Svensson has shown “no link between a country’s reform effort or fulfillment of conditionality and the disbursement rate of aid funds” (Svensson 2003). Thomas Sowell notes that, “The availability of foreign aid reduces the necessity for a country to restrict its investments to economically viable projects or reduce its level of corruption” (Sowell 2004). At times, money does not reach those who are intended recipients, but instead falls into the hands of government strongmen and powerful elite. Many more instances of abuse have been documented, and much more could be written about the misuse of aid. The need for accountability is clear. That is why the MCC has incorporated an extensive system of monitoring and evaluation ensuring that aid is spent in a seemingly productive manner and is not diverted. Tight oversight and performance measurements are priced into each compact. On average, MCC devotes \$6.9 million dollars or 2.3% of each compact to monitoring the aid that has been disbursed in SSA. This close scrutiny of aid activities may have positive impact on development. In the following chapter, I look for empirical evidence that monitoring positively impacts development.

Size of Aid Disbursement

In a period when aid is more popular than ever, it is critical to consider whether the size of the MCC aid package makes a difference in terms of development, and if the larger aid package complements the MCC incentive and monitoring components. Organizations such as

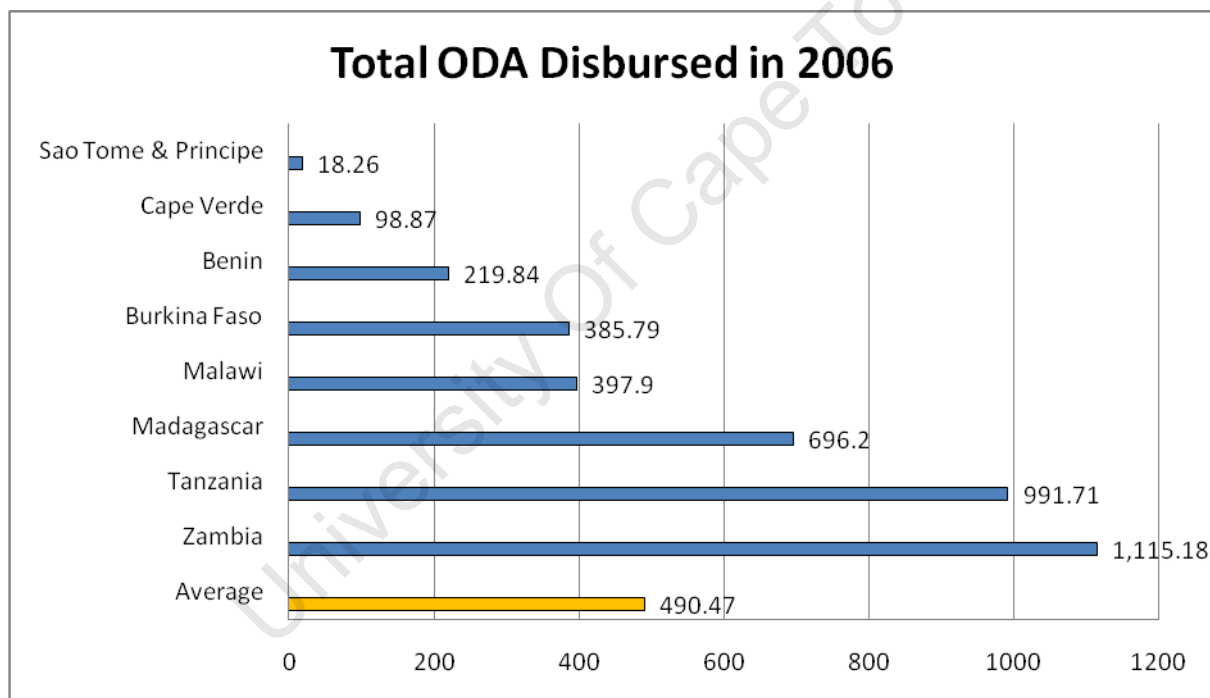
the World Bank and the International Monetary Fund are fervently calling for even larger amounts of aid. The highly publicized MGDs initiated in 2000 call for an end to poverty by 2025 by encouraging billions of dollars in new aid flows. The big-push mentality is prevalent among aid advocates. Harvard economist Jeffrey Sachs insists that aid will need to make up 20 to 30 per cent of developing countries' GDP in order to eradicate poverty. Sachs even goes so far to suggest that nations like the United States should reduce national security spending in order to fund the massive increases in aid (Sachs 2006). As noted earlier, some wealthy nations have responded to these calls with significant aid increases. For example, during a 2002 United Nations Conference on Financing for Development held in Monterrey, Mexico, wealthy nations promised to increase aid contributions from an average of 0.25 per cent of GNP to 0.7 per cent amounting to an additional US\$200 billion per year (Moyo 2009). The notion that greater amounts of aid are needed for development is gaining momentum. The primary concern of this thesis is the impact of the significant aid increases that were tied to the MCC. From 2005-2008, the MCC has committed over \$1 billion dollars in aid to eight countries in SSA. Figure 8 shows the precise size of each MCC compact in SSA.

Figure 8: MCC Compact Size by Country (MCC 2009)



It is conceivable that other foreign assistance from non-MCC donors had an influence on the dependent variables of economic and democratic development. To assess the weight of the impact that other foreign assistance may have had, Figure 9 outlines other development assistance as measured by OECD/DAC Official Development Assistance (ODA) statistics. The OECD/DAC monitors all ODA from any governments. Its measurements exclude military aid and focuses on grants that are monetarily similar to the MCC grant. Even though other aid donors claim to focus their aid efforts on countries that exhibit signs of good governance, this is often not the case. Alesina and Weder (2002) find that there is no relationship between bilateral and multilateral aid and the corruption level of recipient governments.

Figure 9: Total ODA Disbursed in 2006 (OECD 2009)



To date, the MCC has invested in nearly twenty countries in SSA. This research attempts to understand the impact the MCC incentive of aid, monitoring of aid and the size of the aid disbursement in SSA. Particular attention will be given to the eight compacts signed up to 2006 and those that resulted in actual aid disbursements. In the following chapter, I empirically test for the impact of greater amounts of aid administered by the MCC.

CHAPTER FOUR

EMPIRICAL RESULTS

4.1 Introduction

This chapter seeks to tell empirically the MCC's level of success in producing development in participating sub-Saharan African countries. More particularly, this chapter seeks to empirically uncover any relationship between aid disbursed through the MCC and the two indicators of development: economic and democratic growth. Since the MCC is still in its infancy, this chapter is restricted to analyzing the impact of the MCC aid on eight sub-Saharan African countries over a two-year period. These countries include Benin, Burkina Faso, Cape Verde, Madagascar, Malawi, Sao Tome and Principe, Tanzania, and Zambia. The MCC's aid disbursements to these countries have totaled approximately \$307 million dollars.

This chapter is divided into three sections. The first section determines the impact of the incentive of aid from the MCC. The next section determines the impact of the rigorous monitoring component of the MCC once aid is disbursed. The first two determinations are achieved through an analysis of the differences in economic and democratic growth among three separate groups of countries in SSA. Finally, I test whether the absolute size of the MCC aid disbursement is correlated with political and economic development. I conduct bivariate analyses to gauge whether development is correlated with the absolute size of the disbursement. I control for non-MCC development aid as a cause of development by using the total amount of aid received by countries in SSA between 2005 and 2008. In addition to providing an overall assessment of the MCC, this study works to detect whether selecting countries with quality governance makes a difference in making aid productive.

Throughout this chapter, I consider all countries within SSA plus three sub-groups within SSA. The distinctions are primarily economic and democratic, and reflect the goals and values of the MCC. The first group is composed of countries that could feasibly qualify for MCC aid, and are good potential candidates for selection by the MCC. The second group is made up of countries that are either too rich or too despotic to be considered for MCC aid. This group has no MCC related incentive since their probability of receiving aid is low. The third group is the countries who eventually were selected by the MCC, and that are currently

receiving MCC aid. Various comparisons among these three groups can provide valuable information in determining if aid from the MCC impacted development.

4.2 Aid as an Incentive for Development

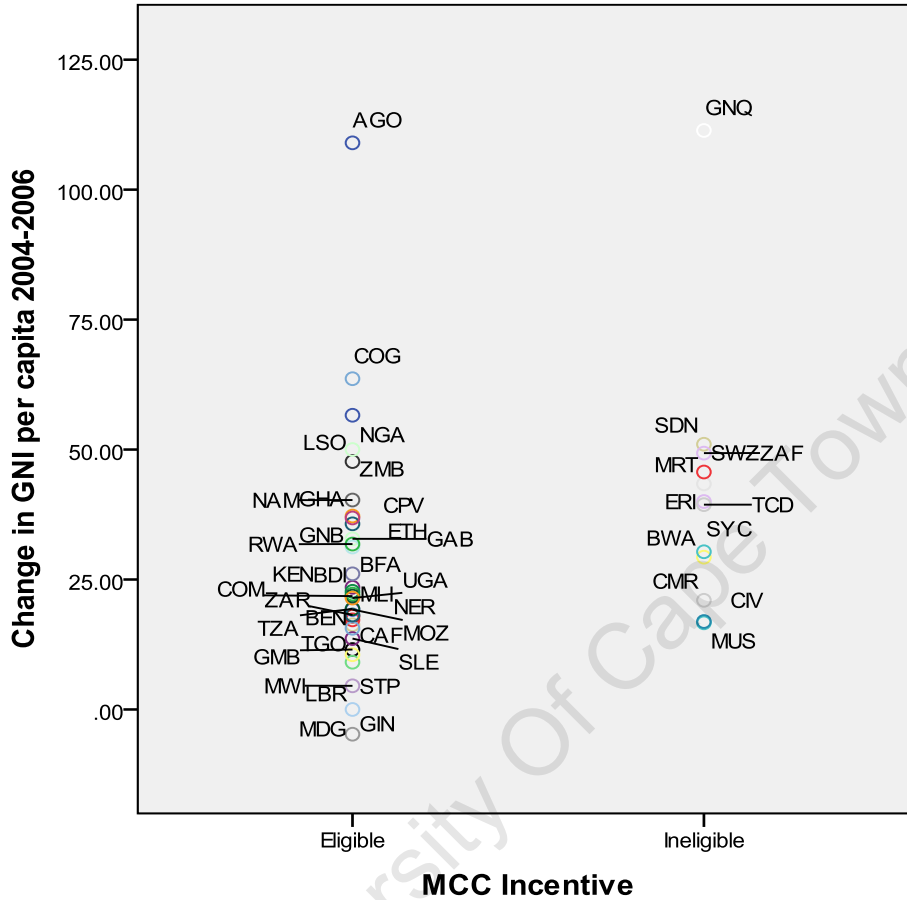
This section attempts to evaluate the MCC's incentive effect on development. Previous research has suggested that some countries indeed, did improve economic policies and democratic governance in hopes of receiving aid from the MCC (Johnson & Zajonc 2006). This study goes a step further and seeks to answer the question: are there detectable differences in the rate of development as a result of the incentive of aid from the MCC? Since I operationalize development with two indicators, I begin assessing each separately. First, I look at change in economic growth among three sub-Saharan African groups, namely, (Eligible) countries that have a good chance of being selected by the MCC, (Ineligible) countries that are too rich or despotic to be considered for aid, and (MCC) countries that were eventually chosen to receive aid from the MCC, and compare the differences among groups between 2004 and 2006. Second, I look at the change in democratic growth among the same three groups within the same time frame, and compare the differences among the groups. The time frame of 2004-2006 is significant, because 2004 marks the creation of the MCC. In 2006, the MCC distributed its first mass assignment of aid in SSA. Measuring this time frame allows for an accurate picture of development that may be attributed to the incentive of aid from the MCC.

Change in Economic Growth

In SSA, all GNI per capita grew at a mean rate of 31.2% between 2004 and 2006. When comparing the mean change in GNI per capita of the two groups, the (Ineligible) countries grew at a quicker pace with a growth rate of 41.2% over a two-year period between 2004 and 2006. The (Eligible) countries, some, which would eventually be selected to receive aid from the MCC grew at a slower pace with a mean GNI per capita growth rate of 27.5%. A oneway ANOVA revealed that there was a statistically significant difference of mean economic growth between the two groups, $F(1, 42) = 3.232, p \leq .079, \eta^2 = .071$. Figure 10 shows the mean growth rates between the two groups. According to the data, the MCC incentive did not translate into stronger economic development for the countries eligible for the MCC grant. In fact, the countries with no chance of receiving aid from the MCC grew 13.73% quicker than those countries that could potentially be selected to receive the MCC

grant. While Johnson and Zajonc (2006) found that incentives improved economic policy, the data in this study shows no evidence that the incentive alone incited economic growth.

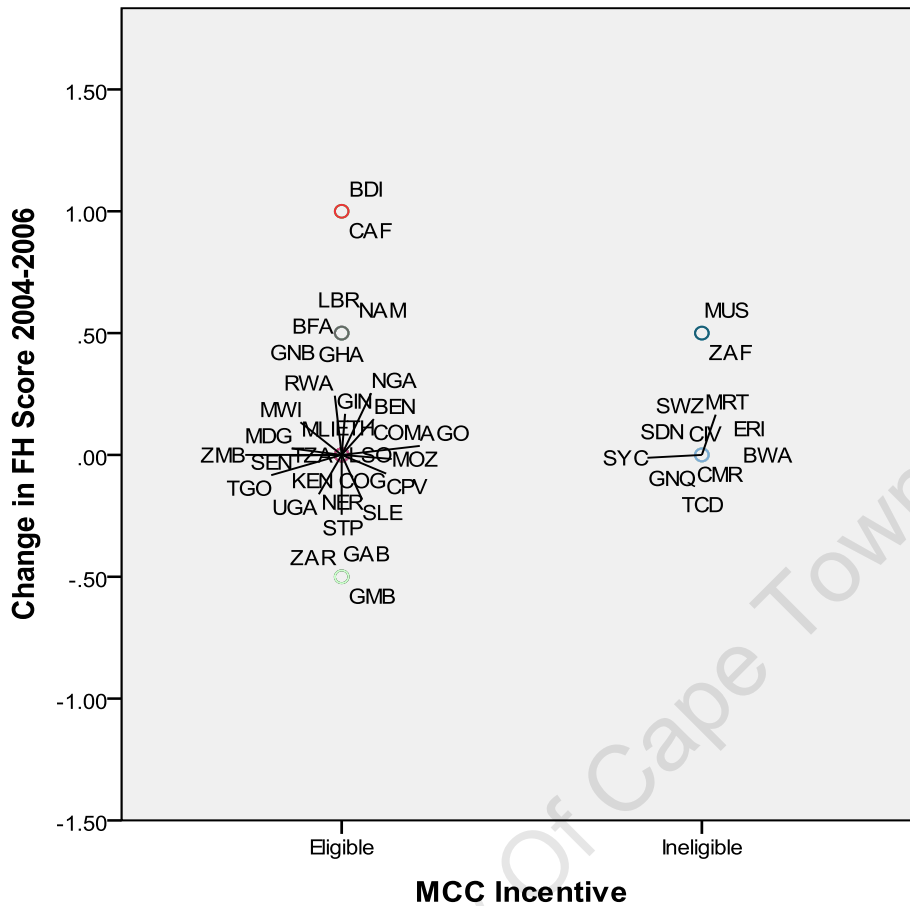
Figure 10: Incentive and Change in Economic Growth 2004-2006



Change in Democratic Growth

In SSA all countries grew by a mean of .088 points on the Freedom House scale over a two-year period. The (Eligible) countries grew by a mean of .091, and the (Ineligible) countries grew by a mean of .083 points on the Freedom House scale. A oneway ANOVA revealed that there was a statistically insignificant difference in the mean democratic growth rates between the two groups, $F(1, 43) = .005, p \leq .943, \eta^2 = 0$. Figure 11 shows the mean growth rates between the two groups. Although the significance of the different means is low, the (Eligible) countries clearly became more democratic after the MCC aid was advertised in 2002. This data corroborates the findings of Johnson and Zajonc (2006) that developing countries reacted, albeit slightly to the incentive of millions in aid by further consolidating their democracies becoming more democratically developed.

Figure 11: Incentive and Change in Democracy 2004-2006



4.3 Monitoring as an Impact on Development

The complex system of monitoring and evaluation within each MCC compact is extensive. This type of monitoring infrastructure warrants consideration as an agent of development. This section poses the question: did the MCC countries achieve economic growth more quickly than other countries in SSA from 2006-2008? The first real consignment of MCC aid came in 2006 to eight countries in SSA. Testing for the impact of monitoring in these eight countries will provide a sense to whether accountability during the development process works better than when a country is left to its own devices. I measure the impact of monitoring through the same two indicators as the previous section: economic growth and democratic growth. I focus on countries that are able to receive aid (Eligible), countries that are too rich or too despotic to receive aid (Ineligible), and countries already receiving aid disbursements from the MCC (MCC). The statistical test of ANOVA will determine if the difference of the means among these three groups is significant, and if it could possibly be

attributed to the MCC monitoring component of each compact.

Change in Economic Growth

In all SSA countries, GNI per capita grew at a pace of 31.9% over two years during the period between 2006 and 2008. The GNI per capita of (Eligible) countries grew at a pace of 28.47% during the same period. The GNI per capita of (Ineligible) countries grew 34.05%, and the GNI per capita of the (MCC) countries grew 28.68% during the same period. Figure 12 shows the difference of means between the three groups of countries. A oneway ANOVA revealed that there was a statistically insignificant difference of mean economic growth rates between the two groups $F(2, 40) = .140, p \leq .869, \eta^2 = .007$. After aid had been at work in MCC countries for at least three years, and after it had been submitted to a rigorous monitoring process, it appears that MCC countries still did not exhibit economic growth that significantly outpaced their sub-Saharan African neighbors. Each compact was designed to stimulate economic growth. The compacts were closely monitored to insure that the money assigned for certain projects achieved its particular purpose. Additionally, regular implementation status reports were required from each country receiving aid from the MCC. While this monitoring program prevented any mismanagement of aid funds, this apparently did not translate into short-term economic growth.

Change in Democratic Growth

While monitoring provided virtually no impact on economic growth, a fairly strong impact was felt by monitoring on democratic growth. Both the (Eligible) countries and the (Ineligible) countries regressed democratically, while the (MCC) countries experienced positive democratic growth between 2006 and 2008. The (Eligible) countries lost -.100 point, and the (Ineligible) countries lost -.250 points on the Freedom House scale. However, during the same time period the (MCC) countries experienced a .063 point increase in democratic growth. Figure 13 shows the difference of means changes in democratic growth. A oneway ANOVA suggested that the differences in democratic growth is statistically insignificant at, $F(2, 42) = 1.433, p \leq .250, \eta^2 = .064$. The p value of the ANOVA test suggests that the monitoring component is not likely to be the instigator of democratic growth. Even though aid was carefully monitored by the MCC, this activity did not seem to directly produce democratic growth.

Figure 12: Monitoring and Change in Economic Growth 2006-2008

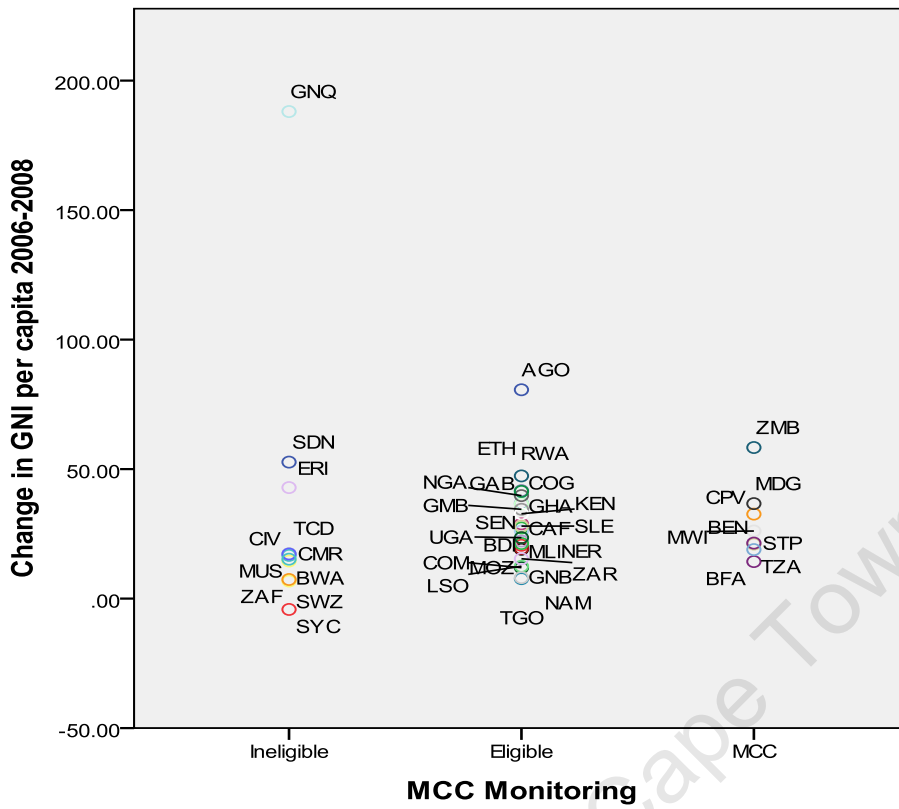
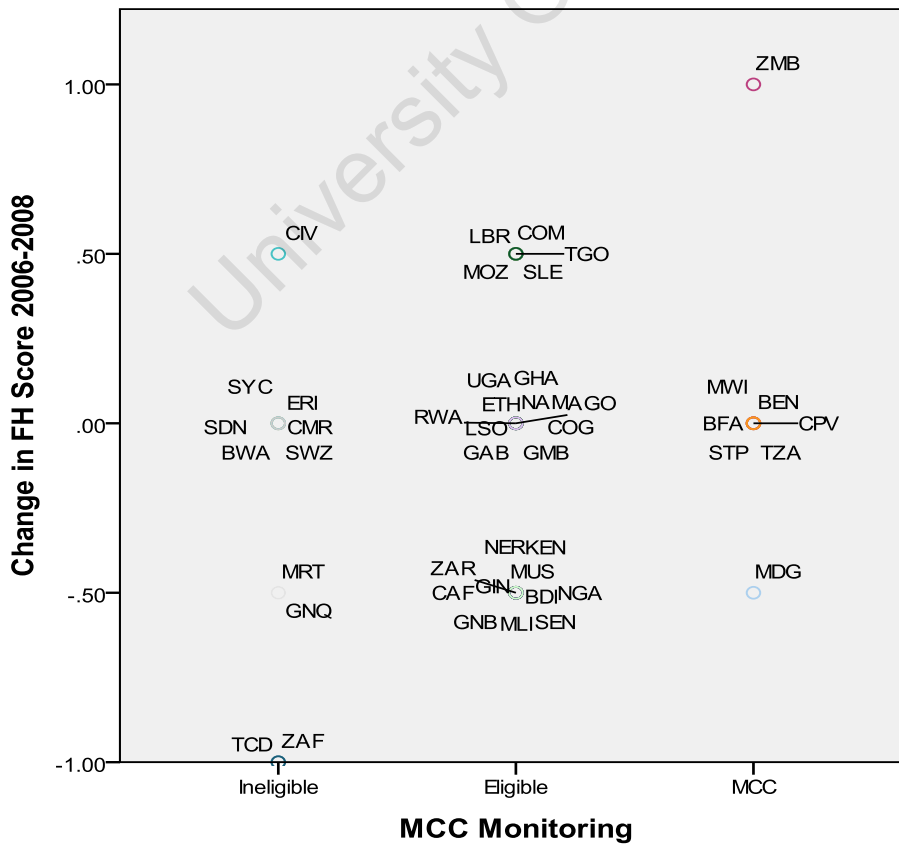


Figure 13: Monitoring and Change in Democracy 2004-2006



4.4 Size of MCC Aid Disbursement and Development

The Bush Administration committed massive amounts of development aid to SSA. In this section, I analyze over \$3 billion dollars in aid administered by the MCC. Since the size of this aid disbursement is so munificent, I assess the productivity of aid according to the size of the disbursement. This section is focused on answering the core question of this thesis: what is the impact of foreign aid disbursed through the MCC on development? To gain a descriptive and comparative outlook on development I employ a series of bivariate correlations (Pearson's R) and scatter plots. Performing this type of analysis between variables will measure the strength of the relationship numerically. The time frame in which all of these correlations are conducted is from 2005-2008. The first in the series of bivariate correlations is conducted on all countries in SSA. I test for any association among the absolute size of the aid disbursement and change in economic growth and change in democracy. On the same group, I use a bivariate correlation to test for any association between change in size of the aid disbursement and change in economic growth and change in democracy. Next, I conduct a bivariate correlation on those countries that are eligible to receive aid from the MCC. While aid to these countries was never given through the MCC, many other wealthy countries provided development aid. I test for any association among the absolute size of the aid disbursement and change in growth and change in democracy. Finally, I conduct a bivariate correlation on absolute size of aid and change in economic growth and change in democracy in countries that received aid from the MCC.

Size of Aid Disbursement in Sub-Saharan Africa

An examination of the scatter plot in Figure 14 reveals a positive, but weak association between absolute size of the aid disbursement and GNI per capita growth among countries in SSA. This observation is reinforced by the bivariate correlation (Pearson's $r = .204$). The scatter plot shows a small, tight upward trend between size of aid disbursements and change in GNI with Ethiopia, Sudan and, Zambia responding the best. I conclude from this empirical test that all aid from all donors from 2005-2006 has played a minor role in growing each country's GNI per capita.

To test the possibility that a larger amount of aid is necessary to achieve economic growth, I test for an association between the change in size of all development aid from all countries and economic growth. As the scatter plot demonstrates (Figure 15), a negative, but

weak association (Pearson's $r = -.176$) exists between change in size of aid and change in GNI per capita. The scatter plot, again, shows a tightly grouped set of countries with a slight upward trend in GNI per capita in response to change in aid. These findings agree with the literature that points towards a harmful relationship between too much aid and growth. In scatter plot in Figure 16, a negative bivariate correlation (Pearson's $r = -.123$) is found between the absolute size of the aid disbursement and change in democracy. This is not surprising considering the wide body of literature that speaks to aid's role in undemocratic activities such as corruption and centralization of power. Many countries saw no change in democracy regardless of the amount of aid while most of the remaining countries' democratic standings regressed. Nigeria seems to have responded the worst with copious amounts of aid and a half a point negative change in democracy. Lastly, Figure 17 shows the change in the size of aid and the change in democracy. During this test a positive, but weak relationship was found with a bivariate correlation of Pearson's $r = .131$. Again, many countries saw no change in the level of democracy regardless of the change in size of aid disbursements. For instance, Cameroon saw the largest increase in aid and still saw no change in the level of democracy. This suggests that increases in aid may not lead to higher levels of democracy.

Figure 14: Absolute Size of Aid Disbursements to SSA and Change in Economic Growth 2005-2008

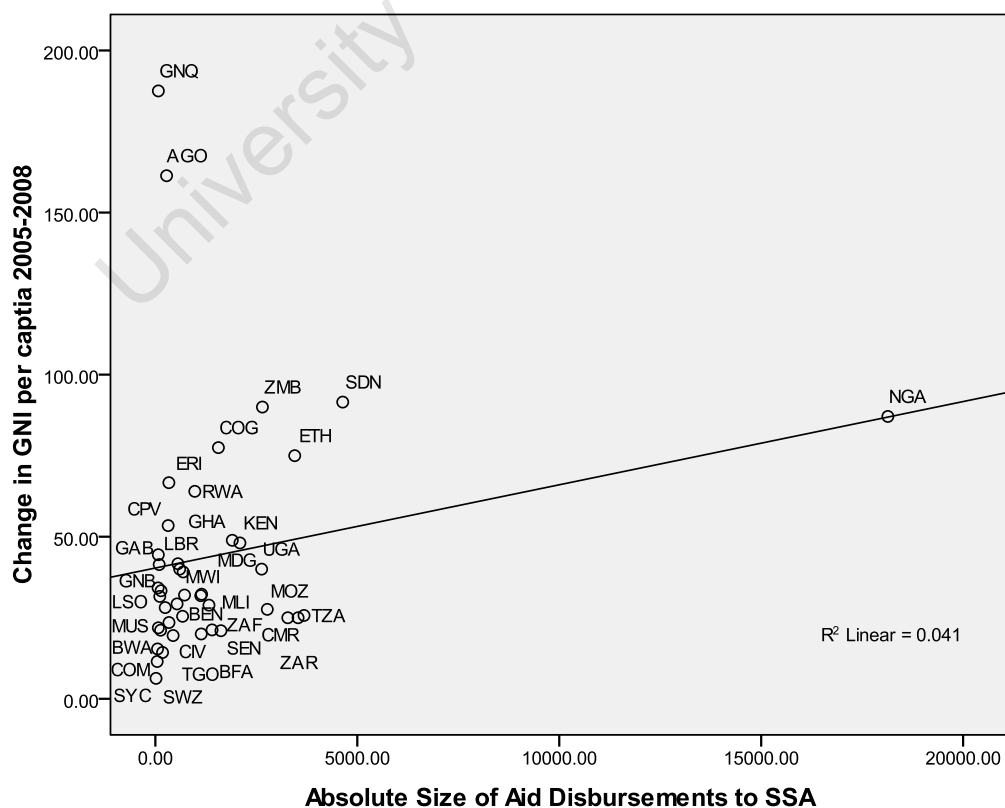


Figure 15: Change in Absolute Size of Aid Disbursements to SSA and Change in Economic Growth 2005-2008

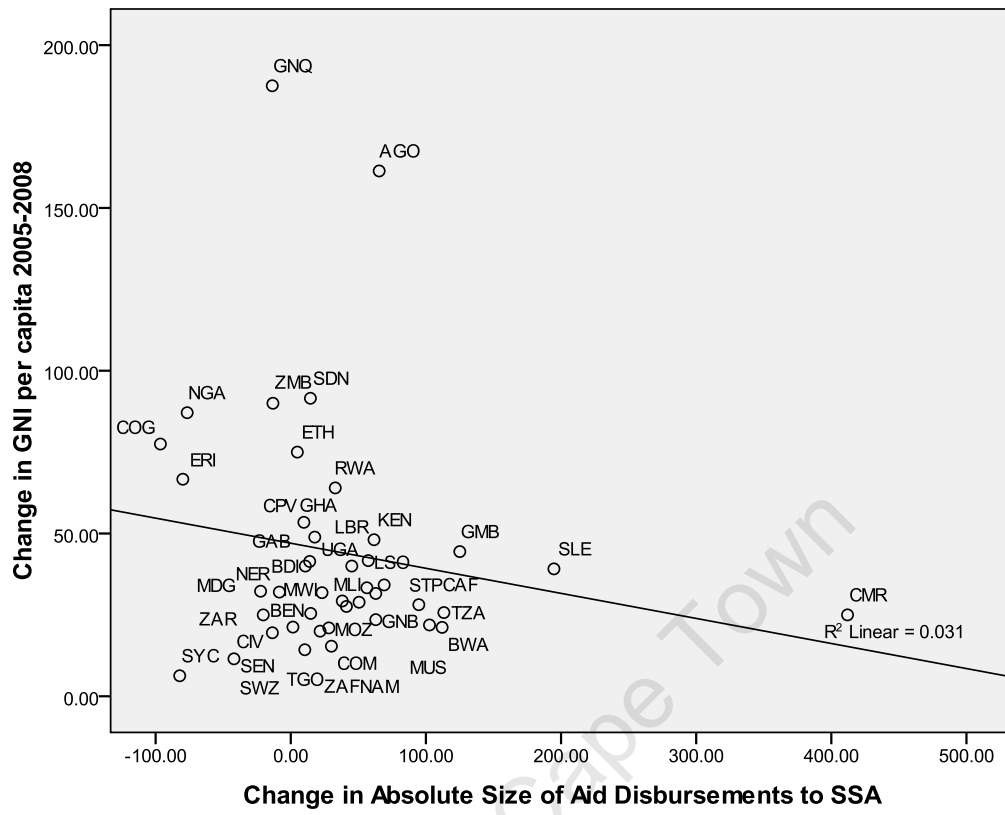


Figure 16: Absolute Size of Aid Disbursement in SSA and Change in Democracy 2005-2008

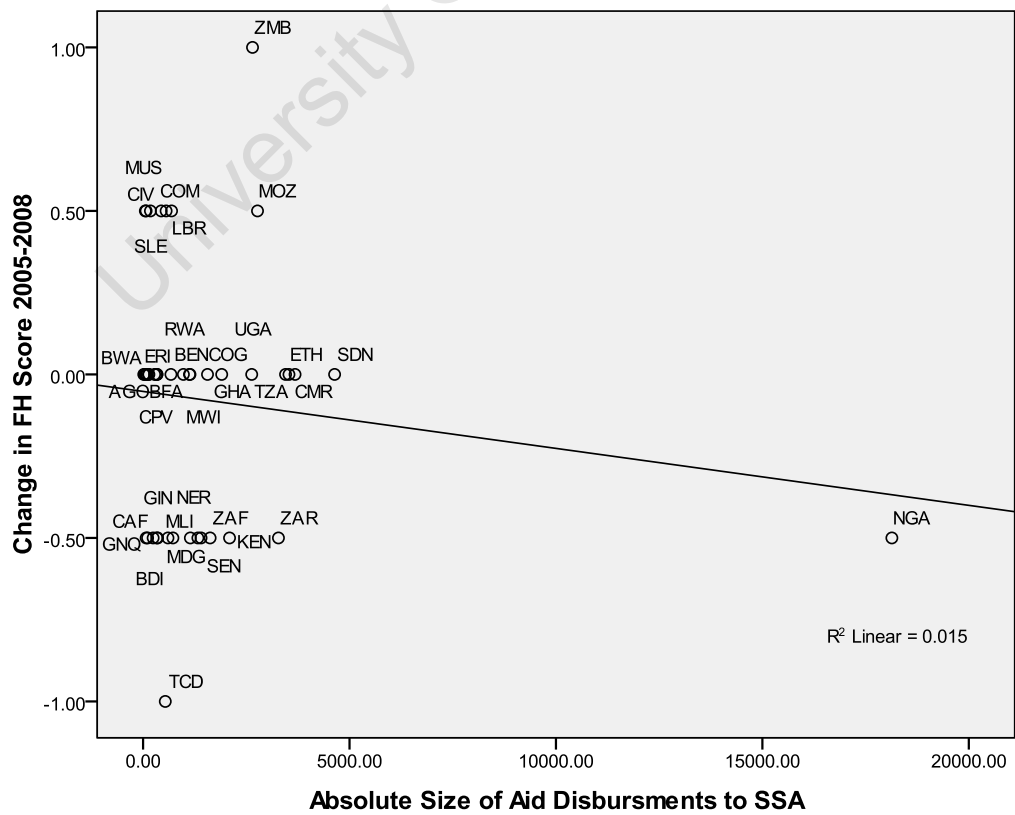
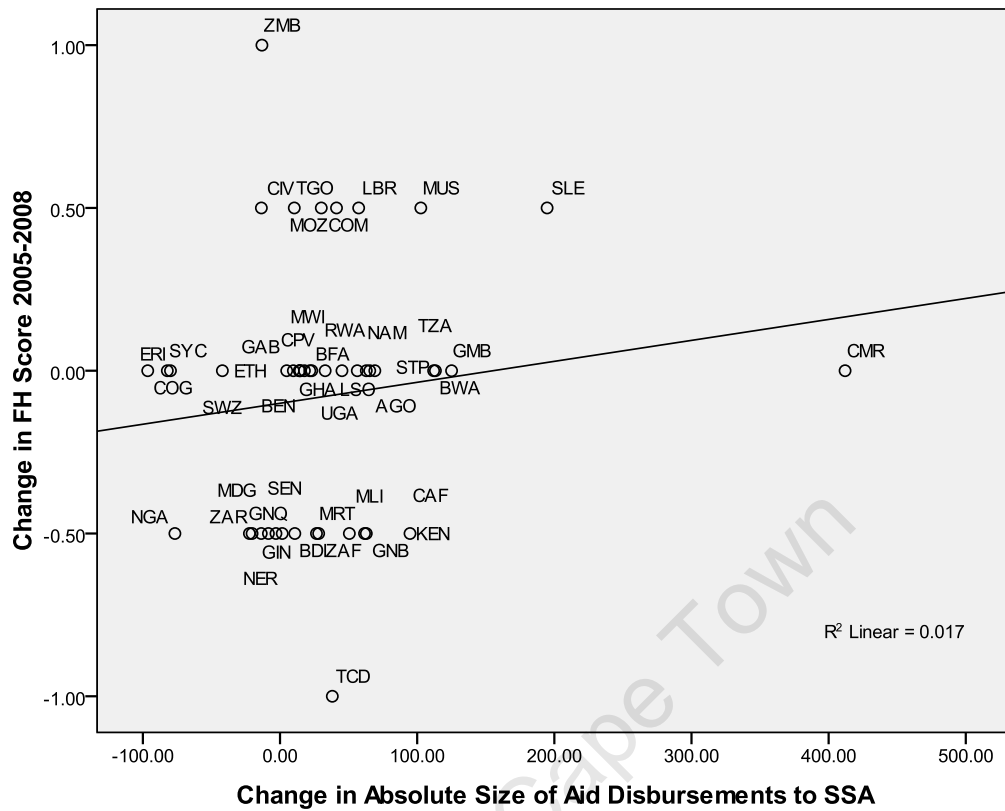


Figure 17: Change in Absolute Size of Aid Disbursements in SSA and Change in Democracy 2005-2008



Size of Aid in Countries Eligible for a MCC Grant

The scatter plot (Figure 18) of size of aid and countries that are eligible for MCC aid showed a slightly stronger correlation. With a bivariate correlation of Pearson’s $r = .285$, it appears that aid had a slightly more significant impact on economic growth in countries eligible for a MCC grant. Yet, the correlation is still weak and aid can only claim meager credit for economic growth seen between 2005-2008. When testing for a relationship between absolute size of an aid disbursement to countries eligible for MCC aid and change in democracy (Figure 19), I found the relationship to be negative. With a Pearson correlation of $-.233$ it can be assumed that aid did not positively impact democratic growth.

Figure 18: Absolute Size of Aid to Countries Eligible for MCC Aid and Change in Economic Growth 2005-2008

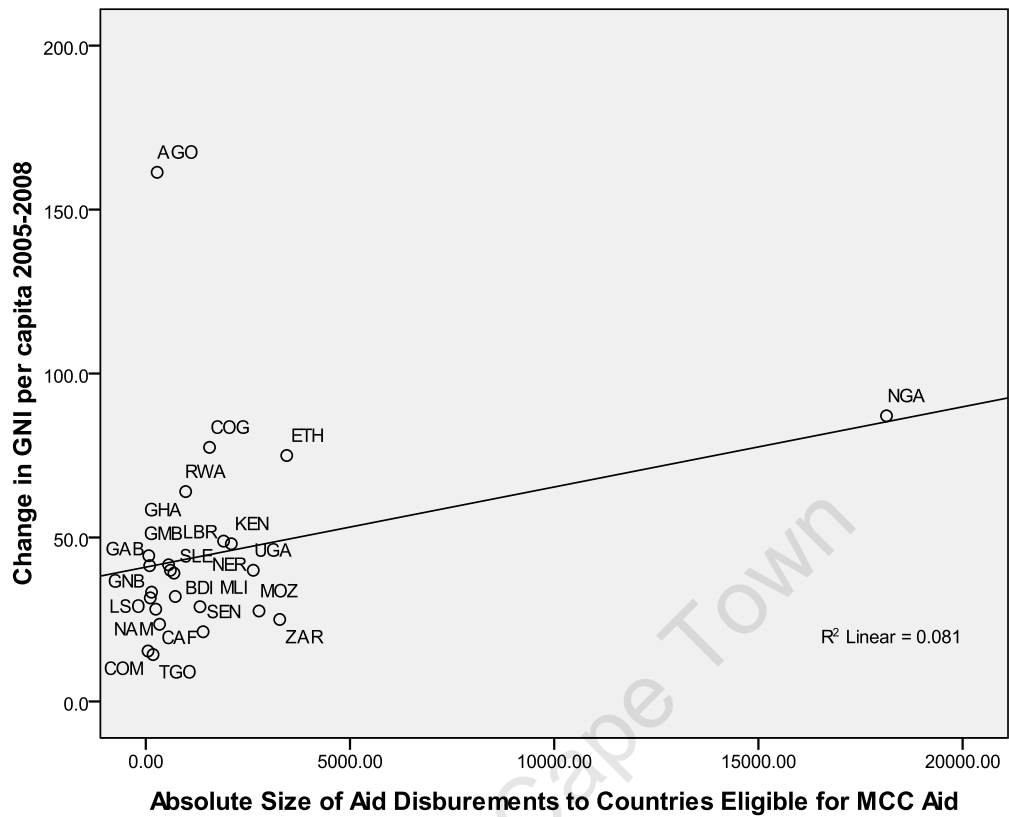
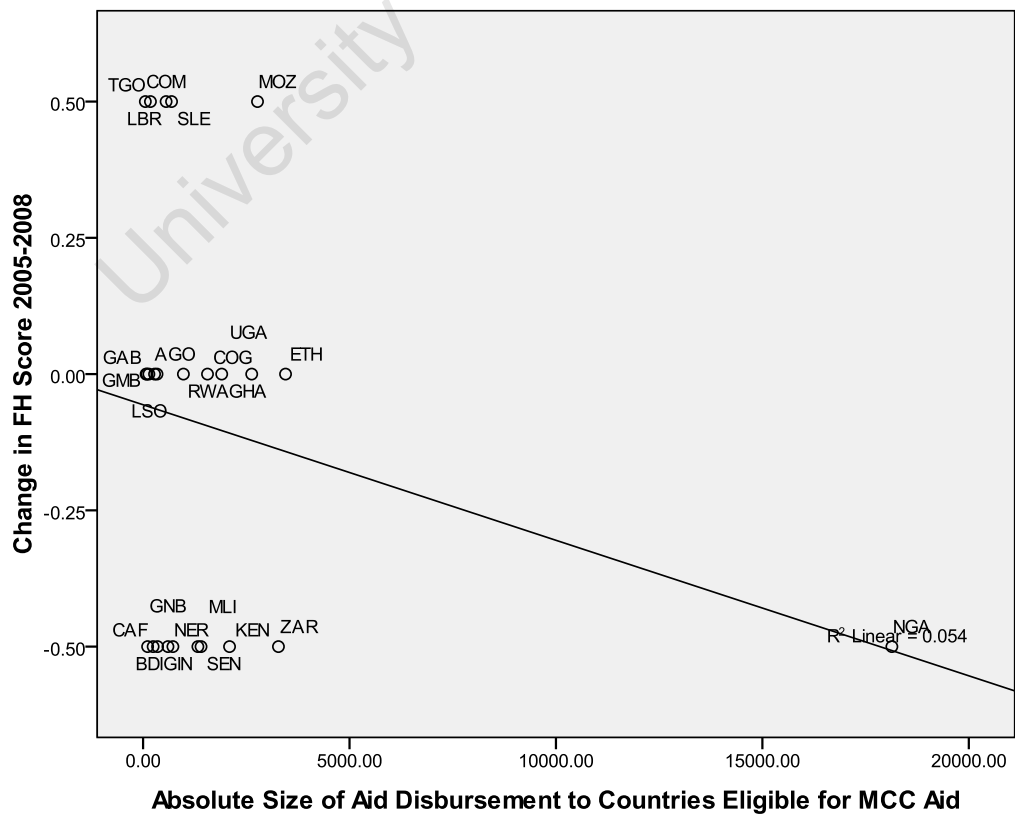


Figure 19: Absolute Size of Aid to Countries Eligible for MCC Aid and Change in Democracy 2005-2008



Absolute Size of Aid to Countries Selected by the MCC

The literature on good governance and good economic policy would suggest that the MCC countries would be the first to show signs of economic and democratic growth. An examination of the scatter plot (Figure 20) reveals a positive, but weak relationship between the absolute size of aid and economic growth in the eight MCC countries. The test for association between aid and change in economic growth in countries selected by the MCC produced Pearson correlation of $r = .222$. This weak correlation suggests that aid from the MCC likely had very little impact on growth seen between 2005 and 2008 in MCC countries. The scatter plot provides additional contextual information. Madagascar received over twice as much aid as Tanzania and Zambia, yet Madagascar grew at a slower rate. Although these eight countries are a microcosm of the overall picture of aid, these observations suggests that the amount of aid may not necessarily be proportionate to the amount of economic growth.

With a bivariate correlation of Pearson's $r = .394$, the most impactful relationship was found to be between size of aid and change in democracy in countries selected by the MCC. However, the scatter plot (Figure 21) reveals that only Zambia responded dramatically to the size of the aid disbursement with a full point change in positive democratic growth. Tanzania saw the largest aid disbursement yet so no growth in its level of democracy. Madagascar received a sizable aid package yet regressed in its democratic standing. Democracy in all the remaining five MCC countries remained unchanged.

Figure 20: Absolute Size of Aid Disbursements to MCC Countries and Change in Economic Growth 2005-2008

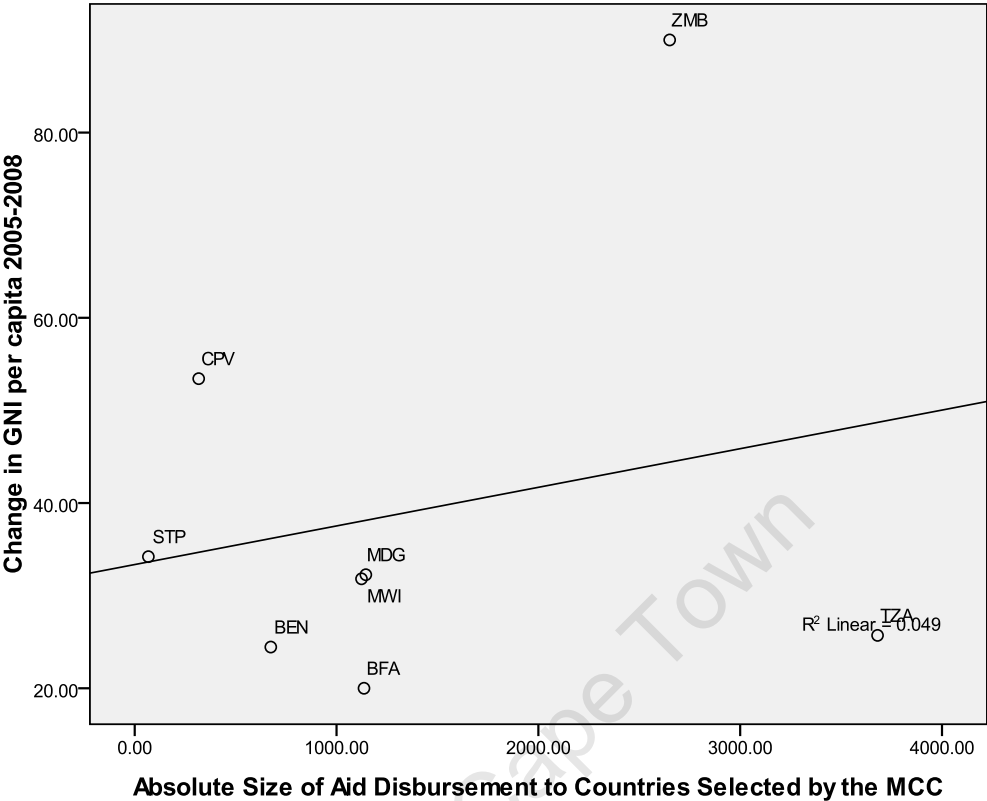
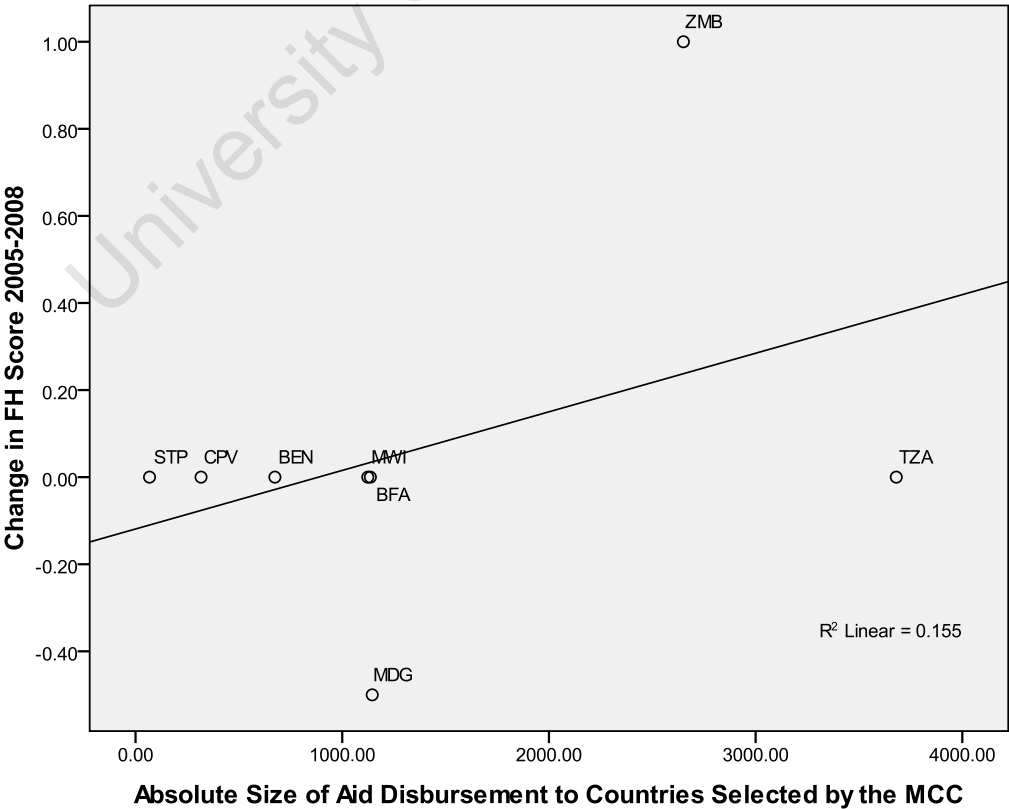


Figure 21: Absolute Size of Aid Disbursements to MCC Countries and Change in Democracy 2005-2008



4.5 Summary of Empirical Findings

An early assessment of the MCC's first four years of significant investment in SSA would suggest that the program has produced only slight results. The quantitative methods chosen for this study provide empirical evidence that the MCC incentive of aid, monitoring of aid, and absolute size of aid produced very little positive impact on economic and democratic development. Using reputable data from credible sources, I measured the differences in economic and democratic growth among eligible and ineligible countries in SSA and among countries that received aid from the MCC and those who did not. I continued by measuring the associations between absolute size of aid and economic and democratic development. In all cases except one, the differences in means were insignificant and all correlations were causally unconvincing.

Some researchers insist that the impacts of aid on economic growth occur over long time lags (Reddy & Minoiu 2006). Obviously, if this is the case, then more time is needed before a country feels the effects of aid, and other MCC impact studies ought to be conducted in the future. The notion of economic and democratic lags is feasible, and more research is needed to fully understand MCC's impact on development.

The MCC's efforts in using aid to eliminate poverty and produce economic growth involves many infrastructure investments that take time to complete, and whose benefits only become detectable after several years of use. For example, the MCC invested a third of the total \$307 million dollar compact on improving Benin's shipping port enabling better access to world markets. The MCC's aid investment in Cape Verde is another example where nearly a third of the total \$110 million dollar compact is being spent on road and bridge projects and rehabilitating a shipping port. The projects in both Benin and Cape Verde are designed to encourage economic development by exposing these countries to global commerce. In most of the infrastructure projects conducted by the MCC, the projects are being initiated before a demand for them exists. These overhead expenditures create economic opportunity, but growth can only be realized through market activities, industry and enterprise. After economic progress is experienced, only then is the construction of infrastructure justified. This chapter has provided a macro picture of MCC's work in SSA. In the next chapter, I search for details in particular MCC countries to give this impact study clarity and gravitas.

CHAPTER FIVE

A CASE STUDY OF THREE MCC COUNTRIES

5.1 Introduction

The prior empirical results showed little evidence that the MCC was truly successful in accomplishing its goal of economic and democratic development in SSA. In this section, I comprehensively investigate three separate countries where the MCC has made investments to tweeze out details that may have overlooked during the quantitative research. In this chapter, I work to further explain the lack of impact the MCC had on economic and democratic development. I have chosen three countries in which aid from the MCC has been at work the longest theoretically producing the most visible results. These three countries also produced interesting results throughout the empirical chapter that warrant further investigation.

Beginning in 2005, Cape Verde, Madagascar, and Zambia all received grants from the MCC. I expound upon these three cases and derive useful information from each that will help provide a qualitative evaluation of the MCC. From this case study, I aim to identify particular aid activities that may be associated with the disappointing empirical findings in the previous chapter. I search for patterns that may emerge in the three countries relative to the MCC aid strategy, and work to generate explanations about each instance. From these patterns I hope to draw generalizations about the MCC program and its impact on development or wider motivations for aid. I begin by relating the MCC's aid strategy to the theory of realism and continue by drawing conclusions about the Bush Administration and the MCC through this theoretical perspective.

5.2 A Unique Aid Strategy and its Impact on Development

The MCC shifted the US aid paradigm in a different and novel way. The MCC is guided by the umbrella notion that greater contributions are needed from developed countries and greater responsibility is needed from developing countries. Many important differences separate it from other aid agencies and a case study of countries that the MCC has made investments allows for full disclosure of these differences. As discussed in previous paragraphs, the MCC utilized aid as an incentive for reform, closely monitored aid already at work in developing countries, and focused aid funds on projects that are likely to further

development. The MCC has incorporated lessons learned from other aid ventures, and applied sound, fundamental economic principles throughout the program. The stated principles that guide all aid initiatives administered by the MCC are threefold:

- 1) Aid is most effective when it reinforces sound political, economic and social policies – which are key to encouraging the inflows of private capital and increased trade – the real engines of economic growth;
- 2) Development plans supported by a broad range of stakeholders, and for which countries have a primary responsibility, engender country ownership and are more likely to succeed;
- 3) Integrating monitoring and evaluation into the design of activities boosts effectiveness, accountability, and the transparency with which taxpayer resources are used (MCC 2009).

In practice, these principles allow the MCC to be selective in choosing whom to distribute aid, to co-opt countries into a development plan instead of imposing a rigid Washington-based plan, and to avoid aid-related corruption thereby increasing the likelihood of developmental progress. By adopting these guiding principles, the MCC has avoided some of the traditional problems associated with aid. For example, the MCC resisted the tendency of tying aid to various conditions, and instead, allowed the country to consult with its citizens, NGO's and the private sector to draft a proposal that is then implemented, managed, and maintained by the country. To avoid the phenomenon known as Dutch Disease the MCC has focused funds on opening markets and developing various export sectors in developing economies. To avoid aid-related corruption, the MCC has foregone the practice of budget support, taken a hands-on approach, and closely monitored how aid is spent. To avoid rampant inflation, the MCC relies on an indicator that measures the rate of inflation before any aid is disbursed. The MCC was designed to function like a private business. Instead of a director or administrator, a CEO runs the MCC. The investments are chosen carefully eliminating as much risk as possible. The MCC has practices that are abnormal for a government agency such as detailed financial execution plans, documents noting the estimated rate of return for each venture, and quarterly compact implementation reports.

5.3 Theoretical Underpinnings of the MCC

The Bush Administration's diversion from past aid strategy can be better understood through the theoretical perspective of realism. Political realism works on the assumption that laws, which have their roots in human nature, govern politics. The theory represents a "realistic" view of international politics. It views the world as it is not the world as it ought to be. However, realism is also concerned with values and norms that play an important part in ordering international politics. This softer, value oriented side is not often associated with realism, but plays an important role when considering a topic such as foreign aid, which is innately good intentioned. It is this interplay between reality and values that gives good insights into the Bush Administrations' foreign aid strategy. The intersection of values and power is summed up by E.H. Carr when he writes,

any sound political thought must be based on the elements of both utopia [i.e. values] and reality [i.e. power]. Where utopianism has become a hollow and intolerable sham, which serves merely as a disguise for the interests of the privileged, the realist performs an indispensable service in unmasking it. But pure realism can offer nothing but a naked struggle for power which makes any kind of international society impossible (Carr 1962).

It is this combination of values and power that define the Bush Administration's strategy for aid. The harsh reality of the world requires one to take precautions against activities such as corruption, disorganization, and waste. Yet, it is a matter of values and goodwill to lend a hand when it is needed. The Bush Administrations approach to foreign aid can be further realized through Thomas Hobbes and Niccolo Machiavelli's pessimism for human nature and E.H. Carr and Hans Morgenthau's concept of national interest in international politics. The theory of realism can be applied throughout the discussion of foreign aid and development. The motivations for foreign aid are best understood against the backdrop of realism and its underlying themes of anarchy in the international system, states as rational unitary actors and interests defined as power.

Realism's unit of analysis is the state – the most appropriate unit of analysis for a discussion on foreign aid and economic development. The state is the principal actor and its actions are unitary and rational. A state's political leaders and bureaucracy may have

disagreements and differing opinions, but in the end, a state speaks with a solitary voice. Realists assume that the state acts in a rational manner. Subsequently, states give thorough consideration to alternative options and possible outcomes. Critics of realism may disagree that states make their own decision and plot their own courses. Some tend to look past the state towards powerful multinational corporations and international governing bodies and assume they dictate the actions of the state. While these outside institutions may exert significant pressures on the state, realism theorizes that the state makes its own decisions and communicates them with solidarity. Realism suggests that no authority above the state is capable of regulating its actions. With the understanding that states act on their own volition, decisions regarding foreign aid can be traced back to the state itself.

The international system in which states function lack an overarching authority. Thomas Hobbes recognizes in his work *Leviathan* that no supreme ruler existed to maintain order (1967). Interactions among states are not governed or regulated by a world government. Instead, these interactions take place within an anarchic international system. Since the international system is anarchic, states are able to act in sovereignty, autonomously and independently with respect to one another.

A prominent principle in realism is the concept of interests defined in terms of power. Realism assumes that a governing principle for a politician's actions can be traced back to interests. Again, this move towards interests defined in terms of power is reflective of human nature. For the purposes of this study, power is defined as anything that establishes and maintains the control of man over another man. Economic, technological and diplomatic capabilities are especially pertinent when discussing foreign aid. Thucydides, the original writer in the realist tradition, claimed that interests play an important role in international relations. Morgenthau quotes Thucydides as writing, "Identity of interests is the surest of bonds whether between states or individuals" (Morgenthau, 1973). The means to power may vary, but the end of every political action is power. Hans Morgenthau wrote, "International politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim" (1973). This concept of national interest and power will play a large role in understanding the Bush Administration's foreign policy towards developing countries.

Realism is indeed a realistic approach to foreign policy. The very relevant ideas of

anarchy, sovereign states and interests provide explanations for why the Bush Administration increased aid to Africa by \$9 billion dollars (Fletcher 2006). The classic writers who are closely associated with realism provide rich, valuable insights into international politics. The foundations laid by these classical writers will bring meaning and understanding to this discussion on aid. For the Bush Administration and the MCC, this realist perspective bore itself out in two ways: 1) A political balance was struck between realist notions of values and power through the use of aid; 2) Through a realist understanding of human nature, the MCC aid compacts were designed to engender governments ideal for future development. This two-pronged application helps discern patterns found in the case study and ultimately guide the remainder of this thesis in search for whether the MCC was successful as an aid agency.

5.4 The Political balance between Values and Power

The Bush Administration governed in a way that it dubbed “compassionate conservatism”. I suggest that this motto was brought to life through the foundations of the MCC. It is a perfect instance where the Bush Administration applied compassion through an ideologically conservative framework. The MCC is concerned with helping those in poverty (values), yet expects US tax expenditures to benefit the American people at the same time (power). This political balance is institutionalized in the MCC. The MCC's initial call for greater investments in people (through education and health care), and extensive evaluation of the rate of return from each investment reflects the tenants of realism. Proponents of realism are cognizant of the moral significance of international political action. The MCC's commitment to moral principles can be seen through its direct investments in health and education and the Bush Administration's call for recipient government to show the same willingness to invest in their people. This plan is consistent with the president's other health and educational investments in SSA. The Bush Administration has dedicated billions of dollars in making Africa a healthier, more educated continent. For instance, the President's Emergency Plan for AIDS Relief (PEPFAR) dedicated \$15 billion over 5 years towards the alleviation and eradication of AIDS, malaria and tuberculosis in targeted countries in Africa. The Bush Administration implemented programs geared towards ending hunger by providing African farmers with science, technology and market incentives. The Bush Administration gave hundreds of millions of dollars to provide clean water to the poor and tripled education funding for school buildings and academic supplies. These programs are in addition to funding provided through the MCC, which in itself is a substantial grant for investments in

health and education in select African countries. The Bush Administration emphasized the need to conduct foreign affairs with morals and values. On World AIDS Day 2008 President Bush said, “Around the world, we've also supported care for more than 10 million people affected by HIV, including more than four million orphans and vulnerable children. More than 237,000 babies have been born HIV-free, thanks to the support of the American people for programs to prevent mothers from passing the virus on to their children” (The White House 2008).

At one time President Bush was convinced that foreign aid had no role in economic development. Old aid strategies were thought to, “impede democratic reform and encourage corruption” (The White House 2002). In many instances, this may have been true. It is because of cases like this, the President and the MCC committed to give aid to countries that showed signs of good governance. The skepticism towards governments in developing countries can be traced back to the forefathers of realism and their general opinion of human nature. Authors like Thomas Hobbes and Niccolo Machiavelli had a general distrust towards men. Thomas Hobbes proposed that caution towards men is warranted in all kinds of situations.

For the laws of nature (as justice, equity, modesty, mercy, and (in summe) doing to others, as we would be done to,) of themselves, without the terror of some power, to cause them to be observed, are contrary to our naturall passions, that carry us to partiality, pride, revenge and the like. And covenants without the sword, are but words, and of no strength to secure a man at all (Hobbes 1967).

In a more pointed fashion, Machiavelli also writes about the nature of men. “For one can generally say this about men: they are ungrateful, fickle, simulators and deceivers, avoiders of danger, and greedy for gain” (Machiavelli, 2005). It is general influences like these that shaped the MCC's outlook on the governments of developing countries. After all, governments are a collection of men, and men by nature tend to be untrustworthy, immoral and self-serving. In an effort to protect against human nature, the MCC made healthy governance a prerequisite for selection and focused aid on further improving governance. It is the checks and balances in a healthy government system that offers protection from the ills of human nature. For instance, civil liberties are an important part of a healthy government. Ensuring the existence of civil liberties means an individual or group can openly voice their

opinion about the actions of their government – even if it is a dissenting opinion. Government accountability groups keep close watch over a government and bring injustices to the attention of the broader public. Judiciaries are kept separate and independent in a healthy government, so they may rule objectively. Another strategic difference in the MCC's concept of aid is based on the principle that each nation bears the responsibility for its own development. This added level of responsibility gives countries ownership in development and works to subdue another element of human nature.

The leanings of realism can be detected in the Bush Administration's skepticism of human nature in developing governments. Overcoming human nature, or at least keeping it in check, allows for aid to make a positive impact on economic development. Eliminating destructive forces such as corruption and encouraging positive reforms such as civil liberties makes a government ripe for economic development, and spurred on by foreign aid.

Initially, a realist approach to aid equates to first calling for good governance. The MCC funded principles of good governance in several instances in the case study. In Madagascar, the MCC funded a land tenure project that emphasized land titling and land ownership security. Land administration is a critical function of government and this aspect of governance needed improvement in Madagascar. In Zambia, curbing corruption was the priority. The government, having spent many years embroiled in corruption, was in need of reform and better governance. In this case the MCC funded a detailed plan that reduced opportunities for corruption. Both of these major MCC objectives in these two countries revolved around improving governance. This in turn will move the government closer to the type of government that engenders development.

In the study of Cape Verde, Madagascar, and Zambia, more instances of investments in people can be found. The MCC focused much of its energy and funding on improving the lives of agrarian workers and ending hunger-related problems. In Cape Verde and Madagascar, the compact gives particular attention to educating farmers with improved techniques and introduced the agricultural sector to new, more productive technology. An extensive plan of agricultural demonstrations and training centers shows a commitment to educating a sector that is far behind modern techniques. Increasing agricultural productiveness will mean higher yields, and less hunger in these particular countries. Parts of the compact also fund inspection and certification centers for locally grown food ensuring that

the yield is sanitary and free from harmful insects or chemicals. Lesotho is a country where well over \$100 million is being invested in the health of the people of that nation. MCC Lesotho is comprehensively assessing the needs of health clinics and making renovations and improvements where needed with MCC funds.

I suggest that providing education among those in the agricultural sector and ensuring proper health care is available fulfills one side of Carr's political balance. It is clear that the Bush Administration's motivations were not wholly a political power play. Instead, the MCC's actions were theoretically out of genuine moral concern for others no matter their relation or position. The large investment in the health and education of Africa seems to suggest a strong commitment to morals. On the other side of the political balance, the MCC designed its investments to benefit the US. According to the MCC, the US is a clear beneficiary in the aid compact with Cape Verde, Madagascar and Zambia

5.5 Aid for an Ideal Government

The Bush Administration wholly subscribes to the idea that there is an ideal government for growth and development. This ideal government is made up of certain types of institutions that have been proven to engender development. Many of these institutions were discussed in Chapter 3 and include quality regulations, land rights and access to land, good trade policy, low inflation, and good fiscal policy. In effect, the MCC is structurally funding governments that give development a fighting chance. The ingredients of accountability, responsibility, transparency, and a healthy environment for the private sector are all mixed together to form a country primed for development. Prior to receiving aid, countries had to prove that they had decent levels of governance and sensible economic policies. After the MCC selected a country, it seems that the funds were again focused on good governance and economic reforms. This fact was found in multiple instances where funds narrowly centered on improving governance and liberalizing economic policy. The attitudes the MCC takes in these respects are clearly grounded in realism. An understanding of the realist perspective of human nature has lead the MCC to fund good governance, while the realist perspective of interests and power has lead the MCC to fund economic liberalization.

If developing nations hope to exit their developing status, the Bush Administration felt that economic reforms were a critical component of the development plan. This attention to economic reform can be interpreted through realist theory. As mentioned above, interest and

power are important tenants of realism. Moving developing nations towards economic policy that contain free market elements is beneficial to both the developing country and the US. Let us revisit the realist definition of power for further elaboration. Power comprises anything that establishes and maintains the control of one man over another man. In this case, economic prosperity means power for both the developing country and the US. This type of power need not be obtrusive or destructive. Instead, this type of power can be better understood as empowerment for this discussion on aid. Obviously, one could see how a nation's increase in wealth can mean an increase in power. Through economic liberalization, it was the intention that the developing nation and the US may increase in wealth through free market economics. This is an ideologically conservative notion that the Bush Administration funded through the MCC. Through this plan, both the developing country and the US increased in wealth and power. This notion of wealth as power is played out in international trade. The Bush Administration sought to increase the power of the US by preconditioning aid on the liberalization of trade between the US and the developing country.

Many economists will agree that international trade is not a zero-sum contest. Trade agreements between two countries benefit both involved. The much-debated North Atlantic Free Trade Agreement (NAFTA) gives credence to the notion that uninhibited trade benefits all that participate. For instance, in the following years after NAFTA was passed, Canada, Mexico and the US saw economic gains as indicated by their growth in GDP (World Bank 2009). Plenty of barriers exist in international trade. Tariffs, subsidies and excessive government regulations are just a few barriers that are present in international trade. With the understanding that free trade benefits all partner countries, it is easy to see why the Bush Administration made liberalization of markets a precondition for aid. In this situation, realism makes the politics of foreign aid intelligible once again. The President's push to liberalize developing economies can be explained by the realist principle of interest defined in terms of power. Max Weber emphasized the importance of interests when he wrote, "Interests (materials and ideal), not ideas, dominate directly the actions of men" (Weber 1963). Thomas Hobbes would agree that men are inclined towards power writing, "So that in the first place, I put for generall inclination of all mankind, a perpetuall and restlesse desire of power after power, that ceaseth onely in death" (Hobbes 1967). In realism it is certain that power is a motivator for men. I argue that an additional trading partner and another ally in general for the US with the prospects of added wealth and power is the driving force of the MCC's precondition of market-based freedoms in order to receive aid. Particularly after September

11, 2001, the Bush Administration has worked to make all foreign policy action a means to security for the US. By giving large sums of money to countries in need, the US is in essence making new friends around the world and adding to its overall global power standing.

The MCC promoted economic liberalization in vary obvious ways in all three countries in the case study. In Cape Verde, funds concentrated on developing the private sector by removing governmental restraints to private investments and through financial sector reforms. In Madagascar, the MCC promoted legal and regulatory reform in the financial sector making markets more free and credit more available. Considering the Zambian economy is commodity based and export driven, the MCC focused its funds and efforts on making it easier to export goods, to register a business, and to conduct trade. In all these cases the MCC used aid to directly fund reform with the ultimate goal being to transform these developing countries into ideal governments for future development. For further elaboration, I look to the first three countries to receive aid from the MCC in SSA.

5.6 Cape Verde

Cape Verde is a small island nation with a population of 518,600 and a GNI per capita of \$2,430. It was colonized by the Portuguese in the 15th Century and achieved independence in 1975. Located off the West Coast of Africa in the Northern Atlantic Ocean it historically functioned as an important coaling and supply station for early traders and shippers. Cape Verde frequently experiences droughts making farming difficult. Droughts are a grave concern since the lack of water limits agricultural productivity and inhibit Cape Verde's rural economy. Geographically isolated and with virtually no natural resources, Cape Verde's economy is mostly service-oriented with commerce, transport, tourism and public services accounting for three fourths of GDP (CIA 2009).

Cape Verde has a solid democratic record and continues to be one of Africa's most stable and consolidated democracies. Since 1992, Freedom House has assigned Cape Verde a combined score of 1.5 or better and quickly chosen by the MCC for reasons of good governance.

The US and Cape Verde entered into a compact on October 2005 worth \$110 million over the period of five years. The compact was drafted by the citizens of Cape Verde and

identified their priorities for achieving economic growth and poverty reduction. The implementation of the development plan is managed by and oversight for particular projects given to Cape Verdeans. The priorities identified resulted in a three-part solution:

- Increase agricultural production
- Increase integration of the internal market and reduce transportation costs
- Develop the private sector (MCC 2009)

As can be seen in Figure 22, these three programs formed the majority of the money dedicated in the compact. Currently, over \$99 million of the \$110 million compact has been allocated through contracts and commitments. Approximately \$51.6 million has been disbursed through the programs mentioned in the previous paragraph. The program seems to focus on obstacles that may be slowing Cape Verde's ascension to the developed world. In the following paragraphs, I will discuss these objectives and their likelihood in leading to overall development.

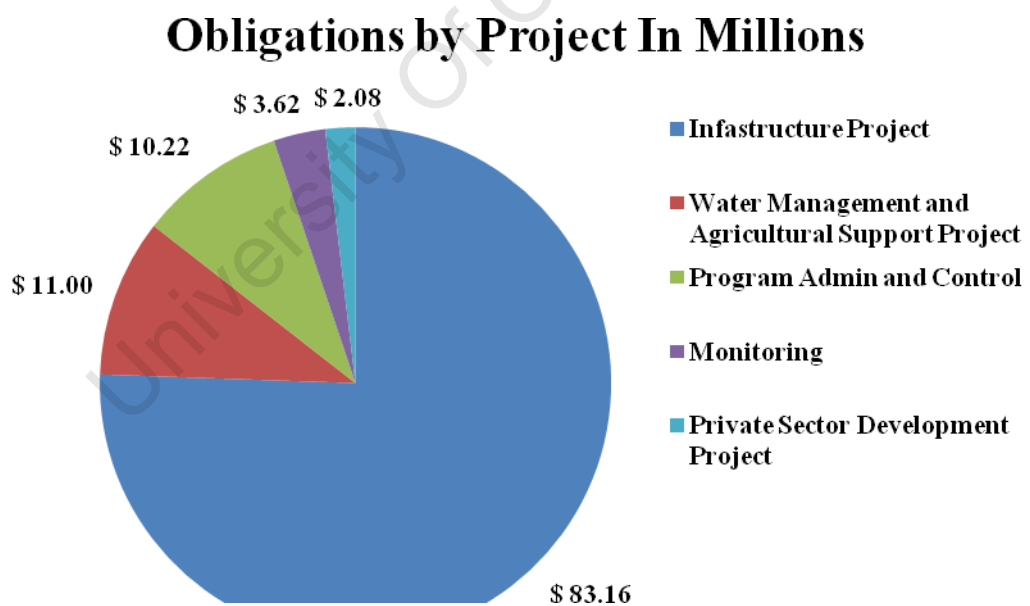


Figure 22: MCC Cape Verde Obligations by Project (MCC 2009)

5.6.1 Agricultural Production

As a small island with a total landmass of approximately 4,000 square kilometers, land available for farming is limited. Agriculture is hindered by a severe lack of water in an already arid climate. As a solution Cape Verde proposed a water management and soil conservation project, an agribusiness development project, and a farmer credit project. The water and soil management plan is composed of numerous activities designed to increase agricultural production by slowing surface run off through the construction of walls, terraces, dikes, and the capture of water in reservoirs. The agribusiness development project seeks to increase agricultural production through the training of farmers in the technical and managerial aspects of new farming technology. The new technology allows for the delivery of water to traditionally dry land, and the diversification of production to crops that are more valuable. MCC funds have made credit available to Cape Verdean farmers allowing for the instillation of drip irrigation and conversion to more valuable crops. The plan should theoretically result in economic growth and greater agricultural production.

With these types of investment systematically focused on increasing agricultural productivity, I would expect to see agriculture grow as a percentage of GDP. The design suggests that more water and better technology and techniques would be available to farmers. This, in turn, should grow the sector itself in relation to the total GDP. However, Cape Verde's agriculture as a percent of GDP shrunk nearly 17 percent from 2004-2008. This lack of progress is surprising considering three quarters of the \$11 million dedicated to the project has already been spent. At this stage, it appears that the MCC was not able to achieve positive short-term agricultural growth and overcome numerous other obstacles associated with agricultural production.

5.6.2 Infrastructure Improvements

As an island nation, Cape Verde is dependent on imports for survival, and fluctuations in the price of goods imported directly impact individual citizens. The MCC funds have worked to make the delivery and transportation of goods to the islands more efficient and productive. The infrastructure projects are twofold: 1) Upgrade and expand the port of Praia and; 2) Improve Cape Verde's network of roads and bridges. The port is inherently too small to support the growing commercial traffic, and its operational systems are outdated and in need of new technology. Cape Verde's road network lack connectivity and hinder mobility. The road and bridge improvements are designed to increase access to intra-island markets and

ensure their functioning regardless of weather conditions.

These types of infrastructure improvements that were funded by the MCC and implemented by MCC Cape Verde should improve the trade logistics environment of Cape Verde. These logistical improvements should directly influence the transportation costs associated with imports and exports. In theory, these cost savings should trickle down to the price of goods bought and sold by ordinary Cape Verdeans. Ultimately, these savings should contribute to the larger development of Cape Verde.

5.6.3 Private Sector Development

Since Cape Verde has a strong record of good governance and stability, wealthy countries have been willing to maintain large contributions of development aid, which amounts to 25% of its overall GDP. Like many other sub-Saharan African countries, Cape Verde has become dependent on aid to fund the functioning of the government instead of tax-revenues. The MCC intends to curtail aid dependency and move Cape Verde towards self-sustaining private sector growth. To accomplish this, the plan works to mobilize investment by removing obstacles and eliminating preventable risk, and improves access to financial services.

Although only around \$2 million dollars were allocated for the project, the associated indicators saw the greatest growth under the private sector development project. Both foreign direct investment flows and exports of goods and services increased significantly. This program may have possibly been successful in removing barriers to business and attracted investors from abroad by improving the overall investment climate.

5.7 Madagascar

Madagascar is a mostly rural nation with a population of nearly 19.5 million people located off the South Eastern coast of Africa in the Indian Ocean. It is a poor country with a GNI per capita of only \$320. One fourth of the country's GDP is rooted in agriculture, which employs 80% of the population (CIA 2009). The remaining GDP components are mostly composed of service and industry making up 58 percent and 15 percent respectively.

Although once an independent kingdom, Madagascar was colonized by the French in

1896. Just over a half a century later, Madagascar gained independence and entered into a seventeen-year period of single party rule. Since achieving independence, Madagascar's experience with democracy has been versatile and troublesome. For instance, in 1997, a former Malagasy president during the 1970s (a leader with authoritarian tendencies) was returned to power. In a later, hotly contested presidential election, half the country nearly succeeded in opposition to the election results. Most recently, Madagascar experienced a coup d'état that overthrew the democratically elected president and replaced him with the mayor of Madagascar's capitol city, Antananarivo. Since 1992, Madagascar has averaged a Freedom House combined score of 3 and classified as a country that is partly free. However, Madagascar's Freedom House score is expected to suffer in the future because of the recent coup d'état in 2009.

The US and Madagascar entered into a compact in April 2005 worth \$110 million dollars over a period of five years. The compact was drafted by the citizens of Madagascar and identified their priorities for achieving economic growth and poverty reduction. The implementation of the development plan is managed by and overseen for particular projects given to the Malagasy. The priorities identified resulted in a three-part solution:

- Increase land titling and land security
- Increase competition in the financial sector
- Improve agricultural production technologies and market capacity in rural areas (MCC 2009)

As can be seen in Figure 23, these three programs formed the majority of the money dedicated in the compact. Currently, over \$84 million of the \$110 million compact has been allocated through contracts and commitments. Approximately \$70.1 million has been disbursed through the programs previously mentioned. The program should logically lead to development and poverty eradication. In the following paragraphs, I will discuss these objectives and their likelihood in leading to overall development.

Obligations by Project In Millions

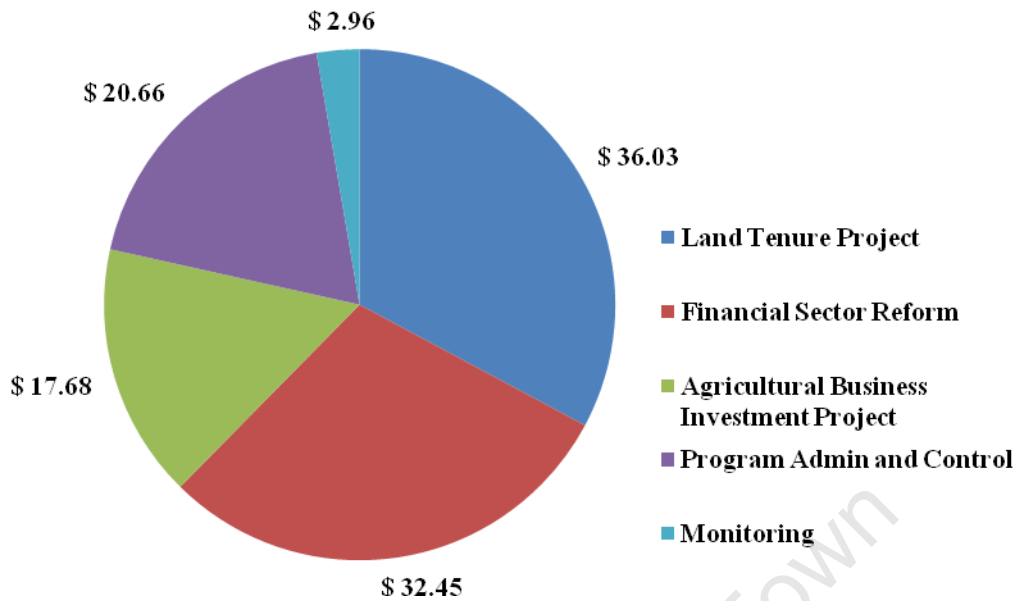


Figure 23: MCC Madagascar Obligations by Project (MCC 2009)

5.7.1 Land Tenure

Since the country that is mostly rural, Madagascar identified land ownership rights as an area in need of reform. At the time when the compact was initiated, Madagascar's land tenure system was rank with insecurity and inefficiency and was generally distrusted by its citizens. The objective of the project was to increase land titling and land security and improve land administration services. To accomplish this, the MCC took a three-pronged approach. 1) The National Land Policy Framework was formalized and reinforced with stronger legal recognition of land tenure, procedures, documents, and techniques. 2) Property rights were protected (through titling and certification), existing disputes resolved, and transaction costs reduced through improved government efficiency. 3) Additional employees were hired to assist with land administration services.

Securing private property rights is an important initial step towards development. In his book *The Wealth and Poverty of Nations*, David Landes recognizes this as an important step for a government interested in growth and development (Landes 1999). When a country lacks the basic right to own and derive an income from personally owned land, conflict, confusion and poverty are often experienced. However, an early assessment in June 2006 of land titling in Madagascar conducted by the World Bank found that it generally had little

impact on growth. The study found that, “Titling has correspondingly small impacts on land productivity and land values” (Jacoby & Minten 2006). A later assessment is not available.

5.7.2 Finance Sector Improvements

Through various financial assessments, it was identified that in Madagascar domestic savings were low and the cost of credit was high, which presented a severe obstacle to development. The goals of the finance sector improvement activities included increasing efficiency, reducing risk, improving creditworthiness, and introducing greater competition among banks. With these improvements, the financial sector can aid in development on many levels. A banking system plays a critical role in development. Banks serve as intermediaries to transfer savings from people to others who need to borrow. Without these lines of credit, business activities are limited and development is hindered. This program has shown positive results as noted by the World Bank in September 2009. It showed that Madagascar was improving in the *Do Business Ranking 2010* by dropping ten places from 144 to 134 out of 183 countries (World Bank 2009).

5.7.3 Agricultural Business Investments

All but 20 percent of Malagasy citizens work in agriculture related professions. The Malagasy National Agricultural Master Plan is focused on assisting farmers with the transition from subsistence farming to market agriculture. Much of the rural population remains impoverished, because agricultural productivity is low and the crop proceeds are meager. The MCC’s solution to this problem is centered on various investments in agricultural business. In particular, the project seeks to improve farmer’s planting choices, teach farmers management and financial skills, introduce new technologies into the agricultural sector, and make credit more readily available to farmers. Logically, a program with this intent and of this scale should increase agriculture as a percentage of GDP. However, agriculture as a percentage of GDP has shrunk 10 percent since the inception of the MCC Madagascar agricultural business investment project (World Bank 2009).

5.8 Zambia

Zambia is a landlocked country in Southern Africa with a population of 11.6 million people and a GNI per capita of \$490 (World Bank 2009). Formerly encompassed in an area administered by the British named Northern Rhodesia, Zambia claimed independence and

became a republic in 1964. For much of its independent history, corruption has plagued the government and weakened chances for development. Recently, a task force prosecuted four cases of corruption among senior members of previous administration finding them liable for \$41 million (CIA 2009).

Cooper continues to be a prominent source of revenue for many Zambians. These mines were made more profitable through privatization, and quickly began to spur economic growth. Beginning in the 1990's, Zambia began to implement sensible economic policies, managed to curb inflation, and stabilize its currency improving economic growth as a whole. From 2005-2008, Zambia has experienced 6% GDP growth per year (World Bank 2009).

The United States and Zambia entered into an agreement in 2005 worth \$22.7 million dollars over a period of two years. The agreement was drafted by the citizens of Zambia and identified their priorities for achieving economic growth and poverty reduction. Zambians oversee the implementation of the development plan. Zambia's grant is slightly different from Cape Verde and Madagascar's grants in that it is smaller and focuses on matters of governance in addition to economic factors. Furthermore, the MCC selected Zambia to participate in a program dubbed a threshold program. The MCC has implemented dozens of these programs to help countries improve lagging policy indicators. In theory, the threshold program improves these indicators and qualifies it for a grant that is considerably larger in size with a clearer emphasis on economic growth. Since the threshold program is an integral part of the overall MCC program, it is important to evaluate its contributions to development. The priorities identified in the program resulted in a three-component solution:

- Prevent corruption in government institutions
- Improve effectiveness of public services
- Improve border management of trade (MCC 2009)

As can be seen in Figure 24, 100 percent of the funds were dedicated to these three projects in the program. The entire \$22.7 million has been disbursed and the program has been completed. The program focused on obstacles that were slowing Zambia's development. In the following paragraphs, I will discuss in depth these objectives and whether they lead to overall development.

Obligations by Project In Millions

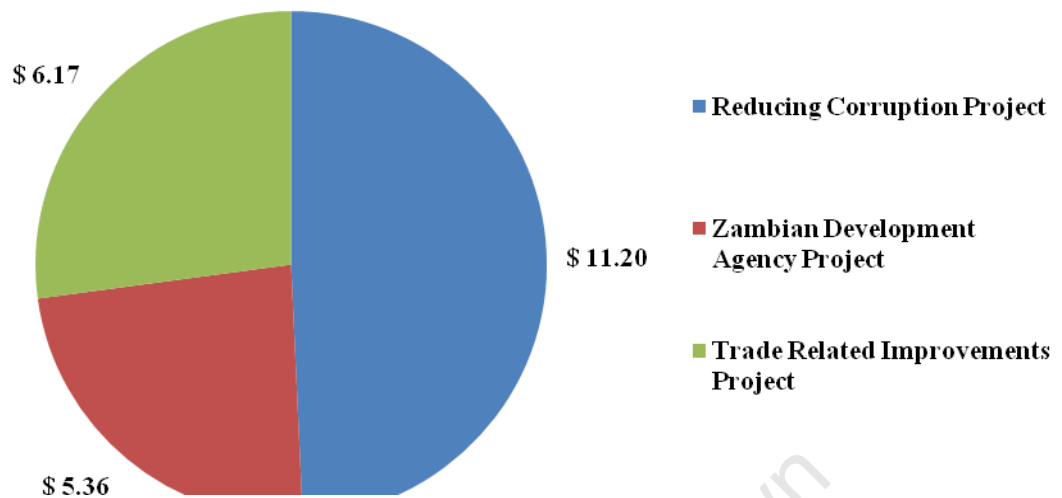


Figure 24: MCC Zambia Obligations by Project (MCC 2009)

5.8.1 Corruption Reduction

Zambia's recent history is riddled with corruption and government misdoings. In 2004, it earned a disappointing -.86 on a scale ranging from -2.5 to 2.5 on the World Bank Indicator of control of corruption (World Bank Governance Indicators 2009). This widespread corruption was interpreted by the MCC as an impediment to economic and democratic growth. The anti-corruption plan tailored by the MCC and Zambia include measures such as reducing opportunities for administrative corruption, building the capacity of Zambia's anti-corruption commission, and establishing internal watchdog units inside several government institutions (MCC 2009). This program sought to stamp out corruption and enabled development to take place. From the MCC's perspective, corruption was diminished enough to qualify Zambia for a full compact worth many more millions of dollars. Improvements in the control of corruption have, indeed, been lessened. According to the World Bank governance indicator of control of corruption, Zambia improved its score by .42 points. This component of the MCC program has seemed to be successful from both the MCC and World Bank's perspective.

5.8.2 Public Service Improvements

The Zambian bureaucracy is thick and filled with unnecessary red tape and administrative challenges. The MCC is working to establish the Zambian Development Agency that will act as a solution center for investors and business people. Through this new agency, administrative barriers will be removed, and the private sector will be integrated into the national plan for economic growth. With a simplified regulatory process and less bureaucracy, investors and businesses are more likely to choose to do business in Zambia.

5.8.3 Removal of Trade Barriers

The Heritage Foundations 2004 economic freedom index, which considers barriers to trade, scored Zambia with a 56.6 out of a perfect 100. Trade barriers such as tariffs raise the prices of imports making goods more costly and reduce competition. All trade barriers are harmful for the consumer and inhibit economic growth. The MCC is working to open Zambia's markets to freer trade by lowering existing trade barriers. By establishing a “Comprehensive Integrated Tariff System”, border related fees and services are controlled by one agency, therefore streamlining and cheapening border control and management. It is estimated that this new agency will reduce the number of days to export products from 60 to 30 and the number of days to import products from 62 to 30 (MCC 2009).

Zambia has the unfortunate neighbors of Zimbabwe and the Democratic Republic of Congo, which complicates access to shipping ports for exports such as copper. As noted in the literature review, geography can present many dangers to growth. In Zambia's case, it is landlocked with uncooperative or severely poor neighbors. Trade and exports are critically important to Zambia's commodity-based economy. The World Bank logistics performance index, which measures the logistical ease of a country rated Zambia a 2.37 out of a perfect 5. This score is comparative to the mean score throughout SSA of 2.37 suggesting that the overall logistics of trade, border and customs included, is still in need of improvement.

5.9 Qualitative Reasoning for Empirical Results

Throughout the empirical analyses, Cape Verde and Zambia performed relatively better than other Sub-Saharan African countries, while Madagascar lagged behind. Cape Verde and Zambia seem to respond to the incentive, monitoring, and size of aid with substantial economic and democratic growth, while Madagascar showed lackluster growth

among both indicators. A close look at the particular aid activities in each country provides some reasoning to Cape Verde and Zambia's success and Madagascar's relative failure.

In the cases of Cape Verde and Zambia, both compacts involved elements that focused on opening markets and improving international trade – an element that was missing in Madagascar's compact. Cape Verde focused funds on improving capacity at its international port and developing the private sector to attract overseas investment. Zambia focused a quarter of its MCC aid on improving border management and reducing trade barriers. Madagascar's compact was void of any trade related component. Instead, aid was used to improve domestic farming techniques and land ownership. Madagascar's situation further deteriorated as political unrest grew ultimately ending in a coup d'etat in 2009. The political situation in Cape Verde remained stable and Zambia experienced sizeable levels of democratization.

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CHAPTER SIX

CONCLUSION

This thesis set out to deliver a true assessment of the MCC. Throughout the study, both quantitative and qualitative methods have been used to gauge whether or not aid administered by the MCC has led to economic and democratic development. Answering this question is pivotal in deciding the direction of the MCC and other aid related programs. The empirical findings of this thesis suggest that aid disbursed by the MCC is positively impacting development only slightly. Through qualitative research, it was learned that the MCC focused funds on trade leading to greater growth in Cape Verde and Zambia. Further research showed that the MCC is having relatively large success in creating ideal governments for future development. This leaves us with an obvious question; was the MCC successful in impacting economic and democratic development? Did the MCC model for disbursing aid lead to development? This is a complex question with many variables in consideration and warrants more than a simple yes or no answer. As noted in the literature review, there are vast differences in opinion as to whether aid actually works. The findings of this essay do not allow us to champion the Bush Administration's aid strategy as a tool for short-term poverty eradication and democratic expansion.

While the findings were inconclusive, one can better understand the motivation for aid through the theory of political realism. Through the application of realism we can see the theoretical basis for the Bush Administration's international political actions. I assert that realist principles such as human nature, values and interests were taken into consideration when assigning aid to developing states. Realism's skepticism for human nature led the US to a call for healthy governance; realism's emphasis on values led the US to show concern for other's health and education; realism's assertion that men are inclined towards power led the US to precondition aid according to market liberalization.

It is hoped that the discussions presented in this essay will cause hesitation in those who think simply more foreign aid is needed to rescue the poor and undemocratic. A complex problem such as poverty or an elusive concept such as democracy is not likely to have simple solutions. Transfer of wealth from rich states to the poor may not change matters. I suggest that it will take a deeper solution – one that may be out of the reach of aid planners. Although foreign aid's effectiveness in generating economic growth has not been proven, the Bush

administration's moral decision to care for the sick and uneducated is important and altogether meaningful. It is hoped that the contents of this essay will increase discussion and debate on foreign aid and spur others to search for a path to economic and democratic development.

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APPENDICIES

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Appendix A: World Bank Country Codes

| Country Name | Country Code |
|--------------------------|--------------|
| Angola | AGO |
| Benin | BEN |
| Botswana | BWA |
| Burkina Faso | BFA |
| Burundi | BDI |
| Cameroon | CMR |
| Cape Verde | CPV |
| Central African Republic | CAF |
| Chad | TCD |
| Comoros | COM |
| Congo, Dem. Rep. | ZAR |
| Congo, Rep. | COG |
| Cote d'Ivoire | CIV |
| Equatorial Guinea | GNQ |
| Eritrea | ERI |
| Ethiopia | ETH |
| Gabon | GAB |
| Gambia, The | GMB |
| Ghana | GHA |
| Guinea | GIN |
| Guinea-Bissau | GNB |
| Kenya | KEN |
| Lesotho | LSO |
| Liberia | LBR |
| Madagascar | MDG |
| Malawi | MWI |
| Mali | MLI |
| Mauritania | MRT |
| Mauritius | MUS |
| Mayotte | MYT |
| Mozambique | MOZ |
| Namibia | NAM |
| Niger | NER |
| Nigeria | NGA |
| Rwanda | RWA |
| Sao Tome and Principe | STP |
| Senegal | SEN |
| Seychelles | SYC |
| Sierra Leone | SLE |

Appendix A: World Bank Country Codes (Continued)

| Country Name | Country Code |
|---------------------|---------------------|
| Somalia | SOM |
| South Africa | ZAF |
| Sudan | SDN |
| Swaziland | SWZ |
| Tanzania | TZA |
| Togo | TGO |
| Uganda | UGA |
| Zambia | ZMB |
| Zimbabwe | ZWE |

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Appendix B: SSA Gross National Income per capita 2004-2008

| Country | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------|------|------|-------|-------|-------|
| AGO | 910 | 1320 | 1910 | 2590 | 3450 |
| BEN | 490 | 550 | 570 | 610 | 690 |
| BWA | 4370 | 5340 | 5650 | 6100 | 6470 |
| BFA | 340 | 400 | 420 | 430 | 480 |
| BDI | 90 | 100 | 110 | 120 | 140 |
| CMR | 810 | 920 | 980 | 1050 | 1150 |
| CPV | 1720 | 2040 | 2360 | 2680 | 3130 |
| CAF | 290 | 320 | 340 | 370 | 410 |
| TCD | 330 | 410 | 460 | 510 | 530 |
| COM | 550 | 650 | 670 | 690 | 750 |
| ZAR | 110 | 120 | 130 | 140 | 150 |
| COG | 880 | 1110 | 1440 | 1510 | 1970 |
| CIV | 720 | 820 | 840 | 880 | 980 |
| GNQ | 3250 | 5210 | 6870 | 9710 | 14980 |
| ERI | 150 | 180 | 210 | 270 | 300 |
| ETH | 140 | 160 | 190 | 220 | 280 |
| GAB | 3990 | 5120 | 5300 | 6450 | 7240 |
| GMB | 260 | 270 | 290 | 330 | 390 |
| GHA | 380 | 450 | 520 | 600 | 670 |
| GIN | 420 | 420 | 400 | 390 | * |
| GNB | 160 | 190 | 210 | 220 | 250 |
| KEN | 460 | 520 | 580 | 660 | 770 |
| LSO | 650 | 810 | 960 | 1040 | 1080 |
| LBR | 110 | 120 | 120 | 150 | 170 |
| MDG | 300 | 310 | 300 | 340 | 410 |
| MWI | 220 | 220 | 230 | 250 | 290 |
| MLI | 390 | 450 | 460 | 560 | 580 |
| MRT | 530 | 600 | 760 | 840 | .. |
| MUS | 4670 | 5250 | 5460 | 5610 | 6400 |
| MYT | * | * | * | * | * |
| MOZ | 260 | 290 | 310 | 340 | 370 |
| NAM | 2780 | 3400 | 3900 | 4100 | 4200 |
| NER | 220 | 250 | 270 | 280 | 330 |
| NGA | 530 | 620 | 830 | 970 | 1160 |
| RWA | 220 | 250 | 290 | 330 | 410 |
| STP | * | 760 | 840 | 920 | 1020 |
| SEN | * | * | 800 | 870 | 970 |
| SYC | 8240 | 9680 | 10740 | 11060 | 10290 |
| SLE | 220 | 230 | 250 | 280 | 320 |

Source: World Bank (2009)

Appendix B: Gross National Income per capita 2004-2008 (Continued)

| Country Code | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------|------|------|------|------|------|
| SOM | * | * | * | * | * |
| ZAF | 3630 | 4810 | 5420 | 5730 | 5820 |
| SDN | 490 | 590 | 740 | 910 | 1130 |
| SWZ | 1620 | 2260 | 2360 | 2550 | 2520 |
| TZA | 310 | 350 | 370 | 400 | 440 |
| TGO | 320 | 350 | 370 | 370 | 400 |
| UGA | 280 | 300 | 340 | 370 | 420 |
| ZMB | 400 | 500 | 600 | 740 | 950 |
| ZWE | 590 | 360 | * | * | * |

Source: World Bank (2009)

*Indicates data is not available

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Appendix C: SSA Freedom House Scores 2004-2008

| Year | 2004 | | | 2005 | | | 2006 | | | 2007 | | | 2008 | | |
|------|------|----|--------|------|----|--------|------|----|--------|------|----|--------|------|----|--------|
| | PR | CL | Status | PR | CL | Status | PR | CL | Status | PR | CL | Status | PR | CL | Status |
| AGO | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF |
| BEN | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F |
| BWA | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F |
| BFA | 5 | 4 | PF | 5 | 3 | PF | 5 | 3 | PF | 5 | 3 | PF | 5 | 3 | PF |
| BDI | 5 | 5 | PF | 3 | 5 | PF | 4 | 5 | PF | 4 | 5 | PF | 4 | 5 | PF |
| CMR | 6 | 6 | NF | 6 | 6 | NF | 6 | 6 | NF | 6 | 6 | NF | 6 | 6 | NF |
| CAF | 6 | 5 | NF | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF | 5 | 5 | PF |
| CPV | 1 | 1 | F | 1 | 1 | F | 1 | 1 | F | 1 | 1 | F | 1 | 1 | F |
| TCD | 6 | 5 | NF | 6 | 5 | NF | 6 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF |
| COM | 4 | 4 | PF | 4 | 4 | PF | 3 | 4 | PF | 4 | 4 | PF | 3 | 4 | PF |
| ZAR | 5 | 4 | PF | 5 | 5 | PF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF |
| COG | 6 | 6 | NF | 6 | 6 | NF | 5 | 6 | NF | 5 | 6 | NF | 6 | 6 | NF |
| CDI | 6 | 6 | NF | 6 | 6 | NF | 7 | 6 | NF | 7 | 5 | NF | 7 | 5 | NF |
| GNQ | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 7 | NF |
| ERI | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF |
| ETH | 5 | 5 | PF | 5 | 5 | PF | 5 | 5 | PF | 5 | 5 | PF | 5 | 5 | PF |
| GAB | 5 | 4 | PF | 6 | 4 | PF | 6 | 4 | PF | 6 | 4 | PF | 6 | 4 | PF |
| GMB | 4 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF |
| GHA | 2 | 2 | F | 1 | 2 | F | 1 | 2 | F | 1 | 2 | F | 1 | 2 | F |
| GIN | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 7 | 5 | NF |
| GNB | 4 | 4 | PF | 3 | 4 | PF | 4 | 4 | PF | 4 | 4 | PF | 4 | 4 | PF |
| KEN | 3 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF |
| LSO | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F |
| LIB | 5 | 4 | PF | 4 | 4 | PF | 3 | 4 | PF | 3 | 4 | PF | 3 | 4 | PF |
| MDG | 3 | 3 | PF | 3 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF |
| MWI | 4 | 4 | PF | 4 | 4 | PF | 3 | 4 | PF | 4 | 4 | PF | 4 | 4 | PF |
| MLI | 2 | 2 | F | 2 | 2 | F | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F |
| MRT | 6 | 5 | NF | 6 | 4 | PF | 5 | 4 | PF | 4 | 4 | PF | 6 | 5 | NF |
| MOZ | 3 | 4 | PF | 3 | 4 | PF | 3 | 4 | PF | 3 | 3 | PF | 3 | 3 | PF |
| NAM | 2 | 3 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F |
| NIR | 3 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF | 3 | 4 | PF | 3 | 4 | PF |
| NGA | 4 | 4 | PF | 4 | 4 | PF | 4 | 4 | PF | 4 | 4 | PF | 5 | 4 | PF |
| RWA | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF |
| STP | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F |
| SEN | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F | 2 | 3 | F | 3 | 3 | PF |
| SYC | 3 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF |
| SLE | 4 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF | 3 | 3 | PF | 3 | 3 | PF |
| SOM | 6 | 7 | NF | 6 | 7 | NF | 6 | 7 | NF | 6 | 7 | NF | 7 | 7 | NF |
| ZAF | 1 | 2 | F | 1 | 2 | F | 2 | 2 | F | 2 | 2 | F | 2 | 2 | F |
| SDN | 7 | 7 | NF | 7 | 7 | NF | 7 | 7 | NF | 7 | 7 | NF | 7 | 7 | NF |
| SWZ | 7 | 5 | NF | 7 | 5 | NF | 7 | 5 | NF | 7 | 5 | NF | 7 | 5 | NF |
| TZA | 4 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF | 4 | 3 | PF |
| TGO | 6 | 5 | NF | 6 | 5 | NF | 6 | 5 | NF | 5 | 5 | PF | 5 | 5 | PF |
| UGA | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF | 5 | 4 | PF |
| ZMB | 4 | 4 | PF | 4 | 4 | PF | 3 | 4 | PF | 3 | 4 | PF | 3 | 3 | PF |
| ZBW | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF | 7 | 6 | NF |

Source: Freedom House (2009)