



JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL
JÖNKÖPING UNIVERSITY

Ambiguous Aid

On the Willingness to Give Development Assistance

Bachelor Thesis within Economics

Author: Lovisa Skyborn

Tutors: Charlotta Mellander

Erik Åsberg

Jönköping June 2009

Bachelor Thesis within Economics

Title: Ambiguous Aid –
On the Willingness to Give Development Assistance

Author: Lovisa Skyborn

Tutors: Charlotta Mellander
Erik Åsberg

Date: June 2009

Keywords: Economic Development, Development Aid, Official Development Assistance, Aid-Giving

JEL Classifications: O10, F35, F50

Abstract

This thesis aims to explain nations' reasons behind and extent of outgoing development aid. Large variations in the level of aid are found among the OECD countries, implying differences in the willingness to give aid. Based on earlier work within this field, the paper aims to test the explanatory power of the following variables; colonial history, level of solidarity, population support for aid giving, and the impact of socialistic attributes within a country. The results show that all of them play a significant role in explaining the development aid levels. Among the variables, the strongest of them was found to be the impact from the level of socialism, which was significant at the 1 percent level. Furthermore, a positive relationship between public support and the level of aid-giving was found, significant at a 5 percent level. A country with a history as being a colonial power during the 20th century was affecting development aid positively to a significance level of 5 percent. Concluding this, the paper suggests that the level of aid is determined by wealth, history, political culture, and governmental decisions influenced by public support.

Table of Contents

1 Introduction	1
1.1 Purpose	2
1.2 Disposition	2
2 Background	3
2.1 Brief History of Development Aid.....	3
3 Theory	5
3.1 Aid-Giving	5
3.2 Why Aid-Giving?	5
3.3 Factors Affecting Development Aid	6
3.3.1 Historical Ties	8
3.3.2 Solidarity.....	8
3.3.3 Public Support for Aid.....	9
3.3.4 Trade and Political Strategies.....	10
3.3.5 Socialistic Welfare	10
3.3.6 Wealth	11
3.4 Hypotheses of the Study	11
4 Empirical Analysis	12
4.1 Method, Variables and Data	12
4.1.1 Official Development Assistance	12
4.1.2 Dependent Variable.....	12
4.1.3 Explanatory Variables.....	12
4.1.4 Descriptive Statistics	14
4.1.5 Correlations	14
4.2 Data and Model Description	15
4.3 Regression Analysis	16
4.4 Residual Analysis	18
5 Conclusions	20
References	21
Appendices	24
Appendix 1 – Member countries of the DAC	24
Appendix 2 – Table 4.5	25
Appendix 3 – DAC-countries’ aid-giving in 2006 and 2007	27
Tables	
Table 4.1 Definition of the explanatory variables.....	13
Table 4.2 Descriptive statistics.....	14
Table 4.3 Correlation matrix	15
Table 4.4 Regression output	16
Table 4.5 Difference between actual and predicted ODA.....	19
Figures	
Figure 4.1 Residual analysis	18

1 Introduction

Over the past decades, the support for aid has shifted back and forth from skepticism to praise. During the cold war some predicted a complete disappearance of aid, but towards the end of 1990, the trend began to rise again. Some countries, for example the United States, have historically been critical towards large aid flows, since ‘so much needs to be done at home’. Sweden was one of the countries that were critical initially, but went from having a critical standpoint to become “the darling of the third world” (Schraeder et al., 1998, p. 295) because of its current generous foreign aid policies.

Today, development aid is an up-to-date issue and with high levels of development aid the mere existence of aid is seldom questioned. In September 2000, the United Nations general assembly agreed on achieving eight global development goals by the year 2015, with the purpose of reducing poverty in the world. The goals included an aspiration for an increased amount of foreign aid from the rich countries (Odén, 2006).

Today’s aid discussion is more focused on the efficiency on aid, but the fundamental questions why countries choose to give aid, what political or economic aspects underlying the reason for aid, and to what countries we choose to allocate the aid are questions that have been studied ever since the birth of modern aid (Dudley & Montmarquette, 1976; Schraeder, Hook & Taylor, 1998; Alesina & Dollar, 2000; Gunning, 2004; Berthélemy, 2006; Riddell, 2007). The majority of the studies are however focused on explaining the countries’ allocation of aid, rather than the aggregate levels of aid provided by the donor countries.

In March 2009, the Organization for Economic Cooperation and Development (OECD) presented a preliminary report of the aid statistics of 2008. The report stated that official development assistance (ODA) reached its highest level ever in 2008. Five countries – Denmark, Luxembourg, the Netherlands, Norway and Sweden – exceeded the United Nations suggested target of 0.7 percent of the domestic gross national income (GNI). Sweden was the country with the highest level, 0.98 percent of GNI (in preliminary numbers; compared to 0.93 percent in 2007) and the countries with the lowest level were Japan and the United States, which both allocated 0.18 percent of their GNI as ODA (OECD, 2009b).

A range of ODA varying from 0.18 percent to 0.98 percent of GNI among the DAC-members indicates large differences between how much each country chooses to allocate as development aid. Why do the donor countries allocate considerably different fractions of their income as aid and what is it that determines how much aid each country gives?

This thesis focuses on the national aggregate amounts of aid and tries to find an answer to these questions by analyzing the factors that affects a country’s aid-giving. It brings a new contribution to the aid discussion by looking at the overall amounts of aid given by the donor countries.

1.1 Purpose

The purpose of this thesis is to analyze the factors that determine how much development aid a country gives.

Since all factors that affect development aid could result in a very extensive discussion the paper is limited to focus on key factors based on earlier research.

1.2 Disposition

The thesis starts with an introduction to the subject where also the purpose is stated. The introduction is followed by a background section, which briefly gives an overview over the history of development aid. Previous research is discussed in the theoretical framework. First, a brief overview of the important aspects of aid-giving will be presented, followed by a more in-depth discussions on different variables affecting a country to give development aid. The empirical analysis section includes data and method descriptions, and regression results and analysis. This part is followed by summary concluding the findings.

2 Background

2.1 Brief History of Development Aid

Even before the end of the Second World War, the Allies started to plan the reconstruction of Europe. Another important issue on the agenda was how to avoid economic crises like the one in the Interwar Years, and how the poor countries in the world could start to develop. The League of Nations (predecessor to the United Nations) therefore adopted the declaration *Transition from War to Peace Economy* in 1943, which had seven goals for the economic situations in the world, among them one to raise the living standards all over the world (Odén, 2006).

During the Bretton Woods Conference in 1944, negotiations about two global institutions, an international monetary fund and an international bank resulted in the establishment of two new institutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), more known under the name the World Bank. A loan from the World Bank, and an even larger one from the United States through the Marshall Plan, made a reconstruction of Europe possible. The Marshall Plan can be seen as the first aid, and was much larger than today's aid to the developing countries. The Marshall Plan was such a success that many people believed that it was possible to make similar transfers to developing countries and see the same effects there (Krueger, 1986). The countries that received help through the Marshall Plan established the Organisation for European Economic Cooperation (OEEC) in 1948 to coordinate the help. In 1960, the organization was replaced by the OECD and included more countries. A permanent committee called Development Assistance Committee (DAC) was created to coordinate the assistance given by the member countries (Odén, 2006). Today, 22 countries are members of the DAC (see appendix 1).

The start of the modern foreign aid was mostly loans given out by the World Bank to the countries in need of new infrastructure and after hand more loans to development projects was given. The bilateral aid started when the colonies became independent states and the colonial powers signed aid-agreements with them. As a result, other countries started to create bilateral agreements, among them the United States, the Soviet Union, and other European countries. During this period, the aid also became a factor of the Cold War. United States and the Soviet Union supported countries that were in war with each other, and the amount of aid that was sent had clear connections to the strategies of the war (Odén, 2006).

Aid was however provided by governments before the late 1940s. Non-administrative aid was provided to British colonies through the 1929 Colonial Act, which was official aid from the British government with the purpose of supporting economic development in the colonies. This followed by other British acts and also French aid to its colonies expanded rapidly in the 1940s (Riddell, 2007).

During the 1960s the question about the size of the aid and how to put up goals for international and national volumes was highly discussed. In 1958 the World Council of Churches challenged the rich countries to give one percent of GNI to the developing countries and also the United Nations (UN) started to put up goals for a large increase in foreign assistance. This goal included commercial capital flows, while a goal of 0.7 percent of GNI referred to only ODA (Odén, 2006).

In the 1970s, the discussion around development assistance started to focus more on the allocation of aid. The balance within DAC changed when the aid from the US decreased from 40 percent to 25 percent, while other countries increased their share. The Nordic countries, Canada and the Netherlands became united in a stronger common opinion about the development aid, and the group was informally called “the likeminded”. Their share of the DAC-assistance increased from 11 percent to 20 percent, and their view of development aid started to have a stronger impact. It was however not until the 1990s, after the end of the Cold War, questions regarding democracy and human rights came to be more central, and the aid was no longer part of a strategy in the Cold War. Instead, the focus lay on how and if development aid and poverty reduction could affect democracy and human rights. After the Cold War, a new group of countries were in a need of development aid; newly independent countries from the former Soviet Republic. The aid was then not only used for building up the regions hurt by the war, but also to support the transition from a socialistic one-party system to a capitalistic multi-party system (Odén, 2006).

During the first years of the new millennium, a few events affected the international development cooperation greatly. The terrorist attacks of September 11 in the United States had large impact on the US foreign policies. After the attack, the United States challenged the world in a global war on terror. As a consequence, aid to Iraq, Afghanistan and Pakistan increased significantly from many major donor countries (Riddell, 2007). However, the attacks also created an increased gap between the West and the Muslim world, which affected the international development cooperation negatively. Discussions on negative and positive effects from globalism grew intense, and along with that the discussion about the link between development assistance, economic growth and poverty reduction. The discussion on the effectiveness of aid started in the end of 1990s, and continued on into the 21th century (Odén, 2006).

In September 2000, the UNs general assembly agreed on achieving eight global development goals by the year 2015 with the purpose of reducing poverty in the world. The goals included an increase in the total amount of foreign aid from the rich countries. During the years after the goals were set up, different cities have therefore arranged follow-up conferences, where the goals have been discussed and new declarations have been made. In Monterrey, 2002, the result of the discussions became the Monterrey Consensus, which emphasized the importance of an increased aid and methods to make the aid more effective (Odén, 2006). New goals were created in Paris, 2005, and resulted in the Paris Declaration, which also were acknowledged in Accra (Accra Agency for Action in 2008) where the discussion of aid as only one part of the development picture was ongoing (OECD, 2009c).

3 Theory

3.1 Aid-Giving

No system or organization in the world states how much developing countries need in aid or how much aid should be provided; ODA is entirely voluntarily given by different donor governments around the world. Official aid-giving is a political decision, and is provided through public funds, authorized by the countries' parliaments (Riddell, 2007).

Since the birth of modern aid, the support for it has shifted greatly. Economists have argued whether aid really has an effect, and how it benefits the donor country or whether it should benefit the donor country at all (Dudley & Montmarquette, 1976; Riddell, 1999). The support for poverty alleviation among the donor countries still remains mixed and contradictory across the donor community (Riddell, 1999).

Sachs (2005) strongly believes in the power of giving aid to developing countries. His theory about a "poverty trap" explains that poverty itself can be a trap for the country. With a too extreme poverty, the country cannot get back on its feet by itself without getting external help. Sachs claims that foreign aid is the only solution to break the poverty trap and help the country get its foot on the ladder of development. The rich countries do not have to invest much in the poorest countries to help them; they only need to invest enough so that the countries can reach the first step towards development.

Sachs' theory has however encountered criticism. Easterly (2006a) doubts the efficiency of foreign aid as a quick and easy way out of extreme poverty. He claims that an implementation of the solution Sachs presents is a complex process, and not as easy as stated. Further, Easterly questions Sachs' argument from an historical perspective, stating that his thoughts are old and already tried, and shown to be inefficient and not a solution to extreme poverty. Easterly (2006b) puts more focus on how to plan the aid efficiently, and to use it wisely, instead of only advocating with the purpose of making countries give more money to development aid.

Riddell (2007) stresses that an increase in aid-giving for providing free basic health and education services or other immediate poverty problems, implies a decrease in aid directed to projects and programmes which will address more systematic structural problems, and contribute to own wealth-creating potential in the recipient country. "The more aid that is channelled into welfarist-type projects and programmes – welcome and desirable though as they often are – the longer aid will be needed" (p.8) states Riddell (2007) and addresses here the issue of aid effectiveness, involving many economists in the ongoing aid-debate (Krueger, 1986; Easterly 2006a; Easterly 2006b).

3.2 Why Aid-Giving?

There have been more research done on the effects and importance or critics of development aid than on why countries chooses to give aid, and the determination of how much. Basically, studies on the donor side of foreign aid have started to emerge only during the last decades, and then in the form of case studies.

Although the majority today agrees that rich countries should support the poor through development aid, there is nothing stated on how much each country should give. In March

2009, OECD presented a preliminary report on total official development assistance (ODA) in 2008, with ODA as a fraction of GNI. When only including members of the DAC, the range varied from 0.18 (United States and Japan) to 0.98 (Sweden). The average country effort was 0.47 which can be compared to the United Nations suggested goal of 0.7 (OECD, 2009b).

The question why aid is given has been discussed since the birth of modern aid. An important piece of literature of the allocation of aid is a study conducted by Dudley and Montmarquette (1976). They discuss the fact that the United States, United Kingdom, and France together accounted for over 80 percent of all bilateral and multilateral aid flows in 1960, and summarized this in two words: cold war and colonialism. However, ten years later, these countries' share had fallen to 50 percent and when other countries' share increased and the Cold War came to an end, it seemed not likely to depend on the same political motives. This was a start of a new phenomenon to be explained.

Dudley and Montmarquette (1976) conclude that aid must be given out of motives other than altruism. They suggest that sincerely altruistic people exist, but that such individuals are likely to be in minority and the society as a whole can therefore not be altruistic. Dudley and Montmarquette instead provide three motives for aid-giving. First of all, decision makers in the donor country may expect the recipient country to behave more favorable towards their country, which can increase the support for the national political interests. Secondly, they may expect the recipient countries to bring economic benefits to their country, by buying more of their export etc. Last, the decision makers may expect a feeling of gratitude towards the donor country. From these motives, Dudley and Montmarquette conclude that the supply of foreign aid is explained by the donor country's demand for the impact of the aid.

In 2007, the EU conducted a public survey on motivations for giving development aid. Eleven answers were provided, and people were asked to select maximum two reasons why richer countries should provide development aid to poor countries. The arguments "self-interest – for example helping poor countries trade will enable them to buy more products from rich countries" and "contribute to social stability" shared the top placement with 28 percent. Then followed "encourage democracy and good governance" (22 percent), "avoid citizens from these countries emigrating to rich countries" (20 percent), "prevent and avoid favorable conditions for terrorism" (19 percent), "gain political allies" (15 percent), "have a clear conscience" (12 percent), "to help people who are in need" (11 percent), followed by "don't know", "none of these", and "other". The first argument "self-interest" had a larger range and varied from 16 percent (Lithuania) to 61 percent (Cyprus). "Contribute to a social stability" varied from 13 percent (Estonia) and 59 percent (Netherlands). The top two arguments are reflected from the debate discussed earlier and in the next section, but the third alternative brings information for a new perspective. To avoid citizens from these countries to emigrate to richer countries is indicating an egoistic reason, but more so on a personal level since it affects social life in the domestic country (Eurobarometer, 2007).

3.3 Factors Affecting Development Aid

Many economists agree that most countries give aid because of self-interests (Dudley & Montmarquette, 1976; Little & Clifford, 2006). It is however difficult to assume self-interest to be the only reason since some countries (notably the Netherlands and the Scan-

dinavian countries) have high levels of development aid, but no obvious reasons for what they would benefit from it (Berthélemy 2006; Riddell, 2007).

With the aim of benefiting from giving aid, it is possible to rewrite the question to: ‘what objective do the donor try to achieve by giving aid?’ Gunning (2004) states that historically, large countries (in this case US) have been motivated by political self-interests, while smaller countries (such as the Netherlands or the Scandinavian countries) have more humanitarian motives.

Little and Clifford (2006) stress the fact that governments do not provide aid without expecting to achieve something in return. They suggest that governments can have purely humanitarian motives, but that the amount of aid would decrease significantly if helping poor countries would represent the only motive for giving aid. According to Little and Clifford it is however not easy to determine exactly what the donor benefits from giving aid. By dividing the self-interest into commercial and political interests, they conclude that nothing will benefit a country in simply giving money to another. They claim that the developed countries will not necessarily benefit from the developing countries getting richer. Instead, they focus on political interests as a motive for aid-giving and as a vehicle to use in a world engaged in political strategies.

Riddell (2007) discusses a number of broad motives that historically have influenced decisions to give aid. The first is helping to address emergency needs, followed by helping the countries to achieve growth and poverty reduction, showing solidarity, helping because of own national political and strategic interest, and the last one is because of historical ties. The author discusses further two additional motives that have been added more recently; the contribution that aid can make to provide and strengthen global public goods, and also to base the aid-giving decisions on the human right records in the recipient countries governments.

Berthélemy (2004) suggests that the self-interest of donor countries is related to different objectives. He claims that one of them is geopolitical and uses former colonies and strategic alliances with the US as variables. He also claims that a donor’s foreign assistance policy based on self-interest tends to be biased towards the countries that the donor has a larger fraction of trading with. This is a commercial interest motive that often tends to tie the aid. Berthélemy discusses the motive of wanting to boost the economic growth in developing countries as the motive most donor countries claim is the actual motive for their assistance programs. He however stresses the programs’ faults when it comes to state whether aid should be granted to the neediest countries or to the countries where it can have the largest impact on poverty, since he found that donors take both into account. Berthélemy could identify these different motives in his study by looking at the allocation of aid. In an earlier study he made a similar regression analysis and found significant evidence of a biased form of aid-giving (Berthélemy & Tichit, 2004).

Further, Berthélemy (2006) tested differences in behavior of donor countries. With variables such as political ties (colonies, geopolitical interests etc), political alliances, financial motives (trade etc) and humanitarian motives, he analyzed trends in the behavior of the donor countries. As outcome, he grouped the donor countries into three categories; “altruistic”, “moderately egoistic” and “egoistic”. Out of 17 countries, seven fell in the first category, seven in the second category, and three countries were considered truly egoistic by Berthélemy. He found that the Nordic countries were more altruistic than most of the

other countries and among the most egoistic were Australia, France, and Italy (possibly also Japan and the United States to a smaller extent) (Berthélemy, 2006).

Alesina and Dollar (2000) used data from 1970 to 1994 to analyze different patterns in aid-giving. One pattern was found between colonizers and former colonies. In the case of two countries with similar level of poverty, where the country without a past as a colony had superior development policies, the former colony still received more aid. Furthermore, the aid was found to be bounded to the donor countries by strategic interests or historical alliances or affected by cultural affinity. Among the Nordic countries, Alesina and Dollar found patterns in aid-giving showing that they responded more towards open countries with good institutions. They also found evidence that a newly democratized country received an increase in aid as a way to reward democratization. Their study has been very influential in the discussion on aid allocation.

Further, another recent study on aid allocation, conducted by Feeny and McGillivray (2008) suggests that donors consider both recipient need and donor interests when deciding on the amount of aid.

Schraeder et al. (1998) conducted a study comparing the aid flows of the United States, Japan, France and Sweden, with the aim of finding an explanation to what factors that control the countries to allocate aid. They used official development assistance as the dependent variable, and six independent variables to conduct the test: humanitarian need, strategic importance, economic potential, ideological stance, cultural similarity and region. As a result, they found empirical patterns showing relationships for example between strategic and ideological interests and US aid, the aid from Japan and economic interests, ideology and trade allocation and Swedish aid, and aid from France and its former colonies as well as similar culture.

3.3.1 Historical Ties

That historical ties such as colonialism have an effect on the allocation of aid was shown by Alesina and Dollar (2000). Also Schraeder et al. (1998), Berthélemy (2004) and Riddell (2007) used historical ties as a motive for aid allocation. The system of aid started with countries like United Kingdom and France, who supported their colonies with development aid. All studies discussed above have indicated that countries with former colonies tend to give them more aid, than to countries with no history as one of their colonies.

3.3.2 Solidarity

For some countries, simply showing solidarity is found to be a factor influencing the levels of aid. In a study by Jones, Riddell & Kotoglou (2005) Sweden was found to be one of the countries that strongly emphasized poverty reduction as a motive for aid. Riddell (2007) suggests that the reason why Sweden and its neighbor countries have articulated solidarity and development as the major factors influencing their aid allocation is that they, the last 15-20 years, have altered the way their aid programmes are administered to a more distinct division between aid policy decisions and technical decisions involving aid. To let the foreign affairs ministries focus on the decisions around what to give to whom, might be an indication that the policy decisions are more influenced by altruistic motives.

Riddell (2007) takes the example of the United States and Japan, which he claims are mostly providing aid for their security and prosperity, and where a reduction of poverty is not

among the top motives for aid. According to Riddell, some countries, such as the US and Japan, officially claim that their aid is given for political and commercial interests, while some countries, such as United Kingdom, has started to work for an allocation of aid with a purpose of welfare and development, without commercial interest.

3.3.3 Public Support for Aid

Another influential factor for the governments' distribution of aid is the public support, however somewhat questioned. Lumsdaine (1993) suggests in his study on the effect of public support that public support is important for a government's favor of aid in making aid policies. He thus concludes that it is difficult to establish any relations with certainty between public support and aid spending, but states that the data is indicating a connection between the two variables.

Smille (1999) states that in general, politicians know that "public support for development assistance is a mile wide and an inch deep" (p. 72), implying that the public knows very little about international development, but when asked, they often show their support for it. He emphasizes the need for an increased awareness of poverty in the world, and stresses the leadership's responsibility to actualize peoples' opinions and better inform them. According to Smille, the leaders need to understand "that they [people] do care, that they want to help; and that they will make sacrifices if they understand them to be in the genuine interest of a better and more secure life for their children" (p. 76) if they would be more aware and informed about development aid.

Also Sachs (2005) blames the leadership and states a problem of a "lack of political leadership...to inform the public about its [aid] importance" (p. 331). In other words, no public opposition to increase foreign aid exists with an absent leadership supporting and promoting foreign aid. Consequently, people are not aware the importance of aid, implying that public support for development aid would influence governments to actualize the people's demand.

Olsen (2001) is questioning the statement by Smille (1999) of whether public opinion in the donor countries has an impact on policy makers deciding on development aid. His study on five cases shows that the governments do not always carry through people's opinion on development aid; when people were favoring aid, the governments still did drastic cut-downs. Smille (1999) explains this with a lack of knowledge among the people. The politicians have no concern for people's reactions, since people's knowledge about both the subject and the government's actions are very low. An increased awareness among people would imply a higher influence on the government.

Recent reports show that a large majority of the citizens in OECD-countries support the principle of giving aid to developing countries. The support has remained high and stable for the last two decades, according to polls conducted in the OECD-countries (McDonnell, Lecomte & Wegimont, 2003). From a survey conducted in 2004 (Eurobarometer, 2005), the support for foreign aid was presented to have a peak in 1995, when 95 percent answered "important" or "very important" to the question on whether it is important to help people in poor countries or not. In 1998 the support had decreased to 76 percent but started from there to rise again to 91 percent answering "important" in 2004. However, the answers varied greatly from country to country. Denmark, Sweden and Spain were the European OECD-countries with highest support in 2004; 97 percent answered "very important" or "fairly important" in Denmark, while 96 percent said "very important" or "fairly

important” in Sweden and Spain. Sweden was presented to be the country with most people answering “very important”. Austria and Belgium were the European OECD-countries with the lowest support, 86 percent considered aid as “very important” or “fairly important” in these countries.

Based on a survey from World Values Surveys, Chong and Gradstein (2008) could conclude that more educated and younger people tended to support an increase in foreign aid, while gender differences were not statistically significant.

3.3.4 Trade and Political Strategies

Osei, Morrissey & Lloyd (2004) conducted an analysis of the relationship between aid and trade flows. Instead of pooling all observations into a sample to test the relationship, they analyzed if the underlying relationship differed in sub-samples. When using appropriated pooled samples, Osei et al. found no significant evidence that allocated aid increases trade. However, donors who provided a higher share of aid to some countries tended to trade more with those recipients.

Berthélemy (2006) found a positive relationship of a trade link the between donor country and the recipient country, indicating an increase in aid to recipient countries donors are trading with.

Alesina and Dollar (2000) tested on political strategies by using data on the votes at the UN to measure the effect of political alliances. They conducted a correlation of the voting records in the general assembly, and used this as an index whether a country was a “friend” or not. As a result, they found the friend-variable generally significant and concluded that aid either is a way to “buy” political support in the UN or that the relationship indicates existing political alliances, consequently determining the aid flows.

3.3.5 Socialistic Welfare

Noël and Thérien (1995) identified determinants of aid from the donor countries’ standpoint. Noël and Thérien suggest that ODA expressed as percentage of gross national product (GNP) provides the best and most standardized indicator of a donor country’s commitment to development aid. Their assumption stated was that a country generous with its own citizens (a welfare state) would most probably also be generous with people in developing countries. By first determining the concept of the welfare state in three different ways – through the level of expenditures, the partisan orientation of governments, and the institutional attributes of the welfare states – they tested the relationship between the level of welfare and the level of aid in the countries. When analyzing the levels of welfare state and foreign aid spending, Noël and Thérien found a significant relationship between the two expenditures. However, they suggest that spending indicators might not be the best way to represent state activity. Instead they chose to evaluate the state on history, institutions specific programs and approaches based on Esping-Andersen (1990), who used different indicators to distinguish the welfare states into conservative, liberal, and social democratic states. Noël and Thérien found social attributes as a highly significant explanatory variable, indicating that the more socialistic a country was scaled, the higher levels of aid was provided by that country. Also total and social spending proved to be significant, while partisan orientation remained insignificant. Their overall findings were, however, that the

more social attributes a state has, the more generous they are in their development aid policies.

Chong and Gradstein (2008) observed that governments more left-oriented tend to give more in development aid, and therefore concluded that there is a statistical link between political positions of government and aid.

Further, Schraeder et al. (1998) suggest that the high levels of aid provided by Sweden, is related to the country's history of a dominating Social Democratic Party during the 20th century.

3.3.6 Wealth

Wealth is another variable suggested to affect to donor countries' levels of aid significantly. Chong and Gradstein (2008) found a significant relationship between richer countries and higher levels of aid, implying that richer countries devote a larger fraction of their budget to aid.

3.4 Hypotheses of the Study

Based on these earlier studies, this thesis makes assumptions about what variables that are affecting how much ODA a country gives.

The following hypothesis will be tested:

1. The theory states that countries with former colonies tend to give more to them in aid. This hypothesis suggest that countries that had colonies in modern times (during 20th century) would be more accustomed to support a developing country with aid, and consequently give larger amounts of aid today.
2. Solidarity is a motive that theory suggests has an impact on a country when it comes to aid-giving. This second hypothesis states that countries with population with a higher level of solidarity give more a higher fraction of their income as aid.
3. Based on theory, the level of public support for development aid affects a country's government in decisions of giving aid. The third hypothesis therefore suggests that a country with a higher level of public support will give larger amounts of aid.
4. According to theory, socialistic attributes, so called welfare policies, make a country more generous in their development aid policies. The last hypothesis therefore states that socialistic countries will give more in aid.

Trade and political strategies, which may have an impact on aid allocation, will be excluded from the analysis due to this paper's focus on the overall amount of aid, rather than the allocation of it.

4 Empirical Analysis

4.1 Method, Variables and Data

The data used in the regression are retrieved from different sources. Due to scarce statistics and vague variables, an accumulation of the same data for all countries was at times difficult, implying the possibility of an inexact data.

4.1.1 Official Development Assistance

In this thesis the statistics over the development aid are retrieved from OECD's databases over official development assistance (ODA). ODA is a term that OECD uses for grants and loans to developing countries and territories that are part of the Development Assistance Committee's (DACs) list of aid recipients. The grants or loans must be undertaken by the official sector, the main objective must be promoting economic development and welfare, and loans must undertake certain conditions (OECD, 2009b).

In the statistics from OECD, and the data used in the regression, all different terms of aid and assistance is always referring to ODA. The data of the ODA and gross national product (GDP) is shown in current US dollars.

4.1.2 Dependent Variable

As dependent variable, official development assistance expressed as a percentage of GDP is used (ODA_{perGDP}), indicating how much of the national income that is allocated as aid. The data of the ODA is collected from OECD (OECD, 2009a), while GDP is retrieved from the World Bank (2009). According to Noël and Thérien (1995), this provides "the best and most standard indicator of a donor's commitment to development assistance" (p. 524).

4.1.3 Explanatory Variables

The historical ties will be presented as a dummy variable, with countries ranked on whether they had a colony during the 20th century or not. The reason for choosing colonial possession after 1900 is due to the history of foreign aid. Older colonies are irrelevant for the study, since the test concerns the fact that having a history as colonial power might make it easier to give larger amounts of aid today. Further, the data only includes colonies that have been under possession during a longer period (Norway, Australia, and New Zealand are therefore excluded as colonial powers). 1 stands for a history as colonial power, and 0 refers to a history without colonies.

Solidarity is stated as a reason for countries to give aid (Jones et al., 2005; Riddell, 2007) but are difficult variables to assess. This made it complicated to find data including all countries and also to give the countries different rankings of solidarity. The data collected for the variable of solidarity is based on a survey conducted by the Gallup WorldView (2009). The question asked was whether people were satisfied with the efforts done to deal with the poor in the domestic country. The number of people not satisfied in the country was expressed in percentage points. This is used as a proxy for solidarity.

Public support is another variable difficult to determine. The data for this variable was partly collected from McDonnell et al. (2003) and partly from the Eurobarometer 222 (2005). McDonnell et al. partly used data from earlier versions of the Eurobarometer (1996 and 1998), which is now updated with a newer version (2005). The public support is measured from how important people find development aid, and the aggregate number of people finding it important or above (very important etc) gives a percentage unit showing how much public support for aid the country has.

The political ideology variables are assessed from rankings done by Esping-Andersen (1990). He conducted a study examining the level of conservatism, liberalism and socialism in 18 of the 22 OECD-countries. The levels that ranged from 2 to 12 are given in even numbers. Because of unavailability of data, Esping-Andersen's ranking was the best way to determine how "socialistic" a country is. The levels were given based on different aspects, including political governance, influence of power, and the degree of welfare state including paid work absence, pensions etc (Esping-Andersen, 1990).

Two control variables were included in the regression model; the level of conservatism and the level of liberalism. These variables were included as control variables to show and test a distinction between the effects from socialistic, conservative and liberal attributes within a country. GDP per capita was included to test the statement that richer countries give more in aid. The data over the populations was retrieved from the World Bank (2009). This variable was logged, since it stabilizes the variance and fitted better in the model (Aczel, 2009).

Table 4.1 Definition of the explanatory variables

Variables	Code	Definition
Colonial power	<i>CP</i>	Dummy variable, if the country has been a colonial power after 1900.
Solidarity	<i>SOL</i>	Public support in how the domestic country is dealing with the poor, the number that are dissatisfied.
Public support	<i>PS</i>	Public support for development aid.
Socialism	<i>SOC</i>	What level of socialistic attributes the country possesses.
GDP per capita (logged)	<i>lnGDPperCAP</i>	Log of GDP per capita.
Conservatism	<i>CON</i>	What level of conservative attributes the country possesses.
Liberalism	<i>LIB</i>	What level of liberal attributes the country possesses.

4.1.4 Descriptive Statistics

The descriptive data is presented in the table below (table 4.2) and shows an overview of the minimum and maximum values, the mean values, and the standard deviations of the variables.

Table 4.2 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ODAperGDP	44	.16	1.01	.45	.247
Colonial power	44	0	1	.50	.506
Solidarity	42	35.5	76.5	53.67	8.994
Public support	44	71	97	88.16	7.037
Socialism	36	0	8	4.00	2.438
lnGDPperCAP	44	9.82	11.54	10.63	.344
Conservatism	36	0	8	3.78	3.163
Liberalism	36	0	12	6.22	3.877

How large fraction of each country's GDP that is allocated as aid is shown in the table to be within the range of 0.16 to 1.01 percent (see appendix 3).

Because of the low number of observations (22 countries are members of the DAC), the regression is conducted over two years; 2006 and 2007. The only variables that differ between the years in the model are ODA, GDP and population (GDP per capita); the rest are assumed to stay constant over the two years.

There are a number of missing values within the data, which explains the different numbers of observations in the descriptive statistics. The regression will be run under the condition of ignoring the missing values. This may cause the results to be biased or inexact, but given that some of the data did not include all countries, this was inevitable and is taken into account when analyzing the results.

4.1.5 Correlations

The correlations between the dependent variable and the explanatory variables are shown in table 4.3. The table shows the strengths and directions of the linear relationships among all the variables, indicating that the direct effect of a variable can vary from the relationships presented in the regression output in table 4.4.

Table 4.3 Correlation matrix

	ODA	CP	SOL	PS	SOC	lnGDP	CON	LIB
ODA(perGDP)	1.000							
CP	-.174	1.000						
SOL	-.310*	.173	1.000					
PS	.443**	.101	.249	1.000				
SOC	.820**	-.277	-.181	.373*	1.000			
lnGDP(perCAP)	.670**	-.322*	-.252	.167	.474**	1.000		
CON	-.115	.285	-.056	.211	-.267	-.196	1.000	
LIB	-.528**	.291	.138	-.380*	-.435**	-.237	-.257	1.000

*. Correlation is significant at the 0.05 level.

**. Correlation is significant at the 0.01 level.

The strongest correlation is found between ODA and socialism, which is correlated at a significance level of 1 percent. Other strong correlations are ODA and the wealth of a country (GDP per capita), ODA and public support, both positively correlated, and ODA and liberalism, which have a negative correlation. At a significance level of 5 percent, also solidarity is negatively correlated with ODA. Among the explanatory variables, public support is correlated to a 5 percent significance level with socialism and liberalism, while socialism is also correlated positively with wealth and negatively with liberalism. The regression model presented in the next section is however tested for multicollinearity, which will be discussed further on.

4.2 Data and Model Description

The regression is build upon the following regression model:

$$ODA_{perGDP} = \beta_0 + \beta_1 CP + \beta_2 SOL + \beta_3 PS + \beta_4 SOC + \beta_5 lnGDP_{perCAP} + \beta_6 CON + \beta_7 LIB + \varepsilon_i$$

The method chosen for the regression model is an ordinary least square-model, which is one of the most popular and easiest methods of regression analysis. Since this paper is using only observed quantified estimators obtained from data, the regression line can easily be computed with an OLS-method (Gujarati, 2003).

The model is tested for multicollinearity by looking at the variance inflation factors and autocorrelation through a Durbin-Watson test; both are presented in table 4.4. Neither multicollinearity nor autocorrelation were detected.

4.3 Regression Analysis

The regression output shows the effects of the explanatory variables on the dependent variables from the overall model. The beta values show the effect of the explanatory variables on the dependent variable, and the standardized beta values show the weighting of the importance of the variables. In other words, the standardized beta values present what variables that have the greatest or smallest effect on the dependent variable. Below, also the regression's F-value and the value of R^2 are presented

Table 4.4 Regression output

Model		Unstandardized		Standardized		t	Sig.	VIF
		Coefficients		Coefficients				
		B	Std. Error	Beta				
1	(Constant)	-3.260***	.927			-3.517	.002	
	Colonial power	.101**	.044	.206		2.282	.030	1.685
	Solidarity	-.007**	.003	-.209		-2.544	.017	1.393
	Public support	.009**	.003	.251		2.729	.011	1.755
	Socialism	.051***	.010	.496		5.064	.000	1.983
	lnGDPperCAP	.299***	.092	.274		3.245	.003	1.476
	Conservatism	-.008	.007	-.107		-1.165	.254	1.731
	Liberalism	-.013**	.006	-.210		-2.245	.033	1.809
	N	44						
	R-square	.865						
	F-value	25.54		Durbin-Watson		1.898		

Dependent Variable: ODA in relation to GDP

***. Significant at the 0.01 level.

** . Significant at the 0.05 level.

*. Significant at the 0.1 level.

The strongest relationship was found between socialistic attributes and the levels of aid. This variable was significant at a 1 percent level with a standardized beta value of 0.496, indicating the greatest effect of all explanatory variables on the dependent variable. The relationship states that socialistic attributes affects the level of aid provide by the country positively. This confirms the last hypothesis of the study. The relationship can be explained by the standpoint of softening inequalities in the domestic country, as well as wanting to equalize the gap between rich and poor over the world. Another interpretation can be that a welfare state generous towards its population will tend to also be generous towards people in developing countries. Given that this data included a number of missing values, it is not possible to announce evidence of a strong relationship, but rather present a relationship under the conditions used for the regression model in this paper.

Furthermore, not surprisingly, the wealth of a country was shown to have an impact on the aggregate level of the aid provided by donor countries, and was significant at the 1 percent

level, ranked by the standardized beta values as the second largest effect on the dependent variable (.274). Since the variable was logged, the relationship states that a one unit increase in GDP per capita would lead to an approximately 0.3 unit change in ODA in relation to GDP.

The variable public support showed to be significant at a 5 percent level with the third largest standardized beta value (.251). This indicates that an increase in public support would affect the level of aid provided by the donor country positively. Thus the third hypothesis can be accepted. The relationship indicates that a higher level of public support will impact governmental aid policy decision on development aid positively, but whether a high level of public support is leading to higher levels of aid, or if the country allocating high levels of aid result in a higher level of public support is still ambiguous.

The colonial power variable was significant at a 5 percent level and had the fourth greatest standardized beta value (.206). The relationship concludes that being a colonial power during the 20th century affects the amount of development aid given by the country positively. This confirms the first hypothesis stated that a history of colonial power would affect the level of aid provided by donor countries. This relationship makes sense since the modern aid started with agreements between the colonial powers and the newly independent countries, where the colonial powers started to support their former colonies with aid. To have a history of aid-giving will therefore affect the country in providing higher levels of aid. In correlation to ODA, the colonial power variable however turned out negative (but not significant). The correlation did not change sign even though different models were tested, indicating that the variable itself correlated with aid does not have such a strong positive impact as it has together with the other variables in the model.

The proxy for solidarity – whether people were satisfied with the efforts made to deal with the poor in the domestic country or not – showed to have a negative effect on the amount of development assistance at a significance level of 5 percent with a standardized beta value of -.209. This can be explained in different ways. First of all, this proxy might have been too poor. Solidarity is difficult to measure, and when not having specific data the results may easily be questionable. Feeling solidarity with poor in the domestic country does not obviously imply feeling the same for poor in developing countries. Another way to interpret the negative result is to claim that people satisfied with the way the government deal with the poor live in welfare states with a wide social security system, concluding that a higher rate of unsatisfied people indicates a country with less welfare. The interpretation does not however hold as a proxy for solidarity. For this reason, no relationship between solidarity and levels of aid can be established within this paper. The second hypothesis therefore has to be rejected.

The level of conservatism showed to be not significant, but the liberal attributes a country possessed was shown to have a negative impact at a 5 percent significance level with a standardized beta value of -.210. This relationship was not stated as a hypothesis, but appeared when including liberalism as a control variable. The relationship indicates that the more liberal attributes that are included in a country, the less aid the country provides.

The overall regression generated an R^2 value of 0.865 which therefore shows a good fit for the whole regression model. The F-value of 25.54 concludes that the regression is statistically significant.

4.4 Residual Analysis

Based on the regression model presented earlier, a residual analysis is conducted and shown in figure 4.1 and table 4.5 below.

In figure 4.1, the unstandardized predicted values are plotted against the estimated values of the dependent variables, showing how countries would be expected to perform in relation to their actual performances.

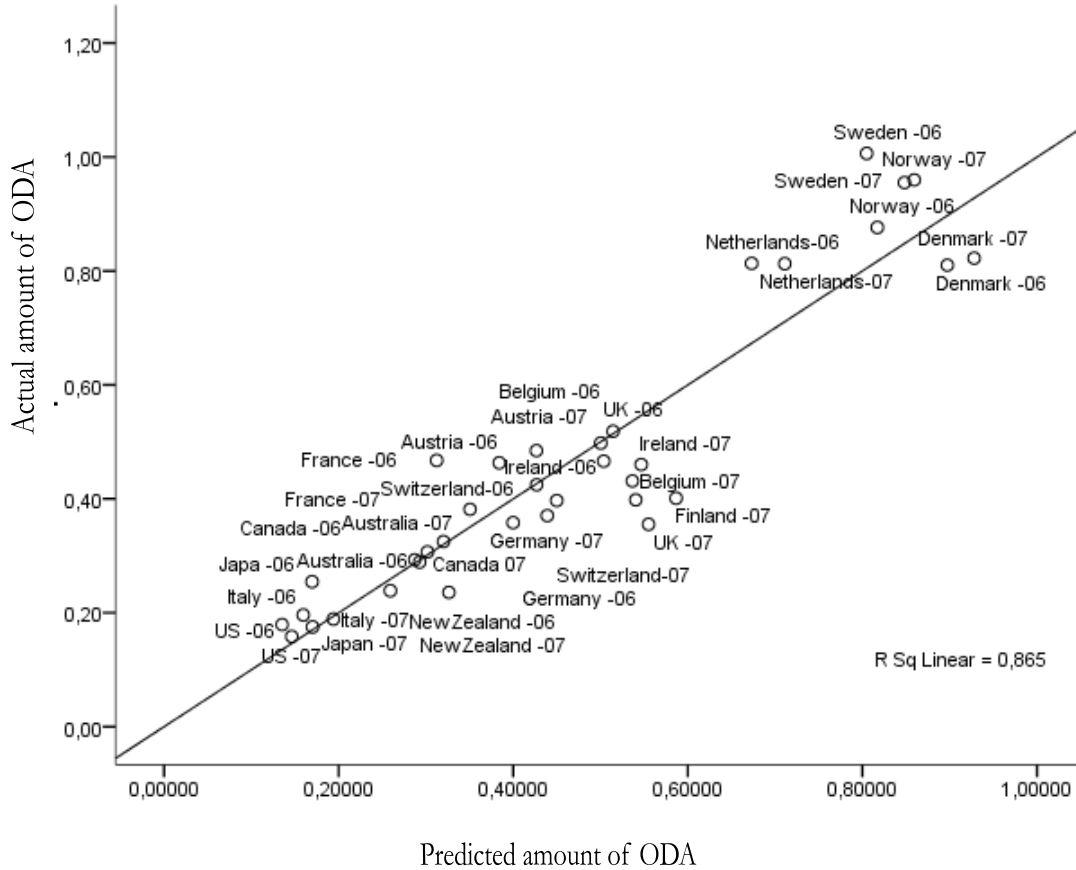


Figure 4.1 Residual analysis.

The residual analysis shows what countries that provide more or less ODA than predicted, based on the regression model. It does however not state that countries placed above the regression line provide too much in aid, and the countries that are beneath it provide too little. It is merely an indicator for how much each country is expected to provide, based on their variables in the regression model. Given that the country has a specific level of GDP, population, public support, rate of social attributes etc, and based on the other countries performances, what level of ODA is the country then predicted to have? The countries above the line provide more than expected under their current conditions and the countries below provide less than what would have been predicted from the regression model. The countries with missing values in the data are not presented in the analysis.

In table 4.5, the highest and the lowest values of the differences between the predicted and actual amounts of ODA are presented. The table shows some of the countries that perform better than expected or worse than expected, divided between the two years. The whole table is presented in appendix 2.

Table 4.5 Difference between actual and predicted ODA*

2006 – Highest values		2007 – Highest values	
Japan	+50.08%	Netherlands	+14.31%
France	+49.70%	Austria	+13.60%
United States	+32.47%	Sweden	+12.61%
Sweden	+25.03%	Norway	+11.69%
Italy	+22.96%	France	+8.88%
2006 – Lowest values		2007 – Lowest values	
Finland	-26.31%	United Kingdom	-35.99%
Germany	-10.42%	Finland	-31.62%
Denmark	-9.71%	New Zealand	-27.75%
New Zealand	-7.92%	Belgium	-19.61%
Ireland	-7.44%	Ireland	-15.80%

*. In relation to GDP.

The countries that provided the highest amount of ODA based on the predicted values were Japan (2006) and Netherlands (2007). Japan provided 50 percent more in ODA in 2006, than what would have been expected when taking all the other explanatory variables into account. The countries with the poorest performance, based on their predicted results, were Finland (2006) and United Kingdom (2007). In 2007, United Kingdom provided 36 percent less in ODA, than what would have been expected if looking at the country's other performances and variables, and other countries performances.

5 Conclusions

The purpose of this thesis was to analyze the factors that determine how much development aid a country gives. This has been done through a presentation of previous research and a regression analysis based on the variables found from the literature. Concluding the results, there are different factors affecting a country's aid-giving. It is difficult to establish exactly what makes some countries more willing to give aid than others, but this paper's empirical analysis suggest significant effects of socialistic attributes, the wealth of the country, history as colonial power, public support, and liberalistic attributes.

The level of socialism – or socialistic attributes – within a country is suggested to have a positive impact on the amounts of aid, whereas attributes of liberalism had a negative impact on the amounts of aid. Socialistic attributes was also the variable with the largest standardized beta value, implying the largest effect on the dependent variable among the explanatory variables. Also the wealth of the donor country was shown to positively affect the amounts of aid provided to a large extent. Public support was found to be positively related to aid, concluding that the level of public support also affect the level of development aid. Having a history of being a colonial power resulted in a positive effect on the overall amount of ODA given by a country, but only together with the other variables in the model. A relationship between solidarity and aid cannot be determined because of unavailability of data and poor proxy variables. To analyze this relationship more in-depth is a suggestion for further research.

It is difficult to test for trade and political strategies when looking at the overall amounts of aid, since these motives behind aid would result in a specific allocation of aid. When using the aggregate amounts of aid, this would not be shown at all, and was therefore excluded as factors from this thesis. It would however be interesting to also see further studies within this field.

When looking at data over the amounts given as development aid, the range varied from 0.18 percent of GNI to 0.98 percent of GNI (OECD, 2009b), indicating that there are great differences in how large fractions of the national income the DAC member countries choose to allocate as development aid. Since no institutions have created rules to follow (except from advisory goals from for example the UN), each country makes its own decision in how much aid to give. Sweden, Denmark, Norway, and the Netherlands give a high level of development aid when calculated as a fraction of their national income, while Greece, Japan, and the United States give a very low amount. The wealth of the country is not the only reason for the large differences, indicating that there must be other explanations. This thesis suggests that the level of aid is determined by wealth, history, political culture, and governmental decisions that appear to be influenced by public support.

Other suggestions for further studies are to focus more on case studies and find explanations for the large differences of ODA provided by the donor countries. Further examination of the common denominators of countries giving high or low amounts of aid might explain these differences.

References

- Aczel, A.D. (2009). *Complete Business Statistics*. New York: McGraw-Hill.
- Alesina, A. & Dollar, D. (2000). Who Gives Foreign Aid to Whom and Why? *Journal of Economic Growth*, 5, 33-63.
- Berthélemy, J.C. (2004). *Bilateralism and Multilateralism in Official Development Assistance Policies*. Working Paper presented at the Gains and Pains of Multilateralism Conference in Washington DC, October 2004. Retrieved on March 26, from <ftp://mse.univ-paris1.fr/pub/mse/cahiers2004/Bla04104.pdf>
- Berthélemy, J.C. & Tichit, A. (2004). Bilateral donors' aid allocation decisions—a three-dimensional panel analysis. *International Review of Economics and Finance*, 13, 253-274.
- Berthélemy, J.C (2006). Bilateral Donors' Interest vs. Recipients' Development Motives in Aid Allocation: Do All Donors Behave the Same? *Review of Development Economics*, 10(2), 179-194.
- Chong, A. & Gradstein, M. (2008). What Determines Foreign Aid? The Donor's Perspective. *Journal of Development Economics*, 87(1), 1-13.
- Dudley, L. & Montmarquette, C. (1976). A Model of the Supply of Bilateral Foreign Aid. *American Economic Review*, 66(1), 132-142.
- Easterly, W. (2006a). The Big Push Déjà Vu: A Review of Jeffrey Sachs's The End of Poverty. *Journal of Economic Literature*, 44, 96-105.
- Easterly, W. (2006b). *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York: The Penguin Press.
- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.
- Eurobarometer 222. (2005). *Attitudes towards Development Aid*. Retrieved on April 16, 2009 from http://ec.europa.eu/public_opinion/archives/ebs/ebs_222_en.pdf
- Eurobarometer 280. (2007). *Europeans and Development Aid*. Retrieved on April 16, 2009 from http://ec.europa.eu/public_opinion/archives/ebs/ebs_280_en.pdf
- Feeny, S. & Gillivray, M. (2008). What Determines Bilateral Aid Allocations? Evidence from Time Series Data. *Review of Development Economics*, 12(3), 515-529.
- Gallup WorldView. (2009). Retrieved on April 30, from <https://worldview.gallup.com/default.aspx>
- Gujarati, D.N. (2003). *Basic Econometrics*. New York: McGraw-Hill.

- Gunning, J.W. (2004). Why Give Aid? In *Development Aid: How and Why?* Towards strategies for effectiveness. Proceedings of the AFD-EUDN Conference. Retrieved on April 14, 2009 from <http://www.diplomatie.gouv.fr/fr/IMG/pdf/ND-22.pdf#page=48>
- Jones, S., Ridell, R. & Kotoglou, K. (2005). *Aid Allocation Criteria: Managing for Development Results and Difficult Partnerships*. London: Oxford Policy Management.
- Koeberle, S., Stavreski, Z. & Walliser, J. (Eds.) (2006). *Budget Support as More Effective Aid?: Recent Experiences and Emerging Lessons*. Washington DC: The World Bank.
- Krueger, A.O. (1986). Aid in the Development Process. *The World Bank Research Observer*, 1(1), 57-78
- Little, I.M.D. & Clifford, J.M. (2006). *International Aid: The Flow of Public Resources from Rich to Poor Countries*. New Jersey: Transaction Publishers.
- Lumsdaine, D.H. (1993). *Moral Vision in International Politics: The Foreign Aid Regime 1949 – 1989*. Princeton: Princeton University Press
- Noël, A. & Thérien, J.P. (1995). From Domestic to International Justice: the Welfare State and Foreign Aid. *International Organization*, 49(3), 523-553.
- McDonnell, I., Lecomte, H.B.S. & Wegimont, L. (Eds.) (2003). *Public Opinion and the Fight Against Poverty*. Paris: Organisation for Economic Co-operation and Development.
- Odén, B. (2006). *Biståndets idéhistoria – Från Marshallhjälp till millenniemål*. Lund: Studentlitteratur.
- OECD. (2009a). Retrieved on March 2, 2009 from http://www.oecd.org/glossary/0,3414,en_2649_33721_1965693_1_1_1_1,00.html#1965653
- OECD. (2009b). *Development aid at its highest level ever in 2008*. Retrieved on April 21, 2009 from http://www.oecd.org/document/35/0,3343,en_2649_34447_42458595_1_1_1_1,00.html
- OECD. (2009c). Development Co-operation Report 2009. *OECD Journal of Development*, 10(1).
- Olsen, G.R. (2001). European Public Opinion and Aid to Africa: Is There a Link? *Journal of African Studies*, 39(4), 645-674.
- Osei, R., Morrissey, O. & Lloyd, T. (2004). The Nature of Aid and Trade Relationships. *European Journal of Development Research*, 16(2), 354-374.
- Riddell, R.C. (1999). The End of Foreign Aid to Africa? Concerns about Donor Policies. *African Affairs*, 98, 309-335.
- Riddell, R.C. (2007). *Does Foreign Aid Really Work?* New York: Oxford University Press.
- Sachs, J. D. (2005). *The End of Poverty*. New York: The Penguin Press.

- Schraeder, P.J., Hook, S.W. & Taylor, B. (1998). Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows. *World Politics*, 50(2), 294-323.
- Smille, I. (1999). Public Support and the Politics of Aid. *Development*, 42(3), 71-76.
- World Bank. (2009). Retrieved on April 30, 2009 from
<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers>

Appendices

Appendix 1 – Member countries of the DAC

Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
United Kingdom
United States

Appendix 2 – Table 4.5

Difference between the actual amount of ODA* and the expected amount of ODA* in 2006

Japan	+50.08%
France	+49.70%
United States	+32.47%
Sweden	+25.03%
Italy	+22.96%
Netherlands	+20.83%
Austria	+20.62%
Norway	+7.26%
Australia	+2.08%
United Kingdom	+0.83%
Belgium	-0.47%
Switzerland	-0.52%
Canada	-1.32%
Ireland	-7.44%
New Zealand	-7.92%
Denmark	-9.71%
Germany	-10.42%
Finland	-26.31%

*. In relation to GDP.

Difference between the actual amount of ODA* and the predicted amount of ODA* in 2007	
Netherlands	+14.31%
Austria	+13.60%
Sweden	+12.61%
Norway	+11.69%
France	+8.88%
United States	+8.35%
Japan	+2.967%
Canada	+1.68%
Australia	+1.55%
Italy	-2.59%
Denmark	-11.38%
Switzerland	-11.75%
Germany	-15.60%
Ireland	-15.80%
Belgium	-19.61%
New Zealand	-27.75%
Finland	-31.62%
United Kingdom	-35.99%

*. In relation to GDP.

Appendix 3 – DAC-countries' aid-giving in 2006 and 2007

Amount of ODA given as a percentage of the country's GDP in 2007	
Australia	0.33
Austria	0.48
Belgium	0.43
Canada	0.31
Denmark	0.82
Finland	0.40
France	0.38
Germany	0.37
Greece	0.16
Ireland	0.46
Italy	0.19
Japan	0.18
Luxembourg	0.76
Netherlands	0.81
New Zealand	0.24
Norway	0.96
Portugal	0.21
Spain	0.36
Sweden	0.96
Switzerland	0.40
United Kingdom	0.36
United States	0.16

Amount of ODA given as a percentage of the country's GDP in 2006	
Australia	0.29
Austria	0.46
Belgium	0.50
Canada	0.29
Denmark	0.81
Finland	0.40
France	0.47
Germany	0.36
Greece	0.16
Ireland	0.47
Italy	0.20
Japan	0.25
Luxembourg	0.68
Netherlands	0.81
New Zealand	0.24
Norway	0.88
Portugal	0.20
Spain	0.31
Sweden	1.01
Switzerland	0.42
United Kingdom	0.52
United States	0.18
