

The Role of Foreign Aid in Promoting Democracy and Its Challenges: The Case of Ethiopia

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Abstract: This desk study, employing secondary sources of data obtained from various literatures, aims to assess the role of foreign aid in promoting democracy and democratic institutions, and the challenges to this end in Ethiopia. Aid Donors, especially western countries, used to set democracy, human right protection, freedom of speech and so on as a necessary precondition so that citizens and governments of developing countries could benefit from these aids. As various figures show, Ethiopia is one of the top beneficiaries of foreign aids mainly channeled from western countries, and these days, very recently, Chania's aids. However, there is a problem on the ethics of aid: From the side of recipient countries, usually the poor, the expected target, is not benefiting from these aids due to corruption where officials used to redirect these aids for their own political and personal gains. Besides, usually, opposition political parties and institutions like the Human Right Watch, Transparency International, etc...used to question the real goal of donor countries: "is it to strengthening democracy or promoting their geopolitical interests through these aids?" arguing that since these aids help strengthening oppressive rules of Ethiopia's government not promoting democracy and strengthening democratic institutions rather. Thus, donors shall make sure and devise a good checkup mechanism to realize whether the aid they are providing is used for its intended target or not, unless should either lower or cut their aid until the recipient country's (Ethiopia's) leaders change their behavior.

Keywords: democracy, democratic institutions, donors, ethics of aid, foreign aid

INTRODUCTION

Despite there are a number of definitions given to Foreign Aid by various authors, institutions and policy documents, most agreeably, a working definition of this concept comes from the Development Assistance Committee of the Organization for Economic Cooperation

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and Development which defines it as it includes three major elements: financial flows, technical assistance, and commodities of different forms. Foreign aids are: (1) devised to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) supplied either in the form of grants or subsidized loans (Riddell 2007). Even, the release of past (unpaid) loans of either our predecessors or former governments are to be treated as existing loans handed over to the current generations and governments with the duty to pay them so, and are, therefore, current aids (Easterly 2007). This measure is called net Official Development Assistance (n-ODA), and is included in the WDI (*Africa Development Indicators 2011*). Official Development Assistance (ODA) has two basic defining characteristics; firstly, it includes all kinds of transfers out sourced by public funds with at least a 25 % grant element, and secondly, these funds should channel so as to improve economic welfare humans beings. Note that! ODA does not include military aids and other forms of assistances that do not necessarily and primary aim to bring about social and economic development (OECD 2005). Historically, aid among countries was began in kind in the form of food to help countries facing shortage of food in the 19th century despite these aid were naturally colonial, politically motivated to establish oversea colonies elsewhere in Africa, Latin America and Asia (Moyo 2010).

In the 20th century, following the end of the WWII, starting from the Marshall Plan, Western foreign aid donors have endeavored to use aid to outline the politics and political institutions of recipient countries; foreign aid has almost always been highly politicized, flowing imbalance to developing countries with great strategic and political significance to donor states. There was a clear linkage to the Cold War rivalries, and donors used aid as a good means to expand their sphere of economic, political and ideological influence between the then fierce, arch foil and rivals forces, the USA vs. USSR. In this case, for instance,

... [I]t is generally agreed that a recipient country's ideological stance and acceptance to participate in a host of strategic alliances directed against the former Soviet Union and its allies were the driving forces of a foreign aid program that led to the transfer of nearly \$500 billion in funds from 1945 to 1995. (Accra 1995)

This aid failure occurred corresponding to the rise in neo-liberal global policies, is thought as a fully new paradigm of structural adjustment programs (SAPs) towards the stress on democracy, human rights and good governance in addition to the former goal-reduction of poverty (Belloni 2008). This was the period between the late 1990's to the early 2000's following the downfall of the Soviet Union the period marked the beginning of the use of conditional aid in Africa through SAPs implemented by the IMF and World Bank. African nation-states have been some of the largest recipients of this aid and adopted multi-party politics and most of the African country held symbolic multi-party competitive elections (Wille 1996). Nevertheless, very few have successfully executed democracy. The donors solution to this has been to keep up, and in some cases enlarge, funding under the assumption that change will in the long run occur, though, while politics has become less personalized and more institutionalized in the past two decades, the shift to multiparty politics has not led to a wave of consolidated democracies.

The same is true with regard to Ethiopia's case. The country has been depending heavily on foreign aid to finance its various development endeavors. For instance, Ethiopia receives approximately US\$3 billion in funds annually more than a third of the country's annual budget from external donors. Ethiopia is the world's second-largest recipient of total external assistance, after Indonesia and excluding wartime Iraq and Afghanistan. Foreign donors provide their support for Ethiopia. However, Human Rights Watch research shows that development aid flows through, and directly supports, a virtual one-party state with a deplorable human rights record. Ethiopia's practices include jailing and silencing critics and media, enacting laws to undermine human rights activity, and hobbling the political opposition (Adane 2015).

Controversies about aid effectiveness go back decades. Some experts charge that aid has enlarged government bureaucracies, perpetuated bad governments, enriched the elite in poor countries, or just been wasted. Others argue that although there are a number of problems with regard to ethics manifested in form of corruption, mixing up aid and political affiliation to get benefited from an aid etc... if properly utilized aid is one of the means that could help developing countries reduce poverty, promote democracy and strengthening democratic institutions in a meaningful way. Thus, this paper mainly aims to assess the role of foreign aid on democratization

processes and strengthening democratic institutions in Ethiopia and the challenges to this end. But what is the relationship between foreign aid and democracy? Does foreign aid promote democracy and strengthening democratic institutions? These and other related issues are addressed in this paper.

DEFINITION OF FOREIGN AID

There is no objective, universal and uniform answer to the question of what is it meant by “foreign aid.” Someone may come up with a number of definitions of this concept by reviewing various literatures. Various scholars, international institutions, and development and political documents define it differently from their own point of interests. One of the reasons for the subjective understanding and definition foreign aid emanates from its form. Despite aids are of different forms the most common one is official development assistance (ODA). This aid is the most crucial component of foreign aid in terms of its size and influence. OECD Development Assistance Committee equates foreign aid with ODA, and these two terms can be taken interchangeably. OECD Development Assistance Committee in its glossary defines ODA as follows:

...[G]rants or loans to developing countries which: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element of at least 25 per cent]... (Engle 2010)

In the Ethiopian economy context, according Ethiopia’s Ministry of Finance and Economic Development (MoFED) 2014 report, the meaning of aid is highly influenced by grant elements, one of OECD’s elements of ODA.

AN OVERVIEW OF FOREIGN AID IN ETHIOPIA

Ethiopia, also known as “The Federal Democratic Republic of Ethiopia,” is located in the Horn of Africa region in between 33-48 degree east longitude and 3-15 degree north latitude (Gebremariam and Feyisa 2017). It is the home for about 102 million population, more than 80 ethnic groups with their own respective languages and more than 200 dialects where the Oromo and Amhara ethnic groups constitute about 62% of Ethiopia’s total population (Karbo 2013).

Ethiopia is one of the “aid-dependent countries” where a significant of its capital to run its economy, delivery social services, make public

investments, do its normal day-to-day services etc is collected from aid. The history of foreign aid in the country is slightly similar to that of the history of international aid, which began in 1947 when the Marshall Plan was used to reconstruct war-torn economies of Europe. Ethiopia is known to have started receiving foreign aid, in its official form, in 1950 (OECD 2005) mainly supplied through World Bank. However, the nature of aid given to the country was not initially “civilized, permanent, well organized, and wider in scope” like the nature of aid we experience today (Ibid.).

In addition to being utilized for war and humanitarian crises, aid was given basically in response to Haile Selassie’s government quest for restoration and consolidation of the Ethiopian state, which was ruined by the five years Italian invasion (Ibid.). Furtado and Smith (2007) depicted that when Ethiopia first entered into relations with donors in the 1950s, it did so as a sovereign state one that had been established, in varying forms, for several hundred years with its own domestic governance structures. In this respect it was quite unlike most other aid-recipient countries, which began receiving aid upon independence in the mid-1960s, in a context of weak domestic policy-setting structures, and almost as an extension of colonial/mother-country relations.

Accordingly, during the later years of Haile Selassie’s reign, aid given to Ethiopia was slowly increasing as the West was building up good relations with the country; the latter was not ideologically hostile to the former. These relations were intensified after Ethiopia was found to be strategically important for the West in terms of military and security. One of the manifestations of these strategic relations is Ethiopia’s relation with the USA that has been there for many decades to promote its own interest in the Horn of Africa region, red sea and beyond (Ibid.). In fact, the nature of aid given to the country was basically used for infrastructural development and for the restoration and consolidation of the then time government. Later on, humanitarian assistance was given to rehabilitate the 1973/74 famine, which is known to have claimed the lives of so many Ethiopians.

For reason of ideology and poor human rights records, aid given to Ethiopia during the military regime was basically confined to humanitarian and relief purposes. For instance, the U.S. officially withdrew its voluminous support to Ethiopia in 1977 on account of the former Soviet Union’s establishment of officially declared relations with Ethiopia (Ibid.). After the Ethiopia People’s Revolutionary

Democratic Front (EPRDF) assumed political power in 1991, donors' relations with the country were renewed with greater energy and intensity. Accordingly, the scope, nature, aim/purpose and forms of foreign aid has been getting changed through course of time, and becomes a significant driven force for democracy, human rights and development.

Generally, donor partners to Ethiopia and the amount and type of aid that the country has received have been in the state of fluctuation with the passage of time. This was because these relations were not of reflections of historical ties that were currently maintained by other poor aid-recipient countries, which were formerly under the yoke of colonization by the imperial powers (Ibid.).

It is obvious that Ethiopia is one of the poorest countries in the world. This is one of the main reasons for the fact that it receives foreign aid, and ranked 171st out of 182 countries in terms of Human Development Index according to United Nations Development Programme (UNDP) 2007/08 United Nations' Human Development Report (United Nations Development Programme 2007/08). This implies that Ethiopia receives external assistance since it qualifies for the Highly Indebted Poor Countries designation. For this reason, humanitarian assistance has been the predominant one in contrast to the different forms of aid that the country has received (DAG-Ethiopia 2010). The country receives this form of aid, especially at times of natural calamity. In addition, this type of aid goes to Ethiopia to rehabilitate the country after crises and political turmoil.

In fact, it is hard to speak with certainty about the volume of development assistance Ethiopia receives because, as in many aid-recipient developing countries, much financing is provided outside of official government channels (OECD 2005). The overall ODA inflow to Ethiopia has been increasing steadily from the 1960s onwards. However, as Dessalegn and Ayenew (2004), argue that assistance to democratization in the country is negligible and has been getting insufficient especially since the mid1990s. One basic reason for this problem is that donors have the usual practice to reinstate their direct budget support and rely on overall development activities when they encounter unconvincing democratic governance trends (as was evident in the post-2005 national elections popular unrest (Furtado and Smith). Therefore, support for this area is discouraging.

Multilateral and DAC member bilateral donor countries had inverse relations from 2004 to 2008 and intersected each other slightly in

2007, with the latter providing the highest volume of assistance before and after 2007. Generally speaking, donors' policy toward Ethiopia is shaped by some factors, including the level of the country's poverty, with a significant number of people struggling to feed themselves year after year, the strategic position of the country as a peaceful and stable state in the Horn of Africa, and though subject to contention, the encouraging economic growth that Ethiopia has made to reduce poverty and unemployment (Human Rights Watch 2010).

THE NEXUS BETWEEN FOREIGN AID AND DEMOCRACY

Aid to support democracy has grown twenty-fold since 1990. Many foreign aid donors include the promotion of democratic government as a major goal of their aid programs. The U.S. Agency for International Development alone spends more than \$700 million annually on democracy-related programs, including elections support, the strengthening of parliaments, judiciaries and political parties, and fostering the growth and power of civil society organizations such as labor unions and women's and human rights groups (Carothers 1999). Even when awarded for other purposes, aid can promote democracy indirectly by "modernizing" societies. Literacy and increased incomes are key aspects of modernization often believed to increase the demand for democratic government (Lipset 1959).

However, there is no complete agreement among scholars regarding the link between aid and democracy. Much of the literature on aid and democracy has resulted in contradicting findings. The optimistic view of foreign aid sees aid as holding the power to make dictatorships into democracies. Goldsmith (2001), puts forward more aid is associated with more political freedom, civil liberties and economic freedom (Goldsmith 2001). Similarly, as Dunning (2004), stipulates that "aid improves democracy in recipient nations in the post-Cold War period." He points to several ways from side to side that may assist aid to be able to do this. The first way is through providing technical assistance and other support to developing countries that strengthen their judiciaries and legislatures. If a targeted aid can strengthen opposing branches of government in politically centralized developing countries, it can check the executive's power by diminishing autocratic control.

The technical assistance devoted to helping organize democratic elections and supporting election infrastructure, such as providing security at voting locations, monitoring election-day activities, and providing external observers who can certify the legitimacy of

electoral outcomes, may also improve recipient countries' democracy. As Knack (2004) stated aid potentially can contribute to democratization in several ways: through technical assistance focusing on electoral processes, the strengthening of legislatures and judiciaries as checks on executive power, and the promotion of civil society, organizations, including a free press as well as through conditionality and by improving education and increasing per capita incomes, which research shows are conducive to democratization. He added that aid may be given with specific political conditions attached that could lead to reform specific institutional impacts. Brautigam (2000) argues that aid might be used, for instance, for the improvement of civil services in the recipient country, in the strengthening of the country's policy and planning capacity, or in the establishment of strong, central institutions all of which might result in an improvement of governance. On the other hands the pessimistic view of foreign aid sees aid as holding the power to make democracies into dictatorships. Boone (1996) stated that while aid does boost government consumption, this does not typically benefit the poor because money is wasted on white elephant projects, military equipment, and other expenditures that provide opportunities for graft, but do not typically generate any meaningful income to service the loan or to bolster growth.

Similarly, various scholars and aid practitioners have also argued that foreign aid can undermine democratic government. Friedman (1958) has argued that foreign aid is unfavorable to civil liberties and democracy. Because most aid goes to governments, it tends to strengthen the role of the government sector in general economic activity relative to the private sector. Democracy and freedom, Friedman and others have argued, are less likely to emerge and to survive where most economic activity is organized by the public sector. Other scholars have argued that aid potentially weakens governmental accountability, by retarding development of a healthy "civil society" underpinning democracy and the rule of law. Aid may also encourage coup attempts and political instability, by making control of the government and aid receipts a more valuable prize (Grossman 1992), reducing the prospects for democratic governance. Furthermore, some findings show that foreign aids open gate for corruption and rent seeking behaviors on the side of the officials of receipt countries, and aggravate sense of "I am not benefiting from theses aids but other ethnic groups do" in ethnically heterogeneous countries unlike in ethnically homogeneous countries. From this can,

we deduce that our country is also under the sever influences of aid outcomes, because she is the home of diverse ethnic groups. In light of these various arguments, thus, analyses are needed to determine whether on balance aid promotes, undermines, or has no impact on democracy.

THE ROLE OF FOREIGN AID IN STRENGTHENING DEMOCRATIC INSTITUTIONS IN ETHIOPIA

Donors' strategy toward Ethiopia, which was tightly controlled during the military regime, has relatively enjoyed hot reception ever since EPRDF's ascendance to political power in 1991. However, as compared to other form of foreign aid like aid for military security purposes, the amount and scope of assistance for democratization process and strengthen democratic institution in Ethiopia democracy assistance are insignificant EPRDF's period. According to Dessalegn and Ayenew, it is difficult to get cumulative figures on democracy assistance to Ethiopia and distinguish with certainty what has gone to governance programs and what to non-governance programs. One basic reason is that assistance to this area is widely channeled through NGOs or civil society organizations in general. Secondly, donors give very little attention to this area and this is reflected when they shift their concern and support from this area to other development and humanitarian issues, particularly in crises situations. For instance, following the 2005 political turmoil, the World Bank and donor partners in the Development Assistance Group stopped their direct budget support to the Ethiopian government in favor of Protection for Basic Services assistance to such five sectors as roads, health, education, water, and agricultural extension (Furtado and Smith). The reason for this basic shift of emphasis is associated with the post-election. Currently, a more formal and institutionalized democracy assistance is provided by Democratic Institutions Program. The program, a conglomerate of bilateral and multilateral donors started in 2008, is a five-year program coordinated by the UNDP with an objective of supporting key democratic institutions that play a role in strengthening institutional frameworks of democratic governance. Thirteen donors provide assistance, through Democratic Institutions Program, to key democratic institutions in the country. And, the democratic institutions supported by DIP include the Ethiopian Human Rights Commission, the National Electoral Board of Ethiopia, the Ethiopian Institute of Ombudsman, the Federal Ethics and Anti-

Corruption Commission (FEACC), House of People's Representatives and Regional State Councils, House of Federation and SNNPR Regional Council of Nationalities, and the Office of Auditors General and Regional Offices of Auditors General (Democratic Institutions Program 2011). Through enhancing the capacity of these institutions to be effective, sufficient and responsive in promoting and protecting the rights of citizens and through empowering citizens to be active and effective participants in the democratic process, Democratic Institutions Program is doing a more or less good job so as to help the country promote human rights and democracy.

Most importantly, as a leading UN agency for promoting democratic governance, UNDP is playing a key role towards the realization of Millennium Declaration principles and deepening and widening democracy in the country through a number of programs and projects that actually support the capacity of these democratic institutions. These programs and projects are implemented within the context of the UN-wide Good Governance Program as stipulated in the United Nations Development Assistance Framework, which emphasizes the principles of promoting good governance that are underscored in the Plan for Accelerated and Sustainable Development to End Poverty (Ibid.). And the assistances to facilitate the democratization process of Ethiopia, the foreign aids supplied for human rights and advocacy trainings, judicial sector reform and conflict mitigation, trainings to journalists, support to political parties and electoral assistance, support to the media, financial and capacity building support to the democratic institutions, and the like. With regard to conflict mitigation, the USAID is a major donor partner concerned with improving, in collaboration with the Ministry of Justice, the judicial sector by providing trainings for federal and regional courts and police officials in the context of international and national human rights law and institutional administrative regulations and helping mitigate conflicts in different areas, like Somali, SNNP, Oromia, in different Universities and other areas.

Although insignificant, Democratic Institutions Program (DIP), development assistances, globally, has achieved some outcomes despite they are not up to the needed level or amount. And, the Democratic Institutions are more or less discharging their responsibilities thereby investigating and resolving human rights violations, corruption, and maladministration cases in developing countries. For instance, in the first half of 2010 alone, the Federal

Ethics and Anti-corruption Commission (FEACC) was able to retrieve 78,650 m² of land in Addis Ababa, Ethiopia, that rent seekers held without due process or illegally (Ibid.). During the same period, the Commission retrieved and deposited into government's treasury a sum of Ethiopian Birr 7,532,494 embezzled by individuals (Ibid.).

Basically, the Commission's effort in fighting corruption has been supported by the promulgation of the Asset Registration Proclamation. In this regard, Prime Minister Meles Zenawi was the first to register his assets to give the necessary impetus for the implementation of the Proclamation (Ibid.). Although a welcome initiative, FEACC's task is criticized very much by the public for one outstanding reason. It is said that FEACC is not free from political interventions coming both from within it and outside. In other words, it is controlled by self-serving ruling elites and, thus, could not dare to continuously register and publicize the personal assets and belongings of this group of people. Therefore, its activities are not being carried out in the public domain.

Another outcome of aid in Ethiopia is the achievements made by the National Electoral Board of Ethiopia in the May, 2010 parliamentary elections, it is stated that the Board mobilized and registered a total number of 31,926,520—in contrast to 25,000,000 voters registered for the 2005 parliamentary elections (15,252,240 (47.8%) female and 16,674,280 (52.2%) male) citizens for voting.

CHALLENGES FOR THE INEFFECTIVENESS OF AID IN THE PROMOTION OF DEMOCRACY IN ETHIOPIA

Though there is an ongoing debate and subjectivity on the impact of foreign aid for promoting democracy and strengthening democratic institutions in developing countries of the global south in general, and Ethiopia in particular, but one can realize that despite it is not up to the required amount, aid play a important role in the democratization process of a country if employed and properly managed to that end with good will and full heart.

As we have discussed before our country, Ethiopia, is one of the largest aid recipient country in sub-Saharan Africa, however the foreign aid not bring an anticipated outcomes regarding democratization process. However, the ineffectiveness of aid in the promotion democracy in Ethiopian is not something emanate from vacuum, rather there are challenges that undermine its effectiveness.

Among others, there are some basic challenges to Democratic Institutions Program assistance (Ibid.). These include for example

awareness problem, i.e. the lack of knowledge and understanding, especially on issues of human rights and democracy both on the part of the Ethiopian people and implementing institutions; maladministration practices; and financial deficits and technical and operational facing IPs during election time.

Currently, such challenges for democratization drive seem to have been exacerbated by the emergence of dominant party system and the government's heavy reliance on using the country's resources for overall development activities, which appears to make democracy incidental. This has now become evident, especially in the government's extensively stretched development agenda centered on the construction of Grand National Dam–Ethiopia's Renaissance Dam, which is now underway. Aid coordination in Ethiopia is carried out by the Ministry of Finance and Economic Development, particularly through its Department of Economic Cooperation (Ibid.).

In addition, assistance is not given to the IPs overnight; instead, it is provided regularly till the end of the Democratic Institutions Program every five years. Generally, Democratic Institutions Program, which is five year assistance to the IPs, is administered to strengthening the IPs on the basis of the above institutional framework. However, given the fact that donors' support basically goes to governmental institutions, the basic problem lies here in the confusion that whether donors are really concerned about democracy to be maturing in Ethiopia and have addressed the allegations that their aid to the country is one-sided, *i.e.*, helping the ruling party to stay in power while the regime is at ease with them. The rent-seeking practice of higher official is also another challenge for its effectiveness of aid in the promotion of democracy. Moreover, clear, practicable, and mutually agreed upon mechanisms are still lacking.

CONCLUSION

From this paper we can conclude that there is the absence of complete agreement among scholars regarding the link between aid and democracy. Much of the literature on aid and democracy has resulted in contradicting findings. The supporter sees aid as holding the power to make dictatorships into democracies. They argue that aid improves democracy in recipient nations in the Post-Cold War period. Other scholars, from the other side of the point argue that that there is a probable potentially foreign aid would weakens governmental accountability and transparency in which a government may come up

with various mechanisms like making laws and making sophisticated bureaucracy that would weaken or slow development of civil societies that would question government acts. Aid may also encourage coup attempts and political instability, by making control of the government and aid receipts a more valuable prize, reducing the prospects for democratic governance.

In some cases aid may not make any difference on the democracy outcome. In others, it has been indispensable in providing the time, space, resources, and guidance for a new democratic order to gain footing. Importantly, aid's effect on democracy may occur through multiple channels: directly through democracy promotion assistance; indirectly through economic assistance and policy reform that foster economic dynamism and the contributions to social and political stability this brings; and contextually by shaping the environment for reform through incentives. Similarly, it is not just aid but external engagement more broadly that helps shape a global, regional, or national environment that is more conducive to democratization. Peacekeeping forces, trade, investment, and security interests also influence this environment. Even so, in no case is external engagement, by itself, sufficient. Democracy, by definition, demands self-governance. Regardless of how well targeted and timely external efforts may be, democratic advancement and consolidation is ultimately reliant on the commitment to democratic values and principles by domestic actors. Unless and otherwise even if foreign aid pouring like rain in the recipient countries, it has no guarantee for promotion of democracy. Thus, the Ethiopia government fight rent seeking within and properly utilizes the aid for the targeted goals and the donors also follow up its implementation and swept the challenges for effectiveness of aid otherwise aid become just like throwing butter on the fire.

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