



**ADDIS ABABA UNIVERSITY**  
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**The Nexus between Aid Conditionality and Development:**

**The Case of Post Imperial Ethiopia**

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This is to certify that the thesis entitled “The Nexus between Aid conditionality and Development: The Case of Post Imperial Ethiopia” prepared by Blen Gebru and submitted to Center for African and Asian Studies in partial fulfillment of the requirements for Master of Arts Degree in African Studies, Specialization in Human and Economic Development in Africa, complies with the regulations of the University and meets the accepted standards with respect to Originality and Quality. Approved By Board of Examiners.

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## **ABSTRACT**

This research sheds light on the intricate dynamics between aid conditionality and development, focusing on Ethiopia as its primary case study. The study identifies instances where aid conditionality has either fostered or impeded development and aims to delve into the underlying reasons behind these outcomes. Moreover, it proposes potential enhancements to aid conditionality policies to better align with the unique context and challenges faced by Ethiopia, thus facilitating its development trajectory. Employing a qualitative methodology, this research offers a comprehensive exploration of how aid conditionalities influence development from the perspective of those directly affected. Through in-depth interviews with carefully selected experts, the collected data undergoes thorough analysis, revealing a nuanced picture of the consequences of aid conditionality. The findings underscore that while aid conditionality has yielded both positive and negative effects on development, it primarily serves the interests of the donor, often at the expense of the recipient country's developmental needs. This disconnect between theoretical conditions and on-the-ground realities highlights the need for more tailored and effective approaches. This study's significance lies in its potential to inform more targeted and efficient aid programs that foster sustainable economic growth and development in Ethiopia. By offering insights into the varied influences of aid conditionalities across different sectors of the economy and their long-term ramifications, it contributes to a deeper understanding of development dynamics. Despite the complexities of Ethiopia's relationship with Western donors, this research aims to advance understanding by addressing the knowledge gap surrounding political conditionality. Through its novel findings and recommendations, it provides valuable guidance for both researchers and policymakers grappling with these issues in the Ethiopian context.

### **Key Words**

Aid conditionality, Development, donor-recipient relationships, Ethiopia, policy reforms

## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>ACP</b>	<b>African, Caribbean and Pacific</b>
<b>AU</b>	<b>African Union</b>
<b>BRICS</b>	<b>Brazil, Russia, India, China and South Africa</b>
	<b>Convention on Climate Change</b>
<b>COP26</b>	<b>26<sup>th</sup> Conference of the Parties to the United Nations Framework</b>
<b>EPRDF</b>	<b>Ethiopian People’s Revolutionary Democratic Front</b>
<b>EU</b>	<b>European Union</b>
<b>LGBTQ</b>	<b>Lesbian, Gay, Bisexual, Transgender, Queer</b>
<b>MDGs</b>	<b>Millennium Development Goals</b>
<b>MFN</b>	<b>Most-Favored-Nation</b>
<b>NGO</b>	<b>Non-Governmental Organization</b>
<b>NT</b>	<b>National Treatment</b>
<b>OAU</b>	<b>Organization of African Union</b>
<b>ODA</b>	<b>Official Development Assistance</b>
<b>OECD</b>	<b>Organization for Economic Co-operation and Development</b>
<b>PRSP</b>	<b>Poverty Reduction Strategy Paper</b>
<b>PSNP</b>	<b>Productive Safety Net Program</b>
<b>QPC</b>	<b>Quantitative Performance Criteria</b>
<b>SAP</b>	<b>Structural Adjustment Program</b>
<b>SDGs</b>	<b>Sustainable Development Goals</b>
<b>USAID</b>	<b>United States Aid</b>
<b>WB</b>	<b>World Bank</b>
<b>WTO</b>	<b>World Trade Organization</b>

# CHAPTER ONE

## Introduction

### 1.1. Background of the Study

Foreign aid has long been a crucial instrument in the global effort to foster development and reduce poverty in less developed countries. Over the years, billions of dollars have been channeled into these countries with the aim of stimulating economic growth, improving social welfare, and promoting good governance. One common practice in the disbursement of this aid is the use of conditionality, where donors set prerequisites that recipient countries must meet to receive the aid. Aid conditionality can take various forms, including policy reforms, governance changes, or specific project outcomes. The underlying premise is that by tying aid to certain conditions, donors can ensure that the aid is used efficiently and effectively, thereby maximizing its impact on development. However, the effectiveness of aid conditionality in promoting development is a subject of ongoing debate. While some argue that conditionality ensures accountability and promotes necessary reforms, others contend that it can undermine local ownership, distort national priorities, and lead to unsustainable changes.

In this study, the terms ‘aid conditionality’ and ‘political conditionality’ are used interchangeably. Both terms refer to the practice of donors setting political prerequisites that recipient countries must meet to receive aid. The definition Aid conditionality refers to the conditions attached to the aid provided to recipient countries to improve aid efficiency (Morrissey, 2013). According to (Stokke, 1995), political conditionality has two phases; the first one is more focused on the economic policy of the recipient country. Phase one is known to be related to the structural adjustment programs (SAP) driven by International Monetary Fund (IMF) and World Bank (WB) which works towards liberalizing the recipients’ market. The second phase is more focused on political reform including human right, democracy and good governance of the recipient countries. SAP is a response to the African economic crisis in the 1970s a decade after the independence. SAP can be considered as the early beginning of attaching conditionalities by pushing neoliberal policies (Heidhues & Obare, 2011). Aid conditionality is also defined as to use aid as a weapon to secure the political interest of donor states (Baylies, 1995). Political conditionality puts the issue of human right first at the cost of

sovereignty of states at large, which is different ideology of the 1960s of national sovereignty (Robinson, 1993). Political conditionality is not always agreed upon by both parties (donor and recipient), rather it can be giving up self-interests in order to benefit economically (Smith, 1998).

Political conditionality can be used as leverage by the donors either as a precondition before establishing any relationship with recipient countries or it can be used to enhance or reduce the existing relationship depending on the fulfillment of the conditions agreed upon. The first condition is called *ex ante* and the latter is *ex post* (Stolz et al., 1996). Political conditionalities can either prize or sanction the recipient countries, depending on their performance and achievements (Selbervik, 1999). According to Selbervik (1999), there are levels to political conditionality starting from macro to micro level; ranging from national level to administrative level. This study will be more focused on national level.

According to (Kanbur, 2000) aid has failed in Africa and so does conditionality due to the reason that the unfavorable conditions for development in the continent. Many scholars argue that good governance is a precondition to development, therefore the effectiveness of aid depends on the recipient countries (Molenaers et al., 2015). Out of the 17 sustainable development goals set by all member countries of the United Nations (UN), the 16<sup>th</sup> ‘Peace, Justice and strong institutions’ entails the importance of good governance and peaceful environment are essential tools towards the road to development.

Ethiopia has had a good relationship with its donors and continued to be one of the biggest aid receivers in the continent. Ethiopia receives structural, humanitarian and emergency aid both in cash and in kind. The aid flowing to the country is mostly attached to political conditionalities, with the exception of China, which bears no condition regarding issues such as human rights (Finnegan, 2016).

Situated at the Horn of Africa, Ethiopia has long held strategic significance due to its geographical location. Prior to Eritrea's independence in 1991, Ethiopia was at the heart of the primary shipping route for oil from the Persian Gulf to Europe and the United States (US). Despite losing access to this crucial shipping route post-1991, Ethiopia's importance has not diminished. It continues to be regarded by Western countries as a key ally in maintaining peace and stability in the Horn of Africa. This enduring role underscores Ethiopia's strategic relevance

in the region, irrespective of changes in its geopolitical circumstances. This strategic positioning has bolstered Ethiopia's ability to withstand Western pressures pertaining to political conditionalities.

The examination of aid conditionality in Ethiopia necessitates a historical perspective, particularly focusing on the last three regimes: Emperor Haile Selassie (1930-1974), the Derg (1974-1991), and the Ethiopian People's Revolutionary Democratic Front (EPRDF) (1991-2018). Under the reign of Emperor Haile Selassie (1941-1974), Ethiopia was a significant ally of the US and heavily relied on USAID. However, following the fall of the Imperial regime, Ethiopia realigned its alliances amidst the Cold War dynamics and became a prominent recipient of aid from the Soviet Union, primarily due to its endorsement of the communist ideology (Broich, 2017). During the Derg regime (1974-1991), Ethiopia was one of the top aid recipients, especially during the drought periods between 1975 and 1990. This was largely due to the Lome conventions, which facilitated aid flow to the country.

The era of the EPRDF (1991-2018) marked a peak in Ethiopia's foreign relations with the Western world, primarily due to its growing strategic importance in the Horn of Africa. Despite allegations of human rights violations, electoral fraud, and governance issues, Ethiopia continued to receive aid. The country was not only responsive to the World Bank's directives on economic reforms but also played a leading role in peacekeeping efforts against extremist Islamic movements (Brown & Fisher, 2019).

Interestingly, during the Ethio-Eritrean war, despite extensive Western media coverage and calls for a ceasefire, the conflict persisted for over two years. Contrary to expectations, aid to both countries continued, with the notable exception of Norway, which froze its aid (Borchgrevink, 2008). This highlights the complex dynamics of aid conditionality and its interplay with geopolitical considerations. The party that succeeded the EPRDF, established in 2019, initially maintained a harmonious relationship with its international donors. However, this relationship was strained following the outbreak of conflict in the Tigray region. The conflict, which erupted in 2020 over a local election dispute, led to reported human rights violations that drew international concern. In response to the escalating situation, the US imposed a series of measures including sanctions, trade restrictions, and visa limitations. These actions underscored the international community's growing concern over the situation in Tigray and marked a

significant shift in Ethiopia's relations with its donors (Murrar & White, 2022). Bearing these facts in mind, this study will assess the relationship aid conditionality has with the Ethiopian nation development endeavors and further attempts to scrutinize the policy with historical perspective.

## **1.2. Problem Statement**

Despite the significant amount of foreign aid funneled into developing countries with the aim of fostering economic growth and development, the effectiveness of aid remains a contentious issue. Several African countries including Ethiopia are still classified as developing country, therefore we could ask is aid for survival or development? Aid conditionality, the practice of donors setting prerequisites for recipient countries, is often seen as a mechanism to ensure the efficient use of aid. However, there is a growing body of literature suggesting that these conditions may not always lead to the desired outcomes, and in some cases, may even hinder the development progression. The problem is the potential ineffectiveness of aid due to conditionality, particularly in the context of Ethiopia. This is a problem because if aid is not leading to desired developmental outcomes due to stringent or inappropriate conditions, it could lead to missed opportunities for development, and continued economic struggle for the country.

While foreign aid significantly impacts Ethiopia's development trajectory, examining the aid conditionality on the country can further enhance insights into policy choices, fiscal sustainability, and macroeconomic stability. Understanding how aid interacts with domestic policies is also essential. Moreover, Ethiopia's policy autonomy while receiving aid and the long-term sustainability of development efforts are critical considerations. Investigating aid conditionality informs effective decision-making, ensuring positive outcomes for Ethiopia. The intricate relationship between aid conditionality and development, with a particular emphasis on understanding how conditionality influences the effectiveness of aid in Ethiopia is a subject under studied.

While there are studies on the impact of aid conditionality in general, the specific context of Ethiopia, with its unique political, economic, and social dynamics, is under-studied. For instance, Molenaers et.al. (2015), study highlights the importance of attaching conditionalities to aid, it does not specifically focus on Ethiopia. This lack of focus fails to account for the unique

political, economic, and social dynamics that characterize Ethiopia's interaction with foreign aid and its donors. This gap is evidenced by the lack of comprehensive studies focusing on Ethiopia's interaction with donors and the impact of aid conditionality on its development trajectory. Burnside and Dollar's (2000) study propose that aid could be more impactful if it were systematically conditioned. However, it may not have fully considered the complexities of a nation's interactions with donors, including the country's policy autonomy while receiving aid, the long-term sustainability of development efforts, and the potential impacts of violating conditionality terms. Another study by Morrissey (2004), evaluates aid by its influence on policy choices and the recipient's willingness to implement reforms, it relies heavily on quantitative data, which may not fully capture the nuances and complexities of aid conditionality. This could limit the depth of understanding about the real-world impacts of aid conditionality on Ethiopia's development trajectory. On the other hand, Hansen & Borchgrevink (2006) and Gebregzabiher's (2006) studies argue that sanctions imposed when violating conditionality terms in most cases hurt the civilians instead of the governments violating the terms and that imposing conditionalities without the consent of the recipient countries can lead to aid ineffectiveness. However, there is a lack of comprehensive analysis on how aid interacts with domestic policies in Ethiopia, which is crucial for understanding the effectiveness of aid.

The problem is conceptualized as a disconnect between the intended purpose of aid and its actual impact, influenced by the conditions attached to it. It is operationalized by examining the relationship between aid conditionality and development outcomes in Ethiopia, considering factors such as policy choices, fiscal sustainability, and macroeconomic stability.

In order to address these limitations, this research proposes to conduct interviews with purposefully selected experts in the aid sector. This qualitative approach will allow for a deeper understanding of the complexities and nuances of Ethiopia's situation. It will also enable the exploration of the rationale behind Ethiopia's interactions with donors, providing insights that quantitative data alone might not reveal. This approach aims to fill the knowledge gap in the literature and contribute to more effective decision-making in aid provision to Ethiopia.

### **1.3. Research Questions**

In order to explore and understand the concept of political conditionality in the Ethiopian context and its consequence towards development goals set globally this study asks the following specific questions: -

1. How are conditionalities implemented in Ethiopian context?
2. What effects do conditionalities have in national development goals?
3. What lessons can other African countries learn from the experience of Ethiopia when dealing with aid donors/politics?

#### **1.4. Objective of the study**

The general objective of the study is to explore whether political conditionality is aligned with the development goals Ethiopia follows and find out if conditionalities contribute to Africa's development goals.

The specific objectives of the study are the following:

1. To explore the relationship between aid conditionality and development.
2. To analyze how aid conditionality influences the development process in recipient countries, with a specific focus on Ethiopia.
3. To find out where aid conditionality has hindered development, and to understand the reasons behind these outcomes.
4. To propose ways in which aid conditionality policies could be improved to better support development in Ethiopia, taking into account the country's unique context and challenges.

#### **1.5. Significance of the study**

Brown and Fisher (2019) stated that Ethiopia has a good relationship with western donors. This is due to the country's political and economic ideology. Moreover, its role in peace keeping in the Horn of Africa gave it a positive association with donors. This relationship barely fractured

even in the worst conditions such as Ethio-Eriteria war, the 2005 flawed election, and internal conflicts that has happened from time to time (Biondo, 2011).

A profound assessment of the nexus between aid conditionalities and development goals of Ethiopia can help us understand imperative questions such as: What are the most effective types of aid conditionalities? How do aid conditionalities affect different areas of the economy? What are the long-term effects of aid conditionalities on a country's development?

Therefore, understanding this study can help policymakers formulate and design more effective and efficient aid programs that promote sustainable economic growth and development in Ethiopia. It can also help donors fathom how their aid is being used and analyze the effectiveness and efficiency of the policy, and how it is contributing to the recipient country's long-term development goals. Hence, this study will advance the understanding of these notions and realities, in the Ethiopian contexts by filling the knowledge gap about the issue of political conditionality by providing new findings and provisions for researchers and policy makers.

## **1.6. Scope of the study**

This study is designed as a focused exploration into the influence of aid conditionality on development goals, with a specific emphasis on the context of Ethiopia. The choice of Ethiopia as the case study provides a unique perspective due to the country's specific socio-economic and political context. As a recipient of international aid, Ethiopia's development trajectory has been shaped, in part, by the conditions attached to this aid. By examining this relationship within the Ethiopian context, the study hopes to shed light on the broader implications of aid conditionality for development.

The case study approach allows for an in-depth analysis of the complex interplay between aid conditionality and development. It enables the study to go beyond surface-level observations and delve into the nuances of this relationship. This includes understanding the motivations behind the imposition of aid conditions, the response of the recipient country, and the overall influence on development outcomes.

## **1.7. Limitation of the Study**

One notable limitation of this study lies in the scarcity of existing scholarly literature specifically addressing aid conditionalities within the Ethiopian context. Despite extensive efforts to locate relevant sources and references, the absence of comprehensive academic writings on this topic posed a significant challenge. The researcher encountered difficulties in synthesizing existing knowledge and identifying gaps due to the limited availability of peer-reviewed studies.

The implications of this limitation are twofold. First, the study's findings may be influenced by the lack of a well-established body of literature directly related to aid conditionality in Ethiopia. Second, the absence of prior research limited our ability to compare and contrast findings, assess trends, or build upon existing theories. As a result, caution should be exercised when generalizing the results beyond the specific Ethiopian context.

To mitigate this limitation, the researcher adopted a rigorous approach to draw insights from interviews with key informants. However, the scarcity of scholarly literature remains an inherent constraint that shapes the study's scope and depth.

In future research, efforts to expand the literature base on aid conditionalities in Ethiopia would enhance the field's understanding and inform evidence-based policy recommendations. Researchers should actively engage in knowledge dissemination and encourage scholarly contributions to bridge this gap.

## **1.8. Organization of the Study**

The study consists of five major chapters. The first chapter is a general overview of what the study is ought to be, it discusses background of the study, statement of the problem, objectives of the study, significance, scope and limitations of the study. The second chapter holds the literature review about related topics. It mainly entails the realms of aid conditionality in general and in Ethiopia. The third chapter converse the validation to the selection of qualitative research method, it also incorporates further discussions on research design, sampling technique, sample

size, data collection, data interpretation and analysis. The fourth chapter presents the analyzed data that is previously collected as to give explanation on how aid conditionalities affect the development process in Ethiopia. The last chapter gives conclusion and recommendations for policy makers and lessons for other African countries.

## **CHAPTER TWO**

### **Literature Review**

#### **2.1 Theories of Foreign Aid**

Foreign aid is a complex and multifaceted topic that has been studied from various perspectives. A study by Hattori (2001), goes deep in understanding the concept of foreign aid by incorporating the three international relation theories and later redefine the concept based on the sociological concept of resource allocation. Resource allocation theory is one way to view foreign aid and it seeks to explain how donor countries allocate aid to recipient countries. According to Hattori (2001) the theory of political realism merely sees foreign aid as a policy tool designed by western governments to get the upper hand during the cold war, according to this theory, donor countries use aid as a tool to advance their own strategic interests, rather than as selfless gesture, while the liberal internationalism on the other hand defines the term as a way of improving social, economic and political growth of the recipient countries in order to promote

democracy and free market of a country, and world system theory defines foreign aid as a way of encouraging the existing inequality of states of the world simply by using conditioned aid as a tool to maintain the economic dominance of western developed countries; the author criticize all the three theories in a logic that they all focus on what foreign aid does instead of what it is.

Hattori (2001), therefore sees foreign aid as a form of resource allocation which is ‘giving’ but not the other types of resource allocation, ‘economic exchange’ and ‘redistribution’ which sometimes can be mistaken for foreign aid. Hattori (2001),generalizes the concept of foreign aid with two major concepts, the first one is the ‘symbolic domination’ it creates among donors and recipients; overtime, the act of giving and receiving creates the notion of social hierarchy, one being the provider of basic human needs and the other a grateful receiver, this in turn leads to a sense of a natural inequality between the two actors; the second concept the author raised is ‘shift in aid practices’; military aid altered from grants to loans, the rise of concessional loans are cases that show how foreign aid has stopped being a gift rather a credit which results in debt crisis (Hattori, 2001). The rise of multilateral aid, structural adjustment programs are other examples of the shift, which ought to be discussed further later on this thesis.

According to Kenton (2021), Foreign aid is the voluntary movement of resources from one country to another, it can take the form of economic, military, or emergency humanitarian aid. The primary source of foreign aid is Official Development Assistance (ODA), which is assistance given to promote development and to combat poverty. The most common type of ODA is bilateral grants from one country to another, though some of the aid is in the form of loans, and sometimes the aid is channeled through International Organizations and Non-Governmental Organizations (NGOs) (Williams, 2023).

According to Williams (2023), on the donors’ side, foreign aid can be used to achieve a country’s diplomatic goals, enabling it to gain diplomatic recognition, to garner support for its positions in international organizations, or to increase its diplomats’ access to foreign officials, other purposes of foreign aid include promoting a country’s exports and spreading its language, culture, or religion.

Moyo (2009), broadly categorize three types of aid: humanitarian (emergency) is a type of aid which refers to the kind of aid sent out in case of emergency resulting from either natural cause

such as tsunamis, drought, wild fire etc. or human made crisis like famine or displacement usually following conflict, war or violence. Charity based aid is given to those in need through non-profit organizations set up to raise money in cash or in kind to help out poverty-stricken communities, while systematic aid refers to the foreign aid given directly to governments; the donor government can either act solo which is called bilateral or collaborate with other donors which is known as multilateral aid (Moyo, 2009).

The effectiveness of foreign aid has been a topic of much debate. Some studies suggest that conditional aid is effective, but its efficacy depends on recipient countries' level of democracy because the value of aid to governments depends on the degree to which it helps them maintain power; other studies suggest that foreign aid is effective in augmenting growth only in the presence of a sound policy environment (CFI, n.d.).

## **2.2 Theoretical Reflections of Aid Conditionality**

Aid conditionality can be reflected from different theoretical perspectives because of its multifaceted nature, here are some of the major theories' outlook on the concept;

**Modernization Theory:** This theory posits that aid, including conditional aid, can stimulate economic growth and development by providing the necessary capital for investment. Conditionality, in this context, is seen as a way to ensure that aid is used effectively and for its intended purpose (Crossman, 2020). This theory suggests that aid, including conditional aid, can stimulate economic growth and development by providing the necessary capital for investment. Conditionality, in this context, is seen as a way to ensure that aid is used effectively and for its intended purpose. For example, a condition might be that the aid must be used to build infrastructure or improve education. This is based on the belief that these types of investments will lead to modernization and economic growth. However, critics of this theory argue that it does not take into account the specific cultural, political, and economic contexts of different countries.

**Dependency Theory:** This perspective views aid conditionality more critically. Dependency theorists argue that aid and its conditions can perpetuate economic dependency and inequality between developed and developing nations. They believe that conditionality often reflects the

interests of the donor countries rather than the needs of the recipient countries. For instance, a condition might require the recipient country to open its markets to goods from the donor country, which could disadvantage local industries. From this perspective, aid conditionality might be viewed more critically. Dependency theorists further argue that aid and its conditions can perpetuate economic dependency and inequality between developed and developing nations; they argue that conditionality often reflects the interests of the donor countries rather than the needs of the recipient countries (Morrissey, 2013).

**Neoliberalism:** Neoliberal theorists often support conditionality because they believe in the importance of market-friendly policies for economic growth. Conditions often involve policy reforms that reflect neoliberal principles, such as fiscal austerity, deregulation, and liberalization of trade and investment (Montinola, 2010). For example, a condition might require the recipient country to reduce government spending or remove trade barriers. Critics of this approach argue that it can lead to social inequality and environmental degradation.

**Post-Development Theory:** Post-development theorists are highly critical of aid and conditionality. They argue that Western models of development, often promoted through aid and its conditions, may not be appropriate or desirable for all countries or cultures (Thompson, 2017). They argue that Western models of development, often promoted through aid and its conditions, may not be appropriate or desirable for all countries or cultures. They believe that development should be a locally driven process that respects cultural diversity and ecological sustainability. Critics of this theory argue that it can be overly idealistic and impractical.

**Human Rights-Based Approaches:** From a human rights perspective, conditionality should be designed to promote and protect human rights. Some argue that aid should be conditional on the recipient government's respect for human rights (UN, n.d.). For example, a condition might require the recipient country to improve its human rights record or implement specific human rights protections. Critics of this approach argue that it can be difficult to measure and enforce human rights conditions, and that it can be used as a tool of political influence.

## **2.3 The History and Main Trials of Aid Conditionalities**

### **2.3.1 The History of Aid Conditionalities**

In the 1960s and 70s African states had a leverage of natural resources against western donors when negotiating for aid in different forms, that deteriorated in the 1980s, conditionality prevailed and western donors got the chance to interfere in domestic issues such as reshaping governmental institutions (Fraser, 2009). According to Brown (2005), before the rise of the concept of Aid conditionality at the beginning of 1990s foreign aid was simply given out to opposers, dictators and authoritarian regimes. Aid conditionality in the 1990s defined as applying pressure on recipient states by threatening to reduce or invoke the aid provided by donors, it was reactive in nature and it was merely about withdrawal of aid if the recipient states violate human rights (Stokke, 1995). The use of aid conditionality was intended to promote good governance and human rights in recipient countries, but critics argue that it was often used to advance the strategic interests of donor countries, rather than the development needs of recipient countries (Crawford & Kacarska, 2017). Research by Selbervik (1999), identifies two generations of political conditionality; the first generation is mainly concerned with attaching economic policies driven from WB and IMF, while the second generation is focused on human right, good governance and democracy objectives. According to OECD (1997), the first generation of conditionality emerged in the 1980s and was related to structural adjustment programs that were linked to economic liberalization programs. The second generation of conditionality emerged in the 1990s and was linked to good governance and reform programs (Goodhand & Sedra, 2006).

A decade after its first introduction by western governments the definition of political conditionality upgraded, it became about both encouragements to provide more aid if the recipient state comply the conditions set or endorsement of the aid provided if the state fails to do so Frerks (2006), in this aspect the author confer that political conditionality can either reward or sanction.

Other agendas which became inclusive along with human right issue and democracy is that development and western security interests, Crawford & Kacarska (2017) discuss how the western governments started to put their commercial, economic and security interest on top of the issues of the recipient states which were originally formed, this change of agenda led to inconsistency and selective application of political conditionality. Crawford & Kacarska (2017),

define political conditionality from a negative angle and is only used to aid sanctions, which is similar to the early 1990s definition of the term.

According to Molenaers et al., (2015) political conditionality includes trade agreements, good governance and human right issues; they believe aid should be used as a leverage to bring political change in recipient states. Molenaers et al., (2015), further entails how the evolvement of political conditionality brought the issue of ‘donor’, ‘donor harmonization’ and ‘recipient ownership’ towards working on poverty reduction along with Millenium Development Goals (MDGs), which strengthen the use of political conditionality throughout the path; donor characteristics is also over looked by the authors in respect of the likelihood of the influence of the similarities of donor and recipient characteristics might affect the level of allocation of aid; another point raised regarding donor characteristics is how some donors have preferences to types of aid they give out.

In some literature such as Baylies (1995), it suggests that the origin of political conditionality dates back to mid-1980s but there was no collective use of the term back then, only few European countries such as France and German along with US used conditions nonetheless, noting was in official policy statements until the beginning of the 1990s. Baylies(1995) encompasses both ends of the term, the coercive and supportive extents, which is a definition of the new era aiming to work towards good governance in the thought that poor governance directly results in poor economic performance; hence political conditionality helps to ensure all the funds injected going to their intended projects by avoiding wastages. According to Killick (1997) conditionality in general is characterized by using economic dominance as a leverage to secure donor interests; the author differentiates between ‘hard core’ and pro forma conditionalities, the first one represents the conditions put as a requirement, perquisite in order to get the loan or the aid, the latter is considered to be less significant and is based on donor-recipient mutual interest. Overall, it is clear that conditionality is more significant for the donors than the recipients.

### **2.3.2 The IMF Conditionalities**

The IMF provides financial assistance to countries in need, including those in Africa, under certain conditions. These conditions are designed to ensure that the country adopts strong and effective policies to overcome the problems that led it to seek financial assistance (IMF, 2023). According to the official website of the IMF (2023), here are some key aspects of IMF conditionality:

1. Policy Adjustments: When a country borrows from the IMF, the government agrees to adjust its economic policies to overcome the problems that led it to seek financial aid.
2. Safeguarding IMF Resources: The measures aim to safeguard IMF resources by ensuring that the country's finances will be strong enough to repay the loan.
3. Progress Towards Agreed Policy Goals: Conditionality is included in financing and non-financing IMF programs with the aim to progress towards the agreed policy goals.
4. Monitoring and Evaluation: Most IMF financing is paid out in installments and linked to demonstrable policy actions.
5. Policy Commitments: These can take different forms, such as prior actions, quantitative performance criteria (QPCs), indicative targets, and structural benchmarks.

However, The IMF's conditionality has not been without its critics. Some research indicates that countries borrowing from the IMF may see an increase in poverty levels. Biglaiser & McGauvranthe (2022) state that specifically structural reforms included in IMF loan agreements could potentially lead to more individuals falling into the cycle of poverty. This is because these reforms often entail extensive changes that may result in higher unemployment rates, reduced government income, increased prices for basic services, and overhauls of tax collection, pensions, and social security systems (Biglaiser & McGauvranthe 2022).

International financial institutions, such as the IMF, wield significant influence over the decision-making processes of other multilateral and bilateral donors. This is largely attributable to their extensive databases and the comprehensive research they conduct on countries worldwide. Bilateral and multilateral donors tend to favor countries with IMF programs, due to the IMF's assessments are often used by donors to make aid allocation decisions, especially in low-income countries where they might lack detailed information on the country's situation (Eurodad, 2016). IMF conditionality, can affect various aspects of a country's economy, including tax revenues, public sector wages, and health systems; these reforms can influence the decisions of other

donors, who align their aid and investment strategies with the policy directions set by the IMF (Stubbs et.al., 2020).

### **2.3.3 The World Bank Conditionalities**

The World Bank's conditionality has a significant influence on the donor community. The conditions set by the World Bank are often significant because they tend to lock in a donor-driven reform agenda in recipient countries (Hernandez, 2017). The World Bank's conditionality refers to the set of conditions that the Bank requires borrowing countries to meet in order to access its loans. These conditions often involve policy changes or reforms that the borrowing country must implement.

In the context of Africa, the World Bank's conditionality can vary widely depending on the specific circumstances of each country and the nature of the loan. However, according to Cormier & Manger (2022), there are some common themes that often appear in the Bank's conditionality for African countries:

1. **Economic Reforms:** The World Bank often requires borrowing countries to implement economic reforms aimed at promoting economic stability and growth. These can include measures such as fiscal austerity, liberalization of trade and investment, and deregulation.
2. **Governance and Institutional Reforms:** The Bank frequently conditions its loans on improvements in governance and institutional capacity. This can involve reforms to improve public financial management, enhance transparency and accountability, and strengthen the rule of law.
3. **Social and Environmental Safeguards:** The World Bank also includes conditions aimed at protecting social and environmental outcomes. These can include requirements for social impact assessments, protections for indigenous peoples, and measures to mitigate environmental harm.

Although, the World's Bank conditionalities has been subjected to various arguments; the conditions imposed by the World Bank are seen as creating a significant administrative burden on already strained developing governments (Kovach & Lansman, 2006). According to Kovach

& Lansman (2006), the institutions are also criticized for pushing controversial economic policy reforms, such as trade liberalization and privatization of essential services.

#### **2.3.4 SAPs**

SAPs are a set of economic policies that a country must adhere in order to secure a loan from the IMF and/or the WB; SAPs are often thought of as free-market reforms, and they are attached with conditionalities on the assumption that they will make the nation in question more competitive and encourage economic growth (Pettinger, 2019). The policies are designed to tackle the root cause of the problem and provide a framework for long-term development and growth; structural adjustment policies usually involve a combination of free-market policies such as privatization, fiscal austerity, free trade, and deregulation or limitation of removal of government restrictions and excessive spending (Halton 2021).

The first generation of SAPs emerged in the 1980s and was related to structural adjustment programs that were linked to economic liberalization programs; it was criticized for being too focused on economic liberalization and not taking into account the social and political context of recipient countries (Selbervik 1999). The second generation of SAPs emerged in the 1990s and was linked to good governance and reform programs; it was intended to promote good governance and human rights in recipient countries, but critics argue that it was often used to advance the strategic interests of donor countries, rather than the development needs of recipient countries (Khalid, Nd)

SAPs have attracted sharp criticism for imposing austerity policies on already-poor nations; critics argue that the burden of structural adjustments falls most heavily on women, children, and other vulnerable groups (Pettinger, 2019). SAPs have also been criticized for creating painful changes in the economy which give as many costs as benefits and often, SAPs have led to spending cuts on important welfare services such as education and health care (Halton, 2021).

According to Konadu-Agyemang (2001), the implementation of these programs has been criticized for having failed to achieve its objective of economic upliftment and pushing the nations towards bankruptcy and social failure. African countries have been particularly affected by SAPs. Most African countries asked for help from the WB or IMF to restructure their

economies, and almost invariably, the prescription was in the form of Structural Adjustment Programs (Konadu-Agyemang 2001). The implementation of these programs has generated much controversy; the role of public administration and of the state has transitioned from their developmental focus during the independence period to a managerial role under the IMF/World Bank sponsored reform, economic recovery, and structural adjustment (Konadu-Agyemang, 2001).

Ethiopia has been particularly affected by SAPs, which are policy reforms prescribed by the IMF and the World Bank to developing countries for receiving financial assistance or loans. These programs aim to help nations become more efficient and competitive globally (Lopes, 2013). According to Lopes (2013), Africa showed the lowest growth rate during the implementation of SAP citing a study by the (Economic Commission for Africa, 2011). The implementation of these programs in Africa has been criticized for having failed to achieve its objective of economic upliftment and pushing the nations towards bankruptcy, social failure and the recession that hit for two decades before the millennium (Endale, 2022). According to Endale, during the EPRDF regime, Ethiopia partially implemented SAPs and resisted to fully implement the program.

## **2.4 Conditionality of US**

The US conditionality theory is a foreign policy strategy that links foreign aid to the political and economic policies of recipient countries. The theory is based on the idea that foreign aid can be used as leverage to promote political and economic reforms in recipient countries (Mosley, 1992). The US has used this strategy to promote democracy, human rights, and free-market capitalism in developing countries. The US has also used conditionality to punish countries that do not comply with its demands or that are deemed to be hostile to US interests (Mosley, 1992).

US is the most influential country in the world in economic, cultural, diplomatic and military aspects; the country has the power to stir the pot in organizations such as WB and IMF: even though the organizations are international, US is very dominant in decision makings regarding policies, conditionality enforcement, extending loans and funds to recipient states (Kilby, 2008). The US is the largest shareholder in both (WB & IMF) institutions and has used its influence to

shape their policies and practices (IMF, 2023). The US has been particularly influential in shaping the policies of the World Bank; hence used its voting power to influence the selection of the World Bank's president and to shape the bank's lending policies; the US has also used its influence to promote the adoption of neoliberal economic policies by the bank (WB, 2005).

Kilby (2008), claims that conditionalities in SAP fail in enforcement due to the selectivity nature of the WB and IMF which is influenced by the US; countries which are allies of US are favored and are not forced to fulfil the conditionalities set when signing out SAP. Subjects such as clientelism, defensive lending (giving out new loans to return the old ones), the expensiveness of lax enforcement, the donors need to extend aid regardless are some of the main reasons behind the inconsistency behavior of the WB and the IMF (Kilby, 2008).

Even though political conditionality prevailed officially after the 1990s, western donors have been practicing the notions of conditionality by attaching human right laws with aid they gave out: the 1975's amendment to the US development assistance put an end to the aid flowing to countries practicing major human right violations (Robinson, 1993). Conditionalities fail because of the conflict of interest between international organizations and powerful member countries: recipient states having unpopular relationship with the US tend to be more pressured to comply the conditionalities imposed by the IMF (Dreher, Ohler & Nunnenkamp, 2011). According to so many scholars on top of the above-mentioned researches, it can be obvious that the influence of the US is inevitable.

## **2.5 Conditionality of EU**

The EU is acknowledged for its style to make a link between its foreign aid policy and democracy, human rights and good governance, this is backed up by series of framework it comes up with from time to time. EU has now a new progressed legal framework for relationships with ACP countries, this treaty is known as 'Samoa Agreement' signed in 2023 (eeas, n.d.). This framework came as a replacement of 'The Cotonou Agreement' which was

adopted on the Millennium after the end of the historical 1975's 'Lome convention'. According to EU official website the Cotonou agreement included economic, social and human developmental activities along with political dimension consisting human rights, democratic principles and security issues; similarly in the new Samoa agreement democracy, human rights, sustainable economic growth, human and social development, security issues are among the common principles (consilium, 2023).

Even though the violation of any term such as human right abuse leads to suspension based on the agreements described above, the EU is known to practice negative conditionality selectively; inconsistency in applying sanctions is seen between strategically important and strategically less important states, due to security or economic interests of the EU (Biondo, 2011). Biondo's (2011), observance reveals that flawed elections or a coup d'état are most likely to result in sanctions than violation of human rights. Democracy promotions in African, Caribbean and Pacific (ACP) countries are more likely to be observed in previous colony of their respective colonizers in history, due to the interest of the EU countries in maintaining their old influence (Biondo, 2011). Similarly, inconsistency in applying positive conditionality is also observed due to the limited resources of the EU, Smith (1997), further explains how the inconsistent behavior negatively influence the goal towards democratic and human right flourished states.

Saltnes (2013), claims literature on EU's appliance of political conditionality is based on a biased empirical foundation, he argues that the EU is not always driven by self-interest when applying political conditionality; during the 1993's Nigerian flawed election the EU put sanctions on aid regardless of the country's economic importance in providing oil exports to the continent; similarly, the author argues that in some non-cases (where no sanction imposed), there were no economic or political interests by the EU. Saltnes (2013). In addition, explain the rationale behind giving priority to security issues than human rights violation is explained by simply by underlying the importance of security above other things, on parallel the same reason is mentioned in the cases where there were no sanctions imposed even when violations of human right were observed but substantial work is being done towards development goals, thus applying any sanction would sabotage the ongoing progress. The other issue raised by Saltnes (2013), is that the issue of former colonizer leaning towards putting harsh sanctions to their former colonies is considered vain by the researcher due to lack of empirical evidence supporting the hypothesis.

The idea that EU aid conditionality policies lack consistency and effectiveness is highly emphasized in Crawford's (1997) research, the author claims the weakness of donors in not practicing what they preach creates a favorable condition for recipient states not to follow the rules; even when sanctions are imposed due to violation of human rights and anti- democratic activities, the sanctions are not backed up with trade restrictions which the EU benefit from generously. Another factor contributing to the ineffective and inconsistency nature of EU aid conditionality according to the author is caused by failure to match economic aid to human rights and good governance (Crawford, 1997).

## **2.6 Conditionalities on Africa**

From the year 1960s to 1980s the motive to give out development assistance to African countries came from the aim to get an ally at midst of the cold war, even though US government claimed that democratization and conditionality as their motive, it was about getting a supporter against the Soviet Union (Brown, 2005). Brown (2005), continues explaining that there is no clear relationship between democratization and political conditionality due to inconsistency of the results throughout the continent; the difficulties the donors face in the recipient lands is related to structure, institution and bureaucracy, the other problem is coming from the donor shortcomings which is lack of commitment and understanding in addition to the donors having other priorities such as their own self-interest.

The new era of political conditionality is believed to start at the beginning of the 1990s, Barya (1993), claims that there are five propositions when we look at the new political conditionalities; first he claims the new political conditionality agenda has no motive to make a difference in the rhetoric of democracy in Africa rather the main goal is to diminish socialism, to have a leverage in strategically important African states and to justify the decline in development assistance flowing to Africa compared to the natural resources exported to Europe. Secondly, Barya (1993) claim that it is part of the 'new world order' i.e. change in world political thought and the balance of power in international relations. Thirdly, Barya (1993) entails the contradiction between the objectives in SAP and the new political conditionality, due to SAP undermining sovereignty while political conditionality preaches the importance of democracy and freedom; therefore, effectiveness will be unattainable. Fourthly, Barya (1993), put the misconception of

the word democracy: taking democracy merely as political pluralism when in existence democracy is beyond that and finally, the author summarizes by suggesting that any ideology including democracy should arise from the general public or from civil society instead of being pushed upon by foreign states.

Sub-Saharan Africa is the most vulnerable region to political conditionality due to its economic and political weaknesses (Clapham 1995). According to Clapham (1995), the origin of political conditionality arise from economic conditionalities that the IMF and WB came up with when they provide with SAP loans and funds, the other main source of political conditions is that the end of cold war: when the cold war was finished it left the Soviet union with economic and political failure which gave a full control to the west to impose their political and economic arrangement, finally a reaction from the western citizens along with Africans themselves towards the repressive rulers of African governments gave birth to political conditionality. Clapham (1995), raised the issue of sovereignty; he believes the term is misused by African leaders to practice their dictatorship by avoiding the public eye of the foreign powers, therefore the rise of political conditionality brought about the interference of the west in internal matters to better conditions for the civil society regarding human right and democracy indirectly in Africa.

When the concept of sovereignty is on the table, we can observe the conditionalities attached to the aid from the western world implicate the lack of trust and micromanagement of the African aid receiving governments, hence undermining African societal values, internal policies and problem-solving mechanisms (Whitfield & Fraser, 2009). To balance this aid critics the concept of ownership was agreed upon member countries at the 2005 Paris Declaration, by giving a sense of belongingness to African states, an alteration from donor fragmentation; according to Whitfield & Fraser (2009), due to the flexible and ambiguous nature of the term 'ownership' lack of commitment and ignorance is observed specially from the donor side, and change in practice is barely observed.

The issue of political conditionality and western support regarding democracy has stayed controversial, although it stayed prominent since the 1990s. The assumed causal relationship between democracy and development, does not always work, for example in the case of China, Vietnam and Rwanda (Hackenesch, 2019). Hackenesch (2019), also mentions the downside of democratic support by citing the continuous crisis, instability and human right violations in the

Arab spring, middle east and North Africa in spite of the involvement of the west; although the rise of poverty reduction policies, donor harmony and sector focused approaches became the reason to continued western involvement on issues of democracy, human rights and good governance.

According to Hackenesch (2019), positive conditionality is more observed than sanctions on African countries especially after the early 2000s and onwards. According to the author, both EU and US tend to work and cooperate at the government level instead of the civil society. Currently the legitimacy of EU to support Africa's democracy is debatable due to the undemocratic political activities by some EU member states such as Poland and Hungary (Smith, 1997).

The unwelcoming attitude towards immigrants from Africa to Europe also undermine the 'democracy and human right support' the EU claims; the withdrawal of US from the UN human right council under the rule of Trump has deteriorated the trust US has among aid recipient states (Hackenesch 2019). Components of globalization such as Urbanization, demographic change and digitalization will shape future donor- recipient relationships, government structures and African society as a whole, in addition to China becoming frontier donor and supporter to African states especially after 2012 (Hackenesch 2019).

African countries have resisted political conditionality imposed by Western donors. Some African countries have argued that political conditionality is a violation of their sovereignty and that it undermines their efforts to promote democracy and development. In the 1990s, some African countries, such as Uganda and Tanzania, rejected the structural adjustment programs imposed by the IMF & WB (Hackenesch, 2019). Rwanda has also sought to reduce its dependence on foreign aid and has promoted private sector development as a means of financing its development needs (Robinson, 1993).

The emergence of an intergovernmental organization comprising Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates (BRICS) has contributed to the new era of the western political conditionality rhetoric: Van de Walle (2016), state that African states have started to use the alternative financial support from BRICS countries as leverage to resist the political conditionality of the western world.

Countries such as Uganda now weigh their options when dealing with western donors; Museveni's regime relationship with donors is characterized by strategic thinking. Anderson and Fisher (2015), state that Uganda under Museveni's regime has strong ties with donors and gets large amount of financial support despite the authoritarian government, Museveni also has a good partnership with nonwestern donors including Russia while balancing the relationship by doing UN peace keeping mission such as in Somalia, while at the same time declining homosexual bill imposed by the west.

Another example can be Rwanda 's Kagame, the leader shows strong resistance against western conditionalities when needed, Marriage (2016) stated that when it comes to issues such as national security and development programs Kagame is not willing to negotiate, yet the aid flow is not interrupted.

In the complex landscape of international aid, the role and influence of NGOs are often subject to the legal and political dynamics within the recipient countries. This interplay according to Brown (2013), between NGOs, aid, and state sovereignty can have profound implications, as illustrated by the experiences of Sudan and Rwanda. Even when NGOs are involved, either independently or as channels for bilateral aid, their presence and activities within a recipient country are subject to the legal approval of the respective state. Brown (2013), a notable instance of this was Sudan's expulsion of thirteen NGOs in 2009; the Sudanese representative to the UN asserted to the Security Council that, the resolution made by the Sudanese government is a valid exercise of its sovereignty, and the decision was not up for debate. Rwanda has a similar stance, as stated explicitly in its 'Aid Policy' (Brown, 2013).

## **2.7 The Effectiveness of Aid Conditionalities**

The effectiveness of aid conditionality has been a topic of much debate in relation to achieving economic growth and development; it is a lucidity that ought to be investigated. Different scholars have had forwarded their scientific suggestions on the topic. Critics argue that conditionality is often counterproductive and can lead to unintended consequences, such as the strengthening of authoritarian regimes and the exacerbation of poverty and inequality, whereas, a study by Montinola (2010), suggests that conditional aid is effective, but its efficacy depends on

recipient countries' level of democracy because the value of aid to governments depends on the degree to which it helps them maintain power, and recent work shows that the marginal impact of aid on political survival increases with level of democracy. Another study suggests that the 'aid conditionality' hypothesis as documented in the literature suggests that aid is effective in augmenting growth only in the presence of a sound policy environment (Douch et.al., 2022).

On the other hand, Smith (1997), suggested that conditionality might not be the best way to promote democracy; Killick (1997), state that conditionality does not help in achieving development goals through aid, rather the author states that it leads to wastages of resources because it lacks ownership, selectivity, support and dialogue. Robinson (1993) concludes that the influence of conditionality on democratization in African states is very limited. Tadesse (2011) state that variance in conditionality types result in different impact on the effectiveness of aid.

A study conducted on IMF conditionality and development policy between the year 1985-2014 suggest that conditionality can be controversial mainly because it is highly criticized in two aspects: 'mission creep' referring to the extended missions beyond the original goals set, the second issue is that the social consequences it brought about including increasement of conditionalities by simultaneously decreasing lending programs, in addition to undermining issues of labor and minimum wage (Kentikelenis et al., 2016). Kentikelenis, Stubbs & King (2016) mention that the IMF conditionality in practice does not match the rhetoric on paper and hence effectiveness of Aid would be impassable. The last argument is further supported by another scholar Dijkstra (2002), in spite of IMF's long use of conditionality there seems to be no progress in performance of IMF programs.

A study by Schmitz (2006) states that in the new paradigm of conditionality the recipient states are now considered partners with the donors but in reality, they do not have a real power to meet as equals due to lack of capacity from the recipient side. Moreover, recipient states usually get the aid directly through their government which could be autocratic and the aid could be used to strengthen the corrupt government. The other dilemma comes in two aspects, the first being conditionalities could be rejected by recipient states if they violate the international values and norms of sovereignty, secondly, allocation of development aid is decided by self-interest contradicting the initial goal of aid inclusiveness, poverty eradication and development.

Schmitz (2006) claims there is a weak relationship between conditionality and development. Rather, he suggests two approaches: one is what he called exclusive approach i.e., where there is limited selection of partners (countries which are already on the path of reform). The focus here is on a limited, but potentially more effective collaboration. The other is Inclusive approach i.e., taking conditionality as knowledge transfer and learning process and not as powerful weapon. This strategy views conditionality not as a potent tool of enforcement, but as a means of facilitating knowledge transfer and fostering a learning environment. In essence, Schmitz's argument pivots away from the traditional power dynamics, advocating for a more nuanced understanding of conditionality in the context of development.

According to Zimelis (2011), the understanding of 'development' has undergone a significant transformation. It has evolved from being synonymous with mere economic growth to now encompassing sustainable human development. This new interpretation integrates both human development and resource management, marking a shift towards a more sophisticated and comprehensive definition. This redefined concept necessitates a thoughtful reconsideration of aid policies, including political conditionality. It underscores the need for policies that not only promote economic progress but also ensure the sustainability of human development and effective resource management. This holistic approach is crucial for achieving long-term development goals.

Zimelis (2011) argues that the concept of conditionality, particularly within the EU, has failed to achieve the anticipated political and economic advancements. This failure is attributed to its rigid nature and the absence of a shared understanding of terms such as democracy and good governance. For instance, the oversimplification of equating free elections with the entirety of democracy. Moreover, the partnership between China and the ACP states has introduced an element of leverage for the recipient countries, which Zimelis (2011) perceives as a hindrance. Additionally, Zimelis (2011) points out the existence of double standards in the EU's conditionalities, which occasionally contradict its own positions. This inconsistency further complicates the effectiveness of the EU's approach to conditionality.

When discussing about the issue of conditionality it is usually focused on the written agreements, in reality there are common unwritten expectation from the donors, Rich (2004) in this regard differentiates two types conditionalities: embedded and contractual conditionalities. Embedded

conditionalities refer to unwritten or implicit expectations that donors have regarding recipient countries' behavior. These expectations are not explicitly stated in formal agreements but are understood to be part of the aid relationship. For instance, Donors may assume that recipients will align their policies with donor priorities (e.g., economic liberalization, human rights) even if not explicitly mandated. While not explicitly written in aid agreements, these expectations influence aid allocation. On the other hand, Contractual Conditionalities are explicitly stated requirements included in formal aid agreements. These conditions must be met for the disbursement of aid funds.

While discerning about effectiveness of conditionalities, Rich (2004), states the main focus should be on the process of designing conditions and the capacity of the recipient to work on the agreement; ownership of the recipient states can be achieved through medias or proper vote on the issue to accomplish the sense of full ownership, although the conditionality lacks the intended objective, as it is not locally owned and undermines public policy makings.

Dijkstra (2002) discusses the different ironies of conditionality; conditionality usually tends to be a "buy-off" rather the author suggests that conditionality should come in form of advice to the recipient government and reward good performances. Second, conditionality by itself limits the performance of institutions which indirectly affect the intended reform. Third, the author states sometimes different parts of conditionalities contradict with each other. Dijkstra (2022), finally suggests selectivity as an alternative option instead of imposing conditionality i.e., for donors to establish a relationship with recipient countries only if they are selected as a progressive state.

Even though some scholars argue conditionality promotes democracy at the cost of poor, only by benefiting the multinational corporations and the elite, other scholars argue conditionality itself effectively works where there is high level of democracy (Montinola, 2010). Montinola (2010), strongly argues conditionality does not always work due to the unfavorable conditions in the recipient countries and failure to practice.

According to a study by Che Chi, et al., (2020) aid can be made more effective by minimizing the costs associated with its administration. These costs include expenses related to managing, distributing, and monitoring the aid. By reducing these costs, a larger portion of the aid can be directed towards the actual cause or project. This approach increases the impact of the aid, as

more resources are allocated directly to the beneficiaries rather than being consumed by administrative processes. This strategy not only enhances the efficiency of aid distribution but also ensures that the aid achieves its intended purpose in the most effective manner.

## **2.8 Conditionality on Ethiopia**

Foreign aid has flowed to Ethiopia since the 1950s, but the role it has in economic growth has been controversial since many sub-Saharan countries including Ethiopia are still least developed. As history narrates Ethiopia has a longer donor- recipient relationship than any other African country. During cold war Ethiopia positioned itself with the communist block under the rule of Derg regime (1974-1991). While throughout the last descendent of Imperialist regime (1930-1974) Ethiopia sided with the US block. The need for an ally, implementation of policy and political agendas forced the two main actors of the cold war (US and Soviet Union) forced them to use aid as a tool (Lancaster, 2005); Ethiopia in both regimes (Imperial and communist governments) have had relationships with both countries especially from the year 1941 to 1991, this is due to as Broich (2017) explained Ethiopia's poor level of development, series of famine and drought, in addition to financial and military dependence;

“...the Ethiopian government under Haile Selassie became completely dependent on the goodwill of the USA, while the Marxist government under Mengistu Haile Mariam became completely dependent on the fortunes of the Soviet Union” (p. 2).

During the communist regime the aid flow was mainly focused on humanitarian and emergency incidents caused by the famine and drought whilst the development assistance aid was low compared to other African countries (Furtado & Smith, 2007). Derg have had a development plan based on strong nationality and wanted to avoid western influence and involvement as much as possible; nonetheless the regime is criticized for its poor policy formation and the never-ending conflicts with neighboring countries and domestically as well, which led to isolation from the outside world and finally its down fall (Mascagni, 2016).

Furtado & Smith (2007), further explain the trend changed after the revolution in 1991, aid flow substantially grew; World Bank, UN, EU and bilateral donors such as US all collaborated to help the new power, although the aid flow began to have on and off behavior due to the instability

following the Ethio- Eritrea war and the 2005 election, for that reason Ethiopia started to look for other options and managed to secure a strong bond with untraditional donor: China, which poses no conditionality regarding domestic governance and policy issue when providing aid.

Furtado & Smith (2007) explain the unique characteristics of Ethiopian government when it comes to aid management and donor relationships; due to the Ethiopia's no colonial experience, the country was closed and reserved when it comes to domestic matters, it had highly centralized decision and policy making, which caused aid volatility at times. This sense of strong ownership from the recipient side gave no chance to donors to participate in policy making and issues such as bringing international corporations to take part in government owned corporations including telecommunication, bank, financial sector and industrial development (Furtado & Smith, 2007). Despite these unusual characteristics from the recipient side, the donor community continued to provide aid. Furtado & Smith (2007) believe this is due to the country's large population, relative stability, geopolitical position, influence of China and Ethiopia's strategic significance all pushes the donors to provide aid regardless, even when the donors believe the policies curated domestically are leading to weak economic growth.

The role of the late prime minister Meles Zenawi is unprecedented concerning the closed and rigid stance of the Ethiopian government at the time, Gill (2010) in his book quotes Meles saying "we get less aid, but we get more space". The donors brought the first conditionality term in the form of free market reforms and the second in the form of neo liberal governance imposition, which was thoroughly declined by the Ethiopian government (Gill, 2010). The donors want to take part in policy making and domestic affairs but they had very limited chance of doing that in Ethiopia; the country's high level of ownership goes hand in hand with the 2005 Paris Agreement, therefore it would be a double standard to force Ethiopia not to practice what was preached by the western government themselves (Mascagni, 2016).

Fantini & Puddu (2016), similarly state that Ethiopia is one of the biggest ODA receivers worldwide despite the accusation for being authoritarian due to many reasons. EPRDF's ability to manipulate the donors, donors' ignorance, western strategic priorities, to urge of donors to present the country as show case of its development, are among the reasons in addition to Ethiopia being a peace keeping ally in conflict-stricken zone. Fantini & Puddu (2016), state the similarities of the three regimes since the 1950s when dealing with donors. The imperialist

government of Ethiopia could not resist the financial support hence, fulfilled some of the conditionalities imposed by the donors such as letting the ‘Kagnew station’ built, admitting the importance of western knowledge and influence. Even though the conditionalities were very limited, the downfall of the Imperial regime was inevitable (Fantini & Puddu, 2016).

After the Derg came to power, Soviet Union immediately substitute the US in providing military and economic assistance. The Soviet Union imposed their ideology and involvement in infrastructure construction including the ‘Melka Wakena’ hydroelectric dam, nonetheless Mengistu restricted the governance restructure to be fully Marxist due to the reason that part of it might threatened his power (Fantini & Puddu, 2016).

During the EPRDF regime, according to Fantini & Puddu (2016), the strategy Ethiopia used was a technique where it diversifies donors, and learning to fall back on one to the other and highly maintaining a very decreased level of dependence on particular; along with keeping US, WB, IMF and EU as main donors, India, Ukraine and North Korea were allies of Ethiopia on the other side.

On a paper written by Brown & Fisher (2019), there’s a quote from an interview they did with one western aid official stating the ultimate goal of western aid in Ethiopia in spite of all the conditionality desecrations:

“Why do donors put up with it? We are here because Ethiopia is a strategic country and we have mutual interests. It is not in order to save lives. Ethiopia holds a key strategic position and we want to support it – maybe at all costs”.

According to Brown and Fisher (2019) the 2016-2017 political unrest in the country and the sudden arrival of the reformative prime minister Abiy Ahmed to power in 2018, are all the show cases of the powerlessness of the western aid donor community.

Girma (2015), claimed that foreign aid has negative contribution for economic growth in Ethiopia, due to donor’s conditionality among other reasons such as poor governance. There are indeed other studies that suggest foreign aid has had a negative impact on economic growth in Ethiopia. For instance, a study by Gebresilassie, et. al., (2023), found that foreign aid has a negative impact on economic growth, due to poor institutional arrangements that contribute the

funds to unproductive sectors. Ethiopia has specific regulations that determine which government sector has control over aid agreements. The Ministry of Finance and Economic Development in Ethiopia holds the sole authority to negotiate both bilateral and multilateral aid programs representing the Ethiopian government. As a result, it is at the heart of coordinating the structure of aid management and discussions. Ethiopia has established a range of forums, committees, and sector-specific groups that oversee the negotiation and execution of aid programs.

A study by Girma & Tilahun (2022), found that foreign aid has a positive role in economic growth in the long run. This study also reveals that the predictability of foreign aid has a positive effect on economic growth and development. It is important to note that the impact of foreign aid on economic growth can vary depending on various factors.

## CHAPTER 3

### Research Design and Method

#### 3.1 Research Design

A case study is an appropriate research design when you want to gain concrete, contextual, in-depth knowledge about a specific real-world subject; it allows you to explore the key characteristics, meanings, and implications of the case (McCombes, 2019). Case study is designated for this study due to the research's nature of studying a single unit to understand a set of others, as Gerring (2004) explains a unit can range from an individual to a nation, a phenomenon or organization. Ethiopia is taken as a single unit of study so as to understand class of units, i.e., African countries. For this research an instrumental case study approach is appropriate. In this type of case study, a case is selected (in this case, an Ethiopian context) to illustrate broader issues or theories (Yin, 2003). The chosen case serves as a means to explore the causal relationship between aid conditionality and development. By carefully selecting a relevant Ethiopian case, the researcher delves into the nuances of aid programs, accountability mechanisms, and their influence on development outcomes. This approach allows for in-depth analysis and insights into the specific context while contributing to broader knowledge in the field.

The rationale behind the selection of Ethiopia as a case lies under the reason that the country's unique history i.e., Ethiopia has never been colonized by western powers, which attributed to its culture, heritage and political status. By maintaining its independence Ethiopia gained the roots to be considered as an example when dealing with western powers in political negotiations, treaties and the subject matter of this research – conditionalities. Ethiopia's unique history has contributed to the country to be seen as a symbol of African independence, founding member of UN and Organization of African Union (OAU) later transformed to African Union (AU). Even though all African countries have a brief history with western powers, studying Ethiopia's long history of relationship with the west can help as an insight when studying other African countries. Nevertheless, this does not suggest that the findings are directly related to African countries other than Ethiopia.

In addition, Ethiopia has consistently been a major recipient of foreign aid and official development assistance (ODA) over the past several decades. According to data from the WB (n.d.), the country has received substantial financial support from various international donors. In 2021, Ethiopia's net ODA reached 3,981.52 million U.S. dollars. This financial assistance plays a crucial role in supporting development projects across various sectors, including health, education, agriculture, infrastructure, poverty reduction, and governance. Researchers and policymakers continue to analyze these trends to enhance aid effectiveness and promote sustainable development in the country.

The research aims to examine the prevalence of some outcome at a certain moment in time. To achieve this cross-sectional design was used. Primary data was conducted at a single point in time by employing in depth and open - ended interviews.

### **3.2 Research Method**

The research employed a qualitative method for its research design. The rationale for selection of qualitative method is the nature of the research per se. This research's interest is not an inference. Moreover, the research mainly intended to explore the relationship between aid conditionalities and development in the context of Ethiopia. This exploration requires a deep understanding of complex issues, which is best achieved through qualitative methods. Qualitative research is a type of research methodology that focuses on exploring and understanding people's beliefs, attitudes, behaviors, and experiences through the collection and analysis of non-numerical data (Cropley, 2023). In the context of this research, it allows for a comprehensive understanding of how aid conditionalities influence development from the perspective of those affected. Qualitative research can be used to gather in-depth insights into a problem or generate new ideas for research (Legard et.al., 2003). In this case, it can offer detailed insights into the nexus between aid conditionality and development, which can be crucial for policy-making and future research. The imperative method for this kind of research, "the open and generative nature of qualitative methods allow the exploration" (Lewis, 2003 p. 32). This is particularly important for this research as it seeks to explore a relatively uncharted area of study.

Qualitative research method helps the researcher to engage in deeper analysis of a data that is collected from limited number of respondents using an interview (Creswell, 2017). Therefore, the research castoff in-depth interview with purposefully selected experts.

### **3.3 Sampling Technique**

Sampling in qualitative research involves selecting a group of participants who can provide valuable insights into the research questions; it is a critical component as it determines the representativeness and credibility of the data collected (Sago, 2022). Purposive sampling technique is employed in this research, which is a non-probability sampling method; As Ritchie et.al., (2003) explain the nature of the technique as “units are deliberately selected to reflect particular features of or groups within the sampled population”. The informants who are participated in the research are deliberately chosen in terms of relevance for the objective of this research. As Maxwell (1996) states, the information collected from purposefully selected people is unique in its relevance to the extent that it cannot be generated from other sources (p. 97). In the second stage of the sampling process, snowball sampling was employed. It involved identifying an initial set of participants who meet specific criteria related to the research objectives. From there, the researcher relied on referrals from these initial participants to identify additional relevant individuals. This method was chosen due to the reason that the participants are among hard-to-reach populations. Therefore, traditional sampling methods were impractical.

The researcher in this study purposefully selected experts who have an extensive knowledge on the subject. They were carefully chosen to encompass a broad spectrum of perspectives. One of the informants is a Professor at Addis Ababa University and stands as a luminary in the academic field, particularly in the realm of economics pertaining to Africa and Ethiopia. His scholarly insights are fortified by a prolific body of work, with over 100 articles published in major international journals. The other informant is a senior expert at the Ministry of Finance and Economic Development with over two decades of experience in bilateral aid negotiations, provides a practical perspective based on firsthand experience. There is also another informant from Addis Ababa University which is Assistant Professor specializing in Development and

Economics. She contributed an educational lens since she has been instructing on topics related to Aid for more than a decade. The other informant is a senior humanitarian advisor with a wealth of experience in aid allocation across various African countries, brings a unique understanding of the realities of aid distribution. Moreover, another informant is a partnership expert at the Ministry of Finance working with multilateral donors, offers insights into the intricacies of aid negotiation and management. The last informant is a capacity development consultant and advisor, provides expertise on aid facilitation and capacity building. Collectively, these informants ensure a comprehensive exploration of this research, grounding in both theoretical understanding and practical experience.

### **3.4 Sample size**

A sample is a small share of a population selected for observation and analysis (Merriam & Tisdell, 2015). In qualitative research sample size should be limited and small in number due to the reason that the data collected is deep and detailed therefore it will be loads of information collected from a single unit, in addition making the sample size bigger and bulky does not lead to any new evidence (Ritchie, Lewis & Elam, 2003). The suitable sample size in qualitative research depends the nature, objective and paradigm of the research conducted (Boddy, 2016). For this research six informants were purposefully selected based on their expertise and experience on the issue of aid conditionality in the context of Ethiopia. Six participants were purposefully selected for this study based on their expertise and experience in the field. Qualitative research, particularly key informant interviews, prioritizes depth over breadth. By focusing on a smaller number of informants, we can delve deeply into individual perspectives and gain rich insights. Additionally, practical consideration such as resource constraints and time limitations led to the decision to work with six participants. This approach strikes a balance between obtaining valuable information and managing the research process efficiently. Having six informants from different background allowed triangulation, cross-referencing information from different sources. Patton (1990), suggests that the number of participants should be guided by the principle of saturation, where data collection continues until no new insights emerge. Six informants was sufficient to achieve saturation, since they represent diverse perspectives.

### **3.5 Data Collection Method**

Data collection in qualitative research is a systematic process of gathering non-numerical information, such as words, images, and observations, to understand individuals' attitudes, behaviors, beliefs, and motivations in a specific context (Barrett & Twycross, 2018). This research employed semi-structured interviews due to the exploratory nature of the study set in thematic framework (George, 2022). In addition, in contrast to fully structured interview semi-structured interview allows deeper inspection.

### **3.6 Data Interpretation and Analysis**

The data collected from the interviewees analyzed using thematic framework. Thematic analysis is a method of analyzing qualitative data. In thematic analysis, the researcher closely examines the data to identify common themes – topics, ideas, and patterns of meaning that come up repeatedly (Caulfield, 2019). According to Caulfield (2019), thematic analysis is a flexible method, the most common approach usually follows 6 steps; which are:

1. Familiarization: This is the initial step where you immerse yourself in the data. You read through the text, listen to audio or video recordings, and take initial notes. This step helps you to get a general sense of the data and identify interesting aspects that could form the basis for repeated patterns (themes).
2. Coding: In this step, you systematically go through the data to identify and highlight interesting features that may form the basis for themes. Coding involves assigning labels to data to represent the content. These codes can be a word, a phrase, or a sentence that captures the essence of a portion of data.
3. Generating Themes: After coding, you examine the codes and collate data relevant to each potential theme. This involves sorting the different codes into potential themes and collating all the relevant coded data extracts within the identified themes.
4. Reviewing Themes: This step involves refining the themes you have identified. You check if the themes work in relation to the coded extracts and the entire data set. This may involve

merging, splitting, discarding, or creating new themes. The aim is to ensure that the themes accurately represent the data.

5. Defining and Naming Themes: Once you have reviewed your themes, the next step is to define and refine them. This involves identifying the 'story' that each theme tells and how it fits into the overall 'story' you are telling about your data. You also need to come up with concise, punchy names for each theme.

6. Writing Up: The final step is to write up your findings. This involves weaving together the analytic narrative and data extracts, and contextualizing the analysis in relation to existing literature. You present a detailed analysis of each theme, providing vivid examples from the data to illustrate the themes.

### **3.7 Ethical Consideration**

Ethical considerations in research refer to the principles and guidelines that researchers must follow to ensure that their studies are conducted in an ethical and responsible manner. These considerations are designed to protect the rights, safety, and well-being of research participants, as well as the integrity and credibility of the research itself (Bhandari, 2021).

Hence the researcher took into consideration these ethical considerations during the assembly of this research.

#### *Privacy and Confidentiality*

The researcher ensured that the privacy and confidentiality of the participants were protected. This means that personal information collected from the participants during the research process was kept confidential and not shared without the participant's consent. This includes, but is not limited to, personal identifiers such as names, addresses, and contact information. The researcher also ensured that the data collected was securely stored and only accessible to those directly involved in the research.

#### *Fairness and Equity*

The researcher ensured that the study did not discriminate against any particular group or individual. This means that all participants were treated equally and fairly, regardless of their age, gender, race, ethnicity, socioeconomic status, or any other characteristic. The researcher also ensured that the selection process for participants was fair and unbiased.

### *Intellectual Property*

The researcher respected intellectual property rights and gave credit to previous studies and research by other scholars. This means that any theories, models, or ideas borrowed from other sources were properly cited and acknowledged. The researcher also ensured that the research did not infringe on any copyrights or patents.

## CHAPTER FOUR

### Results and Discussions

#### 4.1 Results

##### 4.1.1 Aid Conditionality and Development: Unraveling the Relationship

A portion of the informants, precisely three out of six, offer a nuanced perspective on aid conditionality. They recognize its potential advantages and disadvantages, advocating for enhancements in the administration and conditioning of aid. The remaining informants lean away from supporting notions of aid conditionality. The 5<sup>th</sup> informant for instance, expresses doubt regarding aid conditionality and its impact on development. He argues that the conditions often reflect the implicit intentions of the donors. While informant 4 supports the concept of aid conditionality in theory, she acknowledges the practical implementation often falls short. Whereas, the 6<sup>th</sup> informant vehemently opposes aid conditionality, attributing it to the economic crisis in Africa.

##### *Aid Conditionality and Accountability*

Informant 3, 4 and 5 delve into the crucial role of accountability in aid conditionality. Informant 4 emphasizes that the principle of conditionality serves as a check and balance system, which is crucial considering the substantial sums of aid money at stake. Her viewpoint highlights the necessity of guaranteeing that the funds are utilized efficiently and for the purposes they were intended for (Informant 4, personal communication, February 7, 2024).

Informant 5 expands on this by highlighting the problem of donor ignorance and fungibility. He points out that donors often lack a deep understanding of the recipient countries' contexts, leading to ineffective aid allocation. Furthermore, he adds fungibility, or the ability of recipient governments to redirect aid funds, can undermine the intended impact of aid (Informant 5, personal communication, February 23, 2024). Informant 3 mentions the importance of accountability by giving an example the recent scenario where the western donors increased scrutiny of target mechanisms due to the food diversion that occurred during the Tigray conflict (Informant 3, personal communication, February 6, 2024). Over all, according to the informants, responsibility in aid conditionality goes beyond merely monitoring financial transactions, it also

involves comprehending the circumstances, tackling unawareness, and guaranteeing that the assistance genuinely reaches its intended recipients.

### *Influence of Aid Conditionality on Development*

According to informant 1 Aid conditionality, particularly when tied to monetary assistance, can push governments to perform better in various areas such as workers' rights, macro-level finances, food security, and health (Informant 1, personal communication, February 2, 2024). However, Informant 2 points out that aid conditionality can also intensify existing issues such as drought, malnutrition, educational discontinuation, and migration. This typically occurs when there is a reduction in humanitarian aid as a result of non-compliance with the set conditions (Informant 2, personal communication, February 5, 2024). While, informant 4 believes the impact on development depends on the components of the conditionality such as undermining local ownership and inflexibility (Informant 4, personal communication, February 7, 2024).

### *Interplay of Trade and Aid Policies*

Informant 1 observes a new trend where trade and development are intertwined in aid policies. This means that donor countries are adjusting their aid policies to align with their trade agreements. According to her, this could have significant implications as the dynamics of international trade could influence the direction and conditions of aid. The effectiveness of aid could be affected if it is skewed towards the economic interests of the donor countries (Informant 1, personal communication, February 2, 2024).

According to Informant 6, regional bodies such as the European Union (EU) are encouraging African nations to become members of the World Trade Organization (WTO). The WTO, an international organization that oversees trade between countries, currently counts 44 African nations among its members, with Ethiopia being a notable exception. The informant discussed that the WTO operates under two main principles: the Most-Favored-Nation (MFN) rule and the National Treatment (NT) rule. The MFN rule stipulates that any trade benefits granted to one member country must be extended to all other members. The NT rule requires that imported goods be treated no less favorably than domestic goods in terms of internal taxes and regulations. Hence, he raised concerns that these principles could pose potential risks to local traders and the domestic market as a whole (Informant 6, personal communication, March 12, 2024).

### *Local Community Participation in Aid Programs*

Informant 3 emphasizes the importance of local community and local government participation in aid programs. According to him, they are the owners and should be the ones facilitating the assistance. This underscores the importance of local ownership in aid programs. The informant suggests that for aid to be effective, it must be responsive to local needs and conditions. Local communities must be actively involved in its planning and implementation. (Informant 3, personal communication, February 6, 2024).

Moreover, he shares his personal encounter when dealing with conditionality terms:

“Issues such as active participation of women, the promotion of gender equality, the principle of 'do no harm', the pursuit of sustainability, and the provision of protection are elements underscore the vital role of inclusion and the active engagement of local communities” (Informant 3, personal communication, February 6, 2024).

### *Aid Transformation into Debt*

Informant 6 points out that aid frequently transforms into debt, with financial aids that include a minimum of 25% grant being classified as aid, despite the remaining 75% being a loan. This shows the financial implications of aid and how it can lead to increased indebtedness for recipient countries. According to the informant, it raises questions about the sustainability of aid and its long-term influence on the economic health of recipient countries. He discusses the transformation and its implications for the economic stability and development of the recipient countries such as Ethiopia (Informant 6, personal communication, March 12, 2024).

Informant 6 further entails the transformation of aid into debt is a significant issue in international development. When financial aid includes a minimum of 25% grant, it is classified as aid. However, the remaining 75% is a loan, which means that the recipient country is essentially taking on debt. He said this can lead to increased indebtedness for recipient countries, which can have serious implications for their economic health. The impact of this transformation on the economic stability and development of recipient countries is also significant. According to

him, for countries such as Ethiopia, which often rely on aid for development projects, the shift from aid to debt can hinder economic growth. The resources that could be used for development are instead used to service debt. This can slow down development and exacerbate economic instability (Informant 6, personal communication, March 12, 2024).

#### **4.1.2 Ethiopia's Aid Landscape: Navigating Conditionality**

##### *Role of Conditionality in Aid*

Informant 2 provides a comprehensive analysis of Ethiopia's aid landscape and the role of conditionality. He perceives aid conditionality positively and does not identify any negative impacts (Informant 2, personal communication, February 5, 2024). He concedes the IMF's contribution to policy financing, in contrast to informant 6 who views the IMF's involvement as a detriment to the development of African nations, Ethiopia included. Informant 2 acknowledges Ethiopia's progression from receiving grants to accepting concessional loans, a shift attributed to improvements in the manufacturing and export sectors (Informant 2, personal communication, February 5, 2024).

One informant emphasized the role of humanitarian principles within aid conditionality. The potential sensitivity arising from the government's mistrust of humanitarian agencies, attributed to apprehensions about revealing politically sensitive issues such as poverty levels. He discusses the potential misuse of Productive Safety Net Programs (PSNP) by the government for political leverage. He cites the Sustainable Development Goals (SDGs), with its monitoring and evaluation component, and the PSNP, where accountability is required by donors, as examples. He expresses support for aid conditionality and argue for the government's openness to these assessments as a prerequisite for receiving aid (Informant 3, personal communication, February 6, 2024). Similarly, another informant discusses the current friction between the government and development partners in Ethiopia, mainly due to human rights violations recorded due to internal conflicts. According to her this scenario could lead to loss of access to aid in the future (Informant 1, personal communication, February 2, 2024).

##### Geopolitics and International Politics

All of the informants stated that the terms of aid conditionality in Ethiopia are influenced by a complex interplay of factors. These include geopolitics, which can shape the terms of aid conditionality, with donor countries potentially imposing conditions that align with their geopolitical interests. According to them the broader landscape of international politics can also affect the terms of aid conditionality. Global norms, international agreements, or the foreign policy objectives of donor countries can all shape the conditions attached to aid. Informant 5 stated that aid conditionality in Ethiopia is not determined in isolation but is influenced by geopolitics, internal conflicts, and international politics. He added this underscores the complexity of aid negotiation and administration, as well as the need for careful consideration of these factors to ensure that aid effectively supports development (personal communication, February 23, 2024).

Similarly, informants 1, 2 and 3 specified that conflicts within Ethiopia play a crucial role. Ongoing conflicts could affect the terms of aid conditionality, with donor countries or organizations possibly imposing conditions aimed at resolving these conflicts. Informant 1 emphasizes that stability is underscored as a primary conditionality, with fragility also taken into account and should be seen cautiously (personal communication, February 2, 2024). Another informant asserts that while donors do not meddle in internal politics, they do offer external support (Informant 2, personal communication, February 5, 2024).

#### *Impact of Conditionality on Policy and Structure*

At the project level, Informant 2 believes that conditionalities contribute to the establishment of a robust structure, an improved policy and legal framework, and enhanced political and economic representation, all of which foster peace and stability. He cautions, however, that if conditions are not in alignment with internal policies or are adopted without prior negotiations, it could lead to an economic crisis (personal communication, February 5, 2024).

Informant 6 believe all policies governed by the Washington Consensus, including SAP in the 1980s and later Poverty reduction strategy policy (PRSP), brought a disaster to Africa and Ethiopia. He attributes consequences of the policies are macroeconomic instability, Inflation, depreciation of currency, inequality and capital flight. In his observation this is the rationale behind the economic crisis Africa went through in the past and the economic difficulty the continent is going through currently (personal communication, March 12, 2024).

In a similar vein, another informant discusses while SAP in the 1980s brought about a vast change in privatizing sectors such as agriculture and manufacturing, the change lacked awareness creation in the community and tailoring to specificness. She stated that the measures taken by the Ethiopian government in the 1980s, such as change in fixed price, input subsidies, education subsidies, health sector subsidies, exchange rate regulations, and bank interest rate adjustments, were aimed to avoid inefficiency and transform the economic system for the better. However, they were not negotiated thoroughly, the local government was not part of the initial conversation, and they were the same prescription given to all African nations without considering the unique features of each country. In essence, she conveyed that SAP fell drastically short of its objectives (Informant 4, personal communication, February 7, 2024).

#### *Channels of Conditionality*

Informant 6 emphasizes the role of China and migration to be considered when discussing about conditionality in Ethiopia, in addition to geopolitics and economics. He addressed China's role in Ethiopia's aid conditionality is significant and distinct from traditional Western donors. Ethiopia leverages its relationship with China to advance its own interests. According to him, the relationship allows Ethiopia to diversify its international partnerships and reduce its dependency on traditional Western donors (personal communication, March 12, 2024).

Informant 6 further discussed decisions regarding aid are shaped by a multifaceted array of factors, encompassing geopolitical interests, humanitarian considerations, and developmental goals. Conversely, he presents the topic of migration, suggesting that Western donors allocate aid as a strategy to curb the influx of migrants into their regions from densely populated countries such as Ethiopia (personal communication, March 12, 2024).

#### **4.1.3 Success Stories and Stumbling Blocks: Aid Conditionality in Action**

##### *The Silver Lining of Aid Conditionality*

According to the insights shared by informant 1, the implementation of aid conditionality has led to several positive outcomes. These include advancements in child labor rights, improvements in workers' rights, and the provision of essential services. The informant also highlighted the effectiveness of a 'performance-based condition' from their personal experience. When this

condition was utilized as an incentive, it resulted in the achievement of goals on an unprecedented scale. She suggested that such strategic use of aid conditionality can indeed catalyze significant progress (personal communication, February 2, 2024). Similarly, another informant believes that aid conditionality has positively influenced development, citing the SDGs and the PSNP as examples. He supports aid conditionality and believes that the government should be open to these assessments to receive aid. He argues that good relationships between donors and recipients can ensure the smooth flow of development programs (Informant 3, personal communication, February 6, 2024). This view is supported by informant 2 as well. According to informant 2 Aid conditionality has helped create a sound structure, better policy and legal framework, good political and economic representation, and peace and stability in Ethiopia. When the recipient fulfills these conditionalities and receives the aid, it's like "hitting two birds with one stone" (personal communication, February 5, 2024).

#### *The Double-Edged Sword: Political Agendas and Self-Interests*

Informant 1 shed light on the intricate dance between aid conditionality and the political agendas of donor countries. She discussed Aid conditionality, while intended to promote development and reform, can sometimes be influenced by the political agendas and self-interests of the donor countries. This can lead to a situation where the aid provided is not entirely altruistic, but rather serves to further the political or economic interests of the donor. For instance, a donor country might impose conditions that indirectly benefit its own economy, such as requiring the recipient country to exclusively purchase some goods and services from the donor. This can lead to a misalignment between the needs of the recipient country and the conditions imposed by the donor (personal communication, February 2, 2024).

Informant 2 stress on the challenges that arises when the imposed conditions do not align with the recipient's internal policies or are implemented without prior discussions. Such situations can potentially trigger economic upheavals such as inflation. However, he has pointed out that such adverse scenarios are seldom observed in Ethiopia. This is largely due to the rigorous approval process that each conditionality must undergo before being adopted (personal communication, February 5, 2024).

#### *Navigating the Maze: Challenges in Implementing Aid Conditionality*

Informant 3, 4 and 5 provide a comprehensive view of the challenges faced by recipient countries in implementing aid conditionalities. Informant 3 points out the low level of awareness among the stakeholders about the implications of the conditions attached to the aid. This lack of understanding often leads to resistance due to the fear of losing power among the local authorities (personal communication, February 6, 2024). Informant 4 adds another layer to this complex issue by highlighting the lack of infrastructure and an educated workforce in the recipient countries. These deficiencies often hinder the effective implementation of the aid programs (personal communication, February 7, 2024). This idea is further backed up by informant 6 as well.

Informant 5 brings a cultural perspective to the table, emphasizing that the cultural and religious backgrounds of the recipient countries can sometimes clash with the conditions imposed by the donors. These differences can lead to misunderstandings and tensions between people from different backgrounds. For example, a donor country with progressive views on gender equality might impose conditions on a recipient country with more traditional views, leading to a cultural clash. He also discussed that the inadequate work culture in recipient countries such as Ethiopia can lead to a misalignment with the donor's cultural norms (personal communication, February 23, 2024).

In addition, the informant conveyed the matter of managing multiple bilateral partners and navigating common implementation issues are significant challenges in Ethiopia that cannot be overlooked (Informant 5, personal communication, February 23, 2024).

### *The Dark Side of Aid Conditionality*

Informant 6 pull back the curtain on the negative aspects of aid conditionality. He critically examines the impact of SAP and the Washington Consensus, revealing a side of aid conditionality that often goes unnoticed. The informant takes this critique further by examining the Washington Consensus, a set of neoliberal policies promoted by major international financial institutions. He argues that this approach, which often forms the basis of aid conditionality, has led to disastrous outcomes in many African countries. Instead of promoting economic growth and stability, these policies have often resulted in macroeconomic instability and exacerbated social inequalities. He gave an instance that has happened recently directly initiated by the IMF which took place in Sudan. In 2020 the IMF advised the Sudanese government to match the

official exchange rate to the parallel market rate, which eventually led to inflation up to 350%, causing conflict. The informant stated the IMF is giving the same advice to Ethiopia, which could result in the same situations as Sudan (personal communication, March 12, 2024).

Informant 4 provides a succinct critique of SAP, underscoring two primary shortcomings: the absence of comprehensive negotiation and the lack of customization to the specific circumstances of each country. The informant emphasizes, imposing uniform conditions without considering the unique socio-economic and political contexts of the recipient countries. She said this lack of customization can lead to policies that are not only ineffective but can also have detrimental effects on the countries' development trajectories. Furthermore, the informant points out that the negotiation process for these programs is often not thorough enough. This could mean that the terms of the programs are not fully understood or agreed upon by all parties involved, leading to implementation challenges and potential conflicts down the line (personal communication, February 7, 2024).

Informant 5 deeply stresses the issue of ignorance. When donors lack a deep understanding of the recipient countries' contexts, it can lead to ineffective aid allocation. He suggested that without a thorough understanding of the local context, donors may support projects that are not the most urgent or beneficial for the local population. They might focus on issues that are more visible or well-known internationally, while neglecting other critical areas that are less known but equally important. Moreover, the informant, conveyed donors may impose conditions or requirements that are not feasible or appropriate in the local context. This can lead to projects that are unsustainable in the long run (personal communication, February 23, 2024).

#### **4.1.4 Tailoring Aid Policies for Ethiopia: A Contextual Approach**

##### *Aid Policies and Conditionalities*

The 1<sup>st</sup> informant suggests that aid conditions should be a matter of mutual agreement, respecting the recipient country's policies, cultural norms, religious beliefs, and sovereignty. She cites the example of donors attempting to enforce LGBTQ rights in contradiction to Criminal Code of Ethiopia Article 629 and Article 630. On the other hand, she highlighted the importance of staying updated with recent climate change developments, such as the 2021 United Nations

Climate Change Conference (COP26), to foster a harmonious relationship with donors. She mentioned COP26 include communities planting trees, innovating clean energy, and safeguarding fragile ecosystems. Moreover, she advocates for a careful and thorough examination of agreements rather than rushing into them (personal communication, February 2, 2024). This sentiment is also strongly echoed by informant 5:

"Sometimes, the time given to us to review project documents is so short that it feels like they are intentionally hurrying us to sign the documents. This rush prevents us from thoroughly inspecting the documents, which could potentially benefit them" (Informant 5, personal communication, February 23, 2024).

Informant 2 highlights how some conditionalities and universal development goals should be tailored accordingly. For instance, some SDGs are not a priority for Ethiopia, such as 'life below water', given the geographical context. Similarly, he states that unnecessary terms of conditionalities posed by donors are canceled out during the first step of negotiation and are filtered towards the process to the final agreement thoroughly (personal communication, February 5, 2024).

Another informant advocates for aid conditionality, emphasizing that the government should be receptive to these conditionality related assessments in order to secure aid. He provides examples of situations where an evaluation involving multiple agencies is usually carried out. This is then followed by efforts to raise funds, which ultimately lead to providing humanitarian aid. Conversely, he discussed occasions where assessment reports are withheld by the government for various reasons, one of them being apprehension about a potential loss of governmental authority:

"There are instances when governments might hesitate to reveal the true scale of food insecurity. This could be due to concerns about how such information might affect their international standing. Take Ethiopia, for example. Currently, the country is facing a significant challenge with an estimated 20 million of its citizens grappling with food insecurity. However, this information might not be openly shared due to its potential

impact on Ethiopia's global reputation" (Informant 3, personal communication, February 6, 2024).

### *Overcoming Obstacles in Aid Conditionality Implementation*

According to informant 3 in order to enhance the effectiveness of aid conditionalities, several areas need attention. Donors, governments, and other stakeholders should engage in open and honest dialogues. He suggests expectations from the donor side should be realistic and feasibility should be taken into account. Transparency during negotiations is crucial, as is observing commitment. Moreover, he added recipients should be educated on why certain conditions are necessary from the donor side. Engagement, commitment, and willingness are key elements in this process (personal communication, February 6, 2024).

Informant 4 underscores the crucial role of local government involvement in decision-making processes tied to aid conditionalities. she cautions that preordained decisions may not align with local priorities, potentially destabilizing the macroeconomic landscape. The informant then delves into the obstacles recipient countries encounter when attempting to shift existing paradigms. These shifts often involve significant changes in societal norms, economic structures, and institutional practices, which can be difficult to implement and may encounter resistance. She further explains by giving instances, when the scenario of privatization in the public sector took place in Ethiopia back in the 1980s. According to her, this often necessitates a shift from a bureaucratic work culture to a more market-driven one. Public sector employees who are accustomed to certain work habits may find it difficult to adapt to the new expectations. She added this could include a more competitive environment, increased performance expectations, or a shift in job security. Without proper training and support, this transition can be challenging and may lead to decreased morale and productivity. The informant further discussed the push for increased school enrollment in communities where education has not been traditionally prioritized. For these communities, children often contribute to the household economy by helping with chores or engaging in income-generating activities. Suddenly mandating school attendance without first educating the community about the long-term benefits of education can lead to resistance. She said it is crucial to engage the community in dialogue, understand their concerns, and collaboratively develop strategies that acknowledge and address these concerns.

She stresses the need for comprehensive awareness campaigns to educate about the political, social, economic, and environmental changes that come with these shifts (personal communication, February 7, 2024).

Informant 5 discusses how Aid could be more effective if administrative costs, such as travel expenses, inflated salaries, and repeated overseas training, were reduced. This would increase the amount of aid reaching the intended beneficiaries. Other issues the informant mentioned are employment of underqualified personnel originating from the donor country, knowledge incompatibility between the donor and recipient parties, vague terms in agreements that obscure the recipients' understanding, rushing the review and signing of documents, tying loans and grants to job-seeking in the donor country, and collective decision-making among donors. He highlighted how the 'commitment fee' is often overlooked but can significantly impact the recipient economy, especially when the grant or loan is not disbursed on time. Despite this, the recipient country is still required to pay the fee. He also mentioned how feasibility research is crucial. According to him Aid conditionality and aid efficiency in general can be better if all stakeholders work in synergy (personal communication, February 23, 2024).

#### *Donor Prioritization*

Informant 5 brings attention to the issue of imbalance in aid distribution, noting that donors often prioritize certain sectors and regions. While the prerogative to make these choices lies solely with the donors, Ethiopia is actively working to influence these decisions. He said the aim is to ensure a more balanced distribution of aid across all regions and sectors, thereby promoting equitable development. Furthermore, he suggested that resources from traditional donors are dwindling. This situation necessitates the exploration of alternative financing sources. According to him untraditional donors are emerging as viable alternatives, offering a fresh reservoir of resources that can be tapped into (personal communication, February 23, 2024).

In the same way, another informant proposes a strategic perspective, suggesting that Ethiopia could exploit the competition among donors. He suggests, as various donors vie for influence, Ethiopia finds itself in a position where it can leverage this competition to negotiate better terms. This approach could potentially lead to more favorable aid conditions, thereby enhancing the effectiveness of aid utilization (Informant 6, personal communication, March 12, 2024).

In summary, both informants highlighted the need for strategic thinking and proactive engagement in aid negotiation and utilization. They underscore the importance of diversifying funding sources and leveraging geopolitical dynamics to Ethiopia's advantage.

### *Capacity Building*

Informant 6 state that relationship between donors and Ethiopia is a delicate balance of power. According to him, Ethiopia needs to have the capacity not only to negotiate favorable terms but also to effectively implement aid projects and ensure the transfer of technology and managerial skills. He alleged this capacity is often lacking in almost all African countries with the exception of South Africa, leading to project failures. This highlights the importance of strengthening institutional capacities. According to the informant, this involves training more experts and technocrats who can effectively manage aid projects and negotiate with donors. Furthermore, he added building strong institutions is key to ensuring that aid is used effectively and transparently and these institutions can provide oversight, manage resources, and implement projects, contributing to improved outcomes. The informant suggested on how to create technocrats:

“Three components - prestige, competitive salaries, and expert personnel - are the building blocks for creating a technocratic administration. This approach has been successfully adopted in countries such as Botswana and Mauritius, resulting in significant progress in their public sectors” (personal communication, March 12, 2024).

## **4.2 Discussions**

### **4.2.1 Aid Conditionality and Development**

The assertion made under *application of Aid conditionality for accountability* practices clearly corresponds to the broad literature on aid conditionalities and management. Cormier & Manger (2022) specify the implementation of aid conditionality for accountability purposes as a major component in the World Bank conditionality for African countries. The authors underscore its significance, particularly in the context of the World Bank's strategies for African countries. They

argue that the WB extensively uses aid conditionality as a key instrument to foster accountability in these nations.

The conception that asserts *impact of aid conditionality on development* is intricate and can significantly differ based on the particular situation is situated in the literature. Kentikelenis et al., (2016) in the literature revealed that policy changes implemented by the IMF have the potential to decrease the budget available for investments, restrict personnel, and create difficulties in executing the budget. This suggests that aid conditionality can have negative impacts on certain aspects of development. Zimelis (2011) also highlighted the negative impacts of aid conditionality on development. His study on the EU-ACP Partnership suggested that political conditionality may lead to interventions that are counterproductive to the establishment of stable democracy. This implies that the effectiveness of aid conditionality can be undermined if it is not aligned with the political realities in the recipient countries. Schmitz (2006) pointed out the weak relationship between aid conditionality and development. He argued that traditional incentive-based conditionality has not led to the desired results and has only contributed to a limited degree to economic and social development. He suggested that sustainable reforms cannot be imposed, rather it is necessary that recipients be willing to take responsibility for formulating and implementing reform programs with the financial and technical support of the donors.

In summary, both the literature and the findings show that the effectiveness of aid conditionality, a standard procedure in development aid policy, can significantly differ based on the unique circumstances in the beneficiary countries and the type of conditions applied. It is a multifaceted issue that requires considerate examination and an intricate strategy.

The informant's view on *Interplay of Trade and Aid Policies* is in line with a specific literature notion. Molenaers et al., (2015) study affirmed that a trend where terms of political conditionality containing trade agreements. This suggests that countries providing aid are modifying their policies to be consistent with their trade agreements. According to them this trend could have substantial consequences, as the complexities of global trade could dictate the course and stipulations of aid. The trend of incorporating political conditionality into trade agreements could have significant implications. It could lead to a situation where the complexities of global trade dictate the course and stipulations of aid. This could potentially

impact the effectiveness of aid, the development strategies of recipient countries, and the dynamics of international trade and politics.

The trend of incorporating political conditionality into trade agreements represents a significant shift in this landscape, with potential implications for global trade, aid effectiveness, and international relations. It's a topic of ongoing research and debate in the fields of international development and economics.

*Local Community Participation in Aid Programs* aligns with Killick's (1997), discussion on how lack of ownership leads to resource wastage in the aid world. When local communities do not feel a sense of ownership over aid programs, they may not fully engage with or support these programs, leading to inefficiencies and wastage. Furtado & Smith (2007) and Mascagni (2016) stated there is high level of local participation and sense of ownership in Ethiopia when dealing with aid programs and policies. A strong sense of ownership can lead to greater commitment and engagement from the community, which can in turn lead to more effective and sustainable outcomes.

Fostering local community participation and ownership is a key strategy for enhancing the effectiveness of aid programs. It is important for aid organizations to consider these factors when designing and implementing their programs. This approach not only ensures that aid programs are more closely aligned with the needs and priorities of local communities, but also promotes sustainability and reduces resource wastage.

The conception of *Aid Transformation into Debt*, identifies in Hattori's (2011) dialogue on Aid shift from a grant to a loan which results in debt crisis. Even though it is just one expert's viewpoint, it contributes a crucial aspect to the discussion on conditionality. This is because the recipient country, which was initially a beneficiary of the aid, now becomes a debtor. The debt burden can have significant implications for the economic stability of the recipient country, potentially leading to a debt crisis. The sustainability of aid is a key concern in this context. If aid is primarily composed of loans, then it may not be sustainable in the long term. The recipient country may struggle to repay the loans, especially if they are already dealing with economic challenges. This could lead to a cycle of debt, where the country is constantly taking on new loans to repay old ones.

The transformation of aid into debt can have serious implications. It is important for policymakers and international organizations consider these factors when designing and implementing aid programs. They should aim to ensure that aid supports sustainable development and economic stability, rather than contributing to increased indebtedness.

#### **4.2.2 Ethiopia's Aid Landscape: Navigating Conditionality**

The constructive outlook towards the *Impact of Conditionality on Policy and Structure* by some informants identifies with Stubbs's et al., (2020) study found in the literature. The authors state the IMF conditionality can have a profound impact on multiple facets of a nation's economy. This alignment ensures a cohesive effort towards economic stability and growth.

In contrast, the rest of the informants opposite viewpoint on the *impact of conditionality on policy and structure* identifies with Kovach & Lansman's (2006) study stating institutions such as IMF have come under serious scrutiny for advocating contentious economic policy transformations, including the liberalization of trade and the privatization of vital services.

The impact of SAPs in particular, occupies a significant portion of the literature, aligning with the perspectives of the informants. Lopes's (2013) study discovered that Africa experienced the lowest growth rate as a consequence of SAP implementation. In a similar vein, Endale (2022) asserted that following the implementation of SAP, a majority of African nations, including Ethiopia, faced bankruptcy, economic downturn, and societal collapse. In Ethiopia, like many other African nations, the implementation of SAPs led to economic challenges. The country faced economic failure and societal breakdown. This was due to a combination of factors, including the harsh austerity measures, the liberalization of the economy, and the lack of adequate support for local industries. Furthermore, according to Lopes (2013) and Endale (2022), the liberalization of trade and investment often led to an influx of foreign goods, which outcompeted local industries. This resulted in job losses and deindustrialization in some cases. Moreover, the deregulation of financial markets often led to financial instability and crises.

Furtado and Smith's (2007) work highlights how Ethiopia has managed to navigate the complex geopolitical landscape to its advantage. Despite violating conditionality terms, Ethiopia continues to receive aid due to its strategic importance. This can be ascribed to its function as a

calming influence in an otherwise unstable area. The nation's capacity to effectively utilize its geopolitical importance highlights its diplomatic skill. This perspective aligns with the observations of most of the informants on *Geopolitics and International Politics*.

Furthermore, in the literature Fantini and Puddu (2016), also emphasize the strategic significance of Ethiopia, particularly its involvement in peacekeeping operations in areas plagued by conflict. The role Ethiopia has played in these missions has been instrumental in preserving regional equilibrium and has also enhanced its reputation as a dependable partner to Western nations. These peacekeeping endeavors have further solidified Ethiopia's status as an influential figure in both regional and global political arenas. Beyond its contributions to peacekeeping, Ethiopia's geopolitical importance is amplified by its role in resolving regional disputes and its active involvement in regional organizations such as the African Union (AU). Its capacity to harmonize its domestic priorities with its obligations to the region has established it as a crucial player in the Horn of Africa.

In conclusion, Ethiopia's geopolitical significance stems from its strategic location, its role in peacekeeping missions, and its ability to navigate international politics. This has allowed it to maintain a steady flow of aid and establish itself as a key ally to the West, despite not always adhering to the conditionality terms attached to aid. This multifaceted role Ethiopia plays in the region underscores its importance in the geopolitics of the Horn of Africa.

The notion under *Channels of Conditionality* is in position with the literature by Hackenesch (2019) affirming China's emergence as a leading donor and ally to African nations, particularly post-2012. While traditional donors often attach specific conditions to their aid, China's approach to aid in Africa, and particularly in Ethiopia, has been more focused on economic engagement and infrastructure development. This has led to a shift in the dynamics of international aid and has had significant implications for the recipient countries. This aid challenges the power of traditional donors to dictate the development path of African countries, breaking the Western monopoly on how poorer countries develop. The Sino-African aid relationship is reshaping the world order by offering African states the opportunity to decouple from the global economy. By the same token, Furtado & Smith (2007) in the literature highlight the significant impact of China on Ethiopia's aid diplomacy. China's substantial investments in

Ethiopia, including billions of dollars for infrastructure projects, are a testament to this. This strong economic involvement stands in contrast to the self-interests of conventional donors.

The other channel a single informant insisted on conferring i.e., migration, is also in sync with Hackenesch's (2019) research perpetrating the perceived hostility towards African immigrants in Europe contradicts the European Union's professed commitment to democracy and human rights. Furthermore, the US's withdrawal from the UN Human Rights Council during Trump's administration has eroded the trust that aid-recipient nations once had in the US. These verdicts on the literature resonates the informant's argument on migration. Consequently, it is crucial for African nations to reassess their strategies and alliances in light of these developments, to ensure the protection of their interests and the rights of their citizens.

#### **4.2.3 Success Stories and Stumbling Blocks: Aid Conditionality in Action**

The perspectives of the three informants on the concepts under *Silver Lining of Aid Conditionality* indeed resonate with the research by (Molenaers et al., 2015). These authors have put forth the argument that political conditionality, often seen as a stringent requirement tied to aid, has inadvertently led to positive outcomes. Specifically, it has spurred initiatives that are primarily focused on poverty alleviation. These initiatives, driven by the conditions set by aid-providing entities, have led to the implementation of policies and programs that directly address poverty-related issues. This has resulted in tangible improvements in areas such as healthcare, education, and infrastructure, which are critical for poverty reduction. Moreover, the authors conveyed these poverty alleviation initiatives have worked synergistically with the Millennium Development Goals (MDGs). The MDGs, established by the United Nations, set specific targets for reducing poverty and improving living standards worldwide. The initiatives spurred by political conditionality have contributed to the achievement of these goals, leading to significant progress in global poverty reduction. In essence, while aid conditionality is often criticized for its potential to infringe on the autonomy of aid-recipient countries, it has an undeniable silver lining.

The characteristic of aid conditionality, depicted as a *Double-Edged Sword*, is a recurring refrain in the literature as it was demonstrated by the informants. Brown's (2005) and Schmitz's (2006) research show that, donors frequently juggle multiple priorities that can potentially overshadow their philanthropic intentions, such as the pursuit of personal self-interests. Similarly, Morrissey

(2013), interpreted aid conditionality as a reflection of the donor countries' interests, rather than addressing the genuine needs of the recipient nations. This perspective suggests a potential imbalance in international aid dynamics, where the priorities of the benefactors may inadvertently overshadow the necessities of the beneficiaries. This argument underscores the need for a more equitable approach to international aid, one that prioritizes the unique needs and circumstances of the recipient countries.

The *challenges* encountered by recipient countries in implementing aid conditionalities, as highlighted by the informants, can be connected to the research conducted by Crawford and Kacarska (2017). Notably, the observation that stakeholders often lack awareness about aid conditionalities leads to resistance from local authorities. This resistance stems from their fear of a potential loss of their control or influence (Crawford & Kacarska, 2017).

Another informant's emphasis on the lack of infrastructure and an educated workforce resonates with the first generation of conditionality, which emerged in the 1980s and was related to SAPs linked to economic liberalization programs (OECD, 1997). These programs often required significant infrastructural and human capital investments, which could be challenging for recipient countries with limited resources.

Moreover, the cultural perspective is particularly relevant in the context of the second generation of conditionality. The second generation conditionality which emerged in the 1990s was linked to good governance and reform programs. These programs often involved changes to societal structures and norms, which could clash with the cultural and religious backgrounds of the recipient countries (OECD, 1997).

To sum up, the informants insights offer a crucial viewpoint on the difficulties that aid-receiving countries encounter when enforcing aid conditions. These insights are thoroughly backed by the current body of literature on the subject.

#### **4.2.4 Tailoring Aid Policies for Ethiopia: A Contextual Approach**

The notions under *Aid Policy and Conditionality* state that aid conditionalities are not always on mutual agreements between the two parties i.e., donor and recipients. Similarly, in the literature by Killick (1997) conditionality is used as a strategy where economic power is used to safeguard

the interests of the donor. The author further distinguishes between two types of conditionality: 'hard core' and pro forma. 'Hard core' conditionality refers to the prerequisites that must be met to receive a loan or aid, while pro forma conditionality, which is deemed less critical, is based on a mutual agreement between the donor and the recipient. In essence, it is evident that conditionality holds more importance for the donors than for the recipients.

Consequently, there is a consensus among all the informants that aid policies need to be customized appropriately. They believe these policies should undergo thorough examination instead of hasty implementation, and should be founded on mutual agreements.

Concerning the subject of *Overcome Obstacles in Aid Conditionality Implementation*, there are several links among the findings of this research in the literature. The informants' observation about the challenges in implementing aid conditionalities aligns with Kilby's (2008) & Dijkstra's (2022) reflection. The discrepancy between the conditions on paper and the reality on the ground, as well as the resistance from governments fearing loss of power, echo the conclusions of the authors. These authors discuss how conditionality often fails due to the selective approach of the World Bank and IMF. These institutions are highly influenced by powerful countries such as the US.

The informants' suggestion to enhance the effectiveness of aid conditionalities through open dialogues, realistic expectations, and awareness creation on recipients is also in line with the views of Rich's (2004) remark. Rich emphasizes the importance of designing conditions accordingly and the enhancement of the capacity of the recipients to work on aid agreements.

The emphasis on the role of local government in decision-making processes tied to aid conditionalities resonates with the Montinola's (2010) study on ownership and the importance of aligning aid with local priorities. The support for aid conditionalities, with the caveat of accountability and customization of policies to suit each country's unique needs, aligns with the views of Montinola's (2010) and Crossman's (2020) studies. These authors discuss how conditionality can stimulate economic growth and development if used effectively.

The informant's discussion on making Aid more effective by reducing administrative costs and ensuring compatibility of knowledge between the donor and recipient parties echoes Che Chi's et

al., (2020) research that focused on the efficient use of aid. The study also highlights the importance of feasibility research, same as the informant's suggestion.

The challenge of *donor prioritization* arises from two distinct perspectives. Firstly, it involves the preferences of the donors themselves, which can vary based on the country and sector they choose to support. Secondly, it encompasses the preferences of the recipients, who may have specific donors they prefer or select. This dual-sided dynamic creates a complex landscape for donor prioritization.

The informant's observation about the imbalance in aid distribution aligns with Hattori's (2001) view of foreign aid as a form of resource allocation. The prioritization of certain sectors and regions by donors, and Ethiopia's efforts to influence these decisions, reflect the dynamics of 'giving' in the context of foreign aid. The act of 'giving' in this context is not simply a one-way transfer of resources. It involves strategic decisions about who receives aid, how much they receive, and under what conditions. Moreover, the 'giving' process is influenced by the donor's political, economic, and social objectives, as well as the recipient's needs, capacities, and preferences. Therefore, the process of giving and receiving aid is a nuanced and intricate one, filled with negotiations, strategies, and conflict of interests.

The informants' suggestion to explore alternative financing sources due to dwindling resources from traditional donors resonates with the discussion on the emergence of BRICS countries as alternative financial support (Van de Walle, 2016). This shift in the aid landscape underscores the need for recipient countries such as Ethiopia to diversify their funding sources.

Similarly, the informants' strategic perspective on exploiting geopolitical competition among donors finds support in the literature. Anderson and Fisher (2015) discuss how countries like Uganda have used strategic thinking in their relationships with donors. Correspondingly, Ethiopia's attempt to leverage geopolitical competition to negotiate better aid terms echoes this approach. Under the EPRDF regime, as Fantini & Puddu's (2016) work highlight Ethiopia employed a strategic approach to manage its foreign aid. This strategy involved diversifying its donor base and maintaining a level of flexibility to shift reliance from one donor to another, thereby minimizing over-dependence on any single entity. While the US, WB, IMF, and EU were maintained as primary donors, Ethiopia also established alliances with other countries such as

China, India, Ukraine, and North Korea, further broadening its network of support (Fantini & Puddu, 2016).

The literature by Douch et al., (2022) underscores the importance of *capacity building* in the context of aid conditionality, which aligns with the emphasis in the findings on Ethiopia's need to enhance its capacity to manage aid projects. The World Bank's practice of linking loans to enhancements in governance and institutional capacity aligns with the recognition of the importance of robust institutions in Ethiopia. These institutions play a critical role in handling the administrative challenges posed by such conditions (Kovach & Lansman, 2006). Furthermore, the authors suggest that aid is effective in augmenting growth only in the presence of a sound policy environment. This point aligns with the emphasis on the need for effective and transparent use of aid in Ethiopia, highlighting the role of a sound policy environment in ensuring the effective use of aid (Crossman, 2020). These points collectively emphasize the importance of capacity building, strong institutions, and effective use of aid in Ethiopia, suggesting that these factors are crucial for improving aid efficiency and achieving development goals in the country.

## CHAPTER FIVE

### Conclusion and Recommendations

#### 5.1 Conclusion

The research findings showed that most of the informants leaned towards the view that the shortcomings of aid conditionality outweigh its potential benefits. While they acknowledged the theoretical merits of aid conditionality, they expressed concerns about its practical implications and advocated for improvements in the way aid is administered and conditioned. They highlighted the crucial role of accountability in aid conditionality and underscored the importance of ensuring that funds are used effectively and for their intended purposes. However, they also pointed out that donors often lack a deep understanding of the recipient countries' contexts, leading to ineffective aid allocation. Criticisms of SAPs, which impose stringent austerity measures on nations already grappling with poverty were emphasized. Therefore, it is essential to address these challenges and criticisms to ensure a more equitable approach to international aid. This approach should prioritize the unique needs and circumstances of the recipient countries and balance the interests of the benefactors and beneficiaries. Incorporating local community participation and ownership in conditionality terms are also suggested by the experts as key strategies for enhancing the effectiveness of aid programs. Therefore, it is crucial for policymakers and international organizations to consider these factors when designing and implementing aid programs, with the aim of supporting sustainable development and economic stability.

The effectiveness of conditionality in aid is further debated, with some studies suggesting it promotes good governance and economic development, while others argue its influence is limited. The research findings reveal that conditionalities, often attached to monetary assistance, can push governments to perform better in areas such as workers' rights, food security, and health. Nevertheless, these conditionalities can also intensify existing issues such as drought, malnutrition, educational discontinuation, and migration, particularly when there is a reduction in humanitarian aid due to non-compliance with conditions set. Hence, the efficacy of aid

conditionality is not uniform and can significantly fluctuate. This is largely influenced by the unique circumstances in the recipient countries and the specific conditions enforced. However, as per the majority of the informant, the drawbacks of aid conditionality often overshadow its potential benefits.

The research findings highlighted the importance of strategic thinking and proactive engagement in aid negotiation and utilization. Ethiopia's strategic location at the Horn of Africa gives it a significant role in geopolitics, allowing it to influence regional dynamics and maintain a steady flow of aid from Western countries, even when it has not strictly adhered to the conditions attached to the aid. This observation emphasizes a perceived inconsistency between the donors' proclaimed goals and their actual practices. While donors often assert that aid conditionality is aimed at fostering good governance and democracy in African countries, their actions often reflect their own self-interests more than the recipient countries' needs. This discrepancy suggests that the effectiveness of aid conditionality may be compromised by these conflicting interests.

This research also showed that the emergence of China as a leading donor has shifted the dynamics of international aid, focusing more on economic engagement and infrastructure development. This has challenged the power of traditional donors and reshaped the world order. Ethiopia persistently capitalizes on its geopolitical importance and strategic partnerships with China as well, to bolster its position on the global stage. Ethiopia's ability to navigate this complex landscape underscores its importance in the geopolitics of the Horn of Africa. This multifaceted role Ethiopia plays in the region highlights its diplomatic skill and its ability to harmonize its domestic priorities with its obligations to the region.

This research contributes to the understanding of aid conditionalities in the Ethiopian context and their influence on national development goals. It provides valuable insights for other African countries dealing with aid donors and politics. The importance of mutual agreements, thorough examination of policies, and customization to suit the unique needs of the recipient country are emphasized. The study further underscores the need for capacity building and strengthening institutional capacities in Ethiopia, not only to negotiate favorable terms but also to effectively implement aid projects and ensure the transfer of technology and managerial skills.

## **5.2 Recommendations**

The study on the nexus between aid conditionality and development in Ethiopia has unveiled significant insights. Despite the shortage of literature on the subject specifically on the Ethiopian case, it has managed to encapsulate expert perspectives on the rhetoric of conditionality from various stakeholders in the aid sector.

While this study contributes to understanding aid conditionalities in the Ethiopian context and their influences on national development goals, there is still much to learn. These recommendations aim to guide future research in this area and contribute to the development of more effective aid policies. The findings in this research can be used to improve aid policies of donors. This study can also offer valuable perceptions for other African countries when dealing with aid negotiations and contracts.

Future research could delve into the interplay of trade and aid policies, and the effects of internal conflicts on aid conditionality terms. Another intriguing area for exploration is the potential strategy of Western donors to allocate aid in order to curb migration into their regions, in addition to their existing self-interests.

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# Appendices

## Appendix A: Consent Form for Interview

**RESEARCH: The Nexus between Aid Conditionality and Development: The Case of Ethiopia**

**RESEARCHER: Blen Gebru**

I have been given information about “The Nexus Between Aid Conditionality and Development: The Case of Post Imperial Ethiopia” and discussed the research project with Blen Gebru who is conducting this research as part of a Master’s Degree in the Department of African and Asian Studies at Addis Ababa University.

I have a complete understanding that my participation in this research is voluntary; I am free to refuse to participate and free to withdraw from the research at any time. My refusal to participate or withdrawal of consent will not affect my relationship with the Department of African and Asian Studies or my relationship with Addis Ababa University. If I have any enquires about the research, I can contact Blen Gebru. In addition, if I have any concerns or complaints regarding the way the research has been conducted, I can contact the Department of African and Asian Studies. Interviews will take 45 – 60 minutes. Your responses to this interview will be confidential. The researcher will assign code names/numbers which will be used in the research notes and documents. Moreover, all information and electronic data will be saved secured and encrypted.

I understand that the data collected from my participation will be used for the research purpose only, and I consent for it to be used in that manner.

Signed

Date

.....

...../...../.....

Name and Title .....

## **Appendix B: Interview Guide for Semi-Structured Interviews**

1. Can you describe your understanding of the concept of aid conditionality?
2. How do you see the relationship between political conditionality and development?
3. In your opinion, how does aid conditionality influence the development process in recipient countries such as Ethiopia?
4. Can you provide specific examples where aid conditionality has positively affected development?
5. Are there instances where aid conditionality has hindered development? Could you elaborate on these?
6. What are some of the challenges faced by recipient countries in meeting aid conditionality requirements and how do this affect development?
7. How do you think aid conditionality policies could be improved to better support development in Ethiopia?

## Appendix C: List of Interviewees

Informants	Profession/position	Interview Date
Informant 1	Capacity development specialist and advisor, Expert at Shock Responsive Safety Net (SRSN) programs	February 2, 2024
Informant 2	Grant/Credit Management Partnership expert at Ministry of Finance (MOF)	February 5, 2024
Informant 3	Senior Humanitarian Advisor at Save the Children, Oxfam America	February 6, 2024
Informant 4	Assistant Professor at Addis Ababa University (AAU) specializes in Development and Economics, Aid Courses	February 7, 2024
Informant 5	Senior Expert at Ministry of Finance (MOF) specializes at bilateral aid negotiations	February 23, 2024
Informant 6	Professor at Addis Ababa University (AAU) and University of London	March 12, 2024