

The Impact of Development Aid on the Level of Democracy: Case of Armenia

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Abstract

The relationship between development aid and the level of democracy of aid recipient country has been a debatable issue among scholars. This thesis examines the impact of development aid on the level of democracy in Armenia for the time period from 2003 to 2012. Firstly, the relationship between the two is analyzed through bivariate correlation. Secondly, development policies of United States Agency for International Development (USAID), World Bank (WB) and European Union (EU) institutions are critically discussed from the perspective of integration of democracy assistance into development aid. The results of correlation observe no statistically significant relationship between the variables. The detailed analysis of USAID, WB and EU institutions reveal that the three major donors of the country had quite different approaches for combining development aid and democracy promotion, reflected in the inconsistency of their development policies. Thus, it is concluded that the absence of consistent policies of major donors undermined the impact that more targeted development policies could have on the democracy level of Armenia, resulting in no significant impact of development aid on the level of democracy.

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List of Abbreviations

Development Assistance Committee (DAC)

European Union (EU)

Freedom House (FH)

Gross domestic product (GDP)

Human Development Index (HDI)

International Development Association (IDA)

National Indicative Programs (NIP)

Official Development Assistance (ODA)

Organisation for Economic Co-operation and Development (OECD)

Swedish International Development Cooperation Agency (SIDA)

United Nations Development Program (UNDP)

United States Agency for International Development (USAID)

World Bank (WB)

Introduction

The relationship between development and democracy is a widely debatable issue. Some scholars argue that democratic institutions are necessary for achieving development. Acemoglu and Robinson in their famous “Why nations fail” discuss how institutions matter for development, arguing that inclusive economic and political institutions that encourage people’s political participation lead to economic growth and prosperity, while the extractive ones result in stagnation and poverty (2012). Thus they underline the importance of democratic institutions, claiming that the latter is necessary to achieve certain level development. Others look at the relationship from a different perspective, claiming that it is economic development that leads to democracy. In general, research done mostly concentrates on the relationship between development and democracy, through comparing the economic growth levels of democracies and non-democracies (Przeworski and Limongi, 1993; Przeworski, 2000). Thus, in the above mentioned literature, development is mostly discussed from the perspective of economic growth. This thesis will look at the evolution of the concept of development and discuss how it broadened over time, began to integrate with politics, being associated not simply with economic growth but also with democracy, human rights, sustainable development. Besides, I will study the relationship between democracy and development, looking at it from the perspective of development aid. Specifically, the thesis will discuss whether development aid received from donor organizations has impact on the level of democracy of the recipient country.

The existing research on the impact of development aid on democracy reveals contradictory results. Some authors argue that development aid is just an additional resource, source of income for authoritarian and corrupt governments and helps them to stay in power, thus having a considerable negative impact on the level of democracy (Svensson, 2000; Morisson,

2007). Others disagree, claiming that development aid is not wasted and can have positive impact including democratization effect on recipient countries, finding evidence for that (Knack, 2004; Goldsmith, 2001). Dunning argues that the positive impact of development aid on the level of democracy is not definite and can vary across certain periods of time (2004). Hence, the research done leaves the topic debatable, not having a unique answer for all time periods and for all parts of the world, thus revealing the necessity for further study in the field. In addition, the existing research mostly examines the cases of African countries, while leaving the gap for other parts of the world. Taking into consideration all the above mentioned, it can be noted that the impact of development aid on the level of democracy can be specific for each recipient country and may also differ across time. Therefore, there is a need for more case studies in this field.

This research will focus on Armenia. With a territory of 29 800 sq km and population of around 3.2 million, it is located in the Southern Caucasus region, at the juncture of Western Asia and Eastern Europe. Armenia regained its sovereignty and independence from the Soviet Union in 1991 and opened the space for large spectrum of economic and political reforms. The first years of independence were quite challenging for the country. War with neighboring Azerbaijan until 1994, energy crisis, as well as a transportation blockade left the landlocked Armenia with only two open borders thus largely contributing to its economic collapse (Iskandaryan, 2013). The country started to recover only since mid 90s, making the first steps towards market economy and establishment of democratic political regime. Considering the above mentioned situation, this research will concentrate on the recent ten years in order to avoid the influence of external factors as much as possible. Particularly the thesis will discuss the time period from 2003 to 2012. Further and extended research could increase the number of cases selected and go beyond Armenia. Particularly, comparative analysis of post-soviet countries can contribute to the field.

Thus, in my thesis I will look at the relationship between development aid received and the level of democracy of Armenia. For the time period of 2003-2012 I will discuss whether the development aid received had any positive or negative impact on the level of democracy. In order to do so, I will combine quantitative and qualitative methods. Firstly, combining the existing databases of OECD and Freedom House (FH), I will analyze the statistical relationship between the total net official development assistance received and Political Rights Index of FH. Secondly, I will support the quantitative analysis with document analysis of the major three donors of the country, critically discussing their development policies.

I will argue that though the concept of development and accordingly the idea of development aid have broadened over time, forcing the donor agencies to integrate political approach into development, this integration was not always associated with democracy. This is to say that the donors adopted different policies in combining development aid with politics, which resulted in inconsistency among the major donors, undermining the impact that development aid could have on the level of democracy in Armenia.

In the first part of my thesis I will critically review the existing literature from three different perspectives. Firstly, I will discuss the evolution of the concepts of development and development aid, pointing out the differences across the time. Secondly, I will look at the concepts of democracy and democratization and discuss Polity IV and FH Indexes as measures of democracy. Thirdly, I will refer to the research focusing particularly on impact of development aid on the democracy in order to provide theoretical background for my research. In the second chapter, I will focus on the case of Armenia. After discussing political situation of Armenia in terms of democracy I will look at the main aid donors and the fluctuations in the amount of development assistance received over the ten year period.

Thereafter, using quantitative methods I will analyze the relationship between the amount of aid and level of democracy. Finally, the third chapter of the thesis will concentrate on three major donors of Armenia, namely USAID, WB/International Development Association (IDA) and EU institutions. Through document analysis I will discuss the policies of the mentioned donor agencies from the perspective of combining development policy with democracy promotion. The final section will summarize the findings, concluding that the inconsistency among major donors of the country in terms of integrating democracy promotion with development aid resulted in no significant impact of development aid on the level of democracy.

Chapter 1: Theoretical Framework

This chapter thoroughly reviews the literature in the fields of development and development aid, democracy and the relationship between the two, in order to provide theoretical background for further empirical analysis. As this thesis will study the impact of development aid on the level of democracy, the chapter is divided into three sections. The first one critically discusses the concepts of development and development aid, looking at their evolution over time. The second part clarifies the concepts of democracy and democratization, briefly discussing the measures of democracy. Finally, the third part looks at the specific literature discussing the relationship between development aid and democracy.

1.1. The Evolution of the Concepts of Development and Development Aid

In order to understand the characteristics and objectives of development aid it is necessary to clarify the idea of development itself, as the two concepts go hand in hand with each other. Therefore, before concentrating on development aid and discussing its main types and objectives it is important to refer to the evolution of the concept of development.

The concept of development has been subject to different interpretation by scholars and practitioners over time. In general, it is considered to be a rather new phenomenon, originated and spread after the Second World War. Particularly, in 1949, the president of the United States (US) Harry Truman used the term “development”, when declaring a program of technical assistance to underdeveloped countries (Bartenev and Glazunova, 2013). The authors consider this as classical paradigm of development studies. Originated as an interdisciplinary field of research and combining political, socio-political and economic components, this paradigm was influenced by development economics with the rise of the Cold War (2013). According to Elgstrom and Hyden, in 1950s and 1960s, development was mainly associated with the level of modernization (2002). In 1970s, development was often

identified with economic growth and accordingly measured by either gross national product or gross domestic product (GDP). According to Bartenev and Glazunova there was a clear focus on fighting poverty (2013). Pointing out on the limitations of focusing on economic aspect of development only, institutionalists brought into attention the concept of human capital, influencing further expansion of the concept (Bartenev and Glazunova, 2013). Thus, the narrow understanding of development, associated mainly with economic growth, was criticized by the institutionalist approach, opening the concept of development for expansion.

In late 1990s, the Nobel Laureate Sen originated a new approach to development. He described development as freedoms, arguing that economic growth, industrialization, are important, but these are only the means to development (Sen, 1999). His approach goes beyond, concentrating on the ends, which are illustrated in the freedom that people enjoy (1999). According to Sen, to achieve development it is necessary to remove “sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as intolerance or overactivity of repressive states” (1999:3). In other words, for Sen, development is not only about economic growth, but about people’s capabilities to achieve something more based on the economic opportunities (1999). Thus, Sen’s understanding of development changes the perception of the concept, influencing its further expansion and integration of political approach to the existing economic perspective.

According to Carothers and Gramont in 1990s and 2000s development agencies became influenced by the integrated political economic view of development (2013). Particularly, in 1990, United Nations Development Program (UNDP) introduced the concept of human development, which changed the focus of development to people, stating that as “a process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard

of living. Additional choices include political freedom, guaranteed human rights and personal self-respect” (UNDP, Human Development Report, 1990: 1). However, Carothers and Gramont argue that this was just UNDP’s reaction to reduce the focus on economic growth as an indicator to development rather than intention to include political values, which is reflected in the Human Development Index (2013). The integration of political values in economic approach of development was reflected in the policies of other donor agencies. For instance, Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) revised its definition of poverty in 2001, adding political and socio-cultural deprivation to the existing human deprivation measured by economic indicators, Swedish International Development Cooperation Agency (SIDA) focused on the lack of people’s power and choice to make decisions over their lives (Carothers and Gramont, 2013). According to the same authors, another attempt of integrating economic and political dimensions of development was reflected in the rights-based approach of development, which requires aid providers to include international human rights promotion in their approach of development was reflected in such agencies development policies as UNDP, SIDA (2013). A recent approach to development included a sustainability component into the concept, introducing the idea of “sustainable development”. As a three-fold concept it includes economic, social and environmental components (Bartenev and Glazunova, 2013). On one hand this was a step forward towards integration of environmental perspective into development. On the other hand, it emphasizes the importance of continuation of certain development programs, projects results (Gibson et al, 2005). Thus, social, political, environmental approaches integrated into economic understanding of development, nudging development agencies to adopt appropriate policies.

To sum up, the concept of development changed considerably over time. While in its early stages development was often understood narrowly being identified just with economic

growth, it expanded in parallel with the integration of political, social, environmental perspectives into the economic one. In my thesis, I will look at development as a broader concept, which is not only about economic growth, but also about the freedom of making decisions over own lives, about capacities to achieve something more, about human rights, including civil and political ones, about sustainability and long-lasting results, about democracy and democratic governance.

Referring to development aid, first of all it is important to differentiate it from foreign aid. According to Riddell, foreign aid consists of different types of resources, including loans, financial grants, skills, which are transferred from the donor to the recipient (2007). This broad definition, however, does not specify the purposes of those transfers, the impact of aid, as well as the givers and the receivers. In other words, the concept of foreign aid does not indicate whether aid goes from rich countries to the poor ones and whether it actually targets poverty or no (Riddell, 2007). Therefore, Riddell terms development aid or development assistance as particular types of foreign aid, aimed at poverty reduction, contributing to human welfare and development (2007). Moyo distinguishes between humanitarian aid, charity-based aid and systematic aid. While humanitarian aid refers to transfers in emergency situations, charity based aid is distributed by charitable organizations to people or organizations in need (Moyo, 2009). However, I will not discuss the above-mentioned two in details, as the third type, namely systematic aid is the main focus of this thesis. The differentiating characteristics of systematic aid, as Moyo describes, is that it is necessarily transferred to the governments, while the donors can be either governments or certain

institutions (2009). Thus the author also differentiates between bilateral (from government to government) and multilateral aid (from an institution, a donor organization to government)¹.

Generally, development aid is understood as foreign assistance, aiming at promotion of development and increasing wealth of developing countries (Bartenev and Glazunova, 2013). OECD defines Official Development Assistance (ODA) as “flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount)” (OECD Glossary of Statistical terms, 2003). For further analysis I will refer to ODA and use it as a measure of development aid.

In parallel with the evolution of the concept of development, the idea of development aid also underwent transformations. US government’s assistance of late 1940s to fourteen European countries with the purpose of reconstruction of the post-war Europe is considered to be the first development aid (Riddell, 2007). This program, known as Marshall Plan, is regarded as one of the most successful development aid programs till today (Moyo, 2009). 1950s and 60s are featured as period of industrialization when aid was mainly directed to large-scale industrial projects including roads, railways, while 1970s development aid was redirected towards agriculture and rural development projects, social services with focus on housing, health and education, as well as food (2009). Scholars consider the next decade a lost one for development because of the rise of neo-liberal ideas and a considerable reduction in the amount of development aid (Moyo, 2009; Bartenev and Glazunova, 2013). It was 1990s when development aid opened the door for new approaches. Particularly, according to Carothers and Gramont this decade was the beginning of integration of politics in

¹ Throughout the thesis the terms “aid”, “development aid” and “development assistance” will be used as equals and refer to the systematic aid.

development aid (2013). The authors argue that 1990s donor agencies launched political aid programs with the purpose of promoting democracy (2013). Other scholars describe this phenomenon with the shift from the focus on poverty towards more attention to good governance and conditionality. Moyo argues that during 1990s donors started to pay more attention to good governance as a guarantee of the rule of law, credible institutions and economies free of corruption (2009). Bartenev and Glazunova argue that during these years development aid stopped being considered as means for eliminating poverty, as donors became more careful when choosing the recipients. In addition there was also a change of policy towards aiding financial sector programs instead of small scale projects (2013). In other words, donor governments started to use development aid for reaching not only socioeconomic but also political goals.

To sum up in parallel with the evolution of the concept of development, development aid changed considerably from its origins. As development turned into a broader concept than economic growth, aid was consequently converted into more political one and conditionality became an inherent part of it.

As the thesis will study the relationship between development aid and democracy, the concepts of democracy and democratization will be clarified and discussed in the next session.

1.2. The Concepts of Democracy and Democratization

The concept of democracy is also interpreted differently among the scholars. Przeworski describes democracy as a regime type, where those who govern are selected through contested elections (Przeworski, 2000). This definition, however, concentrates on one aspect of democracy only, namely election. Acemoglu and Robinson conceptualized democracy as the regime, where, the majority of population has a freedom of expression and the

government represents expressed preferences (2005). The authors categorize the whole society into two groups, namely “the elite”, that is rich and holds the power and “the citizens”, that are poor and excluded, describing the regime type based on the relationship between the mentioned two groups and their relative power (2005). They accordingly argue that if in a democracy the majority has the right to vote and express their preferences freely and the government represents these preferences, in non-democracies the government represents the interests of the “elite” (2005). The authors discuss democratization as a solution to this problem, arguing that if “the elite” does not redistribute the resources, poor people will protest forcing democratization and as “the elite” will concede in order to avoid revolution (2005). Elgstrom and Hyden summarise the above-mentioned definitions of democracy, setting criteria for democratic regimes. According to them democracies, should have institutions that enable the citizens to freely express their preferences; institutionalized constraints of the power of executive governments; inclusive procedures of participation while selecting national leaders and policies (2002). Thus, to sum up, democracy can be described as the regime where people are free to express their opinions, preferences, to participate in the elections of national authorities, who in their turn must represent the interests of the majority. In addition, democracy requires basic human rights and civil liberties, access to justice and rule of law.

As measures of democracy Polity Score (Polity IV) and FH Indexes of Political Rights and Civil Liberties will be used in the thesis.

Polity IV is a data series, which contains annual information on the level of democracy from 1800 to 2011 for all independent states having a population of more than 500,000 people. Including measures for both institutionalized democracy (DEMOC) and autocracy (AUTOC), POLITY, is derived by subtracting the AUTOC value from the DEMOC value. As a result, it gives a single regime score that, ranging from +10 to -10 or, where +10 is full democracy and

-10 is full autocracy. More specifically, scores ranging from -10 to -6 correspond to autocracies, from -5 to 5 are considered anocracies, and countries with a score equal or higher than 6 are democracies (Polity IV Project, 2002).

Since 1972 FH has conducted and published the “Freedom in the World” survey, which is widely used among scholars and policymakers all over the world. It provides an annual evaluation of the progress and decline of freedom in countries according to two broad categories: political rights and civil liberties. Political rights in their turn include the following three subcategories: electoral process, political pluralism and participation, and functioning of government. Civil liberties are rated on the basis of the following four subcategories: freedom of expression and belief, associational and organizational rights, rule of law, and personal autonomy and individual rights. Each country is assigned a score for both political rights and civil liberties. These scores can range from 1 to 7, where 7 is the least free and 1 is the most free. The freedom rating represents the average of the political rights and civil liberties ratings and determines the status of the country being free (the score ranges from 1.0 to 2.5), partly free (3.0 to 5.0), or not free (5.5 to 7.0) (FH, Methodology, 2014).

According to Knack the above described two indicators of democracy are in close agreement with each other. However while FH indexes are aimed at presenting rights afforded a country’s population, the Polity IV to more extent reflects institutional aspects of country’s government (2004). In the second chapter of my thesis democratic situation of Armenia for a time period of 2003-2012 will be analyzed based on Polity IV and FH Indexes.

1.3. The Relationship between Development Aid and Democracy

As discussed in the first part of the chapter the concept of development underwent through considerable transformation over time and thus did development aid accordingly. Particularly

as since 1990s development aid became more political, donors started broadening their focus from poverty reduction to sustainability, human rights, governance, and democracy.

Whether development aid has democratization effect or not is a highly debatable issue among scholars. Existing research in the field reveals quite contradictory results. Pessimistic approaches consider that the aid flowing from developed countries to the developing ones is wasted. Particularly, Svensson argues that foreign aid is distributed based on the needs of the poor, which decreases recipient governments' motivation and efforts to alleviate poverty and improve the welfare of the poor. As a solution to this problem they see the strong commitment ability of the donor to condition the aid (2000). According to Goldsmith conservatives and libertarians argue that foreign aid is often having a perverse political impact, pointing out that it helps recipient governments to avoid bearing the consequences of the existing situation in the country and they prefer the status quo (2001). Thus recipient governments do not have the willingness to go for political reforms. Mesquita and Smith find out that while giving aid, donors purchase policy support from the recipient governments, who spend at least part of the received aid to ensure their further power. And therefore from their perspective aid flows to the countries, whose leaders have certain willingness to adopt required policies in the exchange for aid (2007). Other scholars argue that like natural resources development aid gives the dictators additional income to maintain their power. Specifically, Morisson reveals that mentioned resources diminish chances of democratization and can only alleviate the need for democratization, but aid will never have positive impact. However, he finds possible that conditionality of aid can soften the negative impact in case donors successfully commit to withholding the assistance (2007). Thus, some scholars see conditionality as a solution for more effective aid.

Other scholars argue that development aid potentially can have democratization effect on recipient countries, for instance through technical assistance on electoral processes, the strengthening of legislatures and judiciaries, promotion of civil society organizations, by improving education etc. (Knack, 2004). However Knack's analyses of the impact of aid on democratization over the period from 1975 to 2000 for a large sample of recipients do not find evidence that aid promotes democracy. At the same time he mentions that there are successful democracy-promoting programs, but they are few and consequently their impact is compensated by other effects of aid (2004). Goldsmith is among those who believe in the positive impact of aid. Specifically, analyzing the means by which aid is considered to throw down state capacity as well as by examining the statistical relationship between aid and government capacity for a period of 1975 to 1997, he finds evidence that foreign aid supports African states' ability to govern well (2001). Dunning reanalyzes Goldsmith's study and argues that the positive effect of foreign aid on democracy varies across time and in this case is limited to the post-Cold War period (2004). Thus the existing research does not give a definite answer on the relationship between the level of democracy and development aid, leaving the topic debatable. Moreover, some scholars find evidence for the existing relationship to the other side, that is, democracy's impact on development. Particularly, an interesting study on whether foreign aid has been used to foster the process of democratization of aid recipient countries or not finds that changes in aid flows over time in a country tend to reward democratization (Alesina and Dollar, 2000). Moreover, this study finds evidence that the countries which have democratized have received more foreign aid immediately afterwards. More specifically, according to these scholars a typical democratizing country receives 50% increase in aid (2000). Thus, the literature reviewed in this section shows that there is no consensus among scholars on the relationship between development aid and democracy levels of recipient countries. Considering that different

studies over time find different results for certain periods of time as well as different outcomes for different countries it can be concluded that the impact of aid on the regime type and democracy is specific for a recipient country and for a certain period of time. The next parts of my thesis will focus on Armenia and analyze the impact of development aid on the democratization of Armenia.

Chapter 2: Case Study: Armenia

This chapter of my thesis will focus on the case of Armenia in order to discuss the relationship between development aid and democracy. The first part will provide background information on country's political situation and discuss the Polity IV and FH scores for the country. In the second part general socio-economic picture will be briefly discussed and development aid data analyzed. In the third part, I will analyze the statistical relationship between the level of democracy and development aid, using bivariate correlation.

2.1. Democratic Situation in Armenia

Armenia gained its independence from the Soviet Union in 1991 and started its transition to market economy and democratic governance. Large scale reforms were launched towards building new economic and political system. The new constitution was adopted in 1995 which together with other legal acts laid the framework for those reforms. According to the Constitution, Armenia is a sovereign, democratic, social state governed by the rule of law, where people exercise their power through free elections, referenda, as well as through state and local self-government bodies and public officials (1995). Thus the Constitution of Armenia stipulates the country as democratic, underlining the important role of people in exercising their power through state and local authorities.

The state power is separated into legislative, executive and judicial branches and the President of the country is the one to ensure regular functioning of these authorities. The President is directly elected by the citizens of Armenia for a five year term. The executive power is exercised by the Government, which consists of Prime Minister and Ministers. The Prime Minister is not elected by citizens, but appointed by the President, based on the nomination by parliamentary majority. The Legislative Power is exercised through the

National Assembly, which consists of 131 deputies, 90 of which are elected on the basis of proportional representation and 41 based on majority representation. The National Assembly is elected through direct elections for a term of five years. The Judicial Power is administered by the courts and the office of the Prosecutor General. According to Polity IV country report the Constitution of 1995 gave the president extensive powers, which were not properly checked and balanced by legislative and judicial branches. The new Constitution, that passed the referendum in 2005, partly addressed the issue however the government structure remained semi-presidential with quite centralized decision-making power of the President (Polity IV Country Report, 2010). Thus main power remains in the hands of the President of the country, which in a sense diminishes the role of executive, legislative and judicial branches.

The first Presidential elections after independence were held in 1991, where Levon Ter-Petrosyan became the first president. Though he was reelected in 1996, he resigned in 1998 under public pressure. In the following two elections of 1998 and 2003 Robert Qocharian won and governed till 2008. The incumbent President Serzh Sargsyan was elected in 2008 and reelected in 2013. However, though all the presidential elections seemed to be competitive taking into consideration the numbers of candidates, international election observers have been concerned about certain contraventions. Particularly, according to Polity IV country report Organization for Security and Co-operation in Europe observed significant irregularities in both 1996 and 1998 elections. The same source refers to the presidential elections of 2003 as incompatible with international standards (2010). The 2008 elections ended up with the victory of Sargsyan against the First President Ter-Petrosyan. These elections were followed by protests and peaceful demonstrations, which however later turned violent and ended up with victims, wounded and political prisoners. In addition, Freedom House's "Nations in Transit" report for Armenia refers to these elections as undermined by

vote count problems, biased and restricted media environment, as well as abuse of administrative resources in favor of ruling party and their candidate (Iskandaryan, 2013). Moreover, according to the report numerous negative assessments of those elections by international observers resulted in the adoption of a new electoral code of the country (2013). The latter was tested in 2012 parliamentary elections and was evaluated as a big step forward towards provision of good framework for free and fair elections (2013). However, these elections also were followed by large protests organized by the opposition leaders, but did not result in substantial changes.

The "Nations in Transit" reports limitations also on the freedom of press, particularly focusing attention to the informal control over broadcast outlets, the denial of digital license to anti-governmental TV channels (Iskandaryan, 2013). Violence against journalists especially during election periods is considered as one of major issues, hindering the freedom of press. In addition to this, the mentioned study reports restrictions on freedom of assembly, especially increased after 2008 presidential elections and reflection on government's practice of forbidding opposition's peaceful demonstrations (2013). However, it is also noted that these practices have been abandoned at least formally, which resulted in the improved ranking of political rights in the country.

Generally, the political situation in terms of the level of democracy of the country described above is reflected in Polity IV and FH Indexes, which is summarized in Figure 1 and will be analyzed as follows. As already mentioned my thesis will focus on the period of 2003 to 2012, therefore, the table contains the information of these years.

Table 1: Polity IV and Freedom House Scores for Armenia from 2003 to 2013

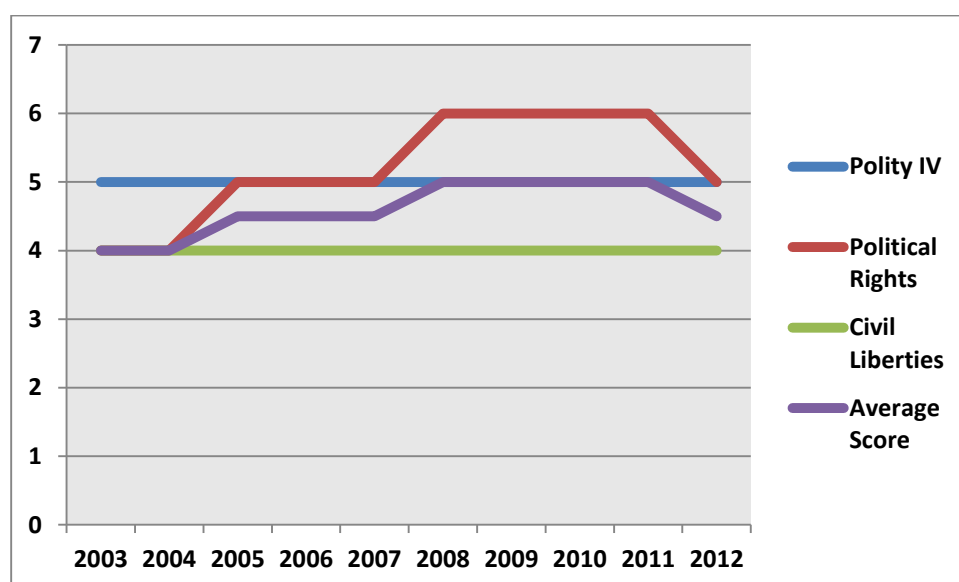
N	Year	Polity IV	Freedom House			
			Political Rights	Civil Liberties	Average Score	Freedom Rating
1	2003	5	4	4	4	Partly Free
2	2004	5	4	4	4	Partly Free
3	2005	5	5	4	4.5	Partly Free
4	2006	5	5	4	4.5	Partly Free
5	2007	5	5	4	4.5	Partly Free
6	2008	5	6	4	5	Partly Free
7	2009	5	6	4	5	Partly Free
8	2010	5	6	4	5	Partly Free
9	2011	5	6	4	5	Partly Free
10	2012	5	5	4	4.5	Partly Free

Source: Created by the author based on the data provided in the official webpages of Polity Project and Freedom House.

As can be seen from the table, Polity IV scores of the country have been stable for the examined period. As already discussed in the first chapter, the values of Polity IV score from -5 to 5 correspond to anocracies. Therefore, according to this measure Armenia belongs to anocracies though with the highest score of this group and close to the group of democracies. Looking at the FH index of Civil Liberties, the picture is stable again over these years. As already known from the first chapter of this thesis, both civil liberty and political rights scores range from 1 to 7, where 1 represents the status of the most free and 7 to the least free accordingly. The range of 3 to 5 corresponds to the partly free status. Thus, it can be concluded that in terms of freedom of expression and belief, associational and organizational rights, rule of law, personal autonomy and individual rights, which are the components of civil liberties' rating, the country's score of 4 situates it as a partly free country. When looking at Political Rights Index of FH certain changes can be noticed, reflecting the political

situation of the country described above. These changes are more visible in the Figure 1, presented below. First of all, as we can see from Table 1, country's scores for this Index range from 4 to 6. While the range from 3 to 5 corresponds to partly free status, the scores above 5.5 mean that the country is not free. Thus, if in 2002 and 2003 Political Rights Index was 4 for Armenia, since 2004 the situation worsened and therefore the score increased to 5. However the country remained in the group of partly free countries according to this Index till 2008. As discussed above 2008 was the year of presidential elections, which were followed by large protests and demonstrations and ended violently. From 2008 to 2011 Armenia has the score of 6, thus belonging to the group of not free countries. Nevertheless, an improvement is noticed for 2012 in terms of political rights, which is reflected in the decrease of the score and regaining of the partly free status.

Figure 1: Polity IV and Freedom House Scores for Armenia (2003-2012)



Source: Created by the author based on the data provided in the official webpages of Polity Project and Freedom House.

Overall, with an average score of Political Rights and Civil Liberties indexes ranging from 4 to 5, Armenia is ranked as partly free country for the examined period from 2003 to 2012.

From line representing the average score of FH indexes in Figure 1 it is easy to notice, that starting from 2005 the score is increasing, reflecting the regress of the country in terms of political rights. However in last two years there is a positive change trend. Thus, it can be concluded that for the studied period 2003 and 2004 were the best years in terms of democratic situation in the country. While the increase in the score since 2005 means negative change, the score of 2012 represents certain progress.

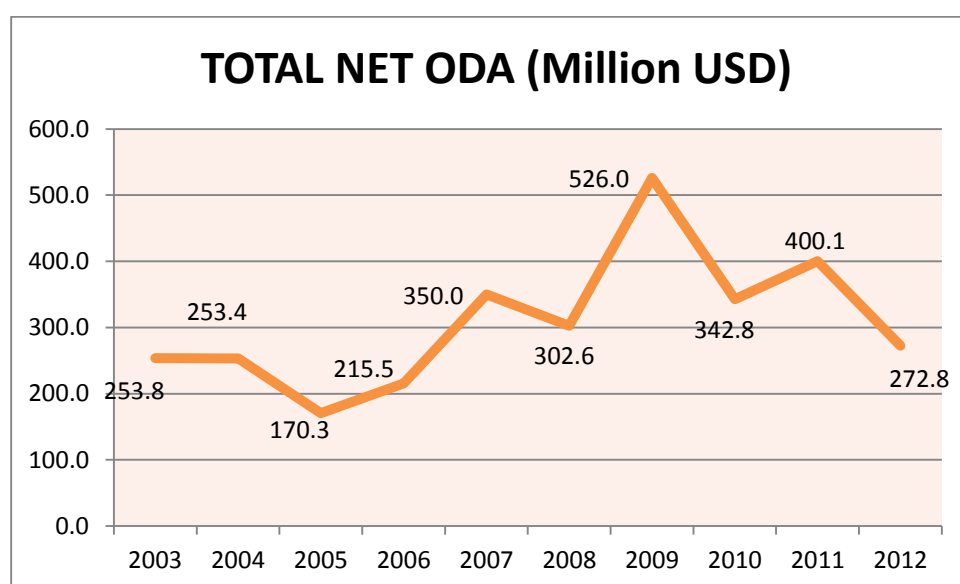
2.2 Armenia as a Recipient of Development Aid

After regaining its independence Armenia had to undergo not only drastic political reforms, but also a shift towards market economy. The transition period posed serious challenges to almost all post-Soviet countries throughout the 1990s, and Armenia was not an exception. Poverty, huge socio-economic inequalities between different parts of the country were among them. According to WB sustained double digit growth, ambitious reforms, remittances from migrant workers as well as external inflows have created a market economy (Armenia Overview, WB, 2014). According to the same source, country managed to overcome most of the difficulties and achieve certain success in economic growth and reducing the number of poor, including very poor population. However, the negative impact of the global financial crisis was remarkable especially on rural and urban poverty considering that the poverty rate increased from 27.6% in 2008 to 35% in 2011 (2014). Thus, since Armenia succeeded in achieving certain level of economic growth and poverty has declined considerably. Nevertheless, the negative impact of global financial crisis was considerable especially on poor rural areas, creating additional challenges for the country. As of 2012, Armenia is considered a lower middle income country with 3,351\$ GDP per capita (Armenia Overview, WB, 2014). In general, socio-economic situation in the country is challenging and the country is considerably supported by international donors.

This part of my thesis will discuss the situation in the country in terms of development assistance, including analysis of major international donors for the period from 2003 to 2012.

According to OECD aid statistics, from 2003 to 2012 official development assistance from bilateral and multilateral donors ranges from about 170 to 530 million US Dollar (USD). The Figure 2, presented below, shows the changes of total net ODA for the examined ten years.

Figure 2: Total Net ODA for 2003-2012



Source: Created by the author based on OECD statistical data on development (OECD.StatExtracts)

The Figure 2, as well as data presented in Table 2 shows that for 2003 and 2004 the total ODA has been around 253 mln USD, while decreasing in 2005. As shown earlier in this chapter, in 2005 the FH Index for Political Rights increased, indicating a decrease in the level of democracy of the country. From 2006 the ODA begins to increase again reaching around 350 mln USD in 2007, while no change is noticed in democracy measures for the mentioned period. However, the decrease of around 50 mln USD from 2007 to 2008 is associated with another increase in Political Rights Score. Since 2008, democracy measures are stable until

2012, while ODA reaches its highest level (526.0 mln USD) for the period of ten years in 2009, then decreases and increases every year since 2010. The most dramatic decreases in total amount of ODA are noticed in 2010 (183.2 mln USD) and 2012 (127.3 mln USD), while the most noticeable increase is in 2009 (223.3 mln USD), when ODA is the highest for the examined period.

Table 2 and Figure 3, presented below reflect the structure of total net ODA by groups of donors, including DAC countries, Non-DAC countries and multilateral donors.

Table 2: Total Net ODA by groups of donors

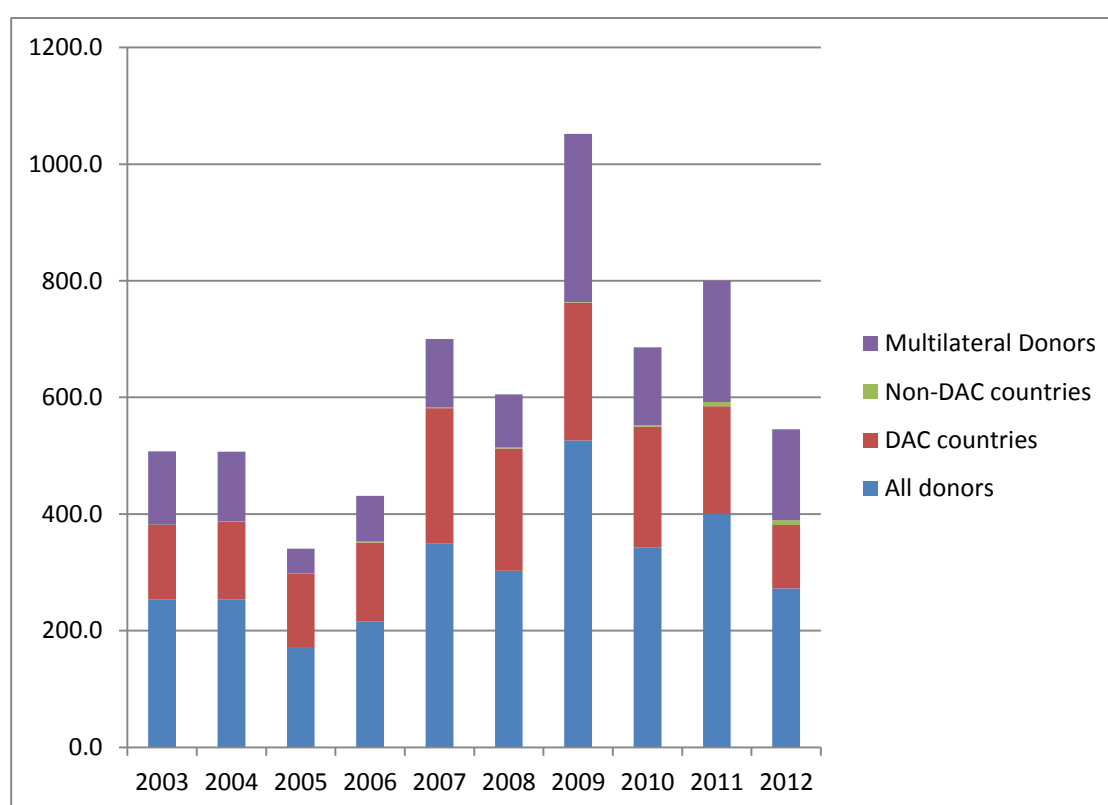
TOTAL NET ODA (Million USD)				
Year	All donors	DAC countries²	Non-DAC countries	Multilateral Donors
2003	253.8	127.7	0.3	125.8
2004	253.4	133.6	0.3	119.5
2005	170.3	127.0	0.3	43.1
2006	215.5	135.8	1.2	78.6
2007	350.0	231.5	1.2	117.3
2008	302.6	210.1	1.3	91.3
2009	526.0	235.9	1.5	288.6
2010	342.8	207.1	2.2	133.5
2011	400.1	185.0	6.8	208.3
2012	272.8	108.4	8.4	155.9

Source: Created by the author based on OECD.StatExtracts.

² DAC Countries include Australia, Austria, Belgium, Canada, Czech Republic, Denmark, EU, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, US

First of all, from the Figure 3 it is easy to notice that significant part of ODA belongs to DAC countries and multilateral donors, while non-DAC countries have a minor share. Besides, the changes in total amounts of ODA, discussed above can be examined in more details based on the graph. Particularly, it can be concluded from here that major fluctuations are associated with multilateral donors. The decreases in 2005, 2008, 2010 and 2012 as well as the increases in 2006, 2007, 2011 and especially the dramatic increase of 2009 are clearly reflected in the mentioned graph.

Figure 3: Total Net ODA by groups of donors



Source: Created by the author based on OECD.StatExtracts

After analyzing the fluctuations in total net amount of ODA as well as looking at the major groups of donors, it is very important to also look at major bilateral and multilateral donors of Armenia. The table 3 presented below, includes those bilateral and multilateral donors, whose

10 year averaged amount of assistance exceeds 1 mln USD. Based on this principle 11 bilateral donors and 4 multilateral donors are examined here. Out of mentioned 15 donors 5 are obviously differentiated, namely US, Japan and Germany as bilateral donors and IDA as part of WB and EU institutions as multilateral donors. Thus for the examined ten years US has been the biggest donor with averaged 75.64 mln USD per year, followed by multilateral donor IDA (62.56 mln USD). The 3rd and 4th are accordingly Japan (35.16) and EU institutions (34.14) with a minor difference. And the last major donor has been Germany with 26.32 mln USD.

Table 3: Total Net ODA by major bilateral and multilateral donors³

Total Net ODA (Million USD)											
Bilateral Donors											
Donors/ Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Averaged for 10 years
Austria	3.06	3.38	1.73	0.36	0.6	0.45	1.28	1.45	2.32	2.89	1.75
France	3.03	4	3.81	14.11	8.5	5.53	5.67	4.47	5.59	8.09	6.28
Germany	13.92	18.72	29.98	16.65	22.53	27.91	30.99	16.72	40.93	44.85	26.32
Greece	2.86	2	1.98	1.47	5.4	3.01	2.91	1.73	1.92	1.29	2.46
Japan	7.02	4.68	5.37	7.68	85.23	57.7	98.7	77.45	7.41	0.31	35.16
Netherlands	9.91	9.22	11.64	8.49	5.8	0.17	3.01	1.56	0.86	0.26	5.09
Norway	3.35	3.34	5.18	5.22	4.66	3.31	3.12	3.57	3.07	3.25	3.81
Sweden	1.61	2.32	1.57	2.32	3.61	2.67	2.27	0.94	0.7	0.69	1.87
Switzerland	2.2	3.07	2.23	2.59	2.18	2.14	2.81	2.63	3.72	3.85	2.74
UK	3.15	6.56	6.22	8.39	7.51	6.6	1.02	0.49	0.36	1.32	4.16
US	74.19	73.14	53.26	64.88	79.92	93.79	78.45	91.55	109.7	37.56	75.64
Multilateral Donors											
EU inst	16.44	28.23	23.42	21.05	20.51	16.34	38.79	33.35	99.79	43.46	34.14
IDA	77.39	77.75	31.38	57.7	85.79	68.79	128.47	20.29	31.14	46.85	62.56
IFAD	6.89	4.62	2.1	6.41	4.4	3.46	1.49	2.71	4.71	1.15	3.79
UNDP	0.82	0.98	1.32	1.91	2.16	1.47	1.28	1.4	1.08	0.86	1.33

Source: Created by the author based on OECD.StatExtracts

³ Only donors with 10 years averaged amount exceeding 1.00 million USD are included.

Table 4 and Figure 4 represent the shares of above-mentioned 5 donors in total net official development assistance and the fluctuations over the 10 year period. It can be pointed out that in general the amount of ODA of EU institutions increased considerably from 2003 to 2012, thus raising its share in total ODA from 6.5% to 15.9%. Similarly, Germany's role as a donor has been strengthened especially in last two years, increasing its share from 5.5% to 16.4%. In contrast, the IDA assistance has decreased noticeably from 30.5% in 2003 to 17.2% in 2012, with drastic change from 2009 to 2010. As for the US, it is difficult to point out a tendency. Till 2006, the changes in ODA are not considerable, however thereafter followed by drastic fluctuations every year after. Finally, what is interesting about Japan is that the country did not have a significant share till 2006 (maximum 3.6%). From 2007 to 2010 its share raised to around 20%, followed by huge decrease in 2011 and 2012, resulting in 0.1% for the last examined year.

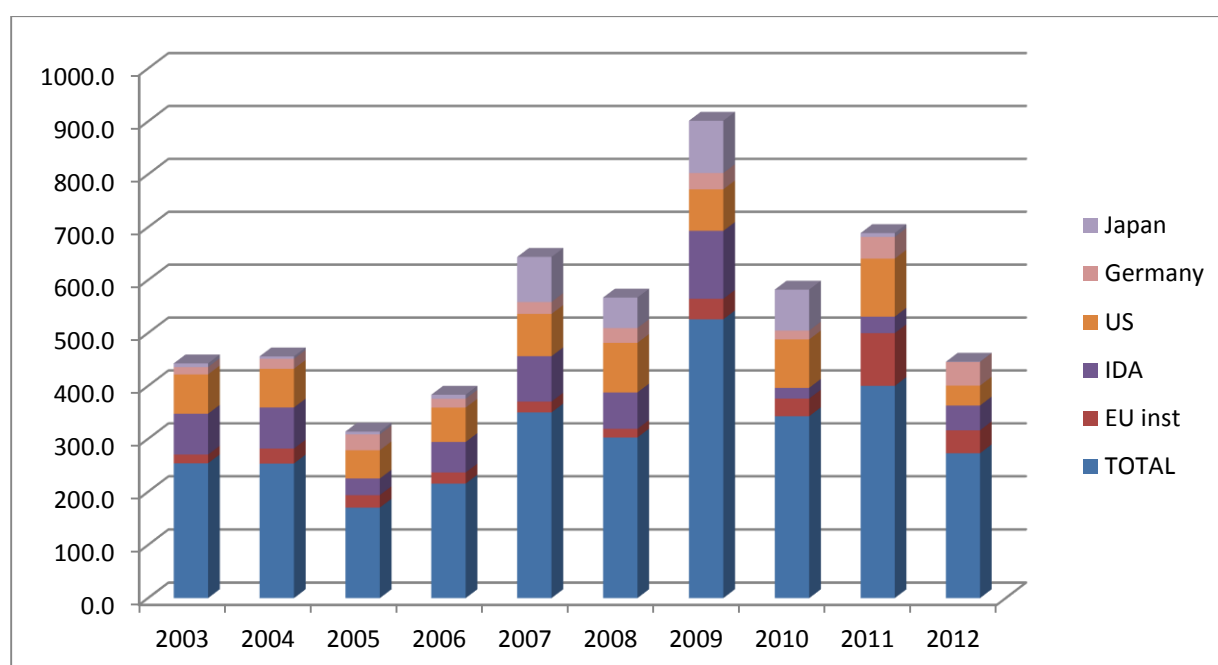
Table 4: Major donors' share in Total Net ODA

Year	TOTAL	EU inst	% in Total	IDA	% in Total	US	% in Total	Germany	% in Total	Japan	% in Total
2003	253.8	16.44	6.5	77.39	30.5	74.19	29.2	13.92	5.5	7.02	2.8
2004	253.4	28.23	11.1	77.75	30.7	73.14	28.9	18.72	7.4	4.68	1.8
2005	170.3	23.42	13.7	31.38	18.4	53.26	31.3	29.98	17.6	5.37	3.2
2006	215.5	21.05	9.8	57.7	26.8	64.88	30.1	16.65	7.7	7.68	3.6
2007	350.0	20.51	5.9	85.79	24.5	79.92	22.8	22.53	6.4	85.23	24.4
2008	302.6	16.34	5.4	68.79	22.7	93.79	31.0	27.91	9.2	57.7	19.1
2009	526.0	38.79	7.4	128.47	24.4	78.45	14.9	30.99	5.9	98.7	18.8
2010	342.8	33.35	9.7	20.29	5.9	91.55	26.7	16.72	4.9	77.45	22.6
2011	400.1	99.79	24.9	31.14	7.8	109.7	27.4	40.93	10.2	7.41	1.9
2012	272.8	43.46	15.9	46.85	17.2	37.56	13.8	44.85	16.4	0.31	0.1
Averaged	308.7	34.14	11.1	62.56	20.3	75.64	24.5	26.32	8.5	35.16	11.4

Source: Created by the author based on OECD.StatExtracts

As already concluded from Figure 3 and mentioned above, the fluctuations in development assistance are heavily based on multilateral donors. Figure 4 well visualizes this, reflecting the drastic changes in EU assistance in 2009, 2011, 2012 and especially in IDA's aid in 2005, 2006, 2009, 2010.

Figure 4: Changes in ODA of major donors from 2003 to 2012

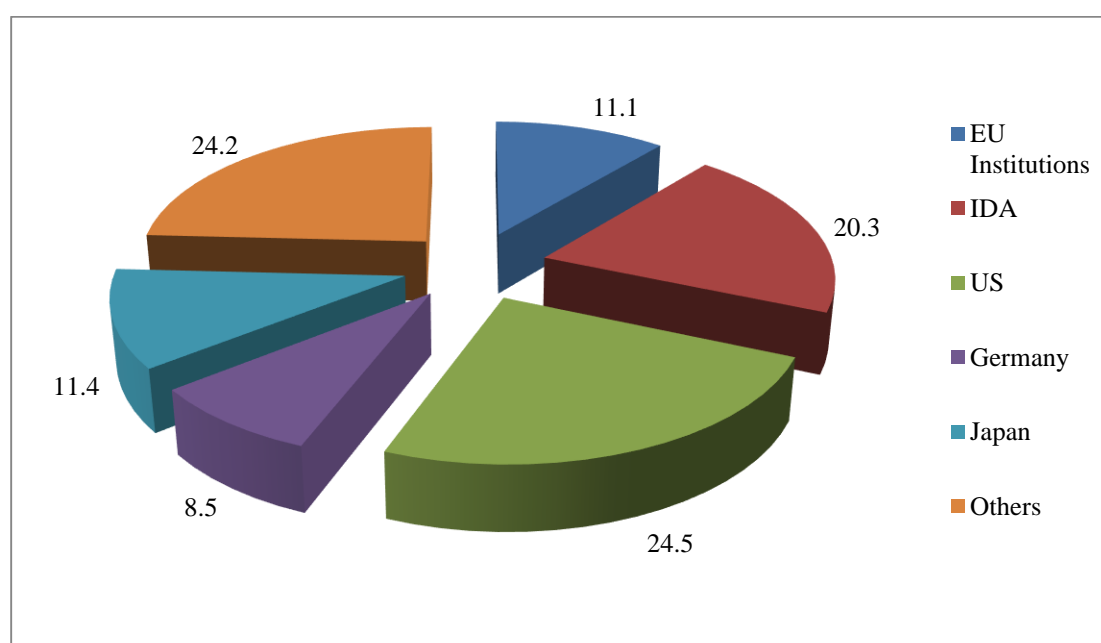


Source: Created by the author based on OECD.StatExtracts

Finally, Figure 5 visualizes the average share of the above-mentioned five major donors from 2003 to 2012. First of all one can notice that these five donors together represent around 75 % of the total net ODA. Secondly, the chart reflects each donor's role for the overall studied period of 10 years. Thus, obviously US has been the major donor (24.5%), in spite of decreases and increases for certain years during this period. IDA, representing the World Bank group, has a share of around 20%. Though IDA's assistance decreased drastically in 2010, the tendency for 2011 and 2012 is towards positive change. EU institutions and Japan have almost equal considerable share (11.4% and 11.1% accordingly). However, it should be

noted that Japan has had significant share for four years only (from 2007 to 2010) and its share for 2011 and 2012 is minor. EU, in contrast, has increased noticeably from 2003 to 2012. Last but not the least Germany has had around 8% average share. However for the overall period of discussed 10 years Germany's share has been greater than 10% for three years only, namely 2005, 2011 and 2012.

Figure 5: Major donor's share in Total Net ODA (Averaged 2003-2012)



Source: Created by the author based on OECD.StatExtracts

To sum up, it can be concluded that the total net ODA varied considerably during the ten year period. The data analysis above revealed that major changes were associated with multilateral donors, particularly with IDA and EU as the biggest ones. When looking at the main donors of the country five out of fifteen were separated and discussed in more details. Further analysis of the five (EU, IDA, US, Japan and Germany) showed that only three of them (namely US, IDA (WB) and EU) had significant share in ODA for all 10 year period studied in my thesis, which will be critically discussed in the 3rd chapter.

The next section will analyze the statistical relationship between the level of democracy and development aid, using bivariate correlation.

2.3. The Correlation between Development Aid and the Level of Democracy in Armenia

The first two parts of this chapter discussed the political situation of the country in terms of democracy as well as the fluctuations in the amount of development aid separately. This section will put together the data on the two variables discussed and analyze the relationship between them. It is important to note, that while the thesis mainly discusses whether development aid affects the level of democracy or not, I do not reject that there might be causal effect to the other direction, considering the findings of the literature discussed above (for instance Alesina and Dollar, 2000). Therefore, bivariate correlation will be used to find out the relationship between the amount of development aid and level of democracy.

As already mentioned in previous sections this thesis considers Polity IV scores and FH Indexes of Political Rights and Civil Liberties as measures of democracy. The data used are accordingly collected from Polity IV and FH databases, available on their official websites. As shown and discussed in the first section of this chapter the Polity IV scores do not reflect any changes for the period from 2003 to 2012 for Armenia, as the score is 5 for all 10 years. Civil Liberties Index of FH also does not reflect any changes. However, fluctuations over the 10 years are noticed in Political Rights Index. Therefore, Political Rights Index, discussed earlier in this chapter will be used for the data analysis in this part. FH scores as mentioned earlier range from 1 to 7, where a lower score corresponds to a higher level of freedom while a higher score is an indicator of limited freedom.

For measuring development aid total net ODA is used, which, as mentioned earlier in the first chapter, includes the flows to developing countries and multilateral institutions from official agencies, promoting the economic development and welfare of recipient countries, being

concessional and having minimum 25% grant element (OECD Glossary of Statistical terms, 2003). The data on ODA is collected from the OECD statistical database on development (OECD.StatExtracts).

Thus, in order to find out whether the level of democracy in Armenia for the 10 year period of 2003-2012 is associated with the total net amount of ODA received or not, I calculated bivariate correlation, using SPSS. For that purpose, I suggest the following hypothesis:

H1: There is a correlation between the level of democracy and net ODA

Accordingly, the null hypothesis will be as follows:

H0: There is no correlation between the level of democracy and net ODA.

The results of the analysis are presented in the Table 5 and Figure 6 below.

Table5: Correlation between level of democracy and net ODA

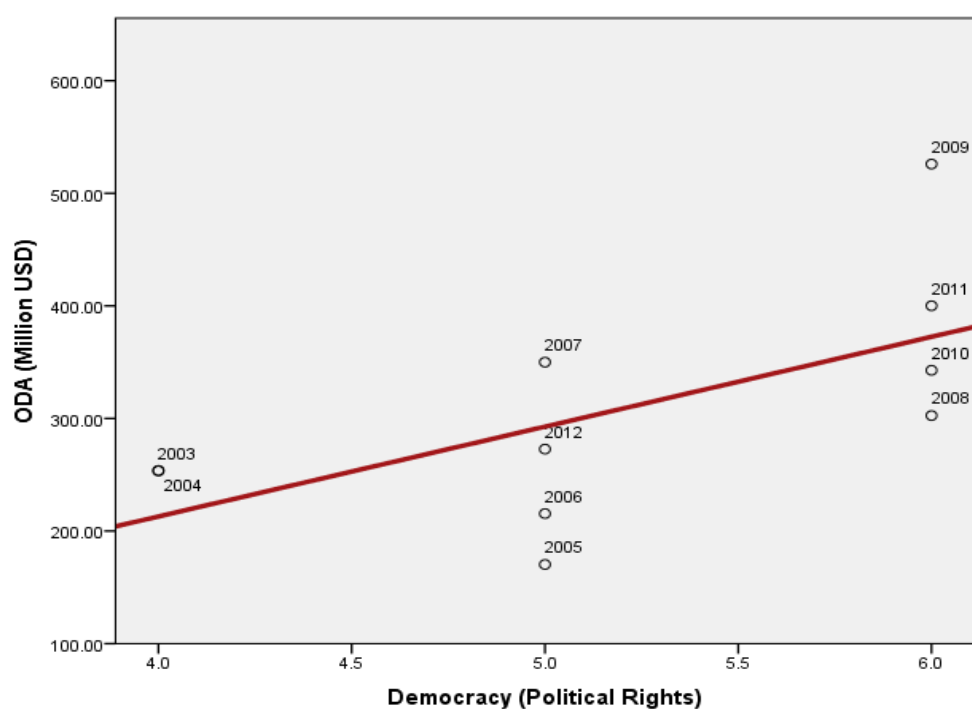
Correlations

		Democracy (Political Rights)	ODA (Million USD)
Democracy (Political Rights)	Pearson Correlation	1	.617
	Sig. (2-tailed)		.057
	N	10	10
ODA (Million USD)	Pearson Correlation	.617	1
	Sig. (2-tailed)	.057	
	N	10	10

Source: Created by the author based on Political Rights and ODA data, presented and discussed earlier in the chapter

Thus, according to Table5, Pearson Correlation equals to 0.617 which means that there is a positive relationship between the level of democracy and net development assistance in Armenia for the time period from 2003 to 2012. The relationship is quite strong, which means that changes in the total net amount of official development assistance are correlated with the changes in the Freedom Ranking, representing the level of democracy. It is important to mention that the positive relationship means that the increase in the amount of net ODA is associated with the increase in Freedom Rating score. Taking into consideration that the increase in FH scores corresponds to certain decrease in terms of civil liberties and political rights, this relationship can be interpreted as negative. This is to say that lower level of democracy is associated with greater amount of aid or higher level of democracy with less development assistance.

Figure 6: Correlation between level of democracy and net ODA (Scatter Plot)



Source: Created by the author based on Political Rights and ODA data, presented and discussed earlier in the chapter

However, when looking at the Figure 6, we can see that though some points are grouped along the linear, reflecting the positive relationship, some are still scattered. Moreover, P-value represented in Table 5 is equal to 0.057. Considering 0.05 as a significant level to reject the suggested null hypothesis, it can be noted that there is no statistically significant relationship between the amount of development aid received and the level of democracy. Therefore, I accept the null hypothesis and conclude that according to the datasets used, there is no statistically significant correlation between the level of democracy and net official development assistance for the period from 2003 to 2012.

To sum up, the quantitative analyses show that there is no correlation between the level of democracy and the amount of development assistance for the studied period of time. However, in order to compliment the analysis done in this section and go deeper in analyzing the relationship between development aid and democracy in Armenia, the third chapter of the thesis will focus on three major donors of the country. I will critically discuss and compare development policies of USAID, WB and EU institutions for the period of ten years from the perspective of the relationship of aid and democracy.

Chapter 3: Comparative Analysis of Major Donors of Armenia

This chapter will critically discuss the policies of the main donor organizations of Armenia, looking at them from the perspective of integration of development aid with democracy support. I will particularly look at development policies of USAID, WB and EU institutions in order to find out whether they include democracy and democratic governance in their priorities and therefore, combine democracy support with development aid.

3.1. Major Aid Donors of Armenia

As already discussed in the second part of my thesis, US, EU institutions and IDA (as a part of the WB group) have been the main donors of Armenia for the period from 2003 to 2012. Table 6 below, reflects the share of each of the mentioned donors in total net ODA received, as well as the share of the three donors in total. As one can notice from the last column of the figure, in average of 10 years, 55.8% of total net ODA that Armenia received came from these three donors. Moreover, in 6 years out of 10 their share exceeded the mentioned average, reaching its highest point of 70.7% in 2004.

Table 6: Share of EU institutions, IDA and US in total ODA

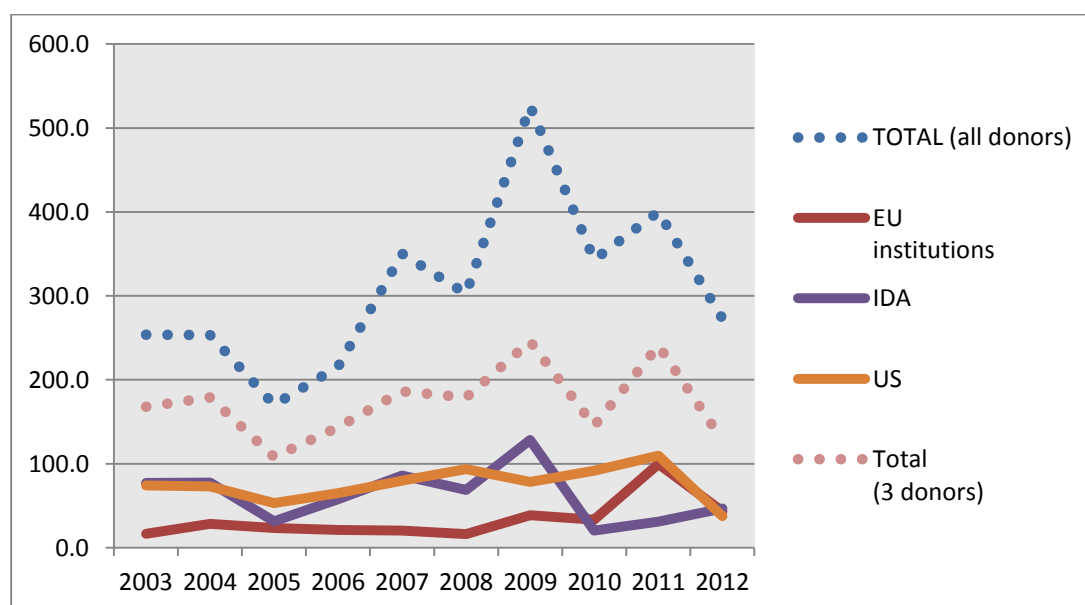
Year	TOTAL	EU inst	% in Total	IDA	% in Total	US	% in Total	Total 3 donors	% in Total
2003	253.8	16.44	6.5	77.39	30.5	74.19	29.2	168.0	66.2
2004	253.4	28.23	11.1	77.75	30.7	73.14	28.9	179.1	70.7
2005	170.3	23.42	13.7	31.38	18.4	53.26	31.3	108.1	63.4
2006	215.5	21.05	9.8	57.7	26.8	64.88	30.1	143.6	66.6
2007	350.0	20.51	5.9	85.79	24.5	79.92	22.8	186.2	53.2
2008	302.6	16.34	5.4	68.79	22.7	93.79	31.0	178.9	59.1
2009	526.0	38.79	7.4	128.47	24.4	78.45	14.9	245.7	46.7
2010	342.8	33.35	9.7	20.29	5.9	91.55	26.7	145.2	42.4
2011	400.1	99.79	24.9	31.14	7.8	109.7	27.4	240.6	60.1
2012	272.8	43.46	15.9	46.85	17.2	37.56	13.8	127.9	46.9
Averaged	308.7	34.14	11.1	62.56	20.3	75.64	24.5	172.3	55.8

Source: Created by the author based on OECD.StatExtracts

Figure 7 visualizes the fluctuations in the total net ODA received from these donors. First of all, the two dashed lines show that the fluctuations over the 10 years in total amount of aid are parallel to the fluctuations in the amount of aid received by the three examined donors, reflecting the impact of these donors. Besides, as already discussed in the second chapter, especially multilateral donors (IDA and EU) considerably shape these fluctuations. The variations in each of the donors' aid are also reflected in the Figure 7.

Therefore, taking into consideration the above mentioned, reflecting on considerable role of these three donors, the importance of critically studying their development policies becomes obvious. US development policy will be studied through USAID; IDA will be discussed as a part of World Bank group and EU development policy will be examined through main EU institutions, as multilateral donors.

Figure 7: The fluctuations in the total amount of ODA by main donors



Source: Created by the author based on OECD.StatExtracts

As already discussed in the first chapter of this thesis the integration of development and politics began since 1990s. While shifting the focus from solely poverty alleviation to the broader understanding of development itself, the donors needed to adjust their policies towards more political approach. While some of the donors adopted explicit policies towards democracy and democratic governance, others concentrated mainly on governance. The development policies of USAID, World Bank and EU institutions are discussed below.

3.2. United States Agency for International Development

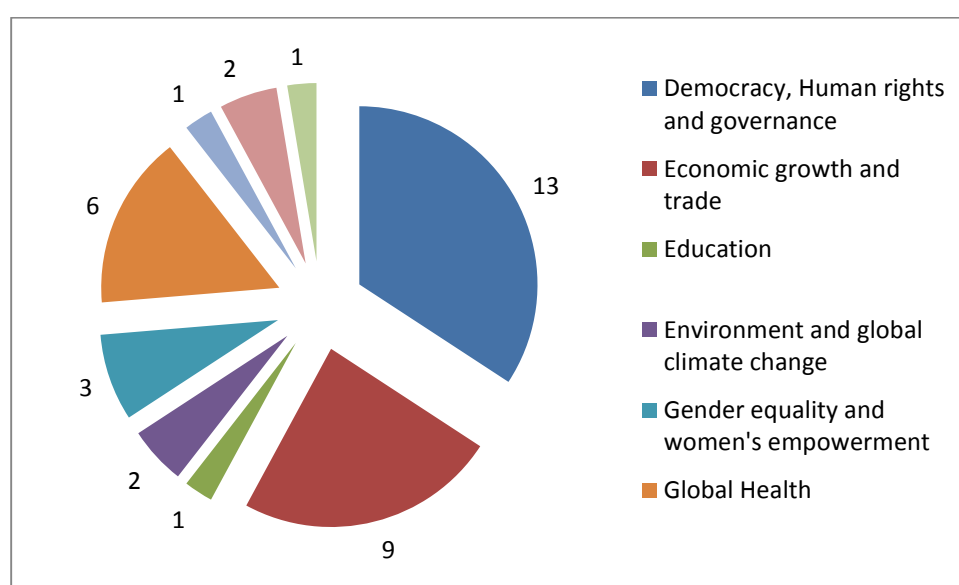
USAID has been among the first governmental aid agencies to include democracy as a goal, doing so in early 1990s (Carothers and Gramont, 2013). Yet in 1991, in its policy paper on democracy and governance, this agency stated: “USAID can encourage the establishment of democratic values and practices, respect for basic human rights and lawful governance across all sectors and the full range of its development programs. Over the long term, this indirect support may be more significant than specific projects that provide direct assistance to support democratic institutions (USAID, 1991: 12).

With this statement, USAID highlighted the role of democracy and human rights for achieving development goals. While calling this an "indirect support", they explicitly underline that all the development programs of USAID, irrespective from the sector will aim at supporting democracy. Thus the organization clarified that development aid and democracy assistance will be tied to each other and incorporated in US government aid programs. These motives of strongly integrating development and politics are also noticed in current policy of USAID. Particularly according to the mission of the organization they "partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity" (Mission, Vision and Values, USAID, 2014). Thus, they underline that ending poverty and promoting democratic societies are inseparable and

one is necessary for another. Hence, free and peaceful societies that have legitimate and effective governments are required not only for ending poverty, but also for stabilizing the success and achieving sustainable development.

In order to analyze how these statements on integrating development with democracy support are reflected in reality, I will look at USAID projects, implemented in Armenia from 2003 to 2012. According to the official website of USAID, there have been 38 projects during the studied ten years (USAID, Interactive Map, 2014). The figure 8 below reflects the main sectors, benefiting from US aid projects.

Figure 8: USAID projects by sectors



Source: Created by the author based on USAID data (Interactive Map)

As one can easily notice from the chart above, 13 out of 38 projects and programs (or 34% of all) are democracy, human rights and governance ones. The projects/programs particularly focus on supporting legitimate, inclusive and effective governments; promoting the transition to democracy and democratic institutions; encouraging inclusive development through involvement of minorities and vulnerable groups (USAID, Interactive Map, 2014). The

second biggest group is economic growth and trade with 9 projects/programs (23.7%). These ones mainly aim at promoting people's access to markets, raising the efficiency of the governments, improving infrastructure (roads, bridges, water supply and electrical grids), encouraging local channels of financing (USAID, Interactive Map, 2014). In other words this group of projects encourages inclusive economy, which as earlier discussed in the first chapter is considered necessary for development (Acemoglu and Robinson, 2012). Global health projects are the third largest group with 15% of the whole. I will discuss the 13 projects and programs in "Democracy, Human Rights and Governance" sector in more details. Below is the list of all programs and projects with the amount of total obligation.

Table 7: USAID "Democracy, Human Rights and Governance" sector Programs and Projects in Armenia from 2003 to 2012

	Name of the Program/Project	Total Obligation (USD)
1	Access to Information for Community Involvement	613,131
2	Election Process Support	2,900,000
3	Alternative Resources in Media Program	4,000,000
4	Armenia Against Corruption	1,449,976
5	Civil Society and Local Government Support Program	12,000,000
6	Election Monitoring Program	750,000
7	Expanding Participation of People with Disabilities	679,200
8	Mobilizing Action Against Corruption	8,570,000
9	Political Process Development in Armenia	3,460,000
10	Pension and Labour Market Reform Project	5,398,533
11	Rule Of Law Program	2,835,000
12	Support to Armenian National Assembly Program	2,000,000
13	Livelihood Improvement Through Fostered Employment for People with Disabilities	2,540,000

Source: Created by the author based on USAID data (Interactive Map)

As can be noticed from the Table 7, USAID projects and programs pay significant attention to elections, civil society, rule of law, local government and media amongst others. Interestingly, the program with the biggest amount of total obligation is “Civil Society and Local Government Support Program” with 12 mln USD. This is an ongoing program for a timeline from September, 2010 till September 2014 with the purpose of encouraging community development, promoting civic advocacy and activism and fostering decentralization and local fiscal autonomy (USAID, Interactive Map, 2014). Thus, it can be concluded that around 34% of all projects and programs of USAID concentrate on civil society, local government and community development, media, elections, reflecting the importance of democracy and democratic governance support for the agency.

To sum up, USAID has a clear objective in supporting democracy and democratic governance, stated in its mission. Considering democracy and human rights as necessary conditions for ending poverty, they tie them together and make these programs and projects their major priorities which is reflected in the example of Armenia at least for the period from 2003 to 2012.

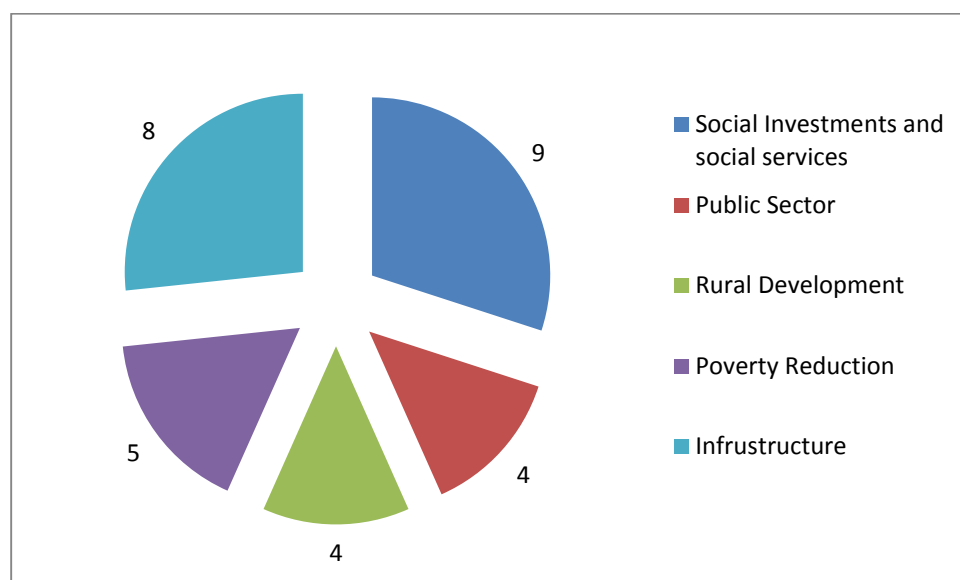
3.3. World Bank Group/International Development Association

In contrast with USAID, which explicitly embraced democracy and democratic governance in its mission and policies, World Bank is considered to be more neutral, focusing on governance rather than democracy. As Carothers and Gramont put it, WB group avoided attaching any political prefix, including the “democratic” one to governance, thus refraining themselves from direct engagement in politics (2013). This is reflected in the missions of WB and IDA. Particularly, the mission of the WB group combines two ambitious goals, namely, “to end extreme poverty by decreasing the percentage of people living on less than \$1.25 a day to no more than 3% and promote shared prosperity by fostering the income growth of the

bottom 40% for every country” (WB, “What We Do”, 2014). Similarly, IDA, which is the WB group’s bank for the poorest, aims at reducing poverty through funding programs that intend to advance economic growth, reduce inequalities, as well as improve people’s living conditions (IDA, 2014). As one can notice, the missions of these organizations do not mention anything about democracy or democratic governance. However, World Bank recognizes that in order to meet their goals, it is important to support strong, accountable institutions that promote inclusive and sustainable growth. Calling this “Governance and public sector management”, the organization cooperates with recipient governments, as well as with private sector and civil society to promote public accountability, decrease corruption, and strengthen the provision of basic public services (WB, Governance and Public Sector Management, 2014).

When looking at particularly WB projects financed by IDA, it is worth mentioning that overall 30 projects have been implemented in Armenia for the period of 2003-2012 (WB, Projects and Operations, 2014). The main sectors, where the WB operated include poverty reduction, water, wastewater management and irrigation, social protection and social investment, rural development and agriculture, education, health, infrastructure, and public sector modernization projects. The chart below reflects the structure of WB projects by main sectors.

Figure 9: IDA projects by sectors from 2003 to 2012



Source: Created by the author based on World Bank Data (Projects and Operations)

As can be noticed from the Figure 9, nine out of 30 projects (30%) are social investments and social services, including health and education and 8 out of 30 (26.7%) are infrastructure projects, including water management, irrigation, heating, renewable energy projects. Public Sector projects, which are of most interest for this thesis, have been only four during the ten year period. The list of these projects with the commitment amount is presented below.

Table 8: IDA projects towards Public Sector

	Name of the project	Commitment Amount (USD)
1	Tax Administration Modernization Project	12,000,000
2	Judicial Reform Project 2	22,500,000
3	Public Sector Modernization Project	10,150,000
4	Structural Adjustment Credit 5	40,000,000

Source: Created by the author based on WB data (Projects and Operations)

As one can notice from the Table 8, the project with the biggest commitment amount is the “Structural Adjustment Credit”, which according to WB official website supported Armenian Government to facilitate sustainable growth and poverty reduction; strengthen governance and raise the efficiency of existing resources; ensure sustainability of the reforms, through social sector reforms (WB, Projects and Operations, 2014). The “Tax Administration Modernization Project” is generally aimed at increasing the efficiency of tax administration. Similarly, “Judicial Reform Project” aimed at improving the efficiency, reliability and transparency of judicial services in the country. Finally, the main purpose of “Public Sector Modernization Project” was improving transparency in government decision-making and policy implementation (2014). The above-discussed show that the few public sector projects of the WB are concentrated on governance and do not have democracy support components.

This confirms that WB and accordingly IDA are not implementing explicitly political programs, while concentrating more on poverty reduction, rural development, social services and infrastructure improvement projects. The few public sector projects particularly focus on the administrative side, including transparency, more efficient governance without the explicit goal of democracy and democratic governance assistance.

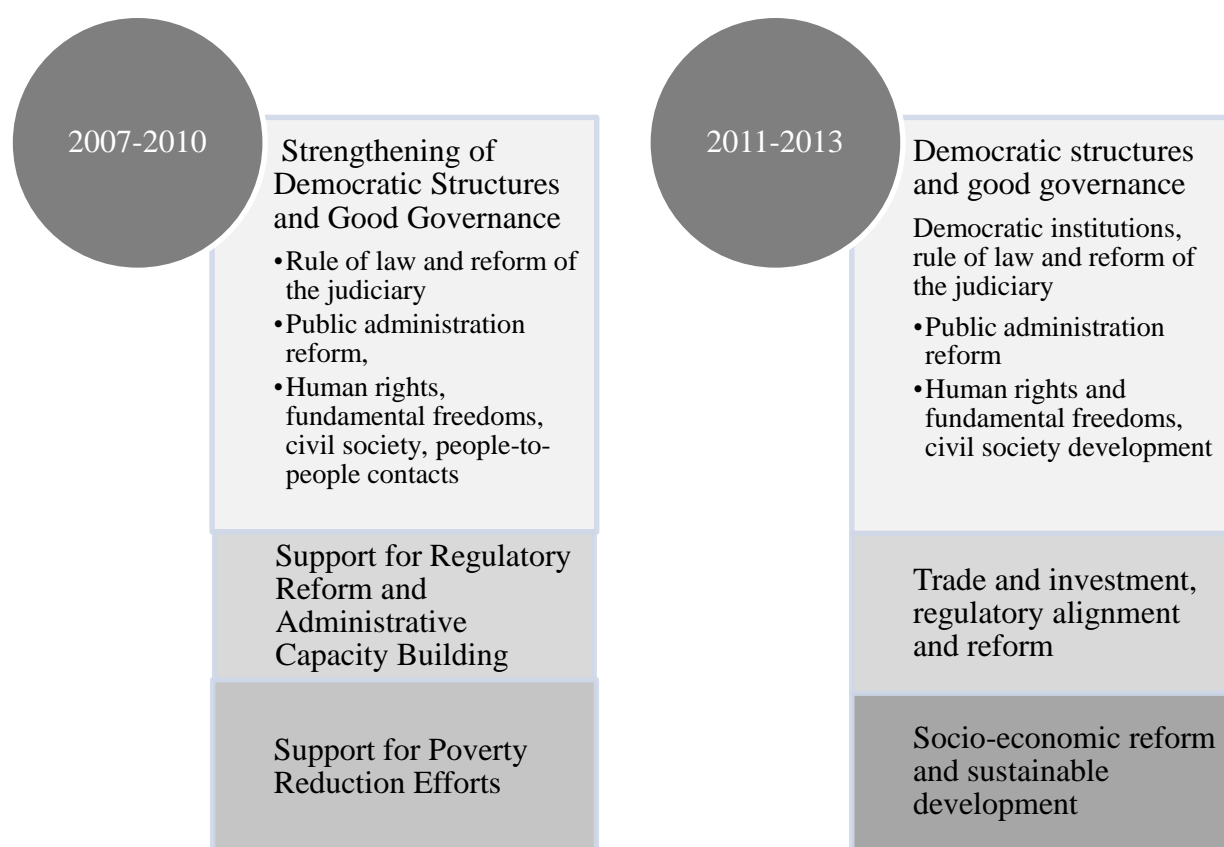
3.4. The European Union Institutions

According to European Consensus on Development, the European Parliament, the Council, and the European Commission agreed for a common vision of development (2006). This vision puts development among priorities of EU’s external policy. The European Commission states that “As the primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, including the achievement of the Millennium Development Goals” (European Commission, Development Policies, 2014). As one can notice, this objective of EU development policy does not include

democracy and democratic governance in the context of development, while mentioning about sustainable development. However, in 2011 the Commission launched a discussion on EU development policy, calling to increase the impact of its development policy concentrating on “human rights, democracy and other key elements of good governance; inclusive and sustainable growth for human development” (European Commission, Agenda for Change, 2011: 4). The “Agenda for change” was introduced and adopted. It aimed at more targeted funding and support towards poverty reduction. The new agenda concentrated more on democracy, human rights, good governance and security, claiming that the above mentioned are intertwined with development (2011). Thus there was a policy shift in the EU development policy from sole concentration on poverty reduction to its combination with democracy, human rights and good governance.

EU assistance to Armenia was mainly held through “EU-Armenia Partnership and Cooperation Agreement” since 1999. In 2004 European Neighborhood Policy was launched, including Armenia in the Eastern Partnership. Two National Indicative Programs (NIPs) accordingly for 2007-10 and 2011-13 generally defined the amount of funding to the country, as well as the priority areas of cooperation. I will compare these programs in order to see whether the shift of EU development policy towards more attention to democracy is reflected in the case of Armenia.

Figure 10: Priority areas of National Indicative Programs



Source: Created by the author based on NIP 2007-2010 and NIP 2011-2013

As can be easily noticed from the Figure 10, “Democratic Structures and good governance” are the first priority in both of the programs. Moreover, the sub-priorities of the mentioned priority included rule of law, reform for judiciary, public administration reforms, human rights, fundamental freedoms and civil society. The only addition that can be noted in 2011-2013 program is the focus on democratic institutions, which was not included in the previous one. Thus, it can be concluded that though EU development policy until 2011 was mainly focused on poverty elimination and did not include democracy promotion, both of the Armenia NIP programs prioritized democratic structure and good governance. Thus, even before the above discussed policy shift EU had integrated the components of democracy,

human rights into its development policy. It is also interesting to note that in contrast with USAID and WB, EU combines democracy and good governance, instead of looking at them separately. Furthermore, it is important to mention that EU has the so called “*more for more*” principle, according to which the countries advancing in democracy and human rights reforms receive more assistance (European Commission, 2014). This actually concerns to other direction of the relationship between democracy and development aid. This is to say, that democracy to some extent determines development aid in the case of EU, as the latter tends to give more aid to democratizing countries according to the above-mentioned principle.

To sum up, it can be concluded that in parallel with the expansion of the concept of development and development aid, the integration of politics, specifically democracy promotion, with development aid was reflected quite differently in the policies of different donors. Thus, referring to the examples discussed above, it can be noted that while USAID was among the first donors to combine democracy promotion with development aid, WB refrained itself from politics including mainly administrative and neutral projects under the label of “governance”. As for EU institutions, though democracy and democratic governance were not among the major goals of EU development policy till 2011, they were included in the cooperation programs with Armenia. Additionally, an interesting observation is that, unlike the other two donors, EU combines democracy, human rights, good governance together, looking at democracy and human rights as elements of good governance. As a result it can be concluded that each of the major donors of Armenia had different approaches towards integrating development aid and democracy promotion, which resulted in inconsistency in their development policies from the perspective of democracy assistance.

Findings and Conclusion

Given the highly debatable issue on the relationship between development and democracy, this thesis approached the topic from the perspective of development aid. Particularly based on the case of Armenia the impact of development aid on the level of democracy was discussed for the time period of 2003-2012.

The review of the relevant literature revealed that since 1990s the concept of development and therefore, the idea of development aid expanded, bringing more political perspective into the field. Particularly, after Sen's definition of development as freedom and his concentration on the ends of development instead of its means, development started to be associated with not only economic growth, but also sustainability, human rights and democracy. Apparently, this had to be reflected in the policies of donor agencies, which were nudged to integrate politics into development to certain extent, thus giving a basis for assuming certain relationship between the amount of development aid and level of democracy.

After discussing the general situation in Armenia in terms of democracy as well as development aid received and major donors, the relationship between the mentioned two variables is analyzed, using bivariate correlation. The quantitative analyses revealed that the Pearson Correlation of 0.617 showed a positive relationship between the level of democracy and net development assistance, which is interpreted as a negative relationship considering that any increase in FH scores corresponds to a decrease in terms of democracy. However, the P-value of 0.057 showed that there is no statistically significant relationship between the amount of development aid received and the level of democracy. Therefore based on this analysis, I conclude that for the time period of 2003-2012 there was no correlation between the amount of development aid received and fluctuations in the level of democracy in Armenia.

In order to further this analysis and go deeper in observing the relationship between development aid and democracy in Armenia, development policies of USAID, WB and EU institutions, were critically discussed for the period of studies ten years. The discussion revealed that the three donors have quite different approaches and policies. Thus, despite poverty alleviation being among priority goals of all three donors, the integration of politics with the latter is differently reflected in their objectives and consequently their development policies. Particularly, USAID, being among the first donor agencies to react to the challenges of 1990s, clearly included the promotion of democratic values and practices, human rights in its main objectives and therefore in all development programs. Moreover, the agency highlighted that poverty reduction and promotion of free and democratic societies should not be separated from each other and only the combination of the two can lead to stable and sustained development. In contrast, WB, as one of the biggest multilateral donors, adopted a more neutral approach and refrained itself from direct political engagement. This is to say, that on one hand the mission of the organization continued being focused on ending extreme poverty and promotion of shared prosperity. On the other hand, the organization started to pay attention to public sector management and so called “governance”, while including support to anti-corruption, public accountability and administrative side of governance. However, neither the mission and objectives of the WB group, nor their policies have integrated democracy or democratic governance as a priority and moreover necessity for development.

The discussion of the third donor, namely EU institutions, revealed a different picture. It is important to note that EU institutions agreed on a common development policy mainly aimed at eradication of poverty while discussing it in the context of sustainable development. This objective of EU development policy did not put democracy, democratic governance or human rights among the priorities of EU development policy. However, a vital policy shift occurred

in 2011 when the “Agenda for change” was introduced. This new agenda pointed out the need for more targeted development policy, trying to address that EU’s increased impact on human rights and democracy. Thus, since 2011 democracy and human rights promotion became an inherent part of EU development policy. It is of crucial importance to note, that with the above mentioned policy shift EU not only puts together democracy, human rights and poverty eradication, but regards human rights and democracy as elements of good governance. Thus, it can be concluded that EU to some extent combines the approaches of the other two donors discussed, emphasizing that democracy and governance go hand in hand with each other and accordingly EU development policy, since 2011, is targeted at both.

When looking at the programs and projects of USAID, WB and EU, which were implemented in Armenia from 2003 to 2012, it can be concluded that the above mentioned policies are generally confirmed with the exception of the case of EU institutions. In other words, USAID projects in Armenia have been largely targeted at human rights, democracy and governance. It is important to notice that though USAID mission and objectives do not include governance, it was reflected in the projects of the organization. In case of the WB, emphasis on poverty reduction, rural development, infrastructure and social services is noticed. While not having democracy promotion as a priority of the organization, public sector management and governance are paid appropriate attention. As for the EU, 2007-2010 and 2011-2013 NIPs were discussed and compared, revealing that the program of 2007-2010 includes democracy, human rights, rule of law among the priority areas. This is to say, that though democracy promotion was not mentioned among the main objectives of EU development policy before the “Agenda for Change”, EU largely promoted democracy, human rights, rule of law in Armenia.

To sum up, it can be concluded that the three major donors of Armenia, namely USAID, WB and EU have quite different approaches towards combining development assistance with democracy promotion. This is to say that the integration of development with politics is present at different extents in each of the organization. Whereas USAID and EU include democracy assistance among their main priorities and therefore their projects aim at democracy promotion and democratization, WB is principally different. The Bank reacted to challenges of the 1990s by focusing attention to governance, but did not get engaged with democracy and democracy promotion. Therefore, it can be concluded that each of the donors of Armenia had quite different objectives and different approaches which speaks about the inconsistency of their development policies. This is to say that though some donors prioritize democracy assistance together with development aid, the absence of consistent policies of major donors undermined the impact that more targeted development policies could have on democratization of Armenia, resulting in no significant impact of development aid on the level of democracy.

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